

Appendix 4D

for the half-year ended 31 December 2020

REA Group Ltd

ABN 54 068 349 066

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half-year ended 31 December 2020 ("current period")

| | | 31 Dec 2020 | % Change from 6 months ended | 31 Dec 2019 |
|---|------|--------------------------------|--|------------------------------------|
| | | A\$'000 | 31 Dec 2019 | A\$'000 |
| Revenue¹ | Down | 430,350 | -2% | 440,337 |
| Net Profit for the period attributable to members | Up | 173,485 | 17% | 147,711 |
| Net Profit from core operations | Up | 172,123 | 13% | 152,883 |
| Net Profit for the period attributable to members of parent (before non-controlling interest) | Up | 173,374 | 17% | 147,597 |
| Dividend information | | | | |
| | | Amount per share (cents) | Franked amount per share (cents) | Tax rate for franking credit |
| 2020 interim dividend per share (paid 24 March 2020) | | 55.0 | 55.0 | 30% |
| 2020 final dividend per share (paid 17 September 2020) | | 55.0 | 55.0 | 30% |
| 2021 interim dividend per share (to be paid 23 March 2021) | | 59.0 | 59.0 | 30% |
| 2021 interim dividend dates | | | | |
| Ex-dividend date | | | | 8 March 2021 |
| Record date | | | | 9 March 2021 |
| Payment date | | | | 23 March 2021 |
| | | 31 Dec 2020 | | 30 Jun 2020 |
| | | Cents | | Cents |
| Net tangible assets per security ² | | 167.0 | | 162.6 |

¹ Revenue is defined as revenue from property and online advertising and revenue from financial services less expenses from franchisee commissions, as disclosed in the Condensed Consolidated Interim Financial Statements as operating income.

² Net tangible assets is calculated based on net assets excluding intangible assets and including right-of-use assets.

Details of entities over which control was obtained during the period

| | |
|--|-----------------------------|
| Name of entity | Elara Technologies Pte. Ltd |
| Date of gain of control | 17 December 2020 |
| Ownership interest acquired | 59.65% |
| Contribution to REA Group Ltd net profit | - |

Details of associates and joint venture entities

| | % Interest 31 Dec 2020 | % Interest 30 Jun 2020 |
|--------------------|-----------------------------------|-----------------------------------|
| 99 Group | 27.0% | 27.0% |
| Move Inc. | 20.0% | 20.0% |
| Managed Platforms | 27.7% | 27.8% |
| Realtair | 17.9% | 0% |
| Elara Technologies | 0% | 13.5% |

Details of contributions to net profit are disclosed in Note 9 of the half-year financial statements.

Additional Appendix 4D disclosure requirements can be found in the notes to the Consolidated Interim Financial Report and the Directors' Report for the half-year ended 31 December 2020. Information should be read in conjunction with REA Group Ltd's 2020 Annual Report and the attached Interim Financial Report.

This report is based on the Consolidated Interim Financial Report for the half-year ended 31 December 2020 which has been reviewed by Ernst & Young with the Independent Auditor's Review Report included in the Interim Financial Report.

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REA Group Ltd

ABN 54 068 349 066

**Interim Financial Report
for the half-year ended 31 December 2020**



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Corporate Information

| | |
|------------------------------------|---|
| Directors | Hamish McLennan (Chairman) Owen Wilson (Chief Executive Officer) Roger Amos (retired 17 November 2020) Kathleen Conlon Nick Dowling Tracey Fellows Richard Freudenstein Michael Miller Jennifer Lambert (appointed 1 December 2020) |
| Chief Financial Officer | Janelle Hopkins |
| Company Secretary | Tamara Kayser (appointed 4 November 2020) Erin Thorne (resigned as Acting Company Secretary on 4 November 2020) |
| Principal registered office | 511 Church Street Richmond, VIC 3121 Australia Ph: +61 3 9897 1121 Fax: +61 3 9897 1114 |
| Share register | Link Market Services Limited Tower 4, 727 Collins Street Melbourne, VIC 3000 Australia Ph: 1300 554 474 (within Australia) +61 1300 554 474 (outside Australia) Fax: 02 9287 0303 |
| Auditor | EY 8 Exhibition Street Melbourne, VIC 3000 Australia |
| Bankers | National Australia Bank Limited |
| Securities Exchange Listing | REA Group shares are listed on the Australian Securities Exchange (ASX:REA) |
| Website | www.rea-group.com |

Directors' Report

The Directors present their report together with the Interim Financial Statements of the consolidated entity ('the Group' or 'REA'), being REA Group Ltd (the 'Company') and its controlled entities, for the half-year ended 31 December 2020 and the Independent Auditor's Report thereon.

Directors

The names of Directors of the Group in office during the half-year and up to the date of the report, unless stated otherwise, are as follows:

- Hamish McLennan (Chairman)
- Owen Wilson (Chief Executive Officer)
- Roger Amos (retired 17 November 2020)
- Kathleen Conlon
- Nick Dowling
- Tracey Fellows
- Richard Freudenstein
- Michael Miller
- Jennifer Lambert (appointed 1 December 2020)

Principal activities

REA provides property and property-related services on websites and mobile apps across Australia and Asia.

The purpose of the Group is to 'change the way the world experiences property'. It fulfils this purpose by:

- Providing digital tools, information and data for people interested in property. REA calls those who use these services 'consumers'.
- Helping real estate agents, developers, property-related businesses and advertisers promote their services. REA calls those who use these services 'customers'.

REA's growth strategy is centred around four core objectives. Firstly, providing our customers with access to the largest and most engaged audience of property seekers. Secondly, delivering unparalleled customer value. Thirdly, providing the richest content, data and insights to empower our customers and consumers throughout their property journey. And finally, creating the next generation of property and property-related marketplaces. Further details are set out in the business strategies and future developments section of this Directors' Report.

Operating and financial review

Reconciliation of results from core operations

A summary of financial results from core operations for the half-year ended 31 December 2020 is set out below.

For the purposes of this report, core operations are defined as the reported results as set out in the interim financial statements adjusted for significant non-recurring items such as gain/loss on acquisitions and disposals and transaction costs and historic tax provision (historic indirect tax provision reflects potential retrospective changes to interpretation of tax law). In the prior comparative period this included items such as restructure costs, gain/loss on acquisitions and disposals and transaction costs.

A reconciliation of results from core operations and non-IFRS (International Financial Reporting Standards) measures compared with the reported results in the Interim Financial Statements on page 14 is set out below. The following non-IFRS measures have not been audited but have been extracted from the financial statements.

| A\$'000 (unless stated) | 2017 HY | 2018 HY | 2019 HY | 2020 HY | 2021 HY | Growth |
|--|---------|---------|---------|---------|---------|--------|
| Operating income from core operations | 337,326 | 406,779 | 469,234 | 440,337 | 430,350 | (2%) |
| EBITDA ¹ from core operations ² | 200,053 | 242,787 | 289,084 | 267,198 | 290,159 | 9% |
| <i>EBITDA margin</i> | 59% | 60% | 62% | 61% | 67% | |
| Net profit from core operations ² | 121,771 | 147,255 | 176,583 | 152,883 | 172,123 | 13% |
| Dividend (cents per share) | 40.0 | 47.0 | 55.0 | 55.0 | 59.0 | 7% |
| Earnings per share from core operations ² (cents) | 92.5 | 111.8 | 134.1 | 116.1 | 130.7 | 13% |

¹ The Directors believe the EBITDA measures to be relevant and useful in measuring the financial performance of the Group. EBITDA is defined as Earnings Before Interest, Tax, Depreciation and Amortisation. Comparatives have not been restated following the adoption of AASB 16 from 1 July 2019.

² The Directors believe the additional information to IFRS measures included in the report is relevant and useful in measuring the financial performance of the Group.

