FIRST SOLAR, INC.
Form 10-Q
November 09, 2015
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark one)

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

or

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

For the transition period from to

Commission file number: 001-33156

First Solar, Inc.
(Exact name of registrant as specified in its charter)

Delaware	20-4623678
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

350 West Washington Street, Suite 600
Tempe, Arizona 85281
(Address of principal executive offices, including zip code)
(602) 414-9300
(Registrant’s telephone number, including area code)

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 [x] No [ ]

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [x]	Accelerated filer [ ]	Non-accelerated filer [ ]	Smaller reporting company [ ]

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [x]

As of November 6, 2015, 100,920,115 shares of the registrant's common stock, $0.001 par value per share, were outstanding.

Table of Contents

FIRST SOLAR, INC. AND SUBSIDIARIES

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015

TABLE OF CONTENTS

		Page
Part I.	Financial Information	
Item 1.	Condensed Consolidated Financial Statements (Unaudited):	
	Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2015 and 2014	3
	Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2015 and 2014	4
	Condensed Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014	5
	Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2014	6
	Notes to Condensed Consolidated Financial Statements	7
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	47
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	67
Item 4.	Controls and Procedures	67
Part II.	Other Information	68
Item 1.	Legal Proceedings	68
Item 1A.	Risk Factors	68
Item 5.	Other Information	69
Item 6.	Exhibits	70
Signature		71

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

FIRST SOLAR, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net sales	$1,271,245	$890,288	$2,636,671	$2,383,194
Cost of sales	786,880	700,886	1,948,842	1,866,635
Gross profit	484,365	189,402	687,829	516,559
Operating expenses:				
Research and development	29,630	37,593	93,865	109,025
Selling, general and administrative	53,716	66,528	192,305	182,859
Production start-up	3,198	1,406	16,818	1,897
Total operating expenses	86,544	105,527	302,988	293,781
Operating income	397,821	83,875	384,841	222,778
Foreign currency (loss) gain, net	(1,803)	905	(4,981)	(192)
Interest income	5,322	4,297	16,444	13,151
Interest expense, net	(1,775)	(89)	(2,795)	(1,429)
Other expense, net	(1,678)	(1,758)	(3,729)	(4,698)
Income before taxes and equity in earnings of unconsolidated affiliates	397,887	87,230	389,780	229,610
Income tax (expense) benefit	(48,454)	6,948	(9,134)	(20,643)
Equity in earnings of unconsolidated affiliates, net of tax	(115)	(4,345)	1,640	(6,321)
Net income	$349,318	$89,833	$382,286	$202,646
Net income per share:				
Basic	$3.46	$0.90	$3.80	$2.03
Diluted	$3.41	$0.89	$3.75	$1.99
Weighted-average number of shares used in per share calculations:				
Basic	100,906	100,197	100,713	99,981
Diluted	102,299	101,415	101,845	101,686

See accompanying notes to these condensed consolidated financial statements.

Table of Contents

FIRST SOLAR, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$349,318	$89,833	$382,286	$202,646
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(1,103)	(9,887)	(14,001)	(11,548)
Unrealized gain (loss) on marketable securities and restricted investments	17,944	19,847	(4,409)	58,468
Unrealized (loss) gain on derivative instruments	(1,338)	5,798	(3,239)	2,043
Other comprehensive income (loss), net of tax	15,503	15,758	(21,649)	48,963
Comprehensive income	$364,821	$105,591	$360,637	$251,609

See accompanying notes to these condensed consolidated financial statements.

Table of Contents

FIRST SOLAR, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	September 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,189,703	$ 1,482,054
Marketable securities	619,814	509,032
Accounts receivable trade, net	328,927	135,434
Accounts receivable, unbilled and retainage	241,119	76,971
Inventories	379,183	505,088
Balance of systems parts	104,392	125,083
Deferred project costs	98,421	29,354
Deferred tax assets, net	78,092	91,565
Notes receivable, affiliate	1,279	12,487
Prepaid expenses and other current assets	210,399	202,151
Total current assets	3,251,329	3,169,219
Property, plant and equipment, net	1,330,054	1,419,988
PV solar power systems, net	93,420	46,393
Project assets and deferred project costs	1,030,436	810,348
Deferred tax assets, net	264,200	222,326
Restricted cash and investments	403,160	407,053
Investments in unconsolidated affiliates and joint ventures	299,103	255,029
Goodwill	84,985	84,985
Other intangibles, net	112,470	119,236
Inventories	108,558	115,617
Notes receivable, affiliates	17,754	9,127
Other assets	65,173	61,670
Total assets	$ 7,060,642	$ 6,720,991
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 303,593	$ 214,656
Income taxes payable	2,028	1,727
Accrued expenses	412,167	388,156
Current portion of long-term debt	38,663	51,399
Billings in excess of costs and estimated earnings	74,102	195,346
Payments and billings for deferred project costs	22,699	60,591
Other current liabilities	43,035	88,702
Total current liabilities	896,287	1,000,577
Accrued solar module collection and recycling liability	164,304	246,307
Long-term debt	246,814	162,074
Other liabilities	364,509	320,546
Total liabilities	1,671,914	1,729,504
Commitments and contingencies		
Stockholders' equity:		
	101	100

Common stock, $0.001 par value per share; 500,000,000 shares authorized; 100,919,021 and 100,288,942 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively		
Additional paid-in capital	2,734,161	2,697,558
Accumulated earnings	2,625,975	2,243,689
Accumulated other comprehensive income	28,491	50,140
Total stockholders’ equity	5,388,728	4,991,487
Total liabilities and stockholders’ equity	$ 7,060,642	$ 6,720,991

See accompanying notes to these condensed consolidated financial statements.

Table of Contents

FIRST SOLAR, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net income	$382,286	$202,646
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation, amortization and accretion	193,923	183,139
Share-based compensation	33,146	32,069
Remeasurement of monetary assets and liabilities	(10,341)	8,159
Deferred income taxes	(7,050)	38,351
Excess tax benefits from share-based compensation arrangements	(23,333)	(27,849)
Other, net	7,140	12,248
Changes in operating assets and liabilities:		
Accounts receivable, trade, unbilled and retainage	(351,320)	(150,950)
Prepaid expenses and other current assets	(37,282)	3,638
Other assets	(2,299)	(5,472)
Inventories and balance of systems parts	147,271	(8,103)
Project assets and deferred project costs	(642,835)	30,809
Accounts payable	108,742	(39,535)
Income taxes payable	(19,169)	(28,079)
Accrued expenses and other liabilities	(113,905)	(523,635)
Accrued solar module collection and recycling liability	(78,990)	25,557
Net cash used in operating activities	(414,016)	(247,007)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(139,270)	(184,249)
Purchases of marketable securities	(429,352)	(226,087)
Proceeds from sales and maturities of marketable securities	313,359	166,809
Purchases of equity and cost method investments	(12,066)	(2,025)
Distributions received from equity method investments	238,980	—
Investments in notes receivable, affiliates	(53,199)	(7,926)
Payments received on notes receivable, affiliate	57,866	—
Change in restricted cash	21,360	(189,995)
Other investing activities	(83)	(5,325)
Net cash used in investing activities	(2,405)	(448,798)
Cash flows from financing activities:		
Repayment of long-term debt	(42,332)	(54,839)
Proceeds from borrowings under long-term debt, net of discounts and issuance costs	138,639	53,137
Repayment of sale-leaseback financing	(2,708)	—
Proceeds from sale-leaseback financing	44,718	—
Excess tax benefit from share-based compensation arrangements	23,333	27,849
Contingent consideration payments and other financing activities	(19,155)	(22,557)
Net cash provided by financing activities	142,495	3,590
Effect of exchange rate changes on cash and cash equivalents	(18,425)	(10,334)
Net decrease in cash and cash equivalents	(292,351)	(702,549)

Cash and cash equivalents, beginning of the period	1,482,054	1,325,072
Cash and cash equivalents, end of the period	$1,189,703	$622,523
Supplemental disclosure of noncash investing and financing activities:		
Equity interests retained from the partial sale of project assets	$270,799	$—
Property, plant and equipment acquisitions funded by liabilities	$24,266	$53,601
Acquisitions currently or previously funded by liabilities and contingent consideration	$11,367	$73,509

See accompanying notes to these condensed consolidated financial statements.

Table of Contents

FIRST SOLAR, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of First Solar, Inc. and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (the "SEC"). Accordingly, these interim financial statements do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. In the opinion of First Solar management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement have been included. Operating results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015 or for any other period. The condensed consolidated balance sheet at December 31, 2014 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. These interim financial statements and notes should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2014 included in our Annual Report on Form 10-K, which has been filed with the SEC.

Certain prior year balances have been reclassified to conform to the current year presentation. Such reclassifications did not have a material effect on the interim financial statements. In addition, the method of reporting the condensed consolidated statements of cash flows was changed from the direct to the indirect method.

Unless expressly stated or the context otherwise requires, the terms "the Company," "we," "our," "us," and "First Solar" refer t
First Solar, Inc. and its subsidiaries.

