



May 15, 2015

## Andalay Solar Announces First Quarter 2015 Results

FREMONT, Calif., May 15, 2015 /PRNewswire/ -- Andalay Solar, Inc. (OTCQB:WEST), a leading supplier of integrated solar power systems, today announced its first quarter 2015 financial results.

"Several important building blocks for our frame technology licensing strategy came together during the first quarter. I'm particularly pleased that the first of our module licensees, Hyundai Heavy Industries, completed the necessary certifications during the quarter, and that allowed Andalay mounting systems to undergo and achieve the relevant UL 1703 Class A PV system fire test rating which is now a requirement in California," commented Steven Chan, President & CEO. "As previously announced, Hyundai's TG-Series modules have now arrived in the U.S. and we are already receiving orders for our mounting hardware, which we will begin fulfilling next week."

"During the last two quarters, Andalay has also re-commenced offering residential solar installation services in Northern California including as a subcontractor for our installation customers. Our financials reflect the start-up costs of re-entering this line of business, and I expect our margins to improve as the business establishes itself this year," continued Chan.

### First Quarter Financial Results

Revenue for the quarter ended March 31, 2015 was \$275,000, compared to \$142,000 in the first quarter of 2014 and \$234,000 in the fourth quarter of 2014. Revenue in the first quarter of 2015 increased by \$132,000 or 92.8% compared to the same period in the prior year. The sequential increase in revenue of \$41,000 or 17.6% was primarily due to increased installation activities.

Gross loss for the first quarter of 2015 was \$12,000 or (4.3%) of revenue, compared to a gross profit of \$7,000 or 5.0% of revenue for the first quarter of 2014, and a gross profit of \$25,000 or 10.7% of revenue for the fourth quarter of 2014. The year-over-year decrease in gross margin was due to higher inventory overhead costs. The sequential decrease in gross margin was due to higher inventory overhead costs and the ramp up of installation services.

Total operating expenses in the first quarter of 2015 were \$791,000 compared to \$668,000 for the same period last year and \$774,000 for the fourth quarter of 2014. The year-over-year increase is due to higher general and administrative expenses of \$116,000 principally associated with higher audit-related fees and payroll costs partially offset by lower stock compensation expense. Compared to the fourth quarter of 2014, total operating expenses increased \$17,000 due principally to sales and marketing expense of \$63,000 and higher general and administrative expense of \$80,000. The sequential decrease in sales and marketing costs was due to lower payroll, branding, tradeshow and travel costs. The sequential increase in general and administrative expenses was primarily due to higher payroll costs, professional fees and UL testing costs partially offset by lower bad debt expense and recruiting costs. Stock-based compensation expense included in total operating expenses was \$69,000 for the first quarter of 2015, compared to \$166,000 for the same period of 2014 and \$63,000 in the fourth quarter of 2014. Cash operating expenses (adjusted to exclude stock-based compensation expense and depreciation and amortization expense) were \$693,000 for the first quarter of 2014, compared to \$468,000 for the same period last year and \$681,000 for the fourth quarter of 2014.

Net loss from operations was \$823,000 compared to a net loss of \$70,000 in the same period last year, and a net loss of \$580,000 in the fourth quarter of 2014. The net loss includes a favorable non-cash adjustment to the fair value of embedded derivatives of \$41,000 for the first quarter of 2015 and an unfavorable non-cash adjustment to the fair value of embedded derivatives of \$102,000 for the same period last year and an unfavorable non-cash adjustment to the fair value of embedded derivatives of \$83,000 for the fourth quarter of 2014. Excluding the non-cash adjustments in all years, net loss from continuing operations was \$766,000 in the first quarter of 2015 compared to \$538,000 for the same period last year and \$405,000 in the fourth quarter of 2014.

Net loss attributable to common shareholders (which includes preferred stock dividends) was \$823,000 or \$0.00 per share in the first quarter of 2015 compared to \$84,000 or \$0.00 per share in the first quarter of 2014 and \$580,000 or \$0.00 per share in the fourth quarter of 2014.

### About Andalay Solar: (OTCQB:WEST)

Founded in 2001, the Company is a designer and manufacturer of integrated solar power systems. The Company has been a

pioneer in the concept of integrating the racking, wiring and grounding directly into a solar panel. The Company's AC solar panel reduces the number of components for a rooftop solar installation by approximately 80% and lowers labor costs by approximately 50%. This AC panel, which won the 2009 Popular Mechanics Breakthrough Award, has become the industry's most widely installed AC solar panel. The Company currently sells its new generation "Instant Connect®" products in both AC and DC format which provide the best combination of safety, performance and reliability. For more information on the Company, visit [www.andalaysolar.com](http://www.andalaysolar.com).

