SUNPOWER CORP
Form 10-Q
November 02, 2012

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

FORM 10-Q

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from _____ to _____

Commission file number 001-34166
SunPower Corporation
(Exact Name of Registrant as Specified in Its Charter)

Delaware	94-3008969
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

77 Rio Robles, San Jose, California 95134
(Address of Principal Executive Offices and Zip Code)

(408) 240-5500
(Registrant's Telephone Number, Including Area Code)

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

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

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

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The total number of outstanding shares of the registrant's common stock as of October 26, 2012 was 119,047,078.

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SunPower Corporation

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PART I. FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

SunPower Corporation
Condensed Consolidated Balance Sheets
(In thousands, except share data)
(unaudited)

	September 30, 2012	January 1, 2012 (1)
Assets		
Current assets:		
Cash and cash equivalents	$377,126	$725,618
Restricted cash and cash equivalents, current portion	11,275	52,279
Accounts receivable, net	297,696	438,633
Costs and estimated earnings in excess of billings	65,562	54,854
Inventories	407,210	445,501
Advances to suppliers, current portion	54,937	43,143
Project assets - plants and land, current portion	142,771	24,243
Prepaid expenses and other current assets (2)	584,669	502,879
Total current assets	1,941,246	2,287,150
Restricted cash and cash equivalents, net of current portion	13,939	27,276
Restricted long-term marketable securities	10,764	9,145
Property, plant and equipment, net	659,234	628,769
Project assets - plants and land, net of current portion	18,720	34,614
Goodwill	—	47,077
Other intangible assets, net	1,759	23,900
Advances to suppliers, net of current portion	302,577	284,378
Other long-term assets (2)	244,823	176,821
Total assets	$3,193,062	$3,519,130
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable (2)	$417,896	$441,655
Accrued liabilities	160,520	249,404
Billings in excess of costs and estimated earnings	139,625	170,828
Short-term debt	292,075	2,122
Convertible debt, current portion	—	196,710
Customer advances, current portion (2)	29,813	48,073
Total current liabilities	1,039,929	1,108,792
Long-term debt	100,952	364,273
Convertible debt, net of current portion	434,415	423,268
Customer advances, net of current portion (2)	240,254	181,946
Other long-term liabilities	257,236	166,126
Total liabilities	2,072,786	2,244,405

Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; none issued and outstanding as of both September 30, 2012 and January 1, 2012	—	—
Common stock, $0.001 par value, 367,500,000 shares authorized; 123,064,117 shares issued, and 119,046,999 outstanding as of September 30, 2012; 101,851,290 shares issued, and 100,475,533 shares outstanding as of January 1, 2012	119	100
Additional paid-in capital	1,914,697	1,845,964
Accumulated deficit	(757,312)	(550,064)
Accumulated other comprehensive income (loss)	(3,382)	7,142
Treasury stock, at cost; 4,017,118 shares of common stock as of September 30, 2012; 1,375,757 shares of common stock as of January 1, 2012	(33,846)	(28,417)
Total stockholders' equity	1,120,276	1,274,725
Total liabilities and stockholders' equity	$3,193,062	$3,519,130

(1) As adjusted to reflect the balances of Tenesol S.A. ("Tenesol") beginning October 10, 2011, as required under the accounting guidelines for a transfer of an entity under common control (see Note 3).

(2) The Company has related party balances in connection with transactions made with unconsolidated entities in which the Company has a direct equity investment. These related party balances are recorded within the "Prepaid expenses and other current assets," "Other long-term assets," "Accounts payable," "Customer advances, current portion," and "Customer advances, net of current portion" financial statement line items in the Condensed Consolidated Balance Sheets (see Note 5, Note 8, and Note 9).

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

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SunPower Corporation
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Revenue	$648,948	$705,427	$1,738,976	$1,749,100
Cost of revenue	568,175	629,303	1,539,455	1,565,160
Gross margin	80,773	76,124	199,521	183,940
Operating expenses:				
Research and development	14,956	12,664	45,786	41,565
Sales, general and administrative	69,714	76,329	208,388	243,364
Goodwill impairment	46,734	309,457	46,734	309,457
Other intangible asset impairment	12,847	40,301	12,847	40,301
Restructuring charges	10,544	637	61,189	13,945
Total operating expenses	154,795	439,388	374,944	648,632
Operating loss	(74,022)	(363,264)	(175,423)	(464,692)
Other income (expense), net:				
Interest income	94	206	762	1,437
Interest expense	(25,834)	(17,096)	(63,935)	(48,414)
Gain on sale of equity interest in unconsolidated investee	—	10,989	—	10,989
Gain on share lending arrangement	50,645	—	50,645	—
Other, net	594	8,487	(4,984)	(10,066)
Other income (expense), net	25,499	2,586	(17,512)	(46,054)
Loss before income taxes and equity in earnings (loss) of unconsolidated investees	(48,523)	(360,678)	(192,935)	(510,746)
Provision for income taxes	(593)	(11,077)	(12,542)	(17,963)
Equity in earnings (loss) of unconsolidated investees	578	971	(1,772)	7,932
Net loss	$(48,538)	$(370,784)	$(207,249)	$(520,777)
Net loss per share of common stock:				
Basic and diluted	$(0.41)	$(3.77)	$(1.78)	$(5.34)
Weighted-average shares:				
Basic and diluted	118,952	98,259	116,408	97,456

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

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SunPower Corporation
Condensed Consolidated Statements of Comprehensive Loss
(In thousands)
(unaudited)

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Net loss	$(48,538)	$(370,784)	$(207,249)	$(520,777)
Components of comprehensive loss:				
Translation adjustment	148	5,211	(1,802)	4,067
Net unrealized gain (loss) on derivatives (Note 11)	(2,611)	38,987	(10,738)	(2,008)
Income taxes	490	(4,483)	2,016	3,251
Net change in accumulated other comprehensive income (loss)	(1,973)	39,715	(10,524)	5,310
Total comprehensive loss	$(50,511)	$(331,069)	$(217,773)	$(515,467)

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

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SunPower Corporation
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Nine Months Ended	
	September 30, 2012	October 2, 2011
Cash flows from operating activities:		
Net loss	$(207,249)	$(520,777)
Adjustments to reconcile net income to net cash used in operating activities:		
Stock-based compensation	33,179	37,829
Depreciation	82,747	83,979
Loss on retirement of property, plant and equipment	56,399	—
Amortization of other intangible assets	8,099	20,614
Goodwill impairment	46,734	309,457
Other intangible asset impairment	12,847	40,301
Loss on sale of investments	—	191
Loss (gain) on mark-to-market derivatives	(4)	(331)
Non-cash interest expense	29,336	21,112
Amortization of debt issuance costs	2,899	4,196
Amortization of promissory notes	—	3,486
Gain on change in equity interest in unconsolidated investee	—	(322)
Third-party inventories write-down	8,869	16,399
Gain on sale of equity interest in unconsolidated investee	—	(10,989)
Project assets write-down related to change in European government incentives	—	16,053
Equity in (earnings) loss of unconsolidated investees	1,772	(7,932)
Gain on share lending arrangement	(50,645)	—
Deferred income taxes and other tax liabilities	110	(860)
Changes in operating assets and liabilities, net of effect of acquisition:		
Accounts receivable	124,865	(48,587)
Costs and estimated earnings in excess of billings	(10,709)	(3,304)
Inventories	29,992	(120,753)
Project assets	(101,917)	(43,242)
Prepaid expenses and other assets	(221,069)	(123,044)
Advances to suppliers	(29,993)	(9,535)
Accounts payable and other accrued liabilities	(38,063)	64,432
Billings in excess of costs and estimated earnings	(31,203)	14,345
Customer advances	40,048	(1,698)
Net cash used in operating activities	(212,956)	(258,980)
Cash flows from investing activities:		
Decrease in restricted cash and cash equivalents	54,341	29,789
Purchase of property, plant and equipment	(79,033)	(85,528)
Proceeds from sale of equipment to third-party	419	501
Purchase of marketable securities	(1,436)	(8,962)
Proceeds from sales or maturities of available-for-sale securities	—	43,759
Cash received for sale of investment in unconsolidated investees	17,403	24,043
Cash paid for investments in unconsolidated investees	(10,000)	(80,000)
Net cash used in investing activities	(18,306)	(76,398)
Cash flows from financing activities:		

Proceeds from issuance of bank loans, net of issuance costs	125,000	489,221
Proceeds from issuance of project loans, net of issuance costs	27,617	—
Proceeds from residential lease financing	26,809	—
Proceeds from recovery of claim in connection with share lending arrangement	50,645	—
Repayment of bank loans and other debt	(126,427)	(377,124)
Cash paid for repurchase of convertible debt	(198,608)	—
Proceeds from private offering of common stock, net of issuance costs	163,616	—
Cash distributions to Parent in connection with the transfer of entities under common control	(178,290)	—
Proceeds from warrant transactions	—	2,261
Proceeds from exercise of stock options	51	4,013
Purchases of stock for tax withholding obligations on vested restricted stock	(5,430)	(10,550)
Net cash provided by (used in) financing activities	(115,017)	107,821
Effect of exchange rate changes on cash and cash equivalents	(2,213)	(3,301)
Net decrease in cash and cash equivalents	(348,492)	(230,858)
Cash and cash equivalents at beginning of period	725,618	605,420
Cash and cash equivalents, end of period	$377,126	$374,562
Non-cash transactions:		
Assignment of residential lease receivables to a third party financial institution	$10,259	$—
Property, plant and equipment acquisitions funded by liabilities	13,243	11,781
Non-cash interest expense capitalized and added to the cost of qualified assets	1,161	2,096
Issuance of warrants in connection with the Liquidity Support Agreement	50,327	—

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

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Note 1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

SunPower Corporation (together with its subsidiaries, the "Company" or "SunPower") is a vertically integrated solar products and services company that designs, manufactures and delivers high-performance solar electric systems worldwide for residential, commercial, and utility-scale power plant customers.

In December 2011, the Company announced a reorganization to align its business and cost structure with a regional focus in order to support the needs of its customers and improve the speed of decision-making processes. As a result, in the first quarter of fiscal 2012, the Company changed its segment reporting from its Utility and Power Plants ("UPP") Segment and Residential and Commercial ("R&C") Segment to three regional segments: (i) the Americas Segment, (ii) the EMEA Segment, and (iii) the APAC Segment. The Americas Segment includes both North and South America. The EMEA Segment includes European countries, as well as the Middle East and Africa. The APAC segment includes all Asia-Pacific countries. The Company's President and Chief Executive Officer, as the chief operating decision maker ("CODM"), has organized the Company, manages resource allocations and measures performance of the Company's activities among these three regional segments.

Historically, the UPP Segment referred to the Company's large-scale solar products and systems business, which included power plant project development and project sales, turn-key engineering, procurement and construction ("EPC") services for power plant construction, and power plant operations and maintenance ("O&M") services. The UPP Segment also sold components, including large volume sales of solar panels and mounting systems, to third parties, sometimes on a multi-year, firm commitment basis. The Company's former R&C Segment focused on solar equipment sales into the residential and small commercial market through its third-party global dealer network, as well as direct sales and EPC and O&M services in the United States and Europe for rooftop and ground-mounted solar power systems for the new homes, commercial, and public sectors.

On June 21, 2011, the Company became a majority owned subsidiary of Total Gas & Power USA, SAS, a French société par actions simplifiée ("Total"), a subsidiary of Total S.A., a French société anonyme ("Total S.A."), through a tender offer and Total's purchase of 60% of the outstanding former class A common stock and former class B common stock of the Company as of June 13, 2011. On January 31, 2012, Total purchased an additional 18.6 million shares of the Company's common stock in a private placement, thereby increasing Total's ownership to approximately 66% of the Company's outstanding common stock as of that date (see Note 2).

Basis of Presentation and Preparation

Principles of Consolidation

The Condensed Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("United States" or "U.S.") and include the accounts of the Company, all of its subsidiaries and special purpose entities, as appropriate under consolidation accounting guidelines. Intercompany transactions and balances have been eliminated in consolidation. The assets of the special purpose entities that the Company sets up related to project financing for customers are not designed to be available to service the general liabilities and obligations of the Company in certain circumstances.

Reclassifications

Certain prior period balances have been reclassified to conform to the current period presentation in the Company's Condensed Consolidated Financial Statements and the accompanying notes. Such reclassifications had no effect on previously reported results of operations or accumulated deficit.

Fiscal Years

The Company reports on a fiscal-year basis and ends its quarters on the Sunday closest to the end of the applicable calendar quarter, except in a 53-week fiscal year, in which case the additional week falls into the fourth quarter of that fiscal year. Both fiscal 2012 and 2011 consist of 52 weeks. The third quarter of fiscal 2012 ended on September 30, 2012, while the third quarter in fiscal 2011 ended on October 2, 2011.

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Management Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Significant estimates in these condensed consolidated financial statements include percentage-of-completion for construction projects, allowances for doubtful accounts receivable and sales returns, inventory and project asset write-downs, stock-based compensation, estimates for future cash flows and economic useful lives of property, plant and equipment, goodwill, valuations for business combinations, other intangible assets and other long-term assets, asset impairments, fair value of financial instruments, certain accrued liabilities including accrued warranty, restructuring, and termination of supply contracts reserves, valuation of debt without the conversion feature, valuation of share lending arrangements, income taxes, and tax valuation allowances. Actual results could materially differ from those estimates.

Summary of Significant Accounting Policies

In May 2011, the Financial Accounting Standards Board ("FASB") amended its fair value principles and disclosure requirements. The amended fair value guidance states that the concepts of highest and best use and valuation premise are only relevant when measuring the fair value of nonfinancial assets and prohibits the grouping of financial instruments for purposes of determining their fair values when the unit of account is specified in other guidance. The amendment became effective for the Company on January 2, 2012 and did not have a material impact on its financial statements.

In June 2011, the FASB amended its disclosure guidance related to the presentation of comprehensive income. This amendment eliminates the option to report other comprehensive income and its components in the statement of changes in equity and requires presentation and reclassification adjustments on the face of the income statement. In December, 2011, the FASB further amended its guidance to defer changes related to the presentation of reclassification adjustments indefinitely as a result of concerns raised by stakeholders that the new presentation requirements would be difficult for preparers and add unnecessary complexity to financial statements. The amendment (other than the portion regarding the presentation of reclassification adjustments which, as noted above, has been deferred indefinitely) became effective for the Company on January 2, 2012 and did not have any impact on its financial position. However, the Company now reports other comprehensive income and its components in a separate statement of comprehensive income for all presented periods.

In September 2011, the FASB amended its goodwill guidance by providing entities an option to use a qualitative approach to test goodwill for impairment. An entity will be able to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that the fair value is less than the carrying value, it is necessary to perform the currently prescribed two step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. The amendment became effective for the Company on January 2, 2012 and did not have a material impact on its financial statements.

There have been no significant changes in the Company's significant accounting policies for the three and nine months ended September 30, 2012, as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2012 ("2011 Form 10-K"). Further, there has been no issued accounting guidance not yet adopted by the Company that it believes is material or potentially material to its condensed consolidated financial statements.

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

On April 28, 2011, the Company and Total entered into a Tender Offer Agreement (the "Tender Offer Agreement"), pursuant to which, on May 3, 2011, Total commenced a cash tender offer to acquire up to 60% of the Company's outstanding shares of former class A common stock and up to 60% of the Company's outstanding shares of former class B common stock (the "Tender Offer") at a price of $23.25 per share for each class. The offer expired on June 14, 2011 and Total accepted for payment on June 21, 2011 a total of 34,756,682 shares of the Company's former class A common stock and 25,220,000 shares of the Company's former class B common stock, representing 60% of each class of its outstanding common stock as of June 13, 2011, for a total cost of approximately $1.4 billion.

On December 23, 2011, the Company entered into a Stock Purchase Agreement with Total, under which it agreed to acquire 100% of the equity interest of Tenesol from Total for $165.4 million in cash. The Tenesol acquisition was consummated on January 31, 2012 (see Note 3). Contemporaneously with the execution of the Tenesol Stock Purchase Agreement, the Company entered into a Private Placement Agreement with Total, under which Total agreed to purchase, and the Company

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agreed to issue and sell 18.6 million shares of the Company's common stock for a purchase price of $8.80 per share, thereby increasing Total's ownership to approximately 66% of the Company's outstanding common stock as of that date. The sale was completed contemporaneously with the closing of the Tenesol acquisition.

Credit Support Agreement

In connection with the Tender Offer, the Company and Total S.A. entered into a Credit Support Agreement (the "Credit Support Agreement") under which Total S.A. agreed to enter into one or more guarantee agreements (each a "Guaranty") with banks providing letter of credit facilities to the Company in support of certain Company businesses and other permitted purposes. Total S.A. will guarantee the payment to the applicable issuing bank of the Company's obligation to reimburse a draw on a letter of credit and pay interest thereon in accordance with the letter of credit facility between such bank and the Company. The Credit Support Agreement became effective on June 28, 2011 (the "CSA Effective Date"). Under the Credit Support Agreement, at any time from the CSA Effective Date until the fifth anniversary of the CSA Effective Date, the Company may request that Total S.A. provide a Guaranty in support of the Company's payment obligations with respect to a letter of credit facility. Total S.A. is required to issue and enter into the Guaranty requested by the Company, subject to certain terms and conditions that may be waived by Total S.A., and subject to certain other conditions.

In consideration for the commitments of Total S.A., under the Credit Support Agreement, the Company is required to pay Total S.A. a guarantee fee for each letter of credit that is the subject of a Guaranty and was outstanding for all or part of the preceding calendar quarter. The Company is also required to reimburse Total S.A. for payments made under any Guaranty and certain expenses of Total S.A., plus interest on both. In the three and nine months ended September 30, 2012, the Company incurred guaranty fees of $1.7 million and $5.2 million, respectively, to Total S.A.

The Company has agreed to undertake certain actions, including, but not limited to, ensuring that the payment obligations of the Company to Total S.A. rank at least equal in right of payment with all of the Company's other present and future indebtedness, other than certain permitted secured indebtedness. The Company has also agreed to refrain from taking certain actions, including refraining from making any equity distributions so long as it has any outstanding repayment obligation to Total S.A. resulting from a draw on a guaranteed letter of credit.

The Credit Support Agreement will terminate following the fifth anniversary of the CSA Effective Date, after the later of the payment in full of all obligations thereunder and the termination or expiration of each Guaranty provided thereunder.

Affiliation Agreement

In connection with the Tender Offer, the Company and Total entered into an Affiliation Agreement that governs the relationship between Total and the Company following the close of the Tender Offer (the "Affiliation Agreement"). Until the expiration of a standstill period (the "Standstill Period"), Total, Total S.A., any of their respective affiliates and certain other related parties (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 shares of the Company in excess of certain thresholds, or request the Company or the Company's independent directors, officers or employees, to amend or waive any of the standstill restrictions applicable to the Total Group. The standstill provisions of the Affiliation Agreement do not apply to securities issued in connection with the Liquidity Support Agreement described below.

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 the Company and imposes certain limitations on the Total Group's ability to transfer 40% or more of outstanding shares or voting power of the Company 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 the Company'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 the Company, and Total may also purchase shares on the open market or in private transactions with disinterested stockholders, subject in each case to certain restrictions.

In accordance with the terms of the Affiliation Agreement, on July 1, 2011, the Company's Board of Directors expanded the size of the Board of Directors to eleven members and elected six nominees from Total as directors, following which the Board of Directors was composed of the Chief Executive Officer of the Company (who also serves as the chairman of the Company's Board of Directors), four existing non-Total designated members of the Company's Board of Directors, and six directors designated by Total. Directors designated by Total also serve on certain committees of the Company's Board of

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Directors. On the first anniversary of the consummation of the Tender Offer on June 21, 2012, the size of the Company's Board of Directors was reduced to nine members and one non-Total designated director and one director designated by Total resigned from the Company's Board of Directors. If the Total Group's ownership percentage of Company common stock declines, the number of members of the Company's Board of Directors that Total is entitled to nominate to the Company's Board of Directors will be reduced as set forth in the Affiliation Agreement.

The Affiliation Agreement also imposes certain restrictions with respect to the Company's and the Company's Board of Directors' ability 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.

Affiliation Agreement Guaranty

Total S.A. has entered into a guaranty (the "Affiliation Agreement Guaranty") pursuant to which Total S.A. unconditionally guarantees the full and prompt payment of Total S.A.'s, Total's and each of Total S.A.'s direct and indirect subsidiaries' payment obligations under the Affiliation Agreement and the full and prompt performance of Total S.A.'s, Total's and each of Total S.A.'s direct and indirect subsidiaries' representations, warranties, covenants, duties, and agreements contained in the Affiliation Agreement.

Research & Collaboration Agreement

In connection with the Tender Offer, Total and the Company have entered into a Research & Collaboration Agreement (the "R&D Agreement") that establishes a framework under which the parties engage in long-term research and development collaboration ("R&D Collaboration"). The R&D Collaboration encompasses a number of different projects ("R&D Projects"), with a focus on advancing technology in the area of photovoltaics. The primary purpose of the R&D Collaboration is to: (i) maintain and expand the Company's technology position in the crystalline silicon domain; (ii) ensure the Company's industrial competitiveness; and (iii) guarantee a sustainable position for both the Company and Total to be best-in-class industry players.

The R&D Agreement enables a joint committee (the "R&D Strategic Committee") to identify, plan and manage the R&D Collaboration. Due to the impracticability of anticipating and establishing all of the legal and business terms that are and will be applicable to the R&D Collaboration or to each R&D Project, the R&D Agreement sets forth broad principles applicable to the parties' potential R&D Collaboration, and the R&D Collaboration Committee establishes the particular terms governing each particular R&D Project consistent with the terms set forth in the R&D Agreement.

Registration Rights Agreement

In connection with the Tender Offer, Total and the Company entered into a customary registration rights agreement (the "Registration Rights Agreement") related to Total's ownership of Company shares. The Registration Rights Agreement provides Total with shelf registration rights, subject to certain customary exceptions, and up to two demand registration rights in any 12-month period, also subject to certain customary exceptions. Total also has certain rights to participate in any registrations of securities initiated by the Company. The Company will generally pay all costs and expenses incurred by the Company and Total in connection with any shelf or demand registration (other than selling expenses incurred by Total). The Company and Total have also agreed to certain indemnification rights. The Registration Rights Agreement terminates on the first date on which: (i) the shares held by Total constitute less than 5% of the then-outstanding common stock; (ii) all securities held by Total may be immediately resold pursuant to Rule 144 promulgated under the Securities and Exchange Act of 1934 (the "Exchange Act") during any 90-day period without any volume limitation or other restriction; or (iii) the Company ceases to be subject to the reporting requirements of the Exchange Act.

Stockholder Rights Plan

On April 28, 2011, prior to the execution of the Tender Offer Agreement, the Company entered into an amendment (the "Rights Agreement Amendment") to the Rights Agreement, dated August 12, 2008, by and between the Company and Computershare Trust Company, N.A., as Rights Agent (the "Rights Agreement"), in order to, among other things, render the rights therein inapplicable to each of: (i) the approval, execution or delivery of the Tender Offer Agreement; (ii) the commencement or consummation of the Tender Offer; (iii) the consummation of the other transactions contemplated by the Tender Offer Agreement and the related agreements; and (iv) the public or other announcement of any of the foregoing.

