



XERO LIMITED

Interim Report FY26



Our purpose is to **make life better
for people in small business,
their advisors and communities
around the world**



Cover: Xero UK customer Rosette Ale, founder of Revival London and her designer Saabira Muhammad in London – revivalldn.com

Inset: Xero Australia partner Sally Brindle, founder of Elevate Business Solutions and her client Rebecca Morrice Williams, founder of BODILE and her employee Donald Venables in Perth – bodile.com



REFLECTIONS

- 04 Financial Highlights
- 05 Chair & CEO Review

FINANCIALS & DISCLOSURES

- 09 Our Performance
- 24 Independent Auditor's Report
- 25 Financial Statements
- 41 Directors' Declaration



“I really like how Xero organises my finances based on the involvement I want to have”

Xero US customer Scott Goodfriend, founder of Ultimate Food Tours

Xero US customer Scott Goodfriend, founder of Ultimate Food Tours, and his tour group, including Josh, and Diandra and Bridget from Xero, in New York – ultimatefoodtours.com

FINANCIAL HIGHLIGHTS¹

\$1.2b**Operating revenue****Up 20% YoY**
(18% in constant currency)**\$351m****Adjusted EBITDA****Up 12% YoY****4.6m****Subscribers****Up 404,000 YoY****\$49.63****Average revenue per user²****Up 15% YoY****\$2.7b****Annualised monthly
recurring revenue****Up 26% YoY****\$321m****Free cash flow****Up \$112m YoY****44.5%****Rule of 40³****Up 0.6pp YoY****77.0%****Operating expense ratio****Up 5.8pp YoY**
(Up 1.7pp excluding acquisition-related costs)

1. Operating revenue, adjusted EBITDA, operating expense ratio, Rule of 40 and free cash flow are reported for the 6 months ended 30 September 2025. Subscribers, annualised monthly recurring revenue and average revenue per user are as at 30 September 2025

2. See definition of ARPU on page 22

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)



David Thodey, AO
Chair of the Board



Sukhinder Singh Cassidy
CEO

🕒 12 mins

H1 FY26 COMBINED CHAIR & CEO REVIEW

Dear shareholder,

Xero has delivered a strong result for the first half of the 2026 financial year (H1 FY26), reinforcing our ability to deliver as we continue to do what we said we would do, in line with our strategy. Our results demonstrate strong momentum, with our portfolio of large markets and our products contributing to our macro-resilient growth.

In H1 FY26, revenue increased 20% to \$1,194 million as we once again delivered a greater than Rule of 40¹ outcome of 44.5% alongside significant cash generation — underpinned by our disciplined allocation of capital.

We're executing our strategy effectively, keeping our customers at the heart of everything. We have delivered key wins against our 3x3 strategy, the successful early close of our acquisition of Melio, continued product velocity and we maintain our focus on evolving our solid go-to-market (GTM) sales motions to pursue our customer penetration opportunity. As a leading global SaaS business — long powered by machine learning and AI — we see generative AI technology as a significant opportunity to create more value both for our customers and internally at Xero. We are excited about the newly expanded features being rolled out through JAX (Just Ask Xero) — our AI financial superagent — orchestrating multiple new capabilities all within our trusted environment, and about Xero's future overall.

WINNING ON PURPOSE

We're midway through our FY25-27 strategy and we have strong momentum against our key priorities, helping us deliver on our promises to customers, partners, shareholders and our people. In H1 FY26, we achieved key milestones aligned to our four strategic priorities as we strive to win on purpose.

1. Win the 3x3

We continued our strong product velocity and took a build, partner or buy approach to deliver leading offerings across accounting, payroll and payments in our three large markets. We have made great progress in H1 FY26, with several notable moves.

In June, we announced we had agreed to acquire Melio, a leading US SMB bill pay platform that seamlessly enables customers to manage their cash flow by offering SMBs and their advisors easy-to-use accounts payable (A/P) workflows and a wide choice of payment methods. In mid-October we successfully completed the acquisition, providing an opportunity to accelerate integration and deliver value for our US customers sooner. The combination of world-class teams and technology will help customers better manage their cash flow and streamline their operations on one platform. The acquisition is a significant milestone, creating opportunities to accelerate growth and long-term value.

In September, at Xerocon Brisbane, we showcased targeted investment and accelerated delivery of critical features for our customers based on their direct feedback. This included:

- Announcing our AI vision to deliver value for customers by investing in AI across our 3x3 to deliver new innovations, such as evolving JAX to become an AI financial superagent, orchestrating multiple AI agents across Xero's platform — for more information see *Focused Bets to Win the Future* on page 6
- Early access of Analytics powered by Syft (across Xero's 3x3 markets and rolling out globally in November), embedded into Xero, providing AI-powered insights (in beta) and a business health score
- Access to Syft Analytics for partners on eligible business plans, at no extra cost, with upcoming improvements to forecasting, advanced reporting and multi-entry consolidation

1. 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)

- The release of our customisable homepage (in beta) with a redesigned, simpler navigation — moving from a static dashboard to a customised and insight-rich experience providing customers with personalised actionable insights, recommended actions and a clear view of business performance
- Announcing our new Partner Hub, unifying practice tools and workflows with AI-powered assistance and compliance features (released in beta in Australia and New Zealand from November, with full release from early 2026)

In H1 FY26, we also launched Xero Workpapers (beta) in Australia, in partnership with BGL, available at no extra cost for all Australian practices using Xero Practice Manager or Xero Tax, and in beta in the coming months in the UK, New Zealand and Rest of World.

In the UK, to support accountants and bookkeepers ahead of Making Tax Digital for Income Tax (MTD for IT), we introduced Xero Simple, which includes invoicing, data capture and automated bank transaction imports, enabling direct MTD for IT filing.

In October, we also launched the beta of our embedded payroll solution for US customers through our partnership with Gusto, a provider of cloud-based payroll, benefits and HR solutions. The embedded solution allows customers to manage payroll directly within Xero and is a critical step in delivering a seamless experience where SMBs can complete their three main Jobs to be Done.

Complementing our more than 700 existing US bank feeds and coverage, we enhanced our US bank feeds through a partnership with Plaid, delivering more reliable, direct OAuth connections from over 1,500 institutions, which will roll out from late November 2025.

2. Build a Winning GTM Playbook

We continued to enhance our GTM playbook, with a focus on using multiple levers to onboard customers effectively, deepen our relationships with them, and optimise our product mix. We see a strategic opportunity to continue to grow ARPU over time, through our focus on driving improved mix and multi-product adoption to new customers as they join Xero, and also to our backbook of existing customers.

We've made good progress on data driven marketing as a key growth lever in our direct and partner channels, and on enhancing the sophistication of our sales motions to improve the mix of new customers joining Xero. These moves are supporting higher overall business edition mix in our new subscriber growth, as well as increasing business edition plan adoption specifically through our partner channel. However, there is still more work to do as we continue to focus on refining and developing our sales motions for our existing customers to unlock the customer penetration opportunity consistently over time.

In addition, we enhanced Analytics powered by Syft, which supports our partners to drive more usage among their clients, and included different features across multiple Xero business edition plans. This, along with updates to the way payroll is included across plans in Australia, the UK and New Zealand, has also helped improve subscriber mix.



Xero Australia customers Sallina & Wayne, owners of Cheol's in Perth — cheols.com.au

3. Focused Bets to Win the Future — reimagine financial management through AI and mobile

As a leading global SaaS business — long powered by machine learning and AI — Xero continues to see AI, and mobile, as a significant opportunity to innovate and invest to unlock value for our customers.

In H1 FY26, we announced the evolution of our AI financial superagent JAX, built on Xero's AI agentic platform which orchestrates multiple AI agents across Xero, to deliver a reimaged experience — and expanded the beta to more users in our partner channel.

Xero's AI vision is to reimagine financial management using AI to help small businesses and their advisors work smarter, together. It is supported by four unique pillars:

- **Reimagined experiences:** Creating new ways for customers to seamlessly interact with Xero including conversational interfaces and the ability to use AI powered features via WhatsApp, SMS and email
- **Automated actions and workflows:** Automating routine tasks and workflows to help customers save valuable time and stay compliant, such as automated bank reconciliation and invoice creation, with specific features for user oversight and controls
- **Actionable insights:** Combining trusted data from a customer's business on Xero, connected apps, and web research powered by OpenAI to provide intelligent reasoning and personalised insights that customers can use to make smarter decisions
- **Trusted partner:** JAX offers a trusted partnership built on security, privacy and decades of accounting expertise, delivering a personalised approach. In addition, Xero's proprietary JAX Assure control system further supports increased accuracy compared to conventional AI tools that rely solely on large language models

In line with these guiding pillars, JAX's innovative new features, launched in October, include automated bank reconciliation to help customers move faster, stay compliant and scale, integrated web research through collaboration with OpenAI on topics like market trends, and advanced financial insights to help customers explore their financial data and dig deeper.

We continued to enhance our mobile experience, which included announcing mobile bill capture with AI to help customers save time by allowing them to create bills in the Xero Accounting App by capturing photos or selecting files from their mobile device.

In our direct channel, we also enhanced the Xero mobile experience with new buy flow, mobile plans, guided set-up and invoice onboarding.

4. Unleash Xero(s) to Win

We continue to enable our people to thrive at Xero including empowering them with new capabilities, as we stay focused on driving more value for our customers and partners. This enables our purpose, performance, and people-based culture.

In H1 FY26, we continued to see our Customer Support teams leverage AI to provide better customer outcomes at scale, efficiently. Meanwhile, we equipped our developers with more AI-powered capabilities, and all Xeros with AI education and productivity tools to help them be more effective at work. Our people are automating repetitive tasks so that we can focus on providing the best service for our customers, developing new products and building and enhancing our own AI solutions. We're committed to continuing to increase internal efficiencies, create new processes and benefit from new ways of working and productivity to drive value for our customers and provide opportunities for reinvestment.



Xero UK partner Tyler Trew, founder of Highlight Accounting and his client Rebecca Shoovert, owner of Oh Happy Creative in Leigh-on-Sea – ohhappycreative.com

LOOKING AHEAD

As we enter the second half of FY26, our focus remains on helping to make life better for small businesses and their advisors by executing our strategy across our portfolio of regions and businesses.

