ZARDOYA OTIS S.A.
AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements
for the six-month period ended November 30, 2013

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Explanatory Notes to the Interim Consolidated Financial Statements
for the six-month period ended November 30, 2013 (Thousands of euros – Eths)

1. Accounting policies

The accounting policies and consolidation processes applied in these abridged interim consolidated financial statements for this six-month period are the same as those used when preparing the consolidated annual financial statements for the annual period ended 30 November, 2012.
The consolidated financial statements of the Group as of November 30, 2013 have been prepared in accordance with "International Financial Reporting Standards (IFRS)" adopted for application in the European Union and in force at that date. The interim consolidated financial statements for the six-month period ended May 31, 2013 are inclusive of standards that came into force during the six-month period and adopted by the Group. During the fiscal year 2013 there were no value adjustments that had a significant effect on the items of the assets, liabilities, equity, results or cash flows presented.

In the case of Zardoya Otis S.A. the financial statements as of November 30, 2013 have been prepared in accordance with the standards contained in the General Accounting Plan approved by Royal Decree 1514/2007 and amendments incorporated by the Royal Decree 1159/2010.

2. Accounting Estimates

The preparation of interim financial statements under IFRS for the Consolidated Group as well as Zardoya Otis S.A. interim financial statements under P.G.C.E. requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

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

3. 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. Consequently, seasonality is not considered significant for the purposes of these interim financial statements.

4. Changes in the companies that form part of the Group

In the period to which these interim financial statements refer, the following changes to the consolidated group took place:

1. In December 2012, Puertas Automáticas Portis, S.L. signed an agreement to acquire its own shares from a minority shareholder for a 3.07 % for amount to Eths 1 201. This transaction does not change the Zardoya Otis S.A. percentage of ownership in the subsidiary.
2. In December, 2012, Zardoya Otis, S.A. acquired 49% of the company Mototracción Electrica Latierro, S.A. for an amount of EThs 3 573
3. As mentioned in Note 7, in February 2013, Zardoya Otis, S.A. acquired 100% of the share capital of Grupo Ascensores Enor S.A. for a total value of EThs 175 730 by contribution of 3,338,463 registered shares of Grupo Ascensores Enor S.A. representing the entirety of its share capital, in exchange of 16,913,367 new ordinary shares issued to that purpose. With this acquisition the entities: Grupo Ascensores Enor S.A.; Electromecánica del Noroeste, S.A.; Ascensores Enor S.A. and Enor Elevaçao e Equipamentos Industriais, Lda are 100% directly or indirectly owned by Zardoya Otis S.A.
4. In July, 2013, Zardoya Otis, S.A. acquired the remaining 30% of Cruxent-Edelma, S.L., for an amount of EThs 13 328.
5. Additionally, in July, 2013 Zardoya Otis, S.A. acquired 8.33% of the non-controlling interest of the company Admotion, SL. valued in Eths 200 using the Treasury Stock (18.904 shares held in portfolio) for payment.
6. In October, 2013 Zardoya Otis, S.A. acquired another 8.33% of the non-controlling interest of the company Admotion, SL. for an amount of Eths 230 paid in cash.
7. In November 2013, Portis S.L. used its own shares held since December 2012 in payment of the Eths 1,179 outstanding from the acquisition of Fercas. The rest of treasury stock, EThs 22, were cancelled against the company equity.

The transactions with non-controlling interest will be reflected in the annual accounts corresponding to the fiscal year started in December 2012 and will be recognized as a minority transaction, thus without impact on the consolidated profit of the period.

If these changes had taken place at the beginning of the period, the effect on the key figures of the consolidated income statement and consolidated 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 the potential negative effects on the Group's financial profitability.

Risk management is controlled by Group Management in accordance with policies approved by the parent company's Board of Directors. Management assesses and covers 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 in a change in the interest rate would not have a material effect on the Group's financial statements.

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

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

(ii)Price risk

The Group has only limited exposure to commodity price risk. Additionally, Group companies do not hold investments in companies outside the Group and, therefore, the Group is not exposed to securities price risk.

(b) Credit risk

The Group has no significant concentrations of risk with customers and there are no significant old credit balances. The Group has policies in place to ensure that installation sales are made to

customers with appropriate credit histories and, in addition, regular debt-monitoring procedures are conducted by the departments involved in debt collection.

