

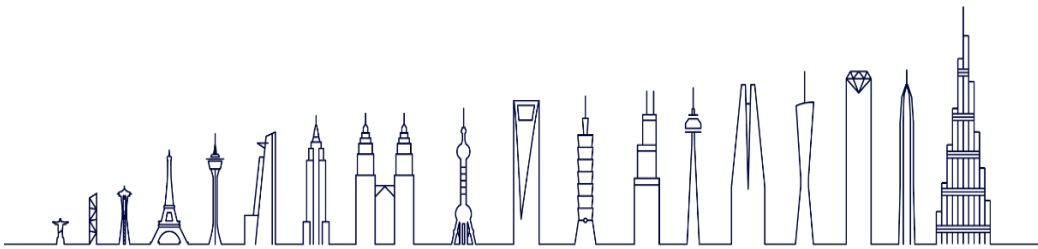


ZARDOYA OTIS, S.A

QUARTERLY REPORT FOR

3RD QUARTER 2019

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



1. ENVIRONMENT AND PROSPECTS

According to the IMF, the GDP projections for 2019 in the three countries in which Zardoya Otis operates will continue to be in line with the preceding year's growth. For Spain, 2.1% is forecast, 1.6% for Portugal and 3.2% for Morocco.

Last year, inflation remained low, slightly above 1%. For 2019, the IMF forecasts rates of 1.3% for Spain, 4.0% for Portugal and 1.4% for Morocco.

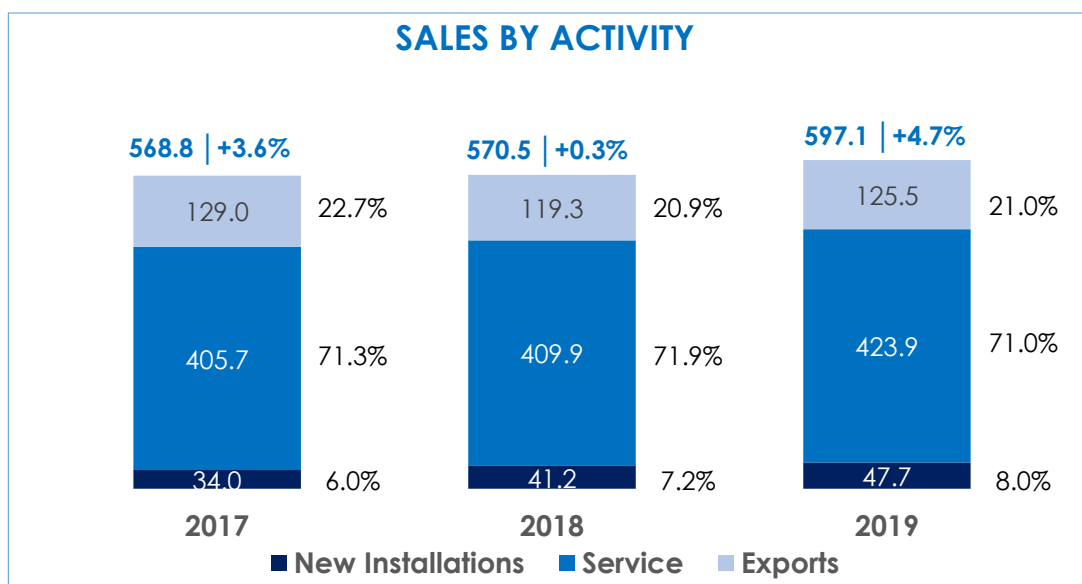
Regarding the unemployment rate, although it has dropped in Spain, we ended last year with 15.3%, still a long way behind Portugal, which ended 2018 with 8.6%, and the European Union average, which was 6.6% at the end of the year. The IMF projections for 2019 reduce the unemployment rate in Spain to 14.2%, still far above the average of 7% for the advanced countries of the European Union.

The construction sector was continuing to show stable growth, 105 thousand homes having been commenced in Spain last year. Our New Sales and order figures clearly reflect this trend. We are still optimistic about maintaining the upward trend but, however, during 2019, several analyses of the construction sector indicate symptoms of deceleration in the activity (e.g. in May 2019, the construction of 9,525 new homes was approved, 2.1% less than in the same period of the preceding year, according to the data collected by the Ministry of Development).

