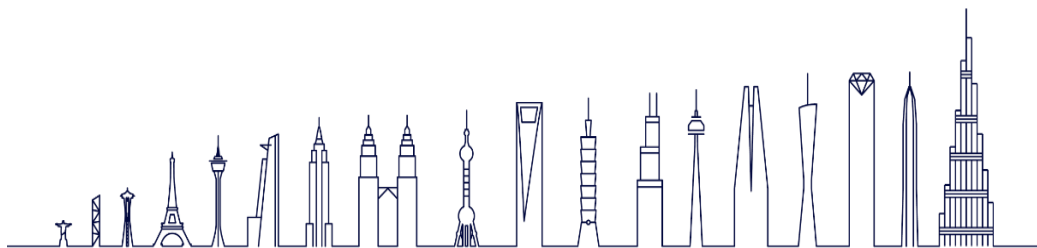




# ZARDOYA OTIS, S.A

## QUARTERLY REPORT FOR FIRST QUARTER 2020

**FISCAL YEAR: DECEMBER 1, 2019 – NOVEMBER 30, 2020**



## 1. ENVIRONMENT AND PROSPECTS

The year 2019 was marked by an increase in global uncertainty, propitiated not only by the possible outcome of Brexit and the intensity of the trade war between the U.S.A. and China (and, to a lesser extent, the EU), but also by the increase in political and social instability in many countries all over the world. This scenario harmed trade and global economic activity and has meant continual downward revisions of the growth prospects.

Furthermore, the prospects for 2020 are rather uncertain in view of the evolution of COVID19, a crisis that began at the end of 2019 in China and has affected all the world markets. At the end of January 2020, the International Monetary Fund (IMF) reduced its growth forecast for the Spanish economy in 2020 to 1.6%.

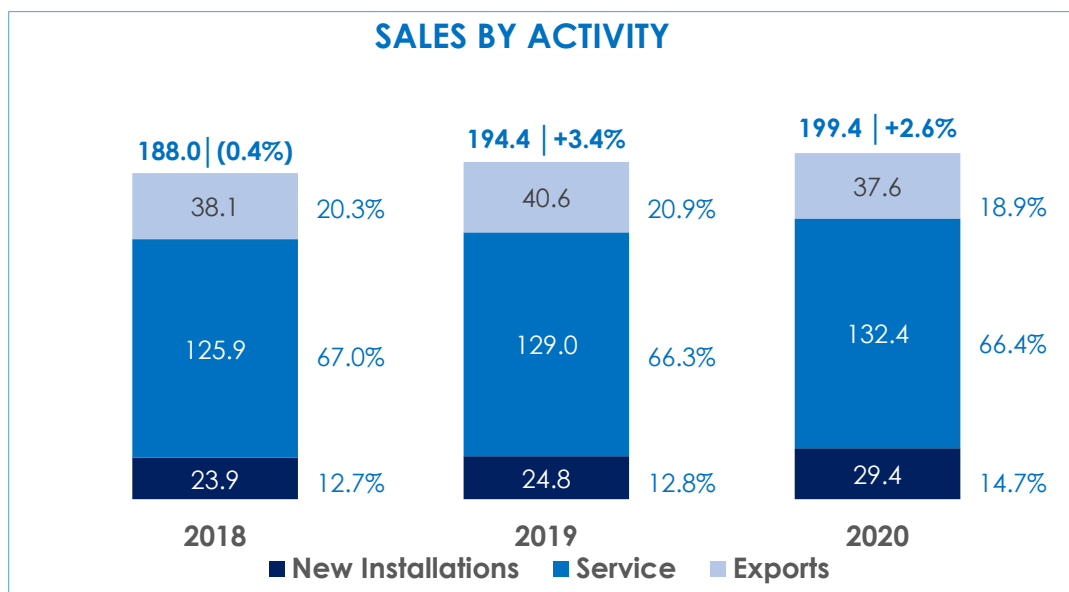
According to the IMF, COVID19 will lead to a contraction in consumption and tourism, two of Spain's major economic drivers. In April, it will update its forecasts, giving us a clearer idea of the worldwide impact of COVID19.