We're excited to begin integrating Melio with Xero, and plan to roll out Melio's bill pay offering to all US customers in December 2025, in addition to continuing to support Melio's direct and syndicated offerings. We are confident in our execution and eager to complete our integration work to deliver this compelling value proposition to our customers.

Across all of our markets we will continue to build on our platform, delivering more intelligent capabilities to our customers and leveraging the flexibility created by our own internal efficiencies as we allocate capital with even greater discipline.

The opportunity ahead for Xero is significant and we're confident in our ability to pursue it. We're executing our strategy effectively, with key wins against our *Win the 3x3* strategy, and we continue to deliver value for our customers. As we continue to evolve, we are committed to our aspiration to be a world-class SaaS business and remain excited about Xero's future.

ASPIRATION

In June 2025, Xero outlined its FY28 aspirations as part of the acquisition of Melio. They are that:

- The combined business is expected to significantly accelerate US revenue growth and gives Xero the opportunity to more than double its FY25 group revenue in FY28 excluding anticipated revenue synergies^{2,3}
- This outcome is expected to support our aspiration to deliver greater than Rule of 40 outcomes for the group in FY28^{4,5,6}

2. Anticipated FY28 revenue synergies are expected to be ~US\$70 million (refer to page 27 of the Investor Presentation lodged with the ASX on 25 June 2025 for further details). Assuming constant currency conversion of NZ\$/US\$ 0.57, NZ\$/AU\$ 0.91 and NZ\$/GBP 0.46

3. Xero FY25 revenue was NZ\$2,103 million. This statement applies to FY28 only and no implication should be made relating to any other financial year

4. In the interim period prior to FY28, Xero expects to deliver below Rule of 40 outcomes on a pro forma basis (pro forma refers to adjusting for inorganic revenue growth benefits from the time of transaction completion by comparing to a prior year revenue base that fully incorporates Melio's revenue)

5. Assessed including both expected revenue and expected cost synergies outlined on page 27 of the Investor Presentation lodged with the ASX on 25 June 2025

6. Rule of 40 aspirations relate to Xero's results at the Xero Group level, in line with Xero's definition of Rule of 40 (for further details refer to page 42 in the H1 FY26 Investor Presentation)

OUTLOOK

Total operating expenses as a percentage of revenue is now expected to be around 70.5% in FY26.^{7,8} Xero previously expected this ratio to be around 71.5% in FY26.

Xero's FY26 Outlook now includes Melio. Incorporating Melio into Xero's FY26 OPEX ratio provides a small benefit, with other drivers including improved efficiencies, contributing the majority of the reduction.

This ratio is expected to be lower in H2 FY26 versus H1 FY26.⁹

Financial highlights

We're pleased to share Xero's strong operating results for H1 FY26, reinforcing our ability to deliver as we continue to do what we said we would do. We delivered operating revenue growth of 20% (18% in constant currency (CC)), to \$1,194 million and an operating expense to revenue ratio of 72.8%, excluding the impact of the Melio acquisition (77.0% including transaction costs).

This supported a 12% increase in adjusted EBITDA compared to H1 FY25, to \$350.9 million, with EBITDA of \$377.9 million.¹⁰ We also generated free cash flow of \$321.1 million with a free cash flow margin expanding to 26.9%, up from 21.0% in the prior period. As a result, we continued to deliver a greater than Rule of 40 outcome of 44.5% in H1 FY26.

We delivered robust annualised monthly recurring revenue (AMRR) growth of 26% to \$2.7 billion (19% in CC), driven by a good balance between subscriber growth and ARPU expansion (up 10% and 15% respectively).

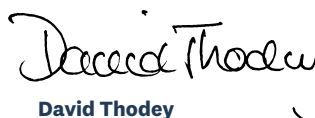
176,000 subscribers were added in H1 FY26. Total LTV increased 15%^{11,12} (9% in CC) to \$19.6 billion year-on-year. Average monthly churn (1.09%) remained below pre-pandemic trends, underscoring our macro-resilience and value customers place in the platform.

As a result of Melio-related costs, operating income decreased 22% compared to H1 FY25. Excluding acquisition-related costs, operating income increased 6%.

THANK YOU

Xero performed strongly in H1 FY26, reinforcing our ability to deliver. We're pleased with our strong momentum, sustained macro-resilient growth and effective execution of our strategy. These results show the value our customers place in Xero to help them run their business more effectively as we deliver on our purpose — to make life better for people in small business, their advisors and communities around the world.

On behalf of Xero's Board and leadership team, we'd like to thank our shareholders, people, customers and partners for your ongoing loyalty and support of our vision.



David Thodey
Chair



Sukhinder Singh Cassidy
CEO

Our Commitment to Sustainability

At Xero, we understand the importance of sustainability to creating long-term value for all our stakeholders, and we remain committed to building a socially responsible and sustainable business.

In H1 FY26, Xero's climate targets and methodology to achieve those targets were successfully approved by the Science Based Targets initiative (SBTi). Following the strategic acquisition of Melio, we will rebaseline our emissions and reset our targets in FY27, consistent with SBTi M&A guidelines.

7. This includes an expected ~\$45m from the accounting treatment of option grants and sign on from new remuneration packages. The majority of this impact will not recur in FY27

8. FY26 operating expense to revenue guidance excludes any impacts of transaction costs associated with the acquisition of Melio

9. This reflects the phasing of the non-recurring remuneration impacts (described above), Xerocon Brisbane, and timing of other planned investment spend. In addition, Xero expects to generate more revenue in H2 compared to H1 following its typical trend

10. Affected by two one-off impacts from the Melio acquisition: transaction costs of \$50.6 million and a FX translation gain on acquisition funds raised of \$77.6 million. The impact of these one-off operating impacts is excluded from Xero's operating expense to revenue guidance. The FX translation gain on acquisition funds is recorded in other expenses and does not impact Xero's operating revenue or operating expenses

11. LTV for H1 FY25 is calculated using churn excluding the impact of the removal of long idle subscriptions. This reflects churn dynamics present in Xero's go-forward subscriber base

12. For further details on the impact of the removal of long idle subscriptions that occurred in H1 FY25 and the definition of long idle subscriptions, see page 34 of Xero's FY25 Annual Report

🕒 32 mins

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.

Six months ended 30 September	2025 (\$000s)	2024 (\$000s)	CHANGE
Subscription revenue	1,115,137	941,102	18%
Other operating revenue	79,056	54,763	44%
Total operating revenue	1,194,193	995,865	20%
Cost of revenue	(137,180)	(110,533)	24%
Gross profit	1,057,013	885,332	19%
Gross margin percentage	88.5%	88.9%	-0.4pp*
Sales and marketing	(378,904)	(318,239)	19%
Product design and development	(336,366)	(285,650)	18%
General and administration	(153,958)	(104,257)	48%
Acquisition-related costs	(50,647)	(802)	NM**
Total operating expenses	(919,875)	(708,948)	30%
Percentage of operating revenue	77.0%	71.2%	5.8pp
Operating income	137,138	176,384	-22%
Other income and expenses	77,592	856	NM
Operating profit before asset disposals	214,730	177,240	21%
Loss on asset disposals	(603)	(2,228)	-73%
Earnings before interest and tax	214,127	175,012	22%
Percentage of operating revenue	17.9%	17.6%	0.3pp
Net finance income / (expense)	17,046	(20,313)	NM
Income tax expense	(96,389)	(59,606)	62%
Net profit	134,784	95,093	42%
Percentage of operating revenue	11.3%	9.5%	1.8pp

* pp stands for percentage point

** NM stands for not meaningful

BUSINESS RESULTS

Xero delivered strong operating results in H1 FY26, with sustained revenue growth of 20% (18% in constant currency) compared to H1 FY25, resulting in total operating revenue of \$1.2 billion in H1 FY26. This growth supported a H1 FY26 Rule of 40¹ outcome of 44.5%, with an expansion in free cash flow margin to 26.9%, up from 21.0% in H1 FY25².

Xero saw strong revenue growth across each of its three largest markets (Australia, the UK and the US) as a result of both subscriber growth and higher average revenue per user (ARPU). Over the 12 months to 30 September 2025, total subscribers grew 10%, resulting in the addition of 404,000 net new subscribers, bringing total subscribers to 4.6 million. Constant currency ARPU growth of 8% (15% nominal) was driven by price changes to reflect increased product value and continued payments growth.

In H1 FY26, gross margin saw a slight decrease of 0.4 percentage points, from 88.9% in H1 FY25 to 88.5% in H1 FY26, reflecting continued strategic investment in our platform capabilities and customer experience.

Excluding Melio acquisition-related costs, operating expenses as a percentage of revenue were 72.8% for H1 FY26 (77.0% including acquisition-related costs). The ratio increased from H1 FY25 by 1.7 percentage points, largely driven by an increase in general and administration expenses linked to the one-off accounting treatment of executive remuneration announced in FY25. As a result of Melio-related costs, operating income decreased 22% compared to H1 FY25. Excluding acquisition-related costs, operating income increased 6%.

EBITDA increased by 21% from \$311.7 million in H1 FY25 to \$377.9 million in H1 FY26. Adjusted EBITDA, which excludes one-off impacts from the Melio acquisition, increased 12% from \$312.5 million in H1 FY25 to \$350.9 million in H1 FY26, due to strong revenue growth partly offset by operating expense growth.

In H1 FY26, net finance income was \$17.0 million compared to a net finance expense of \$20.3 million in the comparative period. This shift is primarily due to the non-recurrence of large, non-cash items related to the H1 FY25 convertibles note refinancing and from interest earned on the proceeds of our recent capital raising in H1 FY26 (for further details refer to page 12).

Cash receipts from customers grew 20% from the comparative period, in line with revenue growth. Free cash flow improved by 54%, increasing by \$112.4 million from H1 FY25 to \$321.1 million in H1 FY26.

Income tax expense increased by \$36.8 million to \$96.4 million in H1 FY26, with an effective tax rate of 41.7% compared to 38.5% in H1 FY25. The increase in the effective tax rate was largely due to non-deductible costs relating to the Melio acquisition. After tax, Xero recognised a 42% increase in net profit to \$134.8 million, compared to \$95.1 million in H1 FY25.

