FIRST SOLAR, INC.
Form 10-Q
May 07, 2013

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 March 31, 2013

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 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. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer [x] | Accelerated filer [ ] | Non-accelerated filer [ ] (Do not check if a smaller reporting company) | 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 May 3, 2013, 87,792,199 shares of the registrant’s common stock, $0.001 par value per share, were issued and outstanding.

FIRST SOLAR, INC. AND SUBSIDIARIES

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2013

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Item 1. Unaudited Condensed Consolidated Financial Statements

FIRST SOLAR, INC. AND SUBSIDIARIES

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

| | Three Months Ended | |
|---|---|---|
| | March 31, 2013 | March 31, 2012 |
| Net sales | $755,205 | $497,055 |
| Cost of sales | 585,879 | 420,310 |
| Gross profit | 169,326 | 76,745 |
| Operating expenses: | | |
| Research and development | 29,931 | 36,084 |
| Selling, general and administrative | 74,465 | 91,820 |
| Production start-up | 1,376 | 4,058 |
| Restructuring | 2,347 | 401,065 |
| Total operating expenses | 108,119 | 533,027 |
| Operating income (loss) | 61,207 | (456,282) |
| Foreign currency gain (loss) | 1,618 | (984) |
| Interest income | 4,947 | 2,911 |
| Interest expense, net | (750) | (920) |
| Other expense, net | (833) | (1,211) |
| Income (loss) before income taxes | 66,189 | (456,486) |
| Income tax expense (benefit) | 7,047 | (7,070) |
| Net income (loss) | $59,142 | $(449,416) |
| Net income (loss) per share: | | |
| Basic | $0.68 | $(5.20) |
| Diluted | $0.66 | $(5.20) |
| Weighted-average number of shares used in per share calculations: | | |
| Basic | 87,206 | 86,507 |
| Diluted | 89,377 | 86,507 |

See accompanying notes to these condensed consolidated financial statements.

FIRST SOLAR, INC. AND SUBSIDIARIES

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

| | Three Months Ended | |
|---|---|---|
| | March 31, 2013 | March 31, 2012 |
| Net income (loss) | $59,142 | $(449,416) |
| Other comprehensive income (loss), net of tax: | | |
| Foreign currency translation adjustments | (3,077) | 13,509 |
| Unrealized loss on marketable securities and restricted investments | (10,341) | (4,064) |
| Unrealized loss on derivative instruments | (5,846) | (15,300) |
| Other comprehensive loss, net of tax | (19,264) | (5,855) |
| Comprehensive income (loss) | $39,878 | $(455,271) |

See accompanying notes to these condensed consolidated financial statements.

FIRST SOLAR, INC. AND SUBSIDIARIES

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

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $842,753 | $ 901,294 |
| Marketable securities | 168,993 | 102,578 |
| Accounts receivable trade, net | 279,131 | 553,567 |
| Accounts receivable, unbilled and retainage | 480,131 | 400,987 |
| Inventories | 388,509 | 434,921 |
| Balance of systems parts | 135,374 | 98,903 |
| Deferred project costs | 617,540 | 21,390 |
| Deferred tax assets, net | 41,456 | 44,070 |
| Assets held for sale | 49,521 | 49,521 |
| Note receivable affiliate | — | 17,725 |
| Prepaid expenses and other current assets | 106,518 | 207,368 |
| Total current assets | 3,109,926 | 2,832,324 |
| Property, plant and equipment, net | 1,553,205 | 1,525,382 |
| Project assets and deferred project costs | 573,901 | 845,478 |
| Deferred tax assets, net | 321,420 | 317,473 |
| Restricted cash and investments | 286,325 | 301,400 |
| Goodwill | 68,833 | 65,444 |
| Inventories | 133,264 | 134,375 |
| Retainage | 188,681 | 270,364 |
| Other assets | 58,870 | 56,452 |
| Total assets | $6,294,425 | $ 6,348,692 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | $209,019 | $ 350,230 |
| Income taxes payable | 2,068 | 5,474 |
| Accrued expenses | 430,503 | 554,433 |
| Current portion of long-term debt | 61,106 | 62,349 |
| Deferred revenue | 2,614 | 2,056 |
| Payments and billings for deferred project costs | 778,651 | 94,535 |
| Other current liabilities | 49,480 | 32,297 |
| Total current liabilities | 1,533,441 | 1,101,374 |
| Accrued solar module collection and recycling liability | 228,779 | 212,835 |
| Long-term debt | 501,111 | 500,223 |
| Payments and billings for deferred project costs | 25,746 | 636,518 |
| Other liabilities | 331,366 | 292,216 |
| Total liabilities | 2,620,443 | 2,743,166 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock, $0.001 par value per share; 500,000,000 shares authorized; 87,624,484 and 87,145,323 shares issued and outstanding at March 31, 2013 and December 31, | 88 | 87 |