Reconciliation of results from core operations continued

| Core and reported results | 2021 HY \$'000 | 2020 HY \$'000 | Growth |
|--|-------------------|-------------------|--------|
| Reported operating income | 430,350 | 440,337 | (2%) |
| EBITDA from core operations (excluding share of losses of associates and joint ventures)* | 284,552 | 272,095 | 5% |
| Share of gains / (losses) of associates and joint ventures | 5,607 | (3,838) | >100% |
| Gain/(loss) on acquisitions and disposals and business combination transaction costs | - | (1,059) | n/a |
| EBITDA from core operations* | 290,159 | 267,198 | 9% |
| Restructure costs | - | (4,082) | n/a |
| Gain/(loss) on acquisitions and disposals and business combination transaction costs | 3,128 | (1,315) | >100% |
| Historic tax provision | (3,091) | - | n/a |
| Reported EBITDA* | 290,196 | 261,801 | 11% |
| Net profit from core operations | 172,123 | 152,883 | 13% |
| Restructure costs, net of tax | - | (2,857) | n/a |
| Gain/(loss) on acquisitions and disposals and business combination transaction costs, net of tax | 3,526 | (2,315) | >100% |
| Historic tax provision, net of tax | (2,164) | - | n/a |
| Reported net profit | 173,485 | 147,711 | 17% |

* The Directors believe the additional information to IFRS measures included in the report is relevant and useful in measuring the financial performance of the Group.

Group results from core operations

Group operating income from core operations declined by 2% to \$430.4 million. The Group delivered a strong result despite the volatile market conditions experienced as a result of the pandemic. The results reflect the diverse effects of the COVID-19 pandemic across Australia and the Group's international businesses.

In Australia, the residential property market showed continued signs of recovery with National residential listings increasing 4% and Sydney listings increasing 19% for the half year period. In contrast, the COVID-19 hard lockdown measures in Melbourne caused significant short-term weakness with listings declining 44% in the first quarter. Following the removal of these restrictions, the Melbourne market rebounded, resulting in an overall 11% decrease in listings for the half year period. This resulted in an increase in Australian residential revenue which was more than offset by declines across all other lines of business.

The Group's EBITDA from core operations increased 9% to \$290.2 million and net profit from core operations increased 13% to \$172.1 million. Strong cost management resulted in a 13% reduction in total core operating expenses with decreases across all cost categories due to a combination of ongoing

cost management initiatives, COVID-19 related savings and the deferral of marketing spend into the second half.

Australia remained the primary revenue driver for the business. The Group's result reflects an ongoing focus on continued innovation and the release of new products and features to deliver excellent customer value and personalised consumer experiences.

Strong operating cashflows were offset by the continued investment in Elara, additional funding provided to 99 Group and shareholder returns in the form of dividends, resulting in a cash balance of \$179.9 million at 31 December 2020. The Group had net current liabilities of \$80.0 million as at 31 December 2020. The NAB revolving facility of \$70m matures in April 2021 and the syndicated loan facility of \$170 million (sub facility A) matures in December 2021. Both loan facilities have been classified as current liabilities as at 31 December 2020, refer to Note 11 for further details. The Group generated positive operating cashflows and traded profitably for the period. The Directors expect this to continue for the foreseeable future.

In Australia, realestate.com.au has maintained its leadership position with the largest and most

engaged audience of property seekers¹. During the half the site received 3.26 times more visits on all platforms compared to the nearest competitor².

Dividends

Dividends paid or declared by the Company during, and since, the end of the year are set out in Note 13 to the interim financial statements and below:

| | Interim 2021 | Final 2020 |
|-----------------------|--------------|-------------|
| Per share (cents) | 59.0 | 55.0 |
| Total amount (\$'000) | 77,949 | 72,443 |
| Franked* | 100% | 100% |
| Payment date | 23 Mar 2021 | 17 Sep 2020 |

*All dividends are fully franked based on tax paid at 30%.

Performance by region

| Half-year ended 31 December 2020 | Australia | | Asia ¹ | North America | Corporate | Total |
|--|-------------------------------|--------------------|-------------------|---------------|-----------------|----------------|
| | Property & Online Advertising | Financial Services | | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Segment operating income* | | | | | | |
| Total segment operating income* | 402,648 | 11,669 | 17,416 | - | - | 431,733 |
| Inter-segment operating income* | (941) | - | (442) | - | - | (1,383) |
| Operating income* | 401,707 | 11,669 | 16,974 | - | - | 430,350 |
| Results | | | | | | |
| Segment EBITDA from core operations (excluding share of losses of associates and joint ventures) | 288,557 | 4,405 | 1,690 | - | (10,100) | 284,552 |
| Share of gains / (losses) of associates and joint ventures | (166) | - | (3,580) | 9,353 | - | 5,607 |
| Segment EBITDA from core operations | 288,391 | 4,405 | (1,890) | 9,353 | (10,100) | 290,159 |
| Gain/(loss) on acquisitions and disposals and business combination transaction | - | - | - | - | 3,128 | 3,128 |
| Historic tax provision ² | - | - | - | - | (3,091) | (3,091) |
| EBITDA | 288,391 | 4,405 | (1,890) | 9,353 | (10,063) | 290,196 |

* This represents revenue less commissions for financial services

¹ Inclusive of Elara Technologies Pte. Ltd. ('Elara') as an investment in associate for the six-month period ending 31 December 2020.

² Historic indirect tax provision reflects potential retrospective changes to interpretation of tax law.

¹ Nielsen Digital Content Ratings (Monthly Tagged), Jul 20–Dec 20, P2+, Digital (C/M), text, Real Estate/Apartments subcategory, unique audience and average time spent

² Source: Nielsen Digital Content Ratings (Monthly Tagged), Jul 20 – Dec 20, P2+, Digital (C/M), text, realestate.com.au and vs Domain, Total Sessions.

| Half-year ended 31 December 2019 | Australia | | Asia | North America | Corporate | Total |
|--|-------------------------------------|-----------------------|---------|------------------|-----------|---------|
| | Property & Online Advertising | Financial Services | | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Segment operating income* | | | | | | |
| Total segment operating income* | 400,874 | 12,647 | 27,691 | - | - | 441,212 |
| Inter-segment operating income* | (394) | - | (481) | - | - | (875) |
| Operating income* | 400,480 | 12,647 | 27,210 | - | - | 440,337 |
| Results | | | | | | |
| Segment EBITDA from core operations (excluding share of losses of associates and joint ventures) | 271,451 | 4,347 | 6,285 | - | (9,988) | 272,095 |
| Share of losses from associates and joint ventures | (64) | (181) | (3,182) | (1,470) | 1,059 | (3,838) |
| Business combination transaction costs - acquisition by associate | - | - | - | - | (1,059) | (1,059) |
| Segment EBITDA from core operations | 271,387 | 4,166 | 3,103 | (1,470) | (9,988) | 267,198 |
| Restructure costs | - | - | - | - | (4,082) | (4,082) |
| Gain/(loss) on acquisitions and disposals and business combination transaction costs | - | - | - | - | (1,315) | (1,315) |
| EBITDA | 271,387 | 4,166 | 3,103 | (1,470) | (15,385) | 261,801 |

* This represents revenue less commissions for financial services

Performance by region (continued)

Australia

The Group operates Australia's leading residential and commercial sites, realestate.com.au³ and realcommercial.com.au⁴, and the leading website dedicated to share property, Flatmates.com.au⁵.

