

AEROGROW INTERNATIONAL, INC.
Statements of Operations

	<u>Fiscal Years Ended March 31,</u>	
	<u>2013</u>	<u>2012</u>
Product sales, net	\$ 7,330,408	\$ 8,230,424
Cost of revenue	<u>4,000,126</u>	<u>4,164,676</u>
Gross Profit	3,330,282	4,065,748
Operating expenses		
Research and development	295,882	48,669
Sales and marketing	2,325,475	2,031,043
General and administrative	<u>1,818,094</u>	<u>2,278,491</u>
Total operating expenses	<u>4,439,451</u>	<u>4,358,203</u>
(Loss) from operations	(1,109,169)	(292,455)
Other (income) expense, net		
Interest (income)	(8)	(18)
Interest expense	569,924	3,328,835
Interest expense – related party	29,897	473,932
Debt conversion cost	6,648,267	--
Other (income) expense, net	<u>(98,655)</u>	<u>(544,170)</u>
Total other (income) expense, net	<u>7,149,425</u>	<u>3,258,579</u>
Net (loss)	<u>\$ (8,258,594)</u>	<u>\$ (3,551,034)</u>
Net (loss) per share, basic and diluted	<u>\$ (1.55)</u>	<u>\$ (19.98)</u>
Weighted average number of common shares outstanding, basic and diluted	<u>5,344,070</u>	<u>177,731</u>

AEROGROW INTERNATIONAL, INC.
Condensed Balance Sheet

	March 31, 2013	March 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 524,491	\$ 501,577
Restricted cash	42,294	42,756
Accounts receivable, net of allowance for doubtful accounts of \$1,100 and \$768 at March 31, 2013 and 2012, respectively	173,096	221,713
Other receivables	168,511	197,076
Inventory, net	1,229,397	1,784,424
Prepaid expenses and other	204,927	309,340
Total current assets	2,342,716	3,056,886
Property and equipment, net of accumulated depreciation of \$2,868,610 and \$2,709,075 March 31, 2013 and 2012, respectively	265,508	133,768
Other assets		
Intangible assets, net of \$134,837 and \$120,923 of accumulated amortization at March 31, 2013 and 2012, respectively	195,403	198,490
Deposits	145,201	145,744
Deferred debt issuance costs, net of accumulated amortization of \$2,253,936 and \$1,449,581 March 31, 2013 and 2012, respectively	23,052	844,116
Total other assets	363,656	1,188,350
Total Assets	\$ 2,971,880	\$ 4,379,004
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	\$ 379,242	\$ 607,840
Notes payable	518,347	633,995
Notes payable – Related party	122,026	307,821
Current portion - long term debt – Related Party	--	100,464
Current portion – long term debt	899,399	988,589
Accrued expenses	292,066	252,562
Customer deposits	156,929	8,270
Deferred rent	6,209	6,207
Total current liabilities	2,374,218	2,905,748
Long-term debt	1,168,711	5,892,590
Long-term debt-related party	--	702,708
Total liabilities	3,542,929	9,501,046
Commitments, and contingencies		
Stockholders' equity (deficit)		
Preferred stock, \$.001 par value, 20,000,000 shares authorized, 7,526 and 7,576 issued and outstanding at March 31, 2012 and 2011, respectively	--	8
Common stock, \$.001 par value, 500,000,000 shares authorized, 20,994,160 and 19,244,160 shares issued and outstanding at March 31, 2012 and 2011, respectively	5,905	210
Additional paid-in capital	75,427,217	62,623,317
Accumulated (deficit)	(76,004,171)	(67,745,577)
Total Stockholders' Equity (Deficit)	(571,049)	(5,122,042)
Total Liabilities and Stockholders' Equity (Deficit)	\$ 2,971,880	\$ 4,379,004

AEROGROW INTERNATIONAL, INC.

SUPPLEMENTAL INFORMATION

SALES BY CHANNEL

	<u>Fiscal Years Ended March 31,</u>	
	<u>2013</u>	<u>2012</u>
Net revenue		
Direct-to-consumer	86.0%	89.8%
Retail	12.1%	8.6%
International	<u>1.9%</u>	<u>1.6%</u>
Total net revenue	100.0%	100.0%

SALES BY PRODUCT

	<u>Fiscal Years Ended March 31,</u>	
	<u>2013</u>	<u>2012</u>
<u>Revenue</u>		
AeroGardens	48.1%	44.9%
Seed Kits and Accessories	<u>51.9%</u>	<u>55.1%</u>
Total sales	100.0%	100.0%

EBITDA CALCULATION

	<u>Fiscal Years Ended March 31,</u>	
	<u>2013</u>	<u>2012</u>
Operating Loss	\$ (1,109,169)	\$ (292,455)
<u>Add Back Non-Cash Items:</u>		
Depreciation	160,613	235,972
Amortization	13,915	96,089
Stock based compensation	<u>176,850</u>	<u>258,892</u>
Total Non-Cash Items	351,378	590,953
EBITDA	<u>\$ (757,791)</u>	<u>\$ 298,498</u>

EBITDA is a non-GAAP measure. The GAAP measure most directly comparable to EBITDA is net earnings. The non-GAAP financial measure of EBITDA should not be considered as an alternative to net earnings. EBITDA is not a presentation made in accordance with GAAP and has important limitations as an analytical tool. EBITDA should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Because EBITDA excludes some, but not all, items that affect net earnings and is defined differently by different companies, our definition of EBITDA may not be comparable to similarly titled measures of other companies.