Management Discussion & Analysis of Financial Condition and Results of Operations

As of and for the nine months ended September 30, 2019

AS AT 30 SEPTEMBER 2019

(Thousands of Euros)

	30/09/2019(*)	31/12/2018
NON-CURRENT ASSETS:		
Intangible assets	287,674	355,419
Property, plant and equipment	12,236	2,841
Non-current financial assets	91,580	88,675
Deferred tax assets	22,269	14,261
Goodwill	6,332	6,079
Total non-current assets	**420,091**	**467,275**
CURRENT ASSETS:		
Current financial assets-	184,390	142,663
Trade and other receivables	110,198	120,986
Current financial assets	1,998	656
Cash and cash equivalents	72,194	21,021
Other current assets	590	262
Total current assets	**184,980**	**142,925**
TOTAL ASSETS	**605,071**	**610,200**
EQUITY:		
Share capital	9,683	9,683
Share premium	45,831	45,831
Reserves of the Parent	17,337	13,684
Reserves of the subsidiaries	-	4,101
Other shareholder contributions	3,900	3,900
Profit (loss) for the period attributable to the Parent	(20,239)	(445)
Equity attributable to the Parent	**56,512**	**76,754**
Total equity	**56,512**	**76,754**
NON-CURRENT LIABILITIES:		
Debts with credit institutions, bonds and other securities	467,839	466,086
Other financial liabilities	3,953	-
Long-term provisions	661	288
Deferred tax liabilities	3	-
Total non-current liabilities	**472,456**	**466,374**
CURRENT LIABILITIES:		
Debts with credit institutions, bonds and other securities	6,410	3,127
Other financial liabilities	8,139	4,989
Other current liabilities	17,684	14,557
Trade payables	40,883	36,500
Related party payable	2,987	7,899
Total current liabilities	**76,103**	**67,072**
TOTAL EQUITY AND LIABILITIES	**605,071**	**610,200**

(*) Unaudited financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(Thousands of Euros)

	30/09/2019 (*)	30/09/2018 (*)
Revenue	199,054	186,425
Other operating expenses	(75,115)	(60,058)
Personnel expenses	(57,701)	(39,697)
Amortisation, impairment and gains or losses on disposals of non-current assets	(77,519)	(75,541)
Profit (loss) from operations	**(11,281)**	**11,129**
Finance income	3,898	3,896
Finance expense	(20,863)	(20,965)
Net income (expense)	**(16,965)**	**(17.069)**
Profit (loss) before tax	**(28,246)**	**(5,940)**
Income tax benefit (expense)	8,007	2,931
Profit (loss) for the period of continuing operations	**(20,239)**	**(3,009)**
Profit (loss) for the period	**(20,239)**	**(3,009)**
Attributable to the sole shareholder of the Parent	(20,239)	(3,009)

(*) Unaudited financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019
(Thousands of Euros)

	30/09/2019 (*)	30/09/2018 (*)
1. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before tax	(28,246)	(5,940)
Adjustments for:		
Amortisation, impairment and gains or losses on disposals of non-current assets (+)	77,519	75,541
Finance income (-)	(3,898)	(3,896)
Finance costs (+)	20,863	20,965
Provisions (+)	426	348
Adjusted profit before Tax	**66,664**	**87,018**
Income tax paid	**-**	**(4,184)**
Increase/(Decrease) in current assets and liabilities		
(Increase)/Decrease in current assets	10,416	7,432
Increase/(Decrease) in current liabilities	1,751	2,919
Total net cash flows from operating activities (1)	**78,831**	**93,185**
2. CASH FLOWS FROM INVESTING ACTIVITIES		
Payments due to investments:		
Property, plant and equipment	(5,912)	(811)
Acquisition of contract intangible assets	-	(60,854
Other intangible assets (computer software)	(5,864)	(10,476)
Other financial assets	(358)	(179)
Total net cash flows from investing activities (2)	**(12,134)**	**(72,320)**
3. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and payments relating to financial liability instruments:	**(15,524)**	**(16,039)**
Repayment of borrowings from Credit Institutions		
Interest paid from debts with Credit institutions, bonds and others	(15,524)	(16,039)
Total net cash flows from financing activities (3)	**(15,524)**	**(16,039)**
4. Net increase/(decrease) in cash and cash equivalents (1+2+3)	**51,173**	**4,826**
Cash and cash equivalents at beginning of period	**21,021**	**42,010**
Cash and cash equivalents at end of period	**72,194**	**46,836**

(*) Unaudited financial statements.

