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Third Quarter 2018 Supplementary Slides

October 30, 2018

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Safe Harbor Statement

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements regarding: (a) our expectations regarding demand and pricing trends, market share, growth, pipeline, product adoption trends, profitability, margin, and financial performance in each of our business lines; (b) our upstream and technology outlook, including expected ramp and production timelines and capacity for our next generation technology and Performance Series, expected cost reduction and fab utilization, and future performance; (c) our expectations regarding policy changes and their impact on our business; (d) our plans for acquired assets, including those from Solar World Americas, and their impact on our performance and financial statements; (e) our plans to optimize our corporate structure, improve operational focus, cost structure and transparency, align into upstream and downstream business units and change our segment reporting, and the timing and impact of these initiatives on our financial performance and results of operations; (f) our expectations and plans regarding geographic, market, and product focus; (g) our strategic goals and plans, and our ability to achieve them; (h) our fourth quarter fiscal 2018 guidance, including GAAP revenue, gross margin, and net loss, as well as non-GAAP revenue, gross margin, Adjusted EBITDA, and MW deployed; and (i) full year fiscal 2018 guidance, including GAAP and non-GAAP revenue, GAAP and non-GAAP gross margin, operational expenditures, Adjusted EBITDA, capital expenditures, and gigawatts deployed, and assumptions underlying such guidance, as well as expected year-over-year and 2019 improvement. These forward-looking statements are based on our current assumptions, expectations and beliefs and involve substantial risks and uncertainties that may cause results, performance or achievement to materially differ from those expressed or implied by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: (1) competition in the solar and general energy industry and downward pressure on selling prices and wholesale energy pricing; (2) our liquidity, substantial indebtedness, and ability to obtain additional financing for our projects and customers; (3) changes in public policy, including the imposition and applicability of tariffs pursuant to Section 201 and trade actions and the outcome of the exemption process; (4) regulatory changes and the availability of economic incentives promoting use of solar energy; (5) challenges inherent in constructing certain of our large projects; (6) the success of our ongoing research and development efforts and our ability to commercialize new products and services, including products and services developed through strategic partnerships; (7) fluctuations in our operating results; (8) appropriately sizing our manufacturing capacity and containing manufacturing difficulties that could arise; (9) challenges managing our acquisitions, joint ventures and partnerships, including our ability to successfully manage acquired assets and supplier relationships; and (11) our ability to successfully implement actions to meet our cost reduction targets, reduce capital expenditures, and implement our restructuring initiatives, including plans to streamline our business and focus investment and realign our manufacturing operations and business segments. A detailed discussion of these factors and other risks that affect our business is included in filings we make with the Securities and Exchange Commission (SEC) from time to time, including our most recent reports on Form 10-K and Form 10-Q, particularly under the heading “Risk Factors.” Copies of these filings are available online from the SEC or on the SEC Filings section of our Investor Relations website at investors.sunpower.com. All forward-looking statements in this presentation are based on information currently available to us, and we assume no obligation to update these forward-looking statements in light of new information or future events.

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Key Q318 Themes

- **Solid Q318 execution / met EBITDA commitment / continued simplification**
- **Strong global DG demand & outperformance, global DG shipments up 15% yoy**
- **Competitive position enhanced by 201 exemption**
- **Record P-Series bookings for 2019 – 2H-18 int’l project delays**
- **Technology roadmaps on plan– NGT, P-Series / SolarWorld acquisition**

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New Segmentation Overview – Q4 Reporting Cycle

SunPower Corporate

SunPower Technologies (SPT)
Upstream + Global Sales

- Long term industry technology leadership – top solar brand
- Best in class product lines for DG & PP applications: IBC; P-series
- Global manufacturing footprint: SE Asia, China, Mexico, Oregon
- 2.4 GW of capacity in place: Fabs 3, 4, DZS JV
- Scaling NGT – highest efficiency panels at commodity panel cost

SunPower Energy Services (SPES)
North America Residential / C&I

- Market share leader in US DG business, strong GTM channels
- Largest operating DG fleet: > 500K systems, ~3 GW
- Complete resi / C&I solutions - roof, carport, ground
- Industry-leading solar + storage integration & control technology
- Driving margin expansion via storage, energy mgmt, digital