On June 14, 2011, the Company entered into a second amendment to the Rights Agreement (the "Second Rights Agreement Amendment"), in order to, among other things, exempt Total, Total S.A. and certain of their affiliates and certain members of a group of which they may become members from the definition of "Acquiring Person" such that the rights

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issuable pursuant to the Rights Agreement will not become issuable in connection with the completion of the Tender Offer.

By-laws Amendment

On June 14, 2011, the Board of Directors approved the amendment of the Company's By-laws (the "By-laws"). The changes are required under the Affiliation Agreement. The amendments: (i) allow any member of the Total Group to call a meeting of stockholders for the sole purpose of considering and voting on a proposal to effect a Terra Merger (as defined in the Affiliation Agreement) or a Transferee Merger (as defined in the Affiliation Agreement); (ii) provide that the number of directors of the Board shall be determined from time to time by resolution adopted by the affirmative vote of a majority of the entire Board at any regular or special meeting; (iii) require, prior to the termination of the Affiliation Agreement, a majority of independent directors' approval to amend the By-laws so long as Total, together with Total S.A.'s subsidiaries collectively own at least 30% of the voting securities of the Company as well as require, prior to the termination of the Affiliation Agreement, Total's written consent during the Terra Stockholder Approval Period (as defined in the Affiliation Agreement) to amend the By-laws; and (iv) make certain other conforming changes to the By-laws. In addition, in November 2011, the By-laws were amended to remove restrictions prohibiting stockholder consents in writing.

Liquidity Support Agreement with Total S.A.

The Company is party to an agreement with a customer to construct the California Valley Solar Ranch, a solar park. Part of the debt financing necessary for the customer to pay for the construction of this solar park is being provided by Federal Financing Bank in reliance on a guarantee of repayment provided by the Department of Energy (the "DOE") under a loan guarantee program. On February 28, 2012, the Company entered into a Liquidity Support Agreement with Total S.A. and the DOE, and a series of related agreements with Total S.A. and Total, under which Total S.A. has agreed to provide the Company, or cause to be provided, additional liquidity under certain circumstances to a maximum amount of $600.0 million ("Liquidity Support Facility"). Total S.A. is required to provide liquidity support to the Company under the facility, and the Company is required to accept such liquidity support from Total S.A., if either the Company's actual or projected unrestricted cash, cash equivalents, and unused borrowing capacity are reduced below $100.0 million, or the Company fails to satisfy any financial covenant under its indebtedness. In either such event, subject to a $600.0 million aggregate limit, Total S.A. is required to provide the Company with sufficient liquidity support to increase the amount of its unrestricted cash, cash equivalents and unused borrowing capacity to above $100.0 million, and to restore compliance with its financial covenants. The Liquidity Support Facility is available until the completion of the solar park, expected to be operational in 2013 and completed before the end of fiscal 2014, and, under certain conditions, up to December 31, 2016, at which time all outstanding guarantees will expire and all outstanding debt under the facility will become due. The use of the Liquidity Support Facility is not limited to direct obligations related to the solar park, and is available for general corporate purposes, but the Company has agreed to conduct its operations, and use any proceeds from such facility in ways, that minimize the likelihood of Total S.A. being required to provide further support. In connection with the Liquidity Support Agreement, the Company also entered into a Compensation and Funding Agreement with Total S.A., and a Private Placement Agreement and a Revolving Credit and Convertible Loan Agreement with Total, which implement the terms of the Liquidity Support Agreement and Compensation Funding Agreement.

Compensation and Funding Agreement

In connection with the Liquidity Support Agreement, on February 28, 2012, the Company entered into a Compensation and Funding Agreement (the "Compensation and Funding Agreement") with Total S.A., pursuant to which, among other things, the Company and Total S.A. established the parameters for the terms of the Liquidity Support Facility and any liquidity injections that may be required to be provided by Total S.A. to the Company

pursuant to the Liquidity Support Agreement. The Company has agreed in the Compensation and Funding Agreement to use commercially reasonable efforts to assist Total S.A. in the performance of its obligations under the Liquidity Support Agreement and to conduct, and to act in good faith in conducting, its affairs in a manner such that Total S.A.'s obligation under the Liquidity Support Agreement to provide Liquidity Injections will not be triggered or, if triggered, will be minimized. The Company has also agreed to use any cash provided under the facility in such a way as to minimize the need for further liquidity support. The Compensation and Funding Agreement required the Company to issue, in consideration for Total S.A.'s agreement to provide the Liquidity Support Facility, a warrant ("the Upfront Warrant") to Total that is exercisable to purchase a number of shares of the Company's common stock equal to $75.0 million, divided by the volume-weighted average price for the Company's common stock for the 30 trading-day period ending on the trading day immediately preceding the date of the calculation. The Upfront Warrant will be exercisable at any time for seven years after its issuance, provided that, so long as at least $25 million of the Company's convertible debt remains outstanding, such exercise will not cause "any person," including Total S.A., to, directly or indirectly, including through one or more wholly-owned subsidiaries, become the "beneficial owner" (as such terms are defined in Rule 13d-3 and Rule 13d-5 under the Securities and Exchange Act of 1934, as amended), of more than 74.99% of the voting power of the Company's common stock at such time, because “any person” becoming such “beneficial owner” would trigger the

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repurchase or conversion of the Company's existing convertible debt. On February 28, 2012, the Company issued to Total the Upfront Warrant to purchase 9,531,677 shares of the Company's common stock with an exercise price of $7.8685, subject to adjustment for customary anti-dilution and other events.

Liquidity support may be provided by Total S.A. or through its affiliates in the form of revolving non-convertible debt, convertible debt, equity, guarantees of Company indebtedness or other forms of liquidity support agreed to by the Company, depending on the amount outstanding under the facility immediately prior to provision of the applicable support among other factors. The Company is required to compensate Total S.A. for any liquidity support actually provided, and the form and amount of such compensation depends on the form and amount of support provided, with the amount of compensation generally increasing with the amount of support provided over time. Such compensation is to be provided in a variety of forms including guarantee fees, warrants to purchase common stock, interest on amounts borrowed, and discounts on equity issued.

During the term of the Compensation and Funding Agreement, the Company will make certain cash payments to Total S.A. within 30 days after the end of each calendar quarter during for the term of the agreement as follow: (i) quarterly payment of a commitment fee in an amount equal to 0.25% of the unused portion of the $600 million Liquidity Support Facility as of the end of such quarter; and (ii) quarterly payment of a guarantee fee in an amount equal to 2.75% per annum of the average amount of the Company's indebtedness that is guaranteed by Total S.A. pursuant to any guaranty issued in accordance with the terms of the Compensation and Funding Agreement during such quarter. Any payment obligations of the Company to Total S.A. under the Compensation and Funding Agreement that are not paid when due shall accrue interest until paid in full at a rate equal to 6-month U.S. LIBOR as in effect from time to time plus 5.00% per annum. In the three and nine months ended September 30, 2012, the Company incurred commitment fees of $1.4 million and $3.5 million, respectively, to Total S.A.

The Liquidity Support Agreement, the Compensation and Funding Agreement, the Private Placement Agreement, and the Revolving Credit and Convertible Loan Agreement are further described in the fiscal 2011 Form 10-K.

Note 3. TRANSFER OF ENTITIES UNDER COMMON CONTROL

Tenesol

On January 31, 2012, the Company completed its acquisition of Tenesol, a global solar provider headquartered in La Tour de Salvagny, France, and formerly wholly-owned subsidiary of Total, for $165.4 million in cash in exchange for 100% of the equity of Tenesol from Total pursuant to a stock purchase agreement entered into on December 23, 2011. Tenesol is engaged in the business of devising, designing, manufacturing, installing, and managing solar power production and consumption systems for farms, industrial and service sector buildings, solar power plants and private homes.

As Tenesol and the Company were under the common control of Total as of the January 31, 2012 acquisition date, the acquisition is treated as a transfer of an entity under common control and represents a change in the reporting entity. As a result, the Company has retrospectively adjusted its historical financial statements to reflect the transfer beginning on October 10, 2011, the first date in which Total had common control of both the Company and Tenesol, and to include the results of operations in the Company's Condensed Consolidated Statement of Operations since October 10, 2011. The Company recorded the transfer of Tenesol's assets and liabilities at their historical carrying value in Total's financial statements in accordance with U.S. GAAP, and the net assets transferred were recorded as an equity contribution from Total to the Company as of October 10, 2011. The subsequent cash payment on January 31, 2012 as described above was treated as a cash distribution to Total. In addition, a transaction between Total and Tenesol on January 23, 2012 resulted in an additional equity contribution from Total to the Company in the fiscal

quarter ending January 1, 2012, and an additional cash distribution to Total totaling $12.9 million in the fiscal quarter ending April 1, 2012.

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The Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Operations of the Company as of and for the twelve months ended January 1, 2012 as reported previously and as adjusted in this report are as follows:

	As of January 1, 2012	
	As Adjusted for the Change in Reporting Entity	As Previously Reported in the 2011 Annual Report on Form 10-K
Assets		
Current assets:		
Cash and cash equivalents	$725,618	$657,934
Restricted cash and cash equivalents, current portion	52,279	52,279
Accounts receivable, net	438,633	390,262
Costs and estimated earnings in excess of billings	54,854	54,854
Inventories	445,501	397,262
Advances to suppliers, current portion	43,143	43,143
Project assets - plants and land, current portion	24,243	24,243
Prepaid expenses and other current assets	502,879	482,691
Total current assets	2,287,150	2,102,668
Restricted cash and cash equivalents, net of current portion	27,276	27,276
Restricted long-term marketable securities	9,145	9,145
Property, plant and equipment, net	628,769	607,456
Project assets - plants and land, net of current portion	34,614	34,614
Goodwill	47,077	35,990
Other intangible assets, net	23,900	4,848
Advances to suppliers, net of current portion	284,378	278,996
Other long-term assets	176,821	174,204
Total assets	$3,519,130	$3,275,197
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$441,655	$416,615
Accrued liabilities	249,404	234,688
Billings in excess of costs and estimated earnings	170,828	170,828
Short-term debt	2,122	—
Convertible debt, current portion	196,710	196,710
Customer advances, current portion	48,073	46,139
Total current liabilities	1,108,792	1,064,980
Long-term debt	364,273	355,000
Convertible debt, net of current portion	423,268	423,268
Customer advances, net of current portion	181,946	181,947
Other long-term liabilities	166,126	152,492
Total liabilities	2,244,405	2,177,687

Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; none issued and outstanding as of January 1, 2012	—	—
Common stock, $0.001 par value, 367,500,000 shares authorized; 101,851,290 shares issued, and 100,475,533 shares outstanding as of January 1, 2012	100	100
Additional paid-in capital	1,845,964	1,657,474
Accumulated deficit	(550,064)	(540,187)
Accumulated other comprehensive income	7,142	8,540
Treasury stock, at cost; 1,375,757 shares of common stock as of January 1, 2012	(28,417)	(28,417)
Total stockholders' equity	1,274,725	1,097,510
Total liabilities and stockholders' equity	$3,519,130	$3,275,197

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	Year Ended January 1, 2012	
	As Adjusted for the Change in Reporting Entity	As Previously Reported in the 2011 Annual Report on Form 10-K
Revenue	$2,374,376	$2,312,494
Cost of revenue	2,148,157	2,084,291
Gross margin	226,219	228,203
Operating expenses:		
Research and development	57,775	57,775
Sales, general and administrative	331,380	319,719
Goodwill impairment	309,457	309,457
Other intangible asset impairment	40,301	40,301
Restructuring charges	21,403	21,403
Total operating expenses	760,316	748,655
Operating loss	(534,098)	(520,452)
Other expense, net:		
Interest income	2,337	2,054
Interest expense	(67,253)	(67,022)
Gain on change in equity interest in unconsolidated investee	322	322
Gain on sale of equity interest in unconsolidated investee	5,937	5,937
Gain on mark-to-market derivatives	343	343
Other, net	(10,120)	(8,281)
Other expense, net	(68,434)	(66,647)
Loss before income taxes and equity in earnings of unconsolidated investees	(602,532)	(587,099)
Provision for income taxes	(17,208)	(22,099)
Equity in losses of unconsolidated investees	6,003	6,003
Net loss	$(613,737)	$(603,195)
Net loss per share of common stock:		
Basic and diluted	$(6.28)	$(6.18)
Weighted-average shares:		
Basic and diluted	97,724	97,724

Note 4. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The following table presents the changes in the carrying amount of goodwill under the Company's reportable business segments:

(In thousands)	Americas	EMEA	APAC	Total
As of January 1, 2012 (1)	$35,990	$11,087	$—	$47,077
Goodwill impairment	(35,990)	(10,744)	—	(46,734)
Translation adjustment	—	(343)	—	(343)
As of September 30, 2012	$—	$—	$—	$—

(1) As adjusted to reflect the balances of Tenesol beginning October 10, 2011, as required under the accounting guidelines for a transfer of an entity under common control (see Note 3).

Goodwill is tested for impairment at least annually, or more frequently if certain indicators are present. A two-step process is used to test for goodwill impairment. The first step is to determine if there is an indication of impairment by comparing the estimated fair value of each reporting unit to its carrying value, including existing goodwill. Goodwill is considered impaired if the carrying value of a reporting unit exceeds the estimated fair value. Upon an indication of impairment, a second step is performed to determine the amount of the impairment by comparing the implied fair value of the reporting unit's goodwill with its carrying value.

The Company conducts its annual impairment test of goodwill as of the Sunday closest to the end of the third fiscal quarter of each year. Impairment of goodwill is tested at the Company's reporting unit level. Management determined that the Americas Segment, the EMEA Segment, and the APAC Segment are also the reporting units. In estimating the fair value of the reporting units, the Company makes estimates and judgments about its future cash flows using an income approach defined as Level 3 inputs under fair value measurement standards. The income approach, specifically a discounted cash flow analysis, included assumptions for, among others, forecasted revenue, gross margin, operating income, working capital cash flow, perpetual growth rates and long-term discount rates, all of which require significant judgment by management. The sum of the

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fair values of the Company's reporting units are also compared to its external market capitalization to determine the appropriateness of its assumptions and adjusted, if appropriate. These assumptions took into account the current industry environment and its impact on the Company's business.

Based on the impairment test as of September 30, 2012, the Company determined that the carrying value of the Americas and EMEA reporting units exceeded their fair value. As a result, the Company performed the second step of the impairment analysis for the two reporting units discussed above. The Company's calculation of the implied fair value of goodwill included significant assumptions for, among others, the fair values of recognized assets and liabilities and of unrecognized intangible assets, all of which require significant judgment by management. The Company calculated that the implied fair value of goodwill for the two reporting units was zero and therefore recorded a goodwill impairment loss of $46.7 million, representing all of the goodwill associated with these reporting units. Based on the impairment test performed as of October 2, 2011, the Company recorded a goodwill impairment loss of $309.5 million related to the EMEA reporting unit.

Intangible Assets

The following tables present details of the Company's acquired other intangible assets:

(In thousands)	Gross	Accumulated Amortization	Net
As of September 30, 2012			
Patents, trade names and purchased technology	$49,892	$(49,892)	$—
Purchased in-process research and development	1,000	(319)	681
Customer relationships and other	28,376	(27,298)	1,078
	$79,268	$(77,509)	$1,759
As of January 1, 2012 (1)			
Patents, trade names and purchased technology	$52,992	$(50,280)	$2,712
Purchased in-process research and development	1,000	(195)	805
Customer relationships and other	45,910	(25,527)	20,383
	$99,902	$(76,002)	$23,900

(1) As adjusted to reflect the balances of Tenesol beginning October 10, 2011, as required under the accounting guidelines for a transfer of an entity under common control (see Note 3).

All of the Company's acquired other intangible assets are subject to amortization. Aggregate amortization expense for other intangible assets totaled $2.6 million and $8.1 million in the three and nine months ended September 30, 2012, respectively, and $6.7 million and $20.6 million in the three and nine months ended October 2, 2011, respectively.

The Company reviews intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. During the third quarter of fiscal 2012, the Company determined that the carrying value of certain intangible assets in Europe were no longer recoverable based on a discrete evaluation of the nature of the intangible assets, incorporating the effect of declines in regional operating results. As a result, the Company recognized an impairment loss of $12.8 million on its Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2012.

During the third quarter of fiscal 2011, the Company determined the carrying value of certain intangible assets related to strategic acquisitions of EPC and O&M project pipelines in Europe were no longer recoverable and recognized an impairment loss of $40.3 million on its Condensed Consolidated Statement of Operations for the three and nine months ended October 2, 2011. The Company determined that the carrying value of the intangible assets was not

recoverable as the carrying value of the asset group which contained the intangible assets exceeded the undiscounted cash flows of the asset group for a period of time commensurate with the remaining useful life of the primary asset of the group plus a salvage value of the asset group at the end of this period. The impairment loss was calculated by comparing the fair value of the intangible assets to their carrying value. In calculating the fair value of the intangible assets, the Company utilized discounted cash flow assumptions related to the acquired EPC and O&M project pipelines in Europe. The significant decline in fair value of the intangible assets was primarily attributable to the change in government incentives in Europe.

As of September 30, 2012, the estimated future amortization expense related to other intangible assets is as follows:

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(In thousands)	Amount
Year	
2012 (remaining three months)	$1,015
2013	272
2014	167
2015	166
2016	139
	$1,759

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Note 5. BALANCE SHEET COMPONENTS

(In thousands)	As of September 30, 2012	January 1, 2012
Accounts receivable, net:		
Accounts receivable, gross	$326,011	$468,320
Less: allowance for doubtful accounts	(22,687)	(21,039)
Less: allowance for sales returns	(5,628)	(8,648)
	$297,696	$438,633
Inventories:		
Raw materials	$75,118	$78,050
Work-in-process	74,621	79,397
Finished goods	257,471	288,054
	$407,210	$445,501
Prepaid expenses and other current assets:		
VAT receivables, current portion	$98,918	$68,993
Foreign currency derivatives	4,325	34,422
Income tax receivable	4,383	19,541
Deferred project costs	325,804	183,789
Other current assets	30,930	20,006
Other receivables (1)	86,435	146,135
Other prepaid expenses	33,874	29,993
	$584,669	$502,879

(1) Includes tolling agreements with suppliers in which the Company provides polysilicon required for silicon ingot manufacturing and procures the manufactured silicon ingots from the suppliers (see Notes 8 and 9).

Project assets - plants and land:		
Project assets — plants	$112,135	$31,469
Project assets — land	49,356	27,388
	$161,491	$58,857
Project assets - plants and land, current portion	$142,771	$24,243
Project assets - plants and land, net of current portion	$18,720	$34,614

Property, plant and equipment, net:		
Land and buildings	$20,082	$13,912
Leasehold improvements	211,802	244,913
Manufacturing equipment (2)	568,765	625,019
Computer equipment	75,098	69,694
Solar power systems	119,534	18,631
Furniture and fixtures	7,569	7,172
Construction-in-process	25,307	46,762
	1,028,157	1,026,103
Less: accumulated depreciation (3)	(368,923)	(397,334)
	$659,234	$628,769

(2) The Company's mortgage loan agreement with International Finance Corporation ("IFC") is collateralized by certain manufacturing equipment with a net book value of $168.9 million and $196.6 million as of September 30, 2012 and January 1, 2012, respectively. The Company also provided security for advance payments received from

a third party in fiscal 2008 in the form of collateralized manufacturing equipment with a net book value of $17.6 million and $21.1 million as of September 30, 2012 and January 1, 2012, respectively.

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(3) Total depreciation expense was $24.4 million and $82.7 million for the three and nine months ended September 30, 2012, respectively and $30.3 million and $84.0 million for the three and nine months ended October 2, 2011, respectively.

(In thousands)	As of September 30, 2012	January 1, 2012
Property, plant and equipment, net by geography (4):		
Philippines	$401,027	$490,074
United States	191,448	93,436
Mexico	34,452	21,686
Europe	30,070	20,830
Other	2,237	2,743
	$659,234	$628,769

(4) Property, plant and equipment, net are based on the physical location of the assets.

The below table presents the cash and non-cash interest expense capitalized to property, plant and equipment and project assets during the three and nine months ended September 30, 2012 and October 2, 2011, respectively.

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Interest expense:				
Interest cost incurred	$(26,912)	$(18,729)	$(66,899)	$(52,832)
Cash interest cost capitalized - property, plant and equipment	272	297	859	1,182
Non-cash interest cost capitalized - property, plant and equipment	142	113	444	834
Cash interest cost capitalized - project assets - plant and land	395	534	944	1,140
Non-cash interest cost capitalized - project assets - plant and land	269	689	717	1,262
Interest expense	$(25,834)	$(17,096)	$(63,935)	$(48,414)

(In thousands)	As of September 30, 2012	January 1, 2012
Other long-term assets:		
Equity method investments	$107,280	$129,929
Bond hedge derivative	1,563	840
Cost method investments	14,918	4,918
VAT receivables, net of current portion	—	6,020
Long-term debt issuance costs	43,766	10,734
Other	77,296	24,380
	$244,823	$176,821

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(In thousands)	As of September 30, 2012	January 1, 2012
Accrued liabilities:		
VAT payables	$3,333	$47,034
Foreign currency derivatives	3,494	14,935
Short-term warranty reserves	10,751	15,034
Interest payable	8,933	7,288
Deferred revenue	13,005	48,115
Employee compensation and employee benefits	36,836	35,375
Other	84,168	81,623
	$160,520	$249,404
Other long-term liabilities:		
Embedded conversion option derivatives	$1,563	$844
Long-term warranty reserves	98,901	79,289
Deferred revenue	84,825	31,988
Unrecognized tax benefits	29,756	29,256
Other	42,191	24,749
	$257,236	$166,126
Accumulated other comprehensive income (loss):		
Cumulative translation adjustment	$(3,162)	$(1,360)
Net unrealized gain on derivatives	(265)	10,473
Deferred taxes	45	(1,971)
	$(3,382)	$7,142

Note 6. 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

The Company measures certain assets and liabilities at fair value on a recurring basis. There were no transfers between fair value measurement levels during the nine months ended September 30, 2012 or October 2, 2011, respectively. The Company did not have any assets or liabilities measured at fair value on a recurring basis requiring Level 3 inputs as of September 30, 2012 or January 1, 2012.

The following table summarizes the Company's assets and liabilities measured and recorded at fair value on a recurring basis as of September 30, 2012 and January 1, 2012, respectively:

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(In thousands)	September 30, 2012 Total	Level 1	Level 2	January 1, 2012 Total	Level 1	Level 2
Assets						
Cash and cash equivalents:						
Money market funds (1)	$160,000	$160,000	$—	$187,538	$187,538	$—
Prepaid expenses and other current assets:						
Foreign currency derivatives (Note 11)	4,325	—	4,325	34,422	—	34,422
Other long-term assets:						
Debt derivatives (Note 10)	1,563	—	1,563	840	—	840
Total assets	$165,888	$160,000	$5,888	$222,800	$187,538	$35,262
Liabilities						
Accrued liabilities:						
Foreign currency derivatives (Note 11)	$3,494	$—	$3,494	$14,935	$—	$14,935
Other long-term liabilities:						
Debt derivatives (Note 10)	1,563	—	1,563	844	—	844
Total liabilities	$5,057	$—	$5,057	$15,779	$—	$15,779

(1) The Company's cash equivalents consist of money market fund instruments which are classified as available-for-sale and within Level 1 of the fair value hierarchy because they are valued using quoted market prices for identical instruments in active markets.

