ZARDOYA OTIS, S.A.
Lorea García Jáuregui
Secretaria del Consejo de Administración

ZARDOYA OTIS, S.A.
Golfo de Salónica, 73
28033 Madrid - España
Teléfono 91 343 51 00
www.otis.com

Comisión Nacional del Mercado de Valores
Dirección General de Mercados
Edison, 4
28006 MADRID

Madrid, 31 de Julio de 2018

Acompañando esta carta, adjuntamos la siguiente información en inglés:

- Auditor Report
- Condensed Consolidated Interim Financial Statements for 1st Semester 2018
- Quarterly Report for 1st Semester 2018

NOTA: la citada información en inglés ha sido traducida por la propia entidad, bajo su exclusiva responsabilidad y no tiene la consideración de oficial

Atentamente,

Lorea García Jáuregui

ZARDOYA OTIS, S.A.
AND SUBSIDIARIES

Report on limited review of condensed interim consolidated financial statements at 31 may 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.

REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of Zardoya Otis, S.A. (hereinafter, "the parent company") and its subsidiaries (hereinafter, "the group"), which comprise the balance sheet as at May 31, 2018, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six months period then ended. The parent company´s directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

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

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six months period ended May 31, 2018 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

Emphasis of Matter

We draw attention to Note 2, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended November 30, 2017. Our conclusion is not modified in respect of this matter.

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

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Other Matters

Interim consolidated directors´ Report

The accompanying interim consolidated directors' Report for the six months period ended May 31, 2018 contains the explanations which the parent company´s directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this directors' Report is in agreement with that of the interim financial statements for the six months period ended May 31, 2018. Our work is limited to checking the interim consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Zardoya Otis, S.A. and its subsidiaries´ accounting records.

Preparation of this review report

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

PricewaterhouseCoopers Auditores, S.L.

Original Spanish version signed by Rafael Pérez Guerra

30 July 2018

ZARDOYA OTIS S.A.
AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2018

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Thousands of euros)

		May 2018	November 2017	May 2017
	ASSETS			
	Non-current assets			
	Property, plant & equipment (Note 7)	61 887	60 093	59 917
	Intangible assets (Note 8)	174 763	177 749	179 653
	Goodwill (Note 8)	150 717	146 551	145 862
	Financial investments	1 626	718	697
	Deferred tax assets (Note 14)	24 369	23 994	24 568
	Assets arising from welfare benefit & commitment obligations	3 123	4 141	1 697
	Other non-current assets (Note 9)	3 727	3 984	4 380
	Total non-current assets	**420 212**	**417 230**	**416 774**
	Current assets			
	Inventories	42 220	33 658	35 330
	Financial receivables	266	224	286
	Trade and other receivables (Note 9)	190 955	201 405	193 921
	Cash & cash equivalents	60 131	60 854	72 421
	Total current assets	**293 572**	**296 141**	**301 958**
	Total assets	**713 784**	**713 371**	**718 732**

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

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Thousands of euros)

	May 2018	November 2017	May 2017
EQUITY			
Share capital (Note 10)	47 046	47 046	47 046
Share Premium	306	306	306
Legal reserve	10 162	9 785	9 786
Reserves in subsidiaries & other reserves	278 046	295 448	276 290
Retained earnings	126 990	152 744	128 230
Interim dividends paid (Note 25)	(75 274)	(75 274)	(75 274)
Exchange differences	(272)	(489)	(192)
Non-controlling interests	10 450	11 426	11 131
Total equity	**397 454**	**440 992**	**397 323**
LIABILITIES			
Non-current liabilities			
Other payables (Note 12)	2 647	2 648	3 739
Provisions for other liabilities & expenses (Note 17)	10 204	10 084	8 375
Deferred tax liabilities (Note 14)	23 022	24 263	26 458
Total non-current liabilities	**35 873**	**36 995**	**38 572**
Current liabilities			
Trade & other payables (Note 12)	258 603	216 544	268 424
Current tax liabilities (Nota 13)	12 239	7 856	4 135
Borrowings (Note 16)	193	323	21
Provisions for other liabilities & expenses (Note 17)	9 422	10 661	10 257
Total current liabilities	**280 457**	**235 384**	**282 837**
Total liabilities	**316 330**	**272 379**	**321 409**
Total equity and liabilities	**713 784**	**713 371**	**718 732**

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

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2018

CONSOLIDATED INCOME STATEMENT
(Thousands of euros)

		Six-month period ended May 31,	
		2018	**2017**
	Sales (Note 18)	384 471	382 187
	Other income	743	595
	Raw materials and consumables used (Note 20)	(124 791)	(123 825)
	Employee compensation and benefit expenses (Note 19)	(129 393)	(124 073)
	Depreciation, amortization and impairment charges (Note 7, 8)	(9 167)	(9 284)
	Net other expenses (Note 21)	(29 358)	(27 153)
	Operating profit	**92 505**	**98 447**
	Finance income (Note 22)	64	194
	Finance cost (Note 22)	(157)	(89)
	Net exchange differences (Note 22)	(123)	76
	Other (losses) / gains	(49)	170
	Profit before tax	**92 240**	**98 798**
	Income tax (Note 23)	(21 570)	(23 901)
	Profit for the period	**70 670**	**74 897**
	Attributable to:		
	Owners of the Company	70 296	74 552
	Non-controlling interests	374	345
	Earnings per share for profit on continuing operations attributable to the equity shareholders of the company in the period (euros per share)		
	- Basic earnings per share (Note 24)	0.1494	0.1585
	- Diluted earnings per share		

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

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2018

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
(Thousands of euros)

		Six-month period ended May 31	
		2018	**2017**
	Profit for the period	70 670	74 897
	Other comprehensive income		
	Items that may subsequently be taken to P&L:		
	Exchange rate differences	218	(187)
	Other comprehensive income for the period, net of taxes		
	Total comprehensive income for the period, net of taxes	70 888	74 710
	Attributable to:		
	– Owners of the parent company	70 514	74 365
	– Non-controlling interests	374	345

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

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (thousands of euros)

			Attributable to owners of the parent company					Non-controlling Interests	Total equity
	Share capital	Share premium	Legal reserve	Treasury stock	Accum. foreign exchange differences	Reserves in subsidiaries & other reserves	Retained earnings		
Balance at Nov. 30, 2016	**47 046**	**37 472**	**9 409**	**-**	**(5)**	**235 134**	**94 511**	**14 009**	**437 576**
Application of 2016 profit			377			40 452	(152 285)		(111 456)
Dividend for 2016							111 456		111 456
Capital increase									
Profit for the period					(187)		74 552	345	74 710
Interim dividend 2016							(37 637)		(37 637)
Dividend for 2017							(37 637)		(37 637)
Partial cash distribution of share premium		(37 166)							(37 166)
Transactions with non-controlling interests						704		(2 148)	(1 444)
Other movements							(4)	(1 075)	(1 079)
Balance at May 31, 2017	**47 046**	**306**	**9 786**	**-**	**(192)**	**276 290**	**52 956**	**11 131**	**397 323**

