

7 March 2018



Xero's next chapter: appointment of Steve Vamos as CEO

Dear Shareholder

I'm delighted to let you know that we announced on Monday that Xero's Board of Directors has appointed Steve Vamos as CEO to succeed Rod Drury, underpinning Xero's important evolution from a founder-led company to a business with worldwide scale. Xero will continue to benefit from Rod's product vision as a non-executive director.

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.

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

You can read Xero's full announcement here:

<https://www.asx.com.au/asxpdf/20180305/pdf/43s54m25355b9b.pdf>

Note from Rod

It's been a huge 11 plus years building Xero. We started in 2006 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.

Xero has recently passed a number of key milestones: we've achieved positive EBITDA and operating cash flows, consolidated our listing on the Australian Securities Exchange (ASX) and developed a high performing leadership team. The next chapter for Xero is focussed on scaling internationally. I'm looking forward to continuing my focus on product innovation while working with Steve as a non-executive director.

We are excited about sharing the next phase of our growth with you, and strongly believe that the time is right to make this transition at CEO level and that it's in the best interests of the company and all of Xero's shareholders.

With that, a special thanks for your continued support as one of our valued shareholders.

A handwritten signature in black ink, appearing to be "Graham Smith".

Graham Smith
Chair

A handwritten signature in black ink, appearing to be "Rod Drury".

Rod Drury
Xero Founder & CEO