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

FORM 8-K

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

Date of Report (Date of earliest event reported): July 6, 2020

SunPower Corporation
(Exact name of registrant as specified in its charter)

Delaware	001-34166	94-3008969
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

51 Rio Robles, San Jose, California	95134
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (408) 240-5500

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock	SPWR	NASDAQ

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

The information set forth in Item 7.01 of this Current Report on Form 8-K regarding the financial information of Maxeon Solar Technologies, Pte. Ltd. ("Maxeon") as of and for the three months ended March 29, 2020 and the preliminary financial information of Maxeon is incorporated herein by reference.

Item 7.01. Regulation FD Disclosure.

Maxeon Financial Information

As previously announced, SunPower Corporation ("SunPower" or the "Company") intends to contribute certain assets to Maxeon and then to spin off (the "Spin-off") Maxeon through a pro rata distribution of the Company's interest in Maxeon to the Company's stockholders into a separate publicly traded company, pursuant to the Separation and Distribution Agreement, dated as of November 8, 2019, between the Company and Maxeon, and the related Investment Agreement, dated as of November 8, 2019 (the "Investment Agreement"), between the Company, Tianjin Zhonghuan Semiconductor Co., Ltd. ("TZS") and, for limited purposes set forth therein, Total Solar INTL SAS, an affiliate of Total S.A.

In connection with the Spin-off, Maxeon publicly filed its Registration Statement on Form 20-F on July 2, 2020 (the "Form 20-F"), which has not been declared effective by the Securities and Exchange Commission (the "SEC"). The Form 20-F contains Maxeon's audited combined carve-out financial statements as of December 30, 2018 and December 29, 2019 and for each of the two years then ended and unaudited pro forma combined financial information and related notes reflecting adjustments to Maxeon's historical financial results in connection with the Spin-off and the purchase by TZS of Maxeon's ordinary shares that will, in the aggregate, represent approximately 28.848% of the outstanding ordinary shares of Maxeon after giving effect to the Spin-off for $298 million (the "Investment").

The Company is filing this Current Report on Form 8-K (this "Current Report") to furnish the following information: (i) the unaudited condensed combined financial statements and related notes of Maxeon as of March 29, 2020 and for the three months ended March 29, 2020 and March 31, 2019, which is filed as Exhibit 99.1 to this Current Report, (ii) the operating and financial review and prospects of Maxeon as of and for the three months ended March 29, 2020, which is filed as Exhibit 99.2 to this Current Report, (iii) the unaudited pro forma condensed combined financial information of Maxeon as of and for the three months ended March 29, 2020, which is filed as Exhibit 99.3 to this Current Report and (iv) the preliminary financial information as of and for the quarter ended June 28, 2020, which is filed as Exhibit 99.4 to this Current Report.

The information disclosed under this Item 7.01, including Exhibit 99.1, 99.2, 99.3 and 99.4 hereto, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be deemed incorporated by reference into any filing made under the Securities Act of 1933, except as expressly set forth by specific reference in such filing.

Forward-Looking Statements

This Current Report includes forward-looking statements that are subject to risks, contingencies or uncertainties. You can identify forward-looking statements by words such as "anticipate," "believe," "commitment," "could," "design," "estimate," "expect," "forecast," "goal," "guidance," "imply," "intend," "may," "objective," "opportunity," "outlook," "plan," "policy," "position," "potential," "predict," "priority," "project," "proposition," "prospective," "pursue," "seek," "should," "strategy," "target," "will," "would" or other similar expressions that convey the uncertainty of future events or outcomes. Forward-looking statements are not guarantees of future performance, and you should not rely unduly on them, as they involve risks, uncertainties and assumptions that we cannot predict. Material differences between actual results and any future performance suggested in our forward-looking statements could result from a variety of factors, such as the severity and duration of the COVID-19 pandemic and its impact on global economic conditions and our ability to consummate the contemplated Spin-off and Investment. Many of such factors are beyond are control. These factors also include such risks and uncertainties detailed in SunPower's periodic public filings with the SEC, including but not limited to those discussed under "Risk Factors" in the Form 20-F and SunPower's annual report on Form 10-K for the year ended December 29, 2019 and its quarterly Form 10-Q filings, and in other SunPower investor communications from time to time. SunPower undertakes no obligation to update any forward-looking statement except to the extent required by applicable law.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits*.

Exhibit Number	Description
99.1	Unaudited Condensed Combined Financial Statements of Maxeon
99.2	Operating and Financial Review and Prospects of Maxeon
99.3	Unaudited Pro Forma Condensed Combined Financial Information of Maxeon
99.4	Preliminary Financial Information of Maxeon
101	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document
104	The cover page from this Current Report on Form 8-K, formatted in Inline XBRL

SIGNATURES

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

SUNPOWER CORPORATION

By:	/s/ Manavendra S. Sial
Name:	Manavendra S. Sial
Title:	Executive Vice President and Chief Financial Officer

Date: July 6, 2020

INDEX TO FINANCIAL STATEMENTS

Unaudited Combined Financial Statements

MAXEON SOLAR TECHNOLOGIES, PTE. LTD.
CONDENSED COMBINED BALANCE SHEETS
(unaudited)
(In thousands)

	As of	
	March 29, 2020	December 29, 2019
Assets		
Current assets		
Cash and cash equivalents	$ 55,792	$ 120,956
Restricted short-term marketable securities	6,196	6,187
Accounts receivable, net[1]	127,659	150,365
Inventories	208,084	194,852
Advances to suppliers, current portion	98,452	107,388
Prepaid expenses and other current assets	39,131	38,369
Total current assets	**$535,314**	**$ 618,117**
Property, plant and equipment, net	270,865	281,200
Operating lease right of use assets	18,129	18,759
Other intangible assets, net	3,233	5,092
Advances to suppliers, net of current portion.	13,993	13,993
Other long-term assets	52,212	53,050
Total assets	**$893,746**	**$ 990,211**
Liabilities and Equity		
Current liabilities		
Accounts payable[1]	$249,193	$ 286,464
Accrued liabilities[1]	81,570	92,570
Contract liabilities, current portion[1]	45,668	78,939
Short term debt	46,583	60,383
Operating lease liabilities, current portion	2,475	2,365
Total current liabilities	**$425,489**	**$ 520,721**
Long-term debt	1,315	1,487
Contract liabilities, net of current portion	32,324	35,616
Operating lease liabilities, net of current portion	17,667	18,338
Other long-term liabilities	42,935	46,526
Total liabilities	**$519,730**	**$ 622,688**
Commitments and contingencies (Note 6) Equity		
Net Parent investment[1]	$374,046	$ 369,837
Accumulated other comprehensive loss	(6,006)	(7,618)
Equity attributable to the Company	368,040	362,219
Noncontrolling interests	5,976	5,304
Total equity	374,016	367,523
Total liabilities and equity	**$893,746**	**$ 990,211**

1 We have related-party balances for transactions with SunPower Corporation ("Parent") and Total S.A. and its affiliates as well as unconsolidated entities in which we have a direct equity investment. These related-party balances are recorded within the "Accounts receivable, net," "Accounts payable," "Accrued liabilities," "Contract assets," "Contract liabilities, current portion," "Contract liabilities, net of current portion," and "Net Parent investment" financial statement line items in our Condensed Combined Balance Sheets (see Note 2, Note 4, and Note 8).

The accompanying notes are an integral part of these condensed combined financial statements.

MAXEON SOLAR TECHNOLOGIES, PTE. LTD.
CONDENSED COMBINED STATEMENTS OF OPERATIONS
(unaudited)
(In thousands)

	Three Months Ended	
	March 29, 2020	March 31, 2019
Revenue [1]	$ 227,640	$ 229,071
Cost of revenue [1]	224,408	264,632
Gross profit (loss)	3,232	(35,561)
Operating expenses		
Research and development	8,570	7,502
Sales, general and administrative [1]	24,242	20,813
Restructuring credits	—	(605)
Total operating expenses	32,812	27,710
Operating loss	(29,580)	(63,271)
Other expense, net		
Interest expense [1]	(5,905)	(6,309)
Other, net	4,631	(304)
Other expense, net	(1,274)	(6,613)
Loss before income taxes and equity in earnings of unconsolidated investees	(30,854)	(69,884)
Provision for income taxes	(468)	(2,115)
Equity in earnings of unconsolidated investees	245	1,435
Net loss	(31,077)	(70,564)
Net loss attributable to noncontrolling interests	(672)	(1,009)
Net loss attributable to the Parent	$ (31,749)	$ (71,573)

1 We have related-party transactions with Parent and Total S.A. and its affiliates as well as unconsolidated entities in which we have a direct equity investment. These related-party transactions are recorded within the “Revenue,” “Cost of revenue,” “Operating expenses: Sales, general and administrative,” and “Other income (expense), net: Interest expense” financial statement line items in our Condensed Combined Statements of Operations (see Note 2 and Note 8).

The accompanying notes are an integral part of these condensed combined financial statements.

MAXEON SOLAR TECHNOLOGIES, PTE. LTD.
CONDENSED COMBINED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)
(In thousands)

	Three Months Ended	
	March 29, 2020	March 31, 2019
Net loss	$ (31,077)	$ (70,564)
Components of other comprehensive loss, net of taxes:		
Currency translation adjustment	24	245
Net changes in derivatives (Note 10)	1,402	120
Net gain (loss) on long-term pension liability obligation	186	(4)
Total other comprehensive income	1,612	361
Total comprehensive loss	(29,465)	(70,203)
Comprehensive loss attributable to noncontrolling interests	(672)	(1,009)
Comprehensive loss attributable to the Parent	$ (30,137)	$ (71,212)

The accompanying notes are an integral part of these condensed combined financial statements.

MAXEON SOLAR TECHNOLOGIES, PTE. LTD.
CONDENSED COMBINED STATEMENTS OF EQUITY
(unaudited)
(In thousands)

	Net Parent Investment	Accumulated Other Comprehensive Loss	Equity Attributable to the Company	Noncontrolling Interests	Total Equity
Balance at December 29, 2019	$369,837	$ (7,618)	$ 362,219	$ 5,304	$367,523
Net loss	(31,749)	—	(31,749)	672	(31,077)
Other comprehensive income	—	1,612	1,612	—	1,612
Net Parent contribution	35,958	—	35,958	—	35,958
Balance at March 29, 2020	$374,046	$ (6,006)	$ 368,040	$ 5,976	$374,016

	Net Parent Investment	Accumulated Other Comprehensive Loss	Equity Attributable to the Company	Noncontrolling Interests	Total Equity
Balance at December 30, 2018	$438,209	$ (4,008)	$ 434,201	$ 1,147	$435,348
Net loss	(71,573)	—	(71,573)	1,009	(70,564)
Other comprehensive income	—	361	361	—	361
Net Parent contribution	13,449	—	13,449	—	13,449
Balance at March 31, 2019	$380,085	$ (3,647)	$ 376,438	$ 2,156	$378,594

The accompanying notes are an integral part of these condensed combined financial statements.

MAXEON SOLAR TECHNOLOGIES, PTE. LTD.
CONDENSED COMBINED STATEMENTS OF CASH FLOWS
(unaudited)
(In thousands)

	Three Months Ended	
	March 29, 2020	March 31, 2019
Cash flows from operating activities		
Net loss	$ (31,077)	$ (70,564)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	14,658	13,376
Stock-based compensation	1,889	1,269
Non-cash interest expense	5,198	6,276
Equity in earnings of unconsolidated investees	(245)	(1,435)
Gain on equity investments	(1,281)	—
Deferred income taxes	808	1,170
Other, net	1,064	217
Changes in operating assets and liabilities		
Accounts receivable	21,645	(2,045)
Contract assets	(1,204)	(801)
Inventories	(13,015)	(10,406)
Prepaid expenses and other assets	417	562
Operating lease right-of-use assets	—	(480)
Advances to suppliers	8,936	13,027
Accounts payable and other accrued liabilities	(65,108)	40,106
Contract liabilities	(36,564)	(9,910)
Operating lease liabilities	69	—
Net cash used in operating activities	(93,810)	(19,638)
Cash flows from investing activities		
Purchases of property, plant and equipment	(5,746)	(5,752)
Proceeds from dividends and partial return of capital by an unconsolidated investee	2,462	—
Net cash used in investing activities	(3,284)	(5,752)
Cash flows from financing activities		
Proceeds from debt	64,144	58,978
Repayment of debt	(60,949)	(57,278)
Repayment of capital lease obligations & other debt	(156)	(118)
Net Parent contribution	29,273	5,702
Net cash provided by financing activities	32,312	7,284
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	(261)	555
Net decrease in cash, cash equivalents, restricted cash and restricted cash equivalents	(65,043)	(17,551)
Cash, cash equivalents, restricted cash and restricted cash equivalents, beginning of period	123,803	101,749
Cash, cash equivalents, restricted cash and restricted cash equivalents, end of period	$ 58,760	$ 84,198
Non-cash transactions		
Property, plant and equipment purchases funded by liabilities	$ (4,412)	$ 2,050
Right-of-use assets obtained in exchange for lease obligations[1]	$ —	$ 13,139
Interest expense financed by Parent	$ 4,250	$ 4,250
Aged supplier financing balances reclassified from accounts payable to short term debt	$ 5,000	$ —

The following table reconciles our cash and cash equivalents and restricted cash and restricted cash equivalents reported on our Condensed Combined Balance Sheets and the cash, cash equivalents, restricted cash and restricted cash equivalents reported on our Condensed Combined Statements of Cash Flows for the three months ended March 29, 2020 and March 31, 2019:

(In thousands)	**March 29, 2020**	**March 31, 2019**
Cash and cash equivalents	$ 55,792	$ 82,719
Restricted cash and restricted cash equivalents, current portion, included in prepaid expenses and other current assets	2,966	17
Restricted cash and restricted cash equivalents, net of current portion, included in other long-term assets	2	1,462
Total cash, cash equivalents, restricted cash and restricted cash equivalents shown in statement of cash flows	$ 58,760	$ 84,198

1 Amounts for the three months ended March 31, 2019 include the transition adjustment for the adoption of ASC 842 and new Right-of-Use ("ROU") asset additions.

The accompanying notes are an integral part of these condensed combined financial statements.

NOTE 1. BACKGROUND AND BASIS OF PRESENTATION

Background

On November 11, 2019, SunPower Corporation ("SunPower Corporation" or "Parent") announced its intention to separate into two independent publicly traded companies: one comprising its solar panel cell and solar manufacturing operations and supply to resellers and commercial and residential end customers outside of the United States of America and Canada (the "Domestic Territory"), which will conduct business as Maxeon Solar Technologies, Pte. Ltd. (the "Company," "Maxeon Solar," "we," "us," and "our"), a company incorporated under the Laws of Singapore and a wholly owned subsidiary of SunPower Corporation, and one comprising its solar panel manufacturing operations, equipment supply, and sales of energy solutions and services in the Domestic Territory, including direct sales of turn-key engineering, procurement and construction services, sales to its third-party dealer network, sales of energy under power purchase agreements, storage and services solutions, cash sales and long-term leases directly to end customers which will continue as SunPower Corporation. Refer to Note 1 *Background and Basis of Presentation*, of the Notes to the annual Combined Financial Statements presented on Form 20-F for further information regarding the proposed separation.

Liquidity

The global spread of the coronavirus ("COVID-19") has created significant uncertainty and economic disruptions worldwide. In our response to the COVID-19 pandemic, we and Parent have instituted certain measures, including shelter-in-place orders for the majority of our workforce, travel restrictions and temporary idling of our factories in France, Malaysia, Mexico, and the Philippines. All of our factories have resumed production as of May, in compliance with the relevant local restrictions. In addition, we have implemented several mitigating actions to prudently manage our business during the current industry uncertainty relating to the COVID-19 pandemic. These actions include reduction of management salaries, freezing of all hiring and merit increases, reduction in capital expenditures and discretionary spending, and temporarily implementing a four-day work week for a portion of our employees in large part in recognition of reduced demand and workloads due to the pandemic.

Despite the challenging and volatile economic conditions, we believe that our total cash and cash equivalents will be sufficient to meet our obligations over the next 12 months from the date of issuance of our financial statements. In addition, we have historically been successful in our ability to work with our vendors to obtain favorable payment terms, when possible, and our ability to reduce manufacturing output to reduce inventory in order to optimize our working capital. We may also choose to explore additional options in connection with our short-term liquidity needs, such as selling raw materials inventory to third parties, liquidating certain investments, implementing additional restructuring plans, and deferring or canceling uncommitted capital expenditures and other investment or acquisition activities.

Although we have historically been able to generate liquidity, we cannot predict, with certainty, the outcome of our actions to generate liquidity as planned. Additionally, we are uncertain of the impact over time of the COVID-19 pandemic to our business, operations and financial results.

Basis of Presentation

Standalone financial statements have not been historically prepared for our business. These interim condensed combined financial statements of the Company have been derived from the condensed consolidated financial statements and accounting records of Parent as if we had operated on our own during the period presented and were prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The primary basis for presenting consolidated financial statements is when one entity has a controlling financial interest in another entity. As there is no controlling financial interest present between or among the entities that comprise our business, we are preparing the financial statements of the Company on a combined basis. Parent's investment in the Company's business is shown in lieu of equity attributable to the Company as there is no consolidated entity in which Parent holds an equity interest. Parent's investment represents its interest in the recorded net assets of the Company. See Note 8. *Transactions with Parent and Net Parent Investment*.

Certain information and footnote disclosures required by GAAP for complete annual financial statements have been omitted from these unaudited condensed combined financial statements and, therefore, these financial statements should be read in conjunction with the Company's annual Combined Financial Statements for the year ended December 29, 2019, included on Form 20-F. The financial information included herein is unaudited, and reflects all adjustments which are, in the opinion of our management, of a normal recurring nature and necessary for a fair statement of the results for the periods presented. The operating results for the three months ended March 29, 2020 are not necessarily indicative of the results that may be expected for fiscal year 2020, or for any other future period.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed combined financial statements and accompanying notes. Refer to Note 2 *Summary of Significant Accounting Policies*, of the Notes to the annual Combined Financial Statements presented on Form 20-F, for the significant estimates and assumptions applied by management in the preparation of the combined financial statements.