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

+

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (thousands of euros)

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
(Thousands of euros)

	Six-month period ended May 31	
	2018	**2017**
Net profit	**70 296**	**74 552**
Cash flows from operating activities		
Adjustments to profit		
Amortization/depreciation/provisions (Notes 7, 8 & 9)	7 705	8 008
Taxes (Note 23)	21 570	23 901
Net interest paid	(217)	(65)
Profit attributable to non-controlling interests	374	346
Tax payments	(19 695)	(24 880)
Changes in inventories	(8 867)	(4 786)
Changes in receivables and other assets	16 032	5 512
Changes in payables and other liabilities	(2 390)	10 775
Net cash flow from operating activities	**84 808**	**93 363**
Cash flows from investing activities		
Investment in property, plant & equipment/intangible assets (Notes 7, 8)	(4 562)	(1 239)
Acquisition of subsidiaries (Note 26)	(5 410)	(4 641)
Acquisition/disposal of other financial assets	-	62
Net cash flow from investing activities	**(9 972)**	**(5 818)**
Cash flows from financing activities		
Dividends paid (Note 25)	(75 274)	(75 274)
Bank borrowings (Note 16)	(157)	(303)
Acquisition of non-controlling interests	(128)	(1 891)
Net cash flows from financing activities	**(75 559)**	**(77 468)**
Net increase/(decrease) in cash and cash equivalents	**(723)**	**10 077**
Cash & cash equivalents at the beginning of the period	60 854	62 344
Cash & cash equivalents at the end of the period	60 131	72 421

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

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

1. General information

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

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

United Technologies Holding S.A., incorporated in France, held an interest in the Group of 50.01% of the Company's shares at May 31, 2018. Said company belongs to the UTC Group, incorporated in the United States of America. The Company is listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

The annual consolidated financial statements for the year 2017 were approved by the Board of Directors on February 20, 2018, audited, and approved by the General Shareholders' Meeting held on May 23, 2018. These condensed consolidated interim financial statements were approved by the Board of Directors on July 27, 2018 and submitted to a limited review by the Group auditor at the Board's request

2. Bases of presentation

The condensed consolidated interim financial statements of the Group (Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and the Notes thereto for the six-month period ended May 31, 2018, all of which are condensed, consolidated and interim), expressed in thousands of euros, have been prepared in accordance with IAS 34 "Interim Financial Reporting" and must be read in conjunction with the consolidated annual financial statements for the year ended November 30, 2017, which were prepared in accordance with International Financial Reporting Standards adopted for use in the European Union (IFRS-EU) and approved by the European Commission Regulations currently in force.

3. Accounting policies

The accounting policies and consolidation processes applied in these condensed consolidated interim financial statements for the six-month period ended May 31, 2018 are the same as those used when preparing the consolidated annual financial statements for the annual period ended November 30, 2017, except in respect of the changes in accounting standards that have come into force in 2018, described in the Notes to the 2017 Consolidated Annual Financial Statements, which have had no material effect on the financial statements.

In relation to changes in accounting standards, the Group has elected the early adoption of IFRS 15 "Revenue from Contracts with Customers": As set out in the 2017 consolidated annual financial statements, 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 a 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. For this reason, the Group has evaluated the matter and decided to adopt this Standard early.

The group has applied this Standard retrospectively and the cumulative effect of the initial application of the Standard is recognized at the initial application date.

The main impacts of applying the Standard to the six-monthly financial information:

	2018(*)	2018 (**)
Initial reserves 12.01.2017	440 992	440 827
Profit for the period	71 118	70 670
Total assets	714 067t	713 784

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

Additionally, the group is assessing the impact of standards issued but not applied, such as IFRS 16 and IFRS 9:

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

The Standard will affect mainly the accounting for the group's operating leases. At the 2017 reporting date, the group held operating lease commitments of EThs 9 572. However, the group has not yet determined the extent to which these commitments will result in the recognition of an asset and a liability for future payments or how this will affect the group's profit and the classification of future cash flows.

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

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

In relation to IFRS 9 "Financial Instruments", it addresses the classification, measurement and derecognition of financial assets and liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets. 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 impact on the classification and measurement of its financial assets for the following reasons:

- The group does not currently hold any debt instruments classified as available for sale.
- Equity investments currently measured at fair value with changes recognized in profit or 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 conditions to be classified at amortized cost under IFRS 9.
-

The accounting estimates used are the same as those used for the annual financial statements for the period ended in November 2017. In the first semester of 2018, there were no value adjustments with a material effect on the items of the assets, liabilities, equity, profit and loss or cash flows presented. The corporate income tax calculated corresponds to the tax rate that is expected to be applicable to the profit for the full period.

Additionally, during the six-month period ended May 31, 2018, transition guidance was published on the interpretation of international standards that have not yet come into force and that the group has not adopted early.

The accounting estimates used are the same as those used for the annual financial statements of the reporting period ended in November 2017. During the first semester of the 2018 period, there were no value adjustments that had a material impact on the assets, liabilities, equity, profits or cash flows presented. The corporate income tax was calculated applying the tax rate expected to apply to the profit for the full annual period.

Additionally, in the six-month period ended May 31, 2018, transition guidance was published on interpretations of international standards that have not yet come into force and which the Group has not adopted early.

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

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

In the first six months of the 2018 period, companies belonging to the CGU Zardoya Otis Group (Spain) acquired 100% of the shares of the company Ascensores Limarlift, S.L., (April 5, 2018), a company engaged in the maintenance and repair of elevators in Spain, and 80% of the shares of the company LV3 S.L., (April 16, 2018), engaged in the elimination of architectural barriers and providing accessibility solutions with stair lifts and platforms (Note 26).

Additionally, the companies Elevadores Castalia, S.A. (acquired in 2016), M. CASAS, S.A. (acquired in 2016), Sistemas Automáticos de Elevación (acquired in 2017) and Liftsur Elevadores, S.L. (acquired in 2018) were dissolved without liquidation. These companies formulated a merger project during the period, transferring the whole of their equity, en bloc, to other companies belonging to the same CGU, which acted as absorbing companies, since they already held 100% of the shares before the merger. These mergers did not lead to any changes in the scope of consolidation.

