Management Discussion & Analysis of Financial Condition and Results of Operations

As of and for the nine months ended
September 30, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

(Thousands of Euros)

	30/09/2018(*)	31/12/2017
NON-CURRENT ASSETS:		
Intangible assets	384,513	344,878
Property, plant and equipment	2,019	1,815
Non-current financial assets	91,040	88,468
Deferred tax assets	12,349	10,297
Goodwill	6,079	6,079
Total non-current assets	**496,000**	**451,537**
CURRENT ASSETS:		
Current financial assets-	155,096	174,033
Trade and other receivables	106,236	131,527
Current financial assets	1,994	496
Cash and cash equivalents	46,836	42,010
Other current assets	282	326
Total current assets	**155,348**	**174,359**
TOTAL ASSETS	**651,348**	**625,896**
EQUITY:		
Share capital	9,683	9,683
Share premium	45,831	45,831
Reserves of the Parent	18,721	2,118
Reserves of the subsidiaries	4,101	2,201
Other shareholder contributions	3,900	3,900
Profit (loss) for the period attributable to the Parent	(3,009)	32,570
Interim dividend	-	(14,063)
Equity attributable to the Parent	**79,227**	**82,240**
Total equity	**79,227**	**82,240**
NON-CURRENT LIABILITIES:		
Debts with credit institutions, bonds and other securities	465,691	464,011
Long-term provisions	289	35
Deferred income	-	201
Deferred tax liabilities	116	-
Total non-current liabilities	**466,096**	**464,247**
CURRENT LIABILITIES:		
Debts with credit institutions, bonds and other securities	6,416	21,065
Other financial liabilities	49,807	6,908
Other current liabilities	14,406	23,204
Trade payables	35,396	28,232
Total current liabilities	**106,025**	**79,409**
TOTAL EQUITY AND LIABILITIES	**651,348**	**625,896**

(*) Unaudited financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(Thousands of Euros)

	30/09/2018 (*)	30/09/2017 (*)(**)
Revenue	186,425	165,834
Other operating expenses	(60,058)	(43,557)
Personnel expenses	(39,697)	(34,612)
Depreciation and amortisation charge	(72,230)	(55,770)
Impairment and gains or losses on disposals of non-current assets	(3,311)	(12)
Profit (loss) from operations	**11,129**	**31,883**
Finance income	3,896	15
Finance expense	(20,965)	(11,118)
Net finance income (expense)	**(17,069)**	**(11,103)**
Profit (loss) before tax	**(5,940)**	**20,780**
Income tax benefit (expense)	(2,931)	(5,148)
Profit (loss) for the period from continuing operations	(3,009)	15,632
Loss for the period from discontinued operations	-	(1,200)
Profit (loss) for the period	**(3,009)**	**14,432**
Attributable to the sole shareholder of the Parent	(3,009)	14,432

(*) Unaudited financial statements.

(**) Restated figures.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018
(Thousands of Euros)

	30/09/2018 (*)	30/09/2017 (*)(**)
1. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before tax	**(5,940)**	**20,780**
Adjustments for:		
Depreciation and amortisation charge (+)	72,230	55,770
Finance income (-)	(3,896)	(15)
Finance costs (+)	20,965	11,118
Provisions, Impairment and losses on disposals (+)	3,659	241
Adjusted profit before Tax	**87,018**	**87,894**
Income tax paid	**(4,184)**	**(5,354)**
Increase/(Decrease) in current assets and liabilities		
(Increase)/Decrease in current assets	7,432	(34,188)
Increase/(Decrease) in current liabilities	2,919	(689)
Total net cash flows from operating activities (1)	**93,185**	**47,663**
2. CASH FLOWS FROM INVESTING ACTIVITIES		
Payments due to investments:		
Property, plant and equipment	(811)	(267)
Acquisition of contract intangible assets	(60,854)	(102,685)
Other intangible assets (computer software)	(10,476)	(7,322)
Other financial assets	(179)	(2,294)
Proceeds from disposals:		
Other financial assets and interest received	-	42
Total net cash flows from investing activities (2)	**(72,320)**	**(112,526)**
3. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and payments relating to equity instruments:		
Dividends paid	-	(21,489)
Proceeds and payments relating to financial liability instruments:		
Proceeds from issue of borrowing from -		
Group companies	-	84,800
Other entities	-	17,808
Repayment of borrowings from Credit Institutions	-	(10,578)
Interest paid from debts with Credit institutions, bonds and others	(16,039)	(4,041)
Interest paid from debts with Group companies and associates	-	(3,823)
Total net cash flows from financing activities (3)	**(16,039)**	**62,677**
4. Net increase/(decrease) in cash and cash equivalents (1+2+3)	**4,826**	**(2,186)**
Cash and cash equivalents at beginning of period	**42,010**	**55,581**
Incorporation in scope of consolidation	**-**	**332**
Cash and cash equivalents at end of period	**46,836**	**53,727**

