

31 July 2017

## 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	(a) Ordinary Shares  (b) Conditional agreement to issue Ordinary Shares in Xero Limited ( <b>Restricted Stock Units</b> or <b>RSUs</b> )  (c) Options to subscribe for Ordinary Shares in Xero Limited ( <b>Options</b> )
ISIN	NZXROE0001S2
Number of securities issued	(a) 499,335 Ordinary Shares  (b) 198,912 RSUs relating to the future issue of up to 198,912 Ordinary Shares  (c) 297,460 Options
Issue price	(a)(i) NZ\$25.75 per Ordinary Share, being the 20 day volume weighted average market price of Xero Limited's Ordinary Shares on the NZX Main Board through to 27 July 2017  (a)(ii) 5,767 Ordinary Shares were issued upon vesting of 7,104 Restricted Stock Units granted under the Xero Limited (USA) Equity Incentive Scheme ( <b>US Scheme</b> ) as part of the remuneration package of one former employee and two employees based in the United States. 1,337 RSUs granted under the US Scheme were cancelled in connection with income tax withholding for two individuals based in the United States upon vesting of those RSUs. No cash consideration was required to be paid for these RSUs to vest  (b) RSUs were granted at a value of NZ\$25.75 each, being the 20 day volume weighted average market price of Xero Limited's Ordinary Shares on the NZX Main Board through to 27 July 2017. No cash consideration is required to be paid for the RSUs to vest  (c) N/A. Grant of 297,460 Options pursuant to the US Scheme, Xero Limited Restricted Stock Unit and Option Plan (NZ) ( <b>NZ/SG Plan</b> ), Xero

Limited Restricted Stock Unit and Option Plan (AU) (**AU Plan**), and NZ/SG Plan and United Kingdom Appendix (**UK Plan**), as remuneration for certain key employees based in the United States, New Zealand, Singapore, Australia and the United Kingdom. The exercise price is NZ\$25.75 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 27 July 2017)

Payment in cash

(a)(i) 493,568 Ordinary Shares were paid for in cash (through the Xero Limited Employee Restricted Share Plan (**Share Plan**))

(a)(ii) No cash consideration was required to be paid for these RSUs to vest

(b) N/A. Grant of 198,912 RSUs pursuant to the US Scheme, NZ/SG Plan and AU Plan as part of the remuneration package of certain employees based in the United States, Singapore and Australia. No cash consideration is required to be paid for the RSUs to vest

(c) N/A. Grant of 297,460 Options pursuant to the US Scheme, NZ/SG Plan, AU Plan and UK Plan, as remuneration for certain key employees based in the United States, New Zealand, Singapore, Australia and the United Kingdom

Any amount paid up (if not in full)

(a) Fully paid

(b) N/A

(c) N/A

Percentage of total class issued (excluding treasury stock)

(a) 0.361% (as a percentage of Ordinary Shares on issue after this issue to 3 d.p.)

(b) If 100% of the RSUs were to vest on the date of this notification: 0.144% (as a percentage of Ordinary Shares on issue after this issue to 3 d.p.)

(c) If 100% of the Options were to vest and be exercised on the date of this notification: 0.215% (as a percentage of Ordinary Shares currently on issue after this issue to up to 3 d.p.)

Reasons for the issue

(a)(i) Issue of 493,568 Ordinary Shares under the Share Plan as part of the remuneration package of employees based in New Zealand, Australia and the United Kingdom

(a)(ii) 5,767 Ordinary Shares were issued upon vesting of 7,104 RSUs granted under the US Scheme as part of the remuneration package of one former employee and two employees based in the United States

(b) Grant of 198,912 RSUs pursuant to the US Scheme, NZ/SG Plan and AU Plan as part of the remuneration package of certain employees based in the United States, Singapore and Australia

(c) Grant of 297,460 Options under the US Scheme, NZ/SG Plan, AU Plan and UK Plan as remuneration and incentive for certain key employees

Specific authority for the issue

Resolution of directors

Terms or details of the issue

(a)(i) 488,944 fully paid Ordinary Shares were issued in accordance with the Rules of the Share Plan as part of the remuneration package of employees based in New Zealand, Australia and the United Kingdom. Participating employees will become entitled to the Ordinary Shares in equal percentages on 31 March 2018, 31 March 2019 and 31 March 2020, subject to the terms of the Share Plan, including the continued employment of the relevant employee with the Xero Limited Group on each vesting date

