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(Company number NZ 1830488, AU ARBN 160661183 NZX/ASX:XRO).

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- 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 – Xero's actual results or performance may differ materially from these statements;
- includes statements relating to past performance, which should not be regarded as a reliable indicator of future performance; and
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All information in this presentation is current at the date of this presentation, unless otherwise stated.

All currency amounts are in NZ dollars unless otherwise stated.
FY2015 half year highlights

30 September 2014

H1 SUBSCRIPTION REVENUE

$52M

$28.1m for 6 mths end 30 Sep 2013

H1 YOY SUBSCRIPTION REVENUE GROWTH

85%

91% constant dollar

CUSTOMERS

371,000

76% increase from 30 Sep 2013

ACMR

$132M

$171M

87% growth from 30 Sep 2013

Equivalent USD $133m

ACCOUNTING PARTNERS

13,900

57% increase from 30 Sep 2013
## Country performance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NEW ZEALAND</td>
<td>119,000</td>
<td>86,000</td>
<td>38%</td>
<td>2,818</td>
<td>2,465</td>
<td>14%</td>
</tr>
<tr>
<td>AUSTRALIA</td>
<td>158,000</td>
<td>79,000</td>
<td>100%</td>
<td>6,400</td>
<td>4,085</td>
<td>57%</td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>61,000</td>
<td>30,000</td>
<td>103%</td>
<td>2,467</td>
<td>1,267</td>
<td>95%</td>
</tr>
<tr>
<td>NORTH AMERICA</td>
<td>22,000</td>
<td>10,000</td>
<td>120%</td>
<td>1,663</td>
<td>734</td>
<td>127%</td>
</tr>
<tr>
<td>REST OF WORLD</td>
<td>11,000</td>
<td>6,000</td>
<td>83%</td>
<td>509</td>
<td>284</td>
<td>79%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>371,000</td>
<td>211,000</td>
<td>76%</td>
<td>13,857</td>
<td>8,835</td>
<td>57%</td>
</tr>
</tbody>
</table>
## Revenue growth

### SUBSCRIPTION REVENUE

<table>
<thead>
<tr>
<th>Region</th>
<th>SEP 2014</th>
<th>SEP 2013</th>
<th>GROWTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEW ZEALAND</td>
<td>15.1</td>
<td>10.6</td>
<td>42%</td>
</tr>
<tr>
<td>AUSTRALIA</td>
<td>23.9</td>
<td>11.1</td>
<td>115%</td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>8.0</td>
<td>4.0</td>
<td>100%</td>
</tr>
<tr>
<td>NORTH AMERICA</td>
<td>3.0</td>
<td>1.3</td>
<td>131%</td>
</tr>
<tr>
<td>REST OF WORLD</td>
<td>2.0</td>
<td>1.1</td>
<td>82%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>52.0</strong></td>
<td><strong>28.1</strong></td>
<td><strong>85%</strong></td>
</tr>
</tbody>
</table>

### ACMR

<table>
<thead>
<tr>
<th>Region</th>
<th>SEP 2014</th>
<th>SEP 2013</th>
<th>GROWTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEW ZEALAND</td>
<td>34.0</td>
<td>23.9</td>
<td>42%</td>
</tr>
<tr>
<td>AUSTRALIA</td>
<td>63.9</td>
<td>30.2</td>
<td>112%</td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>20.9</td>
<td>10.2</td>
<td>105%</td>
</tr>
<tr>
<td>NORTH AMERICA</td>
<td>8.2</td>
<td>3.8</td>
<td>116%</td>
</tr>
<tr>
<td>REST OF WORLD</td>
<td>5.3</td>
<td>2.5</td>
<td>112%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>132.3</strong></td>
<td><strong>70.6</strong></td>
<td><strong>87%</strong></td>
</tr>
</tbody>
</table>
Early into a huge opportunity

