MARKET RELEASE

Appendix 4D and FY27 Interim Report

WELLINGTON, 12 November 2026 — Xero Limited (ASX: XRO), in accordance with the ASX Listing Rules, attaches its Appendix 4D and FY27 Interim Report.

Authorised for release to the ASX by the Chair of the Board and Chair of the Audit and Risk Committee

For personal use only

Contact

Simon Fitzgerald — Communications
Mobile: +61 460 294 680
simon.fitzgerald@xero.com

Nicole Mehalski — Investor Relations
Mobile: +61 400 947 145
nicole.mehalski@xero.com

About Xero

Xero is a global small business platform and a trusted financial operating system for the AI era. Xero's purpose is to make life better for people in small business, their advisors and communities around the world. By unifying core financial operations (including accounting, payroll and payments) underpinned by insights and a robust ecosystem into autonomous workflows, we empower 5 million small businesses and accountants and bookkeepers across 180+ countries to move from managing records to making informed decisions. For further information, please visit xero.com.

For personal use only

Appendix 4D

12 November 2026

Xero Limited

ARBN 160 661 183 (incorporated in New Zealand)

Reporting period	6 months to 30 September 2026
Previous reporting period	6 months to 30 September 2025

Results for announcement to the market

	Amount (000s)	change
Revenues from ordinary activities	NZ$1,745,305	up 46%
Net profit from ordinary activities	NZ$18,529	down 86%
Net profit attributable to security holders	NZ$18,529	down 86%

Net profit from ordinary activities decreased largely due to the incorporation of Melio, which is currently a loss-making business alongside the non-recurrence of large foreign exchange gains on term deposits that were realised in the prior year.

The Company does not propose to pay a dividend, and no dividends were declared or paid for the reporting period.

Net tangible assets per share was NZ($6.34) per share at 30 September 2026 (30 September 2025: NZ$19.96 per share). The decrease is largely attributed to the completion of the Melio transaction in FY26, which resulted in Xero moving from a net cash position to a net debt position. As a software business, Xero has limited tangible assets associated with its operations. Outside of cash balances, the majority of our assets are intangible (eg, software assets). Therefore, the acquisition of Melio in the prior year resulted in the transfer of tangible cash assets to intangible assets, which resulted in this outcome.

For additional Appendix 4D disclosure requirements, refer to Xero Limited's 2027 Interim Report, which contains the interim financial statements and accompanying notes for the six months ended 30 September 2026.

Authorised for release to the ASX by the Chair of the Board and the Chair of the Audit and Risk Committee.

Xero Limited (XRO)
NZ Company no. 1830488
ARBN 160 661 183

Registered Address
19-23 Taranaki St
Te Aro
Wellington 6011

www.xero.com

Interim Report FY27

Xero Limited







For personal use only

Contents

For personal use only

FINANCIAL HIGHLIGHTS 3
CHAIR & CEO REVIEW 4
OUR PERFORMANCE 9
INDEPENDENT AUDITOR'S REVIEW REPORT 22
INTERIM FINANCIAL STATEMENTS 23
DIRECTORS' DECLARATION 36

Cover Images Clockwise:
Xero customer, Destynee, The Optical Experience
Xero customer, Jason and Greg, Future Advisory
Xero customer, Nik, Grace and Thorn

Financial Highlights[1]

$1.7b

Operating revenue

UP 46% YOY
(41% in constant currency)

$362m

Adjusted EBITDA

UP 3% YOY

5.1m

Customers[2]

UP 12% YOY

$62.21

Average revenue per customer[3]

UP 25% YOY

$3.8b

Annualised monthly recurring revenue[4]

UP 41% YOY

68.6%

Operating expense ratio (excluding M&A and other transaction costs)[5]

DOWN 4.2PP YOY

54.9%

Rule of 40[6]

UP 10.4PP YOY

$238m

Free cash flow

DOWN 26% YOY

1. *Operating revenue, adjusted EBITDA, operating expense ratio, Rule of 40 and free cash flow are reported for the 6 months ended 30 September 2026. Customers, annualised monthly recurring revenue and average revenue per customer are as at 30 September 2026*
2. *See definition of customers on page 14*
3. *See definition of average revenue per customer (ARPC) on page 20*
4. *See definition of annualised monthly recurring revenue (AMRR) on page 16*
5. *Operating expense ratio including M&A and other transaction costs was 68.9%, down 8.1pp year-on-year*
6. *Rule of 40 is defined as the sum of annual revenue growth percentage in constant currency and free cash flow margin percentage (free cash flow as a percentage of revenue)*

For personal use only

Chair & CEO Review



David Thodey, AO
Chair of the Board



Sukhinder Singh Cassidy
CEO

For personal use only

Sustained momentum across 3x3 with strong financial outcomes, including $1.7bn in revenue, strong customer growth and adjusted EBITDA of $362m supporting upgraded Outlook

DEAR SHAREHOLDER,

Our H1 FY27 results show we're continuing to do what we said we'd do, delivering strong financial performance and macro-resilient growth at scale with momentum across every region, while continuing to innovate for our customers, increasingly through AI. Revenue grew 46% to $1.7 billion with an operating expense to revenue ratio of 68.9%, improving by 8.1 percentage points. With more than five million customers and continued average revenue per customer (ARPC) expansion, Xero maintains its strong growth trajectory as the trusted partner for small businesses and their advisors across accounting, payroll, payments, and new AI services.

Adjusted EBITDA, which excludes one-off and non-cash revaluation impacts, increased 3% to $362 million. This growth was tempered by the incorporation of Melio (in H1 FY27 only), which, as a result of its stage of maturity and journey to scale, is currently a loss-making business. As previously guided, Melio is expected to reach adjusted EBITDA breakeven on a run-rate basis in H2 FY28.[1] On a pro-forma[2] basis, adjusted EBITDA was up 23%, translating to free cash flow of $238 million, up 32% on a pro-forma basis. This included strong payments growth, reflecting our evolution towards a multi-product platform driving growth in revenue and gross profit dollars. These results underscore our disciplined execution and demonstrate the continued realisation of Xero's long-term growth potential and strong cash generation profile. This, alongside Xero's robust capital position, has enabled the Board to approve an on-market buy-back program of up to A$1 billion to be completed over the next 12 months.

We're consistently delivering our 3x3 strategy with tailored execution and core product improvements. This progress, together with the new business opportunities that AI, payments and our expanding platform open up, is creating value for small businesses and their advisors across our three largest markets: Australia, the UK and the US. Our infrastructure, data, scale and trust advantages position Xero well and help customers continue to benefit in the agentic era.

3X3 CONSISTENTLY DELIVERING

Australia delivers robust growth, and the UK adds to momentum

In Australia, revenue grew 23%, driven by robust customer growth and expanded ARPC. 2.2 million customers now benefit from our product across Australia.

In the UK, revenue grew 24%. This strong momentum reflected continued execution in our target segments alongside customer acquisition related to Making Tax Digital (MTD) for Income Tax, supported by Xero Simple. Beyond MTD, underlying growth continues, bolstered by the ongoing expansion of our multi-product capabilities, including new payroll capabilities, introduction of flexible payments and pay by card through our partnership with Crezco and enhancements to Xero Tax.

US momentum continues

US revenue grew 536% (51% on a pro-forma basis) to $365 million, ARPC increased to $106.21, and customers grew to 455,000, demonstrating the strength of our disciplined strategic execution.

With the launch of Payroll powered by Gusto, alongside further enhancements to bill payments powered by Melio, our US product suite provides customers with one connected platform to complete their top Jobs to be Done: accounting, payroll and payments, enhanced by AI and Syft Analytics. This expands and enables a multi-product offering that diversifies customer value and further expands our growth opportunity in this market. This opportunity is evidenced in our growth and gives us confidence

1 Refer to Outlook and Aspiration section below for more detail

2 Pro-forma illustrates the impact of the Melio acquisition by incorporating Melio's results for H1 FY26, for further details refer to slide 44 of Xero's H1 FY27 Investor Presentation

For personal use only

in our brand investment to drive deeper brand awareness and deeper adoption of our expanding feature set. During the half, we announced multiple new payments capabilities through Melio including:

- Casper, an AI-powered client manager for accounting firms (in beta) that identifies missing information, communicates with clients and helps keep bookkeeping work moving
- Melio API, a self-serve B2B payout API, giving developers direct access to Melio's payment rails
- Melio Expense Management, which lets businesses track and categorise card expenses in real time

Melio is also executing strongly:

- Total payments volume (TPV) grew 25%, with take rate expanding strongly
- Total payments revenue in the US reached $283 million (up 62% on a pro-forma basis)
- Bill payments adoption in Xero reached $1 billion of annualised TPV

The business remains on track to achieve our guidance to reach adjusted EBITDA breakeven on a run-rate basis in H2 FY28.[3]



Xero customer, Carissa, CK Partners

EVOLVING INTO A MULTI-PRODUCT PLATFORM FOR CUSTOMERS

We are accelerating our evolution into an AI-powered, multi-product platform designed to deliver a category-defining experience for small businesses and accounting partners. While maintaining our core recurring subscription-based software model, we have been on a journey expanding our value proposition by deepening offerings in adjacent jobs and usage-based pricing such as AI, payments, and analytics and through Ultra. This strategy broadens revenue streams and increases ARPC opportunities.

While these higher-volume adjacencies significantly expand absolute gross profit and overall cash generation, they carry a lower margin profile that may compress group gross margin percentages. Xero manages the business to prioritise meeting customer needs and generating durable free cash flow dollar growth. Supported by strong top-line growth and a clear path for new monetisation, these financial outcomes underpin Xero's confidence in delivering long-term value to our customers, partners and shareholders.

TRUSTED PARTNER FOR ACCOUNTANTS AND BOOKKEEPERS, AND SMALL BUSINESSES IN THE AI ERA

Xero supports accounting practices and small businesses to adapt in an AI-driven world. Just as we were their trusted partner through the shift to the cloud, Xero is committed to empowering them with AI to streamline daily tasks, freeing up valuable time and making informed decisions about their business.

AI adoption among small businesses and their advisors is growing, and cost, security, trust and clarity are reasons they choose Xero as they move from experimentation to daily use. Xero serves the large and diverse SMB economy, where technology must be practical, accurate and easy to adopt. This creates a significant opportunity to make AI useful and accessible at scale, built on the credibility Xero has already earned. That credibility shows in strong global brand sentiment and robust customer growth and retention, which underscore Xero's value, and the loyalty and ongoing trust customers place in the platform as they deepen their use.

Through continued AI innovation, Xero is helping customers realise additional value, including through JAX — our agentic platform, powered by Xero OS — with 6x more customers now using JAX chat each month to get answers and take action.[4] Examples include:

- Automated bank reconciliation: More than 100 million transactions reconciled since launch, with 90% of customers returning to use it again[5] and saving customers ~50% of monthly reconciliation time[6]
- AI-enabled core daily tasks: cash flow forecasting, payment follow-ups and smart document capture — which has seen a ~4.5x increase in monthly customer use[7]

3 Melio adjusted EBITDA definition aligns with the Xero group definition, for further detail refer to page 11 of Xero's H1 FY27 Interim Report. This guidance aligns with Xero's assumptions outlined in its FY28 aspiration statement and excludes synergies. Run-rate breakeven refers to at least one month of positive adjusted EBITDA contribution to the Xero group during the referenced period

4 Increase in customers using the feature over 12 months to Sep '26

5 Return users defined as % of customers who used the product in concurrent months, average over 6 months to Sep '26

6 Based on the Customer Impact Survey of 203 small businesses, conducted between December 2025 and April 2026

7 Increase in customers using the feature in first ~6 months since launch to Sep '26

For personal use only

To highlight how customers rely on these solutions daily, a pre-webcast video segment accompanies our H1 FY27 investor briefing, available at xero.com/investors

An open platform

Xero is also expanding its platform. Our connectors and advanced integrations with Google Gemini, Claude by Anthropic, Microsoft 365 Copilot and OpenAI ChatGPT bring Xero's financial data into the tools customers already use. This helps to eliminate operational friction and foster collaboration for our customers, delivering real-time financial intelligence wherever they work. Usage of Xero via AI assistants is up 40% month on month.[8] Ecosystem API usage has grown as partners and developers continue to build on and with Xero.

Accountants and bookkeepers – central to Xero's AI strategy

As practices look to digitise their firms, streamline operations and spend more time advising, they are increasingly turning to AI. Xero has long-standing relationships across the profession and a detailed understanding of how practices work, positioning Xero to help them adopt AI sustainably.