1. 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)

2. Details on free cash flow can be found on page 12

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	2025 (\$000s)	2024 (\$000s)	CHANGE
Net profit	134,784	95,093	42%
Add back: net finance (income) / expense	(17,046)	20,313	NM
Add back: depreciation and amortisation	163,739	136,686	20%
Add back: income tax expense	96,389	59,606	62%
EBITDA	377,866	311,698	21%
<i>EBITDA margin</i>	<i>31.6%</i>	<i>31.3%</i>	<i>0.3pp</i>
Add back: acquisition-related costs	50,647	802	NM
Add back: revaluation on acquisition financing	(77,580)	-	NM
Add back: non-cash revaluations	(6)	-	NM
Adjusted EBITDA	350,927	312,500	12%
<i>Adjusted EBITDA margin</i>	<i>29.4%</i>	<i>31.4%</i>	<i>-2.0pp</i>
Add back: share-based payments	112,271	65,923	70%
Adjusted EBITDA (excluding share-based payments)	463,198	378,423	22%
<i>Adjusted EBITDA margin (excluding share-based payments)</i>	<i>38.8%</i>	<i>38.0%</i>	<i>0.8pp</i>

EBITDA increased \$66.2 million compared to H1 FY25, improving the EBITDA margin by 0.3 percentage points, from 31.3% to 31.6%. This figure included two one-off impacts from the Melio acquisition: \$50.6 million in transaction costs and a \$77.6 million foreign exchange gain on United States Dollar (USD) funds held for acquisition purposes.

Excluding these one-off Melio acquisition impacts, adjusted EBITDA for H1 FY26 grew by 12%, or \$38.4 million, reaching \$350.9 million. However, the adjusted EBITDA margin declined by 2.0 percentage points, from 31.4% in H1 FY25 to 29.4% in H1 FY26, largely reflecting growth in general and administration costs and continued product and go-to-market investments in support of Xero's Win the 3x3 strategic priority.

Share-based payments had a \$112.3 million impact on adjusted EBITDA. After removing this non-cash expense, the underlying margin improved by 0.8 percentage points compared to H1 FY25. This positive underlying performance differs from the reported adjusted EBITDA margin due to an increase in share-based payments as a proportion of operating revenue. These expenses increased from 6.6% of revenue in H1 FY25 to 9.4% of revenue in H1 FY26 (or 8.9% to 12.3% including capitalised amounts). The rise in share-based payments is attributable to the combined impact of executive option and sign-on equity grants and Xero's focus on attracting leading global SaaS talent.

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	2025 (\$000s)	2024 (\$000s)	CHANGE
Receipts from customers	1,186,913	993,188	20%
Net interest received	67,425	42,703	58%
Income tax paid	(23,906)	(27,318)	-12%
Other operating cash flows	(718,633)	(649,580)	11%
Total cash flows from operating activities	511,799	358,993	43%
Investing activities	(199,188)	(196,639)	1%
Add back: acquisitions and investments	8,487	46,332	-82%
Free cash flow	321,098	208,686	54%
Free cash flow margin	26.9%	21.0%	5.9pp
Rule of 40	44.5%	43.9%	0.6pp

Free cash flow increased by \$112.4 million, from \$208.7 million in H1 FY25 to \$321.1 million in H1 FY26. As a result, free cash flow margin increased 5.9 percentage points to 26.9% in H1 FY26, from 21.0% in the comparative period. This contributed to a Rule of 40 outcome of 44.5% in H1 FY26, compared to 43.9% in H1 FY25.

Cash flows from operating activities increased by 43%, or \$152.8 million, to \$511.8 million. The improvement was driven by receipts from customers, which increased by 20%, or \$193.7 million, consistent with operating revenue growth of 20%. Operating cash flows were further supported by an increase in net interest received of 58%, or \$24.7 million, reflecting higher cash balances. These inflows were partially offset by a 10%, or \$67.7 million, increase in payments to suppliers and employees, reflecting an increase in full-time equivalent (FTE) employees, and a higher level of performance marketing spend. Payments to suppliers and employees increased at a lower rate than operating expenses, due to an increase in non-cash share-based payment expenses and the payment timing of Melio acquisition-related expenses. Transaction costs within operating activities of \$8.1 million in H1 FY26 are excluded from our calculation of free cash flow.

Cash flows from investing activities remained largely unchanged, increasing 1%, or \$2.5 million from H1 FY25. Investing activities in the prior period were impacted by the investment in Deputy (\$42.1 million) and Tickstar earnout payments (\$4.3 million) — noting that all of these M&A-related items are excluded from our calculation of free cash flow. Excluding these items, investing activities increased 32% from H1 FY25, largely reflecting a \$49.6 million increase in capitalised development costs.

Total available liquidity³ grew from \$2.0 billion at 30 September 2024, to \$5.5 billion at 30 September 2025. This was due to \$2.1 billion net proceeds from funds raised for the acquisition of Melio, the issuance of a new standby credit facility of \$692.0 million, and free cash flow generation of \$619.2 million over the 12 months to 30 September 2025. The completion of the Melio acquisition in October 2025 resulted in a \$3.7 billion reduction in available liquidity, which comprised both the net proceeds of funds raised and the standby credit facility.

3. Defined as cash and cash equivalents, short-term deposits, and available credit facilities

OPERATING REVENUE

Subscription revenue comprises recurring fees from subscribers 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, 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 FY26 at the average foreign exchange rates for H1 FY25, excluding the impact of hedging.

Six months ended 30 September	2025 (\$000s)	2024 (\$000s)	CHANGE	CHANGE IN CONSTANT CURRENCY
Subscription revenue	1,115,137	941,102	18%	16%
Other operating revenue	79,056	54,763	44%	42%
Total operating revenue	1,194,193	995,865	20%	18%

Total operating revenue grew 20%, or \$198.3 million, to \$1.2 billion in H1 FY26. The comparatively weaker New Zealand Dollar (NZD) against the United States Dollar (USD) and Great British Pound (GBP) had a favourable impact on reported revenue. In constant currency, operating revenue grew 18%.

Subscription revenue increased by \$174.0 million, or 18% (16% in constant currency), to \$1.1 billion in H1 FY26. This was driven by subscriber growth of 10%, alongside ARPU expansion as we

continued to add value to our product offering through new features and capability improvements.

Other operating revenue increased 44% (42% in constant currency), or \$24.3 million, compared to H1 FY25. This was primarily due to strong financial services performance and continued payments volume growth supported by adoption of our payments products across our three largest markets, alongside improved unit economics. Excluding the impact of Xerocon, other operating revenue increased 53%.

OPERATING REVENUE BY GEOGRAPHY

Six months ended 30 September	2025 (\$000s)	2024 (\$000s)	CHANGE	CHANGE IN CONSTANT CURRENCY
Australia	545,693	457,664	19%	19%
New Zealand	118,033	109,385	8%	8%
Australia and New Zealand (ANZ) total	663,726	567,049	17%	17%
United Kingdom	338,996	270,991	25%	20%
North America	71,649	59,302	21%	18%
Rest of World	119,822	98,523	22%	16%
International total	530,467	428,816	24%	19%
Total operating revenue	1,194,193	995,865	20%	18%

ANZ — Operating revenue increased by \$96.7 million, or 17% (17% in constant currency), compared to H1 FY25. This was due to subscriber and ARPU growth of 7% and 12% respectively. The ANZ segment contributed 56% of total company operating revenue, a 1.4 percentage point decrease from H1 FY25.

Australia’s operating revenue increased \$88.0 million, or 19%, in H1 FY26. This was driven by subscriber growth, financial services growth and price changes. Additionally, Australia’s operating revenue benefited from Xerocon Brisbane held in H1 FY26 (no Xerocon was held in Australia in H1 FY25). Excluding Xerocon revenue, operating revenue grew 18%.

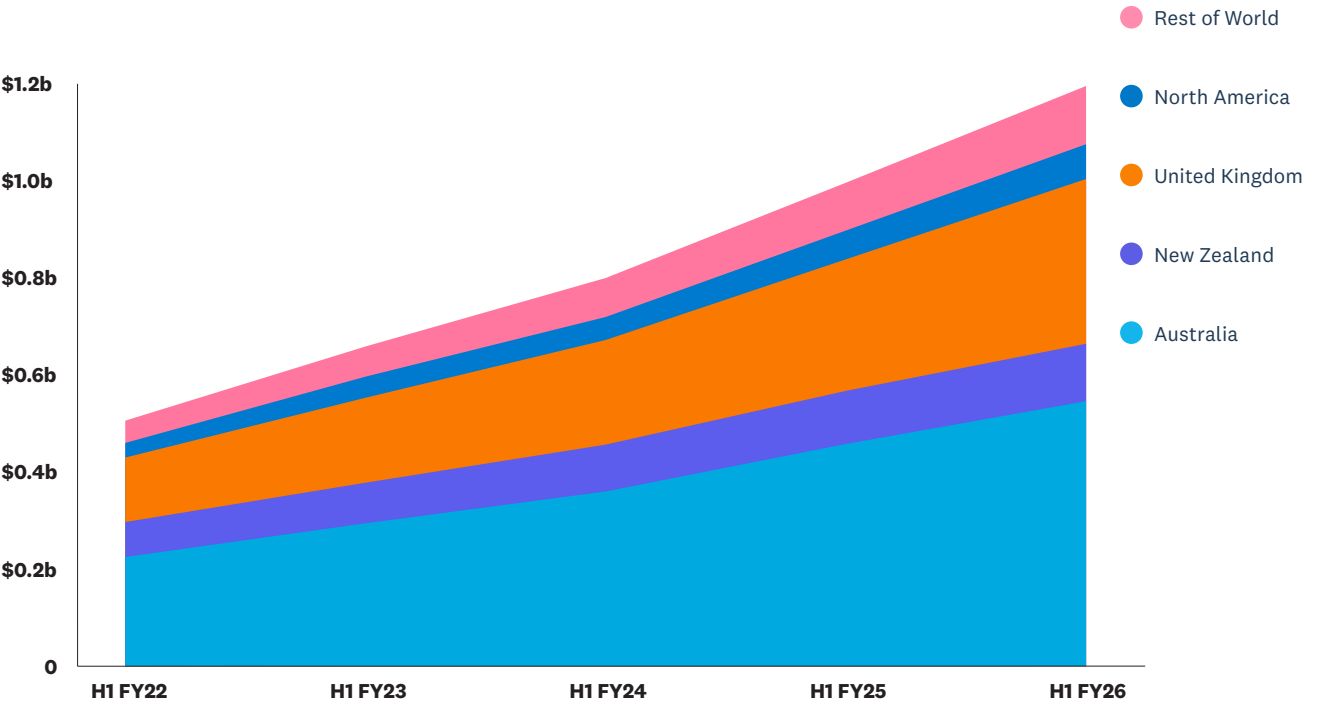
New Zealand’s operating revenue increased 8%, or \$8.6 million, compared to H1 FY25. Growth was driven by subscriber growth of 4%, and price changes.

