Management Discussion & Analysis of Financial Condition and Results of Operations

As of and for the three months ended March 31, 2020

AS AT 31 MARCH 2020

(Thousands of Euros)

	31/03/2020(*)	31/12/2019
NON-CURRENT ASSETS:		
Intangible assets	230,396	241,208
Property, plant and equipment	6,364	6,684
Right-of use asset	4,664	5,101
Non-current financial assets	89,033	89,033
Deferred tax assets	36,033	29,647
Goodwill	6,332	6,332
Total non-current assets	**372,822**	**378,005**
CURRENT ASSETS:		
Current financial assets-	215,206	219,501
Trade and other receivables	123,911	154,547
Current financial assets	1,948	672
Cash and cash equivalents	89,347	64,282
Other current assets	634	213
Total current assets	**215,840**	**219,714**
TOTAL ASSETS	**588,662**	**597,719**
EQUITY:		
Share capital	9,683	9,683
Share premium	45,831	45,831
Reserves of the Parent	(25,884)	12,127
Reserves of the subsidiaries	635	-
Other shareholder contributions	3,900	3,900
Profit (loss) for the period attributable to the Parent	(13,906)	(37,376)
	-	
Equity attributable to the Parent	**20,259**	**34,165**
Total equity	**20,259**	**34,165**
NON-CURRENT LIABILITIES:		
Debts with credit institutions, bonds and other securities	483,385	468,413
Long term provision	2,644	2,644
Lease liabilities	3,080	3,519
Total non-current liabilities	**489,109**	**474,576**
CURRENT LIABILITIES:		
Debts with credit institutions, bonds and other securities	6,389	3,128
Lease liabilities	1,724	1,701
Other financial liabilities	6,272	5,755
Other current liabilities	17,269	21,081
Trade payables	41,718	51,474
Related party payable	5,922	5,837
Total current liabilities	**79,294**	**88,978**
TOTAL EQUITY AND LIABILITIES	**588,662**	**597,719**

(*) Unaudited financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

(Thousands of Euros)

	31/03/2020 (*)	31/03/2019 (*)
Revenue	45,243	59,738
Other operating expenses	(20,135)	(27,039)
Personnel expenses	(25,290)	(15,581)
Depreciation and amortisation charge	(14,286)	(25,515)
Impairment and gains or losses on disposals of non-current assets	-	(164)
Profit (loss) from operations	**(14,468)**	**(8,561)**
Finance income	1,281	1,267
Finance expense	(7,017)	(6,884)
Net income (expense)	**(5,736)**	**(5,617)**
Profit (loss) before tax	**(20,204)**	**(14,178)**
Income tax benefit (expense)	6,298	3,555
Profit (loss) for the period of continuing operations	**(13,906)**	**(10,623)**
Profit (loss) for the period	**(13,906)**	**(10,623)**
Attributable to the sole shareholder of the Parent	(13,906)	(10,623)

(*) Unaudited financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020
(Thousands of Euros)

	31/03/2020 (*)	31/03/2019 (*)
1. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before tax	(20,204)	(14,178)
Adjustments for:		
Amortisation and depreciation	14,286	25,515
Finance income (-)	(1,281)	(1,267)
Finance costs (+)	7,017	6,871
Provisions (+)	(4)	-
Impairment and gains or losses on disposals of non-current	-	165
Adjusted profit before Tax	**(186)**	**17,106**
Income tax paid	**-**	**-**
Increase/(Decrease) in current assets and liabilities		
(Increase)/Decrease in current assets	28,944	(16,079)
Increase/(Decrease) in current liabilities	(11,986)	5,570
Total net cash flows from operating activities (1)	**16,772**	**6,597**
2. CASH FLOWS FROM INVESTING ACTIVITIES		
Payments due to investments:		
Property, plant and equipment	(1,056)	(3,079)
Other intangible assets (computer software)	(1,934)	(3,127)
Other financial assets	-	(297)
Total net cash flows from investing activities (2)	**(2,990)**	**(6,503)**
3. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and payments relating to financial liability instruments:		
Obtaining financing with Credit Institutions	14,400	-
Interest paid from debts with Credit institutions, bonds and others	(3,117)	(3,070)
Total net cash flows from financing activities (3)	**11,283**	**(3,070)**
4. Net increase/(decrease) in cash and cash equivalents (1+2+3)	**25,065**	**(2,976)**
Cash and cash equivalents at beginning of period	**64,282**	**21,021**
Cash and cash equivalents at end of period	**89,347**	**18,045**

(*) Unaudited financial statements.