<table>
<thead>
<tr>
<th>CUSTOMER GROWTH RATE</th>
<th>MARKET SHARE</th>
<th>MARKET SIZE*</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ</td>
<td>38%</td>
<td>0.45M</td>
</tr>
<tr>
<td>AU</td>
<td>100%</td>
<td>2M</td>
</tr>
<tr>
<td>UK</td>
<td>103%</td>
<td>4.3M</td>
</tr>
<tr>
<td>NA</td>
<td>120%</td>
<td>29M</td>
</tr>
</tbody>
</table>

*Number of small businesses estimated from various market sources – March 2014
New Zealand

$34M
ACMR
At 30 Sep 2014

42%
SUB REVENUE GROWTH H1 YOY
$15.1M sub revenue

119,000
CUSTOMERS
38% increase since 30 Sep 2013

ACMR
42% growth

Sep 13
Sep 14

CMR BY CHANNEL
60% Partners
40% Online

CUSTOMERS BY CHANNEL
80% Partners
20% Online

42% growth since Sep 13
New Zealand – innovation market

- Focus now on winning entire practices
- Introduce NZ Payroll in 2015
- Developing next phase of platform services:
  - Connect Small Business to Enterprise, Financial Institutions and Government
  - Banking 2.0: Two way bank connectivity and new Financial Services
  - Small Business Data at scale – $60B processed in last year
Australia

$63.9M
ACMR
At 30 Sep 2014

115%
SUB REVENUE GROWTH H1 YOY
$23.9M sub revenue

158,000
CUSTOMERS
100% increase since 30 Sep 2013

ACMR
112% growth

Sep 13
Sep 14

CMR BY CHANNEL
55%
Partners
45%
Online

CUSTOMERS BY CHANNEL
71%
Partners
29%
Online
Australia summary

Achievements

- Xero online tax lodgements to ATO approaching 200,000
- Xero voted #16 in BRW best places to work in Australia (for companies >100 staff)
- Xerocon 2014 was largest accounting/tech event in AU
- Launched Xero API-enabled workers compensation insurance product to SMEs

Growth actions

- Complete delivery of Xero online tax for accountants & bookkeepers
- Xero Cashbook for Financial Advisors
- Continue free MYOB to Xero conversion tool (now well into the thousands)
- Grow online channel
United Kingdom

$20.9M
ACMR
At 30 Sep 2014

100%
SUB REVENUE GROWTH H1 YOY
$8.0M sub revenue

61,000
CUSTOMERS
103% increase since 30 Sep 2013

ACMR
105% growth

Sep 13  Sep 14

58%
Partners

42%
Online

71%
Partners

29%
Online
United Kingdom summary

Achievements

• Strategic partnership with KPMG
• Direct bank feeds with RBS, NatWest and SVB
• Grew UK team from 45 to 98 staff, expanding UK footprint
• Doubled customers in last 12 months
• Brand firmly established with accounting profession

Growth actions

• Introduce Payroll in 2015
• Expand partner channel
• Grow online channel
• Secure technical & commercial relationships with remaining UK banks
• Invest in brand development & awareness with UK Small Business community
North America

$8.2M  
ACMR  
At 30 Sep 2014

131%  
SUB REVENUE GROWTH H1 YOY  
$3.0M sub revenue

22,000  
CUSTOMERS  
120% increase since 30 Sep 2013

ACMR  
116% growth

CMR BY CHANNEL

38%  
Partners

62%  
Online

CUSTOMERS BY CHANNEL

51%  
Partners

49%  
Online

120% increase since 30 Sep 2013
US opportunity is open

- Early adopter accountants are beginning the transition to the cloud and delivering advisory services
- Majority of accountants remain compliance focused and only at the beginning of the transition to the cloud and proactive advisory services
- Cloud tools do not yet replicate features of desktop software
- Many US small businesses are using online tools, the majority do not yet have an accounting solution