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

The amounts of trade receivables are shown in the statement of financial position net of the provision for impairment. At November 30, 2013, said provision was EThs 100 101 (EThs 89 606 in 2012). 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 November 30, 2013, the Group held current deposits with financial institutions of EThs 21 009 (Eths 25 408 at November 30, 2012). As stated above these deposits are placed with prestigious financial institutions in Spain and Portugal.

(c) Liquidity risk

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

At November 30, 2013, cash and cash equivalents represented EThs 44 895 (Eths 37 106 in 2012), including amounts held as cash in banks and as current deposits with financial institutions. As stated in Note 13, during the year 2011, the Group signed a framework agreement for the financing of company acquisitions with Banca March S.A. for the forthcoming three years, up to a maximum amount of a hundred thousand euros

(d) Cash flow and fair value interest rate risk

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

The Group does not use financial derivatives to hedge rate risks derived from its activity. In accordance with group treasury policies, the Group does not acquire or hold financial derivatives for trading.

The Group’s interest rate risks arises on noncurrent borrowings at a variable interest rate, the variable interest rate applied to the loans from financial institutions being subject to the fluctuations of the Euribor.

As stated in Note 13, at November 30, 2013, the noncurrent amount for this item was EThs 10 050 (Eths 18 539 at the year-end 2012). At November 30, 2013, the Company did not hold any borrowings at a fixed interest rate and the sensitivity of the result to the variation of the interest rates on the borrowings from financial institutions was not significant in relation to the interest expense of Eths 1 473.

(e) Capital risk management

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

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

	2013 YE	**2012 YE**
Borrowings (current and noncurrent)	18 815	30 587
Other current & noncurrent financial liabilities	11 092	8 657
Cash and cash equivalents	(44 895)	(37 106)
Net debt	(14 988)	2 138
Equity	410 559	262 317
Leverage (*)	**-3.78**	**0.81**

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

At November 30, 2013, this net debt represents -0,0591 on EBITDA (0.008 at 2012 year-end). (Ebitda: Operating profit + depreciation + amortization).

6. Fixed & Intangible assets

In 2013 the Group has invested in property, equipment and intangible assets for a total amount of EThs 20 778 and 171 326 respectively (EThs 6 785 and 33 674 respectively in 2012).

At November 30, 2013, there were firm purchase commitments for the acquisition of fixed assets for an amount of EThs 1 950 (EThs 948 in 2012), of which EThs 428 (EThs 771 in 2012) were anticipated to suppliers.

Major investments both in fixed and intangible assets done in 2013 Eths 17 599 and 168 316 respectively correspond to the acquisition of Grupo Ascensores Enor. (Note 7)

In 2012 goodwill recognized in Montes Tallon from business combinations of Montes Tallon, S.A and the companies integrated in the year in such CGU (Ascensores Molero S.L. y Reparación y Mantenimiento de Ascensores S.L.) was valued at EMls 8.321. In 2013, the value in use of the assets of the CGU obtained from the test for impairment based on the review of business expectations drawn up at the time of acquisition corresponding to service revenue, growth in the contracts on the portfolio from the expected synergies of the business combinations and CGU expense and cost structure, is lower than the net carrying amounts recognized and therefore, the impairment has been recognized in the present financial statements for an amount of EThs 5 893, same amount has been recognized in the Zardoya Otis S.A. financial statements as impairment of investments in Group companies.

In consequence, since the agreement signed in December 2011 included the determination of the price parameters in the case of an eventual acquisition by the Group of 48% remaining shares of Montes Tallon, S.A for the subsequent five years, the company has registered under the heading of trade and other payables in the consolidated financial information and in application of the IAS 32 the value of this commitment at the end of 2013 by EMls 13.879.

7. Business combinations

GRUPO ASCENSORES ENOR, S.A. (Enor)

Grupo Ascensores Enor S.A, owns, directly or indirectly, 100% of the capital of Electromoecánica del Noroeste, S.A.; Ascensores Enor S.A. and Enor Elevacao e Equipamentos Industriais, Lda all of them operating in the field of elevators, escalators and automatic doors in Spain and Portugal.

