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

Consolidated Financial Statements for the year ended 31 December 2018, prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRS-EU) and Management Report, together with the report of the independent auditor

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 3 and 25). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 3 and 25). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Sole Shareholder of Haya Real Estate, S.A.U.,

Opinion

We have audited the consolidated financial statements of Haya Real Estate, S.A.U. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2018, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most Significant Audit Matters

The most significant audit matters are those matters that, in our professional judgement, were considered to be the most significant risks of material misstatement in our audit of the consolidated financial statements of the current period. These risks were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those risks.

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C.I.F.: B-79104469. Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Recoverability of "Other contract intangible assets – Management business - Bankia Group"

Description

As described in notes 1 and 5 of the accompanying consolidated financial statements, in 2018 and in the normal course of its operations, the Group has acquired the exclusivity of the management of the Bankia group's real estate owned assets, recognizing an intangible asset, subject to amortisation, whose carrying amount as at 31 December 2018 is EUR 100,387 thousand. At year-end, the Group assesses whether there is indication that the intangible assets related to asset management acquisitions, may be impaired and, if necessary, it tests those assets for impairment, using discounted cash flow-based valuation techniques, for which purpose it employs cash flow projections derived from estimates of inflows and outflows of assets under management, of the investments required to carry on its business activity and other assumptions contained in its business plan. Also, a discount rate is determined on the basis of the general economic situation and the Group's particular circumstances.

The performance of these estimates requires the application of significant judgments, as described in Note 5 to the accompanying consolidated financial statements. As a result of these circumstances, together with the magnitude of the intangible asset recognised in the consolidated statement of financial situation in 2018, this matter was determined to be one of the most significant in our audit.

Procedures applied in the audit

Our audit procedures to address this matter consisted, among others, of obtaining the impairment test of the intangible asset related to the management of the Bankia group's real estate owned assets, carried out by the Group, verifying the clerical accuracy of the calculations performed, and assessing the reasonableness of the main assumptions considered therein, mainly those relating to future cash flow forecasts and the discount rate.

For this purpose, we analysed whether the estimated cash flows considered in the test were consistent with the budget approved by the Board of Directors and the Group and investor's business plan, as well as the Group's operating and economic results in 2018. In addition, we analysed the deviations occurred in the present year, with the related projections included in the investor's business plan, in order to validate the estimate process. Regarding the key assumptions considered (such as inflows and outflows of assets under management, average volume servicing fee and average management fee, and gross margins) we performed an independent sensitivity analysis.

We involved our internal fair value specialists in order to evaluate the reasonability of the discount rate considered together with the risk factor used by the Group in the estimate process.

Lastly, we reviewed whether the disclosures included in Note 5 to the accompanying consolidated financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Recognition of unbilled revenue

Description	Procedures applied in the audit
As described in Notes 1 and 15 to the accompanying consolidated financial statements, the Group engages mainly in the exclusive asset management of real estate owned assets and real estate developer loans of four customers who account for substantially all of its revenue and accounts receivable. The aforementioned management of assets owned by its customers is instrumented through service level agreements (SLAs) that establish the terms and conditions under which the service is provided. The recognition of this revenue, although not complex, arises from the application to a multitude of transactions with assets owned by the Group's clients, of the various terms and conditions established in the service level agreements entered into with them. Such terms and conditions lead the Group to recognize revenue before issuing the related invoices, being the caption "Trade and other receivables" of the accompanying consolidated statement of financial position, as described in Note 9 to the accompanying consolidated financial statements, mostly made of unbilled operations. As a result of this circumstance, the revenue recognized in the period but still unbilled at year-end was an area of significant auditor attention in our audit.	Our audit procedures to address this matter included, among others, obtaining confirmation from the four major clients of the revenue recognised in the accompanying consolidated statement of profit or loss relating to volume servicing fees accrued for transactions involving assets managed by the Group in 2018, to asset management fees and to the other commissionable items under the service level agreements entered into with those clients, and of the trade receivables from the clients recognised at year-end. In addition, we carried out testing in order to check the occurrence and accuracy of the revenue recognized in 2018 and unbilled at year-end, through subsequent billing testing, tests of details on statistical samples of transactions managed by the Group, and substantive analytical procedures which made it possible to assess the reasonableness of the revenue volumes, billed and not yet billed at year-end. Lastly, we evaluated whether the disclosures made in this connection meet the requirements of the regulatory financial reporting framework applicable to the Group (see Notes 4.14 and 15 to the accompanying consolidated financial statements).

Other Information: Consolidated Management Report

The other information comprises only the consolidated management report for 2018, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility relating to the information contained in the consolidated management report is defined in the audit regulations in force, which establish two distinct levels thereof:

a) A specific level that applies to the consolidated non-financial information statement, which consists solely of checking that the aforementioned information has been provided in the consolidated management report, or, as the case may be, that the consolidated management report contains the corresponding reference to the separate report on the non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated management report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated management report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described in the preceding paragraph, we have checked that the non-financial information described in section a) above is presented in the consolidated management report, and that the other information contained in the consolidated management report is aligned with the consolidated financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Parent's Directors for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in the Appendix to this auditor's report. This description forms part of our auditor's report.

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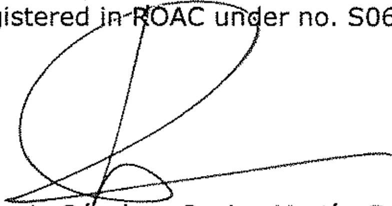

Antonio Sánchez-Covisa Martín-González
Registered in ROAC under no. 21251

27 March 2019

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the Parent's directors, we determine those risks that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the most significant assessed risks.

We describe those risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

Translation into English of consolidated financial statements for the ended 31 December 2018 originally issued in Spanish.
In the event of discrepancy, the Spanish language version prevails.

HAYA REAL ESTATE, S.A.U.
AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(Thousands of euros)

ASSETS	Notes	31/12/2018	31/12/2017
NON-CURRENT ASSETS:			
Intangible assets	**5**	355,419	344,878
Property, plant and equipment		2,841	1,815
Non-current financial assets	**7**	88,675	88,468
Deferred tax assets	**18.6**	14,261	10,297
Goodwill	**6**	6,079	6,079
Total non-current assets		**467,275**	**451,537**
CURRENT ASSETS:			
Current financial assets-		142,663	174,033
Trade and other receivables	**9**	120,986	131,527
Current financial assets	**7**	656	496
Cash and cash equivalents	**9**	21,021	42,010
Other current assets		262	326
Total current assets		**142,925**	**174,359**
TOTAL ASSETS		**610,200**	**625,896**
EQUITY:			
Share capital	**10.1**	9,683	9,683
Share premium	**10.2**	45,831	45,831
Reserves of the Parent	**10.3**	13,684	2,118
Reserves of the Subsidiary	**10.3**	4,101	2,201
Other shareholder contributions	**10.4**	3,900	3,900
Profit for the period attributable to the Parent		(445)	32,570
Interim dividend		-	(14,063)
Equity attributable to the Parent		**76,754**	**82,240**
Total equity		**76,754**	**82,240**
NON-CURRENT LIABILITIES:			
Debts with credit institutions, bonds and other securities	**11**	466,086	464,011
Long-term provisions		288	35
Deferred income		-	201
Total non-current liabilities		**466,374**	**464,247**
CURRENT LIABILITIES:			
Debts with credit institutions, bonds and other securities	**11**	3,127	21,065
Other financial liabilities	**5**	4,989	6,908
Other current liabilities	**12**	14,557	23,204
Trade payables	**12**	36,500	28,194
Related party payable	**20.2**	7,899	38
Total current liabilities		**67,072**	**79,409**
TOTAL EQUITY AND LIABILITIES		**610,200**	**625,896**

The accompanying Notes 1 to 25 are an integral part of the consolidated statement of financial position as at 31 December 2018.

HAYA REAL ESTATE, S.A.U.
AND SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousands of euros)

	Notes	2018	2017
CONTINUING OPERATIONS:			
Revenue	**15**	273,748	256,580
Other operating expenses	**16.2**	(92,242)	(63,142)
Personnel expenses	**16.1**	(54,794)	(50,908)
Amortisation, impairment and gains or losses on disposals of non-current assets	**4.4 & 5**	(106,687)	(80,506)
Profit from operations		**20,025**	**62,024**
Finance income		5,208	495
Finance expense	**11**	(27,895)	(19,207)
Net finance income (expense)		**(22,687)**	**(18,712)**
Profit (loss) before tax		**(2,662)**	**43,312**
Income tax benefit (expense)	**18.4**	2,217	(10,742)
Profit (loss) for the period from continuing operations		**(445)**	**32,570**
Profit (loss) for the period		**(445)**	**32,570**
Attributable to the Sole Shareholder of the Parent	**17**	(445)	32,570
Earnings per share			
Basic and diluted (in euros)	**22**	(0.05)	3.36

The accompanying Notes 1 to 25 are an integral part of the consolidated statement of profit or loss for the year ended 31 December 2018.

HAYA REAL ESTATE, S.A.U.
AND SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018
(Thousands of euros)

	Notes	2018	2017
PROFIT PER CONSOLIDATED STATEMENT OF PROFIT OR LOSS (I)		**(445)**	**32,570**
Income and expenses recognized directly in equity		-	-
TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY (II)		**-**	**-**
Transfers to the consolidated statement of profit or loss		-	-
TOTAL TRANSFERS TO CONSOLIDATED PROFIT OR LOSS (III)		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (I+II+III)		**(445)**	**32,570**

The accompanying Notes 1 to 25 are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2018.

Translation into English of consolidated financial statements for the ended 31 December 2018 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

HAYA REAL ESTATE, S.A.U.
AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Thousands of euros)

	Share Capital	Share Premium	Reserves of the Parent	Reserves of Subsidiary	Other shareholder contributions	Profit (loss) for the period	Interim dividend	Total Equity
Balance at 31 December 2016	**9,683**	**51,826**	**15,201**	**215**	**-**	**31,334**	**-**	**108,259**
Transfers to retained earnings	-	-	29,348	1,986	-	(31,334)	-	-
Income and expenses recognised in 2017	-	-	-	-	-	32,570	-	32,570
Dividends paid	-	(5,995)	(42,431)	-	-	-	(14,063)	(62,489)
Other movements (Note 10.4)	-	-	-	-	3,900	-	-	3,900
Balance at 31 December 2017	**9,683**	**45,831**	**2,118**	**2,201**	**3,900**	**32,570**	**(14,063)**	**82,240**
Transfers to retained earnings	-	-	6,832	11,675	-	(32,570)	14,063	-
Income and expenses recognised in 2018	-	-		-	-	(445)	-	(445)
Dividends in kind (Notes 7 & 10.3)	-	-	(5,037)	-	-	-	-	(5,037)
Other movements (Note 2)	-	-	9,771	(9,775)	-	-	-	(4)
Balance at 31 December 2018	**9,683**	**45,831**	**13,684**	**4,101**	**3,900**	**(445)**	**-**	**76,754**

The accompanying Notes 1 to 25 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2018.

HAYA REAL ESTATE, S.A.U.
AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Thousands of euros)

	Notes	2018	2017
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		(2,662)	43,312
Adjustments for:			
Depreciation and amortisation charge (+)	**4.4 & 5**	106,687	80,494
Finance income (-)		(5,208)	(495)
Finance expense (+)		27,895	19,207
Provisions, Impairment and losses on disposals (+)		347	(329)
Other non-cash income and expenses	**10.4**	-	3,900
Adjusted profit		**127,059**	**146,089**
Income tax paid		**(4,184)**	**(11,284)**
Increase/Decrease in current assets and liabilities			
(Increase)/Decrease in current assets		(7,475)	(44,559)
Increase/(Decrease) in current liabilities		9,727	3,474
Increase/Decrease in other current assets and liabilities		(203)	201
Total net cash flows from operating activities (1)		**124,924**	**93,921**
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Payments due to investment:			
Tangible assets		(1,027)	(845)
Contract intangible assets	**1 & 6**	(107,687)	(85,000)
Other intangible assets		(11,038)	(19,167)
Other financial assets		(198)	(29)
Investments in group companies	**2 & 7**	-	(91,990)
Proceeds from disposal:			
Property, Plant & Equipment		-	1
Other financial assets and interest received		-	40
Total net cash flows from investing activities (2)		**(119,950)**	**(196,990)**
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds and payments relating to equity instruments:			
Dividends paid		-	(62,489)
Proceeds and payments relating to financial liability instruments:			
Obtaining financing with-			
Credit institutions		-	468,920
Other institutions		-	28
Repayment of borrowings from-			
Group companies	**11**	-	(55,473)
Credit institutions	**11**	-	(246,710)
Interest paid from debts with Credit institutions, bonds and others		(25,963)	(8,171)
Interest paid from debts with Group companies and associates		-	(6,939)
Total net cash flows from financing activities (3)		**(25,963)**	**89,166**
4. Net increase/(decrease) in cash and cash equivalents (1+2+3)		**(20,989)**	**(13,903)**
Cash and cash equivalents at beginning of period		**42,010**	**55,581**
Incorporation in scope of consolidation		-	332
Cash and cash equivalents at end of period		**21,021**	**42,010**

The accompanying Notes 1 to 25 are an integral part of the consolidated statement of cash flows for the year ended 31 December 2018.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 3 and 25). In the event of a discrepancy, the Spanish-language version prevails.

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

Notes to the consolidated financial statements for the annual period ended 31 December 2018

1. Group activity

Haya Real Estate, S.A.U. (hereinafter, the Parent) was incorporated for an indefinite term on 28 May 2013, and is duly registered in the Mercantile Registry of Madrid in Volume 1547, General, Book 31,153, Folio 10, Section 8, Sheet No. M-560,663, Entry 1 with VAT Registration No. (CIF) B-86744349. The Parent originally commenced trading as Cornalata Servicios y Gestión, S.L., changing its company name to Promontoria Plataforma, S.L.U. on 1 August 2013, once again changing its name to its current one on 21 April 2014. On 5 February 2019, the Parent's registered address changed to Calle Medina de Pomar,27, Madrid (Spain).

In accordance with its bylaws, the corporate purpose of Haya Real Estate, S.A.U. is:

- The provision of financial and investment consultancy services to financial institutions and companies in general;
- The preparation of business reports, whether for its own use or for third party use, compiled from any public or private body.
- Collection of payments owed to them on behalf of third parties, represented by any public or private payment documents or otherwise;
- Development, lease and sale of software and provision of all manner of IT services, particularly those related to financial services; and
- Provision of all manner of services related to the administration, management and marketing of real estate.

Excluded from the Parent's corporate purpose are any activities that are reserved by law for certain types of companies and any that require authorisation or permits that the Parent does not have.

Haya Real Estate, S.A.U. is the sole shareholder of the subsidiary Haya Titulización, Sociedad Gestora de Fondos de Titulización, S.A.U., which both together form the Haya Group (hereinafter, the Group).

The activity performed by the Parent in 2018 consisted mainly of managing real estate owned assets (“REOs”) and real estate developer loans (“REDs”). The activity engaged in by the subsidiary Haya Titulización, Sociedad Gestora de Fondos de Titulización, S.A.U. (Haya Titulización) consisted of the incorporation, management and legal representation of asset securitisation funds, mortgage securitisation funds and bank assets funds.

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

The Parent is a Sole Shareholder company wholly owned by Promontoria Holding 62, B.V. (the Sole Shareholder). The Parent is therefore subject to the rules applicable to Sole Shareholder companies and has disclosed this to the Mercantile Registry. In this respect, the contracts entered into and the balances and transactions maintained

with its Sole Shareholder are disclosed in Note 20. The consolidated financial statements for 2017, which were formulated by the Parent's Board of Directors on 28 March 2018 were approved by the Sole Shareholder on 20 April 2018.

Group activity

The Group's activity consists mainly in providing asset management and is regulated by the servicing agreements (Service Level Agreements or SLA) that it enters into with its clients, being the most relevant the following ones:

1.a. Business combination – Bankia

On 3 September 2013, the Group signed an agreement with the Bankia group for the purchase of a business relating to the management of certain real estate assets and loans granted to companies engaged in the real estate industry (developer loans) which are owned by the Bankia group and Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB), the latter being managed up to the date of the business combination by the Bankia group.

At the same time, within the framework of the business combination, the following contracts were signed between the Group and the Bankia group:

- Exclusive service agreement for the management of assets owned by the Bankia group, which, at the time of the business combination, were included within the agreed scope for a period of ten years.

- Outsourcing agreement extended by the Bankia group in favour of the Parent as a management services provider for assets belonging to SAREB for a period ending on 31 December 2013, which included the possibility of annual renewals. This contract was renewed until 31 December 2014.

- Agreement extended by the Bankia group to the Parent for the provision of IT services, asset marketing services through the Bankia group branch network and retail financing in favour of potential buyers of the assets belonging to SAREB currently managed by the Parent.

- Service agreement between the Parent and the Bankia group (as the service provider) in relation to other IT, leasing and administrative services.

The different agreements arranged with the Bankia group establish that additions may be made to the volume of assets owned by the Bankia group under the management of the Parent as the Bankia group identifies and includes in its scope of consolidation assets with the same characteristics as those of the assets included in the initial scope.

The acquisition cost established for the business included a fixed amount and a variable amount conditional on certain variables being met and the degree of success in achieving the milestones set out in the Parent's business plan (see Note 5).

On 27 April 2018, the Parent Company entered into a new contract with Bankia which replaced the previous one signed in 2013. Such new contract modified the terms of the aforementioned contracts, adding to the current REOs under management, a new perimeter of REOs coming from the merger between Bankia and Banco Mare Nostrum (BMN), and settling that the servicing term is indefinite, with a period of exclusivity of 10 years, starting on 1 May 2018. Likewise, such new contract resolves the provision by the Parent of any service under the initial SLA dated 3 September 2013, in relation with Bankia's REDs, managed by the Parent under the initial SLA. The total price agreed to be paid for the new 10 year period of exclusivity amounted to EUR 107,687 thousand. An amount of EUR 40,854 thousand was paid on closing, EUR 20,000 thousand was paid in July 2018, and EUR 46,833 thousand was paid in October 2018.

1.b. SAREB contract

The aforementioned service-level agreement for the management of assets belonging to SAREB entered into with Bankia ended on 31 December 2014. During the second half of 2014, SAREB called a tender to award a service agreement for the administration and management of its assets in favour of several real estate operator and the Parent was awarded a package of financial assets originally owned by the Bankia group on 30 December 2014,

for a period of five years. The agreement was executed in a public deed on 30 December 2014 and the service became effective as of 1 January 2015.

As consideration for the acquisition of the new contract with SAREB, the Parent made an upfront payment of EUR 235,100 thousand, fully disbursed on December 30, 2014. During 2015, there was a reduction in the perimeter under management, which involved the return by SAREB of an amount of EUR 6,066 thousand and the total price upfront payment amounted to EUR 229,034 thousand.

The services that the Parent provides are focused on the management of real estate and financial assets, for which the Parent charges a commission (management fee), and on activities relating to the sale or collection thereof of such assets, for which the Parent charges an additional commission (volume fee) according to the transactions closed during the year.

Pursuant to this asset management service agreement, there will be no additions to the volume of assets managed by the Parent during the life of the agreement, which expires on December 31, 2019.

1.c. Business combination - Cajamar

On 10 June 2014, former subsidiary Laformata Servicios y Gestiones, S.L.U. ("Laformata") entered into a business purchase agreement with Grupo Cooperativo Cajamar and Cimenta2 Gestión e Inversiones, S.A. (the “Cajamar group”) for the purchase of a business relating to the management of real estate assets, mortgage and non-mortgage loans and securitised loans. Under this agreement, Laformata acquired the management of the abovementioned business. As consideration for the acquisition of this business, the Group made an upfront payment of EUR 225,000 thousand, fully disbursed on December 30, 2014.

At the same time, as part of this business purchase transaction, the parties entered into an exclusive service agreement for the management of the Cajamar group's assets which, at the time of the business combination (“initial assets”), were included within the agreed scope for a period of ten years.

The different agreements arranged with the Cajamar group establish that additions may be made to the volume of assets owned by the Cajamar group under the management of the Parent as the Cajamar group identifies and includes in its scope of consolidation assets with the same characteristics as those of the initial assets.

The business purchase agreement was executed as a company transfer. The subsidiary Laformata assumed all the assets and liabilities related to the business, and subrogated to all of the Cajamar group's rights and obligations with regard to all employees assigned to that business and under all supplier contracts relating thereto. The date for the business transfer was set as 1 July 2014.

The subsidiary Laformata was merged into the Parent in 2016.

1.d. Business combination - Liberbank

On 8 August 2017, the Group entered into certain agreements with the Liberbank group to acquire the real estate asset management business for assets owned by the Liberbank group, for a total price of EUR 85,000 thousand (see Note 5). The asset management agreement gives the Group exclusive rights, for a period of seven years, extendable for further one year periods, over the management of these assets and establishes that additions of new assets may occur as the Liberbank group identifies and includes in its scope of consolidation assets with the same characteristics as those in the initial scope.

The Group also signed an agreement with the Liberbank group for the temporary provision of transitional services by Liberbank as the supplier to the Group as the receiver of said services. These are support services that are key for the transitional provision of part of the services included in the asset management agreement. This agreement expired on 31 December 2017.

1.e. BBVA contract

On 10 October 2018, the Parent Company entered into a Service Level Agreement (SLA) with Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") and other related entities (“BBVA group”) for the exclusivity of the management

of real estate owned assets owned by BBVA group included within the scope of the abovementioned SLA at the date of the agreement, for a period of eight years and a potential renewal up to two additional years. The Service Level Agreement did not require any upfront payment from the Parent Company. At the same date, the Company signed a subcontracting agreement with Divarian Propiedad, S.A. for the temporary subcontracting of the aforementioned management of REOs, until the Parent Company is ready to perform such services itself.

Environmental information

Given the nature of the activities conducted by the different Group companies, the Group Management considers that the Group does not have any environmental liabilities, expenses, assets, provisions or contingencies that might be material in connection with the Group's equity, financial situation or profit and loss. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

2. Group companies

The following tables lists the fully consolidated Group Subsidiary, which are all located in Spain, and includes information related thereto:

2018

Company	Direct stake	Thousands of euros							
		Share capital (b)	Share premium (b)	Reserves (b)	Equity holder contributions (b)	Operating profit or (loss) (b)	Profit/(loss) for the year (b) (c)	Carrying amount of the interest	Net book value of the interest
Parent									
Haya Real Estate, S.A.U. (a) (d)	-	9,683	45,831	13,318	3,900	18,328	(1,898)	-	-
Group company									
Haya Titulización, Sociedad Gestora de Fondos de Titulización, S.A.U. (a) (d)	100%	1,000	-	10,006	-	1,515	1,272	12,239	11,171

(a) Company whose financial statements as at 31 December 2018 will be audited by Deloitte, S.L.
(b) Details obtained from the company's' separate financial statements as at 31 December 2018.
(c) There are no profits or losses from discontinued operations.
(d) All equity instruments of this entity are pledged to secure a guarantee on the Senior Secured Notes (see Note 11).