2. BUSINESS EVOLUTION

SALES:

Total consolidated sales for the third quarter of 2019 were 597.1 million euros, in comparison with the 570.5 million euros of the first semester of 2018, representing an increase of 4.7%.



(Millions of euros – information 3rd quarter)

New Installations

The value of new installations at the end of the third quarter of 2019 was 47.7 million euros, 15.7% up on figure for same period of 2018. Attention should be drawn to the fact that this increase took place on top of the increases, likewise in the two-digit range, in both 2017 (+15.9%) and 2018 (+21.4%), meaning that the cumulative growth between the third quarter of 2016 and that of 2019 has been 62.8% (40.4% since the third quarter of 2017).

At the end of the third quarter of 2019, new installations sales accounted for 8.0% of total sales (7.2% in the same period of 2018).

Service

Consolidated service sales totalled 423.9 million euros (409.9 million euros at the end of the third quarter of 2018), showing a 3.4% increase on the figure obtained in the same period of 2018. We have been showing continuous growth in our main activity since the first quarter of 2018.

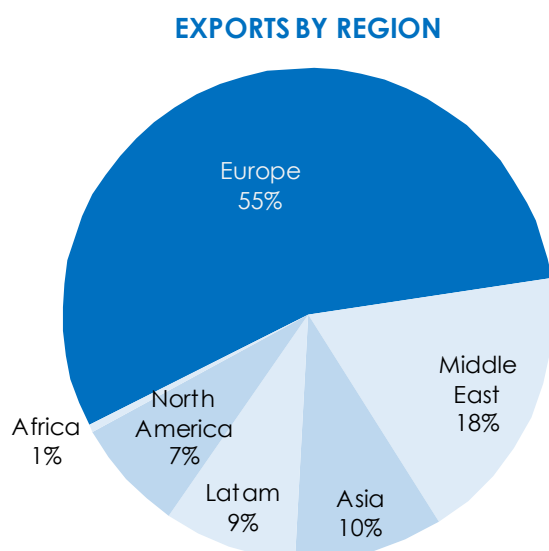
The service activity represented 71.0% of the Group's total billing at the end of the third quarter of 2019 (71.9% in the comparable period of 2018).

Exports

At the end of the third quarter, the cumulative net export sales figure, after eliminating in consolidation the sales related to our subsidiaries in Portugal, Morocco, Gibraltar and Andorra, was 125.5 million euros (119.3 million in the third quarter of 2018), 5.2% up on the comparable 2018 figure.

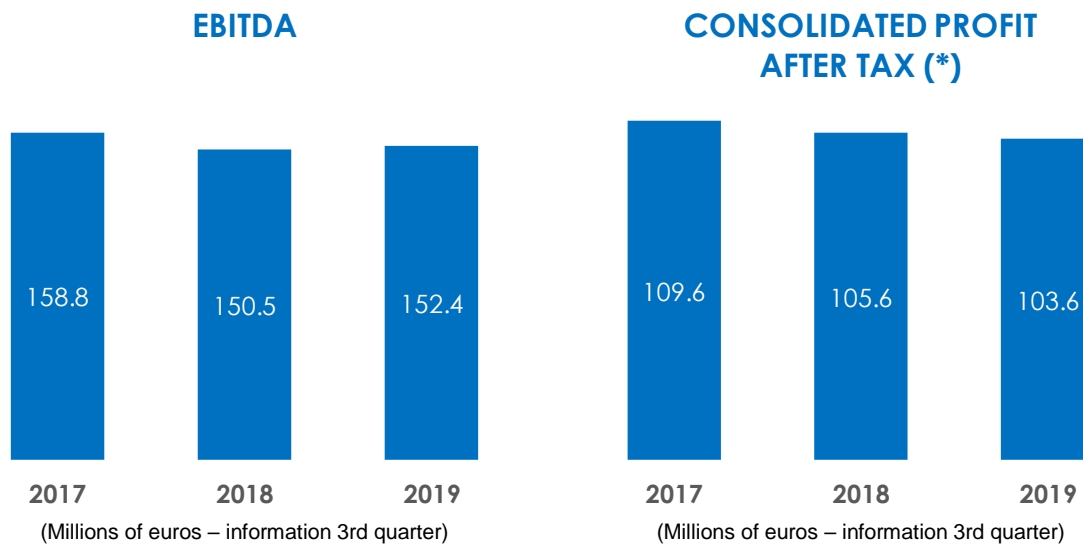
At the end of the mentioned period, exports represented 21% of Group consolidated sales (20.9% the same period of 2018).