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

5. Financial risk management

Financial risk factors

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

Risk management is controlled by Group Management in accordance with policies approved by the Board of Directors of the parent company. Management assesses and hedges financial risks in 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 exposed to foreign exchange risk arising from transactions in US dollars. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. However, these transactions are not significant and the effect of a change in the interest rate would not have a material effect on the Group's condensed consolidated financial information as of May 31, 2018.

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

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

In relation to commercial export and import transactions, the Group is exposed to exchange rate risk that is not significant. At May 31, 2018, there were outstanding balances in currencies other than the euro equivalent to EThs 1 241 (EThs 1 289 at May 31, 2017).

(i) Price risk

The Group has only limited exposure to commodity price risk.

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

b) Credit risk

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

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

The amounts of trade receivables are shown in the statement of financial position net of the provision for impairment. At May 31, 2018, said provision was EThs 86 515 (EThs 89 643 at May 31, 2017). The Group estimates the provision in accordance with the age of the debt and experience in earlier years, in line with the previous segregation of the customer portfolio and the current economic environment.

As of May 31, 2018, the Group held current deposits with financial institutions of ETHs 10 744 (ETHs 17 993 as of May 31, 2017). As stated above these deposits are placed with prestigious financial institutions in Spain and Portugal.

c) Liquidity risk

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

At May 31, 2018, cash and cash equivalents represented ETHs 60 131 (ETHs 72 421 at May 31, 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:

	05.31.18	**05.31.17**
Cash at beginning of period	**60 854**	**62 344**
Cash flow from operating activities	84 808	93 363
Cash flow from investing activities	(9 972)	(5 818)
Cash flow from financing activities	(75 559)	(77 468)
Cash at end of period	**60 131**	**72 421**

d) Cash flow and fair value interest rate risk

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

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

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

As stated in Note 16, the Group did not hold any borrowings at fixed rates at May 31, 2018.

e) Capital risk management

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

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

	05.31.2018	05.31.2017
Borrowings (current and non-current)	193	21
Other current and non-current financial liabilities	9 175	8 729
Cash and cash equivalents	(60 131)	(72 421)
Net financial debt	(50 763)	(63 671)
Equity	397 454	397 323
Leverage (*)	**-0.15**	**-0.19**

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

At May 31, 2018, the net financial debt represented -0.4993 of EBITDA (-0. 5910 at the end of 2017). (EBITDA = Operating profit plus amortization plus depreciation).

6. Segment reporting

The 2017 consolidated annual financial statements explain the criteria applied to identify and define the Group's operating segments. In the period ended May 31, 2018, there were no changes in these criteria.

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

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

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

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

May 2017	Sales	Operating profit	Assets: Total	Assets: Amortization/ depreciation	Assets: Non-current investments in assets	Liabilities
Zardoya Otis Group – Spain	349 276	88 027	612 352	9 119	2 547	275 297
Otis Group– Portugal	29 780	10 222	64 567	115	143	25 534
Otis Maroc – Morocco	8 031	883	41 813	50	351	20 578
Eliminations – intra-group transactions	(4 900)	(685)	-	-	-	-
Consolidated	382 187	98 447	718 732	9 284	3 041	321 409

Additionally, the traditional elevator business is shown separately from the non-elevator business, mainly automatic doors:

May 2018	Sales	Operating profit	%	Non-current investments in assets
Zardoya Otis S.A. (aggregate of 92 branches)	287 006	70 684	24,63	9 757
Spanish Group companies - Elevators (15 companies)	82 638	10 729	12,98	-
Otis Group – Portugal	29 049	10 561	36,36	81
Otis Maroc – Morocco	11 070	1 162	10,49	2 457
Group total	409 763	93 136	22,73	12 295
Eliminations – intra-group transactions	(25 292)	(631)	-	-
Consolidated	384 471	92 505	24,06	12 295

May 2017	Sales	Operating profit	%	Non-current investments in assets
Zardoya Otis S.A. (aggregate of 99 branches)	288 411	76 786	26,62	584
Spanish Group companies - Elevators (15 companies)	75 427	11 241	14,90	1 963
Otis Group – Portugal	29 780	10 222	34,32	143
Otis Maroc – Morocco	8 031	883	10,99	351
Group total	401 649	99 132	24,68	3 041
Eliminations – intra-group transactions	(19 462)	(685)	-	-
Consolidated	382 187	98 447	25,75	3 041

7. Property, plant and equipment

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

	Land & buildings	Machinery	Furniture, accessories & equipment	Total
At November 30, 2016				
Cost	63 145	42 952	73 408	179 505
Accumulated depreciation	(17 043)	(36 982)	(64 880)	(118 904)
Impairment losses				
Net carrying amount	**46 102**	**5 970**	**8 528**	**60 601**
2017				
Business combinations (Note 26)	-	-	24	24
Increases	401	534	258	1 193
Decreases	(2 071)	(4 981)	(203)	(7 255)
Depreciation charge	(548)	(818)	(710)	(2 076)
Derecognition of accumulated depreciation	2 071	5 157	202	7 430
Impairment losses	-	-	-	-
Other movements	-	-	-	-
	(147)	(108)	(429)	(684)
At May 31, 2017				
Cost	61 475	38 505	73 487	173 467
Accumulated depreciation	(15 520)	(32 643)	(65 388)	(113 551)
Impairment losses	-	-	-	-
Net carrying amount	**45 955**	**5 862**	**8 099**	**59 917**
At November 30, 2017				
Cost	61 867	30 187	68 248	160 302
Accumulated depreciation	(15 909)	(24 543)	(59 757)	(100 209)
Impairment losses				
Net carrying amount	**45 958**	**5 644**	**8 491**	**60 093**
2018				
Business combinations (Note 26)	-	-	-	-
Increases	2 461	348	1 739	4 548
Decreases	(76)	-	(282)	(358)
Depreciation charge	(704)	(536)	(1 362)	(2 602)
Derecognition of accumulated depreciation	55	-	152	207
Impairment losses	-	-	-	-
Other movements	-	-	-	-
	1 736	(188)	247	1 795
At May 31, 2018				
Cost	64 252	30 535	69 705	164 492
Accumulated depreciation	(16 558)	(25 080)	(60 966)	(102 605)
Impairment losses	-	-	-	-
Net carrying amount	**47 693**	**5 455**	**8 739**	**61 887**

The property, plant and equipment figures include property, plant and equipment in the course of construction for a value of EThs 1 457 (EThs 350 in 2017). Of the total property, plant and equipment, net of depreciation, of EThs 61 887 (EThs 59 917 in 2017), a total of EThs 426 is located in Portugal and a total of EThs 2 716 in Morocco. (EThs 373 in Portugal and EThs 599 in Morocco in 2017). There is no other property, plant and equipment outside Spanish territory.

