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2 October 2015

Notification to Xero Shareholders - Change of Auditor

Xero Limited (NZX/ASX: XRO) (**Xero**) notifies its shareholders that PricewaterhouseCoopers (**PwC**) has resigned as external auditor of Xero and its subsidiaries, effective 2 October 2015. PwC will continue to provide accounting and advisory services to Xero. The resignation of PwC as external auditor of Xero and its subsidiaries will enable PwC to recommend Xero's offerings to private businesses.

Xero's Board of Directors have appointed Ernst & Young as the external auditor of Xero and its subsidiaries, effective upon PwC's resignation as external auditor of Xero and its subsidiaries on 2 October 2015.

We appreciate the exceptional service and support from PwC. PwC has been Xero's external auditor for over eight years, appointed soon after Xero's listing on the NZX in 2007. During this time Xero has established itself as a global company providing a small business platform to over half a million subscribers worldwide. Xero sincerely thanks PwC for their expertise during these early years.

Rod Drury
Chief Executive
Xero Limited