2017

Company	Direct stake	Thousands of euros								
		Share capital (b)	Share premium (b)	Un-restricted reserves (b)	Equity holder contributions (b)	Interim dividend (b)	Operating profit or loss (b)	Profit/(loss) for the year (b) (c)	Carrying amount of the interest	Net book value of the interest
Parent										
Haya Real Estate, S.A.U. (a) (d)	-	9,683	45,831	1,937	3,900	(14,063)	45,945	20,711	-	-
Group company										
Haya Titulización, Sociedad Gestora de Fondos de Titulización, S.A.U. (a) (d)	100%	1,000	-	8,107	-	-	2,569	1,899	11,006	11,171
Haya Finance 2017, S.A.U. (a) (d)	100%	60	-	-	-	-	(1)	(449)	(389)	60
Mihabitans Cartera, S.A.U. (a) (d)	100%	60	-	133	-	-	13,914	10,225	10,418	200
Housell Inmo Online Services, S.L.U. (a) (e)	-	30	270	-	3,600	-	(3,397)	(2,549)	-	-

(a) Financial statements as at 31 December 2017 audited by Deloitte, S.L.
(b) Details obtained from the companies' separate financial statements as at 31 December 2017.
(c) There are no profits or losses from discontinued operations.
(d) All equity instruments of these entities are pledged to secure a guarantee on the Senior Secured Notes.
(e) This company was sold before 31 December 2017.

The fully consolidated companies referred to in the table above are deemed to be Subsidiary within the meaning of the International Financial Reporting Standards.

Changes in the scope of consolidation

2018

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 does not have any impact on the consolidated equity of the Haya Group.

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

As consequence of the aforementioned variations in scope of consolidation, the only controlled company of the Haya Group as at 31 December 2018 is Haya Titulización, Sociedad Gestora de Fondos de Titulización, S.A.U.

2017

The Group obtained effective control over Mihabitans on 8 August 2017 in the context of the business combination. This was achieved through the initial acquisition by the Sole Shareholder of 100% of the share capital of Mihabitans. These shares were subsequently acquired by the Parent on 27 November 2017, for the same amount.

On 27 November 2017, Haya Finance 2017, S.A.U. was added to the scope of consolidation.

On 28 February 2017, a new company was incorporated, Gestión Integral de Marketing Inmobiliario Online, S.L.U, which was wholly owned by the Parent, and which engaged mainly in the online intermediation of private real estate asset sales. On 27 November 2017 the the Parent sold its entire interest in the share capital of the company to its Sole Shareholder, for an amount EUR 3,900 thousand.

3. Basis of presentation and consolidation principles

3.1 Financial reporting standards applicable to the Group

The Group’s 2018 consolidated financial statements have been prepared:

- In accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the European Union in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.
- Applying all the mandatory accounting principles, standards and measurement criteria that have a material impact on the consolidated financial statements. There are no mandatory accounting principles that have not been applied.
- The significant accounting principles and measurement criteria used in preparing the Group’s 2018 consolidated financial statements are set out in Note 4.
- In order to provide a true and fair view of the consolidated Group's equity and financial position as at 31 December 2018, as well as the results of its operations, changes in its consolidated equity and consolidated cash flows for the year then ended.
- On the basis of the accounting records kept the Parent and by other Group companies.

The consolidated financial statements for 2018, prepared by the Parent’s directors, and the separate financial statements of Haya Real Estate, S.A.U. and of its Subsidiary shall be submitted for approval by their respective sole shareholder, and are expected to be approved unchanged.

However, since the accounting principles and valuation standards used to prepare the consolidated financial statements of the Group for 2018 (IFRS) differ from the rules and standards applied by the Group companies in their separate statements (local rules), all necessary adjustments and reclassifications were made as part of the

consolidation process, to harmonise such principles and standards and to bring them into line with the International Financial Reporting Standards adopted by the European Union.

3.2 Responsibility for information and estimates

The Parent's directors are responsible for the information contained in these consolidated financial statements.

In the preparation of the accompanying consolidated financial statements, estimates have been made based on historical experience and other factors that are considered to be reasonable in light of prevailing circumstances. These estimates form the basis for establishing the carrying amount of certain assets, liabilities, income, expenses and commitments which cannot be easily measured using other sources. These estimates are reviewed by the Parent on an ongoing basis. These estimates relate basically to the following:

- The cost of business combinations (see Note 4.2).

- The useful life of intangible and tangible assets (see Notes 4.1 and 4.4).

- The measurement of intangible assets and goodwill to determine possible impairment losses (see Notes 4.3 and 4.5).

- Valuation of certain financial instruments (see note 4.7).

- Calculation of impairment on trade receivables (see Note 4.7).

- Assessment of the recoverability of deferred tax assets (see Note 4.13).

- Calculation of provisions, contingencies and other obligations to employees (see Notes 4.10 and 4.11).

Even though these estimates have been made based on the best information available as of 31 December 2018, on the events analysed and changes therein up to the date of authorisation for issue of these consolidated financial statements, they may, however, need to be revised (upward or downward) in subsequent financial years due to the occurrence of future events. Any such revisions will be applied prospectively, recognising the effect of the change in estimates and assumptions in the corresponding consolidated statement of profit or loss, in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors.

In 2018, no significant changes took place regarding the estimates made as of 31 December 2017.

3.3 Comparative information

The information contained in these consolidated financial statements for the year 2017 is provided only for comparison with the information for the year 2018.

3.4 Functional currency

These consolidated financial statements are presented in euros as this is the currency of the main economic area in which the Group operates. There were no foreign currency transactions in 2018 and 2017.

3.5 Consolidation principles

Subsidiary Companies

A subsidiary is a company in which another company, the Parent, is capable of exercising effective control. This capacity manifests itself in general when the following three elements are met, in accordance with IFRS 10: (i) having power over the investee; (ii) being exposed to or being eligible for variable returns from its involvement with the investee; and (iii) having the ability to use its power over the investee to affect the amount of returns from the company controlled. Information on the Group companies is provided in Notes 1 and 2.

At the time of acquisition of a subsidiary, its assets and liabilities and contingent liabilities are calculated at their fair values at the date of acquisition that gives rise to the takeover, according to IFRS 3 - Business combinations. When the cost of acquisition is higher than the fair value of the identified net assets, the difference is recognised

as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets, the difference is taken to profit or loss at the acquisition date.

The results of Subsidiary acquired during the year are only those included in the consolidated statement of profit or loss from the date effective control is obtained to year-end. Similarly, the results of Subsidiary disposed of during the year are included in the consolidated statement of profit or loss from the beginning of the year to the date of disposal.

The financial statements of Subsidiary are fully consolidated with those of the Parent. Accordingly, all material balances and effects of the transactions between consolidated companies are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of Subsidiary to adapt the accounting policies used to those used by the Group.

These consolidated financial statements for 2018 include all the Group companies, using the applicable consolidation methods in each case, in accordance with Article 42 of the Spanish Code of Commerce. In this regard, in the opinion of the Parent's directors, these consolidated financial statements include all the companies belonging to the Group as of 31 December 2018.

3.6 Standards and interpretations applied

In preparing the consolidated financial statements for 2018, the Group applied all the principles, amendments and interpretations applicable to the International Financial Reporting Standards ("IFRSs") adopted by the European Union in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, and the other Spanish regulations applicable, taking into account all mandatory accounting principles and standards and measurement bases with a material effect.

3.7 Effective dates of new accounting standards

3.7.1 New standards, amendments and interpretations are mandatorily effective for the annual period beginning 1 January 2018

In 2018 the following standards, amendments and interpretations came into force, which, where applicable, were used by the Group in preparing these financial statements:

Standards, amendments and interpretations	**Description**	**Obligatory application in the years beginning on or after**:
IFRS 15, Revenue from Contracts with Customers (issued in May 2014) and its clarifications (issued in April 2016)	New revenue recognition standard, replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31.	1 January 2018
IFRS 9, Financial Instruments (issued in July 2014)	Replaces the IAS 39, requirements relating to the classification, measurement, recognition and derecognition of financial assets and liabilities, hedge accounting and impairment.	1 January 2018
Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions (issued in June 2016)	These are limited amendments that clarify specific matters such as the accounting for the effects of vesting conditions on cash-settled share-based payment transactions, the classification of share-based payment transactions with net settlement features and certain aspects of the modifications to the type of share-based payment.	1 January 2018
Amendments to IFRS 4, Insurance Contracts (issued in June 2016)	Provides entities with the option of applying the overlay approach (IFRS 9) or the deferral approach, within the scope of IFRS 4.	1 January 2018

Standards, amendments and interpretations	Description	Obligatory application in the years beginning on or after:
Amendments to IAS 40, Reclassification of Investment Property (issued in December 2016)	The amendment clarifies that a reclassification of an investment as investment property will only be permitted when it can be demonstrated that there has been a change in use.	1 January 2018
Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards (issued in December 2016)	Deleted certain short-term exemptions (Improvements to IFRS 2014–2016 Cycle).	1 January 2018
Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures (issued in October 2016)	Clarification in relation to the election to measure at fair value (Improvements to IFRS 2014-2016 Cycle)	1 January 2018
Amendments to IFRIC 22, Foreign Currency Transactions and Advance Consideration (issued in December 2016)	This interpretation establishes "the date of transaction" for the purpose of determining the exchange rate in transactions with advance consideration in a foreign currency.	1 January 2018

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive model for the recognition of revenue with customers. The new requirements of this standard establish that revenue must be recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, its establishes a five-step model framework:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

According to IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when the "control" over the goods and services underlying the performance obligation is transferred to the customer.

The Group recognises revenue deriving mainly from services relating to the management of real estate assets and loans extended to real estate sector companies, as described in Notes 4.14 and 16. Revenue is recognised in accordance with the stage of completion of the transaction and it is understood to be complete when all milestones have been met. Subsequently, the Group applies to the sale price of the real estate asset and/or the amount repaid on the loan under management the corresponding percentage fee depending on the nature of each real estate asset sale and/or repayment of customer loan, according to the conditions established in the management service agreement contracts governing their activity.

The Group Management has determined that the service relating to the management of real estate assets and loans extended to real estate sector companies represents a single performance obligation and revenue must therefore be recognised when the control over the above services is transferred to the customer.

Pursuant to IFRS 15, the Group requires the transaction price to be allocated to the performance obligations in accordance with their respective independent sale price rather than their current residual value. The transaction price is the same as the independent sale price of the service described above. Upfront payments made to clients to obtain exclusivity under long-term servicing contracts continue to be recognized as intangible assets and amortized over the contract term as they are necessary costs of obtaining the contracts.

With regard to identified performance obligations, the timing of revenue recognition has remained unchanged from the application of IFRS 15.

In addition, even though the Group is contractually subject to the measurement of service level indicators from its clients (see Note 15), those indicators do not make up different performance obligations under IFRS 15. According to the SLAs, non-complying those indicators involves penalties which, if they happen, would be registered by netting the revenue recognized from the related SLA.

The initial application of IFRS 15 has not had any effect on the Group's financial position or results of operations.

IFRS 9 Financial Instruments

All financial assets and liabilities (primarily accounts receivable, the upstream loan to the Sole Shareholder, other financial assets, the senior secured notes and accounts payable held by the Group) are subject to IFRS 9.

IFRS 9 replaces IAS 39 for annual periods beginning on or after 1 January 2018, with an impact on both financial assets and financial liabilities and covering three main areas: recognition and measurement, impairment and hedge accounting. There are key differences compared to the recognition and measurement of financial instruments under current standards, the most significant of which are:

- Investments in financial assets which give rise to cash flows that are solely payments of principal and interest and which are held within a business model whose objective is to hold financial assets to collect their contractual cash flows are generally measured at amortised cost. When the same assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and sell financial assets, shall be measured at fair value through other comprehensive income. All other financial assets that give rise to cash flow that are not solely payments of principal and interest and held within a business model whose objective is sell financial assets, shall be measured at fair value through profit or loss. However, the Group may opt to irrevocably designate the changes in fair value in certain equity instruments in other comprehensive income and, in this case, dividend income is generally recognised in profit or loss.

- For financial liabilities designated optionally as at fair value through profit and loss, the amount of the change in the liability's fair value attributable to changes in the credit risk must be recognised through other comprehensive income, unless this treatment of the credit risk component creates or enlarges a measurement mismatch, and is not subsequently transferred to profit or loss.

- In relation to the impairment of financial assets, IFRS 9 introduces a new impairment model based on expected losses, compared to incurred loss as per IAS 39. Under this model, the Group will measure expected losses, and changes thereto, at each presentation date, to reflect changes in credit risk from initial recognition. In other words, it is no longer necessary for an impairment event to take place before a credit loss is recognised.

- IFRS 9 introduces more flexibility in regard to the types of transactions that are eligible for hedge accounting, increasing the types of instruments that are eligible to be designated as hedging instruments, and the types of risk components of non-financial items eligible to be used for hedge accounting. The effectiveness test has been reviewed and replaced by the "economic relationship" principle. The retrospective testing of the effectiveness of the hedge is no longer necessary.

Based on an analysis of the financial assets and liabilities on the Group's consolidated financial statements for 2018, the Group Management has made an assessment of the impact of IFRS 9, described below:

- Classification and measurement

The Group renegotiated its financial liabilities (syndicated loan) which, in accordance with IAS 39, were considered substantial and hence requiring the cancellation of the original liability and subsequent recognition of a new financial liability. The treatment under IFRS 9 does not differ from treatment under IAS 39, hence, no significant changes in classification and measurement of financial assets has occurred.

- Impairment

The new standard replaces the "incurred loss" model established in IAS 39 with the "expected losses" model. This model requires the measurement on initial recognition of the financial assets, in addition to the uncollected amounts from customers, the expected losses resulting from a default event during the subsequent 12 months or throughout the life of the contract.

The Group has made provisions for trade receivables. As a result of the assessment of the potential impact under the expected losses model, the Group Management considers that no significant changes in the provisions for financial assets has occurred.

- Hedge accounting

The Group has no hedging instruments in place at year-end 2018 and, if any are arranged in the future, the new rules for hedge accounting will be applied.

3.7.2 New standards, amendments and interpretations mandatorily effective for annual periods beginning after the calendar year starting on 1 January 2018 (applicable to 2019 and thereafter)

The following standards were not yet in force in 2018, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union:

Standards, amendments and interpretations	**Description**	**Obligatory application in the years beginning on or after**:
IFRS 16, Leases	This standard will be applicable for the financial years beginning from 1 January 2019 under IFRS-IASB. It permits advance application for entities that apply IFRS 15, "Revenue from contracts with customers". This standard sets out a unique recognition model for leases by the lessees, having to recognise the assets and liabilities associated with all the lease contracts, except those that have an expiration equal to or less than 12 months or if the value of the related asset is not significant. The lessors will continue classifying the leases according to their operational or financial nature, with the changes introduced by this standard for the lessors with respect to this applicable standard, the IAS 17, not being significant.	1 January 2019
Amendments to IFRS 9, Prepayment features with negative compensation	This amendment will allow instruments with symmetric prepayment options to be measured at amortised cost for an amount lower than the outstanding principal and interest on the aforementioned principal.	1 January 2019
IFRIC 23, Uncertainty over Income Tax Treatments	This interpretation clarifies how to apply the accounting policies and measurement bases under IAS 12 when there is uncertainty whether a certain tax treatment used by an entity is accepted by the taxation authorities.	1 January 2019
Amendments to IAS 28, Long-term interests in associates and joint ventures	Clarifying that IFRS 9 must be applied to long-term interest in an associate the joint venture if the equity method is not applied.	1 January 2019 (1)
Improvements to IFRS 2015--2017 Cycle	Amendments to certain standards.	1 January 2019 (1)
Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement	Clarifying how to calculate the service cost for the current period and the net interest for the rest of an annual period when there is an amendment, curtailment or settlement of a defined benefit plan.	1 January 2019 (1)
Amendments to IFRS 3, Definition of a Business	Clarifying the definition of a business	1 January 2020 (1)
Amendments to IAS 1 and IAS 8, Definition of Materiality	Amendments to IAS 1 and IAS 8 to align the definition of materiality used in the conceptual framework and the standards themselves	1 January 2020 (1)
IFRS 17, Insurance Contracts	It will replace IFRS 4. It includes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.	1 January 2021 (1)

(1) Pending adoption by the European Union

The Group Management has assessed the impact of the future application of these standards, amendments and interpretations and considers that the application of them would not have a significant effect on the Group's consolidated financial statements in the initial application period. For those coming into force on 2019, specifically IFRS 16, the Group has performed an assessment of the impact of these standards on the consolidated financial statements, when applied, in the manner described below. The Group concluded that the application of this standard will not have a significant impact at the time it is adopted.

IFRS 16: Leases

This standard will be applicable for the financial years beginning from 1 January 2019 and will replace IAS 17 and its subsequent amendments. The new standard does not include the dual accounting model for leases by the lessees, which includes finance leases (recognising the assets and liabilities associated with all the lease contracts), and operating leases (recognising as expenses on a straight-line basis over the term of the lease). This standard sets out a unique recognition model recognising the assets and liabilities associated with all the lease contracts.

The lessors will continue classifying the leases according to their operational or financial nature.

The lessee recognises at the inception date of the lease a right-of-use asset and a liability representing its obligation to make future lease payments which will be subsequently depreciated through the profit and loss account and the liability offset against future lease payments. The initiation date is defined in the IFRS as the date on which the lessor makes the underlying right-of-use available to the lessee for use.

The Group has analysed the impact of this new standard, considering the following assumptions:

- The Group identified the lease contracts that are in force at year-end and have non-cancellable terms of more than 12 months and whose underlying assets are not considered as “low-value”

- The lease terms have been determined based on the non-cancellable periods plus the periods covered by the renewal options that are reasonably certain.

- Discount rate applied corresponds with the incremental borrowing rate of the Group.

IFRS 16 allows two approaches for transition: retrospective application with full restatement in accordance with IAS 8 (subject to practical expedients) or retrospective application with the cumulative effect recognised as an adjustment to opening balances. The Group will decide to apply the second approach, without modifying the comparative information and recognising the cumulative effect as an adjustment to retained earnings in the first year of application (1 January 2019). At 1 January 2019, right-of use assets will be equivalent to the lease liability, amounting to approximately EUR 4.7 million, maturing from 2021 to 2023.

4. Accounting principles and policies and measurement standards applied

As described in Note 2, the Group has applied these accounting principles in accordance with the accounting principles and standards set down in International Financial Reporting Standards adopted by the European Union, in addition to other company law in effect at the date of publication of these consolidated financial statements. Therefore, only the policies that are specific to the Group's activities and those considered to be significant to the nature of its activities are detailed below.

4.1 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the consolidated companies. Only assets whose cost can be estimated reasonably objectively and from which the consolidated companies consider it probable that future economic benefits will be generated are recognised.

Intangible assets are initially recognised at cost of acquisition or production. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

In general, intangible assets can have an indefinite useful life - when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the consolidated entities - or, in all other cases, a finite useful life.

Intangible assets with indefinite useful lives are not amortised, but rather at the end of each reporting period the consolidated companies review the remaining useful lives of the assets in order to ensure that they continue to be indefinite or, if this is not the case, to take the appropriate steps. As at 31 December 2018 and 2017, there were no assets recognised in the accompanying consolidated statement of financial position with indefinite useful lives, other than the recognised goodwill (see Note 4.3).

Intangible assets with a finite useful life are amortised over their useful life, applying similar criteria to those used in the depreciation of items of property, plant and equipment.

In both cases, the consolidated entities recognise any impairment with a charge to "Net impairment losses" in the consolidated statement of profit or loss. The criteria used for recognition of impairment losses on these assets and, where applicable, reversal of impairment losses incurred in previous years are similar to those applied to property, plant and equipment.

Patents, licenses, trademarks and similar

This heading comprises the amounts paid for the purchase of intellectual property or user rights for the various manifestations thereof, as well as the costs incurred for the registration of any internally developed intellectual property. The Group amortises these assets on a straight line basis throughout their useful life, which is estimated to be ten years.

Computer software

The acquisition and development costs incurred in relation to the basic computer systems used in the Group Management are recognised with a charge to “Intangible assets” on the consolidated statement of financial position.

Computer system maintenance costs are recognised with a charge to the consolidated statement of profit or loss for the year in which they are incurred.

Computer software is recognised at the amount paid to third parties for the acquisition of the software or of any rights of use in connection therewith. It is amortised on a straight-line basis over its estimated useful life, which is three years. However, the Parent acquired computer software for portfolio assessment for a price of EUR 2,000 thousand in 2014, with an estimated useful life of six years.

Other intangible assets

The cost of the business acquisitions, comprising the asset management businesses described in Notes 1, and the cost of acquisition of asset management exclusive rights, are registered according to the business combination criteria described in Note 4.2. Those assets are amortized linearly according to the duration of the contracts.

4.2 Business combinations

Business combinations are recognised using the acquisition method for which the date of acquisition is determined and the cost of combination is calculated, recognising any identifiable acquired assets and assumed liabilities, both certain and contingent, at their fair value on said date. The value of the assets acquired is reduced by the corresponding accumulated depreciation, recognised on a straight-line basis and according to the assigned service life, and by any impairment losses, in accordance with the criteria in Note 4.5.

Any positive or negative differences from business combinations are determined by the difference between the combination cost and the fair value of the acquired assets and assumed liabilities recognised as of the acquisition date.

The cost of the combination is the sum of:

- The fair values on the acquisition date of the acquired assets, the liabilities incurred or assumed the equity instruments issued.

- The fair value of any contingent payment depending on future events or fulfilment of specified conditions.

Any costs related to the issue of equity instruments or financial liabilities delivered in exchange for the acquired items are not part of the combination costs.

Likewise, the costs of any legal advisors or other professionals who have taken part in the combination are excluded from the costs, as are any other costs internally produced through these concepts. Said amounts are directly attributed to the profit and loss account.

In the exceptional case of negative differences arising in business combinations, these are attributed to the profit and loss account as income.consolidated statement of profit or loss

If the measurement procedures of a business combination necessary to apply the acquisition method explained above are incomplete by the end of the reporting period, the acquirer will report the provisional amounts. The acquirer may adjust the provisional amounts recognised during the period necessary to obtain the required information. The measurement period will not exceed one year. The effects of any adjustments made during the measurement period are accounted for retrospectively, modifying the comparative information if necessary.

Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss, unless the consideration was classified as equity, in which case, subsequent changes in its fair value are not recognised.

The business combinations under common control in 2018 (see Notes 1 and 2) have been accounted for using the acquisition method as established in this section.

4.3 Goodwill

Positive differences between the acquisition cost of ownership interests in consolidated companies and their corresponding underlying carrying amount at the time of the acquisition or at the date of initial consolidation, provided that the acquisition did not take place after the acquisition of control, are accounted for as follows:

- If they are attributable to specific equity accounts of the acquirees, by writing up the carrying value of assets to fair value where their market value was in excess of the carrying amounts recognised on their consolidated statements of financial position and which enjoy a similar accounting treatment to the Group's equivalent assets.

- If they are attributable to non-contingent liabilities, by recognising them in the consolidated statement of financial position, if it is likely that the outflow of funds to settle the obligation will include economic benefits, and their fair value can be measured reliably.

- If they can be allocated to specific intangible assets, it is explicitly recognised in the consolidated statement of financial position, provided the fair value at the date of acquisition can be reliably measured.

The remaining differences are recognised as goodwill.

Changes in the stake in Subsidiary that do not give rise to a loss of control are recognised as equity transactions. Additional investments in Subsidiary made after the acquisition of control and decreased holdings with no loss of control do not entail changes to goodwill. At the time of loss of control over a subsidiary, the respective amounts of the assets, liabilities, and external shareholders' interests are de-registered from the accounts (including goodwill), recognising the fair value of the consideration received and any stake in the subsidiary retained. The resulting difference is recognised as a profit or loss in the income statement for the financial year.

The assets and liabilities acquired are measured provisionally at the date on which the investment is acquired and the related value is reviewed within a maximum of one year following the acquisition date. Therefore, until the definitive fair value of the assets and liabilities has been established, the difference between the acquisition price and the carrying amount of the company acquired is provisionally recognised as goodwill.

Goodwill is considered as an asset of the company acquired and therefore, in the case of a subsidiary with a functional currency other than the euro, it is valued in that subsidiary's functional currency and translated to euros using the exchange rate prevailing at the date of the consolidated statement of financial position.