Australian operating income was flat at \$413.4 million for the half with an increase in the Residential business offset by declines across all other lines of business.

realestate.com.au continues to be the number one property portal in Australia³, attracting more than 115 million visits each month on all platforms⁶, increasing 36% YoY⁶. Over 12 million people visited the site each month on average⁷, up 39% YoY⁷, with a new record of 13 million⁸ in November, or 65% of Australia's 18+ population⁹. This unrivalled audience of people looking to buy, sell, rent or share property provides valuable insights to the Group on how people search and view property. In addition, our audience comprises high intent property seekers, making it possible for REA to deliver more leads to our customers.

More consumers are now using the realestate.com.au app than ever before. Average monthly launches of the realestate.com.au app increased 46% YoY¹⁰ to 50.9 million¹⁰ while consumers are spending almost 4 times longer on the realestate.com.au app than the nearest competitor¹¹. This demonstrates a highly engaged audience who remain passionate and invested in the property market.

Property and Online Advertising

Property and Online Advertising total revenue was flat at \$401.7 million.

Australia's residential revenue increased 4% to \$295.6 million, reflecting the increase in buy listings, stronger Premiere penetration and

continued growth in add-on products including Audience Maximiser. This was partially offset by the impact of COVID-19 support measures and the effect of the prolonged Melbourne lockdown on yield. Rental revenue benefited from increased depth penetration and product mix, however this was partially offset by a decline in rental listings, which continue to be negatively impacted by lack of migration and restrictions on tenant evictions.

During the half, there was a reduction in listings syndicated to MyFun due to COVID-19 related issues resulting in some listings not being translated during the listing period. There was no overall impact to group revenues, with a one-off increase to Australian residential revenue, and a corresponding decrease to the Asian segment.

Commercial and Developer revenue declined 7%. Commercial revenues were negatively impacted by a 26% decline in listings, which continue to be affected by the COVID-19 related moratorium on tenant evictions. This was partially offset by improved depth penetration. Developer benefited from an 8% YoY increase in project launches, assisted by the government stimulus. The stimulus has driven an increase in smaller, lower yielding projects, which has had a negative overall impact on average yield. realcommercial.com.au continues to be the number one commercial property app in Australia, with 9.7 times more app launches than the nearest competitor.¹²

Media, Data and other revenue declined 12%, driven by a reduction in Developer display advertising due to the increasing proportion of smaller project launches and lower developer display spend due to COVID-19. This was partially offset by continued growth from the data business.

Flatmates.com.au is the number one dedicated site⁵ in share accommodation with almost 2.5 million average monthly visits.¹³ The Group is well placed to strengthen this leadership position through the sharing of technology, expertise and marketing.

³ Source: Nielsen Digital Content Ratings (Monthly Tagged), Jul 20 – Dec 20, P2+, Digital (C/M), text, Real Estate/Apartments subcategory, Unique Audience.

⁴ Source: Nielsen Digital Content Ratings (Monthly Tagged), Jul 20 – Dec 20 (average), P2+, Digital (C/M), text, realcommercial.com.au vs commercialrealestate.com.au, Unique Audience.

⁵ Source: Similarweb, visits to flatmates.com.au vs flatmatefinders.com.au, Jul 20 – Dec 20.

⁶ Source: Nielsen Digital Content Ratings (Monthly Tagged), Jul 20 – Dec 20 vs Jul 19 – Dec 19 (average), P2+, Digital (C/M), text, realestate.com.au, Total Sessions.

⁷ Source: Nielsen Digital Content Ratings (Monthly Tagged), Jul 20 – Dec 20 vs Jul 19 – Dec 19 (average), P2+, Digital (C/M), text, realestate.com.au, Unique Audience.

⁸ Source: Nielsen Digital Content Ratings (Monthly Tagged), Nov 20, P2+, Digital (C/M), text, realestate.com.au, Unique Audience.

⁹ Source: Nielsen Digital Content Ratings (Monthly Tagged), Nov 20, P18+, Digital (C/M), text, realestate.com.au, Active Reach %.

¹⁰ Source: Nielsen Digital Content Ratings (Monthly Tagged), Jul 20 – Dec 20 vs Jul 19 – Dec 19 (average), P2+, Digital (C/M), text, realestate.com.au App Launches.

¹¹ Source: Nielsen Digital Content Ratings (Monthly Tagged), text, Jul 20 – Dec 20 (average), P2+, Mobile (App), text, realestate.com.au vs Domain, Time Spent.

¹² Source: Nielsen Digital Content Ratings (Monthly Tagged), Jul 20 – Dec 20 (average), P2+, Digital (C/M), text, realcommercial.com.au vs commercialrealestate.com.au, App Launches.

¹³ Source: Google Analytics average monthly visits for the flatmates.com.au site (Jul 20 – Dec 20).

Rental applications received by the Group's online application tool for renters grew 86% to more than 2.9 million applications¹⁴. Tenant Verification, which provides identity checks on potential tenants, and provides early visibility of consumers who are planning to move, continues to perform well. More than 150,000 verifications have been purchased since launch in 2018¹⁵.

The Group continues to strengthen its existing leadership positions through investment in new technology, aimed at improving the digital offering for customers and consumers alike.

On 1 December 2020, REA Group acquired a 17.9% interest in Realtair Pty Limited ('Realtair') and subsequently increased its holding on 27 January 2021 to 19.9% for an aggregate investment of \$7.3 million. Realtair is a proptech platform that provides an end-to-end real estate sales solution. This allows agents to pitch, sign, automate and streamline the steps from property appraisal to settlement through mobile, easy to use technology.

On 4 February 2021, the Group entered into a binding agreement to acquire a 27% interest in Campaign Agent Pty Ltd for \$13.3 million. CampaignAgent owns 'VPAPay', the market leading buy now pay later solution for vendor paid advertising, and other financial solutions to the residential real estate market.

The combination of Realtair and CampaignAgent with our existing agent promotion products, allows us to create a market leading offering to help our customers win their next listing.

Financial Services

Financial services operating income is generated from the activities of Smartline and the National Australia Bank ('NAB') Partnership, including realestate.com.au Home Loans. Our investment in Financial Services continues to perform well following the consolidation the Group's broker offerings under the Smartline brand. Financial Services operating income increased 12% driven by higher settlements, and improved broker productivity. This was more than offset by a non-cash valuation adjustment to reflect the expected future trail commission, which reduced due to faster loan run-off rates in the current low interest

environment. There was also a reduction in partnership revenue as the current NAB agreement performance payments have reached maturity.

Asia

The Group's Asian operations comprise the leading property portal in Malaysia¹⁶, and prominent portals in Hong Kong and Thailand, as well as Chinese site, myfun.com.

The Asian business revenue was negatively impacted by renewed COVID-related lockdowns, cancellation of events across all markets, adverse FX movements and the one-off COVID-related reduction in syndicated MyFun listings. The prior period comparatives also include the Singapore and Indonesia businesses, which were deconsolidated from 1 March 2020 as part of the 99 Group transaction.

In Malaysia, iProperty.com.my remains the country's number one property site in terms of market share¹⁷, growing site visits by 35% YoY¹⁸. Despite the challenging market conditions, penetration of the iProperty Pro depth offering continued to increase for the period.

Asia's result during the half included the equity accounted contribution from its 13.5% stake in Elara Technologies (Elara), prior to the Group taking a controlling ownership interest.

In December 2020, REA Group moved to a controlling position in Elara, increasing its shareholding from 13.5% to 59.65%, with the right to appoint 5 out of 9 Elara board seats. News Corp, the parent of REA Group majority shareholder News Corp Australia, owns 39.01% in Elara.

North America

The Group holds a 20% investment in Move, Inc., a leading provider of online real estate services in the United States. News Corp holds the remaining 80%.

Move, Inc. primarily operates realtor.com®, a premier real estate information services marketplace, under a perpetual agreement and trademark license with the National Association of Realtors®, the largest trade organisation in the USA.

¹⁴ Source: REA internal data Jul 20 – Dec 20 compared to Jul-19 – Dec-19.