We have a 52-to-53-week fiscal year that ends on the Sunday closest to December 31. Accordingly, every fifth or sixth year will be a 53-week fiscal year. The current fiscal year, fiscal 2020, is a 53-week fiscal year, while fiscal year 2019 was a 52-week fiscal year. The first quarter of fiscal 2020 ended on March 29, 2020, while the first quarter of fiscal 2019 ended on March 31, 2019.

Principles of Combination

The condensed combined financial statements include the Company's net assets and results of operations as described above. All intercompany transactions and accounts within the combined businesses of the Company have been eliminated.

Intercompany transactions between the Company and Parent are considered to be effectively settled in the condensed combined financial statements at the time the transaction is recorded to the extent they have historically been forgiven. The total net effect of the settlement of these intercompany transactions is reflected in the Condensed Combined Statements of Cash Flows within financing activities and in the Condensed Combined Balance Sheets within Net Parent investment. Intercompany amounts that have historically been presented as an intercompany asset or liability due to or from the Parent primarily related to sales to Parent or asset transfers between Parent and the Company.

Use of Estimates

The preparation of the condensed combined financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported in the condensed combined financial statements and accompanying notes. Significant estimates in these condensed combined financial statements include (i) revenue recognition, specifically, management's assessment of market-based pricing terms related to sales of solar modules to Parent, the nature and timing of satisfaction of performance obligations, standalone selling price of performance obligations and variable consideration; (ii) allowances for credit losses, including estimating macroeconomic factors affecting the historical recovery rate of receivables; (iii) inventory write-downs; (iv) stock-based compensation; (v) long-lived asset impairment, specifically estimates for valuation assumptions including discount rates and future cash flows, economic useful lives of property, plant and equipment, intangible assets, and investments; (vi) fair value of financial instruments; (vii) valuation of contingencies such as accrued warranty; (viii) the incremental borrowing rate used in discounting of lease liabilities; and (ix) income taxes and tax valuation allowances. Actual results could materially differ from those estimates.

Due to the COVID-19 pandemic, there has been uncertainty and disruption in the global economy and financial markets. We are not aware of any specific event or circumstance that would require updates to our estimates and judgments or require us to revise the carrying value of our assets or liabilities as of the date of issuance of the financial statements. These estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

Summary of Selected Significant Accounting Policies

Included below, are selected significant accounting policies that were added or modified during the three months ended March 29, 2020 as a result of new transactions entered into or the adoption of new accounting policies. Refer to Note 2 *Summary of Significant Accounting Policies* of the Notes to the annual Combined Financial Statements presented on Form 20-F for the full list of our significant accounting policies.

Financial Instruments - Credit Losses

Effective December 30, 2019, we adopted Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13)* and subsequent amendments to the initial guidance: ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11, ASU 2020-02, and ASU 2020-03 (collectively, “Topic 326”). Topic 326 requires measurement and recognition of expected credit losses for financial assets held. The amendment applies to entities which hold financial assets and net investments in leases that are not accounted for at fair value through net income as well as loans, debt securities, accounts receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. For additional information on the changes resulting from the new standard and the impact to our financial results on adoption, refer to the section Recently Adopted Accounting Pronouncements below.

We recognize an allowance for credit loss at the time a receivable is recorded based on our estimate of expected credit losses and adjust this estimate over the life of the receivable as needed. We evaluate the aggregation and risk characteristics of a receivable pool and develop loss rates that reflect historical collections, current forecasts of future economic conditions over the time horizon we are exposed to credit risk, and payment terms or conditions that may materially affect future forecasts.

As of March 29, 2020, we reported $127.7 million of accounts receivable, net of allowances of $4.1 million. Based on aging analysis as of March 29, 2020, 87.6% of our trade accounts receivable was outstanding less than 60 days. Refer to *Note 4. Balance Sheet Components* for more details regarding changes in allowance for credit losses. We will continue to actively monitor the impact of the COVID-19 pandemic on expected credit losses.

Recently Adopted Accounting Pronouncements

In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606*, which (1) clarifies that certain transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606; (2) adds unit-of-account guidance in Topic 808 to align with the guidance in Topic 606; and (3) requires that in a transaction with a collaborative arrangement participant that is not directly related to sales to third parties, presenting the transaction together with revenue recognized under Topic 606 is precluded if the collaborative arrangement participant is not a customer. We adopted the ASU during the first quarter of fiscal 2020. The adoption did not have a material impact on our condensed combined financial statements.

In October 2018, the FASB issued ASU 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*, which broadens the scope of the private company alternative to include all common control arrangements that meet specific criteria (not just leasing arrangements) and also eliminates the requirement that entities consider indirect interests held through related parties under common control in their entirety when assessing whether a decision-making fee is a variable interest. We adopted the ASU during the first quarter of fiscal 2020. The adoption did not have a material impact on our condensed combined financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)*, requiring a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets. This ASU is effective for us no later than the first quarter of fiscal 2020 with early adoption permitted. We adopted the ASU during the first quarter of fiscal 2020. The adoption did not have a material impact on our condensed combined financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)*, to add, remove, and clarify disclosure requirements related to defined benefit pension and other postretirement plans. We adopted the ASU during first quarter of fiscal 2020. The adoption did not have a material impact on our condensed combined financial statements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326):* Measurement of Credit Losses on Financial Instruments (ASU 2016-13) and subsequent amendment to the initial guidance: ASU 2018-19 (collectively, Topic 326), to replace the prior incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments in Topic 326 apply to entities which hold financial assets and net investments in leases that are not accounted for at fair value through net income as well as loans, debt securities, accounts receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. We adopted the ASU during the first quarter of fiscal 2020. The adoption did not have a material impact on our condensed combined financial statements.

Recent Accounting Pronouncements Not Yet Adopted

For the following accounting pronouncements, the Company has assumed public company transition timeline in anticipation of the proposed separation plan.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU is intended to provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. This guidance is effective beginning on March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. We are planning to adopt this ASU in the second quarter of fiscal 2020. The impacts are not expected to be material.

In January 2020, the FASB issued ASU 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. The amendment clarifies accounting for equity investments and non-derivative forward contracts or purchased call options under ASC 321. ASU 2020-01 is effective no later than the first quarter of fiscal 2021. Early adoption is permitted, and the ASU should be applied prospectively. While we are still evaluating the impacts of the provisions of ASU 2020-01 on our financial statements and disclosures, the impact is not expected to be material.

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes, eliminates certain exceptions within ASC 740, Income Taxes, and clarifies certain aspects of the current guidance to promote consistency among reporting entities. ASU 2019-12 is effective for us no later than the first quarter of fiscal 2021. Most amendments within the standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. We are currently evaluating the impacts of the provisions of ASU 2019-12 on our financial statements and disclosures.

NOTE 2. TRANSACTIONS WITH TOTAL AND TOTAL S.A.

In June 2011, Total Energies Nouvelles Activités USA ("Total"), a subsidiary of Total S.A. ("Total S.A."), completed a cash tender offer to acquire 60% of SunPower Corporation's outstanding shares of common stock. In December 2011, SunPower Corporation entered into a Private Placement Agreement with Total (the "Private Placement Agreement"), under which Total purchased additional shares of SunPower Corporation common stock, thereby increasing Total's ownership to approximately 66% of SunPower Corporation's outstanding common stock as of that date. As of March 29, 2020, and December 29, 2019, Total's ownership of SunPower Corporation's outstanding common stock was approximately 50% and 47%, respectively. As of March 29, 2020 and December 29, 2019, we were partially owned by Total through its ownership of our Parent

The following related party balances and amounts are associated with transactions entered into with Total and its affiliates:

	As of	
(In thousands)	**March 29, 2020**	**December 29, 2019**
Accounts receivable	$ 13,513	$ 2,734
Prepaid expenses and other current assets	3,978	—
Accounts payable[1]	13,309	4,921
Contract liabilities, current portion [2]	19,236	18,786
Contract liabilities, net of current portion [2]	32,125	35,427

1 In connection with obtaining solar module supplies related to two solar projects, we incurred charges of $3.4 million in the first quarter of fiscal 2020 and the remainder $1.9 million, is expected to be recognized by second quarter of fiscal 2020.

2 Refer to Note 6. Commitments and Contingencies—Advances from Customers.

	Three Months Ended	
(In thousands)	**March 29, 2020**	**March 31, 2019**
Revenue	$ 18,743	$ 6,050
Cost of revenue	17,672	4,345
Interest expense incurred on the 4.00% debentures acquired by Total.	$ 998	$ 1,000

Supply Agreements

In November 2016, Parent and Total entered into a four-year, up to 200-megawatt ("MW") supply agreement to support the solarization of certain Total facilities. The agreement covers the supply of 150 MW of Maxeon 2 panels with an option to purchase up to another 50 MW of Performance Series ("P-Series") solar panels. In March 2017, we received a prepayment totaling $88.5 million. The prepayment is secured by certain of Parent and Maxeon Solar's assets located in the United States and in Mexico, respectively. We recognize revenue for the solar panels supplied under this arrangement consistent with our revenue recognition policy for solar power components at a point in time when control of such products transfers to the customer, which generally occurs upon shipment or delivery depending on the terms of the contracts.

As of March 29, 2020 and December 29, 2019, we had $19.2 million and $17.6 million, respectively, of "Contract liabilities, current portion", and $32.1 million and $35.4 million, respectively, of "Contract liabilities, net of current portion" on our Condensed Combined Balance Sheets related to the aforementioned supply agreement (see Note 6. *Commitments and Contingencies*).

In March 2018, we and Total, each through certain affiliates, entered into an agreement whereby we agreed to sell 3.42 MW of photovoltaic ("PV") modules to Total for a development project in Chile. This agreement provided for payment from Total in the amount of approximately $1.3 million, 10% of which was paid upon execution of the agreement.

On January 7, 2019, we and Total, each through certain affiliates, entered into an agreement whereby we agreed to sell 3.7 MW of PV modules to Total for a ground-mounted PV installation in Dubai. This agreement provided for payment from Total in the amount of approximately $1.4 million, 10% of which was received after execution of the agreement.

On March 4, 2019, we and Total, each through certain affiliates, entered into an agreement whereby we agreed to sell 10 MW of PV modules to Total for commercial rooftop PV installations in Dubai. This agreement provided for payment from Total in the amount of approximately $3.2 million, 10% of which was received in April 2019.

In December 2019, we and Total, each through certain affiliates, entered into an agreement whereby we agreed to sell 93 MW of PV modules to Total for commercial PV modules in France. This agreement provided for payment from Total in the amount of approximately $38.4 million, 10% of which was received in December 2019.

4.00% Debentures Due 2023

In December 2015, Parent issued the 4.00% debentures due 2023. An aggregate principal amount of $100.0 million of the 4.00% debentures due 2023 were acquired by Total. See Note 1. *Background and Basis for Presentation* of the Notes to the annual Combined Financial Statements presented on Form 20-F, for additional details related to the 4.00% debentures due 2023.

Affiliation Agreement

Parent and Total have entered into an Affiliation Agreement that governs the relationship between Total and Parent (the “Affiliation Agreement”). Until the expiration of a standstill period specified in the Affiliation Agreement (the “Standstill Period”), and subject to certain exceptions, Total, Total S.A., and any of their respective affiliates and certain other related parties (collectively, the “Total Group”) may not effect, seek, or enter into discussions with any third party regarding any transaction that would result in the Total Group beneficially owning Parent’s shares in excess of certain thresholds, or request Parent or its independent directors, officers or employees, to amend or waive any of the standstill restrictions applicable to the Total Group. The Standstill Period ends when Total holds less than 15% ownership of Parent.

The Affiliation Agreement imposes certain limitations on the Total Group’s ability to seek to effect a tender offer or merger to acquire 100% of the outstanding voting power of Parent and imposes certain limitations on the Total Group’s ability to transfer 40% or more of the outstanding shares or voting power of Parent to a single person or group that is not a direct or indirect subsidiary of Total S.A. During the Standstill Period, no member of the Total Group may, among other things, solicit proxies or become a participant in an election contest relating to the election of directors to Parent’s Board of Directors.

The Affiliation Agreement provides Total with the right to maintain its percentage ownership in connection with any new securities issued by Parent, and Total may also purchase shares on the open market or in private transactions with disinterested stockholders, subject in each case to certain restrictions.

The Affiliation Agreement also imposes certain restrictions with respect to the ability of Parent and its board of directors to take certain actions, including specifying certain actions that require approval by the directors other than the directors appointed by Total and other actions that require stockholder approval by Total.

NOTE 3. REVENUE FROM CONTRACTS WITH CUSTOMERS

During the three months ended March 29, 2020 and March 31, 2019, we recognized revenue for sales of modules and components from contracts with customers of $227.6 million and $229.1 million, respectively. We recognize revenue for sales of modules and components at the point that control transfers to the customer, which typically occurs upon shipment or delivery to the customer, depending on the terms of the contract. Payment terms are typically between 30 and 45 days.

Contract Assets and Liabilities

Contract assets consist of unbilled receivables which represent revenue that has been recognized in advance of billing the customer. During the three months ended March 29, 2020 and March 31, 2019, the increases in contract assets of $1.2 million and $0.8 million, respectively, were primarily due to shipments of products in advance of billings. Contract liabilities consist of deferred revenue and customer advances, which represent consideration received from a customer prior to transferring control of goods or services to the customer under the terms of a sales contract. During the three months ended March 29, 2020 and March 31, 2019, the decreases in contract liabilities of $36.5 million and $9.9 million, respectively, were primarily due to completion of performance obligations. During the three months ended March 29, 2020 and March 31, 2019, we recognized revenue of $38.6 million and $8.7 million that was included in contract liabilities as of December 29, 2019 and December 30, 2018, respectively.

As of March 29, 2020, we have entered into contracts with customers for sales of modules and components for an aggregate transaction price of $330.7 million, the substantial majority of which we expect to recognize over the next 12 months.

NOTE 4. BALANCE SHEET COMPONENTS

Accounts Receivable, Net

(In thousands)	As of March 29, 2020	As of December 29, 2019
Accounts receivable, gross[1]	$ 131,765	$ 153,633
Less: allowance for credit losses	(3,308)	(2,767)
Less: allowance for sales returns	(798)	(501)
Accounts receivable, net	$ 127,659	$ 150,365

1 In December 2018 and May 2019, Parent entered into factoring arrangements with two separate third party factor agencies related to our accounts receivable from customers in Europe. As a result of these factoring arrangements, title of certain accounts receivable balances was transferred to third-party vendors, and both arrangements were accounted for as a sale of financial assets given effective control over these financial assets has been surrendered. As a result, these financial assets have been excluded from our Condensed Combined Balance Sheets and Combined Balance Sheets. In connection with the factoring arrangements, we sold accounts receivable invoices amounting to $49.5 million and $20.9 million during the three months ended March 29, 2020 and March 31, 2019, respectively. As of March 29, 2020 and March 31, 2019, total uncollected accounts receivable from end customers under both arrangements were $24.3 million and $8.7 million, respectively.

Allowance for Credit Losses

(in thousands)	Balance at Beginning of Period	Provision for credit losses	Charge offs, net of recoveries	Balance at End of Period
Allowance for credit losses				
Three months ended March 29, 2020	$ 2,767	$ 767	$ (226)	$ 3,308
Three months ended March 31, 2019	$ 4,250	$ (36)	$ (171)	$ 4,043

Inventories

(In thousands)	As of March 29, 2020	As of December 29, 2019
Raw materials	$ 27,864	$ 18,864
Work-in-process	64,043	62,045
Finished goods	116,177	113,943
Inventories	$ 208,084	$ 194,852

Prepaid Expenses and Other Current Assets

(In thousands)	As of March 29, 2020	As of December 29, 2019
VAT receivables, current portion	$ 3,021	$ 4,997
Derivative financial instruments	2,776	1,002
Other receivables	21,605	23,835
Other prepaid expenses and other current assets	11,729	8,535
Prepaid expenses and other current assets	$ 39,131	$ 38,369

Other Intangible Assets, Net

(In thousands)	Gross	Accumulated Amortization	Net
As of March 29, 2020:			
Patents and purchased technology	$36,270	$ (33,037)	$3,233
	$36,270	$ (33,037)	$3,233
As of December 29, 2019:			
Patents and purchased technology	$36,527	$ (31,435)	$5,092
	$36,527	$ (31,435)	$5,092

Aggregate amortization expense for intangible assets totaled $1.8 million for the three months ended March 29, 2020 and March 31, 2019, respectively.

As of March 29, 2020, the estimated future amortization expense related to intangible assets with finite useful lives is as follows:

(In thousands)	Amount
Fiscal Year Ended 2020 (Remaining nine months)	$3,128
Thereafter	105
Total future amortization expense	$3,233

Property, Plant and Equipment, Net

(In thousands)	As of March 29, 2020	As of December 29, 2019
Manufacturing equipment	$ 131,381	$ 131,332
Land and buildings	137,763	137,723
Leasehold improvements	99,011	99,165
Solar power systems	1,321	1,326
Computer equipment	31,188	30,039
Furniture and fixtures	2,637	2,662
Construction-in-process	13,225	12,500
Property, plant, and equipment, gross	416,526	414,747
Less: accumulated depreciation	(145,661)	(133,547)
Property, plant, and equipment, net	$ 270,865	$ 281,200

Other Long-term Assets

(In thousands)	As of March 29, 2020	December 29, 2019
Equity investments without readily determinable fair value	$ 6,680	$ 7,860
Equity method investments	27,193	26,533
Deferred tax assets	8,529	8,927
Other	9,810	9,730
Other long term assets	$ 52,212	$ 53,050

Accrued Liabilities

(In thousands)	As of March 29, 2020	December 29, 2019
Employee compensation and employee benefits	$ 9,757	$ 19,547
Short-term warranty reserves	7,577	10,111
Restructuring reserve	474	515
VAT payables	8,514	6,390
Derivative financial instruments	2,654	1,962
Legal expenses	2,123	5,265
Taxes payable	12,393	13,826
Liability due to supply agreement	29,260	28,031
Other	8,818	6,923
Accrued liabilities	$ 81,570	$ 92,570

Other Long-term Liabilities

(In thousands)	As of March 29, 2020	December 29, 2019
Long-term warranty reserves	$ 26,089	$ 26,954
Unrecognized tax benefits	11,172	12,849
Long-term security deposit payable	1,990	2,728
Deferred tax liability	337	337
Long-term pension liability	2,852	3,003
Other	495	655
Other long-term liabilities	$ 42,935	$ 46,526

Accumulated Other Comprehensive Loss

(In thousands)	As of March 29, 2020	December 29, 2019
Cumulative translation adjustment	$ (9,438)	$ (9,462)
Unrecognized gain on long-term pension liability adjustment	3,288	3,102
Derivatives	430	(1,258)
Deferred Taxes	(286)	—
Accumulated other comprehensive loss	$ (6,006)	$ (7,618)

NOTE 5. FAIR VALUE MEASUREMENTS

Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement (observable inputs are the preferred basis of valuation):

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Measurements are inputs that are observable for assets or liabilities, either directly or indirectly, other than quoted prices included within Level 1.
- Level 3—Prices or valuations that require management inputs that are both significant to the fair value measurement and unobservable.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

There were no transfers between fair value measurement levels during the presented period. We did not have any assets or liabilities measured at fair value on a recurring basis requiring Level 3 inputs as of March 29, 2020 or December 29, 2019.