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Q318 SPES Highlights

SUNPOWER | EQUINOX™
SUNPOWER® | HELIX™

Residential

- Equinox complete solution systems account for >80% of volume
- >10% y/y MW growth – record loan volume (20% of mix)
- New homes leader - >40% y/y MW growth, 30,000 systems
  - 16 of top 20 in CA / 7 of top 10 US builders

Commercial

- Continue leadership in C&I - #1 share: 8 of the top 10 US corp solar users
- Strong customer demand/bookings: enterprise awards - Walmart (23MW)
- Helix storage platform continues to gain momentum - 35% attachment rate

Outlook

- Continue to expand resi share in the U.S., drive new homes growth
- $2.5B pipeline commercial pipeline with 100% of Q418 forecast booked
- Forecasting >20% annual DG MW US deployment growth in 2019

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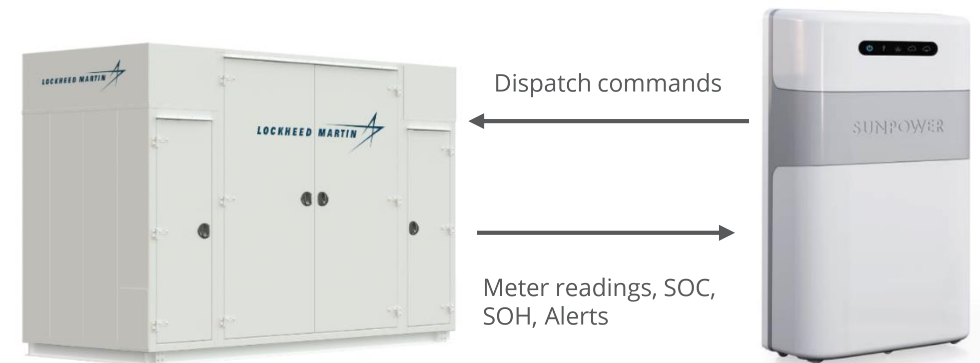
Energy Storage Q3 Update

- **Economics driving B-T-M storage into mainstream**
  - Solar-plus-storage a ~2GW opportunity by 2023 (>45% CAGR)
  - Battery costs down ~80% since 2010
  - Strong state policy support in CA & MA, with NY emerging
- **Significant Helix storage progress**
  - 9.3 MW / 18 MWh at 28 sites operating and under contract
  - Strong customer demand, 35% storage attachment rate
  - Software optimizes expertise in solar PV (10GW) and DG systems
  - Strong partnership with battery integrator Lockheed Martin
- **Residential expansion in 2019**

13 MW PV & 1 MW / 2 MWh Energy storage System
US Army Redstone Arsenal, Huntsville, AL



1 – Wood MacKenzie, Sept. 2018
2 – BNEF, Dec. 20017

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Q318 SPT Highlights

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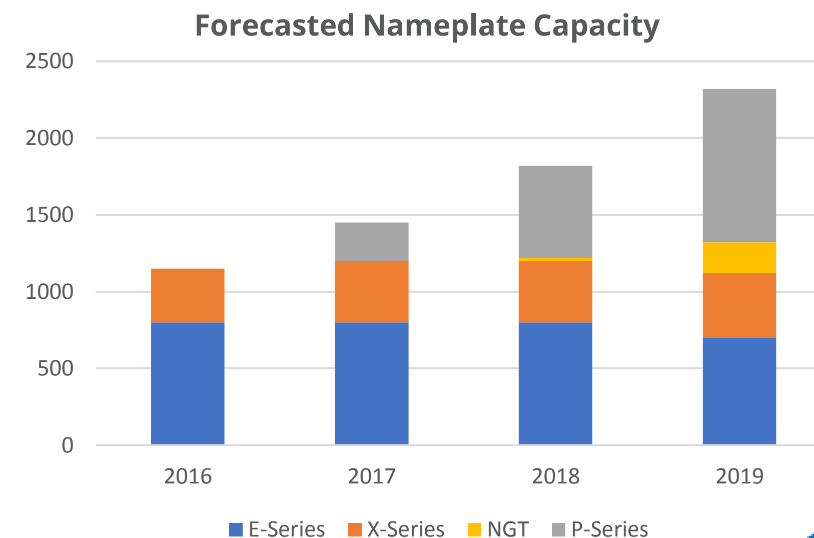
- **International Sales**
  - Record international DG volume, ASP & margins above plan
  - Q3 financial performance impacted by PP project delays
  - Record 349-MW P-19 order for 2019 supply to Australia
- **Upstream: new technology expansions on plan**
  - Met or exceeded Fab cost and yield targets for the quarter – full utilization
  - NGT – Highest efficiency at commodity panel cost structure
    - ~25% average cell efficiency, 450 Watt 72-cell modules in certification
    - 1st full scale line in operation – cost & efficiency roadmaps ahead of plan
    - Initial customer installations planned for Q418
    - Pursuing scale-up partnerships and other options to fund NGT ramp
  - P-Series: DZS expansion to 2 GW capacity on track for EOY 2018



