Canadian Solar Inc.
Form 20-F
April 28, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

(Mark One)

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

OR

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2013.

OR

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

OR

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report
For the transition period from to
Commission file number: 001-33107

CANADIAN SOLAR INC.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)
Canada

(Jurisdiction of incorporation or organization)

545 Speedvale Avenue West
Guelph, Ontario, Canada N1K 1E6

(Address of principal executive offices)

Michael G. Potter, Chief Financial Officer
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Guelph, Ontario, Canada N1K 1E6
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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of Each Class	**Name of Each Exchange on Which Registered**
Common shares with no par value	The NASDAQ Stock Market LLC (The NASDAQ Global Select Market)

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

(Title of Class)

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

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

51,034,343 common shares issued and outstanding which were not subject to restrictions on voting, dividend rights and transferability, as of December 31, 2013.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

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

Large accelerated filer o Accelerated filer ý Non-accelerated filer o

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: U.S. GAAP ý International Financial Reporting Standards as issued by the International Accounting Standards Board o Other o

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 o Item 18 o

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

Yes o No ý

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes o No o

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INTRODUCTION

Unless otherwise indicated, references in this annual report on Form 20-F to:

"CSI," "we," "us," "our company" and "our" are to Canadian Solar Inc., a Canadian company, its predecessor entities and its consolidated subsidiaries;

"$," "US$" and "U.S. dollars" are to the legal currency of the United States;

"RMB" and "Renminbi" are to the legal currency of China;

"C$," "CAD" and "Canadian dollars" are to the legal currency of Canada;

"€" and "Euro" are to the legal currency of the European Economic and Monetary Union;

"W," "kW," "MW" and "GW" are to watts, kilowatts, megawatts and gigawatts, respectively;

"AC" and "DC" are to alternating current and direct current, respectively;

"PV" is to photovoltaic. The photovoltaic effect is a process by which sunlight is converted into electricity;

"shares" refers to common shares, with no par value, of Canadian Solar Inc.;

"China" and the "PRC" are to the People's Republic of China, excluding, for the purposes of this annual report on Form 20-F, Taiwan and the special administrative regions of Hong Kong and Macau; and

"EU" refers to the European Union.

This annual report on Form 20-F includes our audited consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 and as of December 31, 2012 and 2013.

We use the noon buying rate in The City of New York for cable transfers in Renminbi, Euros and Canadian dollars per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York to translate Renminbi, Euros and Canadian dollars to U.S. dollars not otherwise recorded in our consolidated financial statements and included elsewhere in this annual report. Unless otherwise stated, the translation of Renminbi, Euros and Canadian dollars into U.S. dollars was made by the noon buying rate in effect on December 31, 2013, which was RMB6.0537 to $1.00, €0.7257 to $1.00, and C$1.0637 to $1.00. We make no representation that the Renminbi, Euro, Canadian dollar, or U.S. dollar amounts referred to in this annual report on Form 20-F could have been or could be converted into U.S. dollars, Euros, Canadian dollars or Renminbi, as the case may be, at any particular rate or at all. See "Item 3. Key Information D. Risk Factors Risks Related to Our Company and Our Industry Fluctuations in exchange rates could adversely affect our business, including our financial condition and results of operations."

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FORWARD-LOOKING INFORMATION

This annual report on Form 20-F contains forward-looking statements that relate to future events, including our future operating results, our prospects and our future financial performance and condition, results of operations, business strategy and financial needs, all of which are largely based on our current expectations and projections. These forward-looking statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these statements by terminology such as "may," "will," "expect," "anticipate," "future," "intend," "plan," "believe," "estimate," "is/are likely to" or similar expressions. Forward-looking statements involve inherent risks and uncertainties. These forward-looking statements include, among other things, statements relating to:

- our expectations regarding the worldwide demand for electricity and the market for solar power;
- our beliefs regarding the importance of environmentally friendly power generation;
- our expectations regarding governmental support for solar power;
- our beliefs regarding the rate at which solar power technologies will be adopted and the continued growth of the solar power industry;
- our beliefs regarding the competitiveness of our solar power products;
- our expectations with respect to increased revenue growth and improved profitability;
- our expectations regarding the benefits to be derived from our supply chain management and vertical integration manufacturing strategy;
- our ability to continue developing our in-house solar components production capabilities and our expectations regarding the timing and production capacity of our internal manufacturing programs;
- our ability to secure adequate volume of silicon, solar wafers and cells at competitive cost to support our solar module production;
- our beliefs regarding the effects of environmental regulation;
- our future business development, results of operations and financial condition;
- competition from other manufacturers of solar power products and conventional energy suppliers;
- our ability to expand our products and business lines, including the total solutions business;
- our ability to develop, build and sell solar power projects in Canada, the U.S., Japan, China and elsewhere; and

our beliefs with respect to the outcomes of the investigations and litigations to which we are a party.

Known and unknown risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by forward-looking statements. See "Item 3. Key Information D. Risk Factors" for a discussion of some risk factors that may affect our business and results of operations. These risks are not exhaustive. Other sections of this annual report may include additional factors that could adversely influence our business and financial performance. Moreover, because we operate in an emerging and evolving industry, new risk factors may emerge from time to time. We cannot predict all risk factors, nor can we assess the impact of these factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those expressed or implied in any forward-looking statement. We do not undertake any obligation to update or revise the forward-looking statements except as required under applicable law.

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PART I

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

Not applicable.

ITEM 2. *OFFER STATISTICS AND EXPECTED TIMETABLE*

Not applicable.

ITEM 3. *KEY INFORMATION*

A. Selected Financial Data

Selected Consolidated Financial and Operating Data

The following selected statement of operations data for the years ended December 31, 2011, 2012 and 2013 and balance sheet data as of December 31, 2012 and 2013 have been derived from our consolidated financial statements, which are included elsewhere in this annual report on Form 20-F. You should read the selected consolidated financial and operating data in conjunction with those financial statements and the related notes and "Item 5. Operating and Financial Review and Prospects" included elsewhere in this annual report on Form 20-F.

Our selected consolidated statement of operations data for the years ended December 31, 2009 and 2010 and our consolidated balance sheet data as of December 31, 2009, 2010 and 2011 were derived from our consolidated financial statements that are not included in this annual report.

All of our financial statements are prepared and presented in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. Our historical results are not necessarily indicative of results for any future periods.

	For the years ended, or as of, December 31,				
	2009	2010	2011	2012	2013
	(In thousands of $, except share and per share data, and operating data and percentages)				
Statement of operations data:					
Net revenues	630,961	1,495,509	1,898,922	1,294,829	1,654,356
Income (loss) from operations	6,512	120,299	6,833	(142,516)	130,816
Net income (loss)	22,778	50,828	(90,903)	(195,155)	45,565
Net income (loss) attributable to Canadian Solar Inc.	22,646	50,569	(90,804)	(195,469)	31,659
Earnings (loss) per share, basic	0.61	1.18	(2.11)	(4.53)	0.68
Shares used in computation, basic	37,137,004	42,839,356	43,076,489	43,190,778	46,306,739
Earnings (loss) per share, diluted	0.60	1.16	(2.11)	(4.53)	0.63
Shares used in computation, diluted	37,727,138	43,678,208	43,076,489	43,190,778	50,388,284
Other financial data:					
Gross margin	12.4%	15.3%	9.6%	7.0%	16.7%
Operating margin	1.0%	8.0%	0.4%	(11.0)%	7.9%
Net margin	3.6%	3.4%	(4.8)%	(15.1)%	2.8%

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	For the years ended, or as of, December 31,				
	2009	2010	2011	2012	2013
	(In thousands of $, except share and per share data, and operating data and percentages)				
Selected operating data:					
Solar power products sold (in MW)					
Solar module business	296.6	779.1	1,265.6	1,490.1	1,736.1
Total solutions business[1]	0.6	24.4	56.9	53.0	157.9
Total	297.2	803.5	1,322.5	1,543.1	1,894.0
Average selling price (in $ per watt)					
Solar module business	2.13	1.80	1.34	0.77	0.67
Balance Sheet Data:					
Net current assets (liabilities)	239,047	259,332	59,131	(98,046)	(59,003)
Total assets	1,038,703	1,423,367	1,879,809	2,259,313	1,719,356
Net assets	466,001	534,984	466,978	301,583	401,498
Long-term borrowings	29,290	69,458	88,249	214,563	151,392
Convertible notes	866	906	950		
Common shares	500,322	501,146	502,403	502,562	
Number of shares outstanding	42,745,360[2]	42,893,044	43,155,767	43,242,426	51,034,343

(1) Total solutions business consists primarily of solar power project development, engineering, procurement and construction, or EPC, services, operating and maintenance, or O&M, services and sales of solar system kits.

(2) Excludes 29,125 restricted shares, which were subject to restrictions on voting and dividend rights and transferability as of December 31, 2009, respectively.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to Our Company and Our Industry

We may be adversely affected by volatile solar power market and industry conditions; in particular, the demand for our solar power products may decline, which may reduce our revenues and earnings.

We are influenced by conditions in the solar power market and industry. In 2010, demand for solar power products increased and many manufacturers increased their production capacity accordingly as the effects of the global financial crisis subsided. In 2011, a decrease in payments to solar power producers in the form of feed-in tariffs and other reimbursements, a reduction in available financing and an excess supply of solar modules worldwide put severe downward pressure on solar module prices in European and other markets. As a result, many solar power project developers, solar system installers and solar power product distributors that purchase solar power products, including solar modules from manufacturers like us, were adversely affected and their financial condition weakened. Although our shipments increased year-over-year in 2012 and 2013, average selling prices for our solar modules continued to decline. In 2012, oversupply conditions across the value chain, difficult economic

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conditions in Europe as well as escalating foreign trade disputes in the U.S., Europe, India and China affected industry-wide demand and put continued pressure on average selling prices, resulting in lower revenue for many industry participants. If the supply of solar modules grows faster than demand, and if governments continue to reduce financial support for the solar industry and impose trade barriers, demand for our products as well as our average selling price could be materially and adversely affected.

The challenging industry environment in 2012 caused many solar product manufacturers to reduce production or shut down capacity across the value chain, which has helped to stabilize and more recently strengthen average selling prices for solar modules in many markets. However, we cannot assure you that, as average selling prices stabilize and strengthen, solar product manufacturers will not again increase production, which could potentially further reduce prices.

Demand in Europe generally remains weak as a result of reductions in feed-in-tariffs in Germany and the elimination of feed-in-tariffs in Italy, the two largest European markets over the past several years. Although demand in other regions, including China, Japan, the U.S. and India, as well as many other emerging markets in Asia, the Middle East and Africa, is expected to offset the decline in European demand, we cannot assure you that this demand will occur or, if it does, will be sustainable or that any recent positive trends in supply or demand balance will persist.

The demand for solar power products is influenced by macroeconomic factors, such as global economic conditions, demand for electricity, the supply and prices of other energy products, such as oil, coal and natural gas, as well as government regulations and policies concerning the electric utility industry, the solar and other alternative energy industries and the environment. For example, a reduction in oil and coal prices may reduce the demand for alternative energy. During 2011, 2012 and 2013, a decrease in solar power tariffs and a difficult financing environment put downward pressure on the price of solar systems in most regions. Solar power prices decreased as governments, forced by the global economic crisis to implement austerity measures, reduced subsidies, such as feed-in tariffs. We may be adversely affected by volatile solar power market and industry conditions. Our growth and profitability depend on the demand for and the prices of solar power products.

If the supply of solar wafers and cells increases in line with increases in the supply of polysilicon, then the corresponding oversupply of solar cells and modules may cause substantial downward pressure on the prices of our products and reduce our revenues and earnings.

Silicon production capacity has expanded rapidly in recent years. As a result of this expansion, coupled with the global economic downturn, the solar industry experienced an oversupply of high-purity silicon beginning in 2009, which contributed to an oversupply of solar wafers, cells and modules and resulted in substantial downward pressure on prices throughout the value chain. Demand for solar power products remained soft through 2012 but began to pick up in the second half of 2013. The average selling price of our solar modules decreased from $1.80 per watt in 2010 to $1.34 per watt in 2011, $0.77 per watt in 2012 and $0.67 per watt in 2013, in large part because the increase in the supply of solar cells and modules was greater than the increase in the demand thus putting pressure on solar power products across all stages of the value chain. As a result of the decline in our solar module selling prices, our revenue declined in 2012, even though our solar module shipment volume for the year increased. In addition, because solar module selling prices declined at a rapid rate, we suffered losses in the form of inventory write-downs, as the market price of modules consistently fell below the carrying cost of our inventory. Lower price realizations and inventory write-downs in 2012 put downward pressure on our gross profit and operating margins. Continued increases in solar module production in excess of market demand may result in further downward pressure on the price of solar wafers, cells and modules, including our products. Increasing competition could also result in us losing sales or market share. Moreover, due to fluctuations in the supply and price of solar power products throughout the value chain, we cannot assure you that we will be able, on an ongoing basis, to procure silicon, wafers and cells at reasonable costs if any of the above risks materializes. If we are unable, on

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an ongoing basis, to procure silicon, solar wafers and solar cells at reasonable prices or mark up the price of our solar modules to cover our manufacturing and operating costs, our revenues and margins will continue to be adversely impacted, either due to higher costs compared to our competitors or due to further write-downs of inventory, or both. In addition, our market share could decline if our competitors are able to price their products more competitively.

The execution of our growth strategy depends upon the continued availability of third-party financing arrangements for our customers, which is affected by general economic conditions. Tight credit markets could depress demand or prices for solar power products, hamper our expansion and materially affect our results of operations.

General economic conditions, liquidity and the availability and cost of capital could materially and adversely affect our business and results of operations. Most solar power projects, including our own, require financing for development and construction with a mixture of equity and third party funding. The cost of capital affects both the demand and price of solar power systems. A high cost of capital may materially reduce the internal rate of return for solar power projects and therefore put downward pressure on the prices of both solar systems and solar modules, which typically comprise a major part of the cost of solar power projects.

Furthermore, solar power projects compete for capital with other forms of fixed income investments such as government and corporate bonds. Some classes of investors compare the returns of solar power projects with bond yields and expect a similar or higher internal rate of return, adjusted for risk and liquidity. Higher interest rates could render existing funding more expensive and present an obstacle for potential funding that would otherwise spur the growth of the solar power industry. In addition, higher bond yields could result in increased yield expectations for solar power projects, which would result in lower system prices. In the event that suitable funding is unavailable, our customers may be unable to pay for products they have agreed to purchase. It may also be difficult to collect payments from customers facing liquidity challenges due to either customer defaults or financial institution defaults on project loans. Constricted credit markets may impede our expansion and materially and adversely affect our results of operations. Concerns about government deficits and debt in the EU have increased bond spreads in certain solar markets, such as Greece, Spain, Italy and Portugal. The cash flow of a solar power project is often derived from government-funded or government-backed feed-in tariffs. Consequently, the availability and cost of funding solar power projects is determined in part based on the perceived sovereign credit risk of the country where a particular project is located. Therefore, credit agency downgrades of nations in the EU could decrease the credit available for solar power projects, increase the expected rate of return compared to bond yields, and increase the cost of debt financing for solar power projects in countries with a higher perceived sovereign credit risk.

As a result, many downstream purchasers of solar power products were unable to secure sufficient financing for their solar power projects and thus many purchasers of solar power products were unable or unwilling to expand their operations. In light of the uncertainty in the global credit and lending environment, we cannot make assurances that financial institutions will continue to offer funding to solar power project developers at reasonable costs. An increase in interest rates or a decrease in funding of capital projects within the global financial market could make it difficult to fund solar power systems and potentially reduce the demand for solar modules and/or reduce the average selling prices for solar modules, which may materially and adversely affect our business, results of operations, financial condition and prospects.

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Our future success depends partly on our ability to expand the pipeline of our total solutions business in several key markets, which exposes us to a number of risks and uncertainties.

Historically, the solar module business has accounted for the majority of our net revenues 89.1%, 88.5% and 71.4% in 2011, 2012 and 2013, respectively. However, we have, in recent years, increased investment in, and management attention on our total solutions business, which consists primarily of solar power project development, EPC services, O&M services and sales of solar system kits. As we continue to expand our business into the downstream segment of the industry, we expect that, in 2014, our total solutions business will account for approximately 50% of our net revenues, an increase from 28.6% in 2013 and 11.5% in 2012.

As a greater portion of our net revenues is derived from out total solutions business, we will be increasingly exposed to the risks associated with this business. Further, our future success largely depends on our ability to expand our solar power project pipelines. The risks and uncertainties associated with our total solutions business and our ability to expand our solar power project pipelines include:

- the uncertainty of being able to sell the projects, receive full payment for them upon completion, or receive payment in a timely manner;
- the need to raise significant additional funds to develop greenfield or purchase late-stage solar power projects, which we may be unable to obtain on commercially reasonable terms or at all;
- delays and cost overruns as a result of a number of factors, many of which are beyond our control, including delays in regulatory approvals, construction, grid-connection and customer acceptance testing;
- delays or denial of required regulatory approvals by relevant government authorities;
- diversion of significant management attention and other resources; and
- failure to execute our project pipeline expansion plan effectively.

If we are unable to successfully expand our total solutions business, and in particular, our solar power project pipelines, we may be unable to expand our business, maintain our competitive position, improve our profitability, and generate the cash flows we have currently forecasted.

Governments may revise, reduce or eliminate subsidies and economic incentives for solar energy, which could cause demand for our products to decline.

The market for on-grid applications, where solar power supplements the electricity a customer purchases from the utility network or sells to a utility under a feed-in tariff, depends largely on the availability and size of government subsidy programs and economic incentives. At present, the cost of solar power exceeds retail electricity rates in many locations. Government incentives vary by geographic market. Government bodies in many countries, most notably Germany, Italy, the Czech Republic, the United States, Japan, Canada (Ontario), South Korea, Greece, France, Australia and Spain, have provided incentives in the form of feed-in tariffs, rebates, tax credits, renewable portfolio standards and other incentives. These governments have implemented mandates to end-users, distributors, system integrators and manufacturers of solar power products to promote the use of solar energy in on-grid applications and to reduce dependency on other forms of energy. Some of these government mandates and economic incentives, such as the German Renewable Energy Law, are scheduled to be reduced and could be altered or eliminated altogether through new legislation. Beginning in July 2013, Italy, an important market for solar power products over the past several years, stopped paying feed-in-tariffs on new solar power systems. Many other countries in Europe have also reduced or eliminated their solar energy subsidies in the past few years and it is likely that this trend will continue, possibly until subsidies for solar energy are phased out completely.

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While solar power projects may continue to offer attractive internal rates of return, it is unlikely internal rates of return will be as high as they were in the past. If internal rates of return fall below an acceptable rate for project investors, and governments continue to reduce or eliminate subsidies, this may cause a decrease in demand and considerable downward pressure on solar systems and therefore negatively impact both solar module prices and the value of our solar power projects. The reduction, modification or elimination of government mandates and economic incentives in one or more of our markets could therefore materially and adversely affect the growth of such markets or result in increased price competition, either of which could cause our revenues to decline and harm our financial results.

Long-term supply agreements may make it difficult for us to adjust our raw material costs should prices decrease. Also, if we terminate any of these agreements, we may not be able to recover all or any part of the advance payments we have made to these suppliers and we may be subject to litigation.

In 2007 and 2008, we entered into a number of long-term supply agreements with several silicon and wafer suppliers in order to secure a stable supply of raw materials to meet our production requirements. These suppliers included GCL-Poly Energy Holdings Limited, or GCL, Neo Solar Power Corp., or Neo Solar, Deutsche Solar AG, or Deutsche Solar, Jiangxi LDK Solar Hi-Tech Co., Ltd., or LDK, and a UMG-Si supplier.

Under our supply agreements with certain silicon wafer suppliers, and consistent with historical industry practice, we make advance payments prior to scheduled delivery dates. These advance payments are made without collateral and are credited against the purchase prices payable by us. As of December 31, 2013, the balance of advance payments that we have made to GCL, Deutsche Solar, LDK and the UMG-Si supplier totaled $47.7 million.

We purchased the contracted volume for 2009 under our 12-year supply agreement with Deutsche Solar, but did not purchase the contracted volumes for 2010 and 2011. The agreement contains a provision stating that, if we do not order the contracted volume in a given year, Deutsche Solar can invoice us for the difference at the full contract price. We believe that the take-or-pay provisions of the agreement are void under German law. In December 2011, Deutsche Solar gave notice to us to terminate the 12-year wafer supply agreement with immediate effect. Deutsche Solar stated that the reason for the termination was an alleged breach of the agreement by us. In the notice, Deutsche Solar reserved its right to claim damages of €148.6 million in court. As a result of the termination, we reclassified the accrued loss on firm purchase commitments reserve of $27.9 million as of December 31, 2011 to loss contingency accruals. In addition, we made a full bad debt allowance of $17.4 million against the balance of advance payments to Deutsche Solar. The accrued amount of $27.9 million represents our best estimate for our loss contingency. Deutsche Solar did not specify the basis for its claimed damages of €148.6 million in the notice.

In 2007, we entered into a three-year agreement with LDK under which we purchased specified quantities of silicon wafers and LDK converted our reclaimed silicon feedstock into wafers. In June 2008, we entered into two 10-year wafer supply agreements with LDK, under which we agreed to purchase specified volumes of wafers at pre-determined prices each year, commencing January 1, 2009. In April 2010, we gave LDK a termination notice for these supply agreements on the grounds that they refused to deduct from the selling price the deposits paid by us previously. We also initiated arbitration proceedings against LDK under the agreements, seeking a refund of the initial deposits that we paid to them. In December 2012, the Shanghai Branch of the China International Economic and Trade Arbitration Commission, or CIETAC Shanghai Branch, awarded RMB248.9 million plus RMB2.2 million in arbitration expenses in favor of LDK, including RMB60.0 million of previously paid deposits. In May 2013, the Suzhou Intermediate Court dismissed a request by LDK to enforce this arbitration award. However, the Jiangsu Provincial High Court has ordered that this dismissal by the Suzhou Intermediate Court be subject to a retrial which we expect will occur in May 2014. See "Item 8.

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Financial Information A. Consolidated Statements and Other Financial Information Legal and Administrative Proceedings." We recorded a full bad debt allowance against this initial deposit in 2009. We made a loss provision totaling RMB188.9 million in 2012 following the arbitration award in favor of LDK but reversed this provision following the Suzhou Intermediate Court's May 2013 decision to dismiss a request by LDK to enforce the arbitration award against us. Although we dispute the merits of the proceedings brought against us by LDK and will defend ourselves vigorously against these claims, if the Suzhou Intermediate Court reverses its May 2013 decision, we would be liable for a payment of RMB191.2 million ($31.6 million) to LDK and we currently do not have any provision in our accounts for this amount. We cannot assure you that the courts will find in our favor or that LDK will not attempt to bring additional claims against us, the outcomes of which could potentially have an adverse effect on our results of operations and financial condition. In March 2014, LDK filed an application for arbitration with the China International Economic and Trade Arbitration Commission, or CIETAC, in Shanghai, seeking (1) compensation of RMB530.0 million ($87.5 million) for economic losses (including losses of potential profits) caused by the alleged breach of the June 2008 agreements; (2) attorney fees of RMB1.2 million ($0.2 million); and (3) arbitration expenses. CIETAC sent the Notice of Arbitration to us on April 8, 2014 to which we plan to make a timely response. The claims stated in the new application for arbitration overlap with the previous action that CIETAC Shanghai Branch has already decided upon, and which the Suzhou Intermediate Court refused to enforce. We believe that we will succeed in persuading CIETAC to postpone consideration of the new application for arbitration until the Suzhou Intermediate Court issues its decision.

Due to the default of a UMG-Si supplier in delivering its contracted volumes for 2010 and concerns regarding its financial position, we concluded that we were not likely to purchase any significant quantity of UMG-Si from this supplier in the future and made a full bad debt allowance against the advance payments of RMB64 million to the UMG-Si supplier in 2010.

In the future, we may enter into additional long-term supply agreements for silicon wafers or solar cells with fixed price and quantity terms. If, during the term of these agreements, the price of materials decreases significantly and we are unable to renegotiate favorable terms with our suppliers, we may be placed at a competitive disadvantage compared to our competitors, and our earnings could decline. In addition, if demand for our solar power products decreases, yet our supply agreements require us to purchase more polysilicon than required to meet customer demand, we may incur costs associated with carrying excess inventory. To the extent that we are not able to pass these increased costs on to our customers, our business, cash flows, financial condition and results of operations may be materially and adversely affected. If our suppliers file lawsuits against us for early termination of these contracts, such events could be costly, may divert management's attention and other resources away from our business, and could have a material and adverse effect on our reputation, business, financial condition, results of operations and prospects.

Existing regulations and policies, and changes to these regulations and policies, may present technical, regulatory and economic barriers to the purchase and use of solar power products, which may significantly reduce demand for our products and services.

The market for electricity generation products in the countries where we sell our products is heavily influenced by federal, state and local government regulations and policies concerning the electric utility industry, as well as policies disseminated by electric utilities. These regulations and policies often relate to electricity pricing and technical interconnection of customer-owned electricity generation, and could deter further investment in the research and development of alternative energy sources as well as customer purchases of solar power technology, which could result in a significant reduction in the potential demand for our solar power products. We expect that our solar power products and installation will continue to be subject to federal, state and local regulations and policies relating to safety, utility interconnection and metering, construction, environmental protection, and

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other related matters. Any new regulations or policies pertaining to our solar power products may result in significant additional expenses to us, our resellers and customers, which could cause a significant reduction in demand for our solar power products.

Because the markets in which we compete are highly competitive and many of our competitors have greater resources than we do, we may not be able to compete successfully and we may not be able to maintain or increase our market share.

We have a large number of competitors, including non-China-based competitors such as First Solar, Inc., or First Solar, and Sharp Solar Corporation, or Sharp Solar, and China-based competitors such as Yingli Green Energy Holding Company Limited, or Yingli, Trina Solar Limited, or Trina, and JinkoSolar Holding Co., Limited, or Jinko. Some of our competitors are developing or are currently producing products based on new solar power technologies that may ultimately have costs similar to or lower than our projected costs. These include products based on thin film PV technology, which requires either no silicon or significantly less silicon to produce than crystalline silicon solar modules, such as the ones that we produce, and is less susceptible to increases in silicon costs. Some of our competitors have longer operating histories, greater name and brand recognition, access to larger customer bases, greater resources and significantly greater economies of scale than we do. In addition, some of our competitors may have stronger relationships or may enter into exclusive relationships with some of the key distributors or system integrators to whom we sell our products. As a result, they may be able to respond more quickly to changing customer demands or devote greater resources to the development, promotion and sales of their products. Some of our competitors have more diversified product offerings, which may better position them to withstand a decline in demand for solar power products. Some of our competitors are more vertically integrated than we are, from upstream silicon wafer manufacturing to solar power system integration. This may allow them to capture higher margins or have lower costs. In addition, new competitors or alliances among existing competitors could emerge and rapidly acquire significant market share. If we fail to compete successfully, our business will suffer and we may not be able to maintain or increase our market share.

If sufficient demand for solar power products does not develop or takes longer to develop than we anticipate, our revenues may not increase or may continue to decline, and we may be unable to sustain our profitability.

The solar power market is still at a relatively early stage of development and future demand for solar power products is uncertain. Market data for the solar power industry is not as readily available as for more established industries, where trends are more reliably assessed from data gathered over a longer period of time. In addition, demand for solar power products in our targeted markets, including Germany, the U.S., Japan, China, Canada, Spain, Korea, the United Kingdom, Italy, India and France may not develop or may develop to a lesser extent than we anticipate. Many factors may affect the viability of solar power technology and the demand for solar power products, including:

- the cost-effectiveness, performance and reliability of solar power products, including our solar power projects, compared to conventional and other renewable energy sources and products;
- the availability of government subsidies and incentives to support the development of the solar power industry;
- the availability and cost of capital, including long-term debt and tax equity, for solar power projects;
- the success of other alternative energy technologies, such as wind power, hydroelectric power, geothermal power and biomass fuel;

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- fluctuations in economic and market conditions that affect the viability of conventional and other renewable energy sources, such as increases or decreases in the prices of oil, gas and other fossil fuels;
- capital expenditures by end users of solar power products, which tend to decrease when the economy slows; and
- the availability of favorable regulation for solar power within the electric power industry and the broader energy industry.

If solar power technology is not suitable for widespread adoption or if sufficient demand for solar power products does not develop or takes longer to develop than we anticipate, our revenues may suffer and we may be unable to sustain our profitability.

We face risks associated with the marketing, distribution and sale of our solar power products internationally.

The international marketing, distribution and sale of our products expose us to a number of risks, including:

- fluctuating sources of revenues;
- the difficulties staffing and managing overseas operations;
- fluctuations in foreign currency exchange rates;
- differing regulatory and tax regimes across different markets;
- the increased cost of understanding local markets and trends and developing and maintaining an effective marketing and distribution presence in various countries;
- the difficulty of providing customer service and support in various countries;
- the difficulty of managing our sales channels effectively as we expand beyond distributors to include direct sales to systems integrators, end users and installers;
- the difficulty of managing the development, construction and sale of our solar power projects on a timely and profitable basis as a result of technical difficulties, commercial disputes with our customers, changes in regulations among other factors;
- the difficulties and costs of complying with the different commercial, legal and regulatory requirements in the overseas markets in which we operate;
- any failure to develop appropriate risk management and internal control structures tailored to overseas operations;
- any inability to obtain, maintain or enforce intellectual property rights;

any unanticipated changes in prevailing economic conditions and regulatory requirements; and

any trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries.