The following table summarizes our assets and liabilities measured and recorded at fair value on a recurring basis as of March 29, 2020 and December 29, 2019:

	March 29, 2020		December 29, 2019	
(In thousands)	Total Fair Value	Level 2	Total Fair Value	Level 2
Assets				
Prepaid expenses and other current assets Derivative financial instruments (Note 10)	$ 2,776	$2,776	$ 1,002	$1,002
Total assets	$ 2,776	$2,776	$ 1,002	$1,002
Liabilities				
Accrued liabilities Derivative financial instruments (Note 10)	$ 2,654	$2,654	$ 1,962	$1,962
Total liabilities	$ 2,654	$2,654	$ 1,962	$1,962

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

We measure certain investments and non-financial assets (including property, plant and equipment) at fair value on a non-recurring basis in periods after initial measurement in circumstances when the fair value of such asset is impaired below its recorded cost. As of March 29, 2020 and December 29, 2019, there were no such items recorded at fair value, with the exception of certain non-marketable equity investments.

Held-to-Maturity Debt Securities

Our debt securities, classified as held-to-maturity, are Philippine government bonds that we maintain as collateral for business transactions within the Philippines. These bonds have various maturity dates and are classified as “Restricted short-term marketable securities” on our Condensed Combined Balance Sheets. As of both March 29, 2020 and December 29, 2019, these bonds had a carrying value of $6.2 million. We record such held-to-maturity investments at amortized cost based on our ability and intent to hold the securities until maturity. We monitor for changes in circumstances and events that would affect our ability and intent to hold such securities until the recorded amortized costs are recovered. No other-than-temporary impairment loss was incurred during the period presented. The held-to-maturity debt securities were categorized in Level 2 of the fair value hierarchy.

Non-Marketable Equity Investments

Our non-marketable equity investments are securities in privately-held companies without readily determinable market values. Non-marketable equity securities are classified within Level 3 in the fair value hierarchy because we estimate the value based on valuation methods using a combination of observable and unobservable inputs including valuation ascribed to the issuing company in subsequent financing rounds, volatility in the results of operations of the issuers and rights and obligations of the securities we hold. As of March 29, 2020 and December 29, 2019, we had $6.7 million and $7.9 million in investments accounted for under the measurement alternative method, respectively.

Equity Method Investments

Our investments accounted for under the equity method are described in Note 7. *Equity Investments*. We monitor these investments, which are included within "Other long-term assets" in our Condensed Combined Balance Sheets, for impairment and record reductions in the carrying values when necessary. Circumstances that indicate an other-than-temporary decline include Level 3 measurements such as the valuation ascribed to the issuing company in subsequent financing rounds, decreases in quoted market prices, and declines in the results of operations of the issuer.

NOTE 6. COMMITMENTS AND CONTINGENCIES

Facility and Equipment Lease Commitments

We lease certain facilities under non-cancellable operating leases from third parties. We also lease certain buildings, machinery and equipment under non-cancellable finance leases.

We have disclosed quantitative information related to the lease contracts we have entered into as a lessee by aggregating the information based on the nature of the asset such that assets with similar characteristics and lease terms are shown within one single financial statement line item.

The table below presents the summarized quantitative information with regard to lease contracts we have entered into:

	Three Months Ended	
(In thousands)	**March 29, 2020**	**March 31, 2019**
Operating leases:		
Operating lease expense	$ 1,282	$ 1,080
Rent expense	$ 1,282	$ 668
Cash paid for amounts included in the measurement of lease liabilities		
Cash paid for operating leases	$ 1,213	$ 1,148
Right-of-use assets obtained in exchange for lease obligations	$ —	$ 13,139
Weighted-average remaining lease term (in years) – operating leases	6.4	5.3
Weighted-average discount rate – operating leases	9%	9%

The following table presents our minimum future rental payments on operating leases placed in service as of March 29, 2020.

		Payments Due by Fiscal Period					
(In thousands)	**Total**	**2020 (Remaining nine months)**	**2021**	**2022**	**2023**	**2024**	**Thereafter**
Minimum future rental payments	$27,072	$ 2,992	$4,182	$3,814	$3,923	$3,912	$ 8,249

Purchase Commitments

We purchase raw materials for inventory and manufacturing equipment from a variety of vendors. During the normal course of business, in order to manage manufacturing lead times and help assure adequate supply, we enter into agreements with contract manufacturers and suppliers that either allow them to procure goods and services based on specifications defined by us, or that establish parameters defining our requirements. In certain instances, these agreements allow us the option to cancel, reschedule or adjust our requirements based on our business needs before firm orders are placed. Consequently, purchase commitments arising from these agreements are excluded from our disclosed future obligations under non-cancellable and unconditional commitments.

We also have agreements with several suppliers, including some of our non-consolidated investees, for the procurement of polysilicon, ingots, and wafers, as well as certain module-level power electronics and related equipment, which specify future quantities and pricing of products to be supplied by one vendor for periods of up to 2 years and provide for certain consequences, such as forfeiture of advanced deposits and liquidated damages relating to previous purchases, in the event that we terminate the arrangements or fail to satisfy our obligations under the agreements.

Future purchase obligations under non-cancellable purchase orders and long-term supply agreements as of March 29, 2020 are as follows:

(In thousands)	Total[1]	Fiscal 2020 (Remaining Nine Months)	Fiscal 2021	Fiscal 2022	Fiscal 2023	Thereafter
Future purchase obligations	$413,370	$ 375,316	$38,054	$—	$—	$ —

1 Total future purchase obligations comprised of $99.6 million related to non-cancellable purchase orders and $313.8 million related to long-term supply agreements.

We expect that all obligations related to non-cancellable purchase orders for manufacturing equipment will be recovered through future cash flows of the solar cell manufacturing lines and solar panel assembly lines when such long-lived assets are placed in service. Factors considered important that could result in an impairment review include significant under-performance relative to expected historical or projected future operating results, significant changes in the manner of use of acquired assets, and significant negative industry or economic trends. Obligations related to non-cancellable purchase orders for inventories match current and forecasted sales orders that will consume these ordered materials and actual consumption of these ordered materials is regularly compared to expected demand. We anticipate total obligations related to long-term supply agreements for inventories, some of which (in the case of polysilicon) are at purchase prices significantly above current market prices for similar materials available in the market, will be recovered because the quantities required to be purchased are expected to be utilized in the manufacture and profitable sale of solar power products in the future based on our long-term operating plans. Additionally, in order to reduce inventory and improve working capital, we have periodically elected to sell polysilicon inventory in the marketplace at prices below our purchase price, thereby incurring a loss. The terms of the long-term supply agreements are reviewed annually by us and we assess the need for any accruals for estimated losses on adverse purchase commitments, such as lower of cost or net realizable value adjustments that will not be recovered by future sales prices, forfeiture of advanced deposits and liquidated damages, as necessary.

Advances to Suppliers

As noted above, we have entered into agreements with various vendors, and such agreements with two of our vendors are structured as "take or pay" contracts, that specify future quantities and pricing of products to be supplied. Certain agreements also provide for penalties or forfeiture of advanced deposits in the event we terminate the arrangements. Under certain agreements, we were required to make prepayments to the vendors over the terms of the arrangements. As of March 29, 2020 and December 29, 2019, advances to suppliers totaled $112.4 million and $121.4 million, respectively, of which $98.5 million and $107.4 million are classified as "Advances to suppliers, current portion" in our Condensed Combined Balance Sheets. One supplier accounted for 100.0% of total advances to suppliers as of March 29, 2020 and December 29, 2019.

Advances from Customers

The estimated utilization of advances from customers included within "Contract liabilities, current portion" and "Contract liabilities, net of current portion" on our Condensed Combined Balance Sheets as of March 29, 2020 is as follows:

(In thousands)	Fiscal 2020 (Remaining Nine Months)	Fiscal 2021	Fiscal 2022	Fiscal 2023	Thereafter	Total
Estimated utilization of advances from customers	$ 15,887	$37,836	$23,447	$—	$ —	$77,170

We have entered into other agreements with customers who have made advance payments for solar power products and systems. These advances will be applied as shipments of product occur. In relation to the agreement entered into with Total (see Note 2. *Transactions with Total and Total S.A.*); in March 2017, we received a prepayment totaling $88.5 million. As of March 29, 2020 and December 29, 2019, the advance payment from Total was $51.3 million and $53.0 million, respectively, of which $19.2 million and $17.6 million were classified as short-term in our Condensed Combined Balance Sheets, based on projected shipment dates.

Product Warranties

The following table summarizes accrued warranty activity for the three months ended March 29, 2020 and March 31, 2019:

	Three Months Ended	
(In thousands)	March 29, 2020	March 31, 2019
Balance at the beginning of the period	$ 37,065	$ 50,754
Accruals for warranties issued during the period	1,180	5,133
Settlements and adjustments during the period	(4,579)	(3,700)
Balance at the end of the period	$ 33,666	$ 52,187

Liabilities Associated with Uncertain Tax Positions

Total liabilities associated with uncertain tax positions were $11.2 million and $12.8 million as of March 29, 2020 and December 29, 2019, respectively. These amounts are included within "Other long-term liabilities" in our Condensed Combined Balance Sheets as they are not expected to be paid within the next 12 months. Due to the complexity and uncertainty associated with our tax positions, we cannot make a reasonably reliable estimate of the period in which cash settlement, if any, would be made for our liabilities associated with uncertain tax positions in Other long-term liabilities.

Defined Benefit Pension Plans

As of March 29, 2020 and December 29, 2019, the underfunded status of our pension plans presented within "Other long-term liabilities" on our Condensed Combined Balance Sheets was $2.9 million and $3.0 million, respectively. The impact of transition assets and obligations and actuarial gains and losses are recorded within "Accumulated other comprehensive loss" and are generally amortized as a component of net periodic cost over the average remaining service period of participating employees. Total other comprehensive gain related to our benefit plans was $0.2 million as of March 29, 2020 and total other comprehensive loss related to our benefit plans was $1.8 million as of December 29, 2019. Refer to Note 8 *Commitments and Contingencies*, of the Notes to the annual Combined Financial Statements presented on Form 20-F for further information regarding defined benefit pension plans.

Indemnifications

In the ordinary course of business, the Company enters into contractual arrangements under which the Company may agree to indemnify a third party to such arrangement from any losses incurred relating to the services they perform on behalf of the Company or for losses arising from certain events as defined within the particular contract, which may include, for example, litigation or claims relating to past performance. Historically, payments made related to these indemnifications have been immaterial.

Similarly, the Company enters into contractual arrangements under which Parent or other third parties agrees to indemnify the Company for certain litigation and claims to which we are a party. As the exposure related to these claims is directly attributable to the Company's historical operations, the Company has recognized a liability in the amount of $0 and $2.7 million as of March 29, 2020 and December 29, 2019, respectively, consistent with the Company's recognition and measurement principles and assumptions. The Company has also separately recognized a receivable for the indemnity provided by Total of $0.9 million and $1.1 million as of March 29, 2020 and December 29, 2019, respectively. This receivable is recognized utilizing the same recognition and measurement principles and assumptions that were used to measure the liability. The liability and receivable balances are recorded in "Other long-term liabilities" and "Other long-term assets", respectively, in the Condensed Combined Balance Sheets.

Legal Matters

We are a party to various litigation matters and claims that arise from time to time in the ordinary course of our business. While we believe that the ultimate outcome of such matters will not have a material adverse effect on us, their outcomes are not determinable and negative outcomes may adversely affect our financial position, liquidity, or results of operations. In addition, under the Separation and Distribution Agreement we will enter into with Parent in connection with the spin-off, Parent has agreed to indemnify us for certain litigation claims to which certain of our subsidiaries are named the defendant or party. The liabilities related to these legal claims and an offsetting receivable from Parent are reflected on our historical Condensed Combined Balance Sheets as of March 29, 2020 and December 29, 2019.

NOTE 7. EQUITY INVESTMENTS

Our equity investments consist of equity method investments and equity investments without readily determinable fair value.

Our share of earnings (losses) from equity investments accounted for under the equity method is reflected as "Equity in earnings (losses) of unconsolidated investees" in our Condensed Combined Statements of Operations. The carrying value of our equity investments, classified as "other long-term assets" as of March 29, 2020 and December 29, 2019, are as follows:

	As of	
(In thousands)	**March 29, 2020**	**December 29, 2019**
Equity method investments	$ 27,193	$ 26,533
Equity investments without readily determinable fair value (1)	6,680	7,860
Total equity investments	$ 33,873	$ 34,393

(1) Includes a change in value of our investment for Deca Technologies attributable to partial return of capital and revaluation of our remaining shareholding in accordance with ASC 321 Investments – Equity Securities. During the three months ended March 29, 2020, we received a cash dividend of $2.5 million representing a return of capital. In addition, during the three months ended March 29, 2020, we recorded a gain of $1.3 million related to an increase in the fair value of our investment, based on observable market transactions with a third-party investor. This gain is presented within "Other, net" on our Condensed Combined Statement of Operations.

Related-party transactions with equity method investees are as follows:

	As of	
(In thousands)	**March 29, 2020**	**December 29, 2019**
Accounts payable	$ 48,389	$ 62,811
Accrued liabilities	5,356	3,679

	Three Months Ended	
(In thousands)	**March 29, 2020**	**March 29, 2020**
Payments made to investees for products/services	$ 74,281	$ 23,521

NOTE 8. TRANSACTIONS WITH PARENT AND NET PARENT INVESTMENT

Sales to Parent

During the three months ended March 29, 2020 and March 31, 2019, we had sales of $69.0 million and $60.2 million to Parent representing the sale of solar modules to Parent based on transfer prices determined based on management's assessment of market-based pricing terms. Sales to Parent were recognized in line with our revenue recognition policy for sales to third-party customers, as discussed in Note 2. *Summary of Significant Accounting Policies* to the annual Notes to Combined Financial Statements presented on Form 20-F. As of March 29, 2020 and December 29, 2019, accounts receivable due from Parent related to these sales amounted to $15.7 million and $51.8 million, respectively.

Allocation of Corporate Expenses

As discussed in Note 2. *Summary of Significant Accounting Policies*, to the annual Notes to Combined Financial Statements presented on Form 20-F, the Condensed Combined Statements of Operations and Comprehensive Loss include an allocation of general corporate expenses from Parent for certain management and support functions. These allocations amounted to $4.4 million and $5.9 million for the three months ended March 29, 2020 and March 31, 2019, respectively, and are reflected in sales, general, and administration expenses. Management believes the basis on which the expenses have been allocated to be a reasonable reflection of the utilization of services provided to or the benefit received by us during the period presented. Allocated costs may differ from actual costs which would have been incurred if we had operated independently during the periods presented.

Our financial statements do not purport to reflect what results of operations, financial position, equity, or cash flows would have been if we had operated as a stand-alone company during the period presented. In December 2015, Parent issued 4.00% debentures due 2023, the proceeds of which were used to finance our solar cell manufacturing facility in the Philippines which relates to our historical business. As such, $4.3 million of interest expense associated with the 4.00% debentures due 2023 is reflected in the Condensed Combined Statements of Operations and Comprehensive Loss for each of the periods ended March 29, 2020 and March 31, 2019.

Net Parent Investment

Net Parent investment on the Condensed Combined Balance Sheets and Condensed Combined Statements of Equity represents Parent's historical investment in the Company, the net effect of transactions with and allocations from Parent and the Company's accumulated earnings. Refer to Note 10. *Transactions With Parent And Net Parent Investment*, of the annual Notes to Combined Financial Statements presented on Form 20-F for further information regarding Net Parent investments. All significant transactions between the Company and Parent have been included in the accompanying condensed combined financial statements. Transactions with Parent are reflected in the accompanying Condensed Combined Statements of Equity as "Net Parent contribution".

Net Parent Contributions

The components of Net Parent contribution on the Condensed Combined Statements of Equity for the three months ended March 29, 2020 and March 31, 2019 were as follows:

	Three Months Ended	
(In thousands)	**March 29, 2020**	**March 31, 2019**
General financing activities	$ 25,392	$ 2,065
Corporate allocations	4,427	5,865
Interest expense financed and paid by Parent	4,250	4,250
Stock-based compensation expense	1,889	1,269
Total Net Parent contributions per Condensed Combined Statement of Equity	$ 35,958	$ 13,449

A reconciliation of Net Parent contributions in the Condensed Combined Statements of Equity to the corresponding amount presented on the Condensed Combined Statements of Cash Flows for the period presented was as follows:

	Three Months Ended	
(In thousands)	**March 29, 2020**	**March 31, 2019**
Total Net Parent contribution per Condensed Combined Statements of Equity	$ 35,958	$ 13,449
Interest expense financed and paid by Parent	(4,250)	(4,250)
Stock-based compensation expense	(1,889)	(1,269)
Other	(546)	(2,228)
Total Net Parent contribution per Condensed Combined Statements of Cash Flows	$ 29,273	$ 5,702

NOTE 9. DEBT AND CREDIT SOURCES

In 2019, Parent entered into a Master Buyer Agreement, which entitles us to financing through HSBC Bank Malaysia Berhad to settle our outstanding vendor obligations. The agreement entitles us to combined financing of $25.0 million at an interest rate of 1.4% per annum over LIBOR interest rate over a maximum financing tenor of 90 days. As of March 29, 2020 and December 29, 2019, the face value of this outstanding debt was $5.0 million and $22.0 million recorded in "Short term debt" on the Condensed Combined Balance Sheets.

