Management Discussion & Analysis of Financial Condition and Results of Operations

As of and for the three months ended March 31, 2021

AS AT 31 MARCH 2021

(Thousands of Euros)

	31/03/2021(*)	31/12/2020
NON-CURRENT ASSETS:		
Intangible assets	190,998	200,892
Property, plant and equipment	4,017	4,536
Right-of use asset	2,860	3,272
Non-current financial assets	94,235	94,235
Deferred tax assets	31,784	30,702
Goodwill	6,332	6,332
Total non-current assets	**330,226**	**339,969**
CURRENT ASSETS:		
Current financial assets-	155,461	148,346
Trade and other receivables	91,546	93,612
Current financial assets	2,045	709
Cash and cash equivalents	61,870	54,025
Other current assets	752	303
Total current assets	**156,213**	**148,649**
TOTAL ASSETS	**486,439**	**488,618**
EQUITY:		
Share capital	9,683	9,683
Share premium	45,831	45,831
Reserves of the Parent	(45,077)	(25,884)
Reserves of the subsidiaries	817	635
Other shareholder contributions	3,900	3,900
Profit (loss) for the period attributable to the Parent	(2,003)	(19,011)
Equity attributable to the Parent	**13,151**	**15,154**
Total equity	**13,151**	**15,154**
NON-CURRENT LIABILITIES:		
Debts with credit institutions, bonds and other securities	420,553	420,034
Long term provision	3,436	3,324
Lease liabilities	1,436	1,795
Total non-current liabilities	**425,425**	**425,153**
CURRENT LIABILITIES:		
Debts with credit institutions, bonds and other securities	5,586	6,726
Lease liabilities	1,582	1,637
Other financial liabilities	3,823	4,996
Other current liabilities	8,417	5,472
Trade payables	28,144	29,234
Related party payable	311	246
Total current liabilities	**47,863**	**48,311**
TOTAL EQUITY AND LIABILITIES	**486,439**	**488,618**

(*) Unaudited financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

(Thousands of Euros)

	31/03/2021 (*)	31/03/2020 (*)(**)
Revenue	44,733	45,243
Other operating expenses	(15,897)	(20,135)
Personnel expenses	(15,210)	(25,290)
Amortisation and gains or losses on disposals of non-current assets	(12,841)	(13,236)
Profit (loss) from operations	**785**	**(13,418)**
Finance income	1,341	1,281
Finance expense	(6,113)	(7,017)
Net income (expense)	**(4.772)**	**(5.736)**
Profit (loss) before tax	**(3,987)**	**(19,154)**
Income tax benefit (expense)	1,984	6,035
Profit (loss) for the period of continuing operations	**(2,003)**	**(13,119)**
Profit (loss) for the period	**(2,003)**	**(13,119)**
Attributable to the sole shareholder of the Parent	(2,003)	(13,119)

(*) Unaudited financial statements.
(**)Restated figures

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021
(Thousands of Euros)

	31/03/2021 (*)	31/03/2020 (*)(**)
1. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before tax	**(3,987)**	**(19,154)**
Adjustments for:		
Amortisation and gains or losses on disposals of non-current assets (+)	12,841	13,236
Finance income (-)	(1,341)	(1,281)
Finance costs (+)	6,113	7,017
Provisions (+)	137	(4)
Adjusted profit before Tax	**13,763**	**(186)**
Income tax reinbursment	**978**	
Increase/(Decrease) in current assets and liabilities		
(Increase)/Decrease in current assets	1,597	28,944
Increase/(Decrease) in current liabilities	1,723	(11,986)
Total net cash flows from operating activities (1)	**18,061**	**16,772**
2, CASH FLOWS FROM INVESTING ACTIVITIES		
Payments due to investments:		
Property, plant and equipment	(50)	(572)
Right of use	(457)	(484)
Other intangible assets (computer software)	(3,018)	(1,934)
Other financial assets	-	-
Total net cash flows from investing activities (2)	**(3,525)**	**(2,990)**
3, CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and payments relating to financial liability instruments:		
Financing obtained from-		
Credit institutions (revolving credit facility) (+)	-	14,400
Repayment of borrowings from		
Credit institutions (revolving credit facility) (-)	(3,900)	-
Interest paid (-)	(2,791)	(3,117)
Total net cash flows from financing activities (3)	**(6,691)**	**11,283**
4, Net increase/(decrease) in cash and cash equivalents (1+2+3)	**7,845**	**25,065**
Cash and cash equivalents at beginning of period	**54,025**	**64,282**
Cash and cash equivalents at end of period	**61,870**	**89,347**

(*) Unaudited financial statements.
(**) Restated figures.