At the end of each reporting period goodwill is reviewed for impairment (i.e. a reduction in its recoverable amount to reduce its carrying amount) and, if there is any impairment, the goodwill is written down with a charge to

"Impairment or Gains or Losses on Disposals of Non- Current Assets" in the consolidated statement of profit or loss. Under IAS 36, Impairment of Assets, an impairment loss recognised for goodwill must not be reversed in a subsequent period.

4.4 Property, plant and equipment

Assets included under the heading "Property, plant and equipment" that are used internally by the Group are valued at acquisition cost, less accumulated depreciation and any recognised impairment losses, according to the criteria described in Note 4.5.

Upkeep and maintenance expenses are taken to the consolidated statement of profit or loss in the year in which they are incurred. Conversely, amounts invested in increasing capacity or efficiency or that extend the useful life of the assets are recognised as an increase in the cost of the said assets.

The Group depreciates its tangible assets on a straight-line basis, distributing the costs of assets over their estimated useful life from the time that they come into service, or over the term of the lease contract for the buildings in which they are installed, whichever is shorter, as per the following table:

	Years of estimated useful life
Furniture	10
Computer equipment	4
Other property, plant and equipment	10
Other facilities	10

The Group carries out its business activity in leased buildings. The costs incurred in adapting the property leased by the Group are basically renovation work and investment in fixed installations that are definitively attached to these properties and depreciated on a straight line basis distributing them over the estimated useful life of the assets or the term of the lease contract, whichever is shorter, from the moment activity commences in each of the properties. These are itemised according to their nature, in the "Property, plant and equipment" section of the consolidated statement of financial position.

The depreciation of property, plant and equipment in 2018 amounted to EUR 808 thousand (EUR 672 thousand in 2017).

4.5 Impairment of property, plant and equipment and intangible assets

At the date of each consolidated statement of financial position, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with an indefinite useful life are subject to impairment testing once a year.

An asset's recoverable amount is the higher of its fair value less costs to sell or value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognised as an expense, in which case the impairment loss is recognised as a decrease to the revaluation reserve.

When an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but in such a way that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised

for the asset (cash-generating unit) in prior years. Such reversals are recognised in profit or loss unless the asset is carried at its revalued amount, in which case the reversal is treated as an increase in the revaluation reserve.

4.6 Operating leases

Leases of assets where the risks and rewards of ownership effectively remain with the lessor are classified as operating leases.

Operating lease payments are recognised as expenses on a straight-line basis over the term of the lease.

The aggregate benefit of incentives granted by the lessor under an operating lease is recognised as a reduction in lease rental expense, on a straight-line basis, over the term of the lease.

4.7 Financial assets and liabilities

Financial instruments are recognized when the Group becomes an obligated party of the legal contract or business in accordance with its provisions. At 1 January 2018, the Group classifies its financial assets as developed in IFRS 9 "Financial Instruments".

The criteria for classifying financial assets will depend both on the way in which an entity manages its financial instruments (its business model) and on the existence and characteristics of the contractual cash flows of financial assets. Based on the foregoing, the asset will be measured at amortized cost, at fair value through changes in other comprehensive income or at fair value with changes in profit or loss, as follows:

- If the objective of the business model is to maintain a financial asset in order to collect contractual cash flows and, according to the terms of the contract, cash flows are received on specific dates that exclusively constitute principal payments plus interest on said principal, the financial asset will be valued at amortized cost.

- If the business model is aimed both at obtaining contractual cash flows and their sale and, according to the terms of the contract, cash flows are received on specific dates that exclusively constitute payments of the principal plus interest on said principal, the financial assets will be valued at fair value through changes in other comprehensive income (equity).

Outside of these scenarios, the rest of the assets will be valued at fair value with changes in profit and loss. All equity instruments (for example, stocks) are valued by default in this category. This is because their contractual flows do not comply with the characteristic of being only payments of principal and interest. Financial derivatives are also classified as financial assets at fair value through profit or loss, unless they are designated as hedging instruments.

For the purposes of their valuation, financial assets must be classified in one of the following categories, with the accounting policies of each of them being the following:

1. Financial assets at amortized cost: these assets are recorded after their initial recognition at amortized cost according to the effective interest rate method. Said amortized cost will be reduced by any impairment loss. They will be recognized in the consolidated profit and loss account for the period when the financial asset is derecognized or has been impaired, or due to exchange differences. Interest calculated using the effective interest method is recognized in the consolidated statement of profit or loss under the heading of "Finance income".

2. Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss are recognized initially and subsequently at fair value, without including transaction costs, which are charged to the consolidated statement of profit or loss. Gains or losses arising from changes in fair value are presented in the consolidated statement of profit or loss under "Changes in the fair value of financial instruments" in the period in which they originated. Any dividend or interest is also carried to financial results.

Impairment of financial assets

The impairment model is applicable to financial assets valued at amortized cost that include the item "Current financial assets" and “Non-current financial assets” of the consolidated statement of financial position.

The impairment model is based on a dual valuation approach, under which there will be a provision for impairment based on the expected losses over the next twelve months or based on the expected losses over the entire life of the asset. The fact that determines the passage from the first approach to the second is that there is a significant worsening in the credit quality.

Financial liabilities

The main financial liabilities held by the Group companies are financial liabilities at maturity that are valued at their amortized cost. The financial liabilities held by the Group companies are classified as:

1. Debt with credit institutions, bonds and other securities: Interest-bearing bank loans and debt securities are recognised at the proceeds received, net of the costs incurred in the transaction.

   Subsequently, the financial debts are valued at amortized cost. Any difference between the income obtained (net of the transaction costs) and the reimbursement value is recognized in results over the life of the debt according to the effective interest rate method.

   The financial debt is eliminated from the consolidated statement of financial position when the obligation specified in the contract has been paid, canceled or expired. The difference between the carrying amount of a financial liability that has been canceled or assigned to another party and the consideration paid, including any assigned asset different from the cash or liability assumed, is recognized in the consolidated statement of profit or loss as other finance income or expenses.

   The exchange of debt instruments between the Group and the counterparty or the substantial modifications of the liabilities initially recognized, are accounted for as a cancellation of the original financial liability and the recognition of a new financial liability, provided that the instruments have substantially different conditions. The Group considers that the conditions are substantially different if the present value of the discounted cash flows under the new conditions, including any commission paid net of any commission received, and using the original effective interest rate to make the discount, differs at least at 10 percent of the discounted present value of the cash flows that still remain of the original financial liability.

   If the exchange is recorded as a cancellation of the original financial liability, the costs or fees are recognized in the consolidated income statement forming part of its profit or loss. Otherwise, the modified cash flows are discounted at the original effective interest rate, recognizing any difference with the previous carrying amount in profit or loss. In addition, the costs or commissions adjust the carrying amount of the financial liability and are amortized by the amortized cost method during the remaining life of the modified liability.

   The Group recognizes the difference between the carrying amount of the financial liability or a part of it that is canceled or assigned to a third party and the consideration paid, including any assigned asset different from the cash or liability assumed in profit or loss.

2. Trade payables and other accounts payable: Trade payables are not interest-bearing and are stated at their nominal value, which does not differ substantially from their fair value.

The Group derecognizes financial liabilities when the obligations that generated them are extinguished.

4.8 Equity instruments

Equity instruments are classified in accordance with the relevant contractual agreements. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the Parent are recognised in equity at the proceeds received, net of direct issue costs.

4.9 Valuation techniques and assumptions used to measure fair value

The fair values of financial assets and financial liabilities are determined as follows:

- Fair values of financial assets or liabilities with standard terms and conditions traded on active liquid markets are determined by reference to their quoted market price.

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally-accepted valuation models on the basis of discounted cash flows using the prices of observable market transactions.

Financial instruments measured subsequent to their initial recognition at fair value are categorised into levels 1 to 3, based on the extent to which the fair value is observable.

- Level 1: measurements derived from (unadjusted) quoted prices in active markets for identical assets or liabilities to which the entity has access at the measurement date.
  The most reliable evidence of fair value is the quoted price in an active market, used unadjusted to measure the fair value whenever available.

- Level 2: measurements derived from "inputs" other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At the end of 2018 and 2017, the Group does not hold financial assets or liabilities that are measured at fair value on a recurring basis.

4.10 Termination benefits and other obligations to employees

Under current legislation, the Group is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken.

As at 31 December 2018, the Group has recognised a total of EUR 6 thousand under "Current liabilities - Other current liabilities" on the accompanying consolidated statement of financial position for outstanding compensation pending settlement (EUR 14 thousand as of 31 December 2017).

A company related to the Sole Shareholder of the Parent has established a specific incentive plan with part of its workforce in order to remunerate these employees in cash for the loyalty to the Group over a certain period of time, and for other employees, for meeting their performance targets over the specified time. This remuneration is conditional on complying with a determined minimum internal rate of return with respect to the initial investment made by investors, and is indexed to the aforementioned cash returns in a percentage agreed with each employee adhering to the plan. The right to receive this remuneration arises once the minimum internal rate of return has been surpassed, and will remain in force until the investors withdraw, as defined in the plan (Note 10.4).

4.11 Provisions

In preparing the consolidated financial statements, the Parent's directors drew a distinction between:

- Provisions: balances payable covering obligations existing at the date of the consolidated statement of financial position arising as a result of past events which could give rise to liabilities for the Group that are specific in nature but which require estimations as to their amount and/or timing; and

- Contingent liabilities: possible obligations arising from past events, whose existence will be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group.

The consolidated financial statements include all the provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed in the notes, unless they are considered remote.

Provisions are stated at the present value of the best possible estimate of the amount necessary to cancel or transfer the obligation, taking into account the information available regarding the event and its consequences, and recognising those adjustments that arise from the restatement of those provisions as a financial expense as they accrue.

As of 31 December 2018, "Long-term Provisions" and "Short-term Provisions" on the accompanying consolidated statement of financial position included a total of EUR 288 thousand and EUR 1 thousand, respectively (EUR 35

thousand and EUR 12 thousand under "Long-term Provisions" and "Short-term Provisions" respectively, as of 31 December 2017) mainly for ongoing litigation proceedings.

4.12 Revenue and expense recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. In general, expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Volume servicing fees and other revenues are recognised according to the stage of completion of the transaction at the date of the consolidated statement of financial position. In this regard, it is considered that a service has been fully rendered when all the associated milestones have been met. Concretely the volume servicing fees are recognized when the assets under management, property of the Group's clients, have been sold in the case of REOs or recovered in the case of REDs. At that moment, the Group applies to the sale price of the REO, or to the appraisal value in case of a REO conversion process, or to the amount repaid of a RED under management, the corresponding percentage fee depending on the nature of each REO, REO conversion or repayment of RED, respectively, according to the conditions established in the management service agreement contracts governing their activity.

The "Other" revenues mainly includes the revenue recognized for the provision of funds securitization management services through the subsidiary Haya Titulización, for advisory and valuation services related to portfolios of real estate assets, for management services of rentals and other value-added services that complement the Group's core business.

In addition, the Group recognises on a monthly basis the management fees related to the assets included in the management perimeters agreed with its clients, applying the relevant commission fee to the reference value, contractually defined, of the assets under management. The nature of the basis taken into account to contractually determine the reference value of the assets under management in the different SLAs, varies according to the SLAs, and may match with their gross book value in the client's books, or with a value defined when entering into the agreement, or with other values that were then agreed with the clients.

4.13 Income tax and deferred tax assets and liabilities

Income tax expense is recognised in the consolidated statement of profit or loss, unless it arises as a consequence of a transaction the result of which is recognised directly in equity, in which case the income tax expense is also recognised in equity.

Income tax expense is the sum of the current income tax expense for the period and changes in recognised deferred tax assets and liabilities.

Income tax expense for the year is the sum of current tax, calculated by applying the tax rate to taxable income for the year, after recognising any allowable tax deductions, plus any changes in deferred tax assets and liabilities, including unused tax losses and credits.

Deferred tax assets and liabilities include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax-loss carry forwards and unused tax credits. These amounts are measured by applying to the corresponding temporary difference or tax asset the tax rate at which the asset is expected to be realised or the liability is expected to be settled.

Deferred tax liabilities are recognised for all taxable temporary differences, unless the difference arises from initial recognition of goodwill. Deferred tax assets on deductible temporary differences are only recognised to the extent that it is probable that the consolidated entities will have sufficient taxable profit in future against which the deductible temporary differences can be applied. Other deferred tax assets (unused tax losses and credits) are only recognised if it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be applied.

Deferred tax assets and liabilities are reviewed at the end of each reporting period to verify that they remain current, and the appropriate adjustments are made on the basis of the results of the review.

Deferred tax assets and liabilities are offset only if they refer to an income tax applied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Since 1 January 2018, the Parent, its subsidiary and two sister companies file consolidated income tax returns as part of consolidated tax group 0275/18 (see Note 18).

4.14 Foreign currency transactions

The Group's functional currency is the euro. Accordingly, transactions denominated in currencies other than the euro are considered foreign currency transactions and are recognised accordingly at the rates of exchange prevailing at the transaction dates.

As of 31 December 2018 and 2017, the functional currency of all of the companies included in the consolidation scope is the Euro.

In 2018 and 2017, there were no transactions in foreign currencies recognised by the Group. As a result, no specific information is included in the notes to these consolidated financial statements.

4.15 Transactions with related parties

The Group's transactions with related parties are all carried out at arm's length (see Note 20). Additionally, supporting documents on transfer prices are currently being updated according to applicable tax regulations and are expected to be completed within the established deadline (before the filing of corporate income tax for 2018). The Group Management believes there are no significant risks associated with this matter that could give rise to material liabilities in the future.

4.16 Consolidated statement of cash flows

The consolidated statement of cash flows was prepared by using the indirect method and the terms used are defined as follows:

- Cash flows: inflows and outflows of cash and cash equivalents; defined as highly liquid, short-term investments with low risk of experiencing significant fluctuations in their value.

- Operating activities: regular activities engaged in by companies that belong to the consolidated Group, in addition to other activities that do not fall under the categories of investing or financing activities.

- Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash equivalents.

- Financing activities: activities that result in changes in the size and composition of equity and borrowings that are not part of the operating activities.

4.17 Uniformity

To ensure a consistent presentation of the items included in the accompanying consolidated financial statements, the valuation rules and standards used by the Parent have been applied to all the consolidated entities in aspects that could have a significant effect, in the preparation of these financial statements.

The financial year of all consolidated companies ends on 31 December.

4.18 Classification of balances as current or non-current

In the accompanying consolidated statement of financial position, balances are classified as current and non-current. Balances are classified as current when the Group expects to sell, consume, realise or settle them in its normal course of business; if they do not meet these criteria, they are classified as non-current.

5. Intangible assets

Changes in "Intangible assets" and accumulated amortisation for 2018 and 2017 were as shown below:

2018

	Thousands of euros		
	Balance as at 31/12/2017	Additions	Balance as at 31/12/2018
Cost:			
Patents, licences, trademarks and similar items	37	-	37
Computer software	29,128	8,733	37,861
Other contract intangible assets-			
Management business - Bankia group	18,245	107,687	125,932
Management business - Cajamar group	224,692	-	224,692
SAREB contract	229,034	-	229,034
Management business - Liberbank group	84,800	-	84,800
Total cost	**585,936**	**116,420**	**702,356**
Accumulated amortisation:			
Patents, licences, trademarks and similar items	(11)	(3)	(14)
Computer software	(11,301)	(8,266)	(19,567)
Other contract intangible assets-			
Management business - Bankia group	(7,703)	(17,842)	(25,545)
Management business - Cajamar group	(78,576)	(22,461)	(101,037)
SAREB contract	(138,643)	(45,194)	(183,837)
Management business - Liberbank group	(4,824)	(12,113)	(16,937)
Total accumulated amortisation	**(241,058)**	**(105,879)**	**(346,937)**
Net book value	**344,878**	**10,541**	**355,419**

2017

	Thousands of euros			
	Balance as at 31/12/2016	Inclusions in the scope of consolidation	Additions	Balance as at 31/12/2017
Cost:				
Patents, licenses, trademarks and similar	28	2	7	37
Computer software	20,428	54	8,646	29,128
Other contract intangible assets				
Management business - Bankia group	18,245	-	-	18,245
Management business - Cajamar group	224,692	-	-	224,692
SAREB contract	229,034	-	-	229,034
Management business - Liberbank group	-	84,800	-	84,800
Total cost	**492,427**	**84,856**	**8,653**	**585,936**
Accumulated amortisation:				
Patents, licenses, trademarks and similar	(8)	-	(3)	(11)
Computer software	(6,175)	-	(5,126)	(11,301)
Other contract intangible assets				
Management business - Bankia group	(5,878)	-	(1,825)	(7,703)
Management business - Cajamar group	(56,108)	-	(22,468)	(78,576)
SAREB contract	(93,067)	-	(45,576)	(138,643)
Management business - Liberbank group	-	-	(4,824)	(4,824)
Total accumulated amortisation	**(161,236)**	**-**	**(79,822)**	**(241,058)**
Net book value	**331,191**	**84,856**	**(71,169)**	**344,878**

Computer software

Additions in 2018 under "Computer software" are mainly due to the investments being made by the Parent in computer software to manage its clients' real estate and credit assets and, thus, achieve technological autonomy with respect thereto. As at 31 December 2018 there are capitalised cost of investments on computer software still under development, therefore not in use, for the amount of EUR 3,253 thousand (EUR 1,740 thousand as at 31 December 2017). At 31 December 2018, additions of computer software pending payment to the relevant suppliers amount to EUR 3,668 thousand (EUR 5,960 thousand in 2017) and are recognised under "Current liabilities - Other financial liabilities" on the accompanying consolidated statement of financial position.

Other intangible assets - Management business - Bankia group

The purchase agreement for the Bankia group's asset management business and the assets of SAREB, managed by the Bankia group until the date of the business combination arranged in 2013, implied the Group's acquisition of the exclusive management of the assets of the Bankia group and SAREB (see Note 1.a).

The acquisition price established in the purchase agreement and subsequent amendments comprised a fixed amount of EUR 39,170 thousand, to be paid according to a calendar of payments, the last of which took place in 2015, and a variable amount of up to EUR 12,500 thousand that was accrued and recognised in 2015 and paid partly in 2016, for the amount of EUR 1,900 thousand. The remaining EUR 10,600 thousand was paid in 2017. The purchase agreement for the business also established an additional contingent incentive payment, which was to be conditional on the Parent meeting specified operating targets over a specified time period. At the time of the contract, such operating targets included the activity from the SAREB's assets which were subsequently taken out from the perimeter of assets under management when the Group signed the servicing agreement directly with SAREB, in December 2014. Such contingent incentive payment was fully eliminated upon signing the new contract in April 2018.

Following the Purchase Price Allocation process, the Group recognised an intangible asset for the amount of EUR 38,932 thousand corresponding to the value of the asset management business acquired. This figure was registered according to the best estimate of the current value of the projected revenue from the management services provided, in accordance with the baseline scenarios of the investors' business plans and with a minimum expected term of ten and three years for the management of the assets owned by Bankia and SAREB, respectively. The application of this criterion did not significantly differ from the application of the cash flow updating criterion based on the Group's business plan.

As a result of the transfer, in late 2014, of the service agreement for the management of SAREB's assets, the Group derecognised, with a charge to the consolidated statement of profit or loss for 2014, the cost and accumulated amortization assigned originally to the Sareb asset management activity, which totalled EUR 20,627 thousand and EUR 8,668 thousand, respectively.

On 27 April 2018, the Parent Company has entered into a new contract with Bankia which replaced the previous one signed in 2013. Such new contract modifies the terms of the original contract, adding to the current REOs under management, a new perimeter of REOs coming from the merger between Bankia and Banco Mare Nostrum (BMN), and settling that the servicing term is indefinite, with a period of exclusivity of 10 years, starting on 1 May 2018. Likewise, such new contract resolves the provision by the Parent of any service under the initial SLA dated 3 September 2013, in relation with Bankia's REDs, managed by the Parent under the initial SLA. The total price agreed to be paid for the new ten-year period contract amounted to EUR 107,687 thousand (see Note 1-a). As a result of this transaction, the Group recognized an intangible asset for 107,687 thousand corresponding to the value of the asset management exclusivity acquired, and fully amortized the remaining net book value of the intangible asset recorded for the original contract, for EUR 9,945 thousand.

Other intangible assets - Management business - Cajamar group

In 2014, the Group acquired the exclusive management business for the real estate and credit assets of the financial institution Cajamar and certain related entities (see Note 1.c). The acquisition price of the business was set as a fixed portion in the amount of EUR 225,000 thousand and a variable portion if new entities of the Cajamar group subscribed to the contract, which has not occurred since the date of signing.

Following the Purchase Price Allocation process carried out in 2014, the Group recognised an intangible asset for the amount of EUR 224,692 thousand corresponding to the value of the asset management business acquired.

This figure was estimated according to the best estimate of the current value of the projected revenue generated by the business acquired, in accordance with the baseline scenarios of the investors' business plans and with the contract term of ten years for the management of the assets owned by the Cajamar group. The application of this criterion did not significantly differ from the application of the cash flow updating criterion based on the Group's business plan.

Other intangible assets - SAREB contract

As described in Note 1.b, on 30 December 2014 the Parent entered into a service agreement with SAREB for the management of specific credit assets owned by SAREB (assets originally from Bankia, as transferor), by paying an amount of EUR 235,100 thousand. During 2015, there was a reduction in the perimeter under management, which involved the return by SAREB of an amount of EUR 6,066 thousand.

The services to be delivered under this contract are as follows:

- Migration services, consisting of all services necessary to develop, execute, and finalise the migration of the assets whose management has been awarded to the Parent from the platforms of the original financial institutions, which had been providing such services to SAREB until the date of the new contract.

- Administration and management services for the portfolio of assets awarded to the Parent, as they are migrated from the platforms of the original financial institutions. These services include the marketing and sale of the real estate assets in the portfolio.

- Legal services in relation to the administration and management services the Parent must provide in connection with the managed assets.

The amortisation charge corresponding to the aforementioned intangible asset, recognised in the accompanying consolidated statement of profit or loss for the year ended 31 December 2018, amounted to EUR 45,194 thousand (EUR 45,576 thousand in 2017).

Other intangible assets - Management business - Liberbank group

In 2017, the Group entered into certain agreements with the Liberbank group to acquire the real estate asset management business for assets owned by the Liberbank group, for a total price of EUR 85,000 thousand. The asset management agreement gives the Group exclusive rights, for a period of seven years, extendable for further one year periods, over the management of these assets and establishes that additions of new assets may occur as the Liberbank group identifies and includes in its scope of consolidation assets with the same characteristics as those in the initial scope.

Following the Purchase Price Allocation process carried out in 2017, the Group recognised an intangible asset for the amount of EUR 84,800 thousand corresponding to the value of the asset management business acquired. This figure was estimated according to the best estimate of the current value of the projected revenue generated by the business acquired, in accordance with the baseline scenarios of the investors' business plans and with the contract term of seven years for the management of the assets owned by the Liberbank group. The application of this criterion did not significantly differ from the application of the cash flow updating criterion based on the Group's business

Impairment test

At least annually, the Group Management evaluates the carrying amount of its management business assets, and if there is an indication that those assets have suffered an impairment loss, the Group Management performs an impairment test of those assets affected, which involves calculating the value in use of these assets according to the cash-generating unit's discounted cash-flows methodology. This test is based on the preparation of a business plan covering a period of time that is in line with the term of the contracts described in Note 1, which constitute the Group's main business activity. The main elements of this plan, are as follows:

- Projections of the asset under management outflows: REOs sales and REDs recoveries, taking into account the units sold or recovered and the corresponding price.

- Projections of the asset under management inflows (REOs and REDs).

- Projections on REO conversions.