Revision of Previously Issued Financial Statements

We are revising our previously issued financial statements for periods presented in this Quarterly Report on Form 10-Q to properly record a liability associated with an uncertain tax position, including penalties, related to income of a foreign subsidiary along with corresponding adjustments in each successive period for the effect of changes in foreign currency exchange rates associated with the liability. Additional revisions were made for previously identified errors related to sales taxes, use taxes, share-based compensation, and miscellaneous items that were corrected in a period subsequent to the period in which the error originated. As several of these errors affected the estimated costs for systems business sales arrangements accounted for under the percentage-of-completion method, we also recorded adjustments to revenue for the changes in the percentage completion of the affected projects.

We evaluated the aggregate effects of the errors to our previously issued financial statements in accordance with SEC Staff Accounting Bulletins No. 99 and No. 108 and, based upon quantitative and qualitative factors, determined that the errors were not material to the previously issued financial statements and disclosures included in our Annual Report on Form 10-K for the year ended December 31, 2014 or for any quarterly periods included therein or through our most recent Quarterly Report on Form 10-Q. As part of this evaluation, we considered a number of qualitative factors, including, among others, that the errors did not change a net loss into net income or vice versa, did not have an impact on our long-term debt covenant compliance, and did not mask a change in earnings or other trends when considering the overall competitive and economic environment within the industry during the periods. However, the cumulative effect of the errors, including the uncertain tax position matter identified during the three months ended September 30, 2015, is expected to be significant to our financial results for the year ending December 31, 2015.

Accordingly, we are revising our historical financial statements, which resulted in a $36.0 million decrease to our accumulated earnings as of December 31, 2014.

All financial information presented in the accompanying notes to these condensed consolidated financial statements was revised to reflect the correction of these errors. Periods not presented herein will be revised, as applicable, as they are included in future filings.

Table of Contents

The following table presents the effect of the aforementioned revisions on our condensed consolidated balance sheet as of December 31, 2014 (in thousands):

	December 31, 2014		
	As Reported	Adjustment	As Revised
Other liabilities	$284,546	$36,000	$320,546
Total liabilities	1,693,504	36,000	1,729,504
Accumulated earnings	2,279,689	(36,000)	2,243,689
Total stockholders’ equity	5,027,487	(36,000)	4,991,487

The following tables present the effect of the aforementioned revisions on our condensed consolidated statements of operations for the three and nine months ended September 30, 2014 (in thousands, except per share amounts):

	Three Months Ended September 30, 2014		
	As Reported	Adjustment	As Revised
Net sales	$889,310	$978	$890,288
Cost of sales	700,023	863	700,886
Gross profit	189,287	115	189,402
Operating income	83,760	115	83,875
Foreign currency gain, net	169	736	905
Other expense, net	(2,476)	718	(1,758)
Income before taxes and equity in earnings of unconsolidated affiliates	85,661	1,569	87,230
Income tax benefit	7,108	(160)	6,948
Net income	88,424	1,409	89,833
Comprehensive income	104,182	1,409	105,591
Basic net income per share	$0.88	$0.02	$0.90
Diluted net income per share	$0.87	$0.02	$0.89

	Nine Months Ended September 30, 2014		
	As Reported	Adjustment	As Revised
Net sales	$2,383,821	$(627)	$2,383,194
Cost of sales	1,865,098	1,537	1,866,635
Gross profit	518,723	(2,164)	516,559
Operating income	224,942	(2,164)	222,778
Foreign currency loss, net	(389)	197	(192)
Other expense, net	(5,416)	718	(4,698)
Income before taxes and equity in earnings of unconsolidated affiliates	230,859	(1,249)	229,610
Income tax expense	(19,579)	(1,064)	(20,643)
Net income	204,959	(2,313)	202,646
Comprehensive income	253,922	(2,313)	251,609
Basic net income per share	$2.05	$(0.02)	$2.03
Diluted net income per share	$2.02	$(0.03)	$1.99

Table of Contents

The following table presents the effect of the aforementioned revisions on our condensed consolidated statement of cash flows for the nine months ended September 30, 2014 (in thousands):

	Nine Months Ended September 30, 2014		
	As Reported	Adjustment	As Revised
Net income	$204,959	$(2,313)	$202,646
Adjustments to reconcile net income to cash used in operating activities:			
Remeasurement of monetary assets and liabilities	8,356	(197)	8,159
Changes in operating assets and liabilities:			
Accounts receivable, trade, unbilled and retainage	(159,754)	8,804	(150,950)
Prepaid expenses and other current assets	20,496	(16,858)	3,638
Project assets and deferred project costs	29,670	1,139	30,809
Accounts payable	(38,817)	(718)	(39,535)
Income taxes payable	(27,937)	(142)	(28,079)
Accrued expenses and other liabilities	(533,920)	10,285	(523,635)
Net cash used in operating activities	(247,007)	—	(247,007)

2. Summary of Significant Accounting Policies

Use of Estimates. The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in our condensed consolidated financial statements and the accompanying notes. On an ongoing basis, we evaluate our estimates, including those related to percentage-of-completion revenue recognition, inventory valuation, recoverability of project assets and photovoltaic ("PV") solar power systems, estimates of future cash flows from and the economic useful lives of long-lived assets, asset retirement obligations, certain accrued liabilities, income taxes and tax valuation allowances, reportable segment allocations, product warranties and manufacturing excursions, accrued collection and recycling expense, and applying the acquisition method of accounting for business combinations and goodwill. Despite our intention to establish accurate estimates and reasonable assumptions, actual results could differ materially from these estimates and assumptions.

Revenue Recognition — Systems Business. We recognize revenue for arrangements entered into by our systems business generally using two revenue recognition models, following the guidance in Accounting Standards Codification ("ASC") 605-35, Construction-Type and Production-Type Contracts, or ASC 360-20, Real Estate Sales, for arrangements which include land or land rights.

For systems business sales arrangements that do not include land or land rights and thus are accounted for under ASC 605-35, we use the percentage-of-completion method, as described further below, using actual costs incurred over total estimated costs to develop and construct a project (including module costs) as our standard accounting policy.

For systems business sales arrangements that are accounted for under ASC 360-20 where we convey control of land or land rights, 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) 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, when a sale has been consummated, we have transferred the usual risks and rewards of ownership to the buyer, the initial and continuing investment criteria have been met, we have the ability to estimate our costs and progress toward completion, and all other revenue recognition criteria have been met. 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 engineering, procurement, and construction (“EPC”) contractor may assume. The initial and continuing investment requirements, which demonstrate a buyer’s commitment to honor its 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.

(ii) 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

9

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.

For any systems business sales arrangements containing multiple deliverables (including our solar modules) not required to be accounted for under ASC 605-35 (long-term construction contracts) or ASC 360-20 (real estate), we analyze each activity within the sales arrangement to adhere to the separation guidelines of ASC 605 for multiple-element arrangements. We allocate revenue for any transactions involving multiple elements to each unit of accounting based on its relative selling price and recognize revenue for each unit of accounting when all revenue recognition criteria for a unit of accounting have been met.

Revenue Recognition — Percentage-of-Completion. In applying the percentage-of-completion method, we use the actual costs incurred relative to the total estimated costs (including module costs) in order to determine the progress towards completion and calculate the corresponding amount of revenue and profit to recognize. Costs incurred include direct materials, solar modules, labor, subcontractor costs, and those indirect costs related to contract performance, such as indirect labor and supplies. We recognize direct material and solar module costs as incurred when the direct materials and solar modules have been installed in the project. When contracts specify that title to direct materials and solar modules transfers to the customer before installation has been performed, we will not recognize revenue or the associated costs until those materials are installed and have met all other revenue recognition requirements. We consider direct materials and solar modules to be installed when they are permanently placed or affixed to a PV solar power system as required by engineering designs. Solar modules manufactured and owned by us that will be used in our systems remain within inventory until such modules are installed in a system.

The percentage-of-completion method of revenue recognition requires us to make estimates of net contract revenues and costs to complete our projects. In making such estimates, management judgments are required to evaluate significant assumptions including the amount of net contract revenues, the cost of materials and labor, expected labor productivity, the impact of potential variances in schedule completion, and the impact of any penalties, claims, change orders, or performance incentives.

If estimated total costs on any contract are greater than the net contract revenues, we recognize the entire estimated loss in the period the loss becomes known. The cumulative effect of the revisions to estimates related to net contract revenues and costs to complete contracts, including penalties, claims, change orders, performance incentives, anticipated losses, and others are recorded in the period in which the revisions to estimates are identified and the amounts can be reasonably estimated. The effect of the changes on future periods are recognized as if the revised estimates had been used since revenue was initially recognized under the contract. Such revisions could occur in any reporting period, and the effects may be material depending on the size of the contracts or the changes in estimates.

Revenue Recognition — Operations and Maintenance. Our operations and maintenance (“O&M”) revenue is billed and recognized as services are performed. Costs of these revenues are expensed in the period in which they are incurred.