We are continuing to make a special effort to introduce our products into central and northern European countries, in order to offset the delay in orders in some of the markets to which we have traditionally exported them, such as Turkey and the Middle Eastern countries, among others.



The graph shows the geographical destinations of the exports for 125.5 million euros at the end of the third quarter of 2019.

RESULTS:



* Consolidated profit after tax on continuing operations attributable to the Company's shareholders at the end of the third quarter of each fiscal period.

EBITDA (operating profit plus amortization and depreciation) at the end of the third quarter of 2019 was 152.4 million euros, 1.2% higher than the 2018 figure.

Consolidated profit before tax was 137.6 million euros, 1.5% down on the figure obtained in the same period of 2018.

Profit after tax was 103.6 million euros, 1.9% down on the 105.6 million euros obtained in the same period of 2018.

The recruitment and training of new assembly technicians, as well as the indispensable investments in digitalization in order to maintain our position as a sector benchmark, have affected our profit. Both these aspects are of fundamental importance in supporting the future growth of Zardoya Otis and, once implemented, will give rise to significant improvements in results and productivity.

In this respect, important advances have been made in the digitalization process. In 2018, we accelerated the implementation of the plan. Our goal is to connect our customers and users to our technical assistance network and to the elevators we have in service. We have provided all our technical staff with latest-generation mobile devices, which has allowed us to progress in the digital transformation project. We have a digital service division that is leading the project to monitor our units and carry out remote interventions on them, with 70,000 elevators being monitored. We plan to connect a further 20,000 units in 2019.

These advances allow us to anticipate, identify and solve incidents, considerably reducing the time for which people are trapped in the units to which we provide service.

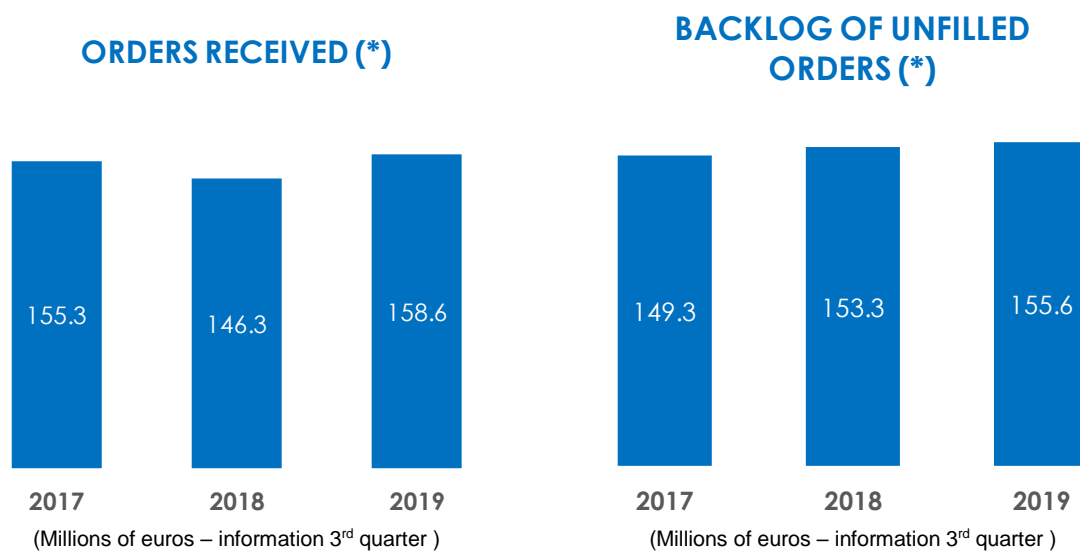
We are continually receiving millions of data that allow us to define operating patterns and, in the case of any deviation, generate specific action plans for each elevator. The technology at our disposal is very promising but, at the same time, it is necessary to modernize the elevators installed, which should give rise to new business opportunities.