Projections of the asset under management outflows, inflows and conversions are based on historical experience gathered from the Group's activity beginning and are determined taking into account each client's profile and the information obtained when preparing with the clients the operating budgets for the next year. Specifically, the Group Management estimates the outflow units on the basis of (i) the trends observed by operating over the last years, (ii) the level of clients' willingness in concluding transactions, according to their own budgets and objectives, (iii) other exogenous factors such as regulatory changes that may impact its clients, basically from the banking industry, and their assets. In addition, the Group Management estimates the outflows' price on the basis of its historical experience and considers a moderate growth of the real estate industry. In that sense, the Group management does not imply any growth rate to estimate the future revenue. With respect to inflows, when the inflows are contractually established, the Group Management takes into account those contractually committed inflows and, otherwise, it takes into account an average inflow level observed when operating with each clients over the previous years.

The Group Management considers that the measurement of fair value has a low sensitivity to changes in input data which cannot be observed, because much of the income received by the Group is directly linked to the volume of assets under management.

In assessing value in use, estimated future cash flows, calculated for each one of the management business assets over the life of the respective SLA contracts, are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

At year-end 2018, the Group has determined that the estimated recoverable amount of intangible assets is higher than the net book value, so that there is no sign of impairment for such assets. Further, the Group Management has not identified any additional liabilities associated with the acquired businesses in relation to the projected cash flows and projected term of the contracts.

With respect to the sensitivity analysis of the impairment tests, the Group Management carried out a sensitivity test of the outputs of the impairment tests by stressing the following variables:

- Increase by 100 basis points of the discount rate.

- Decrease by 15% of the projected free cash flows.

Such sensitivity tests independently performed on each aforementioned variable, assuming the rest of variables to be constant, would not lead to any impairment.

6. Goodwill

The breakdown of Group goodwill as of 31 December 2018 and 2017 was as follows:

	Thousands of euros	
	2018	2017
Haya Titulización	4,265	4,265
Haya Property Management cash-generating unit	1,814	1,814
Total	**6,079**	**6,079**

At year-end, or whenever there are signs of impairment, the Group proceeds to estimate, through an impairment test, the potential existence of permanent losses in value that reduce recoverable goodwill value to an amount lower than the recognised net cost.

For the purpose of impairment testing, goodwill is allocated to one of more of the Group's cash-generating units. The recoverable amount of each cash-generating unit is determined to be the higher of the value in use and the net sale price that would be obtained from the assets associated with the cash-generating unit. The recoverable value of the main cash-generating units to which goodwill has been assigned is their value in use.

Value in use was calculated on the basis of estimated future cash flows, on the basis of the latest business plans prepared by the Group management. These plans include the best available estimated income and costs of the cash-generating units, using industry forecasts and future prospects.

These future forecasts cover the next five years, including a suitable residual value for each business, in which a constant expected growth rate near zero applies.

In order to calculate the net present value of these cash flows, they are discounted at a rate that reflects the weighted average cost of the capital employed, adjusted for the country risk and business risk corresponding to each cash-generating unit.

Haya Titulización

The main variables used by the Group Management to establish the value in use of the securitisation fund management business at Haya Titulización are the following:

- Volume of securitisation fund managed: the Group Management has not taken into account new securitisation funds to be managed, and has only considered the cash flows associated with the portfolio under management as at 31 December 2018.

- Fee income evolution: The Group Management has only considered fee income from the management of securitisation funds, ignoring potential ancillary income from its management activity. It has not considered any increase in the percentage fee.

- A discount rate according to the industry in which the subsidiary operates and the characteristics of the subsidiary.

On the basis of this analysis, the Group Management has concluded there is no impairment in the goodwill associated with the Haya Titulización business unit, in the years 2018 and 2017.

Haya Property Management cash generating unit

The Haya Property Management (HPM) cash-generating unit engages in the management of leased properties, which was carried out by the subsidiary Gesnova Gestión Inmobiliaria Integral, S.L.U., before its merger by acquisition by the Parent in 2016.

The main variables used by Group Management to determine the value in use of the leased property management business are the following:

- Volume of managed real estate assets: the Group Management has considered the addition of new properties to be managed, considering the expected flow of the conversion of financial assets managed by the Parent into real estate assets, even though these additions do not imply a significant impact on total projected cash flows.

- Fees: The Group Management has only considered fee income from the management of leased buildings, ignoring potential ancillary income from its management activity. It has not considered any increase in the percentage fee.

On the basis of this analysis, the Group Management has concluded there is no impairment in the goodwill associated with the cash-generating unit Haya Property Management.

7. Financial assets

Changes in “Non-current financial assets” and “Current financial assets” during the years 2018 and 2017, in the accompanying consolidated statement of financial position are as follows:

Non-current and current financial assets

Year 2018

	Thousands of euros				
	Balance as at 31/12/2017	Additions	Transfers	Withdrawals	Balance as at 31/12/2018
Upstream loan to the Sole Shareholder	88,090	-	2,378	(2,378)	88,090
Other financial assets	378	253	18	(64)	585
Total non-current financial assets	**88,468**	**253**	**2,396**	**(2,442)**	**88,675**
Interest on loan to the Sole Shareholder	478	5,206	(2,378)	(2,659)	647
Other financial assets	18	9	(18)	-	9
Total current financial assets	**496**	**5,215**	**(2,396)**	**(2,659)**	**656**

Year 2017

	Thousands of euros			
	Balance as at 31/12/2016	Inclusions in the scope of consolidation	Additions	Balance as at 31/12/2017
Upstream loan to the Sole Shareholder	-	-	88,090	88,090
Other financial assets	376	-	2	378
Total non-current financial assets	**376**	**-**	**88,092**	**88,468**
Interest on loan to the Sole Shareholder	-	-	478	478
Other financial assets	-	18	-	18
Total current financial assets	**-**	**18**	**478**	**496**

On 27 November 2017, the Parent extended a loan of EUR 88,090 thousand to its Sole Shareholder (“upstream loan”), maturing at the end of November 2022. Such loan accrues interest at arm’s length, which is settled on a semester basis or capitalized, at the sole discretion of the Sole Shareholder. On May 2018 the Sole Shareholder decided to capitalise interest for an amount of EUR 2,378 thousand. On November 2018 the Sole Shareholder approved the distribution of a dividend in kind amounting to EUR 5,037 thousand through the offset of the interest accrued (capitalized and not capitalized) on the upstream loan with charge to the voluntary reserves. At 31 December 2018 accrued and unpaid interest amounted to EUR 647 thousand (EUR 478 thousand at 31 December 2017).

The Group Management considers that the carrying amount of financial assets at 31 December 2018 and 2017 does not differ significantly from their fair value.

8. Leases

As of 31 December 2018, and 2017, the Group held contracts with lessors of property with the following minimum lease payments in accordance with the currently valid contracts, without taking into account the effects of community charges, future CPI increases, or future rent updates as agreed contractually (in thousands of euros):

	Nominal value	
	2018	2017
Less than one year	2,084	1,946
One to five years	5,181	443
Total	**7,265**	**2,389**

The committed lease payments at year-end 2018 and 2017 mainly correspond to the leases of the offices in Madrid and Valencia, both of which have been signed in 2018 and expiring in 2023 and 2021, respectively, and the office in Almeria with and expiring date in 2020.

The amount of the operating lease payments recognised as an expense in 2018 amounted to EUR 2,223 thousand (EUR 2,059 thousand in years 2017) and is recognised under the heading “Other operating expenses” in the accompanying consolidated statement of profit or loss (see Note 16.2).

As at 31 December 2018, the Group provided a guarantee of EUR 600 thousand for the new lease of Madrid’s offices signed in 2018.

9. Other current financial assets

Cash and cash equivalents

As of 31 December 2018, and 2017, the heading “Cash and cash equivalents” in the accompanying consolidated statement of financial position includes the Group's cash, which is pledged to secure the funding received (see Note 11).

The Group Management considers that the carrying amount for this item at 31 December 2018 and 2017 does not differ significantly from its fair value.

Trade and other receivables

The breakdown of the heading “Trade and other receivables” in the accompanying consolidated statement of financial position at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Trade receivables	116,731	113,056
Related party receivables (Note 20.2)	4,442	889
Trade provisions	(272)	(182)
Staff	43	65
Sundry debtors	41	57
Other tax receivables (Note 18.2)	1	17,642
	120,986	**131,527**

As at 31 December 2018 and 2017, virtually all of the accounts receivable presented in "Trade receivables" in the accompanying consolidated statement of financial position are with four clients, SAREB, Bankia, Cajamar and Liberbank and correspond to invoices issued (EUR 27,014 as at 31 December 2018 and EUR 40,141 thousand as at 31 December 2017) and provisions for invoices pending issue (EUR 89,717 thousand as at 31 December 2018 and EUR 72,915 thousand as at 31 December 2017), according to the frequency agreed in the service agreements with those clients (see Note 1), not existing any defaulting item additional to those provisioned for by the Group on 31 December 2018 and 2017, respectively (see Note 15).

Of the accounts receivable presented under "Trade and other receivables" in the accompanying consolidated statement of financial position at 31 December 2018, an amount of EUR 105,054 thousand (EUR 112,236 thousand at 31 December 2017) has been pledged to secure the financing received by the Group (see Note 11).

The balance held under "Trade and other receivables – Other tax receivables" on the consolidated statement of financial position as at 31 December 2017 corresponded mainly to the value added tax associated with the acquisition of the Liberbank contract. On 13 February 2018, the VAT refund was issued by the Spanish tax authorities (Note 18.2).

In the opinion of the Group Management, the carrying amount of trade and other receivables as of 31 December 2018 and 2017 does not differ significantly from their fair value.

10. Equity

10.1 Share capital

As described in Note 1, the Parent was incorporated in 2013 with a share capital of EUR 3,010 divided in 3,010 shares with a face value of EUR 1 each.

On 1 August 2013, Promontoria Holding 62, B.V. purchased all 3,010 shares at a price equal to the face value of the shares, becoming the Sole Shareholder of the Parent.

In a public deed dated 10 October 2013, Promontoria Holding 62, B.V. (Sole Shareholder) fully subscribed a capital increase in the Parent, for the amount of EUR 830 thousand with a share premium of EUR 7,470 thousand, through a cash contribution of EUR 8,300 thousand. The capital increase was registered in the Mercantile Registry on 24 October 2013. It was carried out with the objective of strengthening the equity structure of the Parent and providing it with greater balance. It was formalised through the creation of 830,000 shares, each with a face value of EUR 1 and a share premium of EUR 9.

In a public deed granted on 3 July 2014, the Sole Shareholder fully subscribed a share capital increase in the Parent for the amount of EUR 5,400 thousand, with a share premium of EUR 48,600 thousand, through a cash contribution of EUR 54,000 thousand. The capital increase was registered in the Mercantile Registry on 8 August 2014 This capital increase was carried out in order to provide the Parent with sufficient resources to purchase the shares and increase the share capital of its subsidiary Laformata Servicios y Gestiones, S.L.U. (see Note 1), and was formalised through the creation of 5,400,000 shares each with a face value of EUR 1 and a share premium of EUR 9.

Likewise, in a public deed granted on 30 December 2014 the Parent performed another capital increase, fully subscribed by the Sole Shareholder on 29 December 2014, for the amount of EUR 3,000 thousand, with a share premium of EUR 27,000 thousand through a cash contribution of EUR 30,000 thousand. This capital increase, formalised through the creation of 3,000,000 shares each with a face value of EUR 1 and a share premium of EUR 9, was registered in the Mercantile Registry on 26 January 2015. The purpose of this increase was to partially finance the payment associated to the contract signed with SAREB (see Note 1.b).

On 3 July 2015, the Sole Shareholder fully subscribed an increase of EUR 450 thousand in the Parent's share capital, with a share premium of EUR 4,050 thousand. The capital increase was funded by a non-cash contribution consisting of the delivery of 100% of the shares of Haya Online, S.A.U and Gesnova, Gestión Inmobiliaria Integral, S.L.U. This capital increase, formalised through the creation of 450,000 new shares each with a face value of EUR 1 and a share premium of EUR 9, was registered in the Mercantile Registry on 3 August 2015.

The share capital as of 31 December 2018 and 2017 is therefore represented by 9,683,010 company shares, each with a face value of EUR 1, all of the same class, fully subscribed and paid up, with Promontoria Holding 62, B.V. holding 100% of the shares in the Parent.

The shares of the Parent are pledged in full as collateral for the financing obtained on 27 November 2017 (see Note 11). This pledge extends to all new shares of the Parent and any element replacing those shares in the event of a merger, spin off, dissolution, liquidation, capital increase or decrease, conversion, change or transformation of the shares, or any similar event involving the Parent or its shares. Further, this pledge shall extend to all amounts deriving from refunds, interest, dividends or distributions deriving from the shares or corresponding to them.

10.2 Share premium

In accordance with current regulations the Parent has recognised the share premium linked to the aforementioned capital increases described in the previous section. The nominal unit value of the share premium is EUR 4.7 per share at 31 December 2018 and 2017.

On 27 November 2017, the Parent's Sole Shareholder approved the distribution of an extraordinary dividend against the share premium for the amount of EUR 5,995 thousand, which was paid in full in 2017.

10.3 Reserves

At 31 December 2018 and 2017, reserves by type and company are broken down as follows:

2018

	Thousands of euros			
	Restricted reserves	Unrestricted reserves	Other reserves	Total
Haya Real Estate, S.A.U. (Parent)	1,937	11,381	366	13,684
Haya Titulización, Sociedad Gestora de Fondos de Titulización, S.A.U. (Subsidiary)	200	3,901	-	4,101
Total	**2,137**	**15,282**	**366**	**17,785**

2017

	Thousands of euros			
	Restricted reserves	Unrestricted reserves	Other reserves	Total
Haya Real Estate, S.A.U. (Parent)	1,937	-	181	2,118
Haya Titulización, Sociedad Gestora de Fondos de Titulización, S.A.U. (Subsidiary)	200	2,001	-	2,201
Total	**2,137**	**2,001**	**181**	**4,319**

Restricted reserves

Under the Consolidated Text of the Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 20% of capital after the increase.

Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses. At 31 December 2018 and 2017 this reserve had been fully constituted.

Unrestricted reserves

On 30 March 2017, the Parent's Sole Shareholder approved the distribution of a dividend with a charge against "Unrestricted reserves" of the Parent for amount of EUR 21,489 thousand, which was paid in full in 2017.

Further, on 27 November 2017, the Parent's Sole Shareholder approved the distribution of an extraordinary dividend with a charge against "Voluntary reserves" of the Parent for amount of EUR 20,942 thousand, which was paid in full in 2017.

On 15 November 2018, the Parent's Sole Shareholder approved the distribution of a dividend in kind through the offset of the interests accrued (capitalized and not capitalized) of the Loan Agreement subscribed on 27 November 2017 between the Parent Company , as Lender, and its Sole Shareholder, as Borrower, with a charge against "Unrestricted reserves" of the Parent for amount of EUR 5,037 thousand.

At year-end 2018 and 2017, there are certain restrictions on the distribution of dividends deriving from agreements signed by the Group, in the context of the financing obtained (described in Note 11).

Other reserves

"Other reserves" in the table above correspond to the cumulative effect of certain differences in the accounting treatment of goodwill between the regulatory frameworks for the individual and consolidated financial information of the Parent.

10.4 Other shareholder contributions

The amount of EUR 3,900 thousand recognised under “Other shareholder contributions” on the accompanying consolidated statement of financial position at 31 December 2018 and 2017 corresponds to the best estimate made by the Group Management of the amount accrued by the executive chairman, the CEO, eleven senior management personnel and fifty-two employees of the Group, in relation to an incentive plan designed in 2013 and arranged with a company related to the Sole Shareholder of the Parent, remunerating these members of staff for their loyalty to the Group for a certain period of time, and in some cases for meeting specific economic or financial targets. The plan was fully vested at December 31, 2018.

The Group Management made its best estimate of the amount accrued at year-end 2018 and 2017, based on the individual remuneration percentages agreed and the estimated cash returns received and to be received by the Sole Shareholder from the start of the Group's business activities until completion of the plan, net of the total investment made by the Sole Shareholder from the same date, increased by an established internal rate of return. On 16 February 2018, the company related to the Sole Shareholder of the Parent paid an amount of EUR 3,222 thousand and the remaining amount recognised at year-end 2017 was paid in November 2018. Not existing new circumstances nor new available information since 2017, no further accruals have been recorded under this plan.

In case new distributions would be made to the Sole Shareholder, through dividends, shares sale or other operations with the Parent’s equity instruments, the employees granted with the plan would receive their respective percentage of such distributions, not being possible assessing at the date of these consolidated financial statements if such distributions will occur, neither their amount, if so.

10.5 Capital management

The Group manages its capital to ensure that its entities can continue to comply with the going-concern principle while at the same time maximising profitability for the Sole Shareholder by optimising the balance between debt and equity.

The Group's capital structure consists of net debt (bonds, broken down in Note 11, offset by cash and liquid financial assets) and the Group's equity (consisting of its share capital, share premium, reserves and undistributed profits, as itemised in this Note).

The Group’s strategy in 2018 focused on maintaining sufficient and necessary financing to meet its financial obligations, considering the contractually established interest payments under its senior notes, as well as on financing through cash flows from operations payments required under the new Bankia contract. The Group also ensures that the financial ratios established under its financing agreements are upheld (see Note 11) and that the business plan for the forthcoming financial years will allow them to be met in each measurement period.

Financial indebtedness

Financial indebtedness at year end 2018 and 2017 was as follows:

	Thousands of euros	
	2018	2017
Debts with credit institutions, bonds and other securities (Note 11)	469,213	485,076
Cash and cash equivalents	(21,021)	(42,010)
Net debt	**448,192**	**443,066**
Equity	76,754	82,240
Indebtedness (Net debt/Equity)	**5.84x**	**5.39x**

The Group calculates its debt ratio defining net debt as total financial debt, defined as the sum of the nominal value of its current and non-current loans, bonds and other debts and accrued interest payable, less current deposits, guarantees and sight deposits and cash.

11. Non-current and current debts

The details of the long-term debt for bonds issued and non-current and current borrowing with banks and Group companies as of 31 December 2018 and 2017, according to their composition and maturity, are as follows:

31 December 2018

	Thousands of euros			
	Nominal	Current	Non-current	Total
Senior secured notes	475,000	-	466,086	466,086
Super senior revolving credit facility	14,400	-	-	-
Accrued interest (notes)	-	3,114	-	3,114
Accrued interest (Credit facility)	-	8	-	8
Other	-	5	-	5
Total debts	**489,400**	**3,127**	**466,086**	**469,213**

31 December 2017

	Thousands of euros			
	Nominal	Current	Non-current	Total
Senior secured notes	475,000	-	464,011	464,011
Super senior revolving credit facility	15,000	-	-	-
Liberbank business - VAT loan	17,808	17,808	-	17,808
Accrued interest (notes)	-	3,151	-	3,151
Accrued interest (VAT loan)	-	105	-	105
Other	-	1	-	1
Total debts	**507,808**	**21,065**	**464,011**	**485,076**

The detail of the variation existing in year 2018 in the total amount of financing received is as follows:

	Thousands of euros			
	Balance as at 31/12/2017	Cash flows	Transfer to profit or loss	Balance as at 31/12/2018
Senior secured notes	464,011	-	2,075	466,086
Super senior revolving credit facility	-	-	-	-
Liberbank business - VAT loan	17,808	(17,808)	-	-
Accrued interest (notes)	3,151	(24,836)	24,799	3,114
Accrued interest (Liberbank VAT loan)	105	(192)	87	-
Accrued interest (VAT Bankia loan)	-	(209)	209	-
Accrued interest (Credit Facility)	-	(206)	214	8
Other	1	(507)	511	5
Total debts	**485,076**	**(43,758)**	**27,895**	**469,213**

Senior secured notes

The Group carried out a notes issue in the Euro MTF market in Luxemburg on 15 November 2017, through its subsidiary Haya Finance 2017, S.A.U. This comprised a EUR 250 million tranche with a fixed annual coupon of 5.25%, to be settled half-yearly, and a EUR 225 million tranche with a floating coupon of three month Euribor (subject to a floor of 0%) plus a spread of 5.125% per annum, reset quarterly. The bonds mature in November 2022 and all or part of them can be redeemed at the Group's discretion in accordance with, and at the prices set forth in the terms of the notes. Moody's and Standard & Poor's have rated the notes B3 and B-, respectively. The amount effectively received by the Group amounted to EUR 468,920 thousand, being this amount the one offset by the bank fees up to EUR 6,080 thousand, deducted at the issue.

After the notes issue, the Group, on 27 November 2017, early amortized a syndicated loan, obtained in 2015, for a maximum amount of EUR 345,000 thousand and whose remaining amount at the date of the early amortization was EUR 236,410 thousand. The Group cancelled the corresponding guarantees and associated pledges of the syndicated loan. The financial expense for the interest associated with the aforementioned financing amounted to EUR 6,506 thousand in the year 2017. The syndicated loan was accounted for at amortised cost, considering the costs incurred in the arrangement of the financing, including the arrangement fee and consultants and notary fees. Furthermore, the amortised cost included the cost of the financial derivative instrument contracted to cover interest rate variations, for the amount of EUR 675 thousand, as a requirement for signing the Financing Agreement. The early repayment of the syndicated loan led to a charge being made to the consolidated statement of profit or loss for 2017 for the full amortised cost pending recognition in profit or loss at the start of the year, for the amount of EUR 5,485 thousand.

The funds obtained after the notes issue and the cash at bank at the same date were also used to: pay down existing financial debt with the sole shareholder; finance the acquisition of the Liberbank Group's management business; extend a EUR 88 million loan to the sole shareholder; pay dividends to the sole shareholder; maintain a minimum cash at bank; and pay the expenses associated to the transaction.

As is mentioned in the aforementioned paragraph, the notes issue led to the amortization and cancellation, on 27 November 2017, of the loans and related interests to be paid by the Parent to its Sole Shareholder, for amount of EUR 59,373 and 6,938 thousand, respectively. The finance expenses related to this financing were EUR 3,157 thousand in 2017 and were registered in the caption "Finance expenses" of the accompanying consolidated statement of profit or loss.

The debt deriving from the notes issue is accounted for at amortised cost, considering the costs incurred in the arrangement of the financing, including the arrangement fee and consultants and notary fees totalling EUR 11,379 thousand, including the aforementioned bank fees up to EUR 7,653 thousand.

To obtain this funding, the Group arranged the following guarantees:

- Pledge on the shares representing the share capital of the Parent (Note 10).
- Pledge over equity instruments representative of the share capital of the subsidiary, Haya Titulización, Sociedad Gestora de Fondos de Titulización.
- First ranking pledge over the credit rights deriving from certain servicing agreements with its clients (see Notes 1.a, 1.b, 1.c, 1.d and 9).
- Pledge of credit rights held by the Parent owed by the Sole Shareholder (see Notes 7 and 20).
- Pledge of bank accounts: first ranking pledge on the credit rights deriving from bank accounts in the Parent´s name (see Note 7).
- Pledge over the credit rights deriving from certain insurance policies.

In addition to these of pledges, the subsidiary Haya Titulización acts as joint and several guarantors in the funding agreements.

The bond indenture also established certain limits that are generally applied in this kind of financing and affect the availability of new credit facilities, of the assets and of the equity items of the Group.

Super Senior Revolving Credit Facility

On 27 November 2017, the Parent, with its subsidiaries acting as guarantors, arranged a credit facility with certain financial institutions for a maximum amount of EUR 15,000 thousand to finance its working capital. This funding is guaranteed by the same pledges as those extended for the bonds, with determined priorities, and accrues interest at market rates. At year-end 2018, the Group had made no draw downs on this facility, which expires in May 2022.