Revenue Recognition — Components Business. Our components business sells solar modules directly to third-party solar power system integrators and operators. We recognize revenue for module sales when persuasive evidence of an arrangement exists, delivery of the module has occurred and title and risk of loss have passed to the customer, the sales price is fixed or determinable, and the collectability of the resulting receivable is reasonably assured. Under this policy, we record a trade receivable for the selling price of our module and reduce inventory for the cost of goods sold when delivery occurs in accordance with the terms of the sales contract. Our customers typically do not have extended payment terms or rights of return for our products.

Ventures and Variable Interest Entities. In the normal course of business we establish wholly owned project companies which may be considered variable interest entities (“VIEs”). We consolidate wholly owned variable interest

entities when we are considered the primary beneficiary of such entities. Additionally, we have, and may in the future form, joint venture type arrangements, including partnerships and partially owned limited liability companies or similar legal structures, with one or more third parties primarily to develop, construct, own, and/or sell solar power projects. These types of ventures are core to our business and long-term strategy related to providing solar PV generation solutions using our modules to key geographic markets. We analyze all of our ventures and classify them into two groups: (i) ventures that must be consolidated because they are either not VIEs and we hold a majority voting interest, or because they are VIEs and we are the primary beneficiary and (ii) ventures that do not need to be consolidated and are accounted for under either the cost or equity method of accounting because they are either not VIEs and we hold a minority voting interest, or because they are VIEs and we are not the primary beneficiary.

Ventures are considered VIEs if (i) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support; (ii) as a group, the holders of the equity investment at risk lack the ability to make certain decisions, the obligation to absorb expected losses, or the right to receive expected residual returns; or (iii) an equity investor has voting rights that are disproportionate to its economic interest and substantially all of the entity’s activities are conducted

Table of Contents

on behalf of that investor. Our venture agreements typically require us to fund some form of capital for the development and construction of a project, depending upon the opportunity and the market in which our ventures are located.

We are considered the primary beneficiary of and are required to consolidate a VIE if we have the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the entity. If we determine that we do not have the power to direct the activities that most significantly impact the entity, then we are not the primary beneficiary of the VIE.

Cost and Equity Method Investments. We account for our unconsolidated ventures using either the cost or equity method of accounting depending upon whether we have the ability to exercise significant influence over the venture. As part of this evaluation, we consider our participating and protective rights in the venture as well as its legal form. We record our cost method investments at their historical cost and subsequently record any dividends received from the net accumulated earnings of the investee as income. Dividends received in excess of earnings are considered a return of investment and are recorded as reductions in the cost of the investment. We use the equity method of accounting for our investments when we have the ability to significantly influence the operations or financial activities of the investee. We record our equity method investments at cost and subsequently adjust their carrying amount each period for our share of the earnings or losses of the investee and other adjustments required by the equity method of accounting. Dividends received from our equity method investments are recorded as reductions in the cost of such investments.

We monitor our investments, which are included in "Investments in unconsolidated affiliates and joint ventures" in the accompanying condensed consolidated balance sheets, for impairment and record reductions in their carrying values if the carrying amount of the investment exceeds its fair value. An impairment charge is recorded when such impairment is deemed to be other-than-temporary. To determine whether an impairment is other-than-temporary, we consider our ability and intent to hold the investment until the carrying amount is fully recovered. Circumstances that indicate an other-than-temporary impairment may have occurred include factors such as decreases in quoted market prices or declines in the operations of the investee. The evaluation of an investment for potential impairment requires us to exercise significant judgment and to make certain assumptions. The use of different judgments and assumptions could result in different conclusions. No impairment losses related to our cost and equity method investments were recorded during the three and nine months ended September 30, 2015. We recorded impairment losses related to our cost and equity method investments of $5.0 million and $7.1 million during the three and nine months ended September 30, 2014, respectively.

See Note 2. "Summary of Significant Accounting Policies" to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 for a more complete summary of our significant accounting policies.

3. Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), to clarify the principles of recognizing revenue and create common revenue recognition guidance between U.S. GAAP and International Financial Reporting Standards. An entity has the option to apply the provisions of ASU 2014-09 either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application. ASU 2014-09 is effective for fiscal years and interim periods within those years beginning after December 15, 2017, and early adoption is permitted for periods beginning after December 15, 2016. We are currently evaluating the method of adoption and the impact ASU 2014-09 will have on our consolidated financial statements and associated disclosures.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis. ASU 2015-02 modifies existing consolidation guidance related to (i) limited partnerships and similar legal entities, (ii) the evaluation of variable interests for fees paid to decision makers or service providers, (iii) the effect of fee arrangements and related parties on the primary beneficiary determination, and (iv) certain investment funds. These changes are expected to limit the number of consolidation models and place more emphasis on risk of loss when determining a controlling financial interest. ASU 2015-02 is effective for fiscal years and interim periods within those years beginning after December 15, 2015. We are currently evaluating the impact of ASU 2015-02 on our consolidated financial statements and associated disclosures.

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 simplifies the presentation of debt issuance costs by requiring such costs to be presented in the balance sheet as a reduction to the carrying amount of the corresponding debt liability, consistent with debt discounts, rather than as a deferred charge. The adoption of ASU 2015-03 in the second quarter of 2015 resulted in a reclassification of $0.4 million in unamortized debt issuance costs from “Prepaid expenses and other current assets” to “Current portion of long-term debt” and $2.6 million in unamortized debt issuance costs from “Other assets” to “Long-term debt” on our condensed consolidated balance sheet as of June 30, 2015. In addition, $0.5 million in unamortized debt issuance costs was reclassified from “Prepaid expenses and other current assets” to “Current portion of long-term debt,” and $2.9 million in unamortized debt issuance costs was reclassified from “Other assets” to “Long-term debt” on our condensed consolidated balance sheet as of December 31, 2014.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330) - Simplifying the Measurement of Inventory. ASU 2015-11 simplifies the subsequent measurement of inventory by replacing the current lower of cost or market test with a lower of cost or net realizable value test. ASU 2015-11 is effective for fiscal years and interim periods within those years beginning after December 15, 2016, and early adoption is permitted. We do not expect that ASU 2015-11 will have a significant impact on the subsequent measurement of inventory included in our consolidated financial statements.

4. Cash, Cash Equivalents, and Marketable Securities

Cash, cash equivalents, and marketable securities consisted of the following at September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Cash and cash equivalents:		
Cash	$ 1,103,684	$ 1,480,452
Cash equivalents:		
Money market funds	86,019	1,602
Total cash and cash equivalents	1,189,703	1,482,054
Marketable securities:		
Foreign debt	579,814	462,731
Time deposits	40,000	40,000
U.S. debt	—	2,800
U.S. government obligations	—	3,501
Total marketable securities	619,814	509,032
Total cash, cash equivalents, and marketable securities	$ 1,809,517	$ 1,991,086

We classify our marketable securities as available-for-sale. Accordingly, we record them at fair value and account for the net unrealized gains and losses as part of “Accumulated other comprehensive income” until realized. We record realized gains and losses on the sale or maturity of our marketable securities in “Other expense, net” computed using the specific identification method.

During the three and nine months ended September 30, 2015 we realized no gains or losses on the sale or maturity of our marketable securities. During the three and nine months ended September 30, 2014, we realized zero and $0.2 million of gains on the sale or maturity of our marketable securities. See Note 8. “Fair Value Measurements” to our condensed consolidated financial statements for information about the fair value of our marketable securities.

As of September 30, 2015, we identified two investments totaling $26.6 million that had been in a loss position for a period of time greater than 12 months with unrealized losses of $0.1 million. As of December 31, 2014, we identified

two investments totaling $41.1 million that had been in a loss position for a period of time greater than 12 months with unrealized losses of less than $0.1 million. The unrealized losses were primarily due to increases in interest rates relative to rates at the time of purchase. Based on the underlying credit quality of the investments, we do not intend to sell these securities prior to the recovery of our cost basis. Therefore, we did not consider these securities to be other-than-temporarily impaired. All of our available-for-sale marketable securities are subject to a periodic impairment review. We did not identify any of our marketable securities as other-than-temporarily impaired as of September 30, 2015 and December 31, 2014.

Table of Contents

The following tables summarize the unrealized gains and losses related to our available-for-sale marketable securities, by major security type, as of September 30, 2015 and December 31, 2014 (in thousands):

	As of September 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Foreign debt	$580,282	$224	$692	$579,814
Time deposits	40,000	—	—	40,000
Total	$620,282	$224	$692	$619,814

	As of December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Foreign debt	$463,466	$18	$753	$462,731
Time deposits	40,000	—	—	40,000
U.S. debt	2,800	—	—	2,800
U.S. government obligations	3,500	1	—	3,501
Total	$509,766	$19	$753	$509,032

The contractual maturities of our marketable securities as of September 30, 2015 and December 31, 2014 were as follows (in thousands):

	As of September 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
One year or less	$240,447	$15	$216	$240,246
One year to two years	271,445	29	439	271,035
Two years to three years	108,390	180	37	108,533
Total	$620,282	$224	$692	$619,814

	As of December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
One year or less	$329,974	$14	$174	$329,814
One year to two years	125,892	5	380	125,517
Two years to three years	53,900	—	199	53,701
Total	$509,766	$19	$753	$509,032

The net unrealized losses of $0.5 million and $0.7 million as of September 30, 2015 and December 31, 2014, respectively, on our marketable securities were primarily the result of increases in interest rates relative to rates at the time of purchase. Our investment policy requires marketable securities to be highly rated and limits the security types, issuer concentration, and duration to maturity of our marketable securities portfolio.