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SolarWorld Americas

- **Rationale**
  - Right time to invest in US manufacturing – >200 employees, 201 driven
  - Expand ability to use P-Series to address strong US market demand
  - Significant synergy in operations - leverage 70 years of combined industry experience
- **Details**
  - Initial investment focused on retooling for P-Series – up to $10m capex through 2019
  - P-Series initial production Q119 – up to 150-MW for US market in 2019
  - Asset acquisition impact included in current forecasts / guidance

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Strategic Summary

- **Successful progress on simplifying business model**
  - Sold non-core asset – 8point3, NA PP pipeline, micro-inverter business, >400-MW resi lease portfolio
  - De-levered balance sheet, greater transparency, investment in high growth opportunities
- **New segmentation on track for Q4 reporting (SPES / SPT)**
  - Greater P&L accountability, reduces corporate overhead costs
  - BUs focus on core strengths and strategic product development to drive higher long term margins
- **Strong technology / innovation execution**
  - NGT – ramp ahead of plan, industry leading technology, initial installations in Q4
  - P-Series – scaling and reducing costs – significant 2019 volume increase
- **SolarWorld Americas / 201 tariff exclusion opportunity**
  - Commenced P-Series modco investment at SolarWorld – costs included in current forecasts
  - 201 exclusion – competitive advantage, drives significant expansion in US footprint in 2019

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Q318 Financial Overview

($ millions, except percentages and per share data)	Quarter Ending 9/30/18	Quarter Ending 7/1/18	Quarter Ending 10/1/17
Revenue (Non-GAAP)	**$443.4**	**$447.2**	**$533.6**
Power Plant	$103.6	$108.6	$223.9
Commercial	$144.5	$133.3	$157.8
Residential	$195.3	$205.7	$151.9
Gross Margin (Non-GAAP)	**4.7%**	**11.7%**	**12.8%**
Power Plant	(2.1%)	(0.6%)	4.5%
Commercial	(3.6%)	6.0%	16.2%
Residential	14.4%	21.8%	21.5%
Non-GAAP Operating Expense	**$65.8**	**$76.8**	**$82.1**
Adjusted EBITDA	**$6.7**	**$58.6**	**$67.3**
Tax Rate (Non-GAAP)	**(4.4%)**	**(21.2%)**	**73.8%**
Net Income (Loss) – (GAAP)*	**($89.8)**	**($447.1)**	**($54.2)**
Net Income (Loss) – (Non-GAAP)	**($40.9)**	**($1.9)**	**$29.5**
Diluted Wtg. Avg. Shares Out. (GAAP) *Diluted Wtg. Avg. Shares Out. (Non-GAAP)*	*141.0* *141.0*	*140.9* *140.9*	*139.5* *142.8*
Diluted EPS (GAAP)*	**($0.64)**	**($3.17)**	**($0.39)**
Diluted EPS (Non-GAAP)	**($0.29)**	**($0.01)**	**$0.21**

Note: Information concerning non-GAAP measures, including non-GAAP to GAAP reconciliations, can be found in the press release available on the company's website.
Non-GAAP results exclude the impact of the company's above market, polysilicon contracts
Non-GAAP results include the impact of the company's asset acquisition of SolarWorld Americas, ~$22 million in Section 201 tariffs and an $8 million one-time power plant charge