| | | |
|---|---|---|
| 2012, respectively | | |
| Additional paid-in capital | 2,094,104 | 2,065,527 |
| Accumulated earnings | 1,588,875 | 1,529,733 |
| Accumulated other comprehensive (loss) income | (9,085) | 10,179 |
| Total stockholders' equity | 3,673,982 | 3,605,526 |
| Total liabilities and stockholders' equity | $6,294,425 | $ 6,348,692 |

See accompanying notes to these condensed consolidated financial statements.

FIRST SOLAR, INC. AND SUBSIDIARIES

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

| | Three Months Ended March 31, 2013 | March 31, 2012 |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash received from customers | $1,125,886 | $648,954 |
| Cash paid to suppliers and associates | (1,028,544) | (646,949) |
| Interest received | 3,435 | 1,222 |
| Interest paid | (3,723) | (6,767) |
| Income tax payments, net | (5,661) | (2,537) |
| Excess tax benefit from share-based compensation arrangements | (24,933) | (9,489) |
| Other operating activities | (5) | (570) |
| Net cash provided by (used in) operating activities | 66,455 | (16,136) |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (71,667) | (124,490) |
| Purchases of marketable securities | (75,591) | (14,446) |
| Proceeds from maturities and sales of marketable securities | 8,775 | 57,867 |
| Investment in note receivable, affiliate | — | (20,278) |
| Payments received on note receivable, affiliate | 17,075 | — |
| Purchase of restricted investments | — | (80,668) |
| Change in restricted cash | 5,136 | — |
| Acquisitions, net of cash acquired | (7,934) | (2,437) |
| Purchase of equity and cost method investments | (14,894) | — |
| Other investing activities | (2,500) | 2,132 |
| Net cash used in investing activities | (141,600) | (182,320) |
| Cash flows from financing activities: | | |
| Repayments of long-term debt | (330,176) | (13,148) |
| Proceeds from borrowings under long-term debt, net of discount and issuance costs | 335,000 | 200,000 |
| Excess tax benefit from share-based compensation arrangements | 24,933 | 9,489 |
| Repayment of economic development funding | (8,315) | — |
| Other financing activities | (87) | (563) |
| Net cash provided by financing activities | 21,355 | 195,778 |
| Effect of exchange rate changes on cash and cash equivalents | (4,751) | 7,539 |
| Net (decrease) increase in cash and cash equivalents | (58,541) | 4,861 |
| Cash and cash equivalents, beginning of the period | 901,294 | 605,619 |
| Cash and cash equivalents, end of the period | $842,753 | $610,480 |
| Supplemental disclosure of noncash investing and financing activities: | | |
| Property, plant and equipment acquisitions funded by liabilities | $75,236 | $118,414 |
| Acquisitions funded by liabilities | $14,962 | $— |

See accompanying notes to these condensed consolidated financial statements.

FIRST SOLAR, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 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 management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement have been included. Operating results for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013, or for any other period. The condensed consolidated balance sheet at December 31, 2012 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 financial statements and notes should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2012 included in our Annual Report on Form 10-K filed with the SEC.

Certain prior year balances have been reclassified to conform to the current year's presentation. Such reclassifications did not affect total cash flows, total net sales, operating income, net income, total assets, total liabilities or stockholders' equity.

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.

Note 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. Significant estimates in these condensed consolidated financial statements include percentage-of-completion revenue recognition, estimates of future cash flows from and the economic useful lives of long-lived assets, certain accrued liabilities, income taxes and tax valuation allowances, reportable segment allocations, product warranties and manufacturing excursions, accrued collection and recycling expense, 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 ASC 605, Accounting for Long-term Construction Contracts or, for arrangements which include land or land rights, ASC 360, Accounting for Sales of Real Estate.

For systems business sales arrangements that do not include land or land rights and thus are accounted for under ASC 605, 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, unless we cannot make reasonably dependable estimates of the costs to complete the contract, in which case we would use the completed contract method.