XeroForce helps practices turn manual financial tasks into durable, scalable workflows. While early in the alpha, feedback from the 40+ participating design partners has been very positive.

Also announced in November is Xforce by Xero (Xforce) which will initially provide accounting firms with a team of partner consultants and forward-deployed engineers to work with them to design their workflows for the AI era, on a trusted platform they control. The teams will leverage XeroForce, Xero's APIs, the Xero OS, and integrate with other software in a practice's technology stack to automate their workflows end-to-end. Xforce is in beta and has already signed on a select group of design partners in Australia, New Zealand and the UK.

AI can expand Xero's total addressable market through the adoption of AI within its platform, customers purchasing add-ons as their usage grows and growth in the number of AI-enabled builders among advanced accountants, bookkeepers, and small businesses. Xero is aligning its commercial model to these new opportunities through three core principles:

1. Keeping it simple by bundling AI features across existing plans
2. Encouraging adoption by offering standalone AI add-ons
3. Future-proofing our commercial models by establishing the foundations for future usage-based pricing to align costs with utility

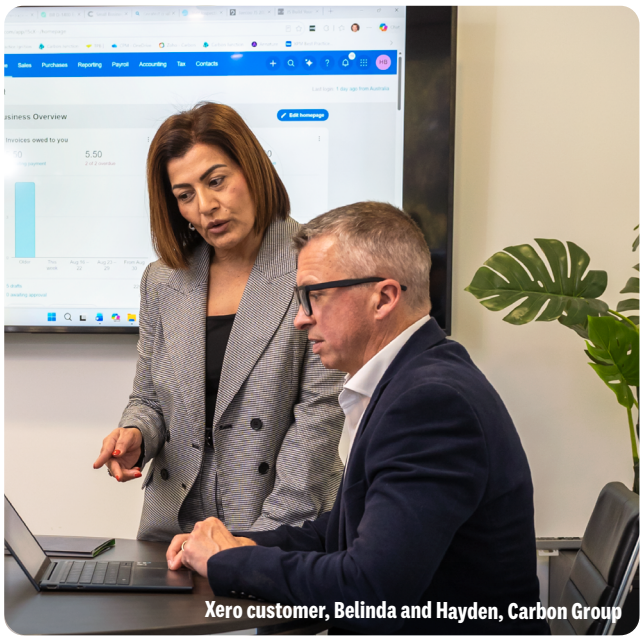
INVESTING IN OUR PEOPLE AND ATTRACTING WORLD-CLASS TALENT

We are expanding operating leverage through AI-powered productivity, while nurturing our purpose and performance-based culture and investing in our people and leadership to raise our capabilities so we can move with velocity and continue to improve how we serve customers.

During the half we:

- Lifted productivity in our product and technology teams, with AI tools supporting high product velocity and release cadence, particularly in new AI product development. Product design and development costs fell 1.9 percentage points to 26.3% of revenue
- Continued to deliver AI-powered productivity, including through the launch of Citizen Builders, giving Xeros from non-product and engineering teams 90 days away from their day jobs to build reusable AI skills, agents and workflows. Our builders have reimagined end-to-end workflows including high-fidelity prototyping, sales meeting preparation and on-brand content generation
- Held our first Xero Leadership Summit, bringing more than 550 leaders from across the globe together to align on strategy and purpose, and rolled out a refreshed leadership framework

As Xero scales globally, we're focused on ensuring we have the right balance of skills, knowledge and experience to support our long-term opportunity. In August, we appointed Maninder Sawhney, formerly Adobe SVP, as Chief Business Officer (CBO) to lead Xero's global go-to-market strategy. In October, Mark Durcan also joined Xero as an independent non-executive director. Mark is an experienced director, former global CEO, engineer and technologist. Welcome Mark and Maninder.



Xero customer, Belinda and Hayden, Carbon Group

8 Monthly active customers making calls to an AI assistant tool including Claude, ChatGPT and Microsoft 365 Copilot in Sep-26 vs Aug-26

For personal use only

CAPITAL MANAGEMENT AND SHARE BUY-BACK

The Board's confidence in Xero's financial strength and outlook has supported approving an on-market buy-back program of up to A$1 billion to be completed over the next 12 months (this is in addition to the recently completed A$550m program to offset dilution). The buy-back program includes an amount intended to offset dilution from expected FY28 share-based compensation.[9]

The Board believes that the program announced today represents a value-accretive use of capital for shareholders as the current share price does not reflect Xero's long-term value and growth potential. Xero had cash and short-term deposits of NZ$1.15 billion as at 30 September 2026.

Xero intends to maintain its balance sheet strength throughout the 12-month program and maintain a healthy net debt to adjusted EBITDA ratio, supported by its FY27 Outlook for adjusted EBITDA growth and strong free cash flow generation as reflected in Xero's FY27 Outlook.

The buy-back is expected to commence on or after 13 November 2026 and will be conducted from time to time in the ordinary course of trading. The buy-back will be subject to prevailing share price and market conditions, and will be executed at the Company's discretion within guidelines designed to maximise value accretion for shareholders.



Xero customer, Anna, Oxford Edge

OUTLOOK AND ASPIRATION

The strong first half operating performance and continued strategic execution have enabled Xero to upgrade both the FY27 Outlook and its FY28 aspirations. Together these changes reflect the momentum in the business and demonstrate the confidence management and the Board have in long-term value creation.

FY27 Outlook

Operating revenue is now expected to be between $3,770 million and $3,830 million (up from previous guidance of $3,620 million to $3,730 million). The increase in revenue guidance largely reflects stronger Melio payments performance alongside an FX benefit from the weaker NZD. On a CC basis revenue growth is expected to be between 24%-27%.

Adjusted EBITDA[10] is expected to be between $880 million and $920 million (previous guidance $860 million to $920 million). This guide continues to reflect a higher than historical second half weighting. Second half adjusted EBITDA will reflect the benefit of announced price rises and payments growth momentum, disciplined headcount cost management and further operating efficiencies, and an expected reduction in Melio's adjusted EBITDA losses.

- Product capitalisation rates are expected to be similar to the long-term range of 40-45% and depreciation and amortisation expenses are estimated to be around $475 million (up $10 million from previous guide) in FY27[11]

Given the strength of Xero's FY27 revenue guide and strong free cash flow generation, Xero now expects to deliver a Rule of 40 outcome of around 40% for FY27 on a pro-forma basis. This is an improvement on Xero's previous statement that prior to FY28 Xero expected to deliver below Rule of 40 outcomes. This guide demonstrates Xero's confidence in accelerating revenue growth and cash flow generation, supporting its ability to return capital to shareholders through the announced on-market buy-back.

Aspirations

In June 2025, Xero outlined its FY28 aspirations as part of the acquisition of Melio. The strength of Melio's performance to date has expanded Xero's revenue growth opportunity:

- Xero now sees the opportunity for FY28 revenue to be more than $4.6 billion, excluding revenue synergies[12]
- Xero's aspiration remains to deliver a greater than Rule of 40 outcome in FY28, building on the strong momentum reflected in the FY27 Rule of 40 guide

9 For reference 58% of shares purchased as part of the recently completed A$550m program related to neutralising expected FY27 share-based compensation

10 Adjusted EBITDA provides a view of underlying business performance and is calculated by adding back certain non-cash, revaluation and one-off costs to EBITDA

11 Refer to slide 43 of Xero's FY27 Interim Investor Presentation for further qualitative commentary and supporting assumptions regarding Xero's FY27 Outlook

12 Anticipated FY28 revenue synergies are expected to be ~US$70m, for more detail refer to page 27 of the Investor Presentation lodged with the ASX on 25 June 2025. Assuming currency conversion of NZ$/US$ 0.59, NZ$/AU$ 0.84 and NZ$/GBP 0.44

For personal use only

Melio adjusted EBITDA breakeven

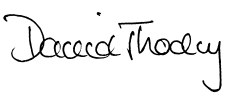
Xero reiterates its guidance that Melio is expected to reach adjusted EBITDA breakeven on a run-rate basis in H2 FY28.[13] This outcome reflects continued strong revenue growth, expanding gross margins, and accelerating operating leverage as Melio drives scale (with core operating expense growth expected to be materially lower than Xero's).

THANK YOU

We enter the second half of FY27 with a multi-product platform focused on customer needs, a partner community that is engaged and building with us, and an increasingly efficient operating model. Our priorities for the second half are clear: finish this strategic period strongly by continuing to deliver on our commitments; keep innovating for customers as AI moves from experimentation to everyday use; and pursue the new business opportunities that AI, payments and our expanding platform open up. We're also finalising our ambitions for the next strategic period, building on our strong foundations to extend Xero's growth.

Our H1 FY27 results underscore the disciplined execution of our strategy, which enables us to deliver durable growth as reflected in our upgraded FY27 Outlook and FY28 aspirations. Supported by a healthy balance sheet and disciplined capital allocation, our buy-back program announced today demonstrates our long-term conviction in Xero. We believe current market valuations do not fully reflect Xero's long-term value and growth potential with our strong financial position allowing us to execute this up to A$1 billion share buy-back program while continuing to fully fund our strategic growth priorities. Our purpose — to make life better for people in small business, their advisors and communities around the world — continues to guide us, and we're excited about Xero's future.

On behalf of the Board, leadership team and everyone at Xero, thank you for your ongoing loyalty and support.



David Thodey
Chair



Sukhinder Singh Cassidy
CEO

13 Melio adjusted EBITDA definition aligns with the Xero group definition, for further detail refer to page 11 of Xero's H1 FY27 Interim Report. This guidance aligns with Xero's assumptions outlined in its FY28 aspiration statement and excludes synergies. Run-rate breakeven refers to at least one month of positive adjusted EBITDA contribution to the Xero group during the referenced period

Our Performance

You should read the following commentary in conjunction with the consolidated financial statements and the related notes in this report.

Non-GAAP measures have been included as Xero considers they provide useful information for readers to assist in understanding Xero's financial performance, and they are used when management measures performance. Non-GAAP financial measures should not be viewed in isolation or considered as substitutes for measures reported in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). Non-GAAP financial measures do not have a standardised meaning prescribed by NZ IFRS or Generally Accepted Accounting Practice (GAAP), and therefore may not be comparable to similar financial information presented by other entities. Xero's non-GAAP financial information has not been subject to audit or review.

BUSINESS RESULTS[1]

Six months ended 30 September	2026 ($000s)	2025 ($000s)	CHANGE
Subscription revenue	1,362,351	1,115,137	22%
Payment and other revenue	382,954	79,056	NM*
Total operating revenue	**1,745,305**	**1,194,193**	**46%**
Cost of revenue	(418,598)	(137,180)	205%
Gross profit	**1,326,707**	**1,057,013**	**26%**
Gross margin percentage	*76.0%*	*88.5%*	*-12.5pp***
Sales and marketing	(528,891)	(378,904)	40%
Product design and development	(458,708)	(336,366)	36%
General and administration	(209,342)	(153,958)	36%
M&A and other transaction costs	(5,267)	(50,647)	-90%
Total operating expenses	**(1,202,208)**	**(919,875)**	**31%**
Percentage of operating revenue	*68.9%*	*77.0%*	*-8.1pp*
Percentage of operating revenue (excluding M&A and other transaction costs)	*68.6%*	*72.8%*	*-4.2pp*
Operating income	**124,499**	**137,138**	**-9%**
Other income and expenses	(14,072)	77,592	NM
Operating profit before asset impairments and disposals	**110,427**	**214,730**	**-49%**
Loss on asset disposals	(507)	(603)	-16%
Earnings before interest and tax	**109,920**	**214,127**	**-49%**
Percentage of operating revenue	*6.3%*	*17.9%*	*-11.6pp*
Net finance income/(expense)	(78,045)	17,046	NM
Income tax expense	(13,346)	(96,389)	-86%
Net profit	**18,529**	**134,784**	**-86%**
Percentage of operating revenue	*1.1%*	*11.3%*	*-10.2pp*

** NM stands for not meaningful*
*** pp stands for percentage point*

Xero delivered strong operating results in H1 FY27, with revenue growth of 46% compared to H1 FY26, resulting in total operating revenue of $1.7 billion. This included the first full half-year contribution from Melio. On a pro-forma basis,[2] operating revenue grew 22.5% in constant currency terms (27% nominal). This strong top-line revenue growth and a pro-forma free cash flow margin of 13.6% resulted in a pro-forma Rule of 40[3] outcome of 36.1%.

