Beautiful accounting software

25 June 2013

Dear Shareholder

I am pleased to invite you to the 2013 Annual Meeting of Xero Limited ("Xero"), to be held on Thursday 1 August 2013, at 4.00pm (NZ time), at Soundings Theatre, Museum of New Zealand (Te Papa), 55 Cable Street, Wellington, NZ (the "Meeting").

Rod Drury, Chief Executive and Co-founder of Xero, and I, will present to the Meeting on Xero's performance during the year to 31 March 2013 and the outlook for the future. After another year of strong growth, we look forward to reporting both on our achievements and future plans, and answering any questions that you may have about Xero or its performance.

As part of the formal business of the Meeting, shareholders will be asked to vote on the election of Craig Elliott as a director of Xero, following Craig's appointment by the Board in September 2012. Details of Craig's background are set out in the Explanatory Notes to the Notice of Meeting enclosed with this letter. Craig will address the Meeting prior to the shareholders being asked to vote on his election. The Board unanimously supports the election of Craig Elliott as a director of Xero.

In addition, both Craig Winkler and I are required, under applicable Listing Rules, to retire by rotation as directors of Xero at the Meeting. We will each address the Meeting before shareholders are asked to vote on our re-election. Details of our respective backgrounds are set out in the Explanatory Notes to the Notice of Meeting enclosed with this letter. The Board unanimously supports our re-election.

Finally, shareholders will be asked to authorise the Board to fix the remuneration of the auditor.

If you cannot attend the Meeting, I encourage you to complete and lodge the enclosed Proxy Form in accordance with the instructions on the back of the Proxy Form so that it reaches our share registrar, Link Market Services Limited, by 4.00pm (NZ time) on Tuesday 30 July 2013. Alternatively you can complete the enclosed Proxy Form online by following the instructions on the Proxy Form.

For those shareholders who are attending the Meeting, please bring the enclosed Proxy/Admission Form with you to assist with your registration.

You are invited to join members of the Board and management for refreshments at the conclusion of the Meeting. I look forward to seeing you then, and thank you for your ongoing support.

Sincerely,

S. Knowles

Sam Knowles
Chairman

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual Meeting of Shareholders of Xero Limited ("Xero") will be held at Soundings Theatre, Museum of New Zealand (Te Papa), 55 Cable Street, Wellington, NZ on Thursday 1 August 2013 at 4.00pm (NZ time).

Items of Business

A. The Chairman's introduction;

B. Chief Executive's presentation;

C. Shareholder questions;

D. Formal business and resolutions.

Shareholders will be asked to consider, and if thought fit, pass the following ordinary resolutions:

1. That Craig Elliott, appointed by the Board as an additional Director on 20 September 2012, is elected as a Director of Xero Limited;
2. That Craig Winkler, retiring from office as Director of Xero Limited by rotation, is re-elected as a Director of Xero Limited;
3. That Sam Knowles, retiring from office as Director of Xero Limited by rotation, is re-elected as a Director of Xero Limited;
4. That the Board is authorised to fix the remuneration of the auditor.

By order of the Board.

Sam Knowles
Chairman

25 June 2013

EXPLANATORY NOTES

Resolution 1: Election of Craig Elliott as a Director

Craig Elliott was appointed as an additional Director by the Board on 20 September 2012. Under applicable Listing Rules, Craig is required to retire from office as Director at the Meeting but may offer himself for election by the shareholders at the Meeting. Craig will offer himself for election as a Director of Xero Limited at the Meeting. The Board unanimously supports Craig's election.

CRAIG ELLIOTT

Independent, Non-executive Director
Term of Office: Appointed by the Board as an additional Director on 20 September 2012
Board Committees: N/A

Craig Elliott co-founded and is CEO of Pertino Networks, a cloud networking software company based in Silicon Valley. He is also a Strategic Advisor at NZTE in respect to Angel, VC and PE markets, helping guide New Zealand high growth technology companies to enter markets in the US.