International — Operating revenue grew by \$101.7 million, or 24% (19% in constant currency), compared to H1 FY25, driven by subscriber growth, along with ARPU expansion. The International segment contributed 44% of total operating revenue, a 1.4 percentage point increase from H1 FY25.

UK and North America operating revenue grew 25% (20% in constant currency) and 21% (18% in constant currency) respectively compared to H1 FY25. Growth in both markets was driven by continued strong subscriber growth, alongside ARPU expansion driven by price changes and strong financial services performance. Excluding Xerocon revenue generated in H1 FY25 (there were no Xerocons in H1 FY26 in these regions), revenue growth was 27% in the UK and 26% in North America.

Operating revenue in our Rest of World markets increased by 22% from H1 FY25 (16% in constant currency). South Africa was the largest contributor, followed by Singapore.

Total group operating revenue by geography



SUBSCRIBER NUMBERS

Subscriber means each unique subscription to a Xero-offered product that is purchased by a user (e.g. small business or accounting partner), and which is, or is available to be, deployed. Subscribers that have multiple subscriptions to integrated products on the Xero platform are counted as a single subscriber.

In H1 FY25 we completed a program to remove long idle subscriptions. Long idle subscriptions were those that had been undeployed for more than 24 months and were not expected to be deployed within a reasonable timeframe. The removal of these impacted subscriber growth over FY25. See subscriber numbers on page 34 of our FY25 Annual Report for further details. Net new subscriber additions for H1 FY25 disclosed below exclude the removal of these long idles.

At 30 September	2025	2024	CHANGE
Australia	2,016,000	1,855,000	9%
New Zealand	638,000	614,000	4%
Australia and New Zealand (ANZ) total	2,654,000	2,469,000	7%
United Kingdom	1,209,000	1,074,000	13%
North America	419,000	365,000	15%
Rest of World	308,000	278,000	11%
International total	1,936,000	1,717,000	13%
Total paying subscribers	4,590,000	4,186,000	10%

Xero Group — Total subscribers was 4.6 million as at 30 September 2025, with 404,000 net new subscribers added in the 12 months ended 30 September 2025, compared to 401,000 in the previous 12 months. H1 FY26 contributed 176,000 of these net new subscribers. This growth is increasingly driven by our International segment, which accounted for 54% of net additions, up from 46% in the previous year. This successful shift highlights our expanding global footprint and reduced reliance on the mature ANZ markets.

ANZ — Total subscribers was 2.7 million as at 30 September 2025, with 185,000 net new subscribers added in the 12-month period, compared to 216,000 in the 12 months ended 30 September 2024.

Australia continues to drive strong growth in the ANZ segment, with the addition of 161,000 net new subscribers in the 12 months ended 30 September 2025, to reach a total of 2.0 million subscribers. H1 FY26 contributed 80,000 of these net new subscriptions. Growth reflected a continued focus on supporting accounting and bookkeeping partners along with increased investment in our direct go-to-market channels.

New Zealand added 24,000 net new subscribers in the 12-month period to 30 September 2025, bringing total subscribers for the region to 638,000. H1 FY26 contributed 9,000 of these net new subscriptions, reflecting continued growth despite the depth of cloud accounting penetration in our heritage market.

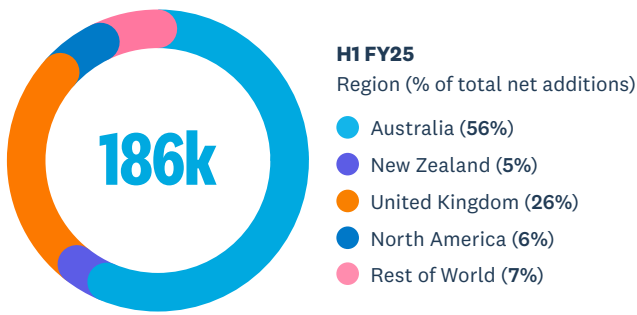
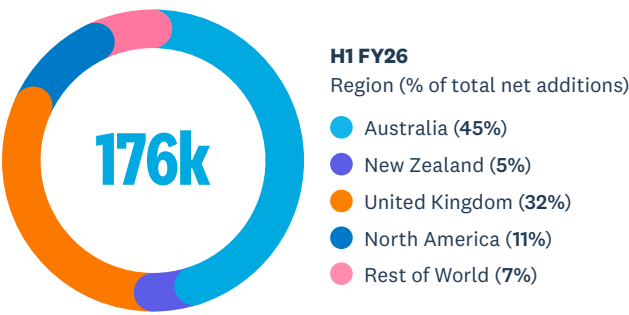
International — Total subscribers was 1.9 million as at 30 September 2025, with 219,000 net new subscribers added in the 12 months ended 30 September 2025, compared to 185,000 in the previous 12 months. H1 FY26 contributed 87,000 of these net new subscribers.

The UK added 135,000 net new subscribers in the 12 months ended 30 September 2025 (up from 116,000 in the previous 12 months), to a total of 1.2 million subscribers. Subscriber growth reflected continued cloud accounting adoption across our target segments, alongside some early adopters of Xero Simple ahead of the Making Tax Digital for Income Tax deadline in April 2026.

North America added 54,000 net new subscribers during the 12 months ended 30 September 2025 (up from 38,000 in the prior period), to a total of 419,000 subscribers. H1 FY26 contributed 19,000 of these additions. This was in line with normal seasonality for the North American region due to the timing of US tax year end which impacts our ability to engage with accountants and bookkeepers. Growth in Canada remains minimal, reflecting a subdued backdrop for cloud accounting adoption.

Rest of World markets added 30,000 net new subscribers during the 12-month period to 30 September 2025, to a total of 308,000 subscribers. South Africa continues to be the primary growth driver in this region, reflecting our strong presence in this market and limited cloud accounting adoption.

Net subscriber additions



Regional subscribers at 30 September 2025⁴



Australia
2,016,000
2024 | 1,855,000
▲ Up 9%



New Zealand
638,000
2024 | 614,000
▲ Up 4%



United Kingdom
1,209,000
2024 | 1,074,000
▲ Up 13%



North America
419,000
2024 | 365,000
▲ Up 15%

4. Rest of World subscribers at 30 September 2025: 308,000 (30 September 2024: 278,000)

ANNUALISED MONTHLY RECURRING REVENUE

Annualised monthly recurring revenue (AMRR) is a non-GAAP financial measure that represents monthly recurring revenue at 30 September multiplied by 12. It provides a 12-month forward view of revenue, assuming short-term promotions have ended and other factors such as subscriber numbers, transaction volumes, pricing, and foreign exchange remain unchanged during the year.

Constant currency AMRR (also a non-GAAP financial measure) is calculated by translating AMRR at 30 September 2025 at the foreign exchange rates at 30 September 2024. 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 FY25.

At 30 September	2025 (\$000s)	2024 (\$000s)	CHANGE	CHANGE IN CONSTANT CURRENCY
ANZ	1,477,481	1,224,855	21%	16%
International	1,256,339	939,276	34%	21%
Total	2,733,820	2,164,131	26%	19%

Total Group — AMRR surpassed \$2.5 billion during H1 FY26, growing by 26% (19% in constant currency), or \$569.7 million to \$2.7 billion as at 30 September 2025. This was driven by subscriber growth of 10% and ARPU expansion of 15% (8% in constant currency). AMRR growth in nominal terms benefited from favourable foreign exchange movements against trading currencies in our key markets. ARPU benefited from increases to financial services revenue and price rises.

ANZ — AMRR increased by 21% (16% in constant currency), or \$252.6 million, compared to H1 FY25, to \$1.5 billion.

This was mainly driven by continued subscriber growth and price changes, along with platform revenue growth such as Xero payments.

International — AMRR grew 34% (21% in constant currency), or \$317.1 million, to \$1.3 billion compared to H1 FY25. International AMRR benefited from the strengthening of both GBP and USD against the NZD. AMRR improvement reflects strong platform revenue growth in each region, along with the impact of price changes.

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 subscribers.

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

Six months ended 30 September	2025 (\$000s)	2024 (\$000s)	CHANGE
Operating revenue	1,194,193	995,865	20%
Cost of revenue	(137,180)	(110,533)	24%
Gross profit	1,057,013	885,332	19%
Gross margin percentage	88.5%	88.9%	-0.4pp

Gross profit in H1 FY26 grew 19%, or \$171.7 million, to \$1.1 billion. This was driven by operating revenue growth of 20% and cost of revenue growth of 24%, reflecting continued strategic investment in our platform capabilities and customer experience.

This resulted in gross margin for H1 FY26 decreasing 0.4 percentage points to 88.5%, compared to 88.9% in H1 FY25.

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 subscriber base. Other costs included are external advertising costs, marketing costs, and promotional event costs, as well as allocated overheads.

Six months ended 30 September	2025 (\$000s)	2024 (\$000s)	CHANGE
Sales and marketing expenses	378,904	318,239	19%
Percentage of operating revenue	31.7%	32.0%	-0.3pp

Sales and marketing costs include:

- Costs incurred to acquire new subscribers and invest in Xero’s brand to attract future subscribers
- 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 subscribers, which is recognised over the lifetime of the subscriber.

Sales and marketing costs increased by 19% to \$378.9 million for H1 FY26, in line with operating revenue growth of 20%. The increase was largely driven by performance marketing as we invested in

our digital channels and continued to build our internal capabilities across go-to-market functions. These increases were partly offset by lower Xerocon costs, with one Xerocon in H1 FY26 compared to two Xerocons in H1 FY25.

Sales and marketing costs as a proportion of operating revenue, saw a slight decrease of 0.3 percentage points to 31.7% in H1 FY26.