If we are unable to effectively manage these risks, our ability to expand our business abroad could suffer.

Our revenue sources have fluctuated significantly over recent years. For example, in 2008, 89.5% of our revenues were attributable to Europe, while only 4.6% and 5.9% were attributable to the Americas and Asia and others, respectively. However, in 2013, Europe contributed only 10.9% of our revenues, while the Americas contributed 35.6% and Asia and others contributed 53.5%. As we shift the focus of our operations between different regions of the world, we have limited time to prepare for and address the risks identified above. Furthermore, some of these risks, such as currency fluctuations, will increase as our revenue contribution from certain global regions become more prominent. This may adversely influence our financial performance.

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Our significant international operations expose us to a number of risks, including unfavorable political, regulatory, labor and tax conditions in the countries where we operate.

We intend to continue to extend our global reach and capture market share in key global markets. In doing so, we could be exposed to various risks, including political, regulatory, labor and tax risks. Furthermore, we may need to make substantial investments in our overseas operations, both initially and on an ongoing basis, in order to attain longer-term sustainable returns. These investments could negatively impact our financial performance before sustainable profitability is recognized.

Imposition of anti-dumping and countervailing orders in one or more markets may result in additional costs to our customers, which could materially or adversely affect our business, results of operations, financial conditions and future prospects.

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. We were identified as one of a number of Chinese exporting producers of the subject goods to the U.S. market. We also have 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, we are 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 us were 13.94% (anti-dumping duty) and 15.24% (countervailing duty). We paid all the cash deposits due under these determinations. The rates at which duties will be assessed and payable are subject to ongoing administrative review pursuant to a request by SolarWorld AG and may differ from the announced deposit rates. These duties could materially and adversely affect our affiliated U.S. import operations and increase our cost of selling into the United States, thus adversely affecting our export sales to the United States, which is one of our growing markets. A number of parties have challenged the rulings of the USDOC and the USITC in appeals to the U.S. Court of International Trade. Decisions on those appeals are not expected before the end of 2014.

On December 31, 2013, the U.S. unit of SolarWorld AG filed a new trade action with 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 USITC completed its preliminary phase investigation on February 14, 2014, and the USDOC's preliminary phase investigations are ongoing, with decisions currently expected in June. We were identified as one of a number of Chinese producers exporting subject goods to the U.S. market. We also have 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 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

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initiated an anti-subsidy investigation on these products. In each investigation, we were identified as one of a number of Chinese exporting producers of these products to the EU market. We also have 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 our products sold into the EU, so long as we 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. We completed and submitted a "sampling questionnaire" and were chosen by the Indian authorities to be a sampled company. We submitted the data and our submitted data was subject to on-site verification by the Indian authorities from March 22, 2014 to March 26, 2014. The last stage of the investigation is the issuance of the final findings, which are due by the end of May 2014. This document will set forth its conclusions on product, dumping, injury and causal link, along with recommendations for any anti-dumping duties.

On January 20, 2014, China's Ministry of Commerce announced definitive anti-dumping and countervailing duties on imports of solar-grade polysilicon from the United States and South Korea. The anti-dumping duty rates are as high as 57% for U.S. suppliers and 48.7% for South Korean suppliers, while the countervailing duty rate is as high as 2.1% for certain U.S. suppliers. These duties did not materially increase our cost of production in 2013, and we will continue to evaluate whether to source any significant amount of our polysilicon from the United States or South Korea during 2014.

We cannot guarantee that these duties will not have a material and adverse effect in the event we begin to source a significant amount of polysilicon from these countries.

The U.S. and Europe are important markets for us, and we view India as a promising emerging market. Europe contributed 65.0%, 50.7% and 10.9% of our revenues for the years ended December 31, 2011, 2012 and 2013, respectively. The United States contributed 10.1%, 19.6% and 13.0% of our revenues for the years ended December 31, 2011, 2012 and 2013, respectively. Imposition of anti-dumping and countervailing duties in these markets may result in additional costs to us and/or our customers, which may materially and adversely affect our business, results of operations, financial conditions and future prospects.

We face risks related to an ongoing SEC investigation.

In 2010, we 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 us in advance of our follow-on offering in October 2009. As part of its investigation, the SEC requested that we voluntarily provide certain documents and other information. We have been fully cooperating with the SEC and are 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 Exchange Act. We cannot predict the outcome of the SEC's investigation. If we are unable to agree to a satisfactory resolution with the SEC, the SEC could issue a Wells notice to us and one or more of our officers asking us and one or more of our officers to provide a submission detailing why we believe 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 us or any of our 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

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resolution of the SEC investigation could be time-consuming and expensive and distracting to our business and management. The findings and outcome of the SEC investigation may also affect lawsuits that are pending and any future litigation that we may face. In the event that the investigation results in an adversarial action or proceeding being brought against us or any of our officers or directors, our business, reputation and the trading price of our common shares may be adversely affected.

We face risks related to private securities litigation.

Our company and certain of our directors and executive officers have been named as defendants in class action lawsuits in the United States and Canada alleging that our financial disclosures during 2009 and early 2010 were false or misleading and in violation of U.S. federal securities laws and Ontario securities laws, respectively. The lawsuits in the United States were consolidated into one class action, which was dismissed with prejudice by the district court in March 2013, and subsequently affirmed by the circuit court in December 2013. The lawsuit in Canada continues. As a preliminary matter, we challenged the Ontario Court's jurisdiction to hear the plaintiff's claim, but this motion was unsuccessful. The plaintiff has filed motions for class certification and for court approval to assert the statutory cause of action under the Ontario Securities Act, but these motions have not yet been heard. The plaintiff's motions have now been scheduled for hearing in July 2014. There is no guarantee that we will not become party to additional lawsuits. If the case goes to trial, the Canadian action could require significant management time and attention and result in significant legal expenses. In addition, we are generally obligated, to the extent permitted by law, to indemnify our directors and officers who are named defendants in these lawsuits. If we were to lose a class action suit, we may be required to pay judgments or settlements and incur expenses in aggregate amounts that could have a material and adverse effect on our financial condition or results of operations.

Our quarterly operating results may fluctuate from period to period.

Our quarterly operating results may fluctuate from period to period based on a number of factors, including:

- the average selling prices of our solar power products;
- the timing of completion of construction of our solar power projects;
- the rate and cost at which we are able to expand our internal production capacity;
- the availability and cost of solar cells and wafers from our suppliers and toll manufacturers;
- the availability and cost of raw materials, particularly high-purity silicon;
- changes in government incentive programs and regulations, particularly in our key and target markets;
- the unpredictable volume and timing of customer orders;
- the loss of one or more key customers or the significant reduction or postponement of orders;
- the availability and cost of external financing for on-grid and off-grid solar power applications;
- acquisition and investment costs;

the timing of successful completion of customer acceptance testing of our solar power projects;

geopolitical turmoil and natural disasters within any of the countries in which we operate;

foreign currency fluctuations, particularly in the U.S. dollar, Euro, RMB and Canadian dollar;

our ability to establish and expand customer relationships;

changes in our manufacturing costs;

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the timing of new products or technology introduced or announced by our competitors;

fluctuations in electricity rates due to changes in fossil fuel prices or other factors;

allowances for doubtful accounts and advances to suppliers;

inventory write-downs;

long-lived asset impairment;

depreciation charges relating to under-utilized assets;

loss on firm purchase commitments under long-term supply agreements; and

construction progress of solar power projects and related revenue recognition.

We base our planned operating expenses in part on our expectations of future revenues. A significant portion of our expenses will be fixed in the short-term. If our revenues for a particular quarter are lower than we expect, we may not be able to reduce our operating expenses proportionately, which would harm our operating results for the quarter. This may cause us to miss analysts' estimates or any guidance announced by us. If we fail to meet or exceed analysts' estimates, investor expectations or our own future guidance, even by a small amount, our share price could fluctuate and decline, perhaps substantially.

Fluctuations in exchange rates could adversely affect our business, including our financial condition and results of operations.

The majority of our sales in 2013 are denominated in Japanese yen, U.S. dollars and Canadian dollars, with the remainder in other currencies such as Renminbi, Euros and British pounds. Our Renminbi costs and expenses are primarily related to the sourcing of solar cells, silicon wafers and silicon, other raw materials, toll manufacturing fees, labor costs and local overhead expenses within the PRC. From time to time, we enter into loan arrangements with Chinese commercial banks that are denominated primarily in Renminbi or U.S. dollars. Most of our cash and cash equivalents are denominated in Renminbi. Fluctuations in exchange rates, particularly between the U.S. dollar, Euro, Renminbi, Canadian dollar and Japanese yen, may result in fluctuations in foreign exchange gains or losses. We recorded foreign exchange losses of $40.0 million, $10.7 million and $51.5 million in 2011, 2012 and 2013, respectively.

The value of the Renminbi against the U.S. dollar, Euro and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. In late 2005, China amended its policy of tracking the value of the Renminbi to the U.S. dollar. The new policy permitted the Renminbi to fluctuate against a basket of foreign currencies, which caused the Renminbi to appreciate by approximately 21.5% against the U.S. dollar over the following three years. Since 2008, the Renminbi has fluctuated against other freely traded currencies. In June 2010, the PRC government announced that it would allow greater flexibility for the Renminbi to fluctuate against the U.S. dollar, which resulted in further appreciation of the Renminbi. Between June 30, 2010 and December 31, 2013, the value of the Renminbi appreciated by approximately 12.0% against the U.S. dollar. We cannot provide any assurances that the policy of the PRC government will not affect or the manner in which it may affect the exchange rate between the Renminbi and the U.S. dollar in the future.

Since 2008, we have hedged part of our foreign currency exposures against the U.S. dollar using foreign currency forward or option contracts in order to limit our exposure to fluctuations in foreign exchange rates.

Apart from collateral requirements to enter into hedging contracts, there are also notional limits on the size of the hedging transactions that we may enter into with any particular counterparty at any

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given time. The effectiveness of our hedging program may be limited due to cost effectiveness, cash management, exchange rate visibility and downside protection. We recorded a loss on change in foreign currency derivatives of $5.8 million and $4.4 million in 2011 and 2012, respectively, and a gain on change in foreign currency derivatives of $10.8 million in 2013. The gains or losses on change in foreign currency derivatives are related to our hedging program.

Volatility in foreign exchange rates will hamper, to some extent, our ability to plan our pricing strategy. To the extent that we are unable to pass along increased costs resulting from exchange rate fluctuations to our customers, our profitability may be adversely impacted. As a result, fluctuations in foreign currency exchange rates could have a material and adverse effect on our financial condition and results of operations.

A change in our effective tax rate can have a significant adverse impact on our business.

A number of factors may adversely impact our future effective tax rates, such as the jurisdictions in which our profits are determined to be earned and taxed; changes in the valuation of our deferred tax assets and liabilities; adjustments to provisional taxes upon finalization of various tax returns; adjustments to the interpretation of transfer pricing standards; changes in available tax credits; changes in stock-based compensation expenses; changes in tax laws or the interpretation of such tax laws (for example, proposals for fundamental U.S. international tax reform); changes in U.S. GAAP; expiration or the inability to renew tax rulings or tax holiday incentives; and the repatriation of non-U.S. earnings for which we have not previously provided for U.S. taxes. A change in our effective tax rate due to any of these factors may adversely influence our future results of operations.

Seasonal variations in demand linked to construction cycles and weather conditions may influence our results of operations.

Our business is subject to seasonal variations in demand linked to construction cycles and weather conditions. Purchases of solar power products tend to decrease during the winter months in our key markets, such as Canada, due to adverse weather conditions that can complicate the installation of solar power systems and negatively impact the construction schedules of our solar power projects. Demand from other countries, such as the U.S., Germany, China and South Korea, may also be subject to significant seasonality. Seasonal variations could adversely affect our results of operations and make them more volatile and unpredictable.

Our future success depends partly on our ability to maintain and expand our solar components manufacturing capacity, which exposes us to a number of risks and uncertainties.

Our future success depends partly on our ability to maintain and expand our solar components manufacturing capacity. If we are unable to do so, we may be unable to expand our business, maintain our competitive position, and improve our profitability. Our ability to expand our solar components production capacity is subject to risks and uncertainties, including:

- the need to raise significant additional funds to purchase raw materials and to build additional manufacturing facilities, which we may be unable to obtain on commercially reasonable terms or at all;
- delays and cost overruns as a result of a number of factors, many of which are beyond our control, including delays in equipment delivery by vendors;
- delays or denial of required regulatory approvals by relevant government authorities;
- diversion of significant management attention and other resources; and
- failure to execute our expansion plan effectively.

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If we are unable to maintain and expand our internal production capacity, we may be unable to expand our business as planned. Moreover, even if we do maintain and expand our production capacity, we might still not be able to generate sufficient customer demand for our solar power products to support the increased production levels.

We may be unable to generate sufficient cash flows or have access to external financing necessary to fund planned operations and make adequate capital investments.

We anticipate that our operating and capital expenditures requirements may increase. To develop new products, support future growth, achieve operating efficiencies and maintain product quality, we may need to make significant capital investments in manufacturing technology, facilities and capital equipment, research and development, and product and process technology. We also anticipate that our operating costs may increase as we expand our manufacturing operations, hire additional personnel, increase our sales and marketing efforts, invest in joint ventures and acquisitions, and continue our research and development efforts with respect to our products and manufacturing technologies.

Our operations are capital intensive. We rely on working capital financing primarily from PRC commercial banks for our daily operations. Although we are currently able to obtain new working capital financing from PRC commercial banks, we cannot guarantee that we will continue to be able to do so on commercially reasonable terms or at all. See " Our dependence on Chinese banks to extend our existing loans and provide additional loans exposes us to funding risks, which may materially and adversely affect our operations." Also, even though we are a publicly-traded company, we may not be able to raise capital via public equity and debt issuances due to market conditions and other factors, many of which are beyond our control. Our ability to obtain external financing is subject to a variety of uncertainties, including:

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

If we are unable to obtain funding in a timely manner and on commercially acceptable terms, our growth prospects and future profitability may be adversely affected.

Our construction of solar power projects may require us to obtain project financing. There can be no assurance that we will be able to obtain project financing on terms acceptable to us or at all. If we are unable to obtain project financing, or if it is only available on terms which are not acceptable to us, we may be unable to fully execute our business plan. In addition, we generally expect to sell our projects to tax-oriented, strategic industry and other investors. Such investors may not be available or may only have limited resources, in which case our ability to sell our projects may be hindered or delayed and our business, financial condition, and results of operations may be adversely affected. There can be no assurance that we will be able to generate sufficient cash flows, find other sources of capital to fund our operations and solar power projects, make adequate capital investments to remain competitive in terms of technology development and cost efficiency required by our projects. If adequate funds and alternative resources are not available on acceptable terms, our ability to fund our operations, develop and construct solar power projects, develop and expand our manufacturing operations and distribution network, maintain our research and development efforts or otherwise respond to competitive pressures would be significantly impaired. Our inability to do the foregoing could have a material and adverse effect on our business and results of operations.

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Our dependence on Chinese banks to extend our existing loans and provide additional loans exposes us to funding risks, which may materially and adversely affect our operations.

We require significant cash flow and funding to support our operations. As a result, we rely on short-term borrowings to provide working capital for our daily operations. Since the majority of our short-term borrowings come from Chinese banks, we are exposed to lending policy changes by the Chinese banks. In 2012 and 2013, we successfully extended our short-term borrowings and, as of December 31, 2013, we had outstanding short-term borrowings of $599.7 million with Chinese banks. Between January 1, 2014 and March 31, 2014, we obtained new borrowings of approximately $228.5 million from Chinese banks, including $65.2 million with due dates beyond December 31, 2014. Also, between January 1, 2014 and March 31, 2014, we renewed existing bank facilities of approximately $273.2 million from Chinese banks with due dates beyond December 31, 2014.

If the Chinese government changes its macroeconomic policies and forces Chinese banks to tighten their lending practices, or if Chinese banks are no longer willing to provide financing to solar power companies, including us, we may not be able to extend our short-term borrowings or make additional borrowings in the future. As a result, we may not be able to fund our operations to the same extent as in previous years, which may have a material and adverse effect on our operations.

Our project development and construction activities may not be successful; projects under development may not receive required permits, property rights, power purchase agreements, interconnection and transmission arrangements; or financing or construction of projects may not commence or continue as scheduled, all of which could increase our costs, delay or cancel a project, and have a material adverse effect on our revenue and profitability.

The development and construction of solar power projects involve known and unknown risks. We may be required to invest significant amounts of money for land and interconnection rights, preliminary engineering, permitting, legal and other expenses before we can determine whether a project is feasible. Success in developing a particular project is contingent upon, among other things:

- securing land rights and related permits, including satisfactory environmental assessments;
- receipt of required land use and construction permits and approvals;
- receipt of rights to interconnect to the electric grid;
- availability of transmission capacity, potential upgrade costs to the transmission grid and other system constraints;
- payment of interconnection and other deposits (some of which are non-refundable);
- negotiation of satisfactory EPC agreements; and
- obtaining construction financing, including debt, equity and tax credits.

In addition, successful completion of a particular project may be adversely affected by numerous factors, including:

- delays in obtaining and maintaining required governmental permits and approvals;
- potential challenges from local residents, environmental organizations, and others who may not support the project;

unforeseen engineering problems; subsurface land conditions; construction delays; cost over-runs; labor, equipment and materials supply shortages or disruptions (including labor strikes);

additional complexities when conducting project development or construction activities in foreign jurisdictions, including compliance with the U.S. Foreign Corrupt Practices Act and other applicable local laws and customs; and

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force majeure events, including adverse weather conditions and other events beyond our control.

If we are unable to complete the development of a solar power project or we fail to meet any agreed upon system-level capacity or energy output guarantees or warranties (including 25 year power output performance guarantees) or other contract terms, or our projects cause grid interference or other damage, the EPC or other agreements related to the project may be terminated and/or we may be subject to significant damages, penalties and other obligations relating to the project, including obligations to repair, replace or supplement materials for the project.

We may enter into fixed-price EPC agreements in which we act as the general contractor for our customers in connection with the installation of their solar power systems. All essential costs are estimated at the time of entering into the EPC agreement for a particular project, and these costs are reflected in the overall fixed price that we charge our customers for the project. These cost estimates are preliminary and may or may not be covered by contracts between us and the subcontractors, suppliers and other parties involved in the project. In addition, we require qualified, licensed subcontractors to install most of our solar power systems. Shortages of skilled labor could significantly delay a project or otherwise increase our costs. Should miscalculations in planning a project occur, including those due to unexpected increases in commodity prices or labor costs, or delays in execution occur and we are unable to increase the EPC sales price commensurately, we may not achieve our expected margins or our results of operations may be adversely affected.

Developing solar power projects exposes us to different risks than producing solar modules.

In recent years, we have placed a greater focus on developing our total solutions business which includes solar power project development. These projects can take many months or years to complete and may be delayed for reasons beyond our control. These projects often require us to make significant upfront payments for, among other things, land rights and permitting in advance of commencing construction, and revenue from these projects may not be recognized for several additional months following contract signing. Any inability to enter into sales contracts with customers after making such upfront payments could adversely affect our business and results of operations. Furthermore, we may become constrained in our ability to simultaneously fund our other business operations and the investment in these solar power projects.

In contrast to developing solar modules, developing solar power projects requires more management attention to negotiate the terms of our engagement and monitor the progress of the solar power project which may divert management's attention from other matters.

Our revenue and liquidity may be adversely affected to the extent the project sale market weakens or we are not able to successfully complete the customer acceptance testing due to technical difficulties, equipment failure, or adverse weather, and we are unable to sell our solar power projects at prices and on terms and timing that are acceptable to us.

Cancellations of customer orders may make us unable to recoup any prepayments made to suppliers.

In the past, we were required to make prepayments to certain suppliers of silicon wafers and cells and silicon raw materials. Although we require certain customers to make partial prepayments, there is generally a lag between the due date for the prepayment of purchased silicon wafers and cells and silicon raw materials and the time that our customers make prepayments. In the event our customers cancel their orders, we may not be able to recoup prepayments made to suppliers, which could adversely influence our financial condition and results of operations.

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Credit terms offered to some of our customers expose us to the credit risks of such customers and may increase our costs and expenses, which could in turn materially and adversely affect our revenues, liquidity and results of operations.

We offer some customers unsecured short-term or medium-term credit based on their creditworthiness and market conditions. As a result, our claims for payments and sales credits rank as unsecured claims, which would expose us to credit risk if our customers become insolvent or bankrupt.

From time to time, we sell our products to high credit risk customers in order to gain early access to emerging or promising markets, increase our market share in existing key markets or because of the prospects of future sales with a rapidly growing customer. There are high credit risks in doing business with these customers because they are often small, young and high-growth companies with significant unfunded working capital, inadequate balance sheets and credit metrics and limited operating histories. If these customers are not able to obtain satisfactory working capital, maintain adequate cash flow, or obtain construction financing for the projects where our solar products are used, they may be unable to pay for the products for which they have ordered or of which they have taken delivery. Our legal recourse under such circumstances may be limited if the customer's financial resources are already constrained or if we wish to continue to do business with that customer. Revenue recognition for this type of customer is deferred until cash is received. If more customers to whom we extend credit are unable to pay for our products, our revenues, liquidity and results of operations could be materially and adversely affected.

Our dependence on a limited number of suppliers of silicon wafers, cells and silicon, and the limited number of suppliers for certain other components, such as silver metallization paste, solar module back-sheet, and ethylene vinyl acetate encapsulant, could prevent us from delivering our products to our customers in the required quantities or in a timely manner, which could result in order cancellations and decreased revenues.

We purchase silicon raw materials, which include solar grade silicon, silicon wafers and solar cells, from a limited number of third-party suppliers. Our largest supplier of raw materials by dollar amount of purchases accounted for approximately 20.5%, 18.1% and 23.8% of our total raw materials purchases in 2011, 2012 and 2013, respectively.

In 2013, our major suppliers of silicon wafers include GCL, Konca Solar Cell., Ltd, or Konca, and Suzhou Dongtai Solar Energy Technology Co., Ltd., or Dongtai. Our major suppliers of solar cells in 2013 include Topcell Solar International Co., Ltd, or Topcell, Neo Solar and Motech Industries, Inc., or Motech. These suppliers may not always be able to meet our quantity requirements, or keep pace with the price reductions or quality improvements, necessary for us to price our products competitively. Supply may also be interrupted by accidents, disasters or other unforeseen events beyond our control. The failure of a supplier, for whatever reason, to supply silicon wafers, solar cells, silicon raw materials or other essential components that meet our quality, quantity and cost requirements in a timely manner could impair our ability to manufacture our products or increase our costs. The impact could be more severe if we are unable to access alternative sources on a timely basis or on commercially reasonable terms, and could prevent us from delivering our products to our customers in the required quantities and at prices that are profitable. Problems of this kind could cause order cancellations, reduce our market share, harm our reputation and cause legal disputes with our customers.

We are developing and commercializing higher conversion efficiency cells, such as metal wrap-through cells, but we may not be able to mass-produce these cells in a cost effective way, if at all.

Higher efficiency cell structures are becoming an increasingly important factor in cost competitiveness and brand recognition in the solar power industry. Such cells may yield higher power outputs at the same cost to produce as lower efficiency cells, thereby lowering the manufactured cost per watt. The ability to manufacture and sell solar modules made from such cells may also be an important competitive advantage because solar system owners can obtain a higher yield of electricity

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from the modules that have a similar infrastructure, footprint and system cost compared to systems with modules using lower efficiency cells. Higher conversion efficiency solar cells and the resulting higher output solar modules are also one of the considerations in maintaining a price premium over thin-film products. However, while we are making the necessary investments to develop higher conversion efficiency solar power products, there is no assurance that we will be able to commercialize some or any of these products in a cost effective way, or at all. In the near term, such products may command a modest premium. In the longer term, if our competitors are able to manufacture such products and we cannot do the same at all or in a cost efficient manner, we will be at a competitive disadvantage, which will likely influence our product pricing and our financial performance.

We may be subject to unexpected warranty expense that may not be adequately covered by our insurance policies.

Before June 2009, we typically sold our standard solar modules with a two-year guarantee for defects in materials and workmanship and a 10-year and 25-year warranty against declines of more than 10% and 20%, respectively, from the initial minimum power generation capacity at the time of delivery. In June 2009, we increased our warranty against defects in materials and workmanship to six years. Effective August 1, 2011, we increased our warranty against defects in materials and workmanship to ten years and we guarantee that, for a period of 25 years, our standard solar modules will maintain the following performance levels:

during the first year, the actual power output of the module will be no less than 97% of the labeled power output;

from year 2 to year 24, the actual annual power output decline will be no more than 0.7%; and

by the end of year 25, the actual power output of the module will be no less than 80% of the labeled power output.

We believe our warranty periods are consistent with industry practice. Due to the long warranty period, we bear the risk of extensive warranty claims long after we have shipped our products and recognized revenue. We began selling specialty solar products in 2002 and began selling standard solar modules in 2004. Any increase in the defect rate of our products would require us to increase our warranty reserves and would have a corresponding negative impact on our results of operations. Although we conduct quality testing and inspection of our solar module products, our solar module products have not been and cannot be tested in an environment simulating the up-to-25-year warranty periods. In particular, unknown issues may surface after extended use. These issues could potentially affect our market reputation and adversely affect our revenues, giving rise to potential warranty claims by our customers. As a result, we may be subject to unexpected warranty costs and associated harm to our financial results as long as 25 years after the sale of our products. In addition, for utility-scale solar power projects built by us, we provide a limited workmanship or balance of system warranty against defects in engineering, design, installation and construction under normal use, operation and service conditions for a period of up to five years following the energizing of the solar power plant. In resolving claims under the workmanship or balance of system warranty, we have the option of remedying through repair, refurbishment or replacement of equipment. We have also entered into similar workmanship warranties with our suppliers to back up our warranties. See "Item 5. Operating and Financial Review and Prospects A. Operating Results Critical Accounting Policies Warranty Cost."

As part of our total solutions business, before energizing solar power plants, we conduct performance testing to confirm that they meet the operational and capacity expectations set forth in the agreements. In limited cases, we also provide an energy generation performance test designed to demonstrate that the actual energy generation for up to the first three years meets or exceeds the

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modeled energy expectation. In the event that the energy generation performance test performs below expectations, we may incur liquidated damages capped at a percentage of the contract price.

In April 2010, we began entering into agreements with a group of insurance companies with high credit ratings to back up our warranties. Under the terms of the insurance policies, which are designed to match the terms of our PV module product warranty policy, the insurance companies are obliged to reimburse us, subject to certain maximum claim limits and certain deductibles, for the actual product warranty costs that we incur under the terms of our PV module product warranty policy. We record the insurance premiums initially as prepaid expenses and amortize them over the respective policy period of one year. Each prepaid policy provides insurance against warranty costs for panels sold within that policy year. However, potential warranty claims may exceed the scope or amount of coverage under this insurance and, if they do, they could materially and adversely affect our business.

We may not continue to be successful in developing and maintaining a cost-effective solar cell manufacturing capability.

We plan to continue expanding our in-house solar cell manufacturing capabilities to support our solar module manufacturing business. Our annual solar cell production capacity was at 1.5 GW as of December 31, 2013. To remain competitive going forward, we intend to expand our annual solar cell production capacity to meet expected growth in demand for our solar modules. However, we only have limited and recent operating experience in this area and may face significant product development challenges in our solar cell operations. Manufacturing solar cells is a complex process and we may not be able to produce solar cells of sufficient quality to meet our solar module manufacturing standards. Minor deviations in the manufacturing process can cause substantial decreases in yield and in some cases cause no yield output or production to be suspended. We will need to make capital expenditures to purchase manufacturing equipment for solar cell production and will also need to make significant investments in research and development to keep pace with technological advances in solar power technology. Any failure to successfully develop and maintain cost-effective solar cell manufacturing capability may have a material and adverse effect on our business and prospects. For example, we have in the past purchased a large percentage of solar cells from third parties. This negatively affected our margins compared with those of our competitors since it is less expensive to produce cells internally than to purchase them from third parties. Because third party solar cell purchases are usually made in a period of high demand, prices tend to be higher and availability reduced.

Although we intend to continue direct purchasing of solar cells and toll manufacturing arrangements through a limited number of strategic partners, our relationships with our solar cell suppliers may be disrupted if we engage in the large-scale production of solar cells ourselves. If solar cell suppliers discontinue or reduce the supply of solar cells to us, through direct sales or through toll manufacturing arrangements, and we are not able to compensate for the loss or reduction by manufacturing our own solar cells, our business and results of operations may be adversely affected.

It may be difficult to develop our internal production capabilities for silicon ingots and wafers or to achieve acceptable yields and product performance as a result of manufacturing problems.

We completed the initial phase of our silicon ingot and wafer plant in the third quarter of 2008 and reached a capacity of approximately 216 MW as of December 31, 2013. We have limited prior operational experience in ingot and silicon wafer production and will face significant challenges in further increasing our internal production capabilities. The technology is complex and will require costly equipment and hiring of highly skilled personnel. In addition, we may experience delays in further developing these capabilities and in obtaining the governmental permits required to carry on these operations.

In addition, we will need to continuously enhance and modify these capabilities in order to improve yields and product performance. Microscopic impurities such as dust and other contaminants,

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difficulties in the manufacturing process, disruptions in the supply of utilities or defects in the key materials and tools used to manufacture silicon wafers can cause a percentage of the silicon wafers to be rejected, which would negatively affect our yields. We may experience manufacturing difficulties that cause production delays and lower than expected yields.