In June 2018, Parent entered into a Revolving Credit agreement which entitles us to import and export combined financing of $50.0 million through Standard Chartered Bank Malaysia Berhad at a 1.5% per annum over LIBOR interest rate over a maximum financing tenor of 90 days.

As of March 29, 2020 and December 29, 2019, the face value of this outstanding debt was $40.9 million and $37.7 million, respectively, recorded in “Short term debt” on the Condensed Combined Balance Sheets, the total amount of which will mature in fiscal 2020. During the three months ended March 29, 2020 and March 31, 2019, the Company recorded interest expense of $0.3 million and $0.4 million, respectively, related to this debt, which is reported as interest expense on the Condensed Combined Statements of Operations.

In June 2012, Parent entered into an Onshore Foreign Currency Loan agreement through Bank of China (Malaysia) Berhad, which provides for the issuance, upon our request, of letters of credit to support our obligations. The agreement entitles us to combined financing of $10.0 million at an interest rate of 1.0% per annum over Cost of Funds Rate for a minimum financing tenor of 7 days and maximum financing tenor of 90 days. This facility was terminated in December 2019.

NOTE 10. DERIVATIVE FINANCIAL INSTRUMENTS

The following tables present information about our hedge instruments measured at fair value on a recurring basis as of March 29, 2020 and December 29, 2019 all of which utilize Level 2 inputs under the fair value hierarchy:

(In thousands)	Balance Sheet Classification	March 29, 2020	December 29, 2019
Assets:			
Derivatives designated as hedging instruments:			
Foreign currency forward option contracts	Prepaid expenses and other current assets	$ 2,044	$ 514
Derivatives not designated as hedging instruments:			
Foreign currency forward exchange contracts	Prepaid expenses and other current assets	732	488
		$ 2,776	$ 1,002
Liabilities:			
Derivatives designated as hedging instruments:			
Foreign currency forward exchange contracts	Accrued liabilities	$ 1,092	$ 922
Foreign currency forward exchange contracts	Accrued liabilities	—	461
		$ 1,092	$ 1,383
Derivatives not designated as hedging instruments:			
Foreign currency forward option contracts	Accrued liabilities	$ 32	$ —
Foreign currency forward exchange contracts	Accrued liabilities	1,530	579
		$ 1,562	$ 579

(In thousands)	March 29, 2020 Gross Amounts	Net Amounts Presented	Gross Amounts Not Offset in the Condensed Combined Balance Sheets, but Have Rights to Offset Financial Instruments
Derivative assets	$ 2,776	$ 2,776	$ 2,776
Derivative liabilities	2,654	2,654	2,654

(In thousands)	December 29, 2019 Gross Amounts	Net Amounts Presented	Gross Amounts Not Offset in the Condensed Combined Balance Sheets, but Have Rights to Offset Financial Instruments
Derivative assets	$ 1,002	$ 1,002	$ 1,002
Derivative liabilities	1,962	1,962	1,962

Foreign Currency Exchange Risk

Non-Designated Derivatives Hedging Transaction Exposure

Derivatives not designated as hedging instruments consist of forward and option contracts used to hedge re-measurement of foreign currency denominated monetary assets and liabilities primarily for intercompany transactions, receivables from customers, and payables to third parties. Changes in exchange rates between our subsidiaries' functional currencies and the currencies in which these assets and liabilities are denominated can create fluctuations in our reported condensed combined financial position, results of operations and cash flows. As of March 29, 2020, to hedge balance sheet exposure, we held forward contracts with an aggregate notional value of $114.8 million. These foreign currency forward contracts have maturity of six month or less. As of December 29, 2019, to hedge balance sheet exposure, we held forward contracts with aggregate notional value of $17.5 million. These contracts matured in January 2020.

Credit Risk

Our option and forward contracts do not contain any credit-risk-related contingent features. We are exposed to credit losses in the event of nonperformance by the counterparties to these option and forward contracts. We enter into derivative contracts with high-quality financial institutions and limit the amount of credit exposure to any single counterparty. In addition, we continuously evaluate the credit standing of our counterparties.

NOTE 11. INCOME TAXES

In the three months ended March 29, 2020, our income tax provision of $0.5 million on a loss before income taxes and equity in earnings of unconsolidated investees of $30.9 million was primarily due to projected tax expense in foreign jurisdictions that are profitable, offset by tax benefit related to release of tax reserves in foreign jurisdictions due to lapse of statutes of limitation. Our income tax provision of $2.1 million in the three months ended March 31, 2019 on a loss before income taxes and equity in earnings of unconsolidated investees of $69.9 million was primarily due to tax expense in foreign jurisdictions that are profitable.

In the three months ended March 29, 2020, in accordance with FASB guidance for interim reporting of income tax, we have computed our provision for income taxes based on a projected annual effective tax rate while excluding loss jurisdictions which cannot be benefited. Our projected effective tax rate is based on forecasted annualized results which may fluctuate significantly in future periods, in particular due to the uncertainty in our annual forecasts resulting from the unpredictable duration and severity of the COVID-19 pandemic on our operating results.

Total liabilities associated with uncertain tax positions were $11.2 million and $12.8 million as of March 29, 2020 and December 29, 2019, respectively. The decrease of $1.6 million was primarily related to the release of tax reserves in various foreign jurisdictions due to lapse of statute of limitations.

NOTE 12. STOCK-BASED COMPENSATION

The following table summarizes the stock-based compensation expense by line item in the Condensed Combined Statements of Operations:

	Three Months Ended	
(In thousands)	**March 29, 2020**	**March 31, 2019**
Cost of revenue	$ 466	$ —
Research and development	457	284
Sales, general and administrative	966	985
Total stock-based compensation expense	$ 1,889	$ 1,269

	Three Months Ended	
(In thousands)	**March 29, 2020**	**March 31, 2019**
Restricted stock units	$ 2,123	$ 1,745
Change in stock-based compensation capitalized in inventory	(234)	(476)
Total stock-based compensation expense	$ 1,889	$ 1,269

NOTE 13. SEGMENT AND GEOGRAPHICAL INFORMATION

We determine operating segments based on how our chief operating decision maker (“CODM”) manages the business, including making operating decisions, deciding how to allocate resources and evaluating operating performance. Our CODM is our Chief Executive Officer who reviews our operating results on a combined basis. We operate in a single operating segment and a single reportable segment based on the operating results available and evaluated regularly by our CODM to make decisions about resource allocation and assess performance. The following table summarizes the allocation of net revenues based on geography:

	Three Months Ended	
(In thousands)	**March 29, 2020**	**March 31, 2019**
United States1	$ 70,467	$ 64,442
France	27,435	39,564
Japan	34,118	14,523
China	538	26,547
Rest of world	95,082	83,995
Total revenues	$ 227,640	$ 229,071

1 During three months ended March 29, 2020 and March 31, 2019, we had sales of $69.0 million and $60.2 million, respectively, to Parent representing the sale of solar modules to Parent at transfer prices determined based on management’s assessment of market-based pricing terms.

Revenues are attributed to U.S. and international geographies primarily based on the destination of the shipments.

NOTE 14. SUBSEQUENT EVENTS

For the purposes of this filing, the Company has evaluated the effects of subsequent events through July 6, 2020.

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) a pandemic, which continues to spread globally and has resulted in authorities implementing numerous measures to contain the virus, including travel bans and restrictions, quarantines, shelter-in-place orders and business limitations and shutdowns. While we are unable to accurately predict the full impact over time that the COVID-19 pandemic will have on our operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures, our compliance with these measures has impacted our business and operations and could disrupt that of our customers, suppliers and other counterparties.

During the three months ended June 28, 2020, we recorded excess capacity costs of $19.0 million attributable to the temporary idling of our manufacturing facilities in France, Malaysia, Mexico and in the Philippines in response to the outbreak of the COVID-19 pandemic. All manufacturing facilities restarted at various times in May 2020. We will continue to monitor the impact of the pandemic on our business beyond July 2020.

EXPLANATORY NOTE

When used in this Exhibit, the term “SunPower” refers to SunPower Corporation and not its subsidiaries; and the terms “Maxeon Solar,” “we,” “us” and “our” refer collectively to Maxeon Solar Technologies, Pte. Ltd. or Maxeon Solar Technologies, Ltd. (as the case may be) and its subsidiaries, in each case, unless the context otherwise requires or indicates. Capitalized terms used but not defined herein have the meanings assigned to them in Maxeon Solar’s registration statement on Form 20-F initially filed with the Securities and Exchange Commission on July 2, 2020, which registration statement is not yet effective (the “Form 20-F”).

3.A SELECTED FINANCIAL DATA

The following selected financial data should be read together with our condensed combined financial statements and related notes furnished as Exhibit 99.1 to SunPower Corporation’s Current Report on Form 8-K on July 6, 2020 (the “Current Report”), and our combined financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” appearing in the Form 20-F. We derived the selected statement of operations data for the year ended December 29, 2019 and the selected balance sheet data as of December 29, 2019 from our audited combined financial statements and related notes appearing in the Form 20-F. We derived the summary historical statement of operations data for the three months ended March 29, 2020 and March 31, 2019 and the summary balance sheet data as of March 29, 2020 from our unaudited condensed combined financial statements.

The selected financial data in this section are not intended to replace our combined financial statements and the related notes. Our historical results could differ from those that would have resulted if we operated autonomously or as an entity independent of SunPower in the periods for which historical financial data is presented below, and such results are not necessarily indicative of the results that may be expected in the future.

For additional details regarding the preparation of our combined financial statements and condensed combined financial statements, please see “Item 5. Operating and Financial Review and Prospects—5.A. Operating Results—Basis of Presentation” and “Note 1. Background and Basis of Presentation” to our combined financial statements and condensed combined financial statements, respectively, appearing in the Form 20-F and Exhibit 99.1 to the Current Report, respectively.

We prepare our combined financial statements and condensed combined financial statements in accordance with GAAP. Our reference to the combined financial statement(s) includes the relevant condensed combined financial statement(s) for the periods presented throughout the rest of this section.

	Three Months Ended	
	March 29, 2020	March 31, 2019
	(Unaudited)	
(in thousands)		
Statements of Operations Data:		
Revenue	$227,640	$229,071
Gross (loss) profit	3,232	(35,561)
Operating loss	(29,580)	(63,271)
(Provision for) benefit from income taxes	(468)	(2,115)
Net loss	(31,077)	(70,564)
Net loss attributable to the Parent	(31,749)	(71,573)

	As Of	
	December 29, 2019	March 29, 2020
		(Unaudited)
(in thousands)		
Balance Sheet Data:		
Cash and cash equivalents	$ 120,956	$ 55,792
Total assets	990,211	893,746
Short term debt	60,383	46,583
Long-term debt	1,487	1,315
Total equity	367,523	374,016

3.B. CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our cash and cash equivalents and our capitalization as of March 29, 2020 on:

- an actual basis; and
- an adjusted basis, to give effect to the pro forma adjustments set forth in "—Unaudited Pro Forma Combined Financial Information" above.

The "as adjusted" information below is not necessarily indicative of what our capitalization and indebtedness would have been had the separation and related transactions been completed as of March 29, 2020. You can find an explanation of the pro forma adjustments made to our historical combined financial statements in Exhibit 99.3 to the Current Report entitled "Unaudited Pro Forma Condensed Combined Financial Statements." You should review the following table in conjunction with the sections entitled "Unaudited Pro Forma Combined Financial Statements," and "Item 5. Operating and Financial Review and Prospects" and our historical combined financial statements and related notes to those statements appearing in the Form 20-F, as well as the sections of this Exhibit captioned "Item 3. Key Information—3.A. Selected Financial Data," and "Item 5. Operating and Financial Review and Prospects," and Exhibit 99.3 to the Current Report entitled "Unaudited Pro Forma Condensed Combined Financial Information." Our reference to the combined financial statement(s) includes the relevant condensed combined financial statement(s) for the periods presented throughout the rest of this section.

We are providing the capitalization table below for informational purposes only. It should not be construed to be indicative of our capitalization or financial condition had the separation been completed on the date assumed. The capitalization table below may not reflect the capitalization or financial condition that would have resulted had we operated as a standalone public company at that date and is not necessarily indicative of our future capitalization or financial position.

	As of March 29, 2020	
	Historical	As Adjusted (Unaudited)
(in thousands)		
Cash and cash equivalents	$ 55,792	$ 390,125
Liabilities		
Short term debt	$ 46,583	$ 38,000
Long-term debt	1,315	167,125
Total debt	$ 47,898	$ 205,125
Stockholders' equity		
Common stock, no par value	$ —	$ —
Additional paid-in capital	$ —	$ 541,382
Net Parent investment	374,046	—
Accumulated other comprehensive loss	(6,006)	(6,006)
Equity attributable to the Company	368,040	535,376
Noncontrolling interests	5,976	5,976
Total equity	$374,016	$ 541,352
Total capitalization	$421,914	$ 746,477

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

5.A. OPERATING RESULTS

This operating and financial review should be read together with the section captioned “Selected Financial Data,” “Item 4. Information on the Company—4.B. Business Overview” and the combined financial statements included in the Form 20-F and the condensed combined financial statements of the Maxeon Business and the related notes to those statements included as Exhibit 99.1 to the Current Report. Our reference to the combined financial statement(s) includes the relevant condensed combined financial statement(s) for the periods presented throughout the rest of this section. Among other things, those financial statements include more detailed information regarding the basis of preparation for the following information. The combined financial statements of the Maxeon Business have been prepared in accordance with GAAP. This discussion contains forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth under “Risk Factors” in the Form 20-F, our actual results may differ materially from those anticipated in these forward-looking statements. Please see “Special Note About Forward-Looking Statements” in the Form 20-F.

Proposed Separation From SunPower

On November 11, 2019, SunPower announced its intention to separate into two independent publicly traded companies: one comprising its solar panel cell and solar manufacturing operations and supply to resellers and commercial and residential end customers outside of the Domestic Territory (as defined below), which will conduct business as Maxeon Solar Technologies, Ltd., a company incorporated under the laws of Singapore and currently a wholly owned subsidiary of SunPower, and one comprising its solar panel manufacturing operations, equipment supply, and sales of energy solutions and services in Canada and the United States (excluding Puerto Rico, American Samoa, Guam, the Northern Mariana Islands and the U.S. Virgin Islands) (which we refer to as the “Domestic Territory”), including direct sales of turn-key engineering, procurement and construction services, sales to its third-party dealer network, sales of energy under power purchase agreements, storage and services solutions, cash sales and long-term leases directly to end customers which will continue as SunPower Corporation.

SunPower entered into the Investment Agreement with us, Tianjin Zhonghuan Semiconductor Co., Ltd., a PRC joint stock limited company (“TZS”) and, for the limited purposes set forth therein, Total Solar INTL SAS (“Total”). In addition, SunPower entered into the Separation and Distribution Agreement with us.

Pursuant to the Separation and Distribution Agreement and the Investment Agreement: (1) SunPower will contribute certain non-U.S. operations and assets of its SunPower Technologies business unit to us (referred to as the “separation”), (2) SunPower will then spin us off through a pro rata distribution to its shareholders of 100% of its interest in us (referred to as the “distribution” and together with the separation, the “spin-off”), and (3) immediately after the distribution, TZS will purchase from us (referred to as the “investment,” and together with the spin-off, the “Transactions”) shares that will, in the aggregate, represent approximately 28.848% of our outstanding shares after giving effect to the Transactions for $298.0 million. The spin-off is intended to be tax-free to SunPower shareholders for Singapore income and withholding tax purposes and for U.S. federal income tax purposes.

In connection with the Transactions and concurrently with the distribution, we and SunPower will also enter into the Ancillary Agreements, that will govern relationships between us and SunPower following the distribution. In addition, at the closing of the Investment, TZS, Total and Maxeon Solar will enter into a Shareholders Agreement (the “Shareholders Agreement”).

The process of completing the proposed separation has been and is expected to continue to be time-consuming and involves significant costs and expenses. We expect to incur separation costs of up to $25.0 million during fiscal year 2020. As of March 29, 2020, we also expect capital investments of approximately $230.0 million to ramp up production of our next generation technology through fiscal year 2021.

Additionally, following the spin-off, we must maintain an independent corporate overhead. Due to the loss of economies of scale and the necessity of establishing independent functions for each company, the separation from SunPower into two independent companies is expected to result in total dis-synergies of approximately $10.0 million annually, which costs are primarily associated with corporate functions such as finance, legal, information technology and human resources.

Due to the scale of SunPower's businesses and its global footprint (among other factors), the separation process is extremely complex and requires effort and attention from employees throughout SunPower's organization. For example, employees of the business that will become part of Maxeon Solar must be transitioned to new payroll and other benefit platforms. Outside the organization, SunPower must notify and establish separation readiness among customers, business partners and suppliers so that business relationships all over the world may continue seamlessly following the completion of the separation. Administratively, the separation involves the establishment of new customer and supplier accounts, new bank accounts, legal reorganizations and contractual assignments in various jurisdictions throughout the world, and the creation and maintenance of separation management functions, to plan and execute the separation process in a timely fashion. For more information on the risks involved in the separation process, see "Risk Factors—Risks Related to the Separation" included in the Form 20-F.

Basis of Presentation

Standalone financial statements have not been historically prepared for our business. Our combined financial statements have been derived from the consolidated financial statements and accounting records of SunPower as if it operated on its own during the period presented and were prepared in accordance with GAAP. The primary basis for presenting consolidated financial statements is when one entity has a controlling financial interest in another entity. As there is no controlling financial interest present between or among the entities that comprise our business, we are preparing our financial statements on a combined basis. SunPower's investment in our business is shown in lieu of equity attributable to Maxeon Solar as there is no consolidated entity for which SunPower holds an equity interest in. SunPower's investment represents its interest in the recorded net assets of Maxeon Solar.

Our Combined Statements of Operations include all sales and costs directly attributable to Maxeon Solar, including costs for facilities, functions and services used by Maxeon Solar. The Combined Statements of Operations also reflect allocations of general corporate expenses from SunPower including, but not limited to, executive management, finance, legal, information technology, employee benefits administration, treasury, risk management, procurement, and other shared services. These allocations were made on a direct usage basis when identifiable, with the remainder allocated on the basis of revenue or headcount as relevant measures. Management of Maxeon Solar and SunPower consider these allocations to be a reasonable reflection of the utilization of services by, or the benefits provided to, Maxeon Solar. The allocations may not, however, reflect the expense we would have incurred as a standalone company for the period presented. Actual costs that may have been incurred if we had been a standalone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

For further information on the basis of presentation of the combined financial statements see "Note 1. *Background and Basis of Presentation*" to our combined financial statements included in the Form 20-F.