The following tables show gross unrealized losses and estimated fair values for those marketable securities that were in an unrealized loss position as of September 30, 2015 and December 31, 2014, aggregated by major security type and the length of time the marketable securities have been in a continuous loss position (in thousands):

	As of September 30, 2015		
	In Loss Position for Less Than 12 Months	In Loss Position for 12 Months or Greater	Total

	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Foreign debt	$359,106	$588	$26,594	$104	$385,700	$692
Total	$359,106	$588	$26,594	$104	$385,700	$692

13

Table of Contents

	As of December 31, 2014					
	In Loss Position for Less Than 12 Months		In Loss Position for 12 Months or Greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Foreign debt	$391,840	$740	$41,060	$13	$432,900	$753
Total	$391,840	$740	$41,060	$13	$432,900	$753

5. Restricted Cash and Investments

Restricted cash and investments consisted of the following at September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Restricted cash	$ 63,234	$ 49,818
Restricted investments	339,926	357,235
Restricted cash and investments (1)	$ 403,160	$ 407,053

(1) There was an additional $39.8 million and $74.7 million of restricted cash included within prepaid expenses and other current assets at September 30, 2015 and December 31, 2014, respectively.

At September 30, 2015, our restricted cash consisted of deposits held by various banks to secure certain of our letters of credit and deposits designated for the construction of systems projects and payment of amounts related to project construction credit facilities. Restricted cash for our letters of credit is classified as current or noncurrent based on the maturity date of the corresponding letter of credit. See Note 12. “Commitments and Contingencies” to our condensed consolidated financial statements for further discussion relating to letters of credit. Restricted cash for project construction and financing is classified as current or noncurrent based on the projected use of the restricted funds.

At September 30, 2015 and December 31, 2014, our restricted investments consisted of long-term marketable securities that were held in custodial accounts to fund the estimated future costs of collecting and recycling modules covered under our solar module collection and recycling program. We classify our restricted investments as available-for-sale. Accordingly, we record them at fair value and account for the net unrealized gains and losses as a part of “Accumulated other comprehensive income” until realized. We record realized gains and losses on the sale or maturity of our restricted investments in “Other expense, net” computed using the specific identification method. Restricted investments are classified as noncurrent as the underlying accrued solar module collection and recycling liability is also noncurrent in nature.

As necessary, we fund any incremental amounts for our estimated collection and recycling obligations within 90 days of the end of each year. We determine the funding requirement, if any, based on estimated costs of collecting and recycling covered modules, estimated rates of return on our restricted investments, and an estimated solar module life of 25 years less amounts already funded in prior years. To ensure that these funds will be available in the future regardless of any potential adverse changes in our financial condition (even in the case of our own insolvency), we have established a trust under which estimated funds are put into custodial accounts with an established and reputable bank, for which First Solar, Inc. (“FSI”), First Solar Malaysia Sdn. Bhd. (“FS Malaysia”), and First Solar Manufacturing GmbH are grantors. Only the trustee can distribute funds from the custodial accounts, and these funds cannot be accessed for any purpose other than to cover qualified costs of module collection and recycling, either by us or a third party performing the required collection and recycling services. Investments in these custodial accounts must meet certain investment quality criteria comparable to highly rated government or agency bonds. We closely monitor our

exposure to European markets and maintain holdings primarily consisting of German and French sovereign debt securities that are not currently at risk of default. During the nine months ended September 30, 2015, no incremental funding was required.

Table of Contents

The following tables summarize the unrealized gains and losses related to our restricted investments, by major security type, as of September 30, 2015 and December 31, 2014 (in thousands):

	As of September 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Foreign government obligations	$180,461	$85,314	$—	$265,775
U.S. government obligations	60,480	13,671	—	74,151
Total	$240,941	$98,985	$—	$339,926

	As of December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Foreign government obligations	$189,455	$93,280	$—	$282,735
U.S. government obligations	58,510	15,990	—	74,500
Total	$247,965	$109,270	$—	$357,235

As of September 30, 2015 the contractual maturities of these restricted investments were between 12 years and 21 years. As of December 31, 2014, the contractual maturities of these restricted investments were between 13 years and 22 years.

6. Consolidated Balance Sheet Details

Accounts receivable trade, net

Accounts receivable trade, net consisted of the following at September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Accounts receivable trade, gross	$ 328,929	$ 142,542
Allowance for doubtful accounts	(2)	(7,108)
Accounts receivable trade, net	$ 328,927	$ 135,434

At September 30, 2015 and December 31, 2014, $20.6 million and $21.4 million, respectively, of our accounts receivable trade, net were secured by letters of credit, bank guarantees, or other forms of financial security issued by creditworthy financial institutions.

Accounts receivable, unbilled and retainage

Accounts receivable, unbilled and retainage consisted of the following at September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Accounts receivable, unbilled	$ 219,455	$ 41,868
Retainage	21,664	35,103
Accounts receivable, unbilled and retainage	$ 241,119	$ 76,971

Accounts receivable, unbilled represents revenue that has been recognized in advance of billing the customer, which is common for long-term construction contracts. For example, we recognize revenue from contracts for the construction

and sale of PV solar power systems, which include the sale of such assets over the construction period using applicable accounting methods. One such method is the percentage-of-completion method, which recognizes revenue and gross profit as work is performed based on the relationship between actual costs incurred compared to the total estimated costs for the contract. Under this accounting method, revenue could be recognized under applicable revenue recognition criteria in advance of billing the customer, resulting in an amount recorded to “Accounts receivable, unbilled and retainage.” Once we meet the billing criteria under a construction contract, we bill our customer accordingly and reclassify the “Accounts receivable, unbilled and retainage” to “Accounts receivable trade, net.” Billing requirements vary by contract but are generally structured around completion of certain construction milestones.

Table of Contents

The current portion of retainage is included within “Accounts receivable, unbilled and retainage.” Retainage refers to the portion of the contract price earned by us for work performed, but held for payment by our customer as a form of security until we reach certain construction milestones. Retainage included within “Accounts receivable, unbilled and retainage” is expected to be billed and collected within the next 12 months.

Inventories

Inventories consisted of the following at September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Raw materials	$ 158,816	$ 157,468
Work in process	25,467	20,829
Finished goods	303,458	442,408
Inventories	$ 487,741	$ 620,705
Inventories — current	$ 379,183	$ 505,088
Inventories — noncurrent (1)	$ 108,558	$ 115,617

(1) We purchase a critical raw material that is used in our core production process in quantities that exceed anticipated consumption within our operating cycle (which is 12 months). We classify the raw materials that we do not expect to be consumed within our operating cycle as noncurrent.

Balance of systems parts

Balance of systems parts were $104.4 million and $125.1 million as of September 30, 2015 and December 31, 2014, respectively, and represented mounting and electrical and other construction parts purchased for PV solar power systems to be constructed or currently under construction, which we held title to and were not yet installed in a system. Such construction parts included items such as posts, tilt brackets, tables, harnesses, combiner boxes, inverters, cables, tracker equipment, and other parts we may purchase or assemble for the systems we construct. Balance of systems parts do not include any solar modules that we manufacture. We carry these parts at the lower of cost or market, with market being based primarily on recoverability through installation in a solar power plant or recoverability through a sales agreement.

Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following at September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Prepaid expenses	$ 64,337	$ 42,193
Derivative instruments	1,733	9,791
Restricted cash	39,756	74,695
Other current assets	104,573	75,472
Prepaid expenses and other current assets	$ 210,399	$ 202,151

Table of Contents

Property, plant and equipment, net

Property, plant and equipment, net consisted of the following at September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Land	$ 12,155	$ 12,378
Buildings and improvements (1)	411,594	397,087
Machinery and equipment (1)	1,815,151	1,649,363
Office equipment and furniture	141,751	134,268
Leasehold improvements	50,392	50,096
Construction in progress	41,909	154,497
Stored assets (2)	139,507	155,389
Property, plant and equipment, gross	2,612,459	2,553,078
Less: accumulated depreciation	(1,282,405)	(1,133,090)
Property, plant and equipment, net	$ 1,330,054	$ 1,419,988

(1) In June 2015, we reclassified $15.2 million and $2.5 million from "Assets held for sale" to "Building and improvements" and "Machinery and equipment," respectively, as these assets no longer met the criteria to be classified as held for sale.

