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SGX-ST ANNOUNCEMENT

3 December 2020

Xero successfully completes buyback of U.S.\$297,000,000 in principal amount of the U.S.\$300 Million 2.375 Per Cent. Guaranteed Senior Unsecured Convertible Notes Due 2023 and intends to redeem remaining outstanding Notes

Successful completion of buyback

Reference is made to the announcement dated 24 November 2020 relating to the proposed on-market buyback of the U.S.\$300,000,000 2.375 per cent. guaranteed senior unsecured convertible notes due 2023 (the “**Notes**”) issued by Xero Investments Limited (“**Xero**”) and guaranteed by Xero Limited. Capitalised terms used and not otherwise defined in this announcement have the meanings ascribed to them in Xero’s announcement dated 24 November 2020.

Xero is pleased to announce the completion yesterday of the repurchase of an aggregate amount of U.S.\$297,000,000 in principal amount (the “**Repurchased Notes**”) of the Notes.

The Repurchased Notes were repurchased by Xero at a fixed price of U.S.\$448,760 per U.S.\$200,000 of the Notes for a total consideration of approximately U.S.\$666,408,600. All Repurchased Notes will be cancelled by Xero in accordance with the terms and conditions of the Notes.

Notice of redemption of remaining outstanding Notes at Xero’s option

In addition and pursuant to Condition 7(b) the terms and conditions of the Notes (“**Terms and Conditions**”), if conversion rights have been exercised and/or purchases (and corresponding cancellations) and/or redemptions have been affected in respect of 90 per cent. or more in principal amount of the Notes originally issued, Xero shall have the option to redeem all (but not some only) of the remaining Notes at their principal amount together with accrued but unpaid interest (calculated up to but excluding the date of redemption as set out in this Announcement) at the date fixed for such redemption by giving at least 30 days’ but not more than 60 days’ prior notice to the holders of the Notes (“**Noteholders**”) for such redemption.

Notice is hereby given to the Noteholders that Xero is exercising its option under Condition 7(b) of the Terms and Conditions to redeem all outstanding Notes in whole on 21 January 2021 (the “Redemption Date”) at 100 per cent. of their principal amount together with accrued but unpaid interest as the aggregate outstanding principal amount of the Notes as at the date of this announcement, being U.S.\$3,000,000, is less than 10 per cent. of the aggregate principal amount of the Notes originally issued.

A summary of the details of this redemption is set out below:

Conversion Price as at the date of this announcement	: U.S.\$46.3386 per Ordinary Share (based on a fixed exchange rate of A\$1.00 = U.S.\$0.72745)
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Closing price of Ordinary Shares as quoted on the Australian Securities Exchange operated by ASX Limited (ABN 98 008 624 691) as at 2 December 2020 (being the latest practicable date prior to the date of this announcement) : U.S.\$96.3552 per Ordinary Share (based on prevailing rate of A\$1.00 = U.S.\$0.73745)

Aggregate principal amount of Notes outstanding as at the date of this announcement : U.S.\$3,000,000

Aggregate principal amount of Notes to be redeemed : U.S.\$3,000,000

Redemption Date : 21 January 2021

Pursuant to the Terms and Conditions, the Notes will be redeemed at 100 per cent. of their principal amount together with accrued but unpaid interest (calculated up to but excluding the date of redemption) on the Redemption Date, as set out below:

Denomination of each Note : U.S.\$200,000

Principal amount per Note : U.S.\$200,000

Accrued interest per Note from 4 October 2020 and up to but excluding 21 January 2021 : U.S.\$1,411.81

Redemption payment (being the principal amount plus accrued interest) (the “**Redemption Payment**”) per Note : U.S.\$201,411.81

The redemption in whole will therefore be effected on 21 January 2021 with a Redemption Payment of U.S.\$201,411.81 per Note. Following such redemption, none of the Notes will remain outstanding.

Payment in respect of the Notes will be made by deposit of immediately available funds by or on behalf of Xero with Clearstream Banking, S.A. and Euroclear Bank SA/NV (collectively, the “**Clearing Systems**”) for the account of the relevant Noteholders on 21 January 2021. The deposit of such funds with the Clearing Systems will discharge the obligation of Xero to all Noteholders in respect of the Redemption Payment of U.S.\$201,411.81 per Note represented by such funds.

Noteholders shall not be entitled to any interest or other payment for any delay in receiving the Redemption Payment.

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About Xero

Xero is a cloud-based accounting software platform for small businesses with 2.45 million subscribers globally. Through Xero, small business owners and their advisors have access to real-time financial data any time, anywhere and on any device. Xero offers an ecosystem of over 800 third-party apps and 200 plus connections to banks and other financial partners. In 2020, Xero was included in the Bloomberg Gender-Equality Index and recognised by IDC MarketScape as a leader in its worldwide SaaS and cloud-enabled small business finance and accounting applications vendor assessment.