On December 20th, 2012 the Board of Directors of Zardoya Otis, S.A. agreed to to call an Extraordinary General Shareholders' Meeting of the Company which took place in second call on January 30, 2013, that approved the following points :

- Capital increase through a non-monetary contribution consisting of 3,338,463 registered shares representing the entirety of the share capital of the company Grupo Ascensores Enor, S.A. for a nominal amount of 3 euros by means of issuing 16.913.367 ordinary shares in the Company with a nominal value of 0.10 euros each.

- Authorization so that, in accordance with the contents of article 149 of the LSC, the Company may directly or indirectly accept its own shares as a guarantee.
- Amendment of article 9 of the Bylaws (rights conferred by the shares).

It was approved by the Extraordinary General Shareholders' Meeting to increase the Company's share capital, 38,524,149.90 euros, in the amount of 1,691,336.70 euros, by issuing 16,913,367 new ordinary shares in the Company with a nominal value of 0.10 euros each and a share premium of 9.10 per share (giving a total of 153,911,639.70 euros as a share premium).

On February 7th, the 3.338.463 Enor shares, representatives of 100% of its capital, were exchanged by the 16.913.367 Zardoya Otis, S.A. shares issued to that effect, as registered in the commercial registry of Madrid on February 14, 2013. The book value attributed to these shares at market price is 175.729.883,13 euros. The new shares were admitted to trading on March 14th 2013, and to that date a total of 2.198.738 new shares have been pledged in favor of the company.

The shares issued to execute the Capital Increase will be fully paid up by the shareholders owning the shares that represent 100% of the share capital of ENOR by means of a non-monetary contribution of 3.338.463 registered shares of ENOR, with a nominal value of 3 euros each, representing the entirety of ENOR's share capital.

The total cost of the business combination determined provisionally totalled 175.729.883,13 euros There are no costs attributable to the business combination other than audit costs, assets valuation by independent expert and legal expenses on the transfer, which are not significant and registered as period cost when incurred. The cost of the business combination has been determined provisionally, since some items must be measured definitively one year after the acquisition date. However, no significant variations on the aforementioned figure are forecast.

The amounts recognized on the business combination at fair value do not differ from the carrying amounts immediately preceding the combination determined under IFRS, except for the valuation of the intangible assets that arise as a result of the combination itself, which have been measured as provided for in the acquisition agreement. The contingent liabilities have been guaranteed by the sellers as mentioned above.

The business acquired contributes recurring sales of EThs 31 218 to the Group. Details of the assets and liabilities acquired are as follows:

Cash and cash equivalents	12 781
Property, plant and equipment	17 599
Intangible assets	84 443
Receivables	9 618
Inventories	1 448
Deferred tax assets	313
Other current assets	146
Other non current assets	875
Payables	8 994
Deferred tax liabilities	25 318
Provisions	488
Other current liabilities	566

There is a difference that gives rise to goodwill of EThs 83 873.

As of November 30th, Grupo Enor brings to the consolidated figures EThs 32 627 of total sales and a profit before tax for the period of EThs 7 207. If the transaction had taken place at beginning of the year the impact on the consolidated financial statements would not have been significant.

Main assets incorporated to the Group financial statements through the business combinations correspond to fixed assets, intangible assets and deferred tax liability arising from the recognition of intangible assets. Both the net assets identified as the goodwill arising in the business combination have been integrated into a new cash generating unit (CGU) called Group Ascensores Enor.

Fixed assets include mainly the value of the land and buildings located in the technological park of Valladares (Vigo), where are located the manufacturing facilities and offices of the subsidiaries Ascensores Enor, S.A. and Electromecánica del Noroeste, S.A. The premises opened in 2007 and have been valued by an independent expert at the time of the acquisition so the amount considered in the business combination corresponds to the fair value of such assets.

Intangible assets reflect the allocation of value to the service portfolio for an amount of EThs 78 432, brand for EThs 5 961 and other intangible for an amount of EThs 50.

As of November 30, 2013 the amount recognized as amortization for the consolidated income statement is EThs 3 186 corresponding to the amortization of the service portfolio, for which a useful life of twenty years has been assigned.

