

ASX Announcement

25 February 2010

REA Group delivers record half-year result

EBITDA growth of 42%, Revenue increase of 13%

REA Group Limited (ASX: REA) and its subsidiary companies today announced a record result for the half year ending 31 December 2009. EBITDA grew by 42%, net profit from continuing operations increased by 76%, and revenue grew by 13% on the prior corresponding period. These very strong results were driven by good performance across the entire product portfolio during the half-year.

Highlights for the half-year include:

A\$'000	1 st Half-Year FY2010	1 st Half-Year FY2009	HY on HY Growth
Revenues	91,867	81,156	13%
Operating Expenses	54,308	54,701	0%
EBITDA	37,559	26,455	42%
<i>EBITDA margin</i>	<i>41%</i>	<i>33%</i>	
Net Profit from Continuing Operations ¹⁾	23,138	13,179	76%

¹⁾ Continuing operations exclude the UK operations which were sold during the half year

	As at 31 Dec 09	As at 30 Jun 09	Growth
Cash Balance	57,801	41,588	39%

Operational expenses remained relatively flat half-year on half-year as reductions in the cost base were balanced by a significant investment in REA's technology platform.

In Australia, where REA Group operates the leading residential and commercial real estate sites, realestate.com.au and realcommercial.com.au, and holiday rental site realholidays.com.au, key first-half metrics included:

- The number of paying subscribing agents across all portals remained constant at 9,329 agents (June 2009: 9,332 agents) resulting in an estimated market share of approximately 95 percent in the residential segment.
- Traffic to the Australian websites (Nielsen) increased from 4.8 million in December 2008 to 5.4 million in December 2009 with an all time high of 6.3 million in October 2009.

In Italy, REA Group's real estate site casa.it has launched a number of new products to the market and continues to increase paying agents:

- Subscribing Italian agents increased by 1,087 to 9,140 as at 31 December 2009 compared to growth of 488 agents in the 1st half of FY2009.
- Traffic (Unique Browsers) to casa.it increased from 0.83 million (Dec 08) to 1.56 million (Dec 09) making it the clear market leader in Italy.

In addition, REA successfully completed the sale of its operations in the UK and UAE during the half-year.

Greg Ellis, REA Group CEO and Managing Director, said:

"REA Group continues to go from strength to strength. During the half-year we achieved excellent results in revenue, cash and EBITDA against a backdrop of difficult market conditions. This demonstrates the success of our strategic focus on profitable growth and the steps we took in FY2009 to exit non-core businesses. In addition to our focus on organic growth in Australia and Italy, we are making significant capex and opex investments to enhance our technology platform and increase the range of value-added products we offer to both agents and consumers," continued Mr Ellis.

"REA Group continues to enjoy a strong cash position. The Board is focussed on delivering value to shareholders and will continue to review its dividend policy on an annual basis based on the operational and strategic requirements of the business. "

"REA's success is made possible by our highly-engaged consumers, customers who entrust us to market their properties, and our fantastic global team which is constantly striving to increase performance and customer satisfaction. On behalf of the board, I would like to thank REA's consumers, customers and employees for their ongoing support," Mr Ellis said.

ENDS

For further information please contact:

Investor Relations:

Georg Chmiel

Chief Financial Officer

P: +61 3 9843 4262

E: georg.chmiel@rea-group.com

Appendix 4D

Preliminary half-year report

Name of entity

REA Group Limited

ABN or equivalent company reference

54 068 349 066

Results for announcement to the market

Half-Year to		31 Dec 09 A\$'000	% Change from half-year ended 31 Dec 08	31 Dec 08 A\$'000
Revenues from ordinary activities (excluding interest income)	Up	91,867	13.2%	81,156
Profit from continuing operations after tax attributable to members	Up	23,138	75.6%	13,179
Net Profit for the period attributable to members	Up	24,505	258.8%	6,830
Net Profit for the period attributable to members of parent (after non-controlling interest)	Up	23,367	104.2%	11,446

Dividends:

A final dividend of 10 cents per fully paid ordinary share of \$12.7 million was paid on 16 October 2009 out of retained earnings at 30 June 2009. The dividend was fully franked based on tax paid at 30%. No interim dividend is proposed.

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

Refer to Directors' Report for details.