1 H1 FY27 includes the contribution of Melio. Pro-forma comparisons are included in this report to illustrate the impact of the Melio acquisition by incorporating Melio's results for H1 FY26. See slide 44 of the H1 FY27 Investor Presentation for more details

2 Pro-forma illustrates the impact of the Melio acquisition by incorporating Melio's results for H1 FY26

3 Rule of 40 is defined as the sum of annual revenue growth percentage in constant currency and free cash flow margin percentage (free cash flow as a percentage of revenue)

For personal use only

Xero delivered strong revenue growth across its three largest markets (Australia, the United Kingdom and the United States) as a result of both customer growth and higher average revenue per customer (ARPC). In H1 FY27, total customers grew 12% (11% pro-forma) to 5.1 million, with 226,000 net customers added in H1 FY27. Constant currency ARPC growth of 20% (25% nominal) included a positive benefit from the incorporation of Melio's higher ARPC customer base alongside price changes to reflect increased product value, and continued Xero payments growth.

Gross profit grew 26%, or $269.7 million. On a pro-forma basis, growth was 22%, or $237.3 million. Gross margin decreased 12.5 percentage points, from 88.5% in H1 FY26 to 76.0% in H1 FY27. This largely reflected the incorporation of Melio which, as a payments business, has a different margin profile to Xero. Higher cloud infrastructure costs also contributed (refer to Gross Profit on page 16 for more details).

Operating expenses (excluding M&A and other transaction costs) as a percentage of operating revenue were 68.6% in H1 FY27, compared to 72.8% in H1 FY26. This reflected continued efficiency improvements in Xero's core subscription business alongside a mix benefit from the inclusion of Melio, which has proportionally lower spend to operating revenue compared to the core Xero subscription model. Excluding M&A and other transaction costs, operating income decreased 31% to $129.8 million, following the incorporation of Melio. On a pro-forma adjusted basis, operating income increased by 40%.[4]

EBITDA decreased 8% to $347.5 million. Adjusted EBITDA, which excludes one-off and non-cash revaluation impacts, increased 3% to $361.6 million. This growth was tempered by the incorporation of Melio, which is a loss-making business reflecting its stage of maturity and journey to scale. On a pro-forma basis adjusted EBITDA increased 23%, resulting in a stable adjusted EBITDA margin of 20.7% compared to 21.4% at H1 FY26.

In H1 FY27, Xero recorded a net finance expense of $78.0 million compared to net finance income of $17.0 million in H1 FY26. This was mainly driven by changes in Xero's balance sheet composition following the completion of the Melio acquisition (refer to Net finance income/expense on page 18 for more details).

Cash receipts from customers grew 49% from the comparative period, in line with revenue growth. Free cash flow decreased 26%, to $238.1 million in H1 FY27. On a pro-forma basis (including adjustments for changes in Xero's Balance Sheet structure following acquisition completion), free cash flow increased $57.6 million, or 32%, compared to H1 FY26.[5]

Xero's income tax expense for H1 FY27 was $13.3 million, compared to $96.4 million in H1 FY26. The reduction in tax expense was largely due to the partial recognition of a deferred tax asset on US carried forward tax losses and other future deductible amounts. The effective H1 FY27 tax rate was 41.9%, which is above the headline corporate tax rates in key Xero markets because no deferred tax asset has been recognised on other tax losses incurred during the period, including Melio's.

After tax, net profit decreased 86% to $18.5 million, compared to $134.8 million in H1 FY26, largely due to the incorporation of Melio. Following the Melio acquisition, net profit includes an amortisation expense of assets generated as a result of fair value adjustments on completion ($23.6 million in H1 FY27). On an adjusted basis, Net profit after tax and acquired amortisation (NPATA) was $81.1 million, and $123.3 million in H1 FY26 (refer to slide 42 in the H1 FY27 Investor Presentation for more details).

For personal use only

4 Refer to slide 44 of the H1 FY27 Investor Presentation for details of pro-forma adjustments

5 For further details on pro-forma free cash flow calculation, refer to slide 44 of Xero's H1 FY27 Investor Presentation

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

EBITDA and adjusted EBITDA disclosures (which are non-GAAP financial measures) have been included as Xero believes they provide useful information for readers in understanding Xero's financial performance. EBITDA is calculated by adding back net finance expense, depreciation and amortisation, and income tax expense to net profit.

Adjusted EBITDA is calculated by adding back certain non-cash, revaluation and one-off costs to EBITDA. Adjusted EBITDA (excluding share-based payments) is calculated by adding back share-based payments to adjusted EBITDA.

Six months ended 30 September	2026 ($000s)	2025 ($000s)	CHANGE
Net profit	**18,529**	**134,784**	**-86%**
Add back: net finance (income) / expense	78,045	(17,046)	NM
Add back: depreciation and amortisation	237,628	163,739	45%
Add back: income tax expense	13,346	96,389	-86%
EBITDA	**347,548**	**377,866**	**-8%**
EBITDA margin	*19.9%*	*31.6%*	*-11.7pp*
Add back: M&A and other transaction costs	5,267	50,647	-90%
Add back: revaluation on acquisition financing	-	(77,580)	NM
Add back: foreign currency revaluations of financing activities	5,679	-	NM
Add back: non-cash revaluations	3,059	(6)	NM
Adjusted EBITDA	**361,553**	**350,927**	**3%**
Adjusted EBITDA margin	*20.7%*	*29.4%*	*-8.7pp*
Add back: share-based payments	108,077	112,271	-4%
Adjusted EBITDA (excluding share-based payments)	**469,630**	**463,198**	**1%**
Adjusted EBITDA margin (excluding share-based payments)	*26.9%*	*38.8%*	*-11.9pp*

EBITDA decreased $30.3 million, or 8%, to $347.5 million in H1 FY27 compared to H1 FY26. The EBITDA margin decreased 11.7 percentage points, from 31.6% to 19.9%, following the completion of the Melio acquisition. The comparative period also benefited from one-off impacts relating to the Melio acquisition.

Adjusted EBITDA increased $10.6 million, or 3%, to $361.6 million. The adjusted EBITDA margin decreased 8.7 percentage points, from 29.4% to 20.7%, largely reflecting EBITDA losses from the Melio business. On a pro-forma basis, adjusted EBITDA grew 23% and the adjusted EBITDA margin was stable at 21.4%.

Share-based payments had a $108.1 million impact on adjusted EBITDA, a decrease from $112.3 million in H1 FY26. After removing this non-cash expense, adjusted EBITDA (excluding share-based payments) increased 1% to $469.6 million.

CASH FLOWS AND LIQUIDITY

Free cash flow is a non-GAAP financial measure that is included to demonstrate net cash generated by, and invested into, the business. Xero defines free cash flow as cash flows generated from operating activities less cash flows used for investing activities, excluding cash used for acquisitions of, and investments in, businesses and strategic assets. Free cash flow also excludes any cash flows obtained from divestment of businesses and strategic assets.

Six months ended 30 September	2026 ($000s)	2025 ($000s)	CHANGE
Receipts from customers	1,771,699	1,186,913	49%
Net interest received/(paid)	(6,759)	67,425	NM
Income tax paid	(21,887)	(23,906)	-8%
Other operating cash flows	(1,260,551)	(718,633)	75%
Total cash flows from operating activities	**482,502**	**511,799**	**-6%**
Investing activities	(244,414)	(199,188)	23%
Add back: acquisitions and investments	-	8,487	NM
Free cash flow	**238,088**	**321,098**	**-26%**
Free cash flow margin	*13.6%*	*26.9%*	*-13.3pp*
Rule of 40	*54.9%*	*44.5%*	*10.4pp*

For personal use only

Free cash flow decreased $83.0 million, from $321.1 million in H1 FY26 to $238.1 million in H1 FY27. This was largely driven by the incorporation of Melio, which is a loss-making business. Free cash flow margin for H1 FY27 was 13.6%, compared to 26.9% in H1 FY26.

Free cash flow on a pro-forma basis increased $57.6 million, or 32%, from $180.5 million in H1 FY26. Free cash flow margin of 13.6%, combined with strong pro-forma operating revenue growth of 22.5% in constant currency terms, resulted in a pro-forma Rule of 40 outcome of 36.1%. For further details on the basis of calculation, refer to slide 44 of the H1 FY27 Investor Presentation.

Cash flows from operating activities decreased $29.3 million, or 6%, to $482.5 million during the period. Customer receipts grew $584.8 million, or 49%, following higher customer numbers and Melio receipts. This was offset by a $542.2 million increase in supplier and employee payments from the addition of Melio's operating cash flows. Net interest received reduced by $74.2 million following lower cash balances and increased interest costs on debt drawn for the Melio acquisition.

Cash flows from investing activities increased by $45.2 million from H1 FY26, largely reflecting increased capitalised development costs from the addition of Melio.

Total available liquidity (defined as cash and cash equivalents, and short-term deposits) fell from $4.8 billion at 30 September 2025 to $1.1 billion at 30 September 2026, driven by cash deployed towards the acquisition of Melio in H2 FY26, as well as the repayment of US dollar-denominated debt facilities, and the purchase of shares to offset dilution associated with share-based compensation both occurring during H1 FY27.

OPERATING REVENUE

Subscription revenue comprises recurring fees from customers to Xero's cloud-based platform, products, and services. Within a subscription, customers also receive support services and product updates.

Total operating revenue includes subscription revenue as well as revenue from other related services, including revenue share agreements with financial services providers, payments revenue, software licences, and conference and event revenue.

Constant currency operating revenue growth (a non-GAAP financial measure) is provided to assist readers in understanding and assessing Xero's financial performance, excluding the impact of foreign currency fluctuations and hedging. Constant currency operating revenue growth is calculated by translating operating revenue for H1 FY27 at the average foreign exchange rates for H1 FY26, excluding the impact of hedging.

Six months ended 30 September	2026 ($000s)	2025 ($000s)	CHANGE	CHANGE IN CONSTANT CURRENCY
Subscription revenue	1,362,351	1,115,137	22%	18%
Payment and other revenue	382,954	79,056	NM	NM
Total operating revenue	**1,745,305**	**1,194,193**	**46%**	**41%**

Total operating revenue grew 46% (41% on a constant currency basis), or $551.1 million, to $1.7 billion in H1 FY27. Pro-forma revenue growth was 27%, or 22% in constant currency. This was driven by higher subscription revenue alongside continued payments revenue growth. The comparatively weaker New Zealand Dollar (NZD) against trading currencies in our key markets had a favourable impact on reported revenue.

Subscription revenue increased $247.2 million, or 22% (18% in constant currency), to $1.4 billion in H1 FY27. This was driven by customer growth of 12%, positive customer mix and price increases as we continued to add value to our product offering through new features and capability improvements.

Payment and other revenue increased significantly by $303.9 million to $383.0 million as we acquired Melio, which continued to grow strongly, in addition to strong Xero payments growth. Payments revenue reflected strong invoice revenue driven by continued total payment volume (TPV) growth from adoption of Xero invoice payments products across our three largest markets, alongside improved unit economics.

For personal use only

OPERATING REVENUE BY GEOGRAPHY

In H2 FY26, we updated our regional disclosures to present the United States separately (which includes revenue generated by Melio). Canada, which was previously reported under North America, is now included within the Rest of World category. Prior periods have been restated for this change.

Six months ended 30 September	2026 ($000s)	2025 ($000s)	CHANGE	CHANGE IN CONSTANT CURRENCY
Australia	670,060	545,693	23%	17%
New Zealand	125,428	118,033	6%	6%
Australia and New Zealand (ANZ) total	**795,488**	**663,726**	**20%**	**15%**
United Kingdom	419,425	338,996	24%	20%
United States	365,156	57,411	NM	NM
Rest of World	165,236	134,060	23%	19%
International total	**949,817**	**530,467**	**79%**	**73%**
Total operating revenue	**1,745,305**	**1,194,193**	**46%**	**41%**

ANZ — Operating revenue increased $131.8 million, or 20% (15% in constant currency), compared to H1 FY26. This reflected customer and ARPC growth of 7% and 18% (10% in constant currency), respectively. The ANZ segment contributed 46% of total company operating revenue, a 10 percentage point decrease from H1 FY26 following the acquisition of Melio, reflected in the International segment.

Australia's operating revenue increased $124.4 million, or 23%, in H1 FY27. This increase was driven by robust customer growth, invoice payments growth and price changes. The comparatively weaker NZD against the Australian Dollar (AUD) had a favourable impact on reported revenue, with constant currency revenue growth of 17% in H1 FY27.