The indicators are expected to be revised downwards and growth in the unemployment rate in Spain is now starting to be observed.

## 2. BUSINESS EVOLUTION

### SALES:

Total consolidated sales at the end of the first quarter of 2020 were 199.4 million euros, in comparison with the 194.4 million euros of the first quarter of 2019. This represented an increase of 2.6%., mainly due to sales growth in the domestic markets.



(Millions of euros – cumulative figures at the end of the first quarter of each year)

For comparative purposes, the New Installations and Service figures for the periods 2019 and 2018 include reclassifications between them for EThs 10,204 and EThs 10,625, 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 Installations while, in the past, it was considered part of the Service activity.

## New Installations

The value of new sales at the end of the first quarter of 2020 was 29.4 million euros, 18.2% up on the figure for the same period of 2019. This increase took place on top of the increases of both 2018 (+19.0%) and 2017 (+27.4%), meaning that the cumulative growth between the first quarter of 2016 and that of 2020 was 85.9% (46.0% since the first quarter of 2017).

In this first quarter, new installations sales accounted for 14.7% of total sales (12.8% in the first quarter of 2019).

## Service

Consolidated service sales totalled 132.4 million euros (129.0 million euros in the first quarter of 2019), representing an annual increase of 2.7%.

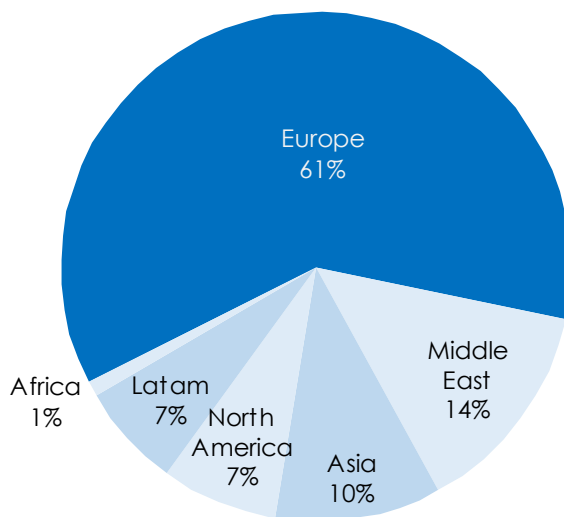
The service activity represented 66.4% of the Group's total billing in this period (66.3% in the first quarter of 2019).

## Exports

At the end of the first quarter of 2020, net accumulated Export Sales, after elimination of the sales to our subsidiaries in Portugal, Morocco, Gibraltar and Andorra in the consolidation process, were 37.6 million euros, 7.3% down on the 40.6 million euros obtained in the first quarter of 2019.

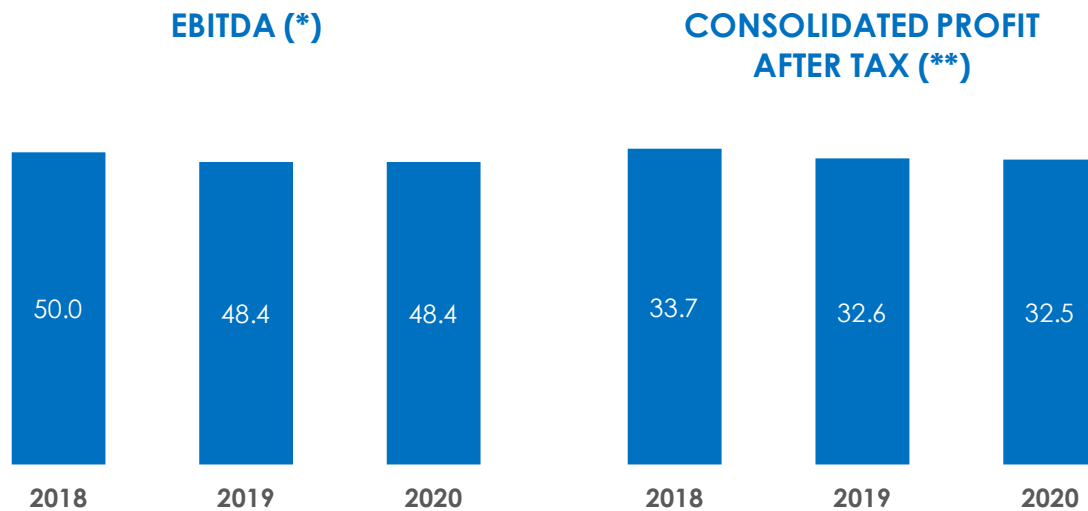
Exports represented 18.9% of Group consolidated sales in the first quarter of 2020 (20.9% in the same period of 2019). We are continuing to make a special effort to introduce our products into central and northern European countries, in order to offset the decrease in other markets, such as Turkey and the Middle East.