¹⁵ Source: REA internal data as at Dec 20.

¹⁶ Source: SimilarWeb, monthly visits for iproperty.com.my site compared to the nearest competitor (Jul 20 – Dec 20). Excludes app.

¹⁷ Source: SimilarWeb, Oct 20 – Dec 20, a comparison with iProperty.com.my and propertyguru.com.my.

¹⁸ Source: Google Analytics, Total sessions, Jul 20 – Dec 20 vs Jul 19 – Dec 19.

realtor.com[®] is a leading property portal in the United States, the world's largest real estate market. Reported revenue growth of 20% to US\$293 million¹⁹ was due to the continued strength in the referral model and recovery in the traditional lead generation product, both benefiting from improved average monthly lead and transaction volumes. The result also benefitted from lower costs including the deferral of marketing costs. The Group's share of Move, Inc. for the half-year resulted in a \$9.4 million gain from core operations.

Average monthly unique users of realtor.com[®]'s web and mobile sites for the second quarter increased 37% on the prior corresponding period to approximately 80 million²⁰.

Business strategies and future developments

The way people search and find property continues to evolve, and consumer expectations are shaped by their digital experience. REA's goal is to provide an easy, stress-free and highly relevant experience for both its customers and consumers across Australia and Asia, right throughout their property journey.

REA Group has access to the largest network of property seekers across Australia and increasing audience numbers in key markets across Asia. This provides the Group with rich data and insights about what people are searching for and their individual property needs, enabling the delivery of highly relevant and personalised experiences.

Property

The foundation of the business is the online advertising of property listings, supported by data on residential and commercial property. Agents continue to play a critical role in the success of the business.

The Group focuses on improving the way properties are displayed on its sites and apps, to ensure people are provided with the best and most up-to-date content. It does this by using rich data to support the development of innovative products and experiences. This creates more opportunities for customers to continue growing their business, while creating personalised experiences for consumers.

Finance

Home finance is an integral part of the property purchase journey. As part of the Group's Finance strategy the business offers the realestate.com.au Home Loans experience in partnership with NAB. It combines searching for property and obtaining a home loan in a single experience.

The Group also recognises the value mortgage brokers bring to people looking to finance their next property. Through its ownership of Smartline, the Group now has more than 400 brokers in market. REA's audience, brand strength and digital expertise provides a unique position for long-term growth within the financial services industry.

Property-related services

REA Group's strength lies in the ability to understand its audience and it is continually looking for new ways to create value for our customers and consumers and remove any barriers for them to be able to realise, and achieve, their property dreams.

The Group does this by providing rich data and market insights to help customers and consumers make the most informed property-related decisions.

For consumers, this means we provide a personalised experience, inspiring content and a range of tools, calculators and other information so that people are equipped to make the right decision depending on where they are in their journey.

And for customers, it's about giving them the insights into market and consumer data, so we can deliver quality leads and unparalleled value.

Rounding of amounts

The Company is a company of the kind referred to in *Australian Securities and Investments Commission Instrument 2016/191* pursuant to sections 341(1) and 992(B) of the *Corporations Act 2001*. Amounts in the Directors' Report and the accompanying Condensed Consolidated Interim Financial Statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, except where otherwise indicated.

¹⁹ Source: NewsCorp's Form 10-Q stated in US Dollars for the six-month period ended 31 December 2020.

²⁰ Source: NewsCorp's Earnings Release in US Dollars (4 February 2021) for the six-month period ended 31 December 2020: Average monthly unique users for Q2 FY21 and compared to the same period Q2 FY20.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Declaration

This Report is made in accordance with a resolution of Directors.



Hamish McLennan

Chairman



Owen Wilson

Chief Executive Officer

Melbourne

5 February 2021



**Building a better
working world**

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

As lead auditor for the review of the half-year financial report of REA Group Ltd for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of REA Group Ltd and the entities it controlled during the financial period.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'David McGregor'.

David McGregor
Partner
5 February 2021

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Condensed Consolidated Income Statement
for the half-year ended 31 December 2020

| | Notes | 2020 \$'000 | 2019 \$'000 |
|--|-------|----------------|----------------|
| Revenue from property and online advertising | 3 | 418,681 | 427,690 |
| Revenue from financial services | 3 | 47,549 | 42,996 |
| Expense from franchisee commissions | 3 | (35,880) | (30,349) |
| Revenue from financial services after franchisee commissions | | 11,669 | 12,647 |
| Total operating income | | 430,350 | 440,337 |
| Employee benefits expenses | 4 | (92,478) | (94,528) |
| Consultant and contractor expenses | | (3,711) | (5,136) |
| Marketing related expenses | | (21,856) | (35,901) |
| Technology and other expenses | | (18,830) | (19,049) |
| Operations and administration expense | | (12,014) | (17,710) |
| Share of gains / (losses) of associates and joint ventures | 9 | 5,607 | (3,838) |
| Gain / (loss) on acquisition of subsidiary | 6 | 3,128 | (2,374) |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | | 290,196 | 261,801 |
| Depreciation and amortisation expense | 4 | (39,260) | (36,726) |
| Profit before interest and tax (EBIT) | | 250,936 | 225,075 |
| Net finance expense | 4 | (2,119) | (3,579) |
| Profit before income tax | | 248,817 | 221,496 |
| Income tax expense | 5 | (75,332) | (73,785) |
| Profit for the half-year | | 173,485 | 147,711 |
| Profit for the half-year is attributable to: | | | |
| Non-controlling interest | | 111 | 114 |
| Owners of the parent | | 173,374 | 147,597 |
| | | 173,485 | 147,711 |
| Earnings per share attributable to the ordinary equity holders of REA | | | |
| Basic earnings per share | | 131.6 | 112.1 |
| Diluted earnings per share | | 131.6 | 112.1 |

The above Condensed Consolidated Income Statement should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2020

| | 2020 | 2019 |
|---|-----------------|---------|
| | \$'000 | \$'000 |
| Profit for the half-year | 173,485 | 147,711 |
| Other comprehensive income | | |
| Items that may be reclassified subsequently to the Condensed Consolidated Income Statement | | |
| Exchange differences on translation of foreign operations, net of tax | (32,717) | 10,489 |
| Other comprehensive income for the half-year, net of tax | (32,717) | 10,489 |
| Total comprehensive income for the half-year | 140,768 | 158,200 |
| Total comprehensive income for the half-year is attributable to: | | |
| Non-controlling interest | 111 | 114 |
| Owners of the parent | 140,657 | 158,086 |
| | 140,768 | 158,200 |

The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

as at 31 December 2020

| | Notes | 31 Dec 2020 \$'000 | 30 Jun 2020 \$'000 |
|---|-------|-----------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 7 | 179,850 | 222,845 |
| Trade and other receivables | | 108,860 | 99,391 |
| Contract assets | | - | 5,552 |
| Commission contract assets | 10 | 46,458 | 45,356 |
| Total current assets | | 335,168 | 373,144 |
| Non-current assets | | | |
| Property, plant and equipment | | 95,103 | 101,577 |
| Intangible assets | | 851,589 | 650,365 |
| Deferred tax assets | | 11,452 | 11,086 |
| Other non-current assets | | 13,603 | 1,585 |
| Investment in associates and joint ventures | 9 | 280,334 | 304,910 |
| Commission contract assets | 10 | 145,241 | 147,856 |
| Total non-current assets | | 1,397,322 | 1,217,379 |
| Total assets | | 1,732,490 | 1,590,523 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 53,114 | 78,478 |
| Current tax liabilities | | 14,400 | 58,600 |
| Provisions | | 9,698 | 7,870 |
| Contract liabilities | | 53,865 | 60,755 |
| Interest bearing loans and borrowings | 11 | 247,197 | 76,470 |
| Commission liabilities | 10 | 36,859 | 35,603 |
| Total current liabilities | | 415,133 | 317,776 |
| Non-current liabilities | | | |
| Contract liabilities | | - | 739 |
| Other non-current payables | | 1,254 | - |
| Deferred tax liabilities | | 45,621 | 36,335 |
| Provisions | | 6,722 | 4,605 |
| Interest bearing loans and borrowings | 11 | 76,866 | 250,682 |
| Commission liabilities | 10 | 114,683 | 115,893 |
| Total non-current liabilities | | 245,146 | 408,254 |
| Total liabilities | | 660,279 | 726,030 |
| Net assets | | 1,072,211 | 864,493 |
| EQUITY | | | |
| Contributed equity | 12 | 150,314 | 92,050 |
| Reserves | | 35,005 | 67,805 |
| Retained earnings | | 805,193 | 704,262 |
| Parent interest | | 990,512 | 864,117 |
| Non-controlling interest | | 81,699 | 376 |
| Total equity | | 1,072,211 | 864,493 |