New Zealand's operating revenue increased $7.4 million, or 6%, compared to H1 FY26. This was driven by customer growth of 3% and price changes, reflecting the continued value uplift in our products.

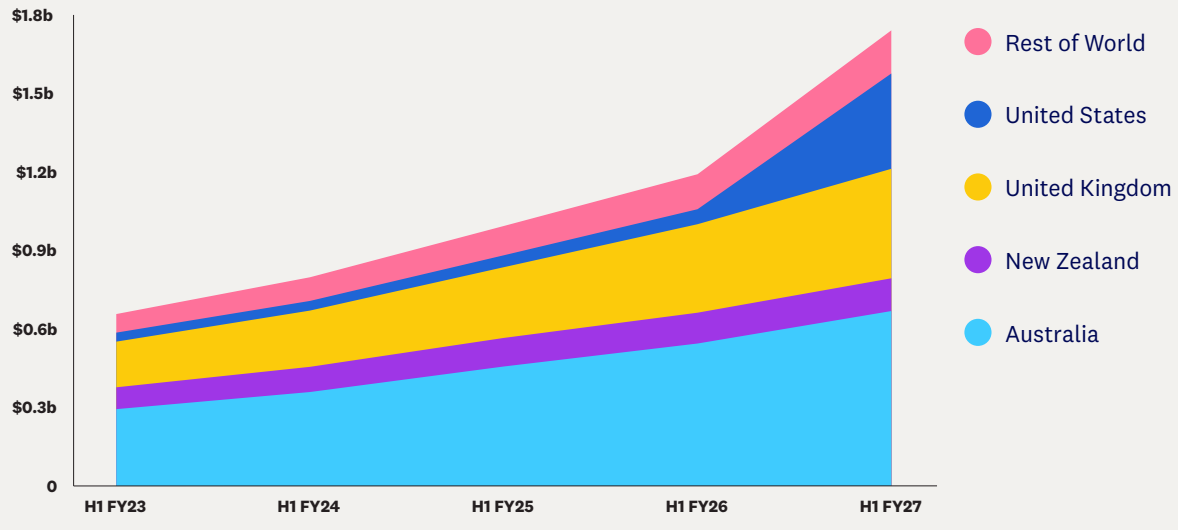
International — Operating revenue grew $419.4 million, or 79% (73% in constant currency), compared to H1 FY26. This includes the incorporation of Melio alongside strong customer growth, and continued ARPC expansion. The International segment contributed 54% of total operating revenue, a 10 percentage point increase from H1 FY26, largely due to the addition of the Melio business in FY26.

UK operating revenue grew $80.4 million, or 24% (20% in constant currency). This strong growth momentum reflected continued execution in our target segments, alongside customer acquisition gains related to Making Tax Digital (MTD) for Income Tax, supported by Xero Simple.

US operating revenue grew $307.7 million following the acquisition of Melio. Pro-forma growth was 51%, reflecting strong subscription revenue growth from both customers and ARPC expansion, alongside deeper adoption of our payments offerings. On a pro-forma basis, payments revenue increased 62%, driven by both higher Xero BillPay TPV and take rate expansion, and syndication revenue increased by 56% (refer to slide 39 in the H1 FY27 Investor Presentation for more details).

Operating revenue in our Rest of World markets increased 23% from H1 FY26 (19% in constant currency). This growth was supported by strong customer growth of 11%. South Africa represented the largest contribution, followed by Canada, which is now reported in this segment.

Total group operating revenue by geography



For personal use only

INCOME TAX EXPENSE

Income tax expense comprises current and deferred tax, and is based on the tax rates and regulations enacted in the jurisdictions in which Xero operates. Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset (DTA) is recognised only to the extent that it is probable that future taxable profits will be available against which it can be utilised. The effective tax rate is calculated as income tax expense divided by net profit before tax.

Six months ended 30 September	2026 ($000s)	2025 ($000s)	CHANGE
Income tax expense	13,346	96,389	-86%
Effective tax rate	41.9%	41.7%	0.2pp

Income tax expense decreased $83.0 million, or 86%, compared to H1 FY26. This largely reflects the tax benefit from the partial recognition of a deferred tax asset on US carried forward tax losses and other future deductible amounts. The effective tax rate for H1 FY27 was 41.9%, higher than the headline corporate tax rates in key Xero markets. This reflects the non-recognition of deferred tax assets on other tax losses incurred during the period, including Melio's, as well as the impact of other non-deductible expenses. The effective tax rate in H1 FY26 was elevated due to the non-deductibility of transaction costs from the Melio acquisition that were incurred in that period.

CUSTOMER NUMBERS

Customers include Xero customers and Melio direct payments customers. A Xero customer means each unique subscription to a Xero-offered product that is purchased by a customer (eg, small business owner or accounting partner), and which is, or is available to be, deployed in supporting an underlying entity (eg, a business or trust). Customers that have multiple subscriptions to integrated products on the Xero platform are counted as a single customer. The Melio direct payments customer number is a Quarterly Active Customer metric, defined as a user that was monetised during that period by either making a payment and/or paying subscription fees during the final quarter of the reporting period. Melio's direct payments customer metric does not include any customers associated with syndication partnerships, as these are third-party relationships.

In H2 FY26, we updated our regional disclosures to present the United States separately, reflecting the greater size and importance of this region. Canada, which was previously reported under North America, is now included with the Rest of World category. The US category includes the total number of both Xero customers and Melio's direct payments customers.[6]

At 30 September	2026	2025	CHANGE
Australia	2,192,000	2,016,000	9%
New Zealand	656,000	638,000	3%
Australia and New Zealand (ANZ) total	**2,848,000**	**2,654,000**	**7%**
United Kingdom	1,404,000	1,209,000	16%
United States	455,000	330,000	38%
Rest of World	439,000	397,000	11%
International total	**2,298,000**	**1,936,000**	**19%**
Total paying customers	**5,146,000**	**4,590,000**	**12%**

Xero Group — Total customers grew to 5.1 million as at 30 September 2026, with 556,000 net new customers added in the twelve months to 30 September 2026. In the six-month period to 30 September, 226,000 net customers were added compared to 176,000 in the period ended 30 September 2025.

ANZ — Total customers were 2.8 million as at 30 September 2026, with 97,000 net new customers added in the six-month period, compared to 89,000 in the period ended 30 September 2025.

Australia added 91,000 net new customers to reach a total of 2.2 million and remains the key growth driver in the segment. Growth reflects the ongoing investment in our offerings and customer mix in this market.

New Zealand added 6,000 net new customers in H1 FY27 to reach a total of 656,000 customers, and continues to deliver growth despite high levels of cloud accounting penetration.

International — Total customers grew to 2.3 million as at 30 September 2026, with 129,000 net new customers added in H1 FY27, compared to 87,000 in the previous period.

The UK added 85,000 net new customers in the six months ended 30 September 2026 to reach a total of 1.4 million, an increase from 56,000 net additions in H1 FY26. Growth continues to reflect cloud accounting adoption as well as demand for MTD for Income Tax, which Xero Simple supports.

6 US total customer numbers added c.5,000, who weren't previously included. These should be excluded to calculate an underlying growth rate and net customer additions for H1 FY27

For personal use only

For personal use only

The US added 31,000 net new customers in H1 FY27 compared to 16,000 in H1 FY26 (26,000 excluding updated classification).[7] Total customers were 455,000 (including 52,000 Melio direct payments customers acquired in H2 FY26). This growth acceleration reflects disciplined go-to-market execution and a more connected platform spanning accounting, payments and payroll.

Rest of World markets added 13,000 net new customers during the period, to reach a total of 439,000 customers. South Africa remained the largest contributor to Rest of World growth, benefiting from its strong position in a market with comparatively low cloud accounting penetration.

Net customer additions

H1 FY27

Region (% of total net additions)



- Australia (**40%**)
- New Zealand (**3%**)
- United Kingdom (**37%**)
- United States (**14%**)
- Rest of World (**6%**)

H1 FY26

Region (% of total net additions)



- Australia (**45%**)
- New Zealand (**5%**)
- United Kingdom (**32%**)
- United States (**9%**)
- Rest of World (**9%**)

Regional customers at 30 September 2026[8]

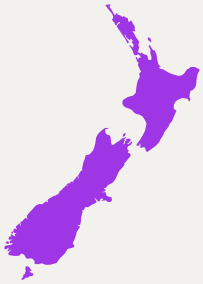
Australia



2,192,000

2025 | 2,016,000

New Zealand



656,000

2025 | 638,000

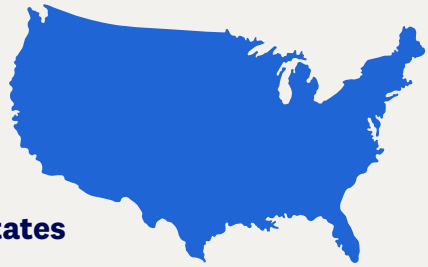
United Kingdom



1,404,000

2025 | 1,209,000

United States



455,000

2025 | 330,000

7 US total customer numbers added c.5,000, who weren't previously included. These should be excluded to calculate an underlying growth rate and net customer additions for H1 FY27

8 Rest of World customers at 30 September 2026: 439,000 (30 September 2025: 397,000)

For personal use only

ANNUALISED MONTHLY RECURRING REVENUE

Annualised monthly recurring revenue (AMRR) is a non-GAAP financial measure that provides a 12-month forward view of revenue from customers, assuming short-term promotions have ended and other factors such as customer numbers, transaction volumes, pricing and foreign exchange remain unchanged during the year. For subscription revenue, this is calculated as recurring revenue at 30 September multiplied by 12. Melio AMRR is calculated by multiplying direct payments revenue for the second quarter by four and excludes Melio's syndication payments revenue.

Constant currency AMRR (also a non-GAAP financial measure) is calculated by translating AMRR at 30 September 2026 at the foreign exchange rates at 30 September 2025 for Xero, and at the average for the quarter ended 30 September 2025 for Melio revenue. It is provided to assist in understanding and assessing year-on-year growth rates, excluding the impact of foreign currency fluctuations. This differs from the constant currency calculations for profit and loss measures, which are translated at the average foreign exchange rates for H1 FY26.

At 30 September	2026 ($000s)	2025 ($000s)	CHANGE
ANZ	1,864,853	1,477,481	26%
International	1,976,468	1,256,339	57%
Total	**3,841,321**	**2,733,820**	**41%**

Total Group — AMRR increased 41% (35% in constant currency), or $1.1 billion, to $3.8 billion. This was driven by customer growth of 12% and ARPC expansion of 25% (20% in constant currency). AMRR growth on a constant currency basis benefited from strong payments growth and price rises, and reflected the acquisition of Melio. On a pro-forma basis, AMRR increased 29% compared to H1 FY26.

ANZ — AMRR increased 26% (17% in constant currency), or $387.4 million, to $1.9 billion in H1 FY27. This performance was mainly driven by continued customer growth and price changes, along with platform revenue growth such as Xero payments. The difference between headline and constant currency was driven largely by continued weakening of the NZD compared to the AUD.

International — AMRR grew 57% (55% in constant currency), or $720.1 million, to $2.0 billion compared to H1 FY26. AMRR improvement reflects strong platform revenue growth in each region, along with the impact of price changes and addition of Melio revenue. On a pro-forma basis, International AMRR improved 31%.

GROSS PROFIT

Gross profit represents operating revenue less cost of revenue. Cost of revenue consists of expenses directly associated with hosting Xero's services, sourcing relevant data from financial institutions, and providing support to customers. For Melio, this includes expenses directly attributable to payment processing (bank, network and card processing fees, international payment provider charges, cheque production and delivery costs, and similar transaction processing expenses) alongside technology hosting costs and providing customer support.

The nature of these costs includes hosting costs, bank feed costs, personnel and related expenses (including salaries, benefits, bonuses, and share-based payments) directly associated with cloud infrastructure and customer support, contracted third-party vendor costs, related depreciation and amortisation, and allocated overheads.

Six months ended 30 September	2026 ($000s)	2025 ($000s)	CHANGE
Operating revenue	1,745,305	1,194,193	46%
Cost of revenue	(418,598)	(137,180)	205%
Gross profit	**1,326,707**	**1,057,013**	**26%**
Gross margin percentage	*76.0%*	*88.5%*	*-12.5pp*

Gross profit grew 26%, or $269.7 million, to $1.3 billion in H1 FY27. This growth was driven by operating revenue growth of 46%, continued ARPC expansion, customer growth and the addition of Melio revenue. Cost of revenue now includes Melio, which operates on a structurally different transaction-based payments model which results in lower margins compared to Xero's subscription business. As a result, this contributed to gross margin contracting 12.5 percentage points, decreasing from 88.5% to 76.0% in H1 FY27. Gross margin (excluding Melio) was relatively stable, reflecting the continued profitability and operating efficiency of the core subscription model, though cloud infrastructure spend contributed to some margin drag.

