ZARDOYA OTIS S.A.
AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements
for the six-month period ended November 30, 2014

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Explanatory Notes to the Interim Consolidated Financial Statements for the six-month period ended November 30, 2014

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, 2013.
The consolidated financial statements of the Group as of November 30, 2014 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 2014 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, 2014 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 and 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 when accrued. 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:

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).

In May 2014, the subsidiary Acresa Cardellach, S.L. carried out a capital increase through a non-monetary contribution of EThs 8.084 which was subscribed by the entirety of the shareholders of the subsidiary Montoy S.L., which after the capital increase is 100% owned by Acresa Cardellach, S.L.. This transaction resulted in a change of participation by Zardoya Otis, S.A. in the mentioned subsidiary Acresa Cardellach S.L. holding directly the 94,57% of shares and indirectly the same percentage on Montoy S.L.

In June, 2014 Zardoya Otis, S.A. acquired 3.66% of the non-controlling interest of the company Puertas Automáticas Portis SL., for an amount of Eths 1.432, this transaction represents a change in the Zardoya Otis S.A. participation that increases to 93.83% ownership of such company.

In September 2014, Zardoya Otis, S.A. has acquired 90% of the share capital of Electromecánica Hemen Elevadores, S.L. and 100% de Ascensores Hemen, S.L., both companies dedicated to the maintenance and repair of elevators in the provinces of Álava, Guipúzcoa, Burgos and Navarra. The total cost of the business combination has been determined provisionally in EThs 9 888

The transactions with non-controlling interest will be reflected in the annual accounts corresponding to the fiscal year started in December 2013 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 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 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.

Receivables from related Otis Group companies originating principally from commercial transactions originated in euros for an amount of EThs 26 944 in 2014 and EThs 21 223 in 2013. Since these are commercial collection rights in euros, the Group is not exposed to foreign exchange risk in relation to these accounts.

(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, 2014, said provision was EThs 101 512 (EThs 100 101 in 2013). 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.
The analysis of financial assets aged over six months but not deemed to be impaired at November 30, 2014 and 2013 is as follows:

	2014	2013
Between 6 months & 1 yr	13 175	15 323
Between 1 & 2 years	10 668	10 093
More than 2 years		-
EThs	23 843	25 416

As of November 30, 2014, the Group held current deposits with financial institutions of EThs 25 451 (Eths 21 009 at november 30, 2013). 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, 2014, cash and cash equivalents represented EThs 72 029 (Eths 44 895 in 2013), 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 one hundred millioneuros. No policies have been signed in 2014, in relation to the agreement.

The change in the Statement of Cash Flows in relation to operating, investing and financing activities is shown below:

	2014	2013
Cash at the beginning of the year	**44 895**	**37 106**
Cash flows from operating activities	199 474	182 876
Cash flows from investing activities	(13 518)	(10 654)
Cash flows from financing activities	(158 822)	(164 433)
Cash at the year end	**72 029**	**44 895**

(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 12, at November 30, 2014, the noncurrent amount for this item was ETHs 4 901 (Eths 10 047 at the year-end 2013). At November 30, 2014, 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 1 202.

(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.

	2014 YE	2013 YE
Borrowings (current and noncurrent)	10 311	19 202
Other current & noncurrent financial liabilities	15 781	11 092
Cash and cash equivalents	(72 029)	(44 895)
Net debt	(47 192)	(14 601)
Equity	428 582	422 382
Leverage (*)	**-0.12**	**-0.03**

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

At November 30, 2013, this net debt represents -0,2147 on EBITDA (-0.057 at 2013 year-end). (Ebitda: Operating profit + depreciation + amortization).

6. Fixed & Intangible assets

In 2014 the Group has invested in property, equipment and intangible assets for a total amount of EThs 4 524 and 14 610 respectively (EThs 20 779 and 171 326 respectively in 2013, mainly corresponding to the Grupo Enor acquisition for EThs 17 599 and 168 316).

At November 30, 2013, there were firm purchase commitments for the acquisition of fixed assets for an amount of Eths 743 (EThs 1 950 in 2013), of which EThs 264 (EThs 428 in 2013) were anticipated to suppliers.

In 2013 from the test for impairment done on goodwill recognized in 2012 for 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.) it is obtained a value in use lower than the net carrying amounts recognized and therefore, the impairment was recognized in 2013 for an amount of EThs 5 893, same amount was recognized in the Zardoya Otis S.A. financial statements as impairment of investments in Group companies.

7. Business combinations

GRUPO ASCENSORES ENOR, S.A. (Enor)

On February 7th 2013, 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 was 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

In this sense, in April 2014 the pledge on 3% of the shares corresponding to the shareholders of Grupo Ascensores Enor, S.A. was cancelled once it was verified the compliance with the guarantee clause related to the Annually-computed Effective Value of the Service Portfolio at September 30, 2013, which, as stated in the initial contribution agreement, was not to be lower than 99% of the Annually-computed Confirmed Value of the Service Portfolio at September 30, 2012.