Net Tangible Asset Backing (NTA Backing)	Dec 09 Cents	Jun 09 Cents
Net Tangible Asset Backing per Ordinary Security	45.1	30.3

Information should be read in conjunction with 30 June 2009 annual report.

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Corporate Information

ABN 54 068 349 066

DIRECTORS

Richard J Freudenstein	(Chairman of the Board)
Roger Amos	(Non-executive Director)
Kathleen Conlon	(Non-executive Director)
Greg Ellis	(CEO & Managing Director)
John D McGrath	(Non-executive Director)
Alasdair MacLeod	(Non-executive Director until 31 January 2010)
Jeremy Philips	(Non-executive Director)
Stephen P Rue	(Non-executive Director)
Sam R White	(Non-executive Director)

COMPANY SECRETARY

Moana Weir

REGISTERED OFFICE

Level 1, 678 Victoria Street
Richmond, Vic 3121, Australia
Tel: (03) 9897 1121

PRINCIPAL PLACE OF BUSINESS

Level 1, 678 Victoria Street
Richmond, Vic 3121, Australia
Tel: (03) 9897 1121

SHARE REGISTER

Computershare Registry Services Pty Limited
Yarra Falls, 452 Johnson Street
Abbotsford, Vic 3067, Australia

REA Group Limited shares are listed on the Australian Securities Exchange.

SOLICITORS

Mallesons Stephen Jaques
Level 50, 600 Bourke Street
MELBOURNE, Vic 3000
Australia

BANKERS

National Australia Bank Limited

AUDITORS

Ernst & Young
Australia

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2009.

DIRECTORS

The names and details of the company's Directors in office during the half-year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Richard J Freudenstein (Chairman)
 Roger Amos
 Kathleen Conlon
 Greg Ellis (Managing Director and CEO)
 John D McGrath
 Alasdair MacLeod (until 31 January 2010)
 Jeremy Philips
 Stephen P Rue
 Sam R White

REVIEW AND RESULTS OF OPERATIONS

During the half-year ended in December 2009, REA Group Limited and its fully consolidated subsidiaries (referred to as 'REA') has continued to deliver strong organic growth across its operations. The first-half results reflect the strength of REA Group's core business and a summary of the half year on half year results from FY2006 is set out below:

Financial Comparative Data (\$'000)	FY 2006 1st Half-Yr	FY 2006 2nd Half-Yr	FY 2007 1st Half-Yr	FY 2007 2nd Half-Yr	FY 2008 1st Half-Yr	FY 2008 2nd Half-Yr	FY 2009 1st Half-Yr	FY 2009 2nd Half-Yr	FY 2010 1st Half-Yr
Revenues from continuing operations	23,414	31,507	39,982	49,420	60,411	73,151	81,156	86,639	91,867
Operating expenses	(18,628)	(20,628)	(27,360)	(31,926)	(42,465)	(44,973)	(54,701)	(50,603)	(54,308)
EBITDA	4,786	10,879	12,622	17,494	17,946	28,178	26,455	36,036	37,559
Depreciation and amortisation expense	(717)	(1,049)	(1,749)	(2,481)	(2,986)	(3,418)	(3,664)	(3,684)	(3,360)
Impairment goodwill and intangibles	-	-	-	-	-	-	(1,252)	(6,743)	-
EBIT	4,069	9,830	10,873	15,013	14,960	24,760	21,539	25,609	34,199
Net finance (expense) / income (and FX)	(165)	108	495	171	638	(150)	683	(530)	236
Earnings before tax	3,904	9,938	11,368	15,184	15,598	24,610	22,222	25,079	34,435
Income tax (expense)	(789)	(3,250)	(3,298)	(4,237)	(6,119)	(8,601)	(9,043)	(9,555)	(11,297)
Profit from continuing operations	3,115	6,688	8,070	10,947	9,479	16,009	13,179	15,524	23,138
Profit/(losses) from discontinued operations	(505)	(2,657)	(4,785)	(3,244)	(4,521)	(5,204)	(6,349)	(56,992)	1,367
(Profit) / losses attributable to non-controlling interest	252	1,329	2,392	1,684	2,809	3,772	4,616	30,968	(1,138)
Profit attributable to members of parent	2,862	5,360	5,677	9,387	7,767	14,577	11,446	(10,500)	23,367
Employees (FTE) excludes UK	187	238	287	409	486	537	541	526	506

Revenues of \$91.9 million are up by 13 percent over the corresponding period last financial year (half-year ending 31 December 2008) and by 6 percent over the last half-year (half-year ending 30 June 2009). These very strong results were driven by good performance across the entire product portfolio during the half-year.

