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Madrid, 30 de Julio de 2019

Acompañando esta carta, adjuntamos la siguiente información en inglés:

- Auditor Report
- Condensed Consolidated Interim Financial Statements for 1st Semester 2019
- Quarterly Report for 1st Semester 2019

NOTA: la citada información en inglés ha sido traducida por la propia entidad como traducción de cortesía y no tiene la consideración de oficial, prevaleciendo en todo caso y a esos efectos la versión en castellano.

Atentamente,

Lorea García Jáuregui

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ZARDOYA OTIS, S.A.
AND SUBSIDIARIES

REPORT ON LIMITED REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AT 31 MAY 2019

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Zardoya Otis, S.A.:

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of Zardoya Otis, S.A. (hereinafter, "the parent company") and its subsidiaries (hereinafter, "the group"), which comprise the balance sheet as at May 31, 2019, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six months period then ended. The parent company´s directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six months period ended May 31, 2019 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

Emphasis of Matter

We draw attention to Note 2, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended November 30, 2018. Our conclusion is not modified in respect of this matter.

Other Matters

Interim consolidated directors´ Report

The accompanying interim consolidated directors' Report for the six months period ended May 31, 2019 contains the explanations which the parent company´s directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this directors' Report is in agreement with that of the interim financial statements for the six months period ended May 31, 2019. Our work is limited to checking the interim consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Zardoya Otis, S.A. and its subsidiaries´ accounting records.

Preparation of this review report

This report has been prepared at the request of the Directors of Zardoya Otis, S.A. in relation to the publication of the half-yearly financial report required by Article 119 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by the Royal Decree 1362/2007, of 19 October.

PricewaterhouseCoopers Auditores, S.L.

Original Spanish version signed by Rafael Pérez Guerra

29 July 2019

ZARDOYA OTIS S.A.
AND SUBSIDIARIES

Condensed Consolidated Interim Financial
Statements for the six-month period ended
May 31, 2019

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Thousands of euros)

	May 2019	November 2018	May 2018
ASSETS			
Non-current assets			
Property, plant & equipment (Note 7)	61,754	62,126	61,887
Intangible assets (Note 8)	169,581	172,308	174,763
Goodwill (Note 8)	153,975	153,077	150,717
Financial investments	811	733	1,626
Deferred tax assets (Note 14)	24,677	24,197	24,369
Assets arising from welfare benefit & commitment obligations	2,843	3,836	3,123
Other non-current assets (Note 9)	3,843	3,790	3,727
Total non-current assets	**417,484**	**420,067**	**420,212**
Current assets			
Inventories	26,257	33,350	42,220
Financial receivables	294	263	266
Trade and other receivables (Note 9)	215,653	213,309	190,955
Cash & cash equivalents	58,101	56,445	60,131
Total current assets	**300,305**	**303,367**	**293,572**
Total assets	**717,789**	**723,434**	**713,784**

Notes 1 to 30 form an integral part of these Condensed Consolidated Interim Financial Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Thousands of euros)

	May 2019	November 2018	May 2018
EQUITY			
Share capital (Note 10)	47,046	47,046	47,046
Share Premium	306	306	306
Legal reserve	10,539	10,162	10,162
Reserves in subsidiaries & other reserves	271,678	295,748	278,046
Retained earnings	124,574	145,731	126,990
Interim dividends paid (Note 25)	(75,274)	(75,274)	(75,274)
Exchange differences	(116)	(10)	(272)
Non-controlling interests	9,785	10,646	10,450
Total equity	**388,538**	**434,355**	**397,454**
LIABILITIES			
Non-current liabilities			
Other payables (Note 12)	5,643	1,843	2,647
Provisions for other liabilities & expenses (Note 17)	11,395	10,731	10,204
Deferred tax liabilities (Note 14)	23,263	23,672	23,022
Total non-current liabilities	**40,301**	**36,246**	**35,873**
Current liabilities			
Trade & other payables (Note 12)	264,818	232,926	258,603
Current tax liabilities (Nota 13)	12,905	9,377	12,239
Borrowings (Note 16)	282	290	193
Provisions for other liabilities & expenses (Note 17)	10,945	10,240	9,422
Total current liabilities	**288,950**	**252,833**	**280,457**
Total liabilities	**329,251**	**289,079**	**316,330**
Total equity and liabilities	**717,789**	**723,434**	**713,784**

Notes 1 to 30 form an integral part of these Condensed Consolidated Interim Financial Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2019

CONSOLIDATED INCOME STATEMENT
(Thousands of euros)

		Six-month period ended May 31,	
		2019	**2018**
	Sales (Note 18)	394,852	384,471
	Other income	630	743
	Raw materials and consumables used (Note 20)	(134,331)	(124,791)
	Employee compensation and benefit expenses (Note 19)	(133,174)	(129,393)
	Depreciation, amortization and impairment charges (Notes 7 & 8)	(9,810)	(9,167)
	Net other expenses (Note 21)	(29,459)	(29,358)
	Operating profit	**88,708**	**92,505**
	Finance income (Note 22)	173	64
	Finance cost (Note 22)	(150)	(157)
	Net exchange differences (Note 22)	(161)	(123)
	Other (losses) / gains	4	(49)
	Profit before tax	**88,574**	**92,240**
	Income tax (Note 23)	(20,721)	(21,570)
	Profit for the period	**67,853**	**70,670**
	Attributable to:		
	Owners of the Company	67,448	70,296
	Non-controlling interests	405	374
	Earnings per share for profit on continuing operations attributable to the equity shareholders of the company in the period (euros per share)		
	- Basic earnings per share (Note 24)	0.1434	0.1494

Notes 1 to 30 form an integral part of these Condensed Consolidated Interim Financial Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2019

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
(Thousands of euros)

		Six-month period ended May 31	
		2019	**2018**
	Profit for the period	67,853	70,670
	Other comprehensive income		
	Items that may subsequently be taken to P&L:		
	Exchange rate differences	(106)	218
	Other comprehensive income for the period, net of taxes		
	Total comprehensive income for the period, net of taxes	67,747	70,888
	Attributable to:		
	– Owners of the parent company	67,342	70,514
	– Non-controlling interests	405	374

Notes 1 to 30 form an integral part of these Condensed Consolidated Interim Financial Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (thousands of euros)

			Attributable to owners of the parent company					Non-controlling Interests	Total equity
	Share capital	Share premium	Legal reserve	Treasury stock	Accum. foreign exchange differences	Share capital	Share premium	Legal reserve	
Balance at Nov. 30, 2017	**47,046**	**306**	**9,785**	**-**	**(490)**	**276,392**	**96,527**	**11,426**	**440,992**
Application IFRS 15 (Note 3)	-	-	-	-	-	(165)	-	-	(165)
Balance at Dec. 1, 2018	**47,046**	**306**	**9,785**	**-**	**(490)**	**276,227**	**96,527**	**11,426**	**440,827**
Application of 2017 profit			377			39,456	(152,744)		(112,911)
Dividend for 2017							112,911		112,911
Capital increase									
Profit for the period					218		70,296	374	70,888
Interim dividend 2017							(37,637)		(37,637)
Dividend for 2018							(37,637)		(37,637)
Dividend charged to available reserves						(37,637)			(37,637)
Business combination								113	113
Other movements								(1,463)	(1,463)
Balance at May 31, 2018	**47,046**	**306**	**10,162**	**-**	**(272)**	**278,046**	**51,716**	**10,450**	**397,454**

Notes 1 to 30 form an integral part of these Condensed Consolidated Interim Financial Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (thousands of euros)