For systems business sales arrangements that are accounted for under ASC 360, 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 sales arrangements:

(i) We apply the percentage-of-completion method, as further described below, to certain sales arrangements covered under ASC 360, 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. The initial and continuing investment requirements, which demonstrate a buyer's commitment to honor their obligations for the sales arrangement, can typically be met through the receipt of cash or an irrevocable letter of credit from a highly credit worthy lending institution. When evaluating whether the usual risks and rewards of ownership have transferred to the buyer, we consider whether we have or may be contingently required to have any prohibited forms of continuing involvement with the project. Prohibited forms of continuing involvement in a real estate sales arrangement are when we retain risks or rewards associated with the project that are not customary with the range of risks or rewards that an EPC contractor may assume.

(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 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.

(iii) We may also record revenue for certain sales arrangements after construction of discrete portions of a project or after the entire project is substantially complete, we have transferred the usual risks and rewards of ownership to the buyer, and we have received substantially all payments due from the buyer or the initial and continuing investment criteria have been met.

For any systems business sales arrangements containing multiple deliverables (including our solar modules) not covered under ASC 360 (real estate) or ASC 605 (long-term construction contracts), we analyze each activity within the sales arrangement to ensure that we 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 estimated costs to complete (including module costs) in order to estimate the progress towards completion to determine the amount of revenue and profit to recognize. Incurred costs include all installed direct materials, installed solar modules, labor, subcontractor costs, and those indirect costs related to contract performance, such as indirect labor, supplies, and tools. We recognize direct material and solar module costs as incurred costs 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 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 fitted to a solar power system as required by engineering designs. Solar modules manufactured by us that will be used in our solar power systems, which we still hold title to, remain within inventory until such modules are installed in a solar power system.

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

If estimated total costs on any contract are greater than the 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 contract revenues and costs to complete contracts, including penalties, incentive awards, claims, change orders, anticipated losses and others are recorded in the period in which the revisions to estimates are identified and can be reasonably estimated. Such revisions could occur in any reporting period and the effects may be material depending on the size of the contracts or changes in estimate.

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 contracts. Our customers typically do not have extended payment terms or rights of return for our products. We account for rebates or other customer incentives as a reduction to the selling price of our solar modules at the time of sale; and therefore, as a reduction to revenue.

Ventures and Variable Interest Entities. In the normal course of business, we have and may in the future form joint venture type arrangements (“ventures”), including partnerships and partially owned limited liability companies, with one or more third parties primarily to develop and build specific or a pipeline of 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 sustainable geographic markets. In accordance with ASC 810, Consolidations, we analyze all of our ventures and classify them into two groups: (1) ventures that must be consolidated because they are either not variable interest entities (“VIEs”) and we hold the majority voting interest, or because they are VIEs and we are the primary beneficiary; and (2) ventures that do not need to be consolidated and are accounted for under either the equity or cost methods 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 (1) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support; (2) 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 (3) an equity investor has voting rights that are disproportionate to its economic interest and substantially all of the entity's activities are on behalf of the investor. Our venture agreements typically require some form of project development capital or project equity ranging from amounts necessary to obtain a PPA (or similar power off-take agreement) to a pro-rata portion of the total equity required for a project, depending upon the opportunity and the market our ventures are in. Our limited number of ventures as of March 31, 2013 and future ventures of a similar nature are typically VIEs because the total equity investment at risk is not sufficient to permit the ventures to finance their activities without additional financial support.

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

We account for our unconsolidated ventures using either the equity or cost methods of accounting depending upon whether we have the ability to exercise significant influence over a venture. We consider the participating and protective rights we have as well as the legal form of the venture when evaluating whether we have the ability to exercise significant influence, which requires us to apply the equity method of accounting.

Refer to 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, 2012 for a complete discussion of our significant accounting policies.

Note 3. Recent Accounting Pronouncements

In December 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210), Disclosures about Offsetting Assets and Liabilities, updated by ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities, which requires companies to disclose information about financial instruments that have been offset and related arrangements to enable users of their financial statements to understand the effect of those arrangements on their financial position. Companies will be required to provide both net (offset amounts) and gross information in the notes to the financial statements for relevant assets and liabilities that are offset. ASU 2011-11, as amended by ASU 2013-01, is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. The adoption of ASU 2011-11, as amended by ASU 2013-01, in the first quarter of 2013, did not have an impact on our financial position, results of operations, or cash flows.