Items You Should Consider When Evaluating Our Combined Financial Statements and Assessing Our Future Prospects

Our results of operations, financial position and cash flows could differ from those that would have resulted if we operated autonomously or as an entity independent of SunPower in the periods for which combined financial statements are included in the Form 20-F and the unaudited condensed combined financial statements in Exhibit 99.1 to the Current Report, and such information may not be indicative of our future operating results or financial performance. As a result, you should consider the following facts when evaluating our historical results of operations and assessing our future prospects:

- For the period covered by our combined financial statements, our business was operated within legal entities which hosted portions of other SunPower businesses. For example, certain assets, liabilities and results of operations of subsidiaries related to worldwide power plant project development, project sales will remain with SunPower and are not included in these combined financial statements as they are not core to our historical and future business.
- For annual reporting purposes, income taxes attributable to our business have been determined using the separate return approach, under which current and deferred income taxes are calculated as if a separate tax return had been prepared in each tax jurisdiction. In various tax jurisdictions, our and SunPower's

businesses operated within the same legal entity and certain SunPower subsidiaries were part of SunPower's tax group. This required an assumption that the subsidiaries and operations of Maxeon Solar in those tax jurisdictions operated on a standalone basis and constitute separate taxable entities. Actual outcomes and results could differ from these separate tax return estimates, including those estimates and assumptions related to realization of tax benefits within SunPower's tax groups.

- For interim reporting purposes, income taxes attributable to our business have been determined in accordance with FASB guidance for interim reporting of income tax, under which we have computed our provision for income taxes based on a projected annual effective tax rate while excluding loss jurisdictions which cannot be benefited. Our projected effective tax rate is based on forecasted annualized results which may fluctuate significantly in future periods, in particular due to the uncertainty in our annual forecasts resulting from the unpredictable duration and severity of the COVID-19 pandemic on our operating results.
- Our combined financial statements also include an allocation from SunPower for certain management and support functions that we would incur as a publicly traded company that we have not previously incurred. These costs include, but are not limited to, executive management, finance, legal, information technology, employee benefits administration, treasury, risk management, procurement, and other shared services. The allocation of these additional expenses, which are included in the combined financial statements, may not be indicative of the actual expense that would have been incurred had we operated as an independent, publicly traded company for the period presented.
- In December 2015, SunPower issued $425.0 million in principal amount of 4.00% debentures due 2023 (the "4.00% debentures due 2023"), the proceeds of which were used to finance the solar cell manufacturing facility in the Philippines which relates to our historical business. As the 4.00% debentures due 2023 are legal obligations of SunPower and will not be transferred to us, they are not reflected in our Combined Balance Sheets and Condensed Combined Balance Sheets in the periods presented. However, the $17.0 million of interest expense and the $2.5 million of debt issuance cost amortization associated with the 4.00% debentures due 2023 are reflected in our Combined Statements of Operations and Condensed Combined Statements of Operations to reflect our historical cost of doing business. This cost may not be indicative of the actual expense that would have been incurred had we operated as an independent, publicly traded company for the period presented nor future periods.
- We expect to incur one-time costs after the completion of the spin-off relating to the transfer of information technology systems from SunPower to us.
- As part of SunPower, we historically benefited from discounted pricing with certain suppliers as a result of the buying power of SunPower. As a separate entity, we may not obtain the same level of supplier discounts historically received.
- Prior to the spin-off, as part of the separation, a Maxeon Solar subsidiary intends to issue a promissory note for a principal amount of $100.0 million to SunPower in exchange for certain intellectual property necessary for the operation of the Maxeon Business. The promissory note is to be repaid to SunPower by the Maxeon Solar subsidiary in connection with the spin-off with a combination of cash on hand and funds received in connection with the spin-off. In addition, prior to the spin-off, we expect to enter into various debt instruments with available borrowing capacity of up to $325.0 million. Such indebtedness and the related interest expense associated with such debt is expected to be between $13.4 million and $19.0 million per year, and are not reflected in our combined financial statements. As of the close of the transaction, we are not expected to have any borrowings outstanding but this may change depending on our operating and capital expenditure requirements in the future.
- The preparation of financial statements requires management to make certain estimates and assumptions, either at the balance sheet date or during the period that affects the reported amounts of assets and liabilities as well as expenses. In particular, due to the fact that the presented combined financial statements have been carved out from SunPower financial statements, actual outcomes and results could differ from those estimates and assumptions as indicated in the critical accounting policies and estimates section of the Form 20-F. See "Note 1. *Background and Basis of Presentation"* to our combined financial statements included in the Form 20-F and in the "Critical accounting policies and estimates" section within this Item 5.A.

Overview

We are in the business of solar panel cell and solar manufacturing operations and supply to resellers and commercial and residential end customers outside of the Domestic Territory, which will conduct business as Maxeon Solar Technologies, Ltd., a company incorporated under the laws of Singapore and currently a wholly owned subsidiary of SunPower. We sell our solar panels and balance of system components primarily to dealers, project developers, system integrators and distributors, and recognize revenue at a point in time when control of such products transfers to the customer, which generally occurs upon shipment or delivery depending on the terms of the contracts with the customer. There are no rights of return. Other than standard warranty obligations, there are no significant post-shipment obligations (including installation, training or customer acceptance clauses) with any of our customers that could have an impact on revenue recognition. Our revenue recognition policy is consistent across all geographic areas. See "Note 4. *Revenue from Contracts with Customers"* to our combined financial statements in the Form 20-F. Our combined financial statements have been derived from the consolidated financial statements and accounting records of SunPower.

During the fiscal quarter ended March 29, 2020 and fiscal year, 2019, we had sales of $69.0 million and $426.5 million, respectively, to SunPower representing the sale of solar modules to SunPower based on transfer prices determined based on management's assessment of market-based pricing terms.

Unit of Power

When referring to our facilities' manufacturing capacity, and total sales, the unit of electricity in watts for kilowatts ("KW"), megawatts ("MW"), and gigawatts ("GW") is direct current ("DC"), unless otherwise noted as alternating current ("AC").

Levelized Cost of Energy ("LCOE")

LCOE is an evaluation of the life-cycle energy cost and life-cycle energy production of an energy producing system. It allows alternative technologies to be compared across different scales of operation, investment or operating time periods. It captures capital costs and ongoing system-related costs, along with the amount of electricity produced, and converts them into a common metric. Key drivers for LCOE measures for photovoltaic products include panel efficiency, capacity factors, reliable system performance, and the life of the system.

Customer Cost of Energy ("CCOE")

Our customers are focused on reducing their overall cost of energy by intelligently integrating solar and other Distributed Generation sources, energy efficiency, energy management, and energy storage systems with their existing utility-provided energy. The CCOE measurement is an evaluation of a customer's overall cost of energy, taking into account the cost impact of each individual generation source (including the utility), energy storage systems, and energy management systems. The CCOE measurement includes capital costs and ongoing operating costs, along with the amount of electricity produced, stored, saved, or re-sold, and converts all of these variables into a common metric. The CCOE metric allows customers to compare different portfolios of generation sources, energy storage, and energy management, and to tailor their solution towards optimization.

Seasonal Trends and Economic Incentives

Our business is subject to industry-specific seasonal fluctuations including changes in weather patterns and economic incentives, among others. Sales have historically reflected these seasonal trends with the largest percentage of total revenues realized during the last two quarters of a fiscal year. The installation of solar power components and related revenue may decline during cold and/or rainy winter months. In the United States, many customers make purchasing decisions towards the end of the year in order to take advantage of tax credits or for other budgetary reasons.

Trends and Uncertainties

Demand

We are in the process of addressing many challenges facing our business. Our business is subject to industry-specific seasonal fluctuations including changes in weather patterns and economic incentives, among others. Sales have historically reflected these seasonal trends with the largest percentage of total revenues realized during the last two quarters of a fiscal year. The installation of solar power components and related revenue may decline during cold and/or rainy winter months.

During fiscal year 2018 we faced market challenges, including competitive solar product pricing pressure including the impact of tariffs imposed pursuant to Section 201 and Section 301 of the Trade Act of 1974. On January 23, 2018, the President of the United States issued Proclamation 9693, which approved recommendations to provide relief to U.S. manufacturers and imposed safeguard tariffs on imported solar cells and modules, based on the investigations, findings, and recommendations of the International Trade Commission. The tariffs went into effect on February 7, 2018. While solar cells and modules based on IBC technology, like our Maxeon 3, Maxeon 2 and related products, were granted exclusion from these safeguard tariffs on September 19, 2018, our solar products based on other technologies continue to be subject to the safeguard tariffs. Additionally, the USTR initiated an investigation under Section 301 of the Trade Act of 1974 into the government of China’s acts, policies, and practices related to technology transfer, intellectual property, and innovation. The USTR imposed additional import duties of up to 25% on certain Chinese products covered by the Section 301 remedy. These tariffs include certain solar power system components and finished products, including those purchased from our suppliers for use in our products and used in our business. Imposition of these tariffs—on top of anti-dumping and countervailing duties on Chinese solar cells and modules, imposed under the prior administration—has resulted and is likely to continue to result in a wide range of impacts to the U.S. solar industry, global manufacturing market and our business, including market volatility, price fluctuations, and demand reduction. Uncertainties associated with the Section 201 and Section 301 trade cases prompted us to adopt a restructuring plan and implement initiatives to reduce operating expenses and cost of revenue overhead and improve cash flow. During fiscal year 2019, we incurred total tariff charges of approximately $4.6 million. During the fiscal quarters ended March 29, 2020 and March 31, 2019, we incurred tariff charges of approximately $1.1 million and $2.1 million, respectively.

We continue to focus on investments that we expect will offer the best opportunities for growth including our industry-leading Maxeon 5 and 6 cell and panel technology.

Supply

We continue to focus on producing our new lower cost, high efficiency Performance Line of solar panels, which will enhance our ability to rapidly expand our global footprint with minimal capital cost.

We continue to see significant and increasing opportunities in technologies and capabilities adjacent to our core product offerings that can significantly reduce our customers’ CCOE, including the integration of energy storage and energy management functionality into our systems, and have made investments to realize those opportunities, enabling our customers to make intelligent energy choices by addressing how they buy energy, how they use energy, and when they use it. We have added advanced module-level control electronics to our portfolio of technology designed to enable longer series strings and significant balance of system components cost reductions in large arrays. We currently offer solar panels that use micro-inverters designed to eliminate the need to mount or assemble additional components on the roof or the side of a building and enable optimization and monitoring at the solar panel level to ensure maximum energy production by the solar system.

We continue to improve our unique, differentiated solar cell and panel technology. We emphasize improvement of our solar cell efficiency and LCOE and CCOE performance through enhancement of our existing products, development of new products and reduction of manufacturing cost and complexity in conjunction with our overall cost-control strategies. We are now producing our solar cells with over 25% efficiency in the lab and have reached production panel efficiencies over 24%.

We previously reduced our overall solar cell manufacturing output in an ongoing effort to match profitable demand levels, with increasing bias toward our highest efficiency Maxeon 3 and Maxeon 5 and 6 products, which utilizes our latest solar cell technology, and our Performance Line of solar panels, which utilize conventional cell technology that we purchase from third parties in low-cost supply chain ecosystems such as China. SunPower previously closed our Fab 2 cell manufacturing facility and our panel assembly facility in the Philippines and are focusing on our latest generation, lower cost panel assembly facilities in Mexico. As part of this realignment, we reduced our back-contact panel assembly capacity and increased production of our new Performance Line of solar panels.

We are focused on reducing the cost of our solar panels, including working with our suppliers and partners along all steps of the value chain to reduce costs by improving manufacturing technologies and expanding economies of scale and reducing manufacturing cost and complexity in conjunction with our overall cost-control strategies. We believe that the global demand for solar panels is highly elastic and that our aggressive, but achievable, cost reduction roadmap will reduce installed costs for our customers and drive increased demand for our solar panels.

We also work with our suppliers and partners to ensure the reliability of our supply chain. We have contracted with some of our suppliers for multi-year supply agreements, under which we have annual minimum purchase obligations. For more information about our purchase commitments and obligations, see “Liquidity and Capital Resources—Contractual Obligations”, “Note 8. *Commitments and Contingencies”* to our combined financial statements and “Note 6. *Commitments and Contingencies”* to our condensed combined financial statements included in the Form 20-F and Exhibit 99.1 to the Current Report, respectively.

We currently believe our supplier relationships and various short- and long-term contracts will afford us the volume of material and services required to meet our planned output; however, we face the risk that the pricing of our long-term supply contracts may exceed market value. For example, we purchase our polysilicon under fixed-price long-term supply agreements. When the purchases under these agreements significantly exceed market value they may result in inventory write-downs based on expected net realizable value. Additionally, existing arrangements from prior years have resulted in above current market pricing for purchasing polysilicon, resulting in inventory losses we have realized. For several years, we have elected to sell polysilicon inventory in excess of short-term needs to third parties at a loss, and may enter into further similar transactions in future periods.

For a further discussion of trends, uncertainties and other factors that could impact our operating results, see the section entitled “Risk Factors” included in the Form 20-F.

Critical Accounting Policies and Significant Estimates

Our significant accounting policies are set out in “Note 1. *Background and Basis of Presentation”* to our combined financial statements included in the Form 20-F, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of our audited combined carve-out financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those that reflect significant judgments or uncertainties, and which could potentially result in materially different results under different assumptions and conditions. We have described below what we believe are our most critical accounting policies.

Due to the COVID-19 pandemic, there has been uncertainty and disruption in the global economy and financial markets. We are not aware of any specific event or circumstance that would require updates to our estimates and judgments or require us to revise the carrying value of our assets or liabilities. These estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

There were no other significant changes in our critical accounting estimates during the fiscal quarter ended March 29, 2020 compared to those described in the Form 20-F.

Results of Operations

Revenues and Cost of Revenue

Set forth below is a discussion of our results of operations for the periods indicated.

	Three Months Ended	
	March 29, 2020	March 31, 2019
(in thousands)	(Unaudited)	
Revenues	$227,640	$229,071
Cost of revenue	$224,408	$264,632
As a percentage of total revenue	99%	116%
Gross (loss) profit percentage	1%	(16)%

During the three months ended March 29, 2020, we recognized revenue from sales of modules and components of $227.6 million, of which $69.0 million, or 30.3% of total revenue, represented sales of solar modules to SunPower using transfer prices determined based on management's assessment of market-based pricing terms. Except for revenue transactions with SunPower, as of March 29, 2020, we had one customer that accounted for at least 10% of revenue. As of March 29, 2020, SunPower accounted for 10.6% of accounts receivable. In addition, two customers accounted for 34.4% and 15.9% of accounts receivable as of March 29, 2020. No other customers accounted for 10% or more of accounts receivable. The decrease of $1.4 million in revenues was primarily due to lower volume of module sales in Europe and Asia, partially offset by increased sales to SunPower of $8.8 million during the three months ended March 29, 2020 as compared to March 31, 2019.

During the three months ended March 29, 2019, we recognized revenue for sales of modules and components from contracts with customers of $229.1 million, of which $60.2 million, or 26.3% of total revenue, represented the sale of solar modules to SunPower using transfer prices determined based on management's assessment of market-based pricing terms. Except for revenue transactions with SunPower, as of March 31, 2019, we had no other customers that accounted for at least 10% of revenue.

Cost of revenue was $224.4 million in the three months ended March 29, 2020 and includes $2.0 million related to losses incurred as a result of ancillary sales to third parties of excess polysilicon procured under the long-term fixed supply agreements. In addition, we estimated that we paid $15.3 million above the current market price for polysilicon as we were bound by our long-term fixed supply agreements for polysilicon consumed in our manufacturing process, which is the difference between our contractual cost under the long-term fixed supply agreements and the price of polysilicon available in the market as derived from publicly available information, multiplied by the volume of polysilicon we have consumed. The remainder of cost of revenue includes actual cost of material, labor and manufacturing overhead incurred for revenue-producing units shipped, and associated warranty costs. The decrease of $40.2 million in cost of revenue was primarily due to lower volume of module sales in Europe and Asia, offset by a recorded excess capacity costs of $9.7 million during the three months ended March 29, 2020, a majority of which was attributable to the temporary idling of our manufacturing facilities in France, Malaysia, Mexico, and the Philippines, to comply with local government authorities' public health measures following the outbreak of COVID-19 pandemic. We will continue to monitor the impact of COVID-19 on our operating results.

Cost of revenue was $264.6 million in the three months ended March 29, 2019 and includes tariff-related charges of $2.1 million and $28.3 million related to losses incurred as a result of ancillary sales to third parties of excess polysilicon procured under the long-term fixed supply agreements. In addition, we estimated that we paid $28.3 million above the current market price for polysilicon as we were bound by our long-term fixed supply agreements for polysilicon consumed in our manufacturing process, which is the difference between our contractual cost under the long-term fixed supply agreements and the price of polysilicon available in the market as derived from publicly available information, multiplied by the volume of polysilicon we have consumed. The remainder of cost of revenue includes actual cost of material, labor and manufacturing overhead incurred for revenue-producing units shipped, and associated warranty costs.

In fiscal year 2020, we expect an increase in revenues and a reduction in cost of revenue as a percentage of total revenues from the sales of our Maxeon 5 and 6 cell and panel technology which is expected to have lower manufacturing cost yet offering higher efficiency compared to our current technology.

Revenues by Geography

(in thousands)	Three Months Ended March 29, 2020	Three Months Ended March 31, 2019
	(Unaudited)	
United States	$ 70,467	$ 64,442
As a percentage of total revenue	31%	28%
France	$ 27,435	$ 39,564
As a percentage of total revenue	12%	17%
China	$ 538	$ 26,547
As a percentage of total revenue	— %	12%
Japan	$ 34,118	$ 14,523
As a percentage of total revenue	15%	6%
Rest of world	$ 95,082	$ 83,995
As a percentage of total revenue	42%	37%
Total revenues	$227,640	$229,071

Revenues are attributed to U.S. and international geographies primarily based on the destination of the shipments. The $70.5 million in sales attributed to the U.S. includes $69.0 million in sales to SunPower for the three months ended March 29, 2020. The $64.4 million in sales attributed to the U.S. includes $60.2 million in sales to SunPower for the three months ended March 31, 2019.

