Management Discussion & Analysis of Financial Condition and Results of Operations

As of and for the three months ended
March 31, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 March 2019

(Thousands of Euros)

	31/03/2019(*)	31/12/2018
NON-CURRENT ASSETS:		
Intangible assets	332,467	355,419
Property, plant and equipment	10,571	2,841
Non-current financial assets	88,972	88,675
Deferred tax assets	17,882	14,261
Goodwill	6,079	6,079
Total non-current assets	**455,971**	**467,275**
CURRENT ASSETS:		
Current financial assets-	156,948	142,663
Trade and other receivables	136,989	120,986
Current financial assets	1,914	656
Cash and cash equivalents	18,045	21,021
Other current assets	360	262
Total current assets	**157,308**	**142,925**
TOTAL ASSETS	**613,279**	**610,200**
EQUITY:		
Share capital	9,683	9,683
Share premium	45,831	45,831
Reserves of the Parent	11,964	13,684
Reserves of the subsidiaries	5,373	4,101
Other shareholder contributions	3,900	3,900
Profit (loss) for the period attributable to the Parent	(10,623)	(445)
Equity attributable to the Parent	**66,128**	**76,754**
Total equity	**66,128**	**76,754**
NON-CURRENT LIABILITIES:		
Debts with credit institutions, bonds and other securities	466,654	466,086
Other financial liabilities	3,994	-
Long-term provisions	282	288
Deferred tax liabilities	3	-
Total non-current liabilities	**470,933**	**466,374**
CURRENT LIABILITIES:		
Debts with credit institutions, bonds and other securities	6,368	3,127
Other financial liabilities	4,960	4,989
Other current liabilities	13,313	14,557
Trade payables	37,079	36,500
Related party payable	14,498	7,899
Total current liabilities	**76,218**	**67,072**
TOTAL EQUITY AND LIABILITIES	**613,279**	**610,200**

(*) Unaudited financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

(Thousands of Euros)

	31/03/2019 (*)	31/03/2018 (*)
Revenue	59,738	55,864
Other operating expenses	(27,039)	(20,572)
Personnel expenses	(15,581)	(12,962)
Depreciation and amortisation charge	(25,515)	(22,434)
Impairment and gains or losses on disposals of non-current assets	(164)	-
Profit (loss) from operations	**(8,561)**	**(104)**
Finance income	1,267	1,268
Finance expense	(6,884)	(7,018)
Net income (expense)	**(5.617)**	**(5.750)**
Profit (loss) before tax	**(14,178)**	**(5,854)**
Income tax benefit (expense)	3,555	1,474
Profit (loss) for the period of continuing operations	**(10,623)**	**(4,380)**
Profit (loss) for the period	**(10,623)**	**(4,380)**
Attributable to the sole shareholder of the Parent	(10,623)	(4,380)

(*) Unaudited financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019
(Thousands of Euros)

	31/03/2019 (*)	31/03/2018 (*)
1. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before tax	(14,178)	(5,854)
Adjustments for:		
Depreciation and amortisation charge (+)	25,515	22,434
Finance income (-)	(1,267)	(1,268)
Finance costs (+)	6,871	7,018
Provisions, Impairment and losses on disposals (+)	165	23
Adjusted profit before Tax	**17,106**	**22,353**
Income tax paid	**-**	**-**
Increase/(Decrease) in current assets and liabilities		
(Increase)/Decrease in current assets	(16,079)	8,715
Increase/(Decrease) in current liabilities	5,570	(7,989)
Total net cash flows from operating activities (1)	**6,597**	**23,079**
2. CASH FLOWS FROM INVESTING ACTIVITIES		
Payments due to investments:		
Property, plant and equipment	(3,079)	(251)
Other intangible assets (computer software)	(3,127)	(4,639)
Other financial assets	(297)	(5)
Proceeds from disposals:		
Other financial assets and interest received	-	-
Total net cash flows from investing activities (2)	**(6,503)**	**(4,895)**
3. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and payments relating to equity instruments:		
Dividends paid	-	-
Proceeds and payments relating to financial liability instruments:		
Proceeds from issue of borrowing from -		
Group companies	-	-
Other entities	-	-
Repayment of borrowings from Credit Institutions	-	-
Interest paid from debts with Credit institutions, bonds and others	(3,070)	(3,352)
Interest paid from debts with Group companies and associates	-	-
Total net cash flows from financing activities (3)	**(3,070)**	**(3,352)**
4. Net increase/(decrease) in cash and cash equivalents (1+2+3)	**(2,976)**	**14,832**
Cash and cash equivalents at beginning of period	**21,021**	**42,010**
Cash and cash equivalents at end of period	**18,045**	**56,842**

(*) Unaudited financial statements.

