

The following table sets forth, as a percentage of sales, our financial results for the three months ended December 31, 2012 and the three months ended December 31, 2011:

	<b>Three Months Ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
Net revenue		
Direct-to-consumer	78.1%	92.5%
Retail	21.1%	6.8%
International	0.8%	0.7%
Total net revenue	100.0%	100.0%
Cost of revenue	56.0%	51.3%
Gross margin	44.0%	48.7%
Operating expenses		
Research and development	3.2%	0.3%
Sales and marketing	29.7%	20.2%
General and administrative	13.1%	15.8%
Total operating expenses	46.0%	36.3%
Profit (loss) from operations	(2.0)%	12.4%

**AEROGROW INTERNATIONAL, INC.**  
**Condensed Statements of Operations**  
**(Unaudited)**

	<b>Three Months ended December 31,</b>		<b>Nine Months ended December 31,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Net Revenue	\$ 2,972,493	\$ 3,025,945	\$ 5,533,286	\$ 6,003,367
Cost of revenue	1,665,749	1,552,098	2,904,949	3,140,598
Gross profit	1,306,744	1,473,847	2,628,337	2,862,769
Operating expenses				
Research and development	93,770	8,185	301,908	36,718
Sales and marketing	882,305	610,761	1,765,543	1,457,702
General and administrative	389,844	477,031	1,407,134	1,733,591
Total operating expenses	\$ 1,365,919	\$ 1,095,977	\$ 3,474,585	\$ 3,228,011
Profit (loss) from operations	(59,175)	377,870	(846,248)	(365,242)
Other (income) expense, net				
Interest (income)	(2)	(2)	(6)	(16)
Interest expense	228,316	846,591	441,105	2,476,832
Interest expense – related party	8,366	122,211	24,460	351,790
Debt conversion cost	-	-	6,648,267	-
Other expense (income)	933	(451,709)	(96,824)	(481,225)
Total other expense, net	237,613	517,091	7,017,002	2,347,381
Net loss	\$ (296,788)	\$ (139,221)	\$ (7,863,250)	\$ (2,712,623)
Net loss per share, basic	\$ (0.05)	\$ (0.72)	\$ (1.35)	\$ (14.03)
Net loss per share, diluted	\$ (0.05)	\$ (0.72)	\$ (1.35)	\$ (14.03)
Weighted average number of common shares outstanding, basic and diluted	5,904,877	194,504	5,826,173	193,383

**AEROGROW INTERNATIONAL, INC.**  
**Condensed Balance Sheet**

	December 31, 2012 (Unaudited)	March 31, 2012 (Derived from Audited Statements)
<b>ASSETS</b>		
Current assets		
Cash	\$ 836,736	\$ 501,577
Restricted cash	41,410	42,756
Accounts receivable, net of allowance for doubtful accounts of \$2,158 and \$768 at December 31, 2012 and March 31, 2012, respectively	490,374	221,713
Other receivables	144,536	197,076
Inventory	1,724,594	1,784,424
Prepaid expenses and other	158,471	309,340
Total current assets	3,396,121	3,056,886
Property and equipment, net of accumulated depreciation of \$2,820,272 and \$2,709,075 at December 31, 2012 and March 31, 2012, respectively	313,846	133,768
Other assets		
Intangible assets, net of \$131,598 and \$120,923 of accumulated amortization at December 31, 2012 and March 31, 2012, respectively	198,147	198,490
Deposits	145,401	145,744
Deferred debt issuance costs, net of accumulated amortization of \$2,437,646 and \$1,449,581 at December 31, 2012 and March 31, 2012, respectively	78,966	844,116
Total other assets	422,514	1,188,350
Total assets	\$ 4,132,481	\$ 4,379,004
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities		
Notes payable	\$ 730,053	\$ 633,995
Notes payable – related party	171,865	307,821
Current portion – long term debt – related party	--	100,464
Current portion – long term debt	813,146	988,589
Accounts payable	679,862	607,840
Accrued expenses	372,629	252,562
Customer deposits	157,610	8,270
Deferred rent	6,588	6,207
Total current liabilities	2,931,753	2,905,748
Long term debt	1,386,618	5,892,590
Long term debt – related party	--	702,708
Total liabilities	4,318,371	9,501,046
Commitments and contingencies		
Stockholders' equity (deficit)		
Preferred stock, \$.001 par value, 20,000,000 shares authorized, 0 and 7,526 shares issued and outstanding at December 31, 2012 and March 31, 2012, respectively	--	8
Common stock, \$.001 par value, 750,000,000 shares authorized, 5,904,877 and 210,319 shares issued and outstanding at December 31, 2012 and March 31, 2012, respectively	5,905	210
Additional paid-in capital	75,417,032	62,623,317
Accumulated deficit	(75,608,827)	(67,745,577)
Total stockholders' deficit	(185,890)	(5,122,042)
Total liabilities and stockholders' deficit	\$ 4,132,481	\$ 4,379,004

**AEROGROW INTERNATIONAL, INC.**  
**SUPPLEMENTAL INFORMATION**

**SALES BY CHANNEL**

<u>Net Revenue</u>	<b>Three Months Ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
Direct-to-consumer	\$ 2,322,967	\$ 2,798,393
Retail	626,072	206,007
International	23,454	21,545
Total	<u>\$ 2,972,493</u>	<u>\$ 3,025,945</u>

**SALES BY PRODUCT**

<u>Product Revenue</u>	<b>Three Months Ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
AeroGardens	\$ 1,846,612	\$ 1,694,529
Seed kits and accessories	1,125,881	1,331,416
Total	<u>\$ 2,972,493</u>	<u>\$ 3,025,945</u>
<u>% of Total Revenue</u>		
AeroGardens	62.1%	56.0%
Seed kits and accessories	37.9%	44.0%
Total	<u>100.0%</u>	<u>100.0%</u>