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

1. Situation of the entity

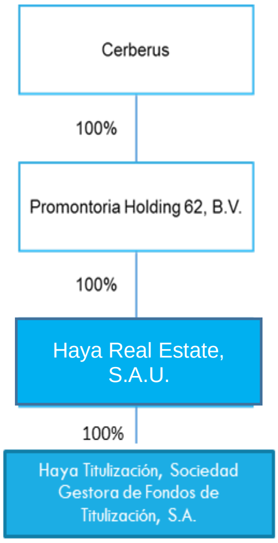
Haya Real Estate, S.A.U. (hereinafter, the Parent) was incorporated for an indefinite duration on 28 May 2013 as Cornalata Servicios y Gestión, S.L, and is duly registered in the Mercantile Registry of Madrid in Volume 1547, General, Book 31,153, Folio 10, Section 8, Sheet No. M-560,663, Entry 1 with VAT Registration No. (CIF) A-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 30 September 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 June 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 servicing contracts (SLAs or Service Level Agreements) setting down the terms and conditions for the services. These contracts have similar fee structures, but different fee percentages, which accounts for most of the Group's revenue:

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

In addition, the Group derives its revenues from other business such as advisory, securitization and property management.

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 original 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 resolved 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 real estate and credit assets over five years. This agreement came into effect on 1 January 2015 and expires 31 December 2019. On 30 October 2019, the Parent Company entered into a new servicing contract (SLA) with SAREB to service a portfolio of loans and Real Estate Owned assets with effective date from 1 January 2020 until June 30, 2022. The new SLA does not replace the original one signed in 2014 and has not required any upfront payment from the Parent Company. The original SLA (in force at the date of this report) 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 Spanish real estate assets, for a period of eight years and a potential renewal up to 2 additional years.

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 majority of the existing servicing contracts have required upfront payments in exchange for the exclusivity. 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 H1 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, in April 2019, the Parent Company signed a business purchase agreement with Divarian Propiedad, S.A. («Divarian»), the former internal servicing unit of BBVA acquired by Cerberus, for the integration of Divarian's servicing business in the Parent Company, including employees and other resources (mainly IT). The transaction was effective on 31 May 2019. At the same time, the Parent Company entered into a Service Level Agreement (SLA) with "Divarian Propiedad, S.A." and "Divarian Desarrollos Inmobiliarios, S.L." for the management of their REOs for a period of eight years. The Service Level Agreement did not require any upfront payment from the Parent Company, and the servicing business was acquired for 1 euro.

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 measures 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	
	September 30, 2019	December 31, 2018
Assets under Management (by client)		
Bankia	3,149	5,059
Cajamar	5,065	5,474
Sareb	21,091	21,679
Liberbank	2,422	2,678
BBVA[(1)]	2,077	2,976
Divarian [(1)]	5,041	-
Apple[(1)]	1,501	-
Other Cerberus Portfolios[(1)]	1,726	1,227
Other clients[(1)]	359	559
Assets under Management (total)	**42,431**	**39,652**

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

As of September 30, 2019, the AuMs increased by €2,779 million as a result of the new servicing contracts signed with the Joint Venture set up between Cerberus and Banco Santander and with Divarian, partially offset by (i) 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 are added to the portfolio during the contract term; and (ii) by a large portfolio of NPLs and REOs sold in Bankia (October) closed in Q3'19.

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)	
	2019	2018
Transaction Volumes (by type of transaction)		
RED	*930.5*	*1,109.9*
REO Conversion	*846.6*	*947.7*
REO	*1,797.2*	*1,223.9*
Transaction Volumes (total)	**3,574.3**	**3,281.5**

For the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018, transaction volumes increased by €293 million (or +8.9%).

RED volumes decreased by 16% (or €179 million) compared to nine months 2018 mainly as a result of Sareb's new business strategy (strong focus on margins and value creation through conversion of loans to REOS),and the large portfolio sold in H1´18 in Cajamar (Galleon) of +€200 million, partially offset by a large portfolio of NPLs in Bankia sold in Q3'19 . REO Conversion volumes decreased by 11% (or €101 million) when compared to 9M 2018 mainly due to a lower activity in Cajamar and Sareb (mainly due to the increase in claims filed in 2018). REO volumes increased by 47% (or €573 million) compared to 9M 2018 impacted mainly by a large portfolio sold in Q3'19 in Bankia and due to the contribution of Divarian, BBVA and Apple servicing contracts.