			Attributable to owners of the parent company					Non-controlling Interests	Total equity
	Share capital	Share premium	Legal reserve	Treasury stock	Accum. foreign exchange differences	Share capital	Share premium	Legal reserve	
Balance at Nov. 30, 2018	**47,046**	**306**	**10,162**	**-**	**(10)**	**276,258**	**89,947**	**10,646**	**434,355**
Application of 2018 profit			376			32,444	(145,731)		(112,911)
Dividend for 2018							112,911		112,911
Capital increase									
Profit for the period					(106)		67,448	405	67,747
Interim dividend 2018							(37,637)		(37,637)
Dividend for 2019							(37,637)		(37,637)
Dividend charged to available reserves						(37,637)			(37,637)
Business combination									
Other movements						613		(1,266)	(653)
Balance at May 31, 2019	**47,046**	**306**	**10,538**	**-**	**(116)**	**271,678**	**49,301**	**9,785**	**388,538**

Notes 1 to 30 form an integral part of these Condensed Consolidated Interim Financial Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2019

CONSOLIDATED STATEMENT OF CASH FLOWS
(Thousands of euros)

	Six-month period ended May 31	
	2019	**2018**
Net profit	**67,448**	**70,296**
Cash flows from operating activities		
Adjustments to profit		
Amortization/depreciation/provisions (Notes 7, 8 & 9)	8,540	7,705
Taxes (Note 23)	20,721	21,570
Gains/(losses) on sale of fixed assets	4	(49)
Net interest paid	31	(217)
Profit attributable to non-controlling interests	405	374
Tax payments	(19,101)	(19,695)
Changes in inventories	7,092	(8,867)
Changes in receivables and other assets	(385)	16,081
Changes in payables and other liabilities	(1,518)	(2,390)
Net cash flow from operating activities	**83,236**	**84,808**
Cash flows from investing activities		
Investment in property, plant & equipment/intangible assets (Notes 7 & 8)	(2,570)	(4,562)
Acquisition of subsidiaries	(4,425)	(5,410)
Effect of business combinations	823	-
Net cash flow from investing activities	**(6,172)**	**(9,972)**
Cash flows from financing activities		
Dividends paid (Note 25)	(75,274)	(75,274)
Bank borrowings	(135)	(157)
Acquisition of non-controlling interests	-	(128)
Net cash flows from financing activities	**(75,409)**	**(75,559)**
Net increase/(decrease) in cash and cash equivalents	**1,655**	**(723)**
Cash & cash equivalents at the beginning of the period	56,445	60,854
Cash & cash equivalents at the end of the period	58,100	60,131

Notes 1 to 30 form an integral part of these Condensed Consolidated Interim Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Thousands of euros)

1. General information

Zardoya Otis S.A. (hereinafter, the Company) and its subsidiaries (together, the Group) have the main business activity of the manufacture and installation of elevators, the provision of the related maintenance service and the export of equipment for installation abroad. The Group has manufacturing plants in Madrid and San Sebastian and a modernization centre in Vigo (Pontevedra).

ZARDOYA OTIS S.A. is a company incorporated and registered in Madrid. Its head offices are in Madrid, calle Golfo de Salónica 73.

United Technologies Holding S.A., incorporated in France, held an interest in the Group of 50.01% of the Company's shares at May 31, 2019. Said company belongs to the UTC Group, incorporated in the United States of America. The Company is listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

The annual consolidated financial statements for the year 2018 were approved by the Board of Directors on February 21, 2019, audited, and approved by the General Shareholders' Meeting held on May 22, 2019. These condensed consolidated interim financial statements were approved by the Board of Directors on July 26, 2019 and submitted to a limited review by the Group auditor at the Board's request

2. Bases of presentation

The condensed consolidated interim financial statements of the Group (Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and the Notes thereto for the six-month period ended May 31, 2019, all of which are condensed, consolidated and interim), expressed in thousands of euros, have been prepared in accordance with IAS 34 "Interim Financial Reporting" and must be read in conjunction with the consolidated annual financial statements for the year ended November 30, 2018, which were prepared in accordance with International Financial Reporting Standards adopted for use in the European Union (IFRS-EU) and approved by the European Commission Regulations currently in force.

3. Accounting policies

The accounting policies and consolidation processes applied in these condensed consolidated interim financial statements for the six-month period ended May 31, 2019 are the same as those used when preparing the consolidated annual financial statements for the annual period ended November 30, 2018, except in respect of the changes in accounting standards that have come into force in 2019, described in the Notes to the 2018 Consolidated Annual Financial Statements, which have had no material effect on the financial statements.

In relation to IFRS 9 *Financial Instruments*, it addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new hedge accounting rules and a new financial asset impairment model.

The Group has reviewed and validated that the new guideline has no significant impact on the classification and measurement of its financial assets for the following reasons:

- The Group does not currently hold any debt instruments classified as available for sale.

- Equity investments currently held at fair value through profit and loss will continue to be measured on the same basis under IFRS 9.

- Debt instruments currently classified as held-to-maturity and measured at amortized cost appear to meet the requirements to be classified at amortized cost under IFRS 9.

Additionally, the Group is assessing the impact of standards issued but not applied, such as IFRS 16:

IFRS 16 *Leases* was issued in January 2016. It will mean that almost all leases are recognized in the statement of financial position, given that it eliminates the distinction between operating and finance leases. Under the new Standard, an asset (the right to use the leased asset) is recognized, as well as a financial liability for payment of the lease instalments. The only exceptions are short-term and low-value leases.

The Standard will affect mainly the accounting for the Group's operating leases. At the 2018 reporting date, the Group held operating lease commitments of ETHs 9,918. However, the Group has not yet determined the extent to which these commitments will result in the recognition of an asset and a liability for future payments or how this will affect the Group's profit and the classification of future cash flows.

Some of the commitments may be covered by the exceptions for short-term and low-value leases and there are other commitments that may be related to agreements that will not be classified as leases under IFRS 16.

The Standard is mandatory for the first interim periods in the periods beginning on or after January 1, 2019. The Group does not intend to adopt the Standard before it enters into force.

The accounting estimates used are the same as those used for the annual financial statements for the period ended in November 2018. In the first semester of 2019, there were no value adjustments with a material effect on the items of the assets, liabilities, equity, profit and loss or cash flows presented. The corporate income tax calculated corresponds to the tax rate that is expected to be applicable to the profit for the full period.

Additionally, during the six-month period ended May 31, 2019, transition guidance was published on the interpretation of international standards that have not yet come into force and that the Group has not adopted early.

4. Changes in the companies that form part of the Group and transactions with non-controlling interests

In the six-month period to which these condensed consolidated interim financial statements refer, the following transactions and changes in the consolidated group took place:

Zardoya Otis, S.A acquired 100% of the shares of Otis-Lliset SLU and Ascensores SIGE SL. on December 27, 2018 and May 27, 2019, respectively, for a total value of ETHs 5,286. The activity of these companies is the maintenance and repair of elevators, the former in Andorra and the latter in Alicante.

In April 2019, the entities Ascensores Aspe S.A.U. and Cruxent-Edelma, S.L.U., both of which were 100% held by Zardoya Otis, S.A., were merged through the absorption of the former by the latter. The name of the resulting entity was changed to Cruxent Edelma Aspe, S.L.U. This transaction has no effect on the consolidated figures.

If these acquisitions had been made at the beginning of the period, the effect on the main figures of the consolidated income statement and statement of financial position would not have been significant.

5. Financial risk management

Financial risk factors

The Group's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's global risk management program is focused on the uncertainty of the financial markets and trying to minimize any potential adverse effects on the Group's financial profitability.

Risk management is controlled by Group Management in accordance with policies approved by the Board of Directors of the parent company. Management assesses and hedges financial risks in close collaboration with the Group's operating units, in order to:

- Ensure that the most important risks are identified, assessed and managed.
- Ensure an appropriate operating segregation of the risk management functions.
- Ensure that the risk exposure level accepted by the Group in its operations is in line with its risk profile.

a) Market risk

(i) Foreign exchange risk

The Group operates internationally and, therefore, is occasionally exposed to foreign exchange risk arising from transactions in US dollars. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. However, these transactions are not significant and the effect of a change in the interest rate would not have a material effect on the Group's condensed consolidated financial information as of May 31, 2019.

To hedge the foreign exchange risk on future commercial transactions for importing materials, Group companies use forward contracts negotiated with UTC Treasury Center.

The Group holds an investment in foreign currency in Otis Maroc S.A., the net assets of which are exposed to foreign exchange risk. However their value is not significant and the effect of a change in the exchange rate would not have a material effect on the Group's financial statements.

In relation to commercial export and import transactions, the Group is exposed to exchange rate risk that is not significant. At May 31, 2019, there were outstanding balances in currencies other than the euro equivalent to EThs 768 (EThs 1 241 at May 31, 2018).

(ii) Price risk

The Group has only limited exposure to commodity price risk.

Additionally, Group companies do not hold investments in companies outside the Group and, therefore, they are not exposed to securities price risk.

b) Credit risk

The Group has no significant concentrations of risk with customers and there are no significant old credit balances (Note 9). The Group has policies in place to ensure that installation sales are made to customers with appropriate credit histories and, in addition, regular debt-monitoring procedures are conducted by the departments involved in debt collection.

To minimize credit risk, the Group has risk management policies in place to limit the amount of risk with any one financial institution. The credit risk arises from cash and cash equivalents, financial instruments, deposits with financial institutions, debt available for sale and receivables. The banks and financial institutions with which the Group works are of recognized prestige and have high credit ratings.

The amounts of trade receivables are shown in the statement of financial position net of the provision for impairment. At May 31, 2019, said provision was EThs 68,933 (EThs 86,515 at May 31, 2018). The Group estimates the provision in accordance with the age of the debt and experience in earlier years, in line with the previous segregation of the customer portfolio and the current economic environment.

As of May 31, 2019, the Group held current deposits with financial institutions of EThs 8,856 (EThs 10,744 as of May 31, 2018). As stated above these deposits are placed with prestigious financial institutions in Spain and Portugal.

c) Liquidity risk

Conservative liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. For this purpose, Group treasury aims to maintain flexibility in funding by keeping committed credit lines available.

At May 31, 2019, cash and cash equivalents represented EThs 58,101 (EThs 60,131 at May 31, 2018), including amounts held as cash, in banks and as current deposits with financial institutions.

The change in the statement of cash flows in relation to operating, investing and financing activities is shown below:

	05.31.19	05.31.18
Cash at beginning of period	**56,445**	**60,854**
Cash flow from operating activities	83,236	84,808
Cash flow from investing activities	(6,172)	(9,972)
Cash flow from financing activities	(75,409)	(75,559)
Cash at end of period	**58,100**	**60,131**

d) Cash flow and fair value interest rate risk

As the Group does not hold important remunerated assets, income and cash flows from operating activities are substantially independent of changes in market interest rates.

The Group does not use financial derivatives to hedge interest rate risks derived from its activity.

The Group's interest rate risk arises on non-current borrowings tied to variable indexes. The variable interest rate applied to the loans from financial institutions is subject to fluctuations in the Euribor.

As stated in Note 16, the Group did not hold any borrowings at fixed rates at May 31, 2019.

e) Capital risk management

The Group's objectives in relation to capital management are to safeguard its capacity to maintain sustained long-term profitability; to have the capacity to fund both its internal and external growth through acquisitions; to obtain adequate yields for the shareholders and to maintain an optimal capital structure that includes equity, the generation of its own cash from the business in each year and, as far as necessary, borrowings at the lowest cost possible.

The Group considers leverage as a capital management indicator. It is calculated by dividing the net debt by the total capital. The net debt is calculated as total borrowings plus other financial liabilities less cash and cash equivalents less current financial assets.

	05.31.2019	05.31.2018
Borrowings (current and non-current)	282	193
Other current and non-current financial liabilities	12,529	9,175
Cash and cash equivalents	(58,101)	(60,131)
Net financial debt	(45,290)	(50,763)
Equity	388,538	397,454
Leverage (*)	**-0.12**	**-0.15**

(*) (Net financial debt/(Net financial debt + Equity))

At May 31, 2019, the net financial debt represented -0.4630 of EBITDA (-0. 4993 at the end of 2018). (EBITDA = Operating profit plus amortization plus depreciation).

6. Segment reporting

The 2018 consolidated annual financial statements explain the criteria applied to identify and define the Group's operating segments. In the period ended May 31, 2019, there were no changes in these criteria.

Consequently, the segments are the markets of Spain, Portugal and Morocco/North Africa, since each of them is under independent supervision, as set out in IFRS 8.

Zardoya Otis's main goal is service excellence. From this standpoint, the Company is determined to attend to vertical transport customers in all the phases of our product's life, covering elevator design and manufacture, integrating the technological advances that have made us industry leaders, not only for new buildings, but also for existing ones, and including maintenance services and substitutions. Therefore, new sales (and substitutions) and elevator maintenance are not considered separate segments, since they are products and services that complement each other and have the same nature, with an integrated production process, aimed at the same type of customers, and a single distribution network where no distinction is made between them. For the Group, they are a single branch of business that is managed as such, having similar risks and opportunities. Consequently, the segments identified are the geographical differentiation between markets of Spain, Portugal and Morocco/North Africa, since they are under independent supervision, as stipulated in IFRS 8.

The differentiation between the segments corresponds to the structure of the management information that is produced on a monthly basis and revised regularly and is used as a basis for decision-making by Management and the Board of Directors.

May 2019	Sales	Operating profit	Assets: Total Assets	Assets: Amortization/ depreciation	Assets: Non-current investments in assets	Liabilities
Zardoya Otis Group – Spain	360,062	76.650	601,060	9,196	7,440	275,136
Otis Group– Portugal	30,762	11,039	71,124	428	85	28,094
Otis Maroc – Morocco	11,498	1,521	45,605	186	84	26,021
Eliminations – intra-group transactions	(7,470)	(502)	-	-	-	-
Consolidated	394,852	88,708	717,789	9,810	7,609	329,251

May 2018	Sales	Operating profit	Assets: Total Assets	Assets: Amortization/ depreciation	Assets: Non-current investments in assets	Liabilities
Zardoya Otis Group – Spain	351,003	81,413	598,001	8,753	9,757	259,450
Otis Group– Portugal	29,049	10,561	74,053	241	81	25,790
Otis Maroc – Morocco	11,070	1,162	41,730	173	2,457	31,090
Eliminations – intra-group transactions	(6,651)	(631)	-	-	-	-
Consolidated	384,471	92,505	713,784	9,167	12,295	316,330

Additionally, the separate information on the parent company and the subsidiaries is shown below:

May 2019	Sales	Operating profit	%	Non-current investments in assets
Zardoya Otis S.A.	285,446	63,465	22,75	7,440
Spanish Group companies (21 companies)	96,457	13,185	13,67	0
Otis Group and Enor – Portugal (3 companies)	30,762	11,039	35,86	85
Otis Maroc – Morocco	11,498	1,521	13,23	84
Group total	424,163	89,210	21,38	7,609
Eliminations – intra-group transactions	(29,311)	(502)	-	-
Consolidated	394,852	88,708	22,47	7,609

May 2018	Sales	Operating profit	%	Non-current investments in assets
Zardoya Otis S.A.	287,006	70,684	24,63	9,757
Spanish Group companies (21 companies)	82,638	10,729	12,98	-
Otis Group and Enor – Portugal	29,049	10,561	36,36	81
Otis Maroc – Morocco	11,070	1,162	10,49	2,457
Group total	409,763	93,136	22,73	12,295
Eliminations – intra-group transactions	(25,292)	(631)	-	-
Consolidated	384,471	92,505	24,06	12,295

7. Property, plant and equipment

Details of and movement on the different categories of property, plant and equipment are shown in the following table:

	Land & buildings	Machinery	Furniture, accessories & equipment	Total
At November 30, 2017				
Cost	61,867	30,187	68,248	160,302
Accumulated depreciation	(15,909)	(24,543)	(59,757)	(100,209)
Impairment losses				
Net carrying amount	**45,958**	**5,644**	**8,491**	**60,093**
2018				
Business combinations (Note 26)	-	-	-	-
Increases	2,461	348	1,739	4,548
Decreases	(76)	-	(282)	(358)
Depreciation charge	(704)	(536)	(1,362)	(2,602)
Derecognition of accumulated depreciation	55	-	152	207
Impairment losses	-	-	-	-
Other movements	-	-	-	-
	1,736	(188)	247	1,795
At May 31, 2018				
Cost	64,252	30,535	69,705	164,492
Accumulated depreciation	(16,558)	(25,080)	(60,966)	(102,605)
Impairment losses	-	-	-	-
Net carrying amount	**47,693**	**5,455**	**8,739**	**61,887**
At November 30, 2018				
Cost	63,658	28,718	70,988	163,364
Accumulated depreciation	(16,462)	(23,945)	(60,831)	(101,238)
Impairment losses				
Net carrying amount	**47,196**	**4,773**	**10,157**	**62,126**
2019				
Business combinations (Note 26)	-	-	65	65
Increases	-	2,108	877	2,985
Decreases	(203)	-	(314)	(517)
Depreciation charge	(552)	(632)	(1,768)	(2,952)
Derecognition of accumulated depreciation	-	-	47	47
Impairment losses	-	-	-	-
Other movements	-	-	-	-
	(755)	1,476	(1.093)	(372)
At May 31, 2019				
Cost	63,455	30,826	71,616	165,897
Accumulated depreciation	(17,014)	(24,577)	(62.552)	(104.143)
Impairment losses	-			
Net carrying amount	**46,441**	**6,249**	**9.064**	**61.754**

The property, plant and equipment figures include property, plant and equipment in the course of construction for a value of EThs 2,123 (EThs 1,457 in 2018). Of the total property, plant and equipment, net of depreciation, of EThs 61,754 (EThs 61,887 in 2018), a total of EThs 482 is located in Portugal and a total of EThs 2,770 in Morocco (EThs 426 in Portugal and EThs 2,716 in Morocco in 2018). There is no other property, plant and equipment outside Spanish territory.

The Group follows the policy of taking out all the insurance policies deemed necessary to cover any possible risks that could affect, among other items, the property, plant and equipment. At May 31, 2019 and 2018, none of the Group's financial liabilities was secured by property, plant and equipment and, therefore, all the property, plant and equipment was free of any encumbrances.

8. Intangible assets

Details of and movement on the principal types of intangible assets are shown below:

	Maintenance contracts	Goodwill	Other	Total
At November 30, 2017				
Cost	321,571	154,605	17,685	493.861
Accumulated amortization	(149,836)	-	(11,672)	(161.507)
Impairment losses	-	(8,054)	-	(8.054)
Net carrying amount	**171,735**	**146,551**	**6,013**	**324.300**
2018				
Increases	14	-	-	14
Business combinations (Note 26)	3.567	4,166	-	7,733
Decreases	(97)	-	-	(97)
Amortization charge	(6.555)	-	(10)	(6,565)
Impairment losses recognized in period	-	-	-	-
Derecognition of accumulated amortization	97	-	-	97
Other movements	-	-	-	-
	(2.975)	4,166	(10)	1,181
At May 31, 2018				
Cost	325.054	158,771	17,685	501,509
Accumulated amortization	(156.293)	-	(11,682)	(167,975)
Impairment losses	-	(8,054)	-	(8,054)
Net carrying amount	**168.760**	**150,717**	**6,003**	**325,480**

	Maintenance contracts	Goodwill	Other	Total
At November 30, 2018				
Cost	329,301	161,131	19,553	509.985
Accumulated amortization	(162,980)	-	(13,566)	(176.546)
Impairment losses	-	(8,054)	-	(8.054)
Net carrying amount	**166,321**	**153,077**	**5,987**	**325.385**
2019				
Increases	55	-	-	55
Business combinations (Note 26)	4.075	898	-	4,973
Decreases	(117)	-	-	(117)
Amortization charge	(6.821)	-	(37)	(6,858)
Impairment losses recognized in period	-	-	-	-
Derecognition of accumulated amortization	117	-	-	117
Other movements	-	-	-	-
	(2.691)	898	(37)	(1,830)
At May 31, 2019				
Cost	333.314	162,029	19,553	514,896
Accumulated amortization	(169.684)	-	(13,603)	(183,287)
Impairment losses	-	(8,054)	-	(8,054)
Net carrying amount	**163.630**	**153,975**	**5,951**	**323,556**

In the six-month period ended May 31, 2019, the Group carried out the business combinations described in Note 26.

In 2019, increases relate to purchases of maintenance contracts, which were not significant.

At May 31, 2019, there were no indications of a change in the assumptions used for impairment testing in 2017 and, therefore, the recoverable amount (value in use) of each CGU exceeded the carrying amount of its net assets for consolidation purposes.

9. Trade and other receivables

	At May 31		
	2019	**2018**	**11.30.2018**
Trade receivables	188,517	192,504	194,855
Less: provision for impairment of receivables	(68,933)	(86,515)	(85,184)
Trade receivables - net	119,584	105,989	109,671
Amounts due from customers for contract work	41,989	25,394	41,552
Other receivables	9,399	12,227	8,839
Public authorities (Note 13)	9,713	7,718	7,387
Prepayments	4,296	4,268	521
Receivables from related parties (Note 27)	30,672	35,359	45,339
Total	215,653	190,955	213,309

The total amount of the costs incurred at the reporting date was EThs 145,151 (EThs 100,029 in 2018), which includes recognized profits (less recognized losses) of EThs 1,416 for all the contracts in progress (EThs 1,568 in 2018). Trade receivables for contract work were EThs 103,162 (EThs 74,635 in 2018), which was the net amount of the cost incurred at the reporting date and the prepayments received from customers.

Movement on the provision for impairment of receivables was as follows:

	At May 31		
	2019	**2018**	**11.30.2018**
Balance at beginning of period	85,184	89,040	89,040
Provision made (Note 21)	1,088	1,086	1,791
Applications	(2,358)	(2,548)	(3,167)
Reversal of unused provisions	(14,981)	(1,063)	(2,480)
Balance at end of period	68,933	86,515	85,184

Provisions and reversals of provisions appear on the income statement under the “Net other expenses” heading. The net provision recognized in 2019 is -0.32% of Group sales (first semester of 2018: -0.38%).

In the six-month period, the Group reversed provisions of EThs 14,981 (EThs (1,063) in the same period of 2018) with no effect on the income statement. The amount was cancelled against the relevant customer account, since it referred to uncollectible balances.

As an additional breakdown, a summary of receivables aged both less and more than 6 months and not impaired is set forth below:

At May 31, 2019

Thousands of euros	Total	Impaired	Net	Not matured	Matured but not impaired
Less than 6 months	103,226	(753)	102,473	63,621	38,852
Between 6 months and 1 year	16,579	(2,609)	13,969	-	13,969
Between 1 and 2 years	20,475	(17,334)	3,141	-	3,141
More than 2 years	6,800	(6,800)	-	-	-
Under litigation	41,437	(41,437)	-	-	-
Total	**188,517**	**(68,933)**	**119,584**	**63,621**	**55,962**

At May 31, 2018

Thousands of euros	Total	Impaired	Net	Not matured	Matured but not impaired
Less than 6 months	92,700	(704)	91,996	62,546	29,450
Between 6 months and 1 year	9,690	(1,378)	8,311	-	8,311
Between 1 and 2 years	24,752	(19,071)	5,681	-	5,681
More than 2 years	23,959	(23,959)	-	-	-
Under litigation	41,403	(41,403)	-	-	-
Total	**192,504**	**(86,515)**	**105,989**	**62,546**	**43,442**

Additionally, non-current assets include notes to be collected from customers maturing at more than one year for an amount of EThs 3,843 (EThs 3,727 in 2018).

10. Share capital

	No. Shares	Ordinary shares	Total
At November 30, 2017	**470,464,311**	**470,464,311**	**470,464,311**
Capital increase	-	-	-
At May 31, 2018	**470,464,311**	**470,464,311**	**470,464,311**
Capital increase	-	-	-
At November 30, 2019	**470,464,311**	**470,464,311**	**470,464,311**

	No. Shares	Ordinary shares	Total
At November 30, 2018	**470,464,311**	**470,464,311**	**470,464,311**
Capital increase	-	-	-
At May 31, 2019	**470,464,311**	**470,464,311**	**470,464,311**

All the shares of the Group parent belong to the same class and have the same voting rights.

The total number of authorized ordinary shares is 470,464,311, with a par value of 0.10 euros per share (2018: 0.10 euros per share).

All the shares issued have been subscribed and fully paid up as follows:

Shareholder	Shares			% shareholding		
	05/31/2019	**11/30/2018**	**05/31/2018**	**05/31/2019**	**11/30/2018**	**05/31/2018**
United Technologies Holdings, S.A.	235,279,377	235,279,377	235,279,377	50.01	50.01	50.01
Euro-Syns, S.A.	55,015,423	55,015,423	54,861,523	11.69	11.69	11.66
Other non-controlling interests	180,169,511	180,169,511	166,143,880	38.30	38.30	35.32
	470,464,311	470,464,311	470,464,311	100.00	100.00	100.00

All the shares of Zardoya Otis, S.A. are listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges.

11. Treasury shares

At May 31, 2019 and at November 30, 2018, Zardoya Otis, S.A. did not hold any treasury shares.

12. Trade and other payables

	At May 31	
	2019	**2018**
Suppliers	37,945	31,742
Amounts payable to related parties (Note 27)	7,799	18,304
Other payables	11,774	12,768
Invoices not yet received	9,839	15,019
Notes payable	102	226
Amounts received for customers for contracts of maintenance and new equipment.	86,316	76,600
Acquisition commitments	6,886	6,529
Other amounts payable to the Public Treasury (Note 13)	23,617	24,350
Outstanding employee remuneration	28,706	30,588
Other	51,834	42,477
Total	264,818	258,603

Balances payable to related companies are partly denominated in foreign currency. No other significant amounts are payable in foreign currency. The heading "Amounts payable to related parties" includes balances in currencies other than the euro for an amount equivalent to ETHs 768 (ETHs 1 241 in 2018). It also includes the amount of the partial cash distribution of the share premium corresponding to United Technologies Group (Note 27).

In 2019 and 2018, the heading "Other" includes the obligation to shareholders other than United Technologies Group arising from the 4th resolution on the Agenda of the General Shareholders' Meeting of May 2019 and 2018 respectively, which approved a dividend for a gross amount of 0.08 euros per share (dividend for a gross amount of 0.08 euros per share in 2018).).

Additionally, at May 31, 2019 and 2018, the "Other" heading contained the value of the commitment of ETHs 13,071 (2018: ETHs 12,570) relating to the application of IAS 32 and the agreement signed in the purchase of companies in preceding reporting periods.

Likewise, there are non-current acquisition commitments under the heading "Other payables" for ETHs 5,643 (ETHs 2,647 in 2018) with the following maturities:

		Non-current		
A 31 de Mayo 2019	**Current**	**2020**	**2021/22**	**Total**
Acquisitions 2019	220	220	3,028	3,300
Acquisitions until 2018	6,666	1,253	1,090	2,343
	6,886	2,393	254	5,643

		Non-current		
A 31 de Mayo 2018	**Current**	**2019**	**2020/21**	**Total**
Acquisitions 2018	3,183	956	-	956
Acquisitions until 2017	3,346	1,437	254	1,691
	6,529	2,393	254	2,647

13. Public Treasury

	At May 31	
	2019	2018
Receivable balances		
Social Security	1,019	769
Withholdings on investment income	298	362
VAT deductible	445	408
Tax from previous periods	7,337	6,179
	614	
Total (Note 9)	9,713	7,718
Payable balances		
Provision for corporate income tax	70,779	74,611
Payments on account of corporate income tax	(57,874)	(62,372)
Total	12,905	12,239
Public Treasury, withholdings operated	2,806	2,845
Public Treasury, VAT	1,024	2,402
Public Treasury, output VAT	8,511	8,618
Social Security	11,276	10,485
Total (Note 12)	23,617	24,350

14. Deferred taxes

	At May 31	
	2019	2018
Deferred tax assets		
to be recovered after more than 12 months	23,997	23,770
to be recovered within 12 months	680	599
	24,677	24,369
Deferred tax liabilities		
to be recovered after more than 12 months	21,696	21,471
to be recovered within 12 months	1,567	1,551
	23,263	23,022

Gross movement on the deferred tax account was as follows:

	At May 31	
Deferred tax assets	2019	2018
At November 30, 2018	24,197	23,994
Business combinations	-	-
P&L impact	480	375
At May 31, 2019	24,677	24,369

Deferred tax liabilities:		
At November 30, 2018	23,672	24,263
Business combinations	1,019	891
P&L impact	(1,429)	(2,132)
At May 31, 2019	23,263	23,022

Movement on deferred tax assets and liabilities during the period was as follows:

Deferred tax assets	Welfare commitments	Amortization/ depreciation assets	Other	Total
At November 30, 2017	**11,037**	**6,226**	**6,731**	**23,994**
P&L impact	319	137	(81)	375
At May 31, 2018	**11,356**	**6,363**	**6,650**	**24,369**
At November 30, 2018	**10,899**	**6,500**	**6,798**	**24,197**
P&L impact	313	137	30	480
At May 31, 2019	**11,212**	**6,637**	**6,828**	**24,677**

Deferred tax liabilities	Welfare commitments	Amortization/ depreciation assets	Other	Total
At November 30, 2017	**-**	**24,263**	**-**	**24,263**
P&L impact	-	(2,132)	-	(2,132)
Business combinations	-	891	-	891
At May 31, 2018	**-**	**23,022**	**-**	**23,022**

Deferred tax liabilities	Welfare commitments	Amortization/ depreciation assets	Other	Total
At November 30, 2018	**-**	**23,672**	**-**	**23,672**
P&L impact	-	(1,429)	-	(1,429)
Business combinations	-	1,020	-	1,020
At May 31, 2019	**-**	**23,263**	**-**	**23,263**

Deferred taxes are calculated on the temporary differences that arise between the tax bases of the assets and liabilities and their carrying amounts in the consolidated annual financial statements. In order to determine their amounts, tax rates enacted or substantially enacted at the reporting date and expected to apply when the deferred tax asset is realized or the deferred tax liability is settled are used.

15. Welfare commitments

Post-employment commitments held with Group employees, consisting of the payment of social security benefit complements, other retirement benefits and life insurance premiums, are met through group insurance policies and are classified as defined benefit plans.

The liability recognized on the statement of financial position for the defined benefit plans is the present value of the obligation at reporting date less the fair value of the assets attached to the plan. The defined benefit obligation is calculated annually, once the salary adjustment process has concluded in October, by independent actuaries, using the projected unit credit method. The consolidated income statement in these condensed financial statements shows an expense of EThs 992 (2018: EThs 1,017) for this item, presented as employee benefit expenses (Note 19).

At the end of the six-month period, the Company's best estimate of the contributions to be paid in 2019 was EThs 1,984 (EThs 2,005 in 2018).

16. Borrowings

At May 31, 2019 and 2018, the carrying amount of current borrowings from financial institutions was equal to its fair value, since the impact of discounting was not significant. Interest accrued in the six-month period was EThs 42 (2018: EThs 37).

The non-current portion of borrowings, which was EThs 0.00 (2018: EThs 0.00), is shown at amortized cost in accordance with the effective interest rate method. The borrowings mature as follows:

At May 31, 2019:

	Current	2019	2020	Non-current
Borrowings from financial institutions	282	-	-	-
	282	-	-	-

At May 31, 2018:

	Current	2018	2019	Non-current
Borrowings from financial institutions	193	-	-	-
	193	-	-	-

17. Provision for other liabilities and expenses

	At May 31	
	2019	2018
Non-current		
Other commitments with employees	11,395	10,204
Current		
Litigations, customer transactions	175	667
Guarantees for services and contracts	9,369	8,166
Chamber of Commerce and other taxes	1,401	589
	10,945	9,422

The provision for guarantees covers principally service commitments free of charge derived from the signature of contracts by Group companies, usually with a term of less than one year. Risks provided for relate to litigations and other identified risks inherent to the Group's activity.

18. Sales

	At May 31	
	2019	2018
Service	283,444	274,788
New installations	31,634	27,345
Exports	79,426	82,065
Other sales	348	273
Total sales	394,852	384,471

The sales breakdown by activity at May 31, 2019 and 2018 is shown below. This is presented based on the requirements of IFRS 15 (Note 3):

	At May 31, 2019				
	Zardoya Otis Group– Spain	Otis Group– Portugal	Otis Maroc – Morocco	Eliminations – intra-group transactions	Total
Service	252 569	27 458	3 417	-	283 444
New installations	20 404	3 149	8 081	-	31 634
Exports	86 896	-	-	(7 470)	79 426
Other sales	193	154	-	-	347
Total sales	**360 062**	**30 761**	**11 498**	**(7 470)**	**394 851**

	At May 31, 2018				
	Zardoya Otis Group– Spain	Otis Group– Portugal	Otis Maroc – Morocco	Eliminations – intra-group transactions	Total
Service	244 512	27 115	3 161	-	274 788
New installations	17 628	1 808	7 909	-	27 345
Exports	88 716	-	-	(6 651)	82 065
Other sales	147	126	-	-	273
Total sales	**351 003**	**29 049**	**11 070**	**(6 651)**	**384 471**

19. Employee benefit expenses

	At May 31	
	2019	2018
Wages and salaries	98,090	96,178
Social security and other expenses	34,092	32,198
Welfare commitments (Note 15)	992	1,017
	133,174	129,393

Social security and other includes severance payments to employees of EThs 1,188 in 2019 (2018: EThs 1,624).

As from December 1, 2010, the UTC long-term incentive plan for certain Zardoya Otis executives who are also considered as UTC Group executives was also included. This includes UTC share-based compensation (Note 27). The expense recognized for this item in the period ended May 31, 2019 was EThs 247 (EThs 301 in 2018).

20. Raw materials and consumables used

	At May 31	
	2019	**2018**
Materials and subcomponents for installations and services	163,642	150,083
Elimination of intra-group transactions	(29,311)	(25,292)
	134,331	124,791

21. Other net expenses

The breakdown of other net expenses in accordance with their nature is:

	At May 31	
	2019	**2018**
Rentals	8,569	8,679
Repairs and maintenance	1,399	1,423
Insurance premiums	196	199
Advertising and publicity	1,289	1,288
Transport	6,277	6,296
Supplies and other services	7,154	6,429
Independent professionals	1,218	1,184
Subcontracting	1,013	1,133
Other	3,614	4,189
Impairment of receivables (Note 9)	(1,270)	(1,462)
	29,459	29,358

22. Net finance cost

	At May 31	
	2019	**2018**
Interest expense:		
– bank borrowings	(150)	(157)
	(150)	(157)
Interest income:		
– from financial institutions	173	64
	173	64
Net foreign exchange transaction gains / (losses)	(161)	(123)
	(138)	30

23. Income tax

The tax expense calculated in the interim period applies the tax rate that is expected to be applicable to the profit for the full year. The amounts thus estimated may require subsequent adjustments in accordance with the Group's evolution.

	At May 31	
	2019	**2018**
Current tax expenses	22,630	24,077
Deferred taxes (Note 14)	(1,909)	(2,507)
Tax expense	20,721	21,570

	At May 31	
	2019	**2018**
Profit before tax	88,574	92,240
Tax expense	20,721	21,570
Effective tax rate	23.39%	23.38%

24. Earnings per share

Basic earnings per share are calculated, in accordance with IAS 33, by dividing the profit attributable to the owners of the company by the weighted average number of ordinary shares in issue in the period, excluding treasury shares acquired by the Company.

No event that could dilute the earnings per share has occurred.

	At May 31 (EThs)	
	2019	**2018**
Profit attributed to the owners of the Company	67,448	70,296
Weighted average number of ordinary shares in issue during the period	470,464,311	470,464,311
Basic earnings per share	0.1434	0.1494

25. Dividends and partial cash distribution of the share premium

In the 2019 period, the following dividend distributions took place:

	ETHs
1. Interim dividend charged to the 2018 profit paid by Zardoya Otis, S.A.:	
3rd dividend 0.080 euros gross per share. Declared on December 11, 2018 and paid out on January 10, 2019. Shares: 470,464,311 (no treasury shares held). Maximum total: 37,637,144.88 euros	37,637
2. Interim dividend charged to the 2019 profit paid by Zardoya Otis, S.A.:	
1st dividend 0.080 euros gross per share. Declared on March 20, 2019 and paid out on April 10, 2019. Shares: 470,464,311 (no treasury shares held). Maximum total: 37,637,144.88 euros	37,637
3. The General Shareholders' Meeting held on May 22, 2019 approved a dividend charged to voluntary reserves, paid by Zardoya Otis, S.A.:	
2nd dividend: 0.080 euros per share. Approved on May 22, 2019 and paid on July 10, 2019. Shares: 470,464,311 (Treasury shares held: 371.756). Maximum total: 37,607,404.40 euros	37,607

In the 2018 period, the following dividend distributions took place:

	ETHs
1. Interim dividend charged to the 2017 profit paid by Zardoya Otis, S.A.:	
3rd dividend 0.080 euros gross per share. Declared on December 12, 2017 and paid out on January 10, 2018. Shares: 470,464,311 (no treasury shares held). Maximum total: 37,637,144.88 euros	37,637
2. Interim dividend charged to the 2018 profit paid by Zardoya Otis, S.A.:	
1st dividend 0.080 euros gross per share. Declared on March 20, 2018 and paid out on April 10, 2018. Shares: 470,464,311 (no treasury shares held). Maximum total: 37,637,144.88 euros	37,637
3. The General Shareholders' Meeting held on May 23, 2018 approved a dividend charged to voluntary reserves, paid by Zardoya Otis, S.A.:	
2nd dividend: 0.080 euros per share. Approved on May 23, 2018 and paid on July 10, 2018. Shares: 470,464,311 (no treasury shares held). Maximum total: 37,637,144.88 euros	37,637

26. Business combinations

Zardoya Otis, S.A acquired 100% of the shares of Otis-Lliset SLU and Ascensores SIGE SL. on December 27, 2018 and May 27, 2019, respectively, for a total value of EThs 5,286. The activity of these companies is the maintenance and repair of elevators, the former in Andorra and the latter in Alicante.

The total cost of the aforementioned business combination, most of which relates to acquisition of the maintenance portfolio, has been determined provisionally. No other costs are attributable to the business combination, apart from those derived from auditing and the legal expenses of the transfer, which are not material and have been taken to profit and loss for the period.

The amounts recognized for the business combination do not differ from the carrying amounts immediately before the combination, determined in accordance with IFRS.

27. Related-party transactions

United Technologies Holdings S.A. (incorporated in France) holds 50.01% of the shares of Zardoya Otis, S.A. The Group's ultimate parent is United Technologies Corporation (incorporated in the United States), the parent company of United Technologies Holdings, S.A.

Transactions and balances with related parties were as follows:

EThs	**05.31.19**	**05.31.18**
Transactions with Otis Elevator Co		
Royalties	10,277	9,826
Charge to Otis for development engineering centre costs	1,779	1,877
Transactions and balances with Otis Group companies from sales and purchases of goods and services		
Sales and recharged expenses	73,177	79,724
Purchases and incurred expenses	21,702	24,187
Receivables (Note 9)	30,672	35,359
Payables (Note 12)	7,799	18,304

The Group has been party to a technical assistance agreement, "Intellectual Property License Agreement", with Otis Elevator Company since 1999. This agreement allows the Company to use the trademarks and have access to Research & Development activities and global product development. The cost of this agreement is a royalty between 2.1% and 3.5% of sales to end customers.

Additionally, in September 2010, a "Recharge Agreement" was signed with United Technologies Corporation (UTC), which concerned the possibility that certain Zardoya Otis, S.A. executives who were also considered to be UTC group executives, since they held important management responsibilities, should benefit, depending on their performance and the attainment of common objectives of Zardoya Otis, Otis and United Technologies Corporation (UTC), from the UTC long-term incentive plan, which includes UTC share-based compensation schemes. The Agreement is applicable to incentives assigned as from December 1, 2010. The cost, approved by the Audit Committee, is included under the employee benefit expense heading, generating a credit account with Group companies (presented as other provisions in the statement of financial position). At May 31, 2019, the expense for this item was EThs 247 (2018: EThs 301), relating to the fair value of the accumulated assets used as a reference, EThs 5,213 (2018: EThs 4,410).

As of May 31, 2019, the Group did not have the cash and cash equivalents heading for a cash deposit placed by Zardoya Otis, S.A. with United Technologies Intercompany Lending Ireland Designated Activity Company and United Technologies Corporation (parent of Otis Elevator Company) (2018: Eths 11,000). Deposits with group companies in 2018 were cash placements maturing at 30 days, which accrued an average interest rate of 0.01%, approximately 0.01 percentage points higher than the usual market rate.

The global compensation accrued in the period by the members of the Board of Directors was EThs 1,104 (EThs 1,126 in 2018) for all items. The amount accrued by members of Group senior management was EThs 499 (EThs 438 in 2018).

	2019	2018
Fixed compensation	147	144
Variable compensation	195	215
Bylaw-stipulated compensation	533	600
Other non-current benefits.	195	134
Pension plan contributions	34	33
TOTAL	**1,104**	**1,126**

28. Average number of employees in the period

The Group's average number of employees at the end of the six-month period was 5,481 people (4,884 men and 597 women). For the six-month period of 2018, it was 5,301 people (4,715 men y 586 women). The average number of people employed at the end of the period with a disability rating of 33% or more was 50 (43 men and 7 women).

29. Seasonality

The Group has no sales subject to significant variations over the year. In this respect, maintenance revenue is recognized on a straight-line basis when accrued. Consequently, seasonality is not considered material for the purposes of these condensed consolidated interim financial statements.

30. Events after the end of the reporting period

The General Shareholders' Meeting approved the distribution of a dividend charged to voluntary reserves, paid on July 10, 2019 at a rate of 0.080 euros per share (Note 25).

On June, 28, 2019, Zardoya Otis, S.A. acquired 80% of the shares of the company Sociedad Anónima Eleva SL for a value of EThs 7,800. This company is engaged in elevator repair and maintenance in the province of Alicante. Additionally, in the months of June and July 2019, Zardoya Otis, S.A. purchased 922,724 of its own shares with the purpose of making company acqusitions. At the date of approval of this information, it continued to hold 385,869 treasury shares.

ZARDOYA OTIS, S.A

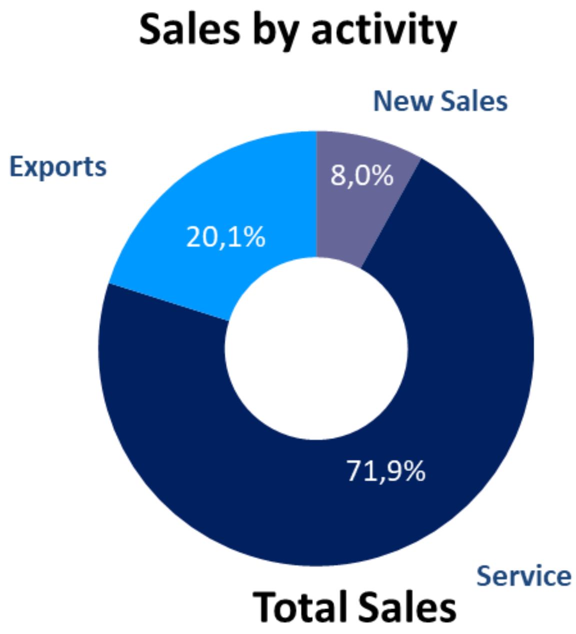
QUARTERLY REPORT FOR

1ST SEMESTER 2019

FISCAL YEAR: DECEMBER 1, 2018 – NOVEMBER 30, 2019

1. BUSINESS EVOLUTION

SALES:

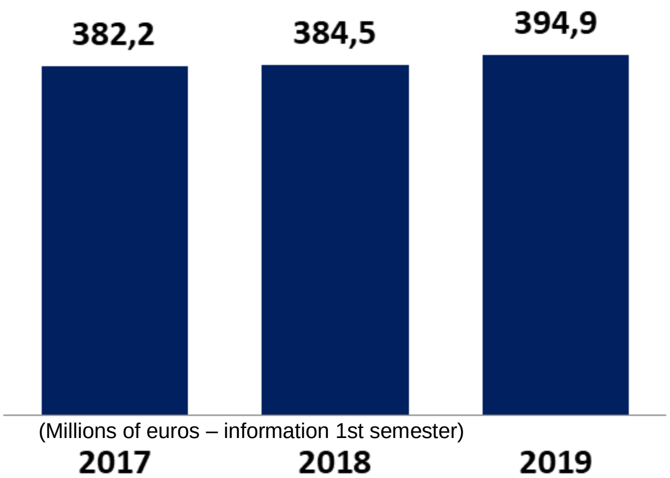


Total consolidated sales for the first semester of 2019 were 394.9 million euros, in comparison with the 384.5 million euros of the first semester of 2018, representing an increase of 2.7%.

New Installations

The value of new installations in the first semester of 2018 was 31.6 million euros, 15.7% up on figure for the first semester of 2018.

In the first semester of 2019, new installations sales accounted for 8.0% of total sales (7.1% in the first semester of 2018).



Service

Consolidated service sales totalled 283.8 million euros (275.1 million euros in the first semester of 2018), showing a 3.2% increase on the figure obtained in same period of 2018. We have been showing continuous growth in our main activity since the first quarter of 2018.

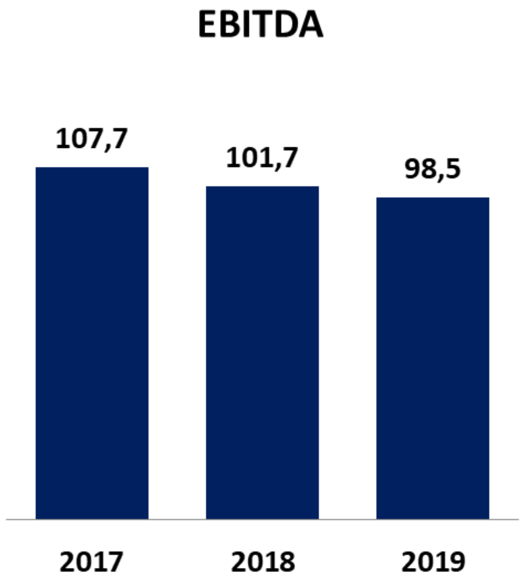
The service activity represented 71.9% of the Group's total billing in the first semester of 2019 (71.5% in the first semester of 2018).