The Group follows the policy of taking out all the insurance policies deemed necessary to cover any possible risks that could affect, among other items, the property, plant and equipment. At May 31, 2018 and 2017, none of the Group's financial liabilities was secured by property, plant and equipment and, therefore, all the property, plant and equipment was free of any encumbrances.

8. Intangible assets

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

	Maintenance contracts	Goodwill	Other	Total
At November 30, 2016				
Cost	316 070	153 498	15 706	485 274
Accumulated amortization	(136 619)	-	(9 698)	(146 317)
Impairment losses	-	(8 054)	-	(8 054)
Net carrying amount	**179 451**	**145 444**	**6 008**	**330 903**
2017				
Increases	-	-	22	22
Business combinations (Note 26)	1 384	418	-	1 802
Decreases	(76)	-	-	(76)
Amortization charge	(7 191)	-	(15)	(7 206)
Impairment losses recognized in period	-	-	-	-
Derecognition of accumulated amortization	69	-	-	69
Other movements	-	-	-	-
	(5 814)	418	7	(5 389)
At May 31, 2017				
Cost	317 378	153 916	15 729	487 023
Accumulated amortization	(143 741)	-	(9 713)	(153 454)
Impairment losses	-	(8 054)	-	(8 054)
Net carrying amount	**173 637**	**145 862**	**6 016**	**325 515**

	Maintenance contracts	Goodwill	Other	Total
At November 30, 2017				
Cost	321 571	154 605	17 685	493 861
Accumulated amortization	(149 836)	-	(11 672)	(161 507)
Impairment losses	-	(8 054)	-	(8 054)
Net carrying amount	**171 735**	**146 551**	**6 013**	**324 300**
2018				
Increases	14	-	-	14
Business combinations (Note 26)	3 567	4 166	-	7 733
Decreases	(97)	-	-	(97)
Amortization charge	(6 555)	-	(10)	(6 565)
Impairment losses recognized in period	-	-	-	-
Derecognition of accumulated amortization	97	-	-	97
Other movements	-	-	-	-
	(2 975)	4 166	(10)	1 181
At May 31, 2018				
Cost	325 054	158 771	17 685	501 509
Accumulated amortization	(156 293)	-	(11 682)	(167 975)
Impairment losses	-	(8 054)	-	(8 054)
Net carrying amount	**168 760**	**150 717**	**6 003**	**325 480**

In the six-month period ended May 31, 2018, the Group carried out the business combinations described in Note 26.

In 2018, increases relate to purchases of maintenance contracts, which were not significant.

At May 31, 2018, there were no indications of a change in the assumptions used for impairment testing in 2017 and, therefore, the recoverable amount (value in use) of each CGU exceeded the carrying amount of its net assets for consolidation purposes.

9. Trade and other receivables

	At May 31		
	2018	**2017**	**30.11.2017**
Trade receivables	192 504	208 362	204 113
Less: provision for impairment of receivables	(86 515)	(89 643)	(89 041)
Trade receivables - net	105 989	118 719	115 072
Amounts due from customers for contract work	25 394	21 482	27 115
Other receivables	12 227	8 143	8 193
Public authorities (Note 13)	7 718	6 035	14 008
Prepayments	4 268	1 837	695
Receivables from related parties (Note 27)	35 359	37 705	36 322
Total	190 955	193 921	201 405

The total amount of the costs incurred at the reporting date was ETh 100 029 (ETh 72 316 in 2017), which includes recognized profits (less recognized losses) of ETh 1 568 for all the contracts in progress (ETh 5 714 in 2017). Trade receivables for contract work were ETh 74 635 (ETh 50 834 in 2017), which was the net amount of the cost incurred at the reporting date and the prepayments received from customers.

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

	At May 31		
	2018	**2017**	**30.11.2017**
Balance at beginning of period	89 040	94 659	94 659
Provision made (Note 21)	1 086	1 154	2 044
Applications	(2 548)	(2 428)	(4 121)
Reversal of unused provisions	(1 063)	(3 742)	(3 542)
Balance final	86 515	89 643	89 040

Provisions and reversals of provisions appear on the income statement under the “Net other expenses” heading. The net provision recognized in 2018 is -0.38% of Group sales (first semester of 2017: -0.33%).

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

At May 31, 2018

Thousands of euros	Total	Impaired	Net	Not matured	Matured but not impaired
Less than 6 months	111 604	(20 484)	91 120	52 344	38 776
Between 6 months and 1 year	10 542	(2 191)	8 351	-	8 351
Between 1 and 2 years	26 187	(19 669)	6 518	-	6 518
More than 2 years	2 768	(2 768)	-	-	-
Under litigation	41 403	(41 403)	-	-	-
Total	**192 504**	**(86 515)**	**105 989**	**52 344**	**53 645**

At May 31, 2017

Thousands of euros	Total	Impaired	Net	Not matured	Matured but not impaired
Less than 6 months	120 507	(22 776)	97 731	57 289	40 442
Between 6 months and 1 year	13 494	(1 870)	11 624	-	11 623
Between 1 and 2 years	29 485	(20 121)	9 364	-	9 364
More than 2 years	4 533	(4 553)	-	-	-
Under litigation	40 342	(40 432)	-	-	-
Total	**208 362**	**(89 643)**	**118 719**	**57 289**	**61 430**

Additionally, non-current assets include notes to be collected from customers maturing at more than one year for an amount of ETh 3 727 (ETh 4 380 in 2017).

10. Share capital

	No. Shares	Ordinary shares	Total
At November 30, 2016	**470,464,311**	**470,464,311**	**470,464,311**
Capital increase	-	-	-
At May 31, 2017	**470,464,311**	**470,464,311**	**470,464,311**
Capital increase	-	-	-
At November 30, 2017	**470,464,311**	**470,464,311**	**470,464,311**

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

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

The total number of authorized ordinary shares is 470,464,311, with a par value of 0.10 euros per share (2017: 0.10 euros per share).

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

Shareholder	Shares			% shareholding		
	05/31/2018	**11/30/2017**	**05/31/2017**	**05/31/2018**	**11/30/2017**	**05/31/2017**
United Technologies Holdings, S.A.	235,279,377	235,279,377	235,279,377	50.01	50.01	50.01
Euro-Syns, S.A.	54,861,523	54,392,423	53,802,775	11.66	11.56	11.44
AKO Master Fund Ltd	14,179,531	14,179,531	10,877,961	3.01	3.01	2.31
Other non-controlling interests	180,323,411	180,792,511	181,382,159	38.33	38.43	38.55
	470,464,311	470,464,311	470,464,311	100.00	100.00	100.00

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

11. Treasury shares

At May 31, 2018 and at November 30, 2017, Zardoya Otis, S.A. did not hold any treasury shares.