Operating Expenses

Operating expenses includes allocations of general corporate expenses from SunPower including, but not limited to, executive management, finance, legal, information technology, employee benefits administration, treasury, risk management, procurement, and other shared services. These allocations were made on a direct usage basis when identifiable, with the remainder allocated on the basis of revenue or headcount as relevant measures. Management of Maxeon Solar and SunPower consider these allocations to be a reasonable reflection of the utilization of services by, or the benefits provided to, us. The allocations may not, however, reflect the expense we would have incurred as a standalone company for the period presented, nor our future results upon completion of the proposed separation. Actual costs that may have been incurred if we had been a standalone company, and future costs, would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

(in thousands)	Three Months Ended March 29, 2020	Three Months Ended March 31, 2019
	(Unaudited)	
Operating expenses:		
Research and development	$ 8,570	$ 7,502
As a percentage of total revenue	4%	3%
Sales, general and administrative	24,242	20,813
As a percentage of total revenue	11%	9%
Restructuring benefits	—	(605)
As a percentage of total revenue	0%	<1%
Total operating expenses	$ 33,812	$ 27,710
Operating loss	$(29,580)	$(63,271)

Research and Development Expenses

Research and development expenses were $8.6 million in the three months ended March 29, 2020 primarily associated with expenditures on our Maxeon 5 and 6 cell and panel technology, comprising of compensation expense of $4.8 million, research and development materials of $0.8 million, depreciation expense of $0.7 million, external consulting and legal services of $0.3 million and travel expenses of $0.3 million.

Research and development expenses were $7.5 million in the three months ended March 31, 2019 primarily associated with expenditures on our Maxeon 5 and 6 cell and panel technology, comprising of compensation expense of $4.6 million, depreciation expense of $0.7 million, external consulting and legal services of $0.6 million, travel expenses of $0.4 million and research and development materials of $0.4 million.

Sales, General and Administrative Expenses

Sales, general and administrative expenses were $24.2 million in the three months ended March 29, 2020 and comprised primarily of $7.8 million of compensation expense, $4.4 million of allocations of general corporate expenses from SunPower, including, but not limited to, executive management, finance, legal, information technology and other shared services necessary to operate as a stand-alone public company, $3.0 million of professional fees, $1.7 million of equipment related expenses, $1.6 million of facilities related costs including rent, utilities and maintenance, and $0.3 million of depreciation expense.

Sales, general and administrative expenses were $20.8 million in the three months ended March 31, 2019 and comprised primarily of $6.9 million of compensation expense, $5.9 million of allocations of general corporate expenses from SunPower, including, but not limited to, executive management, finance, legal, information technology and other shared services necessary to operate as a stand-alone public company, $3.2 million of professional fees, $1.4 million of facilities related costs including rent, utilities and maintenance, $0.9 million of depreciation expense and $0.5 million of travel expenses.

Restructuring Charges

Restructuring benefits during the three months ended March 29, 2020 were not material and during the three months ended March 31, 2019 were $0.6 million. The benefit was a result of actual payouts being lower than initial estimates recorded under various legacy plans in historical periods.

See “Item 8. Financial Information” and “Note 7. *Restructuring”* to the combined financial statements in the Form 20-F for further information regarding our restructuring plans.

Other Expense, Net

	Three Months Ended	
(in thousands)	**March 29, 2020**	**March 31, 2019**
	(Unaudited)	
Other expense, net:		
Interest expense	$ (5,905)	$ (6,309)
Other, net	4,631	(304)
Other expense, net	$ (1,274)	$ (6,613)

Of the total $5.9 million in interest expense incurred during the three months ended March 29, 2020, $4.6 million relates to the 4.00% debentures due 2023. The 4.00% debentures due 2023 were issued in December 2015, the proceeds of which were used to finance the construction of our solar cell manufacturing facility in the Philippines which relates to our historical business. As such, the interest and other costs associated with the 4.00%

debentures due 2023 are reflected in our Condensed Combined Statements of Operations. An additional $0.6 million included in interest expense relates to non-cash accretion charges. In connection with our 2016 acquisition of 100% equity voting interest in our former joint venture AUO SunPower Sdn. Bhd., we are required to make non-cancellable annual installment payments during 2019 and 2020. Our Condensed Combined Statements of Operations reflect these non-cash accretion charges as it relates to these installment payments.

Of the total $6.3 million in interest expense incurred during the three months ended March 31, 2019, $4.6 million relates to SunPower's 4.00% debentures due 2023. An additional $1.2 million included in interest expense relates to non-cash accretion charges.

Other, net for the three months ended March 29, 2020 was primarily comprised of $3.0 million related to foreign exchange gains and a gain of $1.3 million related to an increase in the fair value of our equity investment without readily determinable fair value, based on observable market transactions with a third-party investor. Other, net for the three months ended March 31, 2019 was primarily comprised of $0.3 million foreign related to foreign exchange losses.

Income Taxes

	Three Months Ended	
	March 29, 2020	**March 31, 2019**
(in thousands)	**(Unaudited)**	
Provision for income taxes:	$ (468)	$ (2,115)
As a percentage of total revenue	0%	(<1)%

The interim income tax expense and other income tax related information contained in these combined financial statements are calculated in accordance with FASB guidance for interim reporting of income tax, based on a projected annual effective tax rate while excluding loss jurisdictions which cannot be benefited. Our projected effective tax rate is based on forecasted annualized results which may fluctuate significantly in future periods, in particular due to the uncertainty in our annual forecasts resulting from the unpredictable duration and severity of the COVID-19 pandemic on our operating results. Current income tax liabilities related to entities which file jointly with SunPower are assumed to be immediately settled with SunPower and are relieved through Net Parent investment in the Condensed Combined Balance Sheets and the Net Parent contribution in the Condensed Combined Statements of Cash Flows.

In the three months ended March 29, 2020, our income tax provision of $0.5 million on a loss before income taxes and equity in earnings of unconsolidated investees of $30.9 million was primarily due to projected tax expense in foreign jurisdictions that are profitable, offset by tax benefit related to release of tax reserves in foreign jurisdictions due to lapse of statute of limitations.

In the three months ended March 31, 2019, our income tax provision of $2.1 million on a loss before income taxes and equity in earnings of unconsolidated investees of $69.9 million was primarily due to tax expense in foreign jurisdictions that are profitable.

Equity in Earnings (Losses) of Unconsolidated Investees

For the three months ended March 29, 2020 and March 31, 2019, our unconsolidated investees reported a gain for which we recorded our reportable share of $0.2 million and $1.4 million, respectively. The decrease of $1.2 million in equity in earnings of unconsolidated investees was primarily driven by a reduction in the overall earnings of our investees.

Net Loss (Gain) Attributable to Noncontrolling Interests

For the three months ended March 29, 2020 and March 31, 2019, we attributed $0.7 million of net loss and $1.0 million of net loss, respectively, to noncontrolling interests. The decrease in net loss attributable to noncontrolling interests was a result of slightly favorable operations from our consolidated investee during the three months ended March 29, 2020.

Reconciliation of Non-GAAP Financial Measures

(in thousands)	Three Months Ended March 29, 2020	Three Months Ended March 31, 2019
Selected GAAP Financial Data		
Revenue	$227,640	$229,071
Cost of revenue (1)	224,408	264,632
Impairment of manufacturing assets	—	—
Gross profit (loss) (1)	3,232	(35,561)
Operating loss (1)	(29,580)	(63,271)
Provision for income taxes	(468)	(2,115)
GAAP net loss (1)	(31,077)	(70,564)
GAAP net loss attributable to the Parent (1)	$ (31,749)	$ (71,573)

	Three Months Ended March 29, 2020	Three Months Ended March 31, 2019
Selected Non-GAAP Financial Data		
GAAP net loss attributable to the Parent (1)	$(31,749)	$(71,573)
Interest expense	5,905	6,309
Provision for income taxes	468	2,115
Depreciation	12,288	11,650
Amortization	1,820	1,844
EBITDA (1)	$(11,268)	$(49,655)
Additional Adjustments		
Stock-based compensation expense	1,889	1,269
Restructuring expense	(1)	(605)
Adjusted EBITDA (1)	$ (9,380)	$(48,991)

(1) For the three months ended March 29, 2020 and March 31, 2019, our GAAP and Non-GAAP results were adversely impacted by the incremental cost of above-market polysilicon of $2.0 million and $28.3 million, respectively, related to losses incurred as a result of ancillary sales to third parties of excess polysilicon procured under the long-term fixed supply agreements. In addition, we estimated that we paid $15.3 million and $28.3 million during three months ended March 29, 2020 and March 31, 2019, respectively, above the current market price as we were bound by our long-term fixed supply agreements for polysilicon consumed in our manufacturing process, which is the difference between our contractual cost under the long-term fixed supply agreements and the price of polysilicon available in the market as derived from publicly available information at the time, multiplied by the volume of polysilicon we have consumed.

We present earnings before interest, taxes, depreciation and amortization ("EBITDA") and EBITDA adjusted for specified additional items ("Adjusted EBITDA"), which are non-GAAP measures, to supplement our combined financial results presented in accordance with GAAP. We believe that EBITDA and Adjusted EBITDA are useful to investors, enabling them to better assess changes in our results of operations across different reporting periods on a consistent basis, independent of certain items as presented above. Thus, EBITDA and Adjusted EBITDA provide investors with additional methods to assess our operating results in a manner that is focused on our ongoing, core operating performance, absent the effects of these items. We also use EBITDA and Adjusted EBITDA internally to assess our business, financial performance and current and historical results, as well as for strategic decision-making and forecasting future results. Given our use of EBITDA and Adjusted EBITDA, we believe that these measures may be important to investors in understanding our operating results as seen through the eyes of management. EBITDA and Adjusted EBITDA are not prepared in accordance with GAAP or intended to be a replacement for GAAP financial data, should be reviewed together with GAAP measures and may be different from non-GAAP measures used by other companies.

The following is a description of each adjustment to arrive at our non-GAAP measures:

- *Stock-based compensation expense*. Stock-based compensation relates primarily to 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 expense provides investors with a basis to measure our core performance, including the ability to compare our performance with the performance of other companies, without the period-to-period variability created by stock-based compensation.
- *Restructuring expense*. We incurred restructuring expenses related to reorganization plans implemented by SunPower aimed towards realigning resources consistent with SunPower's global strategy and improving its overall operating efficiency and cost structure. Restructuring charges are excluded from Adjusted EBITDA financial measures because they are not considered core operating activities and such costs have historically occurred infrequently. Although we have engaged in restructuring activities in the past, past activities have been discrete events based on unique sets of business objectives. As such, management believes that it is appropriate to exclude restructuring charges from our Adjusted EBITDA financial measures as they are not reflective of ongoing operating results nor do these charges contribute to a meaningful evaluation of our past operating performance.

5.B LIQUIDITY AND CAPITAL RESOURCES

Historical Liquidity

Our operations have historically participated in cash management and funding arrangements managed by SunPower. Cash flows related to financing activities primarily reflect changes in SunPower's investment in us. As part of SunPower, we are dependent on SunPower for our working capital and financing requirements as SunPower uses a centralized approach for cash management and financing of its operations. SunPower provides funding for our operating and investing activities including pooled cash managed by SunPower treasury to fund operating expenses and capital expenditures. SunPower also directly collects our receivables. These activities are reflected as a component of net parent investment, and this arrangement is not reflective of the manner in which we would operate as a stand-alone business separate from SunPower during the period presented. Accordingly, none of SunPower's cash, cash equivalents or debt at the corporate level have been assigned to us in the combined financial statements. Net parent investment represents SunPower's interest in the recorded net assets of Maxeon Solar. All significant transactions between us and SunPower have been included in the accompanying combined financial statements.

Future Liquidity

Following the spin-off from SunPower, our capital structure and sources of liquidity will change significantly from our historical capital structure. Subsequent to the separation, we will no longer participate in cash management and funding arrangements managed by SunPower.

We believe that our current cash, cash equivalents and cash expected to be generated from operations will be sufficient to meet our working capital needs and fund our committed capital expenditures over the next 12 months from the date of the issuance of the financial statements. In conjunction with evaluating our ability to continue as a going concern, we have considered our historical ability to work with our vendors to obtain favorable payment terms, when possible, and our ability to reduce manufacturing output to reduce inventory in order to optimize our working capital. We may also choose to explore additional options in connection with our short-term liquidity needs, such as selling raw materials inventory to third parties, liquidating certain investments, implementing additional restructuring plans, and deferring or canceling uncommitted capital expenditures and other investment or acquisition activities. However, based on current macroeconomic conditions resulting from the uncertainty caused by the COVID-19 pandemic, we cannot predict, with certainty, the outcome of our actions to generate liquidity as planned. Our liquidity is subject to various risks including the risks identified in "Risk Factors" and market risks identified in "Quantitative and Qualitative Disclosures about Market Risk" in the Form 20-F.

Cash Flows

A summary of the sources and uses of cash, cash equivalents, restricted cash and restricted cash equivalents is as follows:

	Three Months Ended	
	March 29, 2020	March 31, 2019
(in thousands)	**(Unaudited)**	
Net cash used in operating activities	$(93,810)	$(19,638)
Net cash used in investing activities	(3,284)	(5,752)
Net cash provided by financing activities	32,312	7,284

Operating Activities

Net cash used in operating activities in the three months ended March 29, 2020 was $93.8 million and was primarily the result of: (i) $65.1 million decrease in accounts payable and other accrued liabilities, primarily attributable to the timing of invoice payments; (ii) $36.6 million decrease in contract liabilities; (iii) net loss of $31.1 million; and (iv) $13.0 million increase in inventories.

This was primarily offset by: (i) $21.6 million decrease in accounts receivable, primarily attributable to billings and collection cycles; (ii) non-cash charges of $17.6 million related to depreciation and amortization, stock-based compensation and other non-cash charges; (iii) $8.9 million decrease in advance payments to suppliers; and (iv) non-cash interest charges of $5.2 million primarily attributable to $4.6 million in interest expense financed by SunPower associated with SunPower's convertible debt.

Net cash used in operating activities in the three months ended March 31, 2019 was $19.6 million and was primarily the result of: (i) net loss of $70.6 million; (ii) $10.4 million increase in inventories; (iii) $9.9 million decrease in contract liabilities; and (iv) $2.0 million increase in accounts receivable.

This was primarily offset by: (i) $40.1 million increase in accounts payable and other accrued liabilities; (ii) $14.9 million related to depreciation and amortization, stock-based compensation and other non-cash charges; (iii) $13.0 million related to advances to suppliers; and (iv) $6.3 million non-cash interest expense primarily attributable to debt financed by SunPower associated with SunPower's convertible debt.

In December 2018 and May 2019, we entered into factoring arrangements with two counterparties under which we sold invoices with a total face value of approximately $49.5 million and $20.9 million, during the three months ended March 29, 2020 and March 31, 2019, respectively, which achieved sale accounting under ASU 2014-11, *Transfers and Servicing* (Topic 860). This amount was reflected as an operating cash inflow in accordance with ASC 230-10-45-16(a).

Investing Activities

Net cash used in investing activities in the three months ended March 29, 2020 was $3.3 million, which primarily included $5.7 million capital expenditures, partially offset by approximately $2.5 million from return of capital by an unconsolidated investee and proceeds from sale of equity investment.

Net cash used in investing activities in the three months ended March 31, 2019 was $5.8 million, which was primarily capital expenditures.

Financing Activities

Net cash provided by financing activities in the three months ended March 29, 2020 was $32.3 million, which included $64.1 million in proceeds from bank loans and other debt and $29.3 million net contributions from SunPower, partially offset by $60.9 million in cash used for repayment of debt obligations. As cash and the financing of our operations have historically been managed by SunPower, the components of Net parent contribution include cash payments by SunPower to settle our obligations. These transactions are considered to be effectively settled for cash at the time the transaction is recorded.

Net cash provided by financing activities in the three months ended March 31, 2019 was $7.6 million, which included $59.0 million in proceeds from bank loans and other debt and $5.7 million net contributions from SunPower, partially offset by $57.3 million in cash used for the repayment of debt obligations. As cash and the financing of our operations have historically been managed by SunPower, the components of Net parent contribution include cash payments by SunPower to settle our obligations. These transactions are considered to be effectively settled for cash at the time the transaction is recorded.

Debt

In 2019, SunPower entered into a master buyer agreement which entitles us to financing through HSBC Bank Malaysia Berhad to settle our outstanding vendor obligations. The agreement entitles us to combined financing of $25.0 million at an interest rate of 1.4% per annum over LIBOR interest rate over a maximum financing tenor of 90 days.

In June 2018, SunPower entered into a revolving credit agreement which entitles us to import and export combined financing of $50.0 million through Standard Chartered Bank Malaysia Berhad at a 1.5% per annum over LIBOR interest rate over a maximum financing tenor of 90 days.

In June 2012, SunPower entered into an Onshore Foreign Currency Loan agreement through Bank of China (Malaysia) Berhad, which provides for the issuance, upon our request, of letters of credit to support our obligations. The agreement entitles us to combined financing of $10.0 million at an interest rate of 1.0% per annum over Cost of Funds Rate for a minimum financing tenor of 7 days and maximum financing tenor of 90 days. This facility was terminated in December 2019.

Liquidity

As of March 29, 2020, we had unrestricted cash and cash equivalents of $55.8 million. Our cash balances are held in numerous locations throughout the world, and as of March 29, 2020, $53.8 million of our cash was held outside of the United States. This offshore cash is used to fund operations of our business in the EMEA and Asia Pacific regions as well as non-U.S. manufacturing operations, which require local payment for product materials and other expenses.

As of December 29, 2019, we had unrestricted cash and cash equivalents of $121.0 million. Our cash balances are held in numerous locations throughout the world, and as of December 29, 2019, all of our cash was held outside of the United States. This offshore cash is used to fund operations of our business in the EMEA and Asia Pacific regions as well as non-U.S. manufacturing operations, which require local payment for product materials and other expenses.

Prior to the spin-off, we expect to enter into debt instruments with available borrowing capacity of up to $325.0 million. Immediately following the separation and distribution, TZS will contribute $298.0 million in cash to Maxeon Solar in exchange for a number of our shares such that immediately following such issuance, TZS will own approximately 28.848% of our outstanding shares.