(*) Unaudited financial statements.

(**) Restated figures.

Haya Real Estate, S.A.U.
and Subsidiary
(Haya Group)

1. Situation of the entity

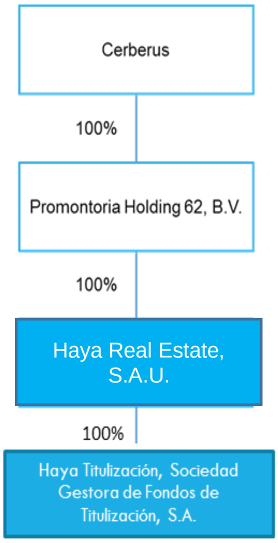
Haya Real Estate, S.A.U. (hereinafter, the Parent) was incorporated for an indefinite duration on 28 May 2013 as Cornalata Servicios y Gestión, S.L, and is duly registered in the Mercantile Registry of Madrid in Volume 1547, General, Book 31,153, Folio 10, Section 8, Sheet No. M-560,663, Entry 1 with VAT Registration No. (CIF) B-86744349.

The entity's name was changed on 1 August 2013 to Promontoria Plataforma, S.L.U., before being changed to its current name on 21 April 2014.

On 25 April 2018, the Sole Shareholder agreed to modify the Parent's bylaws so that it becomes a public limited company, changing its company name to Haya Real Estate, S.A. (Sole Shareholder Company). The transformation was effective on 7 May 2018.

Its registered office is at Calle Vía de los Poblados 3, Edificio 9, Madrid (Spain).

The corporate structure of Haya Real Estate, S.A.U. and subsidiary ("Haya" or the "Group") at September 30, 2018 is shown below:



The Parent is a sole shareholder company wholly owned by Promontoria Holding 62, B.V. (the sole shareholder). Cerberus Capital Management L.P. ("Cerberus") advises funds that indirectly own 100% of the shares of the Parent, through the sole shareholder.

On 28 February 2017, a new company was incorporated, Gestión Integral de Marketing Inmobiliario Online, S.L.U, which was wholly owned by the Parent, and which engaged mainly in the online intermediation of private real estate asset sales. As at 30 September 2017 the intention of the Parent and its Sole Shareholder was to sell the Parent's ownership in the capital of this company to its Sole Shareholder before the end of 2017. Therefore, the loss related to this company for EUR 1,200 thousand, was presented as "Loss for the period from discontinued operations" of the accompanying consolidated statement of profit or loss for the first nine months of 2017. On 27 November 2017, the Parent sold its entire interest in the share capital of the company to its Sole Shareholder

On 8 August 2017, the Parent obtained effective control over Mihabitans Cartera, S.A.U. (Mihabitans), the subsidiary of Liberbank, S.A. engaged in the management of the real estate assets of Liberbank, S.A. and other related entities (the Liberbank group), as a result of which the workforce of the acquired company was transferred to the Group. As part of the same transaction, Mihabitans signed an agreement with Liberbank group to acquire its real estate asset management business for a period of seven years. This acquisition, valued at EUR 84,800 thousand, was funded in full through a loan extended by the Sole Shareholder, Promontoria Holding 62, B.V. and a loan arranged with Liberbank, S.A. for the amount of EUR 17,808 thousand, corresponding to the VAT accrued on the transaction. Additionally, the agreement signed with the Liberbank group establishes the financial and operating terms of the management services provided for these assets, which include certain performance obligations. Both transactions were arranged as part of a sole business combination comprising the acquisition of the Liberbank group's real estate management business. In 2017, the subsidiary Mihabitans engaged in no activities other than the rendering of the aforementioned management services.