12. Trade and other payables

	At May 31	
	2018	2017
Suppliers	31 742	27 013
Amounts payable to related parties (Note 27)	18 304	31 393
Other payables	12 768	24 372
Invoices not yet received	15 019	11 574
Notes payable	226	886
Amounts due to customers on contract work	49 873	50 660
Prepayments received for maintenance contract work	26 727	30 763
Acquisition commitments	6 529	5 553
Other amounts payable to the Public Treasury (Note 13)	24 350	21 020
Outstanding employee remuneration	30 588	31 322
Other	42 477	33 868
Total	258 603	268 424

Balances payable to related companies are partly denominated in foreign currency. No other significant amounts are payable in foreign currency. The heading "Amounts payable to related parties" includes balances in currencies other than the euro for an amount equivalent to EThs 1 241 (EThs 1 289 in 2017). It also includes the amount of the partial cash distribution of the share premium corresponding to United Technologies Group (Note 27).

In 2018 and 2017, the heading "Other" includes the obligation to shareholders other than United Technologies Group arising from the 4th resolution on the Agenda of the General Shareholders' Meeting of May 23, 2018, which approved a dividend for a gross amount of 0.08 euros per share (partial distribution of the share premium of 0.079 euros/share in 2017).

Additionally, at May 31, 2018 and 2017, the "Other" heading contained the value of the commitment of EThs 12 570 (2017: EThs 12 855) relating to the application of IAS 32 and the agreement signed in the purchase of companies in preceding reporting periods.

Likewise, there are non-current acquisition commitments under the heading "Other payables" for EThs 2 647 (EThs 3 739 in 2017) with the following maturities:

		Non-current		
At May 31, 2018	Current	2019	2020/21	Total
Acquisitions 2018	3 183	956	-	955
Acquisitions until 2017	3 346	1 437	254	1 691
	6 529	2 393	254	2 647

		Non-current		
At May 31, 2017	Current	2017	2018/19	Total
Acquisitions 2017	1 281	-	142	142
Acquisitions until 2016	4 273	2 404	1 193	3 597
	5 553	2 404	1 335	3 739

13. Public Treasury

	At May 31	
	2018	2017
Receivable balances		
Social Security	769	35
Withholdings on investment income	362	348
VAT deductible	408	420
Input VAT	6 179	5 232
Total (Note 9)	7 718	6 035
Payable balances		
Provision for corporate income tax	74 611	82 396
Payments on account of corporate income tax	(62 372)	(78 261)
Total	12 239	4 135
Public Treasury, withholdings operated	2 845	2 095
Public Treasury, VAT	2 402	124
Public Treasury, output VAT	8 618	9 735
Social Security	10 485	9 066
Total (Note 12)	24 350	21 020

14. Deferred taxes

	At May 31	
	2018	2017
Deferred tax assets		
to be recovered after more than 12 months	23 770	23 943
to be recovered within 12 months	599	625
	24 369	24 568
Deferred tax liabilities		
to be recovered after more than 12 months	21 471	24 955
to be recovered within 12 months	1 551	1 503
	23 022	26 458

Gross movement on the deferred tax account was as follows:

	At May 31	
Deferred tax assets	2018	2017
At November 30	23 994	23 205
Business combinations	-	-
P&L impact	375	1 363
At May 31	24 369	24 568

Deferred tax liabilities		
At November 30	24 263	26 792
Business combinations	891	346
P&L impact	(2 132)	(680)
At May 31	23 022	26 458

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

Deferred tax assets	Welfare commitments	Amortization/ depreciation assets	Other	Total
At November 30, 2016	**11 032**	**5 443**	**6 730**	**23 205**
P&L impact	340	849	173	1 363
At May 31, 2017	**11 372**	**6 292**	**6 903**	**24 568**
At November 30, 2017	**11 037**	**6 226**	**6 731**	**23 994**
P&L impact	319	137	(81)	375
At May 31, 2018	**11 356**	**6 363**	**6 650**	**24 369**

Deferred tax liabilities	Welfare commitments	Amortization/ depreciation assets	Other	Total
At November 30, 2016	**-**	**26 792**	**-**	**26 792**
P&L impact	-	(680)	-	(680)
Business combinations	-	346	-	346
At May 31, 2017	**-**	**26 458**	**-**	**26 458**

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

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

15. Welfare commitments

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

The liability recognized on the statement of financial position for the defined benefit plans is the present value of the obligation at the date of the statement of financial position less the fair value of the assets attached to the plan. The defined benefit obligation is calculated annually, once the salary adjustment process has concluded in October, by independent actuaries, using the projected unit credit method. The consolidated income statement in these condensed financial statements shows an expense of EThs 1 017 (2017: EThs 1 062) for this item, shown as employee benefit expenses. (Note 19)

At the end of the six-month period, the Company's best estimate of the contributions to be paid in 2018 is EThs 2 005 (EThs 2 232 in 2017).

16. Borrowings

At May 31, 2018 and 2017, the carrying amount of current borrowings from financial institutions was equal to its fair value, since the impact of discounting was not significant. Interest accrued in the six-month period was EThs 37 (2017: EThs 89).

The non-current portion of borrowings, which was EThs 0.00 (2017: EThs 0.00), is shown at amortized cost in accordance with the effective interest rate method. The borrowings mature as follows:

At May 31, 2018:

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

At May 31, 2017:

	Current	2017	2018	Non-current
Borrowings from financial institutions	21	-	-	-
	21	-	-	-

17. Provision for other liabilities and expenses

	At May 31	
	2018	**2017**
Non-current		
Other commitments with employees	10 204	8 375
Current		
Litigations, customer transactions	667	607
Guarantees for services and contracts	8 166	8 976
Chamber of Commerce and other taxes	589	674
	9 422	10 257

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

18. Sales

	At May 31	
	2018	**2017**
Service	274 788	269 636
New installations	27 345	22 896
Exports	82 065	89 334
Other sales	273	321
Total sales	384 471	382 187

The sales breakdown by activity at May 31, 2018 and 2017 is shown below. This is presented based on the requirements of IFRS 15 (Note 3):

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

	At May 31, 2017				
	Zardoya Otis Group– Spain	**Otis Group– Portugal**	**Otis Maroc – Morocco**	**Eliminations – intra-group transactions.**	**Total**
Service	240 125	26 700	2 811	-	269 636
New installations	14 748	2 928	5 220	-	22 896
Exports	94 234	-	-	(4 900)	89 334
Other sales	149	172	-	-	321
Total sales	**349 276**	**29 780**	**8 031**	**(4 900)**	**382 187**

19. Employee benefit expenses

	At May 31	
	2018	**2017**
Wages and salaries	96 178	91 396
Social security and other	32 198	31 615
Welfare commitments (Note 15)	1 017	1 062
	129 393	124 073

Social security and other includes severance payments to employees of EThs 1 624 in 2018 (2017: EThs 1 090).