SALES AND MARKETING

Sales and marketing expenses consist of personnel and related expenses (including salaries, benefits, bonuses, the amortisation of capitalised commission costs, and share-based payments) directly associated with the sales and marketing teams, and the cost of educating and onboarding both partners and small business customers. Costs also include relationship management costs incurred to support the existing customer base. Other costs included are external advertising costs, marketing costs and promotional event costs, as well as allocated overheads.

Six months ended 30 September	2026 ($000s)	2025 ($000s)	CHANGE
Sales and marketing expenses	528,891	378,904	40%
Percentage of operating revenue	*30.3%*	*31.7%*	*-1.4pp*

Sales and marketing costs include:

- Costs incurred to acquire new customers and invest in Xero's brand to attract future customers
- Costs associated with upselling and cross-selling to existing customers
- Initiatives to educate existing customers to encourage retention

These costs are expensed in the period. This is in contrast to the associated revenue from those customers, which is recognised over the lifetime of the customer.

Sales and marketing costs increased 40% to $528.9 million, compared to revenue growth of 46%, resulting in costs as a proportion of operating revenue decreasing by 1.4 percentage points to 30.3% in H1 FY27 (2.1 percentage points excluding Xerocon). This reduction benefited from the inclusion of Melio, which has a proportionally lower spend to operating revenue compared to the core Xero subscription model.

Key drivers of the $150.0 million increase in costs included the addition of Melio and continued investment in performance marketing across digital channels, as these markets are comparatively less efficient to acquire customers in than the mature ANZ market. The increase was also driven by Xerocon, which held two events in H1 FY27 compared with one in H1 FY26.

The average cost of acquiring a customer was $740 per gross customer added in the 12 months ended 30 September 2026 (excluding Melio), compared to $757 in the 12 months ended 30 September 2025. This decrease is a direct result of improved focus on specific customer segments.

PRODUCT DESIGN AND DEVELOPMENT

Product design and development costs consist primarily of personnel and related expenses (including salaries, benefits, bonuses, and share-based payments) directly associated with product design and development teams, teams building and enhancing the platform and related infrastructure, as well as allocated overheads.

The proportion of product design and development expenses that creates a benefit in future years, and meets certain requirements under NZ IFRS, is capitalised as an intangible asset and is then amortised to the Income Statement over the estimated life of the asset created. The amount amortised relating to the Xero product and platform is included as a product design and development expense.

Six months ended 30 September	2026 ($000s)	2025 ($000s)	CHANGE
Total product design and development costs (including amounts capitalised)	**545,432**	**412,954**	**32%**
Percentage of operating revenue	*31.3%*	*34.6%*	*-3.3pp*
Less capitalised development costs	(239,554)	(195,945)	22%
Product design and development expense (excluding amortisation of amounts capitalised)	**305,878**	**217,009**	**41%**
Less government grants	(605)	(777)	-22%
Add amortisation of capitalised development costs	153,435	120,134	28%
Product design and development expenses	**458,708**	**336,366**	**36%**
Percentage of operating revenue	*26.3%*	*28.2%*	*-1.9pp*

Total gross product design and development costs (including amounts capitalised) were $545.4 million in H1 FY27, an increase of 32%, or $132.5 million, compared to H1 FY26. As a percentage of operating revenue, this net investment decreased 1.9 percentage points to 26.3%, reflecting emerging efficiencies from AI adoption as well as the inclusion of Melio, which has a proportionally lower spend to operating revenue. Our product and technology teams continued to support high product velocity and release cadence across multiple areas. A particular focus in H1 FY27 was the delivery of AI functionality. We also continued to build out our connected platform, including the general availability of Payroll powered by Gusto in the US and further enhancements to bill pay powered by Melio in the US.

For personal use only

H1 FY27 capitalised development costs of $239.6 million represent a capitalisation rate of 43.9% of total product design and development costs, compared to 47.4% in H1 FY26. Capitalisation rates can fluctuate between periods depending on the phase of development and nature of investment.

Amortisation of previously capitalised product design and development expenditure of $153.4 million was included as a non-cash expense, an increase of 28%, reflecting the scale of earlier investment cycles. After amortisation and government grants, net product design and development expenses were $458.7 million for the period, an increase of 36% or $122.3 million, which included the addition of Melio's acquired intangibles.

GENERAL AND ADMINISTRATION

General and administration expenses consist of personnel and related expenses (including salaries, benefits, bonuses, and share-based payments) for executive, finance, billing, legal, human resources, corporate communications, strategy, and corporate development employees, as well as the Xero Board. It also includes legal, accounting, and other professional services fees, insurance premiums, other corporate expenses, and allocated overheads.

Six months ended 30 September	2026 ($000s)	2025 ($000s)	CHANGE
General and administration expenses	209,342	153,958	36%
Percentage of operating revenue	*12.0%*	*12.9%*	*-0.9pp*

General and administrative expenses were $209.3 million, an increase of $55.4 million, or 36%, compared to H1 FY26. As a proportion of operating revenue, the percentage decreased by 0.9 percentage points to 12.0% in H1 FY27. This is despite Melio's structurally higher general and administrative expenses, which include variable operational expenses.

EMPLOYEES

At 30 September	2026	2025	CHANGE
Total Group	4,880	4,615	6%

Full-time equivalent (FTE) employees increased by 265, or 6%, compared to H1 FY26. This growth is mostly attributable to the inclusion of 578 Melio FTEs. Excluding the addition of Melio, employees decreased 7%, as we adapt structures and processes to position Xero for long-term success.

NET FINANCE INCOME/EXPENSE

Six months ended 30 September	2026 ($000s)	2025 ($000s)	CHANGE
Interest income on cash and deposits	19,880	73,410	-73%
Finance lease interest income	112	21	NM
Total finance income	**19,992**	**73,431**	**-73%**
Amortisation of discount and debt issuance costs	(30,134)	(28,708)	5%
Lease liability interest	(4,406)	(3,518)	25%
Derivative revaluation loss	(29,531)	(10,435)	183%
Interest on convertible note	(12,890)	(12,673)	2%
Unwind of contingent consideration	(3,636)	(499)	NM
Unwind of deferred consideration	(2,746)	-	NM
Amortisation of bank facility fees	(775)	-	NM
Interest on syndicated facilities	(12,371)	-	NM
Other finance expense	(1,548)	(552)	180%
Total finance expense	**(98,037)**	**(56,385)**	**74%**
Net finance income/(expense)	**(78,045)**	**17,046**	**NM**

Finance income decreased by $53.4 million to $20.0 million in H1 FY27. The decrease was driven by lower interest income compared to H1 FY26, which primarily benefited from larger cash and deposit balances due to funds raised to finance the acquisition of Melio in October 2025. Cash and deposit balances were also lower in H1 FY27 due to Xero's purchase of shares to offset dilution associated with share-based compensation, and the paydown of $342.4 million of borrowings associated with the Melio acquisition.

For personal use only

Finance expenses of $98.0 million increased by $41.7 million. This was driven by an increase in derivative revaluation losses of $19.1 million associated with the 2031 convertible notes (see below), and $12.4 million from bank debt interest on borrowing to fund the acquisition of Melio.

The H1 FY27 derivative revaluation loss of $29.5 million reflects the net impact of mark-to-market revaluations of the 2031 convertible notes derivative and related call option derivative. Revaluations mainly result from external macro-economic conditions, including market interest and exchange rate fluctuations. These items are non-cash in nature and are not tax effected.

Interest on syndicated facilities was $12.4 million in H1 FY27 as a result of drawing down on debt facilities made available to Xero to fund the acquisition of Melio. As of September 2026, total funding made available across two facilities is US$200 million, payable over three and five years.

SEGMENT INFORMATION

Operating revenue is allocated to a segment depending on where the customer resides. Expenses include cost of revenue, sales and marketing costs incurred directly in the region, and an allocation of centrally managed costs and overheads.

Six months ended 30 September 2026	ANZ ($000s)	INTERNATIONAL ($000s)	TOTAL ($000s)
Operating revenue	795,488	949,817	1,745,305
Cost of revenue	(99,970)	(318,628)	(418,598)
Sales and marketing	(109,555)	(419,336)	(528,891)
Segment contribution	**585,963**	**211,853**	**797,816**
Contribution margin percentage	*73.7%*	*22.3%*	*45.7%*

Six months ended 30 September 2025			
Operating revenue	663,726	530,467	1,194,193
Cost of revenue	(74,933)	(62,247)	(137,180)
Sales and marketing	(112,808)	(266,096)	(378,904)
Segment contribution	**475,985**	**202,124**	**678,109**
Contribution margin percentage	*71.7%*	*38.1%*	*56.8%*

ANZ — ANZ segment contribution was $586.0 million for the six months ended 30 September 2026, an increase of $110.0 million, or 23%. The segment contribution margin also increased 2.0 percentage points to 73.7%.

Operating revenue grew 20% during the six-month period, outpacing segment expense growth of 12% or $21.8 million. Disciplined sales and marketing expenditure mitigated expense growth, with a decrease of 2.9% from H1 FY26 (4.0% increase excluding the impact of Xerocon Brisbane in H1 FY26).

Compared with International, ANZ's higher segment contribution benefits from lower costs associated with greater cloud accounting penetration and strong brand recognition, as well as a stronger contribution from high-margin subscription revenue.

International — Segment contribution was $211.9 million, an increase of $9.7 million or 5% compared to H1 FY26. This resulted in a contribution margin of 22.3% for H1 FY27, which represents a decrease of 15.8 percentage points from the prior year, largely due to the addition of the Melio business in H2 FY26, which carries a structurally different transaction-based payments model.

Operating revenue grew 79%, as discussed on page 13, while segment expenses increased 125%. Revenue and costs in H1 FY27 were impacted by the acquisition of Melio in H2 FY26, and two International Xerocons held in H1 FY27, compared to none in H1 FY26. The increase in expenditure is driven by the acquisition of Melio, as well as a focus on digital performance marketing spend as we continue to expand our presence in the international market.

International contribution margin remains below ANZ, reflecting higher customer acquisition costs in these markets and a greater share of payments revenue, which has a different gross margin profile. Investment remained focused on customer additions through direct and partner channels, alongside building brand recognition in international growth markets.

For personal use only

For personal use only

KEY SAAS METRICS

SaaS companies like Xero operate on many of the same performance metrics as traditional companies, such as revenue, cash flow, and customer numbers. However, evaluating the performance of SaaS companies and being able to benchmark them is assisted by an understanding of SaaS-specific metrics. Included below are some of the headline metrics Xero uses to manage and drive its performance. Unless noted, these metrics are presented on a Xero-only basis and exclude Melio. Where included, these metrics are prepared to reflect Xero and Melio's customer relationships and exclude costs and revenue associated with Melio's syndication customers.

Average revenue per customer (ARPC) is calculated as AMRR at 30 September,[9] divided by the number of customers at that time, and divided by 12 to get a monthly view.

Customer acquisition cost (CAC) months are the months of ARPC to recover the cost of acquiring each new customer. The calculation represents the sales and marketing costs for the 12 months ended 30 September, excluding the capitalisation and amortisation of contract acquisition costs, less conference revenue (such as Xerocon), divided by gross new customers added during the same period, divided by ARPC.

Churn is the value of monthly recurring revenue (MRR) from customers who leave Xero in a month as a percentage of the total MRR at the start of that month. The percentage provided is the average of the monthly churn for the previous 12 months.

Lifetime value (LTV) is the gross margin expected from a customer over the lifetime of that customer. This is calculated by taking the average customer lifetime (one divided by churn), multiplied by ARPC, multiplied by the gross margin percentage. Xero Group LTV is calculated as the sum of the individual segment LTV, multiplied by their respective segment customers, divided by total Xero Group customers.

LTV/CAC is the ratio between the LTV per customer and the cost to acquire that customer. For example, the LTV derived from a customer is currently on average 6.0 times the cost of acquiring that customer.

We strive to maximise total LTV while optimising the level of CAC investment it takes to achieve a desirable LTV/CAC ratio. We can improve total LTV in multiple ways, such as increasing customer numbers, enhancing products and services for existing customers, thereby increasing ARPC and/or reducing churn, and improving gross margin through cost efficiencies.