Other financial instruments, including the Company's accounts receivable, accounts payable and accrued liabilities, are carried at cost, which generally approximates fair value due to the short-term nature of these instruments.

Debt Derivatives

The 4.50% Bond Hedge and the embedded cash conversion option within 4.50% debentures (as defined in Note 10) are classified as derivative instruments that require mark-to-market treatment with changes in fair value reported in the Company's Condensed Consolidated Statements of Operations. The fair value of these derivative instruments were determined utilizing the following Level 2 inputs:

	As of (1) September 30, 2012	January 1, 2012
Stock price	$4.51	$6.23
Exercise price	$22.53	$22.53
Interest rate	0.39 %	0.84 %
Stock volatility	59.50 %	44.00 %
Credit risk adjustment	1.58 %	1.93 %
Maturity date	February 18, 2015	February 18, 2015

(1) The valuation model utilizes these inputs to value the right but not the obligation to purchase one share at $22.53. The Company utilized a Black-Scholes valuation model to value the 4.50% Bond Hedge and embedded cash conversion option. The underlying input assumptions were determined as follows:

(i) Stock price. The closing price of the Company's common stock on the last trading day of the quarter.

(ii) Exercise price. The exercise price of the 4.50% Bond Hedge and the embedded cash conversion option.

(iii) Interest rate. The Treasury Strip rate associated with the life of the 4.50% Bond Hedge and the embedded cash conversion option.

(iv) Stock volatility. The volatility of the Company's common stock over the life of the 4.50% Bond Hedge and the embedded cash conversion option.

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(v) Credit risk adjustment. Represents the weighted average of the credit default swap rate of the counterparties.

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

The Company measures certain investments and non-financial assets (including project assets, property, plant and equipment, and other intangible assets) 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. Information regarding the Company's goodwill and other intangible asset balances are disclosed in Note 4.

Debt Securities

The Company's debt securities consist of Philippine government bonds, classified as held-to-maturity, which are maintained as collateral for present and future business transactions within the country. These bonds have maturity dates of up to 5 years with a carrying value of $10.8 million as of September 30, 2012 and $9.1 million as of January 1, 2012, which are classified as "Restricted long-term marketable securities" on the Company's Condensed Consolidated Balance Sheets. The Company records such held-to-maturity investments at amortized cost based on its ability and intent to hold the securities until maturity. The Company monitors for changes in circumstances and events that would impact its ability and intent to hold such securities until the recorded amortized costs are recovered. The Company incurred no other-than-temporary impairment loss in the three and nine months ended September 30, 2012. The debt securities were categorized in Level 1 of the fair value hierarchy.

Equity and Cost Method Investments

The Company's equity and cost method investments in non-consolidated entities are comprised of convertible promissory notes, common and preferred stock. The Company monitors these investments, which are included in "Other long-term assets" within its Condensed Consolidated Balance Sheets, for impairment and records reductions in the carrying values when necessary. Circumstances that indicate an other-than-temporary decline include Level 2 measurements such as the valuation ascribed to the issuing company in subsequent financing rounds, decreases in quoted market prices, and declines in operations of the issuer. As of September 30, 2012 and January 1, 2012, the Company had $107.3 million and $129.9 million, respectively, in investments accounted for under the equity method and $14.9 million and $4.9 million, respectively, in investments accounted for under the cost method (see Note 9).

Note 7. RESTRUCTURING

April 2012 Restructuring Plan

As a result of the Company's continued cost reduction progress at its Fab 2 and its joint venture Fab 3 manufacturing facilities, on April 13, 2012, the Company's Board of Directors approved a restructuring plan (the "April 2012 Plan") to consolidate the Company's Philippine manufacturing operations into Fab 2 and begin repurposing Fab 1 in the second quarter of 2012. The Company expects to recognize restructuring charges up to $69.0 million, related to all segments, in the twelve months following the approval and implementation of the April 2012 Plan. Total restructuring charges are expected to primarily be composed of non-cash charges of up to $54.0 million, and other cash-based associated costs of up to $15.0 million, for the closure of Fab 1.

December 2011 Restructuring Plan

To accelerate operating cost reduction and improve overall operating efficiency, in December 2011, the Company implemented a company-wide restructuring program (the "December 2011 Plan"). The December 2011 Plan

eliminated approximately 2% of the Company's global workforce. The Company expects to recognize restructuring charges up to $17.0 million, related to all segments, in the twelve months following the approval and implementation of the December 2011 Plan. The Company expects greater than 80% of these charges to be cash.

June 2011 Restructuring Plan

In response to reductions in European government incentives, which had a significant impact on the global solar market, on June 13, 2011, the Company's Board of Directors approved a restructuring plan (the "June 2011 Plan") to realign the Company's resources. The June 2011 Plan eliminated approximately 2% of the Company's global workforce, in addition to the consolidation or closure of certain facilities in Europe. Restructuring activities associated with the June 2011 Plan were

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substantially completed as of September 30, 2012.

The following table summarizes the restructuring charges recognized in the Company's Condensed Consolidated Statements of Operations:

	Three Months Ended		Nine Months Ended		Cumulative To Date
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011	
April 2012 Plan:					
Non-cash impairment charges	$6,155	$—	$49,561	$—	$49,561
Other costs	2,066	—	3,232	—	3,232
	8,221	—	52,793	—	52,793
December 2011 Plan:					
Non-cash impairment charges	3,810	—	3,810	—	3,810
Severance and benefits	(110)	—	1,505	—	8,810
Lease and related termination costs	(1,671)	—	2,402	—	2,402
Other costs	70	—	369	—	541
	2,099	—	8,086	—	15,563
June 2011 Plan:					
Severance and benefits	—	—	(160)	12,275	11,026
Lease and related termination costs	190	—	447	713	1,135
Other costs	34	637	23	957	2,075
	224	637	310	13,945	14,236
Total restructuring charges	$10,544	$637	$61,189	$13,945	$82,592

The following table summarizes the restructuring reserve activity during the nine months ended September 30, 2012:

	Nine Months Ended			
(In thousands)	January 1, 2012	Charges (Benefits)	Payments	September 30, 2012
April 2012 Plan:				
Other costs (1) (2)	—	3,232	(3,091)	141
December 2011 Plan:				
Severance and benefits	3,344	1,505	(4,789)	60
Lease and related termination costs	—	2,402	(452)	1,950
Other costs (1) (2)	24	369	(265)	128
June 2011 Plan:				
Severance and benefits (3)	2,204	(160)	(2,044)	—
Lease and related termination costs	688	447	(347)	788
Other costs (1)	64	23	(87)	—
Total restructuring liabilities	$6,324	$7,818	$(11,075)	$3,067

(1) Other costs primarily represent associated legal services and costs associated with the decommissioning of Fab 1 assets.

(2) The reserve balance excludes non-cash impairment charges incurred in connection with the April 2012 Plan and December 2011 Plan during the nine months ended September 30, 2012.

(3) The June 2011 Plan reserve balance as of January 1, 2012 excludes $1.4 million of charges associated with the accelerated vesting of promissory notes, in accordance with the terms of each agreement, previously issued as consideration for an acquisition completed in the first quarter of fiscal 2010. The $1.4 million charge is separately recorded in "Accrued liabilities" on the Company's Condensed Consolidated Balance Sheet as of January 1, 2012, and was fully paid during the three months ended April 1, 2012.

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Note 8. COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company leases its corporate headquarters in San Jose, California and its Richmond, California facility under non-cancellable operating leases from unaffiliated third parties. The Company also has various other lease arrangements, including its European headquarters located in Geneva, Switzerland as well as sales and support offices throughout the United States and Europe. In August 2011, the Company entered into a non-cancellable operating lease agreement for its solar module facility in Mexicali, Mexico from an unaffiliated third party.

The Company has additionally entered into sale-leaseback arrangements under which nine solar power systems have been sold to unaffiliated third parties and subsequently leased back under operating leases over minimum lease terms of up to 20 years. Separately, the Company entered into power purchase agreements ("PPAs") with end customers, who host the leased solar power systems and buy the electricity directly from the Company under PPAs with a duration of up to 20 years. At the end of each lease term, the Company has the option to purchase the systems at fair value or remove the systems. The deferred profit on the sale of the systems is recognized over the minimum term of the lease.

The Company additionally leases certain buildings, machinery and equipment under capital leases for terms up to 12 years.

Future minimum obligations under all non-cancellable leases as of September 30, 2012 are as follows:

(In thousands) Year	Capital Lease Amount	Operating Lease Amount
2012 (remaining three months)	$477	$5,434
2013	2,043	16,116
2014	1,387	14,025
2015	1,196	12,835
2016	951	11,738
Thereafter	3,252	55,905
	$9,306	$116,053

Purchase Commitments

The Company purchases 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, the Company enters into agreements with contract manufacturers and suppliers that either allow them to procure goods and services based on specifications defined by the Company, or that establish parameters defining the Company's requirements. In certain instances, these agreements allow the Company the option to cancel, reschedule or adjust the Company's requirements based on its business needs prior to firm orders being placed. Consequently, only a portion of the Company's disclosed purchase commitments arising from these agreements are firm, non-cancellable, and unconditional commitments.

The Company also has agreements with several suppliers, including some of its non-consolidated joint ventures, for the procurement of polysilicon, ingots, wafers, solar cells, solar panels, and Solar Renewable Energy Credits ("SRECs") which specify future quantities and pricing of products to be supplied by the vendors for periods up to 10 years and provide for certain consequences, such as forfeiture of advanced deposits and liquidated damages relating to previous purchases, in the event that the Company terminates the arrangements. Where pricing is specified for future

periods, with two of our ingot/wafer suppliers, the Company may reduce its purchase commitment under the contract if the Company obtains a bona fide third party offer at a price that is a certain percentage lower than the applicable purchase price in the existing contract. If market prices decrease, the Company intends to use such provisions to either move its purchasing to another supplier or to seek to force the initial supplier to reduce its price to remain competitive with market pricing. These two contracts constitute approximately 1% of the aggregate purchase commitments shown.

As of September 30, 2012, total obligations related to non-cancellable purchase orders totaled $0.2 billion and long-term supply agreements with suppliers totaled $2.2 billion. Of the total future purchase commitments of $2.4 billion as of

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September 30, 2012, $90.8 million are for commitments to related parties. Future purchase obligations under non-cancellable purchase orders and long-term supply agreements as of September 30, 2012 are as follows:

(In thousands)	Amount
Year	
2012 (remaining three months)	$466,497
2013	170,661
2014	359,228
2015	361,218
2016	327,268
Thereafter	711,412
	$2,396,284

The Company has tolling agreements with suppliers in which the Company provides polysilicon required for silicon ingot manufacturing and procures the manufactured silicon ingots from the supplier. Annual future purchase commitments in the table above are calculated using the gross future purchase obligations of the Company and are not reduced by tolling agreements and non-cancellable SREC sales arrangements. Total future purchase commitments as of September 30, 2012 would be reduced by $43.8 million had the Company's obligations under such agreements been disclosed using net cash outflows.

The Company expects 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 underperformance 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 are compared to expected demand regularly. The Company anticipates total obligations related to long-term supply agreements for inventories will be recovered because quantities are less than management's expected demand for its solar power products. However, the terms of the long-term supply agreements are reviewed by management and the Company assesses the need for any accruals for estimated losses on adverse purchase commitments, such as lower of cost or market 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, the Company has entered into agreements with various polysilicon, ingot, wafer, solar cell, and solar panel vendors that specify future quantities and pricing of products to be supplied by the vendors for periods up to 10 years. Certain agreements also provide for penalties or forfeiture of advanced deposits in the event the Company terminates the arrangements. Under certain agreements, the Company is required to make prepayments to the vendors over the terms of the arrangements. During the three and nine months ended September 30, 2012, the Company paid advances totaling $15.4 million and $42.5 million, respectively, in accordance with the terms of existing long-term supply agreements. As of September 30, 2012 and January 1, 2012, advances to suppliers totaled $357.5 million and $327.5 million, respectively, the current portion of which is $54.9 million and $43.1 million, respectively. Two suppliers accounted for 74% and 23% of total advances to suppliers as of September 30, 2012, and 74% and 20% as of January 1, 2012.

The Company's future prepayment obligations related to these agreements as of September 30, 2012 are as follows:

(In thousands)	Amount
Year	
2012 (remaining three months)	$9,648

2013	72,839
2014	65,791
	$148,278

Product Warranties

The Company generally warrants or guarantees the performance of the solar panels that it manufactures at certain levels

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of power output for 25 years. In addition, the Company passes through to customers long-term warranties from OEMs of certain system components, such as inverters. Warranties of 25 years from solar panels suppliers are standard in the solar industry, while inverters typically carry warranty periods ranging from 5 to 10 years. In addition, the Company generally warrants its workmanship on installed systems for periods ranging up to 10 years. The Company maintains reserves to cover the expected costs that could result from these warranties. The Company's expected costs are generally in the form of product replacement or repair. Warranty reserves are based on the Company's best estimate of such costs and are recognized as a cost of revenue. The Company continuously monitors product returns for warranty failures and maintains a reserve for the related warranty expenses based on various factors including historical warranty claims, results of accelerated lab testing, field monitoring, vendor reliability estimates, and data on industry averages for similar products. Historically, warranty costs have been within management's expectations.

Provisions for warranty reserves charged to cost of revenue were $7.4 million and $20.7 million in the three and nine months ended September 30, 2012, respectively, and $6.4 million and $24.8 million in the three and nine months ended October 2, 2011, respectively:

	Three Months Ended		Nine Months Ended	
(In thousands)	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Balance at the beginning of the period (1)	$104,439	$79,261	$94,323	$63,562
Accruals for warranties issued during the period	7,387	6,435	20,692	24,803
Settlements made during the period	(2,174)	(2,031)	(5,363)	(4,700)
Balance at the end of the period	$109,652	$83,665	$109,652	$83,665

(1) As adjusted to reflect the balances of Tenesol beginning October 10, 2011, as required under the accounting guidelines for a transfer of an entity under common control (see Note 3).

Contingent Obligations

Projects often require the Company to undertake customer obligations including: (i) system output performance guarantees; (ii) system maintenance; (iii) penalty payments or customer termination rights if the system the Company is constructing is not commissioned within specified timeframes or other milestones are not achieved; (iv) guarantees of certain minimum residual value of the system at specified future dates; and (v) system put-rights whereby the Company could be required to buy-back a customer's system at fair value on specified future dates if certain minimum performance thresholds are not met for periods of up to two years. Historically the systems have performed significantly above the performance guarantee thresholds, and there have been no cases in which the Company had to buy back a system.

Future Financing Commitments

The Company is required to provide certain funding under the joint venture agreement with AU Optronics Singapore Pte. Ltd. ("AUO") and another financing agreement with a third party, subject to certain conditions (see Note 9).

The Company's future financing obligations related to these agreements as of September 30, 2012 are as follows:

(In thousands)	Amount
Year	
2012 (remaining three months)	$47,770
2013	101,400
2014	96,770
	$245,940

Liabilities Associated with Uncertain Tax Positions

Total liabilities associated with uncertain tax positions were $29.8 million and $29.3 million as of September 30, 2012 and January 1, 2012, respectively, and are included in "Other long-term liabilities" in the Company's Condensed Consolidated Balance Sheets as they are not expected to be paid within the next twelve months. Due to the complexity and uncertainty associated with its tax positions, the Company cannot make a reasonably reliable estimate of the period in which cash settlement, if any, would be made for its liabilities associated with uncertain tax positions in other long-term liabilities (see Note 12).

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Indemnifications

The Company is a party to a variety of agreements under which it may be obligated to indemnify the other party with respect to certain matters. Typically, these obligations arise in connection with contracts and license agreements or the sale of assets, under which the Company customarily agrees to hold the other party harmless against losses arising from a breach of warranties, representations and covenants related to such matters as title to assets sold, negligent acts, damage to property, validity of certain intellectual property rights, non-infringement of third-party rights, and certain tax related matters. In each of these circumstances, payment by the Company is typically subject to the other party making a claim to the Company under the procedures specified in the particular contract. These procedures usually allow the Company to challenge the other party's claims or, in case of breach of intellectual property representations or covenants, to control the defense or settlement of any third party claims brought against the other party. Further, the Company's obligations under these agreements may be limited in terms of activity (typically to replace or correct the products or terminate the agreement with a refund to the other party), duration and/or amounts. In some instances, the Company may have recourse against third parties and/or insurance covering certain payments made by the Company.

Legal Matters

Three securities class action lawsuits were filed against the Company and certain of its current and former officers and directors in the United States District Court for the Northern District of California on behalf of a class consisting of those who acquired the Company's securities from April 17, 2008 through November 16, 2009. The cases were consolidated as In re SunPower Securities Litigation, Case No. CV-09-5473-RS (N.D. Cal.), and lead plaintiffs and lead counsel were appointed on March 5, 2010. Lead plaintiffs filed a consolidated complaint on May 28, 2010. The actions arise from the Audit Committee's investigation announcement on November 16, 2009 regarding certain unsubstantiated accounting entries. The consolidated complaint alleges that the defendants made material misstatements and omissions concerning the Company's financial results for 2008 and 2009, seeks an unspecified amount of damages, and alleges violations of sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and sections 11 and 15 of the Securities Act of 1933. The Company believes it has meritorious defenses to these allegations and will vigorously defend itself in these matters. The court held a hearing on the defendants' motions to dismiss the consolidated complaint on November 4, 2010. The court dismissed the consolidated complaint with leave to amend on March 1, 2011. An amended complaint was filed on April 18, 2011. The amended complaint added two former employees as defendants. Defendants filed motions to dismiss the amended complaint on May 23, 2011. The motions to dismiss the amended complaint were heard by the court on August 11, 2011. On December 19, 2011, the court granted in part and denied in part the motions to dismiss, dismissing the claims brought pursuant to sections 11 and 15 of the Securities Act of 1933 and the claims brought against the two newly added former employees. The Company is currently unable to determine if the resolution of these matters will have an adverse effect on the Company's financial position, liquidity or results of operations.

Derivative actions purporting to be brought on the Company's behalf have also been filed in state and federal courts against several of the Company's current and former officers and directors based on the same events alleged in the securities class action lawsuits described above. The California state derivative cases were consolidated as In re SunPower Corp. S'holder Derivative Litig., Lead Case No. 1-09-CV-158522 (Santa Clara Sup. Ct.), and co-lead counsel for plaintiffs have been appointed. The complaints assert state-law claims for breach of fiduciary duty, abuse of control, unjust enrichment, gross mismanagement, and waste of corporate assets. Plaintiffs filed a consolidated amended complaint on March 5, 2012. The federal derivative complaints were consolidated as In re SunPower Corp. S'holder Derivative Litig., Master File No. CV-09-05731-RS (N.D. Cal.), and lead plaintiffs and co-lead counsel were appointed on January 4, 2010. The federal complaints assert state-law claims for breach of fiduciary duty, waste of corporate assets, and unjust enrichment, and seek an unspecified amount of damages. Plaintiffs filed a consolidated complaint on May 13, 2011. A Delaware state derivative case, Brenner v. Albrecht, et al., C.A. No. 6514-VCP (Del

Ch.), was filed on May 23, 2011 in the Delaware Court of Chancery. The complaint asserts state-law claims for breach of fiduciary duty and contribution and indemnification, and seeks an unspecified amount of damages. The Company intends to oppose all the derivative plaintiffs' efforts to pursue this litigation on the Company's behalf. Defendants moved to stay or dismiss the Delaware derivative action on July 5, 2011. The motion to stay was heard by the court on October 27, 2011, and on January 27, 2012 the court granted the Company's motion and stayed the case indefinitely subject to plaintiff seeking to lift the stay under specified conditions. The Company is currently unable to determine if the resolution of these matters will have an adverse effect on the Company's financial position, liquidity or results of operations.

The Company is also a party to various other litigation matters and claims that arise from time to time in the ordinary course of its business. While the Company believes that the ultimate outcome of such matters will not have a material adverse effect on the Company, their outcomes are not determinable and negative outcomes may adversely affect the Company's financial position, liquidity or results of operations.

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Note 9. EQUITY METHOD INVESTMENTS

The Company accounts for its equity interests in the below unconsolidated investees under the equity method of accounting as it has the ability to exercise significant influence, but does not own a majority equity interest in, or otherwise control, the investees. As of September 30, 2012 and January 1, 2012, the Company's carrying value of its equity method investments totaled $107.3 million and $129.9 million, respectively, and is classified as “Other long-term assets” in its Condensed Consolidated Balance Sheets. The Company's share of the investees' results totaled earnings of $0.6 million and losses of $1.8 million in the three and nine months ended September 30, 2012, respectively, and earnings of $1.0 million and $7.9 million in the three and nine months ended October 2, 2011, respectively, which are included in “Equity in earnings (loss) of unconsolidated investees” in its Condensed Consolidated Statements of Operations.

The Company reviews its equity investments for events or other factors which may indicate an other-than-temporary decline in value. During the second quarter of fiscal 2012 the Company recorded a $6.9 million impairment charge to "Other, net" in the Condensed Consolidated Statement of Operations as it determined current market and operating conditions indicated an inability to recover the carrying amount of one of its investments.

Related Party Transactions with Equity Method Investees:

(In thousands)	As of September 30, 2012	January 1, 2012
Accounts receivable	$18,748	$74,396
Accounts payable	35,995	109,700

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Payments made to equity method investees for products/services	$123,112	$81,798	$452,379	$216,925

Equity Investment and Joint Venture with AUOSP

The Company, through its subsidiary SunPower Technology, Ltd. ("SPTL") formed the joint venture AUOSP with AUO and AU Optronics Corporation, the ultimate parent company of AUO ("AUO Taiwan") in the third quarter of fiscal 2010. The Company and AUO each own 50% of the joint venture AUOSP. AUOSP owns a solar cell manufacturing facility ("FAB 3") in Malaysia and manufactures solar cells and sells them on a "cost-plus" basis to the Company and AUO.

In connection with the joint venture agreement, the Company and AUO also entered into licensing and joint development, supply, and other ancillary transaction agreements. Through the licensing agreement, SPTL and AUO licensed to AUOSP, on a non-exclusive, royalty-free basis, certain background intellectual property related to solar cell manufacturing (in the case of SPTL), and manufacturing processes (in the case of AUO). Under the seven-year supply agreement with AUOSP, renewable by the Company for one-year periods thereafter, the percentage of AUOSP's total annual output allocated on a monthly basis to the Company, which the Company is committed to purchase, ranges from 95% in the fourth quarter of fiscal 2010 to 80% in fiscal year 2013 and thereafter. The Company and AUO have the right to reallocate supplies from time to time under a written agreement. As required under the joint venture agreement, in fiscal 2010, the Company and AUOSP entered into an agreement under which the Company will resell to AUOSP polysilicon purchased from a third-party supplier and AUOSP will provide prepayments to the Company related to such polysilicon, which prepayment will then be made by the Company to the

third-party supplier.