Excluding Xerocon, as a proportion of operating revenue sales and marketing costs increased 1.1 percentage points from 30.1% in H1 FY25 to 31.2% in H1 FY26.

The average cost of acquiring a subscriber was \$757 per gross subscriber added in the 12 months ended 30 September 2025, compared to \$641 in the 12 months ended 30 September 2024. This increase reflects Xero’s focus on the value of each subscriber added as we focus on improving product mix.⁵

5. Details on lifetime value can be found on page 22

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 create a benefit in future years, and that meet 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	2025 (\$000s)	2024 (\$000s)	CHANGE
Total product design and development costs (including amounts capitalised)	412,954	332,304	24%
Percentage of operating revenue	34.6%	33.4%	1.2pp
Less capitalised development costs	(195,945)	(146,342)	34%
Product design and development expense (excluding amortisation of amounts capitalised)	217,009	185,962	17%
Less government grants	(777)	(888)	-13%
Add amortisation of capitalised development costs	120,134	100,576	19%
Product design and development expenses	336,366	285,650	18%
Percentage of operating revenue	28.2%	28.7%	-0.5pp

Total gross product design and development costs (including amounts capitalised) were \$413.0 million for H1 FY26, an increase of 24%, or \$80.7 million, from H1 FY25. As a percentage of operating revenue, this investment increased 1.2 percentage points from the comparative period, to 34.6%. This reflected Xero's focus on product velocity, hiring product domain experts to support delivery of AI functionality offered by our JAX product, and strengthening the link between pay and performance as part of our evolving performance management framework.

H1 FY26 capitalised development costs of \$195.9 million represent a capitalisation rate of 47.4% of total product and development costs, compared to 44.0% in H1 FY25. The increase

in the capitalisation rate of 3.4 percentage points reflects an increased focus on product velocity, as we released multiple new products and capabilities in line with our *Win the 3x3* strategic priority at our Xerocon Brisbane event. Capitalisation rates can fluctuate between periods depending on the phase of the development and nature of investment.

Amortisation of previously capitalised product design and development expenditure of \$120.1 million was included as a non-cash expense, and increased by 19%, reflecting prior year product investment. After amortisation and government grants, net product design and development expenses were \$336.4 million for the period, an increase of 18%, or \$50.7 million.

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	2025 (\$000s)	2024 (\$000s)	CHANGE
General and administration expenses	153,958	104,257	48%
Percentage of operating revenue	12.9%	10.5%	2.4pp

General and administrative expenses were \$154.0 million, an increase of \$49.7 million, or 48%, compared to H1 FY25. This was primarily driven by higher executive personnel costs, largely associated with the one-off accounting treatment of option grants and sign-ons announced in FY25.

As a result, general and administration expenses as a proportion of operating revenue grew by 2.4 percentage points to 12.9% in H1 FY26.

EMPLOYEES

<i>At 30 September</i>	2025	2024	CHANGE
Total Group	4,615	4,356	6%

Full-time equivalent (FTE) employees increased by 259, or 6%, compared to H1 FY25. This includes 76 FTEs following the Syft acquisition in H2 FY25. Without the addition of Syft FTEs, employee growth was 4% compared to H1 FY25, which reflected hiring of individuals in key areas of the business in line with our strategic priorities.

NET FINANCE INCOME/EXPENSE

<i>Six months ended 30 September</i>	2025 (\$000s)	2024 (\$000s)	CHANGE
Interest income on cash and deposits	73,410	47,141	56%
Gain on repurchase of convertible notes	-	36,105	NM
Finance lease interest income	21	29	-28%
Total finance income	73,431	83,275	-12%
Amortisation of discount and debt issuance costs	(28,708)	(22,496)	28%
Lease liability interest	(3,518)	(3,722)	-5%
Derivative revaluation loss	(10,435)	(50,025)	-79%
Interest on term debt	(12,673)	(7,522)	68%
Loan commitment revaluation loss	-	(9,494)	NM
Other finance expense	(1,051)	(10,329)	-90%
Total finance expense	(56,385)	(103,588)	-46%
Net finance income/(expense)	17,046	(20,313)	NM

Finance income decreased by \$9.8 million to \$73.4 million in H1 FY26. The decrease was driven by the one-off \$36.1 million gain on repurchase of convertible notes recognised in H1 FY25. This was partly offset by a \$26.3 million increase in interest income in H1 FY26, largely achieved from higher cash balances compared to H1 FY25. Higher cash balances were mostly the result of funds raised to finance the acquisition of Melio. Cash balances decreased in October 2025 by \$3.0 billion following the completion of the acquisition.

Finance expenses of \$56.4 million decreased by \$47.2 million, largely as a result of lower recognised revaluation losses of \$10.4 million in H1 FY26, compared to \$59.5 million in H1 FY25. The H1 FY26 derivative revaluation loss of \$10.4 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.

Amortisation expense increased by \$6.2 million, or 28%, from H1 FY25, driven by a larger convertible note value following the convertible notes refinancing in June 2024. The refinanced convertible notes also contain a cash coupon cost at an interest rate of 1.625%, resulting in a \$5.2 million increase in term debt expense in H1 FY26.

Other finance expenses decreased by \$9.3 million in H1 FY26, primarily due to one-off transaction costs in H1 FY25 relating to the refinancing of the convertible notes.

SEGMENT INFORMATION

Operating revenue is allocated to a segment depending on where the subscriber 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 2025	ANZ (\$000s)	INTERNATIONAL (\$000s)	TOTAL (\$000s)
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%

Six months ended 30 September 2024

Operating revenue	567,049	428,816	995,865
Cost of revenue	(63,462)	(47,071)	(110,533)
Sales and marketing	(84,655)	(233,584)	(318,239)
Segment contribution	418,932	148,161	567,093
Contribution margin percentage	73.9%	34.6%	56.9%

ANZ — Segment contribution increased \$57.1 million, or 14%, to \$476.0 million in H1 FY26. The contribution margin decreased 2.2 percentage points in H1 FY26, to 71.7%.

Operating revenue grew 17%, which is discussed on page 13. Segment expenses increased 27% or \$39.6 million, largely due to the 33% growth in sales and marketing expenditure. This was mainly driven by our increased investment in digital performance marketing, alongside the impact of Xerocon Brisbane, which was held in H1 FY26 (no Xerocon event was held in the region during H1 FY25). Excluding Xerocon, ANZ sales and marketing costs increased 24%, resulting in a contribution margin of 72.7%.

ANZ's higher segment contribution margin compared to the International segment reflects the cost benefits derived from higher cloud accounting penetration, and our strong brand presence in these markets.

International — Segment contribution in H1 FY26 increased \$54.0 million, or 36%, compared to H1 FY25. This growth led to a contribution margin of 38.1% for H1 FY26, up by 3.5 percentage points.

Operating revenue growth of 24%, which is discussed on page 13, outpaced the 17% growth in expenses. Expense growth reflects increased investment in sales and marketing, primarily driven by higher digital marketing spend and employee costs.

The contribution margin for the International segment compared to ANZ remained comparatively lower. This reflects the relatively higher cost of acquiring subscribers in these markets as Xero focuses investment to improve subscriber additions through both direct and partner channels, while working to improve brand recognition in our international growth markets.

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.

Average revenue per user (ARPU) is calculated as AMRR at 30 September⁶, divided by the number of subscribers at that time, and divided by 12 to get a monthly view.

Customer acquisition costs (CAC) months are the months of ARPU to recover the cost of acquiring each new subscriber. 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 subscribers added during the same period, divided by ARPU.

Churn is the value of monthly recurring revenue (MRR) from subscribers 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 subscriber over the lifetime of that subscriber. This is calculated by taking the average subscriber lifetime (one divided by churn), multiplied by ARPU, multiplied by the gross margin percentage. Xero Group LTV is calculated as the sum of the individual segment LTV, multiplied by their respective segment subscribers, divided by total Xero Group subscribers.

LTV/CAC is the ratio between the LTV per subscriber and the cost to acquire that subscriber. For example, the LTV derived from a subscriber is currently on average 5.6 times the cost of acquiring that subscriber.

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 subscriber numbers, enhancing products and services for existing subscribers, thereby increasing ARPU and/or reducing churn, and improving gross margin through cost efficiencies.

The table below outlines key metrics across our segments:

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

At 30 September 2024	ANZ	INTERNATIONAL	TOTAL
ARPU (\$)	41.34	45.59	43.08
CAC months	8.1	21.1	14.9
Churn ⁷	0.79%	1.27%	1.00%
LTV per subscriber (\$) ⁸	4,669	3,191	4,063
LTV/CAC ⁸	14.0	3.3	6.3

Xero Group — Xero Group ARPU increased by 8% in constant currency, 15% on a nominal basis, to \$49.63. The increase in ARPU excluding currency impacts reflects price changes alongside continued payments growth.

Churn increased for the Xero Group to 1.09% for H1 FY26, compared to 1.00% in the comparative period.⁷ The increase in churn reflected 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 ARPU customers.

Total subscriber LTV⁸ increased by \$2.6 billion, or 15% (9% in constant currency) year-on-year, from \$17.0 billion to \$19.6 billion.

Excluding currency impacts, improvements were driven by growth in both ARPU and subscribers, partly offset by an increase in churn.

Xero Group LTV/CAC ratio was 5.6 in H1 FY26, down from 6.3 in the comparative period. The decrease was driven by deliberate decisions to increase sales and marketing spend directed to Xero's key markets to support our focus on the value of each subscriber added, alongside higher churn. This is also reflected in CAC months increasing to 15.2 months in H1 FY26, 2% higher than the comparative period of 14.9 months.

6. See definition of AMRR on page 17

7. Excluding the removal of long idle subscriptions in H1 FY25. Refer to page 34 of our FY25 Annual Report for more information

8. LTV, LTV per subscriber, and LTV/CAC for H1 FY25 were calculated using churn excluding the impact of the removal of long idle subscriptions. This reflects churn dynamics present in Xero's go-forward subscriber base. Refer to page 34 of our FY25 Annual Report for more information

ANZ — ARPU of \$46.39 increased by 8% in constant currency, 12% on a nominal basis. Constant currency improvements were driven by increased financial services revenue and price changes.