The recoverable value of the assets acquired has been determined by an independent expert using discounted cash-flow projections. This cash-flow are derived from financial budgets approved by Management for a 15 years period, based on past performance and market development expectations. The growth rates applied are on average 1.3% and growth rate used for projections subsequent to the period considered is 2%. The discount rate used has been 10.13%

To calculate the discount rate, the Group considers long term Treasury bond rate, growth expectations, the cash-generating unit (CGU) effective tax rate and the Group's cost of debt. The perpetuity growth rate used is in line with the one used by similar industries in the countries in which the Group operates.

In this regard, since Group business constitutes a single integrated production process, we consider a cash-generating unit as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The goodwill and service portfolios are regularly tested for impairment by reviewing the business expectations drawn up at the time of acquisition using the key assumptions: period considered, discount rate and perpetuity growth rate.

Apart from the discount rate, the most sensitive aspects included in the projections used, which are based on the forecasts of the Group, sector forecasts and historical experience, are service revenue, growth in the contracts on the portfolio from the expected synergies of the business combinations and adequate maintenance of the Group's expense and cost structure.

8. Dividends and distribution of Share Premium

At the end of the second semester of 2013, three quarterly dividends and a partial distribution of share premium have been distributed as follows:

Dividends:

Date	Gross per share	Charged to	Shares entitled to dividend	Total gross dividend
Dec. 10th	0.11 euros	3rd on account 2012	385.241.499	42.376.564,89 €
Treasury Stock			(46.231)	(5.085,41) €
Total			385.195.268	**42.371.479,48 €**
April 10th	0.10 euros	1st on account 2013	402.154.866	40.215.486,60 €
Treasury Stock			(46.231)	(4.623,10) €
Total			402.108.635	**40.210.863,50 €**
Oct. 10th	0,09 euros	2nd on account 2013	418.241.060	37.641.695,40 €
Treasury Stock			(29.176)	(2.625,84) €
Total			418.211.884	**37.639.069,56 €**

Partial distribution of Share Premium:

Date	Amount	Shares entitled	Total
July 10th	0.08 euros	402.154.866	32.172.389,28 €
Treasury Stock		(46.231)	(3.698,48) €
Total		402.108.635	**32.168.690,80 €**

Additionally on December 10, 2013 Zardoya Otis, S.A declared the third dividend corresponding to 2013, third on account of the fiscal year profit:

Date	Gross per share	Charged to	Shares entitled to dividend	Total gross dividend
Jan 10th	0.09 euros	3rd on account 2013	418.241.060	37.641.695,40 €
Treasury Stock			(29.176)	(2.625,84) €
Total			418.211.884	**37.639.069,56 €**

9. Shares issuance or other Equity or Debt transactions

On December, 20 2012 the Board of Directors of Zardoya Otis, S.A. agreed to call an Extraordinary General Shareholders' Meeting of the Company to which took place in second call on January 30, 2013, approving the following points:

1. Capital increase through a non-monetary contribution consisting of 3,338,463 registered shares representing the entirety of the share capital of the company Grupo Ascensores Enor, S.A. for a nominal amount of three euros by means of issuing 16.913.367 ordinary shares in the Company with a face value of 0.10 euros each.
2. Authorization so that, in accordance with the contents of article 149 of the LSC, the Company may directly or indirectly accept its own shares as a guarantee.
3. Amendment of article 9 of the Bylaws (rights conferred by the shares).
4. Delegation to the Board of Directors for the interpretation, correction, execution, formalization and registration of the motions adopted.

It was approved to the Extraordinary General Shareholders' Meeting to increase the Company's share capital, which is currently 38,524,149.90 euros, by the sum of 1,691,336.70 euros, by issuing 16,913,367 new ordinary shares in the Company with a face value of 0.10 euros each and a share premium of 9.10 per share (giving a total of 153,911,639.70 euros as a share premium).

The new shares were listed effective March 14, 2013 and to that date a total of 2.198.738 new shares were pledged in favor of the company in compliance with the acquisition agreement (Note 7).

Additionally, there is a syndication agreement concluded between the two major shareholders of the company; United Technologies Holdings, S.A.S ("UTH") and Euro Syns, S.A., which has its origin in the operation of acquisition of group Ascensores Enor, S.A. described above and published by means of relevant fact date January 30, 2013. Referred syndication Pact was held in the interest of the acquisition of Enor operation, so that UTH is holder at any time more than 50% of the voting rights on society.