The Company and AUO are not permitted to transfer any of AUOSP's shares held by them, except to each other and to their direct or indirect wholly-owned subsidiaries. In the joint venture agreement, the Company and AUO agreed to each contribute additional amounts through 2014 amounting to $241.0 million, or such lesser amount as the parties may mutually agree. In addition, if AUOSP, SPTL or AUO requests additional equity financing to AUOSP, then SPTL and AUO will each be required to make additional cash contributions of up to $50.0 million in the aggregate (See Note 8).

The Company has concluded that it is not the primary beneficiary of AUOSP since, although the Company and AUO are both obligated to absorb losses or have the right to receive benefits, the Company alone does not have the power to direct the

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activities of AUOSP that most significantly impact its economic performance. In making this determination the Company considered the shared power arrangement, including equal board governance for significant decisions, elective appointment, and the fact that both parties contribute to the activities that most significantly impact the joint venture's economic performance. The Company accounts for its investment in AUOSP using the equity method as a result of the shared power arrangement. As of September 30, 2012, the Company's maximum exposure to loss as a result of its involvement with AUOSP is limited to the carrying value of its investment.

Equity Investment in First Philec Solar Corporation ("First Philec Solar")

The Company and First Philippine Electric Corporation ("First Philec") formed First Philec Solar in fiscal 2007, a jointly owned entity to provide wafer slicing services of silicon ingots to the Company in the Philippines. The Company supplied to First Philec Solar silicon ingots and technology required for slicing silicon. Once manufactured, the Company purchased the completed silicon wafers from First Philec Solar under a six-year wafering supply and sales agreement, which the Company terminated in the third quarter of fiscal 2012. There is no obligation or expectation for the Company to provide additional funding to First Philec Solar.

The Company has concluded that it is not the primary beneficiary of First Philec Solar since, although the Company and First Philec are both obligated to absorb losses or have the right to receive benefits from First Philec Solar, such variable interests held by the Company do not empower it to direct the activities that most significantly impact First Philec Solar's economic performance. In reaching this determination, the Company considered the significant control exercised by First Philec over the joint venture's Board of Directors, management and daily operations. The Company accounts for its investment in First Philec Solar using the equity method since the Company is able to exercise significant influence over First Philec Solar due to its board positions.

Equity Investment in Woongjin Energy Co., Ltd ("Woongjin Energy")

The Company and Woongjin Holdings Co., Ltd. ("Woongjin") formed Woongjin Energy in fiscal 2006, a jointly owned entity to manufacture monocrystalline silicon ingots in Korea. The Company supplies polysilicon, services, and technical support required for silicon ingot manufacturing to Woongjin Energy. Once manufactured, the Company purchases the silicon ingots from Woongjin Energy under a nine-year agreement through 2016. There is no obligation or expectation for the Company to provide additional funding to Woongjin Energy.

On June 30, 2010, Woongjin Energy completed its initial public offering ("IPO") and the sale of 15.9 million new shares of common stock. As a result of the completion of the IPO, the Company concluded that Woongjin Energy is no longer a variable interest entity ("VIE"). During the second half of fiscal 2011, the Company sold 15.5 million shares of Woongjin Energy on the open market subsequently reducing the Company's percentage equity ownership in Woongjin Energy from 31% to 6%. As of January 1, 2012, the Company held 3.9 million shares of Woongjin Energy. During the first quarter of fiscal 2012, the Company sold its remaining shares of Woongjin Energy on the open market for total proceeds, net of tax, amounting to $14.0 million, which equaled the remaining investment carrying balance. As a result, the Company's percentage equity ownership and investment carrying balance was reduced to zero. During the first quarter of fiscal 2012, the Company collected $3.4 million of net proceeds associated with fiscal 2011 sales, the balance of which was included in "Prepaid expenses and other current assets" on the Company's Condensed Consolidated Balance Sheet as of January 1, 2012 due to timing of cash settlement for trades executed near year end.

The Company accounted for its former investment in Woongjin Energy using the equity method as the Company was able to exercise significant influence over Woongjin Energy due to its board position and its consumption of a significant portion of their output.

Note 10. DEBT AND CREDIT SOURCES

The following table summarizes the Company's outstanding debt as of September 30, 2012 and the related maturity dates:

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(In thousands)	Face Value	Payments Due by Period 2012 (remaining three months)	2013	2014	2015	2016	Beyond 2016
Convertible debt:							
4.50% debentures	$250,000	$—	$—	$—	$250,000	$—	$—
4.75% debentures	230,000	—	—	230,000	—	—	—
0.75% debentures	79	—	—	—	79	—	—
IFC mortgage loan	75,000	—	12,500	15,000	15,000	15,000	17,500
CEDA loan	30,000	—	—	—	—	—	30,000
Credit Agricole revolving credit facility	250,000	—	250,000	—	—	—	—
Other debt (1)	28,720	27,659	—	—	—	—	1,061
	$863,799	$27,659	$262,500	$245,000	$265,079	$15,000	$48,561

(1) The balance of Other debt excludes payments related to capital leases which are disclosed in Note 8. "Commitments and Contingencies" to these condensed consolidated financial statements.

Convertible Debt

The following table summarizes the Company's outstanding convertible debt:

	September 30, 2012			January 1, 2012		
(In thousands)	Carrying Value	Face Value	Fair Value (1)	Carrying Value	Face Value	Fair Value (1)
Convertible debt:						
4.50% debentures	$204,336	$250,000	$227,650	$193,189	$250,000	$205,905
4.75% debentures	230,000	230,000	208,150	230,000	230,000	200,967
1.25% debentures	—	—	—	196,710	198,608	197,615
0.75% debentures	79	79	79	79	79	79
	$434,415	$480,079	$435,879	$619,978	$678,687	$604,566

(1) The fair value of the convertible debt was determined using Level 1 inputs based on quarterly market prices as reported by an independent pricing source.

4.50% Debentures

In fiscal 2010, the Company issued $250.0 million in principal amount of its 4.50% senior cash convertible debentures ("4.50% debentures"). Interest is payable semi-annually, on March 15 and September 15 of each year, at a rate of 4.50% per annum which commenced on September 15, 2010. The 4.50% debentures mature on March 15, 2015 unless repurchased or converted in accordance with their terms prior to such date.

The 4.50% debentures are convertible only into cash, and not into shares of the Company's common stock (or any other securities). The conversion price will be subject to adjustment in certain events, such as distributions of dividends or stock splits. Upon conversion, the Company will deliver an amount of cash calculated by reference to the price of its common stock over the applicable observation period. The Company may not redeem the 4.50% debentures prior to maturity. Holders may also require the Company to repurchase all or a portion of their 4.50% debentures upon a fundamental change, as defined in the debenture agreement, at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest. In the event of certain events of default, such as the

Company's failure to make certain payments or perform or observe certain obligations thereunder, Wells Fargo, the trustee, or holders of a specified amount of then-outstanding 4.50% debentures will have the right to declare all amounts then outstanding due and payable.

The embedded cash conversion option within the 4.50% debentures is a derivative instrument that is required to be separated from the 4.50% debentures and accounted for separately as a derivative instrument (derivative liability) with changes

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in fair value reported in the Company's Condensed Consolidated Statements of Operations until such transactions settle or expire. The initial fair value liability of the embedded cash conversion option is classified within "Other long-term liabilities" and simultaneously reduces the carrying value of "Convertible debt, net of current portion" in the Company's Condensed Consolidated Balance Sheet.

During the three and nine months ended September 30, 2012, the Company recognized a non-cash gain of $0.9 million and non-cash loss of $0.8 million, respectively, recorded in "Other, net" in the Company's Condensed Consolidated Statement of Operations related to the change in fair value of the embedded cash conversion option. In the three and nine months ended October 2, 2011, the Company recognized a non-cash gain of $65.8 million and $34.2 million, respectively, recorded in "Other, net" in the Company's Condensed Consolidated Statement of Operations related to the change in fair value of the embedded cash conversion option.

Call Spread Overlay with Respect to 4.50% Debentures ("CSO2015")

Concurrent with the issuance of the 4.50% debentures, the Company entered into privately negotiated convertible debenture hedge transactions (collectively, the "4.50% Bond Hedge") and warrant transactions (collectively, the "4.50% Warrants" and together with the 4.50% Bond Hedge, the “CSO2015”), with certain of the initial purchasers of the 4.50% cash convertible debentures or their affiliates. The CSO2015 transactions represent a call spread overlay with respect to the 4.50% debentures, whereby the cost of the 4.50% Bond Hedge purchased by the Company to cover the cash outlay upon conversion of the debentures is reduced by the sales prices of the 4.50% Warrants. Assuming full performance by the counterparties (and 4.50% Warrants strike prices in excess of the conversion price of the 4.50% debentures), the transactions effectively reduce the Company's potential payout over the principal amount on the 4.50% debentures upon conversion of the 4.50% debentures.

Under the terms of the 4.50% Bond Hedge, the Company bought from affiliates of certain of the initial purchasers options to acquire, at an exercise price of $22.53 per share, subject to customary adjustments for anti-dilution and other events, cash in an amount equal to the market value of up to 11.1 million shares of the Company's common stock. Under the terms of the original 4.50% Warrants, as amended and restated on December 23, 2010, the Company sold to affiliates of certain of the initial purchasers of the 4.50% cash convertible debentures warrants to acquire, at an exercise price of $27.03 per share, subject to customary adjustments for anti-dilution and other events, up to 11.1 million shares of the Company's common stock. Each 4.50% Bond Hedge and 4.50% Warrant transaction is a separate transaction, entered into by the Company with each counterparty, and is not part of the terms of the 4.50% debentures. According to the counterparties to the warrants, the consummation of the Total Tender Offer triggered their rights to make a downward adjustment to the strike price of the warrants. In the third quarter of fiscal 2011, the Company and the counter parties to the 4.50% Warrants agreed to reduce the exercise price of the 4.50% Warrants from $27.03 to $24.00.

The 4.50% Bond Hedge, which is indexed to the Company's common stock, is a derivative instrument that requires mark-to-market accounting treatment due to the cash settlement features until such transactions settle or expire. The initial fair value of the 4.50% Bond Hedge was classified as "Other long-term assets" in the Company's Condensed Consolidated Balance Sheets.

During the three and nine months ended September 30, 2012, the Company recognized a non-cash loss of $0.9 million and a non-cash gain of $0.8 million, respectively, in "Other, net" in the Company's Condensed Consolidated Statement of Operations related to the change in fair value of the 4.50% Bond Hedge. In the three and nine months ended October 2, 2011, the Company recognized a non-cash loss of $65.3 million and $33.8 million, respectively, in "Other, net" in the Company's Condensed Consolidated Statement of Operations related to the change in fair value of the 4.50% Bond Hedge.

4.75% Debentures

In May 2009, the Company issued $230.0 million in principal amount of its 4.75% senior convertible debentures ("4.75% debentures"). Interest on the 4.75% debentures is payable on April 15 and October 15 of each year. Holders of the 4.75% debentures are able to exercise their right to convert the debentures at any time into shares of the Company's common stock at a conversion price equal to $26.40 per share. The applicable conversion rate may adjust in certain circumstances, including upon a fundamental change, as described in the indenture governing the 4.75% debentures. If not earlier converted, the 4.75% debentures mature on April 15, 2014. Holders may also require the Company to repurchase all or a portion of their 4.75% debentures upon a fundamental change at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest. In the event of certain events of default, such as the Company's failure to make certain payments or perform or observe certain obligations thereunder, Wells Fargo, the trustee, or holders of a specified amount of then-outstanding 4.75% debentures will have the right to declare all amounts then outstanding due and payable.

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Call Spread Overlay with Respect to the 4.75% Debentures ("CSO2014")

Concurrent with the issuance of the 4.75% debentures, the Company entered into certain convertible debenture hedge transactions (the "4.75% Bond Hedge") and warrant transactions (the "4.75% Warrants") with affiliates of certain of the underwriters of the 4.75% debentures (the "CSO2014"), whereby the cost of the 4.75% Bond Hedges purchased by the Company to cover the potential share outlays upon conversion of the debentures is reduced by the sales prices of the 4.75% Warrants. The CSO2014 are not subject to mark-to-market accounting treatment since they may only be settled by issuance of the Company's common stock.

The 4.75% Bond Hedge allows the Company to purchase up to 8.7 million shares of the Company's common stock. The 4.75% Bond Hedge will be settled on a net share basis. Each 4.75% Bond Hedge and 4.75% Warrant is a separate transaction, entered into by the Company with each counterparty, and is not part of the terms of the 4.75% debentures. Holders of the 4.75% debentures do not have any rights with respect to the 4.75% Bond Hedges and 4.75% Warrants. The exercise prices of the 4.75% Bond Hedge are $26.40 per share of the Company's common stock, subject to customary adjustment for anti-dilution and other events.

Under the 4.75% Warrants, the Company sold warrants to acquire up to 8.7 million shares of the Company's common stock at an exercise price of $38.50 per share of the Company's common stock, subject to adjustment for certain anti-dilution and other events. The 4.75% Warrants expire in 2014. According to the counterparties to the warrants, the consummation of the Total Tender Offer triggered their rights to make a downward adjustment to the strike price of the warrants. In the third quarter of fiscal 2011, the Company and the counterparties to the 4.75% Warrants agreed to reduce the exercise price of the 4.75% Warrants from $38.50 to $26.40, which is no longer above the conversion price of the 4.75% debentures.

1.25% Debentures

In fiscal 2007, the Company issued $200.0 million in principal amount of its 1.25% senior convertible debentures and received net proceeds of $194.0 million. During the fourth quarter of fiscal 2008, the Company received notices for the conversion of $1.4 million in principal amount of the 1.25% debentures which it settled for $1.2 million in cash and 1,000 shares of common stock. As of January 1, 2012, an aggregate principal amount of $198.6 million of the 1.25% debentures remained issued and outstanding. The 1.25% debentures had a maturity date of February 15, 2027 unless repurchased or converted in accordance with their terms prior to such date. Holders had the option to require the Company to repurchase all or a portion of their 1.25% debentures on each of February 15, 2012, February 15, 2017 and February 15, 2022, or if the Company experiences certain types of corporate transactions constituting a fundamental change, as defined in the indenture governing the 1.25% debentures. In addition, the Company could redeem some or all of the 1.25% debentures on or after February 15, 2012. Accordingly, the Company classified the 1.25% debentures as short-term liabilities in the Condensed Consolidated Balance Sheets as of January 1, 2012. On February 16, 2012, based upon the exercise of the holders' put rights, the Company repurchased $198.6 million in principal amount of the 1.25% debentures at a cash price of $199.8 million, representing 100% of the principal amount of the 1.25% debentures plus accrued and unpaid interest. None of the 1.25% debentures remained issued and outstanding after the repurchase.

Other Debt and Credit Sources

Mortgage Loan Agreement with IFC

On May 6, 2010, the Company entered into a mortgage loan agreement with IFC. Under the loan agreement, the Company may borrow up to $75.0 million during the first two years, and shall repay the amount borrowed, starting 2 years after the date of borrowing, in 10 semiannual installments over the following 5 years. The Company shall pay

interest of LIBOR plus 3% per annum on outstanding borrowings, and a front-end fee of 1% on the principal amount of borrowings at the time of borrowing, and a commitment fee of 0.5% per annum on funds available for borrowing and not borrowed. The Company may prepay all or a part of the outstanding principal, subject to a 1% prepayment premium. The loan agreement includes conditions to disbursements, representations, covenants, and events of default customary for financing transactions of this type. Covenants in the loan agreement include, but are not limited to, requirements that the Company maintain certain financial ratios including defined current ratios, restrictions on the Company's ability to issue dividends, incur indebtedness, create or incur liens on assets, and make loans to or investments in third parties. Conditions to disbursement include, but are not limited to, requirements that the Company pledge certain assets as collateral supporting repayment obligations (see Note 5). Additionally, in accordance with the terms of the agreement, the Company is required to establish a debt service reserve account which shall contain the amount, as determined by IFC, equal to the aggregate principal and interest due on the next succeeding interest payment date after such date. As of September 30, 2012 and January 1, 2012, the Company had restricted cash and cash equivalents of $6.4 million and $1.3 million, respectively, related to the IFC debt service reserve.

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The Company's outstanding borrowings under the mortgage loan agreement with IFC on its Condensed Consolidated Balance Sheets is as follows:

(In thousands)	As of September 30, 2012	January 1, 2012
Short-term debt	$12,500	$—
Long-term debt	62,500	75,000
	$75,000	$75,000

Loan Agreement with California Enterprise Development Authority ("CEDA")

On December 29, 2010, the Company borrowed the proceeds of the $30.0 million aggregate principal amount of CEDA's tax-exempt Recovery Zone Facility Revenue Bonds (SunPower Corporation - Headquarters Project) Series 2010 (the "Bonds") maturing April 1, 2031 under a loan agreement with CEDA. The Company's obligations under the loan agreement are contained in a promissory note dated December 29, 2010 issued by the Company to CEDA, which assigned the promissory note, along with all right, title and interest in the loan agreement, to Wells Fargo, as trustee, with respect to the Bonds for the benefit of the holders of the Bonds. The Bonds initially bore interest at a variable interest rate (determined weekly), but in June 2011, at the Company's option, were converted into fixed-rate bonds at 8.50% per annum (which include covenants of, and other restrictions on the Company). Additionally, in accordance with the terms of the loan agreement, the Company is required to keep all loan proceeds on deposit with Wells Fargo, the trustee, until funds are withdrawn by it for use in relation to the design and leasehold improvements of its new corporate headquarters in San Jose, California. As of September 30, 2012 and January 1, 2012, the Company had restricted cash and cash equivalents of $3.0 million and $10.0 million, respectively, for design and leasehold improvements and debt service reserves under the CEDA loan agreement.

The Company's outstanding borrowings under the loan agreement with CEDA on its Condensed Consolidated Balance Sheets is as follows:

(In thousands)	As of September 30, 2012	January 1, 2012
Long-term debt	30,000	30,000

September 2011 Revolving Credit Facility with Credit Agricole

On September 27, 2011, the Company entered into a revolving credit agreement with Credit Agricole, as administrative agent, and certain financial institutions, under which the Company may borrow up to $275.0 million until September 27, 2013. Amounts borrowed may be repaid and reborrowed until September 27, 2013.

The Company is required to pay interest on outstanding borrowings of (a) with respect to any LIBOR loan, 1.5% plus the LIBOR divided by a percentage equal to one minus the stated maximum rate of all reserves required to be maintained against "Eurocurrency liabilities" as specified in Regulation D; (b) with respect to any alternative base loan, 0.5% plus the greater of (1) the prime rate, (2) the Federal Funds rate plus 0.5%, and (3) the one month LIBOR plus 1%; (c) a commitment fee equal to 0.25% per annum on funds available for borrowing and not borrowed; (d) an upfront fee of 0.125% of the revolving loan commitment; and (e) arrangement fee customary for a transaction of this type.

The Company's outstanding borrowings under the revolving credit facility with Credit Agricole on its Condensed Consolidated Balance Sheets is as follows:

(In thousands)	As of September 30, 2012	January 1, 2012
Short-term debt	$250,000	$—
Long-term debt	—	250,000
	$250,000	$250,000

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Other Debt

On November 9, 2011, the Company entered into a short-term construction loan agreement with a third party financial institution under which the Company may obtain non-recourse financing up to $34.1 million to facilitate the development of an 18 MW utility and power plant project under construction in California. The Company is required to pay interest of LIBOR plus 2.50% per annum. In the second and third quarters of fiscal 2012 the Company received funds under the construction loan agreement totaling $27.6 million, which was fully repaid on October 23, 2012. Other debt is further comprised of non-recourse project loans related to Tenesol established in 2003 and 2008 which are scheduled to mature through 2028 and totaled $1.1 million and $1.2 million as of September 30, 2012 and January 1, 2012, respectively.

The Company's outstanding project loans on its Condensed Consolidated Balance Sheets are as follows:

(In thousands)	As of September 30, 2012	January 1, 2012
Short-term debt	$27,659	$—
Long-term debt	1,061	1,240
	$28,720	$1,240

Liquidity Support Agreement with Total S.A.

On February 28, 2012, the Company entered into a Liquidity Support Agreement with Total S.A. and the DOE, and a series of related agreements with Total S.A. and Total, under which Total S.A. has agreed to provide the Company, or cause to be provided, additional liquidity under certain circumstances to a maximum amount of $600.0 million. In return for Total S.A.'s agreement to provide the Liquidity Support Facility, on February 28, 2012, the Company issued to Total a seven-year warrant to purchase 9,531,677 shares of the Company's common stock at an exercise price of $7.8685 per share. The fair value of the warrants upon issuance was $50.3 million, which is recorded as capitalized financing costs on the Condensed Consolidated Balance Sheet and amortized as interest expense over the expected life of the agreement. In connection with the Liquidity Support Agreement, the Company also entered into a Compensation and Funding Agreement with Total S.A., and a Private Placement Agreement and a Revolving Credit and Convertible Loan Agreement with Total (see Note 2). As of September 30, 2012, there was no amount outstanding under this facility.

August 2011 Letter of Credit Facility with Deutsche Bank

On August 9, 2011, the Company entered into a letter of credit facility agreement with Deutsche Bank, as issuing bank and as administrative agent, and certain financial institutions, which was amended on December 20, 2011. Payment of obligations under the letter of credit facility is guaranteed by Total S.A. pursuant to the Credit Support Agreement. The letter of credit facility provides for the issuance, upon request by the Company, of letters of credit by the issuing banks thereunder in order to support certain obligations of the Company, in an aggregate amount not to exceed (a) $725.0 million until December 31, 2012; and (b) $771.0 million for the period from January 1, 2013 through December 31, 2013. Aggregate letter of credit amounts may be increased upon the agreement of the parties but, otherwise, may not exceed (i) $878.0 million for the period from January 1, 2014 through December 31, 2014; (ii) $936.0 million for the period from January 1, 2015 through December 31, 2015; and (iii) $1.0 billion for the period from January 1, 2016 through June 28, 2016.

As of September 30, 2012, letters of credit issued under the August 2011 letter of credit facility with Deutsche Bank totaled $697.5 million.

September 2011 Letter of Credit Facility with Deutsche Bank Trust

On September 27, 2011, the Company entered into a letter of credit facility with Deutsche Bank Trust which provides for the issuance, upon request by the Company, of letters of credit to support obligations of the Company in an aggregate amount not to exceed $200.0 million. Each letter of credit issued under the facility is fully cash-collateralized and the Company has entered into a security agreement with Deutsche Bank Trust, granting them a security interest in a cash collateral account established for this purpose.

As of September 30, 2012 letters of credit issued under the Deutsche Bank Trust facility amounted to $1.5 million which were fully collateralized with restricted cash on the Condensed Consolidated Balance Sheets.

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Note 11. FOREIGN CURRENCY DERIVATIVES

The Company has non-U.S. subsidiaries that operate and sell the Company's products in various global markets, primarily in Europe. As a result, the Company is exposed to risks associated with changes in foreign currency exchange rates. It is the Company's policy to use various techniques, including entering into foreign currency derivative instruments, to manage the exposures associated with forecasted revenues, purchases of foreign sourced equipment and non-U.S. dollar denominated monetary assets and liabilities. The Company does not enter into foreign currency derivative financial instruments for speculative or trading purposes.