Problems in our facilities, including but not limited to production failures, human errors, weather conditions, equipment malfunction or process contamination, may limit our ability to manufacture products, which could seriously harm our operations. We are also susceptible to floods, droughts, power losses and similar events beyond our control that would affect our facilities. A disruption in any step of the manufacturing process will require us to repeat each step and recycle the silicon debris, which would adversely affect our yields and manufacturing cost.

Our future growth depends in part on our ability to make strategic acquisitions and investments and to establish and maintain strategic relationships, and our failure to do so could have a material and adverse effect on our market penetration and revenue growth.

We may acquire other businesses, make strategic investments or establish strategic relationships with third parties to improve our market position or expand our products and services. Investments, strategic acquisitions and relationships with third parties could subject us to a number of risks, including risks associated with sharing proprietary information and loss of control of operations that are material to our business. Moreover, it could be expensive to make strategic acquisitions, investments and establish and maintain relationships, and we may be subject to the risk of non-performance by a counterparty, which may in turn lead to monetary losses that materially and adversely affect our business. We cannot assure you that we will be able to successfully make strategic acquisitions and investments or establish strategic relationships with third parties that will prove to be effective for our business. Our inability to do so could materially and adversely affect our market penetration, our revenue growth and our profitability.

If we are unable to attract, train and retain technical personnel, our business may be materially and adversely affected.

Our future success depends, to a significant extent, on our ability to attract, train and retain technical personnel. Recruiting and retaining capable personnel, particularly those with expertise in the solar power industry, are vital to our success. There is substantial competition for qualified technical personnel, and there can be no assurance that we will be able to attract or retain sufficient technical personnel. If we are unable to attract and retain qualified employees, our business may be materially and adversely affected.

Our dependence on a limited number of customers and our lack of long-term customer contracts may cause significant fluctuations or declines in our revenues.

We sell a substantial portion of our solar module products to a limited number of customers, including distributors, system integrators, project developers and installers/EPC companies. Our top five customers by revenues collectively accounted for approximately 29.2%, 21.6% and 38.3% of our net revenues in 2011, 2012 and 2013, respectively. We anticipate that our dependence on a limited number of customers will continue for the foreseeable future. Consequently, any of the following events may cause material fluctuations or declines in our revenues:

- reduced, delayed or cancelled orders from one or more of our significant customers;
- the loss of one or more of our significant customers;
- a significant customer's failure to pay for our products on time; and
- a significant customer's financial difficulties or insolvency.

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As we continue to expand our business and operations, our top customers continue to change. We cannot assure that we will be able to develop a consistent customer base.

Product liability claims against us could result in adverse publicity and potentially significant monetary damages.

We, along with other solar power product manufacturers, are exposed to risks associated with product liability claims if the use of our solar power products results in injury. Since our products generate electricity, it is possible that users could be injured or killed by our products due to product malfunctions, defects, improper installation or other causes. Although we carry limited product liability insurance, we may not have adequate resources to satisfy a judgment if a successful claim is brought against us. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments. Even if the product liability claims against us are determined in our favor, we may suffer significant damage to our reputation.

Our founder, Dr. Shawn Qu, has substantial influence over our company and his interests may not be aligned with the interests of our other shareholders.

As of March 31, 2014, Dr. Shawn Qu, our founder, chairman, president and chief executive officer, beneficially owned 13,308,159 common shares, or 24.2% of our outstanding common shares. As a result, Dr. Shawn Qu has substantial influence over our business, including decisions regarding mergers and acquisition, consolidations and the sale of all or substantially all of our assets, the election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our other shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our common shares.

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

Our success depends on our ability to develop and use our technology and know-how and sell our solar power products without infringing the intellectual property or other rights of third parties. The validity and scope of claims relating to solar power technology patents involve complex scientific, legal and factual questions and analyses and are therefore highly uncertain. We may be subject to litigation involving claims of patent infringement or the violation of intellectual property rights of third parties. Defending intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert the efforts and resources of our technical and management personnel. Additionally, we use both imported and China-made equipment in our production lines, sometimes without sufficient supplier guarantees that our use of such equipment does not infringe third-party intellectual property rights. This creates a potential source of litigation or infringement claims. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties or require us to seek licenses from third parties, pay ongoing royalties, redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also defer customers or potential customers or limit their purchase or use of our products until such litigation is resolved.

Compliance with environmental laws and regulations can be expensive, and noncompliance with these regulations may result in adverse publicity and potentially significant monetary damages, fines and the suspension or even termination of our business operations.

We are required to comply with all national and local environmental regulations. As we expanded our silicon reclamation program and research and development activities and moved into ingot, wafer

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and cell manufacturing, we began to generate material levels of noise, wastewater, gaseous wastes and other industrial waste in our business operations. Additionally, as we expanded our internal solar components production capacity, our risk of facility incidents with a potential environmental impact also increased. We believe that we comply with all relevant environmental laws and regulations and have all necessary environmental permits to conduct our business as it is presently conducted. However, if more stringent regulations are adopted in the future, the costs of complying with these new regulations could be substantial. If we fail to comply with present or future environmental regulations, we may be required to pay substantial fines, suspend production or cease operations.

Our solar power products must comply with the environmental regulations of the jurisdictions in which they are installed, and we may incur expenses to design and manufacture our products to comply with such regulations. For example, we increased our expenditures to comply with the EU's Restriction of Hazardous Substances Directive, which took effect in July 2006, by reducing the amount of lead and other restricted substances in our solar module products. Furthermore, we may need to comply with the EU's Waste Electrical and Electronic Equipment Directive if solar power products are re-classified as consumer electronics under the directive or if our customers located in other markets demand that they comply with this directive. This would require us to implement manufacturing process changes, such as changing the soldering materials used in module manufacturing, in order to continue to sell our products in these markets. If compliance is unduly expensive or unduly difficult, we may lose market share and our financial results may be adversely affected. Any failure by us to control our use or to restrict adequately the discharge, of hazardous substances could subject us to potentially significant monetary damages, fines or suspensions of our business operations.

We may not be successful in establishing our brand name in important markets and the products we sell under our brand name may compete with the products we manufacture on an original equipment manufacturer, or OEM, basis for our customers.

We sell our products primarily under our own brand name but also on an OEM basis. In certain markets, our brand may not be as prominent as other more established solar power product vendors, and there can be no assurance that the brand names "Canadian Solar", or "CSI" or any of our possible future brand names will gain acceptance among customers. Moreover, because the range of products that we sell under our own brands and those we manufacture for our OEM customers may be substantially similar, we may end up directly or indirectly competing with our OEM customers, which could negatively affect our relationship with them.

Failure to protect our intellectual property rights in connection with new solar power products may undermine our competitive position.

As we develop and bring to market new solar power products, we may need to increase our expenditures to protect our intellectual property. Our failure to protect our intellectual property rights may undermine our competitive position. As of March 31, 2014, we had 208 patents and 139 patent applications pending in the PRC for products that contribute a relatively small percentage of our net revenues. We have two United States patents, issued in November 2009 and February 2010. We also have three patent applications pending in Europe. We have registered the "Canadian Solar" trademark in the United States, Australia, Canada, Europe, South Korea, Japan, the United Arab Emirates, Hong Kong and Peru and we have applied for registration of the "Canadian Solar" trademark in a number of other countries. As of March 31, 2014, we had 52 registered trademarks and 11 trademark applications pending in the PRC, and 31 registered trademarks and 42 trademark applications pending outside of China. These intellectual property rights afford only limited protection and the actions we take to protect our rights as we develop new solar power products may not be adequate. Policing the unauthorized use of proprietary technology can be difficult and expensive. In addition, litigation, which can be costly and divert management attention, may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others.

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We have limited insurance coverage and may incur significant losses resulting from operating hazards, product liability claims or business interruptions.

Our operations involve the use, handling, generation, processing, storage, transportation and disposal of hazardous materials, which may result in fires, explosions, spills and other unexpected or dangerous accidents causing personal injuries or death, property damages, environmental damages and business interruption. Although we currently carry third-party liability insurance against property damages, the policies for this insurance are limited in scope and may not cover all claims relating to personal injury, property or environmental damage arising from incidents on our properties or relating to our operations. See "Item 4. Information on the Company B. Business Overview Insurance." Any occurrence of these or other incidents which are not insured under our existing insurance policies could have a material adverse effect on our business, financial condition or results of operations.

We are also exposed to risks associated with product liability claims in the event that the use of our solar power products results in injury. See "Item 3. Key Information D. Risk Factors Risks Related to Our Company and Our Industry Product liability claims against us could result in adverse publicity and potentially significant monetary damages." Although we carry limited product liability insurance, we may not have adequate resources to satisfy a judgment if a successful claim is brought against us.

In addition, the normal operation of our manufacturing facilities may be interrupted by accidents caused by operating hazards, power supply disruptions, equipment failure, as well as natural disasters. While our manufacturing plants in China and elsewhere are covered by business interruption insurance, any significant damage or interruption to these plants could still have a material and adverse effect on our results of operations.

If our internal control over financial reporting or disclosure controls and procedures are not effective, investors may lose confidence in our reported financial information, which could lead to a decline in our share price.

We are subject to the reporting obligations under U.S. securities laws. The Securities and Exchange Commission, or SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, has adopted rules requiring every public company to include a management report on its internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of its internal control over financial reporting. In addition, an independent registered public accounting firm must report on the effectiveness of the company's internal controls over financial reporting. As of December 31, 2013, our management concluded that our internal control over financial reporting was effective. However, we cannot assure you that material weaknesses in our internal controls over financial reporting will not be identified in the future. Any material weaknesses in our internal controls could cause us not to meet our periodic reporting obligations in a timely manner or result in material misstatements in our financial statements. Material weaknesses in our internal controls over financial reporting could also cause investors to lose confidence in our reported financial information, leading to a decline in our share price.

The audit report included in this annual report on Form 20-F was prepared by auditors who are not inspected by the Public Company Accounting Oversight Board and, as a result, you are deprived of the benefits of such inspection.

The independent registered public accounting firm that issues the audit reports included in our annual reports filed with the SEC, as auditors of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditors are located in the PRC, a jurisdiction where the PCAOB is currently

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unable to conduct inspections without the approval of the PRC authorities, our auditors are not currently inspected by the PCAOB.

Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating our auditor's audits and its quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

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

Proceedings instituted by the SEC against five PRC-based accounting firms, including our independent registered public accounting firm, could result in our financial statements being determined to not be in compliance with the requirements of the Exchange Act.

In late 2012, the SEC commenced administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the Chinese affiliates of the "big four" accounting firms, (including our auditors) and also against Dahua (the former BDO affiliate in China). The Rule 102(e) proceedings initiated by the SEC relate to the firms' failure to produce documents, including audit work papers, in response to the request of the SEC pursuant to Section 106 of the Sarbanes-Oxley Act of 2002, as the auditors located in the PRC are not in a position lawfully to produce documents directly to the SEC because of restrictions under PRC law and specific directives issued by the China Securities Regulatory Commission. The issues raised by the proceedings are not specific to our auditors or to us, but affect equally all audit firms based in China and all China-based businesses with securities listed in the United States.

In January 2014, the judge in these administrative proceedings reached an initial decision that the "big four" accounting firms should be barred from practicing before the SEC for six months. It is currently impossible to determine the impact of this decision as the accounting firms have filed a Petition for Review of the decision and, pending that review, the effect of the decision is suspended. The SEC Commissioners will review the decision, determine whether there has been any violation and, if so, determine the appropriate remedy to be placed on these audit firms. If any such order is made, the accounting firms would have a further right to appeal to the US Federal courts, and the effect of the order might be further stayed pending the outcome of that appeal.

While we cannot predict the outcome of the SEC's proceedings, if the accounting firms, including our independent registered public accounting firm, were denied, temporarily or permanently, the ability to practice before the SEC, and we were unable to find, in a timely manner, another registered public accounting firm to audit and issue a report on our financial statements, we would not be able to meet the reporting requirements under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which may ultimately result in our deregistration by the SEC and delisting from the Nasdaq. Moreover, any negative publicity about the SEC's proceedings against the accounting firms may erode investor confidence in China-based, United States listed companies in general and the trading price of our common shares may be adversely affected.

You may have difficulty enforcing judgments obtained against us.

We are a corporation organized under the laws of Canada and a substantial portion of our assets is located outside of the United States. A substantial portion of our current business operations is conducted in the PRC. In addition, a majority of our directors and officers are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons is located outside the United States. As a result, it may be difficult for you to effect service of process within the

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United States upon these persons. It may also be difficult for you to enforce in U.S. court judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, many of whom are not residents of the United States and whose assets are located in significant part outside of the United States. In addition, there is uncertainty as to whether the courts of Canada or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state. In addition, it is uncertain whether such Canadian or PRC courts would be competent to hear original actions brought in Canada or the PRC against us or such persons predicated upon the securities laws of the United States or any state.

Risks Related to Doing Business in China

The enforcement of the labor contract law and increases in labor costs in the PRC may adversely affect our business and our profitability.

The Labor Contract Law came into effect on January 1, 2008, and was later revised on December 28, 2012; the Implementation Rules and the amendment thereunder became effective on September 18, 2008 and July 1, 2013, respectively. The Labor Contract Law and the Implementation Rules imposed stringent requirements on employers with regard to executing written employment contracts, hiring temporary employees, dismissing employees, consultation with the labor union and employee assembly, compensation upon termination and overtime work, collective bargaining and labor dispatch business. In addition, under the Regulations on Paid Annual Leave for Employees, which came into effect on January 1, 2008, and their Implementation Measures, which were promulgated and became effective on September 18, 2008, employees who have served for more than one year with an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on their length of service. Employees who waive such vacation time at the request of the employer must be compensated for each vacation day waived at a rate equal to three times their normal daily salary. According to the Interim Provisions on Labor Dispatching, which came into effect on January 3, 2014, where the number of dispatched workers used by an employer prior to the implementation hereof exceeds 10% of its total number of workers, the employer shall formulate a plan to adjust its worker employment situations, and reduce the said percentage to within the required range within two years from the effective date. Our labor costs are expected to continue to increase due to these new laws and regulations. Higher labor costs and labor disputes with our employees stemming from these new rules and regulations could adversely affect our business, financial condition, and results of operations.

In recent years, our subsidiaries have lost certain tax benefits and we expect to pay additional PRC taxes as a result, which could have a material and adverse impact on our financial condition and results of operations.

On January 1, 2008, the Enterprise Income Tax Law, or the EIT Law, came into effect in China. Under the EIT Law, both foreign-invested enterprises and domestic enterprises are subject to a uniform enterprise income tax rate of 25%. There is a transition period for enterprises that were established prior to March 16, 2007 (the promulgation date of the EIT Law) and were given preferential tax treatment under the previous tax law. Enterprises that were entitled to exemptions or reductions from the standard enterprise income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires, subject to certain limitations. The EIT Law provides for preferential tax treatment for certain categories of industries and projects that are strongly supported and encouraged by the state. For example, enterprises classified as a "High and New Technology Enterprise," or HNTE, are entitled to a 15% enterprise income tax rate provided that such HNTE satisfies other applicable statutory requirements.

Although our subsidiary, CSI Solartronics (Changshu) Co., Ltd., or CSI Solartronics, was recognized as an HNTE for the three years from 2008 to 2010, because it did not satisfy certain requirements for the reduced 15% enterprise income tax rate, it was unable to utilize the preferential enterprise income tax rate of 15% and is still subject to an enterprise income tax rate of 25%. CSI

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Solar Manufacture Inc., or CSI Manufacturing, was subject to a reduced enterprise income tax rate of 12.5% to the end of 2009, when its tax holiday expired. CSI Cells Co. Ltd., or CSI Cells and Canadian Solar Manufacturing (Luoyang) Inc., or CSI Luoyang Manufacturing, were subject to a reduced enterprise income tax rate of 12.5% until the end of 2011, when their tax holidays expired. Currently, CSI Cells is recognized as a HNTE for the three years from 2012 to 2014, and could enjoy the preferential enterprise income tax rate of 15% provided that it satisfies the applicable statutory requirements on an annual basis. Canadian Solar Manufacturing (Changshu) Inc. (formerly known as Changshu CSI Advanced Solar Inc.), or CSI Changshu Manufacturing, was exempt from enterprise income tax for 2009 and was subject to a reduced enterprise income tax rate of 12.5% for 2010, 2011 and 2012, at which time its tax holiday expired as well. CSI Changshu Manufacturing is recognized as a HNTE for the three years from 2011 to 2013, and could enjoy the preferential enterprise income tax rate of 15% after the expiration of the above-mentioned tax holiday provided that it satisfied the applicable statutory requirements for 2013. As the preferential tax benefits enjoyed by our PRC subsidiaries expired, their effective tax rates increased significantly.

There are significant uncertainties in our tax liabilities regarding our income under the EIT Law.

We are a Canadian company with substantially all of our manufacturing operations in China. Under the EIT Law and its implementation regulations, both of which became effective on January 1, 2008, enterprises established outside China whose "de facto management body" is located in China are considered PRC tax residents and will generally be subject to the uniform 25% enterprise income tax rate on their global income. Under the implementation regulations, the term "de facto management body" is defined as substantial and overall management and control over aspects such as the production and business, personnel, accounts and properties of an enterprise. The Circular on Identification of China-controlled Overseas-registered Enterprises as Resident Enterprises on the Basis of Actual Management Organization, or Circular 82, further provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled offshore incorporated enterprise is located in the PRC. The criteria include whether (i) the premises where the senior management and the senior management bodies responsible for the routine production and business management of the enterprise perform their functions are mainly located within the PRC, (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in the PRC, (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. Although the Circular 82 only applies to offshore enterprises controlled by enterprises or enterprise group located within the PRC, the determining criteria set forth in the Circular 82 may reflect the tax authorities' general position on how the "de facto management body" test may be applied in determining the tax resident status of offshore enterprises. As the tax resident status of an enterprise is subject to the determination by the PRC tax authorities, uncertainties remain with respect to the interpretation of the term "de facto management body" as applicable to our offshore entities. As a substantial number of the members of our management team are located in China, we may be considered as a PRC tax resident under the EIT Law and, therefore, subject to the uniform 25% enterprise income tax rate on our global income. If our global income is subject to PRC enterprise income tax at the rate of 25%, our financial condition and results of operation may be materially and adversely affected.

Dividends paid by us to our non-Chinese shareholders and gains on the sale of our common shares may be subject to PRC enterprise income tax liabilities or individual income tax liabilities.

The implementation regulations of the EIT Law provide that (i) if the enterprise that distributes dividends is domiciled in the PRC or (ii) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends and capital gains will be treated as China-sourced income. Also, income sourced within China is determined based on the following principles:

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(x) for income from transfers of equity interests, source is determined in accordance with the place where the invested enterprise is located; and (y) for income from dividends, source is determined in accordance with the place of the enterprise which makes the payment.

Currently there are no detailed rules governing the procedures and specific criteria for determining what it means to be domiciled in the PRC. As a result, it is not clear how the concept of "China domicile" will be interpreted under the EIT Law. The concept of domicile may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered a PRC tax resident enterprise for tax purposes, any dividends we pay to our overseas shareholders as well as any gains realized by such holders from the transfer of our common shares may be regarded as China-sourced income and, consequently, be subject to PRC withholding tax at a rate of up to 10% or a lower treaty rate for enterprises.

Under the Law of the People's Republic of China on Individual Income, or IIT Law, individual income tax is payable on PRC-source dividend income. The implementation regulations of the IIT Law provide that income from dividends derived from companies, enterprises and other economic organizations in China is considered derived from sources inside China, regardless of whether the place of payment was inside China. Therefore, if we are treated as a PRC resident enterprise for tax purposes, any dividends we pay to our overseas individual shareholders as well as any gains realized by such holders from the transfer of our notes or common shares may be regarded as China-sourced income and, consequently, be subject to PRC individual income tax at a rate of up to 20% or a lower treaty rate for individuals. The investment returns of our overseas investors, and the value of their investments in us, may be materially and adversely affected if any interest or dividends we pay to them, or any gains realized by them on the transfer of our common shares, are subject to PRC tax.

We face uncertainty from the PRC's Circular on Strengthening the Management of Enterprise Income Tax Collection of Income Derived by Non-resident Enterprises from Equity Transfers.

The PRC State Administration of Taxation, or the SAT, issued the Circular on Strengthening the Management of Enterprise Income Tax Collection of Income Derived by Non-resident Enterprises from Equity Transfers, or Circular 698, on December 10, 2009, that addresses the transfer of equity by non-PRC tax resident enterprises. Under Circular 698, the overseas investor (actual controlling party) "indirectly transfers" the equity of such PRC resident enterprise, is required to report such transfer to the PRC tax authority if the intermediate holding company is located in a foreign jurisdiction that has an effective tax rate of less than 12.5% or does not levy tax on such foreign-sourced capital gains of its residents. If the intermediate holding company mainly serves as tax avoidance vehicle and does not have any reasonable business purpose, the PRC in-charge tax authority may, upon verification of the SAT, disregard the intermediate holding company and re-characterize the equity transfer by referring to its economic essence, and as a result, the overseas investor (actual controlling party) may be subject to a 10% PRC tax for the capital gains realized from the equity transfer. In addition, where the non-resident enterprise transfers the equity in PRC resident enterprise to a related party, the taxable income is lesser due to its transfer price not being in line with the principle of arm's-length transaction, the tax authorities have the authority to make adjustment on reasonable basis.

There is uncertainty as to the application of SAT Circular 698. For example, while the term "Indirect Transfer" is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC tax resident enterprise. In addition, there are not any formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to avoid PRC tax. As a result, we may become at risk of being taxed under SAT Circular 698 and we may be required to expend valuable resources to comply with SAT Circular 698 or to establish that we should

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not be taxed under SAT Circular 698, which may materially adversely affect our financial condition and results of operations.

Further, we do not believe that the transfer of our common shares or the notes by our non-PRC shareholders would be treated as an indirect transfer of equity in our PRC subsidiaries subject to Circular 698, as the equity transfer is not carried out for the main purposes of avoiding PRC taxes. However, there is uncertainty as to the interpretation and application of Circular 698 by the PRC tax authorities in practice. If you are required to pay PRC tax on the transfer of our common shares or the notes, your investment in us may be materially and adversely affected. In addition, we cannot predict how Circular 698 will affect our financial condition or results of operations.

Restrictions on currency exchange may limit our ability to receive and use our revenues effectively.

Certain of our revenues and expenses are denominated in Renminbi. If our revenues denominated in Renminbi increase or our expenses denominated in Renminbi decrease in the future, we may need to convert a portion of our revenues into other currencies to meet our foreign currency obligations, including, among others, payment of dividends, if any, in respect of our common shares. Under China's existing foreign exchange regulations, our PRC subsidiaries are able to pay dividends in foreign currencies without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, we cannot assure that the PRC government will not take further measures in the future to restrict access to foreign currencies for current account transactions.

Foreign exchange transactions by our PRC subsidiaries under most capital accounts continue to be subject to significant foreign exchange controls and require the approval of PRC governmental authorities. In particular, if we finance our PRC subsidiaries by means of additional capital contributions, certain government authorities, including the Ministry of Commerce or its local counterparts, must approve these capital contributions. These limitations could affect the ability of our PRC subsidiaries to obtain foreign exchange through equity financing.

Uncertainties with respect to the Chinese legal system could materially and adversely affect us.

We conduct substantially all of our manufacturing operations through our subsidiaries in China. These subsidiaries are generally subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to wholly foreign-owned enterprises and joint venture companies. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since these laws and regulations are relatively new and the PRC legal system is still developing, the implementation and enforcement of many laws, regulations and rules may be inconsistent, which may limit legal protections available to us. In addition, any litigation in China may be protracted and may result in substantial costs and divert our resources and the attention of our management.

Risks Related to Our Common Shares

We may issue additional common shares, other equity or equity-linked or debt securities, which may materially and adversely affect the price of our common shares. Hedging activities may depress the trading price of our common shares.

We may issue additional equity, equity-linked or debt securities for a number of reasons, including to finance our operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to satisfy our obligations for the repayment of existing indebtedness, to adjust our ratio of debt to equity, to satisfy our obligations upon the exercise of outstanding warrants or options or for other reasons. Any future issuances of equity securities or

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equity-linked securities could substantially dilute the interests of our existing shareholders and may materially and adversely affect the price of our common shares. We cannot predict the timing or size of any future issuances or sales of equity, equity-linked or debt securities, or the effect, if any, that such issuances or sales, may have on the market price of our common shares. Market conditions could require us to accept less favorable terms for the issuance of our securities in the future.

The market price for our common shares may be volatile.

The market price for our common shares has been highly volatile and subject to wide fluctuations. During the period from November 9, 2006, the first day on which our common shares were listed on the Nasdaq, until December 31, 2013, the market price of our common shares ranged from $1.95 to $51.80 per share. The closing market price of our common shares on December 31, 2013 was $29.82 per share. From January 1, 2014 to April 25, 2014, the market price of our common shares ranged from $23.01 to $44.50 per share. The closing market price of our common shares on April 25, 2014 was $30.15. The market price of our common shares may continue to be volatile and subject to wide fluctuations in response to a wide variety of factors, including the following:

- announcements of technological or competitive developments;
- regulatory developments in our target markets affecting us, our customers or our competitors;
- actual or anticipated fluctuations in our quarterly operating results;
- changes in financial estimates by securities research analysts;
- changes in the economic performance or market valuations of other solar power companies;
- the departure of executive officers and key research personnel;
- patent litigation and other intellectual property disputes;
- litigation and other disputes with our long-term suppliers;
- fluctuations in the exchange rates between the U.S. dollar, Japanese yen, the RMB, the Canadian dollar and the Euro;
- SEC investigation or private securities litigation;
- the release or expiration of lock-up or other transfer restrictions on our outstanding common shares; and
- sales or anticipated sales of additional common shares.

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

Substantial future sales of our common shares in the public market, or the perception that such sales could occur, could cause the price of our common shares to decline.

Sales of our common shares in the public market, or the perception that such sales could occur, could cause the market price of our common shares to decline. As of December 31, 2013, we had 51,034,343 common shares outstanding. The number of common shares outstanding and available for sale will increase when our employees and former employees who are holders of restricted share units and options to acquire our common shares become entitled to the underlying shares under the terms of their units or options. To the extent these shares are sold into the market, the market price of our common shares could decline.

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Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make these rights available in the United States unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

Our articles of continuance contain anti-takeover provisions that could adversely affect the rights of holders of our common shares.

The following provisions in our amended articles of continuance may deprive our shareholders of the opportunity to sell their shares at a premium over the prevailing market price by delaying or preventing a change of control of our company:

Our board of directors has the authority, without approval from the shareholders, to issue an unlimited number of preferred shares in one or more series. Our board of directors may establish the number of shares to be included in each such series and may fix the designations, preferences, powers and other rights of the shares of a series of preferred shares.

Our board of directors is entitled to fix and may change the number of directors within the minimum and maximum number of directors provided for in our articles. Our board of directors may appoint one or more additional directors to hold office for a term expiring no later than the close of the next annual meeting of shareholders, subject to the limitation that the total number of directors so appointed may not exceed one-third of the number of directors elected at the previous annual meeting of shareholders.

We may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. Holders of our common shares.

Based on the current and anticipated value of our assets and the composition of our income and assets, we do not believe we were a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our taxable year ended December 31, 2013. A non-U.S. corporation such as ourselves will be treated as a PFIC for U.S. federal income tax purposes for any taxable year if applying applicable look-through rules, either (i) at least 75% of its gross income for such year is passive income or (ii) at least 50% of the value of its assets (determined based on a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income. However, the determination of PFIC status is based on an annual determination that cannot be made until the close of a taxable year, involves extensive factual investigation, including ascertaining the fair market value of all of our assets on a quarterly basis and the character of each item of income that we earn, and is subject to uncertainty in several respects. Accordingly, we cannot assure you that we will not be a PFIC for any taxable year or that the U.S. Internal Revenue Service will not take a contrary position. If we are a PFIC for any taxable year during which a U.S. Holder (as defined in "Item 10. Additional Information E. Taxation U.S. Federal Income Taxation") holds a common share, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. See "Item 10. Additional Information E. Taxation U.S. Federal Income Taxation Passive Foreign Investment Company."

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ITEM 4. *INFORMATION ON THE COMPANY*

A. History and Development of the Company

Our legal and commercial name is Canadian Solar Inc. We were incorporated under the laws of the Province of Ontario, Canada in October 2001. We changed our jurisdiction by continuing under the Canadian federal corporate statute, the Canada Business Corporations Act, or CBCA, effective June 1, 2006. As a result, we are governed by the CBCA. See "Item 4. Information on the Company C. Organizational Structure" for additional information on our corporate structure, including a list of our major subsidiaries.

Our principal executive office is located at 545 Speedvale Avenue West, Guelph, Ontario, Canada N1K 1E6. Our telephone number at this address is (1-519) 837-1881 and our fax number is (1-519) 837-2550.

Our principal place of business is located at No. 199 Lushan Road, Suzhou New District, Suzhou, Jiangsu 215129, People's Republic of China.

All inquiries to us should be directed at the address and telephone number of our principal executive offices set forth above. Our website is www.canadiansolar.com. The information contained on or accessible through our website does not form part of this annual report.

B. Business Overview

Overview

We are one of the world's largest and foremost solar power companies. We are a leading vertically integrated provider of solar power products and system solutions with operations in North America, South America, Europe, Africa, the Middle East, Australia and Asia.