Craig is a previous CEO of Packeteer, taking the company from three people to IPO, spent ten years at Apple in senior product, marketing and GM roles, and has written several bestselling books.

Resolution 2: Re-election of Craig Winkler as Director

Under applicable Listing Rules, Craig Winkler is required to retire by rotation at the Meeting as a Director of Xero Limited. Craig will offer himself for re-election as a Director of Xero Limited at the Meeting, and the Board unanimously supports Craig's re-election.

CRAIG WINKLER

Non-Independent, Non-executive Director
Term of Office: Appointed Director on 21 May 2009, re-elected as a Director on 21 July 2011
Board Committees: Audit and Risk Management Committee; Remuneration Committee; Nominations Committee

Craig co-founded Australian small business accounting software provider MYOB in 1991.

Craig went on to build up a team around him that made MYOB a popular business tool and brand in Asia, New Zealand, the USA, the UK and Ireland. In 2004, MYOB merged with Solution 6 to become Australia's largest IT company with more than 1,000 staff globally. Craig resigned as Director and Chief Innovation Executive at MYOB in 2009.

Craig joined the Board of Directors in May 2009.

Resolution 3: Re-election of Sam Knowles as Director

Under applicable Listing Rules, Sam Knowles is required to retire by rotation at the Meeting as a Director of Xero Limited. Sam will offer himself for re-election as a Director of Xero Limited at the Meeting, and the Board unanimously supports Sam's re-election.

SAM KNOWLES

Chairman
Independent, Non-executive Director
Term of Office: Appointed Director 17 December 2010, elected as a Director by the Shareholders on 21 July 2011
Board Committees: Remuneration Committee (Chair); Audit and Risk Management Committee; Nominations Committee

Sam has held senior positions for major banks in both Australia and New Zealand and has extensive experience in strategy, marketing, organisational capability building, and private and public sector governance, including over 10 years on boards of NZX listed companies.

Sam is perhaps best known for his role in establishing Kiwibank and leading it from startup to large successful business.

Since leaving Kiwibank in 2010, Sam has taken on governance roles in growth businesses, primarily with a technology focus. His current roles include being a Director of Trustpower and SLI Systems (both NZX listed companies), the Chairman of Partners Life, ON-Brand partners and Fingertapps, and a Director of Magritek and Rangatira.

Resolution 4: Fixing the remuneration of the auditor

The proposed resolution is to authorise the Board to fix the remuneration of Xero's auditor.

IMPORTANT INFORMATION

PROXIES

Any shareholder who is entitled to attend and vote at the Meeting may appoint a proxy to attend and vote instead of him or her. If you appoint a proxy you may either direct your proxy how to vote for you or you may give your proxy discretion to vote as he/she sees fit. If you wish to give your proxy discretion then you must mark the appropriate boxes on the form to grant your proxy that discretion. The Chairman of the Meeting and any Director appointed as proxy intend to vote all discretionary proxies in favour of the relevant resolution. If you do not tick any box for a particular resolution, then your instruction for your proxy will be to abstain from voting.

The completed Proxy Form must be received by our Share Registrar (Link Market Services Limited) no later than 4.00pm (NZ time) on Tuesday 30 July 2013. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Please refer to the instructions on the enclosed Proxy Form as to the ways in which the Proxy Form can be sent to Link Market Services Limited, including instructions on how to appoint your proxy and vote online.

ORDINARY RESOLUTION

The formal business of the Meeting is to pass the ordinary resolutions set out in the preceding pages. An ordinary resolution is a resolution passed by a simple majority of the votes of those shareholders entitled to vote and voting on the resolutions.

VOTING

Voting entitlements for the Meeting will be determined as at 5.00pm (NZ time) on Tuesday 30 July 2013. Registered shareholders at that time will be the only persons entitled to vote at the Meeting and only the shares registered in those shareholders' names at that time may be voted at the Meeting.

MORE INFORMATION

If you have any questions, or for more information, please contact Xero's Company Secretary, Ross Jenkins at companysecretary@xero.com