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

1. Situation of the entity

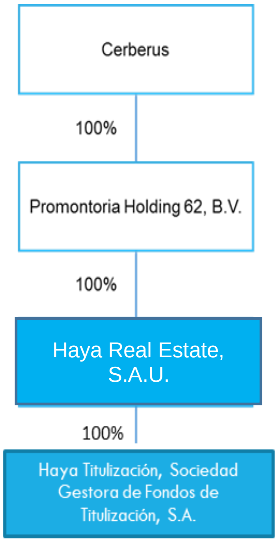
Haya Real Estate, S.A.U. (hereinafter, the Parent) was incorporated for an indefinite duration on 28 May 2013 as Cornalata Servicios y Gestión, S.L, and is duly registered in the Mercantile Registry of Madrid in Volume 1547, General, Book 31,153, Folio 10, Section 8, Sheet No. M-560,663, Entry 1 with 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 31 March 2020 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.

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 analyzing 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 modeling.

- 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 2020 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 2020 and 2019 are:

- Bankia Group: The Group has been providing management services for real estate assets of the Bankia Group under an SLA signed in April 2018, for a period of ten years, which replaced a previous SLA signed in October 2013. 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 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: The Group has been providing management services for the real estate and credit assets of the Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (hereinafter, "SAREB") since January 2015, under an original SLA that had a term of five years. This agreement expired on 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 has not required any upfront payment from the Parent Company. Both SLAs establish 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 assets of the Liberbank Group since August 2017, under an 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 SLA establishes certain service levels the Group has to achieve, which are measured regularly.

- Divarian: 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. The SLA establishes certain service levels the Group has to achieve, which will be measured regularly after the applicable calibration period.

- Apple: During 2019, the Group 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.

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.

COVID-19

The emerging spread of the global Coronavirus COVID 19 in the early months of 2020 is causing a general decrease on the Spanish industrial activity, including the Groups' real estate and debt recovery activity. The impact on the Group from this situation will depend in great manner on the evolution and the extension of the pandemic in the upcoming months, together with the adaptability and reaction capacity of all impacted economic agents.

The Group's management has assessed the current situation according to the best information available, highlighting the following points:

- Liquidity Risk : The Group has entered into this global health crisis with a strong cash position (see attached consolidated balance sheet), and decided on March 18, 2020, at the beginning of the crisis in Spain, to fully draw on its revolving credit line to provide a further liquidity buffer. Furthermore, the Group does not have any short term financial obligations other than the interest due on its existing senior secured noted. And the Group has ended the first three months of 2020 with a positive working capital position of EUR 136,546 thousand which it expects will reinforce its cash position during 2020. The Group's management considers that these circumstances allow to limit the short-term risk.

- Operational risk: Although the Group's volume activity has seen a significant decrease since the beginning of the state of alarm declared by the Spanish Government, with a sharp reduction in REO sales, loan recoveries and low REO conversions due to closed judicial courts, part of the Group's revenue comes from a contracted asset management fee which is calculated as a % of assets managed. Furthermore, the Group has a high percentage of variable costs, which decrease proportionally with a decrease in volumes/sales transacted. In addition, due to the nature of its long-term servicing contracts, the Group's management considers that any potential short term impact in sales should be recovered during the remaining contract term. Finally, the Group has initiated a contingency plan focused on cost cutting measures to mitigate part of the lost revenues expected in the year.

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, 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	
	March 31, 2020	December 31, 2019
Assets under Management (by client)		
Bankia	*3,003*	*2,866*
Cajamar	*4,872*	*4,873*
Sareb	*14,067*	*20,881*
Liberbank	*2,200*	*2,287*
BBVA	*1,979*	*2,002*
Divarian (1)	*4,676*	*4,759*
Apple(1)	*1,526*	*1,569*
Other Cerberus Portfolios(1)	*1,686*	*1,739*
Other clients(1)	*118*	*123*
Assets under Management (total)	**34,127**	**41,099**

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

As of March 31, 2020, the AuMs decreased by €6,972 million mainly as a result of the new servicing contract signed with Sareb in 2019 which entered into force on January 1, 2020 with a new perimeter of ~€14 billion. In addition, this decrease was impacted by a decrease in the rest of clients due to the natural evolution of recoveries under 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.

	Three months ended March 31, (in € millions)	
	2020	2019
Transaction Volumes (by type of transaction)		
RED	*53.4*	*193.5*
REO Conversion	*123.0*	*329.6*
REO	*327.8*	*323.8*
Transaction Volumes (total)	**504.2**	**846.9**

For the three months ended March 31, 2020 compared to the three months ended March 31, 2019, transaction volumes decreased by €343 million (or -40.5%).