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 nine months ended September 2019 and 2018:

	Nine months ended September 30, (in € millions, other than ratios) *(unaudited)*	
	2019	2018
Volume servicing fees	103.6	111.8
Volume of transactions in the period [1]	3,574.3	3,281.5
Average Volume Servicing Fees	**2.90%**	**3.41%**

[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 3.41% to 2.90% due to the large portfolio sale of NPLs and REOs in Q3'19 in Bankia (3.46% ex portfolio).

Average Asset Management Fees were calculated as follows for the last twelve months (LTM) ended September 30, 2019 and 2018:

	Last twelve months ended September 30, (in € millions) *(unaudited)*	
	2019	2018
Asset management fees	96.9	80.8
Average Assets under Management in the period [1]	40,328.4	39,054.3
Average Asset Management Fees	**0.24%**	**0.21%**

[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 the respective period. Non-recurring costs include costs incurred in connection with IPO exploratory activities in 2018, M&A related costs, contract renewal costs, or advisory work on the Divarian integration transaction.

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)*	
	2019	2018
Profit (loss) for the period	(20.2)	(3.0)
Income tax (benefit)/ expenses	(8.0)	(2.9)
Finance income	(3.9)	(3.9)
Finance expense	20.9	21.0
Depreciation and amortisation charge	77.5	75.5
EBITDA	**66.3**	**86.7**
Non-recurring costs	4.2	2.1
Adjusted EBITDA	**70.5**	**88.8**

For the nine months ended September 30, 2019, EBITDA was €66.3 million, 24% decrease from EBITDA of €86.7 million for the nine months ended September 30, 2018. This decrease is explained by an increase in operating expenses and personnel costs mainly due to the new awarded contracts (BBVA and Divarian) which included the subcontracting to Divarian for the management of BBVA's REOs before the Divarian servicing business was acquired effective May 31, 2019. This increase in costs was partially offset by an increase in revenues (mainly in management fee).

The following table provides a summary of the last twelve months (LTM) EBITDA ended September 30, 2019 and 2018:

	LTM ended September 30, (in € millions) *(unaudited)*	
	2019	2018
Profit (loss) for the period	(17.6)	14.0
Income tax (benefit)/ expenses	(7.3)	2.7
Finance income	(5.2)	(4.4)
Finance expense	27.8	29.1
Depreciation and amortisation charge	108.7	100.2
EBITDA	**106.4**	**141.6**
Non-recurring costs	7.9	6.0
Adjusted EBITDA	**114.3**	**147.6**

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 nine-month period ended September 30, 2019 and year ended December 31, 2018 is as follows:

	In € millions	
	September 30, 2019 *(unaudited)*	December 31, 2018
Debts with credit institutions, bonds and other securities	474.2	469.2
Cash and cash equivalents	(72.2)	(21.0)
Net Debt	**402.0**	**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 September 30, 2019 and for the year ended December 31, 2018:

	In € millions	
	September 30, 2019 *(unaudited)*	December 31, 2018
Net Debt	402.0	448.2
Adjusted EBITDA LTM	114.3	132.6
Leverage Ratio	**3.5**	**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 30 September 2019 and 2018:

	LTM ended September 30, (in € millions) *(unaudited))*	
	2019	2018
Adjusted EBITDA LTM	114.3	147.6
Capital Expenditures LTM (-)	(12.5)	(13.1)
Changes in working capital LTM (+/-)	3.8	7.8
Free Cash Flow LTM	**105.6**	**142.3**

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 nine-month period ended September 30, 2019. This APM was calculated as follows for the last twelve months (LTM) ended September 30, 2019 and 2018:

	LTM ended September 30, (in € millions, other than ratios) *(unaudited)*	
	2019	2018
Free Cash Flow LTM	105.6	142.3
Adjusted EBITDA LTM	114.3	147.6
Cash Conversion LTM	**92%**	**96%**

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.