### EXPORTS BY REGION



The graph shows the geographical destinations of the exports of 37.6 million euros in the first quarter of 2020.

## RESULTS



(\*) EBITDA in millions of euros – cumulative figures at the end of each fiscal period.

(\*\*) Consolidated profit after tax on continuing operations attributable to the Company's shareholders for each fiscal period – expressed in millions of euros.

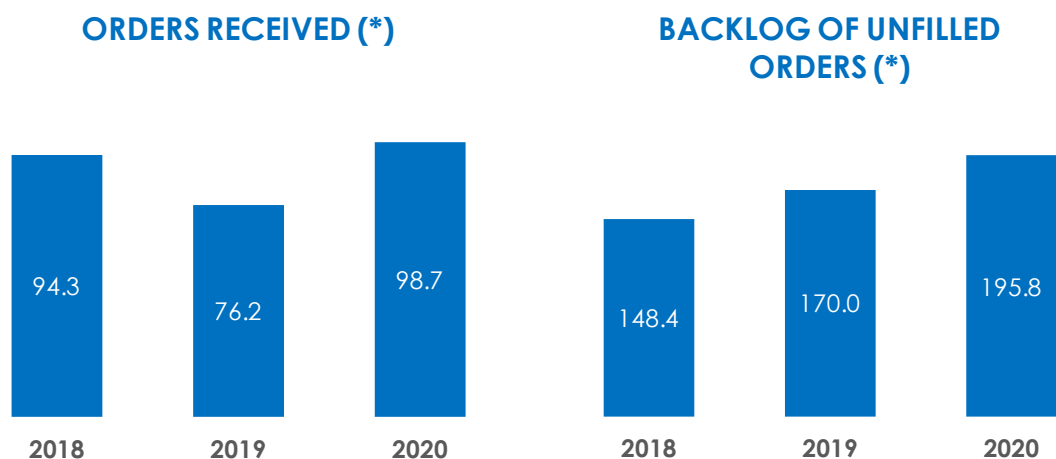
EBITDA (operating profit plus amortization and depreciation) at the end of the first quarter of 2020 was 48.4 million euros, 0.1% higher than the first quarter figure in 2019.

In the first quarter of 2020, the positive effects of the plans for growth and improvements initiated over recent years continue to be seen, allowing the EBITDA to be maintained and improve slightly in comparison with the same period of 2019.

Consolidated profit before tax was 42.9 million euros in the first quarter of 2020, 0.9% down on the 2019 first quarter figure.

Profit after tax was 32.5 million euros in the first quarter of 2020, very similar to the 32.6 million euros obtained in the first quarter of 2019.

### 3. OTHER KEY DATA



(\*) Includes cumulative figures at the end of each quarter for New Sales, Modernizations and Exports – expressed in millions of euros.

For comparative purposes, the orders received figures for the first quarters of 2019 and 2018 include sums of ETHs 25,747 and ETHs 50,357, 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 quarters of 2019 and 2018 contains sums of ETHs 21,262 and ETHs 21,757 for the same items. For presentation purposes, the Zardoya Otis Group now includes the transactions described in ITS Exports figures.

### Orders received and backlog of unfilled orders

In the first quarter of 2020, the amount of the orders received for modernizations, new installations and exports, including new and existing buildings and marine, was 98.7 million euros, representing an increase of 29.5% on the same period of 2019.

The backlog of unfilled orders at the end of the first quarter of 2020 was 195.8 million euros, an increase of 15.2% on the same period of 2019.