CAC months increased to 9.9 months in H1 FY26, from 8.1 months in H1 FY25. This was driven by increased sales and marketing spend in H1 FY26, outpacing the increase in ARPU. Excluding Xerocon, CAC months for ANZ were 9.5 months.

Churn increased from 0.79% in H1 FY25 to 0.84% in H1 FY26. The H1 FY26 rate was closer to churn levels experienced in the pre-pandemic period.

Total ANZ LTV increased by \$1.5 billion, or 13% (9% in constant currency), year-on-year, to \$13.0 billion. This was driven by ARPU and subscriber growth of 12% and 7% respectively, partly offset by an increase in churn and a slight decrease in gross margin. LTV/CAC decreased by 3.3 year-on-year to 10.7, driven by sales and marketing increasing at a greater rate than LTV. Increased sales and marketing spend reflects our investment in digital performance in the direct channel, and in our teams as we continue to focus on supporting accounting and bookkeeping partners.

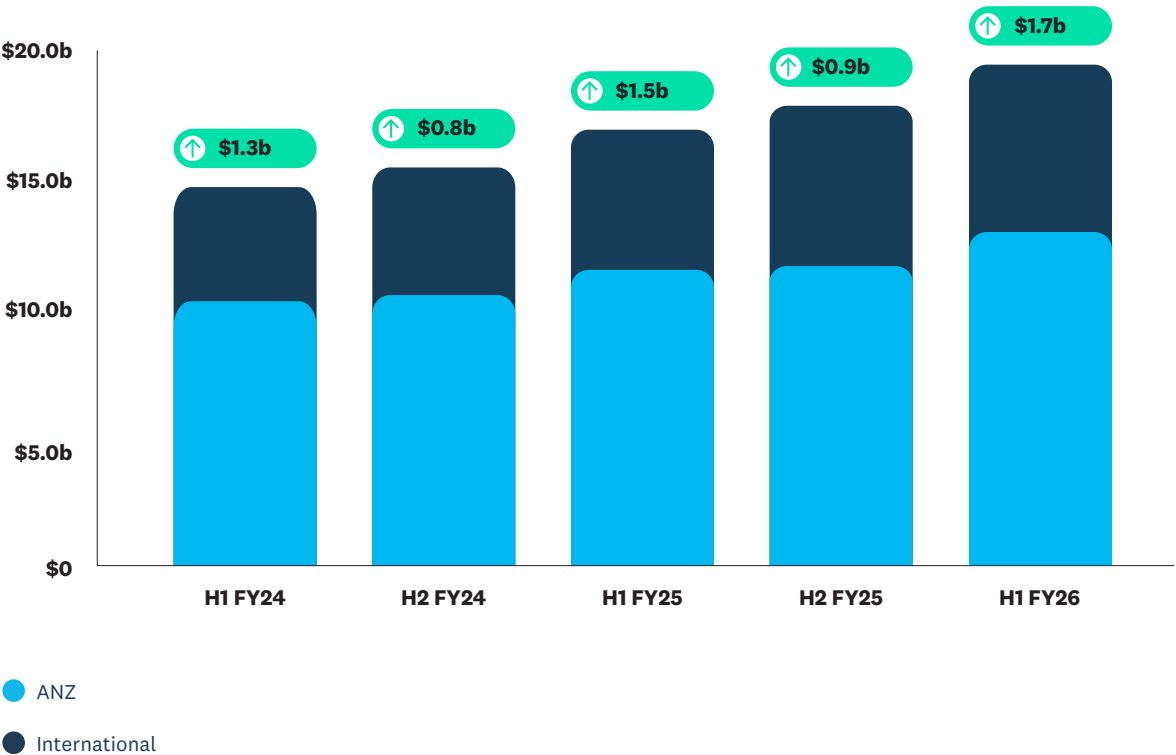
International — ARPU increased to \$54.08, or 8% in constant currency (19% on a nominal basis), year-on-year. This was driven by increases in financial services revenue, price changes, and the acquisition of Syft in H2 FY25.

CAC months decreased year-on-year by 2.4 months to 18.7 months. This decrease was a function of year-on-year subscriber growth outpacing the increase in sales and marketing spend.

Churn increased from 1.27% in H1 FY25 to 1.41% in H1 FY26. While it has increased, churn for the International segment remains below pre-pandemic levels.

Total International subscriber LTV increased by \$1.1 billion, or 20% (9% in constant currency) year-on-year, from \$5.5 billion to \$6.6 billion. This was primarily driven by an increase in subscribers, alongside an increase in ARPU. LTV per subscriber increased by \$194, or 6% (down 4% in constant currency), to \$3,385 in H1 FY26.

Total lifetime value



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE SHAREHOLDERS OF XERO LIMITED

CONCLUSION

We have reviewed the interim financial statements of Xero Limited ("the Company") and its subsidiaries (together "the Group") on pages 25 to 40 which comprise the statement of financial position as at 30 September 2025, 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 25 to 40 of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2025, 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.

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 relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

Ernst & Young provided other assurance services related to the Group's compliance with ISO 27001, market remuneration data and a Greenhouse Gas emissions workshop. 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.

We have no other relationship with, or interest in, the Group.

DIRECTORS' RESPONSIBILITY FOR THE INTERIM FINANCIAL STATEMENTS

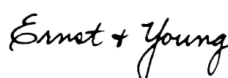
The directors are responsible, on behalf of the Company, for the preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 and IAS 34 and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim 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.

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
Chartered Accountants
Sydney
13 November 2025



Shape the future
with confidence

INTERIM FINANCIAL STATEMENTS

INCOME STATEMENT

<i>Six months ended 30 September</i>	NOTES	2025 UNAUDITED (\$000s)	2024 UNAUDITED (\$000s)
Subscription revenue		1,115,137	941,102
Other operating revenue		79,056	54,763
Total operating revenue	4	1,194,193	995,865
Cost of revenue	5	(137,180)	(110,533)
Gross profit		1,057,013	885,332
<i>Operating expenses</i>			
Sales and marketing		(378,904)	(318,239)
Product design and development		(336,366)	(285,650)
General and administration		(153,958)	(104,257)
Acquisition-related costs		(50,647)	(802)
Total operating expenses	5	(919,875)	(708,948)
Operating income		137,138	176,384
Other income	6	77,592	2,949
Other expenses		–	(2,093)
Loss on asset disposals		(603)	(2,228)
Earnings before interest and tax		214,127	175,012
Finance income	7	73,431	83,275
Finance expense	7	(56,385)	(103,588)
Net profit before tax		231,173	154,699
Income tax expense		(96,389)	(59,606)
Net profit after tax		134,784	95,093
Basic earnings per share	8	\$0.84	\$0.62
Diluted earnings per share	8	\$0.83	\$0.62

STATEMENT OF COMPREHENSIVE INCOME

<i>Six months ended 30 September</i>	NOTES	2025 UNAUDITED (\$000s)	2024 UNAUDITED (\$000s)
Net profit		134,784	95,093
Other comprehensive income*			
Movement in cash flow hedges (net of tax)	12	(23,902)	4,281
Translation of foreign operations (net of tax)		14,692	(12,365)
Total other comprehensive loss		(9,210)	(8,084)
Total comprehensive income		125,574	87,009

* 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

STATEMENT OF FINANCIAL POSITION

	NOTES	AT 30 SEPTEMBER 2025 UNAUDITED (\$000s)	AT 31 MARCH 2025 AUDITED (\$000s)
Assets			
<i>Current assets</i>			
Cash and cash equivalents		3,505,916	768,427
Short-term deposits		1,296,025	1,561,969
Trade and other receivables		190,009	192,721
Derivative assets		8,100	17,156
Income tax receivable		794	31,136
Other current assets		9,070	2,498
Total current assets		5,009,914	2,573,907
<i>Non-current assets</i>			
Property, plant and equipment		116,470	123,498
Intangible assets	9	1,268,230	1,179,417
Derivative assets		494,505	527,402
Deferred tax assets		20,624	13,761
Investments in financial assets	10	43,229	43,737
Other non-current assets		6,040	1,521
Total non-current assets		1,949,098	1,889,336
Total assets		6,959,012	4,463,243
Liabilities			
<i>Current liabilities</i>			
Trade and other payables		124,316	91,575
Employee entitlements		99,490	109,059
Lease liabilities		19,804	18,402
Derivative liabilities		567,342	567,940
Income tax payable		38,383	3,257
Term debt		1,243,733	1,228,572
Provisions		32,713	85
Other current liabilities		80,524	62,331
Total current liabilities		2,206,305	2,081,221
<i>Non-current liabilities</i>			
Lease liabilities		86,042	91,703
Derivative liabilities		9,408	7,090
Deferred tax liabilities		59,741	62,903
Contingent consideration	11	10,299	10,342
Other non-current liabilities		15,820	14,281
Total non-current liabilities		181,310	186,319
Total liabilities		2,387,615	2,267,540
Equity			
Share capital	14	4,216,646	2,039,476
Reserves		260,918	197,178
Retained earnings		93,833	(40,951)
Total equity		4,571,397	2,195,703
Total liabilities and shareholders' equity		6,959,012	4,463,243

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

STATEMENT OF CHANGES IN EQUITY

UNAUDITED	NOTES	SHARE CAPITAL (\$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 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		-	-	134,784	14,692	(23,902)	-	125,574
<i>Transactions with owners:</i>								
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	14	1,956,990	-	-	-	-	-	1,956,990
Share purchase plan, net of transaction costs	14	139,810	-	-	-	-	-	139,810
Balance at 30 September 2025		4,216,646	261,808	93,833	29,975	(31,335)	470	4,571,397
Balance at 1 April 2024		1,854,983	116,045	(268,768)	(5,171)	(2,886)	(301,256)	1,392,947
Net profit		-	-	95,093	-	-	-	95,093
Other comprehensive income/(loss)		-	-	-	(12,365)	4,281	-	(8,084)
Total comprehensive income		-	-	95,093	(12,365)	4,281	-	87,009
<i>Transactions with owners:</i>								
Share-based payments, net of tax	16	32,144	59,322	-	-	-	-	91,466
Share options exercised	16	15,792	(3,263)	-	-	-	-	12,529
Premium on call spread options, net of issuance costs		-	-	-	-	-	324,605	324,605
Unwind of call spread options		-	-	-	-	-	(22,879)	(22,879)
Balance at 30 September 2024		1,902,919	172,104	(173,675)	(17,536)	1,395	470	1,885,677