Amortisation

Amortisation includes the amortisation 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, 2019 and 2018:

	Nine months ended September 30, (in € millions) *(unaudited)*	
	2019	2018
Volume servicing fees	*103.6*	*111.8*
Management fees	*73.2*	*60.0*
Other	*22.3*	*14.6*
Total Revenues	**199.1**	**186.4**

For the nine months ended September 30, 2019, revenues were €199.1 million, a 7% increase (or €12.7 million) from revenues of €186.4 million for the nine months ended September 30, 2018. This increase of €12.7 million was primarily driven by an increase in "management fee" and "other revenues" mainly in relation to ancillary services. Volume fee decrease by 7% (or €8.3 million) mainly impacted by lower performance in REDs in Sareb as a result of Sareb's new business strategy (strong focus on margins and value creation through conversion of loans to REOS). Management fees increased by 22% from the previous year due to the contribution of the new awarded contracts (BBVA, Divarian and Apple), partially 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 53% due to: (i) contribution from the new contracts (BBVA, Apple and Divarian) and (ii) an increase in ancillary services related mainly to maintenance of REOs under management, mainly in Bankia and Sareb, as the Company is acting as a central maintenance agency on behalf of its clients.

3.2 Other operating expenses

Other operating expenses increased by €15.1 million, or 25%, during the first nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. The increase in expenses was driven by: (i) new costs associated to BBVA contract which was initially serviced through a subcontracting servicing agreement with Divarian, before the Divarian servicing business was acquired effective May 31, 2019; (ii) new direct and agencies costs associated to the Divarian contract; (iii) higher cost for the asset maintenance performed on the clients assets, which have a corresponding impact in revenues recognized in "other revenues"; (iv) higher costs associated to the valuation service of portfolios and (v) higher costs in IT.

3.3 Personnel costs

Personnel costs increased by €18 million, or 45%, during the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. The increase was primarily driven by the Divarian integration, which became effective May 31, 2019 and increased by 345 the number of employees, and the new servicing portfolio contracts obtained during 2018 which required increase in FTEs mainly during the second semester of 2018.

3.4 Net finance costs

For the nine months ended September 30, 2019, net finance costs were €17.0 million, a 1% decrease from net finance costs of €17.1 million for the nine months ended September 30, 2018. This net financial result mainly relates to the interest cost on the €475 million Senior Secured Notes issued in November 2017.

3.5 Net profit/loss

Excluding the impact of the non- recurring costs incurred, total Adjusted EBITDA for the nine months ended September 30, 2019 amounted to €70.5 million, a 21% decrease from Adjusted EBITDA for the nine months ended September 30, 2018. Due to an increase in the amortization caused by the new Bankia contract signed in 2018 and the financial expenses driven by the Senior Secured Notes issuance in November 2017, net profit for the nine months ended September 30, 2019 was -€20 million, (-€3 million in the same period of 2018).

In relation to the amortization cost of the contract intangible assets the Group performs, on a yearly basis, an analysis on the recoverability of the net book value associated to theses contract assets, which is expected to be completed during the fourth quarter of 2019. The Sareb contract asset will be amortized in full by year-end, as the existing contract expires on December 31, 2019. And based on the accelerated recoveries achieved in the Bankia contract in part through a large portfolio sale closed in the third quarter of 2019, the Group Management expects to write-off part of the net book value of the Bankia contract at year-end.

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, 2019, our outstanding debt is a Senior Secured Notes 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 €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, 2019, cash and cash equivalents amounted to €72.2 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) *(unaudited)*	
	2019	2018
Cash flows from operating activities	78.8	93.2
Cash flows from investing activities	(12.1)	(72.3)
Cash flows from financing activities	(15.5)	(16.0)

a. Cash Flows from Operating Activities

Cash flows from operating activities were €78.8 million and €93.2 million for the nine months ended September 30, 2019 and 2018, respectively. This change is mainly explained by the decrease in EBITDA from €86.7 million to €66.3 million for the nine-month period ending September, offset by an improvement in working capital due to strong focus on cash collections in the first nine months of 2019.

b. Cash Flows from Investing Activities

Investing activities used €12.1 million of cash flows for the first nine months of 2019 while €72.3 million were used in the same period of 2018. This change is mainly explained by the payment performed by the Parent Company for the novation contract signed with Bankia in April 2018 by €60.9 million.

c. Cash Flows from Financing Activities

Financing activities used €15.5 million and €16.0 million of cash during the nine months ended September 30, 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.