In spite of the present turbulent and uncertain atmosphere, in the first quarter of 2020, Zardoya Otis was able to increase both the orders received (+29.5%) and the backlog of unfilled orders (+15.2%) in comparison with the same period of the preceding year.

### Units under maintenance

We ended the first quarter of 2020 with 293,636 units, representing growth of 1.1% on the units at the end of the first quarter of 2019.

## 4. CONDENSED CONSOLIDATED INCOME STATEMENT

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

	2020	2019
<b>SALES</b>	<b>199,4</b>	<b>194,4</b>
OTHER REVENUE	0,3	0,5
RAW MATERIALS AND CONSUMABLES USED	(67,7)	(64,9)
EMPLOYEE BENEFIT EXPENSE	(68,2)	(66,7)
OTHER EXPENSES	(15,4)	(14,9)
<b>EBITDA</b>	<b>48,4</b>	<b>48,4</b>
AMORTIZATION, IMPAIRMENT AND GAINS/(LOSSES) ON DISPOSALS OF FIXED ASSETS	(5,4)	(4,9)
<b>OPERATING PROFIT</b>	<b>43,0</b>	<b>43,4</b>
REVENUE FROM FINANCING ACTIVITIES	0,0	0,1
COST OF FINANCING ACTIVITIES	(0,1)	(0,1)
NET FOREIGN EXCHANGE DIFFERENCES	(0,0)	(0,0)
<b>OTHER GAIN/LOSS</b>	<b>(0,0)</b>	<b>(0,0)</b>
<b>PROFIT BEFORE TAX</b>	<b>42,9</b>	<b>43,3</b>
INCOME TAX EXPENSE	(10,1)	(10,5)
<b>PROFIT FOR THE YEAR</b>	<b>32,8</b>	<b>32,9</b>
<b>ATRIBUTABLE TO:</b>		
<b>ATRIBUTABLE SHAREHOLDERS</b>	<b>32,5</b>	<b>32,6</b>
<b>NCI</b>	<b>0,2</b>	<b>0,2</b>

## 5. DIVIDENDS

At its meeting held in December 2019, the Board of Directors approved the third interim dividend charged to the profit for 2019, which was paid out on January 10, 2020, as follows:

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
Treasury shares			(385,869)	€ (30,869.52)
<b>Total</b>			<b>470,078,442</b>	<b>€ 37,606,275.36</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 decided to acquire treasury shares so that they could be used in company acquisition transactions.

At the end of the first 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 2,614.

## 7. FINANCIAL RISK MANAGEMENT FIRST 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 IN THE FOURTH QUARTER 2019 AND AFTER THE END OF THE REPORTING PERIOD

At its meeting held in March 2020, the Board of Directors approved the first interim dividend charged to the profit for 2020, which will be paid out on April 9, 2020, as follows:

Date	Gross per share	Charged to	Shares entitled to dividend	Gross total
April 9	0.080 euros	1st interim 2020	470,464,311	€ 37,637,144.88

The amount resulting from multiplying the aforementioned sum of 0.080 euros by the number of treasury shares held at the time shareholders become entitled to receive payment of the dividend will be deducted from the maximum amount mentioned above.

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

Nothing is more important to Zardoya Otis than the health and safety of its employees, customers and users. In view of the hazardous situation caused by COVID-19, the specific Risk Assessment and the Preventive Plan, updated in accordance with the latest instructions issued by the health authorities to control the risk of infection, have been distributed at all levels of the organization.

These documents include the specific Risk Assessment concerning exposure to corona virus (SARS-COV-2) and the Preventive Measures to eliminate or control these risks in each one of the activities performed by the workers.

We are permanently monitoring the development of the pandemic in order to have a swift response capacity as the situation evolves. Since the situation also affects our customers, we have established the relevant business continuity plans to guarantee the availability of our equipment and services, while, at the same time, the protection of our employees' health is ensured.