On 27 November 2017, the Parent acquired 100% of the share capital of Haya Finance 2017, S.A.U. (Haya Finance) from its Sole Shareholder for the sum of EUR 60 thousand. The main business of this subsidiary was the acquisition and granting of funding to third parties, and especially to Group companies.

On 20 June 2018, the shareholders of the Companies involved in the merger approved the absorption of Haya Finance 2017 S.A.U. and Mihabitans Cartera S.A.U. by Haya Real Estate S.A.U. (acquiring company). In this sense, the criteria followed by the Parent, for accounting purposes and for the recording of the assets and liabilities provided in the merger, has been to value them in the amount that corresponded to them in the respective financial statements of 2017 of the absorbed companies, which does not differ from the amount that would correspond to them in the consolidated financial statements of Haya Real Estate, S.A.U. of the financial year 2017. Therefore, this operation does not have any impact on the consolidated equity of the Haya Group.

On 31 January 2018, the Parent set up the company Haya Real Estate Servicing, S.A.U. with a similar corporate purpose to the Parent. On 13 March 2018, the Parent has sold all the shares it holds of this new company to its Sole Shareholder, for an amount of EUR 60 thousand, which is equivalent to the share capital of the new company. Since its incorporation to the date of the aforementioned shares sale, the new company had not carried out any activity so that the impact of its incorporation in these interim condensed consolidated financial statements is null.

All of the Group's business activity is carried out in Spain, and mainly involves the following comprehensive services:

- Debt management and recovery: The Group actively manages and monitors its clients' portfolios of outstanding loans. For performing loans, the Group monitors the debtor's financial situation to anticipate a future default. It manages payments from debtors and performs necessary administrative functions. For NPLs, the Group assists in the analysis and implementation of a number of recovery strategies, including pre-legal recovery processes such as discounted pay-offs ("DPOs"), standstill payoffs, short sales, loan sales and portfolio sales. In addition, it manages legal recovery processes, such as foreclosure and insolvency processes and deeds in lieu ("DILs")

- Real estate asset management: The real estate asset management activities are centred on REO management activities such as asset onboarding activities (including reception of the assets and registration in IT systems), payment of taxes and debt cancellation. Once the asset is onboarded, the Group assists in analysing any development work required, for example, construction or obtaining relevant urban planning permits, with the help of urban planning lawyers, architects and contractors. The Group also performs detailed appraisal analyses, and manages necessary repairs and incidents, where required.

- Real estate asset commercialization: The Group manages a number of commercialization activities on behalf of its clients, including the rental and sale of REOs, through a broad network of real estate brokers, its clients' bank branches, its internal salesforce and its own online platform. Its activities incorporate the management of rentals, implementation of marketing campaigns, contacting clients and arranging site visits, as well as the sale of asset portfolios. The Group also assists in the formalization of private contracts and public deeds and performs ongoing monitoring and reporting activities.

- Advisory and underwriting: The Group has a cross-functional advisory team that assists in managing the clients' portfolio through a variety of activities. The Group provides asset valuation services through a combination of automatic and manual valuation, performs extensive market research and offers extensive data analytics and statistical modelling.

- Value-added services: The Group's value-added services complement its core servicing business and consist of portfolio advisory services, securitization management and property management. The Group also leverages its direct contact with end customers to offer related products, such as mortgages, insurance, utilities and refurbishment services. It has a team that manages and assists in the development of land and projects under construction.

The Group's revenues derive mainly from four main servicing contracts (SLAs or Service Level Agreements) setting down the terms and conditions for the services. These four contracts have similar fee structures, but different fee percentages, which accounts for most of the Group's revenue:

- Volume-servicing fees: the percentage fee agreed with the clients for each asset transaction or recovery managed by the Group on their behalf, based on its nature (i.e., the recovery or sale of debt, the conversion of REDs to REOs or the commercialization of a REO).

- Asset management fees: the percentage fee agreed with the clients charged on the amount of assets under management (AuM).