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

STATEMENT OF CASH FLOWS

<i>Six months ended 30 September</i>	NOTES	2025 UNAUDITED (\$000s)	2024 UNAUDITED (\$000s)
Operating activities			
Receipts from customers		1,186,913	993,188
Other income		136	1,465
Interest received		82,094	46,515
Payments to suppliers and employees		(718,769)	(651,045)
Interest paid		(14,669)	(3,812)
Income tax paid		(23,906)	(27,318)
Net cash flows from operating activities	15	511,799	358,993
Investing activities			
Capitalised development costs		(186,837)	(137,283)
Capitalised contract acquisition costs		(8,041)	(8,190)
Purchase of property, plant and equipment		(3,036)	(3,731)
Business acquisitions		(398)	(4,262)
Investments in financial assets		-	(42,070)
Other investing activities		(876)	(1,103)
Net cash flows from investing activities		(199,188)	(196,639)
Financing activities			
Proceeds from short-term deposits		1,924,624	1,378,376
Payments for short-term deposits		(1,679,194)	(1,567,273)
Share options exercised		3,690	12,529
Payment of lease liabilities		(9,439)	(10,227)
Proceeds from institutional placement		1,994,712	-
Institutional placement transaction costs		(35,278)	-
Proceeds from share purchase plan		139,931	-
Share purchase plan transaction costs		(121)	-
Debt facility fees		(6,062)	-
Settlement of derivative related to placement		(31,970)	-
Convertible notes transaction costs		-	(10,154)
Proceeds from issuance of convertible notes, net of issuance costs		-	1,483,730
Payments for buyback of convertible notes		-	(1,067,971)
Call spread options, net of issuance costs		-	(110,696)
Proceeds from unwind of call spread options		-	19,085
Net cash flows from financing activities		2,300,893	127,399
Net increase in cash and cash equivalents		2,613,504	289,753
Foreign currency translation adjustment		123,985	(29,967)
Cash and cash equivalents at the beginning of the period		768,427	498,791
Cash and cash equivalents at the end of the period		3,505,916	758,577

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

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 2025 were authorised in accordance with a resolution of the directors for issue on 13 November 2025.

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.

Certain comparative information has been reclassified to conform with the current period's classification. Specifically, acquisition-related costs have been separately presented (previously included in general and administrative costs) on the Income Statement and in note 3. Other reclassifications have also been made and reflected in note 15 to provide a consistent basis for assessing the comparative information. All other 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 2025.

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)
<i>Six months ended 30 September 2025</i>			
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
<i>Six months ended 30 September 2024</i>			
Operating revenue	567,049	428,816	995,865
Cost of revenue	(63,462)	(47,071)	(110,533)
Sales and marketing expenses	(84,655)	(233,584)	(318,239)
Segment contribution	418,932	148,161	567,093

Reconciliation from segment contribution to net profit before tax

	2025 UNAUDITED (\$000s)	2024 UNAUDITED (\$000s)
<i>Six months ended 30 September</i>		
Segment contribution	678,109	567,093
Product design and development	(336,366)	(285,650)
General and administration	(153,958)	(104,257)
Acquisition-related costs	(50,647)	(802)
Other income	77,592	2,949
Other expenses	-	(2,093)
Loss on asset disposals	(603)	(2,228)
Finance income	73,431	83,275
Finance expense	(56,385)	(103,588)
Net profit before tax	231,173	154,699

4. REVENUE

Operating revenue by geographic location

	2025 UNAUDITED (\$000s)	2024 UNAUDITED (\$000s)
<i>Six months ended 30 September</i>		
Australia	545,693	457,664
United Kingdom	338,996	270,991
New Zealand	118,033	109,385
North America	71,649	59,302
Rest of World	119,822	98,523
Total operating revenue	1,194,193	995,865

5. EXPENSES

Cost of revenue and operating expenses

<i>Six months ended 30 September</i>	2025 UNAUDITED (\$000s)	2024 UNAUDITED (\$000s)
Employee entitlements	485,833	400,787
Employee entitlements capitalised	(149,662)	(118,650)
Share-based payments	146,515	88,527
Share-based payments capitalised	(34,244)	(22,604)
Advertising and marketing	168,661	144,206
Platform costs	66,744	52,033
Platform costs capitalised	(5,787)	(3,972)
Consultants and contractors	113,493	49,287
Consultants and contractors capitalised	(40,178)	(24,526)
Computer equipment and software	40,340	30,898
Superannuation costs	23,800	19,681
Travel-related costs	18,966	13,639
Recruitment and other personnel costs	5,967	6,277
Communication, insurance and office administration	7,087	6,309
Rental costs	4,832	4,712
Other operating expenses	40,949	36,191
Total cost of revenue and operating expenses excl. depreciation and amortisation*	893,316	682,795

* Net of \$229.9 million of costs capitalised as intangible assets (2024: \$169.8 million) and grant income of \$0.9 million (2024: \$0.9 million)

Depreciation and amortisation

<i>Six months ended 30 September</i>	2025 UNAUDITED (\$000s)	2024 UNAUDITED (\$000s)
<i>Relating to:</i>		
Amortisation of development costs	139,409	113,773
Amortisation of other intangible assets	9,851	8,832
Depreciation of property, plant and equipment	14,479	14,081
Total depreciation and amortisation	163,739	136,686
Total cost of revenue and operating expenses	1,057,055	819,481

Depreciation and amortisation is included in function expenses as follows:

Product design and development	133,293	111,237
Sales and marketing	19,627	16,125
Cost of revenue	5,737	4,360
General and administration	5,082	4,964
Total depreciation and amortisation	163,739	136,686

6. OTHER INCOME

<i>Six months ended 30 September</i>	2025 UNAUDITED (\$000s)	2024 UNAUDITED (\$000s)
Currency translation gains	77,554	2,949
Other income	38	–
Total other income	77,592	2,949

Gains in the period relate to the translation of significant holdings of USD cash raised in the period for the acquisition of Melio.
Refer to note 18.

7. FINANCE INCOME AND EXPENSE**Finance income**

<i>Six months ended 30 September</i>	2025 UNAUDITED (\$000s)	2024 UNAUDITED (\$000s)
Interest income on cash and deposits	73,410	47,141
Gain on repurchase of convertible notes	–	36,105
Finance lease interest income	21	29
Total finance income	73,431	83,275

Finance expense

<i>Six months ended 30 September</i>	NOTES	2025 UNAUDITED (\$000s)	2024 UNAUDITED (\$000s)
Amortisation of discount and debt issuance costs		28,708	22,496
Lease liability interest		3,518	3,722
Derivative revaluation loss	13	10,435	50,025
Interest on term debt		12,673	7,522
Loan commitment revaluation loss		–	9,494
Other finance expense		1,051	10,329
Total finance expense		56,385	103,588

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 period, excluding shares held as treasury shares.

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 restricted shares, options and restricted stock units (RSUs). Instruments are only treated as dilutive when their conversion to ordinary shares would decrease EPS.

During the period, the Company completed a Share Purchase Plan (SPP), issuing 741,538 new shares to eligible shareholders at a discounted price of AUD174.67 per share, being a 2% discount to the 5-day volume weighted average price up to and including the closing date of the SPP. This issue contained a bonus element because the subscription price was less than the fair value of the shares. The weighted average number of ordinary shares outstanding for all periods presented has been retrospectively restated by applying the theoretical ex-rights price factor resulting from the bonus element. This adjustment was for the purposes of the earnings per share calculations only and does not impact actual share capital on issue.

The shares issued as a result of the Institutional Placement were included in the weighted average number of ordinary shares outstanding from the date of issue. Since the placement was not offered to all shareholders, the discount element of this transaction did not require retrospective restatement.

<i>Six months ended 30 September</i>	2025 UNAUDITED (000s)*	2024 UNAUDITED (000s)*
Net profit after tax attributable to equity holders of the Group	\$134,784	\$95,093
Basic weighted average number of ordinary shares	159,551	152,542
Shares issuable in relation to equity-based compensation schemes	2,303	1,482
Shares issuable in relation to call spread options	112	-
Diluted weighted average number of ordinary shares	161,966	154,024
Basic earnings per share	\$0.84	\$0.62
Diluted earnings per share	\$0.83	\$0.62

* 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.

9. INTANGIBLE ASSETS

UNAUDITED	SOFTWARE DEVELOPMENT (\$000s)	CONTRACT ACQUISITION ASSET (\$000s)	OTHER INTANGIBLE ASSETS (\$000s)	GOODWILL (\$000s)	TOTAL (\$000s)
<i>Six months ended 30 September 2025</i>					
Opening net book value	720,914	44,016	8,578	405,909	1,179,417
Additions*	221,245	8,154	472	–	229,871
Amortisation expense	(139,409)	(8,343)	(1,508)	–	(149,260)
Disposals	(44)	–	–	–	(44)
Foreign exchange adjustment	2,865	835	420	4,126	8,246
Closing net book value	805,571	44,662	7,962	410,035	1,268,230
<i>At 30 September 2025</i>					
Cost	1,427,763	87,869	17,674	410,035	1,943,341
Accumulated amortisation	(622,192)	(43,207)	(9,712)	–	(675,111)
Closing net book value	805,571	44,662	7,962	410,035	1,268,230
<i>At 31 March 2025</i>					
Cost	1,268,279	82,162	17,015	405,909	1,773,365
Accumulated amortisation	(547,365)	(38,146)	(8,437)	–	(593,948)
Closing net book value	720,914	44,016	8,578	405,909	1,179,417

* Included in software development additions is \$46.0 million of external costs capitalised (2024: \$28.5 million)

10. INVESTMENTS IN FINANCIAL ASSETS

	2025 UNAUDITED (\$000s)
<i>Six months ended 30 September</i>	
Balance at 1 April	43,737
Foreign exchange adjustment	(508)
Balance at 30 September	43,229

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 2025 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 month period to 30 September 2025.