**THEREFORE**

- Online channel is of greater importance to reach millions of customers
- Brand relationships will be key to quickly reach the target market
- The transition to the cloud will play out over several years
US performance

GOING GREAT

Growing more confident in our “cloud-native” products and GTM strategy as we deliver US features
Positive early adopter accountants
Positive product feedback and reviews
Partnerships & opportunities
Ecosystem
Banking relationships

NEEDS WORK

Some product gaps
Speed of refining and tuning sales model
Dissatisfied with execution and leadership
Recruitment a challenge in the Bay Area
US execution

EXECUTIVE FOCUS

Global success allowing more executive time in the US

- Rod Drury (CEO) 2 out of every 5 weeks
- Ross Jenkins (CFO) in US
- Simon McIver (VP Global Sales Operations) acting US VP Sales
- Andy Lark incoming CMO - 15 years US marketing experience

ACTIONS UNDERWAY

Recruit local leadership team

Implement sales model:

- Hyperlocal for field sales
- Inside sales in Denver
- Online channel at scale

Lift marketing both online and traditional

Consistent sales growth over last 12 weeks
US product progress

REVIEWED IN
- PCWorld
- GetApp
- Macworld
- CPA Practice Advisor

SHIPPED SINCE MAR 2014
- Payroll updates
- Batch deposits
- Faster spend/receive money data entry
- New Profit and Loss report
- QB conversion for accountants
- New partner bank feed - Silicon Valley Bank
- Smart Lists

IN PROGRESS
- Features to match and exceed available desktop products
- Integrated Payroll in more states
- Payments
- Practice management
- Business Intelligence
When they find us, they love us

Cristina Garza
Accounting prose
Xero has allowed me to double my practice. Switching to Xero has been the best strategic move we have ever made.

Jeremy Smith
H&R Block
H&R Block scanned the market for the best online accounting solution and chose Xero. It gives real-time financial insights small businesses need to grow and make more money.

David Barrett
CEO, Expensify
They’re smart, passionate, very tech-savvy, and extremely creative in a space that hasn’t seen a ton of innovation.

John Schweisberger
CEO, RBZ
Couple a great product with the powerful marketing and technical support we receive from Xero, and we benefit greatly from having a true business partner.

INTEGRATIONS/PARTNERSHIPS

 mingle H&R BLOCK  SVB  CITY NATIONAL BANK  Square  SQUARESPACE  ADP  Clio  Expensify
Group outlook

• Net loss after tax for the six months to 30 September 2014 is expected to be around $25M

• We confirm our guidance of full financial year subscription revenue growth of approximately 80% on a constant dollar basis
Investor story
What valuable company is nobody building?

PETER THIEL, ZERO TO ONE PUBLISHED SEPTEMBER 2014
WWW.AMAZON.COM/ZERO-ONE-NOTES-STARTUPS-FUTURE
As Facebook is to the consumer market, someone must build the global financial platform for small business.

**CLOUD NATIVE**
- 250m invested in a pure cloud company
- Accounting is the beachhead application for small business
- Pure SaaS architecture for global scale
- Open ecosystem

**SMALL BUSINESS FINANCIAL PLATFORM**
- Natural accountants channel
  - Connect small business, enterprise, banks & Government
  - Small Business data graph
- Growth potential ahead of Enterprise SaaS ERP

**GLOBAL**
- Day-one global strategy
- Diversified global growth and revenues
- Sustained high growth
- Massive and expanding TAM
Massive and expanding TAM
History of strong growth

CAGR (Subscription Revenue 98%, ACMR 93%)

SUBSCRIPTION REVENUE (FOR 6 MTHS END 30 SEP)

CUSTOMERS

17k

ACMR

$9

SEP 2010

$17

36k

SEP 2011

$8

$15

112k

SEP 2012

$39

$28

211k

SEP 2013

$71

$52

371k

SEP 2014

$132
Cloud native disruptors routinely succeed
Q&A
Beautiful accounting software