We design, develop, and manufacture solar wafers, cells and solar power products. Our solar power products include standard solar modules and specialty solar products. We are incorporated in Canada and conduct most of our manufacturing operations in China. Our 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. Specialty solar products consist of customized solar modules that our customers incorporate into their own products and complete specialty products, such as portable solar home systems. We sell our products primarily under our "Canadian Solar" brand name.

In recent years, we have increased investment in, and management attention on our total solutions business, which consists primarily of solar power project development, EPC services, O&M services and sales of solar system kits. As we continue to expand our business into the downstream segment of the industry, we expect that, in 2014, our total solutions business will account for approximately 50% of our net revenues, an increase from 28.6% in 2013 and 11.5% in 2012. As of January 31, 2014, we had a late-stage project pipeline, comprising self-owned and joint venture projects and EPC contracts, in Canada, Japan, the U.S. and China, totaling approximately 1.3 GW (DC). We expect to complete these projects and contracts within two years. We also had an early to mid-stage project pipeline, comprising projects under assessment for co-development and acquisition and projects being self-developed where the land has been identified or secured and an energy off-take agreement was in place or there was a reasonable probability that an energy off-take agreement could be secured, totaling approximately 3.2 GW (DC).

We believe we offer one of the broadest crystalline silicon solar power product lines in the industry. Our 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. We currently sell our 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. Our

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customers primarily include distributors, system integrators, project developers and installers/EPC companies.

We employ a flexible vertically integrated business model that combines internal manufacturing capacity with direct material purchases of both cells and wafers. We believe this approach has benefited us by lowering the cost of materials of our solar module products. We also believe that this approach provides us with greater flexibility to respond to short-term demand increases.

As of December 31, 2013, we had:

- 2.4 GW of total annual solar module manufacturing capacity, 330 MW of which is located in Ontario, Canada with the balance located in China;
- 1.5 GW of total annual solar cell manufacturing capacity; and
- 216 MW of total annual ingot and wafer manufacturing capacity.

We intend to use substantially all of the silicon wafers that we manufacture to supply our own solar cell plant and to use substantially all of the solar cells that we manufacture to produce our own solar module products. We also intend to use our solar module products in our total solutions business. Our total manufacturing costs in China, including purchased polysilicon, wafers and cells, decreased from $0.55 per W for the year ended December 31, 2012, to $0.52 per W for the year ended December 31, 2013. We expect to continue to decrease the manufacturing costs for our production of wafers, cells and modules.

We continue to focus on reducing our manufacturing costs by improving solar cell conversion efficiency, enhancing manufacturing yields and reducing raw material costs. In January 2009, we established a new solar cell efficiency research center to develop more efficient cell structures, and we have been making ongoing improvements in solar cell conversion efficiency and product cost control. We began shipping new products, such as higher efficiency modules, in late 2011 and expect to increase the sales volumes of these products in the future.

In the third quarter of 2011, we began converting our cell lines to Efficient Long-Term Photovoltaic Solution, or ELPS, production. We began shipping ELPS-based modules in November 2011 and our capacity for ELPS-based cells and modules was 72 MW by the end of 2013.

Our Products and Services

Our solar power products include standard solar modules and specialty solar products. In recent years, we have increasingly focused on our total solutions business, which consists primarily of solar power project development, EPC services, O&M services and sales of solar system kits.

Standard Solar Modules

Our standard solar modules are arrays of interconnected solar cells encapsulated in weatherproof frames. We produce a wide variety of standard solar modules, ranging from 3 W to in excess of 300 W in power and using multi-crystalline or mono-crystalline cells in several different formats, including general purpose 60 pieces 6" cell and 72 pieces 5" cell formats, larger formats of 72 pieces 6" cell for ground-mounted projects and small modules for specialty products (see below). In 2013, most of the modules that we shipped were assembled with 6" multi-crystalline cells.

We have applied for and received quality and safety certifications for modules with improved frames for rail-less mounting systems, an AC module and higher-powered modules in standard formats, such as a 60 pieces 6" cell, 260 W module. We expect such modules to be substantially cheaper to install because they require less labor and materials, especially in rooftop applications. In the third quarter of 2011, we began assembling modules using ELPS, a wrap-through cell architecture, on a

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commercial basis. These modules can achieve module conversion efficiencies in excess of 19%. In 2013, our research and development team continued to improve the cell efficiency of ELPS, bringing the efficiency under laboratory conditions to 21.4%.

We successfully launched high powered ELPS modules in Japan at the beginning of 2012. ELPS modules in 48 cells with 215 W power output are used in residential solar power systems, and ELPS modules in 60 cells with 270 W power output are mainly used in commercial PV systems. In 2013, a total of 40 MW of our ELPS modules were used in residential and commercial solar systems in Japan. We also began developing Quartech modules using 4 bus bar solar cell technology, which improves module reliability and efficiency. Quartech modules in 6 × 10 cell arrays have module power output of between 250 W and 265 W. With this cell technology improvement, we will be able to offer customers higher module wattages. We launched new Quartech modules in March 2013. In 2012, we also developed and began offering to customers a Residential AC module that addresses some of the limitations of the first generation micro inverters. These products are built to general specifications for a wide range of residential, commercial and industrial solar power generation systems.

We design our standard solar modules to be durable under harsh weather conditions and easy to transport and install. We sell our standard solar modules primarily under our brand name. Since we began selling our solar module products in March 2002, we have increased our annual module production capacity from 2.0 MW to 2.4 GW as of December 31, 2013.

Specialty Solar Products

Our specialty solar products mainly include Andes Solar Home System and Maple Solar System.

Andes Solar Home System, or Andes SHS, is an off-grid solar system, designed to provide an economical source of electricity to homes and communities without access to grid electricity or where electricity supply is scarce. The Andes SHS is portable, light-weight, and easy to set-up, making it ideal for situations where emergency power is required.

Maple Solar System is an economical, safe and clean energy solution for families who burn kerosene for lighting when darkness falls. It is a very convenient mobile power source for outdoor activities, such as camping, boating and hiking. Maple Solar System includes a solar panel, energy-efficient LED lights, Li-ion batteries and multiple cell phone charger plugs.

Solar Power Project Development

We develop, build and sell solar power projects. Our solar power project development activities have grown over the past several years through a combination of organic growth and acquisitions. Our global solar power project business develops projects primarily in Canada, Japan, the United States and China. Our team of experts specializes in project development, evaluations, system designs, engineering, managing project coordination and organizing financing. See "Item 4. Information on the Company B. Business Overview Sales and Marketing Solar Power Project Development" for a description of the status of our solar power projects.

EPC Services

In late 2010, we began entering into EPC contracting arrangements in Canada and China. Under these arrangements, the solar power project developer owns the project and we are contracted to perform the engineering, procurement and construction work for the project. The EPC contracts in China were completed through our affiliated company, Gaochuangte, in which we own a 40% equity interest.

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O&M Services

In the second half of 2012, we started to provide O&M services for solar power projects in commercial operation. Depending on the terms of our O&M service contracts, our O&M services include inspections, repair and replacement of plant equipment, site management and administrative support services.

Solar System Kits

A solar system kit is a ready-to-install package consisting of solar modules produced by us and components, such as inverters, racking system and other accessories, supplied by third parties. We began selling solar system kits in 2010, and today we sell them primarily to the Japanese and Canadian markets.

Supply Chain Management

Our business depends on our ability to obtain a stable and cost-effective supply of polysilicon, silicon wafers and solar cells. Our major suppliers of silicon wafers in 2013 include GCL, Konca and Dongtai. Our major suppliers of solar cells in 2013 include Topcell, Neo Solar and Motech.

In the third quarter of 2010, supply of silicon wafer and polysilicon tightened compared to previous years. However, these raw materials began to decrease in price during the fourth quarter of 2010 and moved back into an oversupply environment in 2011. The oversupply environment continued into 2012 and 2013 across the entire solar supply chain, particularly at the polysilicon production stage. See "Item 3. Key Information D. Risk Factors Risks Related to Our Company and Our Industry Long-term supply agreements may make it difficult for us to adjust our raw material costs should prices decrease. Also, if we terminate any of these agreements, we may not be able to recover all or any part of the advance payments we have made to these suppliers and we may be subject to litigation."

Through the third quarter of 2010, polysilicon remained relatively inexpensive at $45 to $55 per kilogram. In late 2010, polysilicon increased to approximately $80 to $90 per kilogram but decreased to $24.66 per kilogram by December 31, 2012 due to oversupply and further decreased to approximately $17.89 per kilogram by December 31, 2013 due to continued oversupply. In 2014, we expect that there will be a modest oversupply of polysilicon materials and that polysilicon prices will remain low. We plan to continue purchasing most of our silicon wafers and all of our polysilicon requirements externally. We are currently diversifying our wafer and polysilicon suppliers, particularly with top tier international suppliers.

Silicon Raw Materials and Solar Wafers

Silicon feedstock, which consists of high-purity solar grade silicon, is the starting point of the silicon based solar PV module supply chain.

Our silicon wafer agreements set forth price and quantity information, delivery terms and technical specifications. While the contracts set forth specific price terms, most of them also include mechanisms to change the price, either upwards or downwards, based on market conditions.

In 2007 and 2008, we entered into a number of long-term supply agreements with several silicon and wafer suppliers in order to secure a stable supply of raw materials to meet our production requirements. These suppliers included GCL, Neo Solar, Deutsche Solar, LDK and a UMG-Si supplier. In 2009 and thereafter, we amended our agreements with certain of these suppliers to adjust the purchase price to prevailing market prices at the time we place a purchase order and to reduce the quantity of products that we are required to purchase. Under our agreements with certain suppliers, and consistent with historical industry practice, we made advance payments prior to scheduled delivery

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dates. The advance payments were made without collateral and were to be credited against the purchase prices payable by us.

See "Item 3. Key Information D. Risk Factors Risks Related to Our Company and Our Industry Long-term supply agreements may make it difficult for us to adjust our raw material costs should prices decrease. Also, if we terminate any of these agreements, we may not be able to recover all or any part of the advance payments we have made to these suppliers and we may be subject to litigation."

Solar Cells

In addition to manufacturing our own solar cells and toll manufacturing arrangements with our solar cell suppliers, we purchase solar cells from a number of international and local suppliers.

Our solar cell agreements set forth price and quantity information, delivery terms and technical specifications. These contracts generally provide for a period of time during which we can inspect the product and request the seller to make replacements for damaged goods. We generally require the seller to bear the costs and risks of transporting solar cells until they have been delivered to the location specified in the contract. We currently do not have any long-term supply contracts for solar cells with fixed price or quantity terms.

As we expand our business, we expect to increase our solar cell manufacturing capacity and diversify our solar cell supply channel to ensure we have the flexibility to adapt to future changes in the supply of, and demand for, solar cells.

Solar Module Manufacturing

We assemble our solar modules by interconnecting multiple solar cells by tabbing and stringing them into a desired electrical configuration. We lay the interconnected cells, laminate them in a vacuum, cure them by heating and package them in a protective lightweight anodized aluminum frame. We seal and weatherproof our solar modules to withstand high levels of ultraviolet radiation, moisture and extreme temperatures.

We selectively use automation to enhance the quality and consistency of our finished products and to improve the efficiency of our manufacturing processes. Key equipment in our manufacturing process includes automatic laminators, simulators and solar cell testers. The design of our assembly lines provides flexibility to adjust the ratio of automated equipment to skilled labor in order to maximize quality and efficiency.

Quality Control and Certifications

We have registered our quality control system according to the requirements of ISO 9001:2008 and ISO/TS 16949 standards. TUV Rheinland Group, a leading international service company that documents the safety and quality of products, systems and services, audits our quality systems. We inspect and test incoming raw materials to ensure their quality. We monitor our manufacturing processes to ensure quality control and we inspect finished products by conducting reliability and other tests.

We have obtained IEC 61215 and IEC 61730 (previously TUV Class II safety) European standards for sales in Europe. We have also obtained certifications of CAN ORD-UL 1703 and UL 1703, which allow us to sell products in North America. In 2009, we obtained the necessary certifications to sell our modules in Japan, South Korea and Great Britain and to several of the Chinese solar programs, including Golden Sun. In 2011, we completed IEC61215/61730 and UL1703 certification for modules designed to be assembled from metal wrap-through cells. We also completed DLG ammoniac resistance testing and obtained the salt mist certification for our leading module CS6P-P in 2011. In 2012, we

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achieved the highest ratings possible in the two most significant standard tests for ammonia resistance of solar modules, which were the IEC62716 draft C ammonia corrosion test and the DLG standard test. In 2013, we extended the salt mist certification under IEC 61701 ed.2 Severity 1 to all of our standard PV modules at VDE. In addition, we were able to register more key module types at JET for Japan; enhanced the maximum system voltage up to 1000V for our CSA certification (North America), allowing significant cost reduction for our EPC partners; and again raised the ranking of CEC PTC ratings. In 2013, we extended our IEC and UL certifications to cover higher-power modules, up to 275 W for 60 cell models and 330 W for 72 cell models, through key technology improvements such as introduction of 4 bus bar cell design. We also again improved our CEC PTC ratings for the spearhead CS6P-P model, and have demonstrated suitability of our product portfolio for reliable long-term operation under various climates, through SGS IEC60068-2-68 sand blowing certification and extensive PID (Potential Induced Degradation) resistance testing at respected laboratories (such as Fraunhofer ISE, VDE, TUV SUD).

Gaochuangte, the EPC company in which we hold a 40% equity interest, received the first PV plant certificate from TUV SUD in China under the IEC 62446 standard. The new half-cell module designed by our R&D team was fully certified by CSA and VDE, two worldwide recognized certification bodies, in 2012. We also started providing our customers with third-party-approved PAN files (testing per IEC61853-1) for all our key module series, allowing more accurate energy yield simulation and better return-on-investment analysis for their projects. In 2013, we obtained certifications for double glasses and DC-to-AC module designs. We will continue our efforts for general improvements in module and component designs and seek to obtain corresponding certifications. With the emergence of new markets that we are expanding into, we have made and expect to make efforts to comply with new certification schemes that apply to us, such as INMETRO for Brazil and the UNI9177 fire test for Italy that we have now complied with. We also increased the number of models certified under JET scheme, with the introduction of our new residential roof module CS6V in early 2014.

Our PV test laboratory is registered with the ISO 17025 quality improvement program, and has been accepted for the Mutual Data Acceptance Program by the CSA in Canada, VDE in Germany, Intertek in the U.S. and CGC in China. The PV test laboratory allows us to conduct some product certification testing in-house, which should decrease time-to-market and certification costs.

Markets and Customers

Our primary customers are distributors, system integrators, project developers and installers/EPC companies.

A small number of customers have historically accounted for a major portion of our net revenues. In 2011, 2012 and 2013, our top five customers by net revenues collectively accounted for approximately 29.2%, 25.5% and 38.3%, respectively, of our total net revenues. Sales to our largest customer in those years accounted for 6.6%, 8.4%, 13.3%, respectively, of our total net revenues.

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The following table sets forth, for the periods indicated, certain information relating to our total net revenues derived from our customers categorized by their geographic locations for the periods indicated:

	Years Ended December 31,					
	2011		2012		2013	
Region	Total Net Revenues	%	Total Net Revenues	%	Total Net Revenues	%
	(In thousands of $, except for percentages)					
Asia and others	330,803	17.4	296,117	22.9	885,741	53.5
Americas	334,918	17.6	342,252	26.4	588,279	35.6
Europe	1,233,201	65.0	656,460	50.7	180,336	10.9
Total	**1,898,922**	**100.0**	**1,294,829**	**100.0**	**1,654,356**	**100.0**

As we expand our manufacturing capacity and enhance our brand name, we continue to develop new customer relationships in a wider range of geographic markets to decrease our market concentration. In 2013, we significantly increased our total number of customers and achieved a leading market share in Canada, Japan, India, Thailand, Pakistan and the Middle East. In 2014, we will seek to maintain a leading market share in these markets and, at the same time, explore several emerging solar markets, including Southeast Asia, Africa, Central Asia and South America. While we expect to expand into new markets, we expect that our near term major markets will be North America and the Asia Pacific region.

Germany. The renewable energy laws in Germany require electricity transmission grid operators to connect various renewable energy sources to their electricity transmission grids and to purchase all electricity generated by such sources at guaranteed feed-in tariffs. Additional regulatory support measures include investment cost subsidies, low-interest loans and tax relief to end users of renewable energy.

Germany's renewable energy policy has had a strong solar power focus, which contributed to Germany's surpassing Japan in 2004 as the leading solar power market in terms of annual installation growth. According to Solarbuzz, following years of strong growth in solar power installations, the German government amended the Renewable Energy Act, effective on April 1, 2012, to implement staged reductions to the feed-in-tariff and to exclude new PV systems above 10 MW from being eligible for the feed-in tariff. A "Market Integration Model" was also introduced, which allows for systems above 10 kW and up to 1 MW to be paid a feed-in tariff for only 90% of electricity produced with the remaining electricity being either self-consumed or sold on the free market. Between December 2012 and December 2013, the feed-in-tariff for PV declined by 20% in monthly steps of between 1.4% and 2.5%. The German government also introduced a subsidy for battery storage devices for PV systems, which came into effect on May 1, 2013. The subsidy covers up to 30% of fundable costs of systems of up to 30 kW. In late 2013, the German government announced that it would pursue a fundamental revision of the EEG. As a result of the reductions to the feed-in tariff, the German market has declined by more than 50% in 2013, from 7.50 GW in 2012 to 3.40 GW in 2013, and is no longer the largest single-country market in the world.

Spain. According to Solarbuzz, the Spanish market shrunk by 77.5% from 258 MW in 2012 to 58 MW in 2013. In Spain, the feed-in tariff for solar power energy is fully guaranteed for the first 25 years of system operation and 80% thereafter. The Spanish feed-in tariff for applications of less than 100 kWh was initially €0.4404 per kWh for the first 25 years of system operation and €0.3523 per kWh thereafter for systems installed until September 2008. Funding for the national PV program during 2010 was regulated by Royal Decree RD1578/2008. The quarterly quota calls allocate awards and modify feed-in tariff rates according to fulfillment of quota. In

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February 2013, the annual feed-in tariff revision to the consumer price index was modified, resulting in negative feed-in tariff movement. The National Renewable Energy Action Plan (2012-2020) of Spain reduced significantly the renewable energy content planned for 2020 from previous plans. Current plan contemplates further reducing the 2020 PV target from 8.5 GW as set forth in the National Renewable Energy Action Plan to 7 GW. In December 2013, a draft was published for a new renewable energy regulation that planned to introduce a new renewable energy auction mechanism based on reasonable profitability, which is expected to be unfavorable by Spain's solar association.

Czech Republic. According to Solarbuzz, the Czech Republic market decreased by approximately 9% from 121 MW in 2012 to 110 MW in 2013. The roof mount system segment contributed strongly to the Czech Republic market in 2013. The country's initial legal basis for establishing feed-in tariff rates for electricity from renewable energy sources was set by the Renewable Energy Law on August 1, 2005. The respective remuneration rates became effective on January 1, 2006. The PV funding scheme in the Czech Republic is based on two alternative funding mechanisms, a feed-in tariff system and a green bonus scheme. The feed-in tariffs (and green premium rates) for the next calendar year are determined by the Energy Regulatory Office in November each year. The feed-in tariff rate for existing installations increases each year typically between 2% and 4%, depending on the consumer price index. There is no fixed annual reduction of tariffs for newly installed systems. As with the feed-in tariffs, the green bonus rates are also paid over 20-year duration, and the tariffs for already existing systems are adjusted annually. The green bonus remuneration has also depended on the system size from 2009. In March 2010, the government enacted a law that allowed a reduction of the incentive tariffs for newly installed systems to exceed 5% per year. In addition, it implemented a third system size category. In February 2013, the government indicated it might further decrease funding for PV with the focus shifting towards "more efficient renewable energy."

Italy. According to Solarbuzz, the Italian market shrunk by 61% from 3.35 GW in 2012 to 1.32 GW in 2013. At the end of 2011, the Italian feed-in tariff for systems ranged from €0.172 per kWh, for larger ground-mounted systems, to €0.298 per kWh for smaller building integrated photovoltaic, or BIPV systems, a relatively modest decline from the previous year's rates. System owners may also benefit from self-consumption with a reduced electrical bill. The Italian market saw an enormous boost in large installations in 2009, 2010 and 2011. In August 2012, the funding scheme Conto Energia V, or CE V, became effective, and it ended on July 6, 2013 without any replacement. The new scheme put a strong focus on roof systems and self-consumption. Moreover, an additional budget of €74.6 million was added when the second register of the PV funding scheme CE V was open. On December 13, 2013, a long-awaited resolution for the simplification of power purchase agreement for renewable energy systems was published (578/2013/R/eel), which is expected to result in the growth of the respective market segments. On February 22, 2014, the Italian Senate abolished the minimum prices for "ritiro dedicato" for PV systems above 100 kW. This became effective on January 1, 2014. Ritiro dedicato required that the sale of PV electricity on the free market be subject to certain minimum prices. PV operators benefited from this policy in addition to receiving incentive tariffs under CE V. The abolition of the minimum price means a reduction of the profitability of most systems under *ritiro dedicato* in most of Italy. Only in Sicily is the market price above the formerly guaranteed minimum price, which was €0.0806/kWh in 2013.

North America. The North American market comprises the United States and Canada. According to Solarbuzz, the North American market increased by 31.5% from 3.49 GW in 2012 to 4.59 GW in 2013.
In the United States, over 10 states offer significant incentives, with California offering the most preferential incentives. In January 2006, the California Public Utilities Commission enacted the

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California Solar Initiative, a $2.9 billion program that subsidizes solar power systems by $2.80 per watt. Due to excessive demand, this subsidy was reduced to $2.50 per watt. Combined with federal tax credits for solar power usage, the subsidy may account for as much as 50% of the cost of a solar power system. The program will last until 2016 and is expected to dramatically increase the use of solar power for on-grid applications in California. Incentives in other U.S. states include state renewable energy credits, capital subsidies and in some states, such as Vermont, feed-in tariff. Many states and various federal departments are also subject to renewable energy portfolio standards that mandate minimum percentages of renewable energy production by utilities. These provisions were further expanded in 2010 to include a cash grant in lieu of the investment tax credit and were uncapped with respect to system size (the previous maximum rebate was $2,000) to allow larger organizations such as utilities to take advantage of the tax credit or cash in-lieu of the grant for large scale projects. The constrained appetite for tax equity may limit the effectiveness of some of these provisions, such as accelerated depreciation. This federal cash grant program was closed to new applications at the end of 2011, and during 2012, over $2 billion project funds were awarded to renewable energy projects. Despite the decline in PV incentives during the year, separate renewable energy portfolio standards of various states kept demand strong for PV systems in the U.S. market. During 2013, there were disputes between utilities and pro-solar groups over net-metering policies in several states, including California and Arizona. California passed new legislation that will allow the California Public Utilities Commission (CPUC) to increase Renewable Portfolio Standard targets without further legislative approval. It also passed legislation that will allow net-metering to continue until July 1, 2017 or until a utility reaches 5% of generation via net-metering, at which point the CPUC will determine a new program.

The primary driver of PV demand in Canada is the province of Ontario, which, through its standard offer and feed-in tariff programs, has created a strong downstream end-market which was the fourth largest state/provincial market in North America during 2013. The Ontario market was once driven by Renewable Energy Standard Offer Program, a program that offered renewable energy projects of up to 10 MW a guaranteed tariff of C$0.42/kWh for 20 years. The program closed in May 2008 due to overwhelming uptake and projects in the pipeline were frozen until May 2009 when Ontario passed the Green Energy Act and with it a new feed-in tariff program. Both programs were administered by the Ontario Power Authority, or OPA, which is responsible for setting rates, regulations, and monitoring all feed-in tariff activity. During 2013, the Ontario feed-in tariff program continued to undergo changes, with applications for the latest round of systems limiting system size to 500 kW and reducing rates for PV systems. The Ontario government also reduced local content requirements (LCRs) in its 2013 feed-in tariff round and announced it would remove all LCRs for future application rounds.

China. According to Solarbuzz, the China market increased sharply with a year-over-year growth of 139.6%, from 4.8 GW in 2012 to 11.5 GW in 2013, due to the revision of its feed-in-tariff. China's Renewable Energy Law, which went into effect on January 1, 2006, authorizes the relevant authorities to set favorable prices for the purchase of on-grid electricity generated by solar power and provides other financial incentives for the development of renewable energy projects. China's top-level controlling agency on energy policy has been the government's central planning agency, National Development and Reform Commission of the PRC, or the NDRC, with the ancillary National Energy Administration specifically focusing on energy supply and production. The National Energy Commission, a new ministerial level regulatory organization headed by Premier Wen, was established in January 2010 to oversee all energy related sectors in China.
On March 23, 2009, China's Ministry of Finance promulgated the Interim Measures for Administration of Government Subsidy Funds for Application of Solar Photovoltaic Technology

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in Building Construction, or Interim Measures, to support the development of solar PV technology in China. Local governments are encouraged to issue and implement supporting policies. Under the Interim Measures, a subsidy, which is set at RMB20 per watt, peaked in 2009, which covers solar PV technology integrated into building construction.

China finances its off-grid solar installations through the now-completed township program and the current village program. The five-year plan from 2006 to 2010 was targeted to provide electricity to 29,000 villages, mainly in western China. The Ministry of Housing and Urban-Rural Development (formerly, the Ministry of Construction) has promulgated directives encouraging the development and use of solar power in urban and rural areas. Various local authorities have also introduced initiatives to encourage the adoption of renewable energy, including solar power.

Beginning in March 2009, several policy initiatives were announced, including open bidding for a 20-year operating license for a 10 MW solar power project in Gansu Province of China and the "Golden Sun" program, which subsidizes the capital expenses of solar projects by approximately $2.00 per watt. A number of provincial incentives were announced as well. However, the central government has not approved a definitive implementation scheme or any of the provincial schemes.

The 2010 "Golden Sun" project list was released in November 2010 with 120 new projects totaling 272 MW. The subsidies provided by the government will cover 50% of the total PV project cost.

The release of the feed-in tariff in 2011 greatly stimulated the Chinese market. During 2012, the national feed-in tariff was revised from RMB1.15 per kWh to RMB1 per kWh, with provincial feed-in tariff revised to levels ranging from RMB1.2 per kWh to RMB1.3 per kWh across different provinces. The rebate level of the "Golden Sun" project was decreased to RMB8 per watt and then to RMB5.5 per watt during 2012, while the rebate level of the Solar Rooftop project was decreased to RMB7 per watt and RMB5.5 per watt for BIPV and building-applied photovoltaic, or BAPV, projects respectively during the year. In 2013, the Ministry of Finance and several local governments announced further policy initiatives to support the development of solar PV. On August 26, 2013, the NDRC released details of the new national feed-in-tariff and Distributed PV Generation feed-in-tariff programs. Based on different solar radiation levels, the national (excluding Tibet) feed-in-tariff has been revised to three categories: RMB0.90, RMB0.95 and RMB1.00/kWh. Only those projects approved before September 2013, and grid-connected before 2014, can receive the previous feed-in-tariff level of RMB1.00/kWh. To help companies fund solar projects, the NDRC has also decided to increase the level of the Renewable Energy Tariff Addition Fund from RMB 0.008/kWh to RMB0.015/kWh, effective from September 25, 2013.

Japan. According to Solarbuzz, the Japanese market grew strongly in 2013, increasing from 1.84 GW in 2012 to 6.44 GW in 2013, a year-over-year growth of 250%. During 2013, the residential segment continued to lead the market, with Japan being the most space-constrained global PV market. The growth in 2013 was primarily a direct result of government policy initiatives following the decommissioning of nuclear power plants after the Fukushima disaster. The Japanese government has announced a long-term goal of increasing installed solar power capacity by between 20 and 55 times, which would require 28 GW or more of solar power capacity by 2020. Japan is a signatory to the Kyoto Protocol, which requires it to reduce greenhouse gas emissions by 6% from the 1990 baseline level by 2012 and by 20% by 2020. Japan currently funds a number of programs supporting domestic solar power installations and has announced a plan to begin installing solar power systems on federal buildings through 2012. As Japan will not likely reach its renewable energy (including solar) targets, Japan is increasing its incentives for solar power installations. To refuel the declining domestic market, the federal

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government brought back the nationwide residential subsidy in 2009. The residential program was re-launched in January 2009 under a fiscal year 2008 supplemental budget of Japanese yen 9.0 billion. Besides the upfront cash incentives, the federal government crafted a net feed-in tariff policy, requiring electric power utilities to buy excess electricity generated by PV systems at a premium rate. In 2012, residential systems continue to be eligible for a 10-year net feed-in tariff, with electricity exported by the system compensated at Japanese yen 42 per kWh for systems less than 10 kW in total capacity. A feed-in tariff program was also launched in July 2012 for non-residential systems, which served as one of the key factors driving demand in Japan during the year. This program was launched as a gross feed-in tariff, whereby all electricity produced receives Japanese yen 42 per kWh for 20 years. Despite a lack of land, the outlook for PV demand in Japan remains strong.