These four contracts have been signed with the following financial entities:

- Bankia Group: The Group has been providing management services for the real estate and credit assets of the Bankia Group since October 2013, under the SLA signed on 3 September 2013 for a period of ten years. In addition to volume-servicing and management fees, the SLA also establishes a success fee that the Group earns if certain benchmarks are achieved for the assets managed during the year. On 27 April 2018, the Parent has entered into a novation of the purchase contract for the Bankia group's asset management business and of the Service Level Agreement contract (SLA), both signed on 3 September 2013 with Bankia group. Such novation modifies the terms of the aforementioned contracts, adding to the current REOs under management a new perimeter of REOs coming from the merger between Bankia and Banco Mare Nostrum (BMN), and settling that the servicing term is indefinite, with a period of exclusivity of 10 years, starting on 1 May 2018. Likewise, such novation resolves the provision by the Parent of any service under the initial SLA dated 3 September 2013, in relation with Bankia's REDs, managed by the Parent under the initial SLA. The new novated SLA establishes certain service levels the Group has to achieve, which will be measured regularly once the calibration period for these services, which is currently underway, has been completed.

- Cajamar Group: The Group has been providing management services for the real estate and credit assets of the Cajamar Group since July 2014, under the SLA signed on 10 June 2014 for a period of ten years. The SLA establishes certain service levels the Group has to achieve, which are measured regularly.

- SAREB: Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (hereinafter, "SAREB") held a tender in the first half of 2014 that was awarded to the Group's Parent, for the provision of administration and management services for a bundle of assets over five years. This agreement came into effect on 1 January 2015. The portfolio of assets initially awarded to the Group mainly consisted of REDs, some of which have now been converted into REOs. The SLA establishes certain service levels the Group has to achieve, which are measured regularly.

- Liberbank Group: The Group has been providing management services for the real estate and credit assets of the Liberbank Group since August 2017, under the SLA signed on 8 August 2017 for a period of seven years. The SLA establishes certain service levels the Group has to achieve, which are measured regularly.

The Group has expanded its activity since 2013, through acquisitions of asset management businesses from other financial institutions and of companies specialising in value-added services that complement its core business. The Parent is also the sole administrator of a few portfolios of guaranteed real estate assets acquired by Cerberus and other institutional investors.

2. Business performance and results

2.1 Key Performance Indicators

a. Alternative Performance Measures (APMs)

The key indicators used by the Group and its sector to describe its activities and performance are: Assets under Management (by total and by client), Transaction Volumes (by total and by type of transaction), Average Volume

Servicing Fees and Average Asset Management Fees, EBITDA and Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin, Net Debt, Leverage Ratio, Free Cashflow and Cash Conversion. The Group uses these measurements when planning its strategy, preparing budgets, reporting to the sole shareholder and reviewing the Group's performance.

The Group's management considers that these measures are commonly used among its peers in the industry. It considers measures based on EBITDA to be useful as they eliminate potential differences in operating income between the periods and companies being compared, due mainly to factors such as amortisation and depreciation, historic costs, the age of the assets, capital structures and tax regimes.

Details of the definitions, calculation and reconciliation of these APMs with the Group's interim condensed consolidated financial statements are shown below:

a.1 Assets under Management (by total and by client)

The Group defines Assets under Management (AuMs) as the total contracted assets under management on which asset management fees are earned and which are comprised of REDs (Real Estate Developer Loans) and REOs (Real Estate Owned Assets), generally at the gross book value reflected in the client's balance sheets or agreed upon reference price. The AuMs we manage can change for a specified period as a result of "inflows" (increases in AuMs resulting from new servicing contracts or additional AuMs from existing servicing contracts), "outflows" (decreases in AuMs resulting from the recovery or sale of REDs or the commercialization of REOs) and RED conversions into REOs. The total amount of Assets under Management in a period forms the basis of our commissioning and is confirmed periodically with our clients.

This Alternative Performance Measure is used because it is understood to be a key measure to analyse and track our performance as it shows the base on which we earn our asset management fees and illustrate the volume of assets that we currently manage for our clients.