In July 2012, the FASB issued ASU 2012-02, Intangibles - Goodwill and Other (Topic 350), Testing Indefinite-Lived Intangible Assets for Impairment. ASU 2012-02 gives companies an option to first assess qualitative factors to determine whether the existence of events and circumstances indicate it is more-likely-than-not that an indefinite-lived intangible asset (excluding goodwill) is impaired. If based on its qualitative assessment, a company concludes that it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, quantitative impairment testing is required. However, if a company concludes otherwise, quantitative impairment testing is not required. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The adoption of ASU 2012-02, in the first quarter of 2013, did not have an impact on our financial position, results of operations, or cash flows.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU 2013-02 supersedes and replaces the presentation requirements for reclassifications out of accumulated other comprehensive income in ASUs 2011-05 and 2011-12 for all public and private organizations. The amendment requires that an entity must report the effect of significant reclassifications out of accumulated other comprehensive income by the respective line items in net income if the amount being reclassified is required under U.S. GAAP. For other amounts that are not required under U.S.

GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. ASU 2013-02 is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2012. The adoption of ASU 2013-02, in the first quarter of 2013, did not have an impact on our financial position, results of operations or cash flows.

Note 4. Restructuring

The activity related to our restructuring charges for material restructuring initiatives that were not completed as of December 31, 2012 are as follows:

February 2012 Manufacturing Restructuring

In February 2012, executive management completed an evaluation of and approved a set of manufacturing capacity and other initiatives primarily intended to adjust our previously planned manufacturing capacity expansions and global manufacturing footprint. The primary goal of these initiatives was to better align production capacity and geographic location of such capacity with expected geographic market requirements and demand. The remaining $5.1 million of asset impairment related charges from the February 2012 manufacturing restructuring as of December 31, 2012 is included within other liabilities and such amount is not expected to be paid within the next year.

April 2012 European Restructuring

In April 2012, executive management approved a set of restructuring initiatives intended to align the organization with our Long Term Strategic Plan including expected sustainable market opportunities and to reduce costs. As part of these initiatives, we substantially reduced our European operations including the closure of our manufacturing operations in Frankfurt (Oder), Germany at the end of 2012. Due to the lack of policy support for utility-scale solar projects in Europe, we did not believe there was a business case for continuing manufacturing operations in Germany or to proceed with the previously announced 2-line plant in France. Additionally, we substantially reduced the size of our operations in Mainz, Germany and elsewhere in Europe. After the closure of our Frankfurt (Oder) manufacturing operations at the end of 2012, First Solar's manufacturing operations consist of 24 production lines in Kulim, Malaysia and four production lines in Perrysburg, Ohio.

In connection with these restructuring initiatives, we incurred total charges to operating expense during 2012 of $342.0 million and $2.3 million in the first three months of 2013. These charges consisted of (i) $251.8 million in asset impairments and asset impairment related charges, primarily related to the closure of the Frankfurt (Oder) plants; (ii) $62.0 million in severance and termination related costs; and (iii) $30.5 million for the required repayment of German government grants related to the second Frankfurt (Oder) plant.

The following table summarizes the April 2012 European restructuring amounts remaining as of December 31, 2012, amounts recorded to restructuring expense during the three months ended March 31, 2013, and the remaining balance at March 31, 2013 (in thousands):

| April 2012 European Restructuring | Asset Impairments | Asset Impairment Related Costs | Severance and Termination Related Costs | Grant Repayments | Total |
|---|---|---|---|---|---|
| Ending Balance at December 31, 2012 | $— | $16,625 | $25,717 | $8,400 | $50,742 |
| Charges to Income | — | — | 2,347 | — | 2,347 |
| Change in Estimates | — | — | — | — | — |
| Cash Payments | — | (7,193) | (6,720) | (8,315) | (22,228) |
| Non-Cash Amounts | — | (304) | (718) | (85) | (1,107) |
| Ending Balance at March 31, 2013 | $— | $9,128 | $20,626 | $— | $29,754 |

Expenses recognized for restructuring activities are presented in "Restructuring" on the condensed consolidated statements of operations. Substantially all expenses related to the April 2012 European restructuring were related to our components segment. We expect to incur up to $5 million in additional restructuring expense through the end of 2013 primarily related to remaining severance and termination related costs and asset impairment related costs associated with such restructuring initiatives.