As from December 1, 2010, the UTC long-term incentive plan for certain Zardoya Otis executives who are also considered as UTC Group executives was also included. This includes UTC share-based compensation (Note 27). The expense recognized for this item in the period ended May 31, 2018 was EThs 301 (EThs 330 in 2017).

20. Raw materials and consumables used

	At May 31	
	2018	**2017**
Materials and subcomponents for installations and services	150 114	143 325
Elimination of intra-group transactions	(25 292)	(19 462)
Purchase discounts	(31)	(38)
	124 791	123 825

21. Other net expenses

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

	At May 31	
	2018	**2017**
Rentals	8 679	8 801
Repairs and maintenance	1 423	1 158
Insurance premiums	199	41
Advertising and publicity	1 288	1 303
Transport	6 296	5 870
Supplies and other services	6 429	6 159
Independent professionals	1 184	1 628
Subcontracting	1 133	1 237
Other	4 189	2 230
Impairment of receivables (Note 9)	(1 462)	(1 274)
	29 358	27 153

22. Net finance cost

	At May 31	
	2018	**2017**
Interest expense:		
– bank borrowings	(157)	(89)
	(157)	(89)
Interest income:		
– from financial institutions	64	194
	64	194
Net foreign exchange transaction gains / (losses)	(123)	76
	30	181

23. Income tax

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

	At May 31	
	2018	**2017**
Current tax expenses	24 077	25 943
Deferred taxes (Note 14)	(2 507)	(2 042)
Tax expense	21 570	23 901

	At May 31	
	2018	**2017**
Profit before tax	92 240	98 798
Tax expense	21 570	23 901
Effective tax rate	23.38%	24.20%

24. Earnings per share

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

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

	At May 31 (EThs)	
	2018	**2017**
Profit attributed to the owners of the Company	70 296	74 552
Weighted average number of ordinary shares in issue during the period	470 464 311	470 464 311
Basic earnings per share	0,1494	0,1585

25. Dividends and partial cash distribution of the share premium

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

1. Interim dividend charged to the profit for 2017 paid by Zardoya Otis, S.A.:

	EThs
3rd dividend 0.080 euros gross per share. Declared on December 12, 2017 and paid out on January 10, 2018. Shares: 470,464,311 (no treasury shares held). Maximum total: 37,637,144.88 euros	37,637

2. Interim dividend charged to the 2018 profit paid by Zardoya Otis, S.A.:

1st dividend 0.080 euros gross per share. Declared on March 20, 2018 and paid out on April 10, 2018. Shares: 470,464,311 (no treasury shares held). Maximum total: 37,637,144.88 euros	37,637

3. The General Shareholders' Meeting held on May 23, 2018 approved a dividend charged to voluntary reserves, paid by Zardoya Otis, S.A.:

2nd dividend: 0.080 euros per share. Approved on May 23, 2018 and paid on July 10, 2018. Shares: 470,464,311 (no treasury shares held). Maximum total: 37,637,144.88 euros	37,637

During the period 2017, the following dividend distributions took place, as well as a partial cash distribution of the share premium:

1. Interim dividend charged to the profit for 2016 paid by Zardoya Otis, S.A.

	EThs
3rd dividend 0.080 euros gross per share. Declared on December 13, 2016 and paid out on January 10, 2017. Shares: 470,464,311 (no treasury shares held). Maximum total: 37,637,144.88 euros	37,637

2.. Interim dividend charged to the 2017 profit paid by Zardoya Otis, S.A.:

1st dividend 0.080 euros gross per share. Declared on March 21, 2017 and paid out on April 10, 2017. Shares: 470,464,311 (no treasury shares held). Maximum total: 37,637,144.88 euros	37,637

3. The General Shareholders' Meeting held on May 24, 2017 approved a partial cash distribution of the share premium to be carried out after the date of these financial statements.

Distribution of premium: 0.079 euros per share. Approved on May 24, 2017 and paid out on July 10, 2017. Shares 470,464,311 (no treasury shares held). Maximum total = 37,166,680.57 Euros	37,167

26. Business combinations

In the first six months of the 2018 period, companies belonging to the CGU Zardoya Otis Group (Spain) acquired 100% of the shares of the company Ascensores Limarlift, S.L., (April 5, 2018), a company engaged in the maintenance and repair of elevators in Spain, and 80% of the shares of the company LV3 S.L., (April 16, 2018), engaged in the elimination of architectural barriers and providing accessibility solutions with stair lifts and platforms (Note 26).

The total cost of the aforementioned business combination has been determined provisionally, most of it relating to goodwill and the maintenance portfolio. No costs are attributable to the business combination other than those derived from auditing and the legal fees for the transfer, which were not material and were taken to profit and loss for the period.

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

27. Related-party transactions

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

Transactions and balances with related parties were as follows:

EThs	**05.31.18**	**05.31.17**
Transactions with Otis Elevator Co		
Royalties	9 826	9 131
Charge to Otis for development engineering centre costs	1 877	1 973
Payables (Note 12)	639	530
Transactions and balances with Otis Group companies from sales and purchases of goods and services		
Sales and recharged expenses	79 724	86 339
Purchases and incurred expenses	24 187	25 984
Receivables (Note 9)	35 359	37 705
Payables (Note 12)	17 665	12 806

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

Additionally, in September 2010, a "Recharge Agreement" was signed with United Technologies Corporation (UTC), which concerned the possibility that certain Zardoya Otis, S.A. executives who were also considered to be UTC group executives, since they held important management responsibilities, should benefit, depending on their performance and the attainment of common objectives of Zardoya Otis, Otis and United Technologies Corporation (UTC), from the UTC long-term incentive plan, which includes UTC share-based compensation schemes. The Agreement is applicable to incentives assigned as from December 1, 2010. The cost, approved by the Audit Committee, is included under the employee benefit expense heading, generating a credit account with Group companies (presented as other provisions in the statement of financial position). At May 31, 2018, the expense for this item was EThs 301 (2017: EThs 330), relating to the fair value of the accumulated assets used as a reference, EThs 4 368 (2017: EThs 4 109).