The Company is required to recognize derivative instruments as either assets or liabilities at fair value in its Balance Sheets. The Company utilizes mid-market pricing to calculate the fair value of its option and forward contracts based on market volatilities, spot and forward rates, interest rates, and credit default swaps rates from published sources. The following table presents information about the Company's hedge instruments measured at fair value on a recurring basis as of September 30, 2012 and January 1, 2012, all of which utilize Level 2 inputs under the fair value hierarchy:

(In thousands)	Balance Sheet Classification	September 30, 2012	January 1, 2012
Assets	Prepaid expenses and other current assets		
Derivatives designated as hedging instruments:			
Foreign currency option contracts		$515	$5,550
Foreign currency forward exchange contracts		20	47
		$535	$5,597
Derivatives not designated as hedging instruments:			
Foreign currency option contracts		$125	$5,080
Foreign currency forward exchange contracts		3,665	23,745
		$3,790	$28,825
Liabilities	Accrued liabilities		
Derivatives designated as hedging instruments:			
Foreign currency option contracts		$542	$—
Foreign currency forward exchange contracts		37	105
		$579	$105
Derivatives not designated as hedging instruments:			
Foreign currency option contracts		$125	$—
Foreign currency forward exchange contracts		2,790	14,830
		$2,915	$14,830

Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. The selection of a particular technique to value an over-the-counter ("OTC") foreign currency derivative depends upon the contractual term of, and specific risks inherent with, the instrument as well as the availability of pricing information in the market. The Company generally uses similar techniques to value similar instruments. Valuation techniques utilize a variety of inputs, including contractual terms, market prices, yield curves, credit curves and measures of volatility. For OTC foreign currency derivatives that trade in liquid markets, such as generic forward and option contracts, inputs can generally be verified and selections do not involve significant management judgment.

The following table summarizes the amount of unrealized gain or loss recognized in "Accumulated other comprehensive income (loss)" ("OCI") in "Stockholders' equity" in the Condensed Consolidated Balance Sheets:

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(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Derivatives designated as cash flow hedges:				
Unrealized loss (gain) recognized in OCI (effective portion)	$(253)	$25,085	$(1,386)	$(35,118)
Less: Loss (gain) reclassified from OCI to revenue (effective portion)	(2,358)	13,249	(9,352)	28,568
Less: Loss reclassified from OCI to other, net (1)	—	653	—	4,542
Net loss (gain) on derivatives	$(2,611)	$38,987	$(10,738)	$(2,008)

(1) During the three and nine months ended October 2, 2011, the Company reclassified from OCI to "Other, net" a net loss of $0.7 million and $4.5 million, respectively, relating to transactions previously designated as effective cash flow hedges as the related forecasted transactions did not occur or were concluded probable not to occur in the hedge period or within the additional two month time period thereafter.

The following table summarizes the amount of gain or loss recognized in "Other, net" in the Condensed Consolidated Statements of Operations in the three and nine months ended September 30, 2012 and October 2, 2011:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Derivatives designated as cash flow hedges:				
Gain (loss) recognized in "Other, net" on derivatives (ineffective portion and amount excluded from effectiveness testing) (1)	$(749)	$3,081	$(1,176)	$(19,555)
Derivatives not designated as hedging instruments:				
Gain (loss) recognized in "Other, net"	$520	$38,411	$6,824	$(6,187)

(1) The amount of loss recognized related to the ineffective portion of derivatives was insignificant. This amount also includes a net loss of $0.7 million and $4.5 million reclassified from OCI to "Other, net" in the three and nine months ended October 2, 2011, respectively, relating to transactions previously designated as effective cash flow hedges as the related forecasted transactions did not occur or were concluded probable not to occur in the hedge period or within the additional two month time period thereafter.

Foreign Currency Exchange Risk

Designated Derivatives Hedging Cash Flow Exposure

The Company's subsidiaries have had and will continue to have material cash flows, including revenues and expenses, which are denominated in currencies other than their functional currencies. The Company's cash flow exposure primarily relates to anticipated third party foreign currency revenues and expenses. Changes in exchange rates between the Company's subsidiaries' functional currencies and other currencies in which it transacts will cause fluctuations in margin, cash flows expectations, and cash flows realized or settled. Accordingly, the Company enters into derivative contracts to hedge the value of a portion of these forecasted cash flows and to protect financial performance.

As of September 30, 2012, the Company had designated outstanding cash flow hedge option contracts and forward contracts with an aggregate notional value of $56.3 million and $32.2 million, respectively. The maturity dates of the outstanding contracts as of September 30, 2012 range from October 2012 to March 2013. As of January 1, 2012, the Company had designated outstanding hedge option contracts and forward contracts with an aggregate notional value of $67.2 million and $38.8 million, respectively. The Company designates either gross external or intercompany revenue up to its net economic exposure. These derivatives have a maturity of one year or less and consist of foreign currency option and forward contracts. The effective portion of these cash flow hedges are reclassified into revenue when third party revenue is recognized in the Condensed Consolidated Statements of Operations.

The Company expects to reclassify the majority of its net gains related to these option and forward contracts that are

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included in accumulated other comprehensive gain as of September 30, 2012 to revenue in the next 12 months. The Company uses the spot method to measure the effectiveness of its cash flow hedges. Under this method for each reporting period, the change in fair value of the forward contracts attributable to the changes in spot exchange rates (the effective portion) is reported in accumulated other comprehensive income (loss) on its consolidated balance sheet and the remaining change in fair value of the forward contract (the ineffective portion, if any) is recognized in other income (expense), net, in its Condensed Consolidated Statement of Operations. The premium paid or time value of an option whose strike price is equal to or greater than the market price on the date of purchase is recorded as an asset in the Condensed Consolidated Balance Sheets. Thereafter, any change to this time value and the forward points is included in "Other, net" in the Condensed Consolidated Statements of Operations.

Under hedge accounting rules for foreign currency derivatives, the Company reflects mark-to-market gains and losses on its hedged transactions in accumulated other comprehensive income (loss) rather than current earnings until the hedged transactions occur. However, if the Company determines that the anticipated hedged transactions are probable not to occur, it must immediately reclassify any cumulative market gains and losses into its Condensed Consolidated Statement of Operations. During the three and nine months ended September 30, 2012, the Company determined that all its anticipated hedged transactions were probable to occur.

Non-Designated Derivatives Hedging Transaction Exposure

Other derivatives not designated as hedging instruments consist of forward 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 the Company's subsidiaries' functional currencies and the currencies in which these assets and liabilities are denominated can create fluctuations in the Company's reported consolidated financial position, results of operations and cash flows. The Company enters into forward contracts, which are originally designated as cash flow hedges, and de-designates them upon recognition of the anticipated transaction to protect resulting non-functional currency monetary assets. These forward contracts as well as additional forward contracts are entered into to hedge foreign currency denominated monetary assets and liabilities against the short-term effects of currency exchange rate fluctuations. The Company records its derivative contracts that are not designated as hedging instruments at fair value with the related gains or losses recorded in "Other, net" in the Condensed Consolidated Statements of Operations. The gains or losses on these contracts are substantially offset by transaction gains or losses on the underlying balances being hedged. As of September 30, 2012, the Company held option contracts and forward contracts with an aggregate notional value of zero and $41.7 million, respectively, to hedge balance sheet exposure. These forward contracts have maturities of three month or less. The Company held option and forward contracts with an aggregate notional value of $63.2 million and $162.0 million, respectively, as of January 1, 2012, to hedge balance sheet exposure.

Credit Risk

The Company's option and forward contracts do not contain any credit-risk-related contingent features. The Company is exposed to credit losses in the event of nonperformance by the counterparties of its option and forward contracts. The Company enters into derivative contracts with high-quality financial institutions and limits the amount of credit exposure to any single counterparty. In addition, the derivative contracts are limited to a time period of less than one year and the Company continuously evaluates the credit standing of its counterparties.

Note 12. INCOME TAXES

In the three and nine months ended September 30, 2012, the Company's income tax provision of $0.6 million and $12.5 million, respectively, on a loss before income taxes and equity in earnings (losses) of unconsolidated investees of $48.5 million and $192.9 million, respectively, was primarily due to projected tax expense in profitable foreign

jurisdictions and a change in the valuation allowance on deferred tax assets. In the three and nine months ended October 2, 2011, the Company's income tax provision was $11.1 million and $18.0 million, respectively, on a loss before income taxes and equity in earnings of unconsolidated investees of $360.7 million and $510.7 million, respectively, was primarily due to projected tax expense in profitable foreign jurisdictions.

Note 13. NET LOSS PER SHARE OF COMMON STOCK

The Company calculates net income (loss) per share by dividing earnings allocated to common stockholders by the weighted average number of common shares outstanding for the period. The Company's outstanding unvested restricted stock awards are considered participating securities as they may participate in dividends, if declared, even though the awards are not vested. As participating securities, the unvested restricted stock awards are allocated a proportionate share of net income, but

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excluded from the basic weighted average shares. No allocation is generally made to other participating securities in the case of a net loss per share.

Prior to the November 15, 2011 reclassification, the Company had two classes of outstanding stock, class A and class B common stock. The Company therefore calculated its net income (loss) per share in the third quarter of fiscal 2011 under the two-class method. In applying the two-class method, earnings are allocated to both classes of common stock and other participating securities based on their respective weighted average shares outstanding during the period. Under the two-class method, basic weighted average shares was computed using the weighted average of the combined former class A and former class B common stock outstanding. Class A and class B common stock were considered equivalent securities for purposes of the earnings per share calculation because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

Diluted weighted average shares is computed using basic weighted average shares plus any potentially dilutive securities outstanding during the period using the if-converted method and treasury-stock-type method, except when their effect is anti-dilutive. Potentially dilutive securities include stock options, restricted stock units, senior convertible debentures, amended warrants associated with the CSO2015, and the Upfront Warrants held by Total. As a result of the net loss from continuing operations for each of the three and nine months ended September 30, 2012 and October 2, 2011 there is no dilutive impact to the net loss per share calculation for the period.

The following table presents the calculation of basic and diluted net loss per share:

	Three Months Ended		Nine Months Ended	
(In thousands, except per share amounts)	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Basic and Diluted net loss per share:				
Numerator: Net loss available to common stockholders	$(48,538)	$(370,784)	$(207,249)	$(520,777)
Denominator: Basic and diluted weighted-average common shares	118,952	98,259	116,408	97,456
Basic and diluted net loss per share	$(0.41)	$(3.77)	$(1.78)	$(5.34)

Holders of the Company's 4.75% debentures may convert the debentures into shares of the Company's common stock, at the applicable conversion rate, at any time on or prior to maturity. The 4.75% debentures are included in the calculation of diluted net income per share if their inclusion is dilutive under the if-converted method. In each of the three and nine months ended September 30, 2012 and October 2, 2011 there were no dilutive potential common shares under the 4.75% debentures.

Holders of the Company's 1.25% debentures (prior to their repurchase on February 16, 2012) and 0.75% debentures may, under certain circumstances at their option, convert the debentures into cash and, if applicable, shares of the Company's common stock at the applicable conversion rate, at any time on or prior to maturity. The 1.25% debentures and 0.75% debentures are included in the calculation of diluted net income per share if their inclusion is dilutive under the treasury-stock-type method. The Company's average stock price during the three and nine months ended September 30, 2012 and October 2, 2011 did not exceed the conversion price for the 1.25% debentures and 0.75% debentures. Under the treasury-stock-type method, the Company's 1.25% debentures and 0.75% debentures will generally have a dilutive impact on net income per share if the Company's average stock price for the period exceeds the conversion price for the debentures.

Holders of the Company's 4.50% debentures may, under certain circumstances at their option, convert the debentures into cash, and not into shares of the Company's common stock (or any other securities). Therefore, the 4.50% debentures are excluded from the net income per share calculation.

Holders of the amended and restated Warrants under the CSO2015, upon exercise of the 4.50% Warrants, may acquire up to 11.1 million shares of the Company's common stock at an exercise price of $27.03. In the third quarter of fiscal 2011, as a result of the Total Tender Offer, the Company and the counterparties to the 4.50% Warrants agreed to reduce the exercise price of the 4.50% Warrants from $27.03 to $24.00 (see Note 10). If the market price per share of the Company's common stock for the period exceeds the established strike price, the 4.50% Warrants will have a dilutive effect on its diluted net income per share using the treasury-stock-type method.

The Upfront Warrants, issued on February 28, 2012, allow Total to acquire up to 9,531,677 shares of the Company's common stock at an exercise price of $7.8685. If the market price per share of the Company's common stock for the period

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exceeds the established strike price, the Upfront Warrants will have a dilutive effect on its diluted net income per share using the treasury-stock-type method.

The following is a summary of outstanding anti-dilutive potential common stock which was excluded from income per diluted share in the following periods:

(In thousands)	As of September 30, 2012 (1)	October 2, 2011 (1)
Stock options	334	440
Restricted stock units	8,829	1,973
Warrants (under the CSO2015)	*	*
Upfront Warrants (held by Total)	**	n/a
4.75% debentures	8,712	8,712
1.25% debentures	n/a	*
0.75% debentures	*	*

(1) As a result of the net loss per share for each of the three and nine months ended September 30, 2012 and October 2, 2011, the inclusion of all potentially dilutive stock options, restricted stock units, and common shares under the 4.75% debentures would be anti-dilutive. Therefore, those stock options, restricted stock units and shares were excluded from the computation of the weighted-average shares for diluted net loss per share for such period.

* The Company's average stock price during the three and nine months ended September 30, 2012 and October 2, 2011 did not exceed the conversion price for the amended warrants (under the CSO2015), 1.25% debentures and 0.75% debentures and those instruments were thus non-dilutive in such periods.

** The Upfront Warrants were issued in the first quarter of fiscal 2012. The Company's stock price as of the last business day of the third quarter of fiscal 2012 did not exceed the exercise price of the Upfront Warrants.

Note 14. STOCK-BASED COMPENSATION

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

	Three Months Ended		Nine Months Ended	
(In thousands)	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Cost of Americas revenue	$1,590	$1,897	$4,745	$4,958
Cost of EMEA revenue	795	1,562	3,158	5,100
Cost of APAC revenue	368	251	1,125	846
Research and development	1,045	1,608	3,920	5,112
Sales, general and administrative	5,473	6,531	20,231	21,813
Total stock-based compensation expense	$9,271	$11,849	$33,179	$37,829

The following table summarizes the consolidated stock-based compensation expense by type of awards:

	Three Months Ended		Nine Months Ended	
(In thousands)	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Employee stock options	$35	$317	$638	$1,388
Restricted stock awards and units	8,969	10,910	32,411	36,790
	267	622	130	(349)

Change in stock-based compensation capitalized in inventory				
Total stock-based compensation expense	$9,271	$11,849	$33,179	$37,829

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Note 15. SEGMENT INFORMATION

In December 2011, the Company announced a reorganization to align its business and cost structure to a regional focus in order to support the needs of its customers and improve the speed of decision-making processes. As a result, in the first quarter of fiscal 2012, the Company changed its segment reporting from its UPP Segment and R&C Segment to three regional segments: (i) the Americas Segment, (ii) the EMEA Segment, and (iii) the APAC Segment. The Americas Segment includes both North and South America. The EMEA Segment includes European countries, as well as the Middle East and Africa. The APAC segment includes all Asia-Pacific countries. The Company's President and Chief Executive Officer, as the CODM, has organized the Company, manages resource allocations and measures performance of the Company's activities among these three regional segments.

The CODM assesses the performance of the three regional segments using information about their revenue and gross margin after certain adjustments to reflect the substance of the revenue transactions for certain utility and power plant projects, and adding back certain non-cash expenses such as amortization of other intangible assets, stock-based compensation expense, loss on change in European government incentives, restructuring charges, accelerated depreciation associated with the Company's manufacturing step reduction program, and interest expense. In addition, the CODM assesses the performance of the segments after adding back the results of discontinued operations to revenue and gross margin. The CODM does not review asset information by segment. The following tables present revenue by segment, cost of revenue by segment and gross margin by segment, revenue by geography and revenue by significant customer. Revenue is based on the destination of the shipments. Historical results have been recast under the new segmentation.

	Three Months Ended		Nine Months Ended	
(In thousands):	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Revenue				
Americas	$502,373	$368,643	$1,176,148	$942,887
EMEA	88,547	293,066	400,074	675,702
APAC	58,028	43,718	162,754	130,511
Total Revenue	648,948	705,427	1,738,976	1,749,100
Cost of revenue				
Americas	409,432	326,372	978,062	839,465
EMEA	111,622	265,515	422,922	620,618
APAC	47,121	37,416	138,471	105,077
Total cost of revenue	568,175	629,303	1,539,455	1,565,160
Gross margin	$80,773	$76,124	$199,521	$183,940

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	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Revenue by region (in thousands):				
Americas (as reviewed by CODM)	$460,105	$368,643	$1,274,907	$942,887
Utility and power plant projects	42,268	—	(98,759)	—
Americas	$502,373	$368,643	$1,176,148	$942,887
EMEA (as reviewed by CODM)	$88,547	$293,066	$399,881	$675,702
Change in European government incentives	—	—	193	—
EMEA	$88,547	$293,066	$400,074	$675,702
APAC	$58,028	$43,718	$162,754	$130,511
Cost of revenue by region (in thousands):				
Americas (as reviewed by CODM)	$367,067	$324,262	$1,035,870	$815,748
Utility and power plant projects	36,453	—	(73,890)	—
Amortization of intangible assets	42	42	125	362
Stock-based compensation expense	1,589	1,897	4,743	4,959
Acquisition and integration costs	15	—	26	—
Change in European government incentives	—	—	4,029	17,379
Charges on manufacturing step reduction program	3,958	—	6,428	—
Non-cash interest expense	308	171	731	1,017
Americas	$409,432	$326,372	$978,062	$839,465
EMEA (as reviewed by CODM)	$108,515	$263,736	$410,532	$585,347
Amortization of intangible assets	751	21	2,341	63
Stock-based compensation expense	795	1,562	3,158	5,100
Acquisition and integration costs	5	—	10	—
Change in European government incentives	—	—	3,364	—
Charges on manufacturing step reduction program	1,444	—	3,092	29,125
Non-cash interest expense	112	196	425	983
EMEA	$111,622	$265,515	$422,922	$620,618
APAC (as reviewed by CODM)	$45,634	$37,137	$134,106	$102,088
Stock-based compensation expense	368	251	1,125	845
Acquisition and integration costs	4	—	6	—
Change in European government incentives	—	—	1,476	1,959
Charges on manufacturing step reduction program	1,034	—	1,568	—
Non-cash interest expense	81	28	190	185
APAC	$47,121	$37,416	$138,471	$105,077
Gross margin by region:				
Americas (as reviewed by CODM)	20%	12%	19%	13%
EMEA (as reviewed by CODM)	(23)%	10%	(3)%	13%
APAC (as reviewed by CODM)	21%	15%	18%	22%

Americas	19	%	11	%	17	%	11	%
EMEA	(26	)%	9	%	(6	)%	8	%
APAC	19	%	14	%	15	%	19	%

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(As a percentage of total revenue)		Three Months Ended				Nine Months Ended			
		September 30, 2012		October 2, 2011		September 30, 2012		October 2, 2011	
Significant Customers:	Business Segment								
NRG Solar, Inc.	Americas	46	%	*		32	%	*	
Customer B	EMEA	*		10	%	*		10	%
Customer C	EMEA	*		11	%	*		*	

* denotes less than 10% during the period

Note 16. SUBSEQUENT EVENTS

On October 12, 2012, the Company's Board of Directors approved a reorganization (the "October 2012 Plan") to accelerate operating cost reduction and improve overall operating efficiency. In connection with the October 2012 Plan, which is expected to be completed within the twelve months following approval, the Company expects to eliminate approximately 900 positions primarily in the Philippines, representing approximately 15% of the Company's global workforce. As a result, the Company expects to record restructuring charges totaling $10.0 million to $17.0 million, composed of severance benefits, lease and related termination costs, and other associated costs, the majority of which will likely be recorded in the fourth quarter of fiscal 2012. The Company expects greater than 90% of these charges to be cash.

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ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that do not represent historical facts and the assumptions underlying such statements. We use words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "predict," "potential," "will," "would," "should," and similar expressions to identify forward-looking statements. Forward-looking statements in this Quarterly Report on Form 10-Q include, but are not limited to, our plans and expectations regarding future financial results, expected operating results, business strategies, projected costs and cost reduction, products, ability to monetize utility projects, competitive positions, management's plans and objectives for future operations, the sufficiency of our cash and our liquidity, our ability to obtain financing, the availability of credit and liquidity support from Total S.A. under the Credit Support Agreement and Liquidity Support Agreement, the ability to comply with debt covenants, trends in average selling prices, the success of our joint ventures and acquisitions, expected capital expenditures, warranty matters, outcomes of litigation, our exposure to foreign exchange, interest and credit risk, general business and economic conditions, industry trends, impact of changes in government incentives, expected restructuring charges, and the likelihood of any impairment of project assets, long-lived assets, goodwill, and intangible assets. These forward-looking statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q and current expectations, forecasts and assumptions and involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. Such risks and uncertainties include a variety of factors, some of which are beyond our control. Please see "Part II. Item 1A: Risk Factors" herein and our other filings with the Securities and Exchange Commission ("SEC"), including our Annual on Form 10-K for the year ended January 1, 2012 as amended (the "fiscal 2011 Form 10-K"), for additional information on risks and uncertainties that could cause actual results to differ. These forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we are under no obligation to, and expressly disclaim any responsibility to, update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

The following information should be read in conjunction with the Condensed Consolidated Financial Statements and the accompanying Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q. Our fiscal year ends on the Sunday closest to the end of the applicable calendar year. All references to fiscal periods apply to our fiscal quarter or year which ends on the Sunday closest to the calendar month end.

General Overview

We are a vertically integrated solar products and services company that designs, manufactures, and delivers high-performance solar electric systems worldwide for residential, commercial and utility-scale power plant customers. Of all the solar cells available for the mass market, we believe our solar cells have the highest conversion efficiency, a measurement of the amount of sunlight converted by the solar cell into electricity.

We believe our solar cells provide the following benefits compared with conventional solar cells:

- superior performance, including the ability to generate up to 50% more power per unit area than conventional solar cells;

- superior aesthetics, with our uniformly black surface design that eliminates highly visible reflective grid lines and metal interconnect ribbons;

- more KW per pound can be transported using less packaging, resulting in lower distribution costs; and

- more efficient use of silicon, a key raw material used in the manufacture of solar cells.

The high efficiency and superior aesthetics of our solar power products provide compelling customer benefits. In many situations, we offer a significantly lower area-related cost structure for our customers because our solar panels require a substantially smaller roof or land area than conventional solar technology and half or less of the roof or land area of many commercial solar thin film technologies.