Note 5. Acquisitions

Solar Chile

In January 2013, we acquired 100% of the ownership interest of Solar Chile S.A. (“Solar Chile”), a Chilean-based solar project development company with substantially all of its assets being a portfolio of early to mid-stage utility-scale photovoltaic (“PV”) power projects in northern Chile, in an all-cash transaction which was not material to our historical condensed consolidated balance sheets, results of operations or cash flows. We have included the financial results of Solar Chile in our condensed consolidated financial statements from the date of acquisition.

TetraSun

In April 2013, we acquired 100% of the stock not previously owned by us of TetraSun, Inc., a start up company that is in advanced stages of developing high efficiency crystalline silicon technology that is expected to provide improvements in performance rel ative to conventional crystalline silicon solar modules. The all-cash acquisition was not material to our historical condensed consolidated balance sheets, results of operations or cash flows.

Note 6. Cash, Cash Equivalents, and Marketable Securities

Cash, cash equivalents, and marketable securities consisted of the following at March 31, 2013 and December 31, 2012 (in thousands):

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Cash: | | |
| Cash | $832,868 | $ 889,065 |
| Cash equivalents: | | |
| Commercial paper | 1,499 | 1,500 |
| Money market mutual funds | 8,386 | 10,729 |
| Total cash and cash equivalents | 842,753 | 901,294 |
| Marketable securities: | | |
| Commercial paper | 5,096 | 1,698 |
| Corporate debt securities | 23,315 | 23,384 |
| Federal agency debt | 35,392 | 29,936 |
| Foreign agency debt | 38,115 | 7,233 |
| Foreign government obligations | 4,103 | 4,142 |
| Supranational debt | 62,972 | 34,181 |
| U.S. government obligations | — | 2,004 |
| Total marketable securities | 168,993 | 102,578 |
| Total cash, cash equivalents, and marketable securities | $1,011,746 | $ 1,003,872 |

We have classified our marketable securities as “available-for-sale.” Accordingly, we record them at fair value and account for net unrealized gains and losses as a part of other comprehensive income (loss). We report realized gains and losses on the sale or maturity of our marketable securities in earnings, computed using the specific identification method. We may sell these securities prior to their stated maturities after consideration of our liquidity requirements. We view securities with maturities beyond 12 months as available to support current operations, and accordingly we classify all such securities as current assets under the caption marketable securities in the accompanying condensed consolidated balance sheets. During the three months ended March 31, 2013 and March 31, 2012, we realized an immaterial amount of gains and losses on our marketable securities, respectively. See Note 11. “Fair Value Measurements,” to our condensed consolidated financial statements for information about the fair value of our marketable securities.

All of our available-for-sale marketable securities are subject to a periodic impairment review. We consider a marketable security to be impaired when its fair value is less than its cost, in which case we would further review the marketable security to determine whether it is other-than-temporarily impaired. When we evaluate a marketable security for other-than-temporary impairment, we review factors such as the length of time and extent to which its fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, our intent to sell, and whether it is more-likely-than-not that we will be required to sell the marketable security before we have recovered its cost basis. If a marketable security were other-than-temporarily impaired, we would write it down through earnings to its impaired value and establish that as a new cost basis. We did not identify any of our marketable securities as other-than-temporarily impaired at March 31, 2013 and December 31, 2012.

The following tables summarize the unrealized gains and losses related to our marketable securities, by major security type, as of March 31, 2013 and December 31, 2012 (in thousands):

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| | As of March 31, 2013 | | | |
|---|---|---|---|---|
| Security Type | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Commercial paper | $5,096 | $— | $— | $5,096 |
| Corporate debt securities | 23,327 | 15 | 27 | 23,315 |
| Federal agency debt | 35,355 | 38 | 1 | 35,392 |
| Foreign agency debt | 38,168 | 1 | 54 | 38,115 |
| Foreign government obligations | 4,101 | 2 | — | 4,103 |
| Supranational debt | 62,933 | 74 | 35 | 62,972 |
| Total | $168,980 | $130 | $117 | $168,993 |

| | As of December 31, 2012 | | | |
|---|---|---|---|---|
| Security Type | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Commercial paper | $1,697 | $1 | $— | $1,698 |
| Corporate debt securities | 23,358 | 26 | — | 23,384 |
| Federal agency debt | 29,888 | 49 | 1 | 29,936 |
| Foreign agency debt | 7,266 | — | 33 | 7,233 |
| Foreign government obligations | 4,138 | 4 | — | 4,142 |
| Supranational debt | 34,110 | 71 | — | 34,181 |
| U.S. government obligations | 2,000 | 4 | — | 2,004 |
| Total | $102,457 | $155 | $34 | $102,578 |