The funding is conditional on a specified consolidated debt ratio being achieved each quarter. Given that at 31 December 2018, it had not been drawn down, the Group Management considers at the year-end there is no contractual requirement to achieve the aforementioned debt ratio.

As at 31 December 2018 the Group provided a guarantee of EUR 600 thousand for the new lease of Madrid's office through the Revolving Credit Facility, reducing the nominal amount up to EUR 14.400 thousand.

Liberbank business - VAT loan

On 8 August 2017, in relation with the acquisition of the Liberbank group's asset management business, the subsidiary Mihabitans entered into a financing agreement with Liberbank for an amount of EUR 17,808 thousand to cover its value added tax (VAT) obligations corresponding to this acquisition. This funding was guaranteed in full by the Sole Shareholder of the Parent and through a pledge on the corresponding bank account of Mihabitans. The loan had a term of eighteen months and accrued interest on a quarterly basis at a rate of 4%.

On 13 February 2018, the VAT return was issued by the Spanish tax authorities to the Group and on 21 February 2018, the latter repaid the amount drawn down on the loan, which was cancelled in full along with the associated pledges.

Bankia business - VAT loan

On 27 April 2018, in relation with the new contract for the Bankia group's asset management business, Haya Real Estate, S.A.U. entered into a financing agreement with Bankia for an amount of EUR 22,614 thousand to cover its value added tax (VAT) obligations corresponding to this novation. This funding was guaranteed in full by the Sole Shareholder of the Parent and through a pledge on the corresponding bank account of Bankia. The loan had a term of twelve months and accrued interest on a quarterly basis at a rate of 4.4% for the first six months and thereafter 4.4% + EURIBOR.

On 11 July 2018, the VAT return was issued by the Spanish tax authorities to the Parent Company and on the same date, the latter repaid the amount drawn down on the loan, which was cancelled in full along with the associated pledges.

The Group Management considers that the carrying amount of the borrowings at 31 December 2018 and 2017 does not differ significantly from their fair value.

12. Payables and other current liabilities

Trade payables

The balance under the heading "Trade payables" of the accompanying consolidated statement of financial position as of 31 December 2018 and 2017 includes payables resulting from the Group's ordinary trade transactions.

In the opinion of the Group Management, the carrying amount of trade payables does not significantly differ from their fair value.

Following are the disclosures required for 2018 and 2017 pursuant to additional provision three of Law 15/2010 of 5 July (amended by final provision two of Law 31/2014, of 3 December) prepared in accordance with the ICAC resolution of 29 January 2016 on information to be disclosed in the notes to financial statements on the average payment period in commercial transactions.

	Days	
	2018	2017
Average period of payment to suppliers	56	54
Ratio of transactions paid	58	59
Ratio of transactions pending payment	36	43

	Thousands of euros	
	2018	2017
Total payments made	109,527	67,703
Total payments outstanding	13,627	28,220

The figures shown in the foregoing table in relation to payments to suppliers relate to suppliers that because of their nature are trade creditors for the supply of goods and services and, therefore, they include the figures relating to “Trade payables" under current liabilities in the accompanying consolidated statement of financial position. At year-end 2018, the Group had recognised provisions for pending invoices amounting to EUR 27,850 thousand (EUR 17,430 thousand at year-end 2017) under these headings of the accompanying consolidated statement of financial position. These provisions correspond to services received during 2018 and 2017 for which the invoices corresponding to 31 December 2018 and 2017, had not been received.

"Average payment period to suppliers" means the time elapsed between the date of receipt of the goods or services by the Parent and the date of actual payment. The maximum legal payment term applicable to the Group is thirty days for 2018 and 2017 unless another date or payment term is established in the contract, without this term exceeding sixty days under any circumstances. The payment term for suppliers is significantly influenced by the speed of the suppliers and creditors in invoicing for their services and/or, to a lesser extent, delivery of their products. The Group applies a procedure known to its suppliers and creditors under which most payments are made on the 5th and 20th day of each month. The Group’s objective is to reduce the payment term through a new online supplier platform which has been set up during 2018.

Other current liabilities

The breakdown of this heading of the consolidated statement of financial position at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Personnel, remuneration payable (Note 16.1)	8,354	6,970
Current tax liabilities (Note 18.2)	-	5,311
Amounts payable to Public Administrations (Note 18.2)	5,770	10,479
Current accruals	433	444
Total	**14,557**	**23,204**

13. Information on the nature and level of risks

Management of the Group’s financial risks is centralised in the Finance Department of the Group, which has the mechanisms necessary to control exposure to interest rate fluctuations and to credit and liquidity risks. The main financial risks to which the Group is exposed are outlined below:

a) Credit risk:

In general, the Group holds its cash and cash equivalents in financial institutions with high credit ratings.

There is a high level of concentration, as the Group's activity stems from the contracts with the four clients described in Note 1. However, these clients are highly solvent, and the contracts all include clauses to mitigate the risk of the client cancelling the contract, covering all financial damage from lost profit that might result from cancellation for causes not attributable to the Group. Further, since its incorporation the Group has proven itself capable of arranging service agreement with new clients in addition to expanding the range of services it offers to the market, underpinned by the development of software applications that are able to incorporate the asset bases of any company. Therefore, the Group Management considers that this range of services and outstanding technology factor offset the high level of concentration.

The Haya Group's revenues stem mainly from volume-servicing and management fees from clients. Any delay or default on such payments by clients could have a material adverse impact on the Group's operating profit. These deferred payments sometimes happen, although the Group works actively to manages and resolve any such delay efficiently.

b) Liquidity risk:

In order to guarantee liquidity and be able to deal with payment commitments relating to its normal business, the Group has cash and cash equivalents as shown on its consolidated statement of financial position, and credit and financing lines as described in Note 11. Additionally the Group Management has prepared cash flow projections based on prudent assumptions from which it is evident that the Group is able to meet its current and forecast financial commitments for 2019. In addition, the Group Management has prepared a five-year business plan, which shows that the Group should be in a position to meet its obligations on the maturity date of the bond, by generating cash flows through its operations, their retention as there are certain limitations to the distribution of dividends (see Notes 10 and 11) and by the return of the credit by the Sole Shareholder (see Note 7), which will occur simultaneously with the maturity of the bonds (see Note 10). The Group Management, however, foresees that the Group will be able to refinance the bond before it expires.

The detail of payment obligations derived from the Group's financial liabilities as of 31 December 2018, based on their maturity, using undiscounted amounts, is as follows:

	Thousands of euros				
	2019	2020	2021	2022	Total
Senior secured notes	-	-	-	475,000	475,000
Accrued interest (notes) (*)	25,000	25,000	25,000	25,000	100,000
Accrued interest (Credit facility)	8	-	-	-	8
Other	5	-	-	-	5
Total debts	**25,013**	**25,000**	**25,000**	**500,000**	**575,013**

(*) Estimated based on current interest rates for the floating rate notes.

c) Market risk (including interest rate risk, exchange rate risk and other price risks):

Changes in interest rates modify the fair value of those assets and liabilities that accrue a fixed interest rate, as well as the future flows of the assets and liabilities referenced to a variable interest rate.

In accordance with the information requirements of IFRS 7, the Group has carried out a sensitivity analysis in relation to possible fluctuations in interest rates that may occur in the markets in which it operates. Based on these requirements, the Group Management estimates that an increase in the 3-month Euribor of 25 basis points, to which the variable tranche of the bonds issued during the year 2018 is referenced (see Note 11), would imply an increase in the Group's financial expense of EUR 563 thousand in 2018 (a decrease of 25 basis points in the 3-month Euribor would not imply any change in the Group's financial expense in 2018, given that the bond issue includes a minimum of 0% for such variable index, minimum that has been applicable in 2018).

As of 31 December 2018 and 2017, the Group does not have any accounts receivable in a currency other than the euro.

d) Business risk:

Significant consolidation has occurred in the Spanish financial sector since 2008, and certain regulators, investors and securities analysts believe that further consolidation may occur in the future. A change of control of one of our core clients (or the acquisition of another entity by one of our core clients, which might not result in a change of control) could trigger an early termination right by the client and there is a risk that the portfolio we manage for the client may be given to a new servicer, preventing our access to future revenues. Even if there is no change of control in one of our core clients, further consolidation in the sector could adversely affect our future revenues if newly merged entities decide to renegotiate their servicing contracts and the portfolios that we currently manage for our clients are given to a new servicer. Furthermore, our Core Servicing Contracts provide our clients with an early termination right in the event that we are subject to any process that may result in a change of control. However, in such case, we would receive a “make-whole payment” or other compensation as a result of the early termination.

Similarly, our clients may decide to sell a significant part of or the entire portfolio we manage to another institution, which would decrease our fees. If this were to occur we would receive as compensation a single, lump sum payment with no future management or volume fees on the portion sold. Furthermore, if one or more of our clients or potential clients decide to sell a substantial portion or the portfolio we manage for them to institutional investors or investment firms that are competitors of Cerberus Capital Management, L.P., it may be difficult for us to renew or enter into new servicing contracts to manage those portfolios, given that Cerberus is the indirect sole shareholder of the Group. Failure to renew existing contracts or enter into new servicing contracts with these potential new clients may have a material adverse effect on our business, results of operations or financial condition.

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. 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 given to real estate developers.

14. Operating segments

The Group provides global and interrelated asset management services to its clients in the real estate sector. As a result of the services rendered to its clients through service agreements (SLA) that establish the terms and conditions of the services offered, the information prepared and analysed by the Parent’s directors, who take all decisions relating to the distribution of resources and assess the Group's results, refers mainly to the transaction volumes associated with the assets under management. Therefore, internal financial information does not include information by segment, as defined in IFRS 8 Operating Segments. However, the Group's Management is currently analyzing the existence of operating segments, the criteria for allocating direct and indirect costs to them and the development of the internal financial reporting to prepare it according to the segments that will finally be defined. In this context, the Group's Management is evaluating the following income segmentation:

	Thousands of euros	
	Volume servicing fees	
	2018	2017
RED	63,462	71,676
REO Conversion	20,574	20,779
REO	80,952	68,673
Total	**164,988**	**161,128**

15. Income

The breakdown of the “Revenue” heading of the accompanying consolidated statement of profit or loss for 2018 and 2017 is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Volume servicing fees	164,988	161,128
Management fees	83,692	78,770
Other	25,068	16,682
Total	**273,748**	**256,580**

All of the revenue recognised by the Group in the year 2018 have been registered for operations carried out in Spain and 91.7% corresponds to the revenue derived from the management contracts held with four clients, Bankia, SAREB, Cajamar and Liberbank, as described in Notes 1.a, 1.b., 1.c. and 1.d (95,6% in year 2017). Furthermore, practically all of the accounts receivable presented in the “Trade and other receivables” section of the accompanying consolidated statement of financial position are held with the aforementioned clients (see Note 9).

Certain SLAs entered into by the Group establish certain service level indicators, to be met periodically by the Group. These service level indicators in general include operational requirements, reporting obligations and fulfilment of milestones or dates related to the management of the assets. A breach in the required service levels would lead to different types of consequences. For minor breaches, the Group may be forced to assume an economic penalty, usually determined as a percentage of the revenues generated in the month of non-compliance. In case of certain serious and recurrent breaches, the client could terminate the contract without compensatory payment for the lost future income. Given the performance levels achieved in 2018 and the ongoing dialogue with the clients regarding the results of these indicators, the Group has not paid any amount in relation to penalties and the Group Management considers that at 31 December 2018 there are no significant liabilities that should be recognised as associated with these.

16. Expense

16.1 Personnel expenses

The breakdown of the “Personnel expenses” heading of the consolidated statement of profit or loss for 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Salaries and wages	42,510	39,731
Social security	9,067	7,703
Termination benefits	978	1,436
Other social charges	785	749
Contributions to pension plans	1,454	1,289
Total	**54,794**	**50,908**

The “Salaries and wages” heading includes a total of EUR 7,788 thousand (EUR 6,463 thousand in 2017) in connection mainly with variable remuneration pending payment as at 31 December 2018, which is recognised under “Personnel (salaries pending payment)” of the heading “Other current liabilities” on the accompanying consolidated statement of financial position (see Note 12) and is linked to the achievement of results and the accomplishment of objectives by each employee. As at 31 December 2017 the “Salaries and wages” heading included EUR 3,900 thousand relating to the incentive plan extended by a party related to the Sole Shareholder of the Parent to part of the Group's workforce (see Note 10.4) which was totally paid by the Sole Shareholder in 2018.

The number of employees in the Group in 2018, is detailed by professional categories and gender in the table below:

2018

	Number of employees as at December 31, 2018			Average number of employees	Disabled employees (a)
	Men	Women	Total		
Senior Management	12	4	16	16	-
Directors and qualified staff	78	44	122	115	-
Clerical staff and department heads	330	444	774	669	2
Total	**420**	**492**	**912**	**800**	**2**

(a) Average number of employees in the consolidated companies with a degree of disability greater than or equal to 33% (or equivalent local classification).

The average number of employees in the Group in 2017, which was not significantly different from the workforce at year-end, is detailed by professional categories and gender in the table below:

2017

	Average Number of employees			Disabled employees (a)
	Men	Women	Total	
Senior Management	12	3	15	-
Directors and qualified staff	68	41	109	-
Clerical staff and department heads	260	320	580	3
Total	**340**	**364**	**704**	**3**

(a) Average number of employees in the consolidated companies with a degree of disability greater than or equal to 33% (or equivalent local classification).

16.2 Other operating expenses

The breakdown of "Other operating expenses" in the accompanying consolidated statements of profit or loss for 2018 and 2017 was as follows:

	Thousands of euros	
	2018	2017
Professional services	78,287	52,094
Marketing and Contact Centers	5,699	4,499
Travel and other general expenses	4,028	2,994
Leases and royalties	2,223	2,059
Insurance premiums	654	488
Supplies	259	217
Repair and maintenance	29	119
Banking and similar services	172	63
Losses, impairment and changes in provisions for trade receivables (reversals)	344	146
Other charges	(41)	569
Other current operating expenses	588	(106)
Total	**92,242**	**63,142**

The balance of "Professional services" in the accompanying consolidated statements of profit or loss for 2018 and 2017 included the following:

	Thousands of Euros	
	2018	2017
Professional services	**78,287**	**52,094**
Intermediation cost of real estate agents in the sale of REOs (channel costs)	32,578	24,169
Cost of agencies for the management of REOs	17,695	4,889
Litigation and external recovery agency costs for REDs	4,996	3,379
IT Operating expenses	5,536	9,110
Non-recurring costs	5,838	1,711
Other Professional services	11,644	8,836

Non-recurring costs presented in the table above for 2018 and 2017 includes services provided by advisors in the context of exploring the opportunity of executing an IPO and in relation to potential investments by the Group in other companies and/or businesses within its area of activity.

Other professional services presented in the table above for 2018 and 2017 includes mainly costs associated to temporary external workforce.

Audit fees

During 2018 and 2017, the amounts of fees charged relating to auditing services and other services provided by the Group auditor, Deloitte, S.L. or by other companies related to the auditor through control, shared property, or management, were the following:

	Thousands of euros	
	2018	2017
Audit services	136	112
Other assurance services	298	292
Total audit services and related	**434**	**404**
Other services	165	173
Total other professional services	**165**	**173**

The other assurance services provided by the auditor in 2018 corresponded almost entirely to work carried out for the Parent relating to assurance services on the Group financial information in the context of exploring the opportunity of executing an IPO. In 2017, the other assurance services were related to the work carried for the Parent relating to the issuance of comfort letters on the financial information included in the prospectus prepared for the notes issue (see Note 11).

Other services provided in the years 2018 and 2017 consisted mainly of advisory services provided to the Parent to assist in the preparation of the asset management reports sent quarterly to one of its clients, in the context of the service level agreement.

17. Contribution to profit and loss

The contribution of each of the companies included within the scope of consolidation to consolidated profit and loss after income tax and consolidation adjustments is as follows:

	Thousands of euros	
	2018	2017
Haya Real Estate	(1,717)	20,895
Mihabitans	-	10,225
Haya Titulización	1,272	1,899
Haya Finance	-	(449)
Total profit or loss for the year	**(445)**	**32,570**

In the financial year 2018, a merger occurred by which Haya Real Estate, S.A.U. absorbed the companies Haya Finance 2017 S.A.U. and Mihabitans Cartera S.A.U. (see Note 2).

18. Tax situation

The Group files consolidated income tax returns as part of consolidated tax group 0275/18, for which Haya Real Estate, S.A.U. is the representative Company but not the Parent. The Parent is the non-resident Company Promontoria Holding Haya Coöperative UA. Therefore it is Haya Real Estate, S.A.U. that recognises any tax debt that the Group might have and recognises the related accounts receivable from or payable to the other tax group companies on the basis of the tax base contributed by each company to the consolidated tax base and of each company's share of any net tax payable. In 2018 the subsidiaries included in the consolidated tax group are: Haya Real Estate Servicing, S.A.U, Haya Titulización S.G.F.T.A., S.A.U. and Housell Inmo Online Services, S.L.U.

Also, the Group opted for taxation under the special consolidated tax regime for VAT purposes (IVA82/16), for which Haya Real Estate, S.A.U. is the Parent ,and in which the company Haya Titulización S.G.F.T.A., S.A.U. ,is included. As a result of applying this tax regime, the Parent recognises any VAT payable of refundable that the Group might have, as well as the related accounts receivable from or payable to the group companies on the basis of the results of the individual tax assessments performed by each of these companies.

18.1 Financial years open to inspection

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute of limitations period has expired. At 31 December 2018, the Parent has 2015 and subsequent years open to inspection by the tax authorities for corporate income tax and VAT, and 2014 and subsequent years for the rest of taxes.

On 26 January 2016, the tax authorities made the Parent aware of the beginning of verification and investigation activities with respect to Value Added Tax and Corporate Income Tax for 2013 and 2014. The aforementioned verification procedure ended during 2016. With respect to Value Added Tax, a certificate of compliance was signed for the two aforementioned years, without any regularisation taking place. With respect to Corporate Income Tax for both financial years, a settlement agreement was received on 28 November 2016 in relation to the inspection certificate issued in this inspection procedure and signed in disagreement by the Parent. From the aforementioned settlement agreement, appealed by the Parent before the Tax Appeal Board, a payable in the amount of EUR 2,276 thousand and interest on arrears in the amount of EUR 97 thousand derived, both of which were paid by the Group in January 2017. The said payment was principally the consequence of a difference in criteria of the tax authorities with respect to the Parent concerning the accounting distribution of the acquisition cost of a particular asset (see Note 5), involving a difference in the timing of the deductibility of the amortisation associated with this asset. As a consequence of this, in 2016 the Parent recognised: an amount of EUR 2,373 thousand charged against “Other current liabilities” on the consolidated statement of financial position; “Deferred tax assets” for a temporary difference and deductions pending application in the amounts of EUR 2,120 and EUR 14 thousand, respectively; and expenses in the amount of EUR 239 thousand.

Furthermore, on 20 January 2017 the Parent received the notification of the resolution agreement of the disciplinary proceedings, in which a penalty in the amount of EUR 1,450 thousand was imposed. This has been appealed before the Tax Appeal Board and its enforcement suspended while the tax appeal process is completed. At year-end 2018, the Group Management and their tax advisers consider it probable that the aforementioned appeals will fall in favour of the Parent and, consequently, they consider that the described situation represents a contingency but not a liability for the Parent. For this reason, the Group Management did not consider it appropriate to recognise any provisions in relation to the sanction in the accompanying consolidated statement of financial position at 31 December 2018.

The Group Management consider that the settlements of all the non-prescribed taxes have been carried out adequately. Even if discrepancies arise in the interpretation of existing legislation on the tax treatment of the operations, any possible liabilities that might result would not significantly affect these consolidated financial statements.

18.2 Balances with Public Administrations

The consolidated statement of financial position at 31 December 2018 and 2017 includes the following balances with Public Administrations:

	Thousands of euros			
	2018		2017	
	Current	Non-current	Current	Non-current
Receivables:				
Amounts receivable from tax authorities for VAT	1	-	17,642	-
Deferred tax assets	-	14,261	-	10,297
	1	**14,261**	**17,642**	**10,297**
Payables:				
Amounts payable to tax authorities for:				
Corporate income tax – 2018	-	-	5,311	-
VAT	3,787	-	9,035	-
Withholdings	788	-	597	-
			-	-
Amounts payable to social security	1,195	-	847	-
	5,770	-	**15,790**	-

The amount included under the caption “Amounts receivable from tax authorities for VAT” of year 2017 was mainly made of an amount of EUR 17,808 thousand related to the VAT incurred in the acquisition of the Liberbank group's asset management business and which has been fully collected from the tax authorities in February 2018 (see Note 11).

18.3 Reconciliation of accounting profit/(loss) to taxable profit/(tax loss)

The corporate income tax settlements for 2017 was filed based on the corresponding financial statements of the companies that make up the Group and the accounting policies then applied. Presented below is the reconciliation of the 2018 and 2017 periods between the expense for the income tax and the expense recorded for the aforementioned tax is presented.

2018

	Thousands of euros		
	Increase	Decrease	Total
Accounting profit/(loss) in period			(445)
Corporate income tax expense (benefit)			(2,217)
Permanent differences			
Non-deductible expenses and non-computable revenues	112	-	112
Consolidation Adjustment	-	(180)	(180)
Temporary differences			
Arising in the year			
Differences between depreciation and amortisation for accounting and tax purposes	6,248	-	6,248
Other	-	(7)	(7)
Arising in previous years			
Tax deduction limit for depreciation of fixed assets	-	(857)	(857)
Differences between depreciation and amortisation for accounting and tax purposes	-	(10,439)	(10,439)
Taxable base			**(7,785)**
Tax base corresponding to the Consolidated Tax Group (taxable income)			**(17,748)**

2017

	Thousands of euros		
	Increase	Decrease	Total
Accounting profit/(loss) in period			32,570
Corporate income tax expense (benefit)			10,742
Permanent differences			
Non-deductible expenses and non-computable revenues	197	(536)	(339)
Related party incentive programme (Notes 10.4 and 16.1)	3,900	-	3,900
Temporary differences			
Arising in the year			
Differences between depreciation and amortisation for accounting and tax purposes	6,247	-	6,247
Arising in previous years			
Tax deduction limit for depreciation of fixed assets	2	(444)	(442)
Differences between depreciation and amortisation for accounting and tax purposes	-	(1,816)	(1,816)
Taxable base			**50,862**

“Tax base corresponding to the Consolidated Tax Group” includes tax bases of the companies Haya Real Estate Servicing, S.A.U, and Housell Inmo Online Services, S.L.U. which are out of the scope of financial consolidation of Haya Group as at 31 December 2018.

Temporary negative differences in 2018 include the amount of EUR 857 thousand (EUR 444 thousand in the year 2017) corresponding to part of the non-deducted amount of amortisation and depreciation in 2014 and 2013 for the special tax measures limiting the tax deductibility of amortisation and depreciation for accounting purposes in force

in those financial years. The amortisation and depreciation not deducted for tax purposes in 2013 and 2014 is deductible in 2015 for some items over their remaining useful life, and over ten years for others.

The main positive temporary difference in 2018 and 2017 corresponds to the temporary difference between the amortisation and depreciation for accounting purposes and for tax purposes of the Sareb intangible asset deriving from the asset management contract arranged by the Parent. The outstanding deferred tax asset of EUR 6,087 as of December 31, 2018 arising from this temporary difference will revert before the expiration of the aforementioned contract in December 2019.

The main negative temporary difference in 2018 corresponds to the temporary difference between the amortisation and depreciation for accounting purposes and for tax purposes of the variable amount related to the Bankia management business accrued in 2015 and paid in 2016 and 2017 (see Note 5). As the result of the new contract signed in April 2018, which replaced the previous one signed in 2013, the Group management has fully amortized the remaining balance under the previous contract, both for tax and accounting purposes.