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

1. Situation of the entity

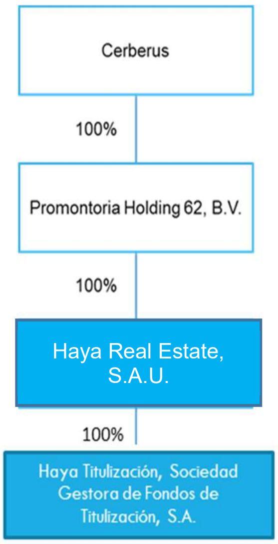
Haya Real Estate, S.A.U. (hereinafter, the Parent) was incorporated for an indefinite duration on 28 May 2013 as Cornalata Servicios y Gestión, S.L, and is duly registered in the Mercantile Registry of Madrid in Volume 1547, General, Book 31,153, Folio 10, Section 8, Sheet No. M-560,663, Entry 1 with VAT Registration No. (CIF) 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 2021 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 2021 and 2020 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 NPLs 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) except for Sareb new contract where there is no asset management fee but rather a minimum fee to cover structure costs.

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 (currently “Caixabank”): 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. On 2021 the merger between Bankia and Caixabank has been finalized and Bankia has been the acquired party, nonetheless the Group continues providing management servicing under the aforementioned SLA. 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 did not require 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. Currently, Liberbank Group is going through a merger process with Unicaja (being Liberbank the acquired party). 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 are measured regularly.

- 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.

<u>COVID-19 risk and other risks</u>

COVID-19 risk

The emerging spread of the global Coronavirus COVID-19 in the early months of 2020 has caused a general decrease in Spanish economic activity, including the Group’s real estate and debt recovery activity. The Group’s management continues to assess the situation according to the best information available and take proactive and reactive measures where possible. Highlighted below are the measures the Group has taken to manage the following risks:

- Liquidity risk: Despite of the COVID-19, the Group continues in light with the evolution of collections from its clients, and on February 2021 decided to fully repay the RCF (for an amount of EUR 3,900 thousand). Furthermore, the Group does not have any short term financial obligations other than the interest due on its existing senior secured notes. The Group has ended the first three months of 2021 with a positive working capital position of EUR 108,350 thousand.

- Operational risk: The Group’s volume activity has seen a significant decrease since the beginning of the COVID crisis, with a sharp reduction in REO sales, loan recoveries and low REO conversions. Nonetheless, during the first three months of 2021 the Group has experimented a gradual recovery of its activity compared with 2020 driven by an improvement in the economic activity. This recovery will depend to a great degree on the evolution and the extension of the pandemic and the vaccination process. In addition, part of the Group’s revenue comes from a contracted asset management fee which is calculated as a % of assets under management, and the Group has a relatively high percentage of variable costs, which decrease proportionally with a decrease in volumes/sales transacted.

Other business risk

The Spanish banking sector is going through a market consolidation process, with multiple mergers being contemplated or discussed, and expected to be completed during 2021. This consolidation could potentially impact the real estate servicing sector as well and could adversely affect our future revenues if the newly merged entities decide to renegotiate their existing servicing contracts. Regarding to this situation, our client Bankia has finalized the merger process with Caixabank, being Bankia the acquired party, and the Group continues providing services to Bankia perimeter. In addition, our client Liberbank is going through a merger process with Unicaja (being as well the acquired party) and the strategy of the new merged institution is uncertain. If contracts under which Haya paid upfront (and corresponding intangible assets are recognized) are terminated early, Haya would be entitled to receive compensation as a result of the early termination.

Concentration in the financial sector or the sale of portfolios by our clients could also imply opportunities for the Group to compete for the bidding of future new servicing contracts for both financial institutions and institutional investors which would have a positive impact in the Group's future revenues. On the other hand, in 2021 Sareb could launch a tender public offer for its entire portfolio which could affect to the Group's position with this client. Likewise, the evolution of the Spanish real estate sector will affect the future activity of the Group as part of its revenues are linked to the commercialization of real estate assets and the recovery of loans with RE collateral.