The table below outlines key metrics across our segments:

At 30 September 2026	ANZ	INTERNATIONAL	TOTAL
ARPC ($) (Xero + Melio)	54.57	71.67	62.21
ARPC ($) (Xero-only)[10]	54.57	58.73	56.40
CAC months[10]	8.3	16.0	13.1
Churn[10]	0.89%	1.57%	1.19%
LTV per customer ($)[10]	5,384	3,276	4,456
LTV/CAC[10]	11.9	3.5	6.0

At 30 September 2025	ANZ	INTERNATIONAL	TOTAL
ARPC ($)	46.39	54.08	49.63
CAC months	9.9	18.7	15.2
Churn	0.84%	1.41%	1.09%
LTV per customer ($)	4,899	3,385	4,261
LTV/CAC	10.7	3.3	5.6

Xero Group — Xero Group ARPC increased 20% in constant currency (25% on a nominal basis), to $62.21. Excluding Melio, ARPC increased 14%. The increase in ARPC (excluding currency impacts) reflects price changes alongside continued payments growth.

Churn increased for the Xero Group to 1.19% for H1 FY27, compared to 1.09% in the comparative period. The increase in churn reflects a combination of increased use of the direct channel and higher contribution from our international segment, both of which have structurally higher churn but deliver higher ARPC customers.

Total customer LTV increased $3.1 billion, or 16% (10% in constant currency), from $19.6 billion to $22.7 billion. Improvements were driven by both growth in ARPC and customers.

Xero Group LTV/CAC ratio was 6.0 in H1 FY27, up from 5.6 in the comparative period. Customer growth and ARPC growth outweighed the increase in sales and marketing spend directed to Xero's key markets. CAC months decreased to 13.1 months in H1 FY27, an improvement to the comparative period of 15.2 months.

9 See definition of AMRR on page 16

10 Calculated on a Xero-only basis, excluding Melio

ANZ — ARPC of $54.57 increased 10% in constant currency (18% on a nominal basis). Constant currency improvements were driven by continued monetisation of the value added to our products through price changes, alongside greater contributions from payments revenue.

CAC months improved to 8.3 months in H1 FY27, from 9.9 months in H1 FY26. This was driven by ARPC and customer growth outpacing the increase in sales and marketing spend.

Churn increased from 0.84% in H1 FY26 to 0.89% in H1 FY27. The H1 FY27 rate was impacted by mix, as Xero increased growth in direct channels, which have a higher churn rate but attract higher ARPC customers.

Total ANZ LTV increased $2.3 billion, or 18% (10% in constant currency), to $15.3 billion in H1 FY27. This was driven by ARPC and customer growth of 10% and 7% respectively, partly offset by an increase in churn and a slight decrease in gross margin. LTV/CAC improved by 1.2 to 11.9 in H1 FY27.

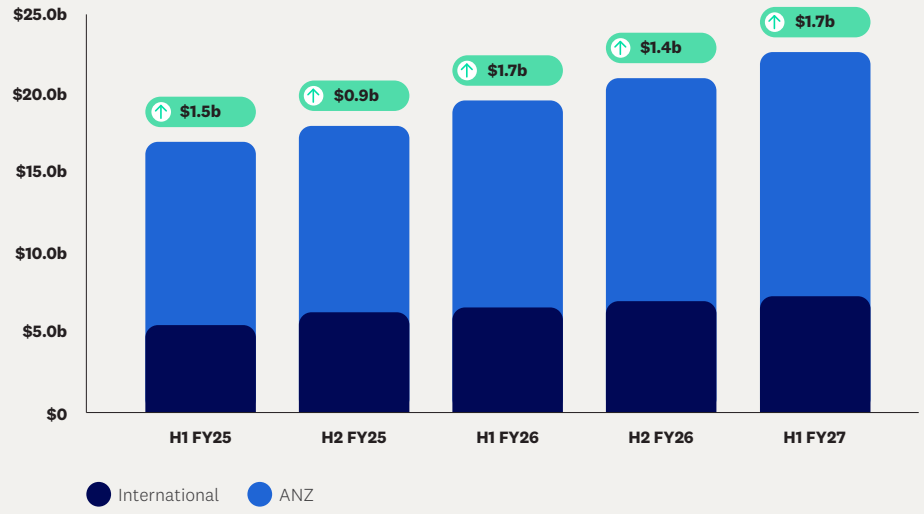
International — ARPC increased to $71.67, or 31% in constant currency (33% on a nominal basis), year-on-year. This was driven by increases in payments revenue, price changes, and additional revenue following the acquisition of Melio. Excluding Melio, ARPC increased to $58.73.

CAC months improved year-on-year by 2.7 months to 16.0 months. This improvement was a function of year-on-year customer growth and ARPC outpacing the increase in sales and marketing spend.

Churn increased from 1.41% in H1 FY26 to 1.57% in H1 FY27, driven by increased use of the direct channel.

Total International customer LTV increased by $785 million, or 12% (10% in constant currency), in H1 FY27 from $6.6 billion to $7.3 billion. LTV per customer decreased by $109, or 3% (5% in constant currency), to $3,276 in H1 FY27.

Total lifetime value



For personal use only

Independent Auditor's Review Report To the Shareholders of Xero Limited

Shape the future with confidence

For personal use only

Conclusion

We have reviewed the interim financial statements of Xero Limited ("the Company") and its subsidiaries (together "the Group") on pages 23 to 35 which comprise the statement of financial position as at 30 September 2026, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended on that date, and explanatory notes. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements on pages 23 to 35 of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2026, and its financial performance and its cash flows for the six-month period ended on that date, in accordance with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34) and International Accounting Standard 34 *Interim Financial Reporting* (IAS 34).

This report is made solely to the Company's shareholders, as a body. Our review has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our review procedures, for this report, or for the conclusion we have formed.

Basis for conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial statements* section of our report. We are independent of the Group in accordance with the Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* as applicable to audits and reviews of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with Professional and Ethical Standard 1.

Ernst & Young provided other assurance services related to the Group's compliance with ISO 27001 and limited assurance in relation to greenhouse gas emissions. In addition, we provide services relating to market remuneration data. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. Ernst & Young uses the Group's platform in delivering services to some clients on commercial terms. We have no other relationship with, or interest in, the Group.

Directors' responsibility for the interim financial statements

The directors are responsible, on behalf of the Company, for the preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 and IAS 34 and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34 and IAS 34.

A review of interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on those interim financial statements.

The engagement partner on the review resulting in this independent auditor's review report is John Robinson.

Ernst & Young

Ernst & Young
Chartered Accountants
Sydney
12 November 2026

A member firm of Ernst & Young Global Limited.
Liability limited by a scheme provided under Professional Standards Legislation.

Ernst & Young
200 George Street Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Interim Financial Statements

INCOME STATEMENT

Six months ended 30 September	NOTES	2026 UNAUDITED ($000s)	2025 UNAUDITED ($000s)
Subscription revenue		1,362,351	1,115,137
Payment and other revenue		382,954	79,056
Total operating revenue	**4**	**1,745,305**	**1,194,193**
Cost of revenue	5	(418,598)	(137,180)
Gross profit		**1,326,707**	**1,057,013**
Operating expenses			
Sales and marketing		(528,891)	(378,904)
Product design and development		(458,708)	(336,366)
General and administration		(209,342)	(153,958)
M&A and other transaction costs		(5,267)	(50,647)
Total operating expenses	**5**	**(1,202,208)**	**(919,875)**
Operating income		**124,499**	**137,138**
Other income	6	445	77,592
Other expenses	6	(14,517)	–
Loss on asset disposals		(507)	(603)
Earnings before interest and tax		**109,920**	**214,127**
Finance income	7	19,992	73,431
Finance expenses	7	(98,037)	(56,385)
Net profit before tax		**31,875**	**231,173**
Income tax expense		(13,346)	(96,389)
Net profit after tax		**18,529**	**134,784**
Basic earnings per share	8	$0.11	$0.84
Diluted earnings per share	8	$0.11	$0.83

STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 September	NOTES	2026 UNAUDITED ($000s)	2025 UNAUDITED ($000s)
Net profit		18,529	134,784
Other comprehensive income*			
Movement in cash flow hedges (net of tax)	12	(7,444)	(23,902)
Translation of foreign operations (net of tax)		86,583	14,692
Total other comprehensive income/(loss)		**79,139**	**(9,210)**
Total comprehensive income		**97,668**	**125,574**

** Items of other comprehensive income may be reclassified to the Income Statement when specific conditions are met*
The accompanying notes form an integral part of these interim financial statements

For personal use only

STATEMENT OF FINANCIAL POSITION

	NOTES	AT 30 SEPTEMBER 2026 UNAUDITED ($000s)	AT 31 MARCH 2026 AUDITED ($000s)
Assets			
Current assets			
Cash and cash equivalents		973,634	884,372
Short-term deposits		175,925	1,049,771
Trade and other receivables		262,283	243,014
Funds receivable and customer accounts		655,705	580,157
Derivative assets		10,320	6,450
Income tax receivable		5,149	25,659
Other current assets		12,141	7,021
Total current assets		**2,095,157**	**2,796,444**
Non-current assets			
Property, plant and equipment		160,761	180,080
Intangible assets	9	6,072,372	5,919,608
Derivative assets		53,993	98,250
Deferred tax assets		109,111	29,174
Investments in financial assets	10	44,299	43,726
Other non-current assets		30,354	29,326
Total non-current assets		**6,470,890**	**6,300,164**
Total assets		**8,566,047**	**9,096,608**
Liabilities			
Current liabilities			
Trade and other payables		214,086	153,560
Funds payable and amounts due to customers		655,705	580,157
Employee entitlements		139,119	152,785
Lease liabilities		35,241	33,489
Derivative liabilities		229,706	230,204
Income tax payable		37,715	9,795
Borrowings		1,306,612	1,259,003
Other current liabilities		164,575	136,092
Total current liabilities		**2,782,759**	**2,555,085**
Non-current liabilities			
Lease liabilities		122,543	138,827
Derivative liabilities		11,773	10,353
Borrowings		350,824	693,669
Deferred tax liabilities		141,287	131,728
Contingent consideration	11	88,095	92,311
Deferred consideration		61,617	55,149
Other non-current liabilities		17,216	15,825
Total non-current liabilities		**793,355**	**1,137,862**
Total liabilities		**3,576,114**	**3,692,947**
Equity			
Share capital	14	4,987,264	4,985,534
Reserves		(142,329)	291,658
Retained earnings		144,998	126,469
Total equity		**4,989,933**	**5,403,661**
Total liabilities and shareholders' equity		**8,566,047**	**9,096,608**

The accompanying notes form an integral part of these interim financial statements

For personal use only

STATEMENT OF CHANGES IN EQUITY

UNAUDITED	NOTES	SHARE CAPITAL ($000s)	SHARES HELD IN TRUST ($000s)	SHARE-BASED PAYMENT RESERVE ($000s)	RETAINED EARNINGS ($000s)	FOREIGN CURRENCY TRANSLATION RESERVE ($000s)	CASH FLOW HEDGE RESERVE ($000s)	CALL SPREAD OPTIONS RESERVE ($000s)	TOTAL EQUITY ($000s)
Balance at 1 April 2026		**4,985,534**	**(2,837)**	**296,477**	**126,469**	**38,430**	**(40,882)**	**470**	**5,403,661**
Net profit		–	–	–	18,529	–	–	–	18,529
Other comprehensive income/(loss)		–	–	–	–	86,583	(7,444)	–	79,139
Total comprehensive income/(loss)		**–**	**–**	**–**	**18,529**	**86,583**	**(7,444)**	**–**	**97,668**
Transactions with owners:									
Share-based payments, net of tax	16	1,730	56,502	94,260	–	–	–	–	152,492
Shares acquired by Employee Restricted Share Trust	14	–	(663,888)	–	–	–	–	–	(663,888)
Balance at 30 September 2026		**4,987,264**	**(610,223)**	**390,737**	**144,998**	**125,013**	**(48,326)**	**470**	**4,989,933**
Balance at 1 April 2025		**2,039,476**	**–**	**188,858**	**(40,951)**	**15,283**	**(7,433)**	**470**	**2,195,703**
Net profit		–	–	–	134,784	–	–	–	134,784
Other comprehensive income/(loss)		–	–	–	–	14,692	(23,902)	–	(9,210)
Total comprehensive income/(loss)		**–**	**–**	**–**	**134,784**	**14,692**	**(23,902)**	**–**	**125,574**
Transactions with owners:									
Share-based payments, net of tax	16	75,615	–	74,015	–	–	–	–	149,630
Share options exercised	16	4,755	–	(1,065)	–	–	–	–	3,690
Institutional placement, net of transaction costs		1,956,990	–	–	–	–	–	–	1,956,990
Share purchase plan, net of transaction costs		139,810	–	–	–	–	–	–	139,810
Balance at 30 September 2025		**4,216,646**	**–**	**261,808**	**93,833**	**29,975**	**(31,335)**	**470**	**4,571,397**

