

ZARDOYA OTIS, S.A.
Calle del Golfo de Salónica, 73
Madrid

COMISIÓN NACIONAL DEL MERCADO DE VALORES

Market Area Division
Calle Edison, 4
Madrid

For the attention of the Director of the Market Area Division

Madrid, April 12, 2019

RELEVANT EVENT

Notice of the Ordinary General Shareholders' Meeting of Zardoya Otis, S.A.

In compliance with articles 227 and 228 of Royal Legislative Decree 4/2015 of October 23, whereby the revised text of the Securities Market Law was approved, Zardoya Otis, S.A. (the "**Company**") informs you that, at its meeting of April 11, 2019, the Board of Directors passed a resolution to call the Company's Ordinary General Shareholders' Meeting at 12:00 noon on May 21, 2019, on the first call, in the Auditorium of Edificio Castellana 81, Paseo de la Castellana, 81 - 28046 Madrid, or, on the second call, on May 22, 2019 at the same time in the same place (expected to be held on the second call).

In this respect, the following documents relating to the General Meeting are attached hereto:

1. Notice of the Ordinary General Shareholders' Meeting.;
2. Full text of the Board's motions to be passed, if appropriate, by the Ordinary General Shareholders' Meeting;
3. Individual and consolidated annual financial statements and management reports for the Company and its consolidated group, which will be submitted for the approval of the Ordinary General Shareholders' Meeting, as well as the relevant audit reports;
4. Annual Corporate Governance Report for the 2018 reporting period (which, in accordance with the Capital Companies Law, article 538, has been included in a separate section of the management report);
5. Annual Director Compensation Report for the reporting period ended November 30, 2018;
6. Auditor Independence Report prepared by the Audit Committee in 2018;
7. Report on the operation of the Audit Committee during the reporting period ended November 30, 2018;
8. Report on the operation of the Nominating and Compensation Commission during the reporting period ended November 30, 2018;

9. Report from the Board of Directors in relation to the motion for the (i) ratification of Mr Patrick Martin as a proprietary director, (ii) re-election Mr José Miguel Andrés Torrecillas as an independent director; (iii) re-election Mr José María Loizaga as an “other external director”; (iv) re-election Mr Alberto Zardoya as a proprietary director; (v) re-election Euro-Syns, S.A. as a proprietary director, and recording of the continuity of its personal representative; (vi) re-election of Otis Elevator Company as a proprietary director, and recording of the continuity of its personal representative; (vii) re-election Mr Patrick Blethon as a proprietary director; (viii) appointment of Ms Eva Castillo Sanz as an independent director;
10. Report from the Nomination and Compensation Commission in relation to the motion for the ratification of Mr Patrick Martin as a proprietary director;
11. Proposal from the Nomination and Compensation Commission in relation to the motion for the re-election of Mr José Miguel Andrés Torrecillas as an independent director;
12. Report from the Nomination and Compensation Commission in relation to the motion for the re-election of Mr José María Loizaga as an “other external director”;
13. Report from the Nomination and Compensation Commission in relation to the motion for the re-election of Mr Alberto Zardoya as a proprietary director;
14. Report from the Nomination and Compensation Commission in relation to the motion for the re-election of Euro-Syns, S.A. as a proprietary director, and recording of the continuity of Mr Pedro Saínz de Baranda as its personal representative;
15. Report from the Nomination and Compensation Commission in relation to the motion for the re-election of Otis Elevator Company as a proprietary director, and recording of the continuity of Ms Nora LaFreniere as its personal representative
16. Report from the Nomination and Compensation Commission in relation to the motion for the re-election of Mr Patrick Blethon as a proprietary director;
17. Proposal from the Nomination and Compensation Commission in relation to the motion for the appointment of Ms Eva Castillo Sanz as an independent director;
18. Rules on distance voting and proxies;
19. Forms to be used for proxy and distance voting;
20. Total number of shares and voting rights that exist at the date the notice is issued; and
21. Model of attendance, proxy granting and distance voting card.

We inform you that both the individual and consolidated annual financial statements and management reports for the reporting period ended November 30, 2018 (together with their respective audit reports) that are to be submitted for the approval of the General Meeting, as well as the Annual Corporate Governance report for said period (which, in accordance with article 538 of the Capital Companies Law, has been attached to the management report as an exhibit) have been sent to the National Securities Market Commission and made available to

shareholders on the Company's corporate website (<http://www.otis.com/es/es/accionistas-inversores/>).

The aforementioned documents relating to the Ordinary General Shareholders' Meeting and the rest of the information required under article 518 of the Capital Companies Law will be published on the Company's corporate website (<http://www.otis.com/es/es/accionistas-inversores/>) and will be available uninterruptedly until the Ordinary General Shareholders' Meeting is held.

Finally, it should be noted that the notice of the Ordinary General Shareholders' Meeting will be published in the next few days with the legally-required notice period in the national newspaper *Expansión*.

Yours faithfully,

Lorea García Jáuregui
Secretary of the Board of Directors

General Shareholders' Meeting 2019

* * * * *

Notice of the Ordinary General Shareholders' Meeting

OTIS
ZARDOYA OTIS, S.A.

ZARDOYA OTIS, S.A.

NOTICE OF THE GENERAL SHAREHOLDERS' MEETING

Pursuant to the provisions of the Bylaws, the Regulations of the General Shareholders' Meeting and the Capital Companies Law, the Board of Directors of Zardoya Otis, S.A. (the "**Company**"), at its meeting of April 11, 2019, passed a resolution to call the Ordinary General Shareholders' Meeting to be held, on the first call, on May 21, 2019 at 12:00 noon in the Auditorium of Edificio Castellana 81, Paseo de la Castellana 81 - 28046 Madrid, or, as expected, on the second call, on May 22, 2019 at the same time and in the same place, in order to deliberate and, if appropriate, adopt the motions contained on the following

AGENDA

1. Examination and, if appropriate, approval of the annual financial statements and management reports of both the Company and its consolidated group for the period running from December 1, 2017 to November 30, 2018.
2. Application of the profit for the period running from December 1, 2017 to November 30, 2018.
3. Approval of the performance of the Board of Directors and, in particular, of the distribution of dividends charged to the profit for the period running from December 1, 2017 and November 30, 2018.
4. Approval of the distribution of a dividend charged to reserves for a gross amount of 0.08 euros per share.
5. Consultative ballot on the 2018 Annual Director Compensation Report in accordance with the provisions of the Capital Companies Law, article 541.
6. Determination of the applicable percentage in relation to remuneration via profit-sharing, in accordance with the Capital Companies law, article 218.
7. Re-appointment of the auditors for the Company and its consolidated group for the period running from December 1, 2018 to November 30, 2019.
8. Ratification, appointment, re-election and/or recording of personal representative, as appropriate, of the following members of the Board of Directors:
 - 8.1. Ratification of Patrick Jean Roland Martin, who was appointed by co-optation, as a proprietary director.
 - 8.2. Re-election of Mr José Miguel Andrés Torrecillas as an independent director.
 - 8.3. Re-election of Mr José María Loizaga Viguri as an "other external director".
 - 8.4. Re-election of Mr Alberto Zardoya Arana as a proprietary director.
 - 8.5. Re-election of Euro-Syns, S.A., as a proprietary director and recording of the continuity of its personal representative.
 - 8.6. Re-election of Otis Elevator Company as a proprietary director. and recording of the continuity of its personal representative.
 - 8.7. Re-election of Mr Patrick Blethon as a proprietary director.
 - 8.8. Appointment of Ms Eva Castillo Sanz as an independent director.

9. Delegation to the Board of Directors of the interpretation, rectification, execution, formalization and registration of the resolutions passed.
10. Requests and questions.
11. Approval of the Minutes.

SUPPLEMENT TO THE NOTICE AND SUBMISSION OF MOTIONS

In accordance with article 519 of the revised text of the Capital Companies Law, approved by Royal Legislative Decree 1/2010 of July 2 and amended by Law 31/2014 of December 3 to improve corporate governance (“**Capital Companies Law**”), shareholders representing at least three percent of the share capital may: (i) request that a supplement to this Notice be published including one or more items on the Agenda, provided that the new items are accompanied by an explanation or, if applicable, a reasoned motion; and (ii) submit reasoned motions on items that are already included on the Agenda or should be included thereon.

This right shall be exercised by a notification, sent by reliable means, received at the Company’s registered office (Calle Golfo de Salónica, 73) within the five days following publication of the Notice. The notification shall state the identity of the shareholder or shareholders exercising the right and the number of shares they own and shall attach the relevant documentation –a copy of the attendance card or certificate of entitlement– that evidences their shareholder status, in order for this information to be checked against the information provided by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación, S.A.U. (“**Iberclear**”), together with the content of the item or items that the shareholder wishes to raise or the content of the motion or motions the shareholder proposes.

The Supplement to the Notice shall be published at least fifteen days prior to the date on which the Meeting is scheduled to be held.

The foregoing does not affect the right of any shareholder to put forward alternative proposals or proposals on items that are not required to appear on the Agenda in the course of the Ordinary General Meeting in the terms provided for in the Capital Companies Law.

RIGHT TO ATTEND

Shareholders may attend the Ordinary General Shareholders’ Meeting irrespective of the number of shares they own.

To attend the General Shareholders’ Meeting, it shall be an essential requirement to prove share ownership by means of a certification of entitlement or equivalent document issued by Iberclear or the participating entities authorized to do so, issued five days prior to the date of the General Meeting, pursuant to article 15 of the Bylaws, article 5 of the Regulations of the General Shareholders’ Meeting and article 179 of the Capital Companies Law.

Since it is likely that the General Shareholders’ Meeting will be held on the second call, for the purposes of the provisions of article 517 of the Capital Companies Law, it should be noted that shareholders must have the shares recorded in their name no later than May 17, 2019.

In order to confirm the identity of the shareholders or the persons holding valid proxies from them, at the entrance to the premises where the General Shareholders’ Meeting is held, those attending may, in addition to providing their attendance card, be requested to prove their identity by providing their national identity document or any other official document in force that the Company deems appropriate in this respect.

PROXY AND VOTING RIGHTS

Right to grant proxy and proxy-granting from a distance

Any shareholder entitled to attend may be represented at the General Shareholders' Meeting by another person, who need not be a shareholder. Proxy shall be conferred in writing specifically for the General Meeting pursuant to article 15 of the Bylaws, article 6 of the Regulations of the General Shareholders' Meeting and articles 184 and 522 et seq. of the Capital Companies Law.

In particular, proxy may be granted from a distance, although only proxies conferred as follows shall be valid:

- (A) By written postal correspondence, sending to the Company (Zardoya Otis, S.A., - **SHAREHOLDERS**-, Calle Golfo de Salónica, 73, 28033 Madrid) the certificate of entitlement or equivalent document issued by Iberclear (or the participating entity thus authorized), together with the pertinent attendance, proxy and voting card, which may be downloaded from the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>), duly signed and completed by the shareholder.
- (B) Using means of electronic distance communication that duly guarantee the proxy attributed and the identity of the principal. Proxy granted by these means shall be admitted when the electronic document whereby it is conferred includes the recognized electronic signature or the advanced electronic signature of the principal, in the terms set forth in Law 59/2003 of December 19 on Electronic Signatures, based on a recognized electronic certificate of which no revocation is recorded and which is issued by the Spanish Public Certification Authority (CERES), an entity that reports to the Fábrica Nacional de Moneda y Timbre (the Spanish Mint). The user certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when proxy is granted. Any shareholder who has an electronic signature and meets the above requirements and identifies him/herself with said electronic signature may grant proxy by means of an electronic communication in accordance with the instructions and procedures that are specified on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>), which include the forms to be used for this purpose.

To be valid, proxy granted by either of the means of distance communication mentioned above must be received by the Company before midnight on the day preceding the date on which the Ordinary General Shareholders' Meeting is scheduled to be held on the first call. Otherwise, the proxy shall be deemed not to have been granted.

In the event that the shareholder is a legal person, it must (i) simultaneously provide a notary's certificate stating that the powers of attorney that support the authorization of the person to whom proxy has been granted by postal correspondence or electronic distance communication are sufficient; and (ii) notify the Company of any change or revocation of the powers held by its representative, the Company thus declining any liability until such notification has been made.

The shareholder granting proxy by postal correspondence or electronic distance communication undertakes to inform the designated proxy-holder of the proxy granted in his/her favour.

In the event that a shareholder grants proxy to the Company, the directors or the Secretary of the Board by postal correspondence or electronic means of distance communication, but does not include therein instructions for casting the vote or there are doubts as to the recipient or scope of the proxy, it shall be considered that the

proxy: (i) is granted in favour of the Chairman of the Board of Directors or, in the event that the latter has a conflict of interest, in favour of the Deputy Chairman of the Board of Directors, unless otherwise stated by the shareholder; (ii) refers to all the motions on the Agenda of the General Meeting; (iii) casts a vote in favour of said motions; and (iv) likewise includes any points that may be raised off the Agenda, in respect of which the proxy-holder will vote in the manner he/she considers most favourable to the principal's interests.

In the event that the proxy-holder has, from a legal standpoint, a conflict of interest when voting on any of the proposals that are submitted to the General Meeting on or off the Agenda, the proxy will be deemed to have been granted to the Chairman of the Meeting or, in the event that the Chairman is likewise affected by the conflict of interest, to the Secretary of the Board of Directors, unless the shareholder granting the proxy states otherwise (in which case the shareholder will be deemed not to have authorized the substitution).

A proxy-holder may only vote on behalf of his/her principals by attending the General Meeting in person. For this purpose, on the day and in the place of the General Meeting, the designated proxy-holder must identify him/herself with his/her current national identity card or passport, so that the Company may verify the proxy granted in his/her favour, accompanied by a copy of said proxy and, if the shareholder is a legal person, a copy of the notary's certificate of the power of attorney.

Proxy granted by postal correspondence or using means of electronic distance communication may be declared null: (i) if it is expressly revoked by the shareholder, using the same means as employed to grant the proxy, within the term fixed for granting it; (ii) by the shareholder attending the General Meeting in person; or (iii) due to transfer of the shares ownership of which conferred the right to grant the proxy and the right to vote, when the Company is aware of said transfer at least five days before the General Meeting is held. At any event, proxies granted after a distance vote has been cast shall be deemed not to have been granted.

When a proxy-holder holds proxies from several shareholders, he/she may cast different votes in accordance with the instructions received from each one of the shareholders.

Likewise, entities that hold shareholder status according to the accounting register of shares but which act on behalf of different persons may, at any event, divide their vote and cast it differently in accordance with the different voting instructions they have received, if applicable. These intermediary entities may grant proxy to each one of the indirect shareholders or to third parties designated by the latter and there is no limit on the number of proxies they may grant. To do this, they must, within the seven days preceding the date on which the General Meeting is scheduled to be held, provide the Company with a list stating the identity of each client, the number of shares in respect of which they are exercising voting rights on behalf of each client and the voting instructions received, if applicable, in order to determine how their vote will be cast.

Distance voting

Shareholders entitled to attend and vote may cast their vote on the motions on items included on the Agenda using the following means of distance communication:

- (A) By written postal correspondence, sending to the Company (Zardoya Otis, S.A., - **SHAREHOLDERS**-, Calle Golfo de Salónica, 73, 28033 Madrid) the certificate of entitlement or equivalent document issued by Iberclear (or the participating entity thus authorized), together with the pertinent attendance, proxy and voting card, which may be downloaded from the Company's website

(<http://www.otis.com/es/es/accionistas-inversores/>), duly signed and completed by the shareholder.

- (B) By electronic means of distance communication, provided that the electronic document whereby the vote is cast includes the recognized electronic signature or the advanced electronic signature of the principal, in the terms set forth in Law 59/2003 of December 19 on Electronic Signatures, based on a recognized electronic certificate of which no revocation is recorded and which is issued by the Spanish Public Certification Authority (CERES), an entity that reports to the Fábrica Nacional de Moneda y Timbre (the Spanish Mint). The user certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when the vote is cast. Any shareholder who has an electronic signature that meets the above requirements and identifies him/herself with said electronic signature may cast his/her vote on the items of the Agenda for the General Meeting in accordance with the instructions and procedures that are specified on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>), which include the forms to be used for this purpose.

Votes cast by either of the means mentioned above shall not be valid if they are not received by the Company at least twenty-four hours before the date on which the Ordinary General Shareholders' Meeting is scheduled to be held on the first call. Votes received after said deadline shall be deemed not to have been cast.

In the event that the shareholder is a legal person, it must (i) simultaneously provide a notary's certificate stating that the powers of attorney that support the authorization of the person to whom proxy has been granted by postal correspondence or electronic distance communication are sufficient; and (ii) notify the Company of any change or revocation of the powers held by its representative, the Company thus declining any liability until such notification has been made.

A shareholder who casts his/her vote by postal correspondence or electronic means of distance communication and does not mark any of the boxes provided for indicating his/her vote on the items on the Agenda shall be deemed to wish to vote in favour of the respective motions put forward by the Board of Directors.

Shareholders who cast a distance vote in the terms stated in the Bylaws and the Regulations of the General Meeting shall be deemed to be present at the General Meeting for quorum purposes. In consequence, proxies granted previously shall be deemed to have been revoked and those granted subsequently shall be deemed not to have been granted

A distance vote can only be declared null (i) if it is subsequently expressly revoked by the same means as was employed to cast it within the term fixed for distance voting, (ii) by the attendance of either the shareholder who cast the distance vote or a proxy-holder of said shareholder at the meeting; or (iii) due to transfer of the shares ownership of which conferred the right to vote, when the Company is aware of said transfer at least five days before the date on which it is planned to hold the General Meeting.

Rules common to granting proxy and voting by means of distance communication

- (A) The validity of the proxy granted and the vote cast by distance communication is subject to verification of the shareholder's status as such with the file provided by Iberclear, the entity responsible for the accounting register of the Company's shares. In the event of any discrepancy between the number of shares stated by the shareholder granting proxy or casting his/her vote by distance communication and the number stated in the account entry registers notified by Iberclear, the

number of shares stated by the latter shall be considered valid for quorum and voting purposes unless there is evidence to the contrary.

- (B)** The following rules on the order of priority of proxy voting, distance voting and presence at the General Meeting are established: (i) the attendance of the General Meeting in person by a shareholder who has previously granted proxy or cast a distance vote, irrespective of the manner in which the vote was cast, shall cause said proxy or vote to be null; (ii) when the shareholder validly grants proxy through an electronic communication and, furthermore, also grants proxy through a printed attendance card issued by Iberclear (or the participating entity thus authorized), the latter shall prevail over the proxy granted by electronic communication, regardless of the respective dates of granting; (iii) in the event that a shareholder validly grants several proxies or casts several votes by electronic communication, the last proxy granted or last vote cast that is received by the Company within the term allowed shall prevail; and (iv) both proxies and distance votes shall be null if the shares that confer the right of attendance are disposed of and the Company is aware of this at least five days before the date on which it is planned to hold the Ordinary General Meeting.
- (C)** Custody of his/her electronic signature is solely the shareholder's responsibility.
- (D)** The Company reserves the right to change, suspend, cancel or restrict the mechanisms for voting and granting proxy from a distance when technical or security reasons require or force this to be done.
- (E)** The Company shall in no case be liable for any damages that may be caused to the shareholder by breakdowns, overloads, lines down, connection failures, malfunctions of the postal service or any other contingencies of the same or a similar nature, beyond the Company's control, that hinder or prevent the use of the mechanisms for voting and granting proxy from a distance.
- (F)** Any of the co-owners of a share deposit may vote, grant proxy or attend and the rules on priority established above shall be applicable among them. For the purposes of article 126 of the Capital Companies Law, it is assumed that the co-owner who carries out an action (granting of proxy, voting or attendance) at any given moment has been designated by the rest of the co-owners to exercise the rights that correspond to him as a shareholder.

RIGHT TO INFORMATION

In compliance with articles 272, 287 and 518 of the Capital Companies Law, article 13 of the Bylaws and article 5 of the Regulations of the General Shareholders' Meeting, shareholders who so wish may, as from publication of this notice, examine and obtain the full text of the Notice and all the motions, free of charge and immediately, at the registered office (Calle Golfo de Salónica, 73, 28033 Madrid), from 9:00 to 14:00 on working days, notwithstanding the fact that the motions may be amended up until the date on which the General Meeting is held.

In particular, the following documents are included:

- (A)** Full text of the Notice and of all the motions (including any that may, if applicable, be proposed by shareholders), notwithstanding the fact that the motions may be amended up until the date on which the General Meeting is held;
- (B)** The annual financial statements and management reports of both the Company and its consolidated group that will be submitted for the approval of the Ordinary General Meeting, together with the respective account auditors' reports;
- (C)** The proposed application of the profit;

- (D) 2018 Annual Corporate Governance Report (which, in accordance with article 538 of the Capital Companies Law, is included in the management report in a separate section);
- (E) 2018 Director Compensation Report;
- (F) 2018 Auditor Independence Report prepared by the Audit Committee;
- (G) Report on the operation of the Audit Committee during the reporting period ended November 30, 2018;
- (H) Report on the operation of the Nominating and Compensation Commission during the reporting period ended November 30, 2018;
- (I) Board of Directors' report in relation to the motions for: (i) ratification of Mr Patrick Martin as a proprietary director; (ii) re-election of Mr José Miguel Andrés Torrecillas as an independent director, (iii) re-election of Mr José María Loizaga Viguri as an "other external director", (iv) re-election of Mr Alberto Zardoya Arana as a proprietary director, (v) re-election of Euro-S.A. as a proprietary director and recording of the continuity of its personal representative, (vi) re-election of Otis Elevator Company as a proprietary director and recording of the continuity of its personal representative, (vii) re-election of Mr Patrick Blethon as a proprietary director, and (viii) appointment of Ms Eva Castillo Sanz as an independent director.
- (J) Nominating and Compensation Commission's report on the motion for ratification of Mr Patrick Martin as a proprietary director;
- (K) Nominating and Compensation Commission's report on the motion for re-election of Mr José Miguel Andrés Torrecillas as an independent director;
- (L) Nominating and Compensation Commission's report on the motion for re-election of Mr José María Loizaga Viguri as an "other external director";
- (M) Nominating and Compensation Commission's report on the motion for re-election of Mr Alberto Zardoya Arana as a proprietary director;
- (N) Nominating and Compensation Commission's report on the motion for re-election of Euro-Syns, S.A. as a proprietary director and the continuity of Mr Pedro Sanz de Baranda as its personal representative;
- (O) Nominating and Compensation Commission's report on the motion for re-election of Otis Elevator Company as a proprietary director and the continuity of Ms Nora LaFreniere as its personal representative;
- (P) Nominating and Compensation Commission's report on the motion for re-election of Mr Patrick Blethon as a proprietary director;
- (Q) Nominating and Compensation Commission's proposal in relation to the appointment of Ms Eva Castillo Sanz as an independent director;
- (R) Rules on distance voting and proxies;
- (S) Forms to be used for distance and proxy voting;
- (T) Total number of shares and voting rights existing at the date of the Notice; and
- (U) Model of the attendance, proxy and distance voting card.

Any shareholder shall likewise be entitled to request that said documents be sent to him/her free of charge or to consult the aforementioned documents and the other documents mentioned in article 518 of the Capital Companies Law, which will be displayed uninterruptedly on the Company's website

<http://www.otis.com/es/es/accionistas-inversores/>) as from publication of the notice of the Ordinary General Meeting until said meeting is held.

In accordance with articles 197 and 520 of the Capital Companies Law and article 5 of the Regulations of the General Shareholders' Meeting, until the fifth day before the date on which the Ordinary General Meeting is scheduled to be held or in the course of the Meeting itself, shareholders may request the Board of Directors (i) for any information or clarification they deem necessary on the items included on the Agenda, or ask any questions they consider relevant thereon in writing; (ii) any clarification they deem necessary in relation to the publicly-available information that the Company has provided to the National Securities Market Commission since the last General Meeting was held and/or the account auditor's report.

The directors are obliged to provide the information in writing up to the date on which the General Meeting is held.

In the course of the Ordinary General Meeting itself, shareholders may orally request any information or clarification they see fit on the items included on the Agenda, in such a way that, if it is not possible to satisfy the shareholder's right at that moment, the directors will be obliged to provide the information in writing within the seven days following the conclusion of the Ordinary General Meeting.

The Board of Directors shall be obliged to provide the information requested in accordance with the preceding paragraphs except in cases where this information is unnecessary to protect the shareholders' rights, there are solid reasons for considering that it could be used for purposes outside the Company or making it public would damage the Company itself or its related companies.

When, before a specific question is asked, the information requested is clearly, explicitly and directly available to all shareholders on the Company's website in question-answer format, the Board of Directors may limit its reply to referring the shareholder to the information provided in said format.

Notwithstanding the foregoing, information shall not be refused when the request is supported by shareholders representing at least twenty-five percent of the share capital.

ELECTRONIC SHAREHOLDER FORUM

In accordance with the provisions of article 539 of the Capital Companies Law, the Board of Directors has decided that the rules of operation for the Electronic Shareholder Forum published on the Company's website and available to shareholders at the registered office, shall be applied to the Ordinary General Shareholders' Meeting as from the date on which the notice of said Meeting is published.

DATA PROTECTION

Personal data that shareholders send to the Company in order to exercise their rights to attend or be represented at the General Meeting or that are provided for this purpose by the entities with which said shareholders' shares are deposited through the entity legally authorized to keep the register of book entries, Iberclear, will be processed by the Company in order to manage the running, compliance and control of the shareholder relationship that exists, together with the attendance at and running of the Ordinary General Meeting and, if applicable, compliance with any rules to which Zardoya Otis, S.A. may be subject.

In order to manage the shareholder relationship that exists, Zardoya Otis, S.A. will send information to shareholders, including information sent electronically, strictly related to the shareholders' investment and the Company's evolution.

The rights of access rectification, opposition and/or cancellation may be exercised by means of a letter, accompanied by a copy of the national identity card, addressed to the registered office (Calle Golfo de Salónica, 73, 28033 Madrid) for the attention of the Secretary of the Board of Directors.

In the event that the shareholder includes personal data referring to other natural persons on the assistance, proxy and distance voting card, the shareholder must inform them of the points contained in the preceding paragraphs and meet any other requirements that may be applicable in order to furnish the personal data to Zardoya Otis, S.A. correctly, without the need for the latter to take any additional action in terms of information or consent.

EXPECTED DATE AND TIME OF THE GENERAL SHAREHOLDERS' MEETING

The Ordinary General Shareholders' Meeting is expected to be held on the **SECOND CALL**, i.e. on May 22, 2019, in the place and at the time mentioned above.

MAY 22, 2019

MOTIONS FOR ORDINARY GENERAL SHAREHOLDERS' MEETING

MOTION 1

Examination and, if applicable, approval of the annual financial statements and management reports of both the Company and its consolidated group for the period running from December 1, 2017 to November 30, 2018.

A motion is put to the Ordinary General Shareholders' Meeting for approval of the annual financial statements and management reports of the Company and its consolidated group, including the Annual Corporate Governance Report, in order to meet the requirements of: (i) the provisions of article 540 of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law (the "**Capital Companies Law**"), introduced by Law 31/2014 of December 3, whereby the Capital Companies Law was amended to improve corporate governance ("**Law 31/2014**"); and (ii) Order ECC (461/2013 of March 20, which determined the content and structure of the annual corporate governance report, the annual compensation report and other reporting tools of listed corporations, savings banks and other entities that issue securities that are traded on official securities markets ("**Order ECC/461/2013**"), reorganizing and completing the transparency requirements established in Law 4/2015 of October 23 approving the revised text of the Securities Market Law ("**LMV**"), for the period 2018 (running from December 1, 2017 to November 30, 2018).

The Annual Corporate Governance Report for the period 2018 has been prepared taking into account the provisions of the aforementioned article 540 of the Capital Companies Law and the aforementioned Order ECC/461/2013 and follows the applicable annual corporate governance report model approved by Circular 7/2015 of December 22 of the National Securities Market Commission ("**CNMV**"), which amended Circular 5/2013 of June 12, which, in turn, established the models for corporate governance reports of listed corporations, savings banks and other entities that issue securities traded on official securities markets.

The annual financial statements have been approved by the Board of Directors, signed by all the directors, numbered correlatively and verified by the account auditor (who has issued the relevant audit reports).

Said annual financial statements include the global compensation of the members of the Board of Directors, in both their capacity as such and their capacity as executives, for the period in question, which was 2,110,601 thousand euros, in the income statement.

MOTION 2

Application of the profit for the period running from December 1, 2017 to November 30, 2018.

A motion is put to the Ordinary General Shareholders' Meeting for approval of the following application of the profit in accordance with the statement of financial position approved:

Distribution bases	Amount
Profit for the period	148,874,037.22 <i>euros</i>
Distribution	Amount
Legal reserve	376,371.45 <i>euros</i>
Dividend (*)	112,911,434.64 <i>euros</i>
Voluntary reserve	35,586,231.13 <i>euros</i>

(*) The whole of the proposed dividend has been paid to the shareholders, as stated in the following item on the Agenda.

MOTION 3

Approval of the performance of the Board of Directors and, in particular, of the distribution of dividends charged to the profit for the period running from December 1, 2017 to November 30, 2018.

A motion is put to the Ordinary General Shareholders' Meeting for approval of the performance of the Board of Directors during the period running from December 1, 2017 to November 30, 2018 and ratification of the distribution of interim dividends charged to the profit for the period running from December 1, 2017 to November 30, 2018, i.e. three quarterly interim dividends, the total amount of which was 112,911,434.64 euros. For these purposes, the distribution of the dividend charged to reserves for the sum of 0.08 euros per

share, which was approved by the Ordinary General Shareholders' Meeting held on May 24, 2018, is excluded.

No.	Date	Gross dividend per share	Charged to	Shares entitled to dividend	Total gross dividend
148	April 10, 2018	0.080 €/ share	First interim 2018	470,464,311 Treasury shares: 0	37,637,144.88 € 0 € 37,637,144.88 €
149	October 10, 2018	0.080 €/ share	Second interim 2018	470,464,311 Treasury shares: 0	37,637,144.88 € 0 € 37,637,144.88 €
150	January 10, 2018	0.080 €/ share	Third interim 2018	470,464,311 Treasury shares: 0	37,637,144.88 € 0 € 37,637,144.88 €
Total dividends paid in 2018/2019 and charged to 2018					112,911,434.64 €

MOTION 4

Approval of the distribution of a dividend charged to reserves for a gross amount of 0.08 euros per share.

A motion is put to the Ordinary General Shareholders' Meeting for the distribution of a dividend charged to reserves for gross amount of 0.08 euros per share, the withholdings and taxes established by law being payable by the recipient.

Thus, the Company will pay up to a maximum of 37,637,144.88 euros, which is the result of multiplying the gross amount of the cash distribution per share by 470,464,311, the total number of shares into which the Company's share capital is divided. The amount resulting from multiplying the sum of 0.08 euros by the number of any treasury shares that may exist at the time the shareholders become entitled to receive payment of the dividend will be deducted from this maximum amount. This dividend will be paid out on July 10, 2019.

MOTION 5

Consultative ballot on the 2018 Annual Director Compensation Report in accordance with the provisions of the Capital Companies Law, article 541.

In order to comply with (i) the provisions of article 541 of the Capital Companies Law; and (ii) Order ECC/461/2013, which reorganizes and completes the transparency requirements established in the Securities Market Law, the 2018 Annual Director Compensation Report is submitted to the Ordinary General Shareholders' Meeting for a consultative ballot. The Company's Annual Director Compensation Report for the period running from December 1, 2017 to November 30, 2018 was approved by the Board of Directors at the meeting held on February 21, 2018, subsequent to a report in favour from the Nominating and Compensation Commission at its meeting of the same date.

The Company's 2018 Annual Director Compensation Report was drawn up taking into account the provisions of the aforementioned article 541 of the Capital Companies Law and Order EEC/461/2013, following the applicable annual director compensation report model approved by Circular 4/2013 of June 12, of the CNMV, which established the annual director compensation report models for directors of listed corporations and members of the boards of directors and control commissions of savings banks that issue securities traded on official securities markets.

This report was notified to the CNMV on March 15, 2019.

MOTION 6

Determination of the applicable percentage in relation to remuneration via profit-sharing, in accordance with the Capital Companies law, article 218.

A motion is put to the Company's General Shareholders' Meeting, with a prior report in favour from the Nominating and Compensation Commission, in order to determine the applicable percentage in relation to the remuneration of the directors via profit-sharing with an amount of 1.5% of the consolidated profit after tax, up to a limit of 1% of the consolidated profit before tax.

This percentage falls within the upper limit fixed in the Bylaws and the Company's Compensation Policy and is agreed without prejudice to the Board of Directors' powers to fix the exact sum to be paid up to said limit, as set out in the Bylaws and the Compensation Policy.

MOTION 7

Re-appointment of the auditors for the Company and its consolidated group for the period running from December 1, 2018 to November 30, 2019.

Subsequent to a proposal in favour by the Audit Committee at its meeting of February 21, 2019 and the Board of Directors at its meeting of April 11, 2019, a motion is put to the Ordinary General Shareholders' Meeting for the re-appointment of PricewaterhouseCoopers, S.L. ("**PwC**") as the account auditors for the Company and its consolidated group for the annual period 2019, which commenced on December 1, 2018 and will end on November 30, 2019.

For the purposes of article 153 and related articles of Royal Decree 1784/1996 of July 19, whereby the Companies Register Regulations were approved, PwC is stated to be a Spanish company, with registered office at Paseo de la Castellana, 259 B, Torre PwC, 28046 Madrid, and tax identification number B-79031290, registered in the Madrid Companies Register on Sheet 87, Point 250-1, Folio 75, Volume 9267, Book 8054, Section 3, and in the Official Account Auditors Register (ROAC) with number S0242.

Likewise, it is proposed to authorize the Company's Board of Directors, expressly permitting it to be substituted by any of the members thereof or by the Board Secretary, to determine the account auditor's remuneration for the aforementioned period in accordance with the generally-applicable economic bases for said audit firm and, specifically, to execute the relevant service agreement, with the clauses and conditions deemed appropriate. The Board is likewise authorized to make any amendments to said agreement that may be appropriate in accordance with the legislation in force at any given moment; The foregoing is proposed by the Audit Committee in compliance with art 529 *quaterdecies* (d) of the Capital Companies Law.

It is expressly stated that the re-appointment of PwC is in accordance with the new Law 22/2015 of July 20 on Account Auditing, which places restrictions on the maximum term for which an auditor may be engaged. According to the Transitional Provision established in Regulation (EU) 537/2014 of the European Parliament and Council, audited entities which, like the Company, had been engaging the same auditor for a period of 20 years or more as of June 2014 will not have to change auditor until June 17, 2020.

MOTION 8

Ratification, appointment, re-election and/or recording of personal representative, as appropriate, of the following members of the Board of Directors:

MOTION 8.1

Ratification of Patrick Jean Roland Martin, who was appointed by co-option, as a proprietary director.

With a prior report in favour from the Nominating and Compensation Commission, a motion is put to the Ordinary General Shareholders' Meeting for the ratification Mr Patrick Jean Roland Martin (generally known as Patrick Martin), of legal age, married, a French national, professionally domiciled at Golfo de Salónica 73, Madrid, Spain, with N.I.E. (foreigner identification No.) Y0712055N, currently in force, as a proprietary director for the Bylaw-stipulated term of four years.

Mr Patrick Martin was appointed as a director by co-option in a resolution passed by the Board of Directors on July 27, 2018, subsequent to a report in favour from the Nominating and Compensation Commission, as a consequence of the resignation of the director Mr Pierre Dejoux.

Express mention is made of the fact that Mr Patrick Martin meets the conditions required to perform his function and fulfils the requirements set out in the Capital Companies Law, article 529 duodecies, to be classified as a "*proprietary director*", stating that the proposal for his ratification by the Ordinary General Shareholders' Meeting was requested by the majority shareholder, United Technologies Holdings, S.A.S.

MOTION 8.2

Re-election of Mr José Miguel Andrés Torrecillas as an independent director.

At the proposal of the Nominating and Compensation Commission, a motion is put to the Ordinary General Shareholders' Meeting for the re-election of Mr José Miguel Andrés Torrecillas, of legal age, widower, a Spanish national, domiciled at Calle Nuñez de Balboa, 80, 28020 Madrid, with D.N.I. (national identity card) 51862580-H, currently in force, as an independent director for the Bylaw-stipulated period of four years.

Taking the professional track record and experience of Mr José Miguel Andrés Torrecillas into account, the Nominating and Compensation Commission unanimously decided to propose his appointment as an independent director at its meeting of March 4, 2019.

Express mention is made of the fact that Mr José Miguel Andrés Torrecillas meets the conditions required to perform his function and fulfils the requirements set out in the Capital Companies Law, article 529 duodecies, to be classified as an "*independent director*", stating that his appointment was proposed by the Nominating and Compensation Commission.

MOTION 8.3

Re-election of Mr José María Loizaga Viguri as an "other external director".

With a prior report from the Nominating and Compensation Commission, a motion is put to the Ordinary General Shareholders' Meeting for the re-election of Mr José María Loizaga Viguri, of legal age, married, a Spanish national, domiciled at Calle

Ayala 66, 28001 Madrid, with D.N.I. (national identity card) 15122503-A, currently in force, as an “other external director” for the Bylaw-stipulated period of four years.

Taking the skills, professional track record and experience of Mr José María Loizaga Viguri into account, the Board of Directors (with the abstention of Mr José María Loizaga Viguri) passed a resolution to propose his re-election as a director at its meeting of March 20, 2019.

Express mention is made of the fact that Mr José María Loizaga Viguri meets the conditions required to perform his function and fulfils the requirements set out in the Capital Companies Law, article 529 duodecies, to be classified as an “*other external director*”.

MOTION 8.4

Re-election of Mr Alberto Zardoya Arana as a proprietary director.

With a prior report in favour from the Nominating and Compensation Commission, a motion is put to the Ordinary General Shareholders’ Meeting for the re-election of Mr Alberto Zardoya Arana, of legal age, married, a Spanish national, domiciled at Calle Fernández de la Hoz, 26, Madrid, with D.N.I. (national identity card) 15938250-D, currently in force, as a proprietary director for the Bylaw-stipulated period of four years.

Taking the skills, professional track record and experience of Mr Alberto Zardoya Arana into account, the Board of Directors (with the abstention of Mr Alberto Zardoya Arana) passed a resolution to propose his re-election as a director at its meeting of March 20, 2019.

Express mention is made of the fact that Mr Alberto Zardoya Arana meets the conditions required to perform his function and fulfils the requirements set out in the Capital Companies Law, article 529 duodecies, to be classified as a “*proprietary director*”, stating that the Board of Directors proposed his appointment at the request of the shareholder Euro-Syns, S.A.

MOTION 8.5

Re-election of Euro-Syns, S.A. as a proprietary director and recording of the continuity of its personal representative.

With a prior report in favour from the Nominating and Compensation Commission, a motion is put to the Ordinary General Shareholders’ Meeting for the re-election of Euro-Syns, S.A., a Spanish company, registered in the Madrid Companies Register, sheet M-66379, volume 3966, folio 48, domiciled at Calle Fernández de la Hoz, 26, Madrid, with N.I.F. (tax number) , as a proprietary director for the Bylaw-stipulated period of four years.

Taking the skills, professional career and experience of Euro-Syns, S.A. into account, the Board of Directors (with the abstention of the personal representative of Euro-Syns, S.A.) passed a resolution to propose its re-election as a director at its meeting of March 20, 2019.

Express mention is made of the fact that Euro-Syns, S.A. meets the conditions required to perform its function and fulfils the requirements set out in the Capital Companies Law, article 529 duodecies, to be classified as a “*proprietary director*”, stating that its appointment was proposed by the company Euro-Syns, S.A. itself, which holds a significant interest in Zardoya Otis, S.A.

With a prior report in favour from the Nominating and Compensation Commission, Euro-Syns, S.A. will be represented by Mr Pedro Sainz de Baranda Riva, of legal age, married, a Spanish national, domiciled at Paseo de la Habana, 202, 28036, Madrid, with D.N.I. (national identity card) 09357777-C, currently in force.

MOTION 8.6

Re-election of Otis Elevator Company as a proprietary director and recording of the continuity of its personal representative.

With a prior report in favour from the Nominating and Compensation Commission, a motion is put to the Ordinary General Shareholders' Meeting for the re-election of Otis Elevator Company, a United States company, incorporated under the laws of the State of New Jersey, domiciled at One Carrier Place, Farmington, Connecticut, USA 06032 and registered in New Jersey, with N.I.F. (Spanish tax number) A4001231B, as a proprietary director for the Bylaw-stipulated period of four years.

Taking the skills, professional career and experience of Otis Elevator Company into account, the Board of Directors (with the abstention of its personal representative) passed a resolution to propose its re-election as a director at its meeting of March 20, 2019.

Express mention is made of the fact that Otis Elevator Company meets the conditions required to perform its function and fulfils the requirements set out in the Capital Companies Law, article 529 duodecies, to be classified as a "*proprietary director*", stating that its appointment was proposed by the majority shareholder, United Technologies Holdings, S.A.S.

With a prior report in favour from the Nominating and Compensation Commission, Otis Elevator Company will be represented by Ms Nora LaFreniere, of legal age, married, a United States national, domiciled at One Carrier Place, Farmington, Connecticut, USA 06032, with passport No. 488922261 and N.I.E. (foreigner identification No.) Y4578561B, both of which are in force.

MOTION 8.7

Re-election of Mr Patrick Blethon as a proprietary director.

With a prior report in favour from the Nominating and Compensation Commission, a motion is put to the Ordinary General Shareholders' Meeting for the re-election of Mr Patrick Blethon, of legal age, married, a French national, professionally domiciled at Golfo de Salónica 73, Madrid, Spain, with N.I.E. (foreigner identification No.) Y4367442D, currently in force, as a proprietary director for the Bylaw-stipulated term of four years.

Taking the skills, professional track record and experience of Mr Patrick Blethon into account, the Board of Directors (with the abstention of Mr Patrick Blethon) passed a resolution to propose his re-election as a director at its meeting of March 20, 2019.

Express mention is made of the fact that Mr Patrick Blethon meets the conditions required to perform his function and fulfils the requirements set out in the Capital Companies Law, article 529 duodecies, to be classified as a "*proprietary director*", stating that his appointment was proposed by the majority shareholder, United Technologies Holdings, S.A.S.

MOTION 8.8

Appointment of Ms Eva Castillo Sanz as an independent director.

At the proposal of the Nominating and Compensation Commission, a motion is put to the Ordinary General Shareholders' Meeting for the appointment of Ms Eva Castillo Sanz, of legal age, single, a Spanish national, professionally domiciled at Golfo de Salónica 73, Madrid, Spain, with D.N.I. (national identity card) 00800906T, currently in force, as a proprietary director for the Bylaw-stipulated term of four years.

Taking the skills, professional track record and experience of Ms Eva Castillo Sanz into account, the Nominating and Compensation Commission unanimously passed a resolution to propose her appointment as an independent director at its meeting of March 4, 2019.

Express mention is made of the fact that Ms Eva Castillo Sanz meets the conditions required to perform her function and fulfils the requirements set out in the Capital Companies Law, article 529 duodecies, to be classified as an "*independent director*", stating that his appointment was proposed by the Nominating and Compensation Commission.

Resulting composition of the Board of Directors

As a consequence of the aforementioned resolutions, the resulting composition of the Board of Directors will be as follows:

Director	Position	Type
1. Mr Bernardo Calleja Fernández	Chairman of the Board of Directors and CEO	Executive
2. Mr José María Loizaga Viguri	Deputy Chairman	Other external director
3. Mr José Miguel Andrés Torrecillas	Director	Independent
4. Ms Robin Fiala	Director	Proprietary
5. Euro Syns, S.A. (Mr Pedro Sainz de Baranda Riva as personal representative)	Director	Proprietary
6. Otis Elevator Company (Ms Nora LaFreniere as personal representative)	Director	Proprietary
7. Mr Mark George	Director	Proprietary
8. Mr Patrick Martin	Director	Proprietary
9. Mr Alberto Zardoya Arana	Director	Proprietary
10. Mr Patrick Blethon	Director	Proprietary
11. Doña Eva Castillo Sanz	Director	Independent

MOTION 9

Delegation to the Board of Directors for the interpretation, rectification, execution, formalization and registration of the resolutions adopted.

A motion is put to the General Shareholders' Meeting to authorize the Chairman of the Board of Directors, Mr Bernardo Calleja Fernández, the Deputy Chairman of the Board of Directors Mr José María Loizaga Viguri, and the Secretary of the Board of Directors, Ms Lorea García Jáuregui, so that any one of them, without distinction, may, jointly and severally, execute compliance with and/or perform each and every one of the resolutions and/or decisions adopted at the present meeting, with sufficient capacity and power of attorney to enter them into public record, execute deeds of power of attorney and request any entries that might be applicable in the relevant registers, including the Companies Register, making any rectifications that may be appropriate in this respect in the light of the oral or written comments of the registrars until the deeds are fully registered.

Zardoya Otis, S. A.

Annual Financial Statements
at November 30, 2018

ZARDOYA OTIS, S.A.

STATEMENT OF FINANCIAL POSITION AT NOVEMBER 30, 2018 & 2017 (Thousands of Euros - EThs)

ASSETS	Note	2018	2017
NONCURRENT ASSETS		435 317	435 547
Intangible assets	5	25 246	32 259
Property, plant & equipment	6	56 597	57 506
Noncurrent investments in group and associated companies		323 648	316 168
Equity instruments	7	323 648	316 168
Noncurrent financial investments		4 418	4 720
Equity instruments	7	24	24
Other financial assets	7,18	4 394	4 696
Trade and other receivables	7,8	3 466	3 444
Deferred tax assets	19	21 942	21 450
CURRENT ASSETS		228 567	217 957
Inventories	9	89 324	74 614
Trade and other receivables	7,8	114 533	122 415
Trade receivables		93 219	87 247
Trade receivables, group and associated companies	8, 27	10 900	12 846
Sundry debtors		4 314	8 534
Employees		821	886
Other credits with the public authorities	21	5 279	12 902
Current financial investments	7	171	143
Other financial assets		171	143
Current accruals and prepayments		198	267
Cash and cash equivalents	7,10	24 341	20 518
TOTAL ASSETS		663 884	653 504

Notes 1 to 30 are an integral part of these Annual Financial Statements

ZARDOYA OTIS, S.A.

STATEMENT OF FINANCIAL POSITION AT NOVEMBER 30, 2018 & 2017
(Thousands of Euros - EThs)

EQUITY AND LIABILITIES	Note	2018	2017
EQUITY		349 598	350 839
Equity		320 715	322 389
Share capital	11	47 046	47 046
Share Premium	11	306	306
Reserves	13	199 763	198 022
Profit/(loss) for period	14	148 874	152 289
(Interim dividends paid)	11,14	(75 274)	(75 274)
Adjustments for changes in value	18	28 883	28 450
NONCURRENT LIABILITIES		46 728	46 592
Noncurrent provisions		9 388	8 608
Other provisions	17	9 388	8 608
Noncurrent debt	7,15	326	953
Other financial liabilities		326	953
Noncurrent debt with group and associated companies	7,15, 27	37 014	37 031
CURRENT LIABILITIES		267 558	256 073
Current provisions	17	9 968	9 596
Current debt		290	324
Borrowings from financial institutions	7	155	155
Other financial liabilities	7	135	169
Current debt with group and associated companies	7,15	68 228	69 493
Trade and other payables	7	174 143	161 398
Trade payables	15	52 457	42 777
Sundry creditors	15	81 494	79 902
Employees (outstanding remuneration)	15	19 337	18 774
Current tax liabilities	21	6 343	5 770
Other debts with the public authorities	15, 21	14 512	14 175
Current accruals	16	14 929	15 262
TOTAL EQUITY AND LIABILITIES		663 884	653 504

Notes 1 to 30 are an integral part of these Annual Financial Statements

Translation of Annual Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

ZARDOYA OTIS, S.A.

**INCOME STATEMENT FOR THE PERIODS ENDED NOVEMBER 30, 2018
AND 2017**

(Thousands of euros - EThs)

CONTINUING OPERATIONS	Note	2018	2017
Net revenue	20	583 880	590 223
Sales		325 483	327 465
Services rendered		258 397	262 758
Work carried out by the company on its own assets		1 645	1 954
Raw materials and consumables used	20	(217 572)	(215 326)
Goods consumed		(220 162)	(215 717)
Raw materials and other consumables used		2 590	391
Other operating revenue		498	656
Ancillary and other current management revenue		498	656
Personnel costs	20	(174 864)	(170 582)
Wages, salaries and similar		(126 713)	(125 428)
Employee welfare expenses		(46 555)	(43 176)
Provisions	18	(1 596)	(1 978)
Other operating expenses		(41 930)	(40 963)
External services	20	(42 218)	(40 516)
Taxes		(683)	(637)
Losses, impairment and changes in provisions for trading operations	8	971	190
Amortization, depreciation and impairment of fixed assets	5,6	(12 863)	(13 031)
Impairment and gains/(losses) on disposals of fixed assets		3 564	116
Gains on disposals and other		3 564	116
OPERATING PROFIT		142 358	153 047
Financial income		42 698	39 570
Financial expenses		(514)	(612)
Foreign exchange differences		(91)	57
FINANCIAL PROFIT/(LOSS)	22	42 093	39 015
PROFIT BEFORE TAX		184 451	192 062
Income tax	21	(35 577)	(39 773)
PROFIT FOR THE PERIOD ON CONTINUING OPERATIONS		148 874	152 289
PROFIT FOR THE PERIOD		148 874	152 289

Notes 1 to 30 are an integral part of these Annual Financial Statements

ZARDOYA OTIS, S.A.

STATEMENT OF CHANGES IN EQUITY AT NOVEMBER 30, 2018 & 2017

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSES AT NOVEMBER 30, 2018 & 2017

(Thousands of euros - EThs)

	Note	2018	2017
Income statement		148 874	152 289
Income and expenses recognized directly in equity	18	433	3 013
Actuarial gains and losses and other adjustments		433	3 013
Transfers to income statement			
Measurement of financial instruments			
- Other income / expenses			
TOTAL RECOGNIZED INCOME AND EXPENSES		149 307	155 302

Notes 1 to 30 are an integral part of these Annual Financial Statements

Translation of Annual Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

ZARDOYA OTIS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED NOVEMBER 30, 2018 & 2017

B) STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED NOVEMBER 30, 2018 & 2017

(Thousands of euros - EThs)

	Note	Share capital	Share premium	Reserves	(Treasury stock)	Profit for period	(Interim dividend)	Adjustments for changes in value	Total
Balance, end of 2016		47 046	37 472	155 719	-	150 629	(73 819)	25 437	342 484
Adjustments for changes in accounting policies 2017									
Adjustments for errors 2017									
Adjusted balance, beginning 2017		47 046	37 472	155 719	-	150 629	(73 819)	25 437	342 484
Total recognized income & expenses	14					152 289		3 013	155 302
Transactions with shareholders or owners									
- Capital increases	11								-
- Distribution of dividends	11						(112 911)		(112 911)
- Increase/(reduction) in equity resulting from mergers	14			3 130					3 130
Partial cash distribution of share premium	14		(37 166)						(37 166)
- Other transactions with shareholders or owners									
- Other transactions with shareholders or owners	12								
Other changes in equity	11,13,14			39 173		(150 629)	111 456		-
Balance end of 2017		47 046	306	198 022	-	152 289	(75 274)	28 450	350 839
Adjustments for changes in accounting policies 2018									
Adjustments for errors 2018									
Adjusted balance, beginning 2018		47 046	306	198 022	-	152 289	(75 274)	28 450	350 839
Total recognized income & expenses	14					148 874		433	149 307
Transactions with shareholders or owners									
- Capital increases	11								-
- Distribution of dividends	11			(37 637)			(112 911)		(150 548)
- Increase (reduction) in equity resulting from mergers, business combinations	14								
Partial cash distribution of share premium	14								
- Other transactions with shareholders or owners	12								
Other changes in equity	11,13,14			39 378		(152 289)	112 911		-
Balance, end of 2018		47 046	306	199 763	-	148 874	(75 274)	28 883	348 598

Notes 1 to 30 are an integral part of these Annual Financial Statements

Translation of Annual Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

ZARDOYA OTIS, S.A.

STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED NOVEMBER 30, 2018 AND 2017

(Thousands of Euros - EThs)

	Note	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the period		184 451	192 062
Adjustments to profit			
Amortization/depreciation	5,6	12 863	13 031
Result of the sale of fixed assets		(3 564)	-
Changes in working capital and other cash flows			
Inventories	9	(14 710)	(19 927)
Dividends received	22	42 446	39 325
Financial income received	22	252	245
Financial expenses paid	22	(514)	(612)
Receivables	8	(33 665)	(37 330)
Payables	15	10 444	14 278
Corporate income tax payments	21	(34 603)	(32 027)
		<u>162 400</u>	<u>169 045</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments:			
Fixed assets	5,6	(12 649)	(7 990)
Cash from mergers	25	-	308
Asset disposal	6	4 000	2 334
Proceeds on investments			
		<u>(8 649)</u>	<u>(5 348)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds and payments on financial liability instruments:			
Bank borrowings	7	(2)	(2)
Treasury stock acquisitions	12	-	-
Non-controlling share acquisitions	15	(378)	(1 891)
Sale of treasury stock	12	-	-
Dividends paid	14	(150 548)	(150 077)
		<u>(150 928)</u>	<u>(151 970)</u>
Cash flows from financing activities			
		<u>(150 928)</u>	<u>(151 970)</u>
NET INCREASE / DECREASE IN CASH OR CASH EQUIVALENTS			
		<u>3 823</u>	<u>11 727</u>
Cash or cash equivalents at the beginning of the period	10	20 518	8 791
Cash or cash equivalents at the end of the period	10	24 341	20 518

Notes 1 to 30 are an integral part of these Annual Financial Statements

ZARDOYA OTIS, S.A.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED NOVEMBER 30, 2018

(Thousands of euros - EThs)

1. General information

Zardoya Otis, S.A. (the "Company") was incorporated on May 9, 1934 as a corporation and has its registered office at Golfo de Salónica, 73, Madrid, where the effective centre of its administration and management is located.

Its corporate purpose, as described in article 4 of its Bylaws, consists of:

- a) The manufacture, design and development, installation, repair, maintenance and sale of engines, elevators, goods elevators, platforms, escalators and moving walkways, vertical evacuation sleeves, cable cars, automatic doors and garage doors, irrespective of the use and characteristics thereof, the importation and exportation of machinery and equipment related to the foregoing, parts and components previously assembled or otherwise, and any equipment the purpose of which is to transport people or things. The construction and assembly of metallic structures, building works and other ancillary building items.
- b) The administration, promotion and management of industrial, agricultural or service companies, together with the participation in already existing or newly-created companies, either through their governing bodies or by holding shares.
- c) The activities that comprise the corporate purpose may be carried on by the Company indirectly, in full or in part, by means of holding interests in companies with an identical or analogous purpose.

United Technologies Holding S.A., incorporated in France, held a majority interest of 50.01% of the Company's shares at the end of the reporting period. Said company belongs to the UTC Group, incorporated in the United States of America (Notes 11 and 27). Zardoya Otis, S.A. is listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges.

These annual financial statements and the consolidated annual financial statements for the year ended November 30, 2018 were approved by the Board of Directors on February 21, 2019 and are pending the approval of the General Shareholders' Meeting. Nevertheless, Management considers that the aforementioned annual financial statements will be approved as presented. These annual financial statements will be filed at the Madrid Companies Registry.

2. Bases of presentation

The annual financial statements have been prepared on the basis of the Company's accounting records and are presented in accordance with current mercantile legislation and the standards contained in the General Chart of Accounts approved by Royal Decree 1514/2007, together with the amendments to the latter included in Royal Decree 1159/2010 and Royal Decree 602/2016, in order to show a true and fair view of the Company's equity, financial position and results, as well as the accuracy of the cash flows shown on the statement of cash flows. These financial statements show a true and fair view of the equity, the financial position at November 30, 2018, the results of the Company's operations, the changes in equity and the cash flows in the Company in the period ended at said date. Likewise, these annual financial statements were prepared under the going-concern principle.

On the same date, the Company's Board of Directors approved the consolidated annual financial statements separately. In comparison with these individual financial statements, the consolidated assets, equity and profit for the period are, applying the criteria of International Financial Reporting Standards, as follows:

EThs	2018	2017
Total assets	723 434	713 371
Equity	434 355	440 992
Profit for period	146 301	153 487

On December 17, 2016, the Official State Gazette published Royal Decree 602/2016, which amended the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 of November 16; the General Chart of Accounts for Small and Medium-sized Companies, approved by Royal Decree 1515/2007 of November 16; the Rules on Preparation of Consolidated Annual Financial Statements, approved by Royal Decree 1159/2010 of September 17; and the Rules on Adaptation of the General Chart of Accounts to Non-profit Entities, approved by Royal Decree 1491/2011 of October 24.

The Company applied the content of this Royal Decree in the period commencing December 1, 2016.

The changes affect mainly the following items of these annual financial statements:

- a) Intangible assets (previously considered to have an indefinite useful life).
- b) Goodwill.

c) Reserve for goodwill.

In accordance with point 2 of the Sole Transitional Provision and the Second Additional Provision of Royal Decree 602/2016, in 2017, the Company elected to calculate the effect of the change in the useful lives of intangible assets that were previously considered to have an indefinite useful life, as well as the goodwill, against reserves as from the acquisition dates of these assets, including the reserve for goodwill, and adjusting the comparative information. This means that, with each one of the items on the statement of financial position, the income statement, the statement of changes in equity, the statement of cash flows and the notes to the annual financial statements, in addition to the figures for the 2017 reporting period onwards,

For these purposes, in relation to goodwill or intangible assets with indefinite useful lives originating prior to the first application of the 2007 General Chart of Accounts, the acquisition date used in the calculation was December 1, 2008, at which time the amortization of these assets ceased, applying the equivalence option for the transition to General Chart of Accounts approved by Royal Decree 1514/2007 of November 16.

The preparation of annual financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The accounting estimates, in consequence, may be different to the final result of the circumstances assessed. These judgements and estimates are constantly reviewed and are based principally on historical experience and expectations of future events deemed reasonable.

Contracts in progress

Contracts in progress are measured at the cost incurred plus the expected profit margin, based on the percentage of completion of the contract, in proportion to the difference between the total estimated cost and the contract price agreed upon with the customers. Said margin is reviewed in accordance with the actual progress of the work and the costs still to be incurred by means of periodic re-estimations, so that the margin of profit or loss that will result at the end of the contracts will not differ substantially from the margins applied while the contracts were in progress.

Income tax and deferred tax assets

Calculating income tax requires interpretations of the tax legislation applicable to the Company. Furthermore, there are several factors, linked principally, but not exclusively, to changes in the tax laws and changes in the interpretations

of the tax laws currently in force, that require company Management to make estimates. Likewise, the Company evaluates the recoverability of deferred tax assets on the basis of the existence of future taxable income against which it will be possible to offset said assets. Deferred taxes are calculated on the basis of the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts in the annual financial statements. Deferred taxes are determined using tax rates that have been or are about to be approved at the date of the statement of financial position and are expected to apply when the related deferred tax asset is realized or deferred tax liability is settled. Deferred tax assets are recognized to the extent that it is likely that future taxable income will be available against which to offset the temporary differences and are reviewed in accordance with any legal changes or other circumstances that may affect their recoverability.

Employee benefits

The asset or liability recognized in the statement of financial position in relation to defined-benefit pension plans is the present value of the defined benefit obligations at the reporting date less the fair value of the assets attached to the plan, together with adjustments for unrecognized actuarial losses and gains and costs of past services. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Estimated impairment loss on goodwill and intangible assets

The Group tests the goodwill and the maintenance portfolios for impairment on an annual basis, to see whether there have been any losses, in accordance with the accounting policy described in Note 3 below. The recoverable amounts of the cash-generating units have been determined on the basis of calculations of their value in use. These calculations require the use of estimates.

Grouping of items

To facilitate an understanding of the statement of financial position, income statement, statement of changes in equity and statement of cash flows, these statements are presented in groups, the required analysis being included in the Notes to the Financial Statements.

3. Accounting policies

3.1 Intangible assets

a) Goodwill

Goodwill represents the amount by which the cost of the business combination exceeds the fair value of the net identifiable assets acquired in the transaction at the acquisition date. Consequently, goodwill is only recognized when it has been acquired in return for a consideration and relates to the future economic profits on assets that it has not been possible to identify individually and recognize separately.

Goodwill recognized separately is amortized over a life of ten years on a straight-line basis. Additionally, it is subject to annual impairment tests, being measured at cost less accumulated impairment losses. When the carrying amount of an asset is higher than its estimated recoverable amount, its value is immediately reduced to the recoverable amount. Impairment losses recognized in the goodwill are not reversed in subsequent years.

The goodwill is allocated to the Cash-Generating Units (CGUs) in order to test for impairment. The allocation is made to the CGUs that are expected to benefit from the business combination on which the goodwill arose. In this regard, since Company business constitutes a single integrated production process, Zardoya Otis, S.A. is considered a cash-generating unit since it is the smallest identifiable group of assets that generates independent cash inflows.

b) Research and development costs

Research or development expenses incurred in a project are recognized as an expense when incurred. Development costs previously recognized as an expense are not recognized as an asset in a later period.

c) Maintenance contracts and other related intangible assets

This item includes principally the amounts relating to the cost of taking over elevator maintenance contracts that are acquired either directly as a contract portfolio or within an overall business combination. It is amortized on a straight-line basis over a term considered equivalent to an estimated useful life of between 10 and 20 years, depending on the characteristics of the portfolio. Impairment testing is carried out regularly whenever there are factors that indicate a possible impairment loss.

Trademarks and other agreements derived from the acquisition of maintenance portfolios are presented at their historical cost. They have a defined useful life and their carrying amount is acquisition cost less accumulated amortization.

3.2 Property, plant and equipment

The items classified as property, plant and equipment are recognized at their acquisition price or production cost less the accumulated depreciation and the accumulated amount of any losses recognized.

The costs of expanding, modernizing or improving property, plant and equipment are capitalized when they represent an increase in capacity or productivity or a lengthening of the asset's useful life.

Costs of major repairs are capitalized and are depreciated over their estimated useful lives, while recurring maintenance expenses are charged to the income statement in the year in which they are incurred.

The depreciation of property, plant and equipment, with the exception of land, which is not depreciated, is calculated using the straight-line method in accordance with the estimated useful lives, taking any impairment actually suffered as a result of operation, use and enjoyment into account. The estimated useful lives are:

	Years of estimated useful life
Buildings	33
Machinery and tools	8,10,13 & 4
Furniture, accessories and equipment	10, 4 & 13
Transport fleet	5 & 6

The residual value and useful life of the assets are reviewed at each reporting date and adjusted if necessary.

When the carrying amount of an asset is higher than its estimated recoverable amount, its value is immediately reduced to its recoverable amount.

Losses and gains on sales of property, plant and equipment are measured by comparing the proceeds from the sale with the carrying amount and are recorded in the income statement.

3.3 Impairment losses on non-financial assets

Assets that are amortized or depreciated are tested for impairment when any event or change in circumstances indicates that their carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, defined as the higher of the fair value of the asset or its value in use. To measure impairment losses, assets are grouped at the lowest level with identifiable separate cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment loss are reviewed at each reporting date to see whether the loss has reversed.

3.4 Financial assets

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for maturities longer than 12 months after the reporting date, which are classified as noncurrent assets. Loans and receivables are included in “Credits to group companies” and “Trade and other receivables” on the statement of financial position.

These financial assets are initially measured at their fair value, including any transaction costs that can be directly allocated to them, and subsequently at their amortized cost, recognizing the interest accrued in accordance with the effective interest rate, defined as the discount rate that makes the carrying value of the instrument equal to the totality of its estimated cash flows until maturity. Notwithstanding the foregoing, credits for trading operations maturing at no more than one year are measured, both when initially recognized and subsequently, at their face value, provided that the effect of discounting the flows is not significant.

At each reporting date, the necessary impairment losses are recognized if there is objective evidence that not all the amounts owing will be collected. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate at the time of initial recognition. Impairment losses and, if applicable, the reversal thereof, are recognized in the income statement.

Financial assets are removed from the statement of financial position when all the risks and rewards of ownership of the asset are substantially transferred. In the specific case of receivables, this is

deemed to take place, in general, when the risks of late or non-payment have been transferred and financial institution finances the amount directly to the customer.

b) Investments in the equity of group companies

These are measured at their cost less, if applicable, the accumulated amount of all the impairment adjustments. Notwithstanding, when there had been an investment before the company was classified as a group company, the cost of the investment is considered to be its carrying amount before the classification as a group company. Previous impairment losses recognized directly in the equity remain there until they are de-recognized.

If there is objective evidence that the carrying amount is not recoverable, the relevant impairment loss is recognized for the difference between the carrying amount and the recoverable amount, defined as the higher of the fair value less selling costs and the present value of the cash flows derived from the investment. Unless there is other evidence of the recoverable amount, the equity of the company in which the investment is held, adjusted by any tacit capital gains that may exist at the measurement date, is used when estimating the impairment of these investments. The impairment loss and, if applicable, the reversal thereof, are recognized in the income statement of the period in which they take place.

3.5 Inventories

a) Inventories

These are measured at the lower of market value and average acquisition or manufacturing cost, which includes any costs directly allocable to the product and the relevant part of the indirect costs allocable to the products in question, to the extent that said costs relate to the manufacturing period.

When the net realizable value of the inventories is lower than their costs, the relevant adjustments to their value will be made and recognized in the income statement. If the circumstances that caused the value adjustment cease to exist, the adjustment is reversed and recognized as revenue in the income statement.

b) Cost in progress

Cost in progress contracts are measured by adding the expected profit margin to the cost incurred. The former is obtained in accordance with the percentage of completion of the work in progress, in proportion to the estimated total cost and the selling price contractually agreed with the customers.

3.6 Advance billing

This relates to the billing issued to customers in accordance with their contractual conditions when the work has not yet been completed.

3.7 Equity

The share capital is represented by ordinary shares. The costs of share issuance are presented directly against equity as a decrease in the reserves.

The share premium reserve account corresponds to freely-available reserves.

As a general rule, unless there is a more reliable measurement, the fair value of the equity instruments or financial liabilities issued in consideration of a business combination will be their quoted price if said instruments are listed on an active market.

When treasury shares are acquired, the consideration paid, including any directly allocable incremental cost, is deducted from the equity until the shares are written off, reissued or sold. When these shares are sold or subsequently reissued, any amount received, net of any directly-allocable incremental transaction cost, it is included in equity.

3.8 Financial liabilities

The debts and payables heading includes debits for trading operations and debits for non-trading operations. These debts are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the reporting date.

These debts are initially recognized at their fair value adjusted by directly-allocable transaction costs and subsequently recorded at their amortized cost using the effective interest rate method. Said effective interest rate is the discount rate that makes the carrying amount of the instrument equal to the flow of future payments expected until the liability matures.

Notwithstanding the foregoing, debits for trading operations that mature at no

more than one year and that do not have a contractual interest rate are measured, both initially and subsequently, at their face value when the effect of not discounting the cash flows is not significant.

3.9 Current and deferred taxes

The income tax expense is the amount that is accrued in the period for this item and includes both the current and deferred tax expense. It is recorded in the income statement. Notwithstanding, the tax effect relating to items that are recognized directly in equity is recorded in equity.

Current tax assets and liabilities are measured as the amounts it is expected to pay to or recover from the tax authorities under the current legislation or any legislation that has been approved but not yet published at the reporting date.

Deferred taxes are measured, in accordance with the liability method, on the temporary differences that arise between the tax bases of the assets and liabilities and their carrying amounts. However, if the deferred taxes arise from the initial recognition of an asset or liability in a transaction other than a business combination that, at the moment of the transaction, does not affect either the accounting profit or loss or the tax base, they are not recognized. Deferred tax is measured by applying the legislation and tax rates that are approved or about to be approved at the reporting date and that are expected to be applicable when the relevant deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is like that there will be future tax profits against which the temporary differences may be offset.

3.10 Provisions and contingent liabilities

Provisions are recognized when the Company has a legal or constructive current obligation as the result of past events, it is likely that an outflow of resources will be necessary to settle the obligation and the amount can be estimated reliably.

Provisions are measured as the present value of the payments that are expected to be necessary to settle the obligation using a before-tax rate that reflects the present market's estimates of the time value of money and the specific risks of the obligation. Adjustments to the provision to update it are recognized as financial expenses when accrued.

Provisions maturing at one year or less with an insignificant financial effect are not discounted.

When it is expected that part of the payment necessary to settle a provision will be reimbursed by a third party, the reimbursement is recognized as an independent asset, provided that it is almost certain to be received.

Possible obligations arising as a consequence of past events the materialization of which depends on whether, irrespective of the Company's wishes, one or more future events occur, are considered contingent liabilities. These contingent liabilities are not accounted for, although details thereof are presented in the Notes.

3.11 Business combinations

In business combinations originating from the acquisition of shares in the capital of a company, the Company recognizes the investment as established for investments in the equity of group companies (Note 3.4.b).

In the case of business combinations arising from the acquisition of all the assets and liabilities of a company -or of a part thereof that forms one or more businesses- and operations of merger, spin-off and/or non-monetary contribution of a business, they are recorded in accordance with the acquisition method. If merger or spin-off transactions between group companies exist, they are recorded as established for transactions between related parties (Note 3.14).

3.12 Revenue recognition

a) Revenue from installation, elevator assembly and exports

Sales are recognized in accordance with the estimated percentage of completion of the work, making the necessary adjustments by means of regular re-estimations, so that the profit or loss margins that will exist when the contracts end do not differ substantially from the margins applied while the contracts are current.

b) Revenue from the rendering of maintenance service

Revenue from maintenance contracts is recognized on a straight-line basis as accrued. Billing may be monthly, quarterly, six-monthly or annually, depending on the conditions in the contracts signed with the customers, generating, if applicable, the accounting entries required to recognize advance billing.

c) Revenue from interest

Revenue from interest is recognized using the effective interest rate

method. Revenue from interest on loans that have suffered impairment losses is recognized using the effective interest rate method.

d) Revenue from dividends

Revenue from dividends is recognized as revenue in the income statement when the right to receive the proceeds is established. Notwithstanding the foregoing, if the dividends paid come from profits generated prior to the acquisition date, they are not recognized as income and reduce the carrying amount of the investment.

3.13 Leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement in the period in which they accrue on a straight-line basis over the period of the lease.

3.14 Related-party transactions

In general, transactions between group companies are initially recognized at their fair value. When applicable, if the agreed price differs from the fair value, the difference is recognized in accordance with the true economic characteristics of the transaction. They are subsequently measured in accordance with the provisions of the applicable standards.

Notwithstanding the foregoing, in transactions of merger, spin-off or non-monetary contribution of a business, the Company applies the following criterion:

- a) In transactions between group companies in which the parent company and its subsidiary are involved directly or indirectly, the elements that form the business acquired are measured at the amount at which they are stated in the consolidated annual financial statements of the group or subgroup.
- b) When the parent company of the group or subgroup and its subsidiary are not involved, the annual financial statements to be used are those of the largest group or subgroup with a Spanish parent in which the elements that form the business are included.

Any difference that may arise in either of these cases is recognized in the reserves.

3.15 Welfare commitments

The welfare commitments acquired with current or retired employees are in all cases complementary to those provided by the Social Security.

According to Royal Decree 1588/1999, which approved the Implementing Regulation on Pension Commitments between companies and employees, pension commitments acquired by companies must be externalized through a group life insurance policy or an employment system pension plan or both. In accordance with the amendment introduced by Law 14/2000 concerning the transitional period for the formalization or adaptation of the aforementioned, on November 7, 2002 and November 14, 2002, respectively, the Company signed, with two insurance companies, the framework agreements regulating the technical, economic and legal conditions of group life insurance policies to arrange the pension commitments acquired by the company with its current and retired employees. In December 2011, Zardoya Otis, SA made the last payment for the financing of the aforementioned framework agreement.

The net liability or asset recognized in the statement of financial position in respect of the future payment commitments acquired by the Company in relation to the payment of supplements, other retirement benefits and life insurance premiums in accordance with the benefits agreed by the Company is the present value of the obligations at the reporting date less the fair value of the assets attached to the plan, together with adjustments for unrecognized actuarial losses and gains and costs for past services. The defined benefit obligation is measured annually by independent actuaries using the projected unit credit method.

Any variation in the calculation of the present value of the remuneration commitments or, if applicable, the assets attached to the plan at the reporting date due to actuarial gains and losses is recognized directly in equity, as reserves, in the period in which it arises. For these purposes, the gains or losses are solely any variations that arise from changes in actuarial assumptions or experience adjustments.

At November 30, 2018, the actuarial calculations were updated using financial/actuarial assumptions that included an discount rate of between 1.74% and 2.15% per year (between 1.50% and 2.15% in 2017), mortality tables PERMF 2000P in both 2018 and 2017, and income growth tables in line with the normal practice in the environment. Likewise, in 2018 and 2017, the actuarial calculations considered an estimated retirement age of between 65 and 67 years for the commitments.

There is also a defined-contribution plan, the annual contributions to which form part of employee benefit expenses.

As stated in Note 27, there are benefits for certain Company executives that depend on their performance and the attainment of joint objectives of Zardoya Otis, Otis and United Technologies Corporation (UTC), based on the UTC long-term incentive plan, which includes UTC share-based compensation schemes. The cost is included under the employee benefit expense heading, generating a credit account with UTC Group companies (presented as other provisions in the statement of financial position).

3.16 Severance payments

The Company recognizes these benefits when it has made a demonstrable commitment in accordance with a detailed formal plan with no possibility of withdrawal. Benefits that will not be paid in the twelve months following the reporting date are discounted back to their present value.

3.17 Foreign currency transactions

a) Functional and presentation currency

The Company's annual financial statements are presented in euros, which is the Company's presentation and functional currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency losses and gains resulting from settlement of these transactions and conversion of monetary assets and liabilities denominated in foreign currencies at year-end rates are recognized in the income statement, unless they are deferred in the equity, such as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items such as equity instruments held at fair value through profit and loss are presented as part of the gain or loss in the fair value. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets are included in equity.

3.18 Joint ventures

The Company recognizes the proportional part it holds in the jointly-controlled assets and jointly-incurred liabilities in accordance with its percentage interest, as well as the assets attached to the joint venture that are under its control and the liabilities incurred as a result of the joint venture.

Likewise, the applicable portion of the revenue generated and expenses incurred by the joint venture is recognized in the income statement. Additionally, expenses incurred in relation to the interest in the joint venture are recognized.

Unrealized gains or losses that arise on reciprocal transactions are eliminated in proportion to the interest held, as are the amounts of reciprocal assets, liabilities, revenues, expenses and cash flows.

4. Financial risk management

4.1 Financial risk factors

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

Risk management is controlled by Company Management in accordance with policies approved by the Board of Directors. Management assesses and hedges the financial risks in close collaboration with the operating units of the rest of the Group 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 Company in its operations is in line with the risk profile.

a) Market risk

(i) Foreign exchange risk

The Company operates internationally and, therefore, is occasionally exposed to foreign exchange risk, principally on transactions in US Dollars. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. However, said transactions are not significant and the effect of a change in the interest rate would not have a material effect on the financial reporting at November 30, 2018.

To control the foreign exchange risk on significant future commercial transactions for the import of materials, the Company uses forward contracts negotiated with the UTC Group Treasury Center.

As the parent company of Otis Maroc, S.A., whose registered office is in Morocco, the Company has considered the risk arising from possible future fluctuations in the euro/dirham exchange rate, which would affect future cash flows related to any dividends that said company might distribute.

In relation to commercial export and/or import transactions, the Company is exposed to an insignificant foreign exchange risk. At November 30, 2018, there were balances payable in foreign currencies other than the euro the equivalent value of which was euros was EThs 986 (EThs 879 in 2017). There were no receivable balances in currencies other than the euro.

(ii) Price risk

The Company has limited exposure to price risk for quoted commodities.

Additionally, the Company does not hold investments in companies outside the Group and, therefore, is not exposed to securities price risk.

(iii) Cash flow interest rate risk and fair value interest rate risk

As the Company does not hold significant remunerated assets, the revenues and cash flows from its operating activities are fairly independent of market interest rate fluctuations.

The Company's interest rate risk arises on long-term borrowings at variable interest rates, the interest rates applied to the loans from financial institutions being subject to the fluctuations of the Euribor.

As stated in Note 7, at the 2018 and 2017 reporting dates, the Company did not hold any borrowings at a fixed interest rate.

b) Credit risk

The Company has no significant risk concentrations with customers and there are no significant old credit balances (Note 8). The Company 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.

The Company has 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 accounts receivable. The banks and financial institutions with which the Group works are of recognized prestige and currently hold high credit ratings in the market.

The amounts of trade receivables are shown in the statement of financial position net of the provision for impairment. At November 30, 2018, said provision was EThs 49 176 (EThs 51 408 in 2017) (Note 8). The Company estimates the provisions required 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. According to said analysis, financial assets aged over six months but not deemed to be impaired at November 30, 2018 and 2017 were as follows:

	2018	2017
Between 6 months and 1 year	5 198	5 328
Between one and two years	1 437	1 152
More than two years	-	-
EThs	6 635	6 480

Amounts receivable for exports relate to balances with related companies (Otis Group) and the amounts shown as trade receivables, trade bills receivable and accounts with Zardoya Group companies relate principally to transactions carried out in national territory, for which the Company has assessed the credit capacity of each one of the debtors.

As stated in Note 10, at November 30, 2017 and 2016, the Company did not hold any current deposits with financial institutions.

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. In this respect, the group Treasury Department aims to maintain

flexibility in funding by keeping committed credit lines available.

The Company monitors the capital on the basis of the debt ratio. This ratio is calculated by dividing the net debt by the total capital. The net debt is calculated as total borrowings less cash and cash equivalents. The total capital is calculated as the equity on the statement of financial position plus the net debt.

At November 30, 2018, cash and cash equivalents represented EThs 24 341 (EThs 20 518 in 2017), including amounts held as cash and in banks.

The change in the Statement of Cash Flows in relation to operating, investing and financing activities is shown below:

	2018	2017
Cash at the beginning of the period	20 518	8 791
Cash flows from operating activities	163 400	169 045
Cash flows from investing activities	(8 649)	(5 348)
Cash flows from financing activities	(150 928)	(151 970)
Cash at the end of the period	24 341	20 518

d) Capital risk

The objective of the Company and its subsidiaries in relation to capital management is to ensure a financial structure that optimizes the cost of capital and maintains the financial position and to be able to make the creation of value for the shareholders compatible with the cost of covering financial needs.

Zardoya Otis, S.A. 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 bank borrowings plus other financial liabilities less cash and cash equivalents less current financial assets

	2018	2017
Debt with financial institutions (current and noncurrent)	155	155
Other financial liabilities (current and noncurrent)	903	1 135
Cash and cash equivalents	(24 341)	(20 518)
Other current financial assets	(171)	(143)
Net financial debt	(23 454)	(19 371)
Equity	348 356	350 839
Leverage (*)	-6,7%	-5,52%

(*) $(\text{Net financial debt} / (\text{Net financial debt} + \text{Equity}))$

At November 30, 2018, this net financial debt represented -0.15 of EBITDA (-0.12 in 2017)) (EBITDA: operating profit + amortization/depreciation + impairment of investments in Group companies).

4.2 Estimation of fair value

The carrying amounts of the credits and debits arising from commercial transactions are assumed to be similar to their fair values. The fair value of the financial liabilities is estimated, for the purposes of presenting financial information, by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

5. Intangible assets

Details of the items included in “Intangible assets” and the movement on these items are as follows:

	Maintenance contracts	Goodwill	Other intangible assets	Total
Cost	51 446	36 110	7 679	95 235
Accumulated amortization	(24 687)	(28 888)	(2 910)	(56 485)
Balance at November 30, 2016	26 759	7 222	4 769	38 750
Other additions	697	-	1 957	2 654
Retirements	(70)	-	-	(70)
Provision for amortization	(2 911)	(3 611)	(2 553)	(9 075)
Net carrying amount	24 475	3 611	4 173	32 259
Cost	52 073	36 110	7 918	96 101
Accumulated amortization	(27 598)	(32 499)	(3 745)	(63 842)
Balance at November 30, 2017	24 475	3 611	4 173	32 259
Other additions	-	-	1 645	1 645
Retirements	-	-	-	-
Provision for amortization	(2 806)	(3 611)	(2 241)	(8 658)
Net carrying amount	21 669	-	3 577	25 246
Cost	52 073	36 110	9 563	97 746
Accumulated amortization	(30 404)	(36 110)	(5 986)	(72 500)
Balance at November 30, 2018	21 669	-	3 577	25 246

a) Goodwill

Details of goodwill are as follows:

	Period	Carrying amount 2018	Carrying amount 2017
Sadet y Huesca	2000	-	45
Elevamar	2001	-	37
Gonzalo	2002	-	31
Artzai	2002	-	23
Valenciana de Ascensores S.L.	2004	-	63
Manelso S.L.	2007	-	348
De Vega S.A.	2008	-	1 646
Ascensores Saez S.L.	2008	-	764
Jobensa S.L.	2009	-	127
Ascensores Vascos S.L.	2009	-	115
Técnicos de Ascensores Reunidos S.A.	2009	-	263
Ascensores González S.L.	2009	-	149
TOTAL		-	3 611

The recoverable amount of an acquisition is determined by comparison with calculations of the value in use. These calculations use cash flow projections for a 5-year period.

The key assumptions used to measure the value in use are:

- Cash flows: they are measured on the basis of the gross margin, which, in turn, is estimated on the basis on past performance and expectations of future evolution, consistently with the evolution expected within the Group.
- Growth rate: up to maximum of 2.9%. The growth rate employed for the projection subsequent to the period under consideration is 2%, in line with the rate used in similar industries for the countries in which the Group operates.
- Discount rate: around 6.12% (6.01% in 2017), it is revised annually and applied to the pre-tax cash flows.

In 2018 and 2017, the impairment tests conducted did not give rise to any losses that should be recognized in the accounts.

b) Maintenance contracts

Details of maintenance contracts acquired are as follows:

	Period	Net carrying amount 2018	Net carrying amount 2017
Aspe – Las Palmas	2007	197	393
Omega Sur:	2008	425	594
Ascensores Vascos.	2009	3 497	3 873
Jobensa	2009	1 044	1 302
Grupo Lagi	2009	4 790	5 441
Técnicos de Ascensores Reunidos S.A.	2009	5 568	6 094
Ascensores González S.L.	2009	4 669	5 093
Aspe – Ibiza	2010	343	427
Arrazola / Jeysan / SLV3	2016	515	561
Hemen	2017	621	697
TOTAL		21 669	24 475

The useful lives of these contracts are estimated at between 10 and 20 years and their value is amortized on a straight-line basis over said period. The amortization charge in the period 2018 was EThs 2 806 (EThs 2 911 in 2017). As of November, 30, 2018, the original cost of these portfolios was 52 073 (EThs 52 073 in 2017).

c) Other intangible assets with indefinite useful lives

In 2015, the company Grupo Ascensores Enor, S.A. was merged by absorption. Said company was dissolved without liquidation and the totality of its equity was transferred en bloc to the absorbing company, Zardoya Otis, S.A. Other intangible assets include the market value of the trademark Enor for EThs 5 961 (EThs 5 961 in 2017) and the carrying amount of EThs 3 576 (EThs 4 173 in 2017).

6. Property, plant and equipment

Details of the items included in property, plant and equipment and movement on these items are as follows:

	Land and buildings	Machinery	Furniture, accessories & equipment	Total
Cost	57 063	34 231	52 562	143 856
Accumulated depreciation	(10 928)	(27 674)	(47 628)	(86 230)
Balance at November 30, 2016	46 135	6 557	4 934	57 626
Additions	58	1 544	1 647	3 249
Merger (Note 25)		756		756
Retirements	(1 336)	(14 309)	(7 552)	(23 197)
Provision for depreciation	(918)	(1 867)	(1 171)	(3 956)
Derecognition of depreciation	1 336	14 309	7 552	23 197
Other movements			(169)	(169)
Cost	55 785	22 222	46 657	124 664
Accumulated depreciation	(10 510)	(15 232)	(41 416)	(67 158)
Balance at November 30, 2017	45 275	6 990	5 241	57 506
Additions	4	746	2 920	3 670
Merger (Note 25)	-	-		-
Retirements	(1 287)	(2 242)	(945)	(4 474)
Provision for depreciation	(1 141)	(1 061)	(2 003)	(4 205)
Derecognition of depreciation	953	2 229	925	4 107
Other movements	(7)		-	(7)
Cost	54 502	20 727	48 632	123 860
Accumulated depreciation	(10 705)	(14 064)	(42 493)	(67 264)
Balance at November 30, 2018	43 797	6 662	6 139	56 597

a) Impairment losses

In the years 2018 and 2017, no significant impairment losses were recognized or reversed for any individual item of property, plant and equipment.

b) Revaluations carried out under Royal Decree-Law 7/1996 of June 7

In its annual financial statements as of November 30, 1996, the Company restated its balances in accordance with Royal Decree-Law 7/1996, giving rise to a net value increase of EThs 4 056 in the Company's property, plant and equipment. The total amount of the restatement is shown in the accounts, as provided for in Royal Decree-Law 7/1996, as an increase in the value of the restated assets, with its balancing item in the revaluation reserve account, net of the applicable taxes, for an amount of EThs 3 934.

At November 30, 2018, the aforementioned restatement had an impact of EThs 250 (EThs 269 in 2017) on the net carrying amount of property, plant and equipment. Consequently, the effect of this restatement on the provision for the year 2018 was EThs 19 (EThs 19 in 2017).

c) Fully-depreciated assets

At November 30, 2018 and 2017, the following items of property, plant of equipment had been fully depreciated but were still in use:

	2018	2017
Buildings	3 416	4 351
Plant and machinery	22 978	24 034
Other installation, tools and furniture	14 670	14 870
Other items of PPE	10 156	10 657
EThs	51 450	53 912

d) Insurance

It is the Company's policy to take out all the insurance policies deemed necessary to cover any possible risks which could affect, among other items, the property, plant and equipment.

e) Acquisition commitments

As of November 30, 2018, there were firm purchase commitments for the acquisition of property, plant and equipment for an amount of EThs 2 062 (EThs 2 729 in 2017), EThs 1 880 of which had been settled in advance (EThs 714 in 2017).

7. Analysis of financial instruments

7.1 Analysis by category

The carrying amount of each one of the categories of financial instruments established in the rules on recognizing and measuring “financial instruments, except for investments in the equity of group companies” (Note 7.3) was as follows:

Financial assets	2018		2017	
	Equity instruments	Credits, derivatives, other	Equity instruments	Credits, derivatives, other
Noncurrent:				
Loans & receivables (Note 8)		3 466		3 444
Other	24	558	24	555
TOTAL	24	4 024	24	3 999
Current				
Trade & other receivables (Note 8)	-	109 254	-	109 513
Credits to Group companies (Note 8)	-	-	-	-
Cash & cash equivalents (Note 10)	-	24 341	-	20 518
Other	-	171	-	143
TOTAL	-	133 766	-	130 174

Financial liabilities	2018		2017	
	Debt with financial institutions	Derivatives Other	Debt with financial institutions	Derivatives Other
Noncurrent				
Debits and payables (Note 15)	-	326	-	953
Borrowings from financial institutions (Note 7)	-	-	-	-
Loans from Group companies (Notes 15 & 27)	-	37 014	-	37 031
TOTAL	-	37 340	-	37 984
Current				
Debits & payables (Note 15)	-	153 288	-	147 223
Borrowings from financial institutions (Note 7)	155	-	155	-
Debt with Group companies (Notes 15 & 27)	-	68 228	-	69 493
Other	-	135	-	169
TOTAL	155	221 651	155	216 185

7.2 Analysis by maturity

The noncurrent financial assets include trade bills receivable maturing at more than one year, which total EThs 3 466 (EThs 3 662 in 2017). Details by year of maturity are as follows:

	2018	2017
At two years	2 755	3 440
At three years	583	207
At more than 3 years	128	15
EThs	3 466	3 662

Financial liabilities include current and noncurrent debt for business combination commitments with the following maturities:

Period 2018	Current	Noncurrent		
		2020	2021	Total
Acquisitions prior to 2018	903	-	-	-
Acquisitions 2018		-	-	-
Total	903	-	-	-

Period 2017	Current	Noncurrent		
		2019	2020	Total
Acquisitions prior to 2017	691	444	-	444
Acquisitions 2017		-	-	-
Total	691	444	-	444

At November 30, 2018 and 2017, the carrying amount of current borrowings from financial institutions was equal to their fair value, since the impact of applying a discount was not significant.

Period 2018	Current	Noncurrent		
		2020	2021	Total
Borrowings from financial institutions	155	-	-	-
Total	155	-	-	-

Period 2017	Current	Noncurrent		
		2019	2020	Total
Borrowings from financial institutions	155	-	-	-
Total	155	-	-	-

At November 30, 2018, there were financial assets (trade receivables) of EThs 38 121 (EThs 32 540 in 2017) that had been derecognized from the statement of financial position because the risks of late or non-payment had been transferred.

7.3 Holdings in Group companies

2018:

In 2018, the Company acquired Soluciones de Accesibilidad LV3 SL, a company engaged mainly in the sale, supply, installation and repair of elevators in Spain.

On June 4, 2018, the subsidiary Electromecánica Elevadores SL carried out a capital increase of EThs 7 030. The new shares in the company were fully subscribed and paid up, together with the related share premium, by Zardoya Otis, S.A. in cash.

2017:

On March 7, 2017, Zardoya Otis, S.A. acquired 7.23% of shares in the subsidiary Electromecánica Hemen Elevadores, S.L. from non-controlling interests. This transaction meant that the percentage held by Zardoya Otis, S.A. in Hemen Elevadores, S.L. changed, rising from 92.77% to 100%.

On May 17, 2017, Zardoya Otis, S.A. acquired 2.19% of the shares in the subsidiary Acresa Cardellach, S.L. from non-controlling interests. This transaction meant a change in Zardoya Otis, S.A.'s holding in Acresa Cardellach, S.L., which rose from 94.57% to 96.76%.

Also during 2017, the Company sold Ascensores Castalia S.L., which was acquired by the subsidiary Ascensores Pertor, S.L. This transaction did not imply any change in the consolidated group of which Zardoya Otis, S.A. is the parent.

Holdings in group companies are represented by the Company's investments in the following companies:

November 30, 2018								
Company	Registered office	Percentage direct or indirect holding or voting rights	Carrying amount of holding	Provision for impairment	Capital	Reserves	Net profit/(loss) for period	Dividends received in period (Note 22)
Ascensores Ingar, S.A.	Granada	100	15 936	1 630	1 000	9 349	(217)	-
Cruxent – Edelma S.L.	Barcelona	100	26 505	-	120	11 028	1 489	2 591
Ascensores Serra, S.A.	Gerona	75	605	-	240	1 158	1 672	1 446
Otis Elevadores, Lda.	Portugal	100	31 658	-	21 241	34 109	15 619	19 729
Ascensores Pertor, S.L.	Valencia	94,13	17 393	-	51	13 892	1 940	3 223
Acreca Cardellach, S.L.	Barcelona	96,76	19 515	-	10 808	25 097	1 956	2 104
Puertas Automáticas Portis, S.L.	Madrid	100	18 977	-	336	14 815	2 022	3 032
Zardoya Otis (Gibraltar) Limited.	Gibraltar	100	-	-	1	0	264	-
Conservación de Aparatos Elevadores Express, S.L.	Madrid	100	1 771	-	1 771	8 934	521	1 561
Otis Maroc, S.A.	Morocco	100	21 949	1 983	330	6 293	1 550	649
Montes Tallón S.A.	Alicante	52	16 716	5 893	97	6 959	- 1	-
Ascensores Enor, S.A.	Pontevedra	100	117 100	-	2 661	14 150	5 212	6 212
Electromecánica del Noroeste, S.A.	Pontevedra	100	16 525	-	1 000	13 547	1 353	-
Electromecánica Hemen Elevadores, S.L.	Vitoria	100	17 820	-	10	9 883	339	884
Ascensores Aspe. S.A.	Balearic Islands	100	10 234	-	205	1 212	453	1 013
Soluciones de Accesibilidad LV3 SL	Barcelona	80	450	-	160	199	90	-
EThs			333 154	9 506				42 446

November 30, 2017								
Company	Registered office	Percentage direct or indirect holding or voting rights	Carrying amount of holding	Provision for impairment	Capital	Reserves	Net profit/(loss) for period	Dividends received in period (Note 22)
Ascensores Ingar, S.A.	Granada	100	15 936	1 630	1 000	8 423	(180)	-
Cruxent – Edelma S.L.	Barcelona	100	26 505	-	120	12 528	1 090	1 465
Ascensores Serra, S.A.	Gerona	75	605	-	240	1 158	1 928	1 399
Otis Elevadores, Lda.	Portugal	100	31 658	-	21 241	39 849	14 831	14 809
Ascensores Pertor, S.L.	Valencia	94,13	17 393	-	51	15 200	1 924	3 127
Acreca Cardellach, S.L.	Barcelona	96,76	19 515	-	10 808	25 097	2 174	2 867
Puertas Automáticas Portis, S.L.	Madrid	100	18 977	-	336	16 815	1 032	3 090
Zardoya Otis (Gibraltar) Limited.	Gibraltar	100	-	-	1	-	41	-
Conservación de Aparatos Elevadores Express, S.L.	Madrid	100	1 771	-	1 771	8 934	1 560	2 334
Otis Maroc, S.A.	Morocco	100	21 949	1 983	330	4 965	1 404	915
Montes Tallón S.A.	Alicante	52	16 716	5 893	97	7 079	(120)	-
Ascensores Enor, S.A.	Pontevedra	100	117 100	-	2 661	16 009	6 508	6 786
Electromecánica del Noroeste, S.A.	Pontevedra	100	16 525	-	1 000	15 323	84	-
Electromecánica Hemen Elevadores, S.L.	Vitoria	100	10 790	-	4	2 859	884	774
Ascensores Aspe. S.A.	Balearic Islands	100	10 234	-	205	1 812	413	1 759
EThs			325 674	9 506				39 325

The principal activity of the different companies that form the Group is the manufacture and installation of elevators and the maintenance thereof (Note 1),

except for Puertas Automáticas Portis, S.L. (sale, installation, repair and maintenance of automatic doors).

8. Loans and receivables

	2018	2017
Noncurrent loans and receivables:		
Noncurrent trade bills receivable (Note 7)	3 466	3 444
Trade and other receivables		
Trade receivables	75 276	78 646
Current trade bills receivable	21 780	23 687
Provisions for impairment	(49 176)	(51 408)
Receivables from Group companies (Note 27)	10 900	12 846
Receivables from related companies (Note 27)	45 339	36 322
Other receivables	5 135	9 420
Public authorities	5 279	12 902
EThs	114 533	122 415

At November 30, 2018 and 2017, the Company had no customers whose sales concentrated 5% of the sales for the period.

Trade receivables that mature at less than six months ago are not deemed to be impaired, unless the customer is subject to insolvency proceedings or other litigation. At November 30, 2018, balances aged less than six months were EThs 57 418 (EThs 63 843 in 2017).

Ageing of trade receivables (other than doubtful debts with customers who are subject to insolvency proceedings or other litigation) was as follows:

	2018	2017
Between 6 months and 1 year	5 796	6 029
Between 1 and 2 years	3 087	2 547
More than 2 years	2 315	2 374
EThs	11 198	10 950

Movement on the provision for impairment losses on trade receivables was as follows:

	2018	2017
Starting balance	51 408	54 339
Provision made	984	575
Reversal of used provisions	(1 955)	(2 741)
Reversal of unused provisions	(1 261)	(765)
Mergers	-	-
EThs	49 176	51 408

The recognition and reversal of the impairment losses on trade receivables is included in “Impairment losses and change in trade provisions” in the income statement. Usually, amounts charged to the impairment account are written off when there is no expectation of recovering more cash. The net reversal of the provision in 2018 was 0.16% of the Company’s sales (2016: 0.03%).

The rest of the accounts included in “Loans and receivables” did not suffer any impairment.

The maximum credit risk exposure at the date of presentation of the information is the fair value of each one of the categories of receivables mentioned above. The Company does not hold any guarantees as security.

9. Cost in progress and advance billing

	2018	2017
Costs of contracts in progress	67 679	55 559
Total contracts in progress	67 679	55 559
Advance billing (Note 15)	(74 901)	(70 108)
EThs	(7 222)	(14 549)

Advance billing is included under the heading “Trade and other payables” in the statement of financial position.

Additionally, the inventories heading includes other materials for a value of EThs 21 645 (EThs 19 055 in 2017).

The cost of contracts in progress includes EThs 899 (EThs 2 707 in 2017) and advance billing includes EThs 957 (EThs 2 261 in 2017) for export contracts with companies related to the Otis Group.

10. Cash and cash equivalents

	2018	2017
Cash and banks	18 341	20 518
Current deposits with financial institutions	-	-
Cash deposits with related entities	6 000	
EThs	24 341	20 518

The effective interest rate on current deposits with financial institutions was 0.02% (2017: 0.02% and 0.05%) and the average term of these deposits was less than one month.

As of November 30, 2018 and 2017, the Company did not hold any restricted amounts in banks.

As of November 30, 2018, the cash and cash equivalents heading included EThs 6 000 (2017: zero) 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). Deposits with group companies 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.

11. Capital

The share capital is represented by 470,464,311 ordinary bearer shares with a par value of 0.10 euros each, fully paid up and distributed as follows:

Owner	Shares		% interest	
	2018	2017	2018	2017
United Technologies Holdings, S.A.	235,279,377	235,279,377	50.01	50.01
Euro-Syns, S.A.	55,015,423	54,392,423	11.69	11.56
Other non-controlling interests	180,169,511	180,792,511	38.30	38.43
TOTAL	470,464,311	470,464,311	100.00	100.00

There is no other individual shareholder with a holding of more than 10%.

All the Company's shares are of the same class and have the same voting rights.

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

As of November 30, 2018, interim dividends of EThs 75 274 (EThs 75 274 in 2017) charged to the period ended on said date had been declared. These interim dividends were paid (Note 14) for shares 1 to 470,464,311. Additionally, a partial monetary distribution of the share premium took place on July 10, 2018 for shares 1 to 470,464,311 for a gross amount of EThs 37 637. Treasury shares held at said date were excluded.

12. Treasury stock

At November 30, 2018, Zardoya Otis, S.A. did not hold any of its own shares (zero at the end of 2017).

13. Reserves

a) Reserves

	2018	2017
- Legal reserve	10 162	9 785
- Reserve for goodwill	-	3 611
- Voluntary reserves	176 736	171 761
- Reserve 1st implantation	188	188
- Merger reserve	12 677	12 677
EThs	199 763	198 022

The legal reserve has been set aside in accordance with article 274 of the Capital Companies Law, which states that, in all cases, an amount equal to 10 percent of the profit for the year will be allocated to this reserve until a figure equal to at least 20 percent of the share capital is reached. It cannot be distributed and, if it is used to offset losses in the event that sufficient other available reserves do not exist for this purpose, it must be replenished with future profits.

The reserve for goodwill, which had a balance of EThs 13 253 at December 1, 2016, was used to calculate the accumulated amortization of the goodwill at said date. At the end of the 2017 reporting period, EThs 3 611 had still to be amortized. This amount was amortized in 2018 and no goodwill remains pending amortization.

14. Profit for the period

a) Proposed distribution of the profit

The proposed distribution of the profit for 2018 to be put to the General Meeting of Shareholders is as follows:

	2018	2017
Available for distribution		
Profit for the period	148 874	152 289
EThs	148 874	152 289
Application		
Legal reserve	376	377
Reserve for goodwill	-	-
Voluntary reserves	35 587	39 001
Dividends	112 911	112 911
EThs	148 874	152 289

b) Dividend and partial cash distribution of share premium:

In 2017, three quarterly dividends were paid and there was a partial monetary distribution of the share premium.

<u>1st Dividend</u> 0.080 euros gross per share, charged to the period 2017. Declared on March 21, 2017 and paid out on April 10, 2017. Shares: 470,464,311 (Treasury stock: zero) Gross total = 36,637,144.88 euros	37 637
<u>Partial distribution of share premium:</u> 0,080 euros gross per share. Declared on May 24, 2017 and paid out on July 10, 2017. Shares: 470,464,311 (Treasury stock: zero) Gross total = 36,166,680.57 Euros	37 166
<u>2nd Dividend</u> 0.080 euros gross per share, charged to the period 2017. Declared on September 18, 2017 and paid out on October 10, 2017. Shares: 470,464,311 (Treasury stock: zero) Gross total = 36,637,144.88 euros	37 637
Dividend at end of period	112 440
<u>3rd Dividend</u> 0.080 euros gross per share, charged to the period 2017. Declared on December 12, 2017 and paid out on January 10, 2018. Shares: 470,464,311 (Treasury stock: zero) Gross total = 36,637,144.88 euros	37 637
<u>TOTAL 2017</u>	150 077

In 2018, three quarterly dividends were paid and there was a partial monetary distribution of the share premium, as follows:

<u>1st Dividend</u> 0.080 euros gross per share, charged to the period 2018. Declared on March 20, 2018 and paid out on April 10, 2018. Shares: 470,464,311 (Treasury stock: zero) Gross total = 36,637,144.88 euros	37 637
<u>Dividend charged to reserves:</u> 0.080 euros gross per share. Declared on May 23, 2018 and paid out on July 10, 2018. Shares: 470,464,311 (Treasury stock: zero) Gross total = 36,637,144.88 euros	37 637
<u>2nd Dividend</u> 0.080 euros gross per share, charged to the period 2018. Declared on September 14, 2018 and paid out on October 10, 2018. Shares: 470,464,311 (Treasury stock: zero) Gross total = 36,637,144.88 euros	37 637
Dividend at end of period	112 911
<u>3rd Dividend</u> 0.080 euros gross per share, charged to the period 2018. Declared on December 11, 2018 and paid out on January 10, 2019. Shares: 470,464,311 (Treasury stock: zero) Gross total = 36,637,144.88 euros	37 637
<u>TOTAL 2018</u>	150 548

The following table shows the existence of sufficient profit in the period to allow the distribution of the interim dividends that took place on the aforementioned dates and the provisional statement of account supporting the existence of sufficient liquidity to allow the distribution of the aforementioned interim dividends.

	Dividend:		
	1st February	2nd August	3rd November
Gross profit since December 1, 2017	48 060	140 557	184 451
Estimate of corporate income tax payable	(8 651)	(25 920)	(35 577)
Available net profit	39 409	114 637	148 874
Amount distributed previously	-	37 637	75 274
Amount proposed and distributed	37 637	37 637	37 637
Liquidity in cash	25 715	49 597	24 341
Temporary financial investments	-	-	-
Current trade bills receivable	23 737	23 121	21 780
Current loans and other financial assets	14 903	153	13 178
Net liquidity	64 355	72 871	59 299

The amounts to be distributed did not exceed the profit obtained since the end of the preceding period after deducting the estimated corporate income tax payable on said profit, in accordance with the provisions of article 277 of the Capital Companies Law.

15. Debits and payables

	2018	2017
Noncurrent debits and payables:		
Loans with Group companies (Note 27)	37 014	37 031
Other payables (Note 7)	326	953
EThs	37 340	37 984
Current debt with group and associated companies		
Payables to Group companies (Note 27)	68 228	69 493
Current debits and payables:		
Trade payables	26 702	24 694
Invoices not yet received	16 172	7 855
Other payables	6 593	9 794
Employees	19 337	18 774
Advance billing (Note 9)	74 901	70 108
Related-party payables (Nota 27)	9 583	10 228
Current tax liability	6 343	5 770
Other payables to public authorities (Note 21)	14 512	14 175
EThs	174 143	161 398

At the 2018 reporting date, the Company held a payable of EThs 37 014 (2017: EThs 37 031) with Otis Portugal for a long-term loan. The conditions of the loan are comparable to those the Company would obtain from a non-related party.

The carrying amount of noncurrent debt is approximately equal to its fair value, since the effect of discounting is not significant.

a) Information on delays in payments to suppliers, Third Additional Provision “Reporting duties” of Law 15/2010 of July 5.

In compliance with Law 15/2010 of July 5, the Company reports that during the 2018 reporting period the total payments made to suppliers amounted to EThs 291 975 (2017: EThs 297 693), meeting the requirements of said legislation.

	2018	2017
	Days	Days
Average period of payments to suppliers	50	52
Ratio of transactions paid	51	52
Ratio of transactions outstanding	43	47
	Euros	Euros
Total payments made	291 975	297 693
Total payments outstanding	26 702	24 694

16. Accruals

The accrual heading in the liabilities includes principally the accounting accrual of the amounts billed in advance to maintenance customers.

	2018	2017
Advance maintenance billing	14 929	15 262
EThs	14 929	15 262

17. Provisions

The balances of the provisions recognized were as follows:

	2018	2017
Noncurrent:		
Welfare commitments (Notes 18 & 27)	9 388	8 608
	9 388	8 608
Current:		
Delayed sales costs	2 962	2 978
Provision for risks	6 425	5 855
Guarantees	231	258
Other	350	505
EThs	9 968	9 596

The provision for delayed sales costs relates to costs incurred in work that had already been completed but where the relevant charges from third parties had not yet been received. The risks provided for relate to litigations and other identified risks inherent to the Company's activity.

18. Welfare commitments

Post-employment commitments acquired with Group employees consisting of the payment of supplements to social security benefits, other retirement benefits and life insurance premiums are drawn up in group insurance policies and classified as defined-benefit plans.

The liability recognized in the statement of financial position in relation to defined-benefit pension plans is the present value of the defined benefit obligations at the reporting date less the fair value of the assets attached to the plan. The defined benefit obligation is calculated annually, after the wage adjustment process has been concluded in October, by independent actuaries using the projected unit credit method. The income statement shows an expense of EThs 1 596 (2017: EThs 1 978) for this item, included as an employee benefit cost.

Obligations (Asset) in statement of financial position	2018	2017
Current employees	(3 836)	(4 141)
Retired employees	-	-
EThs	(3 836)	(4 141)

The amounts recognized in the statement of financial position were determined as follows:

	2018	2017
Present value of obligations financed	38 447	38 920
Fair value of assets attached to the Plan	(42 283)	(43 061)
EThs	(3 836)	(4 141)

The evolution of the present value of the defined-benefit obligation and fair value of the assets attached to the plan in the period was as follows:

	Obligation recognized	Plan assets
As of November 30, 2016	39 843	(42 516)
Service cost	2 233	-
Interest cost	679	.
Return on assets	-	(732)
Benefits paid	(805)	805
Contributions	-	(433)
Actuarial losses / gains	(2 712)	(301)
Settlements	(317)	116
As of November 30, 2017	38 920	(43 061)

	Obligation recognized	Plan assets
As of November 30, 2017	38 920	(43 061)
Service cost	2 106	-
Interest cost	589	-
Return on assets	-	(690)
Benefits paid	(743)	743
Contributions	-	(857)
Actuarial losses / gains	(1 773)	1 338
Settlements	(652)	243
As of November 30, 2018	38 447	(42 284)

The main actuarial assumptions applied were as follows:

	2018	2017
Discount rate varies depending on the term of the commitment between	1.52% - 1.78%	1.52% - 1.58%
Mortality tables	PERMF 2000P	PERMF 2000P
Wage increase	2.15%	2.15%
Estimated early retirement age	65 to 67 years	65 to 67 years

The amounts recognized in the income statement were as follows:

	2018	2017
Current service cost	2 106	2 233
Interest cost	589	679
Expected return on plan assets	(690)	(732)
Settlements/Curtailments	(409)	(201)
Total (included in employee costs)	1 596	1 978

The amounts of the present value of the defined benefits and fair value of assets attached to the plan for the 2018 period and the three preceding annual periods are:

	2018	2017	2016	2015
Current service cost	38 447	38 920	39 843	36 058
Interest cost	(42 284)	(43 061)	(42 516)	(40 630)

The Group's best estimate of the contributions to be paid in the period ending November 30, 2019 is EThs 1 984 (2017: 2 005).

The actuarial gains and losses shown in the statement of recognized income and expenses, recognized in equity as an actuarial gain of EThs 433 (an actuarial loss of EThs 3 013 in 2017), relate principally to the effects of experience with the group on which the calculation is based, giving an actuarial gain of EThs 370 (2017: actuarial losses of EThs 243); an actuarial gain of EThs 35 (2017: actuarial gain of EThs 3 023) attributable to deviations in wages that differed from expectations and persons who joined or left the plan, thus increasing or decreasing the obligation; and a variation of EThs 29 (2017: EThs: 233) related to changes in the rates of and returns on the funds.

Additionally, there is a defined-contribution plan, the annual cost of which is included under the heading "Employee benefit expenses" for an amount of EThs 698 (2017: EThs 649).

Obligations to employees include other commitments of EThs 9 388 (2017: 8 608).

19. Deferred taxes

Details of deferred taxes are as follows:

	2018	2017
to be recovered after more than 12 months	21 450	20 851
to be recovered within 12 months	492	599
EThs	21 942	21 450

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

EThs	Welfare commitments	Amortization/depreciation fixed assets	Other	Total
At November 30, 2016	8 808	8 468	4 136	21 412
Charged/credited to income statement:				
Deferred tax assets	5	634	(601)	38
Deferred tax liabilities				
Change in tax rates				
Business combinations				
At November 30, 2017	8 813	9 102	3 535	21 450
Charged/credited to income statement:				
Deferred tax assets	(137)	634	(5)	492
Deferred tax liabilities				
Change in tax rates				
Business combinations				
At November 30, 2018	8 676	9 736	3 530	21 942

All the deferred tax assets shown on the statement of financial position at November 30, 2018 and 2017 relate to temporary differences and other tax reductions.

20. Income and expenses

a) Net revenue

The net revenue from the Company's ordinary activities was distributed as follows:

	2018	2017
New installations	39 500	34 606
Service	362 525	362 002
Exports	181 497	193 298
Other sales	358	317
EThs	583 880	590 223

The majority of export sales were made to Otis Elevator Group companies.

b) Goods, raw materials and other consumables used

	2018	2017
Purchases	220 162	215 717
Change in inventories	(2 590)	(391)
	217 572	215 326

c) Employee benefit expenses

	2018	2017
Wages, salaries and similar	126 713	125 428
Welfare charges	46 555	43 176
Pension contributions and provisions (Note 18)	1 596	1 978
	174 864	170 582

Since the 2011 reporting period, a long-term UTC incentive scheme has also been included for certain Zardoya Otis executives who are likewise considered as UTC Group executives. This scheme includes UTC share-based payments (Note 27). The expense recognized for this item in 2018 was EThs 601 (2017: EThs 660).

The item "Staff welfare expenses and other" included severance payments of EThs 3 133 in 2018 (2017: EThs 1 934).

The average number of employees during the period (reporting date), distributed by category and gender, was as follows:

	2018			2017		
	Men	Women	Total	Men	Women	Total
Managers	37	6	43	41	4	45
Administration/workshop/field supervisors	324	23	347	328	21	349
Engineers, university graduates and other experts	102	31	133	102	31	133
Administrative and technical personnel	317	243	560	317	238	555
Other workers	2090	17	2 107	2100	18	2 118
	2 870	320	3 190	2 888	312	3 200

The average number of people with a disability rating of 33% or higher employed by Zardoya Otis, S.A. during 2018 and 2017 was 28 (27 men and 1

woman) in 2018 and 27 (25 men and 2 women) in 2017.

d) External services

Details of external services are as follows:

	2018	2017
Leases	12 377	12 592
Repairs and maintenance	2 099	1 832
Insurance premiums	332	135
Advertising, publicity	1 926	1 991
Transport	7 324	7 312
Supplies and other services	14 715	12 626
Independent professionals	1 841	2 191
Other	1 604	1 837
EThs	42 218	40 516

At November 30, 2018, lease expenses included the costs incurred for royalties under the agreement signed with Otis Elevator Company for an amount of EThs 9 831 (EThs 10 001 in 2017), corresponding to 3.5% of the Service activity. In addition, in 2018, the amount of EThs 3 764 (EThs 3 421 in 2016), corresponding to 3.5% of the net billing on installation contracts, was recorded under the cost in progress heading, accounting for 3.5% of net installation contract billing.

21. Income tax and tax situation

The reconciliation between the net revenue and expenses for the period and the corporate income tax base is as follows:

2018	Income statement		Revenue and expenses allocated directly to equity	
	Increases	Decreases	Increases	Increases
Balance revenue & expenses for period	184 451			
Foreign source income		(20 379)		
Local source income		(22 067)		
Permanent differences	172			
Temporary differences				
-originating in the period	6 404			
-originating in previous periods		(4 432)		
Tax base (taxable profit)	191 027	(46 878)		

2017	Income statement		Revenue and expenses allocated directly to equity	
	Increases	Decreases	Increase s	Increase s
Balance revenue & expenses for period	192 062			
Foreign source income		(15 724)		
Local source income		(23 601)		
Permanent differences	360			
Temporary differences				
-originating in the period		(5 119)		
-originating in previous periods	5 269			
Tax base (taxable profit)	197 691	(44 444)		

Current income tax expense is calculated as follows:

	2018	2017
Tax base (taxable profit)	144 149	153 247
Gross tax payable 25%	36 037	38 312
Other tax credits	(486)	(515)
Current tax	35 551	37 797

Corporate income tax expense is composed of:

	2018	2017
Current tax	35 551	37 797
Business combinations	-	-
Tax from previous periods	517	2 014
Deferred tax (Note 19)	(491)	(38)
EThs	35 577	39 773

At the reporting date, EThs 29 209 (EThs 32 027 in 2017) had been paid on account of the final corporate income tax payable.

As a consequence of, among other items, possible different interpretations of current tax legislation, additional liabilities could arise as the result of an inspection. However, the directors consider that, to the best of their knowledge should any such liabilities arise, they would not have a significant effect on the annual financial statements.

Balances with the Public Treasury

	2018	2017
Provision for corporate income tax	35 552	37 797
Payments on account of corporate income tax	(29 209)	(32 027)
Balances receivable		
Social Security	13	12
Withholding tax	183	245
Input VAT	5 083	5 208
Previous years' corporate income tax	-	7 437
EThs	5 279	12 902
Balances payable		
Public Treasury, withholding tax operated	2 606	2 236
Public Treasury, output VAT	3 397	3 525
Social Security	8 509	8 414
Public Treasury, VAT payable	-	-
EThs	14 512	14 175

22. Financial profit

	2018	2017
Financial income:		
Holdings in equity instruments		
- Group companies (Notes 7, 27)	42 446	39 325
- Third parties	-	24
Marketable securities and other financial instruments		
- Group companies		
- Third parties	252	221
	42 698	39 570
Financial expenses:		
Debt with Group companies	(332)	(524)
Debt with third parties	(182)	(88)
	(514)	(612)
Foreign exchange differences	(91)	57
Financial profit	42 093	39 015

23. Contingencies

Guarantees committed with third parties

The Company has contingent liabilities in respect of bank guarantees and other guarantees arising in the ordinary course of business. It is not foreseen that any material liabilities will arise from these contingent liabilities. The Company furnished guarantees amounting to EThs 5 955 in the ordinary course of business (EThs 8 294 in 2017).

As the result of a disciplinary procedure initiated by the National Commission on Competition (CNC), now the National Commission on Markets and Competition (CNMC), against several companies in the elevator industry, a fine of EThs 2 845 was imposed on Zardoya Otis, S.A. in September 2013. A bond was deposited in order to appeal against the administrative decision before the Contentious-Administrative Chamber of the National Court, which duly delivered judgment.

An appeal against said judgment has been filed before the Supreme Court, which has given it leave to go ahead. The bond will remain in force until the Supreme Court hands down its judgment.

24. Commitments

a) Purchase/sale commitments

At the reporting date, the Company had signed purchase contracts for the following items and amounts:

	2018	2017
Property, plant and equipment	2 062	225
Intangible assets	-	-
TOTAL	2 062	225

b) Lease commitments

The Group leases commercial premises, offices and warehouses under lease agreements, for which different conditions have been established. The estimated annual cost of all the lease payments committed under these lease agreements was EThs 2 527 (EThs 2 535 in 2017).

Likewise, there were other operating lease commitments, principally for vehicles. The annual estimated cost of these commitments was EThs 3 392 (EThs 3 659 in 2017).

25. Business combinations - mergers

2018:

During the 2018 period, the Company acquired 80% of the shares in Soluciones de Accesibilidad LV3 SL, a company engaged mainly in the sale, supply, installation and repair of elevators in Spain, for a value of EThs 450.

2017:

During 2017, the company Mototracciones Eléctrica Latierro, S.L.U. was dissolved without liquidation and the entirety of its equity was transferred to Zardoya Otis, S.A., the absorbing company, which already held 100% of Latierro's shares.

Details of the assets and liabilities included are as follows:

Cash and cash equivalents	308
Credits with Group companies	6 458
Fixed assets	756
Deferred tax asset	-
Receivables	78
Payables	398
Merger reserves	3 130

26. Board of Directors and Senior Management

a) Compensation of the members of the Board of Directors and Senior Management:

The global remuneration for all items accrued during the year by the members of the Board of Directors was EThs 2 111 (2 084 in 2017) and included the following items:

	2018	2017
Fixed compensation	290	281
Variable compensation	215	230
Bylaw-stipulated items	1 200	1 200
Other long-term benefits	338	306
Pension plan contributions	68	67
TOTAL	2 111	2 084

In 2018, the compensation accrued by senior management was EThs 246 (EThs 244 in 2017).

At the 2018 and 2017 reporting dates, the Company had not granted any advances or credits to the members of the Board of Directors or Senior Management.

The members of the Company's Board of Directors or Senior Management did not receive any remuneration from profit sharing or premiums.

b) Conflicts of interest of the directors

Complying with the duty to avoid situations where there is a conflict with the Company's interests, the directors who held office on the Board of Directors during the period met the obligations set forth in article 228 of the Revised Text of the Capital Companies Law. Likewise, both they and persons related to them refrained from entering into the situations of conflict of interest provided for in article 229 of said Law, except in cases where the relevant authorization had been obtained.

27. Other related-party transactions

United Technologies Holdings S.A. (incorporated in France) held 50.01% of the Company's shares at the reporting date. The ultimate group parent is United Technologies Corporation (incorporated in the United States), the parent company of Otis Elevator Company.

The following transactions were carried out with related parties:

(a) transactions with Zardoya Otis Group companies		
	2018	2017
Sales	28 172	26 198
Purchases	(26 505)	(18 701)
Dividend income	42 446	39 325
Receivables (Note 8)	10 900	12 846
Payables (Note 15)	(68 228)	(69 493)
Noncurrent loans	(37 014)	(37 031)

(b) transactions with Otis Group companies		
	2018	2017
Royalties	(12 235)	(13 423)
Billing of costs of engineering development center to Otis	3 852	3 899
Sales and other revenue	168 961	169 871
Purchases and other costs	(43 639)	(44 333)
Receivables	45 339	36 322
Payables	(9 583)	(10 228)

The Company periodically requests the opinion of an expert of recognized prestige concerning the pricing policy established for the transactions with other Otis entities, in order for it to be reviewed by the Audit Committee.

Zardoya Otis, S.A. 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 and Development activities and global product development. The cost of this agreement is a royalty of 3.5% of sales to end customers, excluding sales between group companies.

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 joint objectives of Zardoya Otis, Otis and United Technologies Corporation (UTC), from the UTC long-term incentive scheme, 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). The expense originated by this item is included under the employee benefit expense heading. For 2018, the expense was EThs 601 (EThs 660 in 2017), relating to the fair value of the assets to which it is indexed, which was EThs 6 002 (EThs 4 554 in 2017).

As of November 30, 2018, the cash and cash equivalents heading included EThs 6 000 (2017: zero) 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). Deposits with group companies were cash placements maturing at 30 days,

28 Environmental information

At November 30, 2018, the Company was not aware of any contingency, risk or litigation in progress related to the protection and improvement of the environment. Therefore, the Company did not recognize any provision for environmental actions in the statement of financial position at November 30, 2018.

The Group has approved a Corporate Environmental Policy Manual that stipulates the principal procedures and actions to be followed in plants, offices, transport, Installation and Service.

The principal programs established are intended to reduce the effects of environmental pollution by:

- Control, recycling and decrease of highly contaminating waste (oils).
- Control and reduction of recyclable waste (packaging).
- Control and reduction of emissions into the air due to industrial and combustion processes.
- Control and reduction of water and energy consumption.

The Madrid-Leganés plant was designed to minimize energy consumption by including the installation of photovoltaic panels on the roof, the carrying amount of which is EThs 4 153 (2017: 4 153), with accumulated depreciation of EThs 1 908 at the reporting date (2017: EThs 1 742).

In addition, in 2017, expenses for the removal or recycling of waste were recognized for a value of EThs 292 (2017: EThs 281).

29. Events after the reporting date

On December 27, 2018, Zardoya Otis, S.A. acquired 100% of the shares of the company Otis-Lliset SLU for a value of EThs 4 280. This company is engaged in the maintenance and repair of elevators in Andorra.

On December 11, 2018 Zardoya Otis, S.A. declared the third interim dividend charged to the profit for the period for an amount of 0.080 euros gross per share, resulting in a total gross dividend of EThs 37 637. This dividend was paid out on January 10, 2019.

30. Fees of account auditors

The fees accrued during the year by PricewaterhouseCoopers Auditores, S.L. for account auditing services, including the process audit performed in accordance with the requirements for listed groups in the USA (Sarbanes Oxley), were EThs 173 (2017: EThs 173).

Likewise, the fees accrued in the year by PricewaterhouseCoopers Auditores, S.L. and other companies using the PwC brand name as a result of other services rendered to the Company were EThs 47 (2017: EThs 64).

Zardoya Otis, S.A.

Audit Report
Annual Accounts and Management Report
at 30 November 2018



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.

Audit Report on the annual accounts issued by an independent auditor

To the shareholders of Zardoya Otis, S.A.

Report on the annual accounts

Opinion

We have audited the annual accounts of Zardoya Otis, S.A (the Company), consisting of the balance sheet at 30 November 2018, the income statement, the statement of changes in equity, the cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the Company's equity and financial position as at 30 November 2018 and its financial performance and cash flows for the year then ended, in accordance with applicable financial reporting regulations (itemised in note 2 to the annual accounts) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

Our audit has been carried out in accordance with prevailing Spanish auditing regulations. Our responsibilities under these regulations are described below under *Auditor's responsibility in relation to the audit of the annual accounts*.

We are independent of the Company in accordance with the ethical requirements, including independence, which are applicable to the audit of the annual accounts in Spain, as required by prevailing auditing regulations. In this respect, we have not provided any non-audit services and nor have any situations or circumstances arisen that, in accordance with those regulations, might have undermined said independence.

We consider that the audit evidence obtained provides a sufficient and appropriate basis for our opinion.

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in the audit of the annual accounts for the current period. These matters have been addressed in the context of our audit of the annual accounts as a whole and in the preparation of our opinion thereon, and we do not express a separate opinion on these matters.

Key audit matters	How the matters were addressed in the audit
-------------------	---

Revenue recognition

According to Note 20 to the accompanying annual accounts, the Company basically has three types of revenue from: a) provision of services, mainly contracts for the maintenance, modernisation and repair of elevators; b) installation and assembly; and c) exports

Note 3.12.b indicates that revenues from maintenance contracts are recognised on a straight-line basis as they accrue. Revenue may be billed monthly, quarterly, half-yearly or annually depending on the terms of the contracts, advance payment being recognised, as applicable, to reflect accrual correctly. This type represents the most significant portion of the Company's revenue.

According to Note 3.12.a, elevator installation and assembly revenue is recognised based on the estimated percentage of completion of the work. This area requires judgements and estimates. Specifically, management periodically re-estimates the margin, estimating costs yet to be incurred such that the project's final margin does not differ substantially from the margin at contract inception.

Special attention is paid during the audit to the revenue recognition process to assure that the Company's revenue is duly supported. We consider the recognition of revenue as a result of transactions actually effected and within the period audited to be a key audit matter.

The relevance of the estimates used in the recognition of revenues and their quantitative significance means that revenue recognition is considered a key audit matter.

We describe, understand, assess and validate the relevant transactions and controls that support the revenue cycle, as well as the general IT controls and those of the Company's control environment.

Additionally, substantive tests of detail are carried out on revenue recognised during the year, using sampling techniques for different transaction types. Specifically, these referred to:

- Recognition of revenue from the installation and assembly of elevators, as well as modernisations and repairs, for which we test the periodic re-estimation of margins for a sample of projects.
- Recognition of revenue from maintenance contracts, checking the contractual documentation, the proper recognition of revenue and invoice collection for a sample of transactions.

We checked a sample of transactions showing revenue not collected at the year end, through third-party confirmation or alternative audit procedures using the relevant documentary support. We also checked that the revenue has been accounted for in the correct period.

We performed a computer-assisted audit test designed to detect unusual items. For the items that affect revenue recognition, we have verified the supporting documents to verify that they are correctly recognised.

We checked the sufficiency of the information disclosed in the annual accounts.

On the basis of our tests, our audit objectives have been fulfilled for this key matter.

Key audit matters	How the matters were addressed in the audit
-------------------	---

Recovery of investments in group companies

The Company has investments in group companies amounting to €6.6 million, as disclosed in note 7 to the annual accounts.

The investments are measured at cost less any cumulative impairment adjustments. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, this being the asset's fair value less the higher of costs to sell and value in use.

It is a key audit matter due to the size of the item and because it entails a high level of judgement and estimation on the part of management.

When testing the analysis of the recovery of the value of investments in Group companies, we draw on our knowledge to conclude on whether the value and the assumptions employed by management are suitable. Specifically:

- We compared the cost of the investees with the results and reserves relating to each investment and their evolution with respect to the previous year.
- We checked any latent capital gains existing at the year end, mainly on the maintenance portfolio, and the value of goodwill, against available evidence of the evolution of units, prices and profits for each investment.
- We checked the arithmetic calculations.

We checked the sufficiency of the information disclosed in the annual accounts.

As a result of our tests, we consider that management's estimates sufficiently support the amount recognised under Investments in group companies.

Recovery of the value of intangible assets

The Company has intangible assets other than goodwill in the amount of €22 million, as described in Note 5 to the annual accounts.

This item basically includes amounts relating to the cost of elevator equipment maintenance contracts acquired as a portfolio of contracts or as part of a business combination. The item is made up of a variety of portfolios in terms of both geographic location and acquisition date. They are amortised on a straight-line basis over a period deemed to be equivalent to their estimated useful life (from 10 to 20 years, depending on the features of the maintenance contract portfolio).

For the acquisitions of maintenance contract portfolios, we checked the key supporting documents, such as contracts and purchase deeds, asset valuations at the time of purchase and other relevant documents.

As regards amortisation, estimated useful lives and possible impairment of the intangible assets:

- We checked that the evolution of net contract loss rates is consistent.
- We verified the evolution of maintenance contract prices.

Key audit matters	How the matters were addressed in the audit
<p>Amortisation is assessed regularly by analysing the useful lives of these assets and, where warranted, impairment tests are performed whenever there are any indications of impairment. In this respect, management considers the rate of cancellations and churn.</p>	<ul style="list-style-type: none"> • We assessed the reasonableness of the relevant margins and profits • We carried out tests of detail on maintenance contract additions and cancellations.
<p>It is a key audit matter due to the size of the item and because it entails judgement and estimation on the part of management, impacting forecast flows.</p>	<p>We also checked the sufficiency of the information disclosed in the annual accounts.</p> <p>Our tests have revealed a solid basis supporting the assets' useful lives and that the assets' recoverable amounts are higher than their carrying amount.</p>

Other information: Management Report

Other information refers exclusively to the 2018 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the annual accounts.

Our opinion on the annual accounts does not cover the management report. Our responsibility for the information contained in the management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

- A specific level applicable to the non-financial statement, as well as certain information included in the Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the management report or where applicable, that the management report includes the corresponding reference to the separate non-financial report as stipulated by prevailing regulations and if not, disclose this fact.
- A general level applicable to other information included in the management report that consists of assessing and reporting on the consistency of that information with the annual accounts, on the basis of the understanding of the company obtained in the performance of the audit of those accounts and without including information other than that obtained as evidence during the audit and assessing and reporting on whether the content and presentation of that part of the management report are in conformity with applicable legislation. If we conclude that there are material misstatements on the basis of our work, we are required to report them.

On the basis of the work performed, as described above, we have verified that the specific information mentioned in paragraph a) above is provided in the management report and the other information contained in the management report is consistent with that of the annual accounts for 2018 and its content and presentation comply with applicable legislation.

Responsibility of the Directors and Audit Committee in relation to the Annual Accounts

The directors are responsible for the preparation of the accompanying annual accounts such that they present fairly the Company's equity, financial position and results in accordance with the financial reporting framework applicable to the entity in Spain, and for the internal control considered necessary to permit the preparation of annual accounts which are free from material misstatements, due to fraud or error.

In drawing up the annual accounts the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as appropriate, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to wind up the Company or to cease trading, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the preparation and presentation of the annual accounts.

Auditor's responsibilities in relation to the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 prevailing audit regulations 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 the annual accounts.

As part of an audit in conformity with auditing regulations in Spain, we apply our professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the annual accounts 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 material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, forgery, deliberate omissions, misrepresentations or the override of internal control.
- We 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 entity's internal control.
- We assess whether the accounting policies applied are appropriate and the reasonableness of the accounting estimates and the related disclosures by the directors.
- We conclude on the appropriateness of the directors' use 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual accounts 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 audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and assess whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.



Zardoya Otis, S.A.

We communicate with the company's Audit Committee in relation to, among other matters, the planned scope and timing of the audit and the significant audit findings, as well as any major internal control deficiency that we identify in the course of our audit.

We also provide the company's Audit Committee with a statement to the effect that we have complied with applicable ethical requirements, including those of independence, and we have notified the Audit Committee of any issues that could reasonably pose a threat to our independence and, if appropriate, the relevant safeguards.

Among the matters communicated to the entity's Audit Committee, we determine those that have been of the greatest significance in the audit of the annual accounts for the current period and which therefore are key audit matters.

We describe these matters in our audit report unless law or regulation precludes the public disclosure of the matter concerned.

Report on other legal and regulatory requirements

Additional report for the Audit Committee.

The opinion expressed in this report is consistent with the content of our additional report for the company's Audit Committee dated 12 March 2019.

Term of engagement

We were appointed auditors of the Company for a one-year period at the annual general meeting of shareholders held on 23 May 2018.

We were previously appointed under resolutions adopted by general shareholders' meetings for a period of three years and have been auditing the annual accounts uninterruptedly since the year ended 30 November 1990.

Services rendered

Non-audit services provided to the Company are described in note 30 to the accompanying annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed
by Rafael Pérez Guerra (20738)

12 March 2019

MANAGEMENT REPORT OF ZARDOYA OTIS, S.A.

INDIVIDUAL FINANCIAL STATEMENTS – REPORTING PERIOD 2018

Thousands of euros - EThs)

Presentation of the annual financial statements

The annual financial statements have been prepared on the basis of the Company's accounting records and are presented in accordance with current mercantile legislation and the standards contained in the General Chart of Accounts approved by Royal Decree 1514/2007, together with the amendments to the latter included in Royal Decree 1159/2010 and Royal Decree 602/2016, in order to show a true and fair view of the Company's equity, financial position and results, as well as the accuracy of the cash flows shown on the statement of cash flows. These annual financial statements show a true and fair view of the Company's equity and financial situation as of November 30, 2018, as well as the results of its transactions, changes in equity and cash flows that took place in the Company during the reporting period ended at said date. Likewise, these annual financial statements have been prepared under the going-concern principle.

Business evolution

Profit and loss

The profit before tax of Zardoya Otis, S.A. was 184.4 million euros (2017: 192.1 million euros) in 2018 and the EBITDA (operating profit + amortization/depreciation + impairment of investments in group companies) was 151.7 million euros (2017: 165.9 million euros). Raw material costs increased significantly in 2018.

Total sales

The total sales of Zardoya Otis S.A. were 583.9 million euros in 2018. New sales billing represented 6.83% of total billing in 2018, while the service activity accounted for 62.09% and exports for 31.08%.

The drop in export sales was offset by an increase in service sales and growth in new installations.

Employee headcount

The headcount of Zardoya Otis, S.A. at the 2018 reporting date was 3,190 persons.

Dividends

At November 30, 2018, interim dividends had been declared for the period ended on said date for an amount of EThs 75,274 (EThs 75,274 in 2017). These interim dividends were paid to shares 1 to 470,464,311. Additionally, a dividend charged to reserves was distributed to

shares 1 to 470,464,311 on July 10, 2018, for a gross amount of EThs 37,637. Treasury shares held at said dates were excluded.

The total amount of the dividends (including the third interim dividend charged to the period, declared in December 2018 as an event after the reporting date, and the dividend charged to reserves in 2018) was 150.5 million euros, showing an increase of 0.3% on those paid in 2017 and, overall, represented a pay-out of 103.3% of the consolidated profit attributed to the parent company, Zardoya Otis, S.A., thus continuing with the Company's policy of distributing a pay-out of close to 100% (in this case, higher than 100%).

Evolution of capital

Treasury stock

Zardoya Otis, S.A. did not hold any of its own shares at November 30, 2018.

Evolution of Zardoya Otis on the securities markets

The quoted share price at the end of 2018 was 6.21 euros per share, representing a decrease in value of 31.9% in comparison with the adjusted value at the end of 2017, As an event after the reporting date, the share price has increased by 15% over recent weeks.

General Description of the Company's Risk Policy

The Company'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 Company's global risk management program is focused on the uncertainty of the financial markets and tries to minimize any potential adverse effects on the Company's financial profitability.

Risk management is controlled by company Management as set out in the supplementary information to the annual corporate governance report as of November 30, 2017. 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 risk management functions,
- Ensure that the risk exposure level accepted by the Company in its operations is in line with its risk profile.

Average payment period to suppliers

In relation to the provisions of Law 3/2004 and Law 15/2010 on Measures to Combat Payment Delays in Trading Operations, Law 31/2014 of December 3 amended Law 15/2010 concerning the information to disclose in the notes to the annual financial statements to require the average annual payment period to suppliers. Thus, the average payment period to suppliers for 2018 was below 60 days. The Company has provided for

measures aimed at continuing compliance with the law, which include keeping the average payment period of its transactions with group and associated companies in line with current legislation and complying with the trading agreements it holds with external suppliers.

Research and Development expenses

The company parent follows the policy of recognizing research costs in the income statement in the period in which they are incurred, as stated in its accounting policies and principles. As of November 30, 2018, the income statement included expenses of EThs 1,645 (2017: EThs 1,957) for this item.

Significant events as of November 30, 2018

On April 16, 2018, 80% of Soluciones de accesibilidad LV3 S.L., a company engaged in the elimination of architectural barriers with stair lifts and platforms, was acquired for an acquisition value of EThs 450.

On July 19, 2018, Zardoya Otis, S.A. sold the land and installations of its old modernizations centre located in Munguía. The impact of the gain from the disposal of property, plant and equipment on the profit for the second half of 2018 was around EThs 3 635. The Company intends to reinvest the capital gain in the new plant planned in San Sebastián.

Events after the end of the reporting period

On December 27, 2018, Zardoya Otis, S.A. acquired 100% of the shares of the company Otis-Lliset SLU for a value of EThs 4,280. This company is engaged in elevator maintenance and repairs in Andorra.

On December 11, Zardoya Otis, S.A. declared the fourth dividend in the calendar year – the third charged to the profit for the period– for a gross amount of 0.08 euros per share, resulting in a total gross dividend of EThs 37,637. This dividend was paid out on January 10, 2019.

Annual Corporate Governance Report

The Annual Corporate Governance Report for the 2018 reporting period forms part of this Management Report.

As required by Royal Decree-Law 18/2017 on non-financial and diversity reporting, the relevant information on safety, environmental and social issues is set out below, as well as information on ethics and transparency, the fight against corruption and bribery, personnel, social commitment and service excellence.

STATEMENT OF NON-FINANCIAL INFORMATION

Zardoya Otis is the leading vertical transport company in the Spanish, Portuguese and Moroccan markets. It has the largest maintenance portfolio in the elevator sector. It has three plants located in Madrid, San Sebastián and Vigo and an extensive sales and technical assistance network that allows it to be very close to its customers. It also has an R&D centre in Leganés (Madrid), one of the six that Otis Elevator Co has worldwide.

Zardoya Otis's main goal is service excellence. From this standpoint, the objective is to satisfy the needs of vertical transport customers throughout all the phases of our product's life, ranging from elevator manufacture and design (integrating all the technological advances that have made us sector leaders) to the maintenance service, as well as modernizations and replacements, not only for new buildings but also for those that already exist.

The Company has a strong tradition in exports and sells elevators to the rest of the OTIS companies all over the world. In 2018, 76 countries worldwide received elevators exported from our plants.

I. SAFETY, HEALTH AND ENVIRONMENT

Commitment to Safety

The Company applies the highest standards in safety and environment aspects. Since its beginnings, the Company has led the efforts and investments to attain the highest level of user and employee safety, the elevator being one of the safest automated means of transport that exists.

To help meet this objective, a "Safety, Occupational Health and Environment Program" has been put in place, setting out the policies and procedures necessary to comply with the legislation in force in these areas, and has been certified under Royal Decree 39/1997 (Prevention Services Regulation) and standards OSHAS 18001:2007 (Occupational Health and Safety Management Systems), ISO 14001 (Environmental Management System) and ISO 50001 (Energy Management System). The validity and efficacy of the Management System is confirmed annually through external audits by accredited firms. Compliance with and continuous development of the policies of said system allows a sustained enhancement of occupational safety and health. The program is constructed on 12 pillars:

- 1) Policy and leadership
- 2) Organization and responsibilities
- 3) Annual plans and objectives
- 4) Performance evaluation
- 5) Assessment, prevention and control
- 6) Education and training

- 7) Communication
- 8) Rules and procedures
- 9) Inspections and audits
- 10) Enquiries into accidents and incidents
- 11) Documentation
- 12) Annual evaluation of the program

Management's commitment to attaining these objectives is reflected in the Safety, Health and Environment Policy, signed by the Chief Executive Officer and the General Manager, and the Safety, Occupational Health, Environment and Energy Efficiency Commitment, signed by the entire management team.

Likewise, to attain the objectives of the Safety, Occupational Health and Environment Program and direct and coordinate the implementation thereof, the day-to-day cooperation and participation of all the employees is essential. For this purpose, the following management bodies and support instruments have been created:

- Central Safety Body. Formed by the managers of the different areas, it provides Safety, Health and Environment strategy and monitoring at company level and supervises the effective implementation of the Management System.
- Prevention Service. It assumes the duties and responsibilities assigned by Royal Decree 39/1997 in the four areas of Prevention, Industrial Hygiene, Ergonomics and Psychosociology, and Occupational Medicine, and coordinates the actions necessary to attain the effective implementation and continuing enhancement of the Prevention and Environmental Management System.
- Safety coordinators. The regional offices, production centres and associated companies each have a safety coordinator, who coordinates the actions necessary to implement the Management System effectively in his or her respective geographical area.
- Inter-centre Safety Committee. It has equal representation of workers' representatives nationwide and the Company's central management, in order to review global aspects.
- Safety and Health Committees. These exist at all the regional offices where a service network is organized. Representatives of the workers and company management in each region participate and review local aspects.

There is monthly safety and awareness training for technical personnel, informing of the accidents that have occurred worldwide.

The Risk Assessment activity of the different work areas (plants, warehouses, offices, etc.) and our business's different activities (manufacturing, assembly, maintenance and modernization) is the key factor for putting in place the preventive measures necessary to optimize safety, quality and environmental care in our products and processes, achieving a constant reduction in incidents and a general improvement in performance.

Attaining the objectives fixed in both Safety and Environment and Energy Efficiency, as well as obtaining the certifications under the aforementioned standards from accredited external firms, confirms the validity of the Management System for continuing improvement and the establishment of the most demanding standards in those areas.

In short, significant investment is made in specialized human resources and the means to ensure workplace safety, which, in turn, represents enhanced safety for our customers and users.

Commitment to Health

The Company actively promotes a number of projects aimed to improve its employees' health and well-being at work. The Company has programs for early disease detection, vaccination, gynaecology and anti-tobacco treatment, as well as general welfare programs, promoting a healthy lifestyle through sport and healthy eating.

Commitment to the Environment and Energy Efficiency

Environmental protection likewise forms part of our day-to-day activity: product design, manufacturing, assembly, preventive and corrective maintenance and other activities ns that fall within the services the Company offers.

The Company holds a historical commitment with the environment and gives detailed consideration to the impact thereon of all its activities: the construction of a new manufacturing plant, the design of new production processes and its relations with suppliers are proof of this. Electricity generation using renewable energy sources at the Leganés plant meant that the Company was the first in the sector to have a solar farm.

The Leganés (Madrid) plant is an example of production plant design seeking the least environmental impact possible. It includes materials with high thermal insulation capacity, lighting that adjusts according to the available daylight, and solar panels to produce the centre's hot water.

On the roof of the building, a photovoltaic solar plant with a power capacity of 720 Kw has been installed, suppling 60% of all the centre's needs. The installation, formed by 3,600 solar panels, prevents the emission of 1,000 tonnes of CO₂ into the atmosphere every year, as well as 90 tonnes of SO₂, a sulphur based compound that generates what is known as acid rain.

Efficient energy use plays a fundamental role in protecting our environment. In fact, a significant part of new developments is devoted to developing energy-efficient products. The Company has eliminated hydraulic equipment from its production process, replacing it by GeN2 technology, thus completing its range of state-of-the-art low-consumption elevators for all segments. Some benchmark products are the GeN2 Switch, which uses single-phase electricity and needs only a 500W power connection to work, and the GeN2 Switch Solar, the first elevator on the market capable of working with 100% clean energy and which attains a ZERO energy balance.

This environmental commitment materializes in the fact that all equipment designed and manufactured by Zardoya Otis is equipped with a series of electricity regeneration devices.

In day-to-day operations, the Company is a pioneer in the use of electric vehicles for its maintenance routes and is working on agreements with suppliers, authorities and other stakeholders to develop a larger fleet of electric vehicles that do not emit pollutant gases.

The Company has received numerous recognitions from local, regional and state authorities for its constant work in safety and environmental protection.

II. ETHICS AND TRANSPARENCY

Commitment to ethics and compliance

Ethics is one of the absolute values on which the Company's activity is based.

Zardoya Otis is responsible for establishing solid and sustainable relationships with its stakeholders, whether they be its customers, employees, shareholders and investors, suppliers or the community of which it forms part.

Trust, Respect, Integrity, Innovation and Excellence are the common values established to guide all employees and those who work with the Company in correct decision-making, always complying with the commitments acquired.

These values are set out in the Code of Ethics, which is the document that guides the conduct of all Company employees.

Acting with integrity does not only mean complying with current legislation, but also meeting our commitments and seeking to provide benefits to the different stakeholders and the community in which the Company operates.

The Ethics Compliance Officer (ECO) and the person responsible for internal audit may, on an independent basis, put any matters they see fit in the aforementioned respects to the Board of Directors. The Disciplinary and Prevention Committee supervises and decides on any irregularities in ethics compliance issues that may arise.

The communication of the Code of Ethics and its five values are fundamental pillars in order to continue to consolidate an ethical culture of commitment to good governance towards all the stakeholders

The 2018 Ethics and Compliance Plan materialised in five lines of action:

1. Management Leadership
2. Risk Policies and Prevention (Audit and Assessment)
3. Education and Training
4. Communication
5. Case inquiries – Disciplinary and corrective actions

1. Management Leadership

- Renewal of the commitment to Ethics and Compliance of the whole management team in February 2018.
- Quarterly meetings of the Compliance Committee.
- Ten people received recognition for good ethical practices.

2. Risk Policies and Prevention

- Preparation of Risk Map: ERM (Enterprise Risk Management), including Compliance risks, with quarterly review of the mitigation and control actions.
- Annual certification of all the employees, who state they know and understand the Code of Ethics and its policies, identifying any possible conflicts of interest that should be checked
- Special reinforcement of training in anti-corruption and crime prevention policies.

3. Education and Training

- Training plan consisting of online courses for employees (9,808 courses taken in 2018).
- Quarterly training of technical staff and workers at all the offices and work centres.
- Ethics Day (November 2018) – distribution of 4,500 copies of the Code of Ethics to all employees and technical personnel and 220 “Ethics Bingo” games to reinforce the Company’s fundamental values: Respect, Integrity, Trust, Innovation and Excellence

4. Communication

- Launch of the campaign “OTIS Does the Right Thing” – real examples of good practices.
- 20 communications issued under the title “ECO INFORMA”.
- Communication of the new General Data Protection Regulation and creation of a specific section of Data Privacy in the Ethics and Compliance intranet.
- E-mails with simple ethics messages in “tweet” format through “tweethics”.

III. FIGHT AGAINST CORRUPTION AND BRIBERY

Compliance with antitrust laws

The Company assumes the obligation to comply with the antitrust laws, also known as competition laws. Anti-competition activities are an infringement of the Company’s fundamental values.

Therefore, our competitors are treated with respect and business is based on the merits of the products and services offered.

The Company has specific policies regarding compliance with antitrust and anti-corruption laws, informing and providing training to all employees, who undertake to comply with them by signing the Code of Ethics.

Corruption risk prevention

While the values of innovation and excellence distinguish what is done, our values of integrity and trust show how it is done. The Company undertakes not to take advantage of an opportunity, irrespective of other circumstances, if it implies a result obtained by the undue use of influences or in a manner that does not respect the Code of Ethics.

The Company leads by example in the prevention of corruption, in accordance with the Corporate Policy manuals, which regulate subjects such as business gifts, sponsored trips, hiring civil servants or persons related to the government, and agreements with external representatives or distributors. Likewise, it fights to prevent the effect of corruption on society and helps to foster and protect the free market, defending the rights of consumers and their capacity to choose.

The Company upholds fair, lawful and transparent market practices. An example of this is the systematic and meticulous analysis of potential conflicts of interest that may affect members of management, employees, suppliers, partners or any kind of person or entity that has a relationship with the Company.

Confidential internal communication channel (Dialogue and ECO)

Internal communication is of fundamental importance in transmitting trust and credibility to the employees. For this reason, the Company has:

- An Ethics Compliance Officer (ECO). Any worker may contact him or her to obtain guidance or to consult aspects concerning compliance with the Code of Ethics. Likewise, this person acts independently of the chain of command and conducts thorough investigations into any possible infringements of the Code of Ethics.
- The Dialogue Program. A confidential and anonymous communication channel that ensures protection of those people who make reports in good faith or cooperate with an investigation, preventing any kind of retaliation against them.

Responsibility in the purchase of goods and services

One of the Company's general principles is to treat partners, suppliers and subcontractors with integrity and without discrimination. Therefore, the Company purchases equipment or raw materials and hires services based solely on merit.

Business partners are sought who share an inflexible commitment to excellence and the commitment to meet or surpass the customers' needs. The Company drives innovation, cultivates trust and treats its partners with integrity and respect. The protection of their rights and having them comply with the Company's high standards of ethics forms part of a top-class supply chain.

Likewise, the Company requires its partners, suppliers and subcontractors to adhere to its Supplier Code of Conduct. This Code requires the goods and services acquired to be designed, produced and supplied respecting the safety and health of both employees and consumers. Likewise, suppliers must carry on their activity protecting the environment and respecting the human and labour rights recognized in national and international legislation, prohibiting child labour and treating workers and business partners without discrimination.

Internal control, information and transparency

One of the Company's priority objectives is to favour transparency with the markets and the shareholders. Thus, it undertakes to:

- Work to ensure that the financial statements are complete and accurate.
- Strive for assets, liabilities, revenue, expenses and commercial transactions to be recorded fully and accurately in the Company's books and records, in accordance with the applicable legislation, generally-accepted accounting principles and the financial policies and procedures established.
- Refrain from establishing or holding assets or liabilities that are not recognized in the accounts.
- Publish the relevant information on the Company.
- Comply with the information requirements under the applicable legislation in every country in which it operates.
- Safeguard the rights of investors and shareholders in accordance with the Bylaws and the Regulations of the General Shareholders' Meeting, providing tools and channels to facilitate involvement and communication with these stakeholders.
- Comply with securities market legislation, particularly the market abuse legislation.

According to the Regulations of the Board of Directors, the Board has the mission of determining the risk control and management policy, including tax risks, and supervising the internal reporting and control systems.

Likewise, the Audit Committee supervises the efficiency of the Company's internal control, internal audit and risk management systems, including tax risks, and safeguards the independence and efficacy of the internal audit service. Among other duties, the Audit Committee discusses any significant weaknesses in the internal control system detected in the course of the audit with the statutory auditor. It also has the mission of supervising the process of preparing and presenting the mandatory financial reporting, including compliance with the requirements of current legislation and the correct application of accounting principles. Likewise, it regularly receives information from the statutory auditor on the audit plan and the execution thereof, always ensuring the auditor's independence in performing its duties.

Additionally, a Crime Prevention Model and a Risk Map have been approved. A Compliance Committee has been created, formed by members of management, which has the specific obligations of reviewing and approving any change to the Crime Prevention Model and Risk Map and submitting it for a prior report from the Audit Committee. Likewise, it monitors any internal report received on and/or investigations in progress into criminal matters, periodically reporting on its activities to the Audit Committee.

The Company has an Internal Audit Department that reports directly to the Audit Committee and reviews and guarantees annually, on an independent basis, that business practices and processes are honest, effective and efficient.

Likewise, the Company has Internal Conduct Regulations, the objective of which is to protect the interests of investors and their confidence in the market. Said Regulations contain a series of guidelines and rules applicable to the Company and its directors, managers and employees regarding management and control of relevant and insider information, carrying out transactions with its own securities, performing treasury share transactions and detecting and handling conflicts of interest, all of which is intended to avoid any situation where market abuse occurs.

IV. PEOPLE AND SOCIAL COMMITMENT

The Company has put in place a series of policies and programs that concentrate on people, creating a work environment that fosters respect, health, safety and well-being in the workplace, as well as equal opportunities.

The Human Resources Department is responsible for drawing up and promoting the respective programs for training, internal communication, corporate social responsibility, selection, development, welcome and integration, labour relations, compensation and benefits, etc. These policies are reviewed periodically and are updated and adapted to the business's needs.

The Company fosters a culture of commitment and team work. The "pride of belonging" of all the employees is reinforced and the Company has a common vision that unites and commits, reflected in the internal motto: "Together we are unstoppable".

The Company's main asset is people. Therefore, training is one of the keys to our success. Zardoya Otis's ratios are the highest in the sector and also among other companies of the same size.

All the Company's employees have the opportunity and right to access training, a key element that helps to allow the employees' personal and professional growth. The training and development plans are monitored and analyzed by the management committees.

An average of more than 35 hours of training per employee per year is imparted regularly on subjects such as safety, ethics, technical training, quality, sales, leadership, office IT, languages, etc., through both internal trainers and external consultants, using different methodologies (classroom, on-line or mixed training). Professional growth of employees is also encouraged with individual development programs (first degree or master's) at any public university.

The Company also has a performance management system, as well as career and succession plans, mentoring, coaching, internationalization schemes, etc., defined to foster the personal and professional development of all the people who form part of the Company and their alignment with the business's culture and strategic goals. 90% of the managers (middle management, management and senior management) come from internal promotion.

Workplace climate surveys are conducted between 2 and 4 times a year and actions for improvement are implemented on the basis of an analysis of their results.

The digital transformation process that is underway is a key challenge, given the change in culture it involves. The Company has adapted to this new situation. The technical personnel and supervisors now work with advanced digital mobility tools that integrate Smartphone technology and place communication, management and service technology at the customers' disposal. These tools allow a reduction in administrative tasks, generating higher productivity and efficiency in order to provide the customer with a personalized, swift and effective service.

The objective is to continue to consolidate the position of sector leadership, transforming service, incorporating connectivity and efficient management technologies, and contributing reliability, productivity, flexibility and transparency, in order to continue to provide the customers with service excellence.

For the Company, promoting innovation is of fundamental importance in order to maximize value creation. We have an advanced engineering group to develop new products, processes and technologies. The Madrid Engineering Centre is a worldwide benchmark centre for Otis and an enormous number of patent applications for the products and processes developed commence there. Since 2001, more than 500 patent applications have been filed from Spain all over the world and almost 300 patents have been granted.

Likewise, there is a suggestion program, which encourages and rewards the generation of new ideas on enhancements to products, services or processes.

Furthermore, employees enjoy a complete benefit package, which includes a flexible remuneration system, several types of insurance and special discounts on a series of leisure and cultural activities.

In 2018, work to advance in and consolidate the Unstoppable Commitment continued, aligning it with the sustainable development goals and concentrating on four basic pillars: child protection, gender equality, diversity and the inclusion of people with disabilities or at risk of social exclusion, and employee health and well-being.

In a sector that is particularly complicated in terms of gender diversity, one of the great challenges that is being tackled is to include female talent in the Company, something for which Zardoya Otis is constantly striving. In 2018, the parity indices improved at all levels in order to encourage the growth and development of female talent in the Company, and recognition was obtained for this.

	Women in 2018	Women in 2017
Managers	6	4
Administration/ Workshop/Field Supervisors	23	21
Engineers, University graduates and other experts	31	31
Administrative and technical personnel	243	238
Other workers	17	18
	<u>320</u>	<u>312</u>

Zardoya Otis is especially proud of its Equality Plan and its Diversity and Inclusion Plan, the title of which is "Todos somos Todos".

Social commitment also includes mainstreaming people with disabilities and/or at risk of social exclusion in the Company, an aspect that is always borne in mind in every recruitment process.

The Company cooperates and works with special employment centres that help to include professionals with disabilities, who perform wonderful work in the organization.

One of the basic parts of the Corporate Social Responsibility Policy is social commitment with the environment. Various solidarity projects and activities in which employees participate are organized.

Corporate volunteering acquires special importance with programs for mainstreaming disability through sport (25 years of cooperation with Special Olympics) and child protection (annual charity race and cooperation with several foundations in different activities).

There is also cooperation with educational centres to provide training and professional development opportunities to students with potential and talent who lack the resources necessary to access them. Furthermore, through cooperation with professional training centres, young, recently-qualified people are recruited. Both these actions contribute to reducing unemployment, mainly among young people.

Social action policies are communicated to all employees through the different internal communication channels.

All the foregoing has allowed a number of recognitions to be obtained as a socially responsible entity and the award of the "Top Employers Institute" international certificate for the fourth year running. This is one of the most highly valued and important certificates worldwide and recognizes the Company as one of the best companies to work for in Spain.

Regarding Accessibility, the entity is aware of the situation of millions of people who have difficulties in surmounting the numerous architectural barriers that exist in cities. In Spain, for example, there are more than one million buildings to which measures to make access easier should be applied.

The Company, together with associations of persons with disabilities and the authorities, has always been active in developing legislation for standards that improve elevator accessibility for people.

The Company is committed to the development of technical solutions, technological advances and social initiatives intended to make a decisive contribution to eliminating accessibility barriers. An example of this is the standard inclusion of equipment with capabilities aimed to make the elevators easier to use for people with some kind of disability: Braille on the buttons, improved signage, audible messages regarding the elevator's movements, improvement in stopping accuracy, systems for the early detection of door closure, interactive information systems in the car and a long list of capabilities that may be enjoyed today as a result of the standard achieved.

As stated previously in this Management Report, in April 2018, 80% of Soluciones de accesibilidad LV3 S.L., a company engaged in eliminating architectural barriers with stair lifts and platforms, was acquired.

V. SERVICE EXCELLENCE

The Company's objective is to become the benchmark in the sector and the first choice for customers and users, as a result of the quality of its products and the service excellence in all its activities.

The Company has implemented the following measures for the continuous enhancement of its processes:

- Annually, the CEO and the General Manager approve a roadmap which defines the main quality objectives and the metrics or indicators to be used at the work centres.
- Zardoya Otis, S.A. was the first company in the sector to obtain ISO 9001 certification of its Quality Management System, which it achieved with AENOR in October 1992 for the Company overall, later extending said certification to compliance with the Lift Directive and the Royal Decrees that transpose it, including the pertinent Supplementary Technical Instructions.
- To enhance quality, the ACE Operating System (Competitive Excellence) is used. This is a system for continuing improvement, aimed at solving problems and detecting opportunities. The causes of the problems are analyzed and processes are modified to eliminate or decrease the likelihood of their being repeated. This operating system allows processes to be defined, controlled and improved, eliminates tasks that add no value, reduces the number of errors by analyzing their causes and, through a continuing improvement process, achieves the desired business results, all of which is focused on keeping the customers satisfied and obtaining a high rate of recommendations.
- Unceasing search for differences between the actual results and the targets fixed, analysing and enhancing the processes, assessing and establishing the objectives in accordance with their impact and importance for our customers, shareholders and employees.
- In 2002, the Service Excellence Program was implemented, concentrating on improving the services provided and how customers perceive them. The enhancement of what are known as essential processes: obtaining the loyalty of customers and the portfolio, handling notifications, maintenance visits, complaints management and sales visits, reinforces the customers' perception at "moments of truth", when the Company's image is enhanced as a result of the attention

received from the person who interacts with the customer and/or user on the Company's behalf.

VI. OTHER SIGNIFICANT NON-FINANCIAL PERFORMANCE INDICATORS AND INITIATIVES

- **Units under maintenance:**

The group of which Zardoya Otis is the parent has 288,467 elevator units under maintenance. Additionally, it has 33,000 automatic doors under maintenance.

- **Human team**

3,190 employees:

- 43 managers, 14% of whom are women
- 347 administration and workshop supervisors, 6.6% of whom are women
- 133 engineers, university graduates and other experts, 23.3% of whom are women
- 560 administrative and technical staff, 43.4% of whom are women
- 2,107 elevator technicians, 0.8% of whom are women
- An average of 17 years of service with the organization

- **Customer service**

The Company has an extensive network of regional offices, branches, service offices and points of assistance throughout national territory.

- **Social commitment**

- **Charity race**

1,600 entries. All the funds collected were donated to *Fundación Oncohematológica Infantil*.

- Other campaigns**

- *Cruzada por los niños* ("Crusade for children")
 - *Menudos Corazones* ("Little Hearts")
 - "Integrated" Program
 - "*Juntos de la Mano*" Program
 - Sponsored race for multiple sclerosis
 - 3rd edition of Oncobike
 - 6th edition of the Solidary Trail
 - "*Fórmula imparable*" healthy company program

In all cases the sums collected are donated in full to NGOs, foundations and research centres.

- **Promotion of gender equality**

- “No le pongas género, ponle talento” program in collaboration with the Fundación Adecco, aimed to increase the employability of women with disabilities, gender violence victims, women with unshared family responsibilities and other women at risk of social exclusion.
43 workshops, in which 528 women participated, were held.
- “Por fin tengo trabajo” program with Fundación Randstad, aimed at women with disabilities.
- “We go” program: recently created national program aimed to attract the best female talent to fill technical positions. The new recruits receive integral training in all areas of the business for 18 months. At present, four women are participating.
- “Forward” program, an international program created to increase the presence of women in technical positions and foster gender equality. It has a national committee formed by a multidisciplinary team and was launched in April 2018.

Recognitions in relation to Equality, Diversity and Inclusion

Zardoya Otis has adhered to the “Más mujeres, mejores empresas” (“More women, better companies”) initiative issued by the Ministry of Health, Social Services and Equality. Through this cooperation, the Company undertakes to foster a balanced participation of women and men in pre-managerial and managerial positions and management committees.

In the Workplace Diversity and Inclusion area, the entity has been recognized as one of the 10 most innovative and committed enterprises in Spain in the sixth edition of the Intrama awards. This prize was due to the “Todos somos todos” program, which includes most of the initiatives implemented over the last two years in respect of gender diversity and people with disabilities or at risk of social exclusion.

The award of the Social Company Prize, in collaboration with the Fundación Mundo Ciudad, for the second year running recognizes the “Best Responsible Project in Accessibility and CSR in the Industrial Sector” for the MPD - eView ONE System.

Finally, also for the second year running, the Bequal Seal, which certifies the degree of Corporate Social Responsibility commitment with Disability, was obtained.

**ZARDOYA OTIS S.A.
AND SUBSIDIARIES**

Consolidated Annual Financial Statements
at November 30, 2018

ZARDOYA OTIS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT NOVEMBER 30, 2018 AND 2017 (Thousands of euros - EThs)

		2018	2017
	ASSETS		
	Noncurrent assets		
	Property, plant & equipment (Note 5)	62 126	60 093
	Intangible assets (Note 6)	172 308	177 749
	Goodwill (Note 6)	153 077	146 551
	Financial investments (Note 7)	733	718
	Deferred tax assets (Note 18)	24 197	23 994
	Other noncurrent assets (Notes 7 & 19)	7 626	8 125
		420 067	417 230
	Current assets		
	Inventories (Note 9)	33 350	33 658
	Financial receivables (Note 7)	263	224
	Trade and other receivables (Notes 7 & 8)	213 309	201 405
	Cash and cash equivalents (Notes 7 & 10)	56 445	60 854
		303 367	296 141
	Total assets	723 434	713 371

Notes 1 to 37 form an integral part of these Consolidated Annual Financial Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT NOVEMBER 30, 2018 AND 2017 (Thousands of euros - EThs)

		2018	2017
	EQUITY		
	Share capital (Note 11)	47 046	47 046
	Share Premium	306	306
	Legal reserve (Note 13)	10 162	9 785
	Reserves in subsidiaries & other reserves (Note 14)	295 748	295 448
	Retained earnings (Note 15)	145 731	152 744
	Interim dividends paid (Note 29)	(75 274)	(75 274)
	Foreign exchange differences	(10)	(489)
	Non-controlling interests (Notes 2,15)	10 646	11 426
	Total equity	434 355	440 992
	LIABILITIES		
	Noncurrent liabilities		
	Other payables (Notes 7 & 16)	1 843	2 648
	Provisions for other liabilities and expenses (Note 21)	10 731	10 084
	Deferred tax liabilities (Note 18)	23 672	24 263
		36 246	36 995
	Current liabilities		
	Trade and other payables (Notes 7 & 16)	232 926	216 544
	Current tax liabilities	9 377	7 856
	Borrowings (Notes 7 & 20)	290	323
	Provisions for other liabilities and expenses (Note 21)	10 240	10 661
		252 833	235 384
	Total liabilities	289 079	272 379
	Total equity and liabilities	723 434	713 371

Notes 1 to 37 form an integral part of these Consolidated Annual Financial Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS FOR THE PERIODS ENDED NOVEMBER 30, 2018 AND 2017

(Thousands of euros - EThs)

		2018	2017
	Sales (Note 22)	784 434	778 282
	Other revenue	1 542	1 448
	Raw materials and consumables used (Note 24)	(264 697)	(257 376)
	Employee benefit expense (Note 23)	(254 326)	(246 532)
	Amortization, depreciation and impairment losses (Note 5 & 6)	(20 523)	(19 942)
	Other net expenses (Note 25)	(58 301)	(54 992)
	Operating profit	188 129	200 888
	Financial income (Note 26)	162	621
	Financial costs (Note 26)	(378)	(394)
	Net foreign exchange differences (Note 26)	66	70
	Other gains and losses	3 581	129
	Profit before tax	191 428	201 314
	Income tax expense (Note 27)	(45 127)	(47 827)
	Profit for period	146 301	153 487
	Profit from continuing operations after tax (Note 15)	146 301	153 487
	Attributable to:		
	Shareholders of the Company (Note 15)	145 731	152 744
	Non-controlling interests (Note 15)	570	743
	Earnings per share for the profit on continuing operations attributable to the shareholders of the Company in the period (euros per share) (Note 28)		
	- Basic	0,31	0,32
	- Diluted	0,31	0,32

Notes 1 to 37 form an integral part of these Consolidated Annual Financial Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED NOVEMBER 30, 2018 AND 2017 (Thousands of euros - EThs)

	2018	2017
Profit for the period (Note 15)	146 301	153 487
Other comprehensive income:		
Items that can be transferred to profit and loss		
Exchange rate differences	480	(485)
Items that will not be reclassified to profit and loss		
Actuarial gain or (loss)	433	3 013
Other comprehensive income for the period, net of taxes		
Total comprehensive income for the period, net of taxes	147 214	156 015
Attributable to:		
– Shareholders of parent company	146 644	155 272
– Non-controlling interests	570	743

Notes 1 to 37 form an integral part of these Consolidated Annual Financial Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED NOVEMBER 30, 2018 AND 2017

(Thousands of euros - EThs)

	Attributable to shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Legal reserve	Treasury stock	Accumulated foreign exchange differences	Reserves in consolidated companies and other reserves	Accumulated gains		
Balance at November 30, 2016	47 046	37 472	9 409	-	(5)	235 134	94 511	14 009	437 576
Comprehensive profit for the period (Note 15)					(485)		155 755	743	156 013
Distribution of profit 2016 (Note 15)			376			40 452	(152 285)		(111 457)
Dividend relating to 2016 (Note 29)							111 457		111 457
Dividend 2017 (Note 29)							(112 911)		(112 911)
Partial cash distribution of share premium (Note 29)		(37 166)							(37 166)
Transactions with non-controlling interests (Notes 2 & 6)						806		(2 250)	(1 444)
Other movements								(1 076)	(1 076)
Balance at November 30, 2017	47 046	306	9 785	-	(490)	276 392	96 527	11 426	440 992
Application IFRS 15 (Note 2.25)	-	-	-	-	-	(165)	-	-	(165)
Balance at December 1, 2017	47 046	306	9 785	-	(490)	276 227	96 527	11 426	440 827
Comprehensive profit for the period (Note 15)					480		146 164	570	147 214
Distribution of profit 2017 (Note 15)			377			39 456	(152 744)		(112 911)
Dividend relating to 2017 (Note 29)							112 911		112 911
Dividend 201 8 (Note 29)							(112 911)		(112 911)
Dividend charged to available reserves						(37 637)			(37 637)
Transactions with non-controlling interests (Notes 2 & 6)								113	113
Other movements						(1 788)		(1 463)	(3 251)
Balance at November 30, 2018	47 046	306	10 162	-	(10)	276 258	89 947	10 646	434 355

Notes 1 to 37 form an integral part of these Consolidated Annual Financial Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED NOVEMBER 30, 2018 AND 2017 (Thousands of euros - EThs)

	<u>2018</u>	<u>2017</u>
Net profit	145 731	152 744
Adjustments to profit:		
Amortization/depreciation/provisions (Notes 5, 6 & 8)	18 938	17 865
Taxes (Note 27)	45 127	47 827
Other losses and gains (Note 26)	150	297
Gains/(losses) on sales of fixed assets	(3 581)	127
Tax payment for period (Note 30)	(46 004)	(42 677)
Change in working capital	971	(13 055)
Profit attributable to non-controlling interests (Note 15)	570	743
Cash flows from operating activities (Note 30)	161 902	163 871
Investment in property, plant & equipment/intangible assets(Notes 5 & 6)	(10 168)	(4 086)
Acquisition of subsidiaries (Notes 6 & 33)	(10 377)	(9 469)
Acquisition of other financial assets	-	-
Cash from business combinations (Note 33)	1 191	163
Cash receipts from asset disposal (Nota 5)	4 000	-
Cash flows from investing activities	(15 354)	(13 392)
Dividends paid (Note 29)	(150 548)	(150 077)
Bank borrowings (Received/Paid) (Note 20)	(31)	(1)
Payment for acquisition of non-controlling interests	(378)	(1 891)
Cash flow from financing activities	(150 957)	(151 969)
Variation in cash and cash equivalents	(4 409)	(1 490)
Cash and cash equivalents at the beginning of the period (Note 10)	60 854	62 344
Cash and cash equivalents at the end of the period (Note 10)	56 445	60 854

Notes 1 to 37 form an integral part of these Consolidated Annual Financial Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE PERIODS 2018 AND 2017

(Thousands of euros – EThs)

1. General information

The main business activity of Zardoya Otis S.A. (the Company) and its subsidiaries (together, the Group) is the manufacturing 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. The address of its registered office is Golfo de Salónica, 73, Madrid.

United Technologies Holding S.A., incorporated in France, holds an interest in the Group of 50.01% of the Company's shares. The Company is part of the UTC Group, incorporated in the United States of America (Notes 11 and 34). The Company is listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges.

These Consolidated Annual Financial Statements were approved by the Board of Directors on February 21, 2019 and are pending the approval of the Annual General Shareholders' Meeting. Nevertheless, Management considers that said financial statements will be approved as presented.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented.

2.1 Bases of presentation

The Consolidated Financial Statements of the Group as of November 30, 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) adopted for application in the European Union and in force at that date.

The Group's Consolidated Annual Financial Statements at November 30, 2018 include the figures for the preceding year to allow a comparison to be made. Likewise, they have been prepared under the going concern principle. They will be approved by the Board of Directors on February 21, 2019. The Consolidated Annual Financial Statements for 2017 were approved at the General Shareholders' Meeting of May 23, 2018.

The Consolidated Annual Financial Statements have been prepared using the historical cost method, modified by recognition criteria for available-for-sale assets. Assets and liabilities (including derivatives) at fair value through profit and loss.

The preparation of consolidated annual financial statements under IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies.

The accounting estimates, in consequence, can be different to the final result of the circumstances evaluated. Both judgements and estimates are constantly reviewed and are based principally on historical experience and expectations of future events deemed reasonable.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated annual financial statements are:

(a) Contracts in progress

Contracts in progress are measured at the cost incurred plus the expected profit margin, based on the percentage of completion of the contract, in proportion to the difference between the total estimated cost and the contract price agreed upon with the customers. Said margin is reviewed in accordance with the actual progress of the work and the costs still to be incurred, by means of periodic re-estimation, so that the margin of profit or loss that will result at the end of the contracts will not differ substantially from the margins applied while the contracts were in progress. (Note 2.13.b and 2.20.a).

(b) Employee benefit expenses

The liability recognized in the statement of financial position in respect of defined-benefit pension plans is the present value of the defined-benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined-benefit obligation is calculated annually by independent actuaries using the projected unit credit method. (Note 2.18)

(c) Estimated impairment loss on goodwill and other intangible assets

The Group tests goodwill and units under maintenance for impairment annually, in accordance with the accounting policy described in Note 2.6. The recoverable amounts of the cash-generating units are determined on the basis of calculating the value in use. These calculations require the use of estimates.

(d) Deferred taxes

Deferred tax is calculated on the basis of the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates that have been or are about to be approved at the end of the reporting period and are expected to apply when the related deferred tax asset is realized or deferred tax liability is settled. Deferred tax assets are recognized to the extent that it is likely that future taxable income will be available against

which to offset the temporary differences and are reviewed in accordance with any legal changes or circumstances that may affect their recoverability (Note 2.17).

2.2 Consolidation principles

Subsidiaries are all companies in which the Group has the power to govern the financial and operating policies, which, in the latter case, implies a shareholding of more than half the voting rights. When assessing whether the Group controls another entity, the existence of any potential voting rights that are exercisable or convertible is considered. Subsidiaries are fully consolidated from the date on which control is transferred to the Group unless the information provided by the subsidiary is not sufficiently reliable and its effect on the consolidated accounts is not material. They are de-consolidated from the date that control ceases.

The Annual Consolidated Financial Statements have been prepared applying the full integration method to the accounting records of Zardoya Otis, S.A. and its subsidiary companies, by including all the items on the statement of financial position and profit and loss items arising from the accounting records. Certain reclassifications deemed advisable have been made in order to improve the presentation of the Consolidated Financial Statements and the related non-controlling interests.

If a business combination takes place in stages, the acquisition-date carrying amount of the interest in the acquiree's equity previously held by the acquirer is remeasured at acquisition-date fair value. Any loss or gain arising from this remeasurement is taken to profit and loss.

Non-controlling interests in the profit or loss and equity of subsidiaries are shown separately in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of financial position, respectively.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration for the acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and shares in the equity issued by the Group at the acquisition date. The consideration transferred also includes the fair value of any asset or liability that comes from an acquisition agreement. Identifiable assets acquired and identifiable liabilities and contingent liabilities accepted in a business combination are measured initially at their acquisition-date fair values. For each business combination, the Group may elect to recognize any non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share in the net identifiable assets of the acquiree. Goodwill is measured as the amount by which the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree exceeds the acquisition-date net amounts of the identifiable assets acquired and the identifiable liabilities assumed. If this amount is lower than the fair value of the net assets of the acquiree in the event of a bargain purchase, the difference is recognized as a gain directly in profit and loss. The costs related to acquisitions are recognized as expenses in the period incurred.

Transactions between Group companies and balances and unrealized gains on transactions between Group entities are eliminated. Likewise, unrealized losses are also eliminated.

(a) Subsidiaries

The list of subsidiaries and information thereon is as follows:

Company and registered office	Activity	2018		2017		Parent company
		%	Carrying amount (EThs)	%	Carrying amount (EThs)	
Ascensores Ingar, S.A. (Granada)	Installation of elevators	100%	14 306	100%	14 306	Zardoya Otis S.A.
(+) Cruxent-Edelma, S.L. (Barcelona)	Installation & Service of Elevators	100%	26 505	100%	26 505	Zardoya Otis S.A.
(+) Ascensores Serra, S.A. (Gerona)	Installation & Service of Elevators	75%	605	75%	605	Zardoya Otis S.A.
(+) Puertas Automáticas Portis, S.L. (Madrid)	Installation & Service of Automatic Doors	100%	18 977	100%	18 977	Zardoya Otis S.A.
(+) Otis Elevadores, Lda. (Portugal)	Installation & Service of Elevators	100%	31 658	100%	31 658	Zardoya Otis S.A.
Masel Otis Elevadores de Madeira, Lda. (Portugal)	Installation & Service of Elevators	60%	2 104	60%	2 104	Otis Elevadores, Lda.
(+) Ascensores Pertor, S.L. (Valencia)	Installation & Service of Elevators	94,13%	17 393	94,13%	17 393	Zardoya Otis S.A.
(+) Acresa Cardellach, S.L. (Barcelona)	Installation & Service of Elevators	96,76%	19 515	96,76%	19 515	Zardoya Otis S.A.
Zardoya Otis (Gibraltar) Limited. (Gibraltar)	Installation & Service of Elevators	100%	-	100%	-	Zardoya Otis S.A.
(+) Conservación de Aparatos Elevadores Express, S.L. (Madrid)	Installation & Service of Elevators	100%	1 771	100%	1 771	Zardoya Otis S.A.
(+) Otis Maroc, S.A. (Morocco)	Installation & Service of Elevators	100%	19 966	100%	19 966	Zardoya Otis S.A.
Ascensores Aspe S.A (Balearic Islands)	Installation & Service of Elevators	100%	9 122	100%	9 122	Zardoya Otis, S.A
(+) Montes Tallón, S.A (Alicante).	Installation & Service of Elevators	52%	10 823	52%	10 823	Zardoya Otis, S.A.
(+) Ascensores Enor S.A. (Pontevedra)	Installation & Service of Elevators & Automatic Doors	100%	117 100	100%	117 100	Zardoya Otis, S.A.
(+) Electromecanica del Noroeste S.A (Pontevedra)	Installation & Service of Elevators	100%	16 525	100%	16 525	Zardoya Otis, S.A.
(+) Enor Elevacao e Equipamentos Industriales Lda (Portugal)	Installation & Service of Elevators	100%	19 916	100%	19 916	Otis Elevadores, Lda. (Portugal)
Electromecánica Hemen Elevadores, S.L. (Vitoria)	Installation & Service of Elevators	100%	17 820	100%	10 790	Zardoya Otis, S.A.
Companies acquired by the CGU Spain (Puertollano, Seville, Malaga, Castellon, Madrid)	Installation & Service of Elevators	-	-	100%	14 568	Companies belonging to the Spain CGU (*)

Companies acquired by the CGU Spain (Zaragoza, Madrid & Alicante)	Installation & Service of Elevators	100%	14 352	-	-	Companies belonging to the Spain CGU (*)
Companies acquired by the CGU Portugal	Installation & Service of Elevators	-	-	100%	2 688	Companies belonging to the Portugal CGU (*)
Soluciones de Accesibilidad LV3 SL (Barcelona)	Installation and Service of Accessibility Solutions Equipment	80%	450	-	-	Zardoya Otis, S.A.

(+) Companies audited by PwC in 2017

(*) Merged with Zardoya Otis, S.A. (period 2017)

(**) Companies acquired by Group entities belonging to the CGUs Spain and Portugal which are expected to be merged in forthcoming years.

Note: the carrying amount corresponds to the carrying amount of the investment in the company holding the interest.

The following transactions and changes to the Group took place in 2018:

In 2018, companies belonging to the Zardoya Otis Group (Spain) CGU acquired 100% of the shares of the companies Ascensores Limarlift S.L (April 5, 2018), Integra Ascensores SL (June 26, 2018), Elko sistemas d'elevarcion S.L. (September 11, 2018) and Euroascensores Alcaraz SL (November 26, 2018), all of which are engaged in the elevator maintenance and repair activity. Likewise, 80% of Soluciones de accesibilidad LV3 S.L. was acquired (April 16, 2018). This company is engaged in the elimination of architectural barriers and providing accessibility solutions using stair lifts and platforms.

On June 4, 2018, the subsidiary Electromecánica Elevadores SL carried out a capital increase of EThs 7 030. The new shares in the company were fully subscribed and paid up in cash, together with the related share premium, by Zardoya Otis, S.A.

In December 2017, the merger project for the merger of the company M. Casas S.A. into Conservación A.E. Express, S.L. was carried out. Likewise, in March and May 2018, respectively, Sistemas Automáticos de Elevación S.L. and Liftsur Elevadores S.L. were merged into Ascensores Ingar S.A. Similarly, in April 2018, the company Elevadores Castalia S.A. was merged into Ascensores Pertor, S.L. All these companies were merged into Group companies and, in the course of the period, they were dissolved without liquidation and the entirety of their respective equities was transferred en bloc to the absorbing companies.

The following transactions and changes to the consolidated Group took place in 2017:

On March 7, 2017, Zardoya Otis, S.A. acquired 7.23% of shares in the subsidiary Electromecánica Hemen Elevadores, S.L. from non-controlling interests. This transaction meant that the percentage held by Zardoya Otis, S.A. in Hemen Elevadores, S.L. changed, rising from 92.77% to 100%.

On May 17, 2017, Zardoya Otis, S.A. acquired 2.19% of the shares in the subsidiary Acresca Cardellach, S.L. from non-controlling interests. This transaction meant a change in Zardoya Otis, S.A.'s holding in Acresca Cardellach, S.L., which rose from 94.57% to 96.76%.

The above transactions with non-controlling interests are included in the consolidated

figures for the period commencing in December 2017 and will be treated in accordance with the policy on transactions with non-controlling interests, with no impact on the consolidated profit for the period.

Companies belonging to the CGU Zardoya Otis Group (Spain) and the CGU Zardoya Otis (Portugal) acquired companies engaged in elevator maintenance and repair. This information is included in Note 7.

In 2017, the companies Elevación y Servicio I.M. 2000 S.L, Ascensores Puertollano S.L and Montajes Stelokotu S.L, acquired in 2016 and belonging to the CGU Zardoya Otis (Spain), prepared a merger project with other Group companies. In the course of the period, they were dissolved without liquidation and the entirety of their respective equities was transferred to the absorbing company.

If these transactions had been carried out 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.

(b) Transactions and non-controlling interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases of non-controlling interests, the difference between any consideration paid and the relevant share acquired in the carrying amount of the net assets of the subsidiary is deducted from the equity. Gains or losses on sales of minority interests are also recorded in equity. The disposal of non-controlling interests and the difference between the consideration received and the related proportion of non-controlling interests are also recognized in equity.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that differ from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that differ from those of segments operating in other economic environments. Each of the defined segments is allocated the costs that it has incurred directly. Each of the defined segments has its own functional structure. Common or shared costs are allocated based on the time or degree of usage of the resources. Information on operating segments is reported in accordance with the management information produced on a monthly basis, which is reviewed by Management regularly and by the Board of Directors at each of its meetings.

2.4 Foreign currency translation

(a) Functional and reporting currency

The Consolidated Annual Financial Statements are presented in thousands of euros. The euro is the Group's functional and reporting currency.

The items included in the financial statements of each one of the Group companies are

measured using the currency of the principal economic environment in which the company operates (“the functional currency”). The Consolidated Financial Statements are presented in thousands of euros, which is the Group’s reporting currency.

(b) Transactions and balances

Foreign currency transactions are translated into euros using the exchange rates prevailing at the dates of the transactions. Foreign currency losses and gains resulting from settlement of these transactions and conversion of monetary assets and liabilities denominated in foreign currencies at year-end rates are recognized in profit and loss. Exchange rate gains and losses relating to loans and cash and cash equivalents are shown in the income statement under “financial income and expenses”.

(c) Group companies

Gains and losses and the financial situation of Group companies (none of which has the currency of a hyperinflationary economy) with a functional currency other than the currency in which the financial statements are presented are translated into the latter as follows:

- i) The assets and liabilities of each statement of financial position presented are translated at the closing exchange rate on the reporting date.
- ii) The income and expenses of each income statement are translated at the average exchange rates (unless this average is not a fair reflection of the accumulated effect of the rates existing on the transaction dates, in which case the income and expenses are converted at the transaction date),
- iii) All exchange rate differences are recognized as a separate component in other comprehensive income.

Upon consolidation, the exchange differences that arise on the translation of a net investment in foreign companies are taken to the shareholders’ equity. When sold, these exchange differences are recognized in profit or loss as part of the loss or gain on the sale.

Adjustments to goodwill and fair value that arise on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and are translated at the exchange rate on the reporting date.

2.5 Property, plant and equipment

The land and buildings comprise the Group Company’s production centers. All property, plant and equipment is stated at cost less accumulated depreciation and impairment, with the exception of land, which is not depreciated.

Historical cost includes expenses that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or remeasured amounts to their residual values over their estimated useful lives, as follows:

Buildings	33 years
Machinery	4, 8, 10 & 13 years
Vehicles	5 & 6 years
Furniture, fittings and equipment	4, 10 & 13 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable value.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and included in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserves are transferred to reserves for retained earnings.

The value of property, plant and equipment as of November 30, 2018 includes the effect of the revaluation carried out under Spanish legislation in the year 1996 following Royal Decree 7/1996 dated June 7, which gave rise to a net value increase of EThs 4 056 in the Company's property, plant and equipment. The total amount of the restatement was shown in the accounts, as provided for in Royal Decree-Law 7/1996, as an increase in the value of the restated assets, with its balancing item in the revaluation reserve account, net of the applicable taxes, for an amount of EThs 3 934.

At November 30, 2018, the aforementioned restatement had an impact of EThs 250 (EThs 269 in 2017) on the net carrying amount of property, plant and equipment. Consequently, the effect of this restatement on the provision for the year 2018 is EThs 19 (EThs 19 in 2017).

This restatement was carried out only in the parent company, Zardoya Otis SA. For the purposes of the first implementation of IFRS, it was considered as acquisition cost, with no further remeasurements under IFRS.

2.6 Intangible assets

(a) Maintenance contracts and other related intangible assets

The amounts relate principally to the cost of taking over elevator maintenance contract portfolios acquired either directly as a portfolio of contracts or as a consequence of a business combination. Amortization is carried out using the straight-line method, considering the estimated useful lives (10 to 20 years depending on the characteristics of the portfolio). Impairment tests are conducted regularly whenever factors that indicate any possible impairment exist.

Trademarks and other related assets resulting from portfolio acquisitions are shown at historical cost. They have a defined useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method.

(b) Goodwill

Goodwill represents the amount by which the acquisition cost exceeds the fair value of the Group's holding in the identifiable net assets of the subsidiary acquired at the acquisition date. Goodwill relating to acquisitions of subsidiaries is included in the intangible assets. Goodwill recognized separately is submitted to annual impairment tests and is measured at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the sale of a company include the carrying amount of the goodwill associated to the company sold.

Goodwill is allocated to the cash-generating units for the purposes of testing for impairment. It is assigned to the cash-generating units that are expected to benefit from the business combination upon which the goodwill arises.

(c) Research and development expenses

Research expenditures are recognized as expenses when incurred and are not recognized as an asset. Development costs previously recognized as an expense are not recognized as an asset in a later reporting period.

2.7 Impairment losses on non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). The possible reversal of impairment losses on non-financial assets other than goodwill is reviewed on each reporting date.

2.8 Financial assets

2.8.1 Classification

Financial assets include shareholdings in companies other than subsidiaries and associates, financial assets held for investment purposes and investments held until maturity. Financial assets are recorded at their fair value, including additional direct costs. Permanent impairment is provided for as a direct reduction in the asset account.

The Group classifies its investments in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and

re-evaluates this designation at each reporting date. Guarantee and other deposits are measured at the amounts deposited.

a) Financial assets at fair value through profit and loss

Financial assets held at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of being sold in the short term. Derivatives are also classified as held for trading unless designated as hedges. Assets in this category are classified as current assets if expected to be liquidated within twelve months. Otherwise, they are classified as noncurrent.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities longer than 12 months after the reporting date. These are classified as noncurrent assets. Loans and receivables are included in trade and other receivables on the statement of financial position and recorded at amortized cost using the effective interest method.

Financial assets are derecognised when all the risks and rewards of asset ownership are substantially transferred. In the specific case of accounts receivable it is understood that this occurs in general when the insolvency and default risks have been transferred and the amount is financed directly to the customer by the financial institution.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets placed in this category or not classified in any other category. They are included as noncurrent assets unless Management intends to dispose of the investment in the 12 months following the reporting date.

2.8.2 Recognition and measurement

Acquisitions and disposals of investments are recognized on the trading date, i.e. the date on which the Group makes the commitment to acquire or sell the asset. Investments are initially recognized at their fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from them have expired or been transferred and the Group has substantially transferred all the risks and rewards of ownership thereof. When securities classified as available for sale are sold or incur impairment losses, the accumulated adjustments to the fair value are recognized in profit or loss as losses or gains on the securities.

2.9 Offsetting financial instruments

Financial assets and financial liabilities are offset against each other and presented at the net amount on the statement of financial position when there is a legal right to offset the amounts recognized and the Group intends to liquidate the net amount or to realize the asset and settle the liability simultaneously.

2.10 Impairment losses on financial assets

Assets at amortized cost

The Group assesses financial assets or groups of financial assets for indicators of impairment at each reporting date. A financial asset or group of financial assets is impaired and suffers an impairment loss when there is objective evidence of impairment, as a result of one or more events that have occurred after the initial recognition of the financial asset, and the event causing the impairment affects the estimated future cash flows of the financial asset or group of financial assets, provided that this effect can be reliably estimated.

Other criteria that the Group uses to determine whether there is objective evidence of impairment include: significant financial difficulties of the issuer or counterparty; breach of contract, such as a default or delinquency in interest or principal payments; the probability that the borrower will enter bankruptcy or financial re-organization; the disappearance of an active market for that financial asset in question; or other observable information that indicates that there is a measurable decrease in the estimated future cash flows, even if the decrease cannot yet be identified with individual financial assets belonging to the Group, including if, in a future period, the amount of the impairment loss decreases and the decrease can be objectively attributed to an event that has occurred after the impairment was recognized, the reversal of the previously-recognized impairment loss will be recognized in consolidated profit and loss.

2.11 Derivative financial instruments and hedging activity

The Group occasionally maintains commitments of insignificant value in foreign currency originated by the acquisition of equipment to be installed in special projects. These cases are hedged by forward contracts the impact of which is included in profit and loss as financial costs, in accordance with the accrual method.

Derivatives are initially recognized at their fair value on the date on which the derivative contract is signed. After initial recognition, they are remeasured at fair value.

2.12 Inventories

Inventories are measured at the lower of their net realizable value or average cost of acquisition or production. Finished goods and work in progress include costs directly attributable to the products in question as appropriate to their period of production.

The net realizable value is the estimated selling price in the ordinary course of business less the applicable variable selling costs.

When the net realizable value of the inventories is lower than their costs, the relevant adjustments to their value will be made and recognized in profit and loss. If the circumstances that caused the value adjustment cease to exist, the adjustment is reversed and recognized as revenue in profit and loss.

2.13 Trade receivables

(a) Trade receivables

Trade receivables are recognized initially at fair value, and subsequently at their amortized cost in accordance with the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the receivables. The amount of the provision is recognized in profit and loss.

(b) Contracts in progress

Contracts in progress are valued at the cost incurred plus the expected profit margin, based on the percentage of completion of the contract, in proportion to the difference between the total estimated cost and the contract price agreed with the customer.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which cost incurred plus recognized profit (less recognized losses) exceed progress billing and, as a liability, the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses). Progress billings not yet paid by customers and amounts withheld are included within trade and other receivables.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term, highly-liquid investments with original maturities of three months or less and cash placements maturing at 30 days, in accordance with the contract for the provision of financial services signed with United Technologies Treasury Center and United Technologies Corporation (the parent company of Otis Elevator Company) for the provision of services and optimization of the placement of cash surpluses, forward contracts and other services. Bank overdrafts are classified as borrowings in the current liabilities.

2.15 Share capital, share premium and treasury stock

- Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to issuing new shares or options are shown in equity as a deduction, net of taxes, from the revenue obtained.

The share premium corresponds to reserves freely available for distribution.

As a general rule and unless there's a more reliable measurement, the fair value of the equity instruments or financial liabilities issued as consideration in a business combination is their quoted price, if such instruments are listed on an active market.

- Treasury stock

When shares of the Group parent are acquired, the consideration paid, including any directly attributable incremental cost, is deducted from equity until the shares are written off, reissued or sold. When the shares are sold or reissued subsequently, any amount received, net of any directly attributable incremental cost of the transaction, is recognized in equity.

2.16 Trade payables

Trade payables are payment obligations for goods or services that have been acquired from vendors in the ordinary course of operations. Payables are classified as current liabilities if payment is due at one year or less (or matures in the normal operating cycle, if longer). Otherwise, they are shown as noncurrent liabilities.

Trade payables are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method.

2.17 Current and deferred taxes

The consolidated income statement for the period includes the corporate income tax expense, which is calculated considering the corporate income tax accrued during the year and the effect of deferral of the differences arising between the taxable income and the book profit before tax that will reverse in future years, together with the tax credits and allowances applied by Group companies. Deferred tax is calculated on the basis of the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates that have been or are about to be approved at the reporting date and are expected to apply when the related deferred tax asset is realized or deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is likely that future tax profit will be available to offset the temporary difference.

Deferred tax assets and deferred tax liabilities are offset when, and only when, there is a legally-recognized right to offset the current tax assets against the current tax liabilities and when the deferred tax assets and the deferred tax liabilities derive from corporate income tax levied by the same tax authority and they refer either to the same company or taxpayer or to different companies or taxpayers that intend to settle their current tax assets and liabilities for the net amount.

When there is a change in the tax rates, the deferred tax assets and liabilities are re-estimated. These amounts are charged to profit and loss or other comprehensive income, depending on the account to which the original amount was charged or credited.

2.18 Employee benefits

(a) Welfare commitments

In accordance with Royal Decree 1588/1999, whereby the Regulations on Pension Commitments between companies and employees were approved and which provided that

pension commitments acquired by companies must be externalized and arranged through a group life insurance policy or pension plan or both, and the amendment introduced by Law 14/2000 concerning the transitional period for the formalization or adaptation of said policies and/or plans, on November 7, 2002 and November 14, 2002, respectively, the Company signed, with two insurance companies, the framework agreements regulating the technical, economic and legal conditions of the group insurance policies in order to arrange the pension commitments acquired by the company with its current and retired employees. In December 2011, Zardoya Otis, S.A. made the last payment for the financing of the agreement signed.

The liability or asset recognized in the statement of financial position in respect of the defined-benefit pension plans is the present value of the defined-benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses recognized in the consolidated comprehensive income statement and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is calculated by discounting the estimated future cash outflows using the interest rate on high-quality corporate bonds denominated in the same currency as that in which the benefits will be paid and maturing at similar terms as the obligation.

There is also a defined-contribution plan the annual premium of which is included as employee expenses. Once the contributions have been paid, the Group holds no additional payment obligations. Contributions are recognized as employee expenses annually.

As stated in Note 34, there are benefits for certain Company executives that depend on their performance and the attainment of joint objectives of Zardoya Otis, Otis and United Technologies Corporation (UTC), based on the UTC long-term incentive plan, which includes UTC share-based compensation schemes. The cost is included under the employee benefit expense heading, generating a credit account with UTC Group companies (presented as other provisions in the statement of financial position).

(b) Severance payments

The Group recognizes these benefits when it has made a demonstrable commitment in accordance with a detailed formal plan with no possibility of withdrawal. Benefits that will not be paid in the twelve months following the reporting date are discounted back to their present value.

2.19 Provisions

Provisions are recognized when the Group has a legal or constructive current obligation as the result of past events, it is likely that an outflow of resources will be necessary to settle the obligation and the amount can be estimated reliably.

Provisions are measured as the present value of the payments that are expected to be necessary to settle the obligation using a before-tax rate that reflects the present market's estimates of the time value of money and the specific risks of the obligation. Adjustments to the provision to update it are recognized as financial expenses when accrued.

Provisions maturing at one year or less with an insignificant financial effect are not discounted.

When it is expected that part of the payment necessary to settle a provision will be reimbursed by a third party, the reimbursement is recognized as an independent asset, provided that it is almost certain to be received.

Possible obligations arising as a consequence of past events the materialization of which depends on whether, irrespective of the Group's wishes, one or more future events occur, are considered contingent liabilities. These contingent liabilities are not accounted for, although details thereof are presented in the Notes.

2.20 Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after sales within the Group have been eliminated. Revenue is recognized as follows:

(a) Revenue from installation, assembly and export contracts

Revenue from elevator installation and assembly is recognized based on the estimated percentage of completion. Periodic corrections are made to the estimates so that the margin of profit or loss that will result at the end of the contracts will not differ substantially from the margins applied while the contracts were in progress.

(b) Revenue from maintenance contracts

Revenue from maintenance contracts is apportioned on a straight-line basis as it is earned. Invoicing may be on a monthly, quarterly, six monthly or annual basis depending on the terms laid down in the agreements signed with the customers. The necessary entries are made to recognize advance invoicing.

(c) Interest revenue

Interest income is recognized using the effective interest rate method.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability on the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.22 Borrowings

Borrowings are initially recognized at fair value net of any transaction costs incurred. Subsequently, they are measured at their amortized cost and any differences between the funds obtained (net of the costs necessary to obtain them) and the repayment value is recognized in profit and loss over the life of the debt, applying the effective interest rate method.

Commissions paid on the granting of credit lines are recognized as transaction costs of the loan to the extent that it is probable that any or all of the lines will be used. In these cases, the commissions are deferred until the line is used. To the extent that there is no evidence that the

line is likely to be used, the commission is capitalized as an advance payment for liquidity services and is amortized over the period for which the credit line is available.

Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement for at least twelve months after the reporting date.

2.23 Leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss on a straight-line basis over the period of the lease.

2.24 Earnings per share

Basic earnings per share are calculated by dividing:

- The profit attributable to Company shareholders, excluding any cost of servicing the equity other than ordinary shares;
- Between the weighted average numbers of ordinary shares in issue during the period, adjusted by the incentives issued on ordinary shares during the period, excluding treasury stock.

For the diluted earnings per share, the figures used to determine the basic earnings per share are adjusted to take the following into account:

- The effect after tax of interest gains and other financial costs associated to ordinary shares with potential diluting effects, and
- The weighted average number of ordinary shares that would have been in issue if all the ordinary shares with potential diluting effects had been converted.

2.25 New Standards and IFRIC Interpretations

The IASB has approved and published certain accounting standards, amendments to existing ones and interpretations that came into force in the reporting period:

a.- Standards that came into force in the period:

The Group has been applying these rules to transactions since December 1, 2017, with no significant effect on the Group's financial statements.

IAS 7 (Amendment) "Disclosure Initiative – Amendments to IAS 7": An entity must disclose information that allows users to understand the changes in liabilities arising from financing activities. This includes changes arising from:

- Cash flows, such as withdrawals and loan repayments; and
- Non-cash changes, such as acquisitions, disposals and unrealized exchange rate differences.

Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

Additionally, the new disclosure requirement also relates to changes in financial assets (for example, assets hedging liabilities arising from financing activities) if the cash flows from those assets were, or future cash flows will be, included in the cash flows from financing activities.

The amendment suggests that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, although it does not establish a specific format.

IAS 12 (Amendment) “Recognition of Deferred Tax Assets for Unrealized Losses – Amendments to IAS 12”: The amendments to IAS 12 clarify the requirements for recognizing deferred tax assets for unrealized losses. The amendments clarify the accounting treatment of the deferred tax when an asset is measured at fair value and that fair value is lower than the asset’s tax base.

Annual Improvements to IFRS. Cycle 2014 – 2016. The amendments affect IFRS 12 “Disclosure of Interests in Other Entities” and apply to the annual periods commencing on or after January 1, 2017. The main amendment relates to a clarification of the scope of the Standard.

The Group has been applying these rules to transactions since December 1, 2017, with no significant effect on the Group’s financial statements.

b.- Standards that have not yet come into force, but which may be adopted earlier than the periods beginning on or after January 1, 2017, for which we have not yet identified any significant effects on the financial statements in the period in which they are adopted:

IFRS 15 “Revenue from Contracts with Customers”: In May 2014, the IASB and the FASB jointly issued a converged Standard in relation to the recognition of revenue from contracts with customers. Under this Standard, revenue is recognized when a customer acquires control of the good or service sold, i.e. when it has both the capacity to both direct the use of and obtain the benefits from the good or service. This IFRS includes new guidance to determine whether revenue should be recognized over time or at the specific moment. IFRS 15 has broad reporting requirements concerning both revenue recognized and revenue expected to be recognized in the future in relation to existing contracts. Likewise, it requires quantitative and qualitative reporting on the significant judgements made by Management when determining the revenue to be recognized and on possible changes in these judgements. IFRS 15 will apply to annual periods commencing on or after January 1, 2018.

Therefore, the Group has evaluated and elected early application of this Standard.

The Group has applied the standard retrospectively with the cumulative effect of initial application thereof recognized as of the initial application date.

The main impacts of applying the Standard to the annual financial information are shown below:

	2018(*)	2018 (**)
Initial reserves 12.01.2017	440 992	440 827
Profit for period	146 659	146 301
Total assets	722 792	723 434

(*) Figures before including impacts of early application of IFRS 15 “Revenue from Contracts with Customers” in the period 2018.

(**) Including impacts of early application of IFRS 15 “Revenue from Contracts with Customers” in the period 2018.

IFRS 4 (Amendment) “Application of IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” – Amendments to IFRS 4”: The amendments to IFRS 4 published by the IASB in September 2016 introduced two optional approaches for insurance companies. Not applicable to the Zardoya Otis Group.

IFRS 16 “Leases”: This was issued in January 2016. It will mean that almost all leases are recognized in the statement of financial position, since the distinction between operating leases and finance leases is removed. Under the new Standard, an asset (the right to use the leased item) is recognized, with a financial liability for the lease payments. The only exceptions are short-term, low-value leases.

The Standard will affect principally the accounting of the Group’s operating leases. At the end of 2018, the Group held operating lease commitments of EThs 9 918 (EThs 9 572 in 2017). However, the Group has not yet determined the extent to which these commitments will result in recognition of an asset and a liability for future payments or how this will affect the Group’s profits and the classification of the cash flows.

Some of the commitments may be covered by the exception for short-term, low-value leases, while other commitments may be related to agreements that would not classify as leases under IFRS 16.

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

IFRS 9 “Financial Instruments” refers to 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 decided not to adopt IFRS 9 until it becomes mandatory on December 1, 2018.

The Group does not expect the new guidance to have a material effect 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, in 2018, transitional guidance was published on the interpretation of international standards that have not yet come into force and have not been adopted early by the Group.

3. 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 the potential negative effects on the Group's financial profitability.

Risk management is controlled by Group Management in accordance with policies approved by the parent company's Board of Directors. 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 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 financial statements at November 30, 2018.

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

The Group holds an investment in foreign currency, Otis Maroc S.A., the net assets of which are exposed to the risk of foreign exchange differences. Although their value is approximately eight million euros, the effect of a change in the exchange rate is not expected to have a material effect on the Group's financial statements.

In addition to the aforementioned exposure concerning the investment in Otis Maroc, S.A., in relation to export and import trading transactions, the Group is exposed to exchange rate risk,

which is not significant. At November 30, 2018, there were balances payable in foreign currencies other than the euro for a value equivalent to EThs 1 030 (EThs 1 003 in 2017).

(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, the Group is 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 8). 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 accounts receivable. The banks and financial institutions with which the Group works are of recognized prestige and hold high credit ratings.

The amounts of trade receivables are shown in the statement of financial position net of the provision for impairment. At November 30, 2018, said provision was EThs 85 184 (EThs 89 041 in 2017) (Note 8). The Company 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. The analysis of financial assets aged over six months but not deemed to be totally impaired at November 30, 2018 and 2017 is as follows:

	2018	2017
Between 6 months & 1 year	8 525	11 817
Between 1 & 2 years	8 799	8 055
More than 2 years		-
EThs	<u>17 324</u>	<u>19 872</u>

Amounts receivable for exports relate to balances with related companies (Otis Group).

As stated in Note 10, at November 30, 2018 and 2017, the Group held short-term deposits with financial institutions of EThs 17 726 and EThs 16 034, respectively, 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. Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

At November 30, 2018, cash and cash equivalents represented EThs 56 445 (EThs 60 854 in 2017), 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:

	<u>2018</u>	<u>2017</u>
Cash at beginning of period	60 854	62 344
Cash flows from operating activities	161 902	163 871
Cash flows from investing activities	(15 354)	(13 392)
Cash flows from financial activities	(150 957)	(151 969)
Cash at end of period	<u>56 445</u>	<u>60 854</u>

(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 rate risks derived from its activity..

The Group's interest rate risks arises on noncurrent borrowings indexed to variable interest rates. The variable interest rate applied to the loans from financial institutions is subject to the fluctuations of the Euribor.

As stated in Note 20, at the 2018 and 2017 reporting dates, the Group did not hold any borrowings at a fixed interest rate.

(e) Capital risk management

The Group's objectives in relation to capital management are to safeguard its capacity to continue as a going concern, to have the capacity to fund its internal growth or 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 reporting period and, as far as necessary, borrowings at the lowest cost possible.

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

	2018	2017
Borrowings (current and noncurrent)	290	323
Other current & noncurrent financial liabilities	10 471	7 675
Cash and cash equivalents	(56 445)	(60 854)
Net financial debt	(45 684)	(52 856)
Equity	434 355	440 992
Leverage (*)	-0.11	-0.14

(*) (Net financial debt / (Net financial debt + equity)).

At November 30, 2018, this net debt represented -0.2192 of EBITDA (-0.2756 at the end of 2017). (EBITDA: operating profit + amortization + depreciation + impairment of fixed assets).

4. Segment reporting

Zardoya Otis has determined achieving Service Excellence as its main goal. From this standpoint, the objective is to satisfy vertical transport users throughout the full cycle of the product, starting with the design and manufacture of elevators, integrating the technological advances that have made the Group market leaders, applied not only to new, but also to existing buildings, and including their maintenance and replacement. In consequence, installation (and replacement) and maintenance of elevators are not considered separate segments but complementary products and services of the same nature, with an integrated production cycle, addressed to the same type of customers and with a single distribution network, that represent a single business segment for the Group, managed as such and subject to similar risks and opportunities. Therefore, geographical differentiation has been identified as the primary segment, considering the markets of Spain and Portugal and also Morocco / North Africa, as they have independent supervision, as set out in IFRS 8.

As stated in Note 2.3, the distinction between segments relates to the structure of the management information that is produced on a monthly basis, regularly reviewed and used as a basis for decision-making by Management and the Board of Directors.

2018			Assets			Liabilities
	Sales	Operating profit	Total	Amortization/	Noncurrent	
				depreciation/	investments in	
			charge	assets		
Zardoya Otis Group – Spain	703 874	165 799	600 728	19 675	22 943	229 180
Otis Elevadores Group and Enor - Portugal	60 354	21 252	76 165	485	276	26 478
Otis Maroc – Morocco	20 206	2 279	46 541	363	2 688	33 421
Elimination intra-group transactions	(13 699)	(1 201)	-	-	-	-
Consolidated	784 434	188 129	723 434	20 523	25 907	289 079

2017			Assets			Liabilities
	Sales	Operating profit	Total	Amortization/	Noncurrent	
				depreciation/	investments in	
			charge	assets		
Zardoya Otis Group – Spain	712 565	179 906	599 977	19 028	10 165	225 155
Otis Elevadores Group and Enor - Portugal	60 651	20 673	72 929	814	2 889	26 233
Otis Maroc – Morocco	17 157	1 849	40 465	100	351	20 991
Elimination intra-group transactions	(12 091)	(1 540)	-	-	-	-
Consolidated	778 282	200 888	713 371	19 942	13 405	272 379

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

2018	Sales	Operating profit	%	Fixed assets acquired
	Zardoya Otis S.A.	583 880	133 804	22,92
Spanish Group companies - (16 companies)	169 293	31 666	18,70	17 628
Otis Group & Enor Elevadores – Portugal	60 354	21 581	35,76	276
Otis Maroc – Morocco	20 206	2 279	11,28	2 688
Group total	833 733	189 330	22,71	25 907
Eliminations – intra-group transactions	(55 451)	(1 201)	-	-
Consolidated	778 282	188 129	24,17	25 907

2017	Sales	Operating profit	%	Fixed assets acquired
	Zardoya Otis S.A.	590 223	154 155	25,93
Spanish Group companies - (15 companies)	155 731	25 751	16,54	4 262
Otis Group & Enor Elevadores – Portugal	60 651	20 673	34,09	2 889
Otis Maroc – Morocco	17 157	1 849	10,78	351
Group total	823 762	202 428	24,43	13 405
Eliminations – intra-group transactions	(45 480)	(1 540)	-	-
Consolidated	778 282	200 888	25,67	13 405

5. Property, plant and equipment

Details of the different categories of property, plant and equipment and movement on these accounts are shown below:

	Land & Buildings	Machinery	Furniture, fittings & equipment	Total
As of November 30, 2016				
Cost	63 145	42 952	73 408	179 505
Accumulated depreciation	(17 043)	(36 982)	(64 880)	(118 904)
Impairment loss	-	-	-	-
Net carrying amount	46 102	5 970	8 528	60 601
2017				
Business combinations (Note 33)	-	-	59	59
Increases	58	1 544	2 909	4 511
Decreases	(1 336)	(14 309)	(8 128)	(23 773)
Depreciation charge	(922)	(1 870)	(1 861)	(4 653)
Eliminations from depreciation	1 336	14 309	7 866	23 511
Impairment losses recognized in period	-	-	-	-
Impairment losses reversed	-	-	-	-
Other movements	720	-	(882)	(162)
	(144)	(326)	(37)	(507)
As of November 30, 2017				
Cost	61 867	30 187	68 248	160 302
Accumulated depreciation	(15 909)	(24 543)	(59 757)	(100 209)
Impairment loss	-	-	-	-
Net carrying amount	45 958	5 644	8 491	60 093
2018				
Business combinations (Note 33)	-	-	120	120
Increases	3 078	773	3 381	7 532
Decreases	(1 287)	(2 242)	(1 061)	(4 590)
Depreciation charge	(1 504)	(1 681)	(2 132)	(5 318)
Eliminations from depreciation	958	2 279	1 059	4 296
Impairment losses recognized in period	-	-	-	-
Impairment losses reversed	-	-	-	-
Other movements	(7)	-	-	(7)
	1 238	(871)	1 666	2 033
As of November 30, 2018				
Cost	63 658	28 718	70 988	163 364
Accumulated depreciation	(16 462)	(23 945)	(60 831)	(101 238)
Impairment loss	-	-	-	-
Net carrying amount	47 196	4 773	10 157	62 126

The property, plant and equipment figures include assets in progress for a total value of EThs 2 511 in 2018 and EThs 714 in 2017.

The principal property, plant and equipment consists of buildings and installations related to the Leganés plant (2008) for EThs 24 112 (EThs 24 130 in 2017) and those acquired in 2013, which relate to the value of the land and building located in the Valladares Technical and Logistical Park (Vigo), where the industrial building, the production facilities and the offices of the subsidiaries Ascensores Enor, S.A. and Electromecánica del

Noroeste, S.A. are located. These facilities were inaugurated in 2009, At the reporting date, their carrying amount was EThs 12 613 (EThs 13 248 in 2017).

At November 30, 2018 and 2017, the following items of property, plant and equipment had been fully depreciated:

	Thousands of euros	
	2018	2017
Land and buildings	4 691	5 476
Vehicles and machinery	35 305	29 786
Furniture, fittings and equipment	18 958	29 042
	<u>58 954</u>	<u>64 304</u>
EThs		

Of the total property, plant and equipment net of depreciation, the value of which is EThs 62 126, a total of EThs 519 is in Portugal and a total of EThs 2 873 in Morocco (EThs 449 and EThs 549, respectively, in 2017). There is no other property, plant and equipment outside Spanish territory.

It is the Group's policy to take out all the insurance policies deemed necessary to cover any possible risks which could affect, among other things, property, plant and equipment. At November 30, 2018 and 2017 none of the Group's financial liabilities were secured by property, plant and equipment and, therefore, all the property, plant and equipment were free of any charges

6. Intangible assets

Details of the main categories of intangible assets and the movement on these accounts are shown below:

EThs	Maintenance contracts	Goodwill	Other	Total
As of November 30, 2016				
Cost	316 070	153 498	15 706	485 274
Accumulated amortization	(136 619)	-	(9 698)	(146 317)
Impairment loss	-	(8 054)	-	(8 054)
Net carrying amount	<u>179 451</u>	<u>145 444</u>	<u>6 008</u>	<u>330 903</u>
2017				
Increases	60	-	1 979	2 039
Business combinations (Note 33)	5 689	1 107	-	6 796
Decreases	(250)	-	-	(250)
Amortization charge	(13 331)	-	(1 974)	(15 305)
Eliminations from amortization	114	-	-	114
	<u>(7 718)</u>	<u>1 107</u>	<u>5</u>	<u>(6 606)</u>
As of November 30, 2017				
Cost	321 571	154 605	17 685	493 861
Accumulated amortization	(149 836)	-	(11 672)	(161 507)
Impairment loss	-	(8 054)	-	(8 054)
Net carrying amount	<u>171 735</u>	<u>146 551</u>	<u>6 013</u>	<u>324 300</u>
2018				
Increases	511	-	1 894	2 405
Business combinations (Note 33)	9 211	6 526	-	15 737
Decreases	(167)	-	-	(167)
Amortization charge	(13 311)	-	(1 894)	(15 205)
Eliminations from amortization	167	-	-	167
Other	(1 825)	-	(26)	(1 852)
	<u>(5 414)</u>	<u>6 526</u>	<u>(26)</u>	<u>1 086</u>

As of November 30, 2018

Cost	329 301	161 131	19 553	509 985
Accumulated amortization	(162 980)	-	(13 566)	(176 546)
Impairment loss	-	(8 054)	-	(8 054)
Net carrying amount	166 321	153 077	5 987	325 385

It is a common Group practice, when there are operating reasons that justify it, to take advantage of business combinations synergies through the legal integration by merger or liquidation of the entity acquired into the CGU to which it belongs. In this regard, since Group business constitutes a single integrated production process, it is considered a CGU inasmuch as it is the smallest identifiable group of assets that generates independent cash inflows.

As may be seen in Note 2.2, in 2018 and 2017, several transactions with non-controlling interests and mergers between Group companies took place, with effects on Group decision-making and management. In this respect, the Group's cash generation and both financial and operational decision-making falls into three CGUs: Zardoya Otis Spain Group, Zardoya Otis Portugal Group and Zardoya Otis Morocco Group. The CGUs are aligned with the financial, operating and strategic information that is used as a basis for decision-making by the Management and Directors of the Group parent.

At November 30, 2018 and 2017, goodwill with an indefinite useful life was allocated to the Group's cash generating units (CGUs) as follows:

	2018	2017
Zardoya Otis Group (Spain)	124 290	117 764
Zardoya Otis Group (Portugal)	13 168	13 168
Zardoya Otis Group (Morocco)	15 619	15 619
EThs	153 077	146 551

At November 30, 2018 and 2017, maintenance contracts with defined useful lives were allocated to the Group's cash generating units (CGUs) as follows:

	2018	2017
Zardoya Otis Group (Spain)	159 650	164 184
Zardoya Otis Group (Portugal)	6 671	7 284
Zardoya Otis Group (Morocco)	-	267
EThs	166 321	171 735

In 2018 and 2017, the Group carried out the business combinations described in Note 33.

For significant business combinations, the Group requires an external company of recognized prestige to verify the fair value of the net assets acquired. The recoverable amount at the time of the business combination for each CGU is determined by using cash-flow projections of financial budgets approved by Management for a maximum 15-year period, based on past performance and market development expectations.

Maintenance contracts are measured applying the free discounted cash flow method, adjusted by the customer cancellation and turnover rate according to the information and statistics held by Group Management and on the basis of the verification of the existence and current validity of the contracts.

To calculate the discount rate, the Group uses the long-term bond rate, growth expectations, the CGU's effective tax rate and the Group's cost of debt. The perpetuity rate is in line with the rate used by similar industries in the countries in which the Group operates. Information on the assumptions used at the date the business combinations took place for each Cash Generating Unit are as follows:

	Period of years budgeted	Perpetuity rate	Discount rate (acquisition date)
Zardoya Otis Group (Spain)	5 to 15	2.0 %	From 7.5% to 9.7%
Zardoya Otis Group (Portugal)	5 to 15	2.0 %	9.72 %
Zardoya Otis Group (Morocco)	15	2.0 %	8.2 %

The discount rate used is after tax and is independent of the specific capital structure of Zardoya Otis, S.A. and its subsidiaries, which do not have significant financial debt, assuming the discount rate structure of the international group and the sector.

The goodwill included in the net value of the assets of each CGU is tested for impairment, consisting of a comparison between the carrying amount for consolidation purposes and the recoverable value (value in use) applying the key assumptions: period considered, discount rate and growth rate employed for the projection beyond the period considered.

For impairment testing in 2018, a maximum annual growth rate of 2.9% (2.9% in 2017) was used and the perpetuity rate was 2% (2% in 2017). The discount rate applied was 6.12% (2017: 6.01%) for the Spain CGU, 8.59% (2017: 8.39%) for the Portugal CGU and 8.43% (2017: 8.13%) for the Morocco CGU.

Apart from the discount rate, the most sensitive aspects included in the projections used, which are based on the forecasts of the international Group, sector forecasts and historical experience, are service revenue, growth in the contracts on the portfolio from the expected synergies of the business combinations and adequate maintenance of the Group's expense and cost structure.

In 2018 and 2017, the values in use of the assets of the CGUs, calculated in accordance with the aforementioned model, were, in all cases, higher than the net carrying amounts recognized in these Consolidated Annual Financial Statements. Therefore, no impairment has been recognized. Likewise, it is considered that any possible reasonable variations that may be undergone by the key assumptions upon which the determination of the recoverable amounts of the CGUs was based would not change the conclusions drawn on the measurement of the assets.

Regarding the aforementioned sensibility analysis, the following table shows the analysis of to the CGU Zardoya Otis Group Morocco, since the goodwill of this CGU suffered impairment in the period 2015 and, therefore, would be the best adjusted.

Period 2018: (millions of euros)					
	Growth				
Discount rate	1.00%	1.50%	2.00%	2.50%	3.00%
10.50%	28.8	30.0	31.3	32.8	34.5
9.00%	34.5	36.3	38.3	40.7	43.4
8.43%	37.3	39.4	41.8	44.7	48.0
8.00%	39.6	42.0	44.9	48.3	52.3

Regarding CGUs Zardoya Otis Spain Group and Portugal, their values in use significantly exceed the consolidated carrying amount of each one of them. Even if the assumptions considered (discount rate, projected period growth and perpetuity growth rate) were to change significantly, the value in use would still be higher than their respective consolidated carrying amounts.

In 2018, the trade and other payables heading included an obligation of EThs 12 696 (2017: 12 535) related to the share purchase agreement signed in 2011 with the sellers of Montes Tallón. This obligation is updated, since the risks and rewards associated to ownership of 48% of the shares of Monte Tallón are still held by non-controlling interests. To determine the price of these shares, the same criteria as applied in the initial purchase will be used, basically, maintenance contracts and equity value. In this respect, in 2018, the change in liabilities was recognized in the consolidated income statement as financial income and expenses of EThs 161 (EThs 320 in 2017).

As stated in Note 2.2, in 2017, the non-controlling interest in the company Electromecánica Hemen Elevadores, S.L. was acquired. Payment of this acquisition was applied against the obligation of EThs 956 that was recognized at the end of 2016 in relation to the purchase and sale agreement for these shares, which stated, in respect of the non-controlling interest, that the sellers could ask Zardoya Otis, S.A. to purchase them at any time in the following five years.

As stated in the accounting policies in the Notes to the Consolidated Annual Financial Statements for 2018 and 2017 in relation to transactions and non-controlling interests, the Group applies the policy of considering transactions with non-controlling interests as transactions with holders of instruments in the Group's capital. For acquisitions of non-controlling interests, the difference between the price paid and the related proportion of the carrying amount of the subsidiary's net assets is deducted from the equity. For this reason, the obligation was recognized against reserves in consolidated companies and other reserves.

The principal assets, at carrying amount in the individual financial reporting, contributed to the consolidation by each one of the CGUs to which goodwill has been allocated are as follows:

<u>EThs period 2018</u>	Zardoya Otis Group Spain	Zardoya Otis Group Portugal	Zardoya Otis Group Morocco	Total
Maintenance contracts	159 650	6 671	-	166 321
Goodwill	124 290	13 168	15 619	153 077
Other intangible assets	5 987	-	-	5 987
Property, plant & equipment	58 734	519	2 873	62 126
Other noncurrent assets	31 761	795	-	32 556
Current assets	220 306	55 012	28 049	303 367
Total assets	600 728	76 165	46 541	723 434
Noncurrent liabilities	34 940	1 306	-	36 246
Current liabilities	201 494	25 172	26 167	252 833
Total liabilities	236 434	26 478	26 167	289 079
Net assets	371 932	42 049	20 374	434 355

<u>EThs period 2017</u>	Zardoya Otis Group Spain	Zardoya Otis Group Portugal	Zardoya Otis Group Morocco	Total
Maintenance contracts	164 184	7 284	267	171 735
Goodwill	117 764	13 168	15 619	146 551
Other intangible assets	6 014	-	-	6 014
Property, plant & equipment	59 095	449	549	60 093
Other noncurrent assets	31 899	938	-	32 837
Current assets	221 021	51 090	24 030	296 141
Total assets	599 977	72 929	40 465	713 371
Noncurrent liabilities	35 448	1 388	159	36 995
Current liabilities	189 707	24 845	20 832	235 384
Total liabilities	225 155	26 233	20 991	272 379
Net assets	374 822	46 696	19 474	440 992

7. Financial assets and liabilities by category

	Loans & receivables & other	Assets held at fair value through profit and loss	Hedging derivatives	Available for sale	Total
November 30, 2018					
Noncurrent assets in statement of financial position					
Loans and receivables (Note 8)	7 626	-	-	-	7 626
Other	733	-	-	-	733
Total	8 359	-	-	-	8 359
November 30, 2018					
Current assets in statement of financial position					
Trade and other receivables	205 922	-	-	-	205 922
Other	263	-	-	-	263
Cash and cash equivalents (Note 10)	56 445	-	-	-	56 445
Total	262 630	-	-	-	262 630
November 30, 2017					
Noncurrent assets in statement of financial position					
Loans and receivables (Note 8)	8 125	-	-	-	8 125
Other	718	-	-	-	718
Total	8 843	-	-	-	8 843
November 30, 2017					
Current assets in statement of financial position					
Trade and other receivables (Note 8)	187 396	-	-	-	187 396
Other	224	-	-	-	224

Cash and cash equivalents (Note 10)	60 854	-	-	-	60 854
Total	248 474	-	-	-	248 474

	Liabilities held at fair value through profit and loss	Hedging derivatives	Other financial liabilities at amortized cost	Total
--	--	------------------------	---	-------

November 30, 2018

**Noncurrent liabilities in statement of financial
position**

Borrowings from financial institutions (Note 20)	-	-	-	-
Trade and other payables	-	-	-	-
Other debts through acquisitions (Note 16)	-	-	1 843	1 843
Total	-	-	1 843	1 843

November 30, 2018

Current liabilities in statement of financial position

Borrowings from financial institutions (Note 20)	-	-	290	290
Trade and other payables (Note 16)	-	-	197 637	197 637
Other debts through acquisitions (Note 16)	-	-	8 965	8 965
Total	-	-	206 892	206 892

	Liabilities held at fair value through profit and loss	Hedging derivatives	Other financial liabilities at amortized cost	Total
--	--	------------------------	---	-------

November 30, 2017

**Noncurrent liabilities in statement of financial
position**

Borrowings from financial institutions (Note 20)	-	-	-	-
Trade and other payables	-	-	-	-
Other debts through acquisitions (Note 16)	-	-	2 648	2 648
Total	-	-	2 648	2 648

November 30, 2017

Current liabilities in statement of financial position

Borrowings from financial institutions (Note 20)	-	-	323	323
Trade and other payables (Note 16)	-	-	188 124	188 124
Other debts through acquisitions (Note 16)	-	-	5 027	5 027
Total	-	-	193 474	193 474

8. Trade and other receivables

	2018	2017
Trade receivables	194 855	204 113
Less: Provision for impairment of receivables	(85 184)	(89 041)
Trade receivables— Net	109 671	115 072
Amount due from customers for contract work	28 409	27 115
Other receivables	8 839	8 193
Public authorities (Note 17)	7 387	14 008
Prepayments	521	695
Receivables from related parties (Note 34)	45 339	36 322
Total	213 309	201 405

The total amount of the costs incurred at the reporting date was EThs 128 582 (2017: EThs 90 165). This amount includes recognized profits (less recognized losses) on all contracts in progress for EThs 2 038 (2017: EThs 5 344). Amounts due from customers for contract work are shown as the net of the cost incurred at the end of the reporting period and the advance payments received from the customers, for an amount of EThs 87 030 (EThs 63 050 in 2017). At November 30, 2018, the trade receivables balance showed an amount of EThs 3 398 (2017: EThs 2 797) relating to amounts withheld by customers in accordance with the conditions of their contracts.

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

	<u>2018</u>	<u>2017</u>
Beginning of period	89 040	94 659
Provision made	1 791	2 044
Applications	(3 167)	(4 121)
Reversal of unused provisions	(2 480)	(3 542)
EThs	<u>85 184</u>	<u>89 040</u>

The provisions and applications are included on the income statement under the heading "Other expenses, net". The net provision made in the period 2018 was -0.18% of Group sales (2017: -0.27%).

To provide further detail, the following is a summary of unimpaired receivables overdue by less and more than 6 months:

2018

Thousands of euros	Total	Impaired	Net	Not yet due	Due but not impaired
Less than 6 months	113 418	(20 998)	92 421	47 945	44 476
Between 6 months and 1 year	11 931	(3 405)	8 525	-	8 525
Between 1 and 2 years	27 212	(18 487)	8 725	-	8 725
More than 2 years	2 315	(2 315)	-	-	-
In litigation	39 979	(39 979)	-	-	-
Total	194 855	(85 184)	109 671	47 945	61 726

2017

Thousands of euros	Total	Impaired	Net	Not yet due	Due but not impaired
Less than 6 months	117 430	(21 818)	95 612	52 152	43 460
Between 6 months and 1 year	14 418	(2 601)	11 817	-	11 817
Between 1 and 2 years	29 049	(21 406)	7 643	-	7 643
More than 2 years	3 917	(3 917)	-	-	-
In litigation	39 299	(39 299)	-	-	-
Total	204 113	(89 041)	115 072	52 152	62 920

For 2018 and 2017, the carrying amount of trade and other payables does not differ significantly from their fair value.

Additionally, other noncurrent assets includes long-term promissory notes received from customers with maturity dates at more than one year for a total amount of EThs 3 790 (EThs 3 984 in 2017). The breakdown by years until maturity is as follows:

	<u>2018</u>	<u>2017</u>
Two years	3 079	3 440
Three years	583	442
More than three years	<u>128</u>	<u>102</u>
EThs	<u>3 790</u>	<u>3 984</u>

9. Inventories

	<u>2018</u>	<u>2017</u>
Raw materials and consumables for production	27 657	29 125
Work in progress	<u>5 693</u>	<u>4 533</u>
EThs	<u>33 350</u>	<u>33 658</u>

10. Cash and cash equivalents

	<u>2018</u>	<u>2017</u>
Cash and banks	38 719	44 820
Current deposits with financial institutions	11 726	16 034
Cash deposits with related entities	<u>6 000</u>	<u>-</u>
EThs	<u>56 445</u>	<u>60 854</u>

The effective interest rate on current deposits with financial institutions was 0.02% (2017: 0.02% and 0.05%) and the average term of these deposits was less than one month.

As of November 30, 2018 and 2017, the Company did not hold any restricted amounts in banks.

As of November 30, 2018, the cash and cash equivalents heading included EThs 6 000 (2017: zero) 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). Deposits with group companies 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.

Cash and borrowings include:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	56 445	60 854
Borrowings: utilization of bank credit (Note 20)	<u>290</u>	<u>155</u>

The Group holds committed credit lines for an amount sufficient to maintain flexibility in funding. Notwithstanding, these lines are only used occasionally. At the 2018 reporting date, total current borrowings balance include EThs 290 (2017: EThs 155) relating to other non-bank credits granted to the Group and to the interest calculated on acquisitions.

11. Capital

	No. Shares	Ordinary shares	Total
As of November 30, 2016	470,464,311	470,464,311	470,464,311
As of November 30, 2017	470,464,311	470,464,311	470,464,311
As of November 30, 2018	470,464,311	470,464,311	470,464,311

Titular	Shares		% interest	
	2018	2017	2018	2017
United Technologies Holdings, S.A.	235,279,377	235,279,377	50.01	50.01
Euro-Syns, S.A.	55,015,423	54,392,423	11.69	11.56
Other non-controlling interests	180,169,511	180,792,511	38.30	38.43
Treasury shares	0.00	0.00	0.00	0.00
	470,464,311	470,464,311	100.00	100.00

No other individual shareholder holds an interest of more than 10% in the capital of the parent company of the Group.

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

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

12. Treasury stock

At November 30, 2018, Zardoya Otis, S.A. did not hold any of its own shares (zero at the end of 2017).

13. Legal reserve

The legal reserve has been set aside in accordance with article 274 of the Capital Companies Law, which states that, in all cases, an amount equal to 10 percent of the profit for the year will be allocated to this reserve until a figure equal to at least 20 percent of the share capital is reached.

Unless it exceeds the aforementioned threshold, the legal reserve can only be used to offset losses, in the event that there are not sufficient other reserves available for this purpose.

Details of the legal reserve by company at November 30, 2018 and 2017 are as follows:

		2018	2017
<u>Parent company of Group</u>			
Zardoya Otis S.A.	EThs	10 162	9 785
<u>Subsidiaries</u>			
Ascensores Ingar, S.A.		13	13
Ascensores Serra, S.A.		48	48
Cruxent-Edelma, S.L.		24	24
Mototracción Eléctrica Latierro, S.A.		-	-
Grupo Otis Elevadores (Portugal)		420	420

Puertas Automáticas Portis, S.L.	68	68
Ascensores Pertor, S.L.	10	10
Conservación de Aparatos Elevadores Express, S.L.	354	354
Acresa Cardellach, S.L.	2 162	2 162
Zardoya Otis (Gibraltar) Limited	-	-
Otis Maroc, S.A.	10	10
Ascensores Aspe S.A.	41	41
Montes Tallón, S.A.	19	19
Ascensores Enor S.A.	601	601
Electromecánica del Noroeste S.A.	204	204
Enor Elevacao e Equipamentos Industriales Lda	50	50
Electromecánica Hemen Elevadores, S.L.	1	1
Companies acquired in 2017 (merged in 2017)	-	1
Companies acquired in 2018 (in process of merger)	5	-

14. Reserves in consolidated companies, other reserves and non-controlling interests

EThs	Consolidated companies	Other reserves	Total
As of November 30, 2016	85 735	149 399	235 134
Profit 2016	38 607	41 197	79 804
Dividends paid in the period	(39 352)	-	(39 352)
Capital increase	-	-	-
Other movements	806	-	806
As of November 30, 2017	85 796	190 596	276 392
Profit 2017	43 806	39 001	82 642
Dividends paid in the period	(43 186)	(37 637)	(80 823)
Application IFRS 15	-	(165)	(165)
Other movements	(1 788)	-	(1 788)
As of November 30, 2018	84 463	191 795	276 258

Details by company of reserves in consolidated companies and other reserves as of November 30, 2018 and 2017 are as follows:

<u>Company</u>	<u>2018</u>	<u>2017</u>
Zardoya Otis S.A.	214 347	209 939
Ascensores Ingar, S.A.	(5 837)	(6 262)
Ascensores Serra, S.A.	1 166	1 166
Cruxent-Edelma, S.L.	(13 077)	(12 129)
Grupo Otis Elevadores (Portugal)	31 376	37 376
Puertas Automáticas Portis, S.L.	6 452	6 469
Zardoya Otis (Gibraltar) Limited	59	34
Ascensores Pertor, S.L.	5 453	6 441
Conservación de Aparatos Elevadores Express, S.L.	19 175	17 893
Acresa Cardellach, S.L.	26 835	26 041
Ascensores Aspe S.A. (subsidiary of Eguren S.A.)	(3 488)	(2 888)
Otis Maroc, S.A.	5 257	4 502
Montes Tallón S.L.	(3 553)	(3 027)
Electromecánica Hemen Elevadores, S.L.	524	1 048
Companies acquired in 2016	451	97

Enor companies	11	(349)
IFRS adjustments	(9 959)	(9 959)
	<u>276 258</u>	<u>279 407</u>

Details of non-controlling interests by company as of November 30, 2018 and 2017 are as follows:

<u>Company</u>	<u>Non-controlling interests</u>		<u>Dividends paid</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Ascensores Serra, S.A.	768	836	482	466
Ascensores Pertor, S.L.	932	1 151	201	195
Acresa Cardellach, S.L.	1 227	1 355	71	96
Montes Tallón S.L.	6 653	6 790	-	-
Masel Otis Elevadores de Madeira, Lda	939	1 294	709	319
Soluciones de Accesibilidad LV3 SL	127	-	-	-
EThs	10 646	11 426	1 463	1 076

15. Profit for the period

The contribution of each consolidated company to the net consolidated profit, including the portion relating to non-controlling interests, is as follows:

<u>Company</u>	<u>2018</u>		<u>2017</u>	
	<u>Consolidated profit</u>	<u>Attributable to non-controlling interests</u>	<u>Consolidated profit</u>	<u>Attributable to non-controlling interests</u>
EThs				
Zardoya Otis S.A.	109 208	-	117 481	-
Ascensores Ingar, S.A.	265	-	425	-
Ascensores Serra, S.A.	1 672	418	1 946	487
Cruxent-Edelma, S.L.	2 026	-	1 643	-
Grupo Otis Elevadores (Portugal)	15 619	355	14 831	410
Puertas Automáticas Portis, S.L.	3 641	-	2 515	-
Zardoya Otis (Gibraltar) Limited	264	-	32	-
Ascensores Pertor, S.L.	2 523	113	2 236	131
Conservación de Aparatos Elevadores Express, S.L.	2 033	-	2 843	-
Acresa Cardellach, S.L.	2 739	63	2 898	94
Otis Maroc, S.A.	1 550	-	1 404	-
Ascensores Aspe S.A.	453	-	413	-
Montes Tallón, S.A.	(427)	(393)	(526)	(379)
Enor	3 935	-	3 792	-
Electromecánica y Ascensores Hemen	145	-	360	-
Acquisitions 2018 & 2017	85	14	451	-
EThs	<u>145 731</u>	<u>570</u>	<u>152 744</u>	<u>743</u>

The proposed distribution of 2017 profit of the parent company that will be submitted for approval at the Annual General Shareholders' Meeting, together with the 2016 profit distribution approved, is as follows:

	<u>2018</u>	<u>2017(*)</u>
<u>Available for distribution</u>		
Profit for the period	148 874	152 289
EThs	<u>148 874</u>	<u>152 289</u>
<u>Distribution</u>		
Legal reserve	376	377
Reserve for goodwill	-	-
Other reserves	35 586	39 001

Dividends		112 911	112 911
	EThs	148 874	152 289

(*) Distribution of the 2017 profit approved by the General Shareholders' Meeting of Zardoya Otis, S.A. on May 23, 2018.

16. Trade and other payables

	2018	2017
Trade payables	42 333	34 160
Payables to related parties (Note 34)	9 689	10 318
Other payables	4 251	13 776
Goods received but not invoiced	16 799	8 572
Notes payable	144	146
Amounts due to customers on work in progress (Note 8)	55 871	43 815
Maintenance billing in advance	21 514	24 272
Acquisition commitments (Note 7)	8 965	5 027
Other payables to public authorities (Note 17)	26 324	23 393
Outstanding employee remuneration	29 291	27 184
Other	17 745	25 881
	EThs 232 926	216 544

The amounts payable to related companies are partly in foreign currency and there are no other significant amounts payable in foreign currency. Since the amounts are current and are not significant, no hedges have been deemed necessary. The heading "Related companies" includes balances denominated in foreign currencies other than euros, the equivalent value of which in euros is EThs 986 (2017: EThs 879).

At November 30, 2018 and 2017, there were commitments for costs incurred in work for which, although it had been completed, charges from third parties had not yet been received. This item is shown under the heading "Other payables".

The heading "Other" includes mainly the liabilities mentioned in Note 6 above for a value of EThs 12 696 (2017: EThs 12 535).

In relation to commitments from acquisitions, the table below shows the maturities of the outstanding amounts for this item, presented as other financial liabilities:

2018

	Current	2020	2021/22	Noncurrent
Acquisitions 2017 & earlier	2 139	254	255	509
Acquisitions 2018	6 826	499	835	1 334
EThs	8 965	753	1 090	1 843

2017

	Current	2019	2020/21	Noncurrent
Acquisitions 2016 & earlier	3 235	875	254	1 129
Acquisitions 2017	1 792	1 264	255	1 519
EThs	5 027	2 139	509	2 648

Summary of the 2018 debt:

	Current	Noncurrent
<u>Acquisitions until 2018</u>		
Acquisitions CGU Spain	8 538	1 843
Acquisitions CGU Portugal	427	-
Acquisitions CGU Morocco	-	-
	8 965	1 843

Summary of the 2017 debt::

	Current	Noncurrent
<u>Acquisitions until 2017</u>		
Acquisitions CGU Spain	4 360	1 946
Acquisitions CGU Portugal	667	427
Acquisitions CGU Morocco	-	-
	5 027	2 648

Company acquisition agreements in force at November 30, 2018 and 2017 bear interest charges only on the portions relating to contingent liabilities secured by withholding part of the price payable. The amount is not significant.

Forecast payments are classified as current in accordance with the payment conditions fixed in each contract. Those classified as noncurrent are measured at amortized cost and the differences are recognized in profit and loss over the term of the debt, applying the effective interest rate method.

a) Information on delays in payments to suppliers. Third Additional Provision "Reporting duties" of Law 15/2010 of July 5.

In accordance with Law 15/2010 of July 5, the Group reports that, in the 2018 reporting period, total payments of EThs 353 289 were made to suppliers (2017: EThs 363 766), complying with the aforementioned legislation.

	2018	2017
	Days	Days
Average payment period to suppliers	50	55
Ratio of transactions paid	51	55
Ratio of transactions outstanding	43	50
	Euros	Euros
Total payments made	353 289	363 766
Total payments outstanding	42 333	34 160

17. Public Treasury

	2018	2017
Debit balances		
Social security	-	46

Withholding tax on investment income		617	361
Public Treasury, VAT payable		410	387
Public Treasury, input VAT		5 746	5 778
Prior years taxes		614	7 436
	EThs	7 387	14 008
Credit balances			
Provision for corporate income tax		48 150	50 533
Payments on account of corporate income tax		(38 773)	(42 677)
	EThs	9 377	7 856
Public Treasury, withholdings operated		2 924	3 091
Public Treasury, VAT due		6 524	2 320
Public Treasury, output VAT		6 039	7 636
Social Security		10 837	10 346
	EThs	26 324	23 393

18. Deferred taxes

		2018	2017
Deferred tax assets			
to be recovered after more than 12 months		23 517	23 395
to be recovered within 12 months		680	599
	EThs	24 197	23 994
Deferred tax liabilities			
to be recovered after more than 12 months		22 105	22 712
to be recovered within 12 months		1 567	1 551
	EThs	23 672	24 263

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

	Welfare commitments	Amortization intangible assets	Other	Total
Deferred tax assets				
As of November 30, 2016	11 032	5 443	6 730	23 205
P&L impact	5	783	1	789
Change in statutory rate	-	-	-	-
Business combinations	-	-	-	-
As of November 30, 2017	11 037	6 226	6 731	23 994
P&L impact	(138)	274	67	203
Change in statutory rate	-	-	-	-
Business combinations	-	-	-	-
As of November 30, 2018	10 899	6 500	6 798	24 197
Deferred tax liabilities				
As of November 30, 2016	-	26 792	-	26 792
P&L impact	-	(3 951)	-	(3 951)
Change in statutory rate	-	-	-	-
Business combinations (Note 33)	-	1 422	-	1 422

As of November 30, 2017	-	24 263	-	24 263
P&L impact	-	(2 894)	-	(2 894)
Change in statutory rate	-	-	-	-
Business combinations (Note 33)	-	2 303	-	2 303
As of November 30, 2018	-	23 672	-	23 672

Deferred tax is calculated on the basis of the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates that have been or are about to be approved at the reporting date and are expected to apply when the related deferred tax asset is realized or deferred tax liability is settled.

19. 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 in the statement of financial position for the defined-benefit plans is the present value of the obligation at the 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 shows an expense of EThs 1 596 (2017: EThs 1 978) for this item as an employee benefit expense.

In 2014, the Group adopted IAS 19 and applied it retrospectively. The impact of the application of this Standard included recognition of actuarial gains in the statement of comprehensive income.

	2018	2017
Obligations (Asset) on consolidated statement of financial position		
Current employees	(3 836)	(4 141)
	<u>(3 836)</u>	<u>(4 141)</u>

The amounts recognized in the statement of financial position were measured as follows

	2018	2017
Present value of the obligations financed	38 447	38 920
Fair value of plan assets	(42 283)	(43 061)
Liability (Asset) in statement of financial position	(3 836)	(4 141)

The evolution of the present value of the defined-benefit obligation and the fair value of plan assets was as follows:

	Obligation recognized	Plan assets
As of November 30, 2016	39 843	(42 516)
Service cost	2 233	-
Interest cost	679	-
Return on plan assets	-	(732)
Payments to beneficiaries	(806)	805
Contributions	-	(433)
Actuarial losses / gains	(2 712)	(301)
Settlements	(317)	116
As of November 30, 2017	38 920	(43 061)
Service cost	2 106	-
Interest cost	589	-
Return on plan assets	-	(690)
Payments to beneficiaries	(743)	743
Contributions	-	(857)
Actuarial losses / gains	(1 773)	1 338
Settlements	(652)	243
As of November 30, 2018	38 447	(42 284)

The principal actuarial assumptions used were as follows:

	2018	2017
The discount rate varies, depending on the length of the obligation, between	1.52%-1.58%	1.52%-1.58%
Mortality tables	PERMF 2000P	PERMF 2000P
Wage increase	2.15%	2.15%
Estimated average early retirement age	65 to 67 years	65 to 67 years

The amounts recognized in profit and loss were as follows:

	2018	2017
Current service cost	2 106	2 233
Interest cost	589	679
Expected return on plan assets	(690)	(732)
Settlements	(409)	(201)
Actuarial (gains) / losses	-	-
Total included in employee benefit expenses (income) (Note 23)	1596	1 978

The fair value of plan assets (matched insurance policies) is measured in accordance with IAS 19, which allows the equalization of the value of these policies with that of the obligations. These policies were subject to a financing plan with the insurance company itself that ended in 2012.

The amounts of the present value of obligations for defined benefits and the fair value of plan assets for the 2018 reporting period and the preceding three annual periods are as follows:

	2018	2017	2016	2015
Present value of obligations financed	38 447	38 920	39 843	36 058
Fair value of plan assets	(42 284)	(43 061)	(42 516)	(40 630)

The Group's best estimate of the contributions to be paid in the year ending November 30, 2019 is EThs 1 984 (2018: EThs 2 005).

The actuarial gains and losses shown in the statement of recognized income and expenses, recognized in equity for an actuarial gain of EThs 433 (actuarial loss of EThs 3 013 in 2017), relate principally to the effects of experience with the group on which the calculation was based and are the sum of an actuarial gain of EThs 370 (2017: actuarial loss of EThs 243); and an actuarial gain of 34 EThs (2017: actuarial gain of EThs 3 023), attributable to wage deviations and Social Security variables, which differed from expectations, and an actuarial gain of EThs 29 (2017: EThs 233) related to changes in the rates of and returns on the funds.

Additionally, there is a defined-contribution plan, the annual cost of which is included under the heading "Employee benefit expenses" for an amount of EThs 698 (EThs 649 in 2017).

20. Borrowings

At November 30, 2018 and 2017, the carrying amount of current borrowings from financial institutions was equal to their fair value, since the impact of applying a discount was not significant.

2018:

	Current	2019	2020	Noncurrent
Borrowings from financial institutions	155	-	-	-
Other	135			
EThs	290	-	-	-

2017:

	Current	2018	2019	Noncurrent
Borrowings from financial institutions	155	-	-	-
Other	168			
EThs	323	-	-	-

At November, 30 2018 financial assets of EThs 41 964 (EThs 33 831 in 2017) (trade receivables) that had been derecognized because the risks of default and delinquency had been transferred.

21. Provision for other liabilities and expenses

	2018	2017
Noncurrent		
Other commitments with employees	10 731	10 084
Current		
Litigations: customer transactions	201	133
Guarantees	8 638	9 827
Chamber of Commerce and other taxes	1 401	701
EThs	10 240	10 661

The provision for guarantees covers principally free service commitments 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.

The following table shows the movement on the provisions:

	Other noncurrent commitments with employees and other	Litigations: customer transactions	Guarantees	Other
As of November 30, 2016	8 370	46	12 699	392
Provisions/(reversals) in income statement	1 714	87	(2 872)	309
Amounts used				
Other	-	-	-	-
As of November 30, 2017	10 084	133	9 827	701
Provisions/(reversals) in income statement	647	68	(1 189)	700
Amounts used				
Other	-	-	-	-
As of November 30, 2018	10 731	201	8 638	1 401

22. Revenue

	2018	2017
Services provided	550 024	544 674
Revenue from construction contracts	56 535	48 754
Exports	177 239	184 167
Other sales	636	687
Total revenue	784 434	778 282

23. Employee benefit expenses

	<u>2018</u>	<u>2017</u>
Wages and salaries	185 283	178 558
Social security and other	67 447	65 996
Employee benefit commitments	1 596	1 978
EThs	<u>254 326</u>	<u>246 532</u>

Social security and other includes severance payments to employees of EThs 3 391 in 2018 (2017: EThs 2 974).

As from the 2011 reporting period, a long-term UTC incentive plan has also been included for certain Zardoya Otis executives who are likewise considered as UTC Group executives. This plan includes UTC share-based payments (Note 34). The expense recognized for this item in 2018 was EThs 601 (2017: EThs 660).

24. Raw materials and consumables used

	<u>2018</u>	<u>2017</u>
Materials and subcomponents for installations and services	317 089	305 866
Elimination of intra-group transactions	(53 860)	(45 480)
Change in inventories	1 468	(3 010)
EThs	<u>264 697</u>	<u>257 376</u>

25. Other net expenses

Depending on their nature, other net expenses are broken down into:

	<u>2018</u>	<u>2017</u>
Leases	16 685	18 027
Repairs and maintenance	2 736	2 472
Insurance premiums	382	194
Advertising and publicity	2 271	2 425
Transport	13 236	12 236
Supplies and other services	18 040	16 709
Independent professionals	2 271	2 843
Subcontracting	3 239	1 355
Other	817	808
Impairment of receivables (Note 8)	(1 376)	(2 077)
EThs	<u>58 301</u>	<u>54 992</u>

26. Net financial expenses and income

	<u>2018</u>	<u>2017</u>
Interest expense:		
– Loans from financial institutions	(378)	(394)
	(378)	(394)
Interest income:		
– Bank deposits	162	621
	162	621
Net foreign exchange gains / (losses)	66	70
EThs	<u>(150)</u>	<u>297</u>

27. Income tax

	<u>2018</u>	<u>2017</u>
Profit before tax	191 428	201 314
Permanent differences:	(815)	1 704
Profit from foreign companies	(23 861)	(22 610)
Other differences		
Prior period temporary differences in respect of which the relevant deferred tax asset was not recognized	(9 592)	(15 804)
Temporary differences arising in the period in respect of which the relevant deferred tax asset has not been recognized	-	-
Adjusted profit before tax	157 160	164 604
Temporary differences arising in the period in respect of which the relevant deferred tax asset is recognized	(2 796)	(3 155)
Taxable income	154 364	161 449
Gross tax payable	38 591	40 362
Tax credits	(486)	(514)
Other differences and tax assessment raised	700	2 013
Net corporate income tax expense, foreign companies	6 322	5 966
Change in statutory rate		
Corporate income tax expense	ETHs	ETHs
	<u>45 127</u>	<u>47 827</u>

The deferred tax asset accumulated at November 30, 2018 was ETHs 24 197 (ETHs 23 994 in 2017). This deferred tax asset came basically from temporary differences relating to welfare commitments, bad debt provision, delayed sales costs and other provisions that will reverse in future years. Furthermore, there are deferred tax liabilities of ETHs 23 697 (ETHs 24 263 in 2017) relating to differences generated by goodwill.

Deductible temporary differences relate principally to welfare commitments of ETHs 10 899 (2017: 11 037), which are expected to be offset as follows:

Period 2019: ETHs 629
Period 2020: ETHs 525
Period 2021: ETHs 508
Period 2022: ETHs 552
Period 2023: ETHs 474
Period 2024: ETHs 433
Rest of periods: ETHs 7 778.

At the reporting date, ETHs 38 774 (ETHs 42 677 in 2017) had been paid on account of the final corporate income tax payable. Corporate income tax expense included ETHs 3 097 of revenue from deferred taxes (ETHs 4 740 of revenue from deferred taxes in 2017) (Note 18).

The effective tax rate for Otis Elevadores, Lda. (Portugal) is 26.15% and that of Otis Maroc, S.A., 30.00% (26.66% and 23.00% in 2017, respectively), while corporate income tax expense for 2018 was ETs 5 658 and ETs 664, respectively (ETs 5 542 and 423 in 2017).

In relation to Zardoya Otis, S.A., tax inspections concluded in 2017 with no material impact on the profit for the period and the periods up to November 30, 2015 were closed for inspection purposes.

For the Spanish subsidiaries and for Otis Maroc, S.A., the Otis Elevadores (Portugal) Group and Enor Portugal, the last four tax periods are still open to inspection.

As a consequence of, among other items, possible different interpretations of current tax legislation, additional liabilities could arise as the result of an inspection. However, the directors consider that, to the best of their knowledge should any such liabilities arise, they would not have a significant effect on the Consolidated Annual Financial Statements.

28. Earnings per share

Basic earnings per share are calculated, in accordance with IAS 33, by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue in the year, excluding treasury shares acquired by the Company. No event that could dilute the earnings per share has occurred.

	2018	2017
Profit attributable to equity holders of the Company	145 731	152 744
Weighted average number of ordinary shares in issue during the year	470 464 311	470 464 311
Weighted average number of treasury shares	-	-
Basic earnings per share	0.31	0.32

29. Dividends and partial cash distribution of share premium

In 2017 and 2018, three quarterly dividends were paid and there was a partial cash distribution of the share premium, as follows:

<u>1st Dividend</u> 0.080 euros gross per share, charged to the period 2017. Declared on March 21, 2017 and paid out on April 10, 2017. Shares: 470,464,311 (Treasury stock: zero) Gross total = 36,637,144.88 euros	37 637
<u>Partial distribution of share premium:</u> 0,080 euros gross per share. Declared on May 24, 2017 and paid out on July 10, 2017. Shares: 470,464,311 (Treasury stock: zero) Gross total = 36,166,680.57 Euros	37 166
<u>2nd Dividend</u> 0.080 euros gross per share, charged to the period 2017. Declared on September 18, 2017 and paid out on October 10, 2017. Shares: 470,464,311 (Treasury stock: zero) Gross total = 36,637,144.88 euros	37 637
Dividend at end of period	112 440
<u>3rd Dividend</u> 0.080 euros gross per share, charged to the period 2017. Declared on December 12, 2017 and paid out on January 10, 2018. Shares: 470,464,311 (Treasury stock: zero) Gross total = 36,637,144.88 euros	37 637
TOTAL 2017	150 077

In 2018, three quarterly dividends were paid and there was a partial monetary distribution of the share premium, as follows:

<u>1st Dividend</u> 0.080 euros gross per share, charged to the period 2018. Declared on March 20, 2018 and paid out on April 10, 2018. Shares: 470,464,311 (Treasury stock: zero) Gross total = 36,637,144.88 euros	37 637
<u>Dividend charged to reserves:</u> 0.080 euros gross per share. Declared on May 23, 2018 and paid out on July 10, 2018. Shares: 470,464,311 (Treasury stock: zero) Gross total = 36,637,144.88 euros	37 637
<u>2nd Dividend</u> 0.080 euros gross per share, charged to the period 2018. Declared on September 14, 2018 and paid out on October 10, 2018. Shares: 470,464,311 (Treasury stock: zero) Gross total = 36,637,144.88 euros	37 637
Dividend at end of period	112 911
<u>3rd Dividend</u> 0.080 euros gross per share, charged to the period 2018. Declared on December 11, 2018 and paid out on January 10, 2019. Shares: 470,464,311 (Treasury stock: zero) Gross total = 36,637,144.88 euros	37 637
TOTAL 2018	150 548

In relation to the interim dividends distributed by Zardoya Otis, S.A. in the year 2018, the existence of sufficient liquidity for their distribution was verified, in accordance with the Capital Companies Law, art. 277:

	Dividend:		
	1st February	2nd August	3rd November
Gross profit since December 1, 2017	48 060	140 557	184 451
Estimate of corporate income tax payable	(8 651)	(25 920)	(35 577)
Available net profit	39 409	114 637	148 874
Amount distributed previously	-	37 637	75 274
Amount proposed and distributed	37 637	37 637	37 637
Liquidity in cash	25 715	49 597	24 341
Temporary financial investments	-	-	-
Current trade bills receivable	23 737	23 121	21 780
Current loans	14 903	153	13 178
Net liquidity	64 355	72 871	59 299

30. Cash generated by operations

The following is a breakdown by item of the cash flow from operations included in the consolidated statement of cash flows:

	2018	2017
Profit before tax	191 428	201 314
– Depreciation of property, plant and equipment (Note 5)	5 317	4 653
– Amortization of intangible assets (Note 6)	15 205	15 305
– (Profit)/loss on disposals of property, plant and equipment	3 581	127
– Increase/(reduction) in retirement benefit obligations	(304)	1 468
– Interest paid (Note 26)	(378)	(394)
– Interest received (Note 26)	162	621
– Losses/(gains) on foreign currency conversion in operating activities (Note 26)	(66)	(70)
Changes in working capital (excluding the effects of the acquisition and foreign exchange differences upon consolidation):		
– Inventories	308	(2 810)
– Trade and other receivables	(10 294)	(11 568)
– Trade and other payables	3 251	3 052
Tax payment for the period	(46 004)	(47 827)
Cash generated by operations	161 902	163 871

31. Contingencies

The Group has contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business. It is not foreseen that any material liabilities will arise from the contingent liabilities. The Group has given guarantees in the ordinary course of business amounting to EThs 11 418 (2017: EThs 15 833).

As the result of a disciplinary procedure initiated by the National Commission on Competition (CNC), now the National Commission on Markets and Competition (CNMC), against several companies in the elevator industry, a fine of EThs 2 845 was imposed on Zardoya Otis, S.A. in September 2013. A bond was deposited in order to appeal against the administrative decision before the Contentious-Administrative Chamber of the National Court, which duly delivered judgment. An appeal against said judgment was filed before the Supreme Court.

The Supreme Court has dismissed the appeal filed by Zardoya Otis, confirming the National Court's judgment (which had confirmed the infringement but ruled that the fine was excessive and should be recalculated). The proceedings have, therefore, returned to the CNMC so that they can be analyzed and the fine recalculated.

32. Commitments

Asset purchase commitments

Investments committed at the end of the reporting period but not made at said date were as follows:

EThs	<u>2018</u>	<u>2017</u>
Property, plant and equipment	2 062	975

At the reporting date, there were purchase commitments for property, plant and equipment of EThs 2 062 (EThs 975 in 2017), EThs 1 880 of which (EThs 714 in 2017) had been paid in advance.

Lease commitments

The Group leases commercial premises, offices and warehouses under lease contracts for which different conditions have been agreed. Furthermore, there are other operating lease commitments, principally concerning vehicles. The estimated annual cost of the totality of the commitments assumed under said lease agreements is:

	<u>2018</u>	<u>2017</u>
Premises leased	3 716	3 566
Other	6 202	6 006

33. Business combinations

2018:

In 2018, companies belonging to the Zardoya Otis Group (Spain) CGU acquired 100% of the shares of the companies Ascensores Limarlift S.L (April 5, 2018), Integra Ascensores SL (June 26, 2018), Elko sistemas d'elevarcion sl (September 11, 2018) and Euroascensores Alcaraz SL (November 26, 2018), all of which are engaged in the elevator maintenance and repair activity. Likewise, 80% of Soluciones de accesibilidad LV3 S.L. was acquired (April 16, 2018). This company is engaged in the elimination of architectural barriers and providing accessibility solutions using stair lifts and platforms, all of them for a total acquisition value of EThs 14 802.

The detail of the assets and the integrated liabilities is the following

Cash and cash equivalents	1 191
Property, plant & equipment	120
Intangible assets	9 211
Receivables	1 121
Inventories	413
Deferred tax assets	-

Payables	1 478
Deferred tax liabilities	2 303

A difference of EThs 6 526 arose as goodwill.

2017:

Companies belonging to the CGU Zardoya Otis Group (Spain) acquired, for EThs 6 202, 100% of the shares in the companies Lifetime- Elevadores Unipessoal (January 1, 2017), Lda and Joaquim Férias e Filhos- Elevadores Unipessoal, Lda (January 1, 2017), Sistemas Automáticos de Elevación SL (April 21 2017) and Liftsur Elevadores SL (July 27, 2017), all of which are engaged in elevator repair and maintenance in Portugal and Spain.

Details of the assets and liabilities included are as follows:

Cash and cash equivalents	164
Property, plant & equipment	59
Intangible assets	5 689
Receivables	732
Inventories	80
Deferred tax assets	-
Payables	746
Deferred tax liabilities	1 422

A difference of EThs 1 107 arose as goodwill.

34. Related-party transactions

At November 30, 2017, United Technologies Holdings S.A. (incorporated in France) held 50.01% of the parent company, Zardoya Otis, S.A. The ultimate Group parent is United Technologies Corporation (incorporated in the United States), the parent company of United Technologies Holdings, S.A.

The following transactions were carried out with related parties:

<i>EThs</i>	2018	2017
<i>Transactions with Otis Elevator Co</i>		
Royalties	(19 388)	(18 407)
Charge-back of costs relating to the R&D Center	3 852	3 899
<i>Transactions with Otis Group company, sales and purchases of goods and services</i>		
Sales and expenses invoiced	169 667	170 542
Purchases and expenses borne	(48 014)	(49 884)
Receivables	45 339	36 322
Payables	(9 689)	(10 318)

The Group considers all the trading and non-trading transactions carried out by any Group company with shareholders, directors or associated companies to be related transactions.

The Company periodically requests the opinion of an expert of recognized prestige concerning the pricing policy established for the transactions with other Otis Group entities, in order for it to be reviewed by the Audit Committee.

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 of between 2.1% and 3.5% of sales to end customers, excluding intra-group sales.

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 joint 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 in employee benefit expenses, generating a credit account with UTC Group companies (shown as other provisions in the statement of financial position). For 2018, the expense was EThs 601 (EThs 660 in 2017), relating to the fair value of the accumulated assets to which it is indexed, which was EThs 6 002 (EThs 4 554 in 2017).

As of November 30, 2018, the cash and cash equivalents heading included EThs 6 000 (2017: zero) relating to a cash deposit held by Zardoya Otis, S.A. with United Technologies Intercompany Lending Ireland Designated Activity Company and United Technologies Corporation (parent company of Otis Elevator Company). Deposits with group companies are cash placements maturing at 30 days and accrued an average interest rate of 0.01%, approximately 0.01 percentage points higher than the normal annual market rate.

The global remuneration for all items accrued during the year by the members of the Board of Directors was EThs 2 111 (2 084 in 2017) and consisted of the following items:

	2018	2017
Fixed compensation	290	281
Variable compensation	215	230
Bylaw stipulated items	1 200	1 200
Other long-term benefits	338	306
Pension plan contributions	68	67
TOTAL	2 111	2 084

At the 2018 and 2017 reporting dates, the Company had not granted any advances or credits to the members of the Board of Directors.

Additionally, the overall compensation for all items accrued by the members of Group senior management (non-directors) was EThs 805 (EThs 865 in 2017), as reported in Sections C.1.15 and C.1.16 of the 2018 Annual Corporate Governance Report.

Complying with the duty to avoid situations where there is a conflict with the Company’s interests, the directors

who held office on the Board of Directors during the period met the obligations set forth in article 228 of the Revised Text of the Capital Companies Law. Likewise, both they and persons related to them refrained from entering into the situations of conflict of interest provided for in article 229 of said Law, except in cases where the relevant authorization had been obtained.

35. Environmental information

At November 30 2018, the Group was not aware of any contingency, risk or litigation in progress related to the protection and improvement of the environment. Therefore, the Company has not recognized any provision in the statement of financial position at November 30, 2018 for environmental actions.

The Group has approved a Corporate Environmental Policy Manual that stipulates the principal procedures and actions to be followed in plants, offices, transport, Installation and Service.

The principal programs established are intended to reduce to effects of environmental pollution by:

- Control, recycling and reduction of highly contaminating waste (oils).
- Control and reduction of recyclable waste (packaging).
- Control and reduction of emissions into the air due to industrial and combustion processes.
- Control and reduction of water and energy consumption.

The Madrid-Leganés plant was designed to minimize energy consumption by including the installation of photovoltaic panels on the roof, the carrying amount of which is EThs 4 153 (2017: 4 153), with accumulated depreciation of EThs 1 908 at the reporting date (2017: 1 742).

In addition, in 2018, expenses for the removal or recycling of waste were recognized for a value of EThs 348 (2017: EThs 330).

36. Events after the reporting date

On December 27, 2018, Zardoya Otis, S.A. acquired 100% of the shares of the company Otis-Lliset SLU for a value of EThs 4 280. This company is engaged in the maintenance and repair of elevators in Andorra.

On December 11, 2018, Zardoya Otis, S.A. declared the fourth dividend in the 2018 calendar year, the third charged to the profit for the period, for a gross amount of 0.08 euros per share. The resulting total gross dividend was EThs 37 637. This dividend will be paid out on January 10, 2019.

37. Other information

a) Number of Group employees by category (average – reporting date)

	Men	Women	2018
Managers	68	10	78
Administration/workshop/field supervisors	504	35	539
Engineers, university graduates and other experts	241	70	311
Administrative and technical personnel	496	463	959
Other workers	3 559	30	3 589
	4 868	608	5 476

	Men	Women	2017
Managers	67	9	76
Administration/workshop/field supervisors	471	32	503
Engineers, university graduates and other experts	219	58	277
Administrative and technical personnel	517	447	964
Other workers	3 386	27	3 413
	4 660	573	5 233

The average number of persons with a disability rating of 33% or more employed by the Group in the reporting periods was 41 (37 men and 4 women) | 2018 and 53 (42 men and 11 women).in 2017.

(b) Fees of account auditors and companies belonging to their group or related companies

The amount of the fees accrued by PricewaterhouseCoopers Auditores, S.L., which audited the Zardoya Otis Group, for the year 2018, was EThs 315 (EThs 315 in 2017), including the fees paid for the process audit required to comply with the requirements of the main shareholder. Likewise, fees accrued during the year by other companies in the PwC network as a result of audit services to foreign subsidiaries were EThs 43 (EThs 42 in 2017).

The fees accrued during the year by PricewaterhouseCoopers Auditores, S.L. and other companies that use the PwC brand name as a result of other services rendered to the Group, were EThs 47 (EThs 67 in 2017).

**Zardoya Otis, S.A.
and subsidiaries**

Audit Report,
Consolidated Annual Accounts and
Consolidated Management Report
at 30 November 2018



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.

Audit Report on the consolidated annual accounts, issued by an independent auditor

To the shareholders of Zardoya Otis, S.A.

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Zardoya Otis, S.A. (parent company) and subsidiaries (the Group), consisting of the consolidated balance sheet at 30 November 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the Group's consolidated equity and financial position at 30 November 2018 and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) and other financial reporting standards applicable to the Group in Spain..

Basis for opinion

Our audit has been carried out in accordance with prevailing Spanish auditing regulations. Our responsibilities under these regulations are described below under *Responsibilities of the auditor in relation to the audit of the consolidated annual accounts*.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, applicable to our audit of the consolidated annual accounts in Spain, as required by auditing regulations. In this respect, we have not provided any non-audit services and nor have any situations or circumstances arisen that, in accordance with those regulations, might have undermined said independence.

We consider that the audit evidence obtained provides a sufficient and appropriate basis for our opinion.

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in the audit of the consolidated annual accounts for the current period. These matters have been addressed in the context of our audit of the consolidated annual accounts as a whole and in the preparation of our opinion thereon, and we do not express a separate opinion on these matters.

*PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es*

Key audit matters	How the matters were addressed in the audit
<p><i>Revenue recognition</i></p> <p>According to Note 22 to the accompanying consolidated annual accounts, the Group basically has three types of revenue from: a) provision of services, mainly contracts for the maintenance, modernisation and repair of elevators; b) installation and assembly; and c) exports</p> <p>Note 2.20. indicates that revenues from maintenance contracts are recognised on a straight-line basis as they accrue. Revenue may be billed monthly, quarterly, half-yearly or annually depending on the terms of the contracts, advance payment being recognised, as applicable, to reflect accrual correctly. This type represents the most significant portion of the Group's revenue.</p> <p>According to Note 2.20., elevator installation and assembly revenue is recognised based on the estimated percentage of completion of the work. This area requires judgements and estimates. Specifically, management periodically re-estimates the margin, estimating costs yet to be incurred such that the project's final margin does not differ substantially from the margin at contract inception.</p> <p>Special attention is paid during the audit to the revenue recognition process to assure that the Group's consolidated revenue is duly supported. We consider the recognition of revenue as a result of transactions actually effected and within the period audited to be a key audit matter.</p> <p>The relevance of the estimates used in the recognition of revenues and their quantitative significance means that revenue recognition is considered a key audit matter.</p>	<p>We describe, understand, assess and validate the relevant transactions and controls that support the revenue cycle, as well as the general IT controls and those of the entity's control environment.</p> <p>Additionally, substantive tests of detail are carried out on revenue recognised during the year, using sampling techniques for different transaction types. Specifically, these referred to:</p> <ul style="list-style-type: none"> • Recognition of revenue from the installation and assembly of elevators, as well as modernisations and repairs, for which we test the periodic re-estimation of margins for a sample of projects. • Recognition of revenue from maintenance contracts, checking the contractual documentation, the proper recognition of revenue and invoice collection for a sample of transactions. <p>We checked a sample of transactions showing revenue not collected at the year end, through third-party confirmation or alternative audit procedures using the relevant documentary support. We also checked that the revenue has been accounted for in the correct period.</p> <p>We performed a computer-assisted audit test designed to detect unusual items. For the items that affect revenue recognition, we have verified the supporting documents to verify that they are correctly recognised.</p> <p>We also checked the sufficiency of the information disclosed in the consolidated annual accounts.</p> <p>On the basis of our tests, our audit objectives have been fulfilled for this key matter</p>

Key audit matters	How the matters were addressed in the audit
-------------------	---

Recovery of goodwill

The Group records goodwill totalling €153 million, as described in Note 6 to the consolidated annual accounts. Management is required to assess goodwill impairment on an annual basis

The Group has identified three cash generating units (CGU) on a market and geographical basis to which goodwill is allocated. This goodwill is tested for impairment by means of a comparison between carrying value for consolidation purposes and recoverable value. Management uses the discounted cash flow valuation method for this purpose. Key assumptions include: the discount rate, the period envisaged and the growth rate used for the projection subsequent to the envisaged period.

Other sensitive aspects that are included in the projections are the growth of the portfolio of maintenance contracts in the period envisaged and the Group's expense and cost structure that affect its margin.

It is a key audit matter due to the size of the item and because it entails judgement and estimation on the part of management, impacting forecast flows.

When testing the analysis of the recovery of the value of goodwill, we draw on our knowledge to conclude on whether the valuation method and the key assumptions employed by management are suitable. Specifically:

- We verified that short-term revenue growth rates are consistent with recent years.
- We confirmed that long-term growth rates are consistent with long-term economic forecasts.
- We checked the reasonableness and consistency of future margins based on current and past performance.
- We evaluated the reasonableness of the discount rate used to determine the present value of the CGUs considering, among other matters, the cost of capital for the Group and comparable organisations.
- We verified the arithmetic calculations included in the valuation.
- We verified the origin of the information used in the valuations, checking that the forecasts are approved by management.
- We verified management's sensitivity analysis for discount rates and growth rates, evaluating in which other stress conditions impairment could arise.

We also checked the sufficiency of the information disclosed in the annual accounts.

As a result of our tests, we consider that management's estimates sufficiently cover the amount recognised under goodwill.

Key audit matters	How the matters were addressed in the audit
<p><i>Recovery of the value of intangible assets with finite useful lives</i></p> <p>The Company has intangible assets with a finite useful life amounting to €172 million, as described in Note 6 to the consolidated annual accounts.</p> <p>This item basically includes amounts relating to the cost of elevator equipment maintenance contracts acquired as a portfolio of contracts or as part of a business combination. The item is made up of a variety of portfolios in terms of both geographic location and acquisition date. They are amortised on a straight-line basis over a period deemed to be equivalent to their estimated useful life (from 10 to 20 years, depending on the features of the maintenance contract portfolio).</p> <p>Amortisation is assessed regularly by analysing the useful lives of these assets and, where warranted, impairment tests are performed whenever there are any indications of impairment. In this respect, management considers the rate of cancellations and churn.</p> <p>It is a key audit matter due to the size of the item and because it entails judgement and estimation on the part of management, impacting forecast flows.</p>	<p>For the acquisitions of maintenance contract portfolios, we checked the key supporting documents, such as contracts and purchase deeds, asset valuations at the time of purchase and other relevant documents.</p> <p>As regards amortisation, estimated useful lives and possible impairment of the intangible assets:</p> <ul style="list-style-type: none"> • We checked that the evolution of net contract loss rates is consistent. • We verified the evolution of maintenance contract prices. • We assessed the reasonableness of the relevant margins and profits • We carried out tests of detail on maintenance contract additions and cancellations. <p>We also checked the sufficiency of the information disclosed in the consolidated annual accounts.</p> <p>Our tests have revealed a solid basis supporting the assets' useful lives and that the assets' recoverable amounts are higher than their carrying amount.</p>

Other information: Consolidated management report

Other information refers exclusively to the 2018 consolidated management report, the preparation of which is the responsibility of the parent company's directors, and is not an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

- a) A specific level applicable to the non-financial statement, as well as certain information included in the Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the management report or where applicable, that the management report includes the corresponding reference to the separate non-financial report as stipulated by prevailing regulations and if not, disclose this fact.

- b) A general level applicable to other information included in the consolidated management report that consists of assessing and reporting on the consistency of that information with the consolidated annual accounts, on the basis of the understanding of the Group obtained in the performance of the audit of those accounts and without including information other than that obtained as evidence during the audit and assessing and reporting on whether the content and presentation of that part of the consolidated management report are in conformity with applicable legislation. If we conclude that there are material misstatements on the basis of our work, we are required to report them.

On the basis of the work performed, as described above, we have verified that the information mentioned in paragraph a) is provided in the consolidated management report and the other information contained in the consolidated management report is consistent with that of the consolidated annual accounts for 2018 and its content and presentation comply with applicable legislation.

Responsibility of the Directors and Audit Committee in relation to the Consolidated Annual Accounts

The parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts such that they present fairly the equity and the financial position of the Group and subsidiaries and the consolidated results of their operations in accordance with Financial Reporting Standards adopted by the European Union, and other provisions of the financial reporting framework applicable to the Group in Spain, and for the internal control considered necessary to permit the preparation of consolidated annual accounts which are free from material misstatement, due to fraud or error.

In drawing up the consolidated annual accounts, the parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as appropriate, matters relating to going concern and using the going concern basis of accounting, unless the directors either intend to wind up the Group or to cease trading, or have no realistic alternative but to do so.

The parent company's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditors' responsibilities in relation to the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 auditing standards prevailing in Spain will always detect 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 the consolidated annual accounts.

As part of an audit conducted in accordance with prevailing auditing standards in Spain, we apply our professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the consolidated annual accounts, 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 material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, forgery, deliberate omissions, misrepresentations, or the override of internal control.



- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Group's internal control.
- We assess whether the accounting policies applied are appropriate and the reasonableness of the accounting estimates and the related disclosures by the parent company's directors.
- We conclude on the appropriateness of the directors' use 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 audit report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and assess whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient and adequate evidence in relation to the financial information of the companies or the business activities within the Group to express an opinion on the consolidated annual accounts. 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 company's Audit Committee in relation to, among other matters, the planned scope and timing of the audit and the significant audit findings, as well as any major internal control deficiency that we identify in the course of our audit.

We also provide the parent company's audit committee with a statement to the effect that we have complied with applicable ethical requirements, including those of independence, and we have notified the Audit Committee of any issues that could reasonably pose a threat to our independence and, if appropriate, the relevant safeguards.

Among the matters communicated to the parent company's audit committee, we determine those that have been of the greatest significance in the audit of the consolidated annual accounts for the current period and which therefore are key audit matters.

We describe these matters in our audit report unless law or regulation precludes the public disclosure of the matter concerned.

Report on other legal and regulatory requirements

Additional report for the parent company's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report for the parent company's Audit Committee dated 12 March 2019.



Term of engagement

We were appointed auditors of the Group for a one-year period at the annual general meeting of shareholders held on 23 May 2018.

We were previously appointed under resolutions adopted by general shareholders' meetings for a period of three years and have been auditing the consolidated annual accounts uninterruptedly since the year ended 30 November 1990.

Services rendered

Non-audit services provided to the Group are described in Note 37.b to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Rafael Pérez Guerra (20738)

12 March 2019

MANAGEMENT REPORT OF ZARDOYA OTIS

CONSOLIDATED FINANCIAL STATEMENTS 2018

(thousands of euros - EThs)

Presentation of the annual financial statements

The consolidated annual financial statements of the Zardoya Otis Group at November 30, 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations (IFRIC) adopted in the European Union and in force at said date.

Business evolution

Profit and loss

The EBITDA (operating profit + depreciation + amortization) at the 2018 reporting date was 208.7 million euros, 5.5% lower than the 2017 figure.

The consolidated profit before tax at the end of the 2018 reporting period was 191.4 million euros, 4.9% lower than the 2017 figure.

Profit after tax was 145.7 million euros, 4.6% lower than the 152.7 million euros obtained in 2017.

In the second half of 2017, the Group commenced a digitalization plan. The figures for the second six months of 2018 include expenses related to this process. Raw material costs increased significantly in 2018.

Sales

Total consolidated sales in 2018 were 784.4 million euros, in comparison with the 778.3 million euros of 2017, representing a 0.8% increase. The drop in export sales was offset by the increase in service sales and the growth in new installations.

New Sales

Work completed

the value of work completed in 2018 was 56.5 million euros, 16.0% higher than the work completed in 2017.

At the end of 2018, new installation sales accounted for 7.2% of total sales (6.3% at the end of 2017).

Orders received and backlog of unfilled orders

Orders received for installations at the end of 2018, for both new and existing buildings, totalled 189.1 million euros, representing a decrease of 4.1% on 2017.

In 2017, we obtained a significant contract in our marine activity, consisting of the supply and installation of elevators for cruise ships for a value of ETHs 22 405. This equipment will be delivered between 2018 and 2022.

The backlog of unfilled orders at the end of 2018 was 143.3 million euros, representing an increase of 2.8% on 2017.

Service

Sales

Consolidated service sales totalled 550.7 million euros (545.4 million euros in 2017), accounting for 70.2% of the Group's total billing (70.1% in 2017).

Growth in Service sales continued, ending the period with an increase of 1.0%

Units under maintenance

The portfolio at the end of 2018 was 288,467 units, representing growth of 0.9% on the units under maintenance at the end of 2017.^o

Exports

Net consolidated export sales were 177.2 million euros (184.2 million euros in 2017), 3.8% lower than the 2017 figure. Some of the countries to which we export, such as Turkey and Italy, are in difficulties.

Exports represented 22.6% of the Group's consolidated sales at the end of 2018 (23.7% in 2017).

Employee headcount

At the end of 2018, the Group employed 5,476 people, 4.6% up on the end of the preceding period.

In 2018, we increased the number of assemblers by 130, in order to absorb the local market growth in modernizations and new sales.

Dividends

At November 30, 2018, interim dividends had been declared for the period ended on said date for an amount of ETHs 75,274 (ETHs 75,274 in 2017). These interim dividends were paid to shares 1 to 470,464,311. Additionally, a dividend charged to reserves was distributed to shares 1 to 470,464,311 on July 10, 2018, for a gross amount of ETHs 37,637.

The total amount of the dividends (including the third interim dividend charged to the period, declared in December 2018 as an event after the reporting date, and the dividend charged to reserves in 2018) was 150.5 million euros, showing an increase of 0.3% on those paid in 2017 and, overall, represented a pay-out of 103.3% of the consolidated profit attributed to the parent company, Zardoya Otis, S.A., thus continuing with the Company's policy of distributing a pay-out of close to 100%.

Evolution of capital

Treasury stock

At November 30, 2018, Zardoya Otis, S.A. did not hold any of its own shares.

Evolution of Zardoya Otis on the securities markets

The quoted share price at the end of 2018 was 6.21 euros per share, representing a decrease in value of 31.9% in comparison with the adjusted value at the end of 2017. As an event after the reporting date, the share price has increased by 15% over recent weeks.

Forecast evolution

In 2018, sales rose by 0.8% as a result of a slight recovery in the general economic situation and also in the construction industry. New installations sales increased by 16% while, in the service area, sales rose by 1.0%. We expect growth to continue in both new equipment sales and sales in the service area.

At the end of 2018, new installations sales accounted for 7.2% of total sales. We expect this relative weight to continue to grow in 2019. As in the preceding reporting period, the recovery continued in the construction segment in the Spanish, Portuguese and Moroccan markets.

General Description of the Group's Risk Policy

The Group's activity is 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 tries to minimize any potential adverse effects on the its financial profitability.

Risk management is controlled by Group Management as set out in the supplementary information that accompanies the annual corporate governance report as of November 30, 2017. Management assesses and hedges financial risks in close collaboration with the operating units of the rest of the Group, in order to:

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

Average payment period to suppliers

In relation to the provisions of Law 3/2004 and Law 15/2010 on Measures to Combat Payment Delays in Trading Operations, Law 31/2014 of December 3 amended Law 15/2010 in relation to the information to disclose in the notes to the annual financial statements to require the average annual payment period to suppliers. Thus, the average payment period to suppliers for 2018 was less than 60 days. The Group has put in place measures aimed at continued compliance with the law, which include keeping the average payment period of its transactions with group and associated companies in line

with current legislation and complying with the trading agreements it holds with external suppliers.

Research and Development expenses

The Group parent follows the policy of recognizing research costs in the income statement in the period in which they are incurred, as stated in its accounting policies and principles. As of November 30, 2018, the income statement included expenses of EThs 1,645 (2017: EThs 1,957) for this item.

Significant events at November 30, 2018

In 2018, companies belonging to the CGU Zardoya Otis Group (Spain) had acquired 100% of the shares in the following companies:

- Ascensores Limarlift, S.L. on April 5, 2018
- Integra Ascensores, S.L. on June 26, 2018
- Elko sistemtes d'elevacion, S.L. on September 11, 2018
- Euroascensores Alcaraz, S.L. on November 26, 2018

The corporate purpose of all of them is the maintenance and repair of elevators in Spain. Likewise, 80% of Soluciones de accesibilidad LV3 S.L. was acquired (April 16, 2018). This company is engaged in the elimination of architectural barriers and providing accessibility solutions with stair lifts and platforms. The total value per acquisition was EThs 14.802.

In December 2017, the merger project for the merger of the company M. Casas S.A. into Conservación A.E. Express, S.L. was completed. Likewise, in March and May 2018, respectively, Sistemas Automáticos de Elevación S.L. and Liftsur Elevadores S.L. were merged into Ascensores Ingar S.A. Similarly, in April 2018, the company Elevadores Castalia S.A. was merged into Ascensores Pertor, S.L. All the aforementioned companies are engaged in the elevator maintenance and repair activity.

On July 19, 2018, Zardoya Otis, S.A. sold the land and facilities of its old modernizations centre located in Munguía. The impact of the gain from the disposal of property, plant and equipment on the profit for the second half of 2018 was around EThs 3,635. The company intends to reinvest the capital gain in the new plant.

Events after the end of the reporting period

On December 27, 2018, Zardoya Otis, S.A. acquired 100% of the shares of the company Otis-Lliset SLU for a value of EThs 4 280. The company is engaged in elevator maintenance and repair in Andorra.

On December 11, Zardoya Otis, S.A. declared the fourth dividend in the calendar year – the third charged to the profit for the period– for a gross amount of 0.08 euros per share, resulting in a total gross dividend of EThs 37 637. This dividend was paid out on January 10, 2019.

Annual Corporate Governance Report

The Annual Corporate Governance Report for the 2018 reporting period forms part of this Management Report.

As required by Royal Decree-Law 18/2017 on non-financial and diversity reporting, the relevant information on safety, environmental and social issues is set out below, as well as information on ethics and transparency, the fight against corruption and bribery, personnel, social commitment and service excellence.

STATEMENT OF NON-FINANCIAL INFORMATION

The Zardoya Otis Group is the leading vertical transport group in the Spanish, Portuguese and Moroccan markets. It has the largest maintenance portfolio in the elevator sector. It has three plants located in Madrid, San Sebastián and Vigo and an extensive sales and technical assistance network that allows it to be very close to its customers. It also has an R&D centre in Leganés (Madrid), one of the six that Otis Elevator Co. has worldwide.

The Zardoya Otis Group's goal is to provide its customers with service excellence. With this objective, the objective, the Group considers and encompasses all the phases that comprise safe and comfortable vertical transport for people and goods within its activity, starting with design and manufacturing, continuing with assembly, and finalizing with the provision of a preventive and corrective maintenance service that satisfies the needs of the market and the customers.

Zardoya Otis offers a wide range of elevators, escalators, moving walkways, platforms and stair lifts, as well as automatic doors, which combine existing technological advances in order to supply said equipment to both newly-constructed and existing buildings. Furthermore, over recent years, elevator modernization and replacement activities that seek to enhance the conditions in which the elevator operates in terms of comfort and consumption, together with the installation of equipment to eliminate architectural barriers, have been added to the Group's day-to-day work and teams of professionals specializing in these activities have been created.

The Group has a strong tradition in exports and sells elevators to the rest of the OTIS companies all over the world. In 2018, 76 countries worldwide received elevators exported from our plants.

I. SAFETY, HEALTH AND ENVIRONMENT

Commitment to Safety

The Group and the companies that form part of it apply the highest standards in safety and environment aspects. Since its beginnings, the Zardoya Otis Group has led the efforts and investments to attain the highest level of user and employee safety, the elevator being one of the safest automated means of transport that exist.

To help meet this objective, a "Safety, Occupational Health and Environment Program" has been put in place, setting out the policies and procedures necessary to comply with the legislation in force in these areas, which has been certified under Royal Decree 39/1997 (Prevention Services Regulation) and standards OSHAS 18001:2007 (Occupational Health and Safety Management Systems), ISO 14001 (Environmental Management System) and ISO 50001 (Energy Management System). The validity and efficacy of the Management System is confirmed annually through external audits by accredited firms. Compliance with and continuous development of the policies of said system allows a sustained enhancement of occupational safety and health. The program is constructed on 12 pillars:

- 1) Policy and leadership
- 2) Organization and responsibilities
- 3) Annual plans and objectives
- 4) Performance evaluation
- 5) Assessment, prevention and control
- 6) Education and training
- 7) Communication
- 8) Rules and procedures
- 9) Inspections and audits
- 10) Enquiries into accidents and incidents
- 11) Documentation
- 12) Annual evaluation of the program

Management's commitment to attaining these objectives is reflected in the Safety, Health and Environment Policy, signed by the Chief Executive Officer and the General Manager, and the Safety, Occupational Health, Environment and Energy Efficiency Commitment, signed by the entire management team.

Likewise, to attain the objectives of the Safety, Occupational Health and Environment Program and direct and coordinate the implementation thereof, the day-to-day cooperation and participation of all the employees is essential. For this purpose, the following management bodies and support instruments have been created:

- Central Safety Body. Formed by the managers of the different areas, it provides Safety, Health and Environment strategy and monitoring at company level and supervises the effective implementation of the Management System.
- Prevention Service. It assumes the duties and responsibilities assigned by Royal Decree 39/1997 in the four areas of Prevention, Industrial Hygiene, Ergonomics and Psychosociology, and Occupational Medicine, and coordinates the actions necessary to attain the effective implementation and continuing enhancement of the Prevention and Environmental Management System.
- Safety coordinators. The regional offices, production centres and associated companies have a safety coordinator, who coordinates the actions necessary to implement the Management System effectively in their respective geographical areas.
- Inter-centre Safety Committee. It has equal representation of workers' representatives nationwide and the company's central management, in order to review global aspects.
- Safety and Health Committees. These exist at all the regional offices where a service network is organized. Representatives of the workers and company management in each region participate and review local aspects.

There is monthly safety and awareness training for technical personnel, informing of the accidents that have occurred worldwide.

The Risk Assessment activity of the different work areas (plants, warehouses, offices, etc.) and our business's different activities (manufacturing, assembly, maintenance and modernization) is the key factor for putting in place the preventive measures necessary to

optimize safety, quality and environmental care in our products and processes, achieving a constant reduction in incidents and a general improvement in performance.

Attaining the objectives fixed in both Safety and Environment and Energy Efficiency, as well as obtaining the certifications under the aforementioned standards from accredited external firms, confirms the validity of the Management System for continuing improvement and the establishment of the most demanding standards in those areas.

In short, significant investment is made in specialized human resources and the means to ensure workplace safety, which, in turn, represents enhanced safety for our customers and users.

Commitment to Health

The Group actively promotes a number of projects aimed to improve its employees' health and well-being at work. The Group has programs for early disease detection, vaccination, gynaecology and anti-tobacco treatment, as well as general welfare programs, promoting a healthy lifestyle through sport and healthy eating.

Commitment to the Environment and Energy Efficiency

Environmental protection likewise forms part of our day-to-day activity: in product design, manufacturing, assembly, preventive and corrective maintenance and other activities ns that fall within the services the Group offers.

The Group holds a historical commitment with the environment and gives detailed consideration to the impact thereon of all its activities: the construction of a new manufacturing plant, the design of new production processes and its relations with suppliers are proof of this. Electricity generation using renewable energy sources at the Leganés plant meant that the company was the first in the sector to have a solar farm.

The Leganés (Madrid) plant is an example of production plant design seeking the least environmental impact possible. It includes materials with high thermal insulation capacity, lighting that adjusts according to the available daylight, and solar panels to produce the centre's hot water.

On the roof of the building, a photovoltaic solar plant with a power capacity of 720 Kw has been installed, suppling 60% of all the centre's needs. The installation, formed by 3,600 solar panels, prevents the emission of 1,000 tonnes of CO₂ into the atmosphere every year, as well as 90 tonnes of SO₂, a sulphur based compound that generates what is known as acid rain.

Efficient energy use plays a fundamental role in protecting our environment. In fact, a significant part of new developments is devoted to developing energy-efficient products. The Group has eliminated hydraulic equipment from its production process, replacing it by GeN2 technology, thus completing its range of state-of-the-art low-consumption elevators for all segments. Some benchmark products are the GeN2 Switch, which uses single-phase electricity and needs only a 500W power connection to work, and the GeN2 Switch Solar, the first elevator on the market capable of working with 100% clean energy and which attains a ZERO energy balance.

This environmental commitment materializes in the fact that all equipment designed and manufactured by Zardoya Otis is equipped with a series of electricity regeneration devices.

In day-to-day operations, the Group is a pioneer in the use of electric vehicles for its maintenance routes and is working on agreements with suppliers, authorities and other stakeholders to develop a larger fleet of electric vehicles that do not emit pollutant gases.

The Group has received numerous recognitions from local, regional and state authorities for its constant work in safety and environmental protection.

II. ETHICS AND TRANSPARENCY

Commitment to ethics and compliance

Ethics is one of the absolute values on which the Group's activity is based.

Zardoya Otis is responsible for establishing solid and sustainable relationships with its stakeholders, whether they be its customers, employees, shareholders and investors, suppliers or the community of which it forms part.

Trust, Respect, Integrity, Innovation and Excellence are the common values established to guide all employees and those who work with the Group in correct decision-making, always complying with the commitments acquired.

These values are set out in the Code of Ethics, which is the document that guides the conduct of all those who form part of the Group.

Acting with integrity does not only mean complying with current legislation, but also meeting our commitments and seeking to provide benefits to the different stakeholders and the community in which the Group operates.

The Ethics Compliance Officer (ECO) and the person responsible for internal audit may, on an independent basis, put any matters they see fit in the aforementioned respects to the Board of Directors. The Disciplinary and Prevention Committee supervises and decides on any irregularities in ethics compliance issues that may arise.

The communication of the Code of Ethics and its five values are fundamental pillars in order to continue to consolidate an ethical culture of commitment to good governance towards all the stakeholders

The 2018 Ethics and Compliance Plan materialised in five lines of action:

1. Management Leadership
2. Risk Policies and Prevention (Audit and Assessment)
3. Education and Training
4. Communication
5. Case inquiries – Disciplinary and corrective actions

1. Management Leadership

- Renewal of the commitment to Ethics and Compliance of the whole management team in February 2018.
- Quarterly meetings of the Compliance Committee.
- Ten people received recognition for good ethical practices.

2. Risk Policies and Prevention

- Preparation of Risk Map: ERM (Enterprise Risk Management), including Compliance risks, with quarterly review of the mitigation and control actions.
- Annual certification of all the employees, who state they know and understand the Code of Ethics and its policies, identifying any possible conflicts of interest that should be checked
- Special reinforcement of training in anti-corruption and crime prevention policies.

3. Education and Training

- Training plan consisting of online courses for employees (9,808 courses taken in 2018).
- Quarterly training of technical staff and workers at all the offices and work centres.
- Ethics Day (November 2018) – distribution of 4,500 copies of the Code of Ethics to all employees and technical personnel and 220 “Ethics Bingo” games to reinforce the Company’s fundamental values: Respect, Integrity, Trust, Innovation and Excellence

4. Communication

- Launch of the campaign “OTIS Does the Right Thing” – real examples of good practices.
- 20 communications issued under the title “ECO INFORMA”.
- Communication of the new General Data Protection Regulation and creation of a specific section of Data Privacy in the Ethics and Compliance intranet.
- E-mails with simple ethics messages in “tweet” format through “tweethics”.

III. FIGHT AGAINST CORRUPTION AND BRIBERY

Compliance with anti-trust laws

The Group assumes the obligation to comply with the antitrust laws, also known as competition laws. Anti-competition activities are an infringement of the Group’s fundamental values.

Therefore, our competitors are treated with respect and business is based on the merits of the products and services offered.

The Group has specific policies regarding compliance with antitrust and anti-corruption laws, informing and providing training to all employees, who undertake to comply with them by signing the Code of Ethics.

Corruption risk prevention

While the values of innovation and excellence distinguish what is done, our values of integrity and trust show how it is done. The Group undertakes not to take advantage of an opportunity, irrespective of other circumstances, if it implies a result obtained by the undue use of influences or in a manner that does not respect the Code of Ethics.

The Group leads by example in the prevention of corruption, in accordance with the Corporate Policy manuals, which regulate subjects such as business gifts, sponsored trips, hiring civil servants or persons related to the government, and agreements with external representatives or distributors. Likewise, it fights to prevent the effect of corruption on society and helps to foster and protect the free market, defending the rights of consumers and their capacity to choose.

The Group upholds fair, lawful and transparent market practices. An example of this is the systematic and meticulous analysis of potential conflicts of interest that may affect members of management, employees, suppliers, partners or any kind of person or entity that has a relationship with the Group.

Confidential internal communication channel (Dialogue and ECO)

Internal communication is of fundamental importance in transmitting trust and credibility to the employees. For this reason, there is:

- An Ethics Compliance Officer (ECO). Any worker may contact him or her to obtain guidance or to consult aspects concerning compliance with the Code of Ethics. Likewise, this person acts independently of the chain of command and conducts thorough investigations into any possible infringements of the Code of Ethics.
- The Dialogue Program. A confidential and anonymous communication channel that ensures protection of those people who make reports in good faith or cooperate with an investigation, preventing any kind of retaliation against them.

Responsibility in the purchase of goods and services

One of the Group's general principles is to treat partners, suppliers and subcontractors with integrity and without discrimination. Therefore, the Group purchases equipment or raw materials and hires services based solely on merit.

Business partners are sought who share an inflexible commitment to excellence and the commitment to meet or surpass the customers' needs. The Group drives innovation, cultivates trust and treats its partners with integrity and respect. The protection of their rights and having them comply with the Company's high standards of ethics forms part of a top-class supply chain.

Likewise, the Group requires its partners, suppliers and subcontractors to adhere to its Supplier Code of Conduct. This Code requires the goods and services acquired to be designed, produced and supplied respecting the safety and health of both employees and consumers. Likewise, suppliers must carry on their activity protecting the environment and respecting the human and labour rights recognized in national and international legislation, prohibiting child labour and treating workers and business partners without discrimination.

Internal control, information and transparency

One of the Group's priority objectives is to favour transparency with the markets and the shareholders. Thus, it undertakes to:

- Work to ensure that the financial statements are complete and accurate.
- Strive for assets, liabilities, revenue, expenses and commercial transactions to be recorded fully and accurately in the Group's books and records, in accordance with the applicable legislation, generally-accepted accounting principles and the financial policies and procedures established.
- Refrain from establishing or holding assets or liabilities that are not recognized in the accounts.
- Publish the relevant information on the Group.
- Comply with the information requirements under the applicable legislation in every country in which it operates.

- Safeguard the rights of investors and shareholders in accordance with the Bylaws and the Regulations of the General Shareholders' Meeting, providing tools and channels to facilitate involvement and communication with these stakeholders.
- Comply with securities market legislation, particularly the market abuse legislation.

According to the Regulations of the Board of Directors, the Board has the mission of determining the risk control and management policy, including tax risks, and supervising the internal reporting and control systems.

Likewise, the Audit Committee supervises the efficiency of the Group's internal control, internal audit and risk management systems, including tax risks, and safeguards the independence and efficacy of the internal audit service. Among other duties, the Audit Committee discusses any significant weaknesses in the internal control system detected in the course of the audit with the statutory auditor. It also has the mission of supervising the process of preparing and presenting the mandatory financial reporting, including compliance with the requirements of current legislation and the correct application of accounting principles. Likewise, it regularly receives information from the statutory auditor on the audit plan and the execution thereof, always ensuring the auditor's independence in performing its duties.

Additionally, a Crime Prevention Model and a Risk Map have been approved. A Compliance Committee has been created, formed by members of management, which has the specific obligations of reviewing and approving any change to the Crime Prevention Model and Risk Map and submitting it for a prior report from the Audit Committee. Likewise, it monitors any internal report received on and/or investigations in progress into criminal matters, periodically reporting on its activities to the Audit Committee.

The Group has an Internal Audit Department that reports directly to the Audit Committee and reviews and guarantees annually, on an independent basis, that business practices and processes are honest, effective and efficient.

Likewise, the Group has Internal Conduct Regulations, the objective of which is to protect the interests of investors and their confidence in the market. Said Regulations contain a series of guidelines and rules applicable to the Group and its directors, managers and employees regarding management and control of relevant and insider information, carrying out transactions with its own securities, performing treasury share transactions and detecting and handling conflicts of interest, all of which is intended to avoid any situation where market abuse occurs.

IV. PEOPLE AND SOCIAL COMMITMENT

The Group has put in place a series of policies and programs that concentrate on people, creating a work environment that fosters respect, health, safety and well-being in the workplace, as well as equal opportunities.

The Human Resources Department is responsible for drawing up and promoting the respective programs for training, internal communication, corporate social responsibility, selection, development, welcome and integration, labour relations, compensation and benefits, etc. These policies are reviewed periodically and are updated and adapted to the business's needs.

The Zardoya Otis Group fosters a culture of commitment and team work. The "pride of belonging" of all the employees is reinforced and, in the parent company, there is a

common vision that unites and commits, reflected in the internal motto: "Together we are unstoppable".

The Group's main asset is people. Therefore, training is one of the keys to our success. Zardoya Otis's ratios are the highest in the sector and also among other companies of the same size.

All Group employees have the opportunity and right to access training, a key element that helps to allow the employees' personal and professional growth. The training and development plans are monitored and analyzed by the management committees.

An average of more than 35 hours of training per employee per year is imparted regularly on subjects such as safety, ethics, technical training, quality, sales, leadership, office IT, languages, etc., through both internal trainers and external consultants, using different methodologies (classroom, on-line or mixed training). Professional growth of employees is also encouraged with individual development programs (first degree or master's) at any public university.

The Group also has a performance management system, as well as career and succession plans, mentoring, coaching, internationalization schemes, etc., defined to foster the personal and professional development of all the people who form part of it and their alignment with the business's culture and strategic goals. 90% of the managers (middle management, management and senior management) come from internal promotion.

Workplace climate surveys are conducted between 2 and 4 times a year and actions for improvement are implemented on the basis of an analysis of their results.

The digital transformation process that is underway is a key challenge, given the change in culture it involves. The companies that form the Group have adapted to this new situation. The technical personnel and supervisors now work with advanced digital mobility tools that integrate Smartphone technology and place communication, management and service technology at the customers' disposal. These tools allow a reduction in administrative tasks, generating higher productivity and efficiency in order to provide the customer with a personalized, swift and effective service.

The objective is to continue to consolidate the position of sector leadership, transforming service, incorporating connectivity and efficient management technologies, and contributing reliability, productivity, flexibility and transparency, in order to continue to provide the customers with service excellence.

For the Group, promoting innovation is of fundamental importance in order to maximize value creation. The Madrid Engineering Centre is a worldwide benchmark centre for Otis and an enormous number of patent applications for the products and processes developed commence there. Since 2001, more than 500 patent applications have been filed from Spain all over the world and almost 300 patents have been granted.

Likewise, there is a suggestion program, which encourages and rewards the generation of new ideas on enhancements to products, services or processes.

Furthermore, employees enjoy a complete benefit package, which includes a flexible remuneration system, several types of insurance and special discounts on a series of leisure and cultural activities.

In 2018, work to advance in and consolidate the Unstoppable Commitment continued, aligning it with the sustainable development goals and concentrating on four basic pillars: child protection, gender equality, diversity and the inclusion of people with disabilities or at risk of social exclusion, and employee health and well-being.

In a sector that is particularly complicated in terms of gender diversity, one of the great challenges that is being tackled is to include female talent in the Group, something for which Zardoya Otis is constantly striving. In 2018, the parity indices improved at all levels in order to encourage the growth and development of female talent in the Group, and recognition was obtained for this.

	Women in 2018	Women in 2017
Managers	10	9
Administration/ Workshop/Field Supervisors	35	32
Engineers, University graduates and other experts	70	58
Administrative and technical personnel	463	447
Other workers	30	27
	<u>608</u>	<u>573</u>

Zardoya Otis is especially proud of its Equality Plan and its Diversity and Inclusion Plan, the title of which is "Todos somos Todos".

Social commitment also includes mainstreaming people with disabilities and/or at risk of social exclusion in the Group, an aspect that is always borne in mind in every recruitment process.

The Group cooperates and works with special employment centres that help to include professionals with disabilities, who perform wonderful work in the organization.

One of the basic parts of the Corporate Social Responsibility Policy is social commitment with the environment. Various solidarity projects and activities in which employees participate are organized.

Corporate volunteering acquires special importance with programs for mainstreaming disability through sport (25 years of cooperation with Special Olympics) and child protection (annual charity race and cooperation with several foundations in different activities).

There is also cooperation with educational centres to provide training and professional development opportunities to students with potential and talent who lack the resources necessary to access them. Furthermore, through cooperation with professional training centres, young, recently-qualified people are recruited. Both these actions contribute to reducing unemployment, mainly among young people.

Social action policies are communicated to all employees through the different internal communication channels.

All the foregoing has allowed a number of recognitions to be obtained as a socially responsible entity and the award of the "Top Employers Institute" international certificate for the fourth year running. This is one of the most highly valued and important certificates worldwide and recognizes the Group's main company as one of the best companies to work for in Spain.

Regarding Accessibility, the entity is aware of the situation of millions of people who have difficulties in surmounting the numerous architectural barriers that exist in cities. In Spain, for example, there are more than one million buildings to which measures to make access easier should be applied.

The Group, together with associations of persons with disabilities and the authorities, has always been active in developing legislation on standards that improve elevator accessibility for people.

The Group is committed to the development of technical solutions, technological advances and social initiatives intended to make a decisive contribution to eliminating accessibility barriers. An example of this is the standard inclusion of equipment with capabilities aimed to make the elevators easier to use for people with some kind of disability: Braille on the buttons, improved signage, audible messages regarding the elevator's movements, improvement in stopping accuracy, systems for the early detection of door closure, interactive information systems in the car and a long list of capabilities that may be enjoyed today as a result of the standard achieved.

As stated previously in this Management Report, in April 2018, 80% of Soluciones de accesibilidad LV3 S.L., a company engaged in eliminating architectural barriers with stair lifts and platforms, was acquired.

V. SERVICE EXCELLENCE

The Group's objective is to become the benchmark in the sector and the first choice for customers and users, as a result of the quality of its products and the service excellence in all its activities.

The Group has implemented the following measures for the continuous enhancement of its processes:

- Annually, the CEO and the General Manager approve a roadmap which defines the main quality objectives and the metrics or indicators to be used at the work centres.
- Zardoya Otis, S.A. was the first company in the sector to obtain ISO 9001 certification of its Quality Management System, which it achieved with AENOR in October 1992 for the Company overall, later extending said certification to compliance with the Lift Directive and the Royal Decrees that transpose it, including the pertinent Supplementary Technical Instructions.
- To enhance quality, the ACE Operating System (Competitive Excellence) is used. This is a system for continuing improvement, aimed at solving problems and detecting opportunities. The causes of the problems are analyzed and processes are modified to eliminate or decrease the likelihood of their being repeated. This operating system allows processes to be defined, controlled and improved, eliminates tasks that add no value, reduces the number of errors by analyzing their causes and, through a continuing improvement process, achieves the desired

business results, all of which is focused on keeping the customers satisfied and obtaining a high rate of recommendations.

- Unceasing search for differences between the actual results and the targets fixed, analysing and enhancing the processes, assessing and establishing the objectives in accordance with their impact and importance for our customers, shareholders and employees.
- In 2002, the Service Excellence Program was implemented, concentrating on improving the services provided and how customers perceive them. The enhancement of what are known as essential processes: obtaining the loyalty of customers and the portfolio, handling notifications, maintenance visits, complaints management and sales visits, reinforces the customers' perception at "moments of truth", when the Group's image is enhanced as a result of the attention received from the person who interacts with the customer and/or user on the Group's behalf.

VI. OTHER SIGNIFICANT NON-FINANCIAL PERFORMANCE INDICATORS AND INITIATIVES

- **Units under maintenance**

288,467 elevator units under maintenance

33,000 automatic doors under maintenance

- **Human team**

5,476 employees:

- 78 managers, 12.8% of whom are women
- 539 administration and workshop supervisors, 6.5% of whom are women
- 311 engineers, university graduates and other experts, 22.5% of whom are women
- 959 administrative and technical staff, 48.3% of whom are women
- 3,589 elevator technicians, 0.8% of whom are women
- An average of 17 years of service with the organization

- **Customer service**

Zardoya Otis has an extensive network of branches, service offices and points of assistance throughout national territory.

- **Social commitment**

- **Charity race**

1,600 entries. All the funds collected were donated to *Fundación Oncohematológica Infantil*.

- **Other campaigns**

- *Cruzada por los niños* ("Crusade for children")
- *Menudos Corazones* ("Little Hearts")
- "Integrated" Program

- “*Juntos de la Mano*” Program
- Sponsored race for multiple sclerosis
- 3rd edition of Oncobike
- 6th edition of the Solidary Trail
- “*Fórmula imparable*” healthy company program

In all cases the sums collected are donated in full to NGOs, foundations and research centres.

- **Promotion of gender equality**

- “No le pongas género, ponle talento” program in collaboration with the Fundación Adecco, aimed to increase the employability of women with disabilities, gender violence victims, women with unshared family responsibilities and other women at risk of social exclusion.

43 workshops, in which 528 women participated, were held.

- “Por fin tengo trabajo” program with Fundación Randstad, aimed at women with disabilities.
- “We go” program: recently created national program aimed to attract the best female talent to fill technical positions. The new recruits receive integral training in all areas of the business for 18 months. At present, four women are participating.
- “Forward” program, an international program created to increase the presence of women in technical positions and foster gender equality. It has a national committee formed by a multidisciplinary team and was launched in April 2018.

Recognitions in relation to Equality, Diversity and Inclusion

Zardoya Otis has adhered to the “*Más mujeres, mejores empresas*” (“More women, better companies”) initiative issued by the Ministry of Health, Social Services and Equality. Through this cooperation, the Group undertakes to foster a balanced participation of women and men in pre-managerial and managerial positions and management committees.

In the Workplace Diversity and Inclusion area, the entity has been recognized as one of the 10 most innovative and committed enterprises in Spain in the sixth edition of the Intrama awards. This prize was due to the “*Todos somos todos*” program, which includes most of the initiatives implemented over the last two years in respect of gender diversity and people with disabilities or at risk of social exclusion.

The award of the Social Company Prize, in collaboration with the Fundación Mundo Ciudad, for the second year running recognizes the “*Best Responsible Project in Accessibility and CSR in the Industrial Sector*” for the MPD - eView ONE System.

Finally, also for the second year running, the Bequal Seal, which certifies the degree of Corporate Social Responsibility commitment with Disability, was obtained.



ZARDOYA OTIS, S.A.

Auditor's Report on "Information regarding the Internal Control System over Financial Reporting (ICSFR)" of Zardoya Otis, S.A. for the 2018 Financial Year



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.

AUDITOR'S REPORT ON "INFORMATION REGARDING THE INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING (ICSFR)" OF ZARDOYA OTIS, S.A FOR THE FINANCIAL YEAR 2018

To the Board of Directors of Zardoya Otis, S.A.:

In accordance with the request of the Board of Directors of Zardoya Otis, S.A. (hereinafter, the Company) and our engagement letter dated 27 February 2019, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in section "F" of the Annual Corporate Governance Report (hereinafter, the ACGR) of Zardoya Otis, S.A. for the 2018 financial year, which includes a summary of the Company's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Company in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Company's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Company's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the "Guidelines concerning the Auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities" published by the National Securities Market Commission on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Company's annual financial information for the 2018 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.

In addition, as this special engagement is not an audit of financial statements and is not subject to the Auditing Act, we do not express an audit opinion under the terms of the aforementioned legislation.

*PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es*



The procedures applied were as follows:

1. Reading and understanding the information prepared by the Company in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in the Circular N° 5/2013 of the National Securities Market Commission dated June 12, 2013 which was subsequently amended by the Circular N° 7/2015 of the National Securities Market Commission dated December 22, 2015 and the Circular N° 2/2018 of the National Securities Market Commission dated June 12, 2018.
2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the Company.
3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the audit committee.
4. Comparison of the information described in point 1 above with our knowledge of the Company's ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the annual accounts.
5. Reading the minutes of meetings of the board of directors, audit committee and other committees of the Company, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.
6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and Circular n° 5/2013 of the National Securities Market Commission, dated June 12, 2013, as modified by Circular n° 7/2015 of the National Securities Market Commission, dated December 22, 2015, and Circular n° 2/2018 of the National Securities Market Commission, dated June 12, 2018, for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original Spanish version signed by
Rafael Pérez Guerra

March 12, 2019

ANNUAL CORPORATE GOVERNANCE REPORT

FOR LISTED COMPANIES



DETAILS IDENTIFYING ISSUER

DATE OF END OF REPORTING PERIOD	Nov. 30, 2018
TAX IDENTIFICATION NUMBER	A28011153
CORPORATE NAME	ZARDOYA OTIS, S.A.
REGISTERED ADDRESS	CALLE GOLFO DE SALÓNICA, 73 MADRID

A. OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital.

Date of latest modification	Share capital (€)	Number of shares	Number of voting rights
July 14, 2016	47,046,431.10	470,464,311	470,464,311

State whether there are different classes of shares to which different rights are associated.

Yes No

A.2 Details of the direct and/or indirect owners of significant shareholdings in your company at the reporting date, excluding Board Members.

Name or corporate name of shareholder	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Direct owner of the shareholding	Number of voting rights	
UNITED TECHNOLOGIES CORPORATION (UTC)	0	UNITED TECHNOLOGIES HOLDINGS, S.A.S.	235,279,377	50.01%
AKO MASTER FUND LIMITED (*)	14,179,531	N/A	N/A	3.01%

(*) Holder of voting rights through financial instruments for the amount and percentage shown in the chart. AKO MASTER FUND LIMITED is managed by the management company AKO CAPITAL LLP (indirectly controlled by Mr Nicolai Tengen), as set out in the notification on the website of the National Securities Market Commission with registration No. 2017078037.

State the most significant movements in the shareholder structure that took place during the period:

Name or corporate name of shareholder	Transaction date	Description of transaction
N/A	N/A	N/A

A.3 Complete the following charts on the members of the Board of Directors of the company who hold voting rights corresponding to shares therein.

Name or corporate name of director	Number of direct voting rights	Indirect voting rights (*)	% of total voting rights
MR BERNARDO CALLEJA FERNANDEZ	28,000	10,000	0.00%
MR ALBERTO ZARDOYA ARANA	119		0.00%
MR MARIO ABAJO GARCIA	762,090		0.16%
DON MARK GEORGE	5		0.00%
EURO-SYNS, S.A.	55,015,423		11.69%

(*) Through:

Name or corporate name of director	Number of direct voting rights	% of total voting rights
MS PIEDAD GARCÍA DÍAZ	10,000	0.00%

% of total voting rights held by the Board of Directors	11,86%
--	---------------

A.4 State, if applicable, any family, commercial, contractual or corporate relationships that exist between the owners of significant shareholdings, to the extent that these are known to the company, unless they are of little relevance or are derived from ordinary business or trading.

Related name or corporate name	Type of relationship	Brief description
EURO-SYNS, S.A.	Family	This director is a company controlled by members of the Zardoya family.

A.5 State, if applicable, any commercial, contractual or corporate relationships that exist between the owners of significant shareholdings and the company and/or its group, unless they are of little relevance or are derived from ordinary business or trading.

Related name or corporate name		Type of relationship	Brief description
UNITED TECHNOLOGIES HOLDINGS, S.A.S.	OTIS ELEVATOR COMPANY	Commercial	As of November 30, 2018, Zardoya Otis, S.A. (the “ Company ” has commercial and contractual relations with Otis Elevator Company and United Technologies Corporation (UTC).
		Contractual	
		Corporate	As of November 30, 2018, United Technologies Corporation (UTC) held 100% of the shares of Otis Elevator Company and 50.01% of the Company’s shares through United Technologies Holdings, S.A.S.

A.6 State whether any paracorporate (shareholders’) agreements affecting the Company pursuant to the provisions of articles 530 and 531 of the Capital Companies Law have been reported to the Company. If so, briefly describe them and list the shareholders bound by the agreement.

Yes No

State whether the company is aware of the existence of any actions that have been arranged between its shareholders. If so, briefly describe them.

Yes No

In the event that there was any change or breach of said agreements or arranged actions during the period, state this expressly.

There were no shareholders’ agreements and, therefore, there was no change or breach of them during the period ended November 30, 2018.

A.7 State whether there exists any natural or legal person that exercises or can exercise control over the company pursuant to article 4 of the Securities Market Law. If so, identify them.

Yes No

Name or corporate name	Comments
UNITED TECHNOLOGIES CORPORATION (UTC)	As of November 30, 2018, United Technologies Corporation (UTC) was the indirect owner (through the French company United Technologies Holdings S.A.S.) of 50.01% of the voting rights in the Company.

A.8 Complete the following charts on the company’s treasury shares.

The Company does not hold any treasury shares..

Explain the significant variations, pursuant to the provisions of Royal Decree 1362/2007, that took place in the period.

Explain the significant variations

At its meeting of May 23, 2018, the Company's Ordinary General Shareholders' Meeting authorized the Board of Directors to acquire, directly or indirectly, treasury shares up to a maximum percentage of 10% of the share capital, within the limits and requirements established in article 146 and related articles of the Capital Companies Law.

This delegation of powers replaced the authorization granted by the Company's General Shareholders' Meeting held on May 24, 2017, which, consequently, became null and void.

Likewise, in accordance with articles 40 et seq. of Royal Decree 1362/2007, there were no significant variations in relation to the treasury shares held by the Company.

A.9 Give details of the conditions and/or periods of the authorization(s) provided by the General Shareholders' Meeting to the Board of Directors to issue, repurchase or transfer treasury stock.

The Company's Ordinary General Shareholders' Meeting held on May 23, 2018 approved the proposal to authorize the Board of Directors to, without consulting the General Shareholders' Meeting beforehand, acquire, directly or indirectly, shares in the Company up to a maximum percentage of 10% of the share capital during a maximum period of five years as from the date of the aforementioned Ordinary General Shareholders' Meeting.

The acquisition price of said shares may not be lower than 2 euros per share or higher than 25 euros per share and the Board is expressly authorized to set aside the reserves required under article 148 of the Capital Companies Law.

Furthermore, the same Ordinary General Shareholders' Meeting held on May 23, 2018 unanimously agreed to authorize the Board of Directors to, pursuant to the provisions of article 149 of the current Capital Companies Law, either directly or through any group companies, accept its own shares as a pledge or any other type of guarantee, within the limits and meeting the same requirements as are applicable to the acquisition thereof. Specifically: (i) the maximum number of shares to be accepted as pledges must not exceed 10% of the Company's share capital; (ii) the shares accepted as pledges must be free from all charges and encumbrances, fully paid up and not attached to compliance with any obligation the beneficiary of which is not the Company; (iii) the authorization will remain in force for the maximum period allowed by Law at any given moment (five years) as from the date of the aforementioned Ordinary General Shareholders' Meeting (i.e. until May 23, 2023); and (iv) in the course of these transactions, the rules on the subject contained in the Company's Internal Code of Conduct will be observed. This authorization supplements the authorization granted as per the preceding paragraphs and does not change it.

In carrying out these transactions, the rules contained in the Company's Internal Code of Conduct and the Securities Market Law will also be observed.

A.9 bis Estimated floating capital:

	%
Estimated floating capital	38.29%

A.10 State whether there is any restriction on the transferability of shares and/or any restrictions on voting rights. In particular, state the existence of any kind of restrictions

that might hinder taking control of the company by acquiring shares therein in the market.

Yes No

A.11 State whether the General Shareholders' Meeting has approved the adoption of breakthrough measures in the event of a public tender offer pursuant to the provisions of Law 6/2007.

Yes No

If applicable, describe the approved measures and the terms on which the restrictions will become ineffective.

N/A

A.12 State whether the company has issued securities that are not traded on a regulated Community market.

Yes No

If applicable, state the different classes of shares and, for each class of shares, the rights and obligations it confers.

N/A

B. GENERAL SHAREHOLDERS' MEETING

B.1 State and, if applicable, describe whether there are any differences from the system of minimums provided for in the Capital Companies Law (LSC) regarding the quorum required to constitute a General Meeting.

Yes No

	Quorum % different from that established as a general rule in art. 193 LSC	Quorum % different from that established in art. 194 LSC for the special cases of art. 194 LSC
Quorum required on 1st call	60.00%	66.66%
Quorum required on 2nd call	50.00%	50.00%

Describe the differences

For general decisions, a quorum of 60% is required on the first call (the Capital Companies Law establishes 25%) and 50% on the second call (the Capital Companies Law does not fix a minimum).

For the decisions mentioned in article 194 of the Capital Companies Law (capital increase or reduction and any other amendment to the Bylaws, debenture issues, the elimination or limitation of pre-emption rights over new shares, a change in the type of company, merger, spin-off or the global assignment of assets and liabilities, and moving the registered office abroad), a quorum of two thirds of the subscribed capital (66.66%) is required on the first call (the Capital Companies Law establishes 50%) and 50% on the second call (the Capital Companies Law establishes 25%).

B.2 State and, if applicable, describe whether the system for adopting corporate resolutions differs from the system provided for in the Capital Companies Law.

Yes No

Describe the differences from the system provided for in the Capital Companies Law.

N/A

B.3 State the rules applicable to amending the corporate Bylaws. In particular, state the majorities required to amend the Bylaws and, if applicable, the rules that are in place to protect shareholder rights when the Bylaws are amended.

To amend the Bylaws of Zardoya Otis, S.A. (the "**Company's Bylaws**"), the system set forth in article 285 et seq. of the Capital Companies Law and in the Company's Bylaws themselves will be applied.

According to article 14 of the Company's Bylaws, in order for a General Meeting (Ordinary or Extraordinary) to validly resolve to increase or decrease the capital or make any other amendment to the Bylaws, issue debentures, eliminate or limit pre-emption rights on new shares, change the type of Company, merge or spin off the Company or globally transfer its assets and liabilities, move its registered office abroad, or make any other amendment for which a qualified majority is legally required, it will be necessary, on the first call, for shareholders owning at least two thirds of the subscribed capital with voting rights to be present or represented. On the second call, it will be sufficient for fifty percent of said capital to be present or represented.

Additionally, in accordance with article 16 of the Company's Bylaws, a separate vote will be taken on each one of the items on the agenda and on those matters which, although they form part of the same item on the agenda, are substantially independent, in order for the shareholders to exercise their voting preferences separately. In particular, separate votes will be taken on the appointment, ratification, re-election or removal of each director and, in the event of amendments to the Company's Bylaws, separate votes will be taken on each article or group of articles that is substantially independent.

Resolutions concerning amendment of the Company's Bylaws will be adopted by a majority of the capital present or represented at the General Shareholders' Meeting, in such a way that a resolution will be deemed to be passed when it obtains more votes in favour than against from the capital present or represented.

In order to adopt the resolutions to which article 194 of the Capital Companies Law refers, however, the vote in favour of two thirds of the capital present or represented at the General Shareholders' Meeting will be required when, on the second call, shareholders are present representing twenty-five percent or more of the subscribed capital with voting rights but not reaching fifty percent. If the capital present or represented exceeds fifty percent, approval by absolute majority will be sufficient.

Finally, in accordance with article 286 of the Capital Companies Law, the Board of Directors will prepare a written report explaining any proposal to amend the Company's Bylaws.

B.4 State the attendance figures for the General Meetings held in the period to which this report refers and in the preceding period.

Date of General Meeting	Attendance figures				Total
	% present	% represented	% distance votes		
			Electronic votes	Other	
05/24/2017	64.09%	14.66%	0.00%	0.00%	78.75%
05/05/2018	13.36%	58.79%	0.00%	0.00%	72.15%

B.5 State whether the Bylaws contain a restriction establishing the minimum number of shares required to attend the General Meeting.

Yes No

B.6 State whether it has been decided that certain decisions that involve a structural modification of the company (subsidiarization, purchase or sale of essential operating assets, operations equivalent to winding up the company, etc.) should be submitted to the approval of the General Shareholders' Meeting even though mercantile legislation does not expressly require this.

Yes No

B.7 State the address and way to access the corporate governance information on the company's website, as well as other information on General Meetings that must be made available to shareholders through the company's website.

The address of the Company's website for access to the corporate government content at November 30, 2018 is <http://www.otisworldwide.com/site/es-esl/Pages/Ascensores-Otis-Informacion-para->

[accionistas-e-inversores.aspx](#), in accordance with the decision adopted by the Board of Directors on February 21, 2019 which moved it:

Nevertheless, at the BoD to be held on this same date February 21, 2019 it is proposed to change to a new web page: <http://www.otis.com/es/es/accionistas-inversores/>

Notwithstanding, for the period established by law, the information will also remain on the old corporate website (<http://www.otisworldwide.com/site/es-esl/Pages/Ascensores-Otis-Informacion-para-accionistas-e-inversores.aspx>), which will automatically redirect to the new site.

This site contains a “Corporate Governance” section, where notice of general meetings, proposed resolutions, rules for granting proxy and distance voting, the reports that are to be presented and any other documentation required by the Capital Companies Law, the Company’s Bylaws or the Regulations of the General Shareholders’ Meeting are published. Among other documents, the 2016 Annual Corporate Governance Report, which was published in March 2018, is included.

The Annual Corporate Governance Report for 2018 will be duly published on the website in March 2019.

C. STRUCTURE OF THE COMPANY'S GOVERNING BODIES

C.1 Board of Directors

C.1.1 Maximum and minimum number of Directors provided for in the Bylaws.

Maximum number of directors	15
Minimum number of directors	3

C.1.2 Complete the following chart with the members of the Board.

Name or corporate name of director	Representative	Class of director	Position on the Board	Date of first appointment	Date of latest appointment	Election procedure
MR MARIO ABAJO GARCIA	N/A	OTHER EXTERNAL	CHAIRMAN	05/31/1985	05/26/2015	RESOLUTION GENERAL SHAREHOLDERS' MEETING
MR JOSÉ MARÍA LOIZAGA VIGURI	N/A	INDEPENDENT	DEPUTY CHAIRMAN	02/23/1973	05/27/2013	RESOLUTION GENERAL SHAREHOLDERS' MEETING
MR BERNARDO CALLEJA FERNANDEZ	N/A	EXECUTIVE	CEO	02/28/2012 (co-option)	05/19/2016	RESOLUTION GENERAL SHAREHOLDERS' MEETING
MR PATRICK MARTIN	N/A	PROPRIETARY	DIRECTOR	07/27/2018 (co-option)	07/27/2018	CO-OPTION UNTIL NEXT GENERAL SHAREHOLDERS' MEETING
MR MARK GEORGE	N/A	PROPRIETARY	DIRECTOR	02/26/2014 (co-option)	05/23/2018	RESOLUTION GENERAL SHAREHOLDERS' MEETING
MR ALBERTO ZARDOYA ARANA	N/A	PROPRIETARY	DIRECTOR	02/26/2013 (co-option)	05/27/2013	RESOLUTION GENERAL SHAREHOLDERS' MEETING
MS ROBIN FIALA	N/A	PROPRIETARY	DIRECTOR	10/05/2017 (co-option)	05/23/2018	RESOLUTION GENERAL SHAREHOLDERS' MEETING
EURO-SYNS S.A.	MR PEDRO SAINZ DE BARANDA RIVA	PROPRIETARY	DIRECTOR	05/31/1996	05/26/2015	RESOLUTION GENERAL SHAREHOLDERS' MEETING

Name or corporate name of director	Representative	Class of director	Position on the Board	Date of first appointment	Date of latest appointment	Election procedure
OTIS ELEVATOR COMPANY	MS NORA LA FRENIERE	PROPRIETARY	DIRECTOR	05/30/1984	05/26/2015	RESOLUTION GENERAL SHAREHOLDERS' MEETING
DON JOSÉ MIGUEL ANDRÉS TORRECILLAS	N/A	INDEPENDENT	DIRECTOR	05/26/2015	05/26/2015	RESOLUTION GENERAL SHAREHOLDERS' MEETING
DON PATRICK BLETHON	N/A	PROPRIETARY	DIRECTOR	05/26/2015	05/26/2015	RESOLUTION GENERAL SHAREHOLDERS' MEETING
Total number of directors						11

State any Directors who left the Board during the reporting period.

Mr Pierre Dejoux resigned as a member of the Board of Directors effective as of June 8, 2018.

On July 27, 2018, in order to fill the vacancy on the Board of Directors, with a report in favour from the Nominating and Compensation Commission, Mr Patrick Martin was co-opted as a new director until the next General Shareholders' Meeting, which will be held in May 2019. Mr Patrick Martin is classified as a proprietary director and was appointed at the proposal of United Technologies Holdings, S.A.S.

C.1.3 Complete the following charts on the members of the Board and their classification.

EXECUTIVE DIRECTORS

Name or corporate name of director	Position in the company's organization chart	
MR BERNARDO CALLEJA FERNANDEZ	CHIEF EXECUTIVE OFFICER	
Total number of executive directors		1
% of total Board		9.09%

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of director	Name or corporate name of significant shareholder represented or that proposed his/her appointment
MR PATRICK MARTIN	UNITED TECHNOLOGIES HOLDINGS, S.A.S.
MR MARK GEORGE	UNITED TECHNOLOGIES HOLDINGS, S.A.S.
MR ALBERTO ZARDOYA ARANA	EURO-SYNS, S.A.

Name or corporate name of director	Name or corporate name of significant shareholder represented or that proposed his/her appointment
MS ROBIN FIALA	UNITED TECHNOLOGIES HOLDINGS, S.A.S.
EURO-SYNS, S.A.	EURO-SYNS, S.A.
OTIS ELEVATOR COMPANY	UNITED TECHNOLOGIES HOLDINGS, S.A.S.
MR PATRICK BLETHON	UNITED TECHNOLOGIES HOLDINGS, S.A.S.
Total number of proprietary directors	
	7
% of total Board	
	63.63%

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of director	Profile
MR JOSÉ MARÍA LOIZAGA VIGURI	<p>He commenced his career with Banco Vizcaya in various executive positions. In 1968, he became the General Manager of Zardoya and played a leading role in the merger with Schneider Otis in 1972. Until 1980, he was responsible for Otis Elevator in Southern Europe.</p> <p>In 1980, he founded Banco Hispano Industrial (BHA Group) and, in 1982, he was appointed Deputy Chairman and CEO of Banco Unión, which he merged with Banco Urquijo, where he remained until 1985.</p> <p>In 1985, he founded Mercápital, S.A. and chaired the Group until 2008.</p> <p>Among other positions, he has been Chairman of Cartera Industrial Rea, Chairman of Bodegas Lan and Bodegas Barón de Ley and a director of Banque Privée Edmond de Rothschild, Suez International, Otis International, Amorim Investment, Lácteas Ga Baquero, Unión Fenosa, etc.</p> <p>Currently, he is a director and Deputy Chairman of ACS, Member of the Executive Commission, Audit Committee and Nominating and Compensation Committee of ACS, a director of Cartera Industrial Rea, S.A. and a director of Otis Elevadores (Portugal) and is also Commandeur de l'Ordre de Léopold II.</p> <p>He is classified as an "independent director" and holds the position of Deputy Chairman of the Company's Board of Directors, as well as Chairman of the Nominating and Compensation Commission and Deputy Chairman of the Audit Committee.</p>
MR JOSÉ MIGUEL ANDRÉS TORRECILLAS	<p>Mr Andrés Torrecillas holds a degree in Economics and Business Studies from the <i>Universidad Complutense de Madrid</i>. He has postgraduate studies in Management Programs from IESE in Madrid, Harvard and IMD.</p> <p>He has spent most of his professional career with Ernst & Young, where he was Partner/Director General of the Audit and Advisory practices and Chairman of Ernst & Young Spain until 2014.</p> <p>In March 2015, José Miguel Andrés Torrecillas was appointed as an independent director by the General Shareholders' Meeting of Banco Bilbao Vizcaya Argentaria, S.A.</p> <p>He has been a member of the Registro Oficial de Auditores de Cuentas (ROAC – Official Account Auditors Register); the Registro de Economistas Auditores (REA – Economist/Auditor Register); the Board of Directors of Instituto Español de Analistas Financieros (Spanish Institute of Financial Analysts); the Fundación Empresa y Sociedad (Company and Society Foundation); the Instituto de Censores Jurados de Cuentas de España (Institute of Chartered Accountants of Spain); the Advisory Board to the Instituto de Auditores Internos (Internal Auditors Institute), the Institute of Chartered Accounts in England & Wales (the ICAEW); the Board of Deusto Business School (DBS); and a patron of the SERES Foundation.</p> <p>He is classified as an "independent director" and holds the positions of Chairman of the Audit Committee and member of the Nominating and Compensation Commission of Zardoya Otis, S.A.</p>
Total number of independent directors	
	2

% of total Board	18.18%
-------------------------	--------

State whether any director classified as independent receives from the company or its group any amount or benefit for an item other than director remuneration or maintains or maintained in the last reporting period a business relationship with the company or any company belonging to its group, either in his/her own name or as a significant shareholder, director or member of senior management of an entity that maintains or has maintained such a relationship.

No.

If applicable, provide a statement explaining the Board's reasons for considering that said Director can perform his/her functions as an independent director.

N/A

OTHER EXTERNAL DIRECTORS

Identify other external directors and give details of the reasons why they cannot be deemed to be proprietary or independent directors and of their ties with the company, its management or its shareholders.

Name or corporate name of director	Reasons	Company, manager or shareholder to which/whom he/she is related:
MR MARIO ABAJO GARCIA	<p>Mr Abajo cannot be considered an independent director since, as of November 30, 2018, he had held office as a director of the Company for a continuous period of more than 12 years. Neither can he be considered a proprietary director because he does not hold a significant shareholding, was not appointed because he was a shareholder and does not represent any of the shareholders mentioned above.</p> <p>As clarification, it is expressly stated that Mr Abajo holds the status of "other external director" in accordance with the Capital Companies Law.</p>	The Company (Zardoya Otis, S.A.)
Total number of external directors		1
% of total Board		9.09 %

State any variations in the classification of each director that may have taken place during the period.

There were no changes in the classification of the directors during the period.

C.1.4 Complete the following chart with information on the number of women directors over the last 4 reporting periods and the classification of said women directors.

	Number of women directors				% of total directors of each class			
	2018	2017	2016	2015	2018	2017	2016	2015
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	2(*)	2(*)	1	1	18.18%	18.18%	9.09%	9.09%
Independent	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	2	2	1	1	18.18%	18.18%	9.09%	9.09%

(*) This information refers to Ms Nora LaFreniere, the personal representative of the director Otis Elevator Company, and Ms Robin Fiala, who was appointed as a director on October 5, 2017.

C.1.5 Explain any measures that have been adopted to try to include a number of women on the Board of Directors sufficient to allow a balanced presence of men and women.

Explanation of the measures

The Board of Directors and the Nominating and Compensation Commission are aware of the importance of promoting gender diversity on the Board of Directors and are working to increase the presence of women on the Board. Article 5 of the Regulations of the Board of Directors states that the Board of Directors must ensure that the procedures for selecting its members favour diversity of gender, experience and knowledge and are not affected by any implied bias that might suggest some kind of discrimination and, in particular, should not hinder the selection of women directors.

Likewise, article 12 B) 2 i) of the Regulations of the Board of Directors states that one of the duties of the Nominating and Compensation Commission Committee is to ensure that, when filling new vacancies or new directors are appointed, the selection procedures do not contain any implied bias that might suggest some kind of discrimination and to report to the Board on gender diversity issues.

At the end of the 2018 period (November 30, 2018), seven of the eleven members of the Board of Directors were proprietary directors, two were independent, one was executive and one was an "other external director".

At its meeting of December 13, 2016, the Nominating and Compensation Commission decided that, when new vacancies on the Board of Directors arise, they will try to fill them with people who meet the requirements of competence, experience and merits, promoting, as far as possible, an increase in the presence of women on the Board of Directors in order to progress towards a Board with a more balanced composition.

To do this, the Commission itself will ensure that the policies for selecting Board members apply exclusively criteria of merit and capacity, avoiding any bias that might imply gender discrimination that hinders the selection of women directors.

This decision was notified to the Board of Directors by the Chairman of the Nominating and Compensation Commission at the Board meeting on the same day.

In the last two years, two vacancies have arisen on the Board of Directors as the result of the resignations of the directors Mr Philippe Delpech and Mr Pierre Dejoux, which were officially noted by the Board on October 5, 2017 and July 27, 2018, respectively. In the light of these two vacancies, the Nominating and Compensation Commission decided to report in favour of: (i) first, the co-option of Ms Robin Fiala as a director at its meeting of October 5, 2017 (her appointment by co-option was approved by the Board on

the same date and subsequently approved and ratified by the 2018 Ordinary General Meeting), and (ii) second, the co-option of Mr Patrick Martin as a director at its meeting of July 27, 2018 (his appointment by co-option was approved by the Board on the same date and is pending ratification by the Ordinary General Meeting that will be held in 2019).

These appointments are consistent with the objective of both the Company and the Board of Directors to increase the presence of women on the Board and for the director selection policies to consider solely criteria related to merit and capacity, avoiding any bias that might imply discrimination on the grounds of gender, origin, race or religion in the selection of directors.

C.1.6 Explain any measures that the Nominating Commission has established to ensure that selection processes are free from any implied bias hindering the selection of women directors and that the company deliberately seeks women with the appropriate professional profile and includes them among the potential candidates.

Explanation of the measures

At its meeting of December 13, 2016, the Nominating and Compensation Commission decided that, when new vacancies on the Board of Directors arise, they will try to fill them with people who meet the requirements of competence, experience and merits, promoting, as far as possible, an increase in the presence of women on the Board of Directors in order to progress towards a Board with a more balanced composition.

To do this, the Commission itself will ensure that the policies for selecting Board members apply exclusively criteria of merit and capacity, avoiding any bias that might imply gender discrimination that hinders the selection of women directors.

This decision was notified to the Board of Directors by the Chairman of the Nominating and Compensation Commission at the Board meeting held on the same day.

Although the only vacancy that arose in 2018 was filled by a man, the only vacancy that existed in 2017 was filled by a woman with proven experience and capacity (Ms Robin Fiala), thus contributing to a greater gender balance in the members of the Board of Directors. Both processes were carried out with total objectivity, based on the criteria decided by the Nominating and Compensation Commission, fomenting, in each of the cases, the election of the best candidate based on the criteria of experience and merits. Therefore, the Nominating and Compensation Commission will continue to work to attain a better balance between the members of the Board of Directors, aimed at achieving gender parity on said body.

With the 2017 appointment, the percentage of women on the Board rose from 9% in 2016 to 18% in 2017 and 2018.

When, in spite of any measures that have been adopted, the number of women directors is scant or nil, explain the reasons that justify this.

Explanation of the reasons

C.1.6 bis Explain the conclusions of the Nominating Commission on the verification of compliance with the director selection policy. In particular, explain how said policy is promoting the target of a number of women directors that represents at least 30% of the total members of the Board of Directors by 2020.

The Nominating and Compensation Commission is aware of the importance of promoting gender diversity on the Board of Directors and is working to increase the presence of women among its members.

To do this, at its meeting of December 13, 2016, the Nominating and Compensation Commission decided that, when new vacancies on the Board of Directors arise, they will try to fill them with people who meet the requirements of competence, experience and merits, promoting, as far as possible, an increase in the

presence of women on the Board of Directors, in order to progress towards a Board with a more balanced composition.

As stated above, the vacancies in 2017 and 2018 were covered by men and women at 50% each.

The Company has not adopted the Good Governance Code recommendation that the number of women directors should represent at least 30% of total Board members by 2020.

C.1.7 Explain how owners of significant holdings are represented on the Board.

As stated in points A2 and A3 above, the two principal direct owners of significant shareholders were United Technologies Holdings, S.A.S. (UTH) and Euro-Syns, S.A.

At November 30, 2018, United Technologies Holdings, S.A.S. (UTH) and Euro-Syns, S.A. were represented on the Board of Directors as follows:

1.- United Technologies Holdings, S.A.S. (UTH)

- Otis Elevator Company has been a Director since May 30, 1984 and was most recently re-elected at the General Shareholders' Meeting held on May 26, 2015 at the proposal of the significant shareholder United Technologies Holdings, S.A.S. (UTH).
- Mark George was co-opted to the Board of Directors on February 26, 2014 and was ratified by the Ordinary General Shareholders' Meeting held on May 26, 2014 at the proposal of the significant shareholder United Technologies Holdings, S.A.S. (UTH). Likewise, he was most recently re-elected at the General Shareholders' Meeting held on May 23, 2018.
- Patrick Blethon was appointed as a director by the Ordinary General Shareholders' Meeting of May 26, 2015 at the proposal of the shareholder United Technologies Holdings, S.A.S (UTH).
- Robin Fiala was co-opted to the Board at its meeting of October 5, 2017 at the proposal of the shareholder United Technologies Holdings, S.A.S. (UTH) and her appointment was ratified by the Ordinary General Shareholders' Meeting held on May 23, 2018.
- Patrick was co-opted to the Board at its meeting of July 27, 2018 at the proposal of the shareholder United Technologies Holdings, S.A.S. (UTH) and his appointment will be ratified by the forthcoming Ordinary General Shareholders' Meeting.

2.- Euro-Syns, S.A.

- Euro-Syns, S.A. has been a Director since May 31, 1996 and was most recently re-elected at the Ordinary General Shareholders' Meeting held on May 26, 2015.
- Alberto Zardoya Arana was co-opted to the Board of Directors on February 26, 2013 and was ratified by the Ordinary General Shareholders' Meeting held on May 27, 2013 at the proposal of the shareholder Euro-Syns, S.A.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed at the proposal of shareholders whose shareholding interest is less than 3% of share capital.

No proprietary directors were appointed at the proposal of shareholders whose shareholding interest was less than 3% in the period ended November 30, 2018.

State whether formal petitions for presence on the Board have been received from shareholders whose shareholding interest is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If so, describe the reasons why such petitions have not been satisfied.

Yes No

C.1.9 State whether any director has withdrawn from his/her position before the expiration of his/her term of office, whether the director has given reasons to the Board and by what means, and in the event that he/she gave reasons in writing to the full Board, describe at least the reasons given by the director.

On June 8, 2018, the director Mr Pierre Dejoux tendered his resignation from the Board of Directors in writing (through the Chairman). He did not describe the reasons for said resignation.

C.1.10 State the powers, if any, that are delegated to the Chief Executive Officer/s.

Name or corporate name of director	Brief description
MR BERNARDO CALLEJA FERNANDEZ	The CEO holds all the powers that can be delegated in accordance with the law or Bylaws, with the exception of the purchase/sale of real estate (article 7 of the Regulations of the Board of Directors) as well as the financial disbursement faculty, limited to joint powers for 50 million euros per transaction

C.1.11 Identify, if applicable, the members of the Board who hold positions as directors or managers in other companies that form part of the group of the listed company.

Name or corporate name of director	Corporate name of group company	Position	Does he/she have executive duties?
MR MARIO ABAJO GARCIA	OTIS ELEVADORES LDA. (PORTUGAL)	DIRECTOR	NO
MR JOSÉ MARÍA LOIZAGA VIGURI	OTIS ELEVADORES LDA. (PORTUGAL)	DIRECTOR	NO
MR BERNARDO CALLEJA FERNANDEZ	OTIS ELEVADORES LDA. (PORTUGAL)	CHAIRMAN OF BOARD OF DIRECTORS	NO
MR BERNARDO CALLEJA FERNANDEZ	OTIS MAROC S.A.	PERSONAL REPRESENTATIVE OF SOLE ADMINISTRATOR (ZARDOYA OTIS S.A.)	NO
MR BERNARDO CALLEJA FERNANDEZ	ASCENSORES SERRA, S.A.	DIRECTOR	NO
MR BERNARDO CALLEJA FERNANDEZ	MONTES TALLON, S.A.	DIRECTOR	NO
MR BERNARDO CALLEJA FERNANDEZ	ASCENSORES ENOR S.A.	PERSONAL REPRESENTATIVE OF SOLE ADMINISTRATOR (ZARDOYA OTIS S.A.)	NO
MR BERNARDO CALLEJA FERNANDEZ	ELECTROMECAÁNICA DEL NOROESTE	PERSONAL REPRESENTATIVE OF	NO

Name or corporate name of director	Corporate name of group company	Position	Does he/she have executive duties?
		SOLE ADMINISTRATOR (ZARDOYA OTIS S.A)	
MR ALBERTO ZARDOYA ARANA	OTIS ELEVADORES LDA. (PORTUGAL)	DIRECTOR	NO

Also see C.1.17

C.1.12 Identify, if applicable, the directors of your company who are members of the Board of Directors of other companies outside your group listed on official stock markets, when this has been notified to the company.

Name or corporate name of director	Corporate name of group entity	Position
MR JOSÉ MARÍA LOIZAGA VIGURI	ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. (ACS)	DIRECTOR / DEPUTY CHAIRMAN
MR JOSÉ MARÍA LOIZAGA VIGURI	CARTERA INDUSTRIAL REA. S.A.	DIRECTOR
MR JOSÉ MIGUEL ANDRÉS TORRECILLAS	BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	DIRECTOR
PEDRO SAINZ DE BARANDA	NATURGY ENERGY GROUP, S.A.	INDEPENDENT DIRECTOR
PEDRO SAINZ DE BARANDA	GESTAMP AUTOMOCIÓN, S.A.	INDEPENDENT DIRECTOR

C.1.13 State and, if applicable, explain whether the company has established rules regarding the number of Boards of which its directors may be members.

Yes No

Explanation of rules

Article 19.1 of the Regulations of the Board of Directors expressly establishes the directors' obligation to devote sufficient time to their work as a Board member and adopt the measures necessary for proper management and control of the Company.

Notwithstanding, it has not been seen fit to limit the number of Boards of Directors of which the directors may form party, since a large number of the proprietary directors are executives of the parent group, United Technologies Corporation, and, therefore, are members of Boards of Directors of other group companies.

C.1.14 Section repealed.

C.1.15 State the aggregated compensation of the Board of Directors.

Compensation of the Board of Directors (thousands of euros)	2.043
--	-------

Aggregated amount of rights accumulated by the Directors in relation to pensions (thousands of euros)	68
Aggregated compensation of the Board of Directors (thousands of euros)	2.111

C.1.16 Identify the members of senior management who are not also executive directors and state the aggregated compensation accrued in their favour in the period.

Name or corporate name	Position
MR FRANCISCO JAVIER BARQUIN	GENERAL MANAGER
MR DOMINGOS EDMUNDO DA ASCENÇÃO OLIVEIRA	GENERAL MANAGER
MR MAURIZIO GENTILE	GENERAL MANAGER

Total compensation of senior management (thousands of euros)	865
---	-----

C.1.17 State, if applicable, the identity of the members of the Board who are also members of the Boards of Directors of companies that hold significant shareholders and/or companies belonging to their groups.

Name or corporate name of director	Name or corporate name of significant shareholders	Position
MR MARIO ABAJO	OTIS ELEVADORES LDA. (PORTUGAL)	DIRECTOR
MR MARK GEORGE	ATLANTIC LIFTS. INC (DELAWARE, U.S.A.)	DIRECTOR
	ELEVATOR EXPORT TRADING CORPORATION (DELAWARE, U.S.A.)	DIRECTOR
	OTIS ELEVATOR COMPANY (NEW JERSEY, U.S.A.)	DIRECTOR
	OTIS ELEVATOR COMPANY (DELAWARE U.S.A.)	DIRECTOR
	OTIS ELEVATOR INTERNATIONAL INC	DIRECTOR

Name or corporate name of director	Name or corporate name of significant shareholders	Position
	(DELAWARE, U.S.A.)	
	OTIS INVESTMENTS L.L.C. (DELAWARE, U.S.A.)	MEMBER OF MANAGEMENT COMMITTEE
MR BERNARDO CALLEJA FERNANDEZ	ASCENSORES SERRA, S.A.	DIRECTOR
	BUGA OTIS ASANSOR SANAYI VE TICARET A.S. (TURKEY)	DIRECTOR
	ELECTROMECHANICA DEL NOROESTE, S.A.	PERSONAL REPRESENTATIVE OF DIRECTOR (ZARDOYA OTIS S.A.)
	C. VEREMIS OTIS S.A. (GREECE)	DIRECTOR
	OTIS ELEVADORES, LDA.(PORTUGAL)	CHAIRMAN
	MONTES TALLON, S.L.	DIRECTOR
	OTIS SERVIZI S.R.L.(ITALY)	CHAIRMAN
	ASCENSORES ENOR S.L.	PERSONAL REPRESENTATIVE OF DIRECTOR (ZARDOYA OTIS S.A.)
	OTIS MAROC S.A.S. (MOROCCO)	PERSONAL REPRESENTATIVE OF DIRECTOR (ZARDOYA OTIS S.A.)
	MR PATRICK BLETHON	OTIS MANAGEMENT GMBH (GERMANY)
ZAYANI OTIS ELEVATOR COMPANY W.L.L. (BAHRAIN)		DIRECTOR
BUGA OTIS ASANSOR SANAYI VE TICARET A.S. (TURKEY)		DIRECTOR
OTIS ELEVATOR COMPANY KUWAIT		DIRECTOR
OTIS L.L.C.(UNITED ARAB EMIRATES/UAE)		DIRECTOR

Name or corporate name of director	Name or corporate name of significant shareholders	Position
	OTIS ELEVATOR COMPANY SAUDI ARABIA LIMITED (SAUDI ARABIA)	DIRECTOR
MR ALBERTO ZARDOYA ARANA	OTIS ELEVADORES, LDA.(PORTUGAL)	DIRECTOR
MR JOSÉ MARÍA LOIZAGA VIGURI	OTIS ELEVADORES LDA. (PORTUGAL)	DIRECTOR
MR PATRICK MARTIN	OTIS ELEVATOR COMPANY SAUDI ARABIA LIMITED (SAUDI ARABIA)	DIRECTOR
	OTIS ELEVATOR OVERSEAS LTD. (JERSEY)	DIRECTOR
	OTIS PACIFIC HOLDINGS B.V. (NETHERLANDS)	DIRECTOR
	UTCL INVESTMENTS B.V. (NETHERLANDS)	DIRECTOR
	AO MOS OTIS (RUSSIA)	DIRECTOR
	OTIS MANAGEMENT GMBH (GERMANY)	MEMBER OF THE SUPERVISORY BOARD
MS NORA LAFRENIERE	OTIS ELEVATOR COMPANY (NEW JERSEY, USA)	DIRECTOR

Explain, if applicable, any significant relationships, other than those mentioned in the preceding caption, between the members of the Board of Directors and the significant shareholders and/or companies belonging to their groups.

Name or corporate name of related director	Name or corporate name of related significant shareholder	Description of relationship
MR BERNARDO CALLEJA FERNANDEZ	UNITED TECHNOLOGIES CORPORATION (UTC)	He is an executive of the United Technologies Corporation Group
MR PATRICK MARTIN	UNITED TECHNOLOGIES CORPORATION (UTC)	He is an executive of the United Technologies Corporation Group
MR MARK GEORGE	UNITED TECHNOLOGIES CORPORATION (UTC)	He is an executive of the United Technologies Corporation Group
MS ROBIN FIALA	UNITED TECHNOLOGIES CORPORATION (UTC)	She is an executive of the United Technologies Corporation Group
MR PATRICK BLETHON	UNITED TECHNOLOGIES CORPORATION (UTC)	He is an executive of the United Technologies Corporation Group

Name or corporate name of related director	Name or corporate name of related significant shareholder	Description of relationship
OTIS ELEVATOR COMPANY	UNITED TECHNOLOGIES CORPORATION (UTC)	It is a company controlled by United Technologies Corporation
EURO-SYNS, S.A.	EURO-SYNS, S.A.	Shareholder and director are the same company
MR ALBERTO ZARDOYA	EURO-SYNS, S.A.	Euro-Syns, S.A. is a company controlled by the Zardoya family.

C.1.18 State, if applicable, any modifications made to the Regulations of the Board of Directors during the reporting period.

Yes No

Description of modifications

C.1.19 State the procedures for appointment, re-election, evaluation and removal of Directors. Give details of the competent bodies, the procedures to follow and the criteria to be employed in each one of the procedures.

1. SELECTION, APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to article 20 of the Bylaws, directors will be designated by voting pursuant to the rules established by law.

It is not necessary to be a shareholder in order to be appointed as a director, even in the event of provisional appointment made by the Board of Directors itself, as stated in respect of listed companies in the Capital Companies Law, article 529 decies 2 a).

In addition, article 13 of the Board of Directors Regulations states that directors will be designated by the General Meeting or, provisionally, by the Board of Directors, pursuant to the provisions of the Capital Companies Law and the Bylaws.

Likewise, article 5 of the Board of Directors Regulations states that the Board of Directors must ensure that procedures to select its members favour diversity of gender, experience and knowledge and are not affected by implied bias that might suggest some kind of discrimination and, in particular, that they do not hinder the selection of women directors.

The Nominating and Compensation Commission is responsible for proposing the appointment or re-election of independent Directors. The appointment or re-election proposal must, in all cases, be accompanied by an explanatory report from the Board of Directors in which the competences, experience and merits of the proposed candidate are evaluated and which will be attached to either the minutes of the General Shareholders' Meeting or the meeting of the Board of Directors itself. The foregoing will likewise be applicable to the natural persons who are designated as personal representatives of a legal person. The Nominating and Compensation Commission must report on the proposal of a personal representative.

Article 13 of the Regulations of the Board of Directors states that the Board of Directors (i) will endeavour to ensure that the candidates elected are persons with recognized competence and experience; (ii) will establish a guidance program for new directors to provide them swiftly with sufficient knowledge of the Company and its corporate governance rules; and (iii) will likewise have programs to update knowledge when the circumstances make this advisable.

Article 14 of the Board of Directors Regulations states the Directors will hold office for an initial term of four years, in accordance with the Bylaws, and may be renewed, on one or more occasions, for successive periods of up to a maximum of four years. Directors appointed by co-option will hold office until the date of the first General Meeting held after they are appointed.

Notwithstanding the foregoing, the Company has elected to apply the Transitional Additional Provision of Law 311/2014 of December 3, whereby the Capital Companies Law was amended to improve corporate governance. This provision states that directors appointed earlier than January 1, 2014 may complete their terms of office even if they exceed the period of four years.

2. EVALUATION OF DIRECTORS

According to article 12 bis of the Regulations of the Board of Directors, the Board of Directors must conduct an annual evaluation of its own performance and of that of its commissions and, on the basis of the result, prepare an action plan to correct the deficiencies noted in accordance with the Law.

Also see C.1.20 Bis.

3. REMOVAL OF DIRECTORS

Article 15 of the Regulations of the Board of Directors states that directors will leave office when the term for which they were appointed has expired or when the General Shareholders' Meeting so decides using the attributions conferred on it by law or the Bylaws.

The Board of Directors will not propose the removal of independent directors before the term for which they were appointed has expired, except where the Board finds just cause, based on a report from the Nominating and Compensation Commission. Just cause will be deemed to exist when directors take up new posts or responsibilities that prevent them from devoting sufficient time to their work as Board member, or are in breach of their fiduciary duties or are disqualified from acting as an independent according to the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar transaction alters the Company's capital structure, applying the proportionality principle.

Directors must place their position at the disposal of the Board of Directors and, if the latter sees fit, resign in the following cases:

(a) When they are affected by any of the circumstances of incompatibility or prohibition legally provided for.

(b) When they may harm the Company's good name or reputation.

(c) When they are investigated, prosecuted, in the process of trial in ordinary proceedings, or found guilty in summary criminal proceedings in relation to any serious crime, in particular, any of the crimes stated in article 213 of the Capital Companies Law. In these cases, the Board of Directors will investigate the case as soon as possible and, in the light of the specific circumstances, will decide whether or not the director should remain in office. The Board of Directors will inform of any such decisions in the Annual Corporate Governance Report.

(d) When they have been seriously admonished by the Audit Committee or because they have breached their duties as directors.

(e) When an external proprietary director transfers his or her shareholding in the Company or when the shareholder which proposed his appointment to the Company sells its entire shareholding interest or reduces it to a level that requires the reduction or removal of its proprietary directors.

Members of any Committees or Commissions that may exist will automatically resign when they cease to be directors.

The Nominating and Compensation Commission will report to the Board of Directors on any proposals to remove directors, in accordance with article 12 (B) 2 (c) of the Regulations of the Board of Directors.

C.1.20 Explain the extent to which the annual evaluation of the Board has led to important changes in internal organization and the procedures applicable to its activities.

The Board of Directors evaluated the performance of both the Board itself and its commissions favourably, an improvement in the processes being perceived by all the directors, although possibilities of improvement were identified in certain aspects. To date, none of these issues has required important changes in the Board's internal organization or in the procedures applicable to its activities.

C.1.20.Bis. Describe the evaluation process and the areas evaluated by the Board of Directors, assisted, if applicable, by an external consultant, regarding the diversity of its composition and capacities, the operation and composition of its commissions, the performance of the chairman of the Board of Directors and the chief executive of the Company and the performance and contribution of each director.

In accordance with article 529 nonies of the Capital Companies Law and article 12 bis of the Regulations of the Board of Directors, at its meeting of April 9, 2018, the Board of Directors carried out an annual evaluation of its own performance and that of its commissions during 2017, analysing the directors' replies to a questionnaire with almost a hundred questions.

This questionnaire included questions on the operation and composition of the Board of Directors and the work and performance of the Chairman of the Board of Directors and the Secretary of the Board of Directors. The questionnaire also asked about the operation of the Audit Committee and Nominating and Compensation Commission.

Likewise, the Audit Committee and Nominating and Compensation Commission prepared reports on their own evaluations as well as an action plan to overcome the deficiencies detected in said evaluations and in the case of the Nominating and Compensation Commission, on the operation of the Board of Directors, all of which was in compliance with Recommendation 36 of the Good Governance Code.

Subsequently, the Board of Directors reviewed the status of compliance with said plan, the objectives attained during 2018 and the issues that could be improved in the following period.

C.1.20 ter State, if applicable, the business dealings that the consultant or any company belonging to its group maintain with the company or any company belonging to its group.

The Board of Directors of the Company has decided not to engage any consultant or external advisor for this purpose.

C.1.21 State the circumstances in which directors are obliged to resign.

Article 15 of the Regulations of the Board of Directors states that directors must place their position at the disposal of the Board of Directors and, if the latter sees fit, resign in the following cases:

(a) When they are affected by any of the circumstances of incompatibility or prohibition legally provided for.

(b) When they may harm the Company's good name or reputation.

(c) When they are investigated, prosecuted, in the process of trial in ordinary proceedings or found guilty in summary criminal proceedings in relation to any serious crime, in particular, any of the crimes stated in article 213 of the Capital Companies Law. In these cases, the Board of Directors will investigate the case as soon as possible and, in the light of the specific circumstances, will decide

whether or not the director should remain in office. The Board of Directors will inform of any such decisions in the Annual Corporate Governance Report.

(d) When they have been seriously admonished by the Audit Committee or because they have infringed their duties as directors.

(e) When a proprietary director transfers his or her shareholding in the Company or when the shareholder which proposed his appointment to the Company sells its entire shareholding interest or reduces it to a level that requires the reduction or removal of its proprietary directors.

Members of any Committees or Commissions that may exist will automatically resign when they cease to be directors.

C.1.22 Section repealed.

C.1.23 Are qualified majorities, other than those legally provided for, required for any type of decision?

Yes No

If applicable, describe the differences.

N/A

C.1.24 Explain whether there exist specific requirements, other than those relating to directors, to be appointed chairman of the Board of Directors.

Yes No

C.1.25 State whether the Chairman has a casting vote.

Yes No

C.1.26 State whether the Bylaws or the Regulations of the Board of Directors fix any age limit for directors.

Yes No

C.1.27 State whether the Bylaws or the Regulations of the Board of Directors fix a limited term of office for independent Directors, other than that established by law.

Yes No

C.1.28 State whether the Bylaws or the Regulations of the Board of Directors fix any specific rules for proxy-voting at meetings of the Board of Directors, the way in which this is done and, in particular, the maximum number of proxy votes that a Director may hold, as well as whether it is compulsory to delegate to a Director with the same classification. If applicable, briefly describe these rules.

Article 22 of the Bylaws states that any director may grant written proxy to any other director.

In addition, article 11 of the Regulations of the Board of Directors states that each director may authorize another director to represent him without any limit on the number of proxies that one director may hold at a Board meeting. Absent directors may authorize another director to represent them using any written means and telegrams, e-mails or faxes addressed to the Chairman of the Board of Directors are valid.

Likewise, non-executive directors may only grant proxy to other non-executive directors.

C.1.29 State the number of meetings held by the Board of Directors during the period Likewise, if applicable, state the number of times that the Board met without the presence of the Chairman. Proxies granted with specific instructions must be counted as presences.

Number of Board meetings	8
Number of Board meetings without the presence of the Chairman	0

If the chairman is an executive director, state the number of meetings held under the chairmanship of the coordinating director without any executive director being present or represented:

Number of meetings	N/A
---------------------------	-----

State the number of meetings held by the different Board commissions in the period.

Number of meetings of the Audit Committee	8
Number of meetings of the Nominating and Compensation Commission	5

C.1.30 State the number of meetings held by the Board of Directors during the period at which not all of its members were in attendance. Proxies granted with specific instructions must be counted as presences.

Attendances of directors	8
% of attendances of total votes during the period	100%

C.1.31 State whether the individual and consolidated annual financial statements that are submitted to the Board for its approval are certified previously.

Yes No

Identify, if applicable, the person/s who certified the company's individual and consolidated financial statements to be formulated by the Board.

The CEO and the CFO.

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it formulates from being submitted to the General Meeting with qualifications in the audit report.

The Board of Directors controls, through the Audit Committee, the whole process of drawing up and formulating the annual financial statements of the Company S.A. and its Group.

The last paragraph of article 12 A) 3 of the Regulations of the Board of Directors states that the Audit Committee will strive to ensure that the Board of Directors seeks to present the annual statements to the General Shareholders' Meeting without reservations or qualifications in the audit report, and in the exceptional case that these may be included, the Chairman of the Audit Committee and the auditors will give a clear explanation to the shareholders on the content and extent of said reservations and qualifications.

Likewise, article 11.1.g) of the Regulations of the Audit Committee, approved by the Board of Directors on October 9, 2018, entrusts the Audit Committee with the task of ensuring that

the Board of Directors endeavours to submit the financial statements to the General Meeting without any reservations or qualifications in the audit report and, in the exceptional cases where these exist, the Chairman of the Audit Committee and the auditors will give a clear explanation to the shareholders on the content and extent of said reservations or qualifications.

C.1.33 Is the secretary of the Board of Directors a director?

Yes No

If the secretary is not a director, complete the following chart.

Name or corporate name of secretary	Representative
Ms Lorea García	N/A

C.1.34 Section repealed.

C.1.35 State the mechanisms, if any, used by the Company to preserve the independence of the auditors, the financial analysts, the investment banks and the rating agencies.

1. INDEPENDENCE OF THE EXTERNAL AUDITORS

Firstly, article 12 A) 2 f) of the Regulations of the Board of Directors states that the Audit Committee must receive information on any other questions that might jeopardize the Independence of the external account auditor in order to examine them.

Likewise, the Regulations of the Board of Directors state, among other items, that the Audit Committee must propose to the Board of Directors, for submission to the General Shareholders' Meeting, the selection, appointment, reappointment and replacement of the external account auditor, in accordance with the applicable legislation, being responsible for the selection process, and must also propose its engagement conditions. Furthermore, the Audit Committee must regularly obtain from the external auditor information on the audit plan and its execution, preserving its independence in the performance of its duties.

Secondly, article 14 of the Regulations of the Audit Committee establishes, among others, the following duties for the Audit Committee in relation to the statutory audit:

- (i) To propose to the Board of Directors, for submission to the General Shareholders' Meeting, the recommendations for the selection, appointment, reappointment and replacement of the statutory auditor in accordance with the provisions set out below and in the applicable law, being responsible for the selection process, and engagement conditions.

In the selection of the auditor, the Committee must take account of the scope of the audit, the capabilities, experience and resources of the auditor or audit firm, the fees, the auditor's independence and the effectiveness and quality of the auditing services to be provided, as well as any criteria set out in the Capital Companies Law, the Account Auditing Law and Regulation (EU) 5372014 of April 16.

- (ii) To protect the independence of the statutory auditor in the course of its functions. For this purpose, the Committee must:
 - a) request and receive from the statutory auditor, on an annual basis, written confirmation of its independence in relation to the Company or any companies that may be related directly or indirectly thereto, together with detailed and specific information on the additional services of any nature rendered to said companies and the corresponding fees received from these entities by the auditors or by persons or entities related to the auditors in accordance with the provisions of the Account Auditing Law;

- b) issue an annual report, prior to the issue of the statutory audit report, expressing an opinion on whether the independence of the account auditors is compromised. Said report must also always make a reasoned pronouncement on the additional services to which the preceding point refers, considered individually and as a whole, other than the statutory audit, in relation to the system of independence or the legislation regulating account auditing
- c) establish appropriate contacts with the statutory auditor to receive information on any questions which might be a threat to the latter's independence, which will be examined by the Committee.
- d) ensure that the Company and the statutory auditor respect the current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, the other requirements designed to safeguard auditor independence.

For this purpose, the Committee must:

- i. review and approve the Company's internal policies on personal situations and on prohibition on the provision of certain services by the auditor and approve the provision of non-audit services. In addition, the Audit Committee must ensure that the policies are known to the relevant officers of the Company so that they are correctly applied.
 - ii. introduce a guideline ceiling on fees receivable by the statutory auditor for non-audit services, having regard to the provisions of the applicable legislation.
 - iii. approve and review the Company's internal policies for compliance with the applicable legislation on prohibitions subsequent to the completion of the audit work.
 - e) where applicable, authorize the services other than those prohibited in the terms set out in the applicable legislation.
 - f) in the event of the resignation of the statutory auditor, investigate the issues giving rise thereto.
 - g) ensure that the remuneration of the external Account Auditor does not compromise its efficiency or independence.
 - h) ensure that the Company notifies any change of auditor to the CNMV as a relevant event, accompanied by a statement of any disagreements that may have arisen with the outgoing auditor and, if such disagreements exist, the contents thereof.
- (iii) Regularly seek information from the auditor on issues related to the performance of the statutory audit, such as the audit plan, the results of its implementation and any other issue relating to the statutory auditing process, as set out in point 3 of article 14 of the Regulations of the Audit Committee. in particular, the Committee will seek information on any disagreement that may arise between the statutory auditor and company management
 - (iv) To encourage the statutory auditor of the Group to take on the auditing of all the Group companies.
 - (v) Upon completion of the audit, to review in conjunction with the statutory auditor the main findings of the audit work and the content of the audit report and of the additional report submitted to the Audit Committee.
 - (vi) If the Committee believes that there are causes for concern or unresolved issues as to the quality of the audit, the possibility should be considered of informing the Board of Directors and, if it is thought appropriate by the Board, supervisory authorities should likewise be informed on a timely basis.

Likewise, the Regulations of the Audit Committee provide that the Committee will maintain the communications with the statutory auditor required by accounting auditing legislation and technical audit rules, without undermining the auditor's Independence or the effectiveness of the audit, and will check that the Company's senior management is taking its recommendations into account. Communications with the auditor will be fluid and ongoing and must be planned in a timetable of activities and an annual schedule of meetings, most of which should be held without company management being present, to address all matters that might influence the audit opinion or the independence of the statutory auditor. In particular, the Committee must seek information on or discuss the following with the auditor:

- (i) the audit plan and its implementation, checking that senior management is taking its recommendations into account;
- (ii) the annual meetings that the statutory auditor holds with the Board of Directors in full to inform it of the work undertaken and developments in the Company's risk and accounting positions.
- (iii) fulfilment of the audit contract, endeavouring to ensure that the opinion on the annual financial statements and the main contents of the audit report are worded clearly and precisely in accordance with accounting standards, applying the highest international standards, establishing joint strategies, an appropriate methodology and work programs, all of which must be consistent with the appropriate materiality limits.

2. INDEPENDENCE OF FINANCIAL ANALYSTS, INVESTMENT BANKS AND RATING AGENCIES

With regard to relations with financial analysts, the Company applies the principle of transparency, no discrimination and reliability of the information provided to the market. The Company has several communication channels, always complying with securities market legislation:

- E-mail on the corporate website (info.accionista@otis.com).

- Contact person for information to shareholders:

Joao Penedo
Zardoya Otis, S.A.
C/ Golfo de Salónica, 73
28033-Madrid
Tel.: 91 343 51 05
Fax: 91 343 51 89

Said information is available on the website in the section "Channels of Communication with the Company".

In addition, the Company has an internal Code of Conduct that establishes the guidelines that the Company and the "**Obligated Persons**" (directors, managers, employees, advisors, etc.) must follow in the treatment of inside and relevant information, thus protecting the interests of those who invest in the Company's securities (the "**Internal Code of Conduct**"). This Internal Code of Conduct was amended on February 21, 2017 in order to adapt its contents to Royal Legislative Decree 4/2015 of October 23, whereby the revised text of the Securities Market Law was approved, and Regulation (EU) No. 596/2014 of the European Parliament and of the Council, of April 16 (the Market Abuse Regulation) and their implementing legislation. The amendment was intended to improve protection of those who invest in the Company's security by avoiding any market abuse situation, establishing the set of rules applicable to the management and control of inside information by the Company and Obligated Persons in their actions related to the treatment of inside information, the securities, markets, transactions with the Company's own shares and detecting and handling conflicts of interest, among other items.

The Internal Code of Conduct may be consulted on the Company's website: (<http://www.otis.com/es/es/accionistas-inversores/>).

Any investment banks or rating agencies that advise the Company and have access to inside information are considered as "External Advisors" and, therefore, "Obligated Persons". Consequently,

the Secretary of the Board will warn the persons who must be included on the “Obliged Persons” Register as “Obliged Persons” that the information is inside information and of their duty of confidentiality and the prohibition on the use of said information, as well as the infringements and penalties derived from the improper use thereof. “Obliged Persons” must provide a declaration stating that they undertake to comply with the obligations contained in the Internal Code of Conduct.

C.1.36 State whether the Company has changed the external auditor during the reporting period. If so, identify the incoming and the outgoing auditor.

Yes No

At the General Shareholders’ Meeting of May 23, 2018, a resolution was passed to reappoint the Company’s account auditor (PricewaterhouseCoopers Auditores, S.L.).

If there has been any disagreement with the outgoing auditor, describe the content thereof.

N/A

C.1.37 State whether the audit firm carries out work for the company and/or its group other than audit work and, if so, state the amount of the fees received for said work and the percentage of the fees billed to the company and/or its group that these represent.

Yes No

	Company	Group	Total
Amount of work other than audit work (thousands of euros)	47	3	47
Amount of work other than audit work (thousands of euros) / total amount billed by the audit firm (%)	21.4%	0	11.6%

C.1.38 State whether the audit report on the annual financial statements for the prior fiscal year has observations or qualifications. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of such observations or qualifications.

Yes No

C.1.39 State the number of years for which the current audit firm has been uninterruptedly auditing the annual financial statements of the company and/or its group. Likewise, state the percentage represented by the number of years audited by the current audit firm in relation to the total number of years for which the annual financial statements have been audited.

	Sociedad	Grupo
Number of consecutive years	31	31

Number of years audited by the current audit firm / Number of years for which the company has been audited (%)	70.45%	100.00%
---	--------	---------

C.1.40 State whether any procedure exists that allows the Directors to obtain external advice and, if applicable, give details thereof.

Yes No

Details of procedure

Article 17 of the Regulations of the Board of Directors states that the Board has the broadest authorization to obtain any information that is appropriate and necessary, as well as any advice it requires on any aspect of the Company, whenever it so requires in order to perform its duties. The right to information extends to subsidiary companies, both national and foreign, and will be channelled through the Chairman, who will handle the director's requests, providing him/her with the information directly, offering any appropriate contacts or arranging any measures that may be necessary for the examination requested.

Likewise, the second paragraph of the aforementioned Article 17 of the Board of Directors regulations, states, that in order be assisted in performing his/her duties, any director may request legal, accounting, technical financial or commercial advisors or other experts. The engagement must necessarily be related to specific problems of certain complexity arising in the course of his/her duties.

The request for the engagement will be channelled through the Chairman or Secretary of the Board of Directors, who may make it subject to the Board's prior authorization, which may be refused when there are reasons to justify this, including the following circumstances:

- (i) When it is not necessary in order to properly perform the duties entrusted to the directors.
- (ii) If the cost is not reasonable in the light of the importance of the problem and the assets and revenue of the Company.
- (iii) If the technical assistance requested may be given adequately by experts and technical staff within the Company or its Group.
- (iv) If it may represent a risk to the confidentiality of the information that must be provided to the expert.

The Audit Committee and Nominating and Compensation Commission may obtain external advice when they deem this necessary in order to perform their duties.

Likewise, the Chairman may, as an exception, temporarily restrict access to certain information, informing the Board of this decision.

C.1.41 State whether there exists a procedure that allows the Directors to obtain the information required to prepare the meetings of the governing bodies in sufficient time and, if applicable, give details.

Yes No

Details of procedure

In accordance with article 10 of the Regulations of the Board of Directors, Board meetings are called by sending a letter, e-mail, telegram or fax to each one of the directors, at the address he/she has previously provided for this purpose, at least ten days before the date fixed for the meeting, attaching the agenda for the meeting.

Thus, unless a Board meeting is held or called under exceptional circumstances for urgent reasons, the directors should previously have the information necessary for deliberations and the passing of resolutions on the matters to be discussed sufficient time in advance. The Chairman of the Board of Directors, with the assistance of the Secretary, must ensure compliance with this right.

When, under exceptional circumstances, for urgent reasons, the Chairman wishes to submit decisions or resolutions of items that are not included on the agenda to the approval of the Board, the express prior consent of a majority of the directors present will be required, which will be duly recorded in the minutes.

Article 6 of the Regulations of the Board of Directors expressly states that the Chairman of the Board of Directors is responsible for ensuring that all the directors receive sufficient information in advance to allow deliberations on the items on the agenda.

Finally, article 17 of the Regulations of the Board of Directors states that any director has the duty to require and the right to obtain, with the broadest authorization, any information or advice they he/she requires on any aspect of the Company, whenever this is required in order to perform his/her duties. The right to information covers subsidiaries, both national and foreign, and will be channelled through the Chairman of the Board of Directors, who will handle the requests of any director and provide the information directly, offering the appropriate contacts or taking any measures necessary for the examination requested.

C.1.42 State whether the Company has established any rules requiring Directors to inform the Company—and, if applicable, resign from their position—in cases in which the good name and reputation of the Company may be damaged. If so, describe such rules.

Yes No

Explain the rules

Article 15 of the Regulations of the Board of Directors states that directors must place their position at the disposal of the Board of Directors and, if the latter sees fit, resign in the following cases:

- (i) When they are affected by any of the circumstances of incompatibility or prohibition legally provided for;
- (ii) When they may harm the Company's good name or reputation;
- (iii) When they are investigated, prosecuted, in the process of trial in ordinary proceedings, or found guilty in summary criminal proceedings in relation to any serious crime, in particular, any of the crimes stated in article 213 of the Capital Companies Law. In these cases, the Board of Directors will investigate the case as soon as possible and, in the light of the specific circumstances, will decide whether or not the director should remain in office. The Board of Directors will inform of any such decisions in the Annual Corporate Governance Report;
- (iv) When they have been seriously admonished by the Audit Committee or because they have infringed their duties as directors; or
- (v) When an external proprietary director transfers his or her shareholding in the Company or when the shareholder which proposed his appointment to the Company sells its entire shareholding interest or reduces it to a level that requires the reduction or removal of its proprietary directors.

Article 19.5 (f) of the Regulations of the Board of Directors states that directors must notify the Board of Directors as soon as possible and, if appropriate, resign if any circumstances affect them that might damage the good name and reputation of the Company, in particular when they are investigated in relation to criminal offences.

C.1.43 State whether any member of the Board of Directors has informed the Company that he has become subject to an order for further criminal prosecution upon indictment or that an order for the commencement of an oral trial has been issued against him for the commission of any of the crimes contemplated in article 213 of the Capital Companies Law.

Yes No

State whether the Board of Directors has analysed the case. If so, provide a duly substantiated explanation of the decision adopted regarding whether or not the director should remain in office or, if applicable, set forth the actions taken by the Board of Directors up to the date of this report or those it plans to take hereafter.

N/A

C.1.44 Provide details of any significant agreements into which the company has entered that come into force, are modified or conclude in the event of a change in the control of the company as a result of a public tender offer and the effects of said entry into force, modification or conclusion.

There are no agreements of this nature.

C.1.45 State, on an aggregated basis, and describe in detail, any agreements between the company and its directors, managers or employees that provide for indemnities or contain any guarantee or protective clauses in the event that they resign or are unfairly dismissed or if the contractual relationship concludes as the result of a public tender offer or any other type of transaction

Number of beneficiaries	1
Beneficiary	CEO
Description of the agreement	<p>The only director entitled to an indemnity in the event of termination of his/her contract is the CEO. The indemnity consists of 45 days' remuneration per year as from his appointment as the Company's CEO (i.e. February 14, 2012) until the contract termination date. This termination indemnity is the same as was initially stipulated in his employment relationship.</p> <p>Likewise, he has a non-competition clause with a term of 24 months as from finalization of his contract, receiving a sum equivalent to 12 monthly salary payments during that period.</p>

Number of beneficiaries	1
Beneficiary	Patrick Martin
Description of the agreement	Patrick Martin (a proprietary director of the Company since July 27, 2018) is a manager of the company Otis Elevator Worldwide Sprl (belonging to the group of the

	<p>Company's majority shareholder). Notwithstanding, his remuneration as a manager of Otis Elevator Woldwide Sprl is paid directly by the Company, although the amount is reimbursed to the Company by Otis Elevator Woldwide Sprl.</p> <p>In his capacity of manager of Otis Elevator Woldwide Sprl, Patrick Martin has a non-competition clause with a term of 24 months as from finalization of his contract, receiving a sum equivalent of 12 monthly salary payments during that period.</p>
--	---

Number of beneficiaries	1
Beneficiary	Manager
Description of the agreement	One of the Company's managers is entitled, in the event of unfair dismissal that generates an indemnity, to a length of service -for the purposes of the indemnity- that dates from 10 years before he joined the Company.

Number of beneficiaries	2
Beneficiary	Managers
Description of the agreement	<p>The Company pays the remuneration of several managers of Otis Elevator Company who are former employees of the Company, although the amount is reimbursed to the Company by Otis Elevator Woldwide Sprl.</p> <p>One of them is entitled, in the event of unfair dismissal that generates an indemnity, to a length of service -for the purposes of the indemnity- that dates from 4 years before he joined the Company.</p> <p>The other manager has an additional indemnity clause whereby, in the event of a dismissal found to be unfair, the Company guarantees a minimum indemnity equivalent to one year of the manager's salary.</p>

State whether these contracts must be notified to and/or approved by the governing body/ies of the company or its group.

	Board of Directors	General Meeting
Body authorizing the clauses	Yes	No

Is the General Meeting informed of the clauses?	No
---	----

C.2 Committees of the Board of Directors

C.2.1 Give details of all the committees of the Board of Directors, their members and the proportion of proprietary, independent and other external directors that sit on them.

AUDIT COMMITTEE

Name	Position	Class
MR JOSÉ MIGUEL ANDRÉS TORRECILLAS	CHAIRMAN	Independent
MR JOSÉ MARÍA LOIZAGA VIGURI	DEPUTY CHAIRMAN	Independent
MR MARK GEORGE	MEMBER	Proprietary
% of executive directors		0.00%
% of proprietary directors		33.33%
% of independent directors		66.66%
% of external directors		0.00%

Explain the duties of this commission, describe its organizational procedures and rules and summarize its most important activities during the period.

Without prejudice to the Law or the Company's Bylaws, the Regulations of the Audit Committee and article 12, section A, of the Regulations of the Board of Directors contains all the information and regulations on the composition, operation and duties of the Audit Committee, as summarized below:

1. Composition

The Board of Directors will form a permanent Audit Committee.

The Audit Committee will be formed by three directors, appointed by the Board of Directors from among the non-executive directors. Its members must include a majority of independent directors. The Audit Committee, taken as a whole, must have the relevant technical expertise in relation to the sector in which the Company operates.

The Board of Directors will likewise appoint a Chairman from among its members and a Secretary, who need not be a director, at the proposal of the Nominating and Compensation Commission. The Chairman of the Audit Committee will be appointed by the Board of Directors from among its independent members and will be changed every four years, although the same chairman may be reappointed one year after his/her removal.

The members of the Audit Committee, especially its Chairman, must have knowledge and experience in accounting, auditing or risk management.

The directors who sit on the Audit Committee will hold office while they remain in office as directors of the Company and maintain the status of external directors, unless the Board of Directors decides otherwise.

The appointment, re-election and removal from office of the directors who form the Committee will be governed by the decisions of the Board of Directors. Likewise, in order to promote scepticism, a critical approach and differing points of view, diversity should be sought, especially as to gender,

career experience, skills, sector-specific knowledge and geographical origin. At least one of the Committee members should have experience in information technology (IT)

Directors forming part of the Audit Committee who are re-elected as directors of the Company in a resolution adopted by the General Shareholders' Meeting will continue to hold office on the Committee without the need to be re-elected thereto, unless the Board of Directors decides otherwise.

2. Duties

The Audit Committee will have the following functions:

- (a) To report, through its Chairman, to the General Shareholders' Meeting with respect to matters relating to its functions raised thereat by the shareholders and, in particular, on the result of the audit process, explaining how the audit has contributed to the integrity of the financial information and the Audit Committee's role in the process.
- (b) To propose to the Board of Directors, for submission to the General Shareholders' Meeting, the recommendations for the selection, appointment, reappointment and removal of the external account auditor, in accordance with the applicable legislation, being responsible for the selection process and also proposing its engagement conditions. Furthermore, the Audit Committee must regularly obtain from the external auditor information on the audit plan and its execution, preserving its independence in the performance of its duties.
- (c) To regularly supervise the efficacy of the Company's internal control, internal audit and risk control systems, including tax risks, and, in particular: i) to ensure the independence and efficacy in its functions of the internal audit service and, in particular, monitor the independence of the unit responsible for the internal audit function; (ii) to propose the selection, appointment, reappointment and removal of the head of the internal audit service; (iii) to propose the budget for said service; (iv) to approve its priorities and work programs, ensuring that it focuses primarily on the main risks the Company is exposed to; (v) to receive regular report-backs on its activities; (vi) to review the annual work program and the yearly activities report of the internal audit service; (vii) to be informed of any incidents arising during the implementation of the internal audit service's yearly work program; (viii) to verify that senior management acts in accordance with the conclusions and recommendations contained in its reports; and (ix) to discuss any significant weaknesses detected in the internal control system in the course of the audit with the account auditors, all of which must not diminish its impartiality. For this purpose, the Audit Committee may submit recommendations or suggestions to the Board of Directors and the corresponding deadline for the follow-up.
- (d) To be informed of and oversee the process of preparing and presenting the mandatory financial reporting of the Company and, where appropriate, the Group, checking for compliance with legal requirements, the accurate demarcation of the consolidated group and the correct application of accounting policies and ensuring the integrity of said financial reporting, and to submit recommendations or proposals aimed at ensuring its integrity to the Board of Directors. If, after the review conducted by the Audit Committee in the course of its oversight of the financial and non-financial reporting, it is dissatisfied with any aspect, it must express its opinion to the Board of Directors.
- (e) To review internal control and risk management systems on a regular basis, so that main risks are properly identified, managed and disclosed. In particular, control and risk management policy must identify, at least:
 - (i) the different types of risk (operational, technological, financial, legal, reputational, social, environmental, political, etc.) the Company is exposed to, including contingent liabilities and other off-balance sheet risks among the financial and economic risks;
 - (ii) the determination of the risk level the Company sees as acceptable;

- (iii) the measures in place to mitigate the impact of the risks identified, should they materialize; and
 - (iv) the internal reporting and control systems which will be used to control and manage said risks, including the aforementioned contingent liabilities and off-balance sheet risks.
- (f) To hold a meeting at least annually with the officers heading up business units, at which those officers can explain business trends and the related risks.
- (g) To be in contact with the external account auditor in order to receive information on any matters related to the process of performing the account audit, such as the progress and findings of the audit program, to maintain with the external account auditor any other communications required by the account auditing legislation and technical audit rules and check that the Company's senior management is acting in accordance with its recommendations. Likewise, to receive information on any issues which may place the external account auditor's independence at risk for review by the Committee. To this effect:
- (i) the Company will notify any change of auditor to the Spanish National Securities Market Commission (CNMV) as a material event, accompanied by a statement of any disagreements that may have arisen with the outgoing auditor and, if such disagreements exist, the contents thereof;
 - (ii) the Audit Committee will ensure that the Company and the external account auditor respect current rules on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditor independence. To do so, the Audit Committee must:
 - i. review and approve the Company's internal policies on personal situations and on prohibition on the provision of certain services by the auditor and approve the provision of non-audit services. In addition, the Audit Committee must ensure that the policies are known to the relevant officers of the Company so that they are correctly applied.
 - ii. introduce a guideline ceiling on fees receivable by the statutory auditor for non-audit services, having regard to the provisions of the applicable legislation (in line with the content of point (g) (vi) below.
 - iii. approve and review the Company's internal policies for compliance with the applicable legislation on prohibitions subsequent to the completion of the audit work.
 - (iii) the Company must establish appropriate contacts with the account auditor to receive information on any questions which might place the latter's Independence at risk, which will be examined by the Audit Committee, and when authorization of non-audit services other than those prohibited is required, in the terms contained in account auditing legislation, as well as any other matters provided for in account auditing legislation and audit rules. In particular, the Audit Committee will receive from the account auditors, on an annual basis, written confirmation of their independence in relation to the Company or any companies that may be directly or indirectly related thereto, as well as detailed information on the individual additional services of any kind provided to said companies and the fees received from these entities by the auditors or by persons or entities related to the auditors, in accordance with the provisions of the Account Auditing Law.
 - (iv) if the external account auditor resigns, it will investigate the issues that gave rise to said resignation;
 - (v) prior to issuance of the audit report, the Audit Committee must issue an annual report expressing an opinion as to whether the independence of the account auditors has been compromised. Said report must express an opinion on the provision of additional

services to which point (iii) above refers, considered individually and overall, other than the statutory audit, in relation to the system of independence or the legislation that regulates the activity of account auditing.

- (vi) the Audit Committee must ensure that the remuneration of the external auditor does not compromise its quality or independence; and
 - (vii) the Audit Committee must ensure that that external auditor has a yearly meeting with the Board of Directors in full to inform it of the work undertaken and developments in the Company's risk and accounting positions.
- (h) Encourage the group auditor to take on the auditing of all the Group companies.
- (i) To establish and supervise a mechanism whereby employees can report, confidentially and, if seen fit, anonymously, any potentially serious irregularities that they note within the Company, especially financial and accounting irregularities. The Chairman of the Audit Committee will inform the Board of Directors on any reports received at the first Board meeting following receipt thereof.
- (j) To supervise compliance with the internal codes of conduct and corporate governance rules and recommendations in force at any given moment.
- (k) To inform the Board of Directors, before the decision-making, on all the issues provided for in the Law, the Company's Bylaws and these Regulations and, in particular, on the following issues:
- (i) the financial information that the Company must periodically disclose. The Committee will ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review;
 - (ii) the creation or acquisition of shares in special-purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of an analogous nature whose complexity may detract from the transparency of the Group;
 - (iii) any structural changes or corporate transactions the company is planning and, in particular, on their economic conditions and accounting impact and, when applicable, the exchange ratio proposed; and
 - (iv) related-party transactions.
- (l) Any others that may be attributed to them by the Bylaws, these Regulations, the Board of Directors or the law.

3. Rules of operation

In the performance of its activities, the Audit Committee will be governed by the following rules of operation:

- (a) The Audit Committee will meet at least quarterly and whenever the Chairman considers convenient or at least two members of the Committee so request. At least part of these meetings with the internal auditor or the statutory auditor should take place without the presence of the Company's management team, so that the specific issues emerging from the reviews carried out can be discussed.
- (b) Meetings of the Audit Committee will reach a quorum when a majority of the members are present or represented. Its decisions will likewise be adopted by a majority of the members.

- (c) The Chief Executive Officer will provide the Audit Committee with the information it requires to perform its duties in relation to the directors and senior management of the principal companies in which interests are held.
- (d) The Audit Committee will have free access to any kind of information or documentation held by or available to the Company that it considers necessary in order to perform its duties.
- (e) The Committee may require the presence at any of its meetings of any employee or officer (and may order them to appear without the presence of any other officer, in which case, their attendance will be requested through the General Manager), any executive director, the external account auditor and/or the legal advisor to the Board of Directors, who should be invited to attend through the Chairman of the Committee and whose presence should be circumscribed to those items of the agenda for the purpose of which they were called to attend and should not be a regular practice.
- (f) Minutes of Audit Committee meetings will be taken and a copy will be sent to all the members of the Board and to the Board of Directors, sending the full contents of the minutes of the Committee meetings. Furthermore, the Chairman of the Audit Committee will, if applicable, report on any decisions and/or significant events that may have occurred at the Committee meetings at the first Board meeting to take place after the Committee meeting in question.
- (g) The Committee will review the financial information that is sent on a quarterly basis to the CNMV.
- (h) The Board of Directors will discuss the proposals and/or reports presented by the Audit Committee and the Chairman of the Audit Committee will act as its spokesperson at meetings of the Board of Directors and, as applicable, at the Company's General Shareholders' Meeting.

In the absence of any specific rule or in the absence of any provision in the Regulations of the Audit Committee, the Regulations of the Board of Directors will be applicable to the Audit Committee to the extent that they are not incompatible with the nature thereof, in particular, the rules on calling the meetings, granting proxy to another director, universal meetings, written ballots without holding a meeting, the persons acting as chairman and secretary of the meetings and the approval of the minutes.

The Audit Committee will strive to ensure that the Board of Directors seeks to present the annual statements to the General Shareholders' Meeting without reservations or qualifications in the audit report, and in the exceptional case that these may be included, the Chairman of the Audit Committee and the auditors will give a clear explanation to the shareholders on the content and extent of said reservations and qualifications.

4. Internal audit

The Company will set up, under the supervision of the Audit Committee, a unit to carry out internal audit function to monitor the effectiveness of reporting and control systems.

The head of this unit will present an annual work program to the Audit Committee, will inform it directly of any incidents arising during its implementation and will submit an activities report at the end of each reporting period.

5. Risk control and management function

Under the supervision of the Audit Committee or of a specialized committee of the Board of Directors, there will be an internal department of the Company in charge of the risk control and management function which will have the following duties:

- (a) To ensure that risk control and management systems are functioning correctly and, specifically, that major risks the Company is exposed to are correctly identified, managed and quantified.

- (b) To participate actively in the preparation of risk strategies and in key decisions about their management.
- (c) To ensure that risk control and management systems are mitigating risks effectively in the framework of the policy drawn up by the Board of Directors.

The Audit Committee met on 8 occasions in the 2018 reporting period.

Likewise, in compliance with the functions set out in the Regulations of the Board of Directors and the Regulations of the Audit Committee, in 2017, the Audit Committee performed the functions assigned to it, which, among others, were as follows: supervise the financial information, supervise the efficacy of the Company's internal control, report on the different corporate and strategic policies approved in 2018, review the management objectives, meet the Company's external auditor, report on the external auditor's independence, report on the distribution of dividends.

When the 2019 Ordinary General Shareholders' Meeting is called, a report on the operation of the Audit Committee during the period ended November 30, 2018 will be placed at the shareholders' disposal.

Identify the member of the audit commission who has been appointed due to his/her knowledge and experience in accounting, auditing or both and state the number of years for which the chairman of this commission has been in said position.

Names of the directors with experience	<p>MR JOSÉ MIGUEL ANDRÉS TORRECILLAS (Chairman)</p> <p>MR JOSÉ MARÍA LOIZAGA VIGURI</p> <p>MR MARK GEORGE</p>
No. of years chairman in position	3

NOMINATING AND COMPENSATION COMMISSION

Name	Position	Class
MR JOSÉ MARÍA LOIZAGA VIGURI	CHAIRMAN	Independent
OTIS ELEVATOR COMPANY (represented by Ms Nora LaFreniere)	DEPUTY CHAIRMAN	Proprietary
MR JOSÉ MIGUEL ANDRÉS TORRECILLAS	MEMBER	Independent
MR PATRICK MARTIN	MEMBER	Proprietary
MS ROBIN FIALA	MEMBER	Proprietary
% of executive directors		0.00%
% of proprietary directors		60.00%
% of independent directors		40.00%
% of other external directors		0.00%

Explain the duties of this commission, describe its organizational procedures and rules and summarize its most important activities during the period.

Without prejudice to the Law or the Company's Bylaws, the Regulations of the Audit Committee and article 12, section B, of the Regulations of the Board of Directors regulates the composition, operation and duties of the Nominating and Compensation Commission, as summarized below:

1. Composition

The Board of Directors will create a permanent Nominating and Compensation Commission.

The Nominating and Compensation Commission will be formed by five directors, appointed by the Board of Directors from among the non-executive directors. At least two of its members must be independent. The Board of Directors will likewise appoint a Chairman from among the members, who must be independent, and a Secretary, who need not be a director, at the proposal of the Nominating and Compensation Commission itself.

The Board of Directors will try to ensure that the directors who form part of the Nominating and Compensation Commission have appropriate knowledge, capacities and experience for the functions they are to perform.

The directors who form part of the Nominating and Compensation Commission will hold office while they remain in office as directors of the Company and maintain the status of external directors, unless the Board of Directors decides otherwise.

The appointment, re-election and removal from office of the directors who form the Commission will be governed by the decisions of the Board of Directors.

Directors forming part of the Nominating and Compensation Commission who are re-elected as directors of the Company in a resolution adopted by the General Shareholders' Meeting will continue to hold office on the Commission without the need to be re-elected thereto, unless the Board of Directors decides otherwise.

2. Duties

The Nominating and Compensation Commission will have the following functions:

- (a) To assess the competence, knowledge and experience necessary on the Board and, in consequence, to define the functions and capacities necessary in the candidates who are to fill any vacancies and assess the time and effort required for them to carry out their duties properly.
- (b) To establish a representation target for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach such target.
- (c) To report to the Board of Directors on the proposals for appointment of independent directors in order for them to be appointed by co-option or for their appointment to be submitted to the decision of the General Meeting, as well as proposals for the re-election or removal of said directors by the General Meeting.
- (d) To report on the proposals for appointment of other directors in order for them to be appointed by co-option or for their appointment to be submitted to the decision of the General Meeting, as well as proposals for the re-election or removal of said directors by the General Meeting.
- (e) To report on proposals for filling the internal positions on the Board of Directors.
- (f) To propose the members of each committee to the Board of Directors.
- (g) To report to the Board of Directors on the appointments and removals of members of senior management and propose and report to the Board of Directors on the basic conditions of their contracts.

- (h) To examine or organize, in the manner seen fit, the succession of the Chairman and the CEO and, if applicable, make proposals to the Board so that said succession takes place in an orderly and well-planned manner.
- (i) To ensure that, when filling new vacancies or appointing new directors, the selection processes are not marred by any implicit bias that could imply any kind of discrimination and to report to the Board on gender diversity issues.
- (j) To propose to the Board of Directors the compensation policy for directors and general managers or persons who perform senior management duties and report directly to the Board, executive commissions or the CEO, as well as the individual compensation and other conditions of the contracts of executive directors, ensuring that they are respected. This policy will be reviewed periodically, including the systems of compensation with shares and the application thereof.

The Nominating and Compensation Commission will ensure that the individual compensation of directors and members of senior management is proportionate to the amounts paid to other directors and managers in the Company.

- (k) To ensure that any potential conflicts of interest do not undermine the independence of any external advice provided to the Commission.
- (l) To verify the information on the compensation of directors and members of senior management contained in the various corporate documents, including the Annual Director Compensation Report.
- (m) To ensure that non-executive directors have sufficient time available to perform their duties properly.
- (n) Any others that may be attributed to it in the Bylaws, the Regulations of the Board of Directors or, if applicable, the law.

The Nominating and Compensation Commission will consult the Chairman and the Company's CEO, especially in relation to issues concerning the executive directors and members of senior management.

Any director may request the Nominating and Compensation Commission to consider potential candidates to cover vacancies on the Board, so that it may decide on their suitability.

3. Rules of operation

In performing its activities, the Nominating and Compensation Commission will operate independently and will be governed by the following rules of operation:

- (a) The Nominating and Compensation Commission will meet before any Board of Directors meeting at which a proposal is to be put to the General Shareholders' Meeting for the appointment, removal from office, re-election or ratification of a director and before any Board of Directors meeting at which it is planned to co-opt a director to fill a vacancy. The Nominating and Compensation Commission will likewise meet whenever the Chairman considers it necessary or when at least two members of the Commission so request.
- (b) Meetings of the Nominating and Compensation Commission will reach a quorum when a majority of the members are present or represented. Its decisions will likewise be adopted by a majority of the members.
- (c) The CEO will provide the Nominating and Compensation Commission with the information it requires to perform its duties in relation to the directors and senior management of the principal companies in which interests are held.
- (d) The Commission will have free access to any kind of information or documentation held by or available to the Company that it considers necessary in order to perform its duties.

- (e) The Commission may require the collaboration of any director, member of senior management or employee of the Company and/or its group to enable it to better perform its functions.
- (f) Minutes of Nominating and Compensation Commission meetings will be taken and a copy will be sent to all the members of the Board and to the Board of Directors itself, sending the full contents of the minutes of the Commission meetings. Furthermore, the Chairman of the Nominating and Compensation Commission will, if applicable, report on any decisions and/or significant events that may have occurred at the Commission meetings at the first Board meeting to take place after the Commission meeting in question.

In the absence of any specific rule, the provisions of the Regulations of the Board of Directors on the operation of the Board of Directors will be applicable to the Nominating and Compensation Commission to the extent that they are not incompatible with the nature thereof, in particular, the rules on calling the meetings, granting proxy to another director, universal meetings, written ballots without holding a meeting, the persons acting as chairman and secretary of the meetings and the approval of the minutes thereof.

The Nominating and Compensation Commission met on 5 occasions in 2018. Likewise, as result of the resignation of Mr Pierre Dejoux from his position as a member and Deputy Chairman of the Nominating and Compensation Commission, the Board of Directors appointed Mr Patrick Martin to fill this vacancy at its meeting of July 27, 2018.

In compliance with the functions set out in the Regulations of the Board of Directors, in 2018, the Nominating and Compensation Commission performed the functions assigned to it, which, among others, were as follows: report on proposals for the appointment of directors in order for them to be submitted to the decision of the General Meeting and prepare gender diversity guidelines.

When the 2019 Ordinary General Shareholders' Meeting is called, a report on the operation of the Nominating and Compensation Commission during the period ended November 30, 2018 will be placed at the shareholders' disposal.

C.2.2 Complete the following chart with the information on the number of women directors who have formed part of Board committees over the last four reporting periods.

	Number of women directors							
	2018		2017		2016		2015	
	No.	%	No.	%	No.	%	No.	%
AUDIT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
NOMINATING AND COMPENSATION COMMISSION (*)	2 (**)	40.00%	2 (*)	40.00%	1 (*)	20.00%	1 (*)	20.00%

(*) The information refers to the personal representative of the director Otis Elevator Company.

(**) The information refers to the personal representative of the director Otis Elevator Company and to Ms Robin Fiala.

C.2.3 Section repealed.

C.2.4 Section repealed.

C.2.5 State, if applicable, whether rules exist for the Board commissions, where they are available to be consulted and the amendments made to them during the period. Likewise, state whether any annual report on the activities of each commission has been prepared on a voluntary basis.

- a) The rules on the organization, operation and duties of the two committees (Audit Commission and Nominating and Compensation Commission) are included in the Regulations of the Board of Directors, which may be consulted on the Company's website: (<http://www.otis.com/es/es/accionistas-inversores/>) and did not change in the 2018 reporting period.
- b) Likewise, at its meeting of October 9, 2018, the Board of Directors approved the new Regulations of the Company's Audit Committee, which received a favourable report from the Audit Committee on the same date. These new Regulations of the Audit Committee were approved by the Board of Directors after a thorough analysis of Technical Guide 3/2017 on Audit Committees in Public-Interest Entities (published by the CNMV on its website on June 27, 2017), subsequent to several months' work on the part of the Audit Committee on drawing up a proposal for the Regulations of the Audit Committee.

The purpose of the new Regulations of the Audit Committee is to describe the recommendations included in Technical Guide 3/2017 and include them in the Company's practices, giving details of the functions and responsibilities already described in the Regulations of the Board of Directors in relation to the Audit Committee with the various recommendations provided by the CNMV through Technical Guide 3/2017.

- c) When the General Shareholders' Meeting is called, reports on the activities conducted by the Audit Committee and the Nominating and Compensation Commission in the preceding reporting period are published. It is planned to prepare annual reports on their activities in 2018 to be published when the 2019 General Shareholders' Meeting is called.

C.2.6 Section repealed.

D. RELATED PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

D.1 Explain, if applicable, the procedure for approval of related-party and intragroup transactions.

Procedure for approval of related transactions

According to article 12 (A) 2 (j) of the Board of Directors Regulations and article 15.2(c) of the Regulations of the Audit Committee, the Audit Committee will provide a report to the Board of Directors prior to the latter's adoption of decisions on related transactions.

According to article 11 of the Board of Directors Regulations, the Board of Directors will adopt its decisions, including, therefore, the approval of related transactions, by an absolute majority of all the directors present or represented at the meeting.

Pursuant to the foregoing, the Audit Committee reviews all the Company's related-party transactions and reports to the Board on the most significant related transactions carried out. In particular, at its meeting of February 20, 2018, it reported to the Board of Directors on the review it had performed of the status and balance of performance of two contracts with the majority shareholders (the Recharge Agreement and the Technical Assistance Agreement).

Furthermore, at its meeting of July 27, 2018, the Audit Committee reported favourably to the Board on the approval of the adherence to the UTC Group Technical Assistance Agreement of all the Company's subsidiaries that have not signed it to date, as well as all the companies that join the Company's group. This operation was approved unanimously by the Board of Directors on the same date.

In addition, at its meeting of October 9, 2018, the Audit Committee reported favourably to the Board on the Workplace Climate Survey project developed by the UTC Group to measure the degree of satisfaction of the personnel employed by said group, in order to identify and rectify any areas where there is room for improvement. This operation was likewise approved unanimously by the Board of Directors on the same date.

Likewise, the directors' obligation to abstain in the event of a conflict of interest should be taken into account (see section D.6).

D.2 Give details of any transactions that are significant because of their amount or relevant because of their content that have been performed between the company or companies belonging to its group and significant shareholders of the company.

Name of corporate name of significant shareholder	Name or corporate name of the company or company belonging to its group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
UNITED TECHNOLOGIES CORPORATION (UTC)	OTIS ELEVATOR COMPANY	Contractual	License agreements	19,388
UNITED TECHNOLOGIES CORPORATION (UTC)	ZARDOYA OTIS, S.A.	Contractual	Long term incentive on UTC shares	601
UNITED TECHNOLOGIES CORPORATION (UTC)	OTIS ELEVATOR WORLDWIDE SPRL	Corporate Services Agreement	Service agreement under which Otis Elevator Worldwide Spri provides certain financial, management, human resources, legal, marketing, communication, operational, compliance, technological and	484

Name of corporate name of significant shareholder	Name or corporate name of the company or company belonging to its group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
			business development services to certain companies, including the Company (service receiver).	
UNITED TECHNOLOGIES CORPORATION (UTC)	OTIS ELEVATOR WORLDWIDE SPRL	Corporate Services Agreement	Service agreement under which certain companies (including the Company) provide certain financial, management, human resources, legal, marketing, communication, operational, compliance, technological and business development services to Otis Elevator Worldwide Spri	2,709

D.3 Give details of any transactions that are significant because of their amount or content that have been performed between the company or companies belonging to its group and the directors of the company or its management staff.

Name or corporate name of the directors or management staff	Name or corporate name of the related party	Relationship	Type of transaction	Amount (thousands of euros)
OTIS ELEVATOR COMPANY		Director	Imports (from) Otis Elevator Company	47,332
OTIS ELEVATOR COMPANY		Director	Exports (to) Otis Elevator Company	169,667
OTIS ELEVATOR COMPANY		Director	Invoicing of the Company's R&D (to) Otis Elevator Company	3,852

D.4 Give details of any significant transactions performed by the company with other companies belonging to the same group when these are not eliminated in the process of preparing consolidated financial statements and do not form part of the company's ordinary trade in terms of their purpose and conditions.

Include any intragroup transaction performed with companies in countries or territories considered as tax havens.

	Brief description of the transaction	Amount (thousands of euros)
Otis Elevator Company	Imports (from) Otis Elevator Company	47,332
Otis Elevator Company	Export (to) Otis Elevator Company	169,667
Otis Elevator Company	ID charge back of the Company (to) Otis Elevator Company	3,852
Zardoya Otis (Gibraltar) Limited.	Exports and services (to) Zardoya Otis (Gibraltar) Limited	442

	Brief description of the transaction	Amount (thousands of euros)
Otis Elevator Worldwide Sprl	Service agreement contract (from) Otis Elevator Company	484
Otis Elevator Worldwide Sprl	Service agreement contract (to) Otis Elevator Company	2,709

D.5 State the amount of the transactions performed with other related parties.

N/A

D.6 Give details of any mechanisms established to detect, determine and solve any possible conflicts of interest between the company and/or its group and its directors, management staff or significant shareholders.

In accordance with article 229 of the Capital Companies Act, directors affected by a conflict of interest must refrain from participating in resolutions or decisions that concern the transaction to which the conflict refers.

Article 19 of the Board of Directors Regulations formally establishes the obligation for the directors to refrain from participating in the deliberations or voting on resolutions or decisions in which he/she or a related person have a direct or indirect conflict of interest. The aforementioned obligation to refrain from participating will exclude any resolutions or decisions that affect him/her in his capacity as a director, such as his designation for positions on the Board of Directors, or the revocation thereof, or any others of a similar nature.

Likewise, article 19 of the Board of Directors Regulations states that the duty to avoid situations of conflict of interest obliges the director (without prejudice to the dispensation system provided for in the Capital Companies Law), to refrain from:

- (a) Performing transactions with the Company, except ordinary transactions carried out under standard conditions for customers and of little significance, defined as those on which information is not necessary in order to give a true and fair view of the Company's equity, financial situation and results.
- (b) Using the name of the Company or mentioning his/her status as a director to unduly influence the performance of private transactions.
- (c) Using the Company's assets, including the Company's confidential information, for private purposes.
- (d) Taking advantage of the Company's business opportunities.
- (e) Obtaining benefit or remuneration from third parties other than the Company and its group associated to holding office, except when they are matters of mere courtesy.
- (f) Carrying on activities, for his/her own account or for the account of third parties, that involve effective real or potential competition with the Company or that, in any other way, place him/her in permanent conflict with the Company's interests.

The above prohibitions will also be applicable in the event that the beneficiary of the prohibited actions or activities is a person related to the director.

At any event, directors must notify the other directors and the Board of Directors of any situation of direct or indirect conflict with the Company's interests that they or persons related to them may have.

Conflicts of interests affecting directors must be disclosed in the annual report.

Additionally, article 9 of the Internal Code of Conduct on issues relating to the securities markets states that Obligated Persons are obliged to inform the Secretary of the Board of Directors on any possible conflicts of interest to which they are subject. Any doubt on the possibility of a conflict of interest must be consulted with the Secretary of the Board of Directors before any decision that may be affected by said conflict is adopted.

The Secretary is responsible for keeping an updated register of conflicts of interests. The Secretary may periodically request the persons subject to the Internal Code of Conduct on issues relating to the securities markets to provide written confirmation that no conflicts of interest exist or that no new conflicts have arisen.

According to article 9.4 of the Internal Code of Conduct, in the event of a conflict of interest that the Secretary has been unable to solve and that requires an authorized decision to be made, it will be submitted to the Board of Directors, which will take the following rules into account in order to decide: (i) in the event of conflict between directors, members of management or significant shareholders and the Company, the interests of the Company will prevail; and (ii) in the event of conflict between the Company and a shareholder or customer or between the a shareholder and a customer, the fair criterion of the Board will be applicable.

At any event, the conduct of persons affected by a conflict must be governed by the principles of abstention and independence.

D.7 Is more than one company of the Group listed in Spain?

Yes No

Identify the subsidiaries listed in Spain.

N/A

State whether the respective areas of activity and any business relations between them and those of the listed subsidiary with other group companies have been defined publicly and accurately.

N/A

Identify the mechanisms in place to solve any conflicts of interest between the listed subsidiary and other group companies.

N/A

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's risk management system, including tax risks:

Section F of this Annual Corporate Governance Report presents a description of the main features of the internal control and risk management systems in relation to the financial reporting process. In particular, the risk policy of the Company and its consolidated group is described.

The risk control and management policy contains:

- a) The different types of risk (operating, technological, financial, legal, reputational, etc.) to which the Company is exposed, including financial or economic risk, contingent liabilities and other off-balance-sheet risks;
- b) Fixing the level of risk that the Company considers acceptable;
- c) The measures in place to mitigate the impact of the risks identified, in the event that they materialize; and
- d) The internal reporting and control systems that are used to control and manage the aforementioned risks, including the contingent liabilities and off-balance-sheet risks mentioned above.

On December 13, 2016, the Company's Board of Directors formally approved a risk control and management system (including tax risks).

E.2 Identify the company bodies responsible for preparing and executing the Risk Management System, including tax risks:

Article 3 of the Regulations of the Board of Directors states that the Board of Directors is competent to approve the risk control and management system, including tax risks, and supervise the internal information and control systems.

Likewise, the Company has a unit that carries out the internal audit function and ensures the proper operation of the information and internal control systems under the supervision of the Audit Committee.

According to article 13 of the Regulations of the Audit Committee, the person responsible for said unit will submit its annual work program to the Audit Committee, report directly on any incidents that arise that arise in the course of its work and submit report on its activities at the end of each reporting period.

Article 13 of the Regulations of the Audit Committee and article 12 (A) 2 (c) of the Regulations of the Board of Directors entrust the Audit Committee with the function of supervising the efficacy of the Company internal control, internal audit and risk control systems, including tax risks, and, in particular:

- a) ensuring the independence and efficacy of the internal audit service and, in particular, monitoring the independence of the unit handling the internal audit;
- b) proposing the selection, appointment, reappointment and removal of the head of the internal audit service;
- c) proposing the budget for this service;
- d) approving the priorities and work programs, ensuring that its focuses principally on the main risks the Company is exposed to;
- e) receiving regular report-backs on its activities;

- f) striving to ensure that the profiles of internal audit personnel are appropriate and that they are capable of performing their work objectively and independently.
- g) reviewing the internal audit service's annual work program and yearly activities report; and
- h) being informed of any incidents arising during the implementation of the internal audit service's yearly work program.

Likewise, article 12.1 of the Regulations of the Audit Committee and article 12 (A) 2 (e) of the Regulations of the Board of Directors state that the Audit Committee must regularly review the internal control and risk management systems, so that the main risks are properly identified, managed and disclosed.

Risk management is controlled by company Management and the Internal Audit Department in accordance with policies approved by the Board of Directors. Management and the internal audit service assess and hedge financial risks, in close co-operation with the operating units of the rest of the Group, in order to:

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

Likewise, from a tax standpoint, there is a series of special transactions that must be approved specifically by the Company's Board of Directors.

E.3 State the main risks that may affect attainment of the business objectives.

As mentioned in point E1 above, the risk control and management policy approved by the Board of Directors fixes the different types of risk, among which the principal ones are

- a) Operational and technological,
- b) Legal and tax,
- c) Reputational and financial, and
- d) Crime risks.

From the financial point of view, the activities of the Company and the Group are exposed to a number of financial risks: market risk (including exchange rate risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk). The Company's global risk management program concentrates on the uncertainty in the financial markets and tries to minimize any potential adverse effects on the Company's financial profitability. In the Notes to the Individual Annual Financial Statements and the Notes to the Consolidated Annual Financial Statements, management of each one of the financial risks is explained.

E.4 State whether the company has a risk tolerance level, including tax risk:

As stated in point E1 above, the risk control and management policy fixes the level of risk that the Company considers acceptable.

E.5 State the risks, including tax risks, that materialized during the reporting period:

As in the preceding reporting periods, the risks that materialized in the period referred to trade receivables.

Both the Company and the Group have customer credit analysis policies and regular debt monitoring procedures performed by the departments involved in collection management.

E.6 Explain the response and supervision plans for the company's main risks:

As mentioned in section E2 above, the Company has an Internal Audit Department, with systems and processes that are intended to assess, monitor, mitigate or reduce the main risks of the Company and its consolidated group by preventive measures and alert of possible situations of risk. The Company has the risks that affect assets and liability covered by the appropriate insurance policies. Likewise, the Company and its consolidated group have processes that ensure control of any risk that may stem from trading operations.

Section F of this Annual Corporate Governance Report describes the internal control and risk management systems in greater detail.

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO FINANCIAL REPORTING (ICFR)

Describe the mechanisms that form the risk control and management systems in relation to financial reporting (ICFR) in the company.

F.1 The company's control environment

Describe, stating the main characteristics, at least:

F.1.1. The bodies and/or functions that are responsible for: (i) the existence and maintenance of an appropriate and effective ICFR, (ii) the implementation thereof, and (iii) the supervision thereof:

Article 3 of the Board of Directors Regulations states that the Board of Directors is competent to approve the risk control and management policy, including tax risks, as well as to regularly monitor the internal reporting and control systems.

According to articles 12 and 13 of the Regulations of the Audit Committee and article 12 (A) 2 (c) of the Regulations of the Board of Directors, the Audit Committee is competent to supervise the efficacy of the Company's internal control, internal audit and risk control systems, including tax risks, and, in particular: i) to ensure the independence and efficacy in its functions of the internal audit service and, in particular, monitor the independence of the unit handling the internal audit function; (ii) to propose the selection, appointment, reappointment and removal of the head of the internal audit service; (iii) to propose the budget for said service; (iv) to approve its priorities and work programs, ensuring that it focuses primarily on the main risks the Company is exposed to; (v) to receive regular report-backs on its activities; (vi) to review the annual work program and the yearly activities report of the internal audit service; (vii) to be informed of any incidents arising during the implementation of the internal audit service's yearly work program; (viii) to verify that senior management acts in accordance with the conclusions and recommendations contained in its reports; and (ix) to discuss any significant weaknesses detected in the internal control system (the "**Internal Control System**") in the course of the audit with the account auditors, all of which must not diminish its impartiality.

In addition, the Audit Committee has the function of receiving information on and supervising the process of preparation of the mandatory financial reporting of the Company and the Group, checking compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting policies, and submitting recommendations or proposals to the Board of Directors aimed at safeguarding their integrity. In relation to the foregoing, the Audit Committee will analyse the relevant reports from the heads of the internal control and internal audit areas. In this respect, the Audit Committee also has the function of reviewing the clarity and integrity of all the financial reporting that the Company discloses, assessing in which cases it would be reasonable and possible to involve the statutory auditors in the review of some of the reports issued in addition to the financial statements.

Likewise, the Audit Committee will verify that the financial reporting published on the Company's website is permanently kept up to date and coincides with the reporting approved by the Company's directors and published on the website of the CNMV.

Lastly, article 12 of the Regulations of the Audit Committee and article 12 (A) 2. (e) of the Regulations of the Board of Directors states that the Audit Committee must periodically review the internal control and management systems in order for the principal risks to be properly identified, managed and disclosed (including financial and non-financial risks). In particular, the risk control and management policy must identify at least:

- a) the different types of risk (operating, technological, financial, legal, reputational, tax etc.) to which the Company is exposed, including the aforementioned financial or economic risk, contingent liabilities and other off-balance-sheet risks;
- b) fixing the level of risk that the Company considers acceptable;

- c) the measures in place to mitigate the impact of the risks identified, in the event that they materialize; and
- d) the internal reporting and control systems that are used to control and manage the aforementioned risks, including the contingent liabilities and off-balance-sheet risks mentioned above.

The Company's Audit Committee is formed by three Directors: (i) Mr José Miguel Andrés Torrecillas (independent director), who is also the Chairman of the Audit Committee; (ii) Mr José María Loizaga Viguri (independent director), who is the Deputy Chairman of the audit Committee; and (iii) Mr Mark George (proprietary director).

F.1.2. State whether the following elements exist, especially in relation to the financial reporting:

Departments and/or mechanisms responsible for: (i) the design and review of the organizational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) the existence of sufficient procedures for these to be correctly known within the company.

The design and review of the organizational structure is the responsibility of the Human Resources Department and, ultimately, the CEO, within his duties as an executive director.

More detailed definition of resource needs is carried out by the area in question, together with Human Resources, including, therefore, the areas related to the process of preparing the financial reporting and the rest of the Group's operational areas.

The Company and the Group have an organization chart including all the functional areas.

In relation to sufficient procedures for the information to be correctly known, all the information on the organization chart and organizational structure is in the Group intranet (the "Intranet"), to which all employees have access.

In addition, the Group Financial Department (the "Financial Department"), responsible for preparing the financial reporting, has a system of responsibilities and segregation of functions that fixes the different levels for approval for each one of the activities and processes of the financial and operating departments.

Code of conduct, approving body, degree to which it is known and explained, principles and values included (stating whether there are specific references to the operations register and financial reporting), body responsible for analysing non-compliances and proposing corrective actions and penalties.

The Company and the Group have an Internal Code of Conduct on issues relating to the securities markets, approved by the Board of Directors, and a Code of Ethics (the "Code of Ethics"), notified to all the members of the organization through the intranet. Likewise, courses are held in this respect. They must be completed by new recruits and include annual updates for all Company and Group employees.

The Code of Ethics is based on the following essential principles: (i) compliance with legal requirements; (ii) correct preparation of the financial statements, which must be complete and accurate; and (iii) fair treatment of customers and other interested parties. Thus, the Code of Ethics does not merely require compliance with the law, but represents a commitment to positive behaviour that forges trust, promotes respect and shows integrity.

The principles established in the Code of Ethics are: (i) loyalty to the Company; (ii) meeting commitments; (iii) acting bona fides; (iii) respect towards others; (v) accurate and true information; (vi) not to jeopardize safety or quality; and (iv) to help to detect and avoid bad practices.

The Group has a Good Business Practice Manager, responsible for implementing the Code of Ethics and ensuring compliance therewith.

The Audit Committee makes an annual review of the plan for compliance with the Code of Ethics for each reporting period, covering the actions, those responsible for them, dates and current status, likewise obtaining information on the training and updating courses that each one of the organization's members must attend.

As stated in article 15 of the Regulations of the Audit Committee and article 12 (A) 2. (i) of the Regulations of the Board of Directors (the latter of which is mentioned in article 11 of the Internal Code of Conduct), the Audit Committee is responsible for supervising effective compliance with the obligations established in the Internal Code of Conduct.

In particular, as provided in article 10 of the Internal Code of Conduct, the Audit Committee must:

- a) Comply and ensure compliance with the securities market rules on conduct and the rules contained in the Internal Code of Conduct, the procedures thereof and any other present or future supplementary rules.
- b) Promote knowledge of the Internal Code of Conduct and other securities market rules on conduct on the part of the obliged persons, insiders and the Group.
- c) Develop, if applicable, the procedures and implementing rules deemed appropriate in order to apply the Internal Code of Conduct.
- d) Interpret the rules contained in the Internal Code of Conduct and solve any queries or issues raised by those subject to it and/or insiders.
- e) Conduct disciplinary procedures against obliged persons and insiders due to failure to comply with the rules of the Code of Conduct.
- f) Propose to the Company's Board of Directors any revisions or improvements to the Internal Code of Conduct.

Complaints channel that allows any financial or accounting irregularities, in addition to any breaches of the code of conduct and/or irregular activities in the organization to be reported to the Audit Committee, stating, if applicable, whether this channel is confidential.

The Group has a confidential communication channel that allows all Group employees to make suggestions and place complaints in such a way that their concerns can be heard swiftly, neutrally and in the strictest confidence.

The program provides:

- a) Confidentiality: the identity of the person making a communication is protected.
- b) Neutrality: support is given neither to Management nor to the employee.
- c) Independence: there is no hierarchical relationship between the person responsible for the program and Management.
- d) Quality: the system operates as an intermediary between the employees and Management, while ensuring that communication is clear and comprehensible.

Thus, employees may make communications as follows:

- a) Through a free telephone call.
- b) By completing a form and sending it to the relevant centre by mail or fax.

- c) Using the program application from anywhere with Internet access.

Training programs and regular updates for employees involved in preparing and reviewing the financial information and in the assessment of the ICFR, covering at least accounting rules, auditing, internal control and risk management.

The employees involved in preparing and reviewing the financial information have a sound knowledge of financial and accounting matters. Additionally, the Group has a training program for its employees, supervised by the Human Resources Department.

Furthermore, courses, seminars and work groups related to updates of the accounting legislation, auditing, internal control and risk management are organized, since the Group holds agreements for regular training with a supplier specialized in the accounting, financial, legal, tax and labour areas, among others.

F.2 Assessment of financial reporting risks

Provide information on at least:

F.2.1. The principal characteristics of the risk identification process, including the risks of error or fraud, in respect of:

Whether the process exists and is documented:

The Group has a risk management system (the “**Risk Map**”), which is conducted by the Group’s different operating and functional units and submitted for review by the Audit Committee and Board of Directors. The Risk Map is based on integrated management of each and every one of the business processes and an appropriate segregation of the levels of risk, in order to achieve compliance with the strategic objectives fixed by the Group.

Whether the process covers the whole of the financial reporting objectives (existence and occurrence; integrity; measurement, presentation, breakdown and comparability; and rights and obligations. Whether it is updated and how often:

All the risks that could affect the financial reporting (principally operational risks) are assessed and quantified in order to carry out regular supervision of the controls designed to mitigate the risks identified. Operational risks cover the objectives of existence, occurrence, integrity, measurement, presentation, breakdown and comparability, and rights and obligations.

Risk management is based on dynamic analyses for each one of the processes that comprise the business units, meaning that those responsible for each one of the organization’s areas or departments identify and assess the potential risks.

The existence of a process to identify the scope of the consolidated group, taking into account, among other aspects, the possible existence of complex corporate structures and instrumental entities or special-purpose vehicles:

The Group does not have a complex corporate structure. As may be seen from the consolidated annual financial statements, all the subsidiaries are consolidated. The Financial Department, through its Consolidation Department, carries out the consolidation process. In close collaboration with the Legal Department, on the basis of the decisions adopted by the Board of Directors on corporate transactions for acquisitions, business combinations, disposals and mergers, among others, the scope of the consolidation and the percentage interests held by each company in its subsidiaries are determined.

Likewise, following the best corporate governance practices, article 15.2.a) of the Regulations of the Audit Committee and article 12 (A) 2. (j). (ii) of the Regulations of the Board of Directors include, among the duties of the Audit Committee, the need to provide a report to the Board of Directors before the latter adopts any decisions on the creation or acquisition of shares or interests in special-

purpose vehicles or entities resident in countries or territories considered tax havens, as well as any other similar transactions or operations that, given their complexity, could impair the Group's transparency.

Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements:

The different type of risk that comprise the Group risk management system are grouped principally into the following categories:

- a) Operational.
- b) Technological.
- c) Financial.
- d) Legal and tax.
- e) Reputational.

Each one of these categories has controls and mitigating actions, which are reviewed and included in annual work plan of the internal audit department's (the "Internal Audit Department").

Which of the company's governing bodies supervises the process:

El Audit Committee, in relation to the ICFR System, is responsible for periodically reviewing the internal control and risk management systems, in order to identify and manage the principal risks that could affect the Group's financial reporting. In particular, it is responsible for: (i) ensuring the independence and efficacy of the internal audit service; (ii) proposing the selection, re-election and removal of the head of the internal audit service; (iii) proposing the budget for this service; (iv) receiving periodic information on its activities; (v) reviewing the annual internal audit work program; (vi) being informed of any incidents that arise in the course of the annual internal audit work program; (vii) verifying that senior management take the findings and recommendations of its reports into account; and (viii) discussing any significant weaknesses in the internal control system noted in the course of the audit with the account auditors.

F.3 Control activities

State, describing their main characteristics, whether the company has at least:

F.3.1. Financial reporting review and authorization procedures and a description of the ICFR to be published in the stock markets, stating the persons responsible for them, as well as documentation describing the flows of activities and controls (including those concerning the risk of fraud) for the different transactions that could have a material effect on the financial statements, including the procedure for closing the accounts and a specific review of significant judgements, estimates, measurements and projections.

The Financial Department consolidates and reviews all the financial information of the Company and its subsidiaries, including, in this respect, the companies resident in Spain, Portugal and Morocco. Once said information is known, it prepares monthly, quarterly and six-monthly reports and annual financial statements, among other items.

Likewise, the Financial Department submits the annual, six-monthly and quarterly financial statements for review by the Audit Committee, as well as any other financial information that is sent to regulatory bodies or publications. The Audit Committee checks that the information is complete, accurate and sufficient to provide a true and fair view of the Group's equity, financial

position and results and the cash flows, which are prepared in accordance with the legislation applicable to individual and consolidated financial statements.

The Board of Directors approves all the financial information that the Group publishes regularly and formulates the annual financial statements together with the Annual Corporate Governance Report.

The review of the estimates and assumptions used is based on the Group's historical experience and other factors considered reasonable. Said procedure is included in the procedure manual for closing the accounts.

F.3.2. Internal control policies and procedures for the information systems (including, among others, access security, control of changes, the operation thereof, operational continuity and segregation of functions) that support the company's significant processes in relation to preparing and publishing the financial information:

Systems management acts directly in accordance with the regulations on information security and, in addition, the Group Financial Department authorizes all accesses to sensitive systems that may affect the financial information.

The regulations are based on establishing controls over access security, control of changes, operations, operational continuity and segregation of functions. All these rules are published in the intranet to enable all employees to access them.

The Group has a series of actions that guarantee that operations run correctly when an incident arises, in order to mitigate any possible materialization of an incident or reduce it to a minimum.

The Internal Audit Department's annual work program includes the review of the proper running of Internal Systems Control, both technologically and in relation to maintenance processes.

F.3.3. Internal control policies and procedures intended to supervise management of activities subcontracted to third parties, as well as any aspects of assessment, calculation or valuation entrusted to independent experts, that could have a material effect on the financial statements.

The relationship with any group supplier is conducted through those specifically responsible in each business unit, for both goods and services. Any selection of products or services subcontracted to third parties is conducted using technical, professional and economic criteria.

The Internal Audit Department's annual work program includes a review of compliance with the rules related to the main procedures for purchasing goods and services.

If valuations are contracted out to independent experts, this will be done through the Financial Department and the Audit Committee, since they relate to valuations included in the Group's financial information. The Group Financial Department ensures that the supplier is independent and has experience and prestige both nationally and internationally.

F.4 Information and communication

State, describing their main characteristics, whether the company has at least:

F.4.1. A specific function responsible for defining accounting policies, keeping them updated (accounting policy area or department) and solving any queries or conflicts from the interpretation thereof, maintaining smooth communication with those responsible for operations in the organization, as well as an updated accounting policy manual that has been notified to the units through which the company operates:

The Financial Department, through its Accounting and Consolidation Departments, is responsible for reviewing the accounting policies and rules and ensuring they are kept updated for each of the Group's processes and units. Likewise, the Internal Control Department maintains a smooth relationship with the Financial Department, those responsible for the financial area in each of the Group companies and other units and corporate areas, with whom they establish the procedure updates when applicable.

All the Group's manuals and procedures are available through the intranet.

F.4.2. Mechanisms for capturing and preparing the financial information with consistent formats, applied and used by all the units of the company or group, which contain the principal financial statements and notes, as well as the information provided on ICFR:

The Financial Department, through the Consolidation Department, has the function of preparing the financial statements and the notes thereto. In relation to the mechanisms for capturing and preparing the financial information, except for Otis Elevadores Lda. (Portugal) and Otis Maroc, S.A. (Morocco), the companies that belong to the consolidated group use the same financial information system, the same policies and identical accounting procedures, which permits a unified capturing mechanism that is in accordance with the accounting rules in force at any given moment. Additionally, there are reporting packages for the companies resident in Portugal and Morocco, which allows the financial information to be unified and made consistent and to comply with the policies and bases of presentation used by the Group.

F.5 Supervision of system operation

Describe, stating their main characteristics, at least:

F.5.1. The ICFR supervision activities performed by the Audit Committee and whether the company has an internal audit service whose duties include supporting the Committee in its supervision of the internal control system, including ICFR. Likewise, describe the scope of the evaluation of ICFR carried out in the year and the procedure whereby those responsible for performing the evaluation notify the results, whether the company has an action plan that describes any possible corrective measures and whether the impact on the financial information has been considered.

The Company has an Internal Audit Department, with systems and processes, which is intended to assess, mitigate or reduce the principal risks of the Company and Group through preventive measures and alerts of possible situations of risk.

The Audit Committee, among its ICFR supervision activities, reviews the financial reporting that is sent to the National Securities Market Commission on a quarterly basis.

Additionally, the Audit Committee supervises and monitors the annual audit program. The head of the Internal Audit Department presents the findings of the work plan and the tasks performed by said Department during the reporting period to the Audit Committee. Furthermore, the Audit Committee will evaluate whether the functions of the Internal Audit area are appropriate to the Company's real needs and will confirm that the activity of said area is mainly focused on the Company's principal risks.

The Group's Internal Audit Department has five members, who have extensive knowledge in the areas of internal and external auditing and management control, as well as experience in the operational part of the Group's units. The Audit Department has a work manual that fixes the procedures and duties that each of its members must perform. In addition, the Audit Committee has the function of selecting, appointing, re-electing and removing the head of the Internal Audit area, likewise verifying that the profiles of the Internal Audit Department's personnel are appropriate and that they are capable of performing their work objectively and independently.

The main functions of the Internal Audit Department are:

- a) To evaluate the appropriateness, sufficiency and efficacy of the Group's Internal Control System.
- b) To evaluate compliance with the Risk Management System.

The Group has an account auditor (the "**Account Auditor**"), who, as part of its procedures to audit the annual financial statements, reviews the Internal Control System. The Account Auditor has a meeting with the Audit Committee at least once a year (in this case, three times during fiscal year 2018) and presents the findings of its work at said meeting. In the event that any weakness or issue has been noted in the course of the work, the Audit Committee will establish actions and oblige management to consider the actions established. In the findings presented to the Audit Committee, the Account Auditor has not included any weaknesses or issues concerning the Internal Control System.

F.5.2. Whether the company has a discussion procedure whereby the account auditor (as established in the Technical Audit Notes), the internal audit service and other experts may inform senior management and the company's audit committee or directors of any significant weaknesses noted during the annual financial statement review processes or any other processes for which they are responsible. Likewise, state whether the company has an action plan intended to correct or mitigate the weaknesses noted:

The Financial Department, the Internal Audit Department and the Audit Committee maintain regular and smooth communication with the Group's account auditor.

At the beginning of the period, the account auditor presents its audit program to the Financial Department, containing the visit dates, objectives, companies to be audited and a list of audit fees, so that the Audit Committee can review it.

During the whole audit process, the account auditor holds regular meetings with key employees responsible for preparing the financial information, establishing preliminary findings in each one of the phases of the process. Throughout the reporting or in any phase of the external audit process, the Account Auditor may meet with the Audit Committee.

Upon conclusion of the audit, as stated previously, the account auditor presents its findings to the Audit Committee, which will evaluate any situation reported by the former. This will be considered by both the Internal Audit Department and the Audit Committee in order to undertake the appropriate actions.

F.6 Other relevant information

N/A

F.7 Report of the external auditor

State:

F.7.1. Whether the ICFR information sent to the markets has been subject to review by the external auditor, in which case the company must include the relevant report as an exhibit hereto. Otherwise, state the reasons.

Report attached to this 2018 Corporate Governance Report on the Company.

G DEGREE TO WHICH THE GOOD GOVERNANCE RECOMMENDATIONS HAVE BEEN FOLLOWED

State the degree of conformance of the company to the recommendations of the Unified Good Governance Code.

If any recommendation is not complied with or complied with in part by the Company, a detailed explanation of the reasons should be included, providing shareholders, investors and the market in general with sufficient information to assess the company's course of action. General explanations will not be acceptable.

1. **The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the take-over of the company by means of share purchases on the market.**

See sections: A.10, B.1, B.2, C.1.23 & C.1.24

Complies Explain

2. **When a parent and subsidiary company are both listed, both of them should provide detailed disclosure on:**

a) **Their respective areas of activity and any business dealings between them, as well as between the listed subsidiary and other group companies;**

b) **The mechanisms in place to resolve possible conflicts of interest.**

See sections: D.4 & D.7

Complies Complies in part Explain Not applicable

3. **During the annual general meeting the Chairman of the Board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:**

a) **Changes taking place since the previous annual general meeting.**

b) **The specific reasons for the company not following a given Good Governance Code recommendation and any alternative procedures followed in its stead.**

Complies Complies in part Explain

4. **The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.**

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Complies Complies in part Explain

The Company fully respects the anti-market abuse regulations and those on the equitable treatment of shareholders (in the same position), analysts and other third parties.

Given the Company's shareholder structure, where the number of institutional investors is very low, the Company has not, to date, prepared a formal policy of communication but, rather, employs general channels of communication, with practices and interlocutors appropriate to the specific case.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

- 5. The Board of Directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.**

And, when a Board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Complies Complies in part Explain

- 6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:**
- a) Report on auditor independence.**
 - b) Reviews of the operation of the audit committee and the nominating and compensation commission.**
 - c) Audit committee report on related transactions.**
 - d) Report on corporate social responsibility policy.**

Complies Complies in part Explain

- 7. The company should broadcast its general meetings live on the corporate website.**

Complies Explain

The Company has not considered it necessary to broadcast the General Shareholders' Meeting live on its corporate website, because the attendance at general meetings, in person or by proxy, is over 70% (78.15% at the General Meeting held on May 23, 2018). Likewise, the Company feels that complying with this recommendation would involve a large amount of work but would not be of a great deal of use in practice, particularly in view of the little or non-existent use that shareholders have made of the electronic shareholders' forum that has been available to them over recent years.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

- 8. The audit committee should strive to ensure that the Board of Directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications**

exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

See section: C.1.32

Complies Complies in part Explain

- 9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.**

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies Complies in part Explain

- 10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:**

- a) Immediately circulate the supplementary items and new proposals.**
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the Board of Directors.**
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the Board of Directors, with particular regard to presumptions or deductions about the direction of votes.**
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.**

Complies Complies in part Explain Not applicable

The Company has adopted the above mentioned mechanisms in its internal rules. However, at the General Meetings held in preceding periods, no shareholder has exercised the right to supplement the agenda or submit new resolution proposals.

- 11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.**

Complies Complies in part Explain Not applicable

- 12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximizing its economic value.**

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and

other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies Complies in part Explain

- 13. The Board of Directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.**

Complies Explain

- 14. The Board of Directors should approve a director selection policy that:**

- a) Is concrete and verifiable.**
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the Board's needs; and**
- c) Favours a diversity of knowledge, experience and gender.**

The results of the prior analysis of Board needs should be written up in the nominating commission's explanatory report, to be published when the general meeting that will ratify the appointment and re-election of each director is called.

The director selection policy should pursue the goal of having at least 30% of total Board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

See sections: C.1.5, C.1.6 bis & C.1.19

Complies Complies in part Explain

The Board of Directors has decided not to formally approve a director selection policy at present. The criteria for selecting directors for the Board and Nominating and Compensation Commission included in the Regulations of the Board of Directors are deemed sufficient for this purpose.

Likewise, the Nominating and Compensation Commission has decided to establish, as one of its main objectives, an increase in the presence of women on the Board of Directors and to favour and improve the possibilities of women acceding to management positions, fomenting a diversity of knowledge, experience and gender at Board level. An example of this line of action is the co-option of Ms Robin Fiala as a member of the Board of Directors when a vacancy arose in 2017 (subsequently ratified by the Ordinary General Shareholders' Meeting held in 2018).

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

- 15. Proprietary and independent directors should constitute an ample majority on the Board of Directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.**

Complies Explain

- 16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.**

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.**
- b) In companies with a plurality of shareholders represented on the Board but not otherwise related.**

Complies Explain

The Company's Board of Directors has eleven members, ten of whom are external directors: (i) five proprietary directors appointed at the proposal of UNITED TECHNOLOGIES HOLDINGS, S.A.S., which holds 50.01% of the Company's capital, (ii) two proprietary directors appointed at the proposal of EURO-SYNS, S.A., which holds 11.69% of the Company's capital, (iii) one director classified as "other external" and (iv) two independent directors.

Proprietary directors represent 70% of the external directors, while the percentage of the share capital represented by proprietary directors is 61.57%. Consequently, the ratio between the number of proprietary directors and the remainder of the non-executive directors is somewhat higher than the ratio between the share capital represented by proprietary directors and the remainder of the capital. Notwithstanding, as the Good Governance Code says, "*this (proportional principle) is not intended as a mathematical equation, but rather as a rule of thumb to ensure that independents are sufficiently present and that no significant shareholders can exert an influence on the Board's decisions that is disproportionate to their capital ownership*".

The deviation is due to several factors. First, we should remember that the Company's shareholders are very concentrated (two shareholders hold 61.57% of the share capital). Likewise, it has been seen fit for the Zardoya family (through

h EURO-SYNS, S.A.) to propose two directors. Lastly, there is a director classified as "other external", who, for different reasons, cannot be classified as either independent or proprietary.

In 2014, the Company decided to increase the number of directors in order to increase the ratio of independent directors to proprietary directors. Until then, the percentage of proprietary directors was 66.67% of the total Board, while in 2015, it dropped to 63.64%. In addition, the percentage of independent directors rose from 11.11% in 2014 to 18.18% in 2015.

Finally, the Company has rules and procedures in place to ensure the Independence and abstention of all the directors in the event that they are affected by a conflict of interest.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

- 17. Independent directors should be at least half of all Board members.**

However, when the company does not have a large market capitalization, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of Board places.

Complies Explain

The percentage of the full Board represented by independent directors is 18.18%. The Company considers it has sufficient independent director to guarantee the protection of floating capital appropriately and make independent judgements on tasks where a potential conflict of interest may exist.

As mentioned in the preceding explanation, we must remember that the Company's shareholders are very concentrated (two shareholders hold 61.57% of the share capital). The intention has been to provide the two main proprietary shareholders with representation, with the majority shareholder (UTC Group) keeping control, while, at the same time, not increasing further the size of the Board. The result of this balance is the Board's current composition.

Likewise, in spite of the foregoing, the percentage of independent directors rose from 11.11% in 2014 to 18.18% in 2015.

Finally, the Company has rules and procedures in place to ensure the independence and abstention of all the directors in the event that they are affected by a conflict of interest.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

18. Companies should disclose the following director particulars on their web-sites and keep them regularly updated:

- a) **Background and professional experience.**
- b) **Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.**
- c) **Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.**
- d) **Dates of their first appointment as a Board member and subsequent re-elections.**
- e) **Shares held in the company, and any options on the same.**

Complies Complies in part Explain

19. Following verification by the nominating committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See section: C.1.8

Complies Complies in part Explain Not applicable

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the number of the latter should be reduced accordingly.

See section: C.1.2 y C.1.9

Complies Complies in part Explain Not applicable

- 21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, based on a proposal from the nominating committee. In particular, a just cause will be presumed to exist when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a Board member, or are in breach of their fiduciary duties or are affected by one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.**

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in Board membership ensue from the proportionality criterion set out in recommendation 16.

See section: C.1.21

Complies Explain

- 22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organization's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the Board of any criminal charges brought against them and the progress of any subsequent trial.**

The moment a director is indicted or tried for any of the offences stated in company legislation, the Board of Directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The Board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies Complies in part Explain

- 23. Directors should express their clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other directors not affected by the potential conflict of interest should strenuously challenge any decision that could harm the interests of shareholders lacking Board representation.**

When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the Board, even if he or she is not a director.

Complies Complies in part Explain Not applicable

- 24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.**

See section: C.1.9

Complies Complies in part Explain Not applicable

The Company has preferred not to oblige directors who leave the Board before their tenure expires, due to resignation or any other reason, to explain the reasons in a letter to be sent to all Board members.

The Company does not deem it appropriate to oblige directors to explain the reasons for their removal or resignation and for said reasons to be aired publicly, notwithstanding the right of each one of them to make the reasons for the removal or resignation public.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

- 25. The nomination commission should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.**

The Board of Directors regulations should lay down the maximum number of company Boards on which directors can serve.

See sections: C.1.13 y C.1.19

Complies Complies in part Explain

The Company has not fixed a maximum number of company Boards on which its directors may serve.

This is because some of the directors are also members of the senior management of UNITED TECHNOLOGIES HOLDINGS and sit on a number of Boards of the different societies that comprise said Group. Consequently, compliance with this recommendation would be too burdensome for the UNITED TECHNOLOGIES HOLDINGS Group, since it would force it to modify a large part of its corporate structure.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

- 26. The Board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.**

Complies Complies in part Explain

- 27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should grant proxy with the appropriate instructions.**

Complies Complies in part Explain

28. **When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.**

Complies Complies in part Explain

29. **The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, including, if necessary, external assistance at the company's expense.**

Complies Complies in part Explain

30. **Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.**

Complies Complies in part Explain

31. **The agendas of Board meetings should clearly state the points on which the Board must reach a decision, so that the directors can study the matter beforehand or obtain the information they need to reach it.**

For reasons of urgency, the chairman may wish to submit decisions or resolutions that were not on the meeting agenda for Board approval. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Complies Complies in part Explain

32. **Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.**

Complies Complies in part Explain

No specific mechanism or department has been established for this purpose, taking into account the Company's shareholder structure, where there are scarcely any institutional investors and most of the shareholders with significant shareholdings are represented on the Board.

Directors have access to the same information as the rest of the market (for example, significant shareholdings are notified to the CNMV as a material event).

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

33. **The chairman, as the person charged with the efficient functioning of the Board of Directors, in addition to the functions assigned by law and the company's Bylaws, should prepare and submit to the Board a schedule of meeting dates and agendas; organize and coordinate regular evaluations of the Board and, where appropriate, the company's chief executive officer; exercise leadership of the Board and be accountable for its proper functioning; ensure that sufficient time is given to the**

discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complies Complies in part Explain

- 34. When a lead independent director has been appointed, the bylaws or Board of Directors regulations should grant him or her the following powers over and above those conferred by law: chair the Board of Directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those concerning the company's corporate governance; and coordinate the chairman's succession plan.**

Complies Complies in part Explain Not applicable

- 35. The Board secretary should strive to ensure that the Board's actions and decisions are informed by the good governance recommendations of the Good Governance Code of relevance to the company.**

Complies Explain

- 36. The Board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:**
- a) The quality and efficiency of the Board's operation.**
 - b) The performance and membership of its committees.**
 - c) The diversity of Board membership and competences.**
 - d) The performance of the chairman of the Board of Directors and the company's chief executive.**
 - e) The performance and contribution of individual directors, with particular attention to the chairmen of Board committees.**

The evaluation of Board committees should start from the reports they send the Board of Directors, while that of the Board itself should start from the report of the nominating commission.

Every three years, the Board of Directors should engage an external consultant to aid in the evaluation process. This consultant's independence should be verified by the nominating commission.

Any business dealings that the consultant or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

See sections: C.1.20, C.1.20 bis y C.1.20 ter

Complies Complies in part Explain

The Board of Directors has implemented an annual self-evaluation process for the Board and its committees, which is described in section C.1.20 bis. As a consequence of this self-evaluation, an action plan to correct the weaknesses detected is prepared annually.

The Board considers that its annual self-evaluation is sufficient, without the need to engage external consultants. According to the 2015 Good Governance Code, the objective of using said consultants is for the evaluation to be “*enriched with objective opinions*” and the Board considers this contribution to be made by the Company’s independent directors.

The decision not to engage an external consultant every three years was made by the Board of Directors on January 25, 2016, when the 2015 Good Governance Code recommendations were examined.

- 37. When an executive committee exists, its membership mix by director class should resemble that of the Board. The secretary of the Board should also act as secretary to the executive committee.**

See section: C.2.1

Complies Complies in part Explain Not applicable

- 38. The Board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all Board members should receive a copy of the committee’s minutes.**

Complies Complies in part Explain Not applicable

- 39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.**

See section: C.2.1

Complies Complies in part Explain

- 40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and internal control systems. This unit should report functionally to the Board’s non-executive chairman or the chairman of the audit committee.**

Complies Complies in part Explain

- 41. The head of the unit handling the internal audit function should present an annual work program to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.**

Complies Complies in part Explain Not applicable

- 42. The audit committee should have the following functions over and above those legally assigned:**

- 1. With respect to internal control and reporting systems:**

a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programs, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the Board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies Complies in part Explain

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies Complies in part Explain

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the Board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies Complies in part Explain Not applicable

45. Risk control and management policy should identify at least:

The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

- a) **The determination of the risk level the company sees as acceptable.**
- b) **The measures in place to mitigate the impact of identified risk events should they occur.**
- c) **The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.**

Complies Complies in part Explain

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated Board committee. This function should be expressly charged with the following responsibilities:

- a) **Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.**
- b) **Participate actively in the preparation of risk strategies and in key decisions about their management.**
- c) **Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the Board of Directors.**

Complies Complies in part Explain

47. Appointees to the nominating and compensation commission – or of the nominating commission and compensation commission, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

See section: C.2.1

Complies Complies in part Explain

The Nominating and Compensation Commission has five members, including two independent members, one of whom is the committee Chairman.

The reason why the Commission does not have more independent members is that the Company does not have any more independent directors. In this respect, in 2014, the Company decided to increase the number of directors in order to increase the proportion of independents, which rose from 11.11% in 2014 to 18.18% in 2015.

The Company has decided to keep the number of members of the Nominating and Compensation Commission at five, in spite of the fact that it could have reduced it to three members in order to have a majority of independents, as has been done with the Audit Committee because it is legally obligatory. There is a dual reason for deciding to keep the number of members of the Nominating

and Compensation Commission at five: first, the Company feels that 40% of independent directors is sufficient to guarantee the independence of the Commission's function and, second, the Company feels it is more useful for the Commission and its functions to have the opinion and experience of five members.

Finally, article 12 (B) of the Regulations of the Board of Directors states that the Board of Directors will ensure that the directors who sit on the Nominating and Compensation Commission have the knowledge, capacities and experience appropriate to the duties they are to perform.

48. Large cap companies should operate separately constituted nominating and compensation commissions.

Complies Explain Not applicable

Large cap companies are understood to be those that are listed on the Ibex-35, in accordance with the criteria of the CNMV and the Good Governance Code.

49. The nominating commission should consult the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the Board, any director may approach the nominating commission to propose candidates that it might consider suitable.

Complies Complies in part Explain

50. The compensation commission should operate independently and have the following functions in addition to those assigned by law:

- a) **Propose to the Board the basic conditions of senior officer contracts.**
- b) **Monitor compliance with the remuneration policy set by the company.**
- c) **Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.**
- d) **Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.**
- e) **Verify the information on director and senior officers' pay contained in corporate documents, including the annual director compensation report.**

Complies Complies in part Explain

51. The compensation commission should consult the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies Complies in part Explain

52. The rules on supervision and control committees should be set out in the Board of Directors regulations and be consistent with those governing legally mandatory Board committees as specified in the preceding recommendations. They should include at least the following terms:

- a) **Committees should be formed exclusively by non-executive directors, with a majority of independents.**
- b) **They should be chaired by independent directors.**
- c) **The Board should appoint the members of such committees with regard to the knowledge, skills and experience of the directors and each committee's terms of reference and discuss their proposals and reports. The committees should provide report-backs on their activities and work at the first Board meeting following each committee meeting.**
- d) **Committees may engage external advice, when they feel it necessary for the discharge of their functions.**
- e) **Meeting proceedings should be minuted and a copy made available to all Board members.**

See section: C.2.1

Complies Complies in part Explain Not applicable

The Company complies with all the above points except a).

See recommendation 47.

- 53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one Board committee or split between several, which could be the audit committee, the nominating commission, the corporate social responsibility committee, where one exists, or a dedicated committee established *ad hoc* by the Board under its powers of self-organization, with at the least the following functions:**
- a) **Monitor compliance with the company's internal codes of conduct and corporate governance rules.**
 - b) **Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.**
 - c) **Periodically evaluate the effectiveness of the company's corporate governance system, to ensure that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, for the legitimate interests of other stakeholders.**
 - d) **Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.**
 - e) **Monitor corporate social responsibility strategy and practices and assess their degree of compliance.**
 - f) **Monitor and evaluate the company's interaction with its stakeholder groups.**
 - g) **Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.**

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.Complies Complies in part Explain

Currently, in accordance with article 8 of the Regulations of the Board of Directors, the Secretary of the Board of Directors will strive to ensure that the Board of Directors' actions take into account the good governance rules or recommendations in force at any given moment.

Likewise, the duties entrusted to the Audit Committee include:

- (i) Regularly reviewing the internal control and risk management systems, so that the main risks are properly identified, managed and disclosed.
- (ii) Receiving information on and monitoring the process of preparing and presenting the Company's financial information and, where appropriate, reviewing compliance with legal provisions, the accurate demarcation of the consolidated group and the correct application of accounting policies, ensuring the integrity thereof.
- (iii) Monitoring compliance with internal codes of conduct and the good corporate governance rules and recommendations in force at any given moment.

Lastly, the Board of Directors is responsible for approving the corporate social responsibility policy.

However, the Company has not yet approved a strategy for communication and relations with shareholders and investors or asked any commission to review the corporate social responsibility policy or monitor the corporate social responsibility strategy and practices and evaluate the degree of compliance therewith.

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.**
- b) The corporate strategy with regard to sustainability, the environment and social issues.**
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, tax responsibility, respect for human rights and the prevention of illegal conduct.**
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.**
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.**
- f) Channels for stakeholder communication, participation and dialogue.**
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.**

Complies Complies in part Explain

- 55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.**

Complies Complies in part Explain

The Annual Financial information of the fiscal year closed on November 30, 2018 will include information regarding the corporate social responsibility and its implementation.

- 56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.**

Complies Explain

- 57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.**

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Complies Complies in part Explain

- 58. In the case of variable compensation, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.**

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that consider the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, in such a way that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies Complies in part Explain Not applicable

- 59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.**

Complies Complies in part Explain Not applicable

- 60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.**

Complies Complies in part Explain Not applicable

- 61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.**

Complies Complies in part Explain Not applicable

- 62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after they were awarded.**

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies Complies in part Explain Not applicable

- 63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.**

Complies Complies in part Explain Not applicable

The Company has not seen fit to include this clause in the contract signed with its present CEO.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

- 64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.**

Complies Complies in part Explain Not applicable

The termination payment agreed in the contract with the CEO is the same as was initially included in his employment relationship with the Company. Therefore, the Board considers it should be maintained.

H. OTHER INFORMATION OF INTEREST

1. If there is any relevant aspect in relation to corporate governance in the company or in companies belonging to the group that is not included in the other sections of this report, but that it is necessary to include in order to provide more complete and substantiated information on the governance structure and practices in the company, provide a brief description thereof.
2. This section may include any other information, clarification or nuance related to the preceding sections of the Report, provided that it is relevant and is not repetitive.

Specifically, state whether the company is subject to corporate governance legislation other than the Spanish legislation and, if applicable, include any information that it is obliged to provide, other than the information required in the present report.

3. The company may likewise state whether it has adhered on a voluntary basis to other codes of ethical principles or good practices, whether they be international, industry-related or pertaining to another sphere. If applicable, identify the code in question and the date of adhesion:

- **Corporate social responsibility - Bequal certificate**

In July 10, 2017, the Certification Committee of the Bequal Foundation awarded the Company the Bequal certificate. This certificate recognizes and verifies the existence of policies to include people with disabilities as well as observance of the legally-mandatory reservation of 2% of jobs for people with disabilities.

The Bequal Foundation was founded in 2012 with the goals of promoting the social inclusion of people with disabilities in a workplace environment.

In the words of the Bequal Foundation itself: *“The Bequal certificate determines the degree of commitment in matters of Corporate Responsibility with Disability in essential areas such as strategy and leadership, senior management commitment to people with disabilities, management of human resources, compliance with regulations and inclusive policies and equal opportunities in all procedures for selection, access to employment, professional promotion and training”*.

This certificate recognizes the degree of the Company’s commitment to people with disabilities within its corporate responsibility.

- **Diversity policy**

In accordance with the rectified article 540.4.c) 6 of the Capital Companies Law (as amended by Royal-Decree Law 18/2017 of November 24, whereby the Code of Commerce, the revised text of the Capital Companies Law, approved by Royal Legislative Decree 1/2010 of July 2, and Law 22/2015 of July 20 on Account Auditing in respect of non-financial reporting and diversity were amended), we report that the Company has not approved a diversity policy for the members of the Board of Directors.

Notwithstanding, the Company’s Nominating and Compensation Commission has the duty of ensuring that the selection of the members of the Board of Directors applies exclusively criteria of merit and capacity, avoiding any bias that might imply discrimination on the grounds of gender, race, religion or origin when selecting the Board members.

In particular, at its meeting of December 13, 2016, the Nominating and Compensation Commission decided that, when new vacancies on the Board of Directors arise, they will try to fill them with people who meet the requirements of competence, experience and merits, promoting, as far as possible, an increase in the presence of women on the Board of Directors in order to progress towards a Board with a more balanced composition. Proof of the foregoing is that there has been parity in filling the two vacancies that have arisen on the Board in the last two reporting periods (through, first, the co-option of the director Ms Robin Fiala at the Board meeting held on October 5, 2017, and, second, the co-option of the director Mr Patrick Martin at the Board meeting held on July 27, 2018).

This annual corporate government report was approved by the Board of Directors of the Company at its meeting held on February 21, 2019.

State whether any directors voted against the approval of this Report or abstained in relation hereto.

Yes No

Name or corporate name of the director who did not vote in favour of the approval of this report	Reasons (against, abstention, absent)	Explain the reasons

ANNUAL REPORT ON THE COMPENSATION OF DIRECTORS IN LISTED COMPANIES



IDENTIFICATION OF ISSUER

DATE OF FISCAL YEAR END	11/30/2018
TAX IDENTIFICATION NUMBER	A28011153
CORPORATE NAME	ZARDOYA OTIS, S.A.
REGISTERED OFFICE	CALLE GOLFO DE SALÓNICA, 73 MADRID

**ANNUAL REPORT ON THE COMPENSATION OF DIRECTORS
IN LISTED COMPANIES**

A. THE COMPANY'S COMPENSATION POLICY FOR THE CURRENT YEAR

A.1. Explain the company's compensation policy. This section will include information on:

- The general principles and bases of the compensation policy.
- The most significant changes made to the compensation policy in comparison to the policy applied in the preceding fiscal year, together with any changes made during the year to the conditions for exercising previously-granted options.
- The criteria employed and the composition of the comparable groups of companies whose compensation policies were examined in order to fix the company's compensation policy.
- The relative importance of items of variable compensation in comparison to fixed items and the criteria followed to determine the different components of the directors' compensation package (compensation mix).

Explain the compensation policy

According to article 24 of the By-Laws and article 18 of the Regulations of the Board of Directors, the position of director of Zardoya Otis, S.A. (the "**Company**") will be remunerated.

In 2018, the compensation policy approved by the General Meeting on May 24, 2017 for the fiscal years 2018, 2019 and 2020 in accordance with article 529 novodecies of Royal Legislative Decree 1/2010 of July 2, whereby the revised text of the Capital Companies Law was approved, was applied for the first time (the "**Compensation Policy**").

The rules on director compensation in the Company are structured as follows:

1. Director compensation in the Bylaws

Article 24 of the Bylaws fixes global compensation for all members of the Board of Directors in their capacity as such consisting of a maximum share of 1.5% of the consolidated profit after tax up to a limit of 1% of the consolidated profit before tax. This amount can only be taken from the liquid profit (after tax) after the legal reserves and the reserves provided for in the Bylaws have been covered and a dividend of at least 10% of the paid-up share capital has been recognized in the shareholders' favour ("**Bylaw-stipulated Compensation**"). Likewise, the Bylaws state that taking out liability insurance for the directors will form part of the aforementioned upper limit on the compensation.

Furthermore, article 24 states that director compensation will follow the compensation policy that the General Meeting will approve at least every three years as a separate item on the Agenda. In particular, the compensation policy proposal put to the General Meeting will be accompanied by a specific report from the Nominations and Compensation Commission.

Likewise, the compensation policy approved by the General Meeting will be in force for the following three fiscal years and any amendment thereto or replacement thereof during this period will require prior approval from the General Meeting.

2. The Compensation Policy

a) Principles of the Compensation Policy

The Compensation Policy is based on the following general principles:

- (i) Creating value in the long term.
- (ii) Reinforcing the attainment of results and strategic objectives.
- (iii) Rewarding dedication, responsibility and professional track record.
- (iv) Not compromising director independence.
- (v) Ensuring transparency and competitiveness.
- (vi) Attracting, retaining and motivating the best professionals.

b) Director compensation in their capacity as such in the Compensation Policy

The Compensation Policy follows the profit-sharing scheme established in the Bylaw-stipulated compensation and fixes an upper annual limit of €2,000,000 for the global compensation of the directors in their capacity as such.

In particular, the Compensation Policy states that the compensation will be the sum deemed necessary to remunerate the dedication, qualifications and responsibility that the position entails, without being so high as to compromise the directors' independence (in accordance with article 18 of the Regulation of the Board of Directors).

Likewise, the Compensation Policy does not establish any attendance bonuses, per diem allowances or any additional compensation other than as described in this section b).

c) Compensation of the CEO in the Compensation Policy

The compensation of the Chief Executive Officer (Mr Bernardo Calleja Fernández for his executive duties in the Company is regulated in his contract with the Company and was expressly approved by the General Meeting in the Compensation Policy. This contract was approved by at least two thirds of the Board of Directors (with the abstention of the CEO) and received a favourable report from the Nominating and Compensation Commission, in accordance with article 249 of the Capital Companies Law.

This compensation has:

- (i) A fixed component of €285,000, which may vary by a maximum amount of €25,000 per year during the term of the Compensation Policy (see section A 3 for further details).
- (ii) A variable component based on an annual incentive (cash payment) with a target of 60% of his gross annual salary, as well as a long-term incentive package in his capacity as a UTC group executive (UTC share-based compensation scheme) (see section A 4 for further details).

Payment of the variable compensation considers whether the executive has complied with the Company's rules and regulatory and ethical procedures, management and risk control rules and procedures, and rules and procedures for the safety of people in work processes. In the event that any incident were to occur in the Company in the areas of safety or regulatory and ethical control, the Company reserves the right to reduce the executive's variable compensation or, in very serious cases, eliminate it.

(iii) Contributions to welfare and insurance systems in accordance as follows:

Item	Upper limits for 2018, 2019 & 2020 ⁽¹⁾
Contribution to a defined-contribution pension insurance policy	7% of € 62,871.28, plus 28% of the difference between his gross fixed annual compensation and €62,871.28
Insurance premiums (death and disability, life insurance, accident insurance, health insurance, etc.)	7,100 €

(1) Compensation for executive duties in the preceding 12 months refers to the whole of the compensation for the preceding year for said duties, not including the contributions and insurance premiums to which the chart refers.

In addition, the Compensation Policy also regulates the basic conditions of the contract with the CEO (term, minimum employment period, indemnity for early termination, exclusivity and post-contractual non-competition) in accordance with the Capital Companies Law, article 529 octodecies.

3. **Distribution by the Board of Directors**

This compensation fixed in the Compensation Policy for the directors in their capacity as such will be distributed among its members in the manner freely determined by the Board of Directors in each annual period, depending on the duties and responsibilities attributed to each director, whether they are members of any Board committees and any other objective circumstances deemed relevant. Likewise, the Board also distributes and approves the variable components of the compensation of the CEO and members of senior management (subsequent to a prior proposal from the Nominating and Compensation Commission and within the limits fixed by law, the Bylaws and the Compensation Policy).

4. Summary of items of compensation

The items of compensation applicable for the different types of director in the Company are summarized in the following table:

Class	Number	Fixed compensation	Variable compensation	UTC long-term incentive scheme
Executive director	1	YES	YES	YES
Proprietary directors	7	NO	YES	NO
Independent directors	2	NO	YES	NO
Other external directors	1	NO	YES	NO

The criteria applied by the Company to establish its compensation policy are consistent with those generally applied by other listed companies and the content thereof may be consulted on the following link: <http://www.otis.com/es/es/accionistas-inversores/>. Regarding the relative importance of the variable compensation items (as described in section A.4 below) in comparison with the fixed components (as described in section A.3 below), it is necessary to highlight the fact that former represented 42,57% of the total in 2018.

A.2. Information on the preparatory work and decision-making process for determining the compensation policy and the role played, if applicable, by the Compensation Commission and other governing bodies in configuring the compensation policy. This information will include, if applicable, the mandate and composition of the Compensation Commission and the identity of any external advisors whose services were used to determine the compensation policy. Likewise, the classification of any directors who participated in defining the compensation policy must be stated.

Explain the process for determining the compensation policy
--

1. The role of the General Shareholders' Meeting

Article 24 of the Bylaws and 529 novodecies of the Capital Companies Law state that the director compensation policy must be submitted for approval of the General Meeting at least once every three years as a separate item on the Agenda. The Board of Directors' proposal put to the General Meeting must contain the reasons therefor and be accompanied by a specific report from the Nominating and Compensation Commission. Both documents will be made available to shareholders on the Company's website as of the time when notice of the General Meeting is given. Shareholders may likewise request that the documents be given or sent to them free of charge.

Likewise, the director compensation policy thus approved will remain in force during the three annual periods following the period in which it is approved by the General Meeting. Any amendment thereto or replacement thereof during said period will require prior approval from the General Meeting following the procedure established for its approval.

As described in Section A 1 above, the Ordinary General Shareholders' meeting held on May 24, 2017 approved the Compensation Policy for the years 2018, 2019 and 2020. This Compensation Policy had likewise received a favourable report from the Nominating and Compensation Commission, as provided for in the Capital Companies Law, article 529 novodecies, point 2. Said report, together with the rest of the documentation, was made available to shareholders as of the date on which notice of the aforementioned Ordinary General Shareholders' Meeting was issued.

2. The role of the Board of Directors

The Board of Directors makes the decisions on the compensation of the directors in their capacity as such approved by the Board of Directors, approves the CEO's contract with the Company and approves the compensation of the CEO and senior management at the proposal of the Nominating and Compensation Commission, in accordance with the conditions set out by law and in the Bylaws and Compensation Policy.

3. The role of the Audit Committee

In relation to payment on account of director compensation for the 2018 period, the Audit Committee, at its meeting of July 27, 2018, issued a prior report in favour of making said payment and confirmed the following points:

- a) The compensation agreed was lower than 1.5% of the consolidated profit after tax and 1% of the consolidated profit before tax for the first six months of 2018 and, as of said date, sufficient funds existed to cover the payment.
- b) The legal and bylaw-stipulated reserves were fully covered in the latest statement of financial position as of November 30, 2017.
- c) The Board of Directors' approval of payment of the first interim dividend charged to the 2018 profit to shareholders.

4. The role of the Nominating and Compensation Commission

In accordance with the Capital Companies Law, article 529 quindecies, and the Regulations of the Board of Directors, article 12 B) 2 (j), the Nominating and Compensation Commission must:

- a) propose the director compensation policy to the Board of Directors;
- b) propose the compensation policy for the CEO to the Board of Directors, together with his individual compensation and other conditions of his contract; and
- c) ensure the compensation policy is respected.

Furthermore, as explained above, the Nominating and Compensation Commission reported in favour of the Compensation Policy in accordance with the Capital Companies Law, article 529 novodecies, and article 24 of the Bylaws.

Likewise, the Nominating and Compensation Commission reported favourably on this Annual Compensation Report at its meeting of February 21, 2019. At the same meeting, the Nominating and Compensation Commission drew up a proposal to the Board of Directors for limitation of, firstly, the compensation of directors in their capacity as such and, secondly, the compensation of the CEO and senior management.

At the end of 2018, the Nominating and Compensation Commission had the following composition:

Name	Position	Class
Mr Jose Maria Loizaga Viguri	Chairman	Independent
Otis Elevator Company (represented by Ms Nora LaFreniere)	Deputy Chairman	Proprietary
Mr José Miguel Andrés Torrecillas	Member	Independent
Ms Robin Fiala	Member	Proprietary
Mr Patrick Martin ¹	Member	Proprietary

5. Other

In 2018, the Company did not use the services of external advisors to determine the compensation of its directors within the framework established by law and in the Bylaws and Compensation Policy.

A.3. **State the amount and nature of the fixed components, with details, if applicable, of the executive directors' compensation for performing senior management duties, any additional compensation for the chairman or members of any Board committees, the per diem allowances for attending meetings of the Board and its committees, or any other fixed compensation for directors, together with an estimate of the annual fixed compensation to which the foregoing give rise. Identify any other non-cash benefits and the basic parameters for granting them.**

Explain the fixed components of the compensation

Mr Bernardo Calleja Fernández, the Company's Chief Executive Officer and only executive director in 2018, received fixed compensation for carrying out executive duties. This fixed compensation was €289,500 in 2018 and €281,429 in 2017 (as stated in section D 1 below). Likewise, in 2018, the Company contributed €68,332 to the defined-contribution pension plan taken out for Mr Bernardo Calleja Fernández (the amount of the contributions in 2017 was €66,597). These fixed compensation components observe the provisions of the Compensation Policy.

There is no extra compensation for holding the position of Chairman, there are no other delegate bodies (apart from the CEO) and no per diem expenses are paid for attending

¹ On July 27, 2018, Mr Patrick Martin replaced Mr Pierre Dejoux as a member of the Nominating and Compensation Commission.

Board meetings or meetings of the Nominating and Compensation Commission or Audit Committee. Notwithstanding, the duties and responsibilities, whether they are members of any Board committees, and other objective circumstances deemed relevant, are taken into account when distributing the compensation among the directors.

A.4. Explain the amount, nature and principal characteristics of the variable components of the compensation systems.

In particular:

- **Identify each one of the compensation plans of which the directors are beneficiaries, the scope thereof, its date of approval, its date of implementation, the term for which it is in force and its main features. In the case of stock option plans and other financial instruments, the general features of the plan must include information on the conditions for exercising said options or financial instruments for each plan.**
- **State any compensation that originates from profit-sharing or bonuses and the reason why it is awarded.**
- **Explain the basic parameters and grounds for any annual bonus system.**
- **The types of director (executive directors, external proprietary directors, external directors, external independent directors or other external directors) that are the beneficiaries of compensation systems or plans that include variable compensation.**
- **The basis of said variable compensation systems or plans, the criteria chosen for evaluating performance and the evaluation components and methods used to determine whether or not said evaluation criteria have been met, as well as an estimate of the total amount of variable compensation to which the current compensation plan would give rise, depending on the degree to which the assumptions or objectives taken as a reference are met.**
- **If applicable, state the periods for which an already-established payment may be deferred or delayed and/or the periods for which shares or other financial instruments, if any, may be retained.**

Explain the variable components of the compensation systems
--

1. Variable compensation of directors in their capacity as such

a) Bylaw-stipulated compensation

As stated in section A.1 above, article 24 of the Bylaws fixes the Bylaw-stipulated compensation.

b) Compensation Policy

The Compensation Policy follows the system of a share in the liquid profits established for the Bylaw-stipulated compensation and fixes an upper annual limit of €2,000,000 on the global compensation of the directors in their capacity as such.

c) Board of Directors

In line with the general trend of keeping its compensation stable, at its meeting of February 20, 2018, the Board of Directors (with a prior report in favour from the Nominating and Compensation Commission) decided to limit the total amount of its compensation to €1,200,000 for 2018 (the same as the amount approved by the Board of Directors for 2017), complying with the upper annual limit fixed by the Compensation Policy. In addition, the Board of Directors decided to delegate to its Chairman the distribution of this compensation among the Company's directors, depending on the duties and responsibilities allocated to each one of them, whether or not they are members of any Board committees, and any other objective circumstances deemed relevant.

Likewise, at its meeting of July 27, 2018, the Board decided to pay €600,000 on account of the compensation for 2018 (upon completion of the first six months of the 2018 period, in accordance with the Compensation Policy). The Audit Committee issued a favourable report on this payment, as described in section A 2 above.

2 Variable compensation of the Chief Executive Officer

In accordance with the Compensation Policy and the contract signed with the Company, Mr Bernardo Calleja Fernández, as the Company's CEO and only executive director, received the following amounts as variable compensation components:

- a) Annual incentive with a target of 60% of his gross fixed annual salary. For payment of this incentive a multiplying factor (which may be higher or lower than 1) is established, depending on the results of the business unit, and calculated in accordance with the profit plan and cash flow generated. For the final factor (coefficient), Mr Bernardo Calleja Fernández's performance in relation to the financial and non-financial objectives of the valuation of the contribution to the results of the business during the year is taken into account.

The annual incentive paid in 2018 was €215,000, calculated on his gross fixed compensation at December 31, 2017 (€230,000), with an incentive of 75.4%, representing a coefficient of 1.26 of the target amount.

- b) Long-term incentives package. Mr Bernardo Calleja Fernández, since he is a UTC Group executive, may receive an annual long-term incentive package (UTC share-based compensation scheme) from the UTC Group. The purpose of this scheme is to reward executives holding positions with important management responsibilities who, through their effort and the attainment of the planned objectives, contribute to the long-term success of the corporation and its subsidiaries, such as, for example, the Company in the present case. This scheme includes awarding different financial instruments (stock appreciation rights, performance share units and restricted stock units) to the beneficiaries. The share-based schemes are awarded annually and depend on individual performance and the attainment of objectives of the Company, Otis and United Technologies Corporation. This incentive scheme is subject to the Recharge Agreement signed in September 2010 between United Technologies Corporation (UTC) and the Company.

The shares/stock options awarded must be held for at least three years (vesting) and, furthermore, certain previously-established business objectives must be attained in order for them to be exercised.

In this respect, the valuation of the options awarded to Mr Bernardo Calleja Fernández in 2018 was €337,769, applying the following measurement criteria:

- (i) the shares are valued when they are given to the director, inasmuch as they are not subject to any subsequent condition (they are vested from the beginning); and
- (ii) options are valued when the director exercises them.

For the totality of the Company's directors, the long-term UTC incentive scheme represented a sum of €337,769 in 2018 (since the only director benefiting from said scheme was Mr Bernardo Calleja Fernández).

Variable compensation is payable in the following fiscal year, once the annual financial statements have been approved by the Board of Directors.

3 Other

Lastly, it is necessary to consider that:

- (a) Regarding the classes of director who benefit from the variable compensation systems, please see the chart summarizing the applicable items of compensation in accordance with the classification of the Company's directors in Section A.1 above, in relation to the items of compensation applicable to the different classes of director in the Company.
- (b) The basis of the variable compensation system and the methods for assessing performance used by the Company to distribute it may be found in the aforementioned articles 24 of the Bylaws, the Company's Compensation Policy, and article 18 of the Regulations of the Board of Directors.
- (c) No periods of deferral or delay in payment of the compensation of the members of the Company's Board of Directors have been established.

A.5. Explain the principal features of the long-term saving systems, including retirement and any other survivor benefits, financed fully or in part by the company, irrespective of whether the provision is made internally or externally, with an estimate of the amount thereof or equivalent annual cost, stating the type of plan, whether it is a defined-contribution or defined-benefit plan, the conditions under which the economic rights are consolidated in favour of the directors and its compatibility with any kind of indemnity for early rescission or termination of the contractual relationship between the company and the director.

Also state the contributions made in the director's favour to defined-contribution pension plans or the increase in the director's consolidated rights in the case of contributions to defined-benefit plans.

Explain the long-term saving systems

As mentioned in section A.3, the fixed component of the director compensation mix includes the contribution to the defined-contribution pension plan made by the Company for the Chief Executive Officer, Mr Bernardo Calleja Fernández, the amount of which was €68,332.58 in 2018 and €66,597 in 2017.

In this respect, the contribution for the pension commitment is drawn up in a defined-contribution pension insurance policy, where the Company makes an annual contribution in November, calculated in two portions: a first portion of €4,475.81, equivalent to 7% of €63,940.09, plus a second portion of €63,856.77, calculated by applying 28% to the difference between Mr Bernardo Calleja Fernández's gross fixed annual compensation at the contribution date and €63,940.09. The consolidation of the contributions and the respective allocation or time of accrual are based on the gross annual compensation.

A.6. State any indemnities agreed or paid in the event that a director ceases to hold office as such.

Explain the indemnities

The only director entitled to an indemnity in the event he ceases to hold office is the Chief Executive Officer. This indemnity consists of 45 days' compensation for each year of service from the time he was appointed as the Company's Chief Executive Officer (i.e. as from February 14, 2012) until the termination date of the contract. Said indemnity for termination of his contract is the same as he initially had in his employment relationship.

A.7 State the conditions that must be observed by the contracts of those who perform senior management duties as executive directors. Among others, information must be included on the term, the limits on the amounts of any indemnity, continuity clauses, notice periods and/or any other clauses relating to hiring bonuses, as well as indemnities or golden parachutes for the early rescission or termination of the contractual relationship between the company and the executive director. Include, among others, any non-compete, exclusivity, continuity, loyalty or post-contractual non-competition clauses or agreements.

Explain the contract conditions of the executive directors

The contract of the CEO received a favourable report from the Nominating and Compensation Commission and was approved by at least two thirds of the Board of Directors, in accordance with articles 249 and 529 quidecies of the Capital Companies Law. Likewise, his basic conditions were approved by the General Shareholders' Meeting in the Compensation Policy.

The specific conditions contained in this contract are as follows:

- (a) Term: indefinite.
- (b) Indemnity for early dismissal or termination by the Company: 45 days' compensation per year from the time he was appointed as the Company's CEO (i.e. February 14, 2012) until the date of termination of the contract, up to a maximum equivalent to 42 monthly payments.
- (c) Exclusivity agreement: during the time the contract is in force, unless he has the express prior authorization of the Board of Directors, Mr Bernardo Calleja Fernández will work exclusively for the Company and, if necessary, for any other UTC Group company.
- (d) Non-competition agreement: non-competition obligation for the CEO for two years after finalization of his contract with the Company. Compensation for this agreement consists of a gross sum equivalent to 12 monthly payments of the fixed compensation that the CEO had been receiving before finalization of his contract with the Company.
- (e) Continuity or loyalty agreement: none.

A.8. Explain any supplementary compensation accrued by the directors in consideration for the services rendered other than those inherent to the position.**Explain the supplementary compensation**

With the exception of the Chief Executive Officer –the Company’s only executive director–, none of the other members of the Board of Directors have rendered services to the Company other than those inherent to their positions. Please see Section A.3 and A.4 above regarding the specific characteristics of this supplementary compensation received by the Chief Executive Officer for this reason.

A.9 State any compensation in the form of advances, credits, guarantees granted, mentioning the interest rate, their basic features and any amounts that may be repayable, as well as any obligations acquired on the directors’ behalf as a guarantor.**Explain the advances, credits and guarantees granted**

The Board of Directors agreed to pay €600,000 on account of the Bylaw-stipulated compensation at the end of the first six months of 2018.

Before it was approved, the Audit Committee reported in favour of said advance payment, given that:

- (a) The Company had sufficient funds.
- (b) In the latest statement of financial position, dated November 30, 2017, the needs of the legal reserve and the Bylaw-stipulated reserve were fully covered; and.
- (c) At the meeting of the Board of Directors held on March 20, 2018 payment of the first interim dividend charged to the 2018 profit was approved for a gross amount of 0.080 euros per share with a par value of 0.10 euros, which was paid on April 10, 2018.

The Company has not granted any compensation to the directors in the form of credits or guarantees.

A.10. Explain the main features of any compensation in kind.**Explain the compensation in kind**

The Company has not awarded any compensation in kind to the directors (except for the pension plan in favour of the CEO described in section A.5).

A.11 State any compensation accrued by a director due to the payments made by the listed company to another company to which the director provides his/her services, when said payments are intended to remunerate the director’s services to the company.**Explain any compensation accrued by a director due to the payments made by the listed company to another company to which the director provides his/her services**

As shown in the chart included in Section D.1 below, some of the proprietary directors do not receive the above mentioned Bylaw-stipulated compensation, which is, instead, received by Otis Elevator Company on their behalf.

A.12 Any other item of compensation apart from the foregoing, irrespective the nature thereof or the group company that settles it, especially when it is classified as a related-

party transaction or payment thereof distorts the accurate picture of the total compensation accrued by the director.

Explain the other items of compensation
--

Patrick Martin (proprietary director of the Company since July 27, 2018) provides management services to Otis Elevator Worldwide Sprl. (a company belonging to the group of the Company's majority shareholder). The amounts paid by the Company are reimbursed to the latter by Otis Elevator Worldwide Sprl. through a contract signed with this Company.

- A.13 Explain the measures adopted by the company in relation to the compensation system in order to reduce exposure to excessive risks and adjust it to the company's long-term objectives, values and/or interests. This will, if applicable, include mention of: preventive measures to ensure that company's long-term results are taken into account in the compensation policy, any measures that establish an appropriate balance between the fixed and variable compensation components, measures adopted in relation to those categories of personnel whose professional activities have a material effect on the company's risk profile, repayment formulas or clauses to enable the company to claim the return of any results-based variable compensation components when said components were paid on the basis of figures that have since clearly been shown to be inaccurate, and, if applicable measures in place to avoid conflicts of interest.**

Explain the actions adopted to reduce risks
--

The current composition of the Board of Directors (63.64% of its members were proprietary directors in 2018) guarantees that the director compensation policy takes the results that should be obtained by the Company in the long term into account.

Thus, with the sole exception of the CEO, who receives additional fixed compensation for performing executive duties in the Company, the compensation of the Board of Directors is variable in its entirety (based on the Company's results). Furthermore, the quantitative limits contained in the Company's Bylaws, Compensation Policy and Regulations of the Board of Directors help to necessarily link director compensation to the Company's best long-term interests. Likewise, the Board of Directors has been placing a limitation on said compensation each year, taking the Company's best long-term interests into account.

B. COMPENSATION POLICY PLANNED FOR FUTURE YEARS

Repealed.

C. OVERVIEW OF THE IMPLEMENTATION OF THE COMPENSATION POLICY IN THE YEAR ENDED

- C.1. Summarize the main features of the structure and items of the compensation policy applied in the year ended that gave rise to the details of the individual compensation accrued by each one of the directors shown in section D of this report, as well as a summary of the decisions made by the Board for application of said items.**

Explain the structure and items of the compensation policy applied in the year

The following is a summary of the structure and items of the Company's director compensation system applied to the members of the Company's Board of Directors in 2018, including the amounts of the compensation for 2017 and 2016.

As stated above, the structure of the director compensation policy may be divided into: (i) those items of compensation that comprise the fixed income received by the members of Company's Board of Directors, which is only applicable to the Chief Executive Officer, the main features and procedure for application of which are described in Section A 3 above; (ii) the other items of compensation that form the variable compensation (in accordance with the Bylaws and Compensation Policy), the main features and procedure for application of which are described in section A 1 above..

For further clarification, in addition to the chart describing the individual compensation accrued by each one of the directors as set forth in section D 1 below, the breakdown of the compensation by item (in thousands of euros) for the years 2016, 2017 and 2018 may be summarized as follows:

Item of compensation	2018	2017	2016
Salaries	290	281	249
Fixed compensation	0	0	0
Variable compensation	215	230	100
Bylaw-stipulated compensation	1,200	1,200	1,200
Share-based compensation system	338	306	70
Cash compensation	2,043	2,017	1,619
Other items of compensation	68	67	57
TOTAL	2,111	2,084	1,676

D. DETAILS OF INDIVIDUAL COMPENSATION ACCRUED BY EACH DIRECTOR

Name	Class	Accrual period 2018
MR MARIO ABAJO GARCIA	Other external	From 12/01/2017 to 11/30/2018
OTIS ELEVATOR COMPANY	Proprietary	From 12/01/2017 to 11/30/2018
EURO-SYNS S.A.	Proprietary	From 12/01/2017 to 11/30/2018
MR ALBERTO ZARDOYA ARANA	Proprietary	From 12/01/2017 to 11/30/2018
MR JOSE MARIA LOIZAGA VIGURI	Independent	From 12/01/2017 to 11/30/2018
MR BERNARDO CALLEJA FERNANDEZ	Executive	From 12/01/2017 to 11/30/2018
MR MARK GEORGE	Proprietary	From 12/01/2017 to 11/30/2018
MS ROBIN FIALA	Proprietary	From 12/01/2017 to 11/30/2018
MR PATRICK BLETHON	Proprietary	From 12/01/2017 to 11/30/2018
MR JOSE MIGUEL ANDRES TORRECILLAS	Independent	From 12/01/2017 to 11/30/2018
MR PIERRE DEJOUX	Proprietary	From 12/01/2017 to 26/07/2018
MR PATRICK MARTIN²	Proprietary	From 07/27/2018 to 11/30/2018

² On July 27, 2018, Mr Patrick Martin replaced Mr Pierre Dejoux as a member of the Board of Directors.

D.1 Complete the following charts on the individual compensation of each one of the directors (including compensation for performing executive duties) accrued during the year.

- a) Compensation accrued in the company to which this report refers:
 (i) Cash compensation (thousands of €):

Name	Salaries	Fixed remuneration	Per diem	Short-term variable remuneration	Long-term variable remuneration	Compensation for membership of Board commissions	Indemnities	Other items	Total 2018	Total 2017
EURO-SYNS S.A.	0	0	0	0	0	0	0	50	50	50
MR MARIO ABAJO GARCIA	0	0	0	0	0	0	0	200	200	200
MR JOSE MARIA LOIZAGA VIGURI	0	0	0	0	0	0	0	200	200	200
OTIS ELEVATOR COMPANY	0	0	0	0	0	0	0	600	600	600
MR ALBERTO ZARDOYA ARANA	0	0	0	0	0	0	0	50	50	50
MR JOSE MIGUEL ANDRES TORRECILLAS	0	0	0	0	0	0	0	100	100	100
MR BERNARDO CALLEJA FERNANDEZ	290	0	0	215	0	0	0	68	573	578
MR PIERRE DEJOUX / MR PATRICK MARTIN	0	0	0	0	0	0	0	0	0	0
MR MARK GEORGE	0	0	0	0	0	0	0	0	0	0
MS ROBIN FIALA	0	0	0	0	0	0	0	0	0	0
MR PATRICK BLETHON	0	0	0	0	0	0	0	0	0	0

Translation of Annual Report on the Compensation of Directors originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

When preparing the above chart, the following were taken into account:

- (i) The compensation of directors in their capacity as such in accordance with the Bylaws and the Compensation Policy (i.e. a 1.5% share in the consolidated profit after tax with an upper limit of 1% of the consolidated profit) cannot be classified as “short-term variable compensation”. The CNMV’s criterion is that variable compensation should be restricted to compensation items linked to the director’s individual performance. Consequently, said variable compensation is included as “Other compensation items”.
- (ii) The proprietary directors appointed at the proposal of UNITED TECHNOLOGIES HOLDINGS, S.A.S. (“UTC”) (i.e., Mr Pierre Dejoux (replaced by Mr Patrick Martin), Mr Mark George, Mr Patrick Blethon and Ms Robin Fiala) did not receive the aforementioned Bylaw-stipulated compensation, which is received by Otis Elevator Company (a UTC Group company) on their behalf.

This is because UTC Group policy is that directors appointed at the proposal of UTC do not receive any compensation for holding directorships in Group companies. Furthermore, no UTC Group company subsequently pays said compensation to the proprietary directors, although they are remunerated in accordance with their positions and responsibilities.

(ii) Share-based compensation systems:

Name/Type/Accrual period 2018	Options held at beginning of 2018 period				Options allocated during 2017 period					Shares awarded during 2017 period
	No. of options	No. of shares affected	Exercise price (€)	Exercise period	No. of options	No. of shares affected	Exercise price (€)	Exercise period	Exercise requirements	Price / Amount
MR BERNARDO CALLEJA FERNANDEZ										
Plan A 2014	17,400	17,400	93,2	10	N/A	N/A	N/A	N/A	N/A	N/A
Plan A 2015	6,300	6,300	95,3	10	N/A	N/A	N/A	N/A	N/A	N/A
Plan B 2015	6,870	6,870	0	3	N/A	N/A	N/A	N/A	N/A	N/A
Plan A 2016	11,900	11,900	85,8	10	N/A	N/A	N/A	N/A	N/A	N/A
Plan B 2016	2,390	2,390	0	3	N/A	N/A	N/A	N/A	N/A	N/A
Plan A 2017	5,200	5,200	98,6	10	N/A	N/A	N/A	N/A	N/A	N/A
Plan B 2017	3,116	3,116	0	3	N/A	N/A	N/A	N/A	N/A	N/A
Plan A 2018	N/A	N/A	N/A	N/A	N/A	5,050	106,28	10	Must be held for a minimum period of 3 years	N/A
Plan B 2018	N/A	N/A	N/A	N/A	N/A	2,752	0	3	Must be held for a minimum period of 3 years	2,752

Name/Type/Accrual period 2018	Options exercised in 2018 period				Options matured but not exercised	Options at end of 2017 period				
	No. of options	No. of shares affected	Exercise price (€)	Gross profit (€)		No. of options	No. of shares affected	Exercise price (€)	Exercise period	Other exercise requirements
DON BERNARDO CALLEJA FERNANDEZ										
Plan A 2014	16,425	16,425	106,2	228,9	975	N/A	N/A	N/A	N/A	N/A
Plan A 2015	6,300	6,300	105,6	64,4	0	N/A	N/A	N/A	N/A	N/A
Plan B 2015	420	420	105,6	44,3	1,080	N/A	N/A	N/A	N/A	N/A
Plan A 2015	N/A	N/A	N/A	N/A	N/A	2,865	2,865	98,6	10	Mantenerse por un periodo mínimo de 3 años
Plan A 2016	N/A	N/A	N/A	N/A	N/A	11,900	11,900	85,8	10	Must be held for a minimum period of 3 years
Plan B 2016	N/A	N/A	N/A	N/A	N/A	2,390	2,390	0	3	Must be held for a minimum period of 3 years
Plan A 2017	N/A	N/A	N/A	N/A	N/A	5,200	5,200	98,6	10	Must be held for a minimum period of 3 years
Plan B 2017	N/A	N/A	N/A	N/A	N/A	3,116	3,116	0	3	Must be held for a minimum period of 3 years
Plan A 2018	N/A	N/A	N/A	N/A	N/A	5,050	5,050	106,28	10	Must be held for a minimum period of 3 years
Plan B 2018	N/A	N/A	N/A	N/A	N/A	2,752	2,752	0	3	Must be held for a minimum period of 3 years

(iii) Long-term saving systems:

Name	Company's contribution during period (thousand €)		Amount of accumulated funds (thousand €)	
	Period 2018	Period 2017	Period 2018	Period 2017
MR BERNARDO CALLEJA FERNANDEZ	68	67	593	517

b) Compensation accrued by directors of the Company from membership of Boards of Directors of other group companies

(i) Cash compensation (thousand €)

Name	Salaries	Fixed compensation	Per Diem	Short term variable remuneration	Long term variable remuneration	Compensation for membership of Board committees	Indemnities	Other remuneration	Total 2018	Total 2017
EURO-SYNS S.A.	0	0	0	0	0	0	0	0	0	0
MR BERNARDO CALLEJA FERNANDEZ	0	0	0	0	0	0	0	0	0	0
MR MARIO ABAJO GARCIA	0	0	0	0	0	0	0	0	0	0
MR JOSE MARIA LOIZAGA VIGURI	0	0	0	0	0	0	0	0	0	0
MR ALBERTO ZARDOYA ARANA	0	0	0	0	0	0	0	0	0	0
OTIS ELEVATOR COMPANY	0	0	0	0	0	0	0	0	0	0
MR JOSE MIGUEL ANDRES TORRECILLAS	0	0	0	0	0	0	0	0	0	0

(ii) Share-based compensation systems

N/A

(iii) Long-term saving systems

N/A

c) Summary of compensation (thousand €):

The summary must include the amounts for all the items of compensation included in this report that were accrued by the director, in thousands of euros.

In the case of long-term saving systems, the contributions or provisions made to systems of this nature must be included:

Name	Compensation accrued in the company				Compensation accrued in group companies				Total		
	Total cash compensation	Amount of shares awarded	Gross profit on options exercised	Total 2018 Company	Total cash compensation	Amount of shares awarded	Gross profit on options exercised	Total 2018 Group	Total 2018	Total 2017	Contribution to saving systems in the period
DON BERNARDO CALLEJA FERNANDEZ	573	0	338	911	0	0	0	0	911	884	68
DON JOSE MARIA LOIZAGA VIGURI	200	0	0	200	0	0	0	0	200	200	0
DON ALBERTO ZARDOYA ARANA	50	0	0	50	0	0	0	0	50	50	0
EURO-SYNS S.A.	50	0	0	50	0	0	0	0	50	50	0
DON MARIO ABAJO GARCIA	200	0	0	200	0	0	0	0	200	200	0
OTIS ELEVATOR COMPANY	600	0	0	600	0	0	0	0	600	600	0
DON ANDRES TORRECILLAS, JOSE MIGUEL	100	0	0	100	0	0	0	0	100	100	0
DON PATRICK MARTIN (*)	451	0	118	569	0	0	0	0	569	81	0
TOTAL	2.224	0	456	2.680	0	0	0	0	2.680	2.084	68

(*) This compensation relates to compensation as a member of the management of the company Otis Elevator Worldwide Sprl (a company belonging to the group of the Company's majority shareholder). The amounts paid by the Company are reimbursed to the latter by Otis Elevator Worldwide Sprl. through a contract signed with this Company.

D.2 Describe the relationship between the compensation obtained by the directors and the results or other measurements of the company's performance, explaining, if applicable, how variations in the company's performance may have affected the variation in the directors' compensation.

With the sole exception of the executive director, who receives additional fixed compensation for performing executive duties in the Company, the compensation of the Board of Directors is variable in its entirety and, therefore, based on the Company's results. Furthermore, the quantitative limits contained in the Company's Bylaws and Regulations of the Board of Directors have necessarily determined that director compensation is linked to the Company's best long-term interests.

In addition to said quantitative limits, as mentioned in Section A 4 above, at its meeting of February 20, 2018, the Board of Directors unanimously decided to limit the total amount of the By-Law stipulated compensation to €1,200,000.

D.3 State the result of the consultative ballot at the General Shareholders' Meeting on the annual compensation report for the preceding period, giving the number of votes against, if any.

	Number	% of total
Votes issued	339,446,038	72.15%

	Number	% of total
Votes against	25,376,973	7.48%
Votes in favour	314,019,876	92.51%
Abstentions	49,189	0.01%

E. OTHER INFORMATION OF INTEREST

If there is any other important matter concerning director compensation that it has not been possible to include in other sections of this report but that it is necessary to include to provide more complete and substantial information on the company's compensation structure and practices in relation to its directors, give a brief description thereof.

This annual compensation report was approved by the Company's Board of Directors at its meeting of February 21, 2019.

State whether any directors have voted against the approval of this report or abstained in relation thereto.

Yes []

No [X]

AUDIT COMMITTEE'S REPORT ON
THE INDEPENDENCE OF THE EXTERNAL AUDITOR
FEBRUARY 21ST, 2019

Purpose of the report

The Audit Committee of Zardoya Otis, S.A. (the “**Company**”) issues this report, prior to the audit report on the annual financial statements for the period ended November 30, 2018, in order to express its opinion on the independence of the Company’s account auditor, in accordance with article 529 *quaterdecies*, 4.f) of Royal Legislative Decree 1/2010 of July 2, whereby the Revised Text of the Capital Companies Law was approved (the “**Capital Companies Law**”), and the Regulations of the Company’s Board of Directors, article 12 A) 2 (f) (v).

The auditor to which this report refers is PricewaterhouseCoopers Auditores S.L., with registered office in Madrid, Paseo de la Castellana 259B, Torre PwC, and tax identification No. B-790312909 (the “**Auditor**”). It has been the Company’s external account auditor for more than 30 years, as stated in the Company’s 2018 Annual Corporate Governance Report.

In order to properly assess whether the Auditor meets the conditions for independence, the Committee will apply its internal regulations, as well as the Independence guidelines and rules on incompatibility set out in Law 22/2015 of July 20 on account auditing (the “**Account Auditing Law**”), and Royal Decree 1517/2011 of October 31, whereby the Implementing Regulations of the Account Auditing Law (amended by Royal Decree 877/2015 of October 2) were approved (the “**Account Auditing Regulations**”).

Information obtained on the Auditor’s independence

Written communication from the Auditor

Prior to issuing this report, in accordance with the Capital Companies Law, article 529 *quindecies*, 4.e), the Regulations of the Board of Directors, article 12 A) 2 (f), and the Regulations of the Audit Committee, article 14, the Committee has had the appropriate contacts with the external auditor in order to receive information on any questions that might place its independence at risk and any other matters related to the audit process.

With the framework of these contacts, the Audit Committee has received a written statement in which the Auditor states its independence in relation to the Company or companies that are directly or indirectly related to the latter. Furthermore, the statement provides details of additional services of any nature provided by the Auditor to the Company and its Group. Said statement is attached hereto as Exhibit 1.

Services rendered

Details of additional services of any nature provided by the Auditor to the Company and its Group in 2018 are set forth below:

- Report on the limited review of the condensed consolidated interim financial statements for the six-month period ended May 31, 2018.

- Auditor's report on the information relating to the Internal Control System (SCIIF) for 2017.

Apart from said services, neither the Company nor its Group engaged entities belonging to the Auditor's group to perform any legal, accounting, outsourcing, consulting, transaction management or financial advisory services or services of any other nature

The Audit Committee states that the additional services provided by the Auditor are not included in the services prohibited under the Accounting Auditing Law and, therefore, they are not services that mean that the Auditor is affected by any of the causes for incompatibility set forth in the Account Auditing Law, articles 16 et seq.

Auditor's fees

The Auditor has billed the Group of which the Company is the parent the total sum of 405,422 euros for auditing and other services, 47 397 euros of which related to other services. Said sum was fixed before the Auditor commenced its activity and covered the entire period for which said activity was to be performed. Furthermore, said fees are not influenced or determined by the provision of additional services and are not based on any contingencies or conditions other than changes in the circumstances that served as a basis for fixing the fees, all of which is in accordance with the Account Auditing Law, article 24.

The billing for the entirety of the services provided to the Company and its Group does not account for more than 15 percent of the Auditor's annual revenue, based on the average for the last three years. Therefore, the fees received by the Auditor cannot be deemed to be significant for the purposes of the Account Auditing Law, articles 25 and 41, or the Account Auditing Regulations, article 46.8.

Engagement conditions

Regarding the engagement conditions set forth in the Account Auditing Law, article 40, given that the Company's net revenue is higher than 50 million euros, the Audit Committee has verified that the obligation for the audit partner signing the financial statements to rotate has been met.

Opinion on the Independence of the Company's Auditor

From the information obtained through the aforementioned actions and communication channels, we have not identified any aspects that place in doubt compliance with current account auditing legislation in Spain in respect of the rules on Auditor independence and, in particular, we confirm the Auditor's independence because the following factors exist:

- The Auditor has provided written confirmation of its Independence in relation to the Company and/or companies directly or indirectly related to the latter.
- Additional services provided by the Auditor to the Company are not included among the services prohibited under the Account Auditing Law and, therefore, are not services that mean that the Auditor is affected by any cause for incompatibility.
- The fees for the audit services are fixed by the Auditor before it begins its duties and are fixed for the whole period for which said duties will be performed. Furthermore, the fees are not influenced or determined by the provision of additional services and neither are they based on contingencies or conditions other than changes in the circumstances that served as a basis for fixing the fees.

- The fees for the services provided do not account for more than 15 percent of the Auditor's total annual revenue and, therefore, cannot be deemed to be significant fees for the purposes of the Account Auditing Law.
- Compliance with the obligation for the audit partner signing the financial statements to rotate has been verified.

EXHIBIT 1

Written declaration from External Auditor



21 February 2019

Zardoya Otis, S.A.
Golfo de Salónica, 73
Madrid

Addressed to the Audit Committee

To whom it may concern:

As of 23 May 2018 we were appointed as the financial statement auditors of Zardoya Otis, S.A. and subsidiaries for the consolidated and individual financial statement year ending 30 November 2018.

Considering our appointment as auditors, and in accordance to the requirement stated in the Spanish Technical Audit Standard (Norma Técnica de Auditoría (NIA-ES)) no. 260 (Reviewed) "Communication to the Head Management Team of the Company" ("Comunicación con los responsables del gobierno de la entidad") for Public Interest Entities (PIE), the provision on the standards of auditing as defined in Article 15 of the Royal Decree 1517/2011, of 31 October, (modified by the Royal Decree 877/2015, of 2 October) approved by the Regulation derived from the Consolidated Text of the Spanish Auditing Law, and considering the terms established in Article 529 quaterdeciesm.4.e of the Consolidated Text of the Law on Corporations (TRLSC) approved by the Royal Legislative Decree 1/2010, of 2 July, modified by fourth final provision of Law 22/2015, of 20 July, on Audit Law (LAC) we confirm that:

- The audit engagement team, the audit firm, as well as other personnel of the audit firm and, when applicable, other firms within the network with any relevant extensions, has complied with the applicable independence requirements established in the Spanish Audit Law (LAC) and Regulation (EU) 537/2014, of 16 April.
- Hereafter, we include the details of the fees charged to the entity and the components that it controls, broken down by concept, such as audit services and other types of services, during the fiscal year ending 30 November 2018 of the audit firm and, if necessary, other firms in the network, in order to facilitate your evaluation of our independence framework:

Audit services in Spain

Audit of individual financial statements of Zardoya Otis, S.A.	173.030
Audit of consolidated financial statements	<u>141.528</u>

Total audit services in Spain

314.558

Audit services in Portugal	32.200
Audit services in Morocco	<u>11.267</u>

Total audit services

358.025

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

1



Other audit related services:

Interim consolidated financial statements report	38.322
Internal Control and Risk Management Systems report	<u>9.075</u>

Total audit services and related **405.422**

Other services -

Total professional services **405.422**

- Audit firm has implemented policies and designed internal procedures to guarantee a reasonable certainty that the auditors, audit firm and its personnel, as well as other people subject to independence requirements (including those working in other network firms), maintain their independence when required by the current normative. These procedures are also aimed at identifying and evaluating possible threats in relation to the audit entities, including those circumstances that may cause an incompatibility and/or those that might require the application of necessary and acceptable low-level safeguards.

In this case, in accordance to our professional judgment, and in relation to the mentioned audit, we haven't identified any circumstance, individually or as a whole, that can pose a significant threat to our independence or that may cause any incompatibility. No safeguards are required.

This confirmation has been exclusively prepared only for the addressees of this letter and as a result it should not be distributed or used for any other purpose.

Sincerely yours,

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Rafael Pérez Guerra

ZARDOYA OTIS S.A.

REPORT ON THE OPERATION OF THE AUDIT COMMITTEE IN THE REPORTING PERIOD ENDED NOVEMBER 30, 2018

1. Introduction

The purpose of this report is to review the evolution of the Audit Committee of Zardoya Otis, S.A. (the "**Company**") and the composition, duties and operation thereof, as well as to provide a summary of its actions in the 2018 reporting period.

2. Formation and evolution of the Audit Committee

The Audit Committee was created by means of a resolution passed by the Board of Directors at its meeting held on March 26, 2003 and its first meeting was held on May 27, 2003.

Law 12/2010 of June 30, on Account Auditing, introduced, among other changes that were relevant to the Company, a reform of points 2 and 4 of the Nineteenth Additional Provision of Law 24/1988 of July 28, the Securities Market Law. This amendment established that at least one of the members of the Audit Committee should be an independent and defined the functions to be performed by the Audit Committee with greater precision, especially in order to ensure the independence of the external account auditors.

As a consequence of the foregoing, at its meeting of July 28, 2010, the Board of Directors unanimously passed a resolution to amend the Regulations of the Board of Directors, in particular, article 12. At the General Shareholders' Meeting held on May 23, 2011, the scope of the reform of the Regulations of the Company's Board of Directors was explained.

The General Shareholders' Meeting held on May 24, 2012 approved a new revised text of the Bylaws, which sought to update and make technical improvements to how the Company operated and its organizational structure, including the regulations of the Audit Committee.

Likewise, as a consequence of the new developments in the legislation introduced by Law 31/2014 of December 3, which amended the Capital Companies Law in order to improve corporate governance, the Ordinary General Shareholders' Meeting held on May 26, 2015 approved the amendment of certain articles of the Bylaws. Furthermore, in the same year,

the Board of Directors passed a resolution to amend the Regulations of the Board of Directors.

The new regulations stated that at least two members of the Audit Committee should be independents and at least one of them should be appointed taking his/her knowledge and experience in accounting, audit or both into account. In consequence, taking into account the fact that there was only one independent director on the Audit Committee at that time, subsequent to a proposal and report in favour from the Nominating and Compensation Commission, the Board of Directors unanimously passed a resolution to appoint the independent director Mr José Miguel Andrés Torrecillas as a new member of the Audit Committee and the new Chairman of said Committee. Thus, the number of independent directors on the Audit Committee increased to two.

As a consequence of the National Securities Market Commission's publication of the Good Governance Code of Listed Companies on February 18, 2015, the Ordinary General Shareholders' Meeting held on May 19, 2016 passed a resolution to amend several articles of the Bylaws, the Regulations of the General Shareholders' Meeting and the Regulations of the Board of Directors, in order to introduce some of the recommendations contained in said Good Governance Code. An example of these recommendations was that the members of the Audit Committee should be designated taking their knowledge and experience in accounting, auditing or both into account (included as article 12 (A) 1 of the Regulations of the Board of Directors and article 7 of the new Audit Committee Regulations).

The fourth final provision of the new Account Auditing Law contained the amendment of the Capital Companies Law and affected, among other questions, article 529 quaterdecies of the Capital Companies Law, which refers to the Audit Committee. So, consequently, the General Shareholders' Meeting amended article 24 (bis) of the Bylaws regarding the composition of the Audit Committee to state that: (i) the Audit Committee will be formed by three members; (ii) a majority of its members must be independent; and (iii) the members, overall, must have the relevant technical knowledge in relation to the sector of activity in which the Company operates.

Likewise, at its meeting held on October 9, 2018, the Board of Directors approved the new Regulations of the Company's Audit Committee, with the previous favourable report by the Audit Committee on the same date. This new Regulation of the Audit Committee was approved by the Board of Directors after an in-depth analysis of the Technical Guide 3/2017 on Audit Commissions in Public Interest Entities (published by the CNMV on its website on June 27, 2017) and after several months of work by the Audit Committee in the preparation of a proposal. The Regulations of the Audit Committee include the recommendations included in Technical Guide 3/2017, detailing the functions and responsibilities already included in the Regulations of the Board of Directors with respect to the Audit Committee.

3. Composition of the Audit Committee

The composition of the Committee as of November 30, 2018 was as follows:

Chairman

Mr José Miguel Andrés Tordesillas (Independent)

Deputy Chairman

Mr José María Loizaga Viguri (Independent)

Member

Mr Mark George (Proprietary)

Secretary (non-member)

Ms Lorea Garcia Jauregui (non-director)

4. Operation and duties

The internal operation of the Audit Committee and its duties are governed by article 24 (bis) of the revised text of the Bylaws and by the provisions of article 12 A) of the Regulations of the Board of Directors and the Regulations of the Audit Committee. Bylaws and Regulations of the Board of Directors are available on the Company's website.

5. Summary of the activities carried out in the 2017 reporting period

In 2018, the Audit Committee performed the functions entrusted to it and had the information and documentation it deemed necessary in this respect at its disposal.

Furthermore, the person/s the Committee Chairman saw fit attended and participated in the meetings, among them: the head of Internal Audit and Internal Control (who reports directly to the Committee Chairman); the Chief Financial Officer, the Occupational Safety Manager, the Systems Manager and the Ethics and Compliance Officer (ECO). Likewise, the Committee Chairman requested the presence of the Partner and Manager of the external auditor, PricewaterhouseCoopers, at several meetings (at least when the half-yearly accounts were prepared and when the annual accounts were closed).

The Company's Audit Committee considers that it has sufficient means to comply with the requirements of the legislation currently in force and enjoys the support of the Secretary of the Audit Committee and Board of Directors, as well as the legal counsel to the Board, both of whom are responsible for ensuring the legality of the resolutions, decisions and deliberations that are adopted or take place at Audit Committee meetings.

In 2018, the Audit Committee held 8 meetings. The totality of the Committee members took part in all the meetings, being all chaired by its Chairman, Mr Jose Miguel Andrés Torrecillas, and they deliberated on and reported in favour of the following items -among others- to the Board of Directors:

1. Report on the payment of quarterly interim dividends charged to the profit for the period.
2. Internal control

- Monitoring of the effectiveness of internal audit and risk control management.

The Audit Committee must review the work and activities of the internal audit service and risk control systems. For this purpose, the head of Internal Audit and Internal Control, the CFO and the Controller attended the Audit Committee meetings and presented the compliance status of the 2018 Internal Control Plan and the results of the internal audits conducted, the areas of special emphasis, the risks noted and the corrective measures adopted, as well as the proposal for the 2019 Internal Control Plan.

Likewise, the Audit Committee approved the 2019 budget for the Internal Audit Department.

- Process audit:

The Audit Committee has been informed of all the process audits conducted for 2018, a practice that commenced in the Zardoya Otis Group in 2004. This rule is very demanding in assessing the Group's internal control system using documentation on the processes and repetitive evidence of how they operate, in such a way as to ensure that the Company's assets, liabilities and commitments are measured correctly.

3. Corporate policies

The Audit Committee examined and studied the Company's corporate policies (i.e. corporate social responsibility policy, fiscal and investment, as well as financial among others).

The Audit Committee has been informed on a regular basis of the complaints received through the different reporting channels authorized by the Company, as well as the investigations, actions and conclusions regarding them.

4. Evaluation of the Audit Committee

5. Report on the management objectives, 2019 annual budget and strategic plan.

6. Regular information to the National Securities Market Commission (CNMV).

7. Annual closure of accounts, review of the financial statements, the Annual Corporate Governance Report, review of the internal control system for financial information (SCIIF).

8. External audit

- Monitoring of the audit work in relation to the individual and consolidated annual accounts for 2018.

- Review, with the external auditor (PriceWaterhouseCoopers), of the report that was requested from the latter for various years in relation to the requirements for Internal Controls and Risk Management Systems, as set out in the contents of the Annual Corporate Governance Report.

- Meeting between the Committee members and the Partner and Manager of the external auditor, PwC.

– Review of the transactions for all items that took place between the external auditor and the Otis/UTC Group.

– Review, with the account auditors, of the possible significant weaknesses noted in the internal control system in the course of the audit, ensuring that the auditors' independence was not impaired. The SCIIF review report was issued with no exceptions.

9. Appointment and independence of the external auditor

On 21 february 2019, the Audit Committee reported favourably on the independence of the external auditor in order for it to conduct the account auditing work for the reporting period ended November 30, 2018, as required by article 12 of the Regulations of the Board of Directors and article 529 quaterdecies of the Capital Companies Law. The Audit Committee prepared a report that will be at the disposal of shareholders with all the documentation prepared for the General Shareholders Meeting of 2019.

The Audit Committee decided to submit a proposal to the Board of Directors for the appointment of PwC as the auditors of the Company and the consolidated Group for the 2019 reporting period.

10. Related transactions

Related transactions and situations where a potential conflict of interest might exist were reviewed.

11. Audit Committee Regulations:

On the occasion of the publication of the Technical Guide 3/2017 on Audit Commissions in Public Interest Entities published by the CNMV on its website on June 27, 2017, the Audit Committee decided, at its meeting of December 12, 2017, to work on a proposal to draft a regulation for the Audit Committee for approval by the Board of Directors.

After several months of work and analysis, the Audit Committee prepared a proposal for an Audit Committee Regulation that was sent to the members of the Board of Directors for review and comments, and was finally approved by the Board of Directors at its meeting of the Board of Directors the 9th October 2018

The purpose of the new Regulations of the Audit Committee is to detail and incorporate into the Company's practices the recommendations included in the Guide, detailing the functions and responsibilities already included in the Regulations of the Board of Directors regarding the Audit Committee with the various recommendations provided by the CNMV through the Technical Guide 3/2017.

Approved by the Audit Committee in Madrid on February 21, 2019

ZARDOYA OTIS S.A.

REPORT ON THE OPERATION OF THE NOMINATING AND COMPENSATION COMMISSION IN THE REPORTING PERIOD ENDED NOVEMBER 30, 2018

1. Introduction

The purpose of this report is to review the evolution of the Nominating and Compensation Commission of Zardoya Otis, S.A. (the "**Company**") and the composition, duties and operation thereof, as well as to provide a summary of its actions in the 2018 reporting period.

2. Formation and evolution of the Nominating and Compensation Commission

At its meeting of July 28, 2010, the Board of Directors was informed of the changes contained in the new Law 12/2010 of June 30 on Account Auditing. This amendment introduced a new feature that had to be included in the Regulations of the Company's Board of Directors, which was that at least one of the members of the Audit Committee had to be an independent.

In addition, the Unified Good Governance Code expressly stated that companies could not classify a director who did not meet the minimum conditions established by said Unified Code as "independent", i.e. directors who "*had not been proposed for either appointment or renewal by the Nominating Commission*" could not be classified as independents. Although none of the provisions of the Law expressly made the Nominating Commission mandatory (unlike the Audit Committee), the need to have a Nominating Commission derived indirectly from the new legal requirement for at least one independent director to form part of it.

As a consequence of the foregoing, the Board of Directors decided to create the Nominating and Compensation Commission, which held its first meeting on September 8, 2010.

The General Shareholders' Meeting held on May 24, 2012 approved a new revised text of the Bylaws, which sought to update and make technical improvements to how the Company operated and its organizational structure.

Likewise, as a consequence of the new developments in the legislation introduced by Law 31/2014 of December 3, which amended the Capital Companies Law in order to improve corporate governance, the Ordinary General Shareholders' Meeting held on May 26, 2015 approved the amendment of certain articles of the Bylaws, including the new article 24 (ter) which regulated the composition, competences and performance of the Nominating and Compensations Commission. Furthermore, in the same year, the Board of Directors passed a resolution to amend the Regulations of the Board of Directors accordingly.

Article 529 quaterdecies of Royal Legislative Decree 1/2010 of July 2, whereby the revised text of the Capital Companies Law (the "Capital Companies Law") was approved, article 24 bis of the Company's Bylaws and article 12 of the Regulations of the Company's Board of Directors establish that *"the Nominating and Compensation Commission will be formed solely by non-executive directors appointed by the Board of Directors, at least two of whom must be independent directors. The chairman of the Nominating and Compensation Commission will be appointed from among the independent directors who form part of the Commission"*.

In consequence, taking into account the fact that there was only one independent director on the Nominating and Compensation Commission at that time, subsequent to a proposal and report in favour from the Nominating and Compensation Commission, the Board of Directors unanimously passed a resolution to appoint the independent director Mr José Miguel Andrés Torrecillas as a new member of the Nominating and Compensation Commission thus, the number of independent directors on the Nominating and Compensation Commission increased to two, one of which was its Chairman (Mr Jose Maria Loizaga Viguri).

As a consequence of the National Securities Market Commission's (CMNV) publication of the Good Governance Code of Listed Companies on February 18, 2015, the Ordinary General Shareholders' Meeting held on May 19, 2016 passed a resolution to amend several articles of the Bylaws, the Regulations of the General Shareholders' Meeting and the Board of Directors decided to amend the Regulations of the Board of Directors, in order to introduce some of the recommendations contained in said Good Governance Code.

Nowadays, the Nominating and Compensation Commission is formed by 5 members, being the number of independent directors increased to two, one of which is its Chairman. The Company decided to maintain the number of members in 5 though the decision could have been to decrease the number of members to 3 in order to have majority of independents (as it is legally mandatory in the case of the Audit Committee), but the reason to maintain the number in 5 is double: (i) the Company considers that 40% of independents should be enough to warrant the independency of the goals of the commission, and (ii) the Company considers it worth to be able to have the experience and opinions of 5 members.

3. Composition of the Nominating and Compensation Commission

The composition of the Nominating and Compensation Commission as of November 30, 2018 was as follows:

Chairman

Mr José María Loizaga Viguri (independent director)

Deputy Chairman

Otis Elevator Company (proprietary director) represented by Ms Nora LaFreniere

Members

Mr José Miguel Andrés Torrecillas (independent director)

Ms Robin Fiala (proprietary director)

Mr Patrick Martin (proprietary director) Appointed by co-optation by the Board of Directors in its meeting held on July 21, 2018, substituting Mr Pierre Dejoux after his resignation.

Secretary (non-member)

Ms Lorea García Jauregui (non-director).

4. Operation and duties

The internal operation of the Nominating and Compensation Commission and its duties are governed by article 24 (ter) of the revised text of the Bylaws and by the provisions of article 12 B) of the Regulations of the Board of Directors. Both documents are available on the Company's website.

5. Summary of activities carried out in the 2018 reporting period

In 2018, the Nominating and Compensation Commission performed the functions entrusted to it and had the information and documentation it deemed necessary in this respect at its disposal. Furthermore, the person/s the Committee Chairman saw fit attended and participated in the meetings, such as the Group Human Resources Manager and the Chief Financial Officer.

The Nominating and Compensation Commission considers that it has sufficient means to comply with the requirements of the legislation currently in force and enjoys the support of the Secretary of the Commission and Board of Directors, as well as the legal counsel to the Board, both of whom are responsible for ensuring the legality of the resolutions, decisions and deliberations that are

adopted or take place at meetings of the Nominating and Compensation Commission

In 2018, the Nominating and Compensation Commission held 5 meetings, with participation by all its members. All the meetings were chaired by the Commission Chairman Mr Jose Maria Loizaga Viguri, and all the members deliberated on and reported favourably to the Board of Directors on -among others- the following items:

1. Evaluation of the Nominating and Compensation Commission and the Board of Directors 2018.

In this regard, the Nominating and Compensation Committee prepares a report on the performance of the Board of Directors and the Commission itself, based on the responses given by the directors to the annual self-evaluation questionnaire of the Board and its Commissions. On the basis of these reports prepared by the Nominating and Compensation Commission (in addition to the report prepared by the Audit Committee on its operation and performance), the Board of Directors evaluates and analyzes its content in order to establish an action plan that correct the worst-rated areas in these reports.

2. Review of the status of compliance with the action plan approved for the 2018 fiscal year to correct the deficiencies detected in the evaluation of the Board of Directors and the Nominating and Compensation Commission.
3. Review of the 2017 Director Compensation Report
4. Review of the 2017 Annual Corporate Governance Report, in respect of matter's within the Commission's scope.
5. Director compensation policy
 - Proposal to the Board of Directors for the directors and senior management compensation policy for 2018 (within the frameworks established by law, the Bylaws and the Remuneration Policy approved by the General Meeting for the years 2018, 2019 and 2020)
 - Proposal for long-term UTC share-based incentive plan.
5. Appointments. Reports in favour of the following appointments:
 - Appointment of Ms Lorea García Jáuregui, Manager of the Company's Legal Department, as: a) new non-director Secretary of the Board of Directors; b) Secretary of the Nominating and Compensation Commission; c) Secretary of the Audit Committee.

- Proposal for ratification of Ms Robin Fiala at the GMS as a new member of the Board of Directors.
- Report on reelection of Mr Mark George as member of the BoD.
- Report of appointment of Mr Patrick Martin by co-optation as new member of the Board of Directors
- Report on appointment of Mr Patrick Martin as new member of the Nominating and Compensation Commission.

Approved by the Nominating and Compensation Commission
in Madrid on February 21, 2019

REPORT OF THE BOARD OF DIRECTORS IN RELATION TO THE PROPOSAL TO APPOINT, RE-ELECT AND RATIFY THE DIRECTORS OF THE BOARD (WHICH INCLUDES THE ASSESSMENT OF THE COMPETENCE, EXPERIENCE AND MERITS)

1. Purpose of the report

The Board of Directors of Zardoya Otis, S.A. (the “**Company**”) has prepared this report in accordance with article 529 decies 5 and article 529 quindecies 3.d) of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law, according to which proposals for the appointment and re-election of directors should always be accompanied by a supporting report from the Board of Directors, in which the skills, experience and merits of the proposed candidate are evaluated.

This report was issued in accordance with article 518.e) of the Capital Companies Law, containing information on the identity and curriculum vitae of each one of the proposed directors and the category to which they belong. Moreover, in case of individual representatives, the information regarding the representative is also included.

2. Report on the ratification of Mr Patrick Martin as a proprietary director

Mr Patrick Martin was co-opted as a director in a resolution of the Board of Directors dated July 27, 2018.

The Board of Directors with a prior report in favour from the Nominating and Compensation Commission, and after analysing the competencies, merits, knowledge, experience and skills of Mr Patrick Martin (with the abstention of Mr. Patrick Martin) has agreed to propose to the Ordinary General Shareholders' Meeting the ratification of the nomination as proprietary director of Mr. Patrick Martin.

This ratification is aligned with goal of the Company of achieving a progressive renewal of the Board members, in accordance with the recommendations published on February 20, 2019 by the National Securities Market Commission in its Technical Guide 1/2019 on Appointments and Remuneration Committees.

Mr. Patrick Martin is a graduate economist and postgraduate in Economics and Finance from the University of Hartford (USA). In addition, Mr. Patrick Martin completed the Global Leadership Development Program of INSEAD. He has extensive experience in the UTC Group, where he has held various responsibilities for 25 years in multiple locations.

In light of the curriculum vitae of Mr. Patrick Martin (Appendix A), the Board of Directors considers that he has the necessary competence, experience and merits that justify the proposal of ratification of his appointment to the General Shareholders' Meeting of the Company for the statutory period of four years from the adoption of the agreement.

It is hereby stated that Mr. Patrick Martin must be considered proprietary director in accordance with the definitions contained in article 529 duodecies of the Capital Companies Law, given that his appointment has been proposed at the request of the majority shareholder, United Technologies Holdings S.A.S.

3. Report to re-elect Mr José Miguel Andrés Torrecillas as an independent director.

Mr. José Miguel Andrés Torrecillas was appointed independent director by decision of the General Shareholders' Meeting held on May 26, 2015. Since that date, he has also held the positions of Chairman of the Audit Committee and member of the Nominating and Compensation Commission of the Board of Directors.

Mr. José Miguel Andrés Torrecillas holds a degree in Economics and Business Studies from the Complutense University of Madrid and has completed business management programs at IESE, Harvard University and IMD. On the other hand, Mr. José Miguel Andrés Torrecillas has developed a large part of his professional career in a prestigious audit firm, where he has held several positions of responsibility as well as his presidency in Spain. Additionally, he has been a member of the Official Register of Account Auditors (ROAC); of the Registry of Economists Auditors (REA); of the Board of Directors of the Spanish Institute of Financial Analysts; of the Fundación Empresa y Sociedad, of the Institute of Chartered Accountants of Spain; of the Advisory Board of the Institute of Internal Auditors; and the Institute of Chartered Accountants in England & Wales (the ICAEW).

In light of the curriculum vitae of Mr. Andres Torrecillas (Appendix B), the Board of Directors considers that he has the necessary competence, experience and merits that justify the proposal of re-election as independent director to the General Shareholders' Meeting of the Company for the statutory period of four years from the adoption of the agreement

The Board of Directors expressly stated that Mr José Miguel Andrés Torrecillas, meets the necessary conditions to perform his duties and fulfils the requirements of article 5 of the Regulations of the Board of Directors and article 529 duodecies of the Capital Companies Law to be considered an independent director and his re-election has been proposed by the Nominating and Compensation Commission.

4. Report to re-elect Mr José María Loizaga as an “other external director”.

Mr. Loizaga Viguri was appointed for the first time as a Board Member of the Company on February 23rd, 1973, and his last on the General Shareholders meeting of May 2013. During this period, he has also held the position of Deputy Chairman of the Board of Directors, Chairman of the Nominating and Compensation Commission and Vice Chairman of the Audit Committee.

José María Loizaga Viguri graduated from the “Escuela de Comercio” (Madrid and Logroño) and held various executive positions in different sectors as industrial, banks, energy and food. He has received different awards and he is an Emeritus Member of the “Círculo de Empresarios” and “Commandeur de l’Ordre de Léopold II”. In concrete, he has been, among others, Chairman of the Mercapital Group, Bodegas Barón de Ley and Bodegas Lan, Deputy Chairman and CEO of Banco Urquijo and a member of the Board of a number of financial and industrial companies, among which we can mention: Banque Privée Edmond de Rothschild, S.A. (Switzerland), Banque Indosuez España, Suez International (France), Otis International Inc. (U.S.A.), Electricidad Cobra, S.A. (Spain), Amorim Investimentos e Participações (Porto/Portugal), Lácteas García Baquero, Unión Fenosa, Mecalux (Spain), etc.

In light of the curriculum vitae of Mr. Loizaga Viguri (Appendix C), the Board of Directors considers that he has the necessary competence, experience and merits that justify the proposal of re-election as other external director to the General Shareholders' Meeting of the Company for the statutory period of four years from the adoption of the agreement

The Board of Directors expressly stated that Mr Loizaga, meets the necessary conditions to perform his duties and fulfils the requirements of article 5 of the Regulations of the Board of Directors and article 529 duodecies of the Capital Companies Law to be considered an other external director and his re-election has been proposed by the Nominating and Compensation Commission.

5. Report to re-elect Mr Alberto Zardoya as a proprietary director.

Mr. Alberto Zardoya Arana was appointed director by co-optation by agreement of the Board of Directors on February 26, 2013, and was ratified and re-elected as proprietary director at the General Shareholders' Meeting held on May 27, 2013.

Mr. Alberto Zardoya Arana has a degree in industrial engineering (manufacturing engineering) from Boston University and a master's degree in Stock Exchange from the Institute of Stock Market Studies. Mr. Alberto Zardoya Arana developed his first career years closely linked to the industrial sector as an engineer and consultant in various companies and projects and has collaborated during some later phases of his career with the UTC Group.

In light of the curriculum vitae of Mr. Zardoya Arana (Appendix D), the Board of Directors considers that he has the necessary competence, experience and merits that justify the proposal of re-election as proprietary director to the General Shareholders' Meeting of the Company for the statutory period of four years from the adoption of the agreement

The Board of Directors expressly stated that Mr. Zardoya Arana, meets the necessary conditions to perform his duties and fulfils the requirements of article 5 of the Regulations of the Board of Directors and article 529 duodecies of the Capital Companies Law to be considered a proprietary director as his appointment has been proposed by the shareholder Euro Syns S.A. His re-election has the prior and favourable opinion of the Nominating and Compensation Commission.

6. Report to re-elect Euro-Syns, S.A. as a proprietary director, and recording of the continuity of its personal representative

Euro-Syns, S.A. was appointed for the first time the 31 May of 1996, being the last appointment and reelection as proprietary director ton he General Shareholders' Meeting held on May 26, 2015.

Euro-Syns, S.A. is a financial investment company of the Zardoya family group. Taking into account his accumulated experience as a Director of the Company and its commercial and professional honourability, Euro-Syns, S.A. is perfectly qualified to be re-elected as a director of the Company by the General Shareholders' Meeting of the Company for the statutory period of four years.

On the other hand, in view of the curriculum vitae of Mr. Pedro Sainz de Baranda Riva (Appendix E), the Board of Directors considers that he has the competences, merits, knowledge, experience and aptitudes necessary to exercise its functions in the board of directors of the Company as a representative individual of Euro-Syns, S.A. Don Pedro Sainz de Baranda Riva stands out for his deep technical knowledge, which he combines with his executive and management experience. Additionally, Mr. Pedro Sainz de Baranda is a mining engineer from the University of Oviedo, a Doctor of Materials Science from Rutgers University and an MBA from the Massachusetts Institute of Technology (MIT). He has also held various positions of responsibility in the group to which the Company belongs, including: Innovation Manager, Commercial Director of Otis Mexico, General Director of Otis Portugal, General Director and Chief Executive Officer of Zardoya Otis, Chairman for

the South of Europe and the Middle East and finally Global President of the company until 2014.

The Board of Directors expressly stated that Euro-Syns, S.A. meets the necessary conditions to perform its duties and fulfils the requirements of article 5 of the Regulations of the Board of Directors and article 529 duodecies of the Capital Companies Law to be considered an proprietary director, its appointment having been proposed by the company itself, since it holds a significant interest in Zardoya Otis, S.A. and the re-election has the prior and favourable report from the Nominating and Compensation Commission.

7. Report for re-election of Otis Elevator Company as a proprietary director, and recording of the continuity of its personal representative.

Otis Elevator Company was appointed director for the first time on May 30, 1984, having been its last appointment and re-election as proprietary director, by decision of the General Shareholders' Meeting held on May 26, 2015. He has also been a member of the Nominating and Compensation Commission

Otis Elevator Company is the largest elevator and escalator company in the world and belongs to the United Technologies Corporation group, and taking into account its accumulated experience as a director of the Company and its commercial and professional honourability, Otis Elevator Company is perfectly qualified to be re-elected as a director of the Company by the General Shareholders' Meeting of the Company for the statutory period of four years.

On the other hand, Ms. Nora LaFreniere, whose Curriculum Vitae has been reviewed and incorporated into this report as Appendix F, the Board of Directors considers she has the skills, merits, knowledge, experience and skills necessary to perform its functions on the Board of Directors of the Company as a representative of Otis Elevator Company. Ms Nora LaFreniere stands out for her extensive professional career, her in-depth knowledge of the sector, the Group and, in particular, of the Company, as well as her undoubted technical skills. Additionally, Doña Nora LaFreniere has a Law Degree from the University of Notre Dame and a Bachelor's Degree in Philosophy and Political Science from the University of California - San Diego. She began her professional career in different law firms and has developed his last 15 years of professional career in the UTC Group (to which both Otis Elevator Company and the Company belong), where she has held various executive and liability positions related to legal advice of Otis Elevator Company and its various divisions.

The Board of Directors expressly stated that Otis Elevator Company meets the necessary conditions to perform its duties and fulfils the requirements of article 5 of the Regulations of the Board of Directors and article 529 duodecies of the Capital Companies Law to be considered an proprietary director, its appointment having been proposed by the company itself, since its appointment was proposed by the majority shareholder, United Technologies Holdings S.A.S. and the re-election has the prior and favourable report from the Nominating and Compensation Commission.

8. Report to re-elect Mr Patrick Blethon as a proprietary director.

Mr Patrick Blethon) was appointed for the first time on the General Shareholders meeting held on may 26, 2015.

Mr. Patrick Blethon has a degree in business administration with specialization in economics, management and human resources from the Ecole Superieure Dirigeants d'Entreprise in Paris. On the other hand, Don Patrick Blethon began his career at United

Technologies in 1991 in Otis France and has since held various positions of responsibility in the UTC Group.

In light of the curriculum vitae of Mr. Patrick Blethon (Appendix G), the Board of Directors considers that he has the necessary competence, experience and merits that justify the proposal of re-election as proprietary director to the General Shareholders' Meeting of the Company for the statutory period of four years from the adoption of the agreement

The Board of Directors expressly stated that Mr. Patrick Blethon, meets the necessary conditions to perform his duties and fulfils the requirements of article 5 of the Regulations of the Board of Directors and article 529 duodecies of the Capital Companies Law to be considered a proprietary director as his appointment has been proposed by the shareholder United Technologies Holdings S.A.S. His re-election has the prior and favourable opinion of the Nominating and Compensation Commission.

9. Report on the appointment of Ms Eva Castillo Sanz as an independent director.

In consideration of the proposal of the Appointments and Remuneration Committee and in view of the curriculum vitae of Mrs. Eva Castillo Sanz (Appendix H), the Board of Directors considers that she has the necessary competence, experience and merits that justify proposing to the General Meeting of Shareholders of the Company, her appointment as independent director for the statutory period of four years from the adoption of the agreement.

Ms Eva Castillo has a degree in Law and Business from the Pontificia de Comillas University, ICADE (E-3) in Madrid. She started her professional career in investment banking, where she led the national and European divisions of the banks where she developed her professional career. In recent years she has held management positions in leading companies in the telecommunications sector, both nationally and Europeanly, and has been a member of the board of directors of several listed companies.

In addition, this appointment is consistent with the Company's objective of increasing the presence of women on the Board of Directors and that the selection policies for members of the Board of Directors exclusively address criteria of merit and ability, avoiding the appearance of biases that could imply discrimination based on sex for the selection of female directors.

The Board of Directors expressly stated that Mrs. Eva Castillo Sanz must be considered an independent director in accordance with the definitions contained in article 529 duodecies of the Capital Companies Act.

Appendix A

CV Patrick Martin

Name/Surname	Patrick Jean Roland Martin
Place and date of birth:	Stains (France) June 28th 1968
Nationality:	French
ID number	Y0712055N
Civil Status	Married
Studies:	Patrick holds both Bachelors and Masters degrees in Economics and Finance from the University of Hartford (USA)
Complementary studies or Postgraduate	Completed the INSEAD Global Leadership Development Program
Summary of professional experience	<p>Patrick has over 27 years of experience within UTC. During this time, Patrick has held various positions of increasing responsibility in Otis and BIS and worked in multiple countries (Belgium, France, Germany, Russia, Spain, Ukraine, the USA) such as, for example (i) CFO for part of Otis France; (ii) CFO of Otis Ukraine; (iii) Area Controller for a large region of Europe; (iv) CFO for Eastern Europe; and (v) FP&A Director and CFO Manufacturing for a large region of Europe.</p> <p>During the 18 months prior to this role, Patrick was VP Finance for UTC Building & Industrial Systems EMEA, a group formed in October 2013 from the combination of Otis Elevator and UTC Climate, Controls & Security. Prior to that, from August 2009 through 2014, he was the CFO of Otis South Europe and Middle East. Patrick also speaks four languages.</p>
Nowadays position:	<p>Patrick Martin is VP Finance, for Otis EMEA since January 2016. In his current role, Patrick is responsible for leading the business planning, analysis, accounting and control activities for Otis EMEA and for ensuring that Otis EMEA delivers on its financial commitments. He also focuses the EMEA Finance team's efforts to drive performance, reporting integrity, internal controls and compliance.</p>

Appendix B

CV José Miguel Andrés Torrecillas

Name/Surname	Jose Miguel Andres Torrecillas
Place and date of birth	Madrid June 26th 1955
Nationality	Spanish
ID number	51862580H
Civil Status	Widower
Studies	Graduate in Economic and Business Sciences from the Complutense University of Madrid
Complementary studies or Postgraduate	Postgraduate studies in Management Programmes at IESE, Harvard and IMD
Summary of professional experience	<p>Partner at Ernst & Young</p> <p>Managing Partner of the Banking Group at Ernst & Young</p> <p>General Managing Partner for Audit and Advisory Services at Ernst & Young España</p> <p>Managing Director of the Audit and Advisory practices at Enrnst & Young Italy and Portugal</p> <p>Chairman of Ernst & Young Spain</p> <p>Member of the Official Registry of Auditors (ROAC); of the Registry of Economic Auditors (REA); of the Governing Board of the Spanish Institute of Financial Analysts; of the Empresa y Sociedad Foundation; of the Spanish Institute of Chartered Accountants; of the Advisory Board of the Institute of Internal Auditors; of the Institute of Chartered Accountant in England & Wales (the ICAEW); of the Board of Deusto Business School (DBS); and Trustee of the Seres Foundation.</p>
Nowadays position	Since March 2015 José Miguel Andrés Torrecillas was appointed as Independent Member, by the General Meeting of Shareholders of Banco Bilbao Vizcaya Argentaria S.A.

Appendix C

CV José María Loizaga Viguri

Name/Surname	Jose Maria Loizaga Viguri
Place and date of birth	Bilbao January 09th 1936
Nationality	Spanish
ID number	13182873D
Civil Status	Married
Studies	Escuela de Comercio (Madrid and Logroño)
Complementary studies or Postgraduate	
Summary of professional experience	<p>Began his career in the financial sector in 1956 at Banco de Vizcaya, where he held various executive positions. In 1968 he joined Zardoya, S.A. as its General Manager and was responsible for merging Zardoya and Schneider Otis (subsidiary of United Technologies Corporation). From 1968 to 1980, he held several senior management positions at Otis Elevator International Group, where he served as Country Manager for Spain, Area Manager for Southern Europe and a member of the Board of Directors of Otis International and was responsible for the Group's acquisition of several companies across Europe.</p> <p>In 1980 he joined the Banco Hispano Americano Group, where he created a new investment bank, Banco Hispano Industrial. In 1982, he was appointed Deputy Chairman and CEO of Banco Unión, the second industrial bank in Spain in terms of importance (a bank in crisis acquired by the Hispano Group). He was responsible for its merger with Banco Urquijo, which was then the principal industrial bank in Spain, and was appointed Chairman and CEO of the merged entity, Banco Urquijo Union, in 1984. In 1985, he founded Mercapital, S.A. He has been Chairman of the Mercapital Group, Cartera Industrial Rea, Bodegas Barón de Ley and Bodegas Lan, Deputy Chairman and CEO of Banco Urquijo and a member of the Board of a number of financial and industrial companies, among which we can mention: Banque Privée Edmond de Rothschild, S.A. (Switzerland), Banque Indosuez España, Suez International (France), Otis International Inc. (U.S.A.), Electricidad Cobra, S.A. (Spain), Amorim Investimentos e Participações (Porto/Portugal), Lácteos García Baquero, Unión Fenosa, Mecalux (Spain), etc.</p>
Nowadays position	<p>He is currently a Director of Cartera Industrial Rea SA, Vice Chairman of Zardoya Otis, SA (Spain), Vice Chairman of the Board of Directors, Member of the Executive Committee, Audit Committee and Appointments Committee of ACS Construcciones y Servicios, SA (Spain) and member of the Board of Directors of Otis Elevators (Portugal). Likewise, he is a member emeritus of the "Círculo de Empresarios", Commandeur de "l'Ordre de Léopold II" and "Premio Marqués de Villalobar".</p>

Appendix D

CV Alberto Zardoya

<p>Name/Surname</p> <p>Place and date of birth</p> <p>Nationality</p> <p>ID number</p> <p>Civil Status</p> <p>Studies</p> <p>Complementary studies or Postgraduate</p> <p>Summary of professional experience</p>	<p>Alberto Zardoya Arana</p> <p>San Sebastian March 25th 1961</p> <p>Spanish</p> <p>15938250D</p> <p>Married</p> <p>BA Manufacturing Engineering, Boston University de Boston MA, EE.UU</p> <p>Master en Bolsa por IEB, Instituto de Estudios Bursátiles de Madrid</p> <p>Savera, Elevator Guide Rails (Vera de Bidasoa, Navarra, Spain) Responsibilities in Manufacturing Engineering and Quality departments.</p> <p>Otis Elevator Company (Gien, France) Responsibilities in the Manufacturing Engineering department. Mayor achievement to write a software to link heavy lift elevator parametric data to machine data for automatic real time customizes manufacturing process.</p> <p>Andersen Consulting (Madrid, Spain) Mayor achievement to install a and run a MRP system for Spain's national railway system main locomotive maintenance warehouse located in Villaverde Bajo, Madrid.</p> <p>UTC Research Center (San Sebastian, Spain). Team member for the development of plasma spay gun.</p> <p>Sikorsky Helicopters (Stratford, CT, EE.UU). Responsibilities in manufacturing Engineering department including all types of metallic and composite material processes. Main focal point to manage contract with all S-92 program partners including, Taiwan, Japan, China, Brazil, Spain, and local USA supplies.</p> <p>Sikorsky Helicopters (Gamesa, Vitoria, Spain) S-92 Program Manager Spain (Main rotor pylon, interior and horizontal tail) and European purchasing Manager.</p> <p>UTC Aerospace (San Sebastián, Spain) UTC consolidation purchasing manager Europe. Responsible to identify purchasing synergies between all UTC aerospace (Pratt ad Whitney, Hamilton Sundstrand and Sikorsky Aircraft) and non-aerospace division (Carrier and Otis).</p>
<p>Nowadays position</p>	<p>Mecalux, SA (Barcelona, Spain). Design and manufacture of full automatic warehouses. Member of the board.</p> <p>Eurosyns, SA (Madrid, Spain) Holding Company. Executive.</p>

Appendix E

CV Pedro Sainz de Baranda

Name/Surname	Pedro Sainz de Baranda
Place and date of birth	Gijon March 23th 1963
Nationality	Spanish
ID number	09357777C
Civil Status	Married
Studies	He holds a degree in Mining Engineering from the University of Oviedo
Complementary studies or Postgraduate	Ph.D. in Materials Science and Engineering from Rutgers University and an MBA from MIT.
Summary of professional experience	<p>Has developed most of his professional career at United Technologies Corporation, starting at the Corporate Research Center (UTRC) and then at Otis where he held different positions such as Manager of Innovation (USA), New Equipment Director at Otis Mexico, Managing Director at Otis Portugal and then at Otis Spain (Zardoya-Otis), President for Southern Europe and the Middle East and most recently President of Otis until 2014.</p> <p>He led the team that developed the key technical innovation that resulted in the launch of the Gen2 elevator family, which has turned into the fastest selling product in Otis' history. He is a recipient of the "George Mead Medal", the greatest technical recognition granted by the Board of Directors of UTC (Otis' parent Company) and is the named inventor in over 100 international patents.</p>
Nowadays position	Sainz de Baranda is also a founding partner at Sainberg Investments, a firm that is specialized in implementing growth plans in SMEs and an independent Director in Gestamp Automocion, S.A. and Naturgy Energy Group S.A.

Appendix F

CV Nora Lafreniere

Name/Surname	Nora Lafreniere
Place and date of birth:	New York April 08th 1971
Nationality:	EEUU
ID number	A4001231B
Civil Status	Single
Studies:	Nora has a law degree from the University of Notre Dame and a bachelor's degree in philosophy and political science from the University of California-San Diego.
Complementary studies or Postgraduate	
Summary of professional experience	Nora has more than 20 years of experience in the legal field. Following positions at law firms Morgan Lewis and Bingham McCutchen, she joined United Technologies in 2000. In her 15 year career at UTC, Nora started as Assistant Counsel at Otis North and South America Headquarters. In 2002, she was named Executive Assistant to the President of Otis World Headquarters. Nora then transferred to UTC Headquarters in 2004 as Assistant General Counsel. From 2005 to 2011, she served as Deputy General Counsel and later as Vice President, General Counsel at UTC Fire & Security. In 2011, she was named Vice President and General Counsel of UTC Climate Controls and Security, and in 2013 was named Vice President and General Counsel of UTC Building & Industrial Systems.
Nowadays position:	Nora LaFreniere was named Vice President and General Counsel Otis Elevator Company in October 2015. In this role, she leads and provides strategic direction for the global legal function. She also leads the Otis Business Development function.

Appendix G

CV Patrick Blethon

Name/Surname	Patrick Blethon
Place and date of birth:	Paray-Le-Monial May 25th 1966
Nationality:	French
ID number	Y4367442D
Civil Status	Married
Studies:	Bachelor of business administration with specialization in economics, management and human resources by the Ecole Superieure Dirigeants d'Entreprise de Paris.
Complementary studies or Postgraduate	
Summary of professional experience	<p>Patrick Blethon started his career at United Technologies in 1991 at Otis France as a salesman of new equipment, then he held additional responsibilities in the sales activities of new equipment and services, and in 2005 Patrick was appointed Director of New Equipment Operations and Marketing Director of Otis France, was subsequently appointed Area Manager of Eastern Europe and Director General of Russia in 2006.</p> <p>In 2009, he was named Vice President of Strategy and Corporate Development, at Otis headquarters in Connecticut (United States). In 2012, he was appointed President of the Pacific and Asia Area of Otis Elevator Company, and was a member of the Otis Executive Committee from 2009 to 2013.</p> <p>From October 2013 to January 2015, Patrick Blethon served as President of the South Asia and Pacific region of UTC Building & Industrial Systems, where he led the BIS business areas -including Otis elevator areas, staircases mechanical, heating, ventilation, air conditioning and refrigeration systems, fire safety systems and other safety systems of brands such as Kidde and Chubb- in India, Southeast Asia and Australasia.</p> <p>In 2014, the French government conferred on him the honor of naming him Chevalier de l'Ordre National du Mérite (Knight of the National Order of Merit). Patrick Blethon was appointed President of the European region of UTC Building & Industrial Systems (BIS) in January 2015</p>
Nowadays position:	Currently, he works in Brussels and is responsible for the sales, marketing, installation and service areas of BIS in Europe and Africa.

Appendix H

CV Eva Castillo Sanz

Name/Surname	Eva Castillo Sanz
Place and date of birth:	Madrid, 1962
Nationality:	Española
ID number	00800906T
Civil Status	Single
Studies:	Ms. Castillo holds BA Degrees in Business and Law from Universidad Pontificia de Comillas, ICADE (E- 3) in Madrid.
Complementary studies or Postgraduate	
Summary of professional experience	<p>She was member of the Board Directors of Telefónica, S.A, since January 2008 until May 2018 , Chairperson of the Supervisory Board of Telefónica Deutschland Holding, AG, since the IPO of the company at the end of 2012 until May 2018, member of the Board of Directors of Visa Europe Limited since November 2014 until January 2017, and member of the Board of the Telefonica Foundation.</p> <p>From February 2011 to February 2013 she was member of the Board of Director of Old Mutual, Plc. and since May 2010 until January 2014 she was Chairperson of the Supervisory Board of Telefónica Czech Republic, a.s.</p> <p>From September 2012 until February 2014 she has been CEO of Telefónica Europe and member of Telefonica Executive Committee.</p> <p>Until December 2009, she headed Merrill Lynch Global Wealth Management business operations in Europe, the Middle East and Africa (EMEA) and she was a member of the Merrill Lynch EMEA Executive Committee and the Global Wealth Management Executive and Operating Committees.</p> <p>Prior to the mentioned position, she served as head of Merrill Lynch Global Markets & Investment Banking in Iberia as well as President of Merrill Lynch Spain (October 2003), and before that as Chief Operating Officer for Equity Markets in Europe, Middle East and Africa.</p> <p>Ms. Castillo joined Merrill Lynch in 1997 as head of Equity Markets for Spain and Portugal. In 1999 she was promoted to Country Manager for Spain and Portugal and in 2000 she became CEO of Merrill Lynch Capital Markets España.</p> <p>Before joining Merrill Lynch, she worked for Goldman Sachs in London for 5 years in the International Equity Markets Department. Prior to this she worked for 5 years at the Spanish broker Beta Capital in the Sales and Equity Research Department.</p>
Nowadays position:	She is member of the Board of Directors Bankia and member of the Board of the Comillas-ICAI Foundation and Entreculturas Foundation.

REPORT OF THE NOMINATING AND COMPENSATION COMMISSION OF ZARDOYA OTIS, S.A. IN RELATION TO THE PROPOSAL TO RATIFY THE APPOINTMENT OF MR PATRICK MARTIN AS A DIRECTOR

1. Purpose of the report

The Nominating and Compensation Commission of Zardoya Otis, S.A. (the “**Company**”) has prepared this report in accordance with article 529 decies 6 and article 529 quidecies 3.d) of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law, according to which proposals for the appointment and re-election of non-independent directors should always be accompanied by a supporting report from the Nominating and Compensation Commission, in which the skills, experience and merits of the proposed candidate are evaluated.

This report was issued in accordance with article 518.e) of the Capital Companies Law, containing information on the identity and curriculum vitae of each one of the proposed directors and the category to which they belong.

2. Favourable report on the co-option of Mr Patrick Martin as a proprietary director issued by the Nominating and Compensation Commission

In the opinion of the Nominating and Compensation Commission, Mr. Patrick Martin, whose Curriculum Vitae has been reviewed and incorporated into this report as Annex A, has the competencies, merits, knowledge, experience and skills necessary to perform his duties in the Board of Directors, and, therefore, is perfectly capable for the development of a prudent management of the Company, without appreciating factors that could determine a conflict with the interests of the Company or that prevented it from being adequately dedicated to its functions as Director of the Company. For all these reasons, Mr. Patrick Martin is perfectly qualified to be reelected and ratified as a director of the Company for the statutory period of four years.

The Nominating and Compensation Commission has reviewed its extensive professional trajectory, experience in the sector, his knowledge in economics and finance and all the requirements related to professional and commercial integrity, necessary for the performance of the position of director, as well as the provision for effectively exercise their functions. In addition, the Nominating and Compensation Commission has assessed the appointment of Mr. Patrick Martin (who was appointed by co-option at the meeting of the Board of Directors on July 27, 2018) as a sign of a progressive renewal of the Board of Directors, in accordance with the recommendations published on February 20, 2019 by the National Securities Market Commission in its Technical Guide 1/2019 on Appointments and Remuneration Committees.

Mr. Patrick Martin is a graduate economist and postgraduate in Economics and Finance from the University of Hartford (USA). In addition, Mr. Patrick Martin completed the Global Leadership Development Program of INSEAD. He has extensive experience in the UTC Group, where he has held various responsibilities for 25 years in multiple locations.

Likewise, it is expressly stated that, in the opinion of the Nominating and Compensation Commission, Mr Patrick Martin meets the requirements set out in article 5 of the Regulations of the Board of Directors and article 529 duodecies of the Capital Companies Law to be considered a proprietary director, his appointment having been proposed by the shareholder United Technologies Holdings S.A.S.

Exhibit A

MR PATRICK MARTIN

Patrick Martin holds a first degree and a Master's in Economics and Finance from the University of Hartford (USA) and completed the Global Leadership Development Program at INSEAD.

With more that 20 years experience in Otis Group of companies, Mr Patrick Martin has held different positions. Nowadays, he is VP and Finance Director for OTIS EMEA.

Likewise, he has held numerous positions with international responsibilities at Otis Elevator Company, such as, for example (i) CFO for France; (ii) CFO of Otis Ukraine; (iii) Area Controller based in Otis Germany; (iv) CFO for Eastern Europe; and (v) FP&A and CFO for a large region of Europe.

In 2009, he was appointed Financial Vice President for South Europe and the Middle East.

In 2014, he was appointed Financial Vice President of Otis EMEA and continues to hold this position.

**NOMINATING AND COMPENSATION COMMISSION OF ZARDOYA OTIS, S.A.
PROPOSAL OF REELECTION PROPOSAL OF MR ANDRES AS AN
INDEPENDENT DIRECTOR**

1. Purpose of the report

The Nominating and Compensation Commission of Zardoya Otis, S.A. (the “**Company**”) has prepared this report in accordance with article 529 decies 4 and article 529 quindecies 3.c) of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law, according to which proposals for the appointment and re-election of independent directors should always be proposed by the Nominating and Compensation Commission.

This report was issued in accordance with article 518.e) of the Capital Companies Law, containing information on the identity and curriculum vitae of each one of the proposed directors and the category to which they belong.

2. Proposal of reelection of Mr Jose Miguel Andrés as independent director

The Nominating and Compensation Commission proposes Mr Jose Miguel Andrés to be reelected as Director of the Company for the statutory period of 4 years. The Curriculum Vitae has been reviewed and incorporated into this report as Annex A, has the competencies, merits, knowledge, experience and skills necessary to perform his duties in the Board of Directors, and, therefore, is perfectly capable for the development of a prudent management of the Company, without appreciating factors that could determine a conflict with the interests of the Company or that prevented it from being adequately dedicated to its functions as Director of the Company.

The Nominating and Compensation Commission has reviewed its extensive professional trajectory, his knowledge in audit, economics and finance and all the requirements related to professional and commercial integrity, necessary for the performance of the position of director, as well as the provision for effectively exercise their functions.

The Nominating and Compensation Commission has assessed the proven experience and professional career of Mr. José Miguel Andrés Torrecillas, having spent most of his career in various executive positions related to the audit sector and his membership in recent years to the Board of Directors at one of the leading financial entities in Spain. Likewise, the Nominating and Compensation Commission has also positively assessed its performance as a director of the Company since 2015 and its additional contributions as Chairman of the Audit Committee and member of the Nominating and Compensation Commission.

Mr. José Miguel Andrés Torrecillas holds a degree in Economics and Business Studies from the Complutense University of Madrid and has completed business management programs at IESE, Harvard University and IMD. On the other hand, Mr. José Miguel Andrés Torrecillas has developed a large part of his professional career in a prestigious audit firm, where he has held several positions of responsibility as well as his presidency in Spain. Additionally, he has been a member of the Official Register of Account Auditors (ROAC); of the Registry of Economists Auditors (REA); of the Board of Directors of the Spanish Institute of Financial Analysts; of the Fundación Empresa y Sociedad, of the Institute of Chartered Accountants of Spain; of the Advisory Board of the Institute of Internal Auditors; and the Institute of Chartered Accountants in England & Wales (the ICAEW).

Likewise, it is expressly stated that, in the opinion of the Nominating and Compensation Commission, Mr Andres meets the requirements set out in article 5 of the Regulations of the Board of Directors and article 529 duodecies of the Capital Companies Law to be considered an independent director.

Exhibit A: CV of Mr Andres Torrecillas

Born in Madrid in 1955

Spanish nationality

Graduate in Economic and Business Sciences from the Complutense University of Madrid

Postgraduate studies in Management Programmes at IESE, Harvard and IMD

Professional Background

1987 Partner at Ernst & Young

1989 - 2004 Managing Partner of the Banking Group at Ernst & Young

2001 - 2004 General Managing Partner for Audit and Advisory Services at Ernst & Young España

2008 - 2013 Managing Director of the Audit and Advisory practices at Enrnst & Young Italy and Portugal

2004 – 2014 Chairman of Ernst & Young Spain

On March 2015 José Miguel Andrés Torrecillas was appointed as Independent Director, by the General Meeting of Shareholders of Banco Bilbao Vizcaya Argentaria S.A.

Member of the Official Registry of Auditors (ROAC); of the Registry of Economic Auditors (REA); of the Governing Board of the Spanish Institute of Financial Analysts; of the Empresa y Sociedad Foundation; of the Spanish Institute of Chartered Accountants; of the Advisory Board of the Institute of Internal Auditors; of the Institute of Chartered Accountant in England & Wales (the ICAEW); of the Board of Deusto Business School (DBS); and Trustee of the Seres Foundation.

**REPORT OF THE NOMINATING AND COMPENSATION COMMISSION OF
ZARDOYA OTIS, S.A. IN RELATION TO THE RE-ELECTION OF MR JOSE MARIA
LOIZAGA VIGURI AS DIRECTOR**

1. Purpose of the report

The Nominating and Compensation Commission of Zardoya Otis, S.A. (the “**Company**”) has prepared this report in accordance with article 529 decies 6 and article 529 quidecies 3.d) of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law, according to which proposals for the appointment and re-election of non-independent directors should always be accompanied by a supporting report from the Nominating and Compensation Commission, in which the skills, experience and merits of the proposed candidate are evaluated.

This report was issued in accordance with article 518.e) of the Capital Companies Law, containing information on the identity and curriculum vitae of each one of the proposed directors and the category to which they belong.

2. Favourable report on the reelection of Mr Jose Maria Loizaga as “other external”.

In the opinion of the Nominating and Compensation Commission, Mr. Loizaga Viguri, whose Curriculum Vitae has been reviewed and incorporated into this report as Annex A, has the competencies, merits, knowledge, experience and skills necessary to perform his duties in the Board of Directors, and, therefore, is perfectly capable for the development of a prudent management of the Company, without appreciating factors that could determine a conflict with the interests of the Company or that prevented it from being adequately dedicated to its functions as Director of the Company. For all these reasons, Mr. Loizaga Viguri is perfectly qualified to be reelected as a director of the Company for the statutory period of four years.

The Nominating and Compensation Commission has reviewed its extensive professional trajectory, experience in the sector, his knowledge in economics and finance and all the requirements related to professional and commercial integrity, necessary for the performance of the position of director, as well as the provision for effectively exercise their functions. In addition, the Nominating and Compensation Commission has assessed the appointment of Mr. Loizaga Viguri as he has held various executive positions within the Zardoya-Otis Group since 1968, as well as in other financial entities and companies of recognized prestige and leaders in their respective sectors. On the other hand, the Nominating and Compensation Commission has also positively assessed its performance as a Board Member of the Company during the last years and its additional contributions as Chairman of the Nominating and Compensation Commission and Vice Chairman of the Audit Committee

José María Loizaga Viguri graduated from the “Escuela de Comercio” (Madrid and Logroño) and held various executive positions in different sectors as industrial, banks, energy and food. He has received different awards and he is an Emeritus Member of the “Círculo de Empresarios” and “Commandeur de l’Ordre de Léopold II”. In concrete, he has been, among others, Chairman of the Mercapital Group, Bodegas Barón de Ley and Bodegas Lan, Deputy Chairman and CEO of Banco Urquijo and a member of the Board of a number of financial and industrial companies, among which we can mention: Banque Privée Edmond de Rothschild, S.A. (Switzerland), Banque Indosuez España, Suez International (France), Otis International Inc. (U.S.A.), Electricidad Cobra, S.A. (Spain),

Amorim Investimentos e Participações (Porto/Portugal), Lácteas García Baquero, Unión Fenosa, Mecalux (Spain), etc.

Likewise, it is expressly stated that, in the opinion of the Nominating and Compensation Commission, Mr Loizaga Viguri meets the requirements set out in article 5 of the Regulations of the Board of Directors and article 529 duodecies of the Capital Companies Law to be considered “Other External Director”.

Exhibit A: CV of Mr Jose Maria Loizaga Viguri

José María Loizaga Viguri was born in Bilbao in 1936. He graduated from the “Escuela de Comercio” (Madrid and Logroño) and began his career in the financial sector in 1956 at Banco de Vizcaya, where he held various executive positions. In 1968 he joined Zardoya, S.A. as its General Manager and was responsible for merging Zardoya and Schneider Otis (subsidiary of United Technologies Corporation). From 1968 to 1980, he held several senior management positions at Otis Elevator International Group, where he served as Country Manager for Spain, Area Manager for Southern Europe and a member of the Board of Directors of Otis International and was responsible for the Group’s acquisition of several companies across Europe.

In 1980 he joined the Banco Hispano Americano Group, where he created a new investment bank, Banco Hispano Industrial. In 1982, he was appointed Deputy Chairman and CEO of Banco Unión, the second industrial bank in Spain in terms of importance (a bank in crisis acquired by the Hispano Group). He was responsible for its merger with Banco Urquijo, which was then the principal industrial bank in Spain, and was appointed Chairman and CEO of the merged entity, Banco Urquijo Union, in 1984. In 1985, he founded Mercapital, S.A.

He has been Chairman of the Mercapital Group, Bodegas Barón de Ley and Bodegas Lan, Deputy Chairman and CEO of Banco Urquijo and a member of the Board of a number of financial and industrial companies, among which we can mention: Banque Privée Edmond de Rothschild, S.A. (Switzerland), Banque Indosuez España, Suez International (France), Otis International Inc. (U.S.A.), Electricidad Cobra, S.A. (Spain), Amorim Investimentos e Participações (Porto/Portugal), Lácteas García Baquero, Unión Fenosa, Mecalux (Spain), etc.

He is currently Chairman of Cartera Industrial Rea S.A., Deputy Chairman of Zardoya Otis, S.A. (Spain), Deputy Chairman of the Executive Committee, Chairman of the Audit Committee and Chairman of the Nominating Commission of ACS Construcciones y Servicios, S.A. (Spain) and member of the Board of Directors of Otis Elevators (Portugal). He is a member of the Belgian-Luxembourg Chamber of Commerce and “Premio Marqués de Villalobar”. Likewise, he is an Emeritus Member of the “Círculo de Empresarios” and “Commandeur de l’Ordre de Léopold II”.

REPORT OF THE NOMINATING AND COMPENSATION COMMISSION OF ZARDOYA OTIS, S.A. IN RELATION TO THE RE-ELECTION OF MR ALBERTO ZARDOYA AS DIRECTOR

1. Purpose of the report

The Nominating and Compensation Commission of Zardoya Otis, S.A. (the “**Company**”) has prepared this report in accordance with article 529 decies 6 and article 529 quidecies 3.d) of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law, according to which proposals for the appointment and re-election of non-independent directors should always be accompanied by a supporting report from the Nominating and Compensation Commission, in which the skills, experience and merits of the proposed candidate are evaluated.

This report was issued in accordance with article 518.e) of the Capital Companies Law, containing information on the identity and curriculum vitae of each one of the proposed directors and the category to which they belong.

2. Favourable report on the co-option of Mr Zardoya Arana as a proprietary director

In the opinion of the Nominating and Compensation Commission, Mr Zardoya Arana, whose Curriculum Vitae has been reviewed and incorporated into this report as Annex A, has the competencies, merits, knowledge, experience and skills necessary to perform his duties in the Board of Directors, and, therefore, is perfectly capable for the development of a prudent management of the Company, without appreciating factors that could determine a conflict with the interests of the Company or that prevented it from being adequately dedicated to its functions as Director of the Company. For all these reasons, Mr Zardoya Arana is perfectly qualified to be reelected as a director of the Company for the statutory period of four years.

The Nominating and Compensation Commission has reviewed its extensive professional trajectory, experience in the sector, highlighting his knowledge of the sector and the Company and his performance of executive positions in different companies of the industrial sector, among which are some divisions of the UTC Group. On the other hand, Nominating and Compensation Commission has also positively assessed its performance and value contributions as a director of the Company in recent years.

Mr. Alberto Zardoya Arana has a degree in industrial engineering (manufacturing engineering) from Boston University and a master's degree in Stock Exchange from the Institute of Stock Market Studies. Mr. Alberto Zardoya Arana developed his first career years closely linked to the industrial sector as an engineer and consultant in various companies and projects and has collaborated during some later phases of his career with the UTC Group.

Likewise, it is expressly stated that, in the opinion of the Nominating and Compensation Commission, Mr Zardoya Arana meets the requirements set out in article 5 of the Regulations of the Board of Directors and article 529 duodecies of the Capital Companies Law to be considered a proprietary director, his appointment having been proposed by the shareholder Euro Syns S.A.

Exhibit A: CV of Mr Alberto Zardoya

Born March 25th 1961. Married, 3 children.

Studies

- **1982 - 1986 - BA Manufacturing Engineering, Boston University de Boston MA, EE.UU.**
- **1991 -1992 - Master en Bolsa por IEB, Instituto de Estudios Bursátiles de Madrid.**

Professional background

- **1986 - 1988 Savera, Elevator Guide Rails (Vera de Bidasoa, Navarra, Spain)** Responsibilities in Manufacturing Engineering and Quality departments.
- **1988 - 1990 Otis Elevator Company (Gien, France)** Responsibilities in the Manufacturing Engineering department. Mayor achievement to write a software to link heavy lift elevator parametric data to machine data for automatic real time customizes manufacturing process.
- **1990 - 1991 Andersen Consulting (Madrid, Spain)** Mayor achievement to install a and run a MRP system for Spain's national railway system main locomotive maintenance warehouse located in Villaverde Bajo, Madrid.
- **1992 - 1995 UTC Research Center (San Sebastian, Spain).** Team member for the development of plasma spay gun.
- **1995 - 2000 Sikorsky Helicopters (Stratford, CT, EE.UU).** Responsibilities in manufacturing Engineering department including all types of metallic and composite material processes. Main focal point to manage contract with all S-92 program partners including, Taiwan, Japan, China, Brazil, Spain, and local USA supplies.
- **2000 - 2004 Sikorsky Helicopters (Gamesa, Vitoria, Spain)** S-92 Program Manager Spain (Main rotor pylon, interior and horizontal tail) and European purchasing Manager.
- **2004 - 2006 UTC Aerospace (San Sebastián, Spain)** UTC consolidation purchasing manager Europe. Responsible to identify purchasing synergies between all UTC aerospace (Pratt ad Whitney, Hamilton Sundstrand and Sikorsky Aircraft) and non-aerospace division (Carrier and Otis).

Actual position

- **Mecalux, SA (Barcelona, Spain). Design and manufacture of full automatic warehouses.** Member of the board.
- **Eurosyns, SA (Madrid, Spain) Holding Company.** Executive.
- **Lancea, SL (Madrid, Spain) Fuel Cell marketing in Spain a Portugal.** Executive and investor.

REPORT ON THE PROPOSAL TO RE-ELECT EURO-SYNS, S.A. AS A PROPRIETARY DIRECTOR, WITH MR PEDRO SAINZ DE BARANDA REMAINING AS ITS PERSONAL REPRESENTATIVE

1. Purpose of the report

The Nominating and Compensation Commission of Zardoya Otis, S.A. (the “**Company**”) has prepared this report in accordance with article 529 decies 6 and article 529 quidecies 3.d) of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law, according to which proposals for the appointment and re-election of non-independent directors should always be accompanied by a supporting report from the Nominating and Compensation Commission, in which the skills, experience and merits of the proposed candidate are evaluated.

This report was issued in accordance with article 518.e) of the Capital Companies Law, containing information on the identity and curriculum vitae of each one of the proposed directors and the category to which they belong.

2. Favourable report on the re-election of Euro Syns S.A. as a proprietary director with Mr Pedro Sainz de Baranda remaining as its personal representative

Euro-Syns, S.A. is a financial investment company of the Zardoya family group. In the opinion of Nominating and Compensation Commission and taking into account his accumulated experience as a Director of the Company (it was appointed for the first time in 1996) and its commercial and professional honourability, Euro-Syns, S.A. is perfectly qualified to be re-elected as a director of the Company by the General Shareholders' Meeting of the Company for the statutory period of four years.

On the other hand, in the opinion of the Nominating and Compensation Commission, Mr. Pedro Sainz de Baranda Riva, whose Curriculum Vitae has been reviewed and incorporated into this report as Annex A, has the skills, merits, knowledge, experience and skills necessary to exercise its functions on the Board of Directors of the Company as a representative of the individual person of Euro-Syns, SA and, therefore, it is perfectly capable for the development of a prudent management of the Company, without appreciating factors that could determine a conflict with the interests of the Company or that impeded an adequate dedication to its functions as a representative of Euro-Syns, SA For all these reasons, Mr. Pedro Sainz de Baranda Riva is perfectly qualified to be re-elected as the individual representative of the Company's director.

On the other hand, the Nominating and Compensation Commission has also positively evaluated its performance and value contributions as a natural person representative of the Euro-Syns, S.A. during last years.

Mr. Pedro Sainz de Baranda Riva stands out for his deep technical knowledge, which he combines with his executive and management experience, having occupied various executive positions in the Society's group. Additionally, Mr. Pedro Sainz de Baranda is a Mining Engineer from the University of Oviedo, a Doctor of Materials Science from Rutgers University and an MBA from the Massachusetts Institute of Technology (MIT). He has also held various positions of responsibility in the group to which the Company

belongs, including: Innovation Manager, Commercial Director of Otis Mexico, General Director of Otis Portugal, General Director and Chief Executive Officer of Zardoya Otis, Chairman for the Southern Europe and the Middle East and more recently Global President of the Otis Elevator Company until 2014.

Likewise, it is expressly stated that, in the opinion of the Nominating and Compensation Commission, Euro Syns, S.A. represented by Pedro Sainz de Baranda Riva meets the requirements set out in article 5 of the Regulations of the Board of Directors and article 529 duodecies of the Capital Companies Law to be considered a proprietary director, his appointment having been proposed by the same Euro Syns S.A. to the Board of Directors, as Euro Syns owns an important share of Zardoya Otis, S.A.

Exhibit A: CV Mr Pedro Sainz de Baranda

Pedro holds a degree in Mining Engineering from the University of Oviedo, a Ph.D. in Materials Science and Engineering from Rutgers University and an MBA from MIT.

Pedro has developed most of his professional career at United Technologies Corporation, starting at the Corporate Research Center (UTRC) and then at Otis where he held different positions such as Manager of Innovation (USA), New Equipment Director at Otis Mexico, Managing Director at Otis Portugal and then at Otis Spain (Zardoya-Otis), President for Southern Europe and the Middle East and most recently President of Otis until 2014.

He led the team that developed the key technical innovation that resulted in the launch of the Gen2 elevator family, which has turned into the fastest selling product in Otis' history. He is a recipient of the "George Mead Medal", the greatest technical recognition granted by the Board of Directors of UTC (Otis' parent Company) and is the named inventor in over 100 international patents.

Sainz de Baranda is also a founding partner at Sainberg Investments, a firm that is specialized in acquiring and turning around overleveraged SMEs in Spain.

REPORT ON THE PROPOSAL TO RE-ELECT OTIS ELEVATOR COMPANY AS A PROPRIETARY DIRECTOR, WITH MS NORA LAFRENIERE REMAINING AS ITS PERSONAL REPRESENTATIVE

1. Purpose of the report

The Nominating and Compensation Commission of Zardoya Otis, S.A. (the “**Company**”) has prepared this report in accordance with article 529 decies 6 and article 529 quidecies 3.d) of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law, according to which proposals for the appointment and re-election of non-independent directors should always be accompanied by a supporting report from the Nominating and Compensation Commission, in which the skills, experience and merits of the proposed candidate are evaluated.

This report was issued in accordance with article 518.e) of the Capital Companies Law, containing information on the identity and curriculum vitae of each one of the proposed directors and the category to which they belong.

2. Favourable report on the re-election of OTIS ELEVATOR COMPANY as a proprietary director with Ms Nora Lafreniere remaining as its personal representative

Otis Elevator Company is the largest elevator and escalator company in the world and belongs to the United Technologies Corporation group. In the opinion of the Nominating and Compensation Commission and taking into account his accumulated experience as a director of the Company (it was appointed for the first time in 1984) and its commercial and professional honourability, Otis Elevator Company is perfectly qualified to be re-elected as a director of the Company by the General Shareholders' Meeting of the Company for the statutory period of four years.

On the other hand, in the opinion of the Nominating and Compensation Commission, Ms. Nora LaFreniere, whose Curriculum Vitae has been reviewed and incorporated into this report as Annex A, has the skills, merits, knowledge, experience and skills necessary to perform its functions on the Board of Directors of the Company as a representative of Otis Elevator Company and, therefore, is perfectly capable of developing a prudent management of the Company, without appreciating factors that could determine a conflict with the interests of the Company. or that prevented her from dedicating herself properly to her duties as a representative person of Otis Elevator Company. For all these reasons, Ms. Nora LaFreniere is perfectly qualified to be re-elected as a natural person representative of the Company's director.

On the other hand, the Nominating and Compensation Commission has also positively assessed its performance as a natural representative of the Otis Elevator Company during the last years and its valuable contributions as the individual representative of the Deputy Chairperson of the Nominating and Compensation Commission.

Doña Nora LaFreniere stands out for her extensive professional career, her in-depth knowledge of the sector, the Group and, in particular, of the Company, as well as her undoubted technical skills. Additionally, Doña Nora LaFreniere has a Law Degree from the University of Notre Dame and a Bachelor's Degree in Philosophy and Political Science from the University of California - San Diego. She began her professional career

in different law firms and has developed his last 15 years of professional career in the UTC Group (to which both Otis Elevator Company and the Company belong), where she has held various executive and liability positions related to legal advice of Otis Elevator Company and its various divisions.

Likewise, it is expressly stated that Otis Elevator Company, represented by Mrs. Nora LaFreniere, meets the requirements established in article 5 of the Regulations of the Board of Directors and in article 529 duodecies of the Capital Companies Law to be considered "Proprietary Director"; stating that its appointment has been proposed to the Board of Directors at the request of the majority shareholder United Technologies Holdings S.A.S.

Exhibit A: CV of Ms Nora Lafreniere

Nora has a law degree from the University of Notre Dame and a bachelor's degree in philosophy and political science from the University of California-San Diego.

Nora has 18 years of experience in the legal field. Following positions at law firms Morgan Lewis and Bingham McCutchen, she joined United Technologies in 2000.

In her 15 year career at UTC, Nora started as Assistant Counsel at Otis North and South America Headquarters. In 2002, she was named Executive Assistant to the President of Otis World Headquarters. Nora then transferred to UTC Headquarters in 2004 as Assistant General Counsel.

From 2005 to 2011, she served as Deputy General Counsel and later as Vice President, General Counsel at UTC Fire & Security. In 2011, she was named Vice President and General Counsel of UTC Climate Controls and Security, and in 2013 was named Vice President and General Counsel of UTC Building & Industrial Systems.

Nora LaFreniere was named Vice President and General Counsel Otis Elevator Company in October 2015. In this role, she leads and provides strategic direction for the global legal function. She also leads the Otis Business Development function.

**REPORT OF THE NOMINATING AND COMPENSATION COMMISSION OF
ZARDOYA OTIS, S.A. IN RELATION TO THE PROPOSAL TO REELECT MR
PATRICK BLETHON AS A DIRECTOR**

1. Purpose of the report

The Nominating and Compensation Commission of Zardoya Otis, S.A. (the “**Company**”) has prepared this report in accordance with article 529 decies 6 and article 529 quidecies 3.d) of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law, according to which proposals for the appointment and re-election of non-independent directors should always be accompanied by a supporting report from the Nominating and Compensation Commission, in which the skills, experience and merits of the proposed candidate are evaluated.

This report was issued in accordance with article 518.e) of the Capital Companies Law, containing information on the identity and curriculum vitae of each one of the proposed directors and the category to which they belong.

2. Favourable report the re-election of Mr Patrick Blethon as a proprietary director

In the opinion of the Nominating and Compensation Commission, Mr. Patrick Blethon, whose Curriculum Vitae has been reviewed and incorporated into this report as Annex A, has the competencies, merits, knowledge, experience and skills necessary to perform his duties in the Board of Directors, and, therefore, is perfectly capable for the development of a prudent management of the Company, without appreciating factors that could determine a conflict with the interests of the Company or that prevented it from being adequately dedicated to its functions as Director of the Company. For all these reasons, Mr. Patrick Blethon is perfectly qualified to be reelected and ratified as a director of the Company for the statutory period of four years.

The Nominating and Compensation Commission has reviewed its extensive professional trajectory, experience in the sector, his knowledge in economics and finance and all the requirements related to professional and commercial integrity, necessary for the performance of the position of director, as well as the provision for effectively exercise their functions.

The Nominating and Compensation Commission has valued the proven experience and career of Mr. Patrick Blethon in the UTC Group, highlighting his knowledge of the sector and the Company and his performance in executive positions in the departments of business development, operations management and direction of marketing in different companies of the group. On the other hand, the Nominating and Compensation Commission has also valued its performance and value contributions as a director of the Company during the last years.

Mr. Patrick Blethon has a degree in business administration with specialization in economics, management and human resources from the Ecole Superieure Dirigeants d'Entreprise in Paris. On the other hand, Don Patrick Blethon began his career at United Technologies in 1991 in Otis France and has since held various positions of responsibility in the UTC Group.

Likewise, it is expressly stated that, in the opinion of the Nominating and Compensation Commission, Mr Patrick Blethon meets the requirements set out in article 5 of the

Regulations of the Board of Directors and article 529 duodecies of the Capital Companies Law to be considered a proprietary director, his appointment having been proposed by the shareholder United Technologies Holdings S.A.S.

Exhibit A: CV of Mr Patrick Blethon

Patrick began his career with United Technologies Corporation in 1991 at Otis France as a new equipment salesperson. This was followed by additional responsibilities in new equipment operations and service sales. In 2005, Patrick was named Director, New Equipment Operations and Marketing for Otis France. He was subsequently appointed Area Director for Eastern Europe and Managing Director, Russia in 2006. In 2009, Patrick was named Vice President, Strategy & Business Development based in the Otis global headquarters located in Connecticut, USA. In 2012, he became President, Pacific Asia Area, Otis Elevator Company. From 2009-2013, Patrick was a member of the Otis Executive Committee.

Patrick held the role of President, South Asia Pacific for UTC Building & Industrial Systems from October 2013, managing BIS' portfolio of businesses - including Otis elevators and escalators, Carrier heating, ventilation, air-conditioning and refrigeration systems, and fire-safety and security solutions from brands such as Kidde and Chubb – in India, Southeast Asia and Australasia.

Patrick Blethon was appointed President, UTC Building & Industrial Systems (BIS) Europe Region in January 2015. He is based in Brussels and is responsible for BIS' sales, marketing, installation and service businesses in Europe & Africa.

Patrick holds a Bachelor of Business Administration degree with specializations in economics, management and human resources from the Ecole Supérieure Dirigeants d'Entreprise in Paris, France. In 2014, he was conferred the Chevalier de l'Ordre National du Mérite (Knight of the National Order of Merit) by the French government.

NOMINATING AND COMPENSATION COMMISSION OF ZARDOYA OTIS S.A.

NOMINATION PROPOSAL OF MS EVA CASTILLO SANZ AS AN INDEPENDENT DIRECTOR

1. Purpose of the report

The Nominating and Compensation Commission of Zardoya Otis, S.A. (the “**Company**”) has prepared this report in accordance with article 529 decies 4 and article 529 quidecies 3.c) of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law, according to which proposals for the appointment and re-election of independent directors should always be proposed by the Nominating and Compensation Commission.

This report was issued in accordance with article 518.e) of the Capital Companies Law, containing information on the identity and curriculum vitae of each one of the proposed directors and the category to which they belong.

2. Proposal of nomination of Ms Eva Castillo Sanz as independent director

The Nominating and Compensation Commission proposes Ms Eva Castillo Sanz to be elected as Director of the Company for the statutory period of 4 years. The Curriculum Vitae has been reviewed and incorporated into this report as Annex A, has the competencies, merits, knowledge, experience and skills necessary to perform her duties in the Board of Directors, and, therefore, is perfectly capable for the development of a prudent management of the Company, without appreciating factors that could determine a conflict with the interests of the Company or that prevented it from being adequately dedicated to its functions as Director of the Company.

The Nominating and Compensation Commission has reviewed its extensive professional trajectory, having held different executive positions and being member of different Board of Directors of leading companies, in example, in bank and telecommunications sectors.

In addition, this appointment is consistent with the Company's objective of increasing the presence of women on the Board of Directors and that the selection policies for members of the Board of Directors exclusively address criteria of merit and ability, avoiding the appearance of biases that could imply discrimination based on sex for the selection of female directors.

Doña Eva Castillo has a degree in Law and Business from the Pontificia de Comillas University, ICADE (E-3) in Madrid. She started her professional career in investment banking, where she led the national and European divisions of the banks where she developed her professional career. In recent years she has held management positions in leading companies in the telecommunications sector, both nationally and Europeanly, and has been a member of the board of directors of several listed companies.

Likewise, it is expressly stated that, in the opinion of the Nominating and Compensation Commission, Ms Castillo meets the requirements set out in article 5 of the Regulations of the Board of Directors and article 529 duodecies of the Capital Companies Law to be considered an independent director.

Exhibit A: CV OF MS EVA CASTILLO SANZ

Graduated in Law and Business Studies from the *Universidad Pontificia de Comillas, ICADE (E-3), Madrid.*

Currently, she is a member of the Board of Directors of Bankia and the Boards of the Fundación Comillas-ICAI and the Fundación Entreculturas.

She was a member of the Board of Directors of Telefónica, S.A. from January 2008 until May 2018, Chairperson of the Supervisory Board of Telefónica Deutschland Holding, AG from its IPO in 2012 until May 2018, and a member of the Board of Fundación Telefónica.

From November 2014 until January 2017, she was an independent director of Visa Europe Limited.

From September 2012 until February 2014, she was President and CEO of Telefónica Europa and a member of the Executive Committee of Telefónica S.A..

From February 2011 until February 2013, she was a director of Old Mutual, Plc. and from May 2010 to January 2014, Chairperson of the Supervisory Board of Telefónica Czech Republic, a.s.

Until December 2009, she was head of Merrill Lynch Private Banking for Europe, Middle East and Africa (EMEA), forming part of Merrill Lynch's EMEA Executive Committee and the Executive and Global Operations Committees of Merrill Lynch Private Banking.

Previously, she held the dual position of head of the Capital Markets and Investment Bank Division of **Merrill Lynch** in the Iberian peninsular and **Chairperson of Merrill Lynch España** (October 2003). Likewise, she had formerly been Chief Operating Officer (COO) for Equity for Europe, Middle East and Africa.

She joined **Merrill Lynch** in 1997 as head of **Equity Markets for Spain and Portugal**. In 1999, she was promoted to Country Head for Spain and Portugal and, in 2000, she was appointed Chief Executive Officer of **Merrill Lynch Capital Markets España**.

Before joining Merrill Lynch, she had worked for five years in the International Equity Department of **Goldman Sachs in London** and, prior to that, a further five years in the Equity Sales and Analysis Department of the Spanish broker **Beta Capital**.

General Shareholders' Meeting 2019

* * * * *

Rules on granting proxy and voting using means of distance communication



The Board of Directors of Zardoya Otis, S.A. (the “**Company**”) has decided to apply the following rules on distance voting and proxy-granting as of publication of notice of the forthcoming Ordinary General Shareholders’ Meeting, which is scheduled to be held, on the first call, on May 21, 2019 at 12:00 noon in the Auditorium of Edificio Castellana 81, Paseo de la Castellana, 81 – 28046 Madrid, or, on the second call, on May 22, 2019, at the same time and in the same place, until said meeting is held:

Right to grant proxy and distance proxy-granting

Any shareholder entitled to attend may be represented at the General Shareholders’ Meeting by another person, who need not be a shareholder. Proxy shall be conferred in writing specifically for the General Meeting pursuant to article 15 of the Bylaws, article 6 of the Regulations of the General Shareholders’ Meeting and articles 184 and 522 et seq. of the Capital Companies Law, approved by Royal Legislative Decree 1/2010 of July 2 (“Capital Companies Law”).

In particular, proxy may be granted from a distance, although only proxies conferred as follows shall be valid:

- (A) By written postal correspondence, sending to the Company (Zardoya Otis, S.A., - **SHAREHOLDERS**-, Calle Golfo de Salónica, 73, 28033 Madrid) the certificate of entitlement or equivalent document issued by Iberclear (or the participating entity thus authorized), together with the pertinent attendance, proxy and voting card, which may be downloaded from the Company’s website, duly signed and completed by the shareholder.
- (B) Using means of electronic distance communication that duly guarantee the proxy attributed and the identity of the principal. Proxy granted by these means shall be admitted when the electronic document whereby it is conferred includes the recognized electronic signature or the advanced electronic signature of the principal, in the terms set forth in Law 59/2003 of December 19 on Electronic Signatures, based on a recognized electronic certificate of which no revocation is recorded and which is issued by the Spanish Public Certification Authority (CERES), an entity that reports to the Fábrica Nacional de Moneda y Timbre (the Spanish Mint). The user certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when proxy is granted. Any shareholder who has an electronic signature and meets the above requirements and identifies him/herself with said electronic signature may grant proxy by means of an electronic communication in accordance with the instructions and procedures that are specified on the Company’s website (<http://www.otis.com/es/es/accionistas-inversores/>), which include the forms to be used for this purpose.

To be valid, proxy granted by either of the means of distance communication mentioned above must be received by the Company before midnight on the day preceding the date on which the Ordinary General Shareholders’ Meeting is scheduled to be held on the first call. Otherwise, the proxy shall be deemed not to have been granted.

In the event that the shareholder is a legal person, it must (i) simultaneously provide a notary’s certificate stating that the powers of attorney that support the authorization of the person to whom proxy has been granted by postal correspondence or electronic distance communication are sufficient; and (ii) notify the Company of any change or revocation of the powers held by its representative, the Company thus declining any liability until such notification has been made.

The shareholder granting proxy by postal correspondence or electronic distance communication undertakes to inform the designated proxy-holder of the proxy granted in his/her favour.

In the event that a shareholder grants proxy to the Company, the directors or the Secretary of the Board by postal correspondence or electronic means of distance communication, but does not include therein instructions for casting the vote or there are doubts as to the recipient or scope of the proxy, it shall be considered that the proxy: (i) is granted in favour of the Chairman of the Board of Directors or, in the event that the latter has a conflict of interest, in favour of the Deputy Chairman of the Board of Directors, unless otherwise stated by the shareholder; (ii) refers to all the motions on the Agenda of the General Meeting; (iii) casts a vote in favour of said motions; and (iv) likewise includes any points that may be raised off the Agenda, in respect of which the proxy-holder will vote in the manner he/she considers most favourable to the principal's interests.

In the event that the proxy-holder has, from a legal standpoint, a conflict of interest when voting on any of the proposals that are submitted to the General Meeting on or off the Agenda, the proxy will be deemed to have been granted to the Chairman of the Meeting or, in the event that the Chairman is likewise affected by the conflict of interest, to the Secretary of the Board of Directors, unless the shareholder granting the proxy states otherwise (in which case the shareholder will be deemed not to have authorized the substitution).

A proxy-holder may only vote on behalf of his/her principals by attending the General Meeting in person. For this purpose, on the day and in the place of the General Meeting, the designated proxy-holder must identify him/herself with his/her current national identity card or passport, so that the Company may verify the proxy granted in his/her favour, accompanied by a copy of said proxy and, if the shareholder is a legal person, a copy of the notary's certificate of the power of attorney.

Proxy granted by postal correspondence or using means of electronic distance communication may be declared null: (i) if it is expressly revoked by the shareholder, using the same means as employed to grant the proxy, within the term fixed for granting it; (ii) by the shareholder attending the General Meeting in person; or (iii) due to transfer of the shares ownership of which conferred the right to grant the proxy and the right to vote, when the Company is aware of said transfer at least five days before the General Meeting is held. At any event, proxies granted after a distance vote has been cast shall be deemed not to have been granted.

When a proxy-holder holds proxies from several shareholders, he/she may cast different votes in accordance with the instructions received from each one of the shareholders.

Likewise, entities that hold shareholder status according to the accounting register of shares but which act on behalf of different persons may, at any event, divide their vote and cast it differently in accordance with the different voting instructions they have received, if applicable. These intermediary entities may grant proxy to each one of the indirect shareholders or to third parties designated by the latter and there is no limit on the number of proxies they may grant. To do this, they must, within the seven days preceding the date on which the General Meeting is scheduled to be held, provide the Company with a list stating the identity of each client, the number of shares in respect of which they are exercising voting rights on behalf of each client and the voting instructions received, if applicable, in order to determine how their vote will be cast.

Distance voting

Shareholders entitled to attend and vote may cast their vote on the motions on items included on the Agenda using the following means of distance communication:

- (A) By written postal correspondence, sending to the Company (Zardoya Otis, S.A., - **SHAREHOLDERS**-, Calle Golfo de Salónica, 73, 28033 Madrid) the certificate of

entitlement or equivalent document issued by Iberclear (or the participating entity thus authorized), together with the pertinent attendance, proxy and voting card, which may be downloaded from the Company's website, duly signed and completed by the shareholder.

- (B) By electronic means of distance communication, provided that the electronic document whereby the vote is cast includes the recognized electronic signature or the advanced electronic signature of the principal, in the terms set forth in Law 59/2003 of December 19 on Electronic Signatures, based on a recognized electronic certificate of which no revocation is recorded and which is issued by the Spanish Public Certification Authority (CERES), an entity that reports to the Fábrica Nacional de Moneda y Timbre (the Spanish Mint). The user certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when the vote is cast. Any shareholder who has an electronic signature that meets the above requirements and identifies him/herself with said electronic signature may cast his/her vote on the items of the Agenda for the General Meeting in accordance with the instructions and procedures that are specified on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>), which include the forms to be used for this purpose.

Votes cast by either of the means mentioned above shall not be valid if they are not received by the Company at least twenty-four hours before the date on which the Ordinary General Shareholders' Meeting is scheduled to be held on the first call. Votes received after said deadline shall be deemed not to have been cast.

In the event that the shareholder is a legal person, it must (i) simultaneously provide a notary's certificate stating that the powers of attorney that support the authorization of the person to whom proxy has been granted by postal correspondence or electronic distance communication are sufficient; and (ii) notify the Company of any change or revocation of the powers held by its representative, the Company thus declining any liability until such notification has been made.

A shareholder who casts his/her vote by postal correspondence or electronic means of distance communication and does not mark any of the boxes provided for indicating his/her vote on the items on the Agenda shall be deemed to wish to vote in favour of the respective motions put forward by the Board of Directors.

Shareholders who cast a distance vote in the terms stated in the Bylaws and the Regulations of the General Meeting shall be deemed to be present at the General Meeting for quorum purposes. In consequence, proxies granted previously shall be deemed to have been revoked and those granted subsequently shall be deemed not to have been granted

A distance vote can only be declared null (i) if it is subsequently expressly revoked by the same means as was employed to cast it within the term fixed for distance voting, (ii) by the attendance of either the shareholder who cast the distance vote or a proxy-holder of said shareholder at the meeting; or (iii) due to transfer of the shares ownership of which conferred the right to vote, when the Company is aware of said transfer at least five days before the date on which it is planned to hold the General Meeting.

Rules common to granting proxy and voting by means of distance communication

- (A) The validity of the proxy granted and the vote cast by distance communication is subject to verification of the shareholder's status as such with the file provided by Iberclear, the entity responsible for the accounting register of the Company's shares. In the event of any discrepancy between the number of shares stated by the shareholder granting proxy or casting his/her vote by distance communication

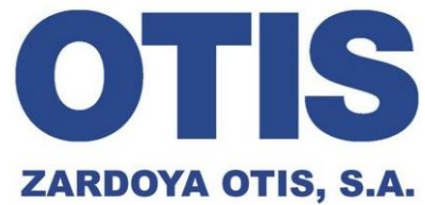
and the number stated in the account entry registers notified by Iberclear, the number of shares stated by the latter shall be considered valid for quorum and voting purposes unless there is evidence to the contrary.

- (B)** The following rules on the order of priority of proxy voting, distance voting and presence at the General Meeting are established: (i) the attendance of the General Meeting in person by a shareholder who has previously granted proxy or cast a distance vote, irrespective of the manner in which the vote was cast, shall cause said proxy or vote to be null; (ii) when the shareholder validly grants proxy through an electronic communication and, furthermore, also grants proxy through a printed attendance card issued by Iberclear (or the participating entity thus authorized), the latter shall prevail over the proxy granted by electronic communication, regardless of the respective dates of granting; (iii) in the event that a shareholder validly grants several proxies or casts several votes by electronic communication, the last proxy granted or last vote cast that is received by the Company within the term allowed shall prevail; and (iv) both proxies and distance votes shall be null if the shares that confer the right of attendance are disposed of and the Company is aware of this at least five days before the date on which it is planned to hold the Ordinary General Meeting.
- (C)** Custody of his/her electronic signature is solely the shareholder's responsibility.
- (D)** The Company reserves the right to change, suspend, cancel or restrict the mechanisms for voting and granting proxy from a distance when technical or security reasons require or force this to be done.
- (E)** The Company shall in no case be liable for any damages that may be caused to the shareholder by breakdowns, overloads, lines down, connection failures, malfunctions of the postal service or any other contingencies of the same or a similar nature, beyond the Company's control, that hinder or prevent the use of the mechanisms for voting and granting proxy from a distance.
- (F)** Any of the co-owners of a share deposit may vote, grant proxy or attend and the rules on priority established above shall be applicable among them. For the purposes of article 126 of the Capital Companies Law, it is assumed that the co-owner who carries out an action (granting of proxy, voting or attendance) at any given moment has been designated by the rest of the co-owners to exercise the rights that correspond to him as a shareholder.

GENERAL SHAREHOLDERS' MEETING 2019

* * * * *

Instructions and forms for granting proxy and distance voting



Welcome to the Distance Voting and Proxy-granting Service

The mechanisms and process of Distance Voting or Proxy-granting are explained below.

1. Please read the following rules and conditions before continuing:

Rules and Conditions

2. To guarantee the security of your proxy or distance vote, you must have an electronic user certificate. Links to the electronic certificate providers who issue valid Certificates for this Meeting appear below. In these links, you may find information on how to obtain the certificate.

<http://www.cert.fnmt.es/>

3. Once you have obtained the Electronic User Certificate, you should send an e-mail to info.accionista@otis.com, stating whether you wish to grant proxy or cast a distance vote, in accordance with the following instructions:

3.1 PROXY

Content of the e-mail to grant proxy:

The e-mail you send to the Company to grant proxy by means of distance communication must include:

- (a) The following **particulars** in your capacity as the shareholder granting proxy:
 - Name, surnames and national identity card (D.N.I.) / tax identification number (N.I.F.).
 - Name and code of the Depositary Entity with which you have deposited the Company shares.
 - Securities account number: Code (Branch + control digit + acc. No.)
 - Number of shares you own.
- (b) Your recognized or advanced **electronic signature**, based on a recognized electronic certificate of which no revocation is recorded;
- (c) If the shareholder is a legal person, a **notary's certificate** stating that the powers of attorney of the person granting proxy are sufficient;
- (d) **The person to whom proxy is granted** for the General Meeting, specifying whether it is:
 - (i) The Chairman of the Board of Directors.
 - (ii) Any other person [Mr//Ms] [*insert name*] and his/her D.N.I. / N.I.F.Any granting of proxy that does not state the name of the person to whom it is granted will be deemed to be granted to the Chairman of the Board of Directors;
- (e) **Voting instructions** for the separate items on the Agenda of the General Meeting, stating whether the vote is:
 - **IN FAVOUR** (stating the word **YES** next to the relevant item on the Agenda).

- **AGAINST** (stating the word **NO** next to the relevant item on the Agenda).
- **ABSTENTION** (stating the word **BLANK** next to the relevant item on the Agenda).

Likewise, the shareholder granting proxy may leave the direction of the vote to the discretion of the proxy-holder, giving no instructions in this respect, in which case the e-mail sent to the Company must expressly state that the proxy-holder will vote on the proposals in the direction he/she sees fit.

In the event that no instructions are given and it is not expressly stated that the proxy-holder will vote on the proposals in the direction he/she sees fit, the person granting proxy will be deemed to vote in favour of the proposals of the Board of Directors.

Unless stated otherwise, the proxy will cover any items not included on the Agenda. In this case, the proxy-holder will vote in the direction he/she sees fit.

- (f) The person granting proxy must state that he/she undertakes to **inform the designated proxy-holder** of the proxy.
- (g) In the event that the proxy-holder has, **from a legal standpoint, a conflict of interest** in the vote on any of the proposals that are submitted to the Meeting, on or off the Agenda, **the proxy will be deemed to have been granted to the Chairman of the Meeting or, if the latter is also affected by the conflict of interest, to the Secretary of the Board of Directors**, unless the shareholder granting the proxy states otherwise, in which case the shareholder will be deemed not to have authorized the substitution.

3.II DISTANCE VOTING

Content of the e-mail for distance voting:

The e-mail you send to the Company to vote by means of distance communication should include:

- (a) The following **particulars** in your capacity as the shareholder casting the vote:
 - Name, surnames and D.N.I. / N.I.F.
 - Name and code of the Depositary Entity with which you have deposited the Company shares..
 - Securities account number: Code (Branch + control digit + acc. No.).
 - Number of shares you own.
- (b) Your recognized or advanced **electronic signature**, based on a recognized electronic certificate of which no revocation is recorded;
- (c) If the shareholder is a legal person, a **notary's certificate** stating that the powers of attorney of the person casting the vote are sufficient;
- (h) **Vote** on the proposals of the Board of Directors included on the Agenda of the General Meeting, stating whether the vote is:

- **IN FAVOUR** (stating the word **YES** next to the relevant item on the Agenda).
- **AGAINST** (stating the word **NO** next to the relevant item on the Agenda).
- **ABSTENTION** (stating the word **BLANK** next to the relevant item on the Agenda).

In the event that no instructions are given on any item on the Agenda, the vote will be deemed to be cast in favour of the proposal of the Board of Directors included in said item.

The shareholder issuing a vote by means of distance communication will be deemed to be present for the purposes of constituting the General Meeting.

4. Examples of e-mails for proxy-granting and voting

4.1 Proxy

A fictitious example of an e-mail granting proxy by means of distance communication is set out below:

To: *info.accionista@otis.com*

Re: Representación a distancia

I, [Mr / Ms.] [insert name], with [D.N.I. / N.I.F.] No. [insert number], currently in force, as the holder of [insert number] shares in Zardoya Otis, S.A., which are deposited with the entity [insert name of entity], in securities account No. [insert number], grant proxy for the 2019 Ordinary General Shareholders' Meeting of the Company to be held on May 21, 2019, on the first call, and May 22, 2019, on the second call, to:

[Option 1] [The Chairman of the Board of Directors or the person acting as such]
 [Option 2] [[Mr / Ms.] [insert name], with [D.N.I. / N.I.F.] No. [insert number], currently in force], in order for them to represent me and vote on the following items on the Agenda of the General Meeting [alternative 1: in accordance with the following instructions:

Item 1	[YES] [NO] [BLANK]
Item 2	[YES] [NO] [BLANK]
Item 3	[YES] [NO] [BLANK]
Item 4	[YES] [NO] [BLANK]
Item 5	[YES] [NO] [BLANK]
Item 6	[YES] [NO] [BLANK]
Item 7	[YES] [NO] [BLANK]
Item 8.1	[YES] [NO] [BLANK]
Item 8.2	[YES] [NO] [BLANK]

- Item 8.3 [YES] [NO] [BLANK]
- Item 8.4 [YES] [NO] [BLANK]
- Item 8.5 [YES] [NO] [BLANK]
- Item 8.6 [YES] [NO] [BLANK]
- Item 8.7 [YES] [NO] [BLANK]
- Item 8.8 [YES] [NO] [BLANK]
- Item 9 [YES] [NO] [BLANK]

I undertake to inform my proxy-holder of the proxy granted in their favour.

[If a legal person, attach a notary's certificate of the power of attorney.]

[The e-mail must include the shareholder's electronic signature based on a recognized electronic certificate of which there is no record of revocation.]

4.II Vote

A fictitious example of an e-mail casting a distance vote is set out below:

A: info.accionista@otis.com

Re: Distance vote

I, [Mr / Ms.] [insert name], with [D.N.I. / N.I.F.] No. [insert number], currently in force, as the holder of [insert number] shares in Zardoya Otis, S.A., which are deposited with the entity [insert name of entity], in securities account No. [insert number], in relation to the 2019 Ordinary General Shareholders' Meeting of the Company to be held on May 21, 2019, on the first call, and May 22, 2019, on the second call, cast my vote on the items on the Agenda in the direction stated below:

- Item 1 [YES] [NO] [BLANK]
- Item 2 [YES] [NO] [BLANK]
- Item 3 [YES] [NO] [BLANK]
- Item 4 [YES] [NO] [BLANK]
- Item 5 [YES] [NO] [BLANK]
- Item 6 [YES] [NO] [BLANK]
- Item 7 [YES] [NO] [BLANK]
- Item 8.1 [YES] [NO] [BLANK]
- Item 8.2 [YES] [NO] [BLANK]
- Item 8.3 [YES] [NO] [BLANK]

Item 8.4 [YES] [NO] [BLANK]

Item 8.5 [YES] [NO] [BLANK]

Item 8.6 [YES] [NO] [BLANK]

Item 8.7 [YES] [NO] [BLANK]

Item 8.8 [YES] [NO] [BLANK]

Item 9 [YES] [NO] [BLANK]

[If a legal person, attach a notary's certificate of the power of attorney.]

[The e-mail must include the shareholder's electronic signature based on a recognized electronic certificate of which there is no record of revocation.]

General Shareholders' Meeting

2019

* * * * *

Total number of shares and voting rights existing at the date on which notice of the 2019 Ordinary General Shareholders' Meeting is given



The share capital of Zardoya Otis, S.A. is represented by a total of:

- 470,464,311 shares; and
- 470,464,311 voting rights.

General Shareholders' Meeting 2019

* * * * *

Attendance, Proxy and Distance Voting Card



Attendance, Proxy and Distance Voting Card for the Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. (the "Company"), to be held, on the first call, on May 21, 2019 at 12:00 noon in the Auditorium of Edificio Castellana 81, Paseo de la Castellana, 81, 28046 Madrid, or, if applicable, on the second call on May 22, 2019 at the same time in the same place.

Shareholders may grant proxy or vote electronically as stated on the back of this card and on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>).

ATTENDANCE OF THE 2019 ORDINARY GENERAL SHAREHOLDERS' MEETING

Shareholders who wish to attend the General Meeting in person

Shareholders who wish to attend the Ordinary General Meeting in person must sign this card in the space below and submit in on the day and in the place the Meeting is held.

Signature of the attending shareholder

....., 2019

Number of shares:

Securities Account Code:

The holder of the card may delegate his/her right to attend or vote via distance communication by marking the pertinent boxes on the table of the items on the Agenda and signing the section on proxy granting or voting via distance communication, as applicable. In the event that both sections are signed, the distance vote will prevail and the proxy granted will be null and void.

PROXY FOR THE 2019 ORDINARY GENERAL SHAREHOLDERS' MEETING

Shareholders who wish to grant proxy for the General Meeting

The shareholder to whom this card has been issued grants proxy for this General Meeting to:

(Mark only one of the following boxes and, if applicable, designate the proxy-holder. In order for this proxy to be valid, the shareholder granting it must sign in the space provided for this purpose.)

1. Chairman of the Board of Directors

2.

If a shareholder grants proxy to the Company, the directors or the Secretary of the Board by post or electronically from a distance but does not include voting instructions or there is any doubt as to the recipient or scope of the proxy, the proxy will be deemed to: (i) be granted to of the Chairman of the Board of Directors or, in the event that the latter has a conflict of interest, to the Deputy Chairman of the Board of Directors, unless the shareholder expressly states otherwise; (ii) refers to all the proposals on the Agenda of the General Meeting; (iii) is a vote in favour of said proposals; and (iv) likewise covers any items that may arise off the Agenda, regarding which the proxy-holder will vote in the direction he/she deems most favourable to the principal's interests.

To give precise voting instructions, mark the pertinent box in the following table with a cross. If there is no cross in any or all of the boxes provided to indicate the vote on the items on the Agenda, the shareholder will be deemed to wish to vote in favour of the respective proposals submitted by the Board of Directors.

Voting instructions concerning the proposals of the Board of Directors

Item on Agenda	1	2	3	4	5	6	7	8.1	8.2	8.3	8.4	8.5	8.6	8.7	8.8	9
In favour																
Against																
Blank																

You are informed that the Chairman and other directors have a conflict of interest regarding items 5 (Consultative ballot on the 2018 Annual Director Compensation Report in accordance with the provisions of the Capital Companies Law, article 541), 8.1 (Ratification of Mr Patrick Jean Roland Martin, who was appointed by co-option, as a proprietary director), 8.2 (Re-election of Mr José Miguel Andrés Torrecillas as an independent director), 8.3 (Re-election of Mr José María Loizaga Viguri as an "other external director"), 8.4 (Re-election of Mr Alberto Zardoya Arana as a proprietary director), 8.5 (Re-election of Euro-Syns, S.A. as a proprietary director and recording of the continuity of its personal representative), 8.6 (Re-election of Otis Elevator Company as a proprietary director and recording of the continuity of its personal representative), and 8.7 (Re-election of Mr Patrick Blethon, as a proprietary director).

Substitution of proxy in the event of conflict of interest

In the event that the proxy-holder has, from a legal standpoint, a conflict of interest in the vote on any of the proposals that are submitted to the Meeting, on or off the Agenda, the proxy will be deemed to have been granted to the Chairman of the Meeting or, if the latter is also affected by the conflict of interest, to the Secretary of the Board of Directors, unless the shareholder granting the proxy states otherwise by marking the box NO below (in which case the shareholder will be deemed not to have authorized the substitution).

NO

Proposals on items not included in the Agenda specified in the Notice of the Meeting

Unless otherwise stated, by marking the box NO below (in which case the shareholder will be deemed to specifically instruct the proxy-holder to abstain), the proxy will also cover any proposals on items not included on the Agenda.

NO

If the proxy covers such proposals, the precise instruction to the proxy-holder is to vote against them, unless stated otherwise here:
.....

A conflict of interest will exist in the event that matters that are not on the Agenda are submitted to the General Meeting referring to the removal of the proxy-holder or filing of a corporate action for liability thereagainst, in the event that the latter is also a director of the Company.

Signature of the shareholder granting proxy

Signature of the proxy-holder attending

....., 2019

....., 2019

Number of shares:

Securities Account Code:

RIGHT OF ATTENDANCE

To attend the Company's General Shareholders' Meeting, it will be an essential requirement to prove share ownership by means of a certification of entitlement or equivalent document issued by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. ("Iberclear") or the participating entities authorized to do so, issued five days prior to the date of the General Meeting, pursuant to article 15 of the Bylaws, article 5 of the Regulations of the General Shareholders' Meeting and article 179 of the Capital Companies Law.

SHAREHOLDERS WISHING TO GRANT PROXY USING THIS CARD

If the shareholder does not intend to attend the General Meeting, he/she may grant proxy to any other natural or legal person. To do this, he/she should complete the proxy form on the other side of this page and sign it in the space provided. The person holding proxy at the General Meeting must also sign said proxy form. The rules included in the Notice of the Meeting and on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>) must be observed in this respect..

SHAREHOLDERS WISHING TO CAST A DISTANCE VOTE USING THIS CARD PRIOR TO THE GENERAL MEETING

If the shareholder does not intend to attend and does not wish to grant proxy, he/she may cast a distance vote on the items on the Agenda. To do this, he/she must complete the section on distance voting below and sign it in the space provided. Shareholders issuing a distance vote will be deemed to be present for the purposes of constituting the General meeting. Distance votes may be delivered to the Company by hand or sent by post, in accordance with the rules included in the Notice of the Meeting and on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>). In the event that both the proxy and distance voting sections are completed, the distance vote will prevail and the proxy will be null and void.

ELECTRONIC PROXY-GRANTING AND DISTANCE VOTING PRIOR TO THE MEETING

Shareholders may also grant proxy and vote on the items on the Agenda of the Meeting using electronic means, in accordance with the rules included in the Notice of the Meeting and on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>).

DISTANCE VOTE FOR THE 2019 ORDINARY GENERAL SHAREHOLDERS' MEETING

Shareholders wishing to cast a distance vote in relation to the proposals on the Agenda

If, prior to the General Meeting, the shareholder in whose favour this card has been issued wishes to cast a distance vote in relation to the proposals on the Agenda of this General Meeting, he/she must mark the pertinent box with a cross, showing either the direction of his/her vote or his/her abstention. It is not possible to cast a distance vote on any proposals not included on the Agenda. If, in relation to any of the items on the Agenda, no box is marked, the shareholder will be deemed to vote in favour of the proposal of the Board of Directors. At any event, in addition to the provisions of the Law, the Bylaws and the Regulations of the General Shareholders' Meeting, the rules included in the Notice of the Meeting and on the Company's website must be observed.

Vote on the proposals of the Board of Directors

Item on Agenda	1	2	3	4	5	6	7	8.1	8.2	8.3	8.4	8.5	8.6	8.7	8.8	9
In favour																
Against																
Blank																

The shareholder casting a distance vote will be deemed to be present for the purposes of constituting the General Meeting.

Signature of the shareholder casting a distance vote

.....,, 2019

[Signature box]

Number of shares:
Securities Account Code:

PERSONAL DATA PROTECTION

Personal data that shareholders send to the Company in order to exercise their rights to attend or be represented at the General Meeting or that are provided for this purpose by the entities with which said shareholders' shares are deposited through the entity legally authorized to keep the register of book entries, Iberclear, will be processed by the Company in order to manage the conducting, compliance and control of the shareholder relationship that exists, together with attendance at and running of the General Meeting and, if applicable, in order to comply with rules to which Zardoya Otis, S.A. is subject. In order to manage the shareholder relationship that exists, Zardoya Otis, S.A. will send information to the shareholders strictly related to the shareholders' investments and the Company's evolution. This information may be sent electronically. The rights of access, rectification, objection and cancellation may be exercised by means of a letter, accompanied by a copy of the national identity document (DNI), addressed to the registered office (Calle Golfo de Salónica, 73, 28033 Madrid) for the attention of the Secretary of the Board of Directors. In the event that the shareholder includes personal data regarding other natural persons on the attendance, proxy and distance voting card, the shareholder must inform said persons of the contents of the preceding paragraphs and comply with any other requirements that may be applicable in order to provide said data correctly to Zardoya Otis, S.A. without the need for the latter to take any additional action regarding information or consent.

Agenda

1. Examination and, if appropriate, approval of the annual financial statements and management reports of both the Company and its consolidated group for the period running from December 1, 2017 to November 30, 2018.
2. Application of the profit for the period running from December 1, 2017 to November 30, 2018.
3. Approval of the performance of the Board of Directors and, in particular, of the distribution of dividends charged to the profit for the period running from December 1, 2017 and November 30, 2018.
4. Approval of the distribution of a dividend charged to reserves for a gross amount of 0.08 euros per share.
5. Consultative ballot on the 2018 Annual Director Compensation Report in accordance with the provisions of the Capital Companies Law, article 541.
6. Determination of the applicable percentage in relation to remuneration via profit-sharing, in accordance with the Capital Companies law, article 218.
7. Re-appointment of the auditors for the Company and its consolidated group for the period running from December 1, 2018 to November 30, 2019.
8. Ratification, appointment, re-election and/or recording of personal representative, as appropriate, of the following members of the Board of Directors:
9. Ratification of Patrick Jean Roland Martin, who was appointed by co-option, as a proprietary director..
10. Re-election of Mr José Miguel Andrés Torrecillas as an independent director.
11. Re-election of Mr José María Loizaga Viguri as an “other external director”.
12. Re-election of Mr Alberto Zardoya Arana as a proprietary director.
13. Re-election of Euro-Syns, S.A., as a proprietary director and recording of the continuity of its personal representative.
14. Re-election of Otis Elevator Company as a proprietary director. and recording of the continuity of its personal representative.
15. Re-election of Mr Patrick Blethon as a proprietary director..
16. Appointment of Ms Eva Castillo Sanz as an independent director.
17. Delegation to the Board of Directors of the interpretation, rectification, execution, formalization and registration of the resolutions passed.
18. Requests and questions.
19. Approval of the Minutes.