Contractual maturities of our marketable securities as of March 31, 2013 and December 31, 2012 were as follows (in thousands):

| | As of March 31, 2013 | | | |
|---|---|---|---|---|
| Maturity | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| One year or less | $77,941 | $47 | $4 | $77,984 |
| One year to two years | 88,534 | 81 | 113 | 88,502 |
| Two years to three years | 2,505 | 2 | — | 2,507 |
| Total | $168,980 | $130 | $117 | $168,993 |

| | As of December 31, 2012 | | | |
|---|---|---|---|---|
| Maturity | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| One year or less | $71,225 | $67 | $32 | $71,260 |
| One year to two years | 30,707 | 88 | 1 | 30,794 |
| Two years to three years | 525 | — | 1 | 524 |
| Total | $102,457 | $155 | $34 | $102,578 |

The net unrealized gain of zero and $0.1 million as of March 31, 2013 and December 31, 2012, respectively, on our marketable securities were primarily the result of changes in interest rates. 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 table shows gross unrealized losses and estimated fair values for those marketable securities that were in an unrealized loss position as of March 31, 2013 and December 31, 2012, aggregated by major security type and the length of time the marketable securities have been in a continuous loss position (in thousands):

| | As of March 31, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | In Loss Position for Less Than 12 Months | | In Loss Position for 12 Months or Greater | | Total | |
| Security Type | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses |
| Corporate debt securities | $5,081 | $27 | $— | $— | $5,081 | $27 |
| Federal agency debt | 4,524 | 1 | — | — | 4,524 | 1 |
| Foreign agency debt | 30,853 | 53 | 5,999 | 1 | 36,852 | 54 |
| Supranational debt | 28,923 | 35 | — | — | 28,923 | 35 |
| Total | $69,381 | $116 | $5,999 | $1 | $75,380 | $117 |

| | As of December 31, 2012 | | | | | |
|---|---|---|---|---|---|---|
| | In Loss Position for Less Than 12 Months | | In Loss Position for 12 Months or Greater | | Total | |
| Security Type | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses |
| Federal agency debt | 524 | 1 | — | — | 524 | 1 |
| Foreign agency debt | — | — | 5,970 | 33 | 5,970 | 33 |
| Total | $524 | $1 | $5,970 | $33 | $6,494 | $34 |

Note 7. Restricted Cash and Investments

Restricted cash and investments consisted of the following at March 31, 2013 and December 31, 2012 (in thousands):

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Restricted cash (1) | $180 | $ 184 |
| Restricted investments | 286,145 | 301,216 |
| Restricted cash and investments | $286,325 | $ 301,400 |

(1) There was $5.1 million of restricted cash included within prepaid expenses and other current assets at December 31, 2012 primarily related to required cash collateral for certain letters of credit provided for projects under development in foreign jurisdictions.

At March 31, 2013 and December 31, 2012, our restricted investments consisted of long-term marketable securities that we hold through a custodial account to fund the estimated future costs of modules covered under our solar module collection and recycling program and related obligations. We have classified our restricted investments as “available-for-sale.” Accordingly, we record them at fair value and account for net unrealized gains and losses as a part of accumulated other comprehensive income (loss). We report realized gains and losses on the maturity or sale of our restricted investments in earnings, 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.

We fund the estimated collection and recycling cost incremental to amounts already pre-funded in prior years for the cumulative module sales covered by our solar module collection and recycling program within 90 days of the end of each year, assuming for this purpose a service life of 25 years for our solar modules. To ensure that our collection and recycling program for covered modules is available at all times and the pre-funded amounts are accessible regardless of our financial status in the future (even in the case of our own insolvency), we have established a trust structure under which funds are put into custodial accounts with a large bank as the investment advisor in the name of a trust, for which First Solar, Inc. (“FSI”), First Solar Malaysia Sdn. Bhd. (“FS Malaysia”), and First Solar Manufacturing GmbH (“FSM 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 executing the collection and recycling services. Investments in this custodial account must meet the criteria of the highest quality investments, such as highly rated government or agency bonds. We closely monitor our exposure to European markets and maintain holdings of German and French sovereign debt securities which are not currently at risk of default. Under the trust agreements, each year we determine the annual pre-funding requirement based upon the difference between the current estimated future costs of collecting and recycling all solar modules covered under our program combined with the rate of return restricted investments will earn prior to being utilized to cover qualified collection and recycling costs and amounts already pre-funded in prior years. Based primarily upon reductions in the estimated future costs of collecting and recycling solar modules covered under our program combined with the cumulative amounts pre-funded since the inception of our program, we have determined that no incremental funding in the first quarter of 2013 was required for covered module sales during the fiscal year ending December 31, 2012.

