

Xero's transition to a sole listing on the ASX



www.xero.com/investors/listing

Dear Shareholder

I'm writing to inform you of an announcement we made in conjunction with our half-year financial results – Xero Limited (Xero) is in the process of consolidating the company's listing on the Australian Securities Exchange (ASX). As part of this process, it is intended that Xero will delist from the New Zealand Stock Exchange (NZX) with effect from the close of business on Friday, 2 February 2018.

Xero is a proud and ambitious New Zealand business, and will remain headquartered and domiciled in New Zealand.

As Xero continues to grow, having enhanced access to deeper capital markets, increased trading liquidity and a broader base of potential investors is critical to fulfilling the company's aspirations. A sole listing on the ASX will advance these goals.

While more than half of Xero's employees live and work in New Zealand, 80% of the company's revenue now comes from outside New Zealand and our strategy is to drive further growth in markets like the United Kingdom, North America and South East Asia.

The board of directors of Xero (the Board) believes that consolidating Xero's listing on the ASX is in the best interests of the company and its shareholders.

Next steps for Shareholders

As an existing shareholder, if you hold Xero shares on the NZX, your shares will be automatically transferred to the ASX.

You do not need to take any action to facilitate this process.

In order to move to a sole listing on the ASX, trading of Xero shares on the NZX is expected to cease at the close of business on Wednesday, 31 January 2018. NZX shares will be transferred to the ASX, and there will be no NZX trading, on Thursday, 1 February and Friday, 2 February 2018. The final NZX delisting is expected to occur from the close of business on Friday, 2 February 2018. The sole listing

on the ASX is expected to commence at the opening of the next trading day, Monday, 5 February 2018.

To reiterate: the last day on which shareholders will be able to trade Xero shares on the NZX is Wednesday, 31 January 2018. From Monday, 5 February 2018, Xero shares will only be listed and tradeable on the ASX.

Your rights as a shareholder remain unchanged and you will continue to receive all shareholder communications, have the opportunity to attend shareholder meetings and vote as usual.

If you currently hold Xero shares on the ASX, nothing will change with respect to your holding.

Enclosed in this booklet is additional information for shareholders on Xero's move to a sole listing on the ASX and delisting from the NZX. Shareholders can contact Xero's share registry, Link Market Services Limited (Link), for further information in New Zealand on +64 (0)9 375 5998 or in Australia on +61 1300 554 474 or visit the dedicated section on Xero's website www.xero.com/investors/listing.

We're excited about sharing the next phase of our growth with you, and strongly believe that this transition is in the best interests of the company and all of Xero's shareholders.

Sincerely,



Graham Smith
Chair
9 November 2017

Xero half-year financial results overview

Xero delivered another strong half-year, continuing to execute on its strategy to invest for long-term global growth while maintaining prudent financial discipline. We are excited by the progress the company is making and are delighted to provide the following update:

Operating highlights

- Operating revenue up 37% (38% in constant currency) on the same period last year, to \$187.8 million
- Continued growth in annualised committed monthly revenue (ACMR) adding \$113.7 million in the 12 months to 30 September 2017 to \$416.9 million
- Positive EBITDA of \$5.4 million
- Added more than \$1 billion in total subscriber lifetime value (LTV) in the past 12 months

Rationale for the change

The Board believes that consolidating Xero's listing on the ASX is in the best interests of the company and its shareholders for the following reasons:

Access to a larger market

The ASX is one of the leading exchanges in the Asia Pacific region and is supported by a large number of international investors. Consolidating Xero's listing on the ASX, rather than across two stock markets, should provide longer-term access to a broader marketplace for Xero shareholders

Increased liquidity

It is expected to create a deeper market for Xero shares. This would mean investors who want to buy or sell Xero shares can do so in greater volumes and more easily

Increased relevance to a more diverse range of larger investors

The potential for inclusion in major ASX indices is expected to facilitate increased investment interest over time, and to place Xero on the radar of an expanded pool of potential investors interested in growth companies

Broader analyst and broker coverage

In the medium-term, Xero expects increased analyst and broker coverage will increase the company's profile among a wider range of potential investors globally

The combination of these benefits is critical to delivering Xero's long-term strategy to drive diversified global growth.



Proposed dates

- **Wednesday, 31 January 2018**
Last day Xero shares trade on the NZX
- **Thursday, 1 February – Friday, 2 February 2018**
No NZX trading; NZX trades settled; NZX shares are transferred to the ASX
- **Monday, 5 February 2018**
First day Xero shares trade solely on the ASX

In order to facilitate an orderly transition to a sole listing on the ASX for market participants, Xero is applying for a full listing on the ASX (currently Xero is listed on the ASX under an ASX Foreign Exempt Listing) and Xero will have full listings on both the ASX and NZX from 11 December 2017 for an interim period. From 5 February 2018 the company will have a sole listing on the ASX.