11. CONTINGENT CONSIDERATION

<i>Six months ended 30 September</i>	2025 UNAUDITED (\$000s)
Balance at 1 April	15,654
Unwinding of discount	499
Change in fair value estimate	(6)
Foreign exchange adjustment	(122)
Balance at 30 September	16,025
Current	5,726
Non-current	10,299

Contingent consideration comprises the Group's 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 2025 included a revaluation gain. The gain was primarily driven by modifying certain product-related milestones, impacting the probability of achievement. The gain was partially offset by accelerating the expected timing of other product and revenue milestones and an increase in the expected payment amount for the revenue-related milestone.

The closing balance of contingent consideration is expected to be payable to the former shareholders of Syft and is expected to be settled in cash. The current portion of contingent consideration is anticipated to become payable following the achievement of specified product milestones, business integration milestones and revenue targets. The non-current portion is expected to become payable following the achievement of specified product milestones, which are anticipated to be met by December 2027.

Key estimates and assumptions

The fair value of contingent consideration 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). The probability of achievement is reviewed, and the fair value of the related liability is adjusted at each reporting period or as circumstances change. Contingent consideration 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 \$29.2 million (before taxation) was recognised in other comprehensive income (2024: gain of \$3.9 million). During the period, a gain of \$4.0 million (before taxation) was reclassified out of other comprehensive income to the Income Statement (2024: loss of \$2.0 million). The remaining balance will be reclassified to the Income Statement in future reporting periods as the relevant hedging instruments mature.

13. FINANCIAL INSTRUMENTS

Financial instruments recognised in the Statement of Financial Position include cash and cash equivalents, short-term deposits, receivables and payables, contingent consideration, term debt, 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. Fair value of foreign exchange derivatives are 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 2025 and 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 2025, the values of the debt components, embedded derivative component liabilities and call option derivative assets were as follows:

At 30 September 2025	FAIR VALUE UNAUDITED (\$000s)	CARRYING VALUE UNAUDITED (\$000s)
2025 term debt	(27,823)	(28,711)
2031 term debt	(1,309,595)	(1,215,023)
2025 conversion feature derivative liability	(173)	(173)
2031 conversion feature derivative liability	(524,777)	(524,777)
2031 low call spread option derivative asset	494,495	494,495

The above carrying values reflect recognition of a revaluation loss of \$25.0 million on the call option derivative assets, and a revaluation gain of \$14.6 million on the conversion feature derivative liability for the six months to 30 September 2025. 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

UNAUDITED	NOTES	2025 AUD PRICE*	2025 (000s)	2024 AUD PRICE*	2024 (000s)
Balance at 1 April		–	153,618	–	152,327
Issue of ordinary shares — restricted stock unit schemes	16	125.36	549	104.63	284
Issue of ordinary shares — exercising of employee share options	16	112.20	31	91.46	126
Issue of ordinary shares — institutional placement		176.00	10,511	–	–
Issue of ordinary shares — share purchase plan		174.67	742	–	–
Ordinary shares on issue at 30 September		–	165,451	–	152,737
Treasury shares		–	(31)	–	(31)
Ordinary shares on issue at 30 September, excluding treasury shares		–	165,420	–	152,706

*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, and share purchase plan is the placement price, and issue price respectively.

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

Institutional placement of ordinary shares

On 26 June 2025, Xero successfully completed an institutional placement of 10,511,364 new fully paid ordinary shares. These shares were issued at a discounted price of AUD176.00 per share, raising total gross proceeds of \$1,995 million. The principal purpose of the capital raise was to partially fund the acquisition of Melio Limited and its associated entities.

Share issue costs of \$38 million, which consisted primarily of underwriting and management fees, have been recognised directly in equity.

Share purchase plan issue of ordinary shares

On 24 July 2025, Xero successfully completed a share purchase plan of 741,538 new ordinary shares issued at a discounted price of AUD174.67 per share, raising a total of \$139.9 million. Refer to note 8 for further details. The principal purpose of the share purchase plan was to provide the vast majority of eligible shareholders who were not able to participate in the institutional placement with an opportunity to subscribe for a number of shares that they would have been entitled to under a pro-rata entitlement offer. The proceeds will be used for general corporate and working capital purposes.

Share issue costs of \$0.1 million, primarily related to listing costs, have been recognised directly in equity.

15. RECONCILIATION OF OPERATING CASH FLOWS

<i>Six months ended 30 September</i>	2025 UNAUDITED (\$000s)	2024 UNAUDITED (\$000s)
Net profit	134,784	95,093
<i>Adjustments:</i>		
Depreciation	14,479	14,081
Amortisation	149,260	122,605
Share-based payments	112,271	65,923
Amortisation of discount and debt issuance costs	28,708	22,496
Deferred tax and current taxes recognised in equity	13,912	(11,507)
Bad debts	3,872	3,412
Asset impairments and disposals	603	2,228
Gain on repurchase of convertible notes	-	(36,105)
Loan commitment revaluation loss	-	9,494
Revaluation of contingent consideration	(6)	2,090
Financing transaction costs	-	10,153
Derivative revaluation	10,435	50,025
Currency translation gains	(77,554)	(2,949)
Other non-cash items	507	(365)
<i>Changes in working capital:</i>		
Increase in trade receivables and prepayments	(22,240)	(2,318)
(Increase)/decrease in deferred tax assets	(9,843)	55,298
Increase/(decrease) in trade payables and other related items	25,240	(16,398)
Increase/(decrease) in provisions	32,222	(869)
Increase/(decrease) in employee entitlements	10,971	(28,620)
Increase in interest payable	2,089	7,561
Increase in income in advance	16,168	9,171
Increase in net tax payable/receivable	65,921	(11,506)
Net cash flows from operating activities	511,799	358,993

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	2025 WEIGHTED AVERAGE GRANT DATE FAIR VALUE (AUD)	2025 RSUs (000s)	2024 WEIGHTED AVERAGE GRANT DATE FAIR VALUE (AUD)	2024 RSUs (000s)
<i>Six months ended 30 September</i>				
Opening balance	134.95	1,805	106.76	942
Granted	177.87	1,625	135.33	1,416
Forfeited	132.85	(150)	118.54	(36)
Converted to shares	125.36	(549)	104.63	(284)
Settled in cash	82.64	(4)	–	–
Closing balance	162.65	2,727	126.71	2,038

Share options scheme

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

UNAUDITED	2025 WEIGHTED AVERAGE EXERCISE PRICE (AUD)	2025 OPTIONS (000s)	2024 WEIGHTED AVERAGE EXERCISE PRICE (AUD)	2024 OPTIONS (000s)
<i>Six months ended 30 September</i>				
Opening balance	127.82	1,144	91.73	822
Granted	–	–	–	–
Forfeited/expired	82.26	(2)	137.52	(22)
Exercised	112.20	(31)	91.46	(126)
Settled in cash	121.46	(16)	–	–
Closing balance	128.43	1,095	90.28	674
Exercisable at 30 September	82.25	359	100.67	349

17. OECD PILLAR TWO MODEL RULES

The Group is within the scope of the Organisation for Economic Co-operation and Development (OECD) Pillar Two Model Rules. Under the Pillar Two Model 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. Pillar Two legislation has been enacted in New Zealand, and came into effect for the Group from 1 April 2025. For some entities within the Group, such as subsidiaries in the United Kingdom and Australia, the Pillar Two rules came into effect from 1 April 2024.

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 2025. The Group continues to monitor and evaluate the impact of Pillar Two legislative developments in the jurisdictions in which it operates.

The Group has applied the mandatory exception to recognising and disclosing information about the deferred tax impact related to Pillar Two income taxes.

18. EVENTS AFTER THE BALANCE SHEET DATE

On 15 October 2025, Xero acquired 100% of the ordinary shares in Melio Ltd and its associated entities (collectively referred to as 'Melio'), a leading US SMB bill pay platform, pursuant to an agreement dated 25 June 2025.

Total initial consideration for the acquisition consists of an upfront payment of USD2.5 billion, plus adjustments of USD67 million for closing cash, indebtedness and third-party expenses. These upfront payments consisted of USD2.2 billion in cash and USD359 million in Xero shares. Additionally, a holdback of USD58 million payable in instalments on the anniversary of the closing date of 15 October 2025, across three years. Further contingent consideration of up to USD358 million payable subject to achieving specific business, revenue, gross profit and customer milestones. Transaction costs totalling \$50.6 million have been recognised in operating expenses in the six months to 30 September 2025; these have been included as part of acquisition-related costs in the Income Statement. Of the \$50.6 million, \$30 million has been recognised as a provision in the Statement of Financial Position as at 30 September 2025.

In addition, up to USD73 million of additional employee incentives in the form of RSUs have been agreed. These incentives vest over a three year period based on the completion of service period requirements by recipients.

At the date these financial statements were authorised for issue, the initial accounting for the Melio business combination had not been completed due to the time required to perform the valuations of the acquired intangibles, along with the work required to align the accounting policies of the acquired companies to those of the Xero Group. This information will be included in the Group's Annual Report for the year ending 31 March 2026.

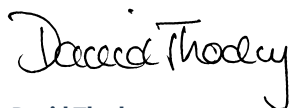
There were no other significant events between the balance date and the date these financial statements were authorised for issue.

DIRECTORS' DECLARATION

The unaudited interim financial statements of Xero Limited and its subsidiaries ('the Group') for the six months ended 30 September 2025 were authorised for issue on 13 November 2025 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

13 November 2025



Mark Cross

Director
Xero Limited

13 November 2025

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

LEADERSHIP TEAM

Sukhinder Singh Cassidy

Chief Executive Officer

Damien Coleman

Chief Legal Officer
& Company Secretary

Claire Bramley

Chief Financial Officer

Diya Jolly

Chief Product &
Technology Officer

Jeff Ryan

Chief People Officer

Angad Soin

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

Michael Strickman

Chief Marketing Officer

DIRECTORS

David Thodey, AO

(Chair)

Steven Aldrich

Mark Cross

Anjali Joshi

Brian McAndrews

Dale Murray, CBE

Susan Peterson

COMPANY SECRETARY

Damien Coleman

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

MUFG Corporate Markets
(AU) Limited

A division of MUFG
Pension & Market Services

Liberty Place, Level 41,
161 Castlereagh St,
Sydney NSW 2000

Telephone: +61 1300 554 474

Email: support@cm.mpms.mufg.com

Website: au.investorcentre.mpms.mufg.com