(2) Consists of machinery and equipment (“stored assets”) that were originally purchased for installation in our previously planned manufacturing capacity expansions. We intend to install and place the stored assets into service when such assets are required or beneficial to our existing installed manufacturing capacity or when market demand supports additional or market-specific manufacturing capacity. During the nine months ended September 30, 2015, we transferred $15.9 million of stored assets to our manufacturing facility in Perrysburg, Ohio for use in the production of solar modules. As the remaining stored assets are neither in the condition nor location to produce modules as intended, we will not begin depreciation until such assets are placed into service. The stored assets are evaluated for impairment under a held and used impairment model whenever events or changes in business circumstances arise, including consideration of technological obsolescence, that may indicate that the carrying amount of our long-lived assets may not be recoverable. We ceased the capitalization of interest on our stored assets once they were physically received from the related machinery and equipment vendors.

Depreciation of property, plant and equipment was $61.3 million and $185.4 million for the three and nine months ended September 30, 2015, respectively, and $59.7 million and $183.1 million for the three and nine months ended September 30, 2014, respectively.

PV solar power systems, net

PV solar power systems, net consisted of the following at September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
PV solar power systems, gross	$ 96,532	$ 47,727
Accumulated depreciation	(3,112)	(1,334)
PV solar power systems, net	$ 93,420	$ 46,393

In September 2015, we placed $50.7 million of projects into service, net of investment tax credits, including our 30 MW AC Barilla Solar project in Pecos County, Texas and various other projects in India and Australia. Depreciation of PV solar power systems was $0.6 million and $1.8 million for the three and nine months ended September 30,

2015, respectively, and $0.6 million and $0.7 million for the three and nine months ended September 30, 2014, respectively.

Table of Contents

Capitalized interest

The cost of constructing facilities, equipment, and project assets includes interest costs incurred during the assets' construction period. The components of interest expense and capitalized interest were as follows during the three and nine months ended September 30, 2015 and 2014 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest cost incurred	$(5,697)	$(2,415)	$(13,923)	$(7,451)
Interest cost capitalized — property, plant and equipment	290	544	1,152	1,566
Interest cost capitalized — project assets	3,632	1,782	9,976	4,456
Interest expense, net	$(1,775)	$(89)	$(2,795)	$(1,429)

Project assets and deferred project costs

Project assets primarily consist of costs relating to solar power projects in various stages of development that are capitalized prior to entering into a definitive sales agreement for the projects, including projects that have begun commercial operation under power purchase agreements ("PPAs") and are actively marketed and intended to be sold. These project related costs include costs for land, development, and construction of a PV solar power system. Development costs may include legal, consulting, permitting, interconnection, and other similar costs. Once we enter into a definitive sales agreement, we reclassify project assets to deferred project costs on our condensed consolidated balance sheet until the sale is completed and we have met all of the criteria to recognize the sale as revenue, which is typically subject to real estate revenue recognition requirements. We expense project assets and deferred project costs to cost of sales after each respective project is sold to a customer and all revenue recognition criteria have been met (matching the expensing of costs to the underlying revenue recognition method). We classify project assets as noncurrent due to the nature of solar power projects (long-lived assets) and the time required to complete all activities to develop, construct, and sell projects, which is typically longer than 12 months.

Deferred project costs represent (i) costs that we capitalize as project assets for arrangements that we account for as real estate transactions after we have entered into a definitive sales arrangement, but before the sale is completed or before we have met all criteria to recognize the sale as revenue, (ii) recoverable pre-contract costs that we capitalize for arrangements accounted for as long-term construction contracts prior to entering into a definitive sales agreement, or (iii) costs that we capitalize for arrangements accounted for as long-term construction contracts after we have signed a definitive sales agreement, but before all revenue recognition criteria have been met. We classify deferred project costs as current if completion of the sale and the meeting of all revenue recognition criteria are expected within the next 12 months.

If a project is completed and begins commercial operation prior to entering into or the closing of a sales arrangement, the completed project will remain in project assets or deferred project costs until the earliest of the closing of the sale of such project, our decision to temporarily hold such project, or one year from the project's commercial operations date. Any income generated by a project while it remains within project assets or deferred project costs is accounted for as a reduction to our basis in the project, which at the time of sale and meeting all revenue recognition criteria will be recorded within cost of sales.

Project assets and deferred project costs consisted of the following at September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Project assets — land	$ 27,229	$ 20,170

Project assets — development costs including project acquisition costs	383,210	359,203
Project assets — construction costs	619,997	408,402
Project assets	1,030,436	787,775
Deferred project costs — current	98,421	29,354
Deferred project costs — noncurrent	—	22,573
Deferred project costs	98,421	51,927
Total project assets and deferred project costs	$ 1,128,857	$ 839,702

Table of Contents

Other assets

Other assets consisted of the following at September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Notes receivable (1)	$ 12,111	$ 12,096
Income taxes receivable	4,058	4,850
Deferred rent	23,433	23,823
Other	25,571	20,901
Other assets	$ 65,173	$ 61,670

(1) On April 8, 2009, we entered into a credit facility agreement with a solar power project entity of one of our customers for an available amount of €17.5 million to provide financing for a PV solar power system. The credit facility replaced a bridge loan that we had made to this entity. The credit facility bears interest at 8.0% per annum payable quarterly with the full amount due on December 31, 2026. As of September 30, 2015 and December 31, 2014, the balance on the credit facility was €7.0 million ($7.9 million and $8.5 million, respectively, at the balance sheet dates). On February 7, 2014, we entered into a convertible loan agreement with a strategic entity for an available amount of up to $5.0 million. The loan bears interest at 8.0% per annum. As of September 30, 2015 and December 31, 2014, the balance outstanding on the convertible loan was $4.3 million and $3.5 million, respectively.

Goodwill

Goodwill, summarized by relevant reporting unit, consisted of the following as of September 30, 2015 and December 31, 2014 (in thousands):

	December 31, 2014	Acquisitions	September 30, 2015
CdTe components	$ 403,420	$—	$ 403,420
Crystalline silicon components	6,097	—	6,097
Systems	68,833	—	68,833
Accumulated impairment losses	(393,365)	—	(393,365)
Total	$ 84,985	$—	$ 84,985

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value assigned to the individual assets acquired and liabilities assumed. We do not amortize goodwill, but instead are required to test goodwill for impairment at least annually. If necessary, we would record any impairment in accordance with ASC 350, Intangibles - Goodwill and Other. We perform impairment tests between scheduled annual tests in the fourth quarter if facts and circumstances indicate that it is more likely than not that the fair value of a reporting unit that has goodwill is less than its carrying value.

Other intangibles, net

Other intangibles, net consisted of intangible assets acquired as part of our GE and TetraSun acquisitions and our internally-generated intangible assets, substantially all of which were patents on technologies related to our products and production processes. We record an asset for patents, after the patent has been issued, based on the legal, filing, and other costs incurred to secure them. We amortize intangible assets on a straight-line basis over their estimated useful lives once the intangible assets meet the criteria to be amortized. During the nine months ended September 30, 2015, $73.7 million of in-process research and development from the GE acquisition was reclassified to developed technology and began amortizing over its useful life of 10 years, and $39.1 million of in-process research and

development from the TetraSun acquisition was also reclassified to developed technology and began amortizing over its useful life of 12 years.

Table of Contents

The following tables summarize our intangible assets at September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015		
	Gross Amount	Accumulated Amortization	Net Amount
Patents	$5,523	$(1,610)	$3,913
Developed technology	114,614	(6,057)	108,557
Total	$120,137	$(7,667)	$112,470

	December 31, 2014		
	Gross Amount	Accumulated Amortization	Net Amount
Patents	5,347	$(1,208)	$4,139
Developed technology	2,757	(460)	2,297
In-process research and development	112,800	—	112,800
Total	$120,904	$(1,668)	$119,236

Amortization expense for our intangible assets was $3.0 million and $6.3 million for the three and nine months ended September 30, 2015, respectively, and $0.4 million and $0.9 million for the three and nine months ended and September 30, 2014, respectively.

Accrued expenses

Accrued expenses consisted of the following at September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Accrued compensation and benefits	$ 57,641	$ 43,072
Accrued property, plant and equipment	12,077	30,723
Accrued inventory and balance of systems parts	58,471	36,233
Accrued project assets and deferred project costs	163,164	113,012
Product warranty liability (1)	48,311	69,656
Accrued expenses in excess of normal product warranty liability and related expenses (1)	6,383	7,800
Other	66,120	87,660
Accrued expenses	$ 412,167	$ 388,156

(1) See Note 12. “Commitments and Contingencies” to our condensed consolidated financial statements for further discussion of “Product warranty liability” and “Accrued expenses in excess of normal product warranty liability and related expenses.”

Billings in excess of costs and estimated earnings

Billings in excess of costs and estimated earnings was $74.1 million and $195.3 million at September 30, 2015 and December 31, 2014, respectively, and represented billings made or payments received in excess of revenue recognized on contracts accounted for under the percentage-of-completion method. Typically, billings are made based on the completion of certain construction milestones as provided for in the sales arrangement, and the timing of revenue recognition may be different from when we can bill or collect from a customer.