We believe our solar power systems provide the following benefits compared with various competitors' systems:

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- channel breadth and flexible delivery capability, including turn-key systems;
- high performance delivered by enhancing energy delivery and financial return through systems technology design; and
- cutting edge systems design to meet customer needs and reduce cost, including non-penetrating, fast roof installation technologies.

Business Segments Overview

In December 2011, we announced a reorganization to align our business and cost structure to a regional focus in order to support the needs of our customers and improve the speed of decision-making processes. As a result, in the first quarter of fiscal 2012, we changed our segment reporting from our Utility and Power Plants ("UPP") Segment and Residential and Commercial ("R&C") Segment to three regional segments: (i) the Americas Segment, (ii) the EMEA Segment, and (iii) the APAC Segment. The Americas Segment includes both North and South America. The EMEA Segment includes European countries, as well as the Middle East and Africa. The APAC Segment includes all Asia-Pacific countries. Our President and Chief Executive Officer, as the chief operating decision maker ("CODM"), has organized our Company, manages resource allocations and measures performance of our Company's activities among these three regional segments.

Seasonal Trends

Our business is subject to industry-specific seasonal fluctuations. Sales have historically reflected these seasonal trends with the largest percentage of total revenues realized during the last two calendar quarters of a fiscal year. Lower seasonal demand normally results in reduced shipments and revenues in the first two calendar quarters of a fiscal year. There are various reasons for this seasonality, mostly related to economic incentives and weather patterns. For example, in European countries with feed-in tariffs, the construction of solar power systems may be concentrated during the second half of the calendar year, largely due to the fact that the coldest winter months in the Northern Hemisphere are January through March. In the United States, customers will sometimes make purchasing decisions towards the end of the year in order to take advantage of tax credits or for other budgetary reasons. In addition, sales in the new home development market are often tied to construction market demands which tend to follow national trends in construction, including declining sales during cold weather months.

Unit of Power

When referring to our facilities’ manufacturing capacity, total sales and components sales, the unit of electricity in watts for kilowatts ("KW"), megawatts ("MW") and gigawatts ("GW") is direct current ("dc"). When referring to our solar power systems, the unit of electricity in watts for KW, MW, and GW is alternating current ("ac").

Levelized Cost of Energy ("LCOE")

The LCOE equation 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 when different scales of operation, investment, or operating time periods exist. 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 reduction for photovoltaic products include panel efficiency, capacity factors, reliable system performance, and the life of the system.

Fiscal Years

We report on a fiscal-year basis and end our quarters on the Sunday closest to the end of the applicable calendar quarter, except in a 53-week fiscal year, in which case the additional week falls into the fourth quarter of that fiscal year. Both fiscal year 2012 and 2011 consist of 52 weeks. The third quarter of fiscal 2012 ended on September 30, 2012 and the third quarter of fiscal 2011 ended on October 2, 2011.

Outlook

During fiscal 2011 we saw a decline in overall demand for solar systems primarily in Europe as a result of the decline in European government incentives. The resulting supply environment drove down average selling prices across all product and service lines. Such pricing pressures have continued and are expected to generally continue throughout fiscal 2012 and 2013.

We continue to be focused on reducing the cost of our solar panels and systems. We continue to emphasize improvement of our solar cell efficiency and LCOE performance through enhancement of our existing products, development

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of new products and reduction of manufacturing cost and complexity in conjunction with our overall cost-control strategies. We are further 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.

We plan to continue to expand our business in growing and sustainable markets. We announced the first commercial deployment of our SunPower® C-7 Tracker technology under a power purchase agreement ("PPA") and commenced commercial production of our next generation solar cell with demonstrated efficiencies of up to 24%. Our acquisition of Tenesol S.A. ("Tenesol") in the first quarter of fiscal 2012 has further expanded our European and global customer channels as well as added manufacturing capabilities based in both Europe and South Africa.

Residential Leasing Program

In fiscal 2011, we launched our residential lease program with dealers in the United States, in partnership with a third-party financial institution, which allows customers to obtain SunPower systems under lease agreements up to 20 years, subject to financing availability. On August 8, 2012, we entered into arrangements with two financial institutions that will provide financing to support additional residential solar lease projects. The program includes system maintenance and warranty coverage as well as an early buy-out option after six years or at any time when the lessees sell their home. Leases are classified as either operating or sales-type leases in accordance with the relevant accounting guidelines.

The program does not yet represent a material portion of our revenue. However, we may face additional material risks as the program expands, including our ability to obtain additional financing partners as well as our ability to collect finance and rent receivables in view of the general challenging credit markets worldwide. We believe that our concentration of credit risk is limited because of our large number of customers, credit quality of the customer base, small account balances for most of these customers, and customer geographic diversification. We apply for Treasury Grant payments under Section 1603 of the American Recovery and Reinvestment Act (the "Cash Grant"), which is administered by the U.S. Treasury Department, for residential leases. If the amount or timing of the Cash Grant payments received in connection with the residential lease program varies from what we have projected, this may impact our revenues and margins and we may have to recognize losses, which may adversely impact our results of operations. We make certain assumptions in accounting for the residential lease program, including, among others, the residual value of the leased systems. As the residential lease program grows, if the residual value of leased systems does not materialize as assumed, our results of operations would be adversely affected.

Results of Operations

Revenue

	Three Months Ended			Nine Months Ended		
(In thousands)	September 30, 2012	October 2, 2011	% Change	September 30, 2012	October 2, 2011	% Change
Americas	$502,373	$368,643	36%	$1,176,148	$942,887	25%
EMEA	88,547	293,066	(70)%	400,074	675,702	(41)%
APAC	58,028	43,718	33%	162,754	130,511	25%
Total revenue	$648,948	$705,427	(8)%	$1,738,976	$1,749,100	(1)%

Total Revenue: Total revenue decreased 8% and 1% during the three and nine months ended September 30, 2012 as compared to the three and nine months ended October 2, 2011. The decrease in the three months ended September 30, 2012 as compared to the three months ended October 2, 2011 is primarily due to a decline in utility-scale solar projects and related revenue within the EMEA region partially offset by a 4% increase in revenue per watt. We recognized revenue on 210.0 MW in the three months ended September 30, 2012 as compared to 236.8 MW in the

three months ended October 2, 2011. The decrease in the nine months ended September 30, 2012 as compared to the nine months ended October 2, 2011 is primarily driven by a 13% decrease in revenue per watt. We recognized revenue on 637.9 MW in the nine months ended September 30, 2012 as compared to 559.9 MW in the nine months ended October 2, 2011. The overall decrease in total revenue was partially offset by revenue recognized on additional large scale utility projects within the Americas Segment during fiscal 2012.

Concentrations: The table below represents our significant customers which accounted for greater than 10% of total revenue in each of the three and nine months ended September 30, 2012 and October 2, 2011, respectively. We entered into a project contract with NRG Solar, Inc. in fiscal 2011, which is anticipated to account for 10% or more of total revenue in fiscal 2012.

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Revenue		Three Months Ended		Nine Months Ended	
		September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Significant Customer:	Business Segment				
NRG Solar, Inc.	Americas	46%	*	32%	*
Customer B	EMEA	*	10%	*	10%
Customer C	EMEA	*	11%	*	*

*denotes less than 10% during the period

Revenue by Segment: The below table presents our segment revenue as a percentage of total revenue for the three and nine months ended September 30, 2012 and October 2, 2011, respectively.

Percentage of total revenue	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Americas	77%	52%	68%	54%
EMEA	14%	42%	23%	39%
APAC	9%	6%	9%	7%

Sales outside the Americas Segment represented approximately 23% and 32% of total revenue for the three and nine months ended September 30, 2012, respectively, as compared to 48% and 46% for the three and nine months ended October 2, 2011, respectively. The shift in revenue by geography period over period was due to increasing demand in the United States for our solar power products as a result of additional federal and state initiatives supporting attractive solar incentives within the residential, commercial, and utility sectors as well as a slowdown in project development and component shipments in Europe due to the current over-supply environment within the region.

Americas Revenue: Americas revenue increased 36% during the three months ended September 30, 2012 as compared to the three months ended October 2, 2011 which was primarily driven by additional revenue recognized on large utility-scale projects under construction in the United States. Also contributing to the increase was additional revenue recognized on component sales which increased 16% period over period, which was primarily driven by a 29% increase in the average selling prices of components within the region.

Americas revenue increased 25% during the nine months ended September 30, 2012 as compared to the nine months ended October 2, 2011, which was primarily a result of an increase in the number and size of the various utility-scale solar power systems under construction, which includes the ramp up in construction of the 250 MW California Valley Solar Ranch ("CVSR") project in San Luis Obispo County, California, a 25 MW project in Modesto, California, and 20 MW project in North Carolina during the nine months ended September 30, 2012, partially offset by projects which were substantially completed during the interim period. Additionally contributing to the increase was additional revenue recognized on component sales which increased 49% period over period, which was primarily driven by a 32% increase in average selling price.

EMEA Revenue: EMEA revenue decreased 70% and 41% during the three and nine months ended September 30, 2012 compared with the three and nine months ended October 2, 2011 primarily due to changes in European government incentives during fiscal 2011 which had a materially negative effect on the market for solar systems, particularly large-scale solar products and systems in Europe, which caused our sales related to such projects as well as components sales to decline in Europe.

The decrease in EMEA revenue for the three months ended September 30, 2012 as compared to the three months ended October 2, 2011 was due to a 22.1 MW decline in utility-scale solar projects and related revenue as well as a

decrease in component sales and average selling prices. In the three months ended September 30, 2012, we recognized revenue on 6.0 MW of component sales as compared to 41.6 MW in the three months ended October 2, 2011, which represents a 86% decrease in volume quarter over quarter. The overall decline in our EMEA revenue was partially offset by $16.1 million in revenue due to Tenesol's results of operations being incorporated into our financial results for the third quarter in fiscal 2012.

The decrease in EMEA revenue for the nine months ended September 30, 2012 as compared to the nine months ended October 2, 2011 was due to a 47.0 MW decline in utility-scale solar projects and related revenue as well as a decrease in

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components sales and average selling prices. In the nine months ended September 30, 2012, we recognized revenue on 17.0 MW of component sales as compared to 94.4 MW in the nine months ended October 2, 2011, which represents an 82% decrease in volume, period over period. The overall decline in our EMEA revenue was partially offset by $79.3 million in revenue due to Tenesol's results of operations being incorporated into our financial results for the nine months eneded September 30, 2012.

APAC Revenue: APAC revenue increased 33% during the three months ended September 30, 2012 compared with the three month ended October 2, 2011 due to higher component sales and shipments, primarily in Japan. In the three months ended September 30, 2012, we recognized revenue on 31.1 MW of component sales as compared to 14.4 MW in the three months ended October 2, 2011, which represents a 116% increase in volume quarter over quarter.

APAC revenue increased 25% during the nine months ended September 30, 2012 compared with the nine months ended October 2, 2011. Revenue increased due to an increase in component sales partially offset by a reduction in systems revenue. In the nine months ended September 30, 2012, we recognized revenue on 79.7 MW of component sales as compared to 31.9 MW in the nine months ended October 2, 2011, which represents a 150% increase in volume quarter over quarter. This increase was partially offset by a decrease in systems revenue due to a shift in demand for our solar products in the residential and commercial markets coupled with an overall decrease in revenue per watt in the region.

Cost of Revenue

	Three Months Ended			Nine Months Ended		
(In thousands)	September 30, 2012	October 2, 2011	% Change	September 30, 2012	October 2, 2011	% Change
Americas	$409,432	$326,372	25%	$978,062	$839,465	17%
EMEA	111,622	265,515	(58)%	422,922	620,618	(32)%
APAC	47,121	37,416	26%	138,471	105,077	32%
Total cost of revenue	$568,175	$629,303	(10)%	$1,539,455	$1,565,160	(2)%
Total cost of revenue as a percentage of revenue	88 %	89 %		89 %	89 %	
Total gross margin percentage	12 %	11 %		11 %	11 %	

Total Cost of Revenue: Our cost of revenue will fluctuate from period to period due to the mix of projects completed and recognized as revenue, in particular between large utility projects and large commercial installation projects. The cost of solar panels is the single largest cost element in our cost of revenue. Other cost of revenue associated with the construction of solar power systems includes real estate, mounting systems, inverters, third-party contract manufacturer costs, construction subcontract and dealer costs. In addition, other factors contributing to cost of revenue include amortization of other intangible assets, stock-based compensation, depreciation, provisions for estimated warranty claims, salaries, personnel-related costs, freight, royalties, facilities expenses and manufacturing supplies associated with contracting revenue and solar cell fabrication, as well as factory pre-operating costs associated with our manufacturing facilities.

Total cost of revenue decreased 10% and 2% during the three and nine months ended September 30, 2012, respectively, as compared to the three and nine months ended October 2, 2011 primarily due to lower material costs and higher yields. The decrease during the third quarter of fiscal 2012 as compared to the same period in fiscal 2011 was also a result of an 11% decline in total MW sold. Additionally contributing to the decrease for the nine months ended September 30, 2012 as compared to the same period in fiscal 2011 was $48.5 million of charges incurred in the second quarter of fiscal 2011 associated with the change in European government incentives and resulting write-downs in project assets and third-party inventory, as well as costs associated with the termination of third-party

solar cell contracts. These decreases for the nine months ended September 30, 2012 were partially offset by a 14% increase in total MW of solar power products sold.

Gross Margin

(In thousands)	Three Months Ended			Nine Months Ended		
	September 30, 2012	October 2, 2011	% Change	September 30, 2012	October 2, 2011	% Change
Americas	19%	11%	8%	17%	11%	6%
EMEA	(26)%	9%	(35)%	(6)%	8%	(14)%
APAC	19%	14%	5%	15%	19%	(4)%

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Americas Gross Margin: Gross margin for our Americas Segment was $92.9 million and $198.1 million, respectively, for the three and nine months ended September 30, 2012 as compared to $42.3 million and $103.4 million, respectively, for the three and nine months ended October 2, 2011. The increase in gross margin from 11% to 19% and from 11% to 17%, over the respective periods is primarily driven by increased revenue from large utility-scale solar power systems under construction and components sales combined with lower material costs. The overall increase was partially offset by industry declines in average selling prices.

EMEA Gross Margin: Gross margin for our EMEA Segment was negative $23.1 million and negative $22.8 million, respectively, for the three and nine months ended September 30, 2012 as compared to $27.6 million and $55.1 million, respectively, for the three and nine months ended October 2, 2011. The overall decrease in EMEA gross margin over both periods is a result of declines in government incentives resulting in changes in market demand. The changes in demand, general financing constraints experienced in the European economy, and the over-supply environment continued to significantly drive down average selling prices throughout the region in fiscal 2012.

APAC Gross Margin: Gross margin for our for our APAC Segment was $10.9 million and $24.3 million, respectively, for the three and nine months ended September 30, 2012, as compared to $6.3 million and $25.4 million, respectively, for the three and nine months ended October 2, 2011. Gross margin increased from 14% to 19% quarter over quarter due to additional volumes of higher margin component sales partially offset by declining average selling prices. The 4% decrease in gross margin during the nine months ended September 30, 2012 as compared to the nine months ended October 2, 2011 is primarily due to project completion and declining average selling prices.

Research and Development ("R&D")

	Three Months Ended			Nine Months Ended		
(In thousands)	September 30, 2012	October 2, 2011	% Change	September 30, 2012	October 2, 2011	% Change
R&D Expense	$14,956	$12,664	18%	$45,786	$41,565	10%
As a percentage of revenue	2%	2%		3%	2%	

In the three and nine months ended September 30, 2012, R&D expense was $15.0 million and $45.8 million, respectively, which represents an increase of 18% and 10% as compared to the same period in fiscal 2011. The increase in our investment in R&D period over period was primarily due to R&D investments related to the improvement of our current generation solar cell manufacturing technology, development of our next generation of solar cells, solar panels, trackers and rooftop systems, and development of systems performance monitoring products as well as operating expenses related to Tenesol which were incorporated into our financial results for the period. These increases were partially offset by reduction in other discretionary spending as a result of cost reduction initiatives implemented in reaction to the overall solar market, as well as lower stock-based compensation due to lower valuation of stock grants as a result of decline in our share price.

Sales, General and Administrative ("SG&A")

	Three Months Ended			Nine Months Ended		
(In thousands)	September 30, 2012	October 2, 2011	% Change	September 30, 2012	October 2, 2011	% Change
Total SG&A	$69,714	$76,329	(9)%	$208,388	$243,364	(14)%
As a percentage of revenue	11%	11%		12%	14%	

During the three and nine months ended September 30, 2012, total SG&A expense decreased 9% and 14%, respectively, as compared to the three and nine months ended October 2, 2011. The overall decrease is primarily attributable to our cost-control strategy implemented in response to the changes in the European market and resulting restructuring, including the overall reduction of consulting charges in Europe and the United States.

SG&A expense decreased $6.6 million in the three months ended September 30, 2012 as compared to the three months ended October 2, 2011 primarily due to (i) a $4.8 million decrease in amortization of intangible assets due to $40.3 million of impairment of certain assets related to strategic acquisitions of EPC and O&M project pipelines in Europe recorded at the end of the third quarter of fiscal 2011; (ii) a $2.0 million decrease in labor and other employee related costs as a result of the implementation of approved restructuring plans; (iii) a $2.6 million decrease in corporate bonuses and stock compensation expenses; (iv) a $2.0 million decrease in consulting, outside services and travel due to cost reduction initiatives; (v) a $1.0

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million decrease in marketing expenses; and (vi) a net decrease of $1.1 million in other expenses. The overall decrease was partially offset by $6.9 million of Tenesol's operating expenses which were incorporated into our financial results for the period.

SG&A expense decreased $35.0 million in the nine months ended September 30, 2012 as compared to the nine months ended October 2, 2011 primarily due to (i) a $17.0 million decrease in amortization of intangible assets due to $40.3 million of impairment of certain assets related to strategic acquisitions of EPC and O&M project pipelines in Europe recorded at the end of the third quarter of fiscal 2011; (ii) a $9.6 million decrease in acquisition and integration related costs which were primarily incurred in the second quarter of fiscal 2011 as a result of the Total tender offer; (iii) an $8.5 million decrease in salary expenses as a result of the implementation of approved restructuring plans; (iv) an $8.3 million reduction in bad debt expense as a result of collection efforts for accounts receivable that were previously reserved; (v) a $6.5 million decrease in consulting and outside services due to cost reduction initiatives; (vi) a $3.3 million reduction in travel related expenses; and (vii) a net decrease of $11.8 million in other expenses. The overall decrease was partially offset by $30.0 million of Tenesol's operating expenses which were incorporated into our financial results for the period.

Goodwill and Other Intangible Asset Impairment

	Three Months Ended			Nine Months Ended		
(In thousands)	September 30, 2012	October 2, 2011	% Change	September 30, 2012	October 2, 2011	% Change
Goodwill impairment	$46,734	309,457	(85)%	$46,734	$309,457	(85)%
Other intangible assets impairment	12,847	40,301	(68)%	12,847	40,301	(68)%
	$59,581	$349,758		$59,581	$349,758	
As a percentage of revenue	9 %	50 %		3 %	20 %	

We conduct our annual impairment test of goodwill as of the Sunday closest to the end of the third fiscal quarter of each year. Impairment of goodwill is tested at our reporting unit level. Management determined that the Americas Segment, the EMEA Segment, and the APAC Segment are also our reporting units. Based on the impairment test as of September 30, 2012, we determined that the carrying value of the Americas and EMEA reporting units exceeded their fair value. We calculated that the implied fair value of goodwill for the two reporting units was zero and therefore recorded a goodwill impairment loss of $46.7 million, representing all of the goodwill associated with these reporting units. Based on the impairment test performed as of October 2, 2011, we recorded a goodwill impairment loss of $309.5 million related to the EMEA segment (see Note 4).

We additionally review our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. During the third quarter of fiscal 2012, we determined that the carrying value of certain intangible assets in Europe were no longer recoverable and therefore recognized an impairment loss of $12.8 million in the three and nine months ended September 30, 2012. During the three months ended October 2, 2011, we determined the carrying value of certain intangible assets related to strategic acquisitions of EPC and O&M project pipelines in Europe were no longer recoverable and therefore recognized an impairment loss of $40.3 million in the three and nine months ended October 2, 2011 (see Note 4).

Restructuring Charges

	Three Months Ended			Nine Months Ended		
(In thousands)	September 30, 2012	October 2, 2011	% Change	September 30, 2012	October 2, 2011	% Change
April 2012 Plan	$8,221	$—	n/a	$52,793	$—	n/a

December 2011 Plan	2,099	—	n/a	8,086	—	n/a
June 2011 Plan	224	637	(65)%	310	13,945	(98)%
Restructuring charges	$10,544	$637	1,555%	$61,189	$13,945	339%
As a percentage of revenue	2 %	— %		4 %	1 %	

April 2012 Plan: As a result of our continued cost reduction progress at its Fab 2 and our joint venture Fab 3 manufacturing facilities, on April 13, 2012, our Board of Directors approved a restructuring plan (the "April 2012 Plan") to consolidate our Philippine manufacturing operations into Fab 2 and begin repurposing Fab 1 in the second quarter of 2012. We expect to recognize restructuring charges up to $69.0 million, related to all segments, in the twelve months following the

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approval and implementation of the April 2012 Plan. Total restructuring charges are expected to primarily be composed of non-cash charges of up to $54.0 million, and other cash-based associated costs of up to $15.0 million, for the closure of Fab 1.

December 2011 Plan: To accelerate operating cost reduction and improve overall operating efficiency, in December 2011, we implemented a company-wide restructuring program (the "December 2011 Plan"). The December 2011 Plan eliminated approximately 2% of SunPower's global workforce. We expect to recognize restructuring charges up to $17.0 million, related to all segments, in the twelve months following the approval and implementation of the December 2011 Plan, of which greater than 80% of these charges is expected to be cash.

June 2011 Plan: In response to reductions in European government incentives, which had a significant impact on the global solar market, on June 13, 2011, our Board of Directors approved a restructuring plan (the "June 2011 Plan") to realign our resources. The June 2011 Plan eliminated approximately 2% of SunPower's global workforce, in addition to the consolidation or closure of certain facilities in Europe. Restructuring activities associated with the June 2011 Plan were substantially completed as of September 30, 2012.

See Note 7 of our Notes to Condensed Consolidated Financial Statements for further information regarding our restructuring plans.

Other Expense, Net

	Three Months Ended			Nine Months Ended		
(In thousands)	September 30, 2012	October 2, 2011	% Change	September 30, 2012	October 2, 2011	% Change
Interest income	$94	$206	(54)%	$762	$1,437	(47)%
Interest expense	(25,834)	(17,096)	51%	(63,935)	(48,414)	32%
Gain on sale of equity interest in unconsolidated investee	—	10,989	(100)%	—	10,989	(100)%
Gain on share lending arrangement	50,645	—	100%	50,645	—	100%
Other, net	594	8,487	(93)%	(4,984)	(10,066)	(50)%
Other income (expense), net	$25,499	$2,586	886%	$(17,512)	$(46,054)	(62)%
As a percentage of revenue	4%	—%		(1)%	(3)%	

Other income, net increased $22.9 million, or 886%, in the three months ended September 30, 2012 as compared to the same period in fiscal 2011. The overall increase was primarily driven by a $50.6 million gain related to the recovery of claims related to unreturned shares under our former share lending arrangement with Lehman Brothers International (Europe) Limited ("LBIE") following their bankruptcy. This was partially offset by (i) an $11.0 million cash gain from the sale of 2.9 million shares of Woongjin Energy Co. Ltd, which was recorded in the third quarter of 2011; (ii) an $11.8 million unfavorable change in gain (loss) on derivatives and foreign exchange largely due to the volatility in the currency markets; (iii) an $8.7 million increase in interest expense, mainly driven by the non-cash interest expenses as a result of amortization of warrants, which were issued to Total in connection with the Liquidity Support Agreement executed in the first quarter of fiscal 2012; and (iv) other net favorable changes totaling $3.8 million.