As at 31 December 2018 the Parent Company has capitalized the tax credit arising from the tax losses generated in 2018, offset by the amount of the positive tax base generated by the subsidiary Haya Titulización S.G.F.T.A., S.A.U. in accordance with the consolidated income tax as part of consolidated tax group. The Group recognizes deferred tax assets associated to unused tax losses and credits only if it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be applied.

18.4 Calculation of corporate income tax

The calculation of corporate income tax for 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Accounting profit before tax	(2,662)	43,312
Permanent differences	112	3,561
Consolidation adjustments	(180)	(184)
Total	**(2,730)**	**46,689**
Tax rate	25%	25%
Tax payable	(682)	11,672
Deductions for technological innovations	(1,274)	(1,182)
Other deductions	(38)	(46)
Other	(223)	298
Total income tax expense (benefit) recognised in consolidated profit and loss	**(2,217)**	**10,742**

The heading “Deductions for technological innovation” in the table above corresponds to the deductions for technological innovation through the development of a new technological tool for the comprehensive management of the real estate services of property valuation services and credit recovery processes corresponding to 2015 and 2016 for a total amount of EUR 2,456 thousand. EUR 2,218 thousand of this total amount was accredited and applied by the Parent for the corporate income tax in 2017, on the basis of the informative reports issued by the competent authorities. The difference with the amount registered in the corporate income tax provision for the year ended 31 December 2017, amounting EUR 1,036 thousand, has been registered in the consolidated statement of profit or loss for the year ended 31 December 2018. The remaining accredited amount of EUR 238 thousand is pending to be applied (see Note 18.6).

18.5 Breakdown of Corporate Income Tax expense

The breakdown of the corporate income tax expense for 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Current tax:		
Continuing operations	380	11,705
Deferred tax:		
Continuing operations	(1,339)	(963)
Adjustments to corporate income tax	(1,258)	-
Total income tax expense recognised in consolidated profit and loss	**(2,217)**	**10,742**

18.6 Deferred tax assets

The breakdown of deferred tax assets in 2018 and 2017 is as follows:

2018

	Thousands of euros			
	Beginning balance	Additions	Disposals	Closing balance
Non-deductible amortisation and depreciation of fixed assets	626	74	(213)	487
Pension insurance contract	166	-	-	166
Differences between depreciation and amortisation for accounting and tax purposes	7,139	1,562	(2,614)	6,087
Deductions	96	468	-	564
Inspection regularisation (Note 18.1)	2,120	-	-	2,120
Tax loss carryforwards	150	4,687	-	4,837
Total	**10,297**	**6,791**	**(2,827)**	**14,261**

2017

	Thousands of euros			
	Beginning balance	Additions	Disposals	Closing balance
Non-deductible amortisation and depreciation of fixed assets	614	123	(111)	626
Pension insurance contract	166	-	-	166
Differences between depreciation and amortisation for accounting and tax purposes	6,032	1,561	(454)	7,139
Other temporary differences	125	-	(125)	-
Deduction for 37th Transitory Provision of the Corporation Tax Act	279	-	(183)	96
Inspection regularisation (Note 18.1)	2,120	-	-	2,120
Tax loss carryforwards	-	150	-	150
Total	**9,336**	**1,834**	**(873)**	**10,297**

The Group Management, in accordance with the best estimate of taxable income, have capitalised deferred taxes as they consider that recoverability is probable within the deadlines established by applicable legislation.

Deductions pending application

The breakdown of deductions pending application in 2018 and 2017 is as follows:

	Thousands of euros		
	Beginning balance	Additions	Closing balance
Technological innovation	-	238	238
Donations	-	38	38
Art. 37 of Corporate Income Tax Law	96	58	154
Other deductions from subsidiaries	-	134	134
Total	**96**	**468**	**564**

In 2018 and 2017 the Group carried out technological innovation activities that may entitle it to apply the deduction established in article 35 of Royal Legislative Decree 4/2004, of 5 March, which approved the Consolidated Text of the Corporate Income Tax Law and article 35 of Law 27/2014, of 27 November, on Corporate Income Tax, insofar as they imply a technological advance and a substantial improvement of existing products and production processes, which will be demonstrated pursuant to the applicable legislation. As at 31 December 2018 due to the insufficient tax liability an amount of EUR 870 thousand corresponding to the aforementioned deduction from the year 2017 which was accredited in the Corporate income tax return in 2017 is pending to be applied. This amount has not been capitalized due to the informative reports issued by the competent authorities have not been received at the date of these consolidated financial statements.

19. Distribution of the profit or loss of the Parent

The proposed distribution of 2018 losses by the Parent's Directors and pending approval by the Sole Shareholder is the following:

	Thousands of euros
Prior year losses account ("*resultados negativos de ejercicios* anteriores")	(1,898)
Total	**(1,898)**

20. Related-party transactions

Transactions and amounts between the Parent and its Subsidiary have been eliminated on consolidation and are not disclosed herein. These transactions and amounts are disclosed in each of the companies' separate financial statements.

20.1 Related party transactions

Related party transactions for 2018 and 2017, which were all at arm's length, are as shown below:

2018

	Thousands of euros		
	Sole shareholder	Group companies and associates	Other Related parties
Revenue			
Rendered services	-	9	6,110
Finance income from upstream loan to the Sole Shareholder (Note 7)	5,205	-	-
Total revenue	**5,025**	**9**	**6,110**
Expenses			
Professional services	-	50	7,027
Board of Directors expenses (Note 21.1)	-	-	452
Total expenses	**-**	**50**	**7,479**

2017

	Thousands of euros		
	Sole shareholder	Group companies and associates	Other Related parties
Revenue			
Rendered services	-	491	3,480
Finance income from upstream loan to the Sole Shareholder (Note 7)	478	-	-
Total revenue	**478**	**491**	**3,480**
Expenses			
Finance expenses on loan from the Sole Shareholder (Note 11)	3,157	-	-
Professional services	-	-	563
Board of Directors expenses (Note 21.1)	-	-	450
Total expenses	**3,157**	**-**	**1,013**

The amount recognised as “Revenue - Services rendered” in 2018 relates substantially to portfolio valuation services and to the management of real estate assets and loans performed by the Group for the Cerberus Group. In 2017 this amount related substantially to portfolio valuation services.

The amount included under “Revenue – Finance income” in 2018, with the Sole Shareholder, are related to the interests accrued by a loan granted by the Parent to its Sole Shareholder (“upstream loan”) on 27 November 2017, for an amount of EUR 88,090 thousand, fully drawn down at 31 December 2018 and 2017 and with maturity in November 2022. Such accrued interests are at arm’s length, and are settled on a semester basis or capitalized, at the sole discretion of the Sole Shareholder. On May 2018 the Sole Shareholder decided to capitalise interest for an amount of EUR 2,378 thousand. On November 2018 the Sole Shareholder approved the distribution of a dividend in kind amounting to 5,037 through the offset of the interests accrued (capitalized and not capitalized) with charge to the voluntary reserves. At 31 December 2018 accrued and unpaid interests amounted to EUR 647 thousand (EUR 478 thousand at 31 December 2017).

The amount recognised as “Professional services” with “Other related parties” in 2018 corresponds mainly to the subcontracting cost to Divarian Propiedad, S.A. for the temporary management of BBVA’s REOs, until the Parent Company is ready to perform under the BBVA SLA by itself.

20.2 Related party balances

Balances with related parties in the consolidated statement of financial position at 31 December 2018 and 2017 were as follows:

2018

	Thousands of euros		
	Sole shareholder	Group companies and associates	Other related parties
Trade receivables for sales and services (Note 9)	-	10	4,432
Upstream loan granted (Note 7)	88,090	-	-
Interest accrued on loan granted (Note 7)	647	-	-
Related parties payables	-	(2,862)	(5,037)
Total	**88,737**	**(2,852)**	**(605)**

As at 31 December 2018 "Related parties payables" to "Group companies and associates" include income tax balances for the Consolidated Tax Group with Haya Real Estate Servicing and Housell Inmo Online Services, S.L.U.

The amount included in the heading "Related parties payables" to "Other related parties" as at 31 December 2018 relates to the balance with Divarian Propiedad, S.A. for the subcontracting costs.

2017

	Thousands of euros		
	Sole shareholder	Group companies and associates	Other related parties
Trade receivables for sales and services	-	13	875
Upstream loan granted	88,090	-	-
Interest accrued on loan granted	478	-	-
Related parties payables	-	-	(38)
Total	**88,568**	**13**	**837**

21. Remuneration of the Board of Directors and Senior Management

21.1 Remuneration of the Board of Directors and Senior Management

During 2018 and 2017, the functions corresponding to directors of the Parent were performed by six men and one woman (see Note 20.1). Also, the functions corresponding to senior management of the Parent were performed by twelve men and four women (twelve men and three women in 2017), two men of them are executive directors of the Parent and hold the function of chairman and chief executive officer, respectively. The nature and amount of the remuneration received by directors of the Parent and senior management, not directors, is as follows:

2018

	Thousands of euros					
	Fixed remuneration	Variable remuneration	Remuneration in kind	Compensation	Total	Pending
Directors	1,270	1,764	1	-	3,035	1,764
Senior Management	2,260	1,165	11	-	3,436	1,165

2017

	Thousands of euros						
	Fixed remuneration	Variable remuneration	Incentive plan (Note 10.4)	Remuneration in kind	Compensation	Total	Pending
Directors	1,270	1,460	1,721	1	-	4,452	3,261
Senior Management	2,456	1,295	1,463	12	13	5,240	2,506

The amounts shown in the “Pending” column in the above tables correspond to the amount pending reception by directors and senior management personnel at year-end 2018 and 2017.

The commitments of the Parent in 2018 for pensions for senior management personnel amount to EUR 81 thousand (EUR 95 in the year 2017) and no commitments of this kind were made by the Parent with respect to its directors in 2018 (no amount in 2017). In 2018, obligations were also assumed for life insurance for senior management personnel for a total of EUR 17 thousand (EUR 18 thousand in the year 2017), no commitments of this kind were assumed by the Parent with respect to its directors (no amount in 2017).

In the year 2018, a total of EUR 37 thousand was paid for the civil liability insurance premium of the Parent’s directors (EUR 25 thousand in 2017).

21.2 Other information on the Parent’s directors

In accordance with prevailing legislation, at year-end 2018, the Parent’s directors have communicated to the secretary of the Board that neither they or persons related to them, as defined in the Spanish Companies’ Act, have been engaged in any conflict, direct or indirect, with the interests of the Group in 2018, except Sr. Jose María Aznar Botella who has communicated that he has the position of shareholder of Siroco Real Estate S.L., which presents a similar company object to the Parent’s one.

22. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the Group by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held in the year, where applicable. At 31 December 2018 and 2017, basic earnings per share are as follows:

	2018	2017
Profit/(loss) for the year (thousands of euros)	(445)	32,570
Weighted average number of ordinary shares outstanding (Note 11)	9,683,010	9,683,010
Basic earnings per share (in euros)	**(0.05)**	**3.36**

At 31 December 2018 and 2017, diluted earnings per share coincide with basic earnings per share.

23. Guarantees and surety

As of 31 December 2018, and 2017 there were no guarantees or surety other than as referred to in Note 8 and Note 11 of these notes to the consolidated financial statements.

24. Events after the reporting period

Between 31 December 2018 and the date of preparation of these consolidated financial statements, no relevant event occurred.

25. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 3.1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

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

Consolidated Management Report for the year ended 31 December 2018

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Pursuant to the provisions of article 262 of the Spanish Limited Liability Companies Law, we are pleased to present a true and fair view of the business performance and situation of the Group during the year ended 31 December 2018.

1. Situation of the entity

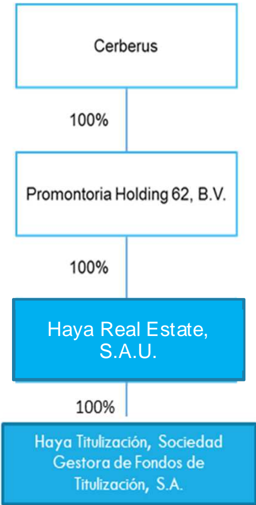
Haya Real Estate, S.A.U. (hereinafter, the Parent) was incorporated for an indefinite duration on 28 May 2013 as Cornalata Servicios y Gestión, S.L, and is duly registered in the Mercantile Registry of Madrid in Volume 1547, General, Book 31,153, Folio 10, Section 8, Sheet No. M-560,663, Entry 1 with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

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

On 25 April 2018, the Sole Shareholder agreed to modify the Parent's bylaws to become a public limited company, changing its company name to Haya Real Estate, S.A.U. (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 December 2018 is shown below:



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

On 28 February 2017, a new company was incorporated, Gestión Integral de Marketing Inmobiliario Online, S.L.U, which was wholly owned by the Parent, and which engaged mainly in the online intermediation of private real estate asset sales. On 27 November 2017, the Parent sold its entire interest in the share capital of the company to its Sole Shareholder

On 8 August 2017, the Parent obtained effective control over Mihabitans Cartera, S.A.U. (Mihabitans), the subsidiary of Liberbank, S.A. engaged in the management of the real estate assets of Liberbank, S.A. and other related entities (the Liberbank group), as a result of which the workforce of the acquired company was transferred to the Group. As part of the same transaction, Mihabitans signed an agreement with Liberbank group to acquire its real estate asset

management business for a period of seven years. This acquisition, valued at EUR 84,800 thousand, was funded in full through a loan extended by the Sole Shareholder, Promontoria Holding 62, B.V. and a loan arranged with Liberbank, S.A. for the amount of EUR 17,808 thousand, corresponding to the VAT accrued on the transaction. Additionally, the agreement signed with the Liberbank group establishes the financial and operating terms of the management services provided for these assets, which include certain performance obligations. Both transactions were arranged as part of a sole business combination comprising the acquisition of the Liberbank group's real estate management business. In 2017, the subsidiary Mihabitans engaged in no activities other than the rendering of the aforementioned management services.

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

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

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

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

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

- Real estate asset management: The real estate asset management activities are centred on REO management activities such as asset onboarding activities (including reception of the assets and registration in IT systems), payment of taxes and debt cancellation. Once the asset is onboarded, the Group assists in 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.

For the years ending December 31, 2018 and 2017, the Group's revenues derive mainly from four main service contracts (SLAs or Service Level Agreements) setting down the terms and conditions for the services. However,

these four contracts have similar fee structures, but different fee percentages, which accounts for most of the Group's revenue:

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

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

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

- Bankia Group: The Group has been providing management services for the real estate and credit assets of the Bankia Group since October 2013, under the original SLA signed on 3 September 2013 which was replaced by the new SLA signed in April 2018, for a period of ten years. In addition to volume-servicing and management fees, the SLA also establishes a success fee that the Group earns if certain benchmarks are achieved for the assets managed during the year. The new SLA modifies the terms of the original contract, adding to the current REOs under management a new perimeter of REOs coming from the merger between Bankia and Banco Mare Nostrum (BMN), and settling that the servicing term is indefinite, with a period of exclusivity of 10 years, starting on 1 May 2018. Likewise, the new SLA resolves the provision by the Parent of any service under the initial SLA dated 3 September 2013, in relation with Bankia's REDs, managed by the Parent under the initial SLA. The new SLA establishes certain service levels the Group has to achieve, which are measured regularly.

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

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

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

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

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

2. Business performance and results.

Key indicators

The nature of the Group's business requires it to use key indicators and alternative performance measures, which are regarded as essential for monitoring the development and performance of the business. These measures are defined and reconciled in the consolidated financial statements as explained in section 10 "Other relevant information":

Key Indicators	Years ended December 31, 2018	2017
Assets Under Management (GBV)	39,652	40,159
Transaction volumes (in € million)	4,794	4,245
Average Servicing Fee	3.44%	3.80%
Average Management Fee	0.21%	0.20%
EBITDA (in € million)	126.8	142.5
Adjusted EBITDA (in € million)	132.6	146.4
EBITDA Margin	46.3%	55.6%
Adjusted EBITDA Margin	48.4%	57.1%
Net Debt (in € million)	448.2	443.1
Leverage Ratio	3.4	3.0
Adjusted Capital Expenditures (in € million)	(12.0)	(9.4)
Adjusted Changes in working Capital (in € million)	2.0	(37.4)
Free Cash Flow (in € million)	122.6	99.6
Cash Conversion ratio	92.5%	68.0%

Environmental and human resources

As explained in Note 1 to the consolidated financial statements, in view of the Group's business activities, it does not have any environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its consolidated equity, financial position and results.

The number of employees in the companies comprising the Group as of 31 December 2018 was 912, 30% higher than in 2017. The Haya Group's employees mainly joined the Group through the acquisitions and integration of businesses.

Payments to suppliers

"Average payment period to suppliers" means the time elapsed between the date of receipt of the goods or services by the Parent and the date of actual payment. The maximum legal payment term applicable to the Group is thirty days for 2018 and 2017 unless another date or payment term is established in the contract, without this term exceeding sixty days under any circumstances. The payment term for suppliers is significantly influenced by the speed of the suppliers and creditors in invoicing for their services and/or, to a lesser extent, delivery of their products. The Group applies a procedure known to its suppliers and creditors under which most payments are made on the 5th and 20th day of each month.

Pursuant to the final provision two of Act 31/2014, of 3 December, amending the Spanish Limited Liability Companies Law, and the ICAC Resolution dated 29 January 2016, the average payment period (APP) for suppliers in 2018 was 56 days.

3. Liquidity and capital resources

Notes 11.5 and 14 of the consolidated financial statements describe the Group's capital management and liquidity risk policies.

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, and our revolving credit facility.

As of December 31, 2018, our outstanding debt is a senior secured bond of €475 million signed in November 2017 and maturing in November 2022. The funds obtained and the cash at bank at that date were mainly used to: pay down existing financial debt with financial entities and with the sole shareholder; finance the acquisition of the Liberbank Group's management business; extend a EUR 88 million loan to the sole shareholder; pay dividends to the sole shareholder; maintain a minimum cash at bank; and pay the expenses associated to the transaction.

As of December 31, 2018, cash and cash equivalents amounted to €21.0 million. We believe we have sufficient liquidity and capital resources to meet our current operating requirements. Our ability to generate cash depends on

our future operating performance, which is in turn dependent, to some extent, on a variety of factors, many of which are beyond our control.

The Group has no off-balance-sheet transactions.

4. Main risks and uncertainties

The Parent has analysed the organisation's procedures and has identified and quantified potential sources of risk, taking appropriate measures to stop them from crystallising.

The main operational risks are as follows:

Regulatory risk

As a company authorised to set up, administer and act on behalf of securitisation funds and bank asset funds of various types, the subsidiary Haya Titulización operates in a highly regulated sector. The legal and regulatory provisions it is subject to at the European, national and local levels are constantly evolving, influencing the course of the Group's commercial operations. Specifically, Haya Titulización is required to comply with the provisions of Act 5/2015, of 27 April, on supporting business financing. In addition to ensuring that the interests of the creditors of the funds it manages are protected, Haya Titulización must also comply with various organisational and procedural requirements. Any failure to comply with these regulations could result in fines or other penalties. It is difficult to predict future changes to applicable laws and regulations. These changes may lead to additional, unexpected costs, or might interrupt commercial activities, negatively impacting Haya Titulización and its business, results and financial situation.

Client concentration

All of the Group's revenues and accounts receivable are mainly derived from service level agreements with a small number of clients (SAREB, the Bankia Group, the Cajamar Group and the Liberbank Group). These core contracts accounted for 91.7% of the Group's revenues in 2018. Specifically, the SAREB contract contributed 41.8% of the Group's revenues in 2018 (45.2% in 2017). This degree of concentration, entails a number of additional risks, which are discussed below.

The contract with SAREB was signed in December 2014 and is due for renewal at the end of 2019. At the date of this Consolidate Management Report the Group is discussing with SAREB alternative scopes and terms for a potential new contract starting in 2020.Nonetheless, SAREB is subject to a compulsory dissolution in November 2027, which is the date by which, by law, all of the assets that were contributed into SAREB’s portfolio must be divested.

There is also a risk that the Group's clients might decide to sell a substantial part, or all, of the asset portfolio managed by the Group to a third party, or might experience a change of control. If this were to occur, the main contracts signed include clauses under which the Haya Group would receive compensation for any such sales or for early termination of the contract, mitigating the agreement cancellation risks and fully covering the economic losses that would arise in case of early termination for causes not attributable to the Group. However, the amount the Group would receive as compensation would be a single, lump sum payment with no future management or volume fees on the portion sold unless the Group is provided with the opportunity to service the portfolio for the new owner.

Since it was created, the Group has demonstrated its capacity to sign service provision agreements with new clients while expanding the portfolio of services it offers to the market, underpinned by development of IT applications that can integrate the asset databases of any entity. The high level of concentration is mitigated by the Group's leading technological offering and the diversity of its services.

Business risk

Significant consolidation has occurred in the Spanish financial sector since 2008, and certain regulators, investors and securities analysts believe that further consolidation may occur in the future. A change of control of one of our core clients (or the acquisition of another entity by one of our core clients, which might not result in a change of control) could trigger an early termination right by the client and there is a risk that the portfolio we manage for the client may be given to a new servicer, preventing our access to future revenues. Even if there is no change of control in one of our core clients, further consolidation in the sector could adversely affect our future revenues if newly merged entities decide to renegotiate their servicing contracts and the portfolios that we currently manage for our

clients are given to a new servicer. Furthermore, our Core Servicing Contracts provide our clients with an early termination right in the event that we are subject to any process that may result in a change of control. However, in such case, we would receive a “make-whole payment” or other compensation as a result of the early termination.

Similarly, our clients may decide to sell a significant part of or the entire portfolio we manage to another institution, which would decrease our fees. If this were to occur we would receive as compensation a single, lump sum payment with no future management or volume fees on the portion sold. Furthermore, if one or more of our clients or potential clients decide to sell a substantial portion or the portfolio we manage for them to institutional investors or investment firms that are competitors of Cerberus Capital Management, L.P., it may be difficult for us to renew or enter into new servicing contracts to manage those portfolios, given that Cerberus is the indirect sole shareholder of the Group. Failure to renew existing contracts or enter into new servicing contracts with these potential new clients may have a material adverse effect on our business, results of operations or financial condition.

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. 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 given to real estate developers. Finally, the recently announced acquisition of some of our competitors may imply stronger competitive pressure depending on the new owners’ strategy, or opportunities for the Group to reinforce its competitive positions as others are focused in integration with new shareholders’ structures.

Financial Risks:

a. Market risk (including interest rate risk, exchange rate risk and other price risks):

The Group’s cash balances and borrowings are exposed to interest rate risk, which could have an adverse effect on its financial performance and cash flows. Some of the Group's debt is at variable interest rates, exposing it to changes in these rates. Any increase in these interest rates would increase the Group's debt servicing obligations.

The Group's variable interest-rate bonds and draw downs on its credit facility are subject to an interest rate indexed to the Euribor and periodically adjusted, plus a margin, which is also periodically adjusted. The Euribor may increase in future, which would result in additional interest costs, reducing the cash flow available for the Group's investments and limiting its capacity to meet the requirements generated by its debt.

Changes in interest rates modify the fair value of those assets and liabilities that accrue a fixed interest rate, as well as the future flows of the assets and liabilities referenced to a variable interest rate.

The Group's exposure to exchange rate risk is almost non-existent, as it has hardly any exposure to markets outside the eurozone.

b. Credit risk

In general, the Group holds its cash and cash equivalents in financial institutions with strong credit ratings.

