

13 February 2017

**XERO LIMITED (XRO)**

**NOTIFICATION OF ALLOTMENT OF SECURITIES**

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

Class of Securities	(a) Ordinary Shares  (b) Options to subscribe for Ordinary Shares in Xero Limited ( <b>Options</b> )
ISIN	NZXROE0001S2
Number of securities issued	(a) 2,154 Ordinary Shares  (b) 60,000 Options (each Option, when vested, entitling the holder to subscribe for one Ordinary Share in Xero Limited, subject to the terms of the NZ Plan (defined below))
Issue price	(a) NZ\$18.81 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 9 February 2017  (b) N/A. Grant of 60,000 Options pursuant to the Xero Limited Restricted Stock Unit and Option Plan (NZ) ( <b>NZ Plan</b> ), as remuneration and incentive for a key employee based in New Zealand. The exercise price of the Options is NZ\$18.81 per Option (being the 20 day volume weighted average market price of Xero Limited's Ordinary Shares on the NZX Main Board through to 9 February 2017)
Payment in cash	(a) 2,154 Ordinary Shares were issued to Lee Hatton, in lieu of cash, as remuneration for her role as a director of Xero Limited for the preceding six-month period  (b) N/A. Grant of 60,000 Options pursuant to the NZ Plan as remuneration and incentive for one key employee based in New Zealand
Any amount paid up (if not in full)	(a) Fully paid  (b) N/A
Percentage of total class issued (excluding treasury stock)	(a) 0.0016% (as a percentage of Ordinary Shares on issue after this issue to 4 d.p.)



(b) If 100% of the Options were to vest and be exercised on the date of this notification: 0.0436% (as a percentage of Ordinary Shares on issue after this issue to 4 d.p.)

Reasons for the issue

(a) 2,154 Ordinary Shares were issued to Lee Hatton, in lieu of cash, as remuneration for her role as a director of Xero Limited for the preceding six-month period

(b) Grant of 60,000 Options under the NZ Plan as remuneration and incentive for one key employee based in New Zealand

Specific authority for the issue

(a) Resolution of shareholders passed at Xero Limited's Annual Meeting held on 23 July 2014, and resolution of directors passed 9 February 2017

(b) Resolution of directors passed 9 February 2017

Terms or details of the issue

(a) 2,154 fully paid Ordinary Shares were issued to Lee Hatton at an issue price equal to NZ\$18.81 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 9 February 2017

(b) Grant of Options under the NZ Plan as remuneration and incentive for one key employee based in New Zealand. The Options will vest (and therefore become available for exercise) in four equal percentages on each of the first four anniversaries after the date of grant, 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 five years from the grant date

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

(a) 137,622,134 Ordinary Shares on issue

(b) 2,335,557 unlisted Options (convertible into Ordinary Shares on a 1:1 basis, subject to the terms of the relevant Option Plan) outstanding, taking into account all forfeited Options to date and the the grant of 60,000 Options as set out in this notification of allotment

There are also 533,560 RSUs (a conditional contractual right to be issued up to 533,560 Ordinary Shares) outstanding, taking into account all forfeited RSUs to date

Date of issue

(a) 10 February 2017

(b) 10 February 2017 (grant date)

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