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Q318 Financial Highlights

- **Solid Q3 execution and met our commitments**
  - Met Adjusted EBITDA forecasts - driven by US resi outperformance and opex controls
- **Significant progress on simplifying business model**
  - Closed sale of microinverter business to Enphase / exited North American power plant development business
  - >400-MW residential lease portfolio monetization proceeding
  - Strategic decisions to streamline P+L – removal of residential lease and power plant real estate accounting
- **Delevering balance sheet / commercial financing focus**
  - Balance sheet improvement - ~15% reduction in net debt / further de-risking due to exit of power plant development activities
  - Continued leadership position in commercial project financings in Q3
- **Sustainable profitability**
  - Simpler corporate structure / more transparent P+L / new model to drive financial improvement in 2019
  - Increasing margins – higher value DG growth / leverage high efficiency, low cost NGT technology / expand energy services offering
- **Focus on driving operating income in 2019**

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Q4 2018 Financial Guidance

	Q4'18
GAAP Revenue	$460 to $510m
GAAP Gross Margin	2.0% to 4.0%
GAAP Net Income (Loss)	($165) to ($135)m
Non-GAAP Revenue	$510 to $610m
Non-GAAP Gross Margin	6% to 8%
Adjusted EBITDA	$0 to $20m
MW Deployed	425 to 475MW

- Q418 guidance reflects the impact of the company's SolarWorld Americas asset acquisition
- Q418 guidance includes an approximately $20 million impact for Section 201 tariffs

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FY 2018 Financial Guidance

	FY'18
GAAP Revenue	$1.7 - $1.8 billion
Non-GAAP Revenue	$1.8 - $1.9 billion
Non-GAAP Opex	<$290 million
Adjusted EBITDA	$100 - $120 million
Capital Expenditures	~$100 million
GW Deployed	1.45 – 1.55 GW

- Please see the press release dated October 30, 2018 for additional information regarding the company's fiscal year 2018 guidance
- FY 2018 guidance reflects the recent closing of the company's SolarWorld Americas asset acquisition
- FY 2018 guidance includes an approximately $50 million impact for Section 201 tariffs

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Q4 2018 Financial Guidance – MW Deployed

	Q4'18	FY18
Residential MW Deployed	100 to 120 MW	390 to 410 MW
Commercial MW Deployed	100 to 110 MW	460 to 470 MW
Power Plant MW Deployed	225 to 245 MW	630 to 650 MW
TOTAL MW Deployed	425 to 475 MW	1.45 to 1.55 GW

TOTAL MW Recognized	425 to 475 MW	1.3 to 1.4 GW

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Q4 2018 Financial Guidance – MW Deployed*

	Q1-Q3'18	Q4'18	FY18
SPES Residential MW Deployed	205	60 to 75 MW	265 to 280 MW
SPES Commercial MW Deployed	135	50 to 65 MW	185 to 200 MW
SPT MW Deployed	715	315 to 340 MW	1.03 to 1.05 GW
TOTAL MW Deployed	1,055	425 to 475 MW	1.45 to 1.55 GW
TOTAL MW Recognized	920	425 to 475 MW	1.3 to 1.4 GW

- Guidance under the company's new segmentation is for informational purposes only
- Please see the press release dated October 30, 2018 for additional information regarding the company's fiscal year 2018 guidance

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Residential Energy Systems

	Q3'18	Cumulative
MW Booked	21.4 MW	505.7 MW
MW Installed	21.8 MW	461.5 MW
MW Deployed	22 MW	484.3 MW
Nominal Contract Payments Added	$76 M	$1,916 M
Residential Energy Contracts Added	2,893	60,462
Average System Size	7.7kW	8.4kW

- Cumulative numbers were adjusted to exclude leased systems sold to 8point3 Energy Partners on June 24, 2015 and other sales:
  - Total MW: 53.86 MW
  - Lease count: 6,650
  - Net contract payments: $291.8 million.