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 NPLs (Non-Performing 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 NPLs or the commercialization of REOs) and NPLs 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, 2021	December 31, 2020
Assets under Management (by client)		
Bankia	*2,989*	*2,909*
Cajamar	*4,542*	*4,677*
Sareb	*13,129*	*13,322*
Liberbank	*2,081*	*2,101*
BBVA	*1,891*	*1,924*
Divarian (1)	*4,138*	*4,288*
Apple(1)	*1,452*	*1,493*
Other Cerberus Portfolios(1)	*1,510*	*1,541*
Other clients(1)	*34*	*32*
Assets under Management (total)	**31,766**	**32,287**

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

As of March 31, 2021, the AuMs decreased by €521 million compared to December 2020 mainly 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 NPLs, 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 NPLs 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)	
	2021	2020
Transaction Volumes (by type of transaction)		
NPL	*79.0*	*53.4*
REO Conversion	*96.8*	*123.0*
REO	*385.8*	*328.3*
Transaction Volumes (total)	**561.5**	**504.7**

For the three months ended March 31, 2021 compared to the three months ended March 31, 2020, transaction volumes increased by €57 million (or +11.2%).

NPL volumes increased by 48% (or €26 million) compared to the first three months of 2020 mainly due to last year was impacted by the beginning of the COVID-19 crisis and there has been a slightly recovery of the activity in February and March 2021. REO Conversion volumes decreased by 21% (or €26 million) when compared to Q1 2020 mainly due to lower activity in January and February 2021 as a result of the third COVID-19 wave. REO volumes increased by 18% (or €57 million) compared to the first three months of 2020 mainly impacted by a better performance in Divarian and Cajamar as a result of the gradual recovery of the economic activity in March.

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 NPLs 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 2021 and 2020:

	Three months ended March 31, (in € millions, other than ratios) *(unaudited)*	
	2021	2020
Volume servicing fees	23.7	19.4
Volume of transactions in the period (1)	561.5	504.7
Average Volume Servicing Fees	**4.22%**	**3.85%**

(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 3.85% to 4.22% in Q1 2021 when compared to Q1 2020 due to a weight increase in REOs and NPLs 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, 2021 and 2020:

	Last twelve months ended March 31, (in € millions) *(unaudited)*	
	2021	2020
Asset management fees	58.7	94.5
Average Assets under Management in the period [1]	32,947	38,028
Average Asset Management Fees	**0.18%**	**0.25%**

[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 a decrease from 0.25% to 0.18% in LTM 2021 when compared to LTM 2020 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.

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 for the first three month of 2020 as the sum of EBITDA and the non-recurring costs estimated for the labour restructuring process that the Parent Company carried out.

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)*	
	2021	2020(*)
Profit (loss) for the period	(2.0)	(13.1)
Income tax (benefit)/ expenses	(2.0)	(6.0)
Finance income	(1.3)	(1.3)
Finance expense	6.1	7.0
Depreciation and amortisation charge	12.8	13.2
Impairment and gains or losses on disposals of non-current assets	-	-
EBITDA	**13.6**	**(0.2)**
Labour restructuring costs	-	6.4
Adjusted EBITDA	**13.6**	**6.2**

(*) Restated figures

For the three months ended March 31, 2021, Adjusted EBITDA was €13.6 million and for the three months ended March 31, 2020 Adjusted EBITDA was €6.2 million. This increase of €7.4 million is explained by the costs cutting measures implemented in 2020 in operating expenses and the reduction in personnel costs due to the decrease in FTEs as a result of the labour restructuring process carried out in early 2020.

The following table provides a summary of the last twelve months (LTM) EBITDA ended March 31, 2021 and 2020. 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)*	
	2021	2020(*)
Profit (loss) for the period	(7.9)	(39.9)
Income tax (benefit)/ expenses	(3.6)	(15.7)
Finance income	(12.9)	(5.2)
Finance expense	27.1	27.9
Depreciation and amortisation charge	51.4	91.7
Impairment and gains or losses on disposals of non-current assets	5.5	23.7
EBITDA	**59.6**	**82.5**
Non-recurring costs in connection with M&A	-	3.6
Labour restructuring process	-	6.4
Adjusted EBITDA	**59.6**	**92.5**

(*) Restated figures

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, 2021 and year ended December 31, 2020 is as follows:

	In € millions	
	March 31, 2021 *(unaudited)*	December 31, 2020
Debts with credit institutions, bonds and other securities	426.1	426.8
Cash and cash equivalents	(61.9)	(54.0)
Net Debt	**364.2**	**372.8**

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, 2021 and for the year ended December 31, 2020:

	In € millions	
	March 31, 2021 *(unaudited)*	December 31, 2020
Net Debt	364.2	372.8
Adjusted EBITDA LTM	59.6	52.2
Leverage Ratio	**6.1x**	**7.1x**

The leverage ratio presented above on an LTM basis is not meant to provide an indicator of future leverage or expected leverage at year-end, as the existing COVID-19 situation might have a significant impact on future EBITDA performance, thus impacting the total leverage ratio of the Group.