Payments and billings for deferred project costs

Payments and billings for deferred project costs was $22.7 million and $60.6 million at September 30, 2015 and December 31, 2014, respectively, and represented customer payments received or customer billings made under the terms of solar power project related sales contracts for which all revenue recognition criteria for real estate transactions have not yet been met. The corresponding solar power project related costs are included as deferred project costs. We classify such amounts as current or noncurrent depending on when all revenue recognition criteria are expected to be met, consistent with the classification of the associated deferred project costs.

Table of Contents

Other current liabilities

Other current liabilities consisted of the following at September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Deferred revenue	$ 9,199	$ 21,879
Derivative instruments	10,299	7,657
Contingent consideration (1)	4,132	36,817
Financing liability (2)	5,289	—
Other	14,116	22,349
Other current liabilities	$ 43,035	$ 88,702

(1) See Note 12. “Commitments and Contingencies” to our condensed consolidated financial statements for further discussion.

(2) See Note 9. “Investments in Unconsolidated Affiliates and Joint Ventures” to our condensed consolidated financial statements for further discussion of the financing liabilities associated with our leaseback of the Maryland Solar project.

Other liabilities

Other liabilities consisted of the following at September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Product warranty liability (1)	$ 184,759	$ 153,401
Other taxes payable	54,523	82,555
Derivative instruments	15,364	9,041
Contingent consideration (1)	7,237	17,077
Liability in excess of normal product warranty liability and related expenses (1)	20,111	23,139
Financing liability (2)	37,207	—
Other	45,308	35,333
Other liabilities	$ 364,509	$ 320,546

(1) See Note 12. “Commitments and Contingencies” to our condensed consolidated financial statements for further discussion on “Product warranty liability,” “Contingent consideration,” and “Liability in excess of normal product warranty liability and related expenses.”

(2) See Note 9. “Investments in Unconsolidated Affiliates and Joint Ventures” to our condensed consolidated financial statements for further discussion of the financing liabilities associated with our leaseback of the Maryland Solar project.

7. Derivative Financial Instruments

As a global company, we are exposed in the normal course of business to interest rate and foreign currency risks that could affect our consolidated net assets, financial position, results of operations, and cash flows. We use derivative instruments to hedge against these risks and only hold such instruments for hedging purposes, not for speculative or trading purposes.

Depending on the terms of the specific derivative instruments and market conditions, some of our derivative instruments may be assets and others liabilities at any particular balance sheet date. We report all of our derivative instruments at fair value and account for changes in the fair value of derivative instruments within “Accumulated other comprehensive income” if the derivative instruments qualify for hedge accounting. For those derivative instruments that do not qualify for hedge accounting (“economic hedges”), we record the changes in fair value directly to earnings. See Note 8. “Fair Value Measurements” to our condensed consolidated financial statements for information about the techniques we use to measure the fair value of our derivative instruments.

Table of Contents

The following tables present the fair values of derivative instruments included in our condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015		
	Prepaid Expenses and Other Current Assets	Other Current Liabilities	Other Liabilities
Derivatives designated as hedging instruments:			
Foreign exchange forward contracts	$—	$197	$—
Cross-currency swap contract	—	7,673	15,364
Interest rate swap contract	—	35	—
Total derivatives designated as hedging instruments	$—	$7,905	$15,364
Derivatives not designated as hedging instruments:			
Foreign exchange forward contracts	$1,733	$2,394	$—
Total derivatives not designated as hedging instruments	$1,733	$2,394	$—
Total derivative instruments	$1,733	$10,299	$15,364

	December 31, 2014		
	Prepaid Expenses and Other Current Assets	Other Current Liabilities	Other Liabilities
Derivatives designated as hedging instruments:			
Foreign exchange forward contracts	$1,213	$—	$—
Cross-currency swap contract	—	2,996	8,995
Interest rate swap contract	—	164	46
Total derivatives designated as hedging instruments	$1,213	$3,160	$9,041
Derivatives not designated as hedging instruments:			
Foreign exchange forward contracts	$8,578	$4,497	$—
Total derivatives not designated as hedging instruments	$8,578	$4,497	$—
Total derivative instruments	$9,791	$7,657	$9,041

The impact of offsetting balances associated with derivative instruments designated as hedging instruments is shown below (in thousands):

	September 30, 2015					
				Gross Amounts Not Offset in Consolidated Balance Sheet		
	Gross Asset (Liability)	Gross Offset in Consolidated Balance Sheet	Net Amount Recognized in Financial Statements	Financial Instruments	Cash Collateral Pledged	Net Amount
Foreign exchange forward contracts	$(197)	—	(197)	—	—	$(197)
Cross-currency swap contract	$(23,037)	—	(23,037)	—	—	$(23,037)

Interest rate swap contract	$(35)	—	(35)	—	—	$(35)

	December 31, 2014					
				Gross Amounts Not Offset in Consolidated Balance Sheet		
	Gross Asset (Liability)	Gross Offset in Consolidated Balance Sheet	Net Amount Recognized in Financial Statements	Financial Instruments	Cash Collateral Pledged	Net Amount
Foreign exchange forward contracts	$1,213	—	1,213	—	—	$1,213
Cross-currency swap contract	$(11,991)	—	(11,991)	—	—	$(11,991)
Interest rate swap contract	$(210)	—	(210)	—	—	$(210)

The following tables present the effective amounts related to derivative instruments designated as cash flow hedges affecting accumulated other comprehensive income and our condensed consolidated statements of operations for the nine months ended September 30, 2015 and 2014 (in thousands):

	Foreign Exchange Forward Contracts	Interest Rate Swap Contract	Cross Currency Swap Contract	Total
Balance in accumulated other comprehensive income (loss) at December 31, 2014	$6,621	$(210)	$(3,399)	$3,012
Amounts recognized in other comprehensive income (loss)	703	22	(11,373)	(10,648)
Amounts reclassified to earnings impacting:				
Net sales	(1,782)	—	—	(1,782)
Cost of sales	(5,509)	—	—	(5,509)
Foreign currency (loss) gain, net	—	—	12,126	12,126
Interest expense, net	—	153	327	480
Balance in accumulated other comprehensive income (loss) at September 30, 2015	$33	$(35)	$(2,319)	$(2,321)

	Foreign Exchange Forward Contracts	Interest Rate Swap Contract	Cross Currency Swap Contract	Total
Balance in accumulated other comprehensive income (loss) at December 31, 2013	$4,351	$(703)	$(5,820)	$(2,172)
Amounts recognized in other comprehensive income (loss)	(904)	—	3,071	2,167
Amounts reclassified to earnings impacting:				
Foreign currency (loss) gain, net	—	—	(880)	(880)
Interest expense, net	—	396	185	581
Balance in accumulated other comprehensive income (loss) at September 30, 2014	$3,447	$(307)	$(3,444)	$(304)

We recorded no amounts related to ineffective portions of our derivative instruments designated as cash flow hedges during the three and nine months ended September 30, 2015 and 2014. We recognized unrealized losses of $0.2 million and unrealized gains of $0.3 million related to amounts excluded from effectiveness testing for our foreign exchange forward contracts designated as cash flow hedges within “Other expense, net” during the three and nine months ended September 30, 2015, respectively. We recognized unrealized gains of $1.0 million and $1.1 million

related to amounts excluded from effectiveness testing for our foreign exchange forward contracts designated as cash flow hedges within “Other expense, net” during the three and nine months ended September 30, 2014, respectively.

Table of Contents

The following table presents amounts related to derivative instruments not designated as hedges affecting our condensed consolidated statements of operations for the three and nine months ended September 30, 2015 and 2014 (in thousands):

		Amount of Gain (Loss) Recognized in Income			
		Three Months Ended September 30,		Nine Months Ended September 30,	
Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) on Derivatives Recognized in Income	2015	2014	2015	2014
Foreign exchange forward contracts	Foreign currency (loss) gain, net	$9,527	$(4,427)	$1,543	$(7,467)
Foreign exchange forward contracts	Cost of sales	$(2,232)	$7,023	$7,731	$8,366

Interest Rate Risk

We use cross-currency swap and interest rate swap contracts to mitigate our exposure to interest rate fluctuations associated with certain of our debt instruments. We do not use such swap contracts for speculative or trading purposes.

On September 30, 2011, we entered into a cross-currency swap contract to hedge the floating rate foreign currency denominated loan under our Malaysian Ringgit Facility Agreement. This swap had an initial notional value of Malaysian Ringgit ("MYR") MYR 465.0 million and entitled us to receive a three-month floating Kuala Lumpur Interbank Offered Rate ("KLIBOR") interest rate while requiring us to pay a U.S. dollar fixed rate of 3.495%. Additionally, this swap hedges the foreign currency risk of the Malaysian Ringgit denominated principal and interest payments as we make swap payments in U.S. dollars and receive swap payments in Malaysian Ringgits at a fixed exchange rate of 3.19 MYR to USD. The notional amount of the swap is scheduled to decline in line with our scheduled principal payments on the underlying hedged debt. As of September 30, 2015 and December 31, 2014, the notional value of this cross-currency swap contract was MYR 232.6 million ($52.2 million) and MYR 310.1 million ($88.6 million), respectively. This swap is a derivative instrument that qualifies for accounting as a cash flow hedge in accordance with ASC 815, and we designated it as such. We determined that this swap was highly effective as a cash flow hedge at September 30, 2015 and December 31, 2014. For the three and nine months ended September 30, 2015 and 2014, there were no amounts of ineffectiveness from this cash flow hedge.