	In € millions	
	September 30, 2018	December 31, 2017
Assets under Management (by client)		
Bankia	*5,268*	*5,580*
Cajamar	*5,825*	*6,494*
Sareb	*22,481*	*24,119*
Liberbank	*2,788*	*3,026*
Other clients	*1,863*	*940*
Assets under Management (total)	**38,225**	**40,159**

As of September 30, 2018, the AuMs decreased by €1,934 million due to the natural evolution of recoveries under existing contracts, in particular caused by the fact that the Sareb RED portfolio is closed, which means no new assets will be added to the portfolio during the contract term. This decrease has been partially offset by new contract wins and by new inflows in existing contracts.

a.2 Transaction Volumes (by total and by type of transaction)

The Group defines Transaction Volumes as the volume transacted on AuMs on behalf of clients and on which volume fees are earned. Transaction Volumes comprise:

- Transaction Volumes derived from the recovery or sale of REDs, measured at the amount of cash recovered on the loans for our clients;

- Transaction Volumes derived from the achievement of certain milestones in connection with the conversion of REDs into REOs (REO conversion) through foreclosures or bankruptcy proceedings, measured at the established amounts for such milestones in the applicable servicing contract;
- Transaction volumes derived from the commercialization of REOs, measured at sale price for our clients.

The total amount of Transaction Volumes transacted in a period forms the basis of our commissioning and is confirmed periodically with our clients.

	Nine months ended September 30, (in € millions)	
	2018	2017
Transaction Volumes (by type of transaction)		
RED	*1,109.9*	*911.6*
REO Conversion	*947.7*	*754.2*
REO	*1,223.9*	*796.7*
Transaction Volumes (total)	**3,281.5**	**2,462.5**

For the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017, transaction volumes increased by €819 million (or 33.3%).

REO volumes increased by 54% (or 427.2 million) compared to 9M 2017 impacted mainly by the contribution of the Liberbank contract, signed in August of 2017, and a strong performance in Cajamar and Bankia REO sales. REO Conversion volumes increased by 26% (or 193.5 million) when compared to 9M 2017 mainly due to a stronger activity in Sareb resulting in a sharp increase in the number of claims filed during the period. RED volumes also increased by 22% (or €198.3 million) compared to 9M 2017 mainly due to strong performance in Cajamar, helped by a large portfolio sale in the period.

a.3 Average Volume Servicing Fees, and Average Asset Management Fees

We generate revenues primarily from two types of fees under our Core Servicing Contracts: (i) volume servicing fees, which are calculated as a percentage of the recoveries volume for each NPA (i.e., the cash recovery or sale of debt, the activities performed to convert REDs to REOs or the commercialization of a REO) that we achieve on behalf of our clients, and (ii) management fees, which are generally calculated as a function of AuMs in each contract in a given period. Such fees vary significantly from contract to contract and by type of asset recovery. Other revenues consist of success fees (linked to the achievement of performance objectives agreed with the clients) and revenues derived from other types of businesses (e.g., securitization, advisory services, rental management and land development advisory, among others).

The Group defines Average Volume Servicing Fees, as volume servicing fees as per the consolidated financial statements divided by Transaction Volumes for a specified period.

Likewise, the Group defines Average Asset Management Fees as asset management fees as per the consolidated financial statements divided by the average Assets under Management for a specified period (such average being calculated using the AuMs at the beginning and the end of the relevant period as confirmed periodically with our clients).

These averages are relevant for the Group as they give an overall average for the fees received in terms of the volume of client activity and total assets managed by the Group, irrespective of the terms and conditions of the contract with each client.

Because of their nature, including information reported by our clients, these APMs cannot be reconciled directly with the Group's interim condensed consolidated financial statements, but they provide a useful and relevant measure of the Group's performance and the overall trend in its revenues.

Average Volume Servicing Fees were calculated as follows for nine months ended September 2018 and 2017:

	Nine months ended September 30, (in € millions, other than ratios) *(unaudited)*	
	2018	2017(*)
Volume servicing fees	111.8	95.6
Volume of transactions in the period [(1)]	3,281.5	2,462.5
Average Volume Servicing Fees	**3.41%**	**3.88%**

[(1)] According to the definition of this APM provided before.

(*) Restated figures.

Average volume servicing fees decrease, as a percentage of volumes mainly due to the portfolio sales included in the mix.

Average Asset Management Fees were calculated as follows for the last twelve months (LTM) ended September 30, 2018 and 2017:

	Last twelve months ended September 30, (in € millions) (*unaudited)*	
	2018	2017
Asset management fees	80.8	78.1
Average Assets under Management in the period[(1)]	39,054.3	40,307.9
Average Asset Management Fees	**0.21%**	**0.19%**

[(1)] Calculated using the AuMs at the beginning and the end of the relevant period as confirmed periodically with our clients.