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

1. Situation of the entity

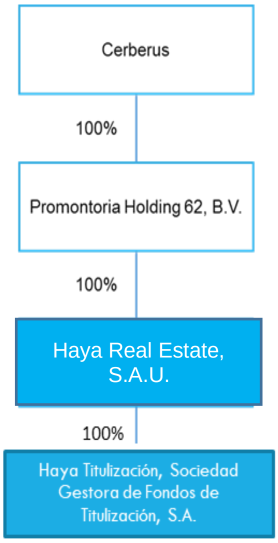
Haya Real Estate, S.A.U. (hereinafter, the Parent) was incorporated for an indefinite duration on 28 May 2013 as Cornalata Servicios y Gestión, S.L, and is duly registered in the Mercantile Registry of Madrid in Volume 1547, General, Book 31,153, Folio 10, Section 8, Sheet No. M-560,663, Entry 1 with 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 Medina de Pomar 27, Madrid (Spain).

The corporate structure of Haya Real Estate, S.A.U. and subsidiary ("Haya" or the "Group") at March 31, 2019 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 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). This operation did 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 sold all the shares it holds of this new company to its Sole Shareholder, for an amount of EUR 60 thousand, which was 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 the consolidated financial statements was 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 in 2018 and 2019 derive mainly from five main servicing contracts (SLAs or Service Level Agreements) setting down the terms and conditions for the services. These five 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).

In addition, the Group derives its revenues from other small servicing contracts with its sole shareholder and other institutional funds, as well as from other business such as advisory, securitization and property management to other clients.

The main servicing contracts contributing to revenues in 2018 and 2019 are:

- 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 original SLA signed on 3 September 2013 which was replaced by the new SLA signed in April 2018, 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. The new SLA modifies the terms of the original contract, 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, the new SLA 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 SLA establishes certain service levels the Group has to achieve, which are measured regularly.

- 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 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.

- BBVA: in October 2018 the Group signed an agreement for the servicing of the BBVA Group's real estate assets management, for a period of eight years and a potential renewal up to 2 additional years. The Service Level Agreement did not require any upfront payment from the Group.

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 small portfolios of guaranteed real estate assets acquired by Cerberus and other institutional investors during 2018 and Q1 2019. During 2019, the Group has added one additional contract with Promontoria Manzana, S.A. and its affiliates, Global Licata, S.A. and Global Pantelaria, S.A. (owned through a JVCo 80% by Cerberus and 20% Banco Santander) for the management of real estate assets for a period of eight years.

In addition, on 24 April 2019, the Parent Company has signed a business purchase agreement with Divarian Propiedad, S.A. («Divarian») for the integration of Divarian's servicing business in the Parent Company, including employees and other resources (mainly IT). The total price established in the agreement amounted to 1 Euro. The transaction is expected to be effective by early June 2019, and a new SLA with Divarian for the management of its REOs for a period of eight years is expected to be signed at the same time.

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.

At GBV unless otherwise indicated	In € millions	
	March 31, 2019	December 31, 2018
Assets under Management (by client)		
Bankia	*4,953*	*5,059*
Cajamar	*5,408*	*5,474*
Sareb	*21,492*	*21,679*
Liberbank	*2,604*	*2,678*
BBVA[(1)]	*2,908*	*2,976*
Cerberus[(1)]	*4,016*	*1,227*
Other clients[(1)]	*548*	*559*
Assets under Management (total)	**41,929**	**39,652**

(1) Asset under Management indicated at "outstanding balance" for REDs and "appraisal value" for REOs

As of March 31, 2019, the AuMs increased by €2,277million as a result of the new servicing contract signed with the Joint Venture set up between Cerberus and banco Santander, partially offset by a decrease in the rest of clients 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.