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2020

| | Notes | Contributed equity \$'000 | Reserves \$'000 | Retained earnings \$'000 | Parent interest \$'000 | Non- controlling interest \$'000 | Total equity \$'000 |
|---|-------|---------------------------------|--------------------|--------------------------------|------------------------------|---|---------------------------|
| Balance at 1 July 2020 | | 92,050 | 67,805 | 704,262 | 864,117 | 376 | 864,493 |
| Profit for the half-year | | - | - | 173,374 | 173,374 | 111 | 173,485 |
| Other comprehensive income | | - | (32,717) | - | (32,717) | - | (32,717) |
| Total comprehensive income for the half-year | | - | (32,717) | 173,374 | 140,657 | 111 | 140,768 |
| Transactions with owners in their capacity as owners | | | | | | | |
| Share-based payment expense | 4 | - | 2,051 | - | 2,051 | - | 2,051 |
| Acquisition of treasury shares | | (3,721) | - | - | (3,721) | - | (3,721) |
| Settlement of vested performance rights | | 2,134 | (2,134) | - | - | - | - |
| Issue of new shares | 12 | 59,851 | - | - | 59,851 | - | 59,851 |
| Acquired minority interest | 6 | - | - | - | - | 81,335 | 81,335 |
| Dividends paid | 13 | - | - | (72,443) | (72,443) | (123) | (72,566) |
| Balance at 31 December 2020 | | 150,314 | 35,005 | 805,193 | 990,512 | 81,699 | 1,072,211 |

| | Notes | Contributed equity \$'000 | Reserves \$'000 | Retained earnings \$'000 | Parent interest \$'000 | Non- controlling interest \$'000 | Total equity \$'000 |
|---|-------|---------------------------------|--------------------|--------------------------------|------------------------------|---|---------------------------|
| Balance at 1 July 2019 | | 89,544 | 68,120 | 747,312 | 904,976 | 459 | 905,435 |
| Profit for the half-year | | - | - | 147,597 | 147,597 | 114 | 147,711 |
| Other comprehensive income | | - | 10,489 | - | 10,489 | - | 10,489 |
| Total comprehensive income for the half-year | | - | 10,489 | 147,597 | 158,086 | 114 | 158,200 |
| Transactions with owners in their capacity as owners | | | | | | | |
| Share-based payment expense | 4 | - | 53 | - | 53 | - | 43 |
| Acquisition of treasury shares | | (344) | - | - | (344) | - | (344) |
| Settlement of vested performance rights | | (2,669) | (3,784) | - | (1,115) | - | (1,115) |
| Dividends paid | 13 | - | - | (82,980) | (82,980) | (175) | (83,155) |
| Balance at 31 December 2019 | | 91,869 | 74,878 | 811,929 | 978,676 | 398 | 979,074 |

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2020

| | Notes | 2020 \$'000 | 2019 \$'000 |
|---|-------|-----------------|------------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 464,676 | 494,556 |
| Payments to suppliers and employees (inclusive of GST) | | (218,985) | (239,199) |
| | | 245,691 | 255,357 |
| Interest received | | 1,489 | 1,496 |
| Interest paid | | (3,215) | (4,096) |
| Income taxes paid | | (119,088) | (88,806) |
| Share-based payment on settlement of incentive plans | | - | (1,406) |
| Net cash inflow from operating activities | | 124,877 | 162,545 |
| Cash flows from investing activities | | | |
| (Payment)/receipt for acquisition of subsidiary | 6 | (39,432) | (15,867) |
| (Payment)/receipt for investment in associates and joint ventures | 9 | (5,412) | (2,000) |
| Payment for property, plant and equipment | | (1,296) | (1,882) |
| Payment for intangible assets | | (29,898) | (32,595) |
| Payment for convertible note receivable | 9 | (11,814) | - |
| Net cash outflow from investing activities | | (87,852) | (52,344) |
| Cash flows from financing activities | | | |
| Dividends paid to company's shareholders | 13 | (72,443) | (82,980) |
| Dividends paid to non-controlling interests in subsidiaries | | (123) | (661) |
| Payment for acquisition of treasury shares | 12 | (3,721) | (344) |
| Proceeds from borrowings | | - | 169,525 |
| Repayment of borrowings and leases | 11 | (3,101) | (243,194) |
| Net cash outflow from financing activities | | (79,388) | (157,654) |
| Net decrease in cash and cash equivalents | | | |
| | | (42,363) | (47,453) |
| Cash and cash equivalents at the beginning of the year | | 222,845 | 137,897 |
| Effects of exchange rate changes on cash and cash equivalents | | (632) | 511 |
| Cash and cash equivalents at end of the half-year | 7 | 179,850 | 90,955 |

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Interim Financial Statements

Basis of preparation

The Condensed Consolidated Interim Financial Statements for the half-year ended 31 December 2020 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The Condensed Consolidated Interim Financial Statements do not include all the information and disclosures required in annual Financial Statements, and should be read in conjunction with the Group's annual Consolidated Financial Statements as at 30 June 2020.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those followed in the preparation of the Group's annual report for the year ended 30 June 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

The Group has net current liabilities of \$80.0 million as at 31 December 2020. The NAB revolving facility of \$70 million matures in April 2021 and the syndicated loan facility of \$170 million (sub facility A) matures in December 2021, both loan facilities have been classified as current liabilities as at 31 December 2020, refer to Note 11 for further details. The Group expects to repay the loan facilities through a combination of debt refinancing and cash reserves. The Group generated positive operating cash flows and traded profitably for the year. The Directors expect this to continue into the foreseeable future.

(a) New standards, interpretations and amendments adopted by the Group

A number of new or amended accounting standards and interpretations are effective for the Group from 1 July 2020. However, these are not considered relevant to the activities of the Group nor are they expected to have a material impact on the financial statements of the Group.

(b) New standards, interpretations and amendments not yet adopted by the Group

New accounting standards, interpretations and amendments have been issued but are not yet effective, however these are not considered relevant to the activities of the Group nor are they expected to have a material impact on the financial statements of the Group.

1. Corporate information

REA Group Ltd (the 'Company') is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ('ASX').