Operating expenses of \$54.3 million are unchanged compared to the corresponding period last financial year (half-year ending 31 December 2008) and up by 7 percent over the last half-year (half-year ending 30 June 2009). Operational expenses remained relatively flat half-year on half-year as reductions in the cost base were balanced by an increased investment in REA's technology platform. Over the last six months REA has invested in new technology and services that will allow the company to offer an enhanced range of products and services to our consumers and customers. The first phase of the new technology is due to be deployed later this financial year.

EBITDA of \$37.6 million is up by 42 percent over the corresponding period last financial year (half-year ending 31 December 2008) and up by 4 percent over the last half-year (half-year ending 30 June 2009).

Paying Agents subscribing to the websites in Australia, Italy, Luxembourg, Germany, France, and Hong Kong increased from 16,608 agents as at 31 December 2008 to 19,546 agents as at December 2009, mostly due to an increase in agent take up in Italy.

Unique Browsers for the websites in Australia, Italy, Luxembourg, Germany, France, and Hong Kong, increased from 6.2 million as in December 2008 to 7.2 million in December 2009 with REA reaching an all time record traffic number of 8.5 million in October 2009.

As at December 2009, REA operated 15 websites and a number of publications, with most of the sites ranked either first or second in their respective markets.

The key financial highlights on a country basis are as follows:

Country <i>in \$'000</i>	Revenue	EBITDA	Margin
1st Half Year 2010			
Australia	84,513	44,602	53%
Italy	3,720	(3,349)	(90)%
Other overseas countries	3,634	(443)	(12)%
Unallocated overhead	-	(3,251)	-
Total	91,867	37,559	41%
1st Half Year 2009			
Australia	73,258	39,879	54%
Italy	2,958	(2,894)	(98)%
Other countries	4,940	(2,545)	(52)%
Unallocated overhead	-	(7,985)	-
Total	81,156	26,455	33%

AUSTRALIAN OPERATIONS

The Australian operations continue to be the key driver of value creation within REA. The Australian business operates the leading websites for online advertising for residential and commercial agents. It also provides agents with market leading software through HubOnline and Web Design Services.

Australia			
Online Advertising	Residential Properties	realestate.com.au property.com.au realholidays.com.au homeguru.com.au ozhomevalue.com.au	
	Commercial Properties	realcommercial.com.au	
Agent Solutions	Real Estate Agents	Hub Online Web Design Services	

During the half-year under review, Australia has further expanded its market leadership position.

Traffic

- Traffic to the Australian websites (Nielsen) increased from 4.8 million in December 2008 to 5.4 million in December 2009 with an all time high of 6.3 million in October 2009.

Agents Advertising

- The number of paying subscribing agents across all portals remained constant at 9,329 agents (June 2009: 9,332 agents) resulting in an estimated market share of approximately 95 percent in the residential segment.
- Average revenue per month from Australian agents (ARPA) increased to \$1,043 in December 2009 up 13 per cent compared to December 2008. A record high ARPA was reached in November 2009 of \$1,186 (November 2008: \$979) which is a typical seasonal high point for agent spend. The increase in ARPA is due to value-adding, additional advertising products.
- Additional advertising now represents 39 percent (compared with 38 percent in the first half-year FY09) of the overall revenue from residential agents. Additional advertising revenue is generated from sales of Banner Advertising, Feature Properties, Guaranteed Top Spot, eBrochures, and Feature Agent advertising products. Subscription revenues account for the remaining 61 percent of total revenues (compared with 62 percent in the first half-year FY09).

Other display business

- The display advertising segments, which includes third party, developer and consumer revenues, achieved revenue growth of 2% compared to the previous half-year and 6% compared to corresponding half-year ending 31 December 2008. The biggest growth area was developer advertising.