The Haya Group's revenues stem mainly from volume-servicing and management fees from clients. Any delay or default on such payments by clients could have a material adverse impact on the Group's operating income. These deferred payments sometimes happen, although the Group works actively to manage and resolve any such delay efficiently.

c. Liquidity risk

The Group needs a significant volume of cash for its operations and to meet its financial obligations, given its level of indebtedness.

Its capacity to pay principal and interest to third parties and finance its operations and other payments that arise in the course of its activities depends on its future performance and ability to generate cash. This is, to an extent, subject to a wide range of economic, financial, competitive, legislative, legal, regulatory and other factors, many of which are outside its control.

To ensure its liquidity and capacity to meet the payment commitments that arise in the normal course of its business, the Group holds cash and cash equivalents as stated in the consolidated statement of financial position and has a EUR 15 million super senior revolving credit facility, which is undrawn at year-end.

The senior secured bonds issued during 2017 imposes certain restrictions for the Group to incur in additional indebtedness and pay dividends to the Sole Shareholder until the maturity or cancellation of the bonds.

5. Significant events after the reporting period

Between 31 December 2018 and the date of preparation of these consolidated financial statements, no relevant.

6. Information on the Group's outlook

The Haya Group's objective is to become the flagship real estate servicer in the Spanish market.

To this end, it is seeking to improve its efficiency while maintaining its effectiveness in the short term by focusing on improving its performance and operational stability, and exploiting its recently rolled out IT systems, which will enable it to integrate information from client asset portfolios directly into its systems.

The Group's strategy also includes increasing the ancillary services it offers to complement the core services that currently comprise its business, exploring all of the opportunities offered by its direct relationship with final clients in the developer and real estate sectors.

The objective also involves developing a number of strategic lines:

- A commercial focus on the key areas for the Group's clients.

- Improvement of internal procedures and further investment in sophisticated management systems to offer outstanding service to current and future clients.

The Group considers that the current growth in the Spanish real estate sector could present business opportunities for the Group, either directly or through the sole shareholder and Cerberus.

7. R&D+i Activities

The Group has invested heavily in developing its own IT systems for asset management, which are adapted to its needs and the needs of its clients. Full IT independence from its clients was achieved in 2017, a strength that sets it apart from its competitors. Between the financial year 2017 and 2018, the Group recognised tax credits amounting to EUR 2,456 thousand for the development of the new IT system for the comprehensive management of its real estate appraisal services and loan recovery processes.

8. Treasury shares

The Parent currently holds no treasury shares and held no treasury shares during 2018.

9. Use of financial instruments

The Group did not have any financial derivative in 2018.

10. Other relevant information

Alternative Performance Measures (APMs)

As indicated in Note 3 to the consolidated financial statements, the Group draws up its consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU). In addition to the accounting information under IFRS-EU, the Group deems it appropriate to present a range of Alternative Performance Measures (APMs) to facilitate assessment of its performance. Users should use these APMs to complement - but not replace - the financial information presented in accordance with the presentation bases for the consolidated financial statements.

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, Capital Expenditures and Adjusted Capital Expenditures, Changes in Working Capital and Adjusted Changes in Working Capital, Free Cashflow and Cash Conversion. The Group uses these measurements when planning its strategy, preparing budgets, reporting to the sole shareholder and reviewing the Group's performance.

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

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

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 and REOs, 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 APM 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.

Given its nature we cannot reconcile this APM to either our or our clients’ financial statements.

At GBV unless otherwise indicated	In € millions	
	2018	2017
Assets under Management (by client)		
Bankia	*5,059*	*5,580*
Cajamar	*5,474*	*6,494*
Sareb	*21,679*	*24,119*
Liberbank	*2,678*	*3,026*
BBVA	*2,976*	*-*
Others (1)	*1,786*	*940*
Assets under Management (total)	**39,652**	**40,159**

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

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 loan 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 on a period forms the basis of our commissioning and is confirmed periodically with our clients.

This APM is used by the Group as a useful and relevant measure to show the base on which we earn our volume servicing fees and illustrate the volume of the transactions that we generate and manage for our clients in a given period by rendering our services.

Given its nature we cannot reconcile this APM to either our or our clients' financial statements.

	In € millions	
	2018	2017
Transaction Volumes (by type of transaction)		
RED	*1,505.7*	*1,498.0*
REO Conversion	*1,287.0*	*1,090.0*
REO	*2,001.5*	*1,657.0*
Transaction Volumes (total)	**4,794.2**	**4,245.0**

Average Volume Servicing Fees, and Average Asset Management Fees

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 consolidated financial statements, but they provide a useful and relevant measure of the Group's performance and the overall trend in its revenues.

These averages were calculated as follows for 2018 and 2017:

	In € millions, other than ratios	
	2018	2017
Volume servicing fees	165.0	161.1
Volume of transactions in the period [(1)]	4,794.2	4,245.0
Average Volume Servicing Fees	**3.44%**	**3.80%**
Asset management fees	83.7	78.8
Average Assets under Management in the period [(2)]	39,904.8	39,820.8
Average Asset Management Fees	**0.21%**	**0.20%**

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

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

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, non-recurring costs estimated to have been incurred in connection with the IPO exploratory activities and M&A related costs in 2018, and the non-cash expense related to the shareholder sponsored incentive plan in 2017.

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 isolated transactions that represent income or expense for the Group without an associated cash flow or transactions that are non-recurring in nature, and therefore need to be adjusted to ensure the usefulness and comparability of this indicator.

The reconciliation of this APM with the consolidated financial statements as follows:

	In € millions	
	2018	2017
Profit for the period	(0.4)	32.6
Income tax (benefits)/expenses	(2.2)	10.7
Finance income	(5.2)	(0.5)
Finance expenses	27.9	19.2
Amortization, impairment and gains or losses on disposals of non-current assets	106.7	80.5
EBITDA	**126.8**	**142.5**
Non-recurring costs in connection with the IPO exploratory activities and M&A	5.8	-
Shareholder sponsored incentive plan expense	-	3.9
Adjusted EBITDA	**132.6**	**146.4**

EBITDA and Adjusted EBITDA Margin

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

These APMs arise from direct calculation based on one APM previously reconciled with the Group's consolidated financial statements the Group's revenues. These APMs were calculated as follows for 2018 and 2017:

	In € millions, other than ratios	
	2018	2017
EBITDA	126.8	142.5
Revenues	273.7	256.6
EBITDA Margin	**46.3%**	**55.6%**
Adjusted EBITDA	132.6	146.4
Revenues	273.7	256.6
Adjusted EBITDA Margin	**48.4%**	**57.1%**

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 situation. This measure offers an objective view of the Group's net leverage.

The reconciliation of this APM with the consolidated financial statements is as follows:

	In € millions	
	2018	2017
Debts with credit institutions, bonds and other securities	469.2	485.1
Cash and cash equivalents	(21.0)	(42.0)
Net Debt	**448.2**	**443.1**

Leverage Ratio

The Group defines the Leverage Ratio as Net Debt divided by Adjusted EBITDA. This APM illustrates the Group's reliance on external funding, rather than own funds.

This APM arises from direct calculation of two APMs previously reconciled with the Group's consolidated financial statements. This APM was calculated as follows for 2018 and 2017:

	In € millions, other than ratios	
	2018	2017
Net Debt	448.2	443.1
Adjusted EBITDA	132.6	146.4
Leverage Ratio	**3.4**	**3.0**

Capital Expenditures and Adjusted Capital Expenditures

The Group defines Capital Expenditures as the sum of all the payments made for the tangible and other intangible assets in our consolidated statement of cash flows (excluding contract intangible assets). The Group defines Adjusted Capital Expenditures as Capital expenditures excluding deferred acquisition payments on business combinations. The Group considers such indicators as relevant to measure the level of capital expenditures incurred to service its clients, particularly the capital expenditures incurred to develop the independent management IT platforms used to service its clients.

The reconciliation of this APM with the consolidated financial statements is as follows:

	In € millions	
	2018	2017
Payments due to investments in:		
Other intangible assets	11.0	19.2
Tangible assets	1.0	0.8
Capital Expenditures	**12.0**	**20.0**
Deferred acquisition payments [(1)]	-	(10.6)
Adjusted Capital Expenditures	**12.0**	**9.4**

(1) Included as payments due to investments in other intangible assets in the consolidated statement of cash flows

Change in Working Capital and Adjusted Change in Working Capital

The Group defines Change in Working Capital as the sum of increase/decrease in current assets plus increase/decrease in current liabilities plus the increase/decrease in other current assets and liabilities as shown in the operating cash flows section of our consolidated statement of cash flows. The Group defines Adjusted Change in Working Capital as Change in Working Capital in 2018 and Change in Working Capital minus the payment to Bankia under the banking partner agreement in 2017. These APMs are presented as measures of the Group's capacity to continue the normal course of its business over the short term.

This APM reconciles with the consolidated financial statements as follows:

	In € millions	
	2018	2017
(Increase)/decrease in current assets	(7.5)	(44.6)
Increase/(decrease) in current liabilities	9.7	3.5
Increase/decrease in other current assets and liabilities	(0.2)	0.2
Change in Working Capital	**2.0**	**(40.9)**
Payment to Bankia under the banking partner agreement [(1)]	-	3.5
Adjusted Change in Working Capital	**2.0**	**(37.4)**

(1) The Group excludes this payment in 2017 for the calculation of this APM because it is not considered to be a payment within the normal course of business of the Group and do not expect payments of this nature to be repeated in the future.

Free Cashflow

The Group defines Free Cashflow as Adjusted EBITDA minus Capital Expenditures plus Change in Working Capital. This measures the cash available after operational needs have been met and after investment in fixed assets.

Because of its nature, this APM cannot be directly reconciled with the Group's 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 2018 and 2017:

	In € millions	
	2018	2017
Adjusted EBITDA	132.6	146.4
Adjusted Capital Expenditures (-)	(12.0)	9.4
Adjusted Changes in working capital (+)	2.0	(37.4)
Free Cash Flow	**122.6**	**99.6**

Cash Conversion

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

This APM arises from the direct calculation of two APMs previously reconciled with the Group's consolidated financial statements. This APM was calculated as follows for 2018 and 2017:

	In € millions, other than ratios	
	2018	2017
Free Cash Flow	118.9	99.6
Adjusted EBITDA	132.6	146.4
Cash Conversion	**92.5%**	**68.0%**

11. Non Financial Information Statements

This non-financial information has been drawn up in accordance with the requirements laid down in Law 11/2018, of 28 December, which modified Spanish Commercial Law, the revised text of the Law on Capital Companies approved under Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on the Auditing of Accounts, regarding non-financial reporting and diversity.

11.1. Business

The business activity of the Group involves mainly the debt management and recovery, real estate assets management and commercialization, and advisory and valuation services for the administration of the portfolios of clients, through diverse activities. Group revenues derive mainly from four main service contracts (SLAs or Service Level Agreements) which establish the commission charged on the services, and which are different in each contract, since the services provided vary. Furthermore, The Group has expanded its activity since 2013 through the acquisition of the asset management businesses from other financial institutions, and of other companies specialised in certain value-added services which complement their main business. The Parent is also the sole administrator of a few portfolios of guaranteed real estate portfolios acquired by Cerberus.

In the 2018, the Group has carried out its activity in Spain.

The most relevant aspects of Group activity regarding environmental, social and personnel matters and in relation to human rights have been analysed for this report. The Group is committed to a series of environmental and social policies, including human rights, in order to contribute to environmental, social and economic improvement. These policies are described in greater detail in the following sections.

Group’s risks

Given its activity, the Group has no significant environmental responsibilities, expenses, assets, provisions or contingencies with regard to the equity, financial situation or results of the Group.

With regard to social risks and personnel questions, the Group has identified and assessed the risk related to succession in key posts. Although the Nomination and Compensation Committee is actively addressing this topic, there is currently no documented succession plan for key posts within the Group. Nonetheless, the Group has in place an upper management evaluation process for talent management and professional development, which is used to manage succession in key posts.

With regard to human rights, there are no relevant risks deriving from the Group's commitment to the principles of ethical business and transparency in any of its areas of action as a result of the implementation of a set of principles and standards of conduct aimed at guaranteeing the ethical, responsible behaviour of all the professionals in the company in the performance of their work.

The Group has identified and analysed possible sources of risk related to the activity of the Group, which have been quantified and the opportune measures have been taken to ensure that they do not occur. These risks are described in note 4 of the attached management report.

11.2. Environmental information

11.2.1. Group policy, management, environmental performance, sustainable use of resources and the circular economy

The Group is immersed in the implementation of waste separation policies. These have already been implemented in the new centre in Madrid, where separate bins have been installed on each floor for plastic, paper, glass and other waste. Individual waste bins at each post which hinder the separation and appropriate treatment of waste have been eliminated.

The Group has signed a contract with a specialised company for the destruction of confidential documents and the management of batteries, toner cartridges and computer waste at all of its main workplaces. In the remaining smaller workplaces, this waste is collected on the request of the workplaces themselves.

Additionally, an agreement has been signed with a specialised supplier for the collection of toner cartridges from the head office in Madrid.

The Group has a staff canteen at its main offices in Madrid, run by a reputable company, a company which meets the highest quality standards in its production and elaboration of meals, and in waste management. It has a scheme to avoid excess food waste by offering it to Group employees at cost price under the "takeaway dinner" programme. This programme will be implemented in 2019.

The Group also has a policy to restrict hard-copy printing through the preferential use of electronic formats (practically 100% of management information is available in electronic format) and all printing is in black-and-white and double sided.

11.2.2. Contamination and climate change

Through its activity, the Group has no special climate change impact or carbon emissions. It does not have its own or a leased vehicle fleet and the buildings which house its corporate offices are all rented, and so responsibility for energy efficiency lies with the respective owners of the buildings.

The Group is gradually implementing sustainable use policies in all of its workplaces. Some of the main indicators of this policy are:

- ✓ Replacement of conventional lighting with sustainable LEDs in the main workplaces: completed in the Madrid offices and in progress in the Valencia and Almería offices.

- ✓ Managed lighting to detect the presence of persons in the main areas with lighting control on the facade to improve interior lighting efficiency.

- ✓ According to the applicable regulation, Tinsa Certify carried out energy audits on the 3 main workplaces of the Group (Madrid, Valencia and Almería), where combined consumption was over 80% of the total energy consumption of the company. It should be noted that in all of these workplaces, energy consumption is very low, being below average, with no serious incidences to report.

These measures have led to a reduction in consumption measured by the efficiency ratio (kWh / mean nº of employees in the workforce). The following tables show the main indicators of electricity consumption for the years 2017 and 2018 of the three main workplaces of the Haya Group:

MADRID	Consumption Kwh 2017	Consumption Kwh 2018
TOTAL	856,294	936,982

VALENCIA	Consumption Kwh 2017	Consumption Kwh 2018
TOTAL	312,612	312,611

ALMERIA	Consumption Kwh-2017	Consumption Kwh-2018
TOTAL	156,258	136,992

TOTAL	2017	2018
Consumption (kwh)	1,325,163	1,386,585
Mean Workforce	671	793
Efficiency Ratio (kwh/employee)	**1,975**	**1,749**
CO_2 emissions	383,078.12	400,833.99
Kg CO2/employee	**571**	**505**

11.2.3. Protection of biodiversity.

Group activity has no significant impact on biodiversity.

11.3. Social and personnel information

11.3.1. Group policy

The human resources culture of the Group is based on equality, endeavour, collaboration and commitment to the interests of our clients. The values that inspire the human resources policy of the Group are:

- ✓ EQUALITY IN SELECTION AND PROMOTION: The Group believes in and actively implements equal opportunities policies. Equality protocols have existed for both selection and promotion processes practically since the foundation of the Company, and they are applied in internal actions and in the Company.

- ✓ STABILITY: The Group offers stable, quality jobs, with fixed contracts and salaries above the average for the sector.

- ✓ RECONCILIATION: The Group offers special working hours to adapt the working day to different paternity, maternity and family care responsibility situations, and has been recognised as a Baby-Friendly company by babyfriendlycompanies.com.

- ✓ TRAINING: The Group has a permanent policy of ongoing training for its workers, with annual Training Plans which are presented to the workers' union representatives.

- ✓ OCCUPATIONAL HEALTH AND SAFETY: The Group has an in-house Prevention Service and a prevention policy to guarantee the health and safety of the entire workforce, with annual medical examinations and risk assessments at all of its workplaces.

- ✓ TRANSPARENCY AND INFORMATION: The Group has a policy of transparency and information with respect to the workers' union representatives. The permanent provision of information and a fluid relationship with the workers is the basis of a track record of significant labour agreements with the workforce, and long-term harmonious labour relations.

11.3.2. Social performance and management

11.3.2.1. Employment

As at 31 December 2018, the Group had 912 employees in its workforce, all of whom were based at the 16 workplaces in Spain. The tables below offer information on the management of human resources in the Group.

11.3.2.1.1. Employees by type of contract

All Group employees have a permanent employment contract. Temporary contracts, which are only used for special projects, temporary peak working periods or to cover leave, are managed through duly authorised Temporary Employment Agencies. The number of employees in the Group as at 31 December 2018 is detailed by sex, age and functions in the tables below:

Breakdown by age	21-31	31-41	41-51	51-61	61-71	Total
Men	50	145	154	66	5	**420**
Women	76	198	174	44	-	**492**
Total permanent contracts	**126**	**343**	**328**	**110**	**5**	**912**

Breakdown by function	Senior Management	Directors	Clerical staff and department heads	Total
Men	12	78	330	**420**
Women	4	44	444	**492**
Total permanent contracts	**16**	**122**	**774**	**912**

11.3.2.1.2. Employees by type of working day

There are no part-time or permanent seasonal employment contracts. All contracts are full-time, though some employees have opted to reduce the working day as a reconciliation measure, as established under applicable regulations:

Breakdown by sex	Men	Women	Total
Full-time	418	459	**877**
Reduced working day	2	33	**35**
Total	**420**	**492**	**912**

Breakdown by age	21-31	31-41	41-51	51-61	61-71	Total
Full-time	126	324	312	110	5	**877**
Reduced working day		19	16	-	-	**35**
Total	**126**	**343**	**328**	**110**	**5**	**912**

Breakdown by function	Clerical staff and department heads	Directors	Senior Management	Total
Full-time	739	122	16	**877**
Reduced working day	35	-	-	**35**
Total	**774**	**122**	**16**	**912**

11.3.2.1.3. Number of terminations employment during the year

In total, 77 employees left the Group in 2018:

Breakdown by sex	Men	Women	Total
Number of dismissals	7	8	15
Number of resignations	31	15	46
Number of terminations for other reasons (retirement, death, etc), including employees with a right to return to their previous company.	6	10	16
Turnover (including all terminations) (% calculated over total number of employees)	4.82%	3.62%	8.44%
Turnover (including all terminations) (% calculated over total employees of each category)	10.48%	6.71%	8.44%

Breakdown by age	21-31	31-41	41-51	51-61	61-71	Total
Number of dismissals	-	5	4	6	-	15
Number of resignations	16	14	13	3	-	46
Number of terminations for other reasons (retirement, death, etc), including employees with a right to return to their previous company.	1	3	9	3	-	16
Turnover (including all terminations) (% calculated over total number of employees)	1.86%	2.41%	2.85%	1.32%	-	8.44%
Turnover (including all terminations) (% calculated over total employees of each category)	13.49%	6.41%	7.93%	10.91%	-	8.44%

Breakdown by function	Clerical staff and department heads	Directors	Senior Management	Total
Number of dismissals	12	3	-	15
Number of resignations	41	5	-	46
Number of terminations for other reasons (retirement, death, etc), including employees with a right to return to their previous company.	14	2	-	16
Turnover (including all terminations) (% calculated over total number of employees)	7.35%	1.10%	-	8.44%
Turnover (including all terminations) (% calculated over total employees of each category)	8.66%	8.20%	-	8.44%

11.3.2.1.4. Mean remuneration

The mean remuneration in the Group is partly influenced by the origin of the workforce, as over 56% of employees are from companies acquired at its constitution or during its subsequent growth (mainly banks and real estate companies related to those banks), with those employees continuing to receive the same salaries as in their companies of origin. The growth of the workforce throughout the evolution of the Group has allowed this initial differential to be moderated and to become more closely adjusted to the real estate market, as well as the gradual reduction of the gender wage gap, on which the Group is currently working on.

The mean remuneration includes the fixed and variable salary, mobility compensation and the financial cost of social benefits, such as company insurance schemes (CIS), life insurance and medical insurance, among others for the employees, excluding the executive directors of the Parent (detailed in note 11.3.2.1.6 of this report):

Breakdown by sex	Men	Women
Mean remuneration	58,290.82	39,983.20

Breakdown by age	21-31	31-41	41-51	51-61	61-71
Mean remuneration	30,141.80	41,893.36	53,627.29	72,764.65	92,047.89

Breakdown by function	Clerical staff and department heads	Directors	Senior Management
Mean remuneration	38,729.87	85,883.81	255,896.82

11.3.2.1.5. Salary gap

As mentioned previously, a large part of the gender salary gap is due to the historical salaries in the Group, which are influenced by the origin of the workforce, proceeding from different companies acquired by or merged with the Group, since one of the precepts in all corporate operations has been respect for pre-existing remuneration. For this reason, a large part of the salary gap is not due to the policies of the Group, which has been determined and active in the promotion of equality in both the composition and remuneration of its workforce:

Breakdown by age	21-31	31-41	41-51	51-61	61-71	Total
Salary Gap (1)	9.07%	32.05%	25.66%	30.97%	N/A	31.41%

Breakdown by function	Clerical staff and department heads	Directors	Senior Management	Total
Salary Gap(1)	20.02%	20.52%	17.26%	31.41%

(1) Calculated as follow: $\frac{(gross\ hourly\ salary\ for\ men - gross\ hourly\ salary\ for\ women)}{\text{gross hourly salary for men}}$)

11.3.2.1.6. Remuneration of the Board of directors and Senior Management

There is an Appointments and Remuneration Committee attached to the Board of Directors which periodically reviews both the general policies for variable remuneration in the Group and, annually, the remuneration of board members and the upper management.

In 2018, the functions corresponding to directors of the Parent were performed by six men and one woman. Also, the functions corresponding to senior management of the Parent were performed by twelve men and four women, two men of them are executive directors of the Parent and hold the function of chairman and chief executive officer, respectively. The nature and amount of the remuneration received by directors of the Parent and senior management, not directors, is as follows:

	Thousands of euros					
	Fixed remuneration	Variable remuneration	Remuneration in kind	Compensation	Total	Pending
Directors	1,270	1,764	1	-	3,035	1,764
Senior Management	2,260	1,165	11	-	3,436	1,165

11.3.2.1.7. Implementation of measurement to disconnect from work

There is currently no policy on disconnection from work.

11.3.2.1.8. Employees with disabilities

As at 31 December 2018, there were 2 employees with disabilities in the workforce. As a complementary measure approved by the labour authorities, there is recurrent collaboration with the Adecco Foundation for the integration of employees with disabilities, and the Group made a contribution in 2018 of a total amount of EUR 106 thousand.

11.3.2.2. Organisation of risk

11.3.2.2.1. Organisation of working time

Annual working hours are those established in the applicable Collective Agreement, namely 1,772 hours. However, the general timetable of the company requires the effective performance of fewer hours per year, unless it is essential to work extra hours due to exceptional peaks of work, without exceeding, in any case, the applicable annual working time.

The generally applicable working timetable is:

Winter Timetable (from 16 September to 14 June):

- Monday to Thursday: Flexible starting time between 08:30 h and 09:00 h, finishing, depending on the starting time, between 18:00 h and 18:30 h, with one and a half hours unpaid rest period. *

- Friday: Flexible starting time between 08:00 h and 08:30 h, finishing, depending on the starting time, between 15:00 h and 15:30 h.

* Lunch break, between approximately 14:00 h and 16:00 h.