The Condensed Consolidated Interim Financial Statements of the Company as at and for the half-year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates and equity-accounted investments.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. Segment information

The following tables present operating income and results by operating segments for the half-years ended 31 December 2020 and 2019.

| Half-year ended 31 December 2020 | Australia | | Asia ² | North America | Corporate | Total |
|--|-------------------------------------|-----------------------|-------------------|------------------|-----------------|----------------|
| | Property & Online Advertising | Financial Services | | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Segment operating income¹ | | | | | | |
| Total segment operating income ¹ | 402,648 | 11,669 | 17,416 | - | - | 431,733 |
| Inter-segment operating income | (941) | - | (442) | - | - | (1,383) |
| Operating income¹ | 401,707 | 11,669 | 16,974 | - | - | 430,350 |
| Results | | | | | | |
| Segment EBITDA from core operations (excluding share of losses of associates and joint ventures) | 288,557 | 4,405 | 1,690 | - | (10,100) | 284,552 |
| Share of losses of associates and joint ventures | (166) | - | (3,580) | 9,353 | - | 5,607 |
| Segment EBITDA from core operations | 288,391 | 4,405 | (1,890) | 9,353 | (10,100) | 290,159 |
| Gain/(loss) on acquisitions and disposals and business combination transaction costs | - | - | - | - | 3,128 | 3,128 |
| Historic tax provision ³ | - | - | - | - | (3,091) | (3,091) |
| EBITDA | 288,391 | 4,405 | (1,890) | 9,353 | (10,063) | 290,196 |
| Depreciation and amortisation | | | | | | (39,260) |
| EBIT | | | | | | 250,936 |
| Net finance expense | | | | | | (2,119) |
| Profit before income tax | | | | | | 248,817 |

1 This represents revenue less commissions for financial services

2 Inclusive of Elara Technologies ('Elara') as an investment in associate for the six month period ending 31 December 2020.

3 Historic indirect tax provision reflects potential retrospective changes to interpretation of tax law.

2. Segment information (continued)

| Half-year ended 31 December 2019 | Australia | | Asia | North America | Corporate | Total |
|---|-------------------------------------|-----------------------|---------|------------------|-----------|----------|
| | Property & Online Advertising | Financial Services | | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Segment operating income ¹ | | | | | | |
| Total segment operating income ¹ | 400,874 | 12,647 | 27,691 | - | - | 441,212 |
| Inter-segment operating income | (394) | - | (481) | - | - | (875) |
| Operating income ¹ | 400,480 | 12,647 | 27,210 | - | - | 440,337 |
| Results | | | | | | |
| Segment EBITDA from core operations (excluding share of losses of associates and joint ventures) | 271,451 | 4,347 | 6,285 | - | (9,988) | 272,095 |
| Share of losses from associates and joint ventures | (64) | (181) | (3,182) | (1,470) | 1,059 | (3,838) |
| (Gain)/loss on acquisitions and disposals and business combination transaction costs | - | - | - | - | (1,059) | (1,059) |
| Segment EBITDA from core operations | 271,387 | 4,166 | 3,103 | (1,470) | (9,988) | 267,198 |
| Restructure costs | - | - | - | - | (4,082) | (4,082) |
| Gain/(loss) on acquisitions and disposals and business combination transaction costs | - | - | - | - | (1,315) | (1,315) |
| EBITDA | 271,387 | 4,166 | 3,103 | (1,470) | (15,385) | 261,801 |
| Depreciation and amortisation | | | | | | (36,726) |
| EBIT | | | | | | 225,075 |
| Net finance expense | | | | | | (3,579) |
| Profit before income tax | | | | | | 221,496 |

¹ This represents revenue less commissions for financial services

3. Revenue from contracts with customers**(a) Revenue from contracts with customers reconciliation**

| | Consolidated for the half-year ended 31 December 2020 | | | |
|--|---|--|------------------------|-------------------------|
| Total revenue for the Group: <i>Type of services</i> | Property & Online Advertising \$'000 | Financial Services \$'000 | Asia \$'000 | Total \$'000 |
| Revenue from property & online advertising | 401,707 | - | 16,974 | 418,681 |
| Revenue from financial services | - | 47,549 | - | 47,549 |
| Total revenue | 401,707 | 47,549 | 16,974 | 466,230 |

| | Consolidated for the half-year ended 31 December 2020 | | | |
|---|---|--|------------------------|-------------------------|
| Total revenue for the Group: <i>Timing of revenue</i> | Property & Online Advertising \$'000 | Financial Services \$'000 | Asia \$'000 | Total \$'000 |
| Services transferred at a point in time | 6,745 | 47,549 | 15 | 54,309 |
| Services transferred over time | 394,962 | - | 16,959 | 411,921 |
| Total revenue | 401,707 | 47,549 | 16,974 | 466,230 |

| | Consolidated for the half-year ended 31 December 2019 | | | |
|--|---|--|------------------------|-------------------------|
| Total revenue for the Group: <i>Type of services</i> | Property & Online Advertising \$'000 | Financial Services \$'000 | Asia \$'000 | Total \$'000 |
| Revenue from property & online advertising | 400,480 | - | 27,210 | 427,690 |
| Revenue from financial services | - | 42,996 | - | 42,996 |
| Total revenue | 400,480 | 42,996 | 27,210 | 470,686 |

| | Consolidated for the half-year ended 31 December 2019 | | | |
|---|---|--|------------------------|-------------------------|
| Total revenue for the Group: <i>Timing of revenue</i> | Property & Online Advertising \$'000 | Financial Services \$'000 | Asia \$'000 | Total \$'000 |
| Services transferred at a point in time | 6,777 | 42,996 | 33 | 49,806 |
| Services transferred over time | 393,703 | - | 27,177 | 420,880 |
| Total revenue | 400,480 | 42,996 | 27,210 | 470,686 |

3. Revenue from contracts with customers (continued)**Reconciliation of operating income:**

| | 31 Dec 2020 \$'000 | 31 Dec 2019 \$'000 |
|-------------------------------------|-----------------------|-----------------------|
| Total revenue | 466,230 | 470,686 |
| Expense from franchisee commissions | (35,880) | (30,349) |
| Total operating income | 430,350 | 440,337 |

(b) Contract liabilities

As of 1 July 2020, contract liabilities amounted to \$61.5 million, of which \$49.2 million was recognised during the six months ending 31 December 2020.

4. Expenses

| | 31 Dec 2020 \$'000 | 31 Dec 2019 \$'000 |
|---|-----------------------|-----------------------|
| Profit before income tax includes the following specific expenses: | | |
| Employee benefits | | |
| Salary costs | 82,354 | 86,448 |
| Defined contribution superannuation expense | 8,073 | 8,027 |
| Share based payments expense | 2,051 | 53 |
| Total employee benefits expenses | 92,478 | 94,528 |
| Finance (income)/expense | | |
| Interest income | (1,496) | (1,437) |
| Interest expense | 3,356 | 4,312 |
| Foreign exchange loss - financing | 259 | 704 |
| Total finance expense | 2,119 | 3,579 |
| Depreciation of property, plant and equipment | 8,460 | 8,535 |
| Amortisation of intangibles | 30,800 | 28,191 |
| Total depreciation and amortisation expense | 39,260 | 36,726 |
| Advertising placement costs | 5,354 | 5,081 |
| Net foreign exchange loss / (gain) | 1,630 | (852) |

5. Income tax expense

The Group calculates the half-year income tax expense using the tax rate that would be applicable to expected total annual earnings. The major components of income tax expense in the Condensed Consolidated Income Statement are:

| | 31 Dec 2020 \$'000 | 31 Dec 2019 \$'000 |
|---|-----------------------|-----------------------|
| Current income tax expense | 76,696 | 72,295 |
| Deferred income tax expense related to origination and reversal of deferred taxes | (1,364) | 1,490 |
| Total income tax expense reported in the Condensed Consolidated Income Statement | 75,332 | 73,785 |

6. Business combination

In December 2020, the Group completed the acquisition of a majority stake in Elara Technologies Pte. Ltd. ('Elara'), a digital real estate classifieds and transaction services company. The acquisition was achieved in stages through a combination of subscribing for new preference shares and the acquisition of the existing shareholdings of certain minority shareholders. Following the acquisition, the Group holds a 59.65% shareholding in Elara at 31 December 2020.