On May 29, 2009, we entered into an interest rate swap contract to hedge a portion of the floating rate loans under our Malaysian Credit Facility, which became effective on September 30, 2009 with an initial notional value of €57.3 million and pursuant to which we are entitled to receive a six-month floating Euro Interbank Offered Rate ("EURIBOR") interest rate while being required to pay a fixed rate of 2.80%. The notional amount of the interest rate swap contract is scheduled to decline in line with our scheduled principal payments on the underlying hedged debt. As of September 30, 2015 and December 31, 2014, the notional value of this interest rate swap contract was €2.2 million ($2.5 million) and €10.3 million ($12.5 million), respectively. This derivative instrument qualifies for accounting as a cash flow hedge in accordance with ASC 815, and we designated it as such. We determined that our interest rate swap contract was highly effective as a cash flow hedge at September 30, 2015 and December 31, 2014. For the three and nine months ended September 30, 2015 and 2014, there were no amounts of ineffectiveness from this cash flow hedge.

In the following 12 months, we expect to reclassify to earnings $0.8 million of net unrealized losses related to swap contracts that are included in "Accumulated other comprehensive income" at September 30, 2015 as we realize the earnings effect of the underlying loans. The amount we ultimately record to earnings will depend on the actual interest

rates and foreign exchange rates when we realize the earnings effect of the underlying loans.

Foreign Currency Exchange Risk

Cash Flow Exposure

We expect many of our subsidiaries to have material future cash flows that will be denominated in currencies other than the subsidiaries' functional currencies. Changes in the exchange rates between the functional currencies of our subsidiaries and the other currencies in which they transact will cause fluctuations in the cash flows we expect to receive or pay when these cash flows are realized or settled. Accordingly, we enter into foreign exchange forward contracts to hedge a portion of these forecasted cash flows. As of September 30, 2015 and December 31, 2014, these foreign exchange forward contracts hedged our forecasted cash flows for 36 months and 6 months, respectively. These foreign exchange forward contracts qualify for accounting as cash flow hedges in accordance with ASC 815, and we designated them as such. We initially report the effective portion of a derivative's unrealized gain or loss in "Accumulated other comprehensive income" and subsequently reclassify amounts into earnings when

Table of Contents

the hedged transaction occurs and impacts earnings. We determined that these derivative financial instruments were highly effective as cash flow hedges at September 30, 2015 and December 31, 2014. During the three and nine months ended September 30, 2015 and 2014, we did not discontinue any cash flow hedges because a hedging relationship was no longer highly effective. As of September 30, 2015 and December 31, 2014, the notional values associated with our foreign exchange forward contracts qualifying as cash flow hedges were as follows (notional amounts and U.S. dollar equivalents in millions):

	September 30, 2015	
Currency	Notional Amount	USD Equivalent
Indian rupee	INR1,290.0	$19.6

	December 31, 2014	
Currency	Notional Amount	USD Equivalent
Australian dollar	AUD 38.4	$31.5
Japanese yen	JPY 1,223.2	$10.3

As of September 30, 2015 and December 31, 2014, the unrealized gains on these contracts were less than $0.1 million and $6.6 million, respectively.

In the following 12 months, we expect to reclassify to earnings less than $0.1 million of net unrealized gains related to these forward contracts that are included in “Accumulated other comprehensive income” at September 30, 2015 as we realize the earnings effect of the related forecasted transactions. The amount we ultimately record to earnings will depend on the actual exchange rates when we realize the related forecasted transactions.

Transaction Exposure and Economic Hedging

Many of our subsidiaries have assets and liabilities (primarily cash, receivables, marketable securities, payables, debt and solar module collection and recycling liabilities) that are denominated in currencies other than the subsidiaries’ functional currencies. Changes in the exchange rates between the functional currencies of our subsidiaries and the other currencies in which these assets and liabilities are denominated will create fluctuations in our reported condensed consolidated statements of operations and cash flows. We may enter into foreign exchange forward contracts or other financial instruments to economically hedge assets and liabilities against the effects of currency exchange rate fluctuations. The gains and losses on such foreign exchange forward contracts will economically offset all or part of the transaction gains and losses that we recognize in earnings on the related foreign currency denominated assets and liabilities.

We purchase foreign exchange forward contracts to economically hedge balance sheet and other exposures related to transactions between certain of our subsidiaries and transactions with third parties. Such contracts are considered economic hedges and do not qualify for hedge accounting. We recognize gains or losses from the fluctuation in foreign exchange rates and the fair value of these derivative contracts in “Net sales,” “Cost of sales,” and “Foreign currency (loss) gain, net” on our condensed consolidated statements of operations, depending on where the gain or loss from the economically hedged item is classified. As of September 30, 2015, the total net unrealized loss on our economic hedge foreign exchange forward contracts was $0.7 million. As of December 31, 2014, the total net unrealized gain on our economic hedge foreign exchange forward contracts was $4.1 million. As these amounts do not qualify for hedge accounting, changes in the fair value of such derivative instruments are recorded directly to earnings. These contracts mature at various dates within the next three years.

Table of Contents

As of September 30, 2015 and December 31, 2014, the notional values of our foreign exchange forward contracts that do not qualify for hedge accounting were as follows (notional amounts and U.S. dollar equivalents in millions):

	September 30, 2015		
Transaction	Currency	Notional Amount	USD Equivalent
Purchase	Euro	€53.2	$59.7
Sell	Euro	€124.2	$139.5
Purchase	Australian dollar	AUD 18.7	$13.1
Sell	Australian dollar	AUD 107.7	$75.4
Purchase	Malaysian ringgit	MYR 16.2	$3.6
Sell	Malaysian ringgit	MYR 94.3	$21.2
Sell	Canadian dollar	CAD 5.9	$4.4
Purchase	Japanese yen	JPY 652.9	$5.4
Sell	Japanese yen	JPY 7,423.2	$62.0
Purchase	British pound	GBP 8.2	$12.4
Sell	British pound	GBP 16.0	$24.2
Purchase	Chinese yuan	CNY 32.3	$5.1
Purchase	Indian rupee	INR 237.1	$3.6
Sell	Indian rupee	INR 6,347.2	$96.2
Sell	South African rand	ZAR 68.1	$4.9
Purchase	Chilean peso	CLP 6,610.0	$9.4
Sell	Chilean peso	CLP 6,610.0	$9.4

	December 31, 2014		
Transaction	Currency	Notional Amount	USD Equivalent
Purchase	Euro	€91.1	$110.9
Sell	Euro	€92.4	$112.5
Purchase	Australian dollar	AUD 26.0	$21.3
Sell	Australian dollar	AUD 118.0	$96.7
Purchase	Malaysian ringgit	MYR 146.0	$41.7
Sell	Malaysian ringgit	MYR 93.6	$26.7
Purchase	Canadian dollar	CAD 0.7	$0.6
Sell	Canadian dollar	CAD 8.3	$7.1
Purchase	Japanese yen	JPY 244.6	$2.1
Sell	Japanese yen	JPY 2,322.1	$19.5
Purchase	British pound	GBP 1.4	$2.2
Sell	British pound	GBP 37.7	$58.6

8. Fair Value Measurements

The following is a description of the valuation techniques that we use to measure the fair value of assets and liabilities that we measure and report at fair value on a recurring basis:

- Cash equivalents. At September 30, 2015 and December 31, 2014, our cash equivalents consisted of money market funds. We value our money market cash equivalents using observable inputs that reflect quoted prices for securities with identical characteristics, and accordingly, we classify the valuation techniques that use these inputs as Level 1.

- Marketable securities and restricted investments. At September 30, 2015, our marketable securities consisted of foreign debt and time deposits, and our restricted investments consisted of foreign and U.S. government obligations. At December 31, 2014, our marketable securities consisted of foreign debt, time deposits, U.S. debt and U.S. government obligations, and our restricted investments consisted of foreign and U.S. government obligations. We

value our marketable securities and restricted investments using observable inputs that reflect quoted prices for securities with identical characteristics or quoted prices for securities with similar characteristics and other observable inputs (such as interest rates that are observable at commonly quoted intervals). Accordingly, we classify the valuation techniques that use these

Table of Contents

inputs as either Level 1 or Level 2 depending on the inputs used. We also consider the effect of our counterparties' credit standings in these fair value measurements.

