

Andalay Solar, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net revenue	\$341,982	\$306,919	\$616,623	\$449,401
Cost of goods sold	798,100	296,640	1,084,482	432,028
Gross profit (loss)	<u>(456,118)</u>	<u>10,279</u>	<u>(467,859)</u>	<u>17,373</u>
Operating expenses				
Sales and marketing	78,787	75,332	149,916	138,716
General and administrative	639,709	537,382	1,361,067	1,141,546
Total operating expenses	<u>718,496</u>	<u>612,714</u>	<u>1,510,983</u>	<u>1,280,262</u>
Loss from continuing operations	<u>(1,174,614)</u>	<u>(602,435)</u>	<u>(1,978,842)</u>	<u>(1,262,889)</u>
Other income (expense)				
Interest expense, net	(84,966)	(113,874)	(147,179)	(190,959)
Adjustment to the fair value of embedded derivatives	—	84,868	41,265	(16,683)
Settlement of prior debt owed	732,561	—	732,561	769,148
Total other income (expense), net	<u>647,595</u>	<u>(29,006)</u>	<u>626,647</u>	<u>561,506</u>
Loss before provision for income taxes	<u>(527,019)</u>	<u>(631,441)</u>	<u>(1,352,195)</u>	<u>(701,383)</u>
Provision for income taxes	—	—	—	—
Net loss	<u>(527,019)</u>	<u>(631,441)</u>	<u>(1,352,195)</u>	<u>(701,383)</u>
Preferred stock dividend	—	(4,390)	—	(18,844)
Net loss attributable to common stockholders	<u><u>\$(527,019)</u></u>	<u><u>\$(635,831)</u></u>	<u><u>\$(1,352,195)</u></u>	<u><u>\$(720,227)</u></u>
Net loss attributable to common stockholders per common share (basic and diluted)	<u><u>\$(0.00)</u></u>	<u><u>\$(0.00)</u></u>	<u><u>\$(0.00)</u></u>	<u><u>\$(0.00)</u></u>
Weighted-average shares used in computing loss per common share:	<u>398,153,951</u>	<u>191,427,247</u>	<u>366,026,275</u>	<u>161,593,368</u>

Andalay Solar, Inc.
Condensed Consolidated Balance Sheets

	June 30, 2015 (unaudited)	December 31, 2014 (1)
Assets		
Current assets:		
Cash	\$ 23,654	\$ 61,542
Accounts receivable, net	117,515	118,456
Other receivable	102,452	—
Inventory	231,694	728,372
Prepaid expenses and other current assets	140,301	280,066
Total current assets	615,616	1,188,436
Property and equipment, net	—	699
Patents, net	1,114,950	1,131,327
Other assets, net	116,255	240,478
Total assets	\$ 1,846,821	\$ 2,560,940
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	\$ 2,423,401	\$ 3,345,361
Accrued liabilities	247,674	104,229
Accrued warranty	936,561	938,466
Deferred revenue	—	15,450
Derivative liability – embedded conversion feature	—	129,598
Credit facility	—	500,000
Note payable – short-term	261,755	109,164
Convertible notes and beneficial conversion feature – short-term	316,735	30,000
Total current liabilities	4,186,126	5,172,268
Convertible notes, less current portion (net of discount)	—	343,499
Total liabilities	4,186,126	5,515,767
Commitments and contingencies		
Stockholders' deficit:		
Common stock, \$0.001 par value; 1,250,000,000 shares authorized; 398,153,951 and 279,475,332 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	398,154	279,475
Additional paid-in capital	83,875,990	82,026,952
Accumulated deficit	(86,613,449)	(85,261,254)
Total stockholders' deficit	(2,339,305)	(2,954,827)
Total liabilities and stockholders' deficit	\$ 1,846,821	\$ 2,560,940

(1) The condensed consolidated balance sheet as of December 31, 2014 has been derived from the audited consolidated financial statements as of that date.