Other expense, net decreased $28.5 million, or 62%, in the nine months ended September 30, 2012 as compared to the same period in fiscal 2011. The overall decrease was primarily driven by (i) $50.6 million gain related to the recovery of claims related to unreturned shares under our former share lending arrangement with LBIE following their

bankruptcy, and (ii) an $8.6 million favorable change in gain (loss) on derivatives and foreign exchange period over period primarily resulting from expensing the time value of option contracts and forward points on forward exchange contracts of effective cash flow hedges. This was partially offset by additional expenses as follows: (i) a $6.9 million impairment charge recorded in the second quarter of fiscal 2012 as we determined current market and operating conditions indicated an inability to recover the carrying amount of one of our equity investments (see Note 9); (ii) a $15.5 million increase in interest expense primarily due to the non-cash interest expenses as a result of amortization of warrants, which were issued to Total in connection with the Liquidity Support Agreement executed in the first quarter of fiscal 2012; (iii) an $11.0 million cash gain from the sale of 2.9 million shares of Woongjin Energy Co. Ltd, which was recorded in the third quarter of 2011; and (iv) other net favorable changes totaling $2.7 million.

Income Taxes

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(In thousands)	Three Months Ended September 30, 2012	October 2, 2011	% Change	Nine Months Ended September 30, 2012	October 2, 2011	% Change
Provision for income taxes	$(593)	$(11,077)	(95)%	$(12,542)	$(17,963)	(30)%
As a percentage of revenue	—%	(2)%		(1)%	1%	

In the three and nine months ended September 30, 2012, our income tax provision of $0.6 million and $12.5 million, respectively, on a loss before income taxes and equity in earnings (losses) of unconsolidated investees of $48.5 million and $192.9 million, respectively, was primarily due to projected tax expense in profitable foreign jurisdictions and a change in the valuation allowance on deferred tax assets. In the three and nine months ended October 2, 2011, our income tax provision was $11.1 million and $18.0 million, respectively, on a loss before income taxes and equity in earnings of unconsolidated investees of $360.7 million and $510.7 million, respectively, was primarily due to projected tax expense in profitable foreign jurisdictions.

A significant amount of our total revenue is generated from customers located outside of the United States, and a substantial portion of our assets and employees are located outside of the United States. United States income taxes and foreign withholding taxes have not been provided on the undistributed earnings of our non-United States subsidiaries as such earnings are intended to be indefinitely reinvested in operations outside the United States to extent that such earnings have not been currently or previously subjected to taxation of the United States.

We record a valuation allowance to reduce our United States deferred tax assets to the amount that is more likely than not to be realized. In assessing the need for a valuation allowance, we consider historical levels of income, expectations and risks associated with the estimates of future taxable income and ongoing prudent and feasible tax planning strategies. In the event we determine that we would be able to realize additional deferred tax assets in the future in excess of the net recorded amount, or if we subsequently determine that realization of an amount previously recorded is unlikely, we would record an adjustment to the deferred tax asset valuation allowance, which would change income tax in the period of adjustment. As of September 30, 2012, we believe there is insufficient evidence to realize additional deferred tax assets in fiscal 2012.

Equity in Earnings (Loss) of Unconsolidated Investees

(In thousands)	Three Months Ended September 30, 2012	October 2, 2011	% Change	Nine Months Ended September 30, 2012	October 2, 2011	% Change
Equity in earnings (loss) of unconsolidated investees	$578	$971	(40)%	$(1,772)	$7,932	(122)%
As a percentage of revenue	—%	—%		—%	—%	

Our equity in earnings (loss) of unconsolidated investees for the three months ended September 30, 2012 and October 2, 2011 was net earnings of $0.6 million and $1.0 million, respectively. The decrease in earnings period over period is primarily attributable to the impact of the sale of our equity ownership in Woongjin Energy during fiscal 2011 and the first quarter of fiscal 2012 partially offset by an increase in our share of earnings in our AUOSP joint venture.

Our equity in earnings (loss) of unconsolidated investees for the nine months ended September 30, 2012 and October 2, 2011 was net losses of $1.8 million and net earnings of $7.9 million, respectively. The increase in net loss

period over period is primarily attributable to the sale of our equity ownership in Woongjin Energy during fiscal 2011 and the first quarter of fiscal 2012.

Net Loss

(In thousands)	Three Months Ended			Nine Months Ended		
	September 30, 2012	October 2, 2011	% Change	September 30, 2012	October 2, 2011	% Change
Net loss	$(48,538)	$(370,784)	(87)%	$(207,249)	$(520,777)	(60)%

Our net loss decreased $322.2 million, or 87%, in the three months ended September 30, 2012 compared to the three months ended October 2, 2011. The decrease quarter over quarter is primarily attributable to (i) a $290.2 million decrease in goodwill and other intangible asset impairment and (ii) a $50.6 million gain related to the recovery of claims related to unreturned shares under our former share lending arrangement with LBIE following their bankruptcy. This was partially offset

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by $9.9 million of additional charges associated with restructuring programs. Our net loss decreased $313.5 million, or 60%, in the nine months ended September 30, 2012 as compared to the nine months ended October 2, 2011. The decrease period over period is primarily driven by (i) a $290.2 million decrease in goodwill and other intangible asset impairment; (ii) a $50.6 million gain related to the recovery of claims related to unreturned shares under our former share lending arrangement with LBIE following their bankruptcy; and (iii) a $30.8 million decrease in other operating expenses attributable to our cost-control strategy implemented in response to the changes in the European market and resulting restructuring. This was partially offset by $47.2 million of additional charges associated with the implementation of approved restructuring programs and a $15.5 million increase in interest expense as a result of amortization of warrants, which were issued to Total in connection with the Liquidity Support Agreement executed in the first quarter of fiscal 2012. Information about other significant variances in our results of operations is described above.

Liquidity and Capital Resources

Cash Flows

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

	Nine Months Ended	
(In thousands)	September 30, 2012	October 2, 2011
Net cash used in operating activities	$(212,956)	$(258,980)
Net cash used in investing activities	(18,306)	(76,398)
Net cash provided by (used in) financing activities	(115,017)	107,821

Operating Activities

Net cash used in operating activities of $213.0 million in the nine months ended September 30, 2012 was primarily the result of: (i) a net loss of $207.2 million; (ii) increases in prepaid expense and other assets of $221.1 million primarily related to deferred costs associated with several large utility-scale solar projects under construction in North America; (iii) increase in project assets of $101.9 million for construction of future and current projects primarily in North America; and (iv) a net decrease of $39.9 million in other operating liabilities, net of changes to operating assets. This was partially offset by (i) a decrease in accounts receivable $124.9 million; (ii) non-cash impairment charges totaling $59.6 million associated with goodwill and other intangible asset impairment in the third quarter of fiscal 2012; (iii) a loss of $56.4 million on retirement of property, plant and equipment as primarily the result of our restructuring plan regarding Fab 1 consolidation; and (iv) $116.4 million other, net related to non-cash charges of $167.0 million primarily attributable to depreciation and amortization, stock based compensation, and non-cash interest charges, net with a $50.6 million gain in connection with our former share lending arrangement with Lehman Brothers International (Europe) Limited ("LBIE") which was classified as cash from financing activities (see below).

Net cash used in operating activities of $259.0 million in the nine months ended October 2, 2011 was primarily the result of: (i) a net loss of $520.8 million; (ii) increases in inventories and project assets of $164.0 million for construction of future and current projects in Italy and the North America; (iii) increases in prepaid and other assets of $123.0 million primarily associated with outstanding receivables due and receivable from our joint ventures; and (iv) non-cash income of $19.2 million related to our equity share in earnings of unconsolidated investees and gains associated with the sale of our equity interest in Woongjin Energy. This was partially offset by: (i) non-cash impairment charges totaling $382.2 million associated with goodwill and other intangible asset impairment in the third quarter of fiscal 2011 as well as inventories and project asset write-downs in the second quarter of fiscal 2011 associated with the change in European government incentives; (ii) other non-cash charges of $170.1 million primarily related to depreciation and amortization, stock based compensation, and non-cash interest charges; and (iii)

a net decrease of $15.7 million in other operating assets and liabilities.

Investing Activities

Net cash used in investing activities in the nine months ended September 30, 2012 was $18.3 million, which included (i) $79.0 million related to capital expenditures primarily associated with improvements to our current generation solar cell manufacturing technology, leasehold improvements associated with our San Jose, California office, the build-out of our new solar panel assembly facility in Mexicali, Mexico, and other projects; (ii) a $10.0 million strategic equity investment in an unconsolidated investee; and (iii) $1.4 million in purchases of marketable securities. This was partially offset by (i) $54.3 million of restricted cash released back to us due to expirations of fully cash-collateralized letter of credits under the September

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2011 Letter of Credit Facility with Deutsche Bank Trust and transition of outstanding letter of credits into the August 2011 Deutsche Bank facility under which payment of obligations is guaranteed by Total S.A.; and (ii) $17.4 million in proceeds from the sale of our equity interest in our Woongjin Energy joint venture on the open market.

Net cash used in investing activities in the nine months ended October 2, 2011 was $76.4 million, of which: (i) $85.5 million related to capital expenditures primarily associated with improvements to our current generation solar cell manufacturing technology, leasehold improvements associated with new offices leased in San Jose, California, and other projects; (ii) $80.0 million related to additional cash investments in our AUOSP joint venture; and (iii) $9.0 million in purchases of marketable securities. This was partially offset by (i) a decrease in restricted cash of $29.8 million; (ii) $43.8 million in proceeds received related to the sale of debt securities and distributions on certain money market funds; and (iii) $24.0 million in proceeds from the sale of a portion of our equity interest in our Woongjin Energy joint venture on the open market.

Financing Activities

Net cash used in financing activities in the nine months ended September 30, 2012 of $115.0 million reflects: (i) $178.3 million of cash distributions in connection with the transfer of entities under common control; (ii) $198.6 million paid to fully repurchase the outstanding 1.25% convertible debentures; (iii) repayment of $126.4 million of our outstanding borrowings primarily under the Credit Agricole revolving credit facility; and (iv) $5.4 million in purchases of stock for tax withholding obligations on vested restricted stock. This was partially offset by (i) $163.6 million in proceeds from the sale of 18.6 million shares of our common stock to Total; (ii) drawdowns of $125.0 million under the Credit Agricole revolving credit facility; (iii) $50.6 million of proceeds from the recovery of a claim in connection with our former share lending arrangement with LBIE; (iv) $27.6 million from project loans; and (v) $26.8 million of financing proceeds for the lease receivables from a financial institution that we partner with under our residential lease program.

Net cash provided by financing activities in the nine months ended October 2, 2011 was $107.8 million and reflects cash received of: (i) $489.2 million in cash proceeds from subsequent drawdowns under the Union Bank, Société Générale, and Credit Agricole revolving credit facilities; (ii) $4.0 million from stock option exercises; and (iii) $2.3 million in cash proceeds in conjunction with warrant holders' exercise of their rights to reduce warrant exercise prices (see Note 10). This was partially offset by: (i) repayment of $377.1 million of outstanding balances under the Union Bank and Société Générale revolving credit facilities; and (ii) $10.6 million in purchases of stock for tax withholding obligations on vested restricted stock.

Debt and Credit Sources

Convertible Debentures

As of both September 30, 2012 and January 1, 2012, an aggregate principal amount of $250.0 million of the 4.50% debentures remain issued and outstanding. Interest on the 4.50% debentures is payable on March 15 and September 15 of each year. The 4.50% debentures mature on March 15, 2015. The 4.50% debentures are convertible only into cash, and not into shares of our common stock (or any other securities). Prior to December 15, 2014, the 4.50% debentures are convertible only upon specified events and, thereafter, they will be convertible at any time, based on an initial conversion price of $22.53 per share of our common stock. The conversion price will be subject to adjustment in certain events, such as distributions of dividends or stock splits. Upon conversion, we will deliver an amount of cash calculated by reference to the price of our common stock over the applicable observation period. We may not redeem the 4.50% debentures prior to maturity. Holders may also require us to repurchase all or a portion of their 4.50% debentures upon a fundamental change, as defined in the debenture agreement, at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest. In the event of certain events of default, such as our

failure to make certain payments or perform or observe certain obligations thereunder, Wells Fargo, the trustee, or holders of a specified amount of then-outstanding 4.50% debentures will have the right to declare all amounts then outstanding due and payable. Concurrent with the issuance of the 4.50% debentures, we entered into privately negotiated convertible debenture hedge transactions and warrant transactions which represent a call spread overlay with respect to the 4.50% debentures (the "CSO2015"), assuming full performance of the counterparties and 4.50% Warrants strike prices in excess of the conversion price of the 4.50% debentures. According to the counterparties to the warrants, the consummation of the Total Tender Offer triggered their rights to make a downward adjustment to the strike price of the warrants. In the third quarter of fiscal 2011, we and the counterparties to the 4.50% Warrants agreed to reduce the exercise price of the 4.50% Warrants from $27.03 to $24.00. Please see "Conversion of our outstanding 4.75% debentures, our warrants related to our outstanding 4.50% and 4.75% debentures, and future substantial issuances or dispositions of our common stock or other securities, could dilute ownership and earnings per share or cause the market price of our stock to decrease." in "Part I. Item 1A: Risk Factors" in the fiscal 2011 Form 10-K.

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As of both September 30, 2012 and January 1, 2012, an aggregate principal amount of $230.0 million of the 4.75% senior convertible debentures ("4.75% debentures") remain issued and outstanding. Interest on the 4.75% debentures is payable on April 15 and October 15 of each year. Holders of the 4.75% debentures are able to exercise their right to convert the debentures at any time into shares of our common stock at a conversion price equal to $26.40 per share. The applicable conversion rate may adjust in certain circumstances, including upon a fundamental change, as defined in the indenture governing the 4.75% debentures. If not earlier converted, the 4.75% debentures mature on April 15, 2014. Holders may also require us to repurchase all or a portion of their 4.75% debentures upon a fundamental change at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest. In the event of certain events of default, such as our failure to make certain payments or perform or observe certain obligations thereunder, Wells Fargo, the trustee, or holders of a specified amount of then-outstanding 4.75% debentures will have the right to declare all amounts then outstanding due and payable. Concurrent with the issuance of the 4.75% debentures, we entered into certain convertible debenture hedge transactions (the "4.75% Bond Hedge") and warrant transactions (the "4.75% Warrants") with affiliates of certain of the underwriters of the 4.75% debentures. According to the counterparties to the warrants, the consummation of the Total Tender Offer triggered their rights to make a downward adjustment to the strike price of the warrants. In the third quarter of fiscal 2011, we and the counterparties to the 4.75% Warrants agreed to reduce the exercise price of the 4.75% Warrants from $38.50 to $26.40, which is no longer above the conversion price of the 4.75% debentures. Please see "Conversion of our outstanding and 4.75% debentures, our warrants related to our outstanding 4.50% and 4.75% debentures, and future substantial issuances or dispositions of our common stock or other securities, could dilute ownership and earnings per share or cause the market price of our stock to decrease." in "Part I. Item 1A: Risk Factors" in the fiscal 2011 Form 10-K.

Mortgage Loan Agreement with IFC

On May 6, 2010, our subsidiaries SunPower Philippines Manufacturing Ltd. ("SPML") and SPML Land, Inc. ("SPML Land") entered into a mortgage loan agreement with IFC. Under the loan agreement, SPML may borrow up to $75.0 million during the first two years, and SPML shall repay the amount borrowed, starting 2 years after the date of borrowing, in 10 equal semiannual installments over the following 5 years. SPML shall pay interest of LIBOR plus 3% per annum on outstanding borrowings, and a front-end fee of 1% on the principal amount of borrowings at the time of borrowing, and a commitment fee of 0.5% per annum on funds available for borrowing and not borrowed. SPML may prepay all or a part of the outstanding principal, subject to a 1% prepayment premium. As of both September 30, 2012 and January 1, 2012, SPML had $75.0 million outstanding under the mortgage loan agreement. SPML and SPML Land pledged certain assets as collateral supporting SPML's repayment obligation. Additionally, in accordance with the terms of the mortgage loan agreement, we are required to establish a debt service reserve account which shall contain the amount, as determined by IFC, equal to the aggregate principal and interest due on the next succeeding interest payment date after such date.

As of September 30, 2012 and January 1, 2012, we had restricted cash and cash equivalents of $6.4 million and $1.3 million, respectively, related to the IFC debt service reserve.

Loan Agreement with California Enterprise Development Authority ("CEDA")

On December 29, 2010, we borrowed from CEDA the proceeds of the $30.0 million aggregate principal amount of CEDA's tax-exempt Recovery Zone Facility Revenue Bonds (SunPower Corporation - Headquarters Project) Series 2010 (the "Bonds") maturing April 1, 2031 under a loan agreement with CEDA. Certain of our obligations under the loan agreement were contained in a promissory note dated December 29, 2010 issued by us to CEDA, which assigned the promissory note, along with all right, title and interest in the loan agreement, to Wells Fargo, as trustee, with respect to the Bonds for the benefit of the holders of the Bonds. The Bonds initially bore interest at a variable interest rate (determined weekly), but in June 2011, at our option were converted into fixed-rate bonds at 8.50% per annum (which include covenants of, and other restrictions on, us). Additionally, in accordance with the terms of the loan

agreement, we are required to keep all loan proceeds on deposit with Wells Fargo, the trustee, until funds are withdrawn by us for use in relation to the design and leasehold improvements of our new corporate headquarters in San Jose, California. As of September 30, 2012 and January 1, 2012, we had restricted cash and cash equivalents of $3.0 million and $10.0 million, respectively, for design and leasehold improvements and debt service reserves under the CEDA loan agreement.

As of both September 30, 2012 and January 1, 2012, the $30.0 million aggregate principal amount of the Bonds was classified as "Long-term debt" in our Condensed Consolidated Balance Sheets.

August 2011 Letter of Credit Facility with Deutsche Bank

On August 9, 2011, we entered into a letter of credit facility agreement with Deutsche Bank, as issuing bank and as administrative agent, and certain financial institutions, and further amended on December 20, 2011. Payment of obligations

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under the letter of credit facility is guaranteed by Total S.A. pursuant to the Credit Support Agreement between us and Total S.A. The letter of credit facility provides for the issuance, upon our request, of letters of credit by the issuing banks thereunder in order to support certain of our obligations, in an aggregate amount not to exceed (a) $725.0 million until December 31, 2012; and (b) $771.0 million for the period from January 1, 2013 through December 31, 2013. Aggregate letter of credit amounts may be increased upon the agreement of the parties, but otherwise may not exceed (i) $878.0 million for the period from January 1, 2014 through December 31, 2014; (ii) $936.0 million for the period from January 1, 2015 through December 31, 2015; and (iii) $1.0 billion for the period from January 1, 2016 through June 28, 2016. Each letter of credit issued under the letter of credit facility must have an expiration date no later than the second anniversary of the issuance of that letter of credit, provided that up to 15% of the outstanding value of the letters of credit may have an expiration date of between two and three years from the date of issuance.

As of September 30, 2012, letters of credit issued under the August 2011 letter of credit facility with Deutsche Bank totaled $697.5 million.

September 2011 Letter of Credit Facility with Deutsche Bank and Deutsche Bank Trust Company Americas (together, "Deutsche Bank Trust")

On September 27, 2011, we entered into a letter of credit facility with Deutsche Bank Trust which provides for the issuance, upon request by us, letters of credit to support our obligations in an aggregate amount not to exceed $200.0 million. Each letter of credit issued under the facility is fully cash-collateralized and we have entered into a security agreement with Deutsche Bank Trust, granting them a security interest in a cash collateral account established for this purpose.

As of September 30, 2012 letters of credit issued under the Deutsche Bank Trust facility amounted to $1.5 million which were fully collateralized with restricted cash on the Consolidated Balance Sheets.

September 2011 Revolving Credit Facility with Credit Agricole

On September 27, 2011, we entered into a revolving credit agreement with Credit Agricole, as administrative agent, and certain financial institutions, under which we may borrow up to $275.0 million until September 27, 2013. Amounts borrowed may be repaid and reborrowed until September 27, 2013. We are required to pay interest on outstanding borrowings of: (a) with respect of any LIBOR loan, 1.5% plus the LIBOR divided by a percentage equal to one minus the stated maximum rate of all reserves required to be maintained against "Eurocurrency liabilities" as specified in Regulation D; (b) with respect to any alternative base loan, 0.5% plus the greater of (1) the prime rate, (2) the Federal Funds rate plus 0.5%, and (3) the one month LIBOR plus 1%; (c) a commitment fee equal to 0.25% per annum on funds available for borrowing and not borrowed; (d) an upfront fee of 0.125% of the revolving loan commitment; and (e) arrangement fee customary for a transaction of this type.

In the event Total S.A. no longer beneficially owns 40% of our issued and outstanding voting securities, the revolving credit facility would be subject to renegotiation, with a view to agreeing to amend the revolving credit facility consistent with terms and conditions and market practice for similarly situated borrowers. If we cannot reach an agreement with the lenders, we are required to prepay all principal, interest, fees, and other amounts owed and the revolving credit facility will terminate.

Our revolving credit facility with Credit Agricole requires that we maintain certain financial ratios, including that the ratio of our debt at the end of each quarter to our EBITDA (earnings before interest, tax, depreciation, and amortization) for the last twelve months, as defined, would not exceed 4.5 to 1. If our forecasts are not achieved as anticipated, it is possible that we could breach this or other covenants in the future, which could affect the availability of borrowings under the line and potentially result in cross defaults on other agreements, such as our convertible

notes, if not remedied. On February 28, 2012, as further described below, we entered into the Liquidity Support Facility with Total S.A. under which we may receive up to $600 million of liquidly support. Under this facility, Total S.A. must provide us and we must accept from Total S.A. additional liquidity in the form of guarantees, revolving or convertible debt, equity, or other forms of liquidity support agreed to by us, in the event that either our actual or projected unrestricted cash, cash equivalents and unused borrowing capacity are reduced below $100 million, or we fail to satisfy any financial covenant under our indebtedness, including the revolving facility with Credit Agricole.

As of both September 30, 2012 and January 1, 2012, we had $250.0 million outstanding under the revolving credit facility with Credit Agricole. Outstanding borrowings under our revolving credit facility are due September 27, 2013 and are therefore classified as "Short-term debt" as of September 30, 2012. We expect to extend the existing facility or refinance prior to the maturity date.