(a) Purchase consideration

The total purchase consideration and fair value of each class of consideration is detailed below:

| | \$'000 |
|-------------------------------------|----------------|
| Cash paid / payable | 49,091 |
| Shares issued | 56,588 |
| Total purchase consideration | 105,679 |

Cash consideration paid was \$48.9 million (US\$34.5 million) on 17 December 2020 with a further \$0.2 million payable as at the reporting date. The consideration included newly issued REA shares with a total consideration value of \$56.6 million. The Group issued 318,323 new REA shares on 17 December 2020 and a subsequent issue of 84,195 shares on 30 December 2020. The fair value of the REA shares issued were based on the listed share price of the Company at 17 December 2020 and 30 December 2020.

(b) Fair value of Elara

News Corp also subscribed for US\$34.5 million of preference shares in Elara. Following the subscription of preference shares by REA and News Corp, Elara's debt facility has been repaid.

News Corp holds a non-controlling interest in Elara at 39.01% and minority interests held the remaining 1.34%. The non-controlling interest was calculated using the proportionate fair value approach. This value was based on the fair value of consideration paid and the total number of Elara shares outstanding. This resulted in a share price at completion date which was used to determine the fair value of the non-controlling interest. The Group determined the non-controlling interest to be \$81.3 million at 31 December 2020.

6. Business combination (continued)**(b) Fair value of Elara (continued)**

| | \$'000 |
|---|----------------|
| Purchase consideration (a) | 105,679 |
| Fair value of previously held equity interest (f) | 10,854 |
| Non-controlling interest | 81,335 |
| Fair value of Elara | 197,868 |

(c) Goodwill on acquisition

| | \$'000 |
|--|----------------|
| Fair value of Elara (b) | 197,868 |
| Less: Net identifiable assets and liabilities acquired (d) | (32,488) |
| Goodwill | 165,380 |

The Goodwill acquired is attributable to Elara's established digital real estate business market position and the high long-term growth potential of this market. Goodwill is not deductible for tax purposes. The Group has provisionally identified intangible assets including software and brands that have been provisionally separated from goodwill, net of deferred taxes.

6. Business combination (continued)**(d) Details of assets and liabilities acquired**

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition. The net identifiable assets acquired will be finalised within 12 months of the acquisition date, in line with accounting standards. Provisional accounting in the determination of net assets acquired has been applied and is detailed below:

| | Fair value recognised on acquisition \$'000 |
|---|---|
| Current assets | |
| Cash and cash equivalents | 9,498 |
| Trade and other receivables | 6,375 |
| Total current assets | 15,873 |
| Non-current assets | |
| Property, plant and equipment | 1,081 |
| Intangible assets | 38,008 |
| Other non-current assets | 864 |
| Total non-current assets | 39,953 |
| Current liabilities | |
| Trade and other payables | 6,243 |
| Provisions | 497 |
| Contract liabilities | 4,950 |
| Total current liabilities | 11,870 |
| Non-current liabilities | |
| Deferred tax liability | 9,380 |
| Provisions and other liabilities | 2,088 |
| Total non-current liabilities | 11,468 |
| Net identifiable assets acquired | 32,488 |
| Add: goodwill (c) | 165,380 |
| Net assets acquired | 197,868 |

The fair value of trade and other receivables is \$6.4 million and includes trade receivables with a fair value of \$5.1 million. The gross contractual amount of trade receivables due is \$5.1 million. A provision of \$2.5 million has been recognised for contractual cash flows not expected to be collected.

(e) Cash flows on acquisition

| | |
|-------------------------|---------------|
| Cash consideration paid | 48,930 |
| Less: cash acquired | (9,498) |
| Outflow of cash | 39,432 |

6. Business combination (continued)

(f) Acquisition related costs

The fair value of the equity interest in Elara held by REA immediately before the acquisition date was \$10.9 million. The investment was remeasured immediately before the acquisition resulting in a fair value gain of \$1.1 million which was recognised in the Consolidated Income Statement. As part of the acquisition accounting a \$7.1 million foreign exchange gain relating to the original investment was transferred from foreign currency translation reserve to the Consolidated Income Statement.

A net gain on acquisition was recognised in the Consolidated Income Statement of \$3.1 million. This comprised \$7.1 million gain from the release of the historic foreign exchange reserve, \$1.1 million fair value gain on the original Elara investment, \$3.7 million compensation expense relating to historic management incentives and other transaction related costs of \$1.4 million. Acquisition related costs have been recognised in the gain/loss on acquisition in the Consolidated Income Statement.

(g) Revenue and profit before tax from continuing operations

As the transaction completed effective 31 December 2020, there is no revenue or profit contributions arising from the Elara acquisition included in the continuing operations of the Group for the half year ended 31 December 2020. Revenue and profit contributions will be included in the continuing operations of the Group from 1 January 2021.

(h) Commitments

REA has agreed to provide ongoing funding to Elara for a minimum of 18 months of operations on terms consistent with the revolving credit facility ('RCF') previously held by Elara. Funding will be provided in any combination of equity and debt as may be determined at REA's discretion to be utilised by Elara for business operations.

As at the reporting date, the Group had no other commitments.

7. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

| | 31 Dec 2020 \$'000 | 30 Jun 2020 \$'000 |
|---|-----------------------|-----------------------|
| Cash at bank and in hand | 179,388 | 222,407 |
| Short-term deposits | 462 | 438 |
| Total cash and short-term deposits | 179,850 | 222,845 |

8. Intangible assets and impairment

AASB 136 *Impairment of Assets* requires assets to be assessed for impairment indicators at the end of each reporting period. If any such indicators exist, the recoverable amount of the asset is estimated. No such indicators were identified for the Group's CGUs or segments for the half-year ended 31 December 2020. Following the impairment charges recognised in June 2020, the recoverable amount of the Asian CGU and the Financial Services Segment was equal to their carrying amount. Therefore, any adverse change in certain key assumptions for the Asian CGU and the Financial Services Segment could, in isolation, result in a material impairment.

9. Investment in associates and joint ventures

On 17 December 2020, the Group acquired a controlling share in Elara Technologies Pte. Ltd. ('Elara'). On completion, the Group ceased to equity account for its investment in associate and recognised Elara as a fully consolidated subsidiary of the Group. Details of the transaction is disclosed in note 6.

On 1 December 2020, REA acquired a 17.9% share in Realtair Pty Limited ('Realtair'). The purchase price of the investment was \$6.4 million cash consideration, of which \$1.0 million is deferred until 1 December 2022. Realtair is a proptech platform that provides an end-to-end real estate sales solution. This allows agents to pitch, sign, automate and streamline the steps from property appraisal to settlement through mobile, easy to use technology. The investment is equity accounted as the Group is deemed to have significant influence holding 1 out of 5 board seats with equal voting rights.

The Group holds a 27% interest in 99 Group, which is equity accounted. On 30 November 2020, the Group subscribed for US\$8.7 million (\$11.8 million) of convertible notes issued by 99 Group. The convertible notes earn 4% interest per annum and matures in three years. The convertible note receivable is classified as a financial asset at fair value through profit and loss ('FVTPL') and is reported in non-current assets in the Consolidated Statement of Financial Position.

The Group holds a 20% interest in Move, Inc. ('Move'), which is equity-accounted. The remaining 80% interest in Move is held by News Corp.