Australia. According to Solarbuzz, the Australian market shrunk from 0.78 GW in 2012 to 0.61 GW in 2013, or a year-over-year decrease of 21.2%, due mainly to policy uncertainties following the change in the Australian government. The Australian market has been dominated by the residential segment since 2008, as a result of incentive policies that favored small-scale rooftop systems. Although the residential segment is expected to continue to lead the market, the ground-mount segment will also increase due to the start of some large-scale ground-mount applications now in the pipeline. The main federal incentive active during 2010 was the Solar Credits program, which provided a renewable energy credit multiplier for the first 1.5 kW of small-scale renewable energy systems. The result of the program was an upfront rebate of between 4,000 Australian dollars and 6,200 Australian dollars for 1.5 kW systems depending on location. The Solar Credits program was the successor of the Solar Homes and Communities Program, or SHCP, which offered an Australian dollar 8 per watt rebate on the first 1,000 W of a solar PV system. The SHCP was cancelled in June 2009 but continued to impact 2010 market size due to the significant backlog of installations. The Solar Credits Program is part of the Renewable Energy Target, which is set to ensure that Australia will generate 45,000 GWh (20%) of its energy from renewable sources by 2020. Due to the uncertain nature of federal incentive programs, the states/territories have launched their own programs to drive PV demand. The programs that drive the vast majority of systems are feed-in tariffs. These feed-in tariffs mainly affected the residential segment as each program has different eligibility requirements that work to minimize system sizes or specify directly that the rates are only accessible by residential customers. Along with changes to programs affecting small-scale residential systems, the past year also brought news of funding changes for utility-scale projects. The biggest news came in January 2011 and concerned the Solar Flagships program. The Australia government revised its Solar Flagships program, which was originally scheduled to install 150 MW of utility-scale solar PV and 250 MW of concentrating solar power plants by 2016. As well, every region intends to have a PV specific feed-in tariff or net-metering policy in 2010. During 2012, a number of state-level policies were revised downwards or expired. The Queensland Government reduced the state's feed-in tariff from Australian Dollar 0.44 per kWh to Australian Dollar 0.08 per kWh for all applications after July 9, 2012. The state of Victoria reduced the state's feed-in tariff from Australian Dollar 0.25 per kWh to just Australian Dollar 0.08 per kWh for all systems installed after September 30, 2012, despite that the rate will be re-adjusted annually based on the wholesale electricity price. After the change of government in 2013, the new Prime Minister announced an intention to scrap the carbon tax and to dissolve the Clean Energy Corporation. State-level policies are also in flux, but discussion surrounding retroactive policy cuts have been met with widespread protest and as such have not proceeded. The removal of the carbon tax and trading scheme have changed the economics of planned PV projects, thereby making project financing more difficult. A change to the rate at which PV electricity is credited could further reduce average system size or could spur an on-grid load-shifting storage market.

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Sales and Marketing

Standard Solar Modules

We market and sell our standard solar modules worldwide, primarily through a direct sales force and market-focused sales agents. Our direct sales personnel and sales agent representatives cover our markets in Europe, the Americas and the Asia Pacific region. Our marketing activities include trade shows, conferences, sales training, product launch events, advertising and public relations campaigns. Working closely with our sales and product development teams, our marketing team is also responsible for collecting market intelligence and supporting our sales team's lead generation efforts. We have marketing staff in the U.S., China, Europe, Canada, Japan, Australia and South Korea.

We sell our products primarily under three types of arrangements: (i) sales contracts to distributors; (ii) sales to systems integrators, installers/EPC companies and project developers; and (iii) OEM/tolling manufacturing arrangements.

Specialty Solar Products

We target our sales and marketing efforts for our specialty solar products at companies in selected industry sectors, including the automotive, telecommunications and light-emitting diode, or LED, lighting sectors. As standard solar modules increasingly become commoditized and technology advancements allow solar power to be used in more off-grid applications, we will expand our sales and marketing focus on our specialty solar products and capabilities. Our sales and marketing team works with our specialty solar products development team to take into account changing customer preferences and demands to ensure that our sales and marketing team is able to effectively communicate to customers our product development changes and innovations. We intend to establish additional relationships in other market sectors as the specialty solar products market expands.

Solar Power Project Development

At the end of January 2014, we had a geographically diverse pipeline of late stage solar power projects totaling approximately 1.1 GW (DC), which consisted of approximately 311 MW (DC) in Canada, 329 MW (DC) in Japan, 164 MW (DC) in the U.S. and 290 MW (DC) in China.

In Canada

During 2013, we completed the construction of, and sold four solar power projects totaling approximately 49.6 MW. Also during 2013, we sold two solar power projects totaling approximately 28 MW and simultaneously entered into EPC contracts to complete their construction.

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The following table summarizes the status of our project pipeline in Canada as of January 31, 2014:

Project Pipeline	MW (DC)	Status	COD[1] or Expected COD	End Buyer
Liskeard 1, 3 and 4	39.6	In Construction	2014 Q2	TransCanada
William Rutley	13.9	Commercial Operation	2012 Q4	TransCanada
Alfred	13.6	Permitting	2015 Q2	TransCanada
Foto Light LP	14.0	Engineering	2014 Q4	TBD[2]
Illumination LP	14.0	Engineering	2014 Q4	DIF
Little Creek[3]	11.9	In Construction	2014 Q1	BluEarth
Gold Light LP	14.0	Engineering	2014 Q4	DIF
Beam Light LP	14.0	Engineering	2014 Q4	DIF
Earth Light LP	14.0	Permitting	2015 Q1	Concord
Lunar Light LP	14.0	Permitting	2015 Q2	BluEarth
Discovery Light LP	11.6	Engineering	2014 Q4	TBD
Sparkle Light LP	14.0	In Construction	2014 Q3	BluEarth
GlenArm LP	14.0	Engineering	2014 Q4	DIF
Good Light LP	14.0	In Construction	2014 Q2	BluEarth
Aria LP	12.6	Permitting	2015 Q1	Concord
Ray Light LP	14.0	In Construction	2014 Q3	Concord
Mighty Solar LP	14.0	In Construction	2014 Q2	Concord
City Lights LP	14.0	Permitting	2014 Q4	TBD
Highlight (Val Caron)	14.0	In Construction	2014 Q2	Concord
Oro-Medonte 4[4]	11.5	Engineering	2014 Q4	BlackRock
Westbrook[4]	14.0	In Construction	2014 Q2	BlackRock
Total	**310.7**			

(1) Commercial Operation Date.

(2) To Be Determined.

(3) The sale of this project was completed in the first quarter of 2014.

(4) These projects were sold to BlackRock in the first quarter of 2014. Simultaneously, we entered into EPC contracts to complete these projects.

In Japan

We expect to begin construction of our first Japanese solar power project in the first half of 2014.

As of January 31, 2014, we had 26 projects totaling approximately 329 MW with COD or expected COD from 2014 to 2016, and with feed-in tariffs in the range of Japanese yen 36 to Japanese yen 40 per kWh.

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In the U.S.

The following table summarizes the status of our project pipeline in the U.S. as of January 31, 2014:

Project Pipeline	MW (DC)	State	Status	COD or Expected COD
TA Acacia LLC	28.4	CA	Construction	2014 Q3
Gasna 31P LLC	19.5	CA	Design and Permitting	2015 Q2
Indigo Ranch Project LLC	5.6	CA	Design and Permitting	2014 Q3
New Bern Farm LLC	6.2	NC	Construction	2014 Q2
Mile Farm LLC	6.2	NC	Design and Permitting	2014 Q2
Roxboro Farm LLC	6.2	NC	Construction	2014 Q1
Vickers Farm LLC	2.5	NC	Design and Permitting	2014 Q3
CSI Project Holdco LLC P4	6.5	NC	Construction	2014 Q2
CSI Project Holdco LLC P1	6.5	NC	Construction	2014 Q1
CSI Project Holdco LLC P3	6.5	NC	Construction	2014 Q4
CSI Project Holdco LLC P2	6.5	NC	Design and Permitting	2014 Q3
SE Solarne 2, 4, 7	4	Various	Design and Permitting	2014 Q3
SH Solarne 2, 3, 4, 6, 7	5.5	Various	Design and Permitting	2014 Q3
Other Projects	54	Various	Design and Permitting	2014 ~2015
Total	**164.1**			

In China

During 2013, we completed the construction of solar power projects totaling approximately 70 MW in the China.

As of January 31, 2014, we had project pipelines in 7 provinces totaling approximately 290 MW with feed-in tariffs in the range of RMB0.9 to RMB1.2 per kWh.

EPC Services

Beginning in late 2010, we have entered into a number of EPC contracting arrangements in Canada and China. Under these arrangements, the solar power project developer owns the projects and we are contracted to perform the EPC work. We completed the EPC contracts in China through our affiliated company, Gaochuangte, in which we own a 40% equity interest.

In 2011, we completed approximately 23 MW (DC) of solar system EPC contracts in China, and approximately 31 MW (DC) of solar system EPC contracts in Ontario, Canada. In 2012, we completed approximately 0.3 MW (DC) of solar system EPC contracts in Ontario, Canada. In 2013, we completed approximately 30.2 MW (DC) of solar system EPC contracts in Ontario, Canada.

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The following table summarizes the status of our EPC project pipeline in Canada as of January 31, 2014:

Project Pipeline	MW (DC)	Status	COD or Expected COD	End Buyer
Penn Energy	39.0	In Construction	2014 Q2/3	Penn Energy
Demorestville	14.0	In Construction	2014 Q1	BlackRock
Taylor Kidd	14.0	In Construction	2014 Q2	BlackRock
Grand Renewable Ph. I (Samsung)	129.8	In Construction	2015 Q1	GRSP
Gross Total	**196.8**			
Recognized using the percentage-of-completion method in 2013	30.2			
Net Total	**166.6**			

O&M Services

In the second half of 2012, we started to provide O&M services for solar power projects in commercial operations. Depending on the terms of our O&M service contracts, our O&M services include inspections, repair and replacement of plant equipment, site management and administrative support services.

Solar System Kits

In 2010, we commenced the sale of solar system kits. A solar system kit is a ready-to-install package consisting of solar modules produced by us and components, such as inverters, racking system and other accessories, supplied by third parties. In 2013, we sold approximately 71.1 MW of system kits primarily in Japan and Canada.

Customer Support and Service

We typically sell our standard solar modules with a ten-year warranty against defects in materials and workmanship and a linear power performance warranty that guarantees that the actual power output of our modules will be no less than 97% of the labeled power output during the first year and will decline by no more than 0.7% annually so that, by the end of year 25, the actual power output will be no less than 80% of the labeled power output.

For utility-scale solar power projects built by us, we provide a limited workmanship or balance of system warranty against defects in engineering, design, installation and construction under normal use, operation and service conditions for a period of up to five years following the energizing of the solar power plant. In resolving claims under the workmanship or balance of system warranty, we have the option of remedying through repair, refurbishment or replacement of equipment. We have also entered into similar workmanship warranties with our suppliers to back up our warranties.

As part of our total solutions business, before energizing solar power plants, we conduct performance testing to confirm that they meet the operational and capacity expectations set forth in the agreements. In limited cases, we also provide an energy generation performance test designed to demonstrate that the actual energy generation for up to the first three years meets or exceeds the modeled energy expectation. In the event that the energy generation performance test performs below expectation, we may incur liquidated damages capped at a percentage of the contract price. In addition, a bonus payment may be received if the energy generation performance test results in over performance.

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Our customer support and service handles technical inquiries and warranty-related issues. In 2013, we expanded our capacity in these areas to better enable us to handle our customer's questions and concerns in a timely and professional manner.

For 2014, we have renewed our product warranty insurance coverage to provide additional security to our customers. See " Insurance" below. The customer support and service function will continue to expand and to improve services to our customers.

Competition

The market for solar power products is competitive and evolving. We compete with international companies such as First Solar and Sharp Solar, and China-based companies such as Yingli, Trina and Jinko. Some of our competitors are developing or producing products based on alternative solar technologies, such as thin film PV materials, that may ultimately have costs similar to, or lower than, our projected costs. Solar modules produced using thin film materials, such as cadmium telluride and copper indium gallium selenide technology, are generally less efficient but require significantly less silicon to produce than crystalline silicon solar modules, such as our products, and are less susceptible to increases in silicon costs. Some of our competitors have also become vertically integrated, from upstream polysilicon manufacturing to solar system integration. In addition, the solar power market in general competes with other sources of renewable and alternative energy and conventional power generation.

We believe that the key competitive factors in the market for solar power products include:

price;

the ability to deliver products to customers on time and in the required volumes;

product quality and associated service issues;

nameplate power and other performance parameters of the module, such as power tolerances;

value-added services such as system design and installation;

value-added features such as those that make a module easier or cheaper to install;

additional system components such as mounting systems, delivered as a package or bundle;

brand equity and any good reputation resulting from the above items, including the willingness of banks to finance projects using modules produced by a particular supplier;

customer relationships and distribution channels; and

the aesthetic appearance of solar power products.

In the immediate future, we believe that our ability to compete depends on delivering a cost-effective product in a timely manner and developing and maintaining a strong brand name based on high quality products and strong relationships with downstream customers. Our competiveness also depends on our ability to effectively manage our cash flow and balance sheet and to maintain our relationships with the financial institutions that fund solar power projects. Consolidation of the solar industry is already occurring and is expected to continue in the near future. We believe that such consolidation will benefit our company in the long-term. We believe that the key to competing successfully in the long-term is to produce innovative, high quality products at competitive prices and develop an integrated sales approach that includes services, ancillary products, such as mounting systems and inverters, and value-added product features. We believe that a good marketing

program and the strong relationships that we are building with customers and suppliers will support us in this competitive environment.

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Insurance

We maintain property risk insurance policies with reputable insurance companies to cover our equipment, facilities, buildings and inventories. The coverage of these insurance policies includes losses due to natural hazards and losses arising from unforeseen accidents. Our manufacturing plants in China and elsewhere are covered by business interruption insurance. However, significant damage or interruption to any of our manufacturing plants, whether as a result of fire or other causes, could still have a material and adverse effect on our results of operations. We also maintain commercial general liability (including product liability) coverage. We have been actively working with China Export & Credit Insurance Corporation, or Sinosure. Credit insurance is designed to offset the collection risk of our account receivables for certain customers within the credit limits approved by Sinosure. Risks related to marine, air and inland transit for the export of our products and domestic transportation of materials and products are covered under cargo transportation insurance. We also maintain director and officer liability insurance.

In April 2010, we began entering into agreements with a group of insurance companies to reduce some of the risks associated with our warranties. Under the terms of the insurance policies, the insurance companies are obliged to reimburse us, subject to certain maximum claim limits and certain deductibles, for the actual product warranty costs that we incur under the terms of our warranty against defects in workmanship and material and our warranty relating to power output. The warranty insurance is renewable annually. We believe that our warranty improves the marketability of our products and our customers are willing to pay more for products with warranties backed by insurance.

Environmental Matters

Except for as disclosed in the "Item 3. Key Information D. Risk Factors Risks Related to Doing Business in China," we believe we have obtained the environmental permits necessary to conduct the business currently carried on by us at our existing manufacturing facilities. We have also conducted environmental studies in conjunction with our solar power projects to assess and reduce the environmental impact of such projects.

Our products must comply with the environmental regulations of the jurisdictions in which they are installed. We make efforts to ensure that our products comply with the EU's Restriction of Hazardous Substances Directive, which took effect in July 2006, by reducing the amount of lead and other restricted substances used in our solar module products.

Our operations are subject to regulation and periodic monitoring by local environmental protection authorities. If we fail to comply with present or future environmental laws and regulations, we could be subject to fines, suspension of production or cessation of operations.

Government Regulations

This section sets forth a summary of certain significant regulations or requirements that affect our business activities in China or our shareholders' right to receive dividends and other distributions from us.

Renewable Energy Law and Other Government Directives

In February 2005, China enacted its Renewable Energy Law, which became effective on January 1, 2006 and was revised in December 2009. The revised Renewable Energy Law, which became effective on April 1, 2010, sets forth policies to encourage the development and use of solar energy and other non-fossil energy and their on-grid generation. It also authorizes the relevant pricing authorities to set favorable prices for the purchase of electricity generated by solar and other renewable power generation systems.

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The law also sets forth the national policy to encourage the installation and use of solar energy water-heating systems, solar energy heating and cooling systems, solar PV systems and other solar energy utilization systems. It also provides financial incentives, such as national funding, preferential loans and tax preferences for the development of renewable energy projects subject to certain regulations of the relevant authorities.

In November 2005, the NDRC promulgated the Renewable Energy Industry Development Guidance Catalogue, in which solar power figured prominently. In January 2006, the NDRC promulgated two implementation directives with respect to the Renewable Energy Law. In January 2007, the NDRC promulgated another related implementation directive. These directives set forth specific measures for setting the price of electricity generated by solar and other renewable power generation systems, for sharing additional expenses, and for allocating administrative and supervisory authority among different government agencies at the national and provincial levels. They also stipulate the responsibilities of electricity grid companies and power generation companies with respect to the implementation of the Renewable Energy Law.

In August 2007, the NDRC promulgated the Medium and Long-Term Development Plan for the Renewable Energy Industry. This plan sets forth national policy to provide financial allowance and preferential tax regulations for the renewable energy industry. A similar demonstration of the PRC government's commitment to renewable energy was also stipulated in the Eleventh Five-Year Plan for Renewable Energy Development, which was promulgated by the NDRC in March 2008. The Outline of the Twelfth Five-Year Plan for National Economic and Social Development of the PRC, which was approved by the National People's Congress in March 2011, and the Twelfth Five-Year Plan for Renewable Energy Development, which was promulgated by the National Energy Administration in August 2012 also demonstrates a commitment to promote the development of renewable energy to enhance the competitiveness of the renewable energy industry.

China's Ministry of Housing and Urban-Rural Development (formerly, the Ministry of Construction) also issued a directive in June 2005 which seeks to expand the use of solar energy in residential and commercial buildings and encourages the increased application of solar energy in different townships. Similarly, China's State Council promulgated a directive in July 2005, which sets forth specific measures to conserve energy resources. In November 2005, China's Ministry of Housing and Urban-Rural Development promulgated the Administrative Provisions on Energy Conservation for Civil Constructions which encourages the development of solar energy. In August 2006, the State Council issued the Decision on Strengthening the Work of Energy Conservation which encourages the great development of the solar energy and other renewable energy. In addition, on April 1, 2008, the PRC Energy Conservation Law came into effect. Among other objectives, this law encourages the installation of solar power facilities in buildings to improve energy efficiency. In July 2009, China's Ministry of Finance and Ministry of Housing and Urban-Rural Development jointly promulgated "the Urban Demonstration Implementation Program of the Renewable Energy Building Construction" and "the Implementation Program of Acceleration in Rural Application of the Renewable Energy Building Construction" to support the development of the new energy industry and the new energy-saving industry.

In March 2009, China's Ministry of Finance promulgated the Interim Measures for Administration of Government Subsidy Funds for Application of Solar Photovoltaic Technology in Building Construction, or the Interim Measures, to support the development of solar PV technology in China. Local governments are encouraged to issue and implement supporting policies. Under the Interim Measures, a subsidy, which is set at RMB20 per Watt-peak for 2009, will cover solar PV technology integrated into building construction. The Interim Measures do not apply to projects completed before the promulgation date of the Interim Measures. Also in March 2009, China's Ministry of Finance and Ministry of Housing and Urban-Rural Development jointly promulgated the Implementation Opinion on Acceleration in the Application of Solar Photovoltaic Technology in Building Construction. On

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

In July 2009, China's Ministry of Finance and Ministry of Science and Technology and the National Energy Administration jointly published an announcement containing the guidelines for the "Golden Sun" demonstration program. Under the program, the PRC government will provide a 50%-70% subsidy for the capital costs of PV systems and the relevant power transmission and distribution systems for up to 20 MW of PV system projects in each province, with the aim to industrialize and expand the scale of China's solar power industry. The program requires that each PV project must have a minimum capacity of 300 kW, be completed within one year and have an operational term of not less than 20 years. On September 21, 2010 and November 19, 2010, China's Ministry of Finance, Ministry of Science and Technology, Ministry of Housing and Urban-Rural Development and the National Energy Administration published two announcements regarding the "Golden Sun" demonstration program to specify the terms for bid solicitation for key equipment and the standards for subsidies and supervision and management of projects.

In September 2009, the PRC State Council approved and circulated the Opinions of the National Development and Reform Commission and other Nine Governmental Authorities on Restraining the Production Capacity Surplus and Duplicate Construction in Certain Industries and Guiding the Industries for Healthy Development. These opinions concluded that polysilicon production capacity in China has exceeded the demand and adopted the policy of imposing more stringent requirements on the construction of new polysilicon manufacturing projects in China. These opinions also stated in general terms that the government should encourage polysilicon manufacturers to enhance cooperation and affiliation with downstream solar product manufacturers to extend their product lines. However, these opinions do not provide any detailed measures for the implementation of this policy. As we are not a polysilicon manufacturer and do not expect to manufacture polysilicon in the future, we believe the issuance and circulation of these opinions will not have any material impact on our business or our silicon wafer, solar cell and solar module capacity expansion plans.

In July 2011, the NDRC issued the Circular on Improving the On-Grid Price Policy for Photovoltaic Power, which aims to stimulate the PV power industry by regulating the price of PV power. On August 21, 2012, China's Ministry of Finance and Ministry of Housing and Urban-Rural Development jointly promulgated the Notice on Improving Policies for Application of Renewal Energy in Building and Adjusting Fund Allocation and Management Method, which aims to promote the use of solar energy and other new energy products in public facilities and residences, further amplifying the effect of the policies for application of renewable energy in buildings.

Environmental Regulations

As we have expanded our ingot, silicon wafer and solar cell manufacturing capacities, we have begun to generate material levels of noise, wastewater, gaseous wastes and other industrial waste. Additionally, as we expand our internal solar components production capacity, our risk of facility incidents that would negatively affect the environment also increases. We are subject to a variety of governmental regulations related to the storage, use and disposal of hazardous materials. The major environmental laws and regulations applicable to us include the PRC Environmental Protection Law, which became effective in 1989, as amended and promulgated in 2008, the PRC Law on the Prevention and Control of Noise Pollution, which became effective in 1997, the PRC Law on the Prevention and Control of Air Pollution, which became effective in 1988, as amended and promulgated in 1995 and 2000, the PRC Law on the Prevention and Control of Water Pollution, which became effective in 1984, as amended and promulgated in 1996 and 2008, the PRC Law on the Prevention and Control of Solid Waste Pollution, which became effective in 1996, as amended and promulgated in 2004 and 2013, the PRC Law on Evaluation of Environmental Affects, which became effective in 2003, the PRC Law on

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Promotion of Clean Production, which became effective in 2003, as amended and promulgated in 2012, and the Regulations on the Administration of Construction Project Environmental Protection, which became effective in 1998.

Further, some of our PRC subsidiaries are located in Suzhou, China, which is adjacent to Taihu Lake, a nationally renowned and protected body of water. As a result, production at these subsidiaries is subject to the Regulations on the Administration of Taihu Basin, which became effective on 2011, the Regulation of Jiangsu Province on Preventing Water Pollution in Taihu Lake, which became effective in 1996 and was further revised and promulgated in 2007, 2010 and 2012, and the Implementation Plan of Jiangsu Province on Comprehensive Treatment of Water Environment in Taihu Lake Basin, which was promulgated in February 2009. Because of these two new regulations, the environmental protection requirements imposed on nearby manufacturing projects, especially new projects, have increased noticeably, and Jiangsu Province has stopped approving construction of new manufacturing projects that increase the amount of nitrogen and phosphorus released into Taihu Lake.

Admission of Foreign Investment

The principal regulation governing foreign ownership of solar power businesses in the PRC is the Foreign Investment Industrial Guidance Catalogue. Under the current catalogue, which was amended in 2011 and became effective on January 30, 2012, the solar power related business is classified as an "encouraged foreign investment industry." Companies that operate in encouraged foreign investment industries and satisfy applicable statutory requirements are eligible for preferential treatment, including exemption from customs and input value added taxes, or VAT, of certain self-used equipment and priority consideration in obtaining land use rights provided by certain local governments.

While the 2004 catalogue only applied to the construction and operation of solar power stations, the 2007 catalogue expanded its application also applies to the production of solar cell manufacturing machines, the production of solar powered air conditioning, heating and drying systems and the manufacture of solar cells, and the current 2011 catalogue also covers the manufacture of solar battery, solar light collector glass and etc.

Administration of Foreign Invested Companies

The establishment, approval, registered capital requirement and day-to-day operational matters of wholly foreign-owned enterprises, are regulated by the Wholly Foreign-Owned Enterprise Law of the PRC, effective in 1986 and amended in 2000, and the Implementation Rules of the Wholly Foreign-owned Enterprise Law of the PRC, effective in 1990 and amended in 2001. The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC, or the Company Law, effective in 1994 and amended in 1999, 2004, 2005 and 2013. The Company Law is applicable to our PRC subsidiaries unless PRC laws on foreign investment stipulate otherwise.

Income and VAT Taxes

PRC enterprise income tax is calculated based on taxable income determined under PRC accounting principles. Our major operating subsidiaries, CSI Solartronics, CSI Manufacturing, CSI Cells, CSI Technologies, CSI Changshu Manufacturing and CSI Luoyang Manufacturing, are governed by the EIT Law, which became effective on January 1, 2008.

Under the EIT Law, both foreign-invested enterprises and domestic enterprises are subject to a uniform enterprise income tax rate of 25%. There is a transition period for enterprises that were given preferential tax treatment under the previous tax law. Enterprises that were entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires, subject to certain limitations.

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The EIT Law provides for preferential tax treatment for certain categories of industries and projects that are strongly supported and encouraged by the state. For example, enterprises classified as HNTEs are entitled to a 15% enterprise income tax rate, provided that such HNTEs satisfy other applicable statutory requirements.

Although our subsidiary, CSI Solartronics, was recognized as an HNTE for the three years from 2008 to 2010, because it did not meet certain requirements for the reduced 15% enterprise income tax rate, it was unable to utilize the preferential enterprise income tax rate of 15% and is still subject to a 25% enterprise income tax rate. CSI Manufacturing was subject to a reduced enterprise income tax rate of 12.5% until the end of 2009, when its tax holiday expired. CSI Cells and CSI Luoyang Manufacturing were subject to a reduced enterprise income tax rate of 12.5% until the end of 2011, when their tax holidays expired. Currently, CSI Cells is recognized as a HNTE for the three years from 2012 to 2014, and could enjoy the a preferential enterprise income tax rate of 15% provided that it satisfies the applicable statutory requirements on an annual basis. CSI Changshu Manufacturing is recognized as a HNTE for the three years from 2011 to 2013, and can enjoy the preferential enterprise income tax rate of 15% after the expiration of the above-mentioned tax holiday provided that it satisfied the applicable statutory requirements for 2013. As the preferential tax benefits enjoyed by our PRC subsidiaries expired, their effective tax rates increased significantly.

The EIT Law also provides that enterprises established outside China whose "de facto management body" is located in China are considered PRC tax residents and will generally be subject to the uniform 25% enterprise income tax rate on their global income. Under the implementation regulations, the term "de facto management body" is defined as substantial and overall management and control over such aspects as the production and business, personnel, accounts and properties of an enterprise. Circular 82 further provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled offshore incorporated enterprise is located in the PRC. The criteria include whether (i) the premises where the senior management and the senior management bodies responsible for the routine production and business management of the enterprise perform their functions are mainly located within the PRC, (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in the PRC, (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. Although the Circular 82 only applies to offshore enterprises controlled by enterprises or enterprise group located within the PRC, the determining criteria set forth in the Circular 82 may reflect the tax authorities' general position on how the "de facto management body" test may be applied in determining the tax resident status of offshore enterprises. As the tax resident status of an enterprise is subject to the determination by the PRC tax authorities, uncertainties remain with respect to the interpretation of the term "de facto management body" as applicable to our offshore entities. As a substantial number of the members of our management team are located in China, we may be considered a PRC tax resident under the EIT Law and, therefore, subject to the uniform 25% enterprise income tax rate on our global income.

Under the EIT Law and implementing regulations issued by the State Council, PRC withholding tax at the rate of 10% is applicable to interest and dividends payable to investors from companies that are not "resident enterprises" in the PRC, to the extent such interest or dividends have their sources within the PRC. If our Canadian parent entity is deemed a PRC tax resident under the EIT Law based on the location of our "de facto management body," dividends distributed from our PRC subsidiaries to our Canadian parent entity could be exempt from Chinese dividend withholding tax. However, in that case, dividends from us to our shareholders may be regarded as China-sourced income and, consequently, be subject to Chinese withholding tax at the rate of 10%, or at a lower treaty rate if applicable. Similarly, if we are considered a PRC tax resident, any gain realized by our shareholders

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from the transfer of our common shares is also subject to Chinese withholding tax at the rate of 10% if such gain is regarded as income derived from sources within the PRC. It is unclear whether any dividends that we pay on our common shares or any gains that our shareholders may realize from the transfer of our common shares would be treated as income derived from sources within the PRC and subject to PRC tax.

In addition, Circular 698 addresses the transfer of equity by non-PRC tax resident enterprises. Under Circular 698, the overseas investor (actual controlling party) that "indirectly transfers" the equity of such PRC resident enterprise, is required to report such transfer to the PRC tax authority if the intermediate holding company is located in a foreign jurisdiction that has an effective tax rate of less than 12.5% or does not levy tax on such foreign-sourced capital gains of its residents. If the intermediate holding company mainly serves as tax avoidance vehicle and does not have any reasonable business purpose, the PRC in-charge tax authority may, upon verification of the SAT, disregard the intermediate holding company and re-characterize the equity transfer by referring to its economic essence, and as a result, the overseas investor (actual controlling party) may be subject to a 10% PRC tax for the capital gains realized from the equity transfer. In addition, where the non-resident enterprise transfers the equity in PRC resident enterprise to a related party, the taxable income is lesser due to its transfer price not being in line with the principle of arm's-length transaction, the tax authorities have the authority to make adjustment on reasonable basis.