Liquidity

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As of September 30, 2012, we had unrestricted cash and cash equivalents of $377.1 million as compared to $725.6 million as of January 1, 2012. Our cash balances are held in numerous locations throughout the world and as of September 30, 2012, we had approximately $139.5 million held outside of the United States. This offshore cash is used to fund operations of our EMEA and APAC business units as well as non-U.S. manufacturing operations, which requires local payment for product materials and other expenses. The amounts held outside of the United States represents the earnings of our foreign subsidiaries which, if repatriated to the United States under current law, would be subject to United States federal and state tax less applicable foreign tax credits. Repatriation of earnings that have not been subjected to U.S. tax and which have been indefinitely reinvested outside the U.S. could result in additional United States federal income tax payments in future years.

On July 5, 2010, we formed our AUOSP joint venture. Under the terms of the joint venture agreement, our subsidiary SunPower Technology, Ltd. ("SPTL") and AU Optronics Singapore Pte. Ltd. ("AUO") each own 50% of AUOSP. Both SPTL and AUO are obligated to provide additional funding to AUOSP in the future. During the second half of fiscal 2010, we, through SPTL, and AUO each contributed total initial funding of $27.9 million. In fiscal 2011, SPTL and AUO each contributed an additional $80.0 million in funding. Under the joint venture agreement, each shareholder agreed to contribute additional amounts to the joint venture in fiscal 2012 through 2014 amounting to $241.0 million, or such lesser amount as the parties may mutually agree (see the Contractual Obligations table below). In addition, if AUOSP, SPTL, or AUO requests additional equity financing to AUOSP, then SPTL and AUO will each be required to make additional cash contributions of up to $50.0 million in the aggregate. Further, we could in the future guarantee certain financial obligations of AUOSP.

On January 31, 2012, we completed our acquisition from Total of 100% of the equity of Tenesol, a global solar provider headquartered in La Tour deSalvagny, France, and a wholly-owned subsidiary of Total, for $165.4 million in cash pursuant to a stock purchase agreement entered into on December 23, 2011. Concurrently with the closing of the acquisition, Total purchased $18.6 million shares of our common stock in a private placement at $8.80 per share for total proceeds of $163.7 million. Tenesol has module manufacturing operations in Toulouse, France and Capetown, South Africa and is in the process of developing a third site near Carling, France. Our manufacturing and assembly activities have required and will continue to require significant investment of capital and substantial engineering expenditures.

Under the terms of the 4.50% Warrants, we sold to affiliates of certain of the initial purchasers of the 4.50% cash convertible debentures warrants to acquire, subject to anti-dilution adjustments, up to 11.1 million shares of our common stock. The bond hedge and warrants described in Note 10 of Notes to the Condensed Consolidated Financial Statements represent a call spread overlay with respect to the 4.50% debentures. Assuming full performance by the counterparties (and 4.50% Warrants strike prices in excess of the conversion price of the 4.50% debentures), the transactions effectively reduce our potential payout over the principal amount on the 4.50% debentures upon conversion of the 4.50% debentures. In the third quarter of fiscal 2011, we and the counterparties to the 4.50% Warrants agreed to reduce the exercise price of the 4.50% Warrants from $27.03 to $24.00.

We expect total capital expenditures related to purchases of property, plant and equipment in the range of $115 million to $125 million in fiscal 2012 in order to improve our current and next generation solar cell manufacturing technology and other projects. In addition, we expect to invest a significant amount of capital to develop solar power systems and plants for sale to customers. The development of solar power plants can require long periods of time and substantial initial investments. Our efforts in this area may consist of all stages of development, including land acquisition, permitting, financing, construction, operation and the eventual sale of the projects. We often choose to bear the costs of such efforts prior to the final sale to a customer, which involves significant upfront investments of resources (including, for example, large transmission deposits or other payments, which may be non-refundable), land acquisition, permitting, legal and other costs, and in some cases the actual costs of constructing a project, in advance

of the signing of PPAs and Engineering Procurement Construction contracts and the receipt of any revenue, much of which is not recognized for several additional months or years following contract signing. Any delays in disposition of one or more projects could have a negative impact on our liquidity.

Certain of our customers also require performance bonds issued by a bonding agency or letters of credit issued by financial institutions. Obtaining letters of credit may require adequate collateral. All letters of credit issued under our August 2011 Deutsche Bank facility are guaranteed by Total S.A. pursuant to the Credit Support Agreement. Our letter of credit facility with Deutsche Bank Trust is fully collateralized by restricted cash, which reduces the amount of cash available for operations. As of September 30, 2012 letters of credit issued under the Deutsche Bank Trust facility amounted to $1.5 million which were fully collateralized with restricted cash on the Condensed Consolidated Balance Sheets.

In fiscal 2011, we launched our residential lease program with dealers in the United States, in partnership with a third-party financial institution, which allows customers to obtain SunPower systems under lease agreements up to 20 years, subject to financing availability. On August 8, 2012, we entered into arrangements with two financial institutions that will provide

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financing to support additional residential solar lease projects. We receive prepaid rent for periods under which the third-party financial institution has agreed to assume collection risk for certain residential leases. Changes in the amount or timing of prepaid rent received from the financial institution may have an impact on our cash position within the next twelve months. The normal collection of monthly, non-prepaid rent payments for leases placed in service is not expected to have a material impact on our cash position within the next twelve months. We are actively arranging additional third-party financing for our residential lease program; however, due to the general challenging credit markets worldwide, we may be unable to arrange additional financing partners for our residential lease program in future periods, which could have a negative impact on our sales. In the unlikely event that we have entered into a material number of additional leases without promptly obtaining corresponding third-party financing, our cash and working capital could be negatively impacted.

We believe that our current cash, cash equivalents and cash expected to be generated from operations will be sufficient to meet our working capital and fund our committed capital expenditures over the next 12 months, including the development and construction of solar power systems and plants over the next 12 months. In addition, we have the Liquidity Support Facility (described below) with up to $600 million available from Total S.A. to us under certain specified circumstances. However, there can be no assurance that our liquidity will be adequate over time. A significant portion of our revenue is generated from a limited number of customers and large projects and our inability to execute these projects, or to collect from these customers or for these projects, would have a significant negative impact on our business. Our capital expenditures and use of working capital may be greater than we expect if we decide to make additional investments in the development and construction of solar power plants and sales of power plants and associated cash proceeds are delayed, or if we decide to accelerate increases in our manufacturing capacity internally or through capital contributions to joint ventures. We require project financing in connection with the construction of solar power plants, which financing may not be available on terms acceptable to us. In addition, we could in the future make additional investments in our joint ventures or guarantee certain financial obligations of our joint ventures, which could reduce our cash flows, increase our indebtedness and expose us to the credit risk of our joint ventures. See also "A limited number of customers and large projects are expected to continue to comprise a significant portion of our revenues and any decrease in revenue from these customers or projects could have a significant adverse effect on us," and "Due to the general economic environment, the continued market pressure driving down the average selling prices of our solar power products and other factors, we may be unable to generate sufficient cash flows or obtain access to external financing necessary to fund our operations and make adequate capital investments as planned" in Part I, Item 1A "Risk Factors" in the fiscal 2011 Form 10-K.

We are party to an agreement with a customer to construct the California Valley Solar Ranch, a solar park. Part of the debt financing necessary for the customer to pay for the construction of this solar park is being provided by the Federal Financing Bank in reliance on a guarantee of repayment provided by the Department of Energy (the "DOE") under a loan guarantee program. On February 28, 2012, we entered into a Liquidity Support Agreement with Total S.A. and the DOE, and a series of related agreements with Total S.A. and Total, under which Total S.A. has agreed to provide us, or cause to be provided, additional liquidity under certain circumstances to a maximum amount of $600 million (the "Liquidity Support Facility"). Total S.A. is required to provide liquidity support to us under the facility, and we are required to accept such liquidity support from Total S.A., if either our actual or projected unrestricted cash, cash equivalents, and unused borrowing capacity are reduced below $100 million, or we fail to satisfy any financial covenant under our indebtedness. In either such event, subject to a $600 million aggregate limit, Total S.A. is required to provide us with sufficient liquidity support to increase the amount of our unrestricted cash, cash equivalents and unused borrowing capacity to above $100 million, and to restore compliance with our financial covenants. The Liquidity Support Facility is available until the completion of the solar park, expected to be operational in 2013 and completed before the end of 2014, and, under certain conditions, up to December 31, 2016, at which time all outstanding guarantees will expire and all outstanding debt under the facility will become due. In return for Total S.A.'s agreement to provide the Liquidity Support Facility, on February 28, 2012, we issued to Total a seven-year warrant to purchase 9,531,677 shares of our common stock at an exercise price of $7.8685 per share. During the term

of the facility, we must pay Total S.A. a quarterly fee equal to 0.25% of the unused portion of the facility. Liquidity support may be provided by Total S.A. or through its affiliates in the form of revolving non-convertible debt, convertible debt, equity, guarantees of our indebtedness or other forms of liquidity support agreed to by us, depending on the amount outstanding under the facility immediately prior to provision of the applicable support among other factors. We are required to compensate Total S.A. for any liquidity support actually provided, and the form and amount of such compensation depends on the form and amount of support provided, with the amount of compensation generally increasing with the amount of support provided over time. Such compensation is to be provided in a variety of forms including guarantee fees, warrants to purchase common stock, interest on amounts borrowed, and discounts on equity issued. The use of the Liquidity Support Facility is not limited to direct obligations related to the solar park, and is available for general corporate purposes, but we have agreed to conduct our operations, and use any proceeds from such facility in ways that minimize the likelihood of Total S.A. being required to provide further support. For a more detailed description of the Liquidity Support Facility and related agreements, see Item 9B of our fiscal 2011 Form 10-K.

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If our capital resources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity securities or debt securities or obtain other debt financing, including under the Liquidity Support Facility. The current economic environment, however, could limit our ability to raise capital by issuing new equity or debt securities on acceptable terms, and lenders may be unwilling to lend funds on acceptable terms that would be required to supplement cash flows to support operations. The sale of additional equity securities or convertible debt securities, including under the Liquidity Support Agreement, would result in additional dilution to our stockholders (and potential for further dilution upon the exercise of warrants or the conversion of convertible debt issued under the Liquidity Support Facility) 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 the letter of credit facility with Deutsche Bank, the letter of credit facility with Deutsche Bank Trust, the mortgage loan agreement with IFC, the loan agreement with CEDA, the revolving credit facility with Credit Agricole, the 4.50% debentures or the 4.75% debentures. In addition, financing arrangements, including project financing for our solar power plants and letters of credit facilities, may not be available to us, or may not be available in amounts or on terms acceptable to us.

Contractual Obligations

The following summarizes our contractual obligations as of September 30, 2012:

		Payments Due by Period			
(In thousands)	Total	2012 (remaining 3 months)	2013-2014	2015-2016	Beyond 2016
Convertible debt, including interest (1)	$524,487	$5,544	$266,582	$252,361	$—
IFC mortgage loan, including interest (2)	82,749	699	31,986	32,288	17,776
CEDA loan, including interest (3)	77,175	637	5,100	5,100	66,338
Credit Agricole revolving credit facility, including interest (4)	254,306	1,091	253,215	—	—
Project financing	27,617	27,617	—	—	—
Future financing commitments (5)	245,940	47,770	198,170	—	—
Operating lease commitments (6)	116,053	5,434	30,141	24,573	55,905
Capital lease commitments (7)	9,306	477	3,430	2,147	3,252
Utility obligations (8)	750	—	300	300	150
Non-cancellable purchase orders (9)	227,172	227,172	—	—	—
Purchase commitments under agreements (10)	2,169,112	239,325	529,889	688,486	711,412
Total	$3,734,667	$555,766	$1,318,813	$1,005,255	$854,833

(1) Convertible debt, including interest, relates to the aggregate of $480.1 million in outstanding principal amount of our senior convertible debentures on September 30, 2012. For the purpose of the table above, we assume that all holders of the 4.50% debentures and 4.75% debentures will hold the debentures through the date of maturity in fiscal 2015 and 2014, respectively, and all holders of the 0.75% debentures will require us to repurchase the debentures on August 1, 2015, and upon conversion, the values of the senior convertible debentures will be equal to the aggregate principal amount with no premiums.

(2)

IFC mortgage loan, including interest, relates to the $75.0 million borrowed as of September 30, 2012. Under the loan agreement, SPML is required to repay the amount borrowed, starting 2 years after the date of borrowing, in 10 equal semiannual installments over the following 5 years. SPML is required to pay interest of LIBOR plus 3% per annum on outstanding borrowings.

(3) CEDA loan, including interest, relates to the proceeds of the $30.0 million aggregate principal amount of the Bonds. The Bonds mature on April 1, 2031. On June 1, 2011 the Bonds were converted to bear interest at a fixed rate of 8.50% through maturity.

(4) Credit Agricole revolving credit facility, with interest, relates to the $250.0 million borrowed as of September 30, 2012

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and maturing on September 27, 2013. We are required to pay interest on outstanding borrowings of (a) with respect to any LIBOR loan, 1.50% plus the LIBOR divided by a percentage equal to one minus the stated maximum rate of all reserves required to be maintained against "Eurocurrency liabilities" as specified in Regulation D; and (b) with respect to any alternate base loan, 0.50% plus the greater of (1) the prime rate, (2) the Federal Funds rate plus 0.5%, and (3) the one month LIBOR plus 1%.

(5) SPTL and AUO agreed in the joint venture agreement to contribute additional amounts to AUOSP in fiscal 2012 through 2014 amounting to $241.0 million by each shareholder, or such lesser amount as the parties may mutually agree. Further, in connection with a purchase agreement with a non-public company we will be required to provide additional financing to such party of up to $4.9 million, subject to certain conditions.

(6) Operating lease commitments primarily relate to certain solar power systems leased from unaffiliated third parties over minimum lease terms of up to 20 years and various lease agreements for our headquarters in San Jose, California, sales and support offices throughout the United States and Europe and a solar module facility in Mexicali, Mexico.

(7) Capital lease commitments primarily relate to certain manufacturing and equipment under capital leases in Europe for terms of up to 12 years.

(8) Utility obligations relate to our 11-year lease agreement with an unaffiliated third party for our administrative, research and development offices in Richmond, California.

(9) Non-cancellable purchase orders relate to purchases of raw materials for inventory and manufacturing equipment from a variety of vendors.

(10) Purchase commitments under agreements relate to arrangements entered into with several suppliers, including joint ventures, for polysilicon, ingots, wafers, solar cells and solar panels as well as agreements to purchase solar renewable energy certificates from solar installation owners in New Jersey and Pennsylvania. These agreements specify future quantities and pricing of products to be supplied by the vendors for periods up to 10 years and there are certain consequences, such as forfeiture of advanced deposits and liquidated damages relating to previous purchases, in the event that we terminate the arrangements. Where pricing is specified for future periods, with two of our ingot/wafer suppliers, the Company may reduce its purchase commitment under the contract if the Company obtains a bona fide third party offer at a price that is a certain percentage lower than the applicable purchase price in the existing contract. If market prices decrease, the Company intends to use such provisions to either move its purchasing to another supplier or to seek to force the initial supplier to reduce its price to remain competitive with market pricing. These two contracts constitute approximately 1% of the aggregate purchase commitments shown.

Liabilities Associated with Uncertain Tax Positions

As of September 30, 2012 and January 1, 2012, total liabilities associated with uncertain tax positions were $29.8 million and $29.3 million, respectively, and are included in "Other long-term liabilities" in our Condensed Consolidated Balance Sheets as they are not expected to be paid within the next twelve 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 will be made for our liabilities associated with uncertain tax positions in other long-term liabilities. Therefore, they have been excluded from the table above.

Off-Balance-Sheet Arrangements

As of September 30, 2012, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

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ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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 European customers represented 14% and 23% of our total revenue in the three and nine months ended September 30, 2012, respectively, and 42% and 39% of our total revenue during the three and nine months ended October 2, 2011, respectively. A 10% change in the Euro exchange rate would have impacted our revenue by approximately $8.9 million and $40.0 million in the three and nine months ended September 30, 2012, respectively, and $29.3 million and $67.6 million in the three and nine months ended October 2, 2011, respectively.

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. Strengthening of the Malaysian Ringgit against the U.S. dollar would increase AUOSP's liability under the facility agreement with the Malaysian government which in turn would negatively impact our equity in earnings of the unconsolidated investee. 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 option and forward contracts to address our exposure to changes in the foreign exchange rate between the U.S. dollar and other currencies. As of September 30, 2012, we had outstanding hedge option contracts and forward contracts with aggregate notional values of $56.3 million and $73.9 million, respectively. As of January 1, 2012, we held option and forward contracts totaling $130.4 million and $200.8 million, respectively, in notional value. Because we hedge some of our expected future foreign exchange exposure, if associated revenues do not materialize we could experience losses. During the nine months ended October 2, 2011, in connection with the decline in forecasted revenue surrounding the overall change in the solar sector, we concluded that certain previously anticipated transactions were probable not to occur and thus we reclassified the amount held in "Accumulated other comprehensive income (loss)" in our Condensed Consolidated Balance Sheets for these transactions, which totaled a loss of $4.5 million, to "Other, net" in our Condensed Consolidated Statement of Operations. If we conclude that we have a pattern of determining that hedged forecasted transactions probably will not occur, we may no longer be able to continue to use hedge accounting in the future to reduce our exposure to movements in foreign exchange rates. Such a conclusion and change in our foreign currency hedge program 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, note receivable, advances to suppliers, foreign currency option contracts, foreign currency forward contracts, bond hedge and warrant transactions and a share lending arrangement for our common stock. We are exposed to credit losses in the event of nonperformance by the counterparties to our financial and derivative instruments.

We enter into agreements with vendors 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 September 30, 2012 and January 1, 2012, advances to suppliers totaled $357.5 million and

$327.5 million, respectively. Two suppliers accounted for 74% and 23% of total advances to suppliers as of September 30, 2012, and 74% and 20% of total advances to suppliers as of January 1, 2012. We may be unable to recover such prepayments if the credit conditions of these suppliers materially deteriorate.

We enter into foreign currency derivative contracts and convertible debenture hedge transactions 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 less than one year. 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

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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, reduce gross margin and adversely impact 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.

Our interest expense would increase to the extent interest rates rise in connection with our variable interest rate borrowings. As of September 30, 2012, the outstanding principal balance of our variable interest borrowings was $325.0 million. We do not believe that an immediate 10% increase in interest rates would have a material effect on our financial statements. In addition, lower interest rates have an adverse impact on our interest income. Our investment portfolio primarily consists of $160.0 million in money market funds as of September 30, 2012, and exposes us to interest rate risk. Due to the relatively short-term nature of our investment portfolio, we do not believe that an immediate 10% increase 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 joint ventures and other non-public companies expose us to equity price risk. As of September 30, 2012 and January 1, 2012, investments of $107.3 million and $129.9 million, respectively, are accounted for using the equity method, and $14.9 million and $4.9 million, respectively, are accounted for using the cost method. These strategic investments in third parties are subject to risk of changes in market value, which if determined to be other-than-temporary, could result in realized impairment losses. We generally do not attempt to reduce or eliminate our market exposure in equity and cost method 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 and cost method investments will not face risks of loss in the future.

Interest Rate Risk and Market Price Risk Involving Convertible Debt

The fair market value of our 4.75%, 4.50%, and 0.75% convertible debentures is subject to interest rate risk, market price risk and other factors due to the convertible feature of the debentures. The fair market value of the debentures will generally increase as interest rates fall and decrease as interest rates rise. In addition, the fair market value of the debentures will generally increase as the market price of our common stock increases and decrease as the market price of our common stock falls. The interest and market value changes affect the fair market value of the debentures, but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligations, except to the extent increases in the value of our common stock may provide the holders of our 4.50% debentures, and/or 0.75% debentures the right to convert such debentures into cash in certain instances. The aggregate estimated fair value of the 4.75% debentures, 4.50% debentures, and 0.75% debentures was $435.9 million as of September 30, 2012. The aggregate estimated fair value of the 4.75% debentures, 4.50% debentures, 1.25% debentures and 0.75% debentures was $604.6 million as of January 1, 2012. Estimated fair values are based on quoted market prices as reported by an independent pricing source. A 10% increase in quoted market prices would increase the estimated fair value of our then-outstanding debentures to $479.5 million and $665.0 million as of September 30, 2012 and January 1, 2012, respectively, and a 10% decrease in the quoted market prices would decrease the estimated fair value of our then-outstanding debentures to $392.3 million and $544.1 million as of September 30, 2012 and January 1,

2012, respectively.

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ITEM 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to provide reasonable assurance that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management is required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure control and procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2012 at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II

ITEM 1. LEGAL PROCEEDINGS

The disclosure under "Legal Matters" in "Note 8. Commitments and Contingencies" in "Part I. Financial Information, Item 1. Financial Statements: Notes to Condensed Consolidated Financial Statements" of this Quarterly Report on Form 10-Q is incorporated herein by reference.

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ITEM 1A: RISK FACTORS

In addition to other information set forth in this report, readers should carefully consider the risk factors discussed in "Part I. Item 1A: Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended January 1, 2012, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

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ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table sets forth all purchases made by or on behalf of us or any "affiliated purchaser," as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, of shares of our common stock during each of the indicated periods.

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Publicly Announced Plans or Programs
July 2, 2012 through July 29, 2012	300	$4.57	—	—
July 30, 2012 through August 26, 2012	29,163	$4.39	—	—
August 27, 2012 through September 30, 2012	21,977	$4.35	—	—
	51,440	$4.37	—	—

(1) The shares purchased represent shares surrendered to satisfy tax withholding obligation in connection with the vesting of restricted stock issued to employees.

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ITEM 6: EXHIBITS

EXHIBIT INDEX

Exhibit Number	Description
10.1*	Amendment No. 1 to Compensation and Funding Agreement, dated August 10, 2012, by and between SunPower Corporation and Total S.A.
10.2*	Amendment No. 4 to Affiliation Agreement, dated August 10, 2012, by and between SunPower Corporation and Total Gas & Power USA, SAS.
10.3*†	Engineering, Procurement and Construction Agreement, dated September 30, 2011 by and between High Plains Ranch II, LLC and SunPower Corporation, Systems
31.1*	Certification by Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a).
31.2*	Certification by Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a).
32.1*	Certification Furnished Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*+	XBRL Instance Document.
101.SCH*+	XBRL Taxonomy Schema Document.
101.CAL*+	XBRL Taxonomy Calculation Linkbase Document.
101.LAB*+	XBRL Taxonomy Label Linkbase Document.
101.PRE*+	XBRL Taxonomy Presentation Linkbase Document.
101.DEF*+	XBRL Taxonomy Definition Linkbase Document.

Exhibits marked with an asterisk (*) are filed herewith.

Exhibits marked with an extended cross (†) are subject to a request for confidential treatment filed with the Securities and Exchange Commission.

Exhibits marked with a cross (+) are XBRL (Extensible Business Reporting Language) information furnished and not filed herewith, are not a part of a registration statement or Prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise are not subject to liability under these sections.

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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 thereto duly authorized.

SUNPOWER CORPORATION

Dated: November 2, 2012

By: /s/ CHARLES D. BOYNTON

Charles D. Boynton
Executive Vice President and
Chief Financial Officer

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Index to Exhibits

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