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. Payments for the right-of use assets are not included. The 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 2021 and 2020:

	LTM ended March 31, (in € millions) *(unaudited))*	
	2021	2020
Adjusted EBITDA LTM	59.6	92.5
Capital Expenditures LTM (-)	(14.1)	(11.0)
Changes in working capital LTM (+/-)	8.8	9.50
Free Cash Flow LTM	**54.3**	**91.0**

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, 2021. This APM was calculated as follows for the last twelve months (LTM) ended March 31, 2021 and 2020:

	LTM ended March 31, (in € millions, other than ratios) *(unaudited)*	
	2021	2020
Free Cash Flow LTM	54.3	91.0
Adjusted EBITDA LTM	59.6	92.5
Cash Conversion LTM	**91%**	**98%**

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 remaining 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, 2021 and 2020:

	Three months ended March 31, (in € millions) *(unaudited)*	
	2021	2020
Volume servicing fees	*23.7*	*19.4*
Management fees	*14.1*	*19.3*
Other	*6.9*	*6.5*
Total Revenues	**44.7**	**45.2**

For the three months ended March 31, 2021, revenues were €44.7 million, a 1% decrease (or €0.5 million) from revenues of €45.2 million for the three months ended March 31, 2020. This decrease of €0.5 million was primarily driven by a decrease in Management Fee (-27%) related to Sareb Transition Plan fees earned in 2020 (with no corresponding impact in 2021) and the natural evolution of the AUMs. The decrease in Management fee is partially offset by an increase in Volume Fee (+22%) as a consequence of better performance in transaction volumes during the period, as previously explained. Other revenues remain stable when compare to the first three months of 2020.

3.2 Other operating expenses

Other operating expenses decreased by €4.2 million, or 21%, during the first three months ended March 31, 2021 compared to the three months ended March 31, 2020. The decrease in expenses was driven by: (i) lower costs associated to the management and maintenance of REOs under management; (ii) lower litigation and external recovery costs for NPLs mainly due to Sareb new contract has a different scope of services and does not imply certain services; and (iii) lower consultancy services and IT operating costs impacted by the cost cutting measures implemented during 2020.

3.3 Personnel costs

Personnel costs decrease by €10.1 million, or 40%, during the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The decrease was primarily driven by the savings in personnel costs from the restructuring process carried out by the Parent Company in 2020.

3.4 Net finance costs

For the three months ended March 31, 2021, net finance costs were €4.8 million vs €5.7 million incurred during the first three months of 2020. The decrease in net finance costs is explained by the nominal amount reduction in the Senior Secure Notes of EUR 51.5 million due to the bond buy back transaction carried out by the Group in November 2020.

3.5 Net profit/loss

Total Adjusted EBITDA for the three months ended March 31, 2021 amounted to €13.6 million, a 119% increase from Adjusted EBITDA for the three months ended March 31, 2020. The increase in Adjusted EBITDA together with a decrease in amortization expenses caused by the Impairment in Liberbank registered in December 2020, have resulted a net loss for the three months ended March 31, 2021 of -€2.0 million, (-€13.1 million in the same period of 2020).

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, 2021, our outstanding debt relates to a Senior Secured Notes of €423.95 million signed in November 2017.

As of March 31, 2021, cash and cash equivalents amounted to €61.9 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, including COVID19 and its related impact on the Spanish real estate sector.

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)*	
	2021	2020
Cash flows from operating activities	18.1	16.8
Cash flows from investing activities	(3.5)	(3.0)
Cash flows from financing activities	(6.7)	11.3

a. Cash Flows from Operating Activities

Cash flows from operating activities were €18.1 million and €16.8 million for the three months ended March 31, 2021 and 2020, respectively. This change is mainly explained by an increase in Adjusted EBITDA from €6.2 million to €13.6 million for the three-month period ending March. This improvement is partially offset by a decrease in working capital due to strong collections in Q1 2020 mainly as a result of the unwind working capital from Sareb previous contract and the good performance in Q4 2019 collected during the following quarter.

b. Cash Flows from Investing Activities

Investing activities used €3.5 million of cash flows for the first three months of 2021 and €3.0 million were used in the same period of 2020. Investment activities for the first three months of 2021 and 2020 mainly related to the investments made on IT applications to manage the Group clients' real estate and credit asset.

c. Cash Flows from Financing Activities

Financing activities used/(generated) €6.7 million and (€11.3) million of cash during the three months ended March 31, 2021 and 2020, respectively. Financing activities in 2021 related to the interest paid in relation to the Senior Secured Notes issuance in November 2017 and the repayment of €3.9 million of the Group's RCF (in 2020 related to the interest paid and the disbursement of €14.4 million of the RCF).