Overhead allocation and EBITDA margin

- During FY09, REA restructured its operations. Starting from 1 July 2009, REA now allocates overhead costs more directly to its operations leading to a drop in unallocated expenses from \$8m to \$3.3m. Had the same allocation principle been applied in FY09, the EBITDA margin would have increased from 50% in the first half year of FY09 to 53% in the first half year of FY10.

OVERSEAS OPERATIONS

Overseas			
Italy	Online Advertising	Residential Properties	casa.it
Luxembourg	Online Advertising	Residential Properties	athome.lu homesolution.lu
		Commercial Properties	atoffice.lu
	Print Advertising	Residential Properties	athome magazine athome new homes
France, Germany	Online Advertising	Residential Properties	athomeAlsace.fr (France) athomeLorraine.fr (France) athome.de (Germany)
Hong Kong	Online Advertising	Residential Properties	squarefoot.com.hk
	Print Advertising	Residential Properties	Squarefoot Inside Discovery Bay
New Zealand		Commercial Properties	realcommercial.co.nz

Italy

Since February 2007, REA has acquired approximately 69 percent of casa.it with the remaining 31 percent owned by SkyItalia. casa.it is the leading residential real estate site in the Italian market. During the half-year ended 31 December 2009, REA has consolidated casa.it's strong market position by further investing in sales and marketing.

casa.it has increased the agent base by 1,087 to 9,140 paying agents during the half-year compared to an increase of 488 paying agents in the comparable period. 32 percent of Italy's total agency base now subscribes to casa.it. This steep increase in agent numbers is largely the result of casa.it's new product offering which allows for monthly payments and no longer charges a setup fee, thus making it easier for agents to manage cash flow. In December 2009, casa.it attracted 1.56 million unique visitors to the site (December 2008: 0.83 million). The highest traffic number in the history of casa.it was reached in October 2009 with almost 2 million unique visitors (source: omniture).

Luxembourg, Germany, France

In February 2007, REA acquired the atHome Group. The atHome Group comprises the number one sites in Luxembourg, athome.lu and atoffice.lu, as well as sites in neighbouring Germany (athome.de) and France (athomealsace.fr and athomelorraine.fr). During the first half of FY2010, REA significantly reduced its losses in the region by exiting the Belgium market and streamlining its operations. The operations in Germany and Luxembourg remain profitable. Further small investments are being made to grow the French market presence.

Hong Kong

In September 2007, REA acquired the Squarefoot group which consists of two print publications in the real estate and life style segments targeting the English speaking community of Hong Kong. Since then the website squarefoot.com.hk has been launched to address the same market. During the first half of FY2010, REA has improved the financial and operational position in Hong Kong and is now focussed on growing the business.

Unallocated Overhead

Unallocated overhead includes the costs of certain central head office functions. In the first half of FY2010, REA has changed the allocation method to allocate overhead costs more directly to operations following the divestiture of its UAE and UK operations.

DISCONTINUED OPERATIONS

United Kingdom

The group closed its UK print operations in April 2009 and sold its online operations (as disclosed in 2009 Annual Report) in August 2009. Any related transactions impacting the first half of FY 2010 are disclosed as discontinued operations in these accounts. Refer to note 8 for detailed disclosure.

United Arab Emirates

In July 2009, REA sold its operations in UAE as disclosed in the 2009 Annual Report for US\$310k (A\$380k) subject to approval by the UAE authorities. The deal was subsequently approved and the transaction was completed.

CASH FLOW

During the half-year, REA delivered \$24.1 million in operating cash flow (1st half-year FY2009: \$10.2 million). Apart from payment of a first-time cash dividend in October 2009 of \$4.0 million and increased investment into the new software platform of 3.8 million (1st half-year FY2009: \$0.6 million), most of the generated funds increased the cash reserves of REA.

ROUNDING OF AMOUNTS

The company has applied the relief available to it in ASIC Class Order 98/100, and, accordingly, amounts in the condensed financial statements and the directors' report have been rounded to the nearest thousand dollars.

AUDITOR'S INDEPENDENCE DECLARATION

The Directors have received an independence declaration from the Auditor of REA Group Limited. This declaration may be found on page 9.

Signed in accordance with a resolution of the Directors.