We expect total capital investments related to purchases of property, plant and equipment of approximately $75.0 million in fiscal year 2020 in order to increase our manufacturing capacity for our highest efficiency Maxeon 5 and 6 product platform and our new Performance Line, improve our current and next generation solar cell manufacturing technology, and other projects.

As of March 29, 2020 and December 29, 2019, we had an obligation to purchase $312.5 million and $348.6 million, respectively, of polysilicon material pursuant to long-term fixed supply agreements with one polysilicon supplier. Of this commitment, as of March 29, 2020 and December 29, 2019, we had prepaid $112.4 million and $121.4 million, respectively. As of March 29, 2020, the balance of $200.1 million is expected to be paid in cash over a period ending in June 2021 until we have fully taken the contractually committed quantities specified in the long-term fixed supply agreements. See "Note 6. *Commitments and Contingencies*" to our condensed combined financial statements and "Note 8. *Commitments and Contingencies*" to our combined financial statements in the Form 20-F for further information.

During the three months ended March 29, 2020 and March 31, 2019, we recorded charges of $2.0 million and $28.3 million, respectively, related to losses incurred as a result of ancillary sales to third parties of excess polysilicon procured under our long-term fixed supply agreements. In addition, we estimated that we paid $15.3 million and $28.3 million during the three months ended March 29, 2020 and March 31, 2019, respectively, above the current market price as we were bound by our long-term fixed supply agreements for polysilicon consumed in our manufacturing process.

As of March 29, 2020, based on the then price of polysilicon available in the market, we estimated the remaining contractual commitments under SunPower's long-term fixed supply agreements for polysilicon that is above market to be approximately $312.5 million, which we expect to incur from 2020 through 2021 based on our forecasted internal manufacturing consumption and ancillary sales. A portion of this loss as well as cash payment may be deferred beyond 2021 as we may negotiate with the supplier to extend the timing of delivery and acceptance of above-market polysilicon pursuant to the underlying contractual purchase obligations. Alternatively, we may negotiate relief under our contractual commitments in exchange for earlier cash payments.

On September 29, 2016, SunPower completed the acquisition of AUOSP (now our wholly owned subsidiary, SunPower Malaysia Manufacturing Sdn. Bhd.) pursuant to a stock purchase agreement entered into between SunPower Technology, Ltd. ("SPTL"), one of our wholly owned subsidiaries, and AU Optronics Singapore Pte. Ltd. ("AUO"). Pursuant to the stock purchase agreement, SPTL purchased all of the shares of AUOSP held by AUO for a total purchase price of $170.1 million in cash, payable in installments as set forth in the stock purchase agreement, to obtain 100% of the voting equity interest in AUOSP. As agreed by SunPower and Maxeon Solar in the Investment Agreement, SunPower paid $30.0 million in cash on September 30, 2019. The remaining $30.0 million in cash will be paid by us on or before September 30, 2020.

There are no assurances that we will have sufficient available cash to repay our indebtedness or that we will be able to refinance such indebtedness on similar terms to the expiring indebtedness or at all. If our capital resources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity investments or debt securities or obtain other debt financing. The current economic environment, however, could limit our ability to raise capital by issuing new equity or debt securities on acceptable terms or at all, and lenders may be unwilling to lend funds on acceptable terms or at all in the amounts that would be required to supplement cash flows to support operations. The sale of additional equity investments or convertible debt securities would result in dilution to our stockholders and may not be available on favorable terms or at all, particularly in light of the current conditions in the financial and credit markets. Additional debt would result in increased expenses and would likely impose new restrictive covenants which may be similar or different than those restrictions contained in the covenants under our current loan agreement. In addition, financing arrangements and letters of credit facilities, may not be available to us, or may not be available in amounts or on terms acceptable to us.

The recent developments relating to the COVID-19 pandemic have resulted in, among other things, shutdowns of manufacturing and commerce in the United States and many countries worldwide. In our response to the uncertainty surrounding the COVID-19 pandemic, we implemented a number of initiatives to proactively address financial and operational impacts of the COVID-19 pandemic and position us well for when the solar industry returns to strong growth. These actions include temporarily reducing the salaries of certain of our executive officers, and temporarily implementing a four-day work week for a portion of our employees, subject to periodic reassessment, to address reduced demand and workloads, with exceptions for certain groups, including those supporting customer and asset services, as well as the recent idling of our factories in France, Malaysia, Mexico and the Philippines. All of our factories have resumed production as of May, in compliance with the relevant local restrictions. Also, we have historically been successful in our ability to divest certain investments and non-core assets, and secure other sources of financing, including executing capital market transactions, and cost reduction initiatives such as restructuring, to satisfy our liquidity needs and may consider taking similar actions in the future if necessary. We continue to focus on improving our overall operating performance and liquidity, including managing cash flows and working capital. While challenging industry conditions and a competitive environment extended into the first half of fiscal 2020, we believe that our total cash and cash equivalents will be sufficient to meet our obligations over the next 12 months from the date of issuance of our financial statements.

Although we have historically been able to generate liquidity, we cannot predict, with certainty, the outcome of our actions to generate liquidity as planned. Additionally, we are uncertain of the impact over time of the COVID-19 pandemic to our supply chain, manufacturing and distribution as well as overall construction and consumer spending.

Liabilities Associated with Uncertain Tax Positions

Due to the complexity and uncertainty associated with our tax positions, we cannot make a reasonably reliable estimate of the period in which cash settlement will be made for our liabilities associated with uncertain tax positions in other long-term liabilities. As of March 29, 2020 and December 29, 2019, total liabilities associated with uncertain tax positions were $11.2 million and $12.8 million, respectively, and were included within "Other long-term liabilities" in our Condensed Combined Balance Sheets for March 29, 2020 and in our Combined Balance Sheets for December 29, 2019, respectively, as they are not expected to be paid within the next twelve months.

Foreign Currency Exchange Risk

Our exposure to movements in foreign currency exchange rates is primarily related to sales to European customers that are denominated in Euros. Revenue generated from these European customers represented 8% of our total revenues in both the three months ended March 29, 2020 and March 31, 2019, respectively. A 10% change in the Euro exchange rate would have impacted our revenue by approximately $3.6 million and $2.9 million in the three months ended March 29, 2020 and March 31, 2019, respectively. Revenue generated from these European customers represented 15% of our total revenues in fiscal year 2019. A 10% change in the Euro exchange rate would have impacted our revenue by approximately $17.4 million in fiscal year 2019.

In the past, we have experienced an adverse impact on our revenue, gross margin and profitability as a result of foreign currency fluctuations. When foreign currencies appreciate against the U.S. dollar, inventories and expenses denominated in foreign currencies become more expensive. An increase in the value of the U.S. dollar relative to foreign currencies could make our solar power products more expensive for international customers, thus potentially leading to a reduction in demand, our sales and profitability. Furthermore, many of our competitors are foreign companies that could benefit from such a currency fluctuation, making it more difficult for us to compete with those companies.

We currently conduct hedging activities which involve the use of forward currency contracts that are designed to address our exposure to changes in the foreign exchange rate between the U.S. dollar and other currencies. As of March 29, 2020 and December 29, 2019, we had outstanding forward currency contracts with aggregate notional values of $114.8 million and $17.5 million, respectively. Because we hedge some of our expected future foreign exchange exposure, if associated revenues do not materialize we could experience a reclassification of gains or losses into earnings. Such a reclassification could adversely impact our revenue, margins and results of operations. We cannot predict the impact of future exchange rate fluctuations on our business and operating results.

Credit Risk

We have certain financial and derivative instruments that subject us to credit risk. These consist primarily of cash and cash equivalents, restricted cash and cash equivalents, investments, accounts receivable, advances to suppliers, and foreign currency forward contracts. We are exposed to credit losses in the event of nonperformance by the counterparties to our financial and derivative instruments. Our investment policy requires cash and cash equivalents, restricted cash and cash equivalents, and investments to be placed with high-quality financial institutions and limits the amount of credit risk from any one issuer. We additionally perform ongoing credit evaluations of our customers' financial condition whenever deemed necessary and generally do not require collateral.

We enter into agreements with a vendor that specify future quantities and pricing of polysilicon to be supplied for periods up to 10 years. Under certain agreements, we are required to make prepayments to the vendors over the terms of the arrangements. As of March 29, 2020 and December 29, 2019, advances to suppliers totaled $112.4 million and $121.4 million, respectively. One supplier accounted for 100% of total advances to suppliers as of March 29, 2020 and December 29, 2019.

We enter into foreign currency derivative contracts with high-quality financial institutions and limit the amount of credit exposure to any single counterparty. The foreign currency derivative contracts are limited to a time period of a month or less. We regularly evaluate the credit standing of our counterparty financial institutions.

Interest Rate Risk

We are exposed to interest rate risk because many of our customers depend on debt financing to purchase our solar power systems. An increase in interest rates could make it difficult for our customers to obtain the financing necessary to purchase our solar power systems on favorable terms, or at all, and thus lower demand for our solar power products, reduce revenue and adversely impact our operating results. An increase in interest rates could lower a customer's return on investment in a system or make alternative investments more attractive relative to solar power systems, which, in each case, could cause our customers to seek alternative investments that promise higher returns or demand higher returns from our solar power systems, thereby reducing gross margin and adversely impacting our operating results. This risk is significant to our business because our sales model is highly sensitive to interest rate fluctuations and the availability of credit, and would be adversely affected by increases in interest rates or liquidity constraints.

We do not believe that an immediate 10% increase in interest rates would have a material effect on our financial statements under potential future borrowings. In addition, lower interest rates would have an adverse impact on our interest income. Due to the relatively short-term nature of our investment portfolio, we do not believe that an immediate 10% decrease in interest rates would have a material effect on the fair market value of our money market funds. Since we believe we have the ability to liquidate substantially all of this portfolio, we do not expect our operating results or cash flows to be materially affected to any significant degree by a sudden change in market interest rates on our investment portfolio.

Equity Price Risk Involving Minority Investments in Joint Ventures and Other Non-Public Companies

Our investments held in our joint ventures and other non-public companies expose us to equity price risk. As of March 29, 2020 and December 29, 2019, investments of $27.2 million and $26.5 million, respectively, are accounted for using the equity method. As of March 29, 2020 and December 29, 2019, investments of $6.7 million and $7.9 million, respectively, are accounted for using the measurement alternative method.

These strategic equity investments in third parties are subject to risk of changes in market value and could result in realized impairment losses. We generally do not attempt to reduce or eliminate our market exposure in equity investments. We monitor these investments for impairment and record reductions in the carrying values when necessary. Circumstances that indicate an other-than-temporary decline include the valuation ascribed to the issuing company in subsequent financing rounds, decreases in quoted market prices and declines in operations of the issuer. There can be no assurance that our equity investments will not face risks of loss in the future.

Quantitative and Qualitative Disclosures About Market Risk

For information about the effects of currency and interest rate fluctuations and how we manage currency and interest risk, see "Item 5. Operating and Financial Review and Prospects—5.B. Liquidity and Capital Resources." Please also see the information set forth under "Note 12. Derivative Financial Instruments" on pages F-39 to F-40 of our combined financial statements and related notes included in the Form 20-F.

5.C RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Our research and development spending totaled $8.6 million and $7.5 million for the three months ended March 29, 2020 and March 31, 2019, respectively. Our research and development spending totaled $37.0 million for the year ended December 29, 2019. As described in the "Risk Factors" section in the Form 20-F, government regulations and policies can make developing or marketing new technologies expensive or uncertain due to various restrictions on trade and technology transfers.

5.D TREND INFORMATION

Please see "—5.A. Operating Results—Trends and Uncertainties" and "Item 4. Information on the Company—4.B. Business Overview—Our Markets" in the Form 20-F for trend information.

5.E OFF-BALANCE SHEET ARRANGEMENTS

We have no uncombined special purpose financing or partnership entities or other off balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources, that is material to investors. See also "Note 8. *Commitments and Contingencies*" to our combined financial statements in the Form 20-F and "Note 6. *Commitments and Contingencies*" to our condensed combined financial statements included in Exhibit 99.1 to the Current Report and matters described in "—5.F. Aggregate Contractual Obligations."

5.F. AGGREGATE CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations and other commercial commitments as of March 29, 2020 as well as the effect these obligations and commitments are expected to have on our liquidity and cash flow in future periods, on:

- an actual basis; and
- a pro forma basis to give effect to our incurrence of borrowings in the form of exchangeable senior notes, term loans and a revolving credit facility in connection with the spin-off.

Actual

		Payments Due by Fiscal Period			
	Total	2020 (Remaining nine months)	2021-2022	2023-2024	Beyond 2024
(in thousands)					
Operating lease commitments	$ 27,072	$ 2,992	$ 7,996	$7,835	$8,249
Other debt, including interest	47,869	47,218	168	173	310
Future financing commitments	2,900	2,900	—	—	—
Finance lease commitments	1,917	467	1,272	178	—
Non-cancellable purchase orders	99,556	99,556	—	—	—
Purchase commitments under agreements	313,814	275,760	38,054	—	—
Deferred purchase consideration in connection with acquisition	30,000	30,000	—	—	—
Total	$523,128	$ 458,893	$47,490	$8,186	$8,559

Pro Forma

		Payments Due by Fiscal Period			
	Total	2020 (Remaining nine months)	2021-2022	2023-2024	Beyond 2024
(in thousands)					
Operating lease commitments	$ 27,072	$ 2,992	$ 7,996	$ 7,835	$ 8,249
Other debt, including interest	47,869	47,218	168	173	310
Future financing commitments	2,900	2,900	—	—	—
Finance lease commitments	1,917	467	1,272	178	—
Non-cancellable purchase orders	99,556	99,556	—	—	—
Purchase commitments under agreements	313,814	275,760	38,054	—	—
Deferred purchase consideration in connection with acquisition	30,000	30,000	—	—	—
Convertible Notes, Term loans and revolver, including interest and commitment fee(1)	232,985	6,621	19,407	16,207	190,750
Total	$756,113	$ 465,514	$66,897	$24,393	$199,309

(1) Amount related to revolver reflects commitment fee only.

For other contingencies, see “Item 4. Information on the Company—4.D. Property, Plants and Equipment—Environmental Matters,” “Item 8. Financial Information—8.A. Combined Statements and Other Financial Information”, “Note 8. Commitments and Contingencies” to our combined financial statements and “Note 6. Commitments and Contingencies” to our combined financial statements included in the Form 20-F.

Exhibit 99.3

EXPLANATORY NOTE

When used in this Exhibit, the term "SunPower" refers to SunPower Corporation and not its subsidiaries; and the terms "Maxeon Solar," "we," "us" and "our" refer collectively to Maxeon Solar Technologies, Pte. Ltd. or Maxeon Solar Technologies, Ltd. (as the case may be) and its subsidiaries, in each case, unless the context otherwise requires or indicates. Capitalized terms used but not defined herein have the meanings assigned to them in Maxeon Solar's registration statement on Form 20-F initially filed with the Securities and Exchange Commission on July 2, 2020, which registration statement is not yet effective (the "Form 20-F").

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The unaudited pro forma condensed combined financial statements reflect adjustments to our historical financial results in connection with the spin-off and the investment. The Unaudited Pro Forma Combined Statement of Operations for the fiscal year ended December 29, 2019 and the Unaudited Pro Forma Condensed Combined Statement of Operations for the three months ended March 29, 2020 give effect to the spin-off and the investment as if they had occurred on December 31, 2018, the beginning of our most recently completed fiscal year. The Unaudited Pro Forma Condensed Combined Balance Sheet gives effect to these events as if they occurred as of March 29, 2020, our latest balance sheet date. Our reference to the combined financial statement(s) includes the relevant condensed combined financial statement(s) for the periods presented throughout the rest of this section.

The unaudited pro forma condensed combined financial statements have been adjusted to give effect to the following (collectively, the "Pro Forma Adjustments"):

- the incurrence of debt and the funding of cash between us and SunPower as part of our plan to capitalize our company;
- the contribution in cash by TZS in exchange for a number of our shares such that immediately following such issuance, TZS will own 28.848% of our outstanding shares;
- the incurrence and repayment of a promissory note due from a Maxeon Solar subsidiary to SunPower;
- the transfer of certain intellectual property necessary for the operation of our company;
- the incurrence of income taxes in certain jurisdictions as a result of an internal reorganization undertaken for the sole purpose of facilitating the separation and distribution;
- the distribution, expected to be taxable to SunPower and intended to be tax-free to SunPower shareholders, for U.S. federal income tax purposes, of our shares of stock to SunPower shareholders, based on the distribution of one Maxeon Solar share for every eight SunPower shares outstanding as of the record date for the distribution, and the resulting redesignation of SunPower's historical net investment as common stock and additional paid-in capital; and
- the impact of transactions contemplated by the Separation and Distribution Agreement, Investment Agreement, Tax Matters Agreement and Transition Services Agreement.

The historical financial information has been adjusted to give pro forma effect to events that are (i) related and/or directly attributable to the spin-off and the investment, (ii) factually supportable, and (iii) with respect to the pro forma statement of operations, are expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial information is prepared in accordance with Article 11 of Regulation S-X for illustrative purposes only and is based upon currently available information and preliminary estimates and assumptions that we believe to be reasonable under the circumstances. The unaudited pro forma condensed combined financial information does not purport to represent what our results of operations or financial position would have been had the spin-off and the investment occurred on the dates indicated nor do they purport to project the results of operations or financial position for any future period or as of any future date. The unaudited pro forma condensed combined financial information does not give effect to the potential impact of current financial conditions or any anticipated operating efficiencies or cost savings that may result from the spin-off and the investment described above.

In connection with the spin-off, we and SunPower anticipate entering into the Transition Services Agreement in which SunPower will provide certain corporate and administrative services to us. Pro forma adjustments have been made to the historical combined financial statements for the anticipated Transition Services Agreement based on management's best estimates of charges to be incurred on an annual basis as of the filing date. Such estimates may differ from actual charges to be incurred in the near future as the terms of the Transition Services Agreement remain subject to change.

The unaudited pro forma condensed combined financial information is subject to change based on the finalization of the terms of the spin-off, the investment and the following agreements: a Tax Matters Agreement, an Employee Matters Agreement, a Transition Services Agreement, a Brand Framework Agreement, a Cross License Agreement, a Collaboration Agreement, a Supply Agreement and a Back-to-Back Agreement (collectively, the "Ancillary Agreements"). If the actual facts are different than these assumptions, then the unaudited pro forma condensed combined financial information will be different, and those changes could be material.