## Note Regarding Use of Non-GAAP Financial Measurements

The financial data contained in this press release includes certain non-GAAP financial measurements as defined by the Securities and Exchange Commission ("SEC"), including "cash operating expenses". These measures should be considered in addition to results prepared in accordance with GAAP ("Generally Accepted Accounting Principles"), but should not be considered a substitute for, or superior to, GAAP results. The Company is presenting cash operating expenses because it believes that it provides useful information to investors about Andalay Solar, its business, and its financial condition. The Company defines cash operating expenses as net income from continuing operations before the effects of preferred stock dividends and preferred deemed dividends, interest income or expense, income taxes, and depreciation and amortization, and excludes certain non-recurring and non-cash items including stock-based compensation, adjustment to fair value of embedded derivatives and adjustment of fair value of common stock warrants. The Company believes cash operating expenses is useful to investors because it is one of the measures used by the Company's Board of Directors and management to evaluate its business, including in internal management reporting, budgeting, and forecasting processes, in comparing operating results, as an internal profitability measure, as a component in evaluating the ability and the desirability of making capital expenditures and as an element in determining executive compensation.

## Forward-Looking and Cautionary Statements - Safe Harbor

Statements made in this release that are not historical in nature, including those related to market acceptance of products, constitute forward-looking statements within the meaning of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the use of words such as "expects," "projects," "plans," "will," "may," "can," "anticipates," "believes," "should," "intends," "estimates," and other words of similar meaning. These statements include all statements related to our long-term business and licensing strategy, and our statements regarding our financial performance and the reasons stated for such performance, which may not result in similar financial performance in the future. The statements are subject to risks and uncertainties that cannot be predicted or quantified, and our actual results may differ materially from those expressed or implied by such forward-looking statements. Additional information will also be set forth in those sections in Andalay Solar's Annual Report on Form 10-K for the year ended December 31, 2014. All information set forth in this press release and its attachments is as of today's date. Andalay Solar undertakes no duty or obligation to update any forward-looking statements contained in this release as a result of new information, future events or changes in its expectations.

**Andalay Solar, Inc.**  
**Condensed Consolidated Statements of Comprehensive Loss**  
**(Unaudited)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Net revenue</b>	\$274,641	\$142,482
<b>Cost of goods sold</b>	286,382	135,388
Gross profit (loss)	(11,741)	7,094
<b>Operating expenses</b>		
Sales and marketing	71,129	63,384
General and administrative	720,064	604,164
Total operating expenses	791,193	667,548
Loss from continuing operations	(802,934)	(660,454)
<b>Other income (expense)</b>		
Interest income (expense), net	(61,807)	(77,085)
Adjustment to the fair value of embedded derivatives	41,265	(101,551)
Settlement of prior debt owed	—	769,148
Total other income (expense), net	(20,542)	590,512
Loss before provision for income taxes	(823,476)	(69,942)
Provision for income taxes	—	—
<b>Net loss</b>	(823,476)	(69,942)
Preferred stock dividend	—	(14,454)

<b>Net loss attributable to common stockholders</b>	<u>\$(823,476)</u>	<u>\$(84,396)</u>
<b>Net loss attributable to common stockholders per common share (basic and diluted)</b>	<u>\$(0.00)</u>	<u>\$(0.00)</u>
<b>Weighted-average shares used in computing loss per common share:</b>	<u>327,209,784</u>	<u>131,428,001</u>

**Andalay Solar, Inc.**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 135,377	\$ 61,542
Accounts receivable, net	62,386	118,456
Inventory	701,945	728,372
Prepaid expenses and other current assets	260,100	280,066
Total current assets	1,159,808	1,188,436
Property and equipment, net	350	699
Patents, net	1,144,342	1,131,327
Other assets, net	199,005	240,478
Total assets	<u>\$ 2,503,505</u>	<u>\$ 2,560,940</u>
<b>Liabilities and Stockholders' Deficit</b>		
Current liabilities:		
Accounts payable	\$ 3,220,949	\$ 3,345,361
Accrued liabilities	192,685	104,229
Accrued warranty	934,088	938,466
Deferred revenue	—	15,450
Derivative liability - embedded conversion feature	—	129,598
Convertible note and beneficial conversion feature	247,985	500,000
Note payable - short-term	73,129	109,164
Convertible notes - short-term	10,000	30,000
Total current liabilities	4,678,836	5,172,268
Convertible notes, less current portion (net of discount)	—	343,499
Total liabilities	<u>4,678,836</u>	<u>5,515,767</u>
Stockholders' deficit:		
Common stock, \$0.001 par value; 500,000,000 shares authorized; 367,822,110 and 279,475,332 shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	367,822	279,475
Additional paid-in capital	83,541,577	82,026,952
Accumulated deficit	(86,084,730)	(85,261,254)
Total stockholders' deficit	<u>(2,175,331)</u>	<u>(2,954,827)</u>
Total liabilities and stockholders' deficit	<u>\$ 2,503,505</u>	<u>\$ 2,560,940</u>

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/andalay-solar-announces-first-quarter-2015-results-300084394.html>

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