The accompanying notes form an integral part of these interim financial statements

For personal use only

STATEMENT OF CASH FLOWS

Six months ended 30 September	NOTES	2026 UNAUDITED ($000s)	2025 UNAUDITED ($000s)
Operating activities			
Receipts from customers		1,771,699	1,186,913
Other income		443	136
Interest received		25,915	82,094
Payments to suppliers and employees		(1,260,994)	(718,769)
Interest paid		(32,674)	(14,669)
Income tax paid		(21,887)	(23,906)
Net cash flows from operating activities	**15**	**482,502**	**511,799**
Investing activities			
Capitalised development costs		(228,513)	(186,837)
Capitalised contract acquisition costs		(10,768)	(8,041)
Purchase of property, plant and equipment		(5,133)	(3,036)
Business acquisitions, net of cash acquired		–	(398)
Other investing activities		–	(876)
Net cash flows from investing activities		**(244,414)**	**(199,188)**
Financing activities			
Proceeds from short-term deposits		1,048,178	1,924,624
Payments for short-term deposits		(175,925)	(1,679,194)
Share options exercised		–	3,690
Payment of lease liabilities		(15,257)	(9,439)
Proceeds from institutional placement		–	1,994,712
Payment of institutional placement transaction costs		–	(35,278)
Settlement of derivative related to placement		–	(31,970)
Proceeds from share purchase plan		–	139,931
Payment of share purchase plan transaction costs		–	(121)
Payments of bank debt facilities		(342,354)	–
Payment of debt facility fees		–	(6,062)
Acquisition of shares acquired by Employee Restricted Share Trust		(663,689)	–
Payment of acquisition of shares acquired by Employee Restricted Share Trust costs		(199)	–
Net cash flows from financing activities		**(149,246)**	**2,300,893**
Net increase in cash and cash equivalents		**88,842**	**2,613,504**
Foreign currency translation adjustment		420	123,985
Cash and cash equivalents at the beginning of the period		**884,372**	**768,427**
Cash and cash equivalents at the end of the period		**973,634**	**3,505,916**

The accompanying notes form an integral part of these interim financial statements

For personal use only

Notes to the Interim Financial Statements

1. REPORTING ENTITY AND STATUTORY BASE

Xero Limited ('the Company') is registered under the New Zealand Companies Act 1993 and is listed on the Australian Securities Exchange (ASX). The Company is required to be treated as an FMC Reporting Entity under the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The unaudited interim financial statements of the Company and its subsidiaries (together 'the Group' or 'Xero') for the six months ended 30 September 2026 were authorised in accordance with a resolution of the directors for issue on 12 November 2026.

2. BASIS OF ACCOUNTING

The unaudited interim financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and comply with the requirements of New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*. The Group is a for-profit entity for the purposes of complying with NZ GAAP.

Other than noted below, all accounting policies and disclosures adopted in the unaudited interim financial statements are consistent with, and should be read with, the financial statements and related notes included in the Group's Annual Report for the year ended 31 March 2026. Certain comparative information has been reclassified to conform with the current period's classification.

The preparation of financial statements requires judgements and estimates that impact the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

3. SEGMENT INFORMATION

The Group operates in one business segment, providing online business solutions for small businesses and their advisors. Xero has two operating segments: Australia and New Zealand (ANZ), and International. These segments have been determined based on how the chief operating decision-maker reviews financial performance.

Segment operating expenses represent sales and marketing costs and service delivery costs, including both in-country costs and an allocation of centrally managed costs.

UNAUDITED	ANZ ($000s)	INTERNATIONAL ($000s)	TOTAL ($000s)
Six months ended 30 September 2026			
Operating revenue	795,488	949,817	1,745,305
Cost of revenue	(99,970)	(318,628)	(418,598)
Sales and marketing expenses	(109,555)	(419,336)	(528,891)
Segment contribution	**585,963**	**211,853**	**797,816**
Six months ended 30 September 2025			
Operating revenue	663,726	530,467	1,194,193
Cost of revenue	(74,933)	(62,247)	(137,180)
Sales and marketing expenses	(112,808)	(266,096)	(378,904)
Segment contribution	**475,985**	**202,124**	**678,109**

For personal use only

For personal use only

Reconciliation from segment contribution to net profit before tax

Six months ended 30 September	2026 UNAUDITED ($000s)	2025 UNAUDITED ($000s)
Segment contribution	797,816	678,109
Product design and development	(458,708)	(336,366)
General and administration	(209,342)	(153,958)
M&A and other transaction costs	(5,267)	(50,647)
Other income	445	77,592
Other expenses	(14,517)	–
Loss on asset disposals	(507)	(603)
Finance income	19,992	73,431
Finance expenses	(98,037)	(56,385)
Net profit before tax	**31,875**	**231,173**

4. REVENUE

Operating revenue by geographic location

Six months ended 30 September	2026 UNAUDITED ($000s)	2025 UNAUDITED ($000s)
Australia	670,060	545,693
United Kingdom	419,425	338,996
New Zealand	125,428	118,033
United States	365,156	57,411
Rest of World	165,236	134,060
Total operating revenue	**1,745,305**	**1,194,193**

5. EXPENSES

Cost of revenue and operating expenses

Six months ended 30 September	2026 UNAUDITED ($000s)	2025 UNAUDITED ($000s)
Employee entitlements	619,463	485,833
Employee entitlements capitalised	(199,780)	(149,662)
Share-based payments	152,571	146,515
Share-based payments capitalised	(44,494)	(34,244)
Advertising and marketing	256,049	168,661
Payments processing fees*	240,505	5,326
Platform costs	115,499	66,744
Platform costs capitalised	(13,019)	(5,787)
Consultants and contractors	55,425	113,493
Consultants and contractors capitalised	(19,268)	(40,178)
Computer equipment and software	73,845	40,340
Post-retirement costs	39,646	23,800
Travel-related costs	26,153	18,966
Recruitment and other personnel costs	13,373	5,967
Communication, insurance and office administration	10,461	7,087
Rental costs	6,598	4,832
Other operating expenses and cost of revenue	50,151	35,623
Total cost of revenue and operating expenses excl. depreciation and amortisation**	**1,383,178**	**893,316**

** Payments processing fees include bank, network and card processing fees, international payment provider charges, cheque production and delivery costs, and similar transaction processing expenses largely associated with BillPay revenue*

*** Net of $276.6 million of costs capitalised as intangible assets (2025: $229.9 million) and grant income of $0.7 million (2025: $0.9 million)*

Depreciation and amortisation

Six months ended 30 September	2026 UNAUDITED ($000s)	2025 UNAUDITED ($000s)
Relating to:		
Amortisation of development costs	194,315	139,409
Amortisation of other intangible assets	21,735	9,851
Depreciation of property, plant and equipment	21,578	14,479
Total depreciation and amortisation	**237,628**	**163,739**
Total cost of revenue and operating expenses	**1,620,806**	**1,057,055**
Depreciation and amortisation is included in function expenses as follows:		
Product design and development	187,689	133,293
Sales and marketing	35,266	19,627
Cost of revenue	8,022	5,737
General and administration	6,651	5,082
Total depreciation and amortisation	**237,628**	**163,739**

6. OTHER INCOME AND EXPENSES

Other income

Six months ended 30 September	2026 UNAUDITED ($000s)	2025 UNAUDITED ($000s)
Foreign exchange gains	–	77,554
Other income	445	38
Total other income	**445**	**77,592**

Other expenses

Six months ended 30 September	2026 UNAUDITED ($000s)	2025 UNAUDITED ($000s)
Foreign exchange losses	11,458	–
Revaluation loss of contingent consideration	3,059	–
Total other expenses	**14,517**	**–**

For personal use only

7. FINANCE INCOME AND EXPENSES

Finance income

Six months ended 30 September	2026 UNAUDITED ($000s)	2025 UNAUDITED ($000s)
Interest income on cash and deposits	19,880	73,410
Finance lease interest income	112	21
Total finance income	**19,992**	**73,431**

Finance expenses

Six months ended 30 September	NOTES	2026 UNAUDITED ($000s)	2025 UNAUDITED ($000s)
Amortisation of discount and debt issuance costs		30,134	28,708
Lease liability interest		4,406	3,518
Derivative revaluation loss	13	29,531	10,435
Interest on convertible note		12,890	12,673
Unwind of contingent consideration		3,636	499
Unwind of deferred consideration		2,746	–
Amortisation of bank facility fees		775	–
Interest on syndicated facilities		12,371	–
Other finance expenses		1,548	552
Total finance expenses		**98,037**	**56,385**

8. EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares on issue during the year, excluding shares held by the Employee Restricted Share Trust.

Diluted EPS is determined by adjusting the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares on issue for the effects of all potential dilution to ordinary shares, which comprise options and restricted stock units (RSUs). Instruments are only treated as dilutive when their conversion to ordinary shares would decrease EPS or increase the loss per share.

Six months ended 30 September	2026 UNAUDITED ($000s)*	2025 UNAUDITED ($000s)*
Net profit attributable to equity holders of the Group	**$18,529**	**$134,784**
Basic weighted average number of ordinary shares	168,006	159,551
Shares issuable in relation to equity-based compensation schemes	3,580	2,303
Shares issuable in relation to call spread options	–	112
Diluted weighted average number of ordinary shares	**171,586**	**161,966**
Basic earnings per share	**$0.11**	**$0.84**
Diluted earnings per share	**$0.11**	**$0.83**

** Except for per share amounts*

The weighted average number of shares outstanding used in the computation of diluted earnings per share does not include the effect of share options, convertible notes and call spread options, where their impact would be anti-dilutive.

For personal use only

9. INTANGIBLE ASSETS

UNAUDITED	SOFTWARE DEVELOPMENT ($000s)	CONTRACT ACQUISITION ASSET ($000s)	OTHER INTANGIBLE ASSETS ($000s)	GOODWILL ($000s)	TOTAL ($000s)
Six months ended 30 September 2026					
Opening net book value	1,169,942	46,503	130,339	4,572,824	5,919,608
Additions*	266,263	9,570	728	–	276,561
Amortisation expense	(194,315)	(8,997)	(12,738)	–	(216,050)
Disposals	(442)	–	–	–	(442)
Foreign exchange adjustment	5,081	1,005	1,259	85,350	92,695
Closing net book value	**1,246,529**	**48,081**	**119,588**	**4,658,174**	**6,072,372**
At 30 September 2026					
Cost	2,025,880	93,164	151,143	4,658,174	6,928,361
Accumulated amortisation	(779,351)	(45,083)	(31,555)	–	(855,989)
Closing net book value	**1,246,529**	**48,081**	**119,588**	**4,658,174**	**6,072,372**
At 31 March 2026					
Cost	1,860,394	90,727	148,992	4,572,824	6,672,937
Accumulated amortisation	(690,452)	(44,224)	(18,653)	–	(753,329)
Closing net book value	**1,169,942**	**46,503**	**130,339**	**4,572,824**	**5,919,608**

** Included in software development additions is $32.3 million of external costs capitalised (2025: $46.0 million)*

10. INVESTMENTS IN FINANCIAL ASSETS

Six months ended 30 September	2026 UNAUDITED ($000s)
Balance at 1 April	43,726
Foreign exchange adjustment	573
Balance at 30 September	**44,299**

Key estimates and assumptions

The fair value of the investment in financial assets is determined using a combination of level two and level three inputs, resulting in an overall classification of level three on the fair value hierarchy. Fair value of the shares as at 30 September 2026 was considered in the context of a range of market multiples and the performance of the underlying assets, and the specific rights associated with the preference shares owned. There were no fair value revaluations in the six months ended 30 September 2026.