The following table summarizes unrealized gains and losses related to our restricted investments by major security type as of March 31, 2013 and December 31, 2012 (in thousands):

| | As of March 31, 2013 | | | |
|---|---|---|---|---|
| Security Type | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Foreign government obligations | $184,517 | $39,880 | $— | $224,397 |
| U.S. government obligations | 53,992 | 7,756 | — | 61,748 |
| Total | $238,509 | $47,636 | $— | $286,145 |

| | As of December 31, 2012 | | | |
|---|---|---|---|---|
| Security Type | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Foreign government obligations | $188,350 | $47,921 | $— | $236,271 |
| U.S. government obligations | 53,368 | 11,577 | — | 64,945 |
| Total | $241,718 | $59,498 | $— | $301,216 |

As of March 31, 2013 and December 31, 2012, the contractual maturities of these restricted investments were between 15 years and 24 years.

Note 8. Net Income (Loss) per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding for the period. Diluted net income (loss) per share is computed giving effect to all potential dilutive common stock, including employee stock options, restricted and performance stock units, stock purchase plan shares, and contingently issuable shares, unless there is a net loss for the period.

The calculation of basic and diluted net income (loss) per share for the three months ended March 31, 2013 and March 31, 2012 was as follows (in thousands, except per share amounts):

| | Three Months Ended | |
|---|---|---|
| | March 31, 2013 | March 31, 2012 |
| Basic net income (loss) per share | | |
| Numerator: | | |
| Net income (loss) | $59,142 | $(449,416) |
| Denominator: | | |
| Weighted-average common stock outstanding | 87,206 | 86,507 |
| Diluted net income (loss) per share | | |
| Denominator: | | |
| Weighted-average common stock outstanding | 87,206 | 86,507 |
| Effect of stock options, restricted and performance stock units, and stock purchase plan shares | 2,171 | — |
| Weighted-average shares used in computing diluted net income (loss) per share | 89,377 | 86,507 |

| | Three Months Ended | |
|---|---|---|
| | March 31, 2013 | March 31, 2012 |
| Per share information — basic: | | |
| Net income (loss) per share | $0.68 | $(5.20) |
| | | |
| Per share information — diluted: | | |
| Net income (loss) per share | $0.66 | $(5.20) |

The following number of outstanding employee stock options, restricted and performance stock units and stock purchase plan shares were excluded from the computation of diluted net income (loss) per share for the three months ended March 31, 2013 and March 31, 2012 as they would have had an anti-dilutive effect (in thousands):

| | Three Months Ended | |
|---|---|---|
| | March 31, 2013 | March 31, 2012 |
| Anti-dilutive shares | 123 | 967 |

Note 9. Consolidated Balance Sheet Details

Accounts receivable trade, net

Accounts receivable trade, net consisted of the following at March 31, 2013 and December 31, 2012 (in thousands):

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Accounts receivable trade, gross | $291,433 | $ 568,070 |
| Allowance for doubtful accounts | (12,302) | (14,503) |
| Accounts receivable trade, net | $279,131 | $ 553,567 |

At March 31, 2013 and December 31, 2012, $75.7 million and $104.5 million, respectively, of our Accounts receivable trade, net were secured by letters of credit, bank guarantees or other forms of financial security issued by credit worthy financial institutions.

Accounts receivable, unbilled and retainage

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Accounts receivable, unbilled | $257,624 | $ 342,587 |
| Retainage | 222,507 | 58,400 |
| Accounts receivable, unbilled and retainage | $480,131 | $ 400,987 |

Accounts receivable, unbilled represents revenue that has been recognized in advance of billing the customer. This is common for construction contracts. For example, we recognize revenue from contracts for the construction and sale of solar power systems which include the sale of project assets over the construction period using applicable accounting methods. One applicable accounting method is the percentage-of-completion method under which sales and gross profit are recognized as construction work is performed based on the relationship between actual costs incurred compared to the total estimated costs for constructing the project. Under this accounting method, revenue can be recognized in advance of billing the customer, resulting in an amount recorded to Accounts receivable, unbilled. Once we meet the billing criteria under a construction contract, we bill our customer accordingly and reclassify the Accounts receivable, unbilled to Accounts receivable trade, net. Billing requirements vary by contract, but are generally structured around completion of certain construction milestones.