As of May 31, 2018, the cash and cash equivalents heading included EThs 11 000 (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 company of Otis Elevator Company). The deposits with group companies were 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 compensation accrued in the period by the members of the Board of Directors was EThs 1 126 (EThs 1 150 in 2017). The amount accrued by members of Group senior management was EThs 438 (EThs 423 in 2017).

	2018	2017
Fixed compensation	144	138
Variable compensation	215	230
Bylaw-stipulated compensation	600	600
Other non-current benefits.	134	153
Pension plan contributions	33	29
TOTAL	**1 126**	**1 150**

28. Average number of employees in the period

The Group's average number of employees at the end of the six-month period was 5 301 people (4 715 men and 586 women). For the six-month period of 2017, it was 5 156 people (4 596 men y 560 women).

29. Seasonality

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

30. Events after the end of the reporting period

The General Shareholders' Meeting approved the distribution of a dividend charged to voluntary reserves, paid on July 10, 2018 at a rate of 0.080 euros per share (Note 25).

On July 19, 2018, Zardoya Otis, S.A. sold the land and installations of its old modernization center in Munguia. The impact the results for the third quarter of 2018 due to the gain on disposal of property, plant and equipment is EThs 3 635. The Company intends to reinvest this capital gain in the new plant.

ZARDOYA OTIS, S.A

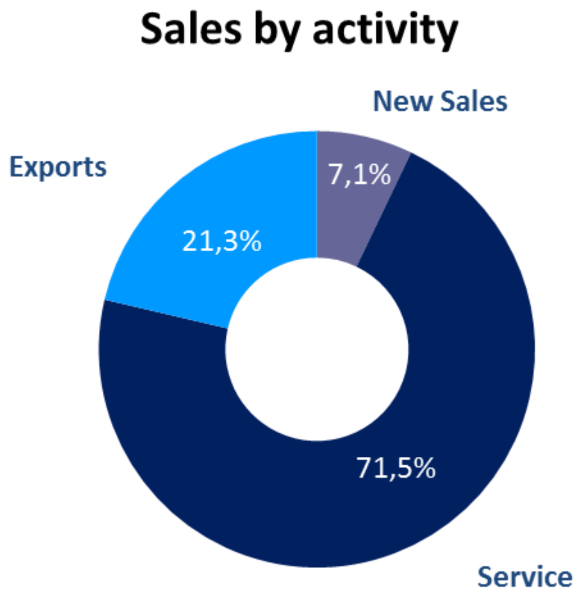
QUARTERLY REPORT FOR

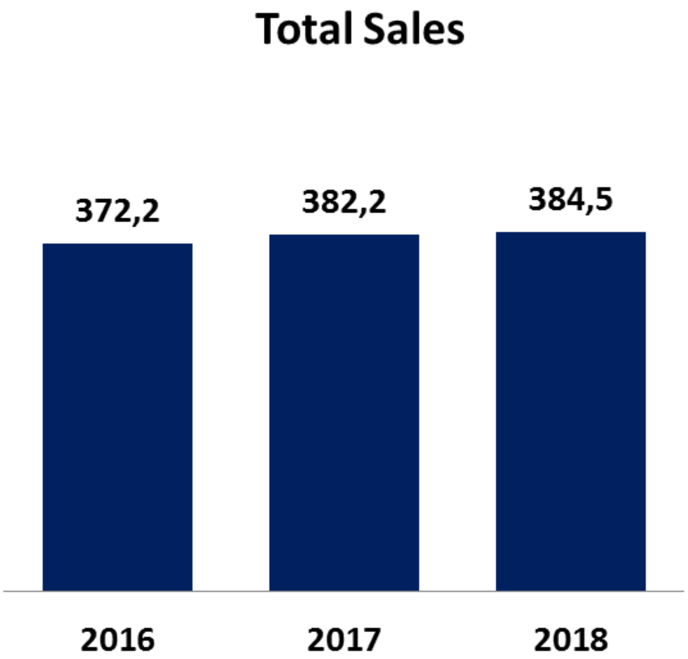
1ST SEMESTER 2018

FISCAL YEAR: DECEMBER 1, 2017 – NOVEMBER 30, 2018

1. BUSINESS EVOLUTION

SALES:





(Millions of euros – information 1st semester)

Total consolidated sales for the first semester of 2018 were 384.5 million euros, in comparison with the 382.2 million euros of the first semester of 2017, representing an increase of 0.6%.

New Installations

The value of new installations in the first semester of 2018 was 27.3 million euros, 19.4% up on figure for the first semester of 2017.

As in the preceding semesters, the trend towards recovery in this activity continued in the markets in which the Group operates.

In the first semester of 2018, new installations sales accounted for 7.1% of total sales (6.0% in the first semester of 2017).

Service

Consolidated service sales totalled 275.1 million euros (136.5 million euros in the first quarter), showing a 1.9% increase on the figure obtained in the first semester of 2017.

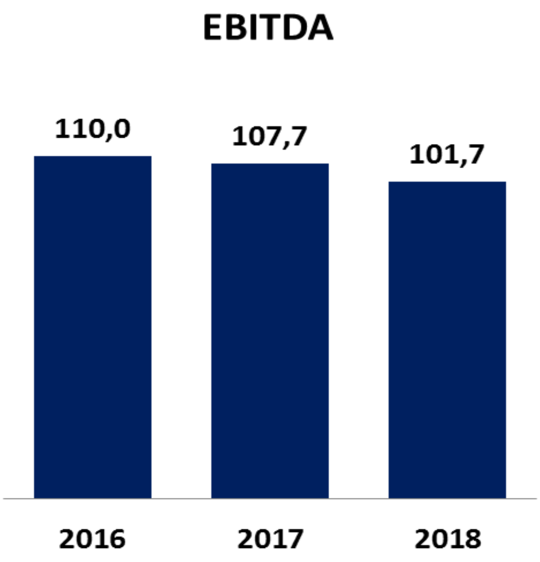
Service activity accounted for 71.5% of the Group's total billing in the first semester of 2018 (70.6% in the first semester of 2017).

Service sales grew for the second consecutive semester, thus consolidating the change of trend noted in the first quarter.