Richard J Freudenstein
Chairman
Melbourne

25 February 2010



Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001
Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

Auditor's Independence Declaration to the Directors of REA Group Ltd

In relation to our review of the financial report of REA Group Ltd for the half-year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized, handwritten signature of the Ernst & Young firm, appearing as 'Ernst & Young' in a cursive script.

Ernst & Young

A handwritten signature in cursive script, which appears to read 'David McGregor'.

David McGregor
Partner
Melbourne

25 February 2010

STATEMENT OF COMPREHENSIVE INCOME for the half-year ended 31 December 2009	Notes	CONSOLIDATED	
		31 Dec 2009	31 Dec 2008
		\$'000	\$'000
Revenues from continuing operations		91,867	81,156
Salaries and employee benefits expense		(29,955)	(31,953)
Consultant and contractor expenses		(3,598)	(3,596)
Marketing related expense		(7,825)	(7,407)
Technology expense		(4,136)	(2,579)
Net gain on sale of operations and fixed assets		302	451
Other expenses	3a	(9,096)	(9,617)
Profit before tax, interest, depreciation and amortisation (EBITDA)		37,559	26,455
Depreciation and amortisation expense		(3,360)	(3,664)
Impairment loss		-	(1,252)
Profit before tax and interest (EBIT)		34,199	21,539
Finance income		636	894
Finance costs		(400)	(211)
Profit before income tax (EBT)		34,435	22,222
Income tax expense	4	(11,297)	(9,043)
Profit from continuing operations		23,138	13,179
Profit/(loss) from discontinued operations	8	1,367	(6,349)
NET PROFIT FOR THE PERIOD		24,505	6,830
Other comprehensive income			
Transferred realised gains on disposal of subsidiaries		(4,115)	-
Foreign currency translation		(996)	5,307
Non-controlling interest on acquisition of subsidiary		-	605
Other comprehensive income for the period, net of tax		(5,111)	5,912
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		19,394	12,742
Profit for the period is attributable to:			
Non-controlling interest		1,138	(4,616)
Owners of the parent		23,367	11,446
		24,505	6,830
Total comprehensive income for the period is attributable to:			
Non-controlling interest		(951)	(2,408)
Owners of the parent		20,345	15,150
		19,394	12,742
Earnings per share (cents per share)			
Basic EPS for profit from continuing operations for the half year attributable to ordinary equity holders of the parent		17.8	11.5
Diluted EPS for profit from continuing operations for the half year attributable to ordinary equity holders of the parent		17.8	11.5
Basic EPS for profit for the half year attributable to ordinary equity holders of the parent		18.3	9.0
Diluted EPS for profit for the half year attributable to ordinary equity holders of the parent		18.3	9.0

BALANCE SHEET as at 31 December 2009	Notes	CONSOLIDATED	
		As at	As at
		31 Dec 2009	30 June 2009
		\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	57,801	41,588
Trade and other receivables		26,271	27,871
Other current assets		2,711	3,603
Assets of disposal group classified as held for sale		-	7,119
Total current assets		86,783	80,181
Non-current assets			
Deferred income tax asset		3,234	2,560
Property, plant and equipment		5,306	5,503
Intangible assets		9,441	7,651
Goodwill		45,029	47,269
Total non-current assets		63,010	62,983
TOTAL ASSETS		149,793	143,164
LIABILITIES			
Current liabilities			
Payables		13,741	19,831
Interest-bearing loans and borrowings		90	488
Provisions		2,075	2,385
Current tax liabilities		8,257	10,064
Other current liabilities	3b	11,290	11,100
Liabilities of disposal group classified as held for sale		-	3,227
Total current liabilities		35,453	47,095
Non-current liabilities			
Interest-bearing loans and borrowings		7	32
Deferred tax liabilities		1,303	1,666
Other provisions		682	860
Total non-current liabilities		1,992	2,558
TOTAL LIABILITIES		37,445	49,653
NET ASSETS		112,348	93,511
EQUITY			
Contributed equity		64,695	56,002
Foreign currency translation reserve		(4,609)	(1,587)
Business combination reserve		568	568
Long Term Incentive Plan		587	675
Retained earnings		47,070	36,429
Parent interests		108,311	92,087
Non-controlling interest		4,037	1,424
TOTAL EQUITY		112,348	93,511