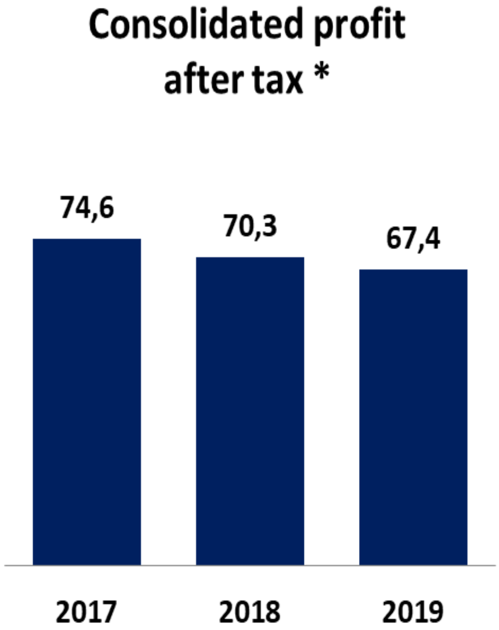
Exports. Net consolidated export sales were 79.4 million euros (82.1 million euros in the first semester of 2018), 3.2% down on the figure obtained in the first semester of

2018. The work completion and order rates in Turkey, the Middle East and Latin America, regions to which we export, are lower than forecast.

In the first semester of 2019, exports represented 20.1% of Group consolidated sales (21.3% in the first semester of 2018).

RESULTS:





(Millions of euros – information 1st semester)

EBITDA (operating profit plus amortization and depreciation) for the first semester of 2017 was 98.5 million euros, 3.1% lower than the 2018 figure.

Consolidated profit after tax was 88.6 million euros, 4.0% down on the same period of 2018.

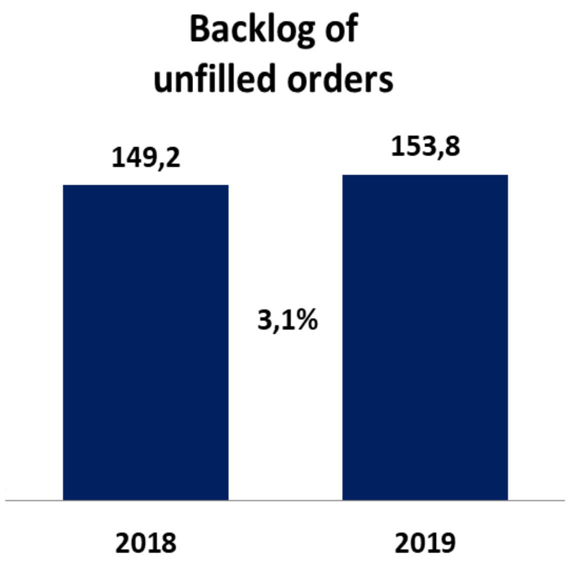
Profit after tax was 67.4 million euros, 4.1% below the 70.3 million euros obtained in the same period of 2018.

The decrease in exports in this quarter had an adverse impact on our profit.

** Consolidated profit after tax on continuing operations attributable to the Company's shareholders for the first semester of each fiscal period.*

To meet the demand of our new installations market, in 2018, we expanded our assembly area, which entailed investment in hiring and training our human capital and affected our profit for the first quarter in comparison with the same period of 2018. For Zardoya Otis, training our assembly team is a fundamental priority in order for our installations to meet the required quality and safety standards.

2. OTHER KEY DATA:



Orders received and backlog of unfilled orders

In the six-month period, the orders received for modernizations and new installations, including both new and existing buildings, was 107.2 million euros, showing an increase of 9.0% on the same period of 2018.

The backlog of unfilled orders in the first semester of 2019 was 153.8 million euros, an increase of 3.1% on the same period of 2018.

These two variables continue to rise, which will provide us with future growth in our domestic markets.

Units under maintenance

We ended the first semester of 2019 with 290,802 units under maintenance, showing 1.6% growth on the first semester of 2018.

** Includes the figures for New Sales and Modernizations.*

At the end of the first six months, the Zardoya Otis Group had reached its highest levels of growth in its maintenance portfolo and achieved a world record in the sector, since it had surpassed the figure of 250,000 units under maintenance in Spain. This unprecedented milestone also allowed the Group to exceed 290,000 units at consolidated level.

3. DIVIDENDS

In the first semester, three quarterly dividends were approved as follows:

Date	Gross per share	Charged to	Shares entitled to dividend	Gross total
Dividends:				
Jan. 10	0.080 euros	3rd interim 2018	470,464,311	37,637,144.88 €
April 10	0.080 euros	1st interim 2019	470,464,311	37,637,144.88 €
July 10 (*)	0.080 euros	Reserves	470,464,311	37,637,144.88 €
Treasury stock			(371,756)	(29,740.48) €
Total			470,092,555	36,607,404.4 €
Total received by owners				**112,881,694.16 €**

4. TREASURY SHARES

At May 31, 2019, Zardoya Otis, S.A. did not hold any treasury shares.

5. FINANCIAL RISK MANAGEMENT FIRST AND SECOND SEMESTER 2019

The Group's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's global risk management program is focused on the uncertainty of the financial markets and trying to minimize any potential adverse effects on the Group's financial profitability.

(*) Dividend charged to reserves approved at the Ordinary Ganeral Shareholders' Meeting on May 22, 2019.

Risk management is controlled by Group Management in accordance with the supplementary information to the annual corporate governance report as of November 30, 2018. Management assesses and hedges financial risks in collaboration with the Group's operating units, in order to:

- Ensure that the most important risks are identified, assessed and managed,

- Ensure an appropriate operating segregation of the risk management functions,
- Ensure that the risk exposure level accepted by the Group in its operations is in line with its risk profile.

Note 5 of the condensed consolidated interim financial statements includes an analysis of the Group's exposure to said risks in the six-month period ended May 31, 2019, which Management does not consider to have changed significantly in comparison with that described in the consolidated annual financial statements for 2018.

6. SIGNIFICANT EVENTS IN THE FIRST SEMESTER OF 2019 AND AFTER THE END OF THE REPORTING PERIOD

Zardoya Otis, S.A. acquired 100% of the shares of Otis Lliset SLU (December 27, 2018) and Ascensores SIGE SL. (May 27, 2019), as well as 80% of the company Ascensores Eleva SL. (June 28, 2019), for a total amount of ETHs 13,086. The companies are engaged in elevator maintenance and repair and, while the first of them operates in Andorra, the other two operate in Alicante. The acquisition of Ascensores Eleva SL was partially settled using treasury shares.

7. EXHIBIT – KEY FIGURES:

At the end of the first semester of 2019 (December 1, 2018 to May 31, 2019), the total consolidated figures and the comparison thereof with those for the same period of 2018 were as follows:

Key Data, 1st Semester 2019

Consolidated figures in millions of euros

Results	2019	2018	% variance 19/18
EBITDA	98,5	101,7	(3,1)
Profit before tax	88,6	92,2	(4,0)
Profit after tax	67,4	70,3	(4,1)

Sales	2019	2018	% variance 19/18
New Installations	31,6	27,3	15,7
Service	283,8	275,1	3,2
Exports	79,4	82,1	(3,2)
Total	394,9	384,5	2,7

Orders received and backlog of unfilled orders (*)	2019	2018	% variance 19/18
Orders received	107,2	98,6	8,7
Backlog	153,8	149,2	3,1

Units under maintenance	2019	2018	% variance 19/18
Units under maintenance	290.802	286.236	1,6

(*) Includes New Installations and Modernizations