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## MARKET RELEASE

### GRANT OF WAIVER FROM ASX LISTING RULES 10.13.3 AND 10.13.5

Xero Limited (ASX/NZX: XRO) (**Xero** or the **Company**) will be holding its 2014 Annual Meeting on Wednesday 23 July 2014 (**Meeting**).

In the Notice of Meeting sent to Xero's shareholders (a copy of which can be found on Xero's website at <http://www.xero.com/about/investors/notices/>) (**Notice of Meeting**), Xero noted that it had applied for, and had received, from the Australian Securities Exchange (**ASX**) a waiver of certain ASX Listing Rules in relation to proposed resolutions 9 and 10 set out in the Notice of Meeting.

The specific waivers granted to Xero are as follows:

1. "A waiver of ASX Listing Rules 10.13.3 and 10.13.5 to the extent necessary to permit the Company's notice of general meeting ("Notice") to approve the issue of a maximum of NZ\$70,000 worth of shares to Lee Hatton in lieu of directors fees ("Remuneration Shares") not to state that the Remuneration Shares will be issued no later than one month after the date of the meeting and subject to the following conditions:
  - (a) The Notice states that the Remuneration Shares will be issued within 12 months after shareholder approval is obtained.
  - (b) The Notice states that the number of Remuneration Shares to be issued to Lee Hatton (or her nominee) will be calculated by dividing the amount owed to her by the volume weighted average price of the underlying shares for the 20 business days prior to the issue.
  - (c) The Company releases the terms of this waiver to the market at the same time the Notice is released to the market by way of a separate announcement.
  - (d) The Notice contains the full terms and conditions of the Remuneration Shares.
  - (e) The Company's annual report for any period during which the shares are issued to Ms Hatton (or her nominee), discloses details of the number of Remuneration Shares that were issued to her, including the percentage of the Company's issued capital represented by those Remuneration Shares."
2. "A waiver of ASX Listing Rule 10.13.3 to the extent necessary to permit the Company's notice of general meeting ("Notice") to approve the issue of a maximum of NZ\$220,000 worth of options to Chris Liddell (or his nominee) and a maximum of NZ\$176,000 options to Bill Veghte (or his nominee) in each case in lieu of director's fees ("Remuneration Options") not to state that the Remuneration Options will be issued no later than one month after the date of the meeting and subject to the following conditions:
  - (a) The Notice states that the Remuneration Options will be issued within 12 months after shareholder approval is obtained.
  - (b) The Notice states that the number of Remuneration Options to be issued to Mr Chris Liddell and Bill Veghte (or their nominees) will be calculated by dividing the amount owed to each director by the value of each option as determined by the Black Scholes methodology and the exercise price of each option is the market value of the underlying shares at the time of

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the grant of the options as determined by the volume weighted average price of the underlying shares for the 5 business days prior to the issue.

- (c) The Company releases the terms of this waiver to the market at the same time the Notice is released to the market by way of a separate announcement.
- (d) The Notice contains the full terms and conditions of the Remuneration Options.
- (e) The Company's annual report for any period during which the options are issued to Mr Liddell and Mr Veghte (or their nominees), discloses details of the number of options that were issued to each of them, including the percentage of the Company's issued capital represented by those options (upon their conversion)."

Matt Vaughan  
Company Secretary

3 July 2014

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