If you are an existing shareholder and hold Xero shares on the NZX, your shares will be automatically transferred to the ASX. **You do not need to take any action to facilitate this process.** You may, however, move your shares from the NZX to the ASX before this if you wish.

Shareholder resources

For further information you can:

Call the shareholder hotline:

New Zealand	+64 (0)9 375 5998
Australia	+61 1300 554 474

- Visit the dedicated section on Xero's website
www.xero.com/investors/listing
- View NZX shareholdings
<https://investorcentre.linkmarketservices.co.nz>
- View ASX shareholdings
<https://investorcentre.linkmarketservices.com.au>

If you have traded Xero shares on the NZX using a broker, you should check with your broker whether they have the capability to trade on the ASX. If so, you can continue to trade your Xero shares using that broker. Alternatively, you can use these links to find brokers that trade on the ASX:

- Australia
<http://www.asx.com.au/prices/find-broker.htm>
- New Zealand
<https://www.nzx.com/services/market-participants/all-market-participants>

Getting set-up to trade on the ASX might take a few days, so allow for this time before you want to trade.



Shareholder FAQs

When is Xero making the transition to a sole listing on the ASX? What is the process?

In order to move to a sole listing on the ASX, trading of Xero shares on the NZX is expected to cease at the close of business on Wednesday, 31 January 2018. NZX shares will be transferred to the ASX, and there will be no NZX trading, on Thursday, 1 February and Friday, 2 February 2018. The final NZX delisting is expected to occur at the close of business on Friday, 2 February 2018.

The sole listing on the ASX is expected to then commence on the opening of the next trading day, Monday, 5 February 2018.

To reiterate: the last day on which shareholders will be able to trade Xero shares on the NZX is Wednesday, 31 January 2018.

What is the impact on NZX shareholders? Do I need to do anything?

If you are an existing shareholder and hold Xero shares on the NZX, your shares will be automatically transferred to the ASX prior to the opening of trading on Monday, 5 February 2018. **You do not need to take any action to facilitate this process.**

What is the impact on ASX shareholders? Do I need to do anything?

If you currently hold Xero shares on the ASX, nothing will change with respect to your holding. You do not need to take any action.

Will there be a charge to transfer NZX shares to the ASX?

No. The process will happen automatically for all NZX shareholders on the register, and there will be no fees payable by NZX shareholders for the transfer.

Will NZX shares be transferred 1-for-1 on the ASX?

Yes. The number of shares that you own will remain the same.

Will my NZX shares be worth the same on the ASX?

Just as your Xero shares are currently traded at the market price on the NZX, after the transfer, your shares will trade at the market price on the ASX. Xero does not control the share price. You will be able to see Xero's share price on the ASX website

<http://www.asx.com.au/asx/share-price-research/company/XRO>.

What happens to my voting rights?

Your voting rights will remain the same.

Why is Xero moving to a full dual listing (ie. changing from an ASX Foreign Exempt Listing) before it delists from the NZX?

Xero is in the process of changing its ASX Foreign Exempt Listing status and expects to have full listing status on the ASX from 11 December 2017, with full listings on both the ASX and NZX from that date until the NZX delisting, expected on 2 February 2018. The interim full dual listing is being undertaken to facilitate an orderly transition to a sole listing on the ASX for market participants. During this interim period, Xero will continue to comply as appropriate with both the NZX and ASX Listing Rules.

When you have a sole listing on the ASX will you pay a dividend and in what currency?

Xero does not currently pay a dividend, therefore this is not a consideration. Should the Board in the future consider a dividend, it will ensure that the process is as simple as possible for all of our shareholders.



I am a New Zealand based shareholder. How will exchange rates impact the value of my shareholding?

After the transfer, your Xero shares will be solely traded on the ASX (and therefore traded in Australian dollars). This means that exchange rate movements could impact the amount in New Zealand dollars that you receive on the sale of any Xero shares, even if there is no change in the underlying share price. You can see Xero's share price on the ASX website <http://www.asx.com.au/asx/share-price-research/company/XRO>.

Can I move my NZX shares across to the ASX now, before Xero officially delists from the NZX?

Yes, if you want to, you can move your shares to the ASX now. Your shares can be moved by either:

- Completing and returning a *Request for Removal of Securities Form* that can be downloaded from Link here <http://www.linkmarketservices.co.nz/downloads/Forms/change-details/RRS001.pdf>; or
- Contacting your current NZX broker (if you have one) to arrange the transfer.