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Q3'18 Segment Reporting Reconciliation

(In thousands):	Three Months Ended September 30, 2018	Three Months Ended October 1, 2017	Nine Months Ended September 30, 2018	Nine Months Ended October 1, 2017
Adjusted EBITDA as reviewed by CODM				
Distributed Generation				
Residential	$ 53,200	$ 48,486	$ 178,625	$ 135,298
Commercial	(5,967)	24,264	5,842	31,557
Power Plant	8,240	14,454	17,340	18,526
Total Segment EBITDA as reviewed by CODM	$ 55,473	$ 87,204	$ 201,807	$ 185,381
Reconcilation to Consolidated Statements of Income (Loss)				
8point3	-	5,147	8,485	(70,860)
Utility and power plant projects	(162)	554	675	(45,284)
Sale-leaseback transactions	(2,258)	(12,574)	(7,818)	(10,827)
Gain on business divestiture	59,347	-	59,347	-
Unrealized loss on equity securities	(6,225)	-	(6,225)	-
Acquisition-related and other costs	(20,869)	-	(20,869)	-
Impairment of property, plant and equipment	-	-	(369,168)	-
Impairment of lease assets	(50,735)	-	(146,234)	-
Cost of above-market polysilicon	(14,628)	(33,461)	(49,997)	(85,102)
Stock-based compensation expense	(6,390)	(9,399)	(21,791)	(25,380)
Amortization of intangible assets	(2,142)	(3,026)	(7,077)	(10,279)
Depreciation of idle equipment	-	-	(721)	-
Non-cash interest expense	(13)	(33)	(58)	(103)
Restructuring Expense	(3,923)	(3,517)	(18,604)	(18,276)
IPO-related costs	-	-	-	82
Equity in earnings of unconsolidated investees	1,500	(16,759)	17,059	(26,084)
Net Loss Attributable to Noncontrolling Interests	(24,085)	(24,609)	(92,434)	(60,832)
Cash interest expense, net of interest income	(20,136)	(19,492)	(61,810)	(57,907)
Depreciation	(24,754)	(43,161)	(99,313)	(123,010)
Corporate and Unallocated	(48,731)	(19,928)	(104,157)	(95,978)
Income (loss) before taxes & equity in earnings of unconsolidated investee:	$ (108,731)	$ (93,054)	$ (718,903)	$ (444,459)

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GAAP to Non-GAAP Guidance Reconciliation – Q4’18 / FY’18

1. Estimated non-GAAP amounts above for Q4 2018 include net adjustments that increase revenue by approximately $75 million related to sale-leaseback transactions. Estimated non-GAAP amounts above for fiscal 2018 include net adjustments that increase (decrease) revenue by approximately $112 million related to sale-leaseback transactions, $(8) million related to 8point3 tax indemnifications and $(4) million related to utility and power plant projects.

2. Estimated non-GAAP amounts above for Q4 2018 include net adjustments that increase (decrease) gross margin by approximately $10 million related to sale-leaseback transactions, $13 million related to cost of above-market polysilicon, $1 million related to stock-based compensation expense, and $1 million related to amortization of intangible assets.

3. Estimated Adjusted EBITDA amounts above for Q4 2018 include net adjustments that decrease net loss by approximately $13 million related to sale-leaseback transactions, $13 million related to cost of above-market polysilicon, $66 million related to impairment of lease assets, $7 million related to stock-based compensation expense, $24 million related to depreciation, $1 million related to amortization of intangible assets, $5 million related to restructuring, $27 million related to interest expense, and $4 million related to income taxes. Estimated non-GAAP amounts above for fiscal 2018 include net adjustments that decrease (increase) net loss by approximately $21 million related to sale-leaseback transactions, $(9) million related to 8point3 tax indemnifications, $(1) million related to utility and power plant projects, $369 million related to impairment of property, plant and equipment, $63 million related to cost of above-market polysilicon, $212 million related to impairment of lease assets, $(59) million related to gain on business divestiture, $21 million related to acquisition-related and other costs, $6 million related to unrealized loss on equity investments, $29 million related to stock-based compensation expense, $123 million related to depreciation, $9 million related to amortization of intangible assets, $23 million related to restructuring, $105 million related to interest expense, and $13 million related to income taxes.