Also included within Accounts receivable, unbilled and retainage is the current portion of 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. Retainage that is noncurrent in nature is expected to be collected in 2014 through 2015, after certain construction milestones have been met.

Inventories

Inventories consisted of the following at March 31, 2013 and December 31, 2012 (in thousands):

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Raw materials | $176,088 | $ 184,006 |
| Work in process | 18,612 | 14,868 |
| Finished goods (solar modules) | 327,073 | 370,422 |
| Inventories | $521,773 | $ 569,296 |
| Inventories — current | $388,509 | $ 434,921 |
| Inventories — noncurrent (1) | $133,264 | $ 134,375 |

(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.

We regularly review the cost of inventories, including noncurrent inventories, against their estimated market value and record a lower of cost or market write-down if any inventories have a cost in excess of their estimated market value as defined by ASC 330, Inventories. We also regularly evaluate the quantities and values of our inventories, including noncurrent inventories, in light of current market conditions and market trends and record write-downs for any quantities in excess of demand and for any new obsolescence.

Balance of systems parts

Balance of systems parts represent mounting, electrical and other construction parts purchased for solar power plants to be constructed or currently under construction, which we hold title to and are not yet installed in a solar power plant. These parts include posts, tilt brackets, tables, harnesses, combiner boxes, inverters, cables and other parts we purchase or assemble for the solar power plants we construct. Balance of systems parts does 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.

Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following at March 31, 2013 and December 31, 2012 (in thousands):

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Prepaid expenses | $42,853 | $ 39,582 |
| Derivative instruments | 3,450 | 7,230 |
| Deferred costs of goods sold | 2,102 | 96,337 |
| Other assets — current | 58,113 | 64,219 |
| Prepaid expenses and other current assets | $106,518 | $ 207,368 |

Property, plant and equipment, net

Property, plant and equipment, net consisted of the following at March 31, 2013 and December 31, 2012 (in thousands):

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Buildings and improvements | $446,737 | $ 446,133 |
| Machinery and equipment | 1,415,659 | 1,415,632 |
| Office equipment and furniture | 121,539 | 117,228 |
| Leasehold improvements | 49,474 | 49,367 |
| Depreciable property, plant and equipment, gross | 2,033,409 | 2,028,360 |
| Accumulated depreciation | (846,933 ) | (803,501 ) |
| Depreciable property, plant and equipment, net | 1,186,476 | 1,224,859 |
| Land | 22,157 | 22,256 |
| Construction in progress | 119,195 | 51,133 |
| Stored assets (1) | 225,377 | 227,134 |
| Property, plant and equipment, net | $1,553,205 | $ 1,525,382 |

(1) 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 in yet to be determined locations once market demand supports such additional manufacturing capacity. As the stored assets are neither in the condition or location to produce modules as intended, we will not begin depreciation until the assets are placed into service. The stored assets are evaluated for impairment whenever events or changes in business circumstances arise, including obsolescence considerations, that may indicate that the carrying amount of the long-lived assets may not be recoverable. We ceased the capitalization of interest on such stored assets once they were physically received from the related machinery and equipment suppliers.

Depreciation of property, plant and equipment was $58.2 million and $72.7 million for the three months ended March 31, 2013 and March 31, 2012.

From time to time, we have received grants for the construction or expansion of our manufacturing facilities. We account for any such grants as a reduction to the carrying value of the property, plant and equipment they fund. During the three months ended March 31, 2013, we repaid the remaining €6.3 million of grants received in 2011, including outstanding interest, as a result of the closure of our Frankfurt (Oder) manufacturing facility.

See Note 4. "Restructuring," for more information on the long-lived asset impairments and grant repayments related to our April 2012 European restructuring.

Capitalized interest

We capitalized interest costs incurred into property, plant and equipment or project assets as follows during the three months ended March 31, 2013 and March 31, 2012 (in thousands):

| | Three Months Ended | |
|---|---|---|
| | March 31, 2013 | March 31, 2012 |
| Interest cost incurred | | |