The Annual Shareholders' Meeting held on May 27, 2013, a resolution was adopted to increase the share capital by 1,608,619.40 Euros against the Voluntary Reserve, in the proportion of one new share for every twenty five old shares, issuing 16,086,194 new shares. Once the capital increase had been completed, the capital amounted to 41,824,106.00 Euros and consisted of 418,241,060 shares with a par value of 0.10 euros each. The new shares were entitled to the dividends paid after the date of the capital increase and therefore participated in the second quarterly dividend, second interim dividend paid against 2013 profits on October 10, 2013. The increase was carried out from July 15, 2013 until July 30, 2013, inclusive. The new shares were listed on the Madrid, Barcelona, Valencia and Bilbao stock exchanges effective September 5, 2013.

10. Treasury Stock

As of November 30, 2013 Zardoya Otis, S.A maintain 29,176 treasury shares (46.231 at 2012 year-end). Due to the non-controlling interest transaction mentioned in Note 4, Zardoya Otis exchanged 18,904 treasury shares. The above mentioned figure includes 1,849 shares received in the bonus issue. (Note 9).

11. Segment reporting

This information is included in section 15th of the "información seleccionada del informe financiero semestral" (CNMV Forms).

12. Related party transactions

This information is included in section 18th of the "información seleccionada del informe financiero semestral" (CNMV Forms).

13. Financing Agreements

In 2011 Zardoya Otis S.A, entered into a frame agreement in order to finance acquisitions of companies with Banca March S.A. for a three years term and to a maximum amount of one hundred million euros; to be split in individual loans for each transaction with amortization periods between three and five years. Interest rates and additional terms were fixed and do not differ from market conditions. In 2013 no transactions were signed, in December 2012 one of such transactions was signed to finance the acquisition of Montes Tallón S.A. for a total amount of EThs 15 000.

As of November 30, 2013 the amount recognized under the heading current liabilities- borrowing equals its fair value as the impact of applying a discount is not significant. The accrued interest in 2013 amount to EThs 1 473 (2012: Eths 904).

The long term portion of the debt is EThs 10 050 is recorded at amortized cost using the effective interest method. Maturity dates and amounts are as follows:

	Current	2015	2016	2017	Noncurrent
Borrowings from financial institutions	8 765	5 177	3 966	907	10 050
Other	266	-	-	-	-
Eths	9 031	5 177	3 966	907	10 050

14. 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 balance sheet for the defined benefit plans is the current value of the obligation at the balance sheet date less the fair value of the assets attached to the plan, together with adjustments for unrecognized actuarial losses and gains and costs for past services. The defined benefit obligation is calculated annually, once the salary adjustment process has concluded in October, using the projected unit credit method.

In December 2011 Zardoya Otis, S.A. made the last of annual payments for the financing of the agreement signed in 2002. The framework agreement regulated the technical, economic and legal conditions of the group insurance policies in order to arrange the pension commitments acquired by the company with current and retired employees for a value of EThs 1 401.

The amounts recognized in profit and loss were as follows:

	2013	2012
Current service cost	2 457	1 811
Interest cost	1 282	2 050
Expected return on plan assets	(1 345)	(2 049)
Settlement	(4 657)	(260)
Actuarial (gains) / losses	(3 586)	(3 880)
Total	(5 849)	(2 328)

In Zardoya Otis S.A., under PGCE rules, is the variance of the present value of the obligations or the fair value of the assets attached to the plan; since unrecognized actuarial losses and gains are recorded in the equity.

	2013	2012
Current service cost	2 457	1 810
Interest cost	1 282	2 050
Expected return on plan assets	(1 345)	(2 049)
Settlement	(2 038)	-
Actuarial (gains) / losses	(5 144)	(5 853)
Total	(4 788)	(4 042)

15. Events after the end of the reporting period

On December 10, 2013 Zardoya Otis, S.A declared the third dividend corresponding to 2013, third on account of the fiscal year profit, for an amount of 0.09 Euros gross per share, resulting in a total dividend gross of EThs. 37 641 (Note 8). Payment of the dividend was done on January 10, 2014.

In January, 2014 Zardoya Otis, S.A. acquired the remaining 8.33% of the non-controlling interest of the company Admotion, SL., thus completing the 100% ownership of such company. The payment was done using the treasury stock (18.500 shares).