CASH FLOW STATEMENT for the half-year ended 31 December 2009	Notes	CONSOLIDATED	
		31 Dec 2009	31 Dec 2008
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		100,985	98,924
Payments to suppliers and employees		(63,364)	(79,925)
Interest received		635	323
Borrowing costs (Interest paid)		(48)	(211)
Corporate income tax paid		(14,084)	(8,906)
Net cash flows from operating activities		24,124	10,205
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,810)	(2,372)
Proceeds from sale of property, plant and equipment		-	303
Proceeds from sale of discontinued operation - UK		1,574	-
Proceeds from sale of subsidiary - Dubai		354	-
Purchase of intangible assets		(3,763)	(626)
Acquisition of subsidiary, net of cash acquired		-	(1,183)
Net cash flows used in investing activities		(3,645)	(3,878)
Cash flows from financing activities			
Proceeds from issue of ordinary shares in subsidiary		262	4,527
Payment of dividend		(4,033)	-
Payment of finance lease liabilities		(375)	(576)
Net cash flows (used in)/ from financing activities		(4,146)	3,951
Net increase in cash and cash equivalents		16,333	10,278
Net foreign exchange difference		(120)	919
Cash and cash equivalents at beginning of period		41,588	8,882
Cash and cash equivalents at end of period	7	57,801	20,079

STATEMENT OF CHANGES IN EQUITY								
CONSOLIDATED	Issued capital	Retained earnings	FX Translation Reserve	LTIP (1)	Other Reserves	Owners of the parent	Non-controlling interest	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2008	56,002	35,483	(4,609)	-	568	87,444	27,380	114,824
Profit for the period	-	11,446	-	-	-	11,446	(4,616)	6,830
Foreign currency translation differences	-	-	3,700	-	4	3,704	1,603	5,307
Minority interest on acquisition of subsidiary	-	-	-	-	-	-	605	605
Total comprehensive income for the period	-	11,446	3,700	-	4	15,150	(2,408)	12,742
Transactions with owners in their capacity as owners								
LTIP equity share	-	-	-	490	-	490	-	490
Equity injections by minority shareholders	-	-	-	-	-	-	4,725	4,725
At 31 December 2008	56,002	46,929	(909)	490	572	103,084	29,697	132,781

At 1 July 2009	56,002	36,429	(1,587)	675	568	92,087	1,424	93,511
Profit for the period	-	23,367	-	-	-	23,367	1,138	24,505
Foreign currency translation differences	-	-	(1,494)	-	-	(1,494)	498	(996)
Derecognition on disposal of subsidiaries	-	-	(1,528)	-	-	(1,528)	(2,587)	(4,115)
Total comprehensive income for the period	-	23,367	(3,022)	-	-	20,345	(951)	19,394
Transactions with owners in their capacity as owners								
LTIP equity share	-	-	-	(88)	-	(88)	-	(88)
Equity injections by minority shareholders	-	-	-	-	-	-	3,564	3,564
Shares issued via DRP	8,693	-	-	-	-	8,693	-	8,693
Dividend paid	-	(12,726)	-	-	-	(12,726)	-	(12,726)
At 31 December 2009	64,695	47,070	(4,609)	587	568	108,311	4,037	112,348

Notes to the Condensed Financial Statements

1) Basis of Preparation and Accounting Policies

Basis of preparation

This general purpose condensed financial report for the half year ended 31 December 2009 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by REA Group Limited during the half year ended 31 December 2009 in accordance with the continuous disclosure obligations of the *ASX listing rules*.

The entity has had regard to Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet affective or have not been adopted by the Group as outlined in the Group's annual report for the year ended 30 June 2009 and has determined that they do not impact the accounting policies applied in the preparation of the Group's financial statements.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report except for the change noted below.

New accounting standards

From 1 July 2009, the Group has adopted AASB 101 (revised) *Presentation of Financial Statements* which is mandatory for annual reporting periods beginning on or after 1 January 2009. The adoption of this standard has impacted the presentation of the financial statements through the replacement of the income statement, with a statement of comprehensive income.

Rounding of amounts

The company has applied the relief available to it in ASIC Class Order 98/100, and, accordingly, amounts in the condensed financial statements and the directors' report have been rounded to the nearest thousand dollars.