Remember that there is no trading on the NZX on Thursday, 1 February and Friday, 2 February 2018. If you are an NZX shareholder and think you might want to trade on those days, to avoid being affected you can transfer your NZX shares to the ASX before Wednesday, 31 January 2018.

Do I have to do anything if I don't want to trade my Xero shares on the ASX?

No, you don't have to do anything if you don't want to trade your Xero shares on the ASX. You will receive a holding transaction statement from Link setting out your Issuer Sponsored Shares (denoted as Security Reference Number - SRN).

How can I trade my shares once Xero has a sole listing on the ASX?

This will need to be facilitated by a broker. If your current broker has the capability to trade on the ASX, you can continue to trade through them if you wish. Alternatively, you can use these links to find brokers that trade on the ASX <http://www.asx.com.au/prices/find-broker.htm> and <https://www.nzx.com/services/market-participants/all-market-participants>.

What do I have to do if and when I want to trade my Xero shares on the ASX?

Refer to your broker, as your broker may need to convert the Issuer Sponsored Shares (SRN) to CHESX Sponsored Shares (denoted as Holder Identification Number - HIN) in order to facilitate the trade. **The conversion process can take a few days, so allow this time before you want to trade.** Your broker may charge a fee for the conversion. For more information see <http://www.asx.com.au/documents/about/fact-sheet-chess-sponsored-and-issuer-sponsored-holdings.pdf>

What is CHESX and what is the difference between a SRN and a HIN?

CHESX is the trading system of the ASX to record shareholdings and manage the settlement of share transactions. Shares that are registered with an ASX broker are CHESX Sponsored Shares. CHESX Sponsored Shares are allocated a HIN by the broker. The main differences between a HIN and a SRN is that you will only have one HIN (for each broker) that identifies all of your holdings in all of the companies you have invested in. If you have a SRN, you have one SRN for each company you have shares in. The SRN is the Australian equivalent of a Holder Number in New Zealand. For more information see <http://www.asx.com.au/documents/about/fact-sheet-chess-sponsored-and-issuer-sponsored-holdings.pdf>.



What if I already have a Holder Identification Number (HIN)?

For shareholders who already have an HIN, this will remain the same. If you already have a HIN you can convert your shares from your new SRN to your HIN.

What happens to my New Zealand Holder Number?

On the day of the commencement of the sole listing, you will no longer have Xero shares on your New Zealand Holder Number and you will no longer require it. You will receive a holding transaction statement with a new SRN from Link.

What happens to my New Zealand Common Shareholder Number (CSN)?

Your Common Shareholder Number (CSN) will still be valid, but you will no longer have any Xero shares held on it. After your shares are moved to the ASX, you will receive a holding transaction statement with a new SRN from Link. In order to trade your Xero shares in Australia, you may have to convert them to CHESS Sponsored Shares (see above).

Can I still view my shares on the Link New Zealand website?

After Xero delists from the NZX, you will no longer be able to view your shares on the Link New Zealand Investor Centre. You will need to access the Link Australia Investor Centre <https://investorcentre.linkmarketservices.com.au/Login/Login>.

To log-in, you will be required to enter your HIN or SRN, as well as your country of residence, or if you live in Australia, your postcode. If you have already created a New Zealand Investor Centre portfolio, you can add your Xero shares on the Link Australia Investor Centre by logging into the Investor Centre using your current New Zealand portfolio details (email and password).

Link stores all your past information for up to 7 years, so if you need any historical information about your holdings Link will be able to provide this to you.

Can I trade my shares on the NZX prior to the delisting?

Yes, when you trade your shares is up to you. The final date for trading on the NZX will be Wednesday, 31 January 2018. After the NZX delisting, trading will occur solely on the ASX.

How will I receive communications from Xero after the delisting?

You will continue to receive communications from Xero (via Link) and we will continue to keep you informed about the shift to a sole listing on the ASX. Your preference to receive electronic or postal communications will remain as you have previously elected, and communications will come through the Link team based in Australia.

Who can I contact for further information?

Please visit the dedicated section on Xero's website (www.xero.com/investors/listing) for new information as it becomes available or contact Link:

New Zealand:

Email: enquiries@linkmarketservices.com

Phone: +64 (0)9 375 5998

Australia:

Email: registrars@linkmarketservices.com.au

Phone: +61 1300 554 474





www.xero.com/investors/listing

The information in this booklet is for general information purposes only, and is not an offer or invitation for subscription, purchase, or recommendation of securities in Xero Limited (Xero).

To the extent this booklet includes forward-looking statements about Xero and the environment in which Xero operates, which are subject to uncertainties and contingencies outside of Xero's control – actual results or performance may differ materially from these statements. This booklet may also contain information from third parties believed to be reliable; however, no representations or warranties are made as to the accuracy or completeness of such information.