A reconciliation of the carrying amounts of investments in associates and joint ventures is provided below:

| | Move | | Elara | | Other | |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 31 Dec 2020 | 30 Jun 2020 | 31 Dec 2020 | 30 Jun 2019 | 31 Dec 2019 | 30 Jun 2020 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Carrying amount of the investment | 261,091 | 279,425 | - | 10,095 | 19,243 | 15,390 |

A reconciliation of the share of (gains) /losses in associates and joint ventures is provided below:

| | Move | | Elara | | Other | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Share of (gain)/losses of associate/joint venture | (9,353) | 411 | 2,446 | 3,182 | 1,300 | 245 |

10. Commissions

The key assumptions underlying the carrying value of trailing commissions assets and the corresponding liabilities to franchisees at balance date are detailed in the table below:

| | 31 Dec 2020 | 30 Jun 2020 |
|--|-------------|-------------|
| Weighted average loan life | 4.3 years | 4.3 years |
| Weighted average discount rate | 5.0% | 5.0% |
| Percentage of commissions received paid to franchisees (10-year average) | 80.0% | 80.2% |

10. Commissions (continued)

The carrying amounts of upfront trail commission contract assets and commission liabilities carried at reporting date are detailed below:

| | 31 Dec 2020 \$'000 | 30 Jun 2020 \$'000 |
|---|-----------------------|-----------------------|
| Future trailing commission contract assets – current | 38,704 | 38,317 |
| Upfront commission contract assets - current | 7,754 | 7,039 |
| Total current commission contract assets | 46,458 | 45,356 |
| Future trailing commission contract assets – non-current | 145,241 | 147,856 |
| Future trailing commission liabilities - current | 30,500 | 29,988 |
| Upfront commission liabilities – current | 6,359 | 5,615 |
| Total current commission liabilities | 36,859 | 35,603 |
| Future trailing commission liabilities – non-current | 114,683 | 115,893 |

11. Interest bearing loans and borrowings

| Facility ¹ | Interest rate | Maturity | 31 Dec 2020 \$'000 | 30 Jun 2020 \$'000 |
|---|----------------------------------|---------------|-----------------------|-----------------------|
| Unsecured syndicated revolving loan facility^{2,5} | | | | |
| Sub Facility A ⁶ | BBSY +0.85% - 2.00% ⁴ | December 2021 | 170,000 | 170,000 |
| Sub Facility B ³ | BBSY +2.00% - 2.75% ⁴ | December 2021 | - | - |
| Unsecured NAB revolving loan facility^{5,6} | BBSY +0.85% - 2.75% ⁴ | April 2021 | 70,000 | 70,000 |
| Unsecured NAB overdraft facility³ | NAB benchmark rate -4.22% | On demand | - | - |

¹ The carrying value of the debt approximates fair value.

² The loan facility is provided by a syndicate comprising Australia and New Zealand Bank, National Australia Bank and HSBC.

³ Facility was not drawn as at 31 December 2020 and 30 June 2020.

⁴ Interest rate margin is dependent on the Group's net leverage ratio. As of 31 December 2020, the interest rate margin was between 0.85% and 2.00%, at a weighted average interest rate of 0.97%.

⁵ On 8 October 2020, the existing facility agreements for the unsecured syndicated revolving loan facility and the unsecured NAB revolving loan facility were amended to change the covenant requirements. As of 31 December 2020, the Group is required to maintain a net leverage ratio of not more than 3.5 to 1.0. The Group has complied with the financial covenants of its borrowing facilities during the period.

⁶ Both facilities are fully drawn as at 31 December 2020 and 30 June 2020.

11. Interest bearing loans and borrowings (continued)

Reconciliation of liabilities arising from financing activities:

| | Balance at 1 July 2020 \$'000 | Additions \$'000 | Principal Payments \$'000 | Other \$'000 | Balance at 31 December 2020 \$'000 |
|--|-------------------------------------|---------------------|---------------------------------|------------------|---|
| Loans – current | 69,456 | - | - | 170,055 | 239,511 |
| Lease liabilities – current | 7,014 | - | (3,101) | 3,773 | 7,686 |
| Total interest bearing loans and borrowings - current | 76,470 | - | (3,101) | 173,828 | 247,197 |
| Loans – non-current | 169,777 | - | - | (169,777) | - |
| Lease liabilities – non-current | 80,905 | - | - | (4,039) | 76,866 |
| Total interest bearing loans and borrowings - non-current | 250,682 | - | - | (173,816) | 76,866 |

12. Contributed equity

At 31 December 2020 the Group had 132,117,217 ordinary shares on issue. As detailed in note 6, the Group issued 402,518 new shares as scrip consideration for the acquisition of Elara, of which 318,323 shares were issued on 17 December 2020 and 84,195 shares were issued on 30 December 2020. The closing share price on 17 December 2020 and 30 December 2020 was \$148.59 and \$149.07 respectively.

| | Contributed equity \$'000 | Other contributed equity \$'000 | Total \$'000 |
|---|---------------------------------|--|-----------------|
| Balance at 1 July 2019 | 102,616 | (13,072) | 89,544 |
| Acquisition of treasury shares | - | (344) | (344) |
| Settlement of vested performance rights | - | 2,850 | 2,850 |
| Balance at 30 June 2020 | 102,616 | (10,566) | 92,050 |
| Acquisition of treasury shares | - | (3,721) | (3,721) |
| Issue of new shares | 59,851 | - | 59,851 |
| Settlement of vested performance rights | - | 2,134 | 2,134 |
| Balance 31 December 2020 | 162,467 | (12,153) | 150,314 |

The Group's own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share-based payments reserve.

13. Dividends

The following dividends were declared or paid by the Group:

| | 31 Dec 2020 \$'000 | 31 Dec 2019 \$'000 |
|--|-----------------------|-----------------------|
| Declared and paid during the period (fully-franked @ 30%) | | |
| Final dividend for 2020 55.0 cents (2019: 63.0 cents) | 72,443 | 82,980 |
| Proposed and unrecognised as a liability (fully-franked at 30%) | | |
| Interim dividend for 2021: 59.0 cents (2020: 55.0 cents). Proposed dividend is expected to be paid on 23 March 2021 out of retained earnings at 31 December 2020 but is not recognised as a liability at half-year end | 77,949 | 72,443 |

14. Commitments and contingencies

(a) Claims

Various claims, including tax matters, arise in the ordinary course of business against the Group and its subsidiaries. The amount of the liability (if any) at 31 December 2020 cannot be ascertained, and any resulting liability would not materially affect the financial position of the Group.

(b) Guarantees

In December 2020, REA and News Corp acquired preference shares in Elara Technologies Pte. Ltd. by issuing cash consideration for repayment of the USD\$69.0 million revolving credit facility ('RCF') with Citibank. This resulted in the derecognition of a \$1.3 million guarantee liability and accrued income asset on settlement of the RCF facility on completion.

As at the reporting date, the Group had no guarantees outstanding.

15. Events after the balance sheet date

On 4 February 2021, the Group entered into a binding agreement to acquire a 27% interest in Campaign Agent Pty Ltd for \$13.3 million. CampaignAgent owns 'VPAPay', the market leading buy now pay later solution for vendor paid advertising, and other financial solutions to the residential real estate market.

Excluding the above, from the end of the reporting period to the date of this report, no other matters or circumstances have arisen which have significantly affected the operations of the Group, the results of the operations or the state of affairs of the Group.

Directors' Declaration

For the half-year ended 31 December 2020:

In the Directors' opinion:

- (a) the Condensed Consolidated Interim Financial Statements and notes of the consolidated entity set out on pages 14 to 31 are in accordance with the *Corporations Act 2001*, including:
 - giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
 - complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
- (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.

This declaration is made in accordance with a resolution of the Directors.



Hamish McLennan

Chairman



Owen Wilson

Chief Executive Officer

Melbourne

5 February 2021



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working world**

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Independent auditor's review report to the members of REA Group Ltd

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half year financial report of REA Group Ltd and its subsidiaries (collectively the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial 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 the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



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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*.

Ernst & Young

David McGregor
Partner
Melbourne
5 February 2021