There is uncertainty as to the application of SAT Circular 698. For example, while the term "indirect transfer" is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC tax resident enterprise. In addition, there are not any formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to avoid PRC tax. As a result, we may become at risk of being taxed under SAT Circular 698 and we may be required to expend valuable resources to comply with SAT Circular 698 or to establish that we should not be taxed under SAT Circular 698, which may materially adversely affect our financial condition and results of operations.

Pursuant to a November 2008 amendment to the Provisional Regulation of the PRC on Value Added Tax issued by the PRC State Council, all entities and individuals that are engaged in the sale of goods, the provision of repairs and replacement services and the importation of goods in China are required to pay VAT. Gross proceeds from sales and importation of goods and provision of services are generally subject to VAT at a rate of 17%, with exceptions for certain categories of goods that are taxed at a rate of 13%. When exporting goods, the exporter is entitled to a refund of a portion or all of the VAT that it has already paid or borne.

Under the amended Provisional Regulation of the PRC on Value Added Tax and its implementation rules, which became effective in 2009 and were amended in 2011, and relevant regulations, fixed assets (mainly including equipment and manufacturing facilities) are now eligible for credit for input VAT. Previously, input VAT on fixed assets purchases was not deductible from the current period's output VAT derived from the sales of goods, but had to be included in the cost of the assets. The new rule permits this deduction except in the case of equipment purchased for non-taxable projects or tax-exempted projects where the deduction of input VAT is not allowed. However, the qualified fixed assets could also be eligible for input VAT if the fixed assets are used for both taxable projects and non-taxable projects or tax-exempted projects. Presently, no further detailed rules clarify under what circumstance the fixed assets are considered as being used for both taxable and non-taxable or tax exempt projects. Because of the new VAT rules, our PRC subsidiaries may benefit from future input VAT credit on our capital expenditures.

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Under the former rules, equipment imported for qualified projects was entitled to an import VAT exemption and domestic equipment purchased for qualified projects were entitled to a VAT refund. However, such exemption and refund were both eliminated as of January 1, 2009.

Foreign Currency Exchange

Foreign currency exchange regulation in China is primarily governed by the Foreign Currency Administration Rules, which became effective on 1996 and were amended in 1997 and 2008, and the Settlement, Sale and Payment of Foreign Exchange Administration Rules (1996), or the Settlement Rules.

Currently, the Renminbi is convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Conversion of the Renminbi for most capital account items, such as direct investment, security investment and repatriation of investment, however, is still subject to the approval of SAFE.

Under the Settlement Rules, foreign-invested enterprises may buy, sell and/or remit foreign currencies only at those banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of most capital account item transactions, obtaining approval from SAFE. Capital investments by foreign-invested enterprises outside of China are also subject to limitations, which include approvals by the Ministry of Commerce, SAFE and the State Reform and Development Commission.

Dividend Distribution

The principal regulations governing distribution of dividends paid by wholly foreign owned enterprises include the Wholly Foreign-Owned Enterprise Law of the PRC, effective in 1986 and amended in 2000, the Implementation Rules of the Wholly Foreign-Owned Enterprise Law of the PRC, effective in 1990 and amended in 2001, the Company Law effective in 1994 and amended in 1999, 2004, 2005 and 2013 and the New EIT Law and its implementation rules, both effective in 2008.

Under these laws, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign owned enterprise in China is required to set aside at least 10% of its after-tax profits determined in accordance with PRC accounting standards each year to its general reserves until the accumulative amount of such reserves reach 50% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a foreign-invested enterprise has the discretion to allocate a portion of its after-tax profits to staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation.

Employment

The major laws and regulations governing the employment relationship, including wage and hour requirements, working and safety conditions, social insurance, housing funds and other welfare. The PRC Labor Law which became effective on January 1, 1995 and amended on August 27, 2009, the Labor Contract Law of the People's Republic of China, which became effective on January 1, 2008, and was later revised on December 28, 2012, its Implementing Rules and the amendment thereunder, which became effective on September 18, 2008 and July 1, 2013, respectively, permit workers in both state-owned and private enterprises in the PRC to bargain collectively. The PRC Labor Law and the PRC Labor Contract Law provide for collective contracts to be developed through collaboration between the labor unions (or worker representatives in the absence of a union) and management that specify such matters as working conditions, wage scales, and hours of work. The PRC Labor Contract Law and its Implementing Regulation impose certain requirements with respect to human resources management, including, among other things, signing labor contracts with employees, terminating labor contracts,

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paying remuneration and compensation and making social insurance contributions. In addition, the PRC Labor Contract Law requires employers to provide remuneration packages that meet the relevant local minimum standards. The PRC Labor Contract Law has enhanced rights for the nation's workers, including permitting open-ended labor contracts and severance payments. It requires employers to provide written contracts to their workers, restricts the use of temporary labor and makes it harder for employers to lay off employees. It also requires that employees with fixed-term contracts be entitled to an indefinite-term contract after a fixed-term contract is renewed twice or the employee has worked for the employer for a consecutive ten-year period. According to the Interim Provisions on Labor Dispatching, which came into effect on January 3, 2014, where the number of dispatched workers used by an employer prior to the implementation hereof exceeds 10% of its total number of workers, the employer shall formulate a plan to adjust its worker employment situations, and reduce the said percentage to within the required range within two years from the effective date.

Under applicable PRC laws, rules and regulations, including the Social Insurance Law promulgated by the Standing Committee of the National People's Congress and effective as of July 1, 2011, the Rules on Implementing the Social Insurance Law issued by Ministry of Human Resource and Social Security and effective as of July 1, 2011, the Interim Regulations on the Collection and Payment of Social Security Funds promulgated by the State Council and effective as of January 22, 1999, the Interim Measures Concerning Maternity Insurance promulgated by the Ministry of Labor and effective as of January 1, 1995, the Regulations on Occupational Injury Insurance promulgated by the State Council and effective as of January 1, 2004 and amended on December 20, 2010, and the Regulations on the Administration of Housing Accumulation Funds promulgated by the State Council and effective as of April 3, 1999 and amended on March 24, 2002, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to remediate on payments within a stipulated time period.

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C. Organizational Structure

The following table sets out our major subsidiaries, including their place of incorporation and our ownership interest, as of March 31, 2014.

Name of entity	Place of incorporation	Ownership interest
CSI Solartronics (Changshu) Co., Ltd.	PRC	100%
CSI Solar Technologies Inc.	PRC	100%
CSI Solar Manufacture Inc.	PRC	100%
Canadian Solar Manufacturing (Luoyang) Inc.	PRC	100%
Canadian Solar Manufacturing (Changshu) Inc.	PRC	100%
CSI Cells Co., Ltd.	PRC	100%
Canadian Solar (USA) Inc.	USA	100%
CSI Project Consulting GmbH	Germany	70%
Canadian Solar Japan K.K.	Japan	90.67%
Canadian Solar Solutions Inc.	Canada	100%
CSI Solar Power (China) Inc.	PRC	100%
Canadian Solar EMEA GmbH	Germany	100%
Canadian Solar (Australia) Pty., Ltd.	Australia	100%
Canadian Solar International Ltd.	Hong Kong	100%
Canadian Solar O&M (Ontario) Inc.	Canada	100%
Suzhou Sanysolar Materials Technology Co., Ltd.	PRC	80%
Canadian Solar South East Asia Pte., Ltd.	Singapore	100%
Canadian Solar Manufacturing (Suzhou) Inc.	PRC	61%
Canadian Solar South Africa Pty., Ltd.	South Africa	100%
Canadian Solar Brasil Servicos De Consultoria EM Energia Solar Ltda.	Brazil	100%
Canadian Solar Middle East Ltd.	United Arab Emirates	100%
Canadian Solartronics (Suzhou) Co., Ltd.	PRC	100%
Canadian Solar (Thailand) Ltd.	Thailand	100%

D. Property, Plant and Equipment

The following is a summary of our material properties, including information on our manufacturing facilities and office buildings as of the date of this annual report:

CSI Changshu Manufacturing holds a land use rights certificate for approximately 40,000 square meters of land in Changshu, on which we have built manufacturing facilities of approximately 23,559 square meters. Production in these facilities began in April 2008. We also constructed a canteen, a dormitory for employees and a liquefied gas station in September 2010 with a total floor area of 11,316 square meters. The property ownership certificates were granted in 2011.

CSI Changshu Manufacturing also holds a land use rights certificate for approximately 180,000 square meters of land in Changshu, on which we have built two module manufacturing facilities, two warehouses and other buildings with a total floor area of approximately 60,576 square meters. Construction of the central warehouses was completed in April 2010. We also completed the construction of a module manufacturing facility with an additional warehouse and three other buildings, which have approximately 46,539 square meters of floor area, in the first half of 2011.

CSI Luoyang Manufacturing holds a land use rights certificate for approximately 35,345 square meters of land in Luoyang (Phase I), on which we have constructed manufacturing facilities. The floor area of Phase I is approximately 6,761 square meters. The property ownership certificates

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were granted in June 2008. In 2008, CSI Luoyang Manufacturing obtained the land use rights for approximately 79,685 square meters of adjacent land (Phase II), on which we have constructed manufacturing facilities. The floor area of Phase II is approximately 29,811 square meters. The property ownership certificates were granted in September 2013.

CSI Cells holds a land use rights certificate for approximately 65,661 square meters of land in Suzhou. We completed the construction of our first solar cell manufacturing facilities on this site in the first quarter of 2007. The Phase I manufacturing facilities have 14,077 square meters, for which we obtained the property ownership certificate. The Phase II cell manufacturing facilities, with 30,102 square meters of workshop space, were completed in 2009. The Phase III cell manufacturing facilities, with a total floor area of approximately 21,448 square meters of manufacturing and office space, were completed in August 2011. We have passed the required inspection and are in the process of obtaining property ownership certificate from the competent government authority. In addition, CSI Cells merged with CSI Solar New Energy (Suzhou) Co., Ltd. in 2012. CSI Solar New Energy (Suzhou) Co., Ltd. has a land use rights certificate for approximately 10,000 square meters of land in Suzhou which is in the process of recertification.

Canadian Solar Manufacturing (Suzhou) Inc. holds a parcel of land of approximately 96,249 square meters which it purchased in 2012.

In Ontario, we lease approximately 14,851 square meters of manufacturing facilities in Guelph, Ontario, Canada for a term of 10 years commencing August 1, 2010 and approximately 8,685 square meters of manufacturing facilities in London, Ontario, Canada for a term of 5 years commencing October 1, 2013. We also lease a warehouse of 7,912 square meters and an office building of 1,146 square meters on the same premises as the Guelph, Ontario, Canada manufacturing facilities for the same term.

ITEM 4A. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 5. *OPERATING AND FINANCIAL REVIEW AND PROSPECTS*

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto included elsewhere in this annual report on Form 20-F. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Item 3. Key Information D. Risk Factors" or in other parts of this annual report on Form 20-F.

A. Operating Results

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

government subsidies and the availability of financing for solar projects;

industry and seasonal demand;

solar power products pricing;

solar wafers and cells and silicon raw materials costs relative to the selling prices of modules;

impact of certain of our long-term purchase commitments;

solar power project development and EPC services; and

foreign exchange.

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Government Subsidies and the Availability of Financing for Solar Projects

We believe that the near-term growth of the market for on-grid applications depends in large part on the availability and size of government subsidies and economic incentives and the availability and size of financing for solar projects.

For a detailed discussion of the impact of government subsidies and incentives, possible changes in government policy and associated risks to our business, see "Item 3. Key Information D. Risk Factors Risks Related to Our Company and Our Industry Governments may revise, reduce or eliminate subsidies and economic incentives for solar power, which could cause demand for our products to decline." and "Item 4. Information on the Company B. Business Overview Markets and Customers."

For a detailed discussion of the impact of the continuing weak global economy and uncertain global economic outlook, especially in Europe, and associated risks to the availability and cost of debt or equity for solar power projects and our customers' ability to finance the purchase of our products or to construct solar power projects, see "Item 3. Key Information D. Risk Factors Risks Related to Our Company and Our Industry The execution of our growth strategy depends upon the continued availability of third-party financing arrangements for our customers, which is affected by general economic conditions. Tight credit markets could depress demand or prices for solar power products, hamper our expansion and materially affect our results of operations."

Industry and Seasonal Demand

Our business and revenue growth depend on the demand for solar power. Although solar power technology has been used for several decades, the solar power market has only started to grow significantly in the past few years. See "Item 3. Key Information D. Risk Factors Risks Related to Our Company and Our Industry If sufficient demand for solar power products does not develop or takes longer to develop than we anticipate, our revenues may not continue to increase or may even decline, and we may be unable to sustain our profitability."

Industry demand is affected by seasonality. Demand tends to be lower in winter, particularly in Europe, where adverse weather conditions can complicate the installation of solar power systems, thereby decreasing demand for solar modules. Seasonal changes can also significantly impact the construction schedules of our solar power projects in countries such as Canada, the U.S. and China thereby also decreasing demand. See "Item 3. Key Information D. Risk Factors Risks Related to Our Company and Our Industry Seasonal variations in demand linked to construction cycles and weather conditions may influence our results of operations."

Solar Power Products Pricing

Before 2004, all of our net revenues were generated from sales of specialty solar modules and products. We began selling standard solar modules in 2004. In 2011, we generated net revenues of 89.1% from our solar module business, which primarily comprises sales of standard solar modules and specialty solar modules, with the remainder coming from our total solutions business, which comprises primarily solar power project development, EPC services, O&M services and sales of solar system kits. In 2012 and 2013, we generated 88.5% and 71.4%, respectively of our net revenues from our solar module business with 11.5% and 28.6%, respectively, coming from our total solutions business.

Our standard solar modules are priced based on either the actual flash test result or the nameplate capacity of our panels, expressed in Watts-peak. The actual price per watt is affected by overall demand in the solar power industry and increasingly also by the total power of the module. Higher-powered modules usually command slightly higher prices per watt. We price our standard solar modules based on the prevailing market price at the time we enter into sales contracts with our customers, taking into account the size of the contract, the strength and history of our relationship with each customer and

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our silicon wafer, solar cell and silicon raw materials costs. During the first few years of our operations, the average selling prices for standard solar modules rose year-to-year across the industry, primarily because of high demand. Correspondingly, the average selling price of our standard solar module products ranged from $3.62 to $4.23 during the period from 2004 to 2008. Following a peak in the third quarter of 2008, the industry-wide average selling price of solar modules has declined sharply, as market demand has declined and competition increased due to the worldwide credit crisis, reduction in subsidies in certain solar markets, and increased manufacturing output. In 2009, the average selling price of our standard solar modules continued to fall, with an average selling price of $1.93 per watt in the fourth quarter of 2009. Thereafter, the average selling price of our standard solar modules has generally continued to fall due to an oversupply of solar modules and, in the fourth quarter of 2012, the average selling price was $0.67 per watt. In 2013, the average selling price of our standard solar modules was $0.67 per watt. Industry solar module average selling prices have begun to show signs of stabilization in several markets after a long period of significant decline but remain low relative to the prior five-year period.

Solar Wafers and Cells and Silicon Raw Materials Costs Relative to the Pricing of Modules

We produce solar modules, which are an array of interconnected solar cells encased in a weatherproof frame, and products that use solar modules. Solar cells are the most important component of solar modules. Our solar cells are currently made from mono-crystalline and multi-crystalline silicon wafers through multiple manufacturing steps. Silicon wafers are the most important material for making solar cells. If we are unable to procure silicon, wafers and cells at prices that decline in line with our solar module pricing, our revenues and margins could be adversely impacted, either due to relatively high costs compared to our competitors or further write-downs of inventory, or both. Our market share could decline if competitors are able to offer better pricing than we are.

Impact of Certain of Our Long-term Purchase Commitments

Currently, we acquire a large percentage of our requirements of solar wafers through purchasing arrangements. We also acquire a large portion of our requirements of solar cells through purchase arrangements. See "Item 3. Key Information D. Risk Factors Risks Related to Our Company and Our Industry Long-term supply agreements may make it difficult for us to adjust our raw material costs should prices decrease. Also, if we terminate any of these agreements, we may not be able to recover all or any part of the advance payments we have made to these suppliers and we may be subject to litigation."

Solar Power Project Development and EPC Services

In 2013, 28.6% of our total net revenues were generated from our total solutions business. The majority of these revenues came from the sale of solar power projects and the provision of EPC services. Our solar power project development activities have grown over the past several years through a combination of organic growth and acquisitions.

Solar power project development and EPC services involve numerous risks and uncertainties. For a detailed discussion of these risks and uncertainties, see "Item 3. Key Information D. Risk Factors Risks Related to Our Company and Our Industry Our future success depends partly on our ability to expand the pipeline of our total solutions business in several key markets, which exposes us to a number of risks and uncertainties" and "Item 3. Key Information D. Risk Factors Risks Related to Our Company and Our Industry Our project development and construction activities may not be successful; projects under development may not receive required permits, property rights, power purchase agreements, interconnection and transmission arrangements; or financing or construction of projects may not commence or continue as scheduled, all of which could increase our costs, delay or cancel a project, and have a material adverse effect on our revenue and profitability."

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In 2013, we recognized $321.9 million of revenues from the sale of solar power projects and the provision of EPC services. At the end of January 2014, we had a geographically diverse pipeline of late stage solar power projects and EPC contracts totaling approximately 1.3 GW (DC), which consisted of approximately 477 MW (DC) in Canada, 329 MW (DC) in Japan, 164 MW (DC) in the U.S. and 290 MW (DC) in China. We expect to complete these projects and contracts within two years. See "Item 4. Information on the Company B. Business Overview" for additional information on our solar power project development and EPC services.

Foreign Exchange

The majority of our sales in 2013 are denominated in Japanese yen, U.S. dollars and Canadian dollars, with the remainder in other currencies such as Renminbi, Euros and British pounds. Our Renminbi costs and expenses are primarily related to the sourcing of solar cells, silicon wafers and silicon, other raw materials, toll manufacturing fees, labor costs and local overhead expenses within the PRC. From time to time, we enter into loan arrangements with Chinese commercial banks that are denominated primarily in Renminbi or U.S. dollars. The greater part of our cash and cash equivalents are denominated in Renminbi. See "Item 3. Key Information D. Risk Factors Risks Related to Our Company and Our Industry Fluctuations in exchange rates could adversely affect our business, including our financial condition and results of operations."

Overview of Financial Results

We evaluate our business using a variety of key financial measures.

Net Revenues

Revenues generated from our solar module business, which comprises primarily sales of standard solar modules and specialty solar modules, accounted for 89.1%, 88.5% and 71.4% of our net revenues in 2011, 2012 and 2013, respectively. Revenues generated from our total solutions business, which consists primarily of solar power project development, EPC services, O&M services and sales of solar system kits, represented 10.9%, 11.5% and 28.6% of our net revenues in 2011, 2012 and 2013, respectively. As we continue to expand our business into the downstream segment of the industry, we expect that approximately 50% of our net revenues will be generated from our total solutions business in 2014, primarily from our utility-scale solar power project pipelines in Canada and the U.S., as well as our residential system kits business in Japan. We believe this strategy of focusing on the downstream segment of the business will help to put us in a good competitive position and possibly increase our margins and overall profitability.

The main factors affecting our net revenues from our solar module business include average selling prices per watt and unit volumes shipped, both of which depend on product supply and demand.

Our revenues are also affected by the timing of the completion of solar power projects. See "Item 4. Information on the Company B. Business Overview Sales and Marketing Solar Power Project Development" for a description of the status of our solar power projects.

In addition, revenue recognition for our solar power projects are, in many cases, not linear in nature due to the timing of when all relevant revenue recognition criteria have been met. During 2013, we recognized $211.0 million and $81.0 million of revenue from the sale of solar power projects using the full accrual method and percentage-of-completion method, respectively. Our revenue recognition policies for the solar power project development are described in "Item 5. Operating and Financial Review and Prospects A. Operating Results Critical Account Policies Revenue Recognition."

Our revenues from sales to customers are recorded net of estimated returns.

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Cost of Revenues

Our cost of revenues consists primarily of the costs of:

- solar cells;
- silicon wafers;
- high purity and solar grade silicon materials;
- materials used in solar cell production, such as metallic pastes;
- installation components in solar system kits, such as inverters and racking systems;
- other materials for the production of solar modules such as glass, aluminum frames, EVA (ethylene vinyl acetate, an encapsulant used to seal the module), junction boxes and polymer back sheets;
- production labor, including salaries and benefits for manufacturing personnel;
- warranty costs;
- overhead, including utilities, production equipment maintenance, share-based compensation expenses for options granted to employees in our manufacturing department and other support expenses associated with the manufacture of our solar power products;
- depreciation and amortization of manufacturing equipment and facilities, which are increasing as we expand our manufacturing capabilities;
- inventory write-downs;
- depreciation charges relating to under-utilized assets;
- acquisition costs of solar power projects;
- development costs (including interconnection fees and permitting costs) of solar power projects;
- project management and engineering costs;
- EPC costs (consisting of costs of the components of solar power system other than solar modules, such as inverters, electrical and mounting hardware, trackers, grid interconnection equipment, wiring and other devices);

interest costs capitalized for solar power projects during construction period; and

site-specific costs.

Our cost of revenues increased in 2011, decreased in 2012 and increased in 2013, in each instance in line with our change in net revenues for the year.

Before June 2009, we typically sold our standard solar modules with a two-year guarantee for defects in materials and workmanship and a 10-year and 25-year warranty against declines of more than 10% and 20%, respectively, from the initial minimum power generation capacity at the time of delivery. In June 2009, we increased our warranty against defects in materials and workmanship to six years. Effective August 1, 2011, we increased our warranty against defects in materials and workmanship to ten years and we guarantee that for a period of 25 years, our standard solar modules will maintain the following performance levels:

during the first year, the actual power output of the module will be no less than 97% of the labeled power output;

from year 2 to year 24, the actual annual power output decline of the module will be no more than 0.7%; and

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by the end of year 25, the actual power output of the module will be no less than 80% of the labeled power output.

In resolving claims under the workmanship warranty, we have the option of remedying through repair, refurbishment or replacement of equipment.

In resolving claims under the performance warranty, we have the right to repair or replace solar modules at our option.

For utility-scale solar power projects built by us, we provide a limited workmanship or balance of system warranty against defects in engineering design, installation and construction under normal use, operation and service conditions for a period of up to five years following the energizing of the solar power plant. In resolving claims under the workmanship or balance of system warranty, we have the option of remedying through repair, refurbishment or replacement of equipment. We have entered into similar workmanship warranties with our suppliers to back up our warranties.

We maintain warranty reserves to cover potential liabilities that could arise under these guarantees and warranties. We currently take a 1% warranty provision against our revenue for sales of solar power products.

In April 2010, we began entering into agreements with a group of insurance companies with high credit ratings to back up our warranties. Under the terms of the insurance policies, which are designed to match the terms of our PV module product warranty policy, the insurance companies are obliged to reimburse us, subject to certain maximum claim limits and certain deductibles, for the actual product warranty costs that we incur under the terms of our PV module product warranty policy. We record the insurance premiums initially as prepaid expenses and amortize them over the respective policy period of one year. Each prepaid policy provides insurance against warranty costs for panels sold within that policy year. The warranty insurance is renewable annually.

See "Item 5. Operating and Financial Review and Prospects A. Operating Results Critical Accounting Policies Warranty Cost."

Write-downs of inventory included in our cost of revenue were $8.5 million, $3.1 million and $0.7 million in 2011, 2012 and 2013, respectively.

On occasion, we enter into firm purchase commitments to acquire materials from its suppliers. A firm purchase commitment represents an agreement that specifies all significant terms, including the price and timing of the transactions, and includes a disincentive for non-performance that is sufficiently large to make performance probable. This disincentive is generally in the form of a take-or-pay provision, which requires us to pay for committed volumes regardless of whether we actually acquire the materials. We evaluate these agreements and record a loss, if any, on firm purchase commitments using the same lower of cost or market approach as that used to value inventory. We record the expected loss only as it relates to the succeeding year, as we are unable to reasonably estimate future market prices beyond one year, in cost of revenues in the consolidated statements of operations. As a result, changes in the cost of materials or sales price of modules will directly affect the computation of the estimated loss on firm purchase commitments and our consolidated financial statements in the following years. We recorded a loss on firm purchase commitments of $10.6 million, nil and nil for the years ended December 31, 2011, 2012 and 2013, respectively. The losses were computed using the lower of cost or market method.

In addition, see "Item 3. Key Information D. Risk Factors Risks Related to Our Company and Our Industry Long-term supply agreements may make it difficult for us to adjust our raw material costs should prices decrease. Also, if we terminate any of these agreements, we may not be able to recover all or any part of the advance payments we have made to these suppliers and we may be subject to litigation."

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Gross Profit/Gross Margin

Our gross profit is affected by a number of factors, including the success of and contribution from our total solutions business, the average selling price of our solar power products, our product mix, loss on firm purchase commitments under long-term supply agreements, and our ability to cost-effectively manage our supply chain.

Operating Expenses

Our operating expenses include selling expenses, general and administrative expenses, and research development expenses. Our operating expenses increased in 2011 and 2012 and decreased in 2013. We expect our operating expenses to increase as our net revenues grow in the future. On a percentage basis, however, we expect our operating expenses to decline or remain constant with the growth of our operations.

Selling Expenses

Selling expenses consist primarily of salaries and benefits, transportation and customs expenses for delivery of our products, sales commissions for our sales personnel and sales agents, advertising, promotional and trade show expenses, and other sales and marketing expenses. Our selling expenses increased in 2011 and 2012 and decreased in 2013. We expect as we increase our sales volume in the future, our selling expenses will increase as we hire additional sales personnel, target more markets and initiate additional marketing programs to reach our goal of continuing to be a leading global brand.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and benefits for our administrative and finance personnel, consulting and professional service fees, government and administration fees and insurance fees. Our general and administrative expenses increased in 2011 and 2012 and decreased in 2013. We expect our general and administrative expenses to increase to support the anticipated growth of our business.

Research and Development Expenses

Research and development expenses consist primarily of costs of raw materials used in our research and development activities, salaries and benefits for research and development personnel and prototype and equipment costs related to the design, development, testing and enhancement of our products and our silicon reclamation program. In 2011, 2012 and 2013, our research and development expenses accounted for 1.0%, 1.0% and 0.7% of our total net revenues. We expect that our research and development expenses will increase as we devote more efforts to research and development in the future.

Share-based Compensation Expenses

Under our share incentive plan, as of December 31, 2013, we had outstanding:

1,176,860 stock options;

2,077,640 restricted share units; and

349,500 restricted shares.

For a description of the stock options, restricted shares, and restricted share units granted, including the exercise prices and vesting periods, see "Item 6. Directors, Senior Management and Employees B. Compensation of Directors and Executive Officers Share-based Compensation Share Incentive Plan." We recognize share-based compensation to employees as expenses in our statement of

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operations based on the fair value of the equity awarded on the date of the grant. The compensation expense is recognized over the period in which the recipient is required to provide service in exchange for the equity award.

We have made an estimate of expected forfeitures and are recognizing compensation costs only for those equity awards that we expect to vest. We estimate our forfeitures based on past employee retention rates and our expectations of future retention rates. We will prospectively revise our forfeiture rates based on actual history. Our share-based compensation expenses may change based on changes to our actual forfeitures.

For the year ended December 31, 2013, we recorded share-based compensation expenses of approximately $4.5 million, compared to approximately $5.2 million for the year ended December 31, 2012. We have categorized these share-based compensation expenses in our:

cost of revenues;

selling expenses;

general and administrative expenses; and

research and development expenses,

depending on the job functions of the individuals to whom we granted the options, restricted shares and restricted share units. The following table sets forth, for the periods indicated, the allocation of our share-based compensation expenses both in absolute amounts and as a percentage of total share-based compensation expenses.

	Years Ended December 31,					
	2011		2012		2013	
	(In thousands of $, except for percentages)					
Share-based compensation expenses included in:						
Cost of revenues	686	16.9%	870	16.8%	740	16.4%
Selling expenses	683	16.8	964	18.6	760	16.9
General and administrative expenses	2,442	60.1	3,037	58.5	2,661	59.0
Research and development expenses	250	6.2	315	6.1	347	7.7
Total share-based compensation expenses	4,061	100.0%	5,186	100.0%	4,508	100.0%

We expect to incur additional share-based compensation expenses as we expand our operations.

Interest Expense

Interest expense consists primarily of interest incurred with respect to our short and long-term borrowings from Chinese commercial banks.

Gain (Loss) on Change in Fair Value of Derivatives

The loss on change in fair value of derivatives in our 2011 and 2012 financial statements and the gain on change in fair value of derivatives in our 2013 financial statements were associated with hedging part of our expected cash flows and balances denominated in foreign currencies, mainly in Euro, Renminbi, Canadian dollar and Japanese yen.

Income Tax Expense

We recognize deferred tax assets and liabilities for temporary differences between the financial statement and income tax bases of assets and liabilities. Valuation allowances are provided against

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deferred tax assets when management cannot conclude that it is more likely than not that some portion or all deferred tax assets will be realized.

We are governed by the CBCA, a federal statute of Canada and are registered to carry on business in Ontario. This subjects us to both Canadian federal and Ontario provincial corporate income taxes. Our combined tax rates were 28.25%, 26.5% and 26.5% for the years ended 2011, 2012 and 2013, respectively.