Summer Timetable (from 15 June to 15 September):

- Monday to Friday: Flexible starting time between 08:00 h to 08:30 h, finishing, depending on the starting time, between 15:00 h and 15:30 h.

11.3.2.2.2. Number of hours of absence from work

Hours of absence 2018	38,114
Absence rate 2018	2.91%

11.3.2.2.3. Measures to facilitate reconciliation and encourage joint exercise of the measures by both parents

The Group applies different measures over and above those which are legally required:

- **Temporary sick leave:** The Social Security benefit is complemented up to 100% of the salary until the 12th month of leave and 87.5% from the 12th to the 18th month.

- **Timetables**

  ✓ Timetable on the eve of public holidays: the same working hours as Fridays, with an uninterrupted working day.

  ✓ Employees with children under 14:

  The employees may reduce their lunch break by 30 minutes, provided the service is covered.

  ✓ Employees with children under 8, with disabilities or with serious illness (affecting themselves, their spouse or partner, or family members up to the second degree of consanguinity or affinity) or who care for dependent family members, and who have seniority of at least three years in the company:

Winter Timetable (uninterrupted working day):

Monday to Thursday: from 08:30 h to 16:30 h.

Friday: Flexible starting time between 08:00 h and 08:30 h, finishing, depending on the starting time, between 15:00 h and 15:30 h.

- **Maternity and paternity support programme**: A support programme is available for employees who are expecting a child. They are given an informative book when they communicate to the company the pregnancy or future paternity. Some months before the birth, the HR team provides them with information regarding their employment situation and the procedures to follow. When the baby is born, they receive a personalised layette and, finally, when they return to work, they receive another gift for the baby. This programme has received the bronze award from the babyfriendlycompanies.com website. The Group has also set up a lactation room in its Madrid office to support women who wish to continue breastfeeding after their maternity leave during the period recommended by the World Health Organization.

  The following table gives some indicators of the exercise of parental leave in 2018:

	Men	Women
Total number of employees who have had the right to parental leave	26	17
Total number of employees who have chosen to use their parental leave	26	17
Rate of return to work and retention of employees after enjoying parental leave	100%	100%

11.3.3. Health and safety

The business of the Haya Group is the management and commercialization of real estate assets and the management of the debt of credit promoters (management of both performing and non-performing debt) and the recovery process (recovery and cancellation of the guarantee, collection, refinancing, sale), and as such it has a prevention policy which is a basic element of a prevention management system, allowing the implementation of a culture of prevention at all organisational levels of the company and in all of its workplaces, progressively increasing the levels of well-being and protection of the personnel with respect to the occupational risks which might exist in the sector and in the workplace.

The main pillars of this Group prevention policy are:

- ✓ In-house Prevention Service: The Group has had its own In-house Prevention Service since 2016, which handles prevention specialities with its own resources, and others are also provided by specialised companies, especially for the annual health examinations.
- ✓ Approved Prevention Policy, published and available to the entire company.
- ✓ Occupational Risk Prevention Plan, drawn up in 2016 and revised and updated every two years, depending on the risks assessed.
- ✓ Medical Insurance Coverage for employees: Employees enjoy medical insurance with the company, with the main coverage offered by all companies, with the addition of dental coverage, pharmaceutical costs and psychological attention.
- ✓ Establishment of Health and Safety Committees in the workplaces in Madrid, Valencia and Almería.
- ✓ Risk assessment in all workplaces.

The incidence of accidents at work and sick leave is particularly low in comparison with the sector. The following table gives some indicators of Accidents at Work in 2018:

	Men	Women
Number of accidents leading to leave	3	4
Number of days lost due to accidents leading to leave	75	135
Number of real hours worked by employees	711,966	781,618
Frequency rate	4.21	5.12
Severity index	0.11	0.17

11.3.4. Labour Relations

The Collective Agreement applicable in the Group is the Real Estate Management and Mediation Sectoral Agreement, which is applied to 100% of the employees in the workforce.

Dialogue and the exchange of information between the Group and the workforce, through their different representatives, is fluid, with full respect for freedom of unionisation and representation. Over the history of the company, there have been six significant employment agreements with the employees' union representatives, which are applied to the entire workforce or whose effects have been extended to all of the employees even though they did not fall within their scope of application.

There are 36 union representatives in the Group, sitting on Company Committees or as Personnel delegates representing the 6 main centres of work and 10 representatives of the 3 Company Trade Union Sections accredited in the Group.

There are no notable situations of conflict or judicial actions under way with the unions.

11.3.5. Training

The Group has an Annual Training Plan which is revised and designed specifically each year in order to adapt it to the needs of the employees, company strategy and regulatory requirements.

The employees' trade union representatives are informed of the Training Plan, making any adaptations that are requested by the representatives if they are feasible within the Annual Plan.

The methodology seeks a balance between classroom, online and mixed training, in line with the effectiveness, flexibility and accessibility of the training programmes.

In 2018, 172 training actions were undertaken, with 4,162 trainees and 14,214 hours of training given, of which 7,072 were online.

2018 PROJECTS	Trainees		Total Hours	
1. High-performance teams	637	15%	3,185	22%
2. Real Estate Management Platform	225	5%	732	5%
3. Recovery Platform	157	4%	517	4%
4. Business Continuity Plan	146	4%	146	1%
5. Regulations (Prevention of Money Laundering and Financing of Terrorism, General Data Protection Regulation, Conflicts of Interest, Whistleblower's Channel)	2,235	53%	3,241	23%
6. Prevention of Occupational Risks	399	10%	1,580	11%
7. Commercial Debt Management	67	2%	268	2%
8. English	101	2%	1,111	8%
9. Negotiation, Time Management, Leadership	65	2%	1,300	9%
10. Other	130	3%	2,134	15%
TOTAL	**4,162**		**14,214**	

11.3.6. Accessibility

In accordance with regulatory requirements, all of the Group's workplaces are completely accessible to persons with disabilities. In particular, at the central offices in Madrid, additional measures over and above the legal minimum have been applied, improving access by persons with disability to the entire building, including four specially adapted bathrooms and a changing room with an accessible shower.

11.3.7. Equality

In the field of equality, the Group has internal regulations and protocols which meet the most rigorous standards. Specifically:

- Since 2014, and regularly updated since then, there has been a rigorous Code of Conduct regarding respect for Human Rights and labour rights, with special reference to non-discrimination and the reporting of conduct contrary to the Code.

- Since 2014, Human Rights Management has had a protocol for action in the field of Selection and Professional Development oriented especially towards equality. This protocol is permanently available on the corporate intranet.

- Also since 2014, the Group has had a Protocol for the Prevention of Sexual Harassment, Mobbing and Gender-Based Harassment with a confidential procedure to address situations of conflict, with the strictly confidential involvement of Human Resources Management and Audit and Compliance Management.

- In 2018, the Group has participated actively in two campaigns promoted by the Adecco Foundation:

  - ✓ A campaign featuring persons with disability titled “I too support the objectives of sustainable development” (December 2018).

  - ✓ The “A Job against Violence” campaign centred on employability as a means of combating gender violence.

There have been no complaints or reports in 2018 or in any previous year which have led to the Group activating the protocols against discrimination, sexual harassment or mobbing.

11.4. Information on respect to human rights

11.4.1. Group policy

Due to the type of activity undertaken by the Group, there are no human rights risks. Despite this, the company continuously endeavours to guarantee respect for such essential matters as Human Rights. An example of this can be found in the Code of Ethics of the company and in the creation of an Ethics Committee to manage the system for promotion, vigilance and compliance with the Code.

11.4.2. Application of due diligence procedures in human rights matters and the prevention of the risk of the breach of human rights and, if applicable, measures to mitigate, manage and repair possible breaches committed

It is a priority principle that everyone working in the Group should know, comply with and require compliance with both the spirit and the letter of the Code of Ethics of the Haya Group.

Internally, the Group requires employees to be familiar with and to comply with the Code, which expressly devotes one of its points to respect for Human Rights. In this way, the Group and its employees take on board the principles of the United Nations Global Compact on human rights, among others. All of the Group's professionals thereby support and respect the protection of fundamental human rights within their area of influence, avoiding the possibility of being an accomplice to the breach of those rights. To record the commitment of the employee to this basic principle, Human Rights Management provides a copy of the Code of Ethics to each employee, against an acknowledgement of receipt of and familiarity with the text. Furthermore, new employees joining the company after the approval of the Code have received a copy of the document, signing a clause of adhesion in their contract or in an annex.

Externally, and understanding that respect for human rights is a primordial question, it should be underlined that contracts with suppliers and external professionals must include a clause of adhesion to the Code of Ethics, unless they have equivalent public codes of ethics. In this way, we extend our human rights clauses to the organisations with which we work and we require maximum respect for human rights.

11.4.3. Reporting of cases of the breach of human rights

All persons subject to the Group's Code of Ethics are obliged to report any possible breach of the Code and, thereby, to report any breaches of human rights of which they become aware. To report breaches, there is a "Whistleblower's Mailbox" on the corporate intranet and on the public website of the Group. The reports made through this mailbox are periodically sent by the Internal Audit Department to the Ethics Committee together with information on the investigations made. The whistleblower's mailbox is managed by an independent third party specialised in this type of service.

In 2018, no human rights breaches have occurred.

11.4.4. Promotion of and compliance with the provisions of the fundamental conventions of the ILO

Respect for labour rights, as part of the Universal Declaration of Human Rights, is a priority aspect of day-to-day work in the Haya Group. Proof of this is the inclusion of a specific point in our Code of Ethics which states that the Group and its employees shall avoid any type of discrimination in employment, harassment or any violent or offensive behaviour with respect to the rights and dignity of persons and they shall be obliged to report any behaviour of this type of which they are aware. Likewise, they must support the elimination of child labour, forced or coerced labour, and they must respect the rights to free association and collective bargaining.

This point is completed by the Protocol for the Prevention of Sexual Harassment, Mobbing or Gender-Based Harassment, in force in the Group since 2014.

11.5. Information on combating corruption and bribery

11.5.1. Group policy

As laid down by law, the Code of Ethics of the Group provides for the development of a system for the prevention of offences, by means of rules and internal control systems designed to guarantee compliance with the Code and to prevent the involvement of the company in operations or transactions in which there may be indications of criminal activities such as money-laundering, the financing of criminal activities, fraud or any form of corruption, including bribery or extortion, among others.

This system has been developed through a Money Laundering Prevention Manual, a Protocol applicable where there are indications of commercial irregularities, an Offence Prevention Manual and the Haya Whistleblower's Channel.

During the procedure for the approval of suppliers, the suppliers are checked against the Factiva database in order to meet the requirements of the prevention of money laundering and financing of terrorism policies, and to avoid possible conflicts of interest and risk to reputation that might be derived from collaboration.

11.5.2. Management of anti-corruption and anti-bribery actions

As well as the different mechanisms for the prevention of money laundering, criminal offences, financing of terrorism, conflicts of interest, and the whistleblower's channels, the Group has an active policy of providing regular information on the manuals, which are permanently available on the corporate intranet, and through personalised e-mail reminders to all of the workforce.

As a complementary measure approved by the labour authorities, specific training is provided on the Regulations for the Prevention of Money Laundering and the Financing of Terrorism, the General Data Protection Regulations, Conflicts of Interest and the Whistleblower's Channel, which, in 2018, included over 3,000 hours of training.

11.6. Information about the Company

11.6.1. Group policy

In our relationship with society, we rigorously apply current legislation in all matters concerning different interest groups, in addition to our own in-house policies and codes drawn up by the company and which go beyond legal requirements, such as the Data Protection Policy, among others.

11.6.2. Group commitment to sustainable development

11.6.2.1. Impact of Group activity on employment, local development, the local population and the territory

The Group has 16 work centres of its own and a network of over 2,500 collaborators distributed throughout Spain. For this reason, this report considers Spanish territory to be local. Therefore, 96% of our suppliers are local and 4% are located abroad.

11.6.2.2. Relationships and dialogue with players in local communities

With respect to the local community, the Company is generally a leading player in dialogue. Though it is true that our suppliers and financier clients are an interest group with which we maintain an ongoing dialogue by means of meetings and regular calls in our day-to-day activity, at the Haya Group we endeavour to ensure that wider society is generally aware of our activity:

- We regularly send press communiqués to inform of company news and promotional campaigns that we launch together with our clients, helping citizens to benefit by publicising those campaigns.

Our Internet portals (www.haya.es, www.haya.es/activos-singulares and http://www.haya.es/corporate) are constantly updated so that any citizen can learn of the company's news and the new assets that we are selling. Furthermore, they are reciprocal communication channels, as we offer users different ways of contacting us with their suggestions and queries.

11.6.2.3. Partnerships and relationship

The Group sponsors professional meetings and events related to the real estate sector. In 2018, we were closely involved in 8 professional meetings and took an active part in the Association of Real Estate Developers of Valencia and the Association of Real Estate Developers of Madrid.

Within the *Haya Contigo* programme, the following contributions have been made to non-profit organisations in 2018:

- ✓ II Inclusive Solidarity Football Tournament of the real estate sector, in order to participate in the tournament, in which, furthermore, each team included one player with Down's syndrome.

- ✓ Oxfam Trailwalker: the Group employees who took part in this initiative participated in a charity event to help eradicate the lack of access to drinking water, which causes millions of persons to live in poverty and which forces thousands of women and girls to walk many miles a day to seek water, also raising money for the cause.

- ✓ Adecco Foundation: a contribution to the campaign "A Job against Violence" which focuses on employability as a means of combating gender violence and to the campaign "I too support the objectives of sustainable development" with persons with disability as the main protagonists.

The Group contributed EUR 3,000 to the above causes. Furthermore, the Group is engaged in ongoing collaboration with the Adecco Foundation for the integration of employees with disabilities, having made a contribution in 2018 of a total amount of EUR 106,000.

The Group also manages the social housing rentals of its main clients

11.6.2.4. Inclusion of social, gender equality and environmental questions in procurement policy

For the selection of suppliers, the Group has its own in-house Corporate Manual on Procurement and the Approval of Suppliers which expressly establishes that the application of the criteria of Corporate Social Responsibility must be applied to Procurement and the Supply Chain.

In this way, all suppliers who are awarded contracts must sign a document confirming their knowledge and acceptance of the Code of Ethics of the Haya Group and of the Whistleblower's Channel. In the case of Real Estate Agents, in addition to the above, they must also sign a document confirming their knowledge and acceptance of the Prevention of Money Laundering Manual. In this way, the Group establishes the basic criteria so that our suppliers are aware of and meet our environmental and human rights requirements.

Furthermore, in all supplier selection processes, plurality and competition are encouraged, and it is obligatory to have a minimum number of tenders, which depends on the aggregate annual amount of purchases (for the specific purchase of a good or service). In addition, and in order to supervise the performance of suppliers of the work contracted by Group companies, the Areas requesting the service must complete an evaluation form for the quality of service once it has been provided, or, if the service contracted is still active, the evaluation is made annually and is sent to the Procurement Team for future contracts.

11.6.2.5. Consumers

11.6.2.5.1. Measures for the health and safety of consumers

Given the activity of the Group and the business model, this aspect is not considered relevant in this report.

11.6.2.5.2. Systems for claims and complaints and their resolution

Within our responsibility for real estate asset management, we act as intermediaries with the clients who acquire the real estate assets (our client's final clients).

Client's final client satisfaction is also our priority. We therefore keep different channels of communication open with our clients' final customers, facilitating their suggestions as well as their complaints, if any:

- Social networks: we mainly use Facebook, Instagram, Twitter and Linkedin to resolve doubts and address the needs of our clients' final customers.

- Internet contact forms: all our websites (www.haya.es, www.haya.es/activos-singulares and http://www.haya.es/corporate) include contact forms to facilitate communication with the company.

- Call Centre: our customer service team receives questions and complaints by telephone.

In 2018, we handled a total of 4,645 complaints, all of which were resolved.

Furthermore, when our clients' final potential clients visit a real estate property, they are sent a satisfaction questionnaire. In 2018, a total of 82,475 questionnaires were sent out, with the respondents awarding us an average score of 3.5 points out of 5.

11.6.3. Tax information

The Group revenues in 2018 amounted to EUR 273.7 million (EUR 256.6 million in 2017). The operating profit of the Group amounted to EUR 20.0 million and EUR 62.0 million in the 2018 and 2017, respectively, and the profit /(loss) for the year in 2018 and 2017 were EUR -0.4 million and EUR 33 million, respectively.

In 2018, the Group paid EUR 4.184 million in relation to Corporate tax Income for the 2017. As mentioned in note 18 of the attached consolidated financial statements, the Group belongs to Consolidated tax group 0275/18, of which Haya Real Estate, S.A.U. is the representative Company. In 2018, there have been no payments related to Corporate Tax Income.

In 2017 and 2018, the Group has not received public subsidies of any type.

11.7. Tables

Content	Pages	Reporting Criteria
Business model	11.1	
- Description of the business model		GRI 102-2
- Objectives and strategies		GRI 102-7
- Main factors and trends affecting future evolution		GRI 102-15
Social and personnel questions		
- Management focus	11.3.1	GRI 103-2
- Employment	11.3.2.1	
• Number and breakdown of employees by country, sex, age and professional category	11.3.2.1.1	GRI 102-8
• Breakdown of types of contract and annual average by sex, age and professional category	11.3.2.1.2	GRI 102-9
• Number of terminations of employment by sex, age and professional category	11.3.2.1.3	GRI 401-1
• Mean remuneration by sex, professional category and age	11.3.2.1.4	GRI 405-2
• Salary gap	11.3.2.1.5	GRI 405-2
• Mean remuneration of board members and upper management	11.3.2.1.6	GRI 102-35
• Percentage of employees with disability	11.3.2.1.8	GRI 405-1
- Organisation of work	11.3.2.2	
• Organisation of working time	11.3.2.3	GRI 401-3
• Absences from work	11.3.2.4	GRI 403-2
• Measures to facilitate reconciliation	11.3.2.5	GRI 401-3
- Health and Safety	11.3.3	
• Health and safety at work		GRI 103-2 , GRI 403-3
• Accident rates		GRI 403-2
- Labour relations	11.3.4	
• Organisation of dialogue with the workforce		GRI 103-2, GRI 402-1, GRI 403-1
• Balance of agreements in the field of health and safety		GRI 403-4
- Training	11.3.5	
• Training policies implemented		GRI 404-2
• Training indicators		GRI 404-1
- Universal accessibility for persons with disability	11.3.6	GRI 405-1
- Equality	11.3.7	GRI 405-1, GRI 405-2
Environmental questions		
- Management focus	11.2.1	GRI 103-2
- Environmental management	11.2.1	GRI 102-11, GRI 307-1, GRI 305-1 GRI 305-2
- Contamination prevention measures	11.2.2	305-3
- Circular economy, sustainable use of resources and the prevention of waste	11.2.1	GRI 306-2
• Consumption of raw materials		GRI 301-1
• Measures to improve energy efficiency		GRI 302-4, GRI 302-5
• Direct energy consumption		GRI 302-3
• Use of renewable energies		GRI 302-1
- Climate change	11.2.2	
• Greenhouse gas emissions		GRI 305-5
- Biodiversity	N/A	

Content	Pages	Reporting Criteria
Respect for human rights		
- Management focus	11.4.1	GRI 103-2
- Application of due diligence procedures	11.4.2	GRI 102-17
- Measures for the prevention and management of possible abuses	11.4.2	GRI 412-1, GRI 410-1
- Reporting of breaches of human rights	11.4.3	GRI 102-17, GRI 411-1, GRI 419-1
- Promotion of and compliance with ILO provisions	11.4.4	GRI 407-1, GRI 409-1
Anti-corruption and anti-bribery questions		
- Management focus	11.5.1	GRI 103-2
- Measures to prevent corruption and bribery	11.5.2	GRI 205-1, GRI 205-2, GRI 201-1
- Measures to combat money laundering	11.5.2	GRI 102-16 GRI 102-17 GRI 103-2
- Contributions to non-profit foundations and organisations	11.6.3	GRI 201-1 GRI 413-1
Social commitment		
- Management focus	11.6.1	GRI 103-2
- Commitment of the company to sustainable development	11.6.2	GRI 102-43 GRI 413-1 GRI 413-2
- Responsible management of the supply chain	11.6.3.1	GRI 308-1 GRI 308-2
- Customer relations management	11.6.3.2	GRI 416-1, GRI 416-2, GRI 417-1
- Tax information and transparency	11.6.4	GRI 201-1 GRI 201-4
• Company tax paid		GRI 201-1

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Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT LIMITED ASSURANCE REPORT

To the Sole Shareholder of Haya Real Estate, S.A.U.

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the 2018 Consolidated Non-Financial Information Statement ("CNFIS") included in the Consolidated Directors' Report for the year ended 31 December 2018 of Haya Real Estate, S.A.U. and subsidiary ("the Company" or "Haya Real Estate").

The CNFIS includes information, additional to that required by current Spanish corporate legislation relating to non-financial reporting, that was not the subject matter of our verification. In this regard, our work was limited solely to verification of the information identified in the non-financial information statement content index.

Responsibilities of the Directors

The preparation and content of the CNFIS of Haya Real Estate are the responsibility of the Board of Directors of Haya Real Estate. The CNFIS included in the Consolidated directors' report was prepared in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards described as indicated for each matter in Non-financial information statement content index of the 2018 CNFIS.

These responsibilities of the Board of Directors also include the design, implementation and maintenance of such internal control as is determined to be necessary to enable the CNFIS to be free from material misstatement, whether due to fraud or error.

The directors of Haya Real Estate are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the CNFIS is obtained.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in information about economic, social and environmental performance.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed, which refers exclusively to 2018. The information relating to previous years was not subject to the verification provided for in current Spanish corporate legislation.

We conducted our review in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) , and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements regarding non-financial information statements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and, consequently, the level of assurance provided is also substantially lower.

Our work consisted in requesting information from management and the various units of Haya Real Estate that participated in the preparation of the CNFIS, reviewing the processes used to compile and validate the information presented in the CNFIS, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Haya Real Estate personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and completeness of the contents included in the 2018 CNFIS based on the materiality analysis performed by Haya Real Estate and described in the "Business" section, taking into account the contents required under current Spanish corporate legislation.
- Analysis of the processes used to compile and validate the data presented in the 2018 CNFIS.
- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters described in the CNFIS.
- Verification, by means of sample-based tests, of the information relating to the contents included in the CNFIS and the appropriate compilation thereof based on the data furnished by the information sources.
- Obtainment of a representation letter from the directors and management.

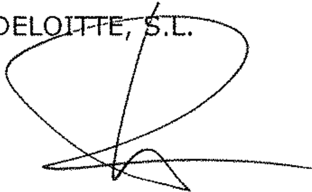
Conclusion

Based on the procedures performed in our verification and the evidence obtained, nothing has come to our attention that causes us to believe that the CNFIS of Haya Real Estate for the year ended December 31st 2018 was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards described as indicated for each matter in the Non-financial information statement content index of the 2018 CNFIS.

Use and Distribution

This report has been prepared in response to the requirement established in corporate legislation in force in Spain and, therefore, it might not be appropriate for other purposes or jurisdictions.

DELOITTE, S.L.



Antonio Sánchez-Covisa Martín-González

27 March 2019

Formulation of the consolidated financial statements and consolidated management report

Pursuant to article 253 of the Spanish Limited Liability Companies Law, the signatories hereto, being the directors of HAYA REAL ESTATE, S.A.U., have agreed the formulation of the consolidated financial statements of HAYA REAL ESTATE, S.A.U. for the year ended 31 December 2018, comprising the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity and the consolidated statement of cash flows, and the notes to the consolidated financial statements and the consolidated management report, which was drawn up by the Board of Directors on 26 March 2019.

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