Exceptional events in the third quarter

The results at the end of the third quarter of 2018 contain the positive effect of 3.6 million euros from the sale of both land and facilities in Munguía.

In 2019, as a result of the improvement in our information systems, we were able to report the production activity of our plants in August. Historically, this was done in September (corresponding to the fourth quarter of the year). In the comparison with the preceding year, an impact of 4,0 million euros between the third and fourth quarters must be taken into account. Obviously, this increase have no impact on the annual results.

3. OTHER KEY DATA



(*) Includes accrued figures at the end of the third quarter for New Sales, Modernizations and Exports

Orders received and backlog of unfilled orders

At the end of the third quarter, the amount of the orders received for modernizations, new installations and exports, including new and existing buildings and cruise ships, was 158.6 million euros, representing an increase of 8.4% on the same period of 2018.

The backlog of unfilled orders at the end of the third quarter of 2019 was 155.6 million euros, an increase of 1.5% on the comparable period of 2018.

These two variables continue to grow, which will provide us with future growth in both our domestic and export markets.

Units under maintenance

We ended the third quarter of 2019 with a new record figure of 293,120 units under maintenance, showing 2.0% growth on the units at the end of the third quarter of 2018. We want to highlight the fact that 250,000 units have been exceeded in Spain.

Growth in units under maintenance occurs both organically and through our active acquisitions policy. Since the milestone in this policy represented by the successful acquisition of the Enor Group in 2013, the Zardoya Otis Group has continued to acquire and integrate companies, always bringing them into line with the demanding standards of the Group. Over the last five years, more than 12,000 new units from acquisitions have joined our maintenance portfolio.

4. CONDENSED CONSOLIDATED INCOME STATEMENT

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

	End of 3rd quarter 2019	End of third quarter 2018
SALES	597.1	570.5
OTHER REVENUE	0.9	0.9
RAW MATERIALS & CONSUMABLES USED	(204.3)	(188.1)
EMPLOYEE BENEFIT EXPENSES	(196.2)	(188.9)
AMORTIZATION, DEPRECIATION & IMPAIRMENT	(14.7)	(10.6)
OTHER NET EXPENSES	(45.1)	(43.8)
OPERATING PROFIT	137.6	139.9
FINANCIAL INCOME	0.4	0.2
FINANCIAL COSTS	(0.2)	(0.2)
FOREIGN EXCHANGE DIFFERENCES	(0.2)	(0.2)
OTHER GAINS & LOSSES	0.0	0.0
PROFIT BEFORE TAX	137.6	139.8
INCOME TAX EXPENSE	(33.4)	(33.5)
PROFIT FOR THE PERIOD	104.2	106.3

(*) In 2018, a capital gain on the sale of EThs 3,635 on the sale of property, plant & equipment is included.

5. DIVIDENDS

In the first three quarters of 2019, four quarterly dividends were approved, as follows:

Date	Gross per share	Charged to	Shares entitled to dividend	Gross total
Dividends:				
Jan. 10	0.080 euros	3rd interim 2018	470,464,311	37,637,144.88 €
April 10	0.080 euros	1st interim 2019	470,464,311	37,637,144.88 €
July 10 (*)	0.080 euros	Reserves	470,464,311	37,637,144.88 €
Treasury shares			(371,756)	(29,740.48) €
Total			470,092,555	37,607,404.40 €
October 10	0.080 euros	2nd interim 2019	470,464,311	37,637,144.88 €
Treasury shares			(385,869)	(30,869.52) €
Total			470,078,442	37,606,275.36 €
Total received by owners				150,487,969.52 €

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

6. ORDINARY GENERAL SHAREHOLDERS' MEETING

On May 22, 2019, the Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. was held in Madrid on the second call. At the Meeting, a series of resolutions were passed, which were notified to the National Securities Market Commission (CNMV) and may be consulted on the following link:

<http://www.cnmv.es/portal/HR/ResultadoBusquedaHR.aspx?nif=A-28011153&division=1&page=1>

The result the attendance list may be summarized as follows: (i) 165 shareholders owning 62,951,337 shares and representing 13.38% of the share capital were present; and (ii) 930 shareholders owning 282,075,179 shares and representing 59.96% of the share capital, were represented. Consequently, the total number of shares present or represented was 345,026,516, representing 73.34% of the share capital.