PRC enterprise income tax is calculated based on taxable income determined under PRC accounting principles with a uniform enterprise income tax rate of 25%. Our major operating subsidiaries, CSI Solartronics, CSI Manufacturing, CSI Cells, CSI Luoyang Manufacturing, CSI Technologies and CSI Changshu Manufacturing, are subject to taxation in China. Although CSI Solartronics was recognized as an HNTE for the three years from 2008 to 2010, because it did not meet certain requirements for the reduced 15% enterprise income tax rate, it was unable to utilize the preferential enterprise income tax rate of 15% and is still subject to a 25% enterprise income tax rate. CSI Cells and CSI Luoyang Manufacturing were subject to a reduced enterprise income tax rate of 12.5% until the end of 2011, when their tax holidays expired. Currently, CSI Cells is recognized as a HNTE for the three years from 2012 to 2014, and could enjoy the preferential enterprise income tax rate of 15% provided that it satisfies the applicable statutory requirements on an annual basis. CSI Technologies and CSI Changshu Manufacturing were subject to a reduced enterprise income tax rate of 12.5% until the end of 2012, when their tax holidays expired. CSI Manufacturing is subject to a standard 25% enterprise income tax rate. When the preferential tax benefits enjoyed by our PRC subsidiaries expired, their effective tax rates increased significantly.

The EIT Law provides that enterprises established outside China whose "de facto management body" is located in China are considered PRC tax residents and will generally be subject to the uniform 25% enterprise income tax rate on their global income. Under the implementation regulations, the term "de facto management body" is defined as substantial and overall management and control over such aspects as the production and business, personnel, accounts and properties of an enterprise. Circular 82 further provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled offshore incorporated enterprise is located in the PRC. The criteria include whether (i) the premises where the senior management and the senior management bodies responsible for the routine production and business management of the enterprise perform their functions are mainly located within the PRC, (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in the PRC, (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. Although the Circular 82 only applies to offshore enterprises controlled by enterprises or enterprise group located within the PRC, the determining criteria set forth in the Circular 82 may reflect the tax authorities' general position on how the "de facto management body" test may be applied in determining the tax resident status of offshore enterprises. As the tax resident status of an enterprise is subject to the determination by the PRC tax authorities, uncertainties remain with respect to the interpretation of the term "de facto management body" as applicable to our offshore entities. As a substantial number of the members of our management team are located in China, we may be considered a PRC tax resident under the EIT Law and, therefore, subject to the uniform 25% enterprise income tax rate as it relates to our global income.

Under the EIT Law and implementing regulations issued by the State Council, the PRC withholding tax rate of 10% is generally applicable to interest and dividends payable to investors that are not "resident enterprises" in the PRC, to the extent such interest or dividends have their sources within the PRC. We consider the undistributed earnings of our PRC subsidiaries (approximately

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$114.6 million at December 31, 2013) to be indefinitely reinvested in China, and, consequently, we have made no provision for withholding taxes for those amounts.

Critical Accounting Policies

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

When reviewing our financial statements, the following should be considered: (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

Revenue Recognition

We recognize revenues for solar product sales when persuasive evidence of an arrangement exists, delivery of the product has occurred and title and risk of loss has passed to the customers, the sales price is fixed or determinable and the collectability of the resulting receivable is reasonably assured. If collectability is not reasonably assured, we recognize revenue only upon collection of cash. Revenues also include reimbursements received from customers for shipping and handling costs. Sales agreements typically contain customary product warranties but do not contain any post-shipment obligations or any return or credit provisions.

A majority of our contracts provide that products are shipped under the terms of free on board, or FOB, ex-works or cost, insurance and freight, or CIF, and delivered duty paid, or DDP. Under FOB, we fulfill our obligation to deliver when the goods have passed over the ship's rail at the named port of shipment. The customer has to bear all costs and risks of loss or damage to the goods from that point. Under ex-works, we fulfill our obligation to deliver when we have made the goods available at our premises to the customer. The customer bears all costs and risks involved in taking the goods from our premises to the desired destination. Under CIF, we must pay the costs, marine insurance and freight necessary to bring the goods to the named port of destination, but the risk of loss of or damage to the goods as well as any additional costs due to events occurring after the time the goods have been delivered on board the vessel, is transferred to the customer when the goods pass the ship's rail in the port of shipment. Under DDP, we are responsible for making a safe delivery of goods to a named destination, paying all transportation expenses and the duty. We bear the risks and costs associated with supplying the goods to the delivery location.

We use the percentage-of-completion method to recognize revenues for which we provide EPC services, unless we cannot make reasonably dependable estimates of the costs to complete the contract, in which case we would use the completed contract method. The percentage-of-completion method is considered appropriate in circumstances in which reasonably dependable estimates can be made and in which all the following conditions exist: (i) contracts executed by the parties normally include provisions that clearly specify the enforceable rights regarding goods or services to be provided and received by the parties, the consideration to be exchanged, and the manner and terms of settlement; (ii) the buyer can be expected to satisfy all obligations under the contract; and (iii) the contractor can be expected to

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perform all contractual obligations. We use the cost-to-cost method to measure the percentage of completion and recognize revenue based on the estimated progress to completion. We periodically revise our profit estimates based on changes in facts, and immediately recognize any losses that are identified on contracts. Incurred costs include all direct material, labor, subcontractor cost, and other associated costs. We recognize job material costs as incurred costs when the job materials have been permanently attached or fitted to the solar power projects as required by the engineering design. The construction periods normally extend beyond six months and less than one year.

We recognize revenue from the sale of project assets in accordance with ASC 360-20, Real Estate Sales. For these transactions, we determined that the project assets, which represent the costs of constructing solar power projects, represent "integral" equipment and as such, the entire transaction is in substance the sale of real estate and subject to the revenue recognition guidance under ASC 360-20 Real Estate Sales. We record the sale as revenue using one of the following revenue recognition methods, based upon evaluation of the substance and form of the terms and conditions of such real estate sales arrangements: (i) Full accrual method. We record revenue for certain sales arrangements after construction of discrete portions of a project or after the entire project is substantially complete. We recognize revenue and profit using the full accrual method when all of the following requirements are met: (a) the sales are consummated; (b) the buyer's initial and continuing investments are adequate to demonstrate its commitment to pay; (c) the receivable is not subject to any future subordination; and (d) we have transferred the usual risk and rewards of ownership to the buyer. Specifically, we consider the following factors in determining whether the sales have been consummated: (a) the parties are bound by the terms of a contract; (b) all consideration has been exchanged; (c) permanent financing for which the seller is responsible has been arranged; and (d) all conditions precedent to closing have been performed, and we do not have any substantial continuing involvement with the project. (ii) Percentage-of-completion method. We apply the percentage-of-completion method, as further described below, to certain real estate sales arrangements where we convey control of land or land rights, (a) when a sale has been consummated; (b) we have transferred the usual risks and rewards of ownership to the buyer; (c) the initial and continuing investment criteria have been met; (d) we have the ability to estimate its costs and progress toward completion, and (e) all other revenue recognition criteria have been met. The initial and continuing investment requirements, which demonstrate a buyer's commitment to honor their obligations for the sales arrangement, can typically be met through the receipt of cash or an irrevocable letter of credit from a highly creditworthy lending institution. When evaluating whether the usual risks and rewards of ownership have transferred to the buyer, we consider whether we have or may be contingently required to have any prohibited forms of continuing involvement with the project. Prohibited forms of continuing involvement in a real estate sales arrangement may include us retaining risks or rewards associated with the project that are not customary with the range of risks or rewards that an EPC contractor may assume. (iii) Installment method. Depending on whether the initial and continuing investment requirements have been met, and whether collectability from the buyer is reasonably assured, we may align our revenue recognition and release of project assets or deferred project costs to cost of sales with the receipt of payment from the buyer if the sale has been consummated and we have transferred the usual risks and rewards of ownership to the buyer.

During 2013, we recognized $211.0 million and $81.0 million of revenue from the sale of solar power projects using the full accrual method and percentage-of-completion method, respectively.

We allocate revenue for transactions involving multiple-element arrangements to each unit of accounting on a relative fair value basis. We estimate fair value on each unit of accounting on the following basis (i) vendor-specific objective evidence of selling price, if it exists, otherwise, (ii) third-party evidence of selling price. If neither (i) nor (ii) exists, management's best estimate of the selling price for that unit of accounting is used. We recognize revenue for each unit of accounting when the revenue recognition criteria have been met.

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Our revenues from sales to customers are recorded net of estimated returns.

We enter into toll manufacturing arrangements in which we receive cells and returns finished modules. In those cases, the title of the cells received and risk of loss remains with the seller. As a result, we do not recognize inventory on the consolidated balance sheets. We recognize a service fee as revenue when the processed modules are delivered. During the years ended December 31, 2011, 2012 and 2013, we recognized revenue of $24.7 million, $7.9 million and $14.0 million, respectively, under the toll manufacturing arrangements.

We enter into buy-and-sell arrangements with certain raw material vendors pursuant to which we sell finished goods, comprising either solar cells or solar modules, in exchange for raw materials, typically silicon wafers. These arrangements are made with counterparties in the same line of business as us and are executed as a means of securing a stable supply of raw materials. The transactions are recorded in revenues and cost of revenues at fair value on a gross basis. During the years ended December 31, 2011, 2012 and 2013, we purchased $21.5 million, nil and nil of raw materials, respectively, and sold $43.9 million, nil and nil of finished goods under these buy-and-sell arrangements, respectively.

As of December 31, 2011, 2012 and 2013, we had inventories of $23.2 million, $18.4 million and $8.2 million, respectively, relating to sales to customers where revenues were not recognized because the collection of payment was not reasonably assured. The delivered product remains as inventories on our consolidated balance sheets, regardless of whether title has been transferred. In such cases, we recognize revenues, relieve inventories and recognize cost of revenues when payment is collected from customers.

Warranty Cost

Before June 2009, we typically sold our standard solar modules with a two-year guarantee for defects in materials and workmanship and a 10-year and 25-year warranty against declines of more than 10% and 20%, respectively, from the initial minimum power generation capacity at the time of delivery. In June 2009, we increased our warranty against defects in materials and workmanship to six years. Effective August 1, 2011, we increased our warranty against defects in materials and workmanship to ten years and we guarantee that for a period of 25 years, our standard solar modules will maintain the following performance levels:

during the first year, the actual power output of the module will be no less than 97% of the labeled power output;

from year 2 to year 24, the actual annual power output decline of the module will be no more than 0.7%; and

by the end of year 25, the actual power output of the module will be no less than 80% of the labeled power output.

In resolving claims under the workmanship warranty, we have the option of remedying through repair, refurbishment or replacement of equipment.

In resolving claims under the performance warranty, we have the right to repair or replace solar modules at our option.

For utility-scale solar power projects built by us, we provide a limited workmanship or balance of system warranty against defects in engineering design, installation and construction under normal use, operation and service conditions for a period of up to five years following the energizing of the solar power plant. In resolving claims under the workmanship or balance of system warranty, we have the option of remedying through repair, refurbishment or replacement of equipment. We have entered into similar workmanship warranties with our suppliers to back up our warranties.

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We maintain warranty reserves to cover potential liabilities that could arise under these guarantees and warranties. Due to limited warranty claims to date, we accrue the estimated costs of warranties based on an assessment of our competitors' and our own actual claim history, industry-standard accelerated testing, estimates of failure rates from our quality review, and other assumptions that we believe to be reasonable under the circumstances. Actual warranty costs are accumulated and charged against the accrued warranty liability. To the extent that accrual for warranty costs differs from the estimates, we will prospectively revise our accrual rate. We currently take a 1% warranty provision against our revenue for sales of solar power products.

In April 2010, we began entering into agreements with a group of insurance companies with high credit ratings to back up our warranties. Under the terms of the insurance policies, which are designed to match the terms of our PV module product warranty policy, the insurance companies are obliged to reimburse us, subject to certain maximum claim limits and certain deductibles, for the actual product warranty costs that we incur under the terms of our PV module product warranty policy. We record the insurance premiums initially as prepaid expenses and amortize them over the respective policy period of one year. Each prepaid policy provides insurance against warranty costs for panels sold within that policy year.

The warranty obligations we record relate to defects that existed when the product was sold to the customer. The event which we are insured against through our insurance policies is the sale of products with these defects. Accordingly, we view the insured losses attributable to the shipment of defective products covered under its warranty as analogous to potential claims, or claims that have been incurred as of the product ship date, but not yet reported. We expect to recover all or a portion of its obligation through insurance claims. Therefore, our accounting policy is to record an asset for the amount determined to be probable of recovery from the insurance claims (not to exceed the amount of the total losses incurred), consistent with the guidance set forth at ASC 410-30.

We consider the following factors in determining whether an insurance receivable that is probable and recoverability can be reasonably estimated:

- reputation and credit rating of the insurance company;
- comparison of the PV module product warranty policy against the terms of the insurance policies, to ensure valid warranty claims submitted by customers will be covered by the policy and therefore reimbursed by the insurance companies; and
- with respect to specific claims submitted, written communications from the insurance company are monitored to ensure the claim has been promptly submitted to and accepted by the insurance company, and reimbursements have been subsequently collected. The successfully processed claims provides further evidence that the insurance policies are functioning as anticipated.

To the extent uncertainties regarding the solvency of insurance carriers or the legal sufficiency of insurance claims (including if they became subject to litigation) were to arise, we would establish a provision for uncollectible amounts based on the specific facts and circumstances. To date, no provision had been determined to be necessary. In addition, to the extent that accrual for warranty costs differs from the estimates and we prospectively revise our accrual rate, this change may result in a change to the amount expected to be recovered from insurance.

As the warranty obligation and related recovery asset do not meet the criteria for offsetting, the gross amounts are reported in our consolidated balance sheets. The asset is expected to be realized over the life of the warranty obligation, which is 25 years and is treated as a non-current asset consistent with the underlying warranty obligation. When a specific claim is submitted and the corresponding insurance proceeds will be collected within twelve months of the balance sheet date, we will reclassify that portion of the receivable as being current. We review the recoverability of warranty

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insurance receivables at each period end. As of December 31, 2013, the insurance receivable amounts were $27.9 million, and were included as a component of other non-current assets.

We made downward adjustments to accrued warranty costs by $31.4 million and other non-current assets by $17.7 million, for the year ended December 31, 2013, to reflect the general declining trend of the average selling price of solar modules, which is a primary input into the estimated warranty costs. The warranty costs (net effect of adjustment) of $18.3 million, $12.5 million and $(16.5) million are included in cost of revenues for the years ended December 31, 2011, 2012 and 2013, respectively.

Impairment of Long-lived Assets

We assess the recoverability of the carrying value of long-lived assets when an indicator of impairment has been identified. We review the long-lived assets each reporting period to assess whether impairment indicators are present. For purposes of recognition and measurement of an impairment loss, a long-lived asset or assets is grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. For long-lived assets, when impairment indicators are present, we compare undiscounted future cash flows, including the eventual disposition of the asset group at market value, to the asset group's carrying value to determine if the asset group is recoverable. Assessments also consider changes in asset group utilization, including the temporary idling of capacity and the expected timing of placing this capacity back into production. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, we would recognize an impairment loss based on the fair value of the assets. No impairment charge was recorded during the years ended December 31, 2011 and 2012. We recorded an impairment charge of $3.7 million related to the write-down of our mono-crystalline ingot furnaces during the year ended December 31, 2013.

Allowance for Doubtful Accounts

We conduct credit evaluations of our customers and generally do not require collateral or other security from them. We establish allowances for doubtful accounts primarily based upon the age of our receivables and factors surrounding the credit risk of specific customers. As of December 31, 2011, 2012 and 2013, an allowance for doubtful accounts receivable of $9.5 million, $47.6 million and $38.5 million, respectively, was established for certain customers for whom management sees a credit risk on the collection of accounts receivable balances. The allowance for doubtful accounts receivable as of December 31, 2012 and 2013 included $18.7 million and $19.2 million, respectively relating to one customer in China with severe liquidity issues. From mid-2009, we started to purchase insurance from Sinosure for accounts receivable to mitigate collection risks from certain customers. We establish allowances for all doubtful accounts according to our allowance policy regardless of whether such accounts are covered by Sinosure insurance. For the amounts recoverable from Sinosure, we recorded $5.3 million, $9.5 million and $0.5 million in prepaid expenses and other current assets as of December 31, 2011, 2012 and 2013, respectively.

With respect to advances to suppliers, primarily suppliers of solar cells, solar wafers and silicon raw materials, we perform ongoing credit evaluations of their financial condition. We generally do not require collateral or security against advances to suppliers, as they tend to be recurring supply partners. However, we maintained a reserve for potential credit losses for advances to suppliers as of December 31, 2011, 2012 and 2013 of $38.1 million, $38.5 million and $40.0 million, respectively. The reserves as of December 31, 2013 include allowances on advances to LDK of $9.8 million, allowances on advances to a UMG-Si supplier of $10.5 million, and allowances on advances to Deutsche Solar of $18.5 million.

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Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the weighted average method. Cost of inventories consists of costs of direct materials and, where applicable, direct labor costs, tolling costs and those overhead costs that we incur in bringing the inventories to their present location and condition.

Adjustments are recorded to write down the cost of obsolete and excess inventories to the estimated market value based on historical and forecast demand. The write-down of inventories for the years ended December 31, 2011, 2012 and 2013 were $8.5 million, $3.1 million and $0.7 million, respectively.

We outsource portions of our manufacturing process to various third-party manufacturers. These outsourcing arrangements may or may not include the transfer of title of the raw material inventory to third-party manufacturers. Such raw materials are recorded as raw materials inventory when purchased from suppliers. For those outsourcing arrangements in which the title is not transferred, we maintain such inventory on our consolidated balance sheets as raw materials inventory while it is in the physical possession of the third-party manufacturer. Upon receipt of the processed inventory, it is reclassified as work-in-process inventory and a processing fee is paid to the third-party manufacturer.

For those outsourcing arrangements, characterized as sales, where title (including risk of loss) is transferred to the third-party manufacturer, through raw materials sales contracts and processed inventory purchase contracts that were entered into simultaneously, we are constructively obligated to repurchase the inventory once it has been processed. In this case, the raw material inventory is classified as raw material inventory while in physical possession of the third-party manufacturer. The cash received is classified as "advances from customers" on the consolidated balance sheets and not as revenue or deferred revenue. Outsourcing arrangements, which require prepayment for repurchase of the processed inventory, are classified as "advances to suppliers" on the consolidated balance sheets. There is no right of offset for these arrangements and accordingly, "advances from customers" and "advances to suppliers" remain on the consolidated balance sheets until the processed inventory is repurchased.

On occasion, we enter into firm purchase commitments to acquire materials from its suppliers. A firm purchase commitment represents an agreement that specifies all significant terms, including the price and timing of the transactions, and includes a disincentive for non-performance that is sufficiently large to make performance probable. This disincentive is generally in the form of a take-or-pay provision, which requires us to pay for committed volumes regardless of whether we actually acquire the materials. We evaluate these agreements and record a loss, if any, on firm purchase commitments using the same lower of cost or market approach as that used to value inventory. We record the expected loss only as it relates to the succeeding year, as we are unable to reasonably estimate future market prices beyond one year, in cost of revenues in the consolidated statements of operations. As a result, changes in the cost of materials or sales price of modules will directly affect the computation of the estimated loss on firm purchase commitments and our consolidated financial statements in the following years. We purchased the minimum contracted volume for year 2009 under our 12-year supply agreement with Deutsche Solar. We did not, however, purchase the minimum contracted volumes for years 2010 and 2011. The agreement contains a provision stating that if we do not order the contracted volume in a given year, Deutsche Solar can invoice us for the difference at the full contract price. We believe that the take-or-pay provisions of the agreement are void under German law. In December 2011, Deutsche Solar gave notice to us to terminate the 12-year wafer supply agreement with immediate effect. Deutsche Solar stated that the reason for the termination was an alleged breach of the agreement by us. In the notice, Deutsche Solar reserved its right to claim damages of €148.6 million ($204.8 million) in court. As a result of the termination, we reclassified the accrued loss on firm purchase commitments reserve of $27.9 million as of December 31, 2011 to loss contingency

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accruals. In addition, we made a full bad debt allowance of $17.4 million against the balance of our advance payments to Deutsche Solar. The accrued amount of $27.9 million represents our best estimate for our loss contingency. Deutsche Solar did not specify the basis for its claimed damage of €148.6 million ($204.8 million) in the notice. Finally, we believe that the supply agreement was terminated in 2011 and, as a result, we are no longer obligated to purchase (and pay for) wafers for year 2012 and thereafter.

Project Assets

Project assets consist primarily of direct costs relating to solar power projects in various stages of development that are capitalized prior to the sale of the solar power projects. A project asset is initially recorded at the actual cost. For a self-developed project asset, the actual cost capitalized is the amount of the expenditure incurred for the application of the feed-in tariff or other similar contracts, permits, consents, construction costs, interest costs capitalized, and other costs. For a project asset acquired from third parties, the initial cost is the acquisition cost which includes the consideration transferred and certain direct acquisition costs.

We review project assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We consider a project commercially viable or recoverable if it is anticipated to be sold for a profit once it is either fully developed or fully constructed. We consider a partially developed or partially constructed project commercially viable or recoverable if the anticipated selling price is higher than the carrying value of the related project assets. We examine a number of factors to determine if the project will be recoverable, the most notable of which include whether there are any changes in environmental, ecological, permitting, market pricing or regulatory conditions that impact the project. Such changes could cause the costs of the project to increase or the selling price of the project to decrease. If a project is not considered recoverable, we impair the respective project assets and adjust the carrying value to the estimated recoverable amount, with the resulting impairment recorded within operations. We recorded impairment charges for project assets of nil, nil and $1.6 million for the years ended December 31, 2011, 2012 and 2013, respectively.

Project assets expected to be sold within twelve months as of each balance sheet date are recorded as current assets and project assets expected to be sold after twelve months are recorded as non-current assets on our consolidated balance sheets. The cash flows associated with the acquisition, construction, and sale of projects assets are classified as operating activities on our consolidated statements of cash flows. Project assets are often held in separate legal entities which are formed for the special purpose of constructing the project assets, which we refer to as "project companies". We consolidate project companies as described in Note 2 "Summary of Principal Accounting Policies (b) Basis of consolidation" to our consolidated financial statements for the year ended December 31, 2013 included in this annual report on Form 20-F. In 2013, the cash paid to the non-controlling interest in connection with disposal of such project companies was recorded as a financing activity in the consolidated statement of cash flows.

We did not depreciate the project assets. If circumstances change, and we begin to operate the project assets for the purpose of generating income from the sale of electricity, the project assets will be reclassified to property, plant and equipment.

Income Taxes

Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net tax loss carry forward and credits by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In 2013, we established a valuation allowance in the amount of

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$57.2 million against deferred tax assets which were primarily attributable to the portion of the accumulated operating losses generated by certain of our subsidiaries in China and Hong Kong for which no tax benefit could be recorded.

Current income taxes are provided for in accordance with the laws of the relevant taxing jurisdictions. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on the characteristics of the underlying assets and liabilities, or the expected timing of their use when they do not relate to a specific asset or liability.

Income tax expense includes (i) deferred tax expense, which generally represents the net change in the deferred tax asset or liability balance during the year plus any change in valuation allowances; (ii) current tax expense, which represents the amount of tax currently payable to or receivable from a taxing authority; and (iii) non-current tax expense, which represents the increases and decreases in amounts related to uncertain tax positions from prior periods and not settled with cash or other tax attributes. We only recognize tax benefits related to uncertain tax positions when such positions are more likely than not of being sustained upon examination. For such positions, the amount of tax benefit that we recognize is the largest amount of tax benefit that is more than fifty percent likely of being sustained upon the ultimate settlement of such uncertain tax position. We record penalties and interest associated with the uncertain tax positions as a component of income tax expense.

Recently Issued Accounting Pronouncements

In March 2013, the FASB issued ASU 2013-05, an authoritative pronouncement related to parent's accounting for the cumulative translation adjustment upon de-recognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. Under the guidance, the cumulative translation adjustment should be released into net income when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. A pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of an equity method investment which is a foreign entity. The amendments are effective prospectively for reporting periods beginning after December 15, 2013. Early adoption is permitted. The adoption of the amendments will not have a material impact on our consolidated financial statements.

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 our consolidated financial statements.

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Results of Operations

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

	For the years ended December 31,					
	2011		2012		2013	
	(in thousands of $, except percentages)					
Net revenues	$ 1,898,922	100.0%	$ 1,294,829	100.0%	$ 1,654,356	100.0%
Cost of revenues	1,716,640	90.4%	1,204,468	93.0%	1,378,661	83.3%
Gross profit	182,282	9.6%	90,361	7.0%	275,695	16.7%
Operating expenses:						
Selling expenses	69,341	3.7%	91,053	7.0%	88,426	5.3%
General and administrative expenses	86,269	4.5%	128,826	9.9%	44,768	2.7%
Research and development expenses	19,839	1.0%	12,998	1.0%	11,685	0.7%
Total operating expenses	175,449	9.2%	232,877	18.0%	144,879	8.8%
Income from continuing operations	6,833	0.4%	(142,516)	(11.0)%	130,816	7.9%
Other income (expenses)						
Interest expense	(43,844)	(2.3)%	(53,304)	(4.1)%	(46,244)	(2.8)%
Interest income	8,447	0.4%	13,360	1.0%	11,973	0.7%
Gain (loss) on change in fair value of derivatives	(5,751)	(0.3)%	(4,369)	(0.34)%	10,764	0.7%
Investment loss		(0.0)%	(1,082)	(0.08)%		%
Foreign exchange gain (loss)	(40,007)	(2.1)%	(10,708)	(0.83)%	(51,469)	(3.1)%
Others		( )%		( )%	428	0.03%
Income (loss) before income taxes	(74,322)	(3.9)%	(198,619)	(15.3)%	56,268	3.4%
Income tax (expense) benefit	(16,540)	(0.9)%	5,433	4.2%	(7,639)	(0.5)%
Equity in earnings (loss) of unconsolidated investees	(41)	(0.0)%	(1,969)	(0.2)%	(3,064)	(0.2)%
Net income (loss)	(90,903)	(4.8)%	(195,155)	(15.1)%	45,565	2.8%
Less: Net income attributable to non-controlling interest	(99)	(0.0)%	314	0.0%	13,906	0.8%
Net income (loss) attributable to Canadian Solar Inc.	(90,804)	(4.8)%	(195,469)	(15.1)%	31,659	1.9%

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

Net Revenues. Our total net revenues increased by $359.5 million, or 27.8%, from $1,294.8 million in 2012 to $1,654.4 million in 2013. The increase in our net revenues was primarily due to an increase in revenue contribution from our total solutions business and increased shipments from our solar module business from 1,490 MW in 2012 to 1,736 MW in 2013, partially offset by a decrease in average selling price of our solar modules from $0.77 per watt in 2012 to $0.67 per watt in 2013.

Revenues generated from our solar module business increased by $35.7 million, or 3.1%, from $1,146.0 million in 2012 to $1,181.7 million in 2013. The increase was primarily due to an increase of $205.3 million attributed to the 16.5% increase of shipments of our solar modules, partially offset by a decrease of $169.6 million attributed to the 13.0% decline in average selling price of our solar modules.

Our total solar module shipments were 1,894 MW in 2013, an increase of 22.7% from 1,543 MW in 2012. Our shipments to non-European markets increased by 961.6 MW from 643.6 MW in 2012 to 1,605.2 MW in 2013. The increase in shipments to non-European markets primarily came from Japan and Canada among others. Our shipments to European markets decreased by 610.5 MW from

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899.5 MW in 2012 to 289.0 MW 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.

Our average selling price of our solar modules declined from $0.77 in 2012 to $0.67 in 2013, primarily due to the fact that the supply of solar products was generally greater than demand. This adversely affected the prices of solar products across the entire value chain.

Revenues generated from our total solutions business increased by $323.8 million, or 217.5%, from $148.9 million in 2012 to $472.7 million in 2013. $266.2 million of the increase was attributable to increased sales of solar power projects and provision of EPC services and $57.1 million was attributable to increased sales of solar system kits.

We periodically make estimates of our sales returns based on historical experience and record those estimates as a reduction of revenues. As of December 31, 2012 and 2013, we had a sales return reserve of $1.0 million and $0.2 million, respectively. Actual returns could differ from these estimates.

Cost of Revenues. Our cost of revenues increased by $174.2 million, or 14.5%, from $1,204.5 million in 2012 to $1,378.7 million in 2013. The increase in our cost of revenues was primarily due to growth of our total solutions business and increased shipments from our solar module business, partially offset by lower manufacturing costs of solar modules. Cost of revenues as a percentage of total net revenues decreased from 93.0% in 2012 to 83.3%.

In 2013, we made downward adjustments of accrued warranty costs and insurance receivable amounts to reflect the general declining trend of the average selling price of solar modules, which is a primary input into the estimated warranty costs. The net effect of the downward adjustments was $13.7 million.

Our inventory write-downs for 2012 and 2013 were $3.1 million and $0.7 million, respectively. The decrease in inventory write-downs was primarily due to the stabilization of the prices of solar modules and continued lowering of our manufacturing costs, which decreased at a steeper rate than the decline in the market prices during 2013, as compared with 2012.