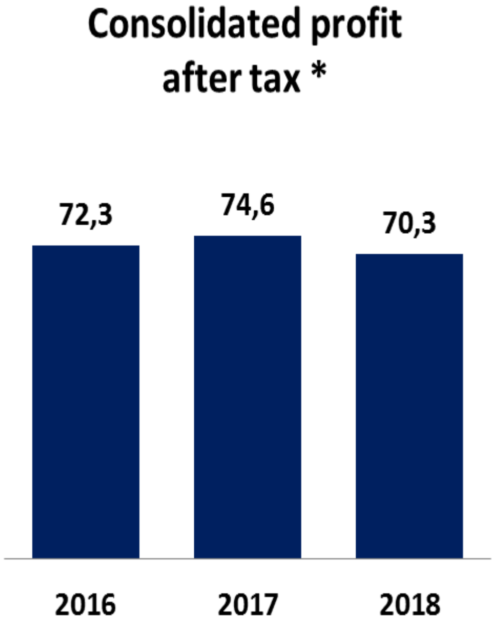
Exports. Net consolidated export sales were 82.1 million euros (38.1million euros in the first quarter), 8.1% down on the figure obtained in the first semester of 2017. The scenario did not change in comparison to the first quarter: the volume continued to be lower than our 2017 volume. The work execution rate in some of the countries to which we export is lower than forecast.

In the first semester of 2018, exports represented 21.3% of Group consolidated sales (23.4% in the first semester of 2017).

RESULTS:



(Millions of euros – information 1st semester)



(Millions of euros – information 1st semester)

EBITDA (operating profit plus amortization and depreciation) for the first semester of 2017 was 101.7 million euros

Profit after tax was 70.3 million euros, 5.7% below the 74.6 million euros obtained in the same period of 2017.

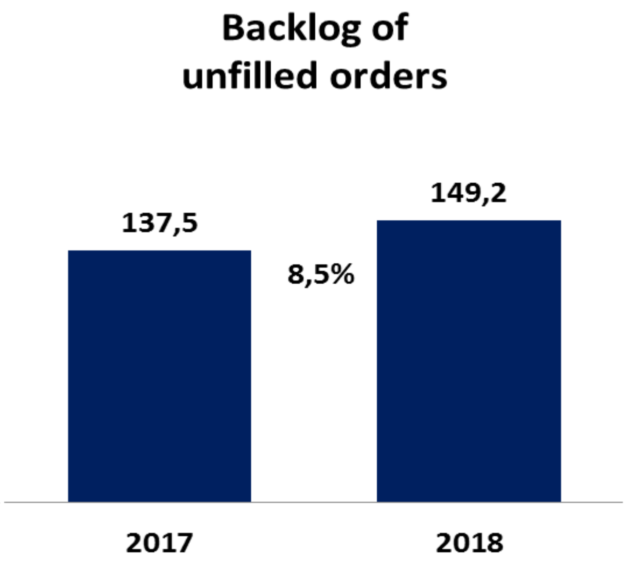
** Consolidated profit after tax on continuing operations attributable to the Company's shareholders for the first semester of each fiscal period.*

The first quarter environment showed no change. Difficulties with exports and the investment in digitalization had an impact on the profit for the semester.

In the second half of 2017, the Group commenced a digitalization plan. The figures for the first semester of 2018 include expenses related to this process.

2. OTHER KEY DATA:

(Millions of euros)



(Millions of euros)

Orders received and backlog of unfilled orders

The amount of the orders received for Installations in the first semester, including both new and existing buildings, was 98.6 million euros, showing a decrease of 0.9% on the same period of 2017.

The backlog of unfilled orders in the first semester of 2018 was 149.2 million euros, an increase of 8.5% on the same period of 2017.

Units under maintenance

We ended the first semester of 2018 with 286,236 units under maintenance, showing 0.7% growth on the first semester of 2017. We expect the growth in the new installations activity that commenced in previous years to be reflected in the units under maintenance.

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

OTIS

3. DIVIDENDS

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

Date	Gross per share	Charged to	Shares entitled to dividend	Gross total
Dividends:				
Jan. 10	0.080 euros	3rd interim 2017	470,464,311	37,637,144.88 €
Apr. 10	0.080 euros	1st interim 2018	470,464,311	37,637,144.88 €
Jul. 10 (*)	0.080 euros	Reserves	470,464,311	37,637,144.88 €
Total received				**112,911,434.64 €**

4. TREASURY SHARES

At May 31, 2017, Zardoya Otis, S.A. did not hold any treasury shares.

5. FINANCIAL RISK MANAGEMENT FIRST AND SECOND SEMESTER 2018

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, 2017. Management assesses and hedges financial risks in collaboration with the Group's operating units, in order to:

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

(*) Dividend charged to reserves approved at the Ordinary General Shareholders' Meeting of May 23, 2018.

Note 5 of the condensed consolidated interim financial statements includes an analysis of the Group's exposure to said risks in the six-month period ended May 31, 2018, which Management does not consider to have changed significantly in comparison with that described in the consolidated annual financial statements for 2017. For the second semester, no significant changes in financial risks are forecast in comparison to the analysis for the first six months of the year.

6. SIGNIFICANT EVENTS IN THE FIRST SEMESTER OF 2018 AND AFTER THE END OF THE REPORTING PERIOD

In the first six months of 2018, companies belong to the CGU Zardoya Otis Group (Spain) acquired 100% of the shares of the company Ascensores Limarlift, S.L. (April 5, 2018), a company engaged in the maintenance and repair of elevators in Spain, and 80% of the shares of the company LV3 S.L. (April 16, 2018), engaged in the elimination of architectural barriers and providing accessibility solutions with stair lifts and platforms.

On July 19, 2018, Zardoya Otis, S.A. sold the land and installations of its old modernization center in Munguia. The impact the results for the third quarter of 2018 due to the gain on disposal of property, plant and equipment is ETHs 3 635. The Company intends to reinvest this capital gain in the new plant.

OTIS

7. EXHIBIT – KEY FIGURES:

At the end of the first semester of 2018 (December 1, 2017 to May 31, 2018), the total consolidated figures and the comparison thereof with those for the same period of 2017 were as follows:

Key Data, 2nd Semester 2018

Consolidated figures in millions of euros

Results	*2018*	*2017*	*% variance 17/16*
EBITDA	101,7	107,7	(5,6)
Profit before tax	92,2	98,6	(6,5)
Profit after tax	70,3	74,6	(5,7)

Sales	*2018*	*2017*	*% variance 17/16*
New Installations	27,3	22,9	19,4
Service	275,1	270,0	1,9
Exports	82,1	89,3	(8,1)
Total	384,5	382,2	0,6

Orders received and backlog of unfilled orders (*)	*2018*	*2017*	*% variance 17/16*
Orders received	98,6	99,5	(0,9)
Backlog	149,2	137,5	8,5

Units under maintenance	*2018*	*2017*	*% variance 17/16*
Units under maintenance	286.236	284.204	0,7

(*) Includes New Installations and Modernizations