7. TREASURY SHARES

At its meeting of December 11, 2018, the Board of Directors of the Company adopted a decision to acquire treasury shares of the Company, so that they could be used in company acquisition transactions (or to complete already-existing acquisition agreements) of the type habitually carried out by the Company and involving an exchange of shares (the “Purchase Program”).

This approval was given under the authorization granted by the General Shareholders’ Meeting held on May 23, 2018.

As of August 31, 2019, Zardoya Otis, S.A. held 385,869 treasury shares.

8. FINANCIAL RISK MANAGEMENT THIRD QUARTER 2019

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

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

9. SIGNIFICANT EVENTS UP TO THE THIRD QUARTER 2019 AND AFTER THE END OF THE REPORTING PERIOD

Zardoya Otis, S.A acquired 100% of the shares of Otis-Lliset SLU (December 27, 2018) and Ascensores SIGE SL (May 27, 2019), as well as 80% of the company Ascensores Eleva SL. (June 28, 2019), for a total amount of EThs 14,363. These companies are engaged in elevator maintenance and repair, the first of them carrying out its activity in Andorra and the other two in Alicante.

Additionally, in June and July 2019, Zardoya Otis, S.A. purchased 922,724 treasury shares, with the intention of making company acquisitions. At the date of approval of this financial information, 385,869 of these shares remain on the portfolio.

10. OTHER INFORMATION

PRINCIPAL PRODUCTS

Innovation has always been a constant factor in Zardoya Otis and our latest systems bear this out. We develop elevators that change how people move. Our revolutionary Gen2® and innovative SkyRise® systems are two of the latest examples. We are, therefore, continuing to expand our range. In 2018, we launched the Gen2 Home, an elevator for single-family homes, and, at present, we are selling more than a thousand units per year. In the next few months, we will have the first manufactured units of the Gen2 Fit.

Thus, we are endeavouring to meet the different needs of each group of customers. Examples are the following models:

Gen2 Home: versatile, silent and comfortable, it is the perfect solution for buildings with moderate traffic to allow people to move more comfortably or surmount architectural barriers. It is an ideal solution for homes, offices or schools.

Gen2 Switch: easy to install and safe, it generates energy and plugs in like a household appliance. The Gen2 Switch is a highly efficient elevator, created especially for buildings that do not have an elevator, with aesthetics adapted to any surroundings.

Gen2 Fit: this equipment has been designed to fit into minimal spaces, with cars that may be for just one person, and has all the advantages of the latest-generation Otis elevators: extreme safety, comfort, respect for the environment and energy regeneration.

REGULATIONS AND LEGISLATION

In June, the Ministry of Industry published the prior public consultation on the first draft of the Royal Decree which will amend the Supplementary Technical Instruction ITC AEM1 “Elevators” of 2013. The Ministry’s intention is to adapt national legislation to European legislation, establish the technical requirements required nationally to keep elevators in line with technical developments, and adapt existing elevators to the current state of the art in respect of safety.

The average age of the elevators in service is over 20 years and, therefore, most of them do not include the safety measures set out in EN 81-20/50. (This standard is mandatory for new elevators installed in or after September 2017).

11. EXHIBIT – KEY FIGURES:

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

Key Data, 3rd Quarter 2019			
Consolidated figures in millions of euros			
Results	2019	2018	% variance 19/18
EBITDA	152.4	150.5	1.2
Profit before tax	137.6	139.8	(1.5)
Profit after tax	103.6	105.6	(1.9)

Sales	2019	2018	% variance 19/18
New Installations	47.7	41.2	15.7
Service	423.9	409.9	3.4
Exports	125.5	119.3	5.2
Total	<u>597.1</u>	<u>570.5</u>	<u>4.7</u>

Orders received (*)	% variance		
Backlog of unfilled orders (*)	2019	2018	19/18
Orders received	158.6	146.3	8.4
Backlog	155.6	153.3	1.5

Units under maintenance	2019	2018	% variance 19/18
Units under maintenance	293,120	287,470	2.0

(*) Includes New Installations, Modernizations and Exports

