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MARKET RELEASE

Xero Limited Share Buyback

17 August 2009

Xero Limited ("Xero", or the "Company") is pleased to announce that it has recently completed an on-market share buyback. The buyback commenced on 31 July 2009 and was concluded on 13 August 2009. The number of shares purchased is the equivalent number of ordinary shares as will be issued pursuant to Xero's employee restricted share plan ("Plan") for the year ended 31 March 2010. The share buyback was intended to eliminate any increase in capital arising under the Plan and any consequential dilutionary ownership effect for existing shareholders. The shares acquired under the buyback will be allocated to employees under the Plan.

Xero advises that between 31 July 2009 and 13 August 2009, the Company purchased a total of 500,000 ordinary shares (approximately 0.57% of the total ordinary shares on issue prior to the commencement of the buyback) at a total cost of \$744,085.39, at an average price of \$1.488 per share. Notices in accordance with NZX listing rule 7.12.1 have already been provided to the market.

As the shares acquired under the buyback were purchased on-market via an independent stockbroker, the sellers of these shares are not known to the Company.

For further information contact:

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