(*) Restated figures.

a.4 EBITDA and Adjusted EBITDA

The Group defines EBITDA as the sum of net profit, corporate income tax, net financial expense, impairment and results on the sale of fixed assets, and depreciation and amortization.

The Group defines Adjusted EBITDA as the sum of EBITDA and the non-recurring costs estimated to have been incurred in connection with the IPO exploratory activities.

The Group uses EBITDA and adjusted EBITDA as objective and comparable performance measures for assessing its payment and cash flow-generation capacity. The Group considers that it will continue using Adjusted EBITDA as long as there are specific isolated transactions that represent income or expense for the Group without an associated cash flow and therefore need to be adjusted to ensure the usefulness and comparability of this indicator.

The reconciliation of this APM with the interim condensed consolidated statement of profit or loss for the nine-month period ended September 30, is as follows:

	Nine months ended September 30, (in € millions) *(unaudited))*	
	2018	2017(*)
Profit (loss) for the period	(3.0)	14.4
Profit (Loss) of the period from discontinued operations	0.0	1.2
Income tax (benefits)/ expenses	(2.9)	5.1
Finance income	(3.9)	0.0
Finance expenses	21.0	11.1
Depreciation and amortisation charge	75.5	55.8
EBITDA	**86.7**	**87.6**
Non-recurring costs in connection with the IPO exploratory activities	2.1	
Adjusted EBITDA	**88.8**	**87.6**

(*) Restated figures.

For the nine months ended September 30, 2018, EBITDA was €86.7 million, 1% decrease from EBITDA of €87.6 million for the nine months ended September 30, 2017. This decrease is explained by an increase in transaction volumes and thereby revenues, partially offset by a corresponding increase in operating expenses (mainly related to professional services associate to channel costs, cost of agencies and litigation costs), higher personnel costs and non-recurring costs associated to the IPO exploratory activities.

a.5 EBITDA Margin and Adjusted EBITDA Margin

The Group defines the EBITDA Margin as EBITDA divided by revenues as per the interim condensed consolidated financial statements for the nine-month period ended 30 September. The Group defines the Adjusted EBITDA Margin as Adjusted EBITDA divided by revenues as per the interim condensed consolidated financial statements. These APMs reflect the marginal return for the Group on each euro received, without considering costs that do not represent cash outflows, interest or tax.

These APMs arise from direct calculation based on one APM previously reconciled with the Group's interim condensed consolidated financial statements for the nine-month period ended September 30, 2018 and 2017 and a line item included on these. These APMs were calculated as follows for the nine-month period ended September 30, 2018 and 2017:

	Nine months ended September 30, (in € millions, other than ratios) *(unaudited)*	
	2018	2017(*)
EBITDA	86.7	87.6
Revenues	186.4	165.8
EBITDA Margin	**46.5%**	**52.8%**
Adjusted EBITDA	88.8	87.6
Revenues	186.4	165.8
Adjusted EBITDA Margin	**47.6%**	**52.8%**

(*)Restated figures.

a.6 Net Debt

The Group defines Net Debt as Debts with credit institutions, bonds and other securities, including accrued interests, less cash and cash equivalents, as shown in our consolidated statement of financial position. This measure offers an objective view of the Group's net financial debt.

The reconciliation of this APM with the interim condensed consolidated financial statements for the nine-month period ended September 30, 2018 and year ended December 31, 2017 is as follows:

	In € millions	
	September 30, 2018 *(unaudited)*	December 31, 2017
Debts with credit institutions, bonds and other securities	472.1	485.1
Cash and cash equivalents	(46.8)	(42.0)
Net Debt	**425.3**	**443.1**

a.7 Leverage Ratio (Net Debt to EBITDA)

The Group defines the Leverage Ratio as Net Debt divided by Adjusted EBITDA of the last twelve months (LTM). This APM measures financial leverage and a company's ability to pay off its debt.