2) Operating Segments

Identification of Segments

The Group has identified its segments based on the internal reports that are used and reviewed by the executive management team (the chief operating decision makers) in assessing performance and determining the allocation of resources.

The group's operating segments are determined based on the location of the group's operations. The following tables present revenue and results regarding geographical segments for the half-years ended 31 December 2009 and 31 December 2008. Unallocated overhead include the costs of certain central head office functions. In the first half of FY2010, REA has changed the allocation method and allocates overhead costs more directly to operations following the divestiture of its UAE and UK operations.

Half-Year ended 31 December 2009 \$'000	Australia	Italy	Other - International	Total Continuing Operations	Discontinued Operation (note 8)	TOTAL
Revenue						
Sales - external customers	84,513	3,720	3,634	91,867	1,338	93,205
Total consolidated revenue				91,687	1,338	93,205
Result						
Segment result	44,602	(3,349)	(443)	40,810	1,459	42,269
Unallocated expenses				(3,251)	-	(3,251)
EBITDA				37,559	1,459	39,018
Depreciation and amortisation				(3,360)	(19)	(3,379)
Net finance income/(costs)				236	(73)	163
Profit before income tax				34,435	1,367	35,802
Income tax expense				(11,297)	-	(11,297)
Net profit for the year				23,138	1,367	24,505

Half-Year ended 31 December 2008 \$'000	Australia	Italy	Other - International	Total Continuing Operations	Discontinued Operation (note 8)	TOTAL
Revenue						
Sales - external customers	73,258	2,958	4,940	81,156	10,129	91,285
Intersegment revenues				241	-	241
Total segment revenue				81,397	10,129	91,526
Intersegment elimination				(241)	-	(241)
Total consolidated revenue				81,156	10,129	91,285
Result						
Segment result	39,879	(2,894)	(2,545)	34,440	(6,937)	27,503
Unallocated expenses				(7,985)	-	(7,985)
EBITDA				26,455	(6,937)	19,518
Depreciation, amortisation, and impairment loss				(4,916)	(626)	(5,542)
Net finance income/(costs)				683	(46)	637
Profit before income tax				22,222	(7,609)	14,613
Income tax expense				(9,043)	1,260	(7,783)
Net profit for the year				13,179	(6,349)	6,830

Major customers

The group has a number of customers to which it provides both products and services. The group does not rely on any of these customers and none of them amount to 10% or more of external revenue.

3) Selected Accounts

	<i>CONSOLIDATED</i>	
	Half-year ended 31 Dec 2009	Half-year ended 31 Dec 2008
	\$'000	\$'000
(a) Other expenses		
Property expense	1,630	1,647
Administration related costs	2,744	2,871
Travel expense	1,190	1,714
Printing & Distribution expense (Publications)	304	495
Other expenses	3,228	2,890
Total other expenses	9,096	9,617
	As at 31 Dec 2009	As at 30 June 2009
	\$'000	\$'000
(b) Other current liabilities		
Deferred revenues	8,837	8,578
Prepaid subscriptions	2,453	2,522
Total other current liabilities	11,290	11,100

4) Tax expense

The major components of income tax expense for the half-year ended 31 December 2009 and 31 December 2008 were:

CONSOLIDATED		
	Half-year ended 31 Dec 2009	Half-year ended 31 Dec 2008
	\$'000	\$'000
<i>Current Income Tax</i>		
Current income tax charge from continuing operations	12,304	9,834
Current income tax (benefit) from discontinued operation	-	(1,260)
Adjustments in respect of current income tax of previous year	149	6
<i>Deferred Income Tax</i>		
Relating to origination and reversal of temporary differences	(1,156)	463
Income tax expense reported in the consolidated income statement	11,297	9,043

The group did not recognise any existing tax losses outside of Australia.

5) Dividends paid and proposed

A final dividend of 10 cents per fully paid ordinary share of \$12.7 million was paid on 16 October 2009 out of retained earnings at 30 June 2009. The dividend was fully franked based on tax paid at 30%. (2008: Nil). The dividend was satisfied through the payment of \$4.0m cash and the issuance of new shares in the company valued at \$8.7m. No interim dividend is proposed.