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.

	Three months ended March 31, (in € millions)	
	2019	2018
Transaction Volumes (by type of transaction)		
RED	*193.5*	*272.0*
REO Conversion	*329.6*	*296.8*
REO	*323.8*	*326.4*
Transaction Volumes (total)	**846.9**	**895.2**

For the three months ended March 31, 2019 compared to the three months ended March 31, 2018, transaction volumes decreased by €48 million (or 5.4%).

RED volumes decrease by 29% (or €78.5 million) compared to 3M 2018 mainly due to the resolution in relation with Bankia's REDs management after signing the new SLA on April 2018 and a lower performance in Sareb, partially offset by a strong performance in Cerberus servicing contracts. REO Conversion volumes increased by 11% (or €32.9 million) when compared to 3M 2018 mainly due to a stronger activity in Sareb resulting in a sharp increase in the number of DILs and Bankruptcies. REO volumes decreased by 1% (or 2.6 million) compared to 3M 2018 impacted mainly by a lower performance in Cajamar and Bankia (REO portfolio sales in 3M 2018 amounted to €61.8MM) partially offset by a strong performance in Sareb and BBVA contribution.

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 the three months ended March 2019 and 2018:

	Three months ended March 31, (in € millions, other than ratios) *(unaudited)*	
	2019	2018
Volume servicing fees	29.4	32.1
Volume of transactions in the period [(1)]	846.9	895.2
Average Volume Servicing Fees	**3.47%**	**3.59%**

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

In relation to volume servicing fees as a % of volume there was a decrease from 3.59% to 3.47% due to the weight decrease in REDs and the increase in foreclosures in REOCO which have contractually lower % volume fee.

Average Asset Management Fees were calculated as follows for the last twelve months (LTM) ended March 31, 2019 and 2018:

	Last twelve months ended March 31, (in € millions) (*unaudited)*	
	2019	2018
Asset management fees	86.5	80.2
Average Assets under Management in the period [(1)]	40,868	39.385
Average Asset Management Fees	**0.21%**	**0.20%**

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

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 and M&A.

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 three-month period ended March 31, is as follows:

	Three months ended March 31, (in € millions) *(unaudited))*	
	2019	2018
Profit (loss) for the period	(10.6)	(4.4)
Income tax (benefits)/ expenses	(3.6)	(1.5)
Finance income	(1.3)	(1.3)
Finance expenses	6.9	7.0
Depreciation and amortisation charge	25.7	22.4
EBITDA	**17.1**	**22.3**
Non-recurring costs	2.4	2.1
Adjusted EBITDA	**19.5**	**24.4**

For the three months ended March 31, 2019, EBITDA was €17.1 million, 23% decrease from EBITDA of €22.3 million for the three months ended March 31, 2018. This decrease is explained by an increase in operating expenses (mainly due to BBVA contribution) and personnel costs, partially offset by higher revenues (mainly impacted by BBVA contribution).

a.5 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 three-month period ended March 31, 2019 and year ended December 31, 2018 is as follows:

	In € millions	
	March 31, 2019 *(unaudited)*	December 31, 2018
Debts with credit institutions, bonds and other securities	473.0	469.2
Cash and cash equivalents	(18.0)	(21.0)
Net Debt	**455.0**	**448.2**

a.6 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 March 31, 2019 and for the year ended December 31, 2018:

	In € millions	
	March 31, 2019 *(unaudited)*	December 31, 2018
Net Debt	455.0	448.2
Adjusted EBITDA LTM	127.7	132.6
Leverage Ratio	**3.6**	**3.4**

a.7 Free Cashflow

The Group defines Free Cashflow of the last twelve months (LTM) as Adjusted EBITDA LTM minus Capital Expenditures LTM (excluding investments in contract intangible assets) and Change in Working Capital LTM. 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 the last twelve months (LTM) ended March 31, 2019 and 2018:

	Three months ended March 31, (in € millions) *(unaudited))*	
	2019	2018
Adjusted EBITDA LTM	127.7	147.8
Capital Expenditures LTM (-)	(13.3)	(8.4)
Changes in working capital LTM (+/-)	(9.2)	(32.3)
Free Cash Flow LTM	**105.2**	**107.1**

a.8 Cash Conversion

The Group defines Cash Conversion LTM as Free Cashflow LTM divided by Adjusted EBITDA LTM. The Group considers this indicator as relevant given that it shows in which proportion the Adjusted EBITDA LTM 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 three-month period ended March 31, 2019. This APM was calculated as follows for the last twelve months (LTM) ended March 31, 2019 and 2018:

	Three months ended March 31, (in € millions, other than ratios) *(unaudited)*	
	2019	2018
Free Cash Flow LTM	105.2	107.1
Adjusted EBITDA LTM	127.7	147.8
Cash Conversion LTM	**82%**	**72%**

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 three months ended March 31, 2018 and 2018:

	Three months ended March 31, (in € millions) *(unaudited)*	
	2019	2018
Volume servicing fees	*29.4*	*32.1*
Management fees	*23.3*	*20.5*
Other	*7.1*	*3.3*
Total Revenues	**59.7**	**55.9**

For the three months ended March 31, 2019, revenues were €59.7 million, a 7% increase from revenues of €55.9 million for the three months ended March 31, 2018. This increase of €3.8 million was primarily driven by an increase in Management fees and other revenues. Management fees increased by 14% from the previous year due to the contribution from the BBVA contract, signed in October 2018 and Liberbank, 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 116% mainly due to ancillary services provided during the first three months of 2019 related to the reinvoice of certain operating expenses to Bankia and Sareb.

3.2 Other operating expenses

Other operating expenses increased by €6.5 million, or 31%, during the first three months ended March 31, 2019 compared to the three months ended March 31, 2018. The increase in expenses was driven by: (i) new costs associated to BBVA contract; (ii) higher costs in professional services mainly impacted by temporary workforce personnel costs, business process outsourcing costs, advisory services with related parties, as well as other HR related consultancy services; and (iii) higher non-recurring costs due to an increase in costs associated with non-recurring transactions, including potential M&A and contract renewal costs (i.e. Sareb renewal or advisory work on the Divarian integration transaction).

3.3 Personnel costs

Personnel costs increased by €2.6million, or 20%, during the three months ended March 31, 2019 compared to the three months ended March 31, 2018. The increase was primarily driven by the new servicing portfolio contracts obtained during 2018 which required increase in FTEs mainly during the second semester of the year.

3.4 Net finance costs

For the three months ended March 31, 2019, net finance costs were €5.6 million, a 2% decrease from net finance costs of €5.8 million for the three months ended March 31, 2018. This net financial result mainly relates to the finance expenses of the Senior Secured Notes issuance in November 2017, for a total of €475 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 March 31, 2019, 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 March 31, 2019, cash and cash equivalents amounted to €18.0 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:

	Three months ended March 31, (in € millions, other than ratios) *(unaudited)*	
	2019	2018
Cash flows from operating activities	6.6	23.1
Cash flows from investing activities	(6.5)	(4.9)
Cash flows from financing activities	(3.1)	(3.4)

a. Cash Flows from Operating Activities

Cash flows from operating activities were €6.6 million and €23.1 million for the three months ended March 31, 2019 and 2018, respectively. This change is mainly explained by: (i) Sareb's management fee collected in March 2018 (collected in April in 2019); (ii) strong collections in Liberbank in Q1 2018 due to the portfolio sale recorded in 2017; and (iii) BBVA's receivables in the first three months of 2019 with no corresponding impact in the first three months of 2018.

b. Cash Flows from Investing Activities

Investing activities used €6.5 million of cash flows for the three months ended March 31, 2019 while €4.9 million were used in the same period of 2018. The increase in investment activities in 2019 are mainly explained by the payments performed by the Parent Company for the new Headquarter offices in Madrid.

c. Cash Flows from Financing Activities

Financing activities used €3.1 million and €3.4 million of cash during the three months ended March 31, 2019 and 2018, respectively. Financing activities in 2019 and 2018 relate to the interest paid in relation to the Senior Secured Notes issuance in November 2017.