This APM was calculated as follows for the last twelve months (LTM) ended September 30, 2018 and for the year ended December 31, 2017:

	In € millions	
	September 30, 2018 *(unaudited)*	December 31, 2017
Net Debt	425.3	443.1
Adjusted EBITDA LTM	147.6	146.4
Leverage Ratio	**2.9**	**3.0**

a.8 Free Cashflow

The Group defines Free Cashflow as Adjusted EBITDA minus Capital Expenditures (excluding investments in contract intangible assets) and Change in Working Capital. This measures the cash available after operational needs have been met and after investment in fixed and intangible assets, mostly investments in computer software.

Because of its nature, this APM cannot be directly reconciled with the Group's interim condensed consolidated financial statements but provides a useful and relevant measure of the Group's performance and cash generating capacity.

This APM was calculated as follows for period ended September 30, 2018 and 2017:

	Nine months ended September 30, (in € millions) *(unaudited))*	
	2018	2017(*)
Adjusted EBITDA	88.8	87.6
Capital Expenditures (-)	(11.3)	(7.6)
Changes in working capital (+)	10.4	(34.9)
Free Cash Flow	**87.9**	**45.1**

(*)Restated figures.

Free cash flow increased significantly year-over-year due to strong collections during the first nine months of 2018.

a.9 Cash Conversion

The Group defines Cash Conversion as Free Cashflow divided by Adjusted EBITDA. The Group considers this indicator as relevant given that it shows in which proportion the Adjusted EBITDA is converted into cash in each period.

This APM arises from the direct calculation of two APMs previously reconciled with the Group's interim condensed consolidated financial statements for the nine-month period ended September 30, 2018. This APM was calculated as follows for the nine-month period ended September 30, 2018 and 2017:

	Nine months ended September 30, (in € millions, other than ratios) *(unaudited)*	
	2018	2017(*)
Free Cash Flow	87.9	45.1
Adjusted EBITDA	88.8	87.6
Cash Conversion	**99%**	**51%**

(*)Restated figures.

3. Income Statement

Key Income Statement Items

Set forth below is a brief description of the composition of the key line items of our consolidated statement of profit or loss:

Revenues

Our revenues are derived mainly from the volume servicing fees and management fees, which are linked to the transaction volume activity, as well as other revenues.

Other operating expenses

Other operating expenses consist primarily of channel costs, litigation costs for REO conversions, operational expenses and other operating expenses. Channel costs are commissions paid to real estate brokers or bank branches participating in the sale of REOs. Operational expenses are agency and consulting fees and the remainder of our operating expenses are comprised mainly of IT, marketing, rent and travel expenses.

Personnel costs

Personnel costs represent salaries, severance fees and related personnel expenses.

Amortization

Amortization includes the amortization of tangible and intangible fixed assets on a straight-line basis over the useful life of the assets.

Net finance costs

Net finance costs arise primarily from our debt obligations and related interest expenses.

Corporate income tax

Corporate income tax benefit (expense) is calculated as the sum of the current tax payable resulting from the application of the effective tax rate to the taxable income for the year, less any allowable tax deductions and tax credits and the change in assets and liabilities due to deferred taxes.

3.1 Revenues

The following table presents the breakdown of total revenues for the nine months ended September 30, 2017 and 2018:

	Nine months ended September 30, (in € millions) *(unaudited)*	
	2018	2017(*)
Volume servicing fees	*111.8*	*95.6*
Management fees	*60.0*	*58.0*
Other	*14.6*	*12.2*
Total Revenues	**186.4**	**165.8**

(*)Restated figures.

For the nine months ended September 30, 2018, revenues were €186.4 million, a 12% increase from revenues of €165.8 million for the nine months ended September 30, 2017. This increase of €20.6 million was primarily driven by an increase in total transaction volumes during the period across clients and products (REDs and REOs). Management fees increased by 3% from the previous year due to the contribution from the Liberbank contract, signed in August 2017, offset by the decrease caused by the natural evolution of the contracts, mainly Sareb, as a result of the closed nature of such contract. Other revenues increased compared to the previous year by 20% mainly due to the Liberbank contribution and ancillary services provided during the year to Bankia and other clients.

3.2 Other operating expenses

Other operating expenses increased by €16.5 million, or 38%, during the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. The increase in expenses was driven by: (i) increase in professional services (which include mainly channel costs, cost of agencies and litigation costs due to the increase in REO and REO Conversion transaction volumes); (ii) increase in other professional services partially offset by lower IT operating expenses incurred in the period, (iii) higher activity in new commercial campaigns increasing marketing and contact center costs; and (iv) non-recurring costs associated to the IPO exploratory activities and M&A activity.

3.3 Personnel costs

Personnel costs increased by €5.1million, or 15%, during the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. The increase was primarily driven by the Liberbank contract acquisition in August 2017 and new servicing portfolio contracts obtained during 2018 which have required increase in FTEs.

3.4 Net finance costs

For the nine months ended September 30, 2018, net finance costs were €17.1 million, a 54% increase from net finance costs of €11.1 million for the nine months ended September 30, 2017. This increase is mainly the result of the Senior Secured Notes issuance in November 2017, for a total of €475 million, with a higher interest expense compared to the former Syndicated Facility, which was fully repaid in November for an amount of €236.1 million, partially offset with the finance income generated from the upstream loan to the Sole Shareholder.

3.5 Net profit/loss

Excluding the impact of the non- recurring costs estimated to have been incurred in connection with the IPO exploratory activities, total Adjusted EBITDA for the nine months ended September 30, 2018 amounted to €88.8 million, a 1.4% increase from Adjusted EBITDA for the nine months ended September 30, 2017. However, due to an increase in the amortization caused by the Liberbank contract and the novation contract signed with Bankia on April 2018, and higher financial expenses driven by the Senior Secured Notes issuance in November 2017, net loss for the nine months ended September 30, 2018 was €3 million.

4. Liquidity and capital resources

Our liquidity requirements consist mainly of debt servicing requirements, capital expenditures and working capital. Historically, our principal sources of liquidity have been our net cash generated from operating activities and borrowings under the former syndicated facility or existing senior secured notes.

As of September 30, 2018, our outstanding debt is a senior secured bond of €475 million signed in November 2017. The funds obtained and the cash at bank at that date were mainly used to: pay down existing financial debt with financial entities and with the sole shareholder; finance the acquisition of the Liberbank Group's management business; extend a EUR 88 million loan to the sole shareholder; pay dividends to the sole shareholder; maintain a minimum cash at bank; and pay the expenses associated to the transaction.

As of September 30, 2018, cash and cash equivalents amounted to €46.8 million. We believe we have sufficient liquidity and capital resources to meet our current operating requirements. Our ability to generate cash depends on our future operating performance, which is in turn dependent, to some extent, on a variety of factors, many of which are beyond our control.

The Group has no off-balance-sheet transactions.

4.1 Cash Flows

The following table provides a summary of cash flow data:

	Nine months ended September 30, (in € millions, other than ratios) *(unaudited)*	
	2018	2017(*)
Cash flows from operating activities	93.2	47.7
Cash flows from investing activities	(72.3)	(112.5)
Cash flows from financing activities	(16.0)	62.7

(*)Restated figures.

a. Cash Flows from Operating Activities

Cash flows from operating activities were €47.7 million and €93.2 million for the nine months ended September 30, 2017 and 2018, respectively. This change is mainly the result of an improvement in working capital due to stronger collections in the first nine months of 2018.

b. Cash Flows from Investing Activities

Investing activities used €112.5 million of cash flows for the nine months ended September 30, 2017 while €72.3 million were used in the same period of 2018. Investment activities in 2018 are explained by the payments performed by the Parent Company for the novation contract signed with Bankia in April 2018 by EUR 60.9 million. The total price agreed to be paid for the new 10 years contract amounted to EUR 108 million. An amount of EUR 40.9 million was paid on closing, EUR 20 million was paid in July 2018 and the remainder amount will be paid before year-end. Investment activities in 2017 are explained by the Liberbank contract acquisition.

c. Cash Flows from Financing Activities

Financing activities generated 62.7 million and used €16 million of cash during the nine months ended September 30, 2017 and 2018, respectively. This decrease is due to the interest paid during the nine months ended 30 September 2018 in relation to the Senior Secured Notes issuance in November 2017. On the other hand, in the nine months ended September 30, 2017 the finance inflows include a temporary loan from PH62 to the Group to finance the acquisition of the Liberbank contract in August 2017, which was repaid in November 2017.