Gross Profit. As a result of the foregoing, our gross profit increased by $185.3 million, or 205.1%, from $90.4 million in 2012 to $275.7 million in 2013. Our gross profit margin increased from 7.0% in 2012 to 16.7% in 2013, primarily due to contribution from our higher margin total solutions business, lower manufacturing costs as well as the net effect of the above-mentioned downward adjustments, partially offset by a decline in average selling price of our solar modules during the period.

Operating Expenses. Our operating expenses decreased by $88.0 million, or 37.8%, from $232.9 million in 2012 to $144.9 million in 2013. Operating expenses as a percentage of our total net revenues decreased from 18.0% in 2012 to 8.8% in 2013.

Selling Expenses. Our selling expenses decreased by $2.6 million, or 2.9%, from $91.1 million in 2012 to $88.4 million in 2013. The decrease in our selling expenses was primarily due to a $8.0 million decrease in shipping and handling expenses and a $7.2 million decrease in marketing expenses, partially offset by a $5.2 million increase in salary expenses, a $2.0 million increase in sales commission, a $1.6 million increase in rental expenses and a $1.1 million increase in insurance expenses. Selling expenses as a percentage of our net total revenues decreased from 7.0% in 2012 to 5.3% in 2013.

General and Administrative Expenses. Our general and administrative expenses decreased by $84.1 million, or 65.2%, from $128.8 million in 2012 to $44.8 million in 2013. The decrease in our general and administrative expenses was primarily due to the reversal of a $30.0 million provision related to the arbitration decision against us by the CIETAC Shanghai Branch in favor of LDK and a

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$32.9 million decrease in bad debt expense. General and administrative expenses as a percentage of our total net revenues decreased from 9.9% in 2012 to 2.7% in 2013.

Research and Development Expenses. Our research and development expenses decreased by $1.3 million, or 10.1%, from $13.0 million in 2012 to $11.7 million in 2013. Research and development expenses as a percentage of our total net revenues were 1.0% in 2012 and 0.7% in 2013.

Interest Expense, Net. Our interest expense, net decreased by $5.7 million, or 14.2%, from $39.9 million in 2012 to $34.3 million in 2013. Interest expense decreased from $53.3 million in 2012 to $46.2 million in 2013, or 13.2%, primarily due to an increase in interest expense capitalized for our solar power projects and a decrease in bank borrowings, partially offset by an increase in discount charges. Interest income decreased from $13.4 million in 2012 to $12.0 million in 2013, or 10.4%.

Gain/(Loss) On Change in Fair Value of Derivatives. In 2013, we recorded a gain on change in fair value of derivatives of $10.8 million, compared to a loss on change in fair value of derivatives of $4.4 million in 2012. The gain or loss on change in fair value of derivatives represents gain or loss on the foreign currency hedges that we employed to hedge against part of our exposure to the fluctuation of exchange rates of foreign currencies, mainly in Euro, Renminbi, Canadian dollar and Japanese yen, by means of foreign currency forward or option contracts.

Foreign Exchange Loss. We recorded a foreign exchange loss of $51.5 million in 2013, compared to a foreign exchange loss of $10.7 million in 2012. The foreign exchange loss in 2013 was mainly due to the appreciation of the Renminbi against the U.S. dollar as well as the depreciation of the Japanese yen and Canadian dollar against the U.S. dollar.

Income Tax Benefit (Expense). Our income tax expense was $7.6 million in 2013, compared to an income tax benefit of $5.4 million in 2012. The income tax expense in 2013 was primarily due to our return to profitability.

Equity in Earnings (Loss) of Unconsolidated Investees. Our equity in earnings of unconsolidated investees was a net loss of $3.1 million in 2013, compared to a net loss of $2.0 million in 2012.

Net Income Attributable To Non-Controlling Interest. The net income attributable to non-controlling interest was related to the share of net income by the non-controlling shareholders in certain of our subsidiaries or project companies in Canada, China, Germany, Japan and the U.S. As part of negotiating the acquisition of project assets, we often acquire or set up project companies for the purpose of holding the project assets which are partially held by third parties which are reported as non-controlling interests in our consolidated financial statements. When these projects assets are sold to third parties, we allocate the percentage attributable to non-controlling interests accordingly. The amounts of net income generated in connection with the sale of project assets which was attributable to minority interests was nil and $12.2 million, for the years ended December 31, 2012 and 2013, respectively.

Net Income (Loss) Attributable To Canadian Solar Inc. As a result of the foregoing, we recorded a net income of $31.7 million in 2013, which was a $227.1 million increase over our net loss of $195.5 million in 2012.

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

Net Revenues. Our total net revenues decreased by $604.1 million, or 31.8%, from $1,898.9 million in 2011 to $1,294.8 million in 2012. The decrease in our net revenues was primarily due to a decrease in the average selling price of our solar modules from $1.34 per watt in 2011 to $0.77 per watt in 2012, partially offset by increased shipments from 1,323 MW in 2011 to 1,543 MW in 2012. The decrease in the average selling price of our solar modules in 2012 was primarily due to changes in

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government subsidies and economic incentives in many markets, and continued oversupply across the entire PV supply chain.

Total solar module shipments were 1,543 MW in 2012, an increase of 16.6%, from 1,323 MW in 2011. Our shipments to non-European markets increased by 203.3 MW from 440.3 MW in 2011 to 643.6 MW in 2012. The increase in shipments to non-European markets primarily came from the U.S. and Japan among others. Our shipments to European markets increased by 17.2 MW from 882.3 MW in 2011 to 899.5 MW in 2012.

We periodically make estimates of our sales returns based on historical experience and record those estimates as a reduction of revenues. As of December 31, 2011 and 2012, we had a sales return reserve of $6.2 million and $1.0 million, respectively. Actual returns could differ from these estimates.

Cost of Revenues. Our cost of revenues decreased by $512.2 million, or 29.8%, from $1,716.6 million in 2011 to $1,204.5 million in 2012. The decrease in our cost of revenues was primarily due to a decrease in raw material costs for the year resulting from market competition among suppliers of solar wafers and cells. The decrease in our cost of revenues was in line with the decrease in our net revenues for the year. Cost of revenues as a percentage of total net revenues increased from 90.4% in 2011 to 93.0% in 2012.

Our inventory write-downs for 2011 and 2012 were $8.5 million and $3.1 million, respectively. The decrease in inventory write-downs was primarily due to continued decrease in our manufacturing costs. In 2012, our manufacturing costs decreased (approximately 43.0%) more rapidly than market prices (approximately 31.8%).

Gross Profit. As a result of the foregoing, our gross profit decreased by $91.9 million, or 50.4%, from $182.3 million in 2011 to $90.4 million in 2012. Our gross profit margin decreased from 9.6% in 2011 to 7.0% in 2012, primarily due to a decrease in the average selling price of our solar modules, partially offset by lower manufacturing costs.

Operating Expenses. Our operating expenses increased by $57.4 million, or 32.7%, from $175.4 million in 2011 to $232.9 million in 2012. Operating expenses as a percentage of our total net revenues increased from 9.2% in 2011 to 18.0% in 2012.

Selling Expenses. Our selling expenses increased by $21.7 million, or 31.3%, from $69.3 million in 2011 to $91.1 million in 2012. The increase in our selling expenses was primarily due to an increase of $9.8 million in our shipping and handling costs resulting from increased shipment volume accompanied by higher unit costs for shipping and handling, an increase of $5.2 million in our sales commissions and payroll costs due to increased personnel requirements for our project business as well as an increase of $2.3 million in our marketing costs. Selling expenses as a percentage of our total net revenues increased from 3.7% in 2011 to 7.0% in 2012.

General and Administrative Expenses. Our general and administrative expenses increased by $42.6 million, or 49.3%, from $86.3 million in 2011 to $128.8 million in 2012. The increase in our general and administrative expenses was primarily due to the provision for an arbitration decision and the increase in the bad debt allowance for doubtful accounts. We made a provision totaling $30.3 million for the arbitration decision against us by the CIETAC Shanghai Branch in favor of LDK. In addition, allowance for doubtful accounts receivable and advances to suppliers increased by 74.4% from $23.2 million in 2011 to $40.4 million in 2012, including $18.6 million relating to one customer in China with severe liquidity issues.

Research and Development Expenses. Our research and development expenses decreased by $6.8 million, or 34.5%, from $19.8 million in 2011 to $13.0 million in 2012. The decrease in research and development expenses was primarily due to the successful completion of several key research and

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development projects at the end of 2011. Research and development expenses as a percentage of our total net revenues were approximately 1.0% in each of 2011 and 2012.

Interest Expense, Net. Our interest expense, net increased by $4.5 million, or 12.8%, from $35.4 million in 2011 to $39.9 million in 2012. Interest expense increased from $43.8 million in 2011 to $53.3 million in 2012, or 21.6%, primarily due to a significant increase in bank borrowings in 2012, partially offset by the interest costs capitalized to project assets relating to construction of our solar power projects. Interest income increased from $8.4 million in 2011 to $13.4 million in 2012, or 58.2%, mainly due to an increased restricted cash balance.

Gain/(Loss) On Change in Fair Value of Derivatives. In 2012, we recorded a loss on change in fair value of derivatives of $4.4 million, compared to a loss on change in fair value of derivatives of $5.8 million in 2011. The loss on change in fair value of derivatives represents a loss on the foreign currency hedges that we employed to hedge against part of our expected cash flows and balances denominated in foreign currencies, mainly in Euros and Canadian dollars, by means of foreign currency forward or option contracts.

Investment Loss. We recorded an investment loss of $1.1 million in 2012, compared to an investment loss of nil in 2011. In 2012, we concluded that our $1.1 million investment in Nernst New Energy (Suzhou) Co., Ltd., a joint venture in which we own a 50% interest, was fully impaired.

Foreign Exchange Loss. We recorded a foreign exchange loss of $10.7 million in 2012, compared to a foreign exchange loss of $40.0 million in 2011. These foreign exchange losses were mainly due to the depreciation of the Euro and Japanese yen and the appreciation of the Renminbi against the U.S. dollar.

Income Tax Benefit (Expense). Our income tax benefit was $5.4 million in 2012, compared to tax expense of $16.5 million in 2011. The income tax benefit in 2012 was primarily due to recognition of deferred tax assets associated with the net operating losses recorded by certain of our subsidiaries in China.

Equity in Earnings (Loss) of Unconsolidated Investees. Our equity in earnings of unconsolidated investees was a net loss of $2.0 million in 2012, compared to a net loss of $0.4 million in 2011.

Net Income Attributable To Non-Controlling Interest. The net income attributable to non-controlling interest was related to the share of net income by the non-controlling shareholders in certain of our subsidiaries in China, Germany, Japan and the U.S.

Net Income (Loss) Attributable To Canadian Solar Inc. As a result of the foregoing, the net loss attributable to Canadian Solar Inc. increased by $104.7 million, or 115.3%, from negative $90.8 million in 2011 to negative $195.5 million in 2012.

B. Liquidity and Capital Resources

Cash Flows and Working Capital

We are generally required to make prepayments to suppliers of silicon wafers and cells and silicon raw materials. Even though we require some customers to make partial prepayments, there is typically a lag between the time we make our prepayments for silicon wafers and cells and silicon raw materials and the time our 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, us to make significant commitments of working capital beyond that generated from our cash flows from operations to support our estimated production output.

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In addition, our total solutions business required increased funding and use of working capital in 2013 and is expected to continue to require significant funding and use of working capital in the future. The time cycles of our solar power project development can vary substantially and can take up to many years to mature. As a result, we 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, we may have to use our existing bank facilities to finance the construction of these solar power projects. Depending on the size and number of solar power projects that we are developing and self-financing, our liquidity requirements could be significant. Delays in constructing or completing the sale of any of our projects which we are self-financing could also impact our liquidity.

In 2013, we reversed the provision related to the arbitration decision against us by the CIETAC Shanghai Branch in favor of LDK and we currently do not have any provision in our accounts for this amount. We dispute the merits of the proceedings brought against us by LDK and will defend ourselves vigorously against these claims. However, if we do not succeed, payment of the award to LDK could have an adverse effect on our liquidity. See "Item 8. Financial Information A. Consolidated Statements and Other Financial Information Legal and Administrative Proceedings."

In 2013, we financed our operations primarily through cash flows from operations, short-term and long-term borrowings and proceeds from offering of common shares. As of December 31, 2013, we had $228.2 million in cash and cash equivalents. Our cash and cash equivalents consist primarily of cash on hand, bank balances and demand deposits, which are unrestricted as to withdrawal and use, and have original maturities of three months or less.

As of March 31, 2014, we had contractual bank credit lines with an aggregate limit of approximately $1,136.2 million, of which $175.5 million had been drawn down with due dates beyond December 31, 2014 and $482.7 million had been drawn down with due dates before December 31, 2014. In addition, we had non-binding bank credit lines of approximately $472.1 million, of which $188.7 million had been drawn down with the due date before December 31, 2014, $133.2 million had been drawn down with due dates beyond December 31, 2014 and $150.2 million was subject to the banks' discretion upon request for additional drawn down. Non-binding bank lines represent non-legally binding facility limits granted by banks, which can be changed unilaterally by the banks. As of March 31, 2014, we had approximately $163.4 million of long-term borrowings (non-current portion), of which $72.7 million was secured by project assets. As of March 31, 2014, we had approximately $159.4 million of long-term borrowings (current portion), of which $87.1 million was secured by land use rights, property, plant and equipment and project assets. As of the same date, we had approximately $642.4 million of short-term borrowings, of which $274.9 million was secured by restricted cash, bank notes, inventory, land use rights, project assets and property, plant and equipment. The long-term borrowings, non-current portion, mature at various times during the period from the second quarter of 2015 to the second quarter of 2028 and bear interest at rates ranging from nil to 12.5% per annum. The long-term borrowings, current portion, and the short-term borrowings mature at various times during 2014 and the first quarter of 2015 and bear interest at rates ranging from 0.68% to 10.0% per annum. Our bank lines contain no specific extension terms but, historically, we have 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 December 31, 2013, we also had short-term borrowings from non-banking financial institutions of $53.3 million.

On January 30, 2013, we 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. This loan, which was fully repaid in January 2014, was used to finance four projects with a total capacity of approximately 46.5 MW (DC) in Ontario, Canada.

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On May 20, 2013, we 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, we 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 us 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 September 11, 2013, we completed our at-the-market offering of common shares announced on August 15, 2013. In the offering, we 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 November 28, 2013, we 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 us for the construction of solar power projects in Ontario, Canada.

On December 4, 2013, we entered into 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 40 MW to 50 MW of the projects during the first half of 2014.

In February 2014, we completed an offering of our common shares and convertible senior notes. Pursuant to the offering, we sold 3,194,700 common shares at a price of $36.00 per share and sold $150 million aggregate principal amount of 4.25% convertible senior notes. We received aggregate net proceeds of approximately $255.7 million from these offerings, after deducting discounts and commissions, but before offering expenses. The proceeds have been and will be used for general corporate purposes, which may include expanding manufacturing capacity, the development of solar power projects and working capital.

In February 2014, we signed a C$52 million loan agreement with Natixis, New York Branch/Norddeutsche Landesbank Girozentrale, New York Branch/Cooperative Centrale Raiffeisen-Boerenleenbank B.A., New York Branch. The loan facility has a maturity term of construction plus 10 years and will be used to finance the 10 MW (AC) Glenarm utility-scale solar power project which is being acquired by DIF Infra 3 RE Canada (Ltd). This solar power plant is expected to be in commercial operation by the fourth quarter of 2014. The project has been awarded a 20-year power purchase contract by the Ontario Power Authority under the Ontario's Feed-In-Tariff Program.

In February 2014, we signed a C$48 million loan agreement with Manufacturer's Life Insurance Company, or Manulife. The loan facility will be used to finance our Val Caron solar power project located in Ontario, Canada which we expect to complete in 2014. The Val Caron project is being acquired by Concord Green Energy Inc.

In March 2014, we signed another loan agreement with Manulife for a C$50.5 million loan facility which will be used to finance our Mighty Solar power project located in Ontario, Canada. We expect to complete this project in 2014. The Mighty Solar project will be acquired by Concord Green Energy Inc. after it reaches commercial operation.

Although no assurance can be given, we believe that we will be able to fully execute our business plans and to renew substantially all our existing bank borrowings as they become due if needed. We believe that adequate sources of liquidity will exist to fund our working capital and capital expenditures

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requirements and to meet our short-term debt obligations and other liabilities and commitments as they become due. As of the date of this annual report, we were in compliance with all material terms of our borrowing agreements.

We expect that our accounts receivable, inventories and project assets, three of the principal components of our current assets, will increase in line with increases in our net revenues. Due to market competition, in many cases, we offer credit terms to our 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 $18.6 million as of December 31, 2012 and $75.3 million as of December 31, 2013. As the market demand for our products has changed and as we have diversified our geographical markets, we have increased and may continue to increase credit term sales to certain creditworthy customers after careful review of their credit standings and acceptance of export credit insurance by Sinosure, or other risk mitigation channels such as local credit insurance or factoring.

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

	As of December 31,		
	2011	**2012**	**2013**
	(in thousands of $)		
Net cash provided by (used in) operating activities	60,124	(147,759)	229,549
Net cash used in investing activities	(193,577)	(306,491)	(37,509)
Net cash provided by (used in) financing activities	177,748	249,576	(104,900)
Net increase (decrease) in cash and cash equivalents	55,343	(202,027)	86,282
Cash and cash equivalents at the beginning of the year	288,652	343,995	141,968
Cash and cash equivalents at the end of the year	343,995	141,968	228,250

Operating Activities

Net cash provided by operating activities was $229.5 million in 2013, compared to net cash used in operating activities of $147.8 million in 2012. The change was primarily due to a net income in 2013 compared to a net loss in 2012 and overall improved working capital management.

Net cash used in operating activities was $147.8 million in 2012 compared to net cash provided by operating activities of $60.1 million in 2011. The change was primarily due to the increased use of cash to expand our total solutions business. The net cash used in operating activities in 2012 included payments of $162.3 million relating to the acquisition of solar power projects. The decrease in operating cash flow in 2012 was partially offset by the effect of continued improvement in our working capital management.

Investing Activities

Net cash used in investing activities was $37.5 million in 2013, compared to $306.5 million in 2012. The decrease in net cash used in investing activities for 2013 was primarily due to a less increase in restricted cash used as collateral to secure our bank acceptances and borrowings as well as a decrease in payments to acquire property, plant and equipment, partially offset by an increase in cash investment in affiliates.

Net cash used in investing activities increased from $193.6 million in 2011 to $306.5 million in 2012. The increase in net cash used in investing activities in 2012 was due to an increase in restricted cash as collateral to secure our bank acceptances and bank borrowings, partially offset by decreased payments to acquire property, plant and equipment.

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Financing Activities

Net cash used in financing activities was $104.9 million in 2013, compared to net cash provided by $249.6 million in 2012. The change was primarily due to the net decrease of bank borrowings during 2013, partially offset by the net proceeds of $47.9 million from our at-the-market offering.

Net cash provided by financing activities increased from $177.7 million in 2011 to $249.6 million in 2012. The increase in net cash provided by financing activities in 2012 was primarily due to a net increase in bank borrowings.

We believe that our current cash and cash equivalents, anticipated cash flow from operations and existing banking facilities will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for the 12 months ending December 31, 2014. We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. The availability of commercial loans from Chinese commercial banks may be affected by administrative policies of the PRC government, which in turn may affect our plans for business expansion. If our existing cash or the availability of commercial bank borrowings is insufficient to meet our requirements, we may seek to sell additional equity securities or debt securities or borrow from other sources. We cannot assure that financing will be available in the amounts we need or on terms acceptable to us, if at all. The issuance of additional equity securities, including convertible debt securities, would dilute the holdings our 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 our operations and our ability to pay dividends to our shareholders. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer.

Capital Expenditures

We made capital expenditures of $205.4 million, $60.5 million and $23.1 million in 2011, 2012 and 2013, respectively. Our capital expenditures were used primarily to maintain our manufacturing capacity for ingots, wafers, solar cells and solar modules. As of December 31, 2013, our short-term commitments for the purchase of property, plant and equipment were $11.6 million.

Restricted Net Assets

Our PRC subsidiaries are required under PRC laws and regulations to make appropriations from net income as determined under accounting principles generally accepted in the PRC, or PRC GAAP, to non-distributable reserves, which include a general reserve, staff welfare and bonus reserve. The general reserve is required to be made at not less than 10% of the profit after tax as determined under PRC GAAP. Our board of directors determines the staff welfare and bonus reserve. The general reserve is used to offset future extraordinary losses. Our PRC subsidiaries may, upon a resolution of the board of directors, convert the general reserve into capital. The staff welfare and bonus reserve is used for the collective welfare of the employees of the PRC subsidiaries. These reserves represent appropriations of the retained earnings determined under PRC law. In addition to the general reserve, our PRC subsidiaries are required to obtain approval from the local government authorities prior to decreasing and distributing any registered share capital to their shareholders. Accordingly, both the appropriations to general reserve and the registered share capital of our PRC subsidiaries are considered as restricted net assets. These restricted net assets amounted to $354.0 million, $360.0 million and $365.0 million as of December 31, 2011, 2012 and 2013, respectively.

Our operations in China are subject to certain restrictions on the transfer and use of cash within the Company. Transfers of cash between our PRC subsidiaries and the Canadian parent company are restricted to normal trade business payments and any further capital contribution from the Canadian parent company only under China's existing foreign currency regulations. Foreign exchange transactions

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by our PRC subsidiaries under most capital accounts continue to be subject to significant foreign exchange controls and require the approval of PRC governmental authorities. In particular, if we finance our PRC subsidiaries by means of additional capital contributions, certain government authorities, including the Ministry of Commerce or its local counterparts, must approve these capital contributions. These limitations could affect the ability of our Chinese subsidiaries to obtain foreign exchange through equity financing.

As of December 31, 2013, $114.6 million of undistributed earnings in our PRC subsidiaries are considered to be indefinitely reinvested so that no provision of withholding taxes has been provided in our consolidated financial statements. Our PRC subsidiaries are required to make appropriations of at least 10% of net income, as determined under accounting principles generally accepted in the PRC, to a non-distributable general reserve. After making this appropriation, the balance of the $114.6 million of undistributed earnings is distributable. Should our PRC subsidiaries subsequently distribute the distributable earnings, they are subject to applicable withholding taxes to the PRC State Administration of Tax.

C. Research and Development

We have significantly expanded our research and development activities since 2009. We have two new research and development centers with state-of-the-art equipment the Center for Solar Cell Research and the Center for Photovoltaic Testing and Reliability Analysis. The Center for Solar Cell Research is focused on developing new high efficiency solar cells and advanced solar cell processing technologies. The Center for Photovoltaic Testing and Reliability Analysis is focused on PV module testing, photovoltaic module components testing and qualifications, and PV module performance and reliability testing and analysis. As of December 31, 2013, we had approximately 163 employees in research, product development and engineering.

Our research and development activities have generally focused on the following areas:

- improving the conversion efficiency of solar cells and developing new cell structures and technologies for high conversion efficiency;
- developing modules with improved design and assembly methods employing back contact technology, such as metal wrap-through cells. Such modules will employ new structures and produce higher power output;
- improving manufacturing yield and reliability of solar modules and reducing manufacturing costs;
- developing modules with improved power conversion devices integrated into the construction of the module including a variety of micro-inverters and DC-to-DC power converters;
- testing, data tracing and analysis for module performance and reliability;
- designing and developing more efficient specialty solar modules and products to meet customer requirements;
- developing new methods and equipment for analysis and quality control of incoming materials (such as polysilicon, wafers and cells);
- developing new technologies in ingot growth and characterization, wafering, cell processing and module manufacturing that make use of low-cost alternative silicon materials such as solar grade silicon; and
- improving the wafer quality and production yield for both conventional wafer and e-wafer processing.

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Our research and development team works closely with our manufacturing teams and our suppliers, partners and customers. We have also established collaborative research and development relationships with a number of companies, universities and research institutes, including DuPont, Shanghai Jiaotong University and the University of Toronto.

Going forward, we will focus on the following research and development initiatives that we believe will enhance our competitiveness:

High efficiency cells. We have begun commercializing our improved metal wrap-through cells. We expect the efficiency of the P-type wafers in our next generation of ELPS technology to reach approximately 21%. We also expect that our black silicon technology, which uses nano-technology, will significantly increase our solar cell efficiency because of increased light absorption properties. This technology, which we developed internally, will not require an increase in cost on a per-watt basis. We have developed new processes for developing PERC (passivated emitter and rear contact) solar cells in order to improve cell efficiency. These cells will begin mass production in the near future. We are focusing our current research and development on N-type, heterojunction intrinsic thin-layer, IBC and other high efficiency cell designs. On a test basis, we have produced an N-type bi-facial cell; however, we do not plan to commercially produce this product until a later date. Such cell structures are believed to lower the overall cost of manufacturing solar modules, making the resulting modules cheaper to install. Higher-powered modules might also command a modest premium.

Solar module manufacturing technologies. Since the opening of our Center for Photovoltaic Testing and Reliability Analysis in 2006, we have focused on developing state-of-the-art testing and diagnostic techniques that improve solar module production yield, efficiency, performance and durability. We are the first company to begin using four busbars in mass production. This allows our products to generate higher power output with the same size. We have developed a new technology for PID (Potential Induced Degradation)-resistant modules, which were certified by TUV SUD and VDE.

Power system integration and solar application products. We recently began to explore power system integration products and expanded our research and development efforts in solar application products.

Solar power system development, energy storage system, off-grid power system, micro grid system and smart grid system. As we continue our business into the downstream total solutions business, we plan to hire additional engineering staff and increase investment in these areas.

D. Trend Information

Other than as disclosed elsewhere in this annual report on Form 20-F, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off Balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing,

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liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

F. Tabular Disclosure of Contractual Obligations

Contractual Obligations and Commercial Commitments

The following table sets forth our contractual obligations and commercial commitments as of December 31, 2013:

	Payment Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(In thousands of $)				
Short-term debt obligations	778,513	778,513			
Interest related to short-term debt obligations[1]	14,831	14,831			
Operating lease obligations	14,934	3,999	4,510	3,424	3,001
Purchase obligations[2]	609,389	263,129	346,260		
Long-term debt obligations	151,392		91,643	31,373	28,376
Interest related to long-term debt obligations[3]	36,238	9,151	13,035	5,159	8,893
Total	1,605,297	1,069,623	455,448	39,956	40,270

(1) Interest rates range from 0.68% to 12.5% per annum for short-term debt obligations.

(2) Includes commitments to purchase $11.6 million of production equipment and $597.8 million of raw materials.

(3) Interest rates range from nil to 12.5% per annum for long-term debt obligations.

The table above excludes uncertain tax liabilities of $17.2 million, as we are unable to reasonably estimate the timing of future payments due to uncertainties in the timing of the effective settlement of these tax positions. For additional information, see the notes to our consolidated financial statements, included herein.

In April 2012, we entered into a purchase agreement with SkyPower to acquire a majority interest in 16 solar projects for a total consideration of approximately C$185 million, of which C$139.6 million and C$29.1 million were paid in 2013, respectively, and the balance will be paid as the solar projects reach certain milestones. As of December 31, 2013, the outstanding balance was approximately $16.4 million.

Other than the contractual obligations and commercial commitments set forth above, we did not have any long-term debt obligations, operating lease obligations, purchase obligations or other long-term liabilities as of December 31, 2013.

G. Safe Harbor

This annual report on Form 20-F contains forward-looking statements that relate to future events, including our future operating results, our prospects and our future financial performance and condition, results of operations, business strategy and financial needs, all of which are largely based on our current expectations and projections. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as "may," "will," "expect," "anticipate," "future," "intend," "plan," "believe," "estimate," "is/are likely to" or similar expressions. Forward-looking statements

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involve inherent risks and uncertainties. These forward-looking statements include, among other things, statements relating to:

- our expectations regarding the worldwide supply and demand for solar power products and the market demand for our products;
- our beliefs regarding the importance of environmentally friendly power generation;
- our expectations regarding governmental support for solar power;
- our beliefs regarding the fluctuation in availability of silicon, solar wafers and solar cells;
- our beliefs regarding our ability to resolve our disputes with suppliers with respect to our long-term supply agreements;
- our beliefs regarding the continued growth of the solar power industry;
- our beliefs regarding the competitiveness of our solar module products;
- our expectations with respect to increased revenue growth and improved profitability;
- our expectations regarding the benefits to be derived from our supply chain management and vertical integration manufacturing strategy;
- our beliefs and expectations regarding the use of UMG-Si and solar power products made of this material;
- our ability to continue developing our in-house solar components production capabilities and our expectations regarding the timing and production capacity of our internal manufacturing programs;
- our ability to secure adequate silicon and solar cells to support our solar module production;
- our beliefs regarding the effects of environmental regulation;
- our beliefs regarding the changing competitive landscape in the solar power industry;
- our future business development, results of operations and financial condition; and
- competition from other manufacturers of solar power products and conventional energy suppliers.

Known and unknown risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by forward-looking statements. See "Item 3. Key Information D. Risk Factors" for a discussion of some risk factors that may affect our business and results of operations. These risks are not

exhaustive. Other sections of this annual report may include additional factors that could adversely influence our business and financial performance. Moreover, because we operate in an emerging and evolving industry, new risk factors may emerge from time to time. We cannot predict all risk factors, nor can we assess the impact of these factors on our business or the extent to which any factor, or combination of factors, may cause actual result to differ materially from those expressed or implied in any forward-looking statement. We do not undertake any obligation to update or revise the forward-looking statements except as required under applicable law.

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ITEM 6. ***DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES***