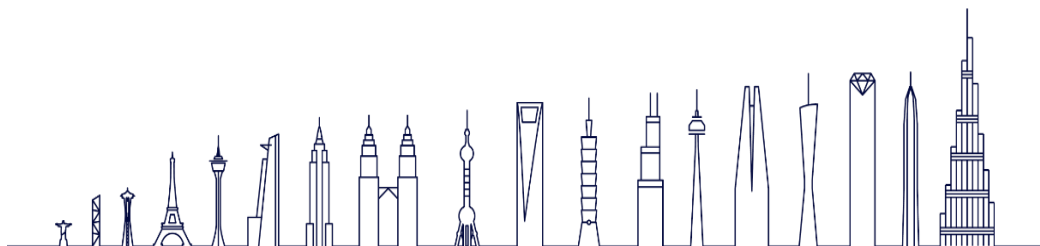




# ZARDOYA OTIS, S.A

## QUARTERLY REPORT FOR THIRD QUARTER 2020

**FISCAL YEAR: DECEMBER 1, 2019 – NOVEMBER 20, 2020**



## 1. ENVIRONMENT AND PROSPECTS

As the International Monetary Fund stated in its April report, the prospects for 2020 have changed drastically due to the situation created by COVID-19. As forecast by the IMF, the pandemic can be seen to have provoked a contraction in consumption and tourism, two of Spain's major economic drivers.

The **real estate sector** has not escaped from the effects of this crisis and, in many aspects, is one of the industries that is being most affected by the economic situation, uncertainty and social distancing measures.

Although expectations were moderately optimistic at the beginning of 2020, there is now a high degree of uncertainty caused by the manner and speed of the economic recovery. According to the latest reports on the real estate sector, the indicators for Spain, Portugal and Morocco will show a generalized deterioration in 2020, but will rally in 2021 and 2022.

	Actual	Forecasts		Outlook
Total Residencial Construction	2019	2020	2021	2022
<b>SPAIN (*)</b>	<b>5,8%</b>	<b>(18,0%)</b>	<b>7,0%</b>	<b>3,1%</b>
<b>PORTUGAL (*)</b>	<b>6,6%</b>	<b>1,8%</b>	<b>2,2%</b>	<b>2,5%</b>
<b>MOROCCO (**)</b>	<b>2,1%</b>	<b>(3,5%)</b>	<b>0,5%</b>	<b>3,7%</b>

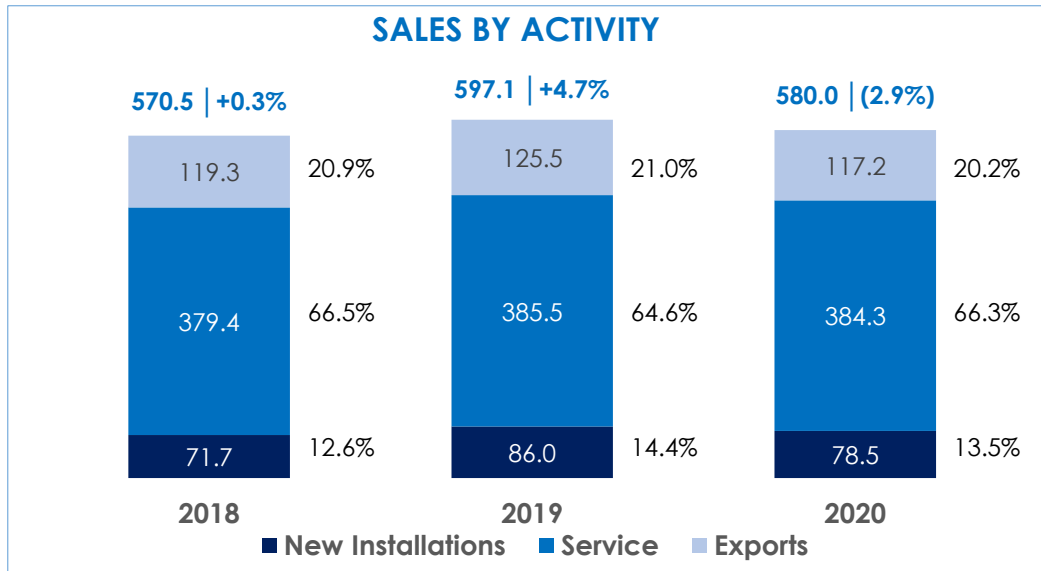
(\*) Source: Euroconstruct Report June 2020

(\*\*) Source: Global Data Report August 2020

## 2. BUSINESS EVOLUTION

### SALES:

Total consolidated sales at the end of the third quarter of 2020 were 580.0 million euros, in comparison with the 597.1 million euros at the end of the third quarter of 2019, representing a drop of 2.9%. We can consider this figure to be moderate, taking into account the economic consequences of the COVID-19 pandemic, which has affected the vast majority of sectors and markets worldwide.



(Million euros – cumulative figures at the end of each 3<sup>rd</sup> quarter)

For comparative purposes, the New Sales and Service figures for the periods 2019 and 2018 include reclassifications between them for EThs 38,356 and EThs 30,490, respectively, relating to new elevators installed in buildings that did not originally have an elevator. For presentation purposes, the Zardoya Otis Group now considers this activity as New Sales while, in the past, it was considered part of the Service activity.

### New installations

The value of new installations at the end of the third quarter of 2020 was 78.5 million euros, 8.8% down on the 86.0 million euros obtained in the same period of 2019.

In this third quarter, new installations sales accounted for 13.5% of total sales (14.4% in the same period of 2019).

### Service

Consolidated service sales totalled 384.3 million euros (385.5 million euros in the same period of 2019), showing a decrease of 0.3%.

The service activity accounted for 66.3% of the Group's total billing in the period (64.6% at the end of the third quarter of 2019).

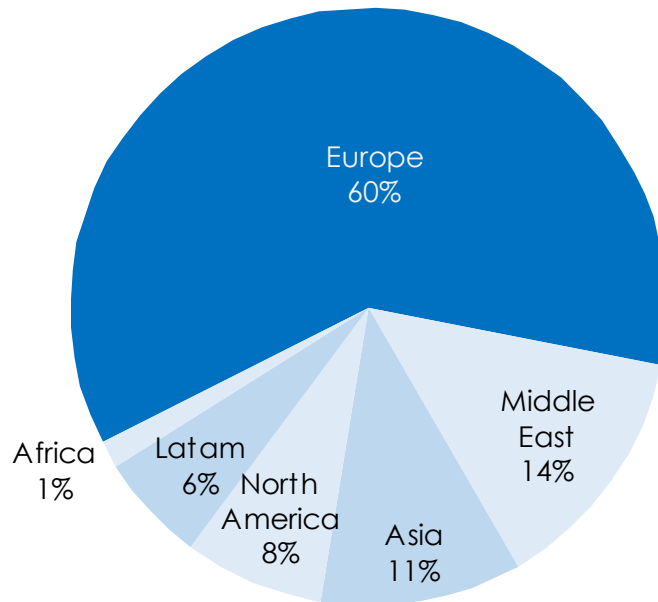
### Exports

Exports in the third quarter of 2020 totalled 117.2 million euros (in comparison with 38.4 million and 37.6 million euros in the first and second quarters of 2020, respectively) and represented 20.2% of Group consolidated sales in the third quarter.

At the end of the third quarter of 2020, the cumulative net export figure, after sales to our subsidiaries had been eliminated in the consolidation process, was 117.2 million euros, 6.6% lower than the 125.5 million euros obtained in the same period of 2019. Exports to Europe rose by 2.5% in comparison with the same period of last year, while

those to African countries more than doubled, as a result of a specific effort to introduce our products into these countries and, likewise, into those of central and northern Europe.

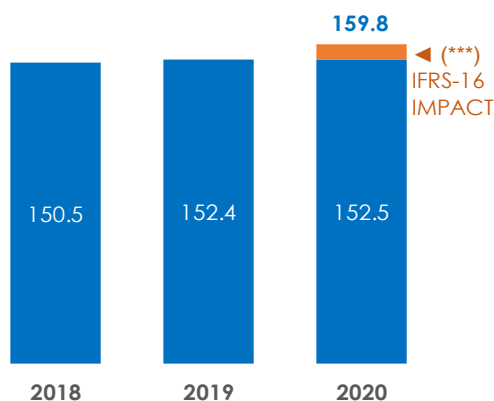
## EXPORTS BY REGION



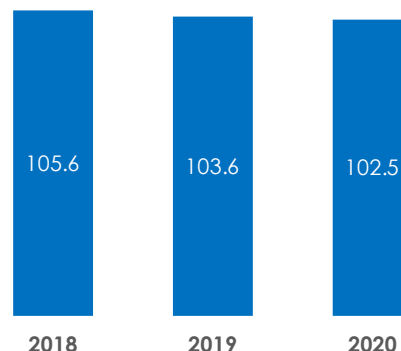
The graph shows the geographical destinations of the exports of 117.2 million euros represented by exports at the end of the third quarter of 2020.

## RESULTS:

### EBITDA (\*)



### CONSOLIDATED PROFIT AFTER TAX (\*\*)



(\*) EBITDA in million euros – cumulative figures at the end of each third quarter.

(\*\*) Consolidated profit after tax for the year on continuing operations attributable to the Company's shareholders for each cumulative third quarter (expressed in million euros).

(\*\*\*) Shows the impact of higher depreciation of 7.0 million euros and 335 thousand euros in finance costs, derived from application of "IFRS 16. Leases".

EBITDA (operating profit plus amortization and depreciation) at the end of the third quarter of 2020 was 159.8 million euros, 4.9% up on the figure at the end of the third quarter of 2019. The EBITDA at the end of this third quarter includes the positive effect of higher depreciation of 7.0 million euros, derived from application of "IFRS 16. Leases", which introduces the requirement for companies to report leased assets attached to their activity on their balance sheets (as mentioned in Note 26 of the Condensed Consolidated Interim Financial

Statements, the Group has been applying this Standard since December 1, 2019, although it has not restated the comparative figures for the fiscal year ended November 30, 2019, as permitted by the Standard's specific transitional rules). If the aforementioned effect of IFRS 16 is not included, the resulting EBITDA would have been 152.5 million euros, representing slight increase of 0.1% on the figure obtained in the same period of 2019.

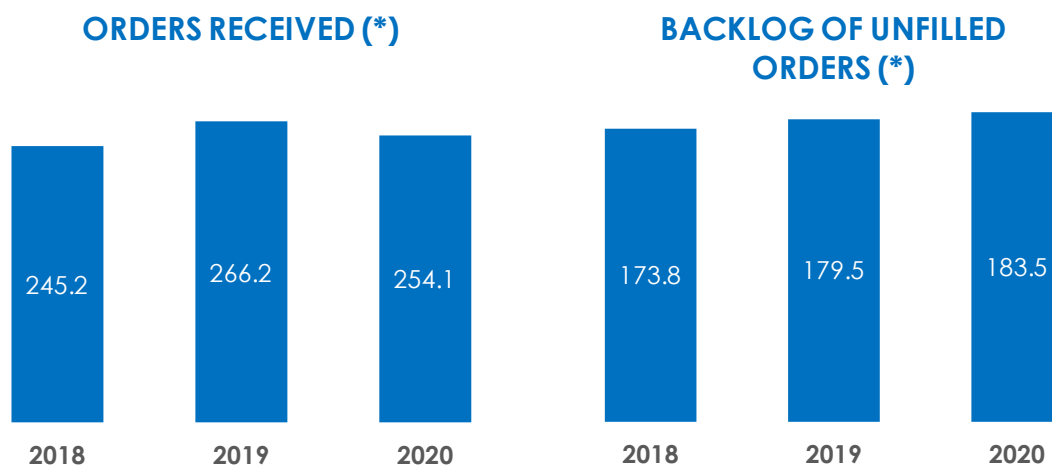
Likewise, when considering the impact of IFRS 16 on the *third quarter* of the year alone, the EBITDA totalled 57.5 million euros, 6.8% higher than the 53.9 million euros obtained in the same period of 2019. Once again, if we do not include the impact of IFRS 16, the EBITDA in the third quarter would have been 55.1 million euros, 2.3% higher than the 53.9 million euros obtained in the same period of 2019.

Consolidated profit before tax was 136.8 million euros at the end of the third quarter of 2020, 0.6% down on the same period of 2019.

Profit after tax was 102.5 million euros at the end of the third quarter of 2020, 1.1% lower than the 103.6 million euros obtained in the same period of 2019.

In the third quarter of 2020, the Group continued to apply numerous operating, commercial and cost containment measures, which allowed it to partially offset the effects of the pandemic that we are all suffering worldwide. At the same time, we are placing priority on the safety of our employees and customers, while striving to maintain the high-quality service to which our customers and users are accustomed.

### 3. OTHER KEY DATA



(\*) Includes cumulative figures for New Sales, Modernizations and Exports at the end of the semester (expressed in million euros).

For comparative purposes, the orders received figures for end of the 2019 and 2018 third quarters include sums of EThs 107,153 and EThs 98,876, respectively, relating to exports to distributors, other Otis companies and end customers in the Marine sector. Similarly, the backlog of unfilled orders for the first semesters of 2019 and 2018 contains sums of EThs 23,855 and EThs 20,494 for the same items. For presentation purposes, the Zardoya Otis Group currently includes the transactions described in its Exports figures.

#### Orders received and backlog of unfilled orders

Regarding the figures for the *third quarter* of 2020 alone, orders received for modernizations, new installations and exports, in both new and existing buildings and Marine, totalled 74.8 million euros, a decrease of 22.8% on the 96.9 million euros obtained in the *third quarter* of 2019, a year in which a particularly high number of orders were received for new elevator installations in existing buildings.

Notwithstanding the foregoing, at the end of the third quarter of 2020, the total cumulative amount was 254.1 million euros, including orders received for modernizations, new installations and exports, in both new and existing buildings and Marine. In the case of Marine, it has been affected by the pandemic, since it includes the international cruise ship activity, which has not shown any signs of recovery to date. The cumulative figure at the end of the third quarter represents a decrease of 4.6% on the 266.2 million euros obtained in the same period of 2019.

The backlog of unfilled orders at the end of the *third quarter* of 2020 was 183.5 million euros, an increase of 2.2% in comparison with the 179.5 million euros of the same period of 2019.

#### Units under maintenance

In spite of the adverse economic environment due to the pandemic, our maintenance portfolio remained stable, showing a slight growth of 0.4% and totalling 294,427 units at the end of the third quarter of 2020.

#### 4. CONDENSED CONSOLIDATED INCOME STATEMENT

(Cumulative figures at the end of the third semester expressed in millions of euros)

	2020	2019
<b>SALES</b>	<b>580.0</b>	<b>597.1</b>
OTHER REVENUE	1.2	0.9
RAW MATERIALS AND CONSUMABLES USED	(182.5)	(204.3)
EMPLOYEE BENEFIT EXPENSE	(200.2)	(196.2)
OTHER EXPENSES	(38.8)	(45.1)
<b>EBITDA (*)</b>	<b>159.8</b>	<b>152.4</b>
AMORTIZATION, IMPAIRMENT AND GAINS/(LOSSES) ON DISPOSALS OF FIXED ASSETS (*)	(22.4)	(14.7)
<b>OPERATING PROFIT</b>	<b>137.3</b>	<b>137.6</b>
REVENUE FROM FINANCING ACTIVITIES	0.1	0.4
COST OF FINANCING ACTIVITIES (*)	(0.7)	(0.2)
NET FOREIGN EXCHANGE DIFFERENCES	(0.1)	(0.2)
<b>OTHER GAINS/LOSSES</b>	<b>0.1</b>	<b>0.0</b>
<b>PROFIT BEFORE TAX</b>	<b>136.8</b>	<b>137.6</b>
INCOME TAX EXPENSE	(33.6)	(33.4)
<b>PROFIT FOR THE YEAR</b>	<b>103.2</b>	<b>104.2</b>
<b>ATTRIBUTABLE TO:</b>		
<b>ATTRIBUTABLE SHAREHOLDERS</b>	<b>102.5</b>	<b>103.6</b>
<b>NCI</b>	<b>0.7</b>	<b>0.6</b>

(\*) Shows the impact of higher depreciation of 7.0 million euros and 335 thousand euros in finance costs, derived from application of "IFRS 16. Leases".

## 5. DIVIDENDS

The Board of Directors, at its meetings held in December 2019 and March 2020, approved, respectively, the third interim dividend charged to the 2019 profit and the first interim dividend charged to the 2020 profit, which were paid out on January 10 and April 9, 2020, respectively. In addition, the Ordinary General Shareholders' Meeting of Zardoya Otis held on June 16, 2020 passed a resolution to distribute a dividend charged to reserves, which was paid out on July 10, 2020.

Date	Gross per share	Charged to	Shares entitled to dividend	Gross total
January 10	0.080 euros	3rd interim 2019	470,464,311	37,637,144.88 €
April 09	0.080 euros	1st interim 2020	470,464,311	37,637,144.88 €
July 10	0.060 euros	Reserves	470,464,311	28,227,858.66 €
Treasury shares			(385,869)	(84,891.18) €
<b>Total</b>			<b>470,078,442</b>	<b>103,417,257.24 €</b>

## 6. TREASURY SHARES

The Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on May 23, 2018 authorized the Board of Directors to acquire, directly or indirectly, treasury shares of Zardoya Otis, S.A., observing the limits and requirements set out in article 146 and related articles of the Capital Companies Law.

