

## MARKET RELEASE

### Xero comparative financial information

21 May 2014

(Note: all currency is in New Zealand dollars and results are unaudited)

To assist analysts in recalibrating their models, Xero Limited (XRO) has today released a restated comparative income statement for the 2013 financial year. This is issued in advance of the release of Xero's Annual Report for the 2014 financial year on Thursday, 22 May 2014.

Xero has elected, for its Annual Report for the 2014 financial year, to change how its income statement is presented. Expenses are now categorised by cost of revenues, sales and marketing, product design and development, and general and administration, rather than expense types such as employee entitlements, advertising and marketing, consulting, travel and so on.

The new presentation provides greater insight into Xero's business model. It also ensures that its reporting is more closely aligned to other major SaaS ("software as a service") companies.

<b>GROUP INCOME STATEMENT - FOR THE YEAR ENDED 31 MARCH 2013</b>	
<b>(unaudited)</b>	<b>(\$000s)</b>
Subscription revenue	36,088
Other operating revenue	2,265
<b>Total operating revenue</b>	<b>38,353</b>
Other income	936
<b>Total revenue &amp; other income</b>	<b>39,289</b>
Cost of revenues	13,916
<b>Gross profit</b>	<b>25,373</b>
<i>Operating expenses</i>	
Sales and marketing	22,043
Product, design and development	11,618
General and administration	7,996
<b>Total operating expenses</b>	<b>41,657</b>
<b>Operating deficit</b>	<b>(16,284)</b>
Interest income	1,838
<b>Net loss before tax</b>	<b>(14,446)</b>
Income tax expense	(231)
<b>Net loss from continuing operations</b>	<b>(14,677)</b>
Net (loss) / profit from discontinued operations	234
<b>Net loss after tax for the period attributable to the shareholders of the company</b>	<b>(14,443)</b>

**ENDS**

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