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GAAP to Non-GAAP Reconciliation

Q3 FY18 GAAP to Non-GAAP Bridge

(In thousands, except percentages and per share data)	GAAP	IFRS Adjustments		Impairment of property, plant and equipment	Impairment of residential lease assets	Cost of above-market polysilicon	Stock-based compensation expense	Amortization of intangible assets	Gain on business divestiture	Unrealized loss on equity investments	Acquisition-related and other costs	Non-cash interest expense	Restructuring expense	Tax effect	Non-GAAP
		Utility and power plant projects	Sale-leaseback transactions												
Revenue	$ 428,263	(361)	15,529	-	-	-	-	-	-	-	-	-	-	-	$ 443,431
Cost of revenue	418,508	(523)	18,021	-	4,679	(14,628)	(1,271)	(2,142)	-	-	-	-	-	-	422,644
Gross profit/margin	9,755	162	(2,492)	-	(4,679)	14,628	1,271	2,142	-	-	-	-	-	-	20,787
Total OpEx	89,958	-	-	-	(53,537)	-	(5,119)	-	59,347	-	(20,869)	(13)	(3,923)	-	65,844
Operating loss	(80,203)	162	(2,492)	-	48,858	14,628	6,390	2,142	(59,347)	-	20,869	13	3,923	-	(45,057)
Other expense, net	(28,528)	-	4,750	-	-	-	-	-	-	6,225	-	-	-	-	(17,553)
Loss before income taxes and equity in earnings of unconsolidated investees	(108,731)	162	2,258	-	48,858	14,628	6,390	2,142	(59,347)	6,225	20,869	13	3,923	-	(62,610)
Benefit from (provision for) income taxes	(3,680)	-	-	-	-	-	-	-	-	-	-	-	-	906	(2,774)
Equity in earnings (losses) of unconsolidated investees	(1,500)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,500)
Net loss	(113,911)	162	2,258	-	48,858	14,628	6,390	2,142	(59,347)	6,225	20,869	13	3,923	906	(66,884)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	24,085	-	-	-	1,877	-	-	-	-	-	-	-	-	-	25,962
Net loss attributable to stockholders	$ (89,826)	162	2,258	-	50,735	14,628	6,390	2,142	(59,347)	6,225	20,869	13	3,923	906	$ (40,922)

Please see the company's earnings press release dated July 30, 2018 for additional information regarding the company's GAAP to non-GAAP reconciliations

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GAAP to Non-GAAP Reconciliation

- 8point3. In 2015, 8point3 Energy Partners LP ("8point3 Energy Partners"), a joint YieldCo vehicle, was formed by the company and First Solar, Inc. ("First Solar" and, together with the company, the "Sponsors") to own, operate and acquire solar energy generation assets. Class A shares of 8point3 Energy Partners are now listed on the NASDAQ Global Select Market under the trading symbol "CAFD." Immediately after the IPO, the company contributed a portfolio of 170 MW of its solar generation assets (the "SPWR Projects") to 8point3 Operating Company, LLC ("OpCo"), 8point3 Energy Partners' primary operating subsidiary. In exchange for the SPWR Projects, the company received cash proceeds as well as equity interests in several 8point3 Energy Partners affiliated entities: primarily common and subordinated units representing a 40.7% (since reduced to 36.5% via a secondary issuance of shares in fiscal 2016) stake in OpCo and a 50.0% economic and management stake in 8point3 Holding Company, LLC ("Holdings"), the parent company of the general partner of 8point3 Energy Partners and the owner of incentive distribution rights in OpCo. Holdings, OpCo, 8point3 Energy Partners and their respective subsidiaries are referred to herein as the "8point3 Group" or "8point3."

- The company includes adjustments related to the sales of projects contributed to 8point3 previously based on the difference between the fair market value of the consideration received and the net carrying value of the projects contributed, of which, a portion is deferred in proportion to the company's retained equity stake in 8point3. Prior to the adoption of ASC 606, these sales are recognized under either real estate, lease, or consolidation accounting guidance depending upon the nature of the individual asset contributed, with outcomes ranging from no, partial, or full profit recognition. The company adopted ASC 606 on January 1, 2018, using the full retrospective method, which required the company to restate each prior period presented. The company recorded a material amount of deferred profit associated with projects sold to 8point3 in 2015, the majority of which had previously been deferred under real estate accounting. Accordingly, the company's carrying value in the 8point3 materially increased upon adoption which required the company to evaluate its investment in 8point3 for other-than-temporary impairment ("OTTI"). In accordance with such evaluation, the company recognized a non-cash impairment charge on the 8point3 investment balance in the prior periods that were affected. On June 19, 2018, the company sold its equity interest in 8point3.