MAXEON SOLAR TECHNOLOGIES, PTE. LTD.
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 29, 2019
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Historical	Pro Forma Adjustments	Notes	Pro Forma
Revenue	$1,198,301	$ —		$1,198,301
Cost of revenue	1,200,610	(7,120)	(f)	1,192,918
	—	(572)	(g)	—
Gross (loss) profit	(2,309)	7,692		5,383
Operating expenses:				
Research and development	36,997	—	(g)	36,997
Sales, general and administrative	96,857	(2,082)	(g)	94,775
Restructuring charges	(517)	—		(517)
Total operating expenses	133,337	(2,082)		131,255
Operating loss	(135,646)	9,774		(125,872)
Other expense, net				
Interest expense	(25,831)	(12,075)	(d)	(17,949)
	—	(1,306)	(e)	—
	—	19,485	(i)	—
	—	(177)	(m)	—
	—	1,955	(n)	—
Other, net	(1,961)	—		(1,961)
Other expense, net	(27,792)	7,882		(19,910)
Loss before income taxes and equity in losses of unconsolidated investees	(163,438)	17,656		(145,782)
Provision for income taxes	(10,122)	—	(j)	(10,122)
Equity in losses of unconsolidated investees	(5,342)	—		(5,342)
Net loss	(178,902)	17,656		(161,246)
Net loss attributable to noncontrolling interests	(4,157)	—		(4,157)
Net loss attributable to the Company	$ (183,059)	$ 17,656		$ (165,403)
Basic and diluted net loss per share attributable to the Company	$ —		(k)	$ (6.50)
Basic and diluted weighted-average shares	—		(k)	25,438

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

MAXEON SOLAR TECHNOLOGIES, PTE. LTD.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 29, 2020
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Historical	Pro Forma Adjustments	Notes	Pro Forma
Revenue	$227,640	$		$227,640
Cost of revenue	224,408	(1,780)	(f)	222,543
		(85)	(g)	
Gross profit	3,232	1,865		5,097
Operating expenses:				
Research and development	8,570	—	(g)	8,570
Sales, general and administrative	24,242	(165)	(g)	24,077
Restructuring charges	—	—		—
Total operating expenses	32,812	(165)		32,647
Operating loss	(29,580)	2,030		(27,550)
Other expense, net				
Interest expense	(5,905)	(3,019)	(d)	(4,511)
		(327)	(e)	
		4,563	(i)	
		177	(m)	
Other, net	4,631	—		4,631
Other expense, net	(1,274)	1,394		120
Loss before income taxes and equity in losses of unconsolidated investees	(30,854)	3,424		(27,430)
Provision for income taxes	(468)	—	(j)	(468)
Equity in losses of unconsolidated investees	245	—		245
Net loss	(31,077)	3,424		(27,653)
Net loss attributable to noncontrolling interests	(672)	—		(672)
Net loss attributable to the Company	(31,749)	3,424		(28,325)
Basic and diluted net loss per share attributable to the Company	$ —		(k)	$ (0.96)
Basic and diluted weighted-average shares	—		(k)	29,659

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

MAXEON SOLAR TECHNOLOGIES, PTE. LTD.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF MARCH 29, 2020
(IN THOUSANDS)

	Historical	Pro Forma Adjustments	Notes	Pro Forma
Assets				
Current assets:				
Cash and cash equivalents	$ 55,792	$ (5,792)	(a)	$ 390,125
	—	298,000	(b)	—
	—	(100,000)	(c)	—
	—	167,125	(d)	—
	—	(25,000)	(o)	—
Restricted short-term marketable securities	6,196	—		6,196
Accounts receivable, net	127,659	—		127,659
Inventories	208,084	—		208,084
Advances to suppliers, current portion	98,452	—		98,452
Prepaid expenses and other current assets	39,131	1,098	(l)	36,349
	—	(3,880)	(m)	—
Total current assets	535,314	331,551		866,865
Restricted long-term marketable securities				
Property, plant and equipment, net	270,865	(11,711)	(g)	259,154
Operating lease right-of-use assets	18,129	(8,003)	(g)	10,126
Other intangible assets, net	3,233	(2,967)	(f)	266
Advances to suppliers, net of current portion	13,993	—		13,993
Other long-term assets	52,212	—		52,212
Total assets	$893,746	$ 308,870		$1,202,616
Liabilities and Equity				
Current liabilities:				
Accounts payable	$249,193	$ —		$ 249,193
Accrued liabilities	81,570	(6,429)	(m)	75,141
Contract liabilities, current portion	45,668	—		45,668
Short-term debt	46,583	(8,583)	(a)	38,000
Operating lease liability, current portion	2,475	(502)	(g)	1,973
Total current liabilities	425,489	(15,514)		409,975
Long-term debt	1,315	(1,315)	(a)	167,125
		167,125	(d)	
Contract liabilities, net of current portion	32,324			32,324
Operating lease liability, net of current portion	17,667	(8,762)	(g)	8,905
Other long-term liabilities	42,935			42,935
Total liabilities	519,730	141,534		661,264
Commitment and contingencies				
Equity:				
Common stock, no par value	—	—		—
Additional paid-in capital	—	4,106	(a)(h)	541,382
	—	298,000	(b)	—
	—	(100,000)	(c)(h)	—
	—	(2,967)	(f)(h)	—
	—	(10,450)	(g)(h)	—
	—	1,098	(l)(h)	—
	—	2,549	(m)(h)	—
	—	(25,000)	(o)(h)	—
	—	374,046	(h)	—
Net Parent investment	374,046	(374,046)	(h)	—
Accumulated other comprehensive loss	(6,006)	—		(6,006)
Equity attributable to the Company	368,040	167,336		535,376
Noncontrolling interests	5,976	—		5,976
Total equity	374,016	167,336		541,352
Total liabilities and equity	$893,746	$ 308,870		$1,202,616

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

MAXEON SOLAR TECHNOLOGIES, PTE. LTD.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The unaudited pro forma combined financial statements for the year ended December 29, 2019 and three months ended March 29, 2020 include the following adjustments:

a) Following the spin-off and immediately prior to the investment, we will have $50.0 million available cash and target debt, defined as outstanding debt prior to the spin-off, not to exceed $38.0 million. The Pro Forma Adjustments reflect the repayment of the Company's outstanding debt in excess of the target debt amount and the return of cash in excess of the target cash amount to SunPower in accordance with the Investment Agreement.

b) Immediately following the spin-off, TZS will contribute $298.0 million in cash to us in exchange for a number of newly registered Maxeon Solar shares such that immediately following such issuance, TZS will own 28.848% of our outstanding shares. The Pro Forma Adjustments do not include interest income that would likely be earned on the additional cash resulting from this capital injection. The usage of cash in our ongoing operations is undeterminable at this time and accordingly, we are unable to determine the amount of interest we expect to earn on any amounts deposited.

c) Prior to the spin-off, as part of the restructuring to effect the transaction, a Maxeon Solar subsidiary intends to issue a promissory note for a principal amount of $100.0 million to SunPower in exchange for intellectual property necessary for the operation of the Maxeon Business. The promissory note, which was contractually negotiated by SunPower and Maxeon Solar, is to be repaid with a combination of cash on hand and funds received in connection with the spin-off, with such repayment conditioned upon effectiveness of the spin-off and receipt of the TZS contribution. The Pro Forma Adjustments reflect the transfer to Maxeon Solar from SunPower of this internally developed technology at a carryover basis of zero, for non-U.S. federal income tax purposes, and the corresponding cash outflow to repay the promissory note. The $100.0 million cash outflow for the transfer of internally developed technology at a carryover basis of zero effectively results in a $100.0 million net parent distribution. The transaction represents a transaction between entities under common control and as such the carrying value of the intellectual property transferred is not intended to be reflective of fair value.

d) We expect that, prior to the spin-off, we will enter into various debt financing arrangements providing for a total available borrowing capacity of up to $325.0 million. As one of the financing arrangements, Maxeon Solar may issue debt securities or equity-linked debt securities in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act. For purposes of the unaudited pro forma condensed combined financial statements, we have assumed that Maxeon Solar has issued $175.0 million aggregate principal amount of convertible notes due 2025, net of issuance costs of $7.9 million. The Pro Forma Adjustments reflect interest expense of $12.1 million and $2.6 million for the year ended December 29, 2019 and three months ended March 29, 2020, respectively, based on an assumed per annum interest rate, as well as the amortization of the issuance costs using the effective interest method. As the actual aggregate principal amount and the per annum interest rate may be different than the assumed amount, a change in the aggregate principal amount or the per annum interest rate may result in annual interest expense that is significantly different than the pro forma annual interest expense. For each 0.125% increase (or decrease) in the actual interest rate, interest expense for the year ended December 29, 2019 would increase (or decrease) by approximately $0.2 million based on the assumed principal amount borrowed.

Upon issuance of the convertible notes due 2025, we may be required under ASC 470-20 to recognize a debt discount as a decrease in debt and a corresponding increase in equity as convertible debt that may be wholly or partially settled in cash is required to be separated into a debt component and an equity component. The debt component is then accreted up to the principal amount over the expected term of the debt using the effective interest method such that interest expense reflects the issuer's nonconvertible debt interest rate. The amounts shown in the unaudited pro forma condensed combined financial information for the convertible notes due 2025 is the assumed aggregate principal amount without reflecting the debt discount that we may be required to recognize as ASC 470-20 does not affect the actual amount that we are required to repay.

Additionally, in the event Maxeon Solar issues convertible notes, Maxeon Solar may use a portion of the net proceeds from the issuance to fund a forward stock purchase transaction. As the timing and amount of any forward stock purchase transaction are uncertain, the Unaudited Pro Forma Condensed Combined Balance Sheet is not adjusted to reflect the impact of any such forward stock purchase transaction. We cannot assure you that a convertible note offering will be commenced or completed. The foregoing description and other information regarding a convertible notes offering is included herein solely for informational purposes. Nothing in this Exhibit or the Form 20-F should be construed as an offer to sell, or a solicitation of an offer to buy, any convertible notes.

e) We expect that, prior to the spin-off, we will enter into various debt financing arrangements providing for a total available borrowing capacity of up to $325.0 million, including term loans, revolving credit facilities and issuances of debt or equity-linked debt securities. For purposes of the unaudited pro forma condensed combined financial information, we have assumed that Maxeon Solar will enter into term loan facilities and enter into or have access to revolving credit and working capital facilities providing for available borrowings of up to $150.0 million. We expect these facilities will fund future capital expenditures, working capital and be used for general corporate purposes. As Maxeon Solar is not expected to make a draw down at the time of the spin-off, the usage of cash under these facilities has been excluded from this unaudited pro forma condensed combined financial information. The Pro Forma Adjustments reflect commitment fees based on an assumed per annum interest rate on the unused portions of the term loan facility and revolving credit facility, aggregating to $1.3 million and $0.3 million of interest expense for the year ended December 29, 2019 and the three months ended March 29, 2020, respectively.

Additionally, a change in the proportion of amounts borrowed under the term loan or the revolving credit facility or differences between the actual interest rate and the assumed interest rate, including the commitment fees, may result in annual interest expense that is significantly different than the pro forma annual interest expense.

f) The adjustment reflects the removal of Cogenra related intangible asset balance of $3.0 million reflected on the historical Combined Balance Sheet as of March 29, 2020 and related amortization of $7.1 million and $1.8 million reflected on the historical Combined Statement of Operations for the year ended December 29, 2019 and three months ended March 29, 2020, respectively. Such intangible assets will be retained by SunPower. While intellectual property will be licensed back to the Company from SunPower, no pro forma adjustments have been made to the historical Combined Statement of Operations for the anticipated licensing agreement as there is no additional licensing fee to be incurred.

g) In connection with the spin-off, certain assets and liabilities will not be transferred to us by SunPower. These assets and liabilities formed a portion of our historical business prior to the spin-off, but ultimately will not be transferred per the Separation and Distribution Agreement. The expenses, including depreciation, related to those assets and liabilities were previously included within our historical Combined Statement of Operations as a charge to us through allocations from SunPower. Such expenses were accordingly removed from our historical Combined Statement of Operations. Although certain research and development-related assets will not be transferred per the Separation and Distribution Agreement, expenses incurred relating to these assets will be cross charged to us through the Product Collaboration Agreement. As such, the research and development expenses relating to these assets were not adjusted.

h) The adjustment reflects the elimination of net parent contribution and the recapitalization of our equity in connection with the spin-off. As of the spin-off date, SunPower’s investment in our business will be redesignated as our stockholders’ equity and will be allocated between ordinary shares and additional paid-in capital based on the number of shares outstanding at the spin-off date. SunPower shareholders will receive shares based on a distribution ratio of one Maxeon Solar share for every eight SunPower shares outstanding as of the record date for the distribution. The total redesignation from net parent contribution to additional paid-in capital is $541.4 million and includes (1) SunPower’s $374.0 million historical investment in us and (2) the effect of all pro forma adjustments representing a $167.3 million net parent distribution.

i) In December 2015, SunPower issued $425.0 million in principal amount of 4.00% debentures due 2023 (“the debentures”), the proceeds of which were used to finance the construction of our solar cell manufacturing facility in the Philippines which relates to our historical business. As such, the interest and other costs associated with the debentures are reflected in our Combined Statement of Operations. The Pro Forma Adjustments reflect the removal of $17.0 million and $4.3 million of interest expense for the year ended December 29, 2019 and three months ended March 29, 2020, respectively, and $2.5 million and $0.3 million of debt issuance cost amortization for the year ended December 29, 2019 and three months ended March 29, 2020, respectively, and as the liability for these debentures is retained by SunPower and will not be transferred to us.

j) Based on the pro forma loss before income taxes for the year ended December 29, 2019 and three months ended March 29, 2020, we believe that sufficient uncertainty exists regarding the realizability of the deferred tax assets such that a full valuation allowance is necessary against the net deferred tax assets. Therefore, no incremental Pro Forma Adjustments were recognized on the Unaudited Pro Forma Condensed Combined Statement of Operations.

k) The calculations of pro forma basic and diluted net loss per share and average shares outstanding for the period presented are based on SunPower’s 144,796 and 168,822 weighted-average common shares outstanding for the year ended December 29, 2019 and for the three months ended March 29, 2020, respectively, as adjusted for the expected distribution ratio of one Maxeon Solar share for every eight SunPower shares and for the issuance of shares to effect TZS’ 28.848% ownership of our total outstanding shares upon distribution.

l) We are involved in various lawsuits, claims, investigations and proceedings. SunPower has agreed to indemnify us for certain litigation claims for which we or one of our subsidiaries is named the defendant or party to. The liabilities related to these legal claims are reflected on our historical Combined Balance Sheet as of March 29, 2020. The Pro Forma Adjustments reflect the recognition of $1.1 million of indemnification receivable from SunPower included in prepaid expenses and other current assets.

m) The Separation and Distribution Agreement requires that all receivables, payables and loans between Maxeon Solar and SunPower be settled prior to the spin-off. The Pro Forma Adjustments reflect removal of these amounts to assume settlement along with the interest expense incurred during the year ended December 29, 2019 and three months ended March 29, 2020 associated with these intercompany loans due between us and SunPower.

n) In connection with our 2016 acquisition of 100% equity voting interest in our former joint venture AUO SunPower Sdn. Bhd., we are required to make non-cancellable annual installment payments during 2019 and 2020. As per the Investment Agreement, SunPower made the payment that was due in September 2019, which is reflected as a net parent investment in the historical Combined Balance Sheet. The Pro Forma Adjustment reflects removal of the non-cash accretion charges related to the 2019 installment payment of $2.0 million included in interest expense.

o) As part of the Separation and Distribution Agreement, we are required to reimburse SunPower up to $25.0 million for transaction expenses that they will incur in connection with the separation. This adjustment represents the expected reimbursement of $25.0 million.

Preliminary Second Quarter 2020 Estimated Results

Although our combined financial statements for the three months ended June 28, 2020 are not yet complete, certain preliminary estimated financial information is available and is shown in estimated ranges in the table below.

Preliminary Combined Statements of Income Data (Estimated)

	Estimated Range Three Months Ended June 28, 2020	
	Low	**High**
(in millions of dollars, unaudited)		
Revenues	$ 160.0	$ 170.0

Preliminary Combined Balance Sheet Data (Estimated)

	As of June 28, 2020
(in millions of dollars, unaudited)	
Cash and cash equivalents	$ 35.0

Megawatts (MW) Deployed (Estimated)

	Estimated Range Three Months Ended June 28, 2020	
	Low	**High**
(in MW)		
MW Deployed	415	435

The midpoint of our revenue range for the three months ended June 28, 2020 would represent a decline of approximately 40% and 25% compared to our revenue during the three months ended June 30, 2019 and March 29, 2020, respectively, primarily due to a decline in demand for our solar products in light of the global economic slowdown caused by the COVID-19 pandemic, notably in the United States, Japan and Southeast Asia, combined with lower sales backlog to execute on in our power plant markets. We expect that our Adjusted EBITDA for the three months ended June 28, 2020 compared to the three months ended June 30, 2019 as well as the three months ended March 29, 2020 will decline approximately proportionately, although it may be further negatively impacted by excess capacity costs attributable to the idling of our manufacturing facilities, which was partially offset by cost-cutting measures implemented in recognition of reduced demand due to the pandemic.

We have provided ranges for our preliminary results described above because our financial closing procedures for the quarter ended June 28, 2020 are not yet complete. The preliminary estimated information set forth above does not represent a comprehensive statement of our results of operations or financial condition as of or for the quarter ended June 28, 2020. Our results of operations and financial condition as of and for the quarter ended June 28, 2020 may vary from our current expectations and may be different from the information described above as our quarterly financial statement preparation process is not yet complete and additional developments and adjustments may arise between now and the time the financial information for this period is finalized. In addition, these preliminary estimates are not necessarily indicative of the results to be achieved for the remainder of 2020 or in any future period. There can be no assurance that these estimates will be realized, and estimates are subject to risks and uncertainties, many of which are not within our control. Accordingly, you should not place undue reliance on the preliminary estimated financial information.

The preliminary estimated financial data has been prepared by, and is the responsibility of, our management. Ernst & Young LLP has not audited, reviewed, compiled, or applied agreed-upon procedures with respect to the preliminary financial data. Accordingly, Ernst & Young LLP does not express an opinion or any other form of assurance with respect thereto