949 fully paid Ordinary Shares were issued in accordance with the Rules of the Share Plan as part of the remuneration package of employees based in New Zealand, Australia and the United Kingdom. These employees will become entitled to one-third of the Ordinary Shares immediately, one-third of the Ordinary Shares on 31 March 2018 and one-third of the Ordinary Shares on 31 March 2019, subject to the terms of the Share Plan, including the continued employment of the relevant employee with the Xero Limited Group on each vesting date

3,546 fully paid Ordinary Shares were issued in accordance with the Rules of the Share Plan as part of the remuneration package of employees based in New Zealand, Australia and the United Kingdom. These employees will



become entitled to two-thirds of the Ordinary Shares on 31 March 2018 and one-third of the Ordinary Shares on 31 March 2019, subject to the terms of the Share Plan, including the continued employment of the relevant employee with the Xero Limited Group on each vesting date

129 fully paid Ordinary Shares were issued in accordance with the Rules of the Share Plan as part of the remuneration package of one employee based in New Zealand. This employee will become entitled to approximately one-half of the Ordinary Shares on 31 March 2018 and approximately one-half of the Ordinary Shares on 31 March 2019, subject to the terms of the Share Plan, including the continued employment of the employee with the Xero Limited Group on each vesting date

(a)(ii) 5,767 Ordinary Shares were issued upon vesting of 7,104 RSUs granted under the US Scheme as part of the remuneration package of one former employee and two employees based in the United States. The RSUs vested subject to the terms of the US Scheme

(b) 198,912 RSUs have been granted pursuant to the US Scheme, NZ/SG Plan and AU Plan as part of the remuneration package of employees based in the United States, Singapore and Australia. The number of RSUs granted was calculated based on the total dollar entitlement of all eligible employees divided by NZ\$25.75, being the 20 day volume weighted average market price of Xero Limited's Ordinary Shares on the NZX Main Board through to 27 July 2017

Of these 198,912 RSUs:

- 188,063 RSUs will vest in equal percentages on 31 March 2018, 31 March 2019 and 31 March 2020, subject to the terms of the US Scheme, NZ/SG Plan and AU Plan, as applicable, including the continued employment of the relevant employee with the Xero Limited Group on each vesting date

- 5,000 RSUs will vest as follows: one-third immediately (as set out in this notification of allotment), one-third on 31 March 2018 and one-third on 31 March 2019, subject to the terms of the US Scheme, including the continued employment of the relevant participating employee with the Xero Limited



Group on each vesting date

- 5,437 RSUs will vest immediately (as set out in this notification of allotment), subject to the terms of the US Scheme

- 412 RSUs will vest as follows: two-thirds on 31 March 2018 and one-third on 31 March 2019, subject to the terms of the US Scheme, including the continued employment of the relevant employee with the Xero Limited Group on each vesting date

(c) Grant of 297,460 Options under the US Scheme, NZ/SG Plan, AU Plan and UK Plan as remuneration and incentive for certain key employees

240,000 Options will vest (and therefore become available for exercise) in equal 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

50,000 Options will vest (and therefore become available for exercise) in equal percentages over a period of three years, subject to the continued employment of the key employee with the Xero Limited Group on each vesting date. The Options have a final exercise date of 25 October 2021

7,460 Options will vest (and therefore become available for exercise) in equal percentages over a period of three years, subject to the continued employment of the key employee with the Xero Limited Group on each vesting date. The Options have a final exercise date of four years from the grant date

Total number of securities of the class in existence after the issue (excluding treasury stock)

(a) 138,327,846 Ordinary Shares

(b) 484,297 RSUs (a conditional contractual right to be issued up to 484,297 Ordinary Shares) outstanding, taking into account all forfeited RSUs to date and the grant of 198,912 RSUs and the 7,104 RSUs that have vested as set out in this notification of allotment

(c) 2,426,183 unlisted Options (convertible into Ordinary Shares on a 1:1 basis), taking into account all forfeited Options to date and the grant of 297,460 Options as set out in this

notification of allotment

Date of issue

(a) 28 July 2017

(b) 28 July 2017 (grant date)

(c) 28 July 2017 (grant date)

Number of Securities Converted

7,104 RSUs granted pursuant to the US Scheme

Number and Class of Securities into which they have been Converted

5,767 Ordinary Shares (1,337 RSUs granted under the US Scheme were cancelled in connection with income tax withholding for two individuals based in the United States upon vesting of RSUs)

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

484,297 RSUs (taking into account all forfeited RSUs to date, and the RSUs that have been granted and vested as set out in this notification of allotment)

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