At its meeting of December 11, 2018, the Board of Directors agreed to acquire treasury shares (the "Purchase Program") so that they could be used in company acquisition transactions.

At the end of the third quarter of 2020, Zardoya Otis, S.A. held 385,869 treasury shares (zero at the end of the same period of 2019) for a value of EThs 2,572. As notified to the CNMV in September, over the next twelve months, it is intended to spend approximately 18,000,000 euros on purchasing treasury shares to be used in company acquisition transactions within the framework of a "Purchase Program".

## 7. FINANCIAL RISK MANAGEMENT THIRD QUARTER 2020

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

Risk management is controlled by Group Management in accordance with the

supplementary information to the annual corporate governance report as of November 30, 2019. 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.

## **8. SIGNIFICANT EVENTS UP TO THE THIRD QUARTER OF 2020 AND AFTER THE REPORTING DATE**

### **2020 ORDINARY GENERAL SHAREHOLDERS' MEETING**

On June 16, 2020, Zardoya Otis, S.A. held its Ordinary General Shareholders' Meeting on the second call. At the meeting, a series of resolutions were passed and were notified to the National Securities Market Commission (CNMV), including the approval of the second of the four dividends planned for 2020 (charged to reserves). The gross amount of this dividend was 0.060 euros per share, the withholdings and taxes established by law being payable by the recipient. After it had been approved, it was paid on July 10, 2020, as described in point 5 above.

Subsequently, at its September meeting, the Board of Directors approved the second interim dividend charged to the 2020 profit, which was paid out on October 9, as follows:

Date	Gross per share	Charged to	Shares entitled to dividend	Gross total
October 9	0.065 euros	2nd interim 2020	470,464,311	30,580,180.22 €

This maximum amount was decreased by the sum resulting from multiplying the aforementioned 0.065 euros by the number of treasury shares held.

### **MEASURES TO COMBAT THE HAZARDOUS SITUATION CAUSED BY COVID-19**

The reports published previously on the first quarter and first semester of 2020 set out the measures that the Zardoya Otis Group has adopted in the light of the situation caused by the pandemic, in order to ensure the health and safety of its customers and employees, as well as the continuity of its operations and its levels of service, within the limitations imposed by the regulations in force during each phase of the process.

In addition to technical assistance, Zardoya Otis is currently remotely monitoring the operation of more than 100,000 elevators on a permanent basis using predictive analysis, thus avoiding incidents before they occur and also solving failures through remote intervention.



## 9. EXHIBIT – KEY DATA:

At the end of the third quarter of fiscal year 2020 (December 1, 2019 – August 31, 2020), the total consolidated figures and the comparison thereof with those for the same period of 2019 were as follows:

<b>Key Data, 3rd Quarter 2020</b>			
<b>Consolidated figures in millions of euros</b>			
<b>Results</b>	<b>2020</b>	<b>2019</b>	<b>% variance 20/19</b>
EBITDA (*)	159.8	152.4	4.9
EBITDA (w/o IFRS-16 impact)	152.5	152.4	0.1
Profit before tax	136.8	137.6	(0.6)
Profit after tax	102.5	103.6	(1.1)

<b>Sales</b>	<b>2020</b>	<b>2019</b>	<b>% variance 20/19</b>
New Installations	78.5	86.0	(8.8)
Service	384.3	385.5	(0.3)
Exports	117.2	125.5	(6.6)
Total	580.0	597.1	(2.9)

<b>Orders received (**)</b>	<b>% variance</b>		
<b>Backlog of unfilled orders (**)</b>	<b>2020</b>	<b>2019</b>	<b>20/19</b>
Orders received	254.1	266.2	(4.6)
Backlog	183.5	179.5	2.2

<b>Units under maintenance</b>	<b>2020</b>	<b>2019</b>	<b>% variance 20/19</b>
Units under maintenance	294.427	293.120	0.4

(\*) Shows the impact of higher depreciation of 7 million euros derived from application of "IFRS 16. Leases".

(\*\*) Includes the New Installations, Modernizations and Exports figures.