

9 December 2016

XERO LIMITED (XRO)

NOTIFICATION OF ALLOTMENT OF SECURITIES

For the purpose of Listing Rule 7.12.1 and 7.12.9 of the NZX Listing Rules, Xero Limited advises the following securities have been issued:

Class of Securities	<p>(a) Ordinary Shares</p> <p>(b) Options to subscribe for Ordinary Shares in Xero Limited (Options)</p> <p>(c) Conditional agreement to issue Ordinary Shares in Xero Limited (Restricted Stock Units or RSUs)</p>
ISIN	NZXROE0001S2
Number of securities issued	<p>(a) 1,008 Ordinary Shares</p> <p>(b) 120,000 Options</p> <p>(c) 19,401 RSUs relating to the future issue of up to 19,401 Ordinary Shares</p>
Issue price	<p>(a) Ordinary Shares issued upon exercise of options; the exercise price for the options was NZ\$7.70 per option</p> <p>(b) N/A. Grant of 120,000 Options pursuant to the Xero Limited Restricted Stock Unit and Option Plan (NZ) (NZ Plan) and the Xero Limited (USA) Equity Incentive Scheme (US Scheme), as remuneration for certain key employees based in New Zealand and the United States, respectively. The exercise price is NZ\$17.89 per Option (being the 20 day volume weighted average market price of an Ordinary Share in Xero Limited on the NZX Main Board through to 8 December 2016)</p> <p>(c) 19,401 RSUs were granted at a value of NZ\$17.89 each, being the 20 day volume weighted average market price of Xero Limited's Ordinary Shares on the NZX Main Board through to 8 December 2016. No cash consideration is required to be paid for these RSUs to vest (i.e., for an equivalent number of Ordinary Shares in Xero Limited to be issued) (Vest)</p>

Payment in cash	<p>(a) Yes (payment of exercise price, as set out above)</p> <p>(b) N/A. Grant of 120,000 Options pursuant to the NZ Plan and US Scheme, as remuneration for certain key employees based in New Zealand and the United States, respectively</p> <p>(c) N/A. Grant of 19,401 RSUs pursuant to the US Scheme as part of the remuneration package of a certain key employee based in the United States. No cash consideration is required to be paid for the RSUs to Vest</p>
Any amount paid up (if not in full)	<p>(a) Fully paid</p> <p>(b) N/A</p> <p>(c) N/A</p>
Percentage of total class issued (excluding treasury stock)	<p>(a) 0.001% (as a percentage of Ordinary Shares on issue after this issue to 3 d.p.)</p> <p>(b) If 100% of the Options were to vest and be exercised on the date of this notice of allotment: 0.087% (as a percentage of Ordinary Shares currently on issue after this issue to 3 d.p.)</p> <p>(c) If 100% of the RSUs were to Vest on the date of this notice of allotment: 0.014% (as a percentage of Ordinary Shares on issue after this issue to 3 d.p.)</p>
Reasons for the issue	<p>(a) Issue of Ordinary Shares upon exercise of vested options under the US Scheme as part of the remuneration of an employee based in the United States</p> <p>(b) Grant of 120,000 Options under the NZ Plan and US Scheme as remuneration and incentive for certain key employees</p> <p>(c) Grant of 19,401 RSUs pursuant to the US Scheme as part of the remuneration package of a certain key employee based in the United States</p>

Specific authority for the issue

(a) Resolution of directors upon granting of options

(b) Resolution of directors passed 7 December 2016

(c) Resolution of directors passed 7 December 2016

Terms or details of the issue

(a) Issue of Ordinary Shares upon exercise of vested share options under the US Scheme; the exercise price for the options was NZ\$7.70 per option

(b) Grant of 120,000 Options under the NZ Plan and US Scheme as remuneration and incentive for certain key employees. The Options will vest (and therefore become available for exercise) in set percentages over a period of four years, subject to the continued employment of the respective key employee with the Xero Limited Group on each vesting date. The Options have a final exercise date of five years from the grant date

(c) 19,401 RSUs have been granted pursuant to the US Scheme as part of the remuneration package of a certain key employee based in the United States. The number of RSUs granted was calculated based on the total dollar entitlement of the key employee divided by NZ\$17.89, being the 20 day volume weighted average market price of Xero Limited's Ordinary Shares on the NZX Main Board through to 8 December 2016. The RSUs will Vest on 31 March 2018, subject to the terms of the US Scheme and the employment agreement of the key employee

Total number of securities of the class in existence after the issue (excluding treasury stock)	<p>(a) 137,545,165 Ordinary Shares on issue</p> <p>(b) 2,505,557 unlisted Options (convertible into Ordinary Shares on a 1:1 basis), taking into account all forfeited options to date and the exercise of 1,008 options and the grant of 120,000 Options as set out in this notice of allotment</p> <p>(c) 677,899 RSUs (a conditional contractual right to be issued up to 677,899 Ordinary Shares) outstanding, taking into account all forfeited RSUs to date and the grant of 19,401 RSUs as set out in this notice of allotment</p>
Date of issue	<p>(a) 9 December 2016</p> <p>(b) 9 December 2016 (grant date)</p> <p>(c) 9 December 2016 (grant date)</p>
Number of Securities Converted	1,008 Options granted pursuant to the US Scheme
Number and Class of Securities into which they have been Converted	1,008 Ordinary Shares
Details of any interest or dividend conditions attaching to Securities Converted, and allotted upon Conversion	None
Number of Securities of the same class that remain to be Converted	2,505,557 unlisted Options (taking into account the exercise and grant of options as set out on this notice of allotment)

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