- Utility and power plant projects. The company includes adjustments related to the revenue recognition of certain utility and power plant projects based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligations and, when relevant, the allocation of revenue and margin to the company's project development efforts at the time of initial project sale. Prior to the adoption of ASC 606, such projects are accounted for under real estate accounting guidance, under which no separate allocation to the company's project development efforts occurs and the amount of revenue and margin that is recognized may be limited in circumstances where the company has certain forms of continuing involvement in the project. Under ASC 606, such projects are accounted for when the customer obtains control of the promised goods or services which generally results in earlier recognition of revenue and profit than previous GAAP. Over the life of each project, cumulative revenue and gross profit will eventually be equivalent under both ASC 606 and non-GAAP once these projects are completed.

- Sale-leaseback transactions. The company includes adjustments primarily related to the revenue recognition on certain sale-leaseback transactions based on the net proceeds received from the buyer-lessor. Under GAAP, these transactions are accounted for under the financing method in accordance with real estate accounting guidance. Under such guidance, no revenue or profit is recognized at the inception of the transaction, and the net proceeds from the buyer-lessor are recorded as a financing liability. Imputed interest is recorded on the liability equal to the company's incremental borrowing rate adjusted solely to prevent negative amortization.

- Unrealized loss in equity investments. In connection with the divestment of the Company's microinverters business in the third quarter of fiscal 2018, the Company received a portion of the consideration in the form of common stock. The Company recognizes adjustments related to the fair value of equity investments with readily determinable fair value based on the changes in the stock price of these equity investments at every reporting period. Under GAAP, unrealized gains and losses due to changes in stock prices for these securities are recorded in earnings while under International Financial Reporting Standards ("IFRS"), an election can be made to recognize such gains and losses in other comprehensive income. Such an election was made by Total S.A., a foreign registrant which reports under the IFRS. Management believes that excluding the unrealized gain or loss on the equity investments is consistent with the Company's reporting process as part of its status as a consolidated subsidiary of Total S.A. and better reflects the Company's ongoing segment results.

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GAAP to Non-GAAP Reconciliation

Other Non-GAAP Adjustments

- Impairment of property, plant, and equipment. In the second quarter of fiscal 2018, the company announced its proposed plan to change the corporate structure into the Upstream business unit and Downstream business unit, and long-term strategy to replace IBC technology to NGT. Accordingly, the company expects to upgrade the equipment associated with our manufacturing operations for the production of NGT over the next several years. In connection with these events, the company determined indicators of impairment existed and therefore performed an evaluation of the recoverability of the asset group. In accordance with such evaluation, the company recognized a non-cash impairment charge on its property, plant and equipment. Such asset impairment is excluded from the company's segment results as it is non-cash in nature and not reflective of ongoing segment results.

- Gain on business divestiture. In the third quarter of fiscal 2018, the Company entered into a transaction pursuant to which the Company sold certain assets and intellectual property related to the production of microinverters for purchase consideration comprised of both cash and stock. In connection with this sale, the Company recognized a gain relating to this business divestiture. Management believes that it is appropriate to exclude this gain from the Company's Non-GAAP financial measures as it is non-cash in nature and not reflective of ongoing operating results.

- Impairment of residential lease assets. In the fourth quarter of fiscal 2017, the company made the decision to sell or refinance its interest in the residential lease portfolio and as a result of this triggering event, determined it was necessary to evaluate the potential for impairment in its ability to recover the carrying amount of the residential lease portfolio. In accordance with such evaluation, the company recognized a non-cash impairment charge on its solar power systems leased and to be leased and an allowance for losses related financing receivables. In connection with the impairment loss, the carrying values of the company's solar power systems leased and to be leased were reduced which resulted in lower depreciation charges. Such asset impairment and its corresponding depreciation savings are excluded from the company's segment results as they are non-cash in nature and not reflective of ongoing operating results.

- Acquisition-related and other costs. In connection with the acquisition of certain assets of SolarWorld Americas, Inc. ("SolarWorld Americas"), which closed on October 1,2018, the Company incurred legal and accounting fees. Management believes that it is appropriate to exclude these costs from the Company's Non-GAAP financial measures as they would not have otherwise been incurred as part of its business operations and are therefore not reflective of ongoing operating results.