For personal use only

11. CONTINGENT CONSIDERATION

Six months ended 30 September	2026 UNAUDITED ($000s)
Balance at 1 April	112,924
Unwinding of discount	3,636
Change in fair value estimate	3,059
Foreign exchange adjustment	1,588
Balance at 30 September	**121,207**
Current	33,112
Non-current	88,095

Contingent consideration comprises the Group's scenario-based and probability-weighted assessment of discounted amounts payable to vendors in respect of business acquisitions.

Changes in fair value estimates for the period ended 30 September 2026:

- Syft: The increase in the fair value was primarily driven by accelerating the timing of payment for certain product-related milestones related to early achievement.
- Melio: The increase in the fair value was primarily driven by increasing the expected probability of achievement of specified business integration milestones.

The closing balance of contingent consideration is payable as follows:

- Syft ($13.2 million): Expected to be settled in cash. The current portion is expected to become payable upon achieving specified business performance and integration milestones within the next 12 months. The non-current portion is contingent upon specified business performance and integration milestones, which are anticipated to be met by December 2027. Payable to the former shareholders of Syft.
- Melio ($108.0 million): At least 50% must be settled in cash, and the remaining portion may be settled in either cash or equity at the Group's discretion. The current portion is expected to become payable upon achieving specified business performance and integration milestones within the next 12 months. The non-current portion is contingent upon specified business performance and integration milestones, which are anticipated to be met by October 2028. Payable to the former shareholder employees of Melio (who may or may not still be employed by the Group).

Key estimates and assumptions

The fair value of contingent consideration is determined as follows:

- Contingent consideration based on a sliding scale is valued based on a scenario-based technique against a range of factors including revenue, gross profit and monthly active user targets (level three on the fair value hierarchy), and then a probability-weighting applied and discounted based on the acquired entity's cost of debt.
- Contingent consideration based on all-or-nothing is determined using valuation techniques such as probability-weighted forecasts of meeting certain product development and revenue targets (level three on the fair value hierarchy), and is discounted based on the acquired entity's cost of debt.

12. HEDGE ACCOUNTING

The Group uses derivatives in the form of forward exchange contracts to reduce the risk that movements in foreign exchange rates will affect the Group's NZD cash flows. Whenever possible, these derivatives have been designated as a hedging instrument in a cash flow hedge of a highly probable forecast transaction under NZ IFRS 9: Financial Instruments. The Group's policy is to hedge a portion of the next 18 months' forecasted cash flows.

During the period, a net hedging loss of $6.8 million (before taxation) was recognised in other comprehensive income (2025: loss of $29.2 million). During the period, a gain of $3.5 million (before taxation) was reclassified out of other comprehensive income to the Income Statement (2025: gain of $4.0 million). The remaining balance will be reclassified to the Income Statement in future reporting periods as the relevant hedging instruments mature.

For personal use only

13. FINANCIAL INSTRUMENTS

Financial instruments recognised in the Statement of Financial Position include cash and cash equivalents, short-term deposits, funds receivable and payable, receivables and payables, contingent consideration, deferred consideration, borrowings, investment in financial assets and derivative financial instruments.

The Group's foreign exchange derivatives, embedded derivative component of the convertible notes (embedded derivative component), and call option derivative assets are recognised at fair value. The fair value of foreign exchange derivatives is determined using forward exchange rates that are quoted in an active market (level two on the fair value hierarchy).

The fair values of the embedded derivative component and call option derivative assets relating to the convertible notes are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates (level two on the fair value hierarchy). Inputs into the valuation include share price volatility and time to expiration.

At initial recognition, the fair value of the debt component of the 2031 convertible notes was determined using a market interest rate for an equivalent non-convertible bond. The notes are subsequently recognised at amortised cost.

As at 30 September 2026, the values of the debt components, embedded derivative component liabilities and call option derivative assets were as follows:

At 30 September 2026	FAIR VALUE UNAUDITED ($000s)	CARRYING VALUE UNAUDITED ($000s)
2031 term debt	(1,280,356)	(1,306,612)
2031 conversion feature derivative liability	(163,683)	(163,683)
2031 low call spread option derivative asset	53,614	53,614

The above carrying values reflect recognition of a revaluation loss of $43.5 million on the call option derivative assets, and a revaluation gain of $14.0 million on the conversion feature derivative liability for the six months to 30 September 2026. This is included in derivative revaluation loss within finance expense in the Income Statement.

The carrying values of the Group's other financial instruments do not materially differ from their fair value. There were no transfers between classes of financial instruments during the period.

14. SHARE CAPITAL

Ordinary shares on issue

UNAUDITED	NOTES	2026 AUD PRICE*	2026 (000s)	2025 AUD PRICE*	2025 (000s)
Balance at 1 April		–	170,600	–	153,618
Issue of ordinary shares - acquisition of Melio		123.21	46	–	–
Issue of ordinary shares - restricted stock unit schemes	16	123.21	7	125.36	549
Issue of ordinary shares - institutional placement		–	–	176.00	10,511
Issue of ordinary shares - share purchase plan		–	–	174.67	742
Issue of ordinary shares - exercising of employee share options	16	–	–	112.20	31
Ordinary shares on issue at 30 September		**–**	**170,653**	**–**	**165,451**
Shares held in trust		–	(6,337)	–	(31)
Ordinary shares on issue at 30 September excluding shares held in trust		**–**	**164,316**	**–**	**165,420**

**The price shown for restricted stock units is the weighted average issue price. The price shown for options is the weighted average exercise price. The price shown for the institutional placement issue is the placement price. The price shown for the share purchase plan is the issue price.*

All shares have been issued, are fully paid, and have no par value.

For personal use only

Shares held by the Employee Restricted Share Trust

UNAUDITED	2026 (000s)	2025 (000s)
Balance at 1 April	31	31
Acquisition of shares on-market	6,891	–
Settlement of restricted stock unit vests	(585)	–
Balance at 30 September	**6,337**	**31**

On 14 May 2026, the Company announced an initiative to fund the acquisition of fully paid ordinary shares in Xero Limited on-market, to satisfy upcoming employee equity plan obligations. During the period, Xero Trustee Limited, acting as trustee for the Xero Limited Employee Restricted Share Trust, acquired shares on-market for a total consideration of AUD $549.9 million (inclusive of transaction costs) at a weighted average purchase price per share of AUD 79.78. The shares are held by the trust for the purpose of settling future vesting of employee share-based payment awards.

15. RECONCILIATION OF OPERATING CASH FLOWS

Six months ended 30 September	2026 UNAUDITED ($000s)	2025 UNAUDITED ($000s)
Net profit	18,529	134,784
Adjustments:		
Depreciation	21,578	14,479
Amortisation	216,050	149,260
Share-based payments	108,077	112,271
Amortisation of discount and debt issuance costs on term debt	30,134	28,708
Amortisation of bank facility fees	775	–
Deferred tax and current taxes recognised in equity	9,276	13,912
Bad debts	7,348	3,872
Loss on asset disposals	507	603
Revaluation of contingent consideration	3,059	(6)
Derivative revaluation	29,531	10,435
Foreign exchange losses/(gains)	11,458	(77,554)
Other non-cash items	7,027	507
Changes in working capital:		
Increase in trade receivables and prepayments	(28,319)	(22,240)
Increase in deferred tax assets	(66,881)	(9,843)
Increase in trade payables and other related items	62,869	57,462
Increase/(decrease) in employee entitlements	(13,536)	10,971
Increase/(decrease) in interest payable	(1,453)	2,089
Increase in income in advance	18,292	16,168
Increase in net tax payable	48,181	65,921
Net cash flows from operating activities	**482,502**	**511,799**

For personal use only

16. SHARE-BASED PAYMENTS

The Group operates equity-settled, share-based compensation plans, under which employees provide services in exchange for non-transferable options or RSUs. The value of the employee services rendered for the grant of non-transferable options or RSUs is recognised as an expense over the vesting period, and the amount is determined by reference to the fair value of the options and RSUs granted.

Restricted stock units

Movements in the number of RSUs outstanding and their related weighted average grant prices are as follows:

UNAUDITED	2026 WEIGHTED AVERAGE GRANT DATE FAIR VALUE (AUD)	2026 RSUS (000s)	2025 WEIGHTED AVERAGE GRANT DATE FAIR VALUE (AUD)	2025 RSUS (000s)
Six months ended 30 September				
Opening balance	146.42	2,941	134.95	1,805
Granted	71.71	3,587	177.87	1,625
Forfeited	141.37	(472)	132.85	(150)
Settled in shares	133.14	(592)	125.36	(549)
Settled in cash	–	–	82.64	(4)
Closing balance	**98.77**	**5,464**	**162.65**	**2,727**

Share options scheme

Movements in the number of options outstanding and their related weighted average exercise prices are as follows:

UNAUDITED	2026 WEIGHTED AVERAGE EXERCISE PRICE (AUD)	2026 OPTIONS (000s)	2025 WEIGHTED AVERAGE EXERCISE PRICE (AUD)	2025 OPTIONS (000s)
Six months ended 30 September				
Opening balance	129.09	1,073	127.82	1,144
Forfeited/expired	127.23	(15)	82.26	(2)
Exercised	–	–	112.20	(31)
Settled in cash	–	–	121.46	(16)
Closing balance	**129.12**	**1,058**	**128.43**	**1,095**
Exercisable at 30 September	105.25	675	82.25	359

17. OECD PILLAR TWO MODEL RULES

Pillar Two legislation has been enacted or substantively enacted in a number of jurisdictions in which the Group operates. Under the rules, the Group may be liable to pay a top-up tax where the effective tax rate per jurisdiction is below the 15% minimum rate.

The Group has performed an assessment of its exposure to Pillar Two income taxes using information available at the reporting date. Based on this assessment, Pillar Two has not had a material impact on the current tax expense for the six months ended 30 September 2026. The Group has applied the mandatory exception to recognising and disclosing information about the deferred tax impact related to Pillar Two income taxes.

18. CONTINGENCIES AND CONTINGENT LIABILITIES

There were no contingent liabilities at 30 September 2026 (2025: nil).

From time to time, the Xero Group is involved in various legal proceedings, regulatory, tax and other claims and enquiries arising in the ordinary course of business. While the outcome of these matters is uncertain, the directors do not believe that the final resolution of these matters currently known will have a material or adverse effect on the Group's financial position, results of operations or cash flows.

19. EVENTS AFTER THE BALANCE SHEET DATE

There were no subsequent events between the balance date and the date these financial statements were authorised for issue.

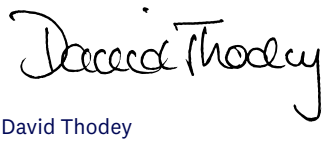
For personal use only

Directors' Declaration

The unaudited interim financial statements of Xero Limited and its subsidiaries ('the Group') for the six months ended 30 September 2026 were authorised for issue on 12 November 2026 in accordance with a resolution of the directors. In accordance with ASX Listing Rule 4.2A.2A, the directors declare that, as at that date, and in the directors' opinion:

1. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
2. the relevant interim financial statements and notes comply with accepted accounting standards in New Zealand.

For and on behalf of the Board



David Thodey
Chair
Xero Limited
12 November 2026



Mark Cross
Director
Xero Limited
12 November 2026

For personal use only

For personal use only

Corporate Directory

Registered offices

New Zealand
19-23 Taranaki Street
Te Aro, Wellington 6011
New Zealand

Australia
Level 3, 260 Burwood Road
Hawthorn, Vic 3122
Australia

Contact:
www.xero.com/about/contact

Directors

David Thodey, AO (Chair)
Steven Aldrich
Mark Cross
Mark Durcan
Brian McAndrews
Dale Murray, CBE
Susan Peterson

Company Secretary

Damien Coleman

Leadership team

Sukhinder Singh Cassidy
Chief Executive Officer

Damien Coleman
Chief Legal Officer & Company Secretary

Claire Bramley
Chief Financial Officer & Interim Chief People Officer

Diya Jolly
President, Product, Engineering & Customer Experience

Maninder Sawhney
Chief Business Officer

Angad Soin
Managing Director, Australia & New Zealand and Global Chief Strategy Officer

Michael Strickman
Chief Marketing Officer

Other company information

Company numbers
183 0488 (New Zealand)
ARBN 160 661 183 (Australia)

Web address
www.xero.com

Auditor
Ernst & Young

Stock exchange
Xero's ordinary shares are listed on the ASX

Share registrar
Computershare Investor Services Pty Limited

452 Johnston Street
Abbotsford, VIC, 3067

Telephone:
1300 850 505 (Australia)
+61 3 9415 4000 (overseas)

Email: www.investorcentre.com/contact
Website: www.computershare.com/investor