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MARKET RELEASE

Xero Appoints Steve Vamos as CEO

Rod Drury continues on Xero Board as Non-Executive Director

WELLINGTON, 5 March 2018 (ASX:XRO) - The Board of Xero Limited (ASX: XRO) announces it has appointed Steve Vamos as CEO to succeed founder Rod Drury, effective 1 April 2018. Rod will continue to focus on innovation and strategy as a non-executive director of Xero.

Over the past 18 months Steve has worked closely with Xero's executive team developing its management capability and operating model. Steve has more than 30 years' experience in technology and digital media including roles at three iconic companies: IBM, Apple and Microsoft. He has lived and worked in Australia, the USA and Asia, and is a proven leader with the skills and discipline to drive Xero in its next phase of global growth.

Xero Chair Graham Smith said: "Succession planning has been high on the Board's agenda and with the business performing strongly, we believe the time is right to make the transition at CEO level. We believe Steve Vamos brings an invaluable skill set to lead Xero. He has worked in some of the world's largest tech companies and is a recognised, purpose-driven people leader, with a focus on growth and operational excellence."

"Rod's achievement of building a global company and community from New Zealand is unmatched and on behalf of the Board I'd like to thank him for his tremendous leadership since founding the company. With a strong leadership team in place, Steve's appointment underpins the important evolution from a founder-led company to a business with worldwide scale. At the same time, Xero will continue to benefit from Rod's product vision as a non-executive director."

Rod Drury said: "It's been a huge 11 plus years building Xero. It's amazing to consider we started with just four people in a small Wellington apartment and we now have over 2,000 people across 17 offices in eight countries, and over 1.2 million subscribers. I'm so proud of the Xero team, the community that's formed around us, the positive impact we've had on our customers, and the shareholder value we've created."

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“Xero has recently achieved a number of key milestones: we’ve achieved positive EBITDA and operating cash flows, consolidated our listing on the ASX and built an exceptional leadership team. It’s now the right time for me to pass the baton to Steve, who has the experience to significantly expand Xero internationally.”

“Steve has demonstrated to the Board and me that he has the skills and experience we need to execute Xero’s next phase of growth, while I contribute to strategy as a non-executive director with my passion for product innovation.”

Steve Vamos said: “What Rod and Xero have accomplished is rare and remarkable. I’m excited to have this opportunity to lead Xero’s growth and development going forward. I have really enjoyed the opportunity to work with the Xero leadership team and we have a clearly communicated strategy, which we are committed to executing.”

“Xero is a special company with an extremely important purpose and significant opportunities. I look forward to continuing to work with Rod, the Board, the entire Xero team, and our partners and customers, to deliver on the potential of Xero’s global platform.”

The material terms of Steve Vamos’s employment agreement are summarised in the Appendix.

About Steve Vamos

Steve has more than 30 years’ experience in technology and digital media. His roles relevant to his appointment as Xero CEO includes leading technology companies across Australia and New Zealand including:

- Chief Executive Officer of Microsoft Australia (2003 - 2006)
- Managing Director of Apple Computer Australia and New Zealand (1994 - 1995)
- Various executive and professional roles at IBM (1979 - 1994)

Steve also led the growth and development of an online media business from start-up to industry leader in his role as Chief Executive Officer of ninemsn, the joint venture between Microsoft and then Australian media industry leader Publishing and Broadcasting Limited (1998 - 2002).

Steve has led international and Asia Pacific regional businesses including:

- Vice President, Worldwide Sales and International Operations for Microsoft Corporation’s Online Services Group (OSG), responsible for the organisation’s operations across 30 countries around the world (2007 - 2008)
- Managing Director of Apple Computer Asia Pacific (1996 - 1998)

Steve's focus in all his management roles has been to build great teams and a business culture that supports growth and high performance. In advocating for the importance of building and aligning great talent, Steve founded the Society for Knowledge Economics (SKE), a not for profit think tank that operated from 2005 – 2014, to encourage and promote new and better leadership and management practices that enable innovation, productivity and sustainability.

Steve currently serves as a non-executive Director of Telstra (appointed September 2009) and Fletcher Building (appointed July 2015), and is a member of the Advisory Board of the University of Technology Sydney Business School.

Steve has a degree in Civil Engineering (with Honors) from the University of New South Wales.

About Subscribers

Xero measures subscribers as each unique subscription to a Xero offered product that is purchased by an accounting partner or an end user and which is, or is available to be, deployed.

About Xero

[Xero](#) is beautiful, easy-to-use global online platform for small businesses and their advisors. The company has over one million subscribers in more than 180 countries. Xero seamlessly integrates with more than 600 apps. It was ranked No. 1 by Forbes as the World's Most Innovative Growth Company for two years running, won Technology Provider of the Year for the British Small Business Awards, and was rated by Canstar Blue as Australia's best accounting software three consecutive years from 2015-2017.

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Appendix: Material terms of Steve Vamos's employment agreement

Key terms	Details
Commencement date	1 April 2018
Duties	<p>The duties of Mr Vamos are those consistent with the role of Chief Executive Officer, and any other duties required by the Board of Xero from time to time.</p> <p>Mr Vamos will not join the Board of directors of Xero, but will attend Board meetings and relevant Committee meetings.</p>
Term	No fixed term. Ongoing until terminated by either party in accordance with the employment contract.
Total Fixed Remuneration	<p>Base salary of AUD\$900,000 per annum, excluding superannuation.</p> <p>Mr Vamos will receive statutory superannuation of AUD\$50,000.</p>
Short Term Incentive (STI)	<p>STI available of 60% of base salary, excluding superannuation (Base STI Amount).</p> <p>STI conditional on meeting agreed annual performance targets.</p> <p>An STI amount greater than the Base STI Amount will be payable, on a pro rata basis, for overachievement of annual performance targets. The maximum STI available in these circumstances would be 200% of the Base STI amount.</p>
CEO Long Term Incentive / Retention (LTI/R)	<p>LTI/R available annually of 70% of annual base salary, excluding superannuation.</p> <p>LTI/R granted as Restricted Stock Units (RSUs) in accordance with the Xero Limited Restricted Stock Unit and Option Plan (AU).</p> <p>Grants under the LTI occur each year, with the number of RSUs calculated by reference to the relevant VWAP of Xero shares used by Xero up to the date immediately preceding the grant.</p> <p>Vesting of each grant of RSUs conditional on satisfying agreed performance targets.</p>
Notice Period	<p>Six months.</p> <p>No notice required to be given if termination is for cause.</p>
Post-Employment Restraint	Mr Vamos is restrained during employment, and for up to 12 months after termination, from competing with the Xero Group, and from soliciting clients, staff and contractors of the Xero Group.
Other terms	Mr Vamos's employment agreement also contains general provisions relating compliance with Xero's policies, reimbursement of expenses, leave entitlements, confidentiality and intellectual property.