RED volumes decreased by 72% (or €140 million) compared to first three months of 2019 mainly due to lower performance in Sareb as a result of the new SLA contract which entered into force in 2020 and involved a reduction in REDs perimeter, and lower performance in other Cerberus Portfolios and Cajamar. REO Conversion volumes decreased by 63% (or €207 million) when compared to Q1 2019 mainly due to a lower activity in Sareb due to the new SLA contract where the litigation process management on litigated loans (foreclosures) has been excluded from its scope, and a lower activity in bankruptcies. REO volumes increased by 1% (or €4 million) compared to Q1 2019 impacted mainly the contribution of Divarian and Apple servicing contracts, partially offset with a lower activity in Bankia, Cajamar and Liberbank.

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 2020 and 2019:

	Three months ended March 31, (in € millions, other than ratios) *(unaudited)*	
	2020	2019
Volume servicing fees	19.4	29.4
Volume of transactions in the period (1)	504.2	846.9
Average Volume Servicing Fees	**3.85%**	**3.47%**

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

In relation to volume servicing fees as a % of volume there was an increase from 3.47% to 3.85% in Q1 2020 when compared to Q1 2019 due to the weight increase in REOs and the decrease 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, 2020 and 2019:

	Last twelve months ended March 31, (in € millions) *(unaudited)*	
	2020	2019
Asset management fees	94.5	86.5
Average Assets under Management in the period (1)	38,028	40,868
Average Asset Management Fees	**0.25%**	**0.21%**

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

In relation to Asset Management Fees as a % of assets under management there was an increase from 0.25% to 0.21% in Q1 2020 when compared to Q1 2019 due to the contribution of new servicing contracts.

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 for the labour restructuring process that the Parent Company carried out during the first three months of 2020 and the non-recurring costs incurred in connection with M&A for the first three months of 2019.

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)*	
	2020	2019
Profit (loss) for the period	(13.9)	(10.6)
Income tax (benefit)/ expenses	(6.3)	(3.6)
Finance income	(1.3)	(1.3)
Finance expense	7.0	6.9
Depreciation and amortisation charge	14.3	25.5
Impairment and gains or losses on disposals of non-current assets	-	0.2
EBITDA	**(0.2)**	**17.1**
M&A costs	-	2.4
Labour restructuring costs	6.4	-
Adjusted EBITDA	**6.2**	**19.5**

For the three months ended March 31, 2020, EBITDA was €-0.2 million and for the three months ended March 31, 2019 EBITDA was €17.1 million. This decrease is explained by the decrease in volumes previously explained (with corresponding decrease in revenues), a decrease in management fee mainly as a result of the new SLA signed with Sareb, and an increase in personnel costs (impacted by the labour restructuring process costs carried out by the Parent Company). This decrease was partially offset by a decrease in operating expenses.

The following table provides a summary of the last twelve months (LTM) EBITDA ended March 31, 2020 and 2019. EBITDA LTM presented below is not meant to provide an indicator of future earnings potential, as the existing COVID-19 situation and the earnings impact of the new Sareb contract will have a significant impact on future performance:

	LTM ended March 31, (in € millions) *(unaudited)*	
	2020	2019
Profit (loss) for the period	(40.7)	(6.6)
Income tax (benefit)/ expenses	(15.9)	(4.3)
Finance income	(5.2)	(5.2)
Finance expense	27.9	27.8
Depreciation and amortisation charge	92.7	109.8
Impairment and gains or losses on disposals of non-current assets	23.7	0.2
EBITDA	**82.5**	**121.6**
Non-recurring costs in connection with M&A	3.6	6.1
Labour restructuring process	6.4	-
Adjusted EBITDA	**92.5**	**127.7**

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, 2020 and year ended December 31, 2019 is as follows:

	In € millions	
	March 31, 2020 *(unaudited)*	December 31, 2019
Debts with credit institutions, bonds and other securities	489.8	471.5
Cash and cash equivalents	(89.3)	(64.3)
Net Debt	**400.5**	**407.2**

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, 2020 and for the year ended December 31, 2019:

	In € millions	
	March 31, 2020 *(unaudited)*	December 31, 2019
Net Debt	400.5	407.2
Adjusted EBITDA LTM	92.5	105.7
Leverage Ratio	**4.3**	**3.8**

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 31 March 2020 and 2019:

	LTM ended March 31, (in € millions) *(unaudited))*	
	2020	2019
Adjusted EBITDA LTM	92.5	127.7
Capital Expenditures LTM (-)	(13.2)	(13.3)
Changes in working capital LTM (+/-)	9.5	(9.2)
Free Cash Flow LTM	**88.8**	**105.2**

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, 2020. This APM was calculated as follows for the last twelve months (LTM) ended March 31, 2020 and 2019:

	LTM ended March 31, (in € millions, other than ratios) *(unaudited)*	
	2020	2019
Free Cash Flow LTM	88.8	105.2
Adjusted EBITDA LTM	92.5	127.7
Cash Conversion LTM	**96%**	**82%**

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 three months ended March 31, 2020 and 2019:

	Three months ended March 31, (in € millions) *(unaudited)*	
	2020	2019
Volume servicing fees	*19.4*	*29.4*
Management fees	*19.3*	*23.3*
Other	*6.5*	*7.1*
Total Revenues	**45.2**	**59.7**

For the three months ended March 31, 2020, revenues were €45.2 million, a 24% decrease (or €14.5 million) from revenues of €59.7 million for the three months ended March 31, 2019. This decrease of €14.5 million was primarily driven by a decrease in total transaction volumes during the period, as previously explained. Management fees decreased by 17% from the previous year mainly as a result of the new SLA signed with Sareb where there is no asset management fee (but rather a minimum fee to cover structure costs) and a decrease caused by the natural evolution of the contracts, partially offset with the contribution of the new awarded contracts during 2019 (Divarian and Apple). Other revenues decreased compared to the previous year by 7% mainly as a result of the onboarding fee of the Apple portfolio incurred in Q1 of 2019 with no corresponding impact in 2020.

3.2 Other operating expenses

Other operating expenses decreased by €6.9 million, or 26%, during the first three months ended March 31, 2020 compared to the three months ended March 31, 2019. The decrease in expenses was driven by: (i) the costs incurred in the first three months of 2019 associated to the servicing of the BBVA contract, which was initially serviced through a subcontracting servicing agreement with Divarian, before the Divarian servicing business was acquired effective May 31, 2019 (no corresponding impact in 2020); (ii) non-recurring costs associated to M&A in 2020 have not been incurred (vs €2.4 million incurred in the first three months of 2019). This decrease has been partially offset by higher cost of agencies for the management of REOs in the first three months of 2020.

3.3 Personnel costs

Personnel costs increased by €9.7 million, or 62%, during the three months ended March 31, 2020 compared to the three months ended March 31, 2019. The increase was primarily driven by the labor restructuring process costs carried out by the Parent Company during 2020 for an amount of €6.4 million and the integration of over 300 employees from Divarian, who joined effective May 31, 2019.

3.4 Net finance costs

For the three months ended March 31, 2020, net finance costs were €5.7 million, a 2% increase from net finance costs of €5.6 million for the three months ended March 31, 2019. This net financial result mainly relates to the interest cost on the €475 million Senior Secured Notes issued in November 2017 and due in 2022.

3.5 Net profit/loss

Excluding the impact of the non-recurring costs incurred for the labour restructuring process in 2020 and the non-recurring costs incurred in relation with M&A costs in 2019, total Adjusted EBITDA for the three months ended March 31, 2020 amounted to €6.2 million, a 62% decrease from Adjusted EBITDA for the three months ended March 31, 2019. Due to a decrease in the amortization caused by the Sareb contract asset resolution on 31 December 2019 (the new SLA signed with Sareb did not require any upfront payment), net profit for the three months ended March 31, 2020 was -€13.9 million, (-€10.6 million in the same period of 2019).

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, 2020, our outstanding debt relates to a Senior Secured Notes of €475 million signed in November 2017 and a Revolving Credit Facility (RCF) which was signed in 2017 and was fully drawn on 18 March 2020 for an amount of €14.4 million in order to have a further liquidity buffer as a result of the COVID-19 situation.

As of March 31, 2020, cash and cash equivalents amounted to €89.3 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.

As of 18 May 2020, the Group has partially repaid the RFC (for an amount of EUR 10,500 thousand) reducing the outstanding debt of this RCF to EUR 3,900 thousand.

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) *(unaudited)*	
	2020	2019
Cash flows from operating activities	16.8	6.6
Cash flows from investing activities	(3.0)	(6.5)
Cash flows from financing activities	11.3	(3.1)

a. Cash Flows from Operating Activities

Cash flows from operating activities were €16.8 million and €6.6 million for the three months ended March 31, 2020 and 2019, respectively. This change is mainly explained by an improvement in working capital due to strong focus on cash collections in the first three months of 2020.

b. Cash Flows from Investing Activities

Investing activities used €3.0 million of cash flows for the first three months of 2020 while €6.5 million were used in the same period of 2019. This change is mainly explained by the payments performed by the Parent Company for the new Headquarter offices in Madrid in the first three months of 2019.

c. Cash Flows from Financing Activities

Financing activities generated/(used) €11.3 million and €(3.1) million of cash during the three months ended March 31, 2020 and 2019, respectively. Financing activities in 2020 related to the interest paid in relation to the Senior Secured Notes issuance in November 2017 and the disbursement of €14.4 million of the RCF.