Derivative assets and liabilities. At September 30, 2015 and December 31, 2014, our derivative assets and liabilities consisted of foreign exchange forward contracts involving major currencies, an interest rate swap contract involving a benchmark of interest rates, and a cross-currency swap contract including both. Since our derivative assets and liabilities are not traded on an exchange, we value them using standard industry valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit risk, foreign exchange rates, and forward and spot prices for currencies. These inputs are observable in active markets over the contract term of the derivative instruments we hold, and accordingly, we classify these valuation techniques as Level 2. We consider the effect of our counterparties' and our own credit standing in the fair value measurements of our derivative assets and liabilities, respectively.

At September 30, 2015 and December 31, 2014, the fair value measurements of our assets and liabilities that we measure on a recurring basis were as follows (in thousands):

	September 30, 2015			
		Fair Value Measurements at Reporting Date Using		
	Total Fair Value and Carrying Value on Our Balance Sheet	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Money market funds	$86,019	$86,019	$—	$—
Marketable securities:				
Foreign debt	579,814	—	579,814	—
Time deposits	40,000	40,000	—	—
Restricted investments (excluding restricted cash)	339,926	—	339,926	—
Derivative assets	1,733	—	1,733	—
Total assets	$1,047,492	$126,019	$921,473	$—
Liabilities:				
Derivative liabilities	$25,663	$—	$25,663	$—

Table of Contents

	December 31, 2014			
		Fair Value Measurements at Reporting Date Using		
	Total Fair Value and Carrying Value on Our Balance Sheet	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Money market funds	$1,602	$1,602	$—	$—
Marketable securities:				
Foreign debt	462,731	—	462,731	—
Time deposits	40,000	40,000	—	—
U.S. debt	2,800	—	2,800	—
U.S. government obligations	3,501	—	3,501	—
Restricted investments (excluding restricted cash)	357,235	—	357,235	—
Derivative assets	9,791	—	9,791	—
Total assets	$877,660	$41,602	$836,058	$—
Liabilities:				
Derivative liabilities	$16,698	$—	$16,698	$—

Fair Value of Financial Instruments

The carrying values and fair values of our financial and derivative instruments at September 30, 2015 and December 31, 2014 were as follows (in thousands):

	September 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Marketable securities	$619,814	$619,814	$509,032	$509,032
Foreign exchange forward contract assets	1,733	1,733	9,791	9,791
Restricted investments (excluding restricted cash)	339,926	339,926	357,235	357,235
Notes receivable — noncurrent	12,111	12,108	12,096	12,189
Notes receivable, affiliates — noncurrent	17,754	20,388	9,127	9,812
Liabilities:				
Long-term debt, including current maturities	$284,291	$286,273	$211,915	$224,489
Interest rate swap contract liabilities	35	35	210	210
Cross-currency swap contract liabilities	23,037	23,037	11,991	11,991
Foreign exchange forward contract liabilities	2,591	2,591	4,497	4,497

The carrying values on our condensed consolidated balance sheets of our cash and cash equivalents, trade accounts receivable, unbilled accounts receivable and retainage, current affiliate notes receivable, other assets, restricted cash, accounts payable, income taxes payable, and accrued expenses approximated their fair values due to their nature and relatively short maturities; therefore, we exclude them from the foregoing table.

We estimated the fair value of our long-term debt and notes receivable using a discounted cash flows approach (an income approach) based on observable market inputs. We incorporated the credit risk of our counterparty for all asset fair value measurements and our own credit risk for all liability fair value measurements. Such fair value measurements are considered Level 2 under the fair value hierarchy.

Table of Contents

Credit Risk

We have certain financial and derivative instruments that subject us to credit risk. These consist primarily of cash, cash equivalents, marketable securities, restricted cash and investments, trade accounts receivable, notes receivable, interest rate swap and cross-currency swap contracts, and foreign exchange forward contracts. We are exposed to credit losses in the event of nonperformance by the counterparties to our financial and derivative instruments. We place cash, cash equivalents, marketable securities, restricted cash and investments, interest rate swap and cross-currency swap contracts, and foreign exchange forward contracts with various high-quality financial institutions and limit the amount of credit risk from any one counterparty. We continuously evaluate the credit standing of our counterparty financial institutions. Our net sales are primarily concentrated among a limited number of customers. We monitor the financial condition of our customers and perform credit evaluations whenever considered necessary. Depending upon the sales arrangement, we may require some form of payment security from our customers, including bank guarantees or commercial letters of credit.

9. Investments in Unconsolidated Affiliates and Joint Ventures

We have joint ventures or other strategic arrangements with partners in several markets, which are generally used to expedite our penetration of those markets and establish relationships with potential customers and policymakers. We also enter into joint ventures or strategic arrangements with customers or other entities to maximize the value of particular projects. Some of these arrangements involve and are expected in the future to involve significant investments or other allocations of capital. Investments in unconsolidated entities for which we have significant influence, but not control, over the entities' operating and financial activities are accounted for under the equity method of accounting. Investments in entities for which we do not have the ability to exert such significant influence are accounted for under the cost method of accounting. The following table summarizes our equity and cost method investments as of September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Equity method investments	$ 289,679	$ 249,614
Cost method investments	9,424	5,415
Investments in unconsolidated affiliates and joint ventures	$ 299,103	$ 255,029

8point3 Energy Partners LP

In June 2015, 8point3 Energy Partners LP (the "Partnership"), a limited partnership formed by First Solar and SunPower Corporation (the "Sponsors"), completed its initial public offering (the "IPO") of 20,000,000 Class A shares representing limited partner interests in the Partnership at $21.00 per share pursuant to a Registration Statement on Form S-1, as amended. As part of the IPO, the Sponsors contributed various projects to 8point3 Operating Company, LLC ("OpCo") in exchange for voting and economic interests in the entity, and the Partnership acquired an economic interest in OpCo using proceeds from the IPO. Our contributions to OpCo included our 49% membership interests in SG2 Holdings, LLC; Lost Hills Blackwell Holdings, LLC; and NS Solar Holdings, LLC as well as our 100% membership interest in Maryland Solar LLC.

After the closing of the IPO, we owned an aggregate of 22,116,925 Class B shares representing a 31% voting interest in the Partnership, and an aggregate of 6,721,810 common units and 15,395,115 subordinated units in OpCo together representing a 31% economic and voting interest in the entity. We also received a distribution from OpCo of $283.7 million following the IPO. Future quarterly distributions from OpCo are subject to certain forbearance and subordination periods. During the forbearance period, the Sponsors have agreed to forego any distributions declared on their common and subordinated units. The forbearance period will end on or after March 1, 2016 when the board of directors of the Partnership's general partner, 8point3 General Partner, LLC ("General Partner"), with the concurrence of

its conflicts committee, determines that OpCo will be able to earn and pay at least the minimum quarterly distribution on each of its outstanding common and subordinated units for such quarter and the successive quarter.

During the subordination period, holders of the subordinated units are not entitled to receive any distributions until the common units have received their minimum quarterly distribution plus any arrearages in the payment of minimum distributions from prior quarters. The subordination period will end after OpCo has earned and paid minimum quarterly distributions for three years ending on or after August 31, 2018 and there are no outstanding arrearages on common units. Notwithstanding the foregoing, the subordination period could end after OpCo has earned and paid 150% of minimum quarterly distributions, plus the related distribution on the incentive distribution rights, for one year ending on or after August 31, 2016 and there are no outstanding arrearages on common units. At the end of the subordination period, all subordinated units will convert to common units on a one-for-one basis. We also hold certain incentive distribution rights in OpCo, which represent a right to incremental distributions after certain distribution thresholds are met.

Table of Contents

The Partnership is managed and controlled by its General Partner, and we account for our interest in OpCo, a subsidiary of the Partnership, under the equity method of accounting as we are able to exercise significant influence over the Partnership due to our representation on the board of directors of its General Partner. The Partnership owns, operates, and is expected to acquire additional solar energy generation projects from the Sponsors. The Partnership's initial project portfolio includes interests in more than 0.4 GW of various solar energy generation projects, and the Partnership also has rights of first offer on interests in over 1.1 GW of additional solar energy generation projects that are currently contracted or are expected to be contracted prior to being sold by the Sponsors. We recognized equity in earnings, net of tax, from our investment in OpCo of $1.4 million for the three and nine months ended September 30, 2015. As of September 30, 2015, the carrying value of our investment in OpCo was $120.5 million.

In connection with the IPO, we entered into an agreement with a subsidiary of the Partnership to lease back the Maryland Solar project until December 31, 2019. Under the terms of the agreement, we will make fixed rent payments to the Partnership's subsidiary and be entitled to all the energy generated by the project. Due to our continuing involvement with the project, we account for the leaseback agreement as a financing transaction. As of September 30, 2015, our financing obligation associated with the leaseback was $42.5 million, of which $5.3 million and $37.2 million, respectively, was classified as “Other current liabilities” and “Other liabilities” in the accompanying condensed consolidated balance sheets.

We have also entered into a Management Services Agreement with the Partnership whereby we will provide certain corporate support services for an annual management fee of