In this respect, Zardoya Otis has implemented an Action Plan to mitigate the effects of COVID-19, the main features of which are:

- Creation of a Crisis Committee, with the participation of the departments of General Management, Safety, Health and Works, Operations, Manufacturing, Medical Services, Systems, and Communication, in order to monitor the situation and the implementation of response actions in real time
- Actions to protect employees:
  - These include measures such as working from home for office staff who are essential to maintaining the company's necessary minimum activity, flexible working hours, vacation period with incentives, reduced working day with options for making up the hours lost or otherwise.
  - A Specific Risk Evaluation has been prepared for the different activities (on-site workers, administrative and sales representatives and plant workers) and the relevant preventive measures have been implemented.
  - Preparation of the Cardinal Rules for Infectious Disease Prevention to reinforce communication to all employees, as well as the acquisition of

personal disinfectants and masks to allow the necessary employees to continue their activity.

- Actions to protect employees and customers:
  - Alternative processes for customer signature on the mobile devices of on-site workers to avoid contact.
  - Procedures to coordinate the specific preventive measures at customer work centres with the respective persons responsible for them (e.g. protection equipment at hospitals and care homes for the elderly).
- Actions to maintain the continuity of the service through the pertinent Contingency Plans to ensure:
  - The operation of the 24-hour Customer Service (evaluation of the minimum number of workers necessary, relocation of workers to increase personal distancing, etc.).
  - Continuity of the preventive activities by on-site workers as far as possible (e.g. by organizing work shifts).
  - 24-hour cover for incident notifications (reorganization of on-site workers' activities, cancellation of non-critical repairs, etc.).
- Actions to mitigate potential supply risks from our service, materials and equipment providers. Potential risks, mitigation actions to address them and savings management on reductions in certain supplies and services were identified.

To support and comply with the measures adopted by the government in Royal Decree-Law 10/2020 of March 29, the Zardoya Otis Group has kept its technical assistance service in operation throughout Spain. The Group has adopted the system of recoverable paid leave for its employees who are not working.

The Group's goal is to keep in operation all the elevators and automatic doors whose maintenance they are responsible for. The service of attention to incident notifications and emergencies is of vital importance in ensuring the mobility of people and objects and guaranteeing that the industrial and service activities defined as essential can be performed during the State of Alarm.

In addition to technical assistance, Zardoya Otis is, at present, remotely monitoring the performance of over 80,000 elevators in order to, through predictive analysis, prevent incidents before they occur and also solve failures by remote intervention.

## 9. OTHER INFORMATION

### **REGULATIONS AND LEGISLATION**

The activities of Zardoya Otis, S.A. are subject to the regulations and legislation applicable to the maintenance and inspection of elevators.

As a recent example, in June, the Ministry of Industry published the prior public consultation on the 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 necessary technical requirements nationally to keep elevators in line with technological developments in respect of safety. Upon completion of the public consultation, the Ministry plans to publish a draft of ITC AEM1 in the first half of 2020.



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.

## 10. EXHIBIT – KEY FIGURES:

At the end of the first quarter of 2020 (December 1, 2019 to February 29, 2020), the total consolidated figures and the comparison thereof with those of the same period of the preceding year were as follows:

<b>Key Data, 1st Quarter 2020</b>			
<i>Consolidated figures in millions of euros</i>			
<b>Results</b>	<b>2020</b>	<b>2019</b>	<b>% variación 20/19</b>
EBITDA	48.4	48.4	0.1
Profit before tax	42.9	43.3	(0.9)
Profit after tax	32.5	32.6	(0.3)

<b>Sales</b>	<b>2020</b>	<b>2019</b>	<b>% variación 20/19</b>
New Installations	29.4	24.8	18.2
Service	132.4	129.0	2.7
Exports	37.6	40.6	(7.3)
Total	199.4	194.4	2.6

<b>Orders received (*)</b>	<b>% variación</b>		
<b>Backlog of unfilled orders (*)</b>	<b>2020</b>	<b>2019</b>	<b>20/19</b>
Orders received	98.7	76.2	29.5
Backlog	195.8	170.0	15.2

<b>Units under maintenance</b>	<b>2020</b>	<b>2019</b>	<b>% variación 20/19</b>
Units under maintenance	293,636	290,335	1.1

(\*) Includes New Installations, Modernizations and Exports