- Cost of above-market polysilicon. The company has entered into multiple long-term, fixed-price supply agreements to purchase polysilicon for periods of up to 10 years. The prices in select legacy supply agreements, which incorporate a cash portion and a non-cash portion attributable to the amortization of prepayments made under the agreements, significantly exceed current market prices. Additionally, in order to reduce inventory and improve working capital, the company has periodically elected to sell polysilicon inventory in the marketplace at prices below the company's purchase price, thereby incurring a loss. Management believes that it is appropriate to exclude the impact of its above-market cost of polysilicon, including the effect of above-market polysilicon on product costs, losses incurred on sales of polysilicon to third parties, and inventory reserves and project asset impairments from the company's non-GAAP financial measures as they are not reflective of ongoing operating results and do not contribute to a meaningful evaluation of a company's past operating performance.

- Stock-based compensation. Stock-based compensation relates primarily to the company's equity incentive awards. Stock-based compensation is a non-cash expense that is dependent on market forces that are difficult to predict. Management believes that this adjustment for stock-based compensation provides investors with a basis to measure the company's core performance, including compared with the performance of other companies, without the period-to-period variability created by stock-based compensation.

- Amortization of intangible assets. The company incurs amortization of intangible assets as a result of acquisitions, which includes patents, purchased technology, project pipeline assets, and in-process research and development. Management believes that it is appropriate to exclude these amortization charges from the company's non-GAAP financial measures as they arise from prior acquisitions, are not reflective of ongoing operating results, and do not contribute to a meaningful evaluation of a company's past operating performance.

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GAAP to Non-GAAP Reconciliation

- Depreciation of idle equipment. In the fourth quarter of 2017, the company changed the deployment plan for its next generation of solar cell technology, and revised its depreciation estimates to reflect the use of certain assets over its shortened useful life. Such asset depreciation is excluded from the company's non-GAAP financial measures as it is non-cash in nature and not reflective of ongoing operating results. Excluding this data provides investors with a basis to compare the company's performance against the performance of other companies without such charges.

- Non-cash interest expense. The company incurs non-cash interest expense related to the amortization of items such as original issuance discounts on its debt. The company excludes non-cash interest expense because the expense does not reflect its financial results in the period incurred. Management believes that this adjustment for non-cash interest expense provides investors with a basis to evaluate the company's performance, including compared with the performance of other companies, without non-cash interest expense.

- Restructuring expense. The company incurs restructuring expenses related to reorganization plans aimed towards realigning resources consistent with the company’s global strategy and improving its overall operating efficiency and cost structure. Restructuring charges are excluded from non-GAAP financial measures because they are not considered core operating activities and such costs have historically occurred infrequently. Although the company has engaged in restructuring activities in the past, each has been a discrete event based on a unique set of business objectives. As such, management believes that it is appropriate to exclude restructuring charges from the company's non-GAAP financial measures as they are not reflective of ongoing operating results or contribute to a meaningful evaluation of a company's past operating performance.

- IPO-related costs. Costs incurred related to the IPO of 8point3 included legal, accounting, advisory, valuation, and other expenses. As these costs are non-recurring in nature, excluding this data provides investors with a basis to evaluate the company's performance, including compared with the performance of other companies, without similar impacts.

- Tax effect. This amount is used to present each of the adjustments described above on an after-tax basis in connection with the presentation of non-GAAP net income (loss) and non-GAAP net income (loss) per diluted share. The company's non-GAAP tax amount is based on estimated cash tax expense and reserves. The company forecasts its annual cash tax liability and allocates the tax to each quarter in a manner generally consistent with its GAAP methodology. This approach is designed to enhance investors’ ability to understand the impact of the company's tax expense on its current operations, provide improved modeling accuracy, and substantially reduce fluctuations caused by GAAP to non-GAAP adjustments, which may not reflect actual cash tax expense.

- Adjusted EBITDA adjustments. When calculating Adjusted EBITDA, in addition to adjustments described above, the company excludes the impact during the period of the following items:

- Cash interest expense, net of interest income
- Provision for (benefit from) income taxes
- Depreciation

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Third Quarter 2018 Supplementary Slides

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