6) Contributed equity

During the period to 31 December 2009 the company issued a total of 1,184,309 new ordinary shares under a dividend reinvestment scheme following the payment of a 10 cent dividend per share on 16 October 2009. No capital was issued during the half-year ended 31 December 2008.

7) Cash and cash equivalents

For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

CONSOLIDATED		
	Half-year ended 31 Dec 2009	Half-year ended 31 Dec 2008
	\$'000	\$'000
Cash at bank and in hand	57,802	19,805
Short-term deposits	25	410
	57,827	20,215
Bank overdrafts	(26)	(136)
Cash and cash equivalents	57,801	20,079

8) Discontinued operation

On 7 August 2009 REA Group Limited ("REA") and News International Ltd ("News Int") sold the whole of the issued share capital in REA UK Limited for a minimum guaranteed sale price of \$3.8 million to Zoopla Limited. REA's 50% share of the sale proceeds was \$1.9 million. The UK business was not treated as a discontinued operation or classified as held for sale as at 31 December 2008 and the comparative income statement has been re-presented to show the discontinued operation separately from the continuing operations.

Management committed to a plan to sell this business late in the 2009 financial year following a review undertaken in May 2009 in line with REA's stated position to concentrate on its core businesses. The company operating the UK online business was treated as a consolidated subsidiary of REA in accordance with its accounting policies set out in note 2(b), as REA had a majority on its board of directors until the date of its disposal.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below. Further information is set out in note 2 – Operating Segments.

(a) Financial information

The financial performance and cash flow information presented for the discontinued operation are for the period from 1 July 2009 to 7 August 2009 and the six months to 31 December 2008 respectively.

	1 July 2009 to 7 Aug 2009 \$000	Half year to 31 Dec 2008 \$000
Revenue	1,338	10,129
Expenses, net of write back of provisions	208	(17,066)
Depreciation and amortisation	(19)	(626)
Net finance expense	(73)	(46)
Results from operating activities	1,454	(7,609)
Income tax (benefit)	-	(1,260)
Results from operating activities, net of tax	1,454	(6,349)
Net result on sale of discontinued operation after adjustment	(87)	-
Profit/(loss) of discontinued operation	1,367	(6,349)
Net cash inflow/(outflow) from operating activities	39	(2,070)
Net cash (outflow) from investing activities	-	(1,285)
Net cash inflow from financing activities	524	3,306
Net increase/(decrease) in cash generated by the division	563	(49)

(b) Carrying amounts of assets and liabilities

The financial position of the disposal group as at 7 August 2009 is shown below:

	7 Aug 2009
	\$000
Cash	1,291
Property, plant and equipment	359
Intangibles	4,237
Trade and other receivables	2,771
Other assets	546
Total assets	<u>9,204</u>
Trade creditors and other payables	(1,473)
Provisions	(10)
Deferred revenue	(2,409)
Total liabilities	<u>(3,892)</u>
Net assets	<u>5,312</u>

	31 Dec 2009
	\$000
Cash consideration on sale of business	1,901
Less: net working capital adjustment on settlement	(700)
Less: cash consideration receivable	(600)
Add: cash received re sale of tax losses	973
Net cash inflow for half year ended 31 December 2009	<u>1,574</u>

9) Contingent claims and liabilities

Various claims arise in the ordinary course of business against REA Group Limited and its subsidiaries. The amount of the liability (if any) at 31 December 2009 cannot be ascertained, and the parent entity believes that any resulting liability would not materially affect the financial position of the group.

10) Subsequent Events

On 31 January 2010 Mr Alasdair MacLeod stepped down from the REA Group Board. Mr MacLeod had joined the Board in February 2003.

There have been no other subsequent events from 31 December 2009 to the date of this report.

Directors' Declaration

In accordance with a resolution of the directors of REA Group Limited, I state that:

In the opinion of the directors:

(a) the condensed financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position as at 31 December 2009 and the performance for the half year ended on that date of the consolidated entity; and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Richard J Freudenstein
Chairman

Melbourne
25 February 2010



Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001
Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

To the members of REA Group Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of REA Group Ltd, which comprises the balance sheet as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of REA Group Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Liability limited by a scheme approved under
Professional Standards Legislation



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of REA Group Ltd is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A handwritten signature in black ink, appearing to read 'David McGregor'.

David McGregor
Partner
Melbourne

25 February 2010