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.

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.

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.

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.

ELECTROMECÁNICA HEMEN ELEVADORES, S.L. Y ASCENSORES HEMEN, S.L

In September 2014, Zardoya Otis, S.A. has acquired 90% of the share capital of Electromecánica Hemen Elevadores, S.L. and 100% de Ascensores Hemen, S.L., both companies dedicated to the maintenance and repair of elevators in the provinces of Álava, Guipúzcoa, Burgos and Navarra.

The total cost of the business combination was initially calculated at EThs 9 888, most of which related to acquisition of the maintenance portfolio. There are no costs attributable to the business combination other than audit costs and legal expenses on the transfer, which are not significant. The cost of the business combination was determined provisionally, since some items must be measured definitively one year after the acquisition date. However, there were no significant variations on the aforementioned figure.

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 and withheld on the price payable.

The business acquired contributes recurring sales of EThs 2 345 to the Group. Details of the assets and liabilities acquired are as follows:

Cash and cash equivalents	265
Property, plant and equipment	87
Intangible assets	5 001
Receivables	70
Deferred Tax	1 500
Payables	284
Non-controlling interest	364

There is a difference that gives rise to goodwill of EThs 6 613

As of November 30, 2014 Electromecánica Hemen Elevadores, S.L. and Ascensores Hemen, S.L., bring to the consolidated figures EThs 413 of total sales and a profit before tax for the period of EThs 130.

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
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 €**
April 10th	0.09 euros	1st on account 2014	418.241.060	37.641.695,40 €
Treasury Stock			(10.676)	(960,84) €
Total			418.230.384	**37.640.734,56 €**
Oct. 10th	0,09 euros	2nd on account 2014	434.970.702	39.147.363,18 €
Treasury Stock			(11.103)	(999,27) €
Total			434.959.599	**39.146.363,91 €**

Partial distribution of Share Premium:

Date	Amount	Shares entitled	Total
July 10th	0.08 euros	418.241.060	33.459.284,80 €
Treasury Stock		(10.676)	(854,08) €
Total		418.230.384	**33.458.430,72 €**

Additionally on December 10, 2014 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 12th	0.085 euros	3rd on account 2014	434.970.702	36.972.509,67 €
Treasury Stock			(11.103)	(943,76) €
Total			434.959.599	**36.971.565,91 €**

8. Shares issuance or other Equity or Debt transactions

At the Annual Shareholders' Meeting held on May 26, 2014, a resolution was adopted to increase the share capital by 1,672,964.20 euros against the Voluntary Reserve, in the proportion of one new share for every twenty five old shares, issuing 16,729,642 new shares. Once the capital increase had been completed, the capital amounted to 43,497,070.20 Euros and consisted of 434,970,702 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 2014 profits on October 10, 2014. The increase was carried out from July 15, 2014 until July 30, 2014, inclusive. The new shares were listed on the Madrid, Barcelona, Valencia and Bilbao stock exchanges effective September 12, 2014.

Additionally, at 2014 year-end 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.

9. Treasury Stock

As of November, 30 2014 Zardoya Otis, S.A maintain 11,103 treasury shares (29.176 at 2013 year-end). The above mentioned figure includes 427 shares received in the bonus issue

10. Segment reporting

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

11. Related party transactions

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

12. 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 2014 and 2013 no transactions were signed.

As of November 30, 2014 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 2014 amount to EThs 1 202 (2013: Eths 1 473).

The long term portion of the debt is EThs 4 901 is recorded at amortized cost using the effective interest method. Maturity dates and amounts are as follows:

	Current	2016	2017	Noncurrent
Borrowings from financial institutions	5 222	3 997	903	4 900
Other	189	-	-	-
Eths	5 411	3 997	903	4 900

13. 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.

The Group has adopted in 2014 retrospectively the modified IAS 19. As a result, comparative information for the year ended November 30, 2013 in the consolidated financial statements differs from the ones presented in the previous periods. The amendment of IAS 19 :"Employee Benefits" effect is the elimination of the corridor approach and the recognition of actuarial losses and gains when they arise. For comparison, in the consolidated statement of changes in equity, balance of the beginning of the prior year (started on December 1, 2012) includes the unrecognized actuarial gains as of November 30, 2012 for a total amount of Eths 12.884. Likewise the net equity as of November 30, 2013 increases by Eths 11.823 corresponding to the initial recognition of the actuarial gains as mentioned of Eths 12.884, and the effect of the recognition of the actuarial gains and retained generated in the fiscal year 2013 for Eths 1.061 and a reduction in profit of the year for an amount of EThs 6.205.

The amounts recognized in profit and loss were as follows:

	2014	2013(*)	2013
Current service cost	1 903	2 457	2 457
Interest cost	1 221	1 282	1 282
Expected return on plan assets	(1 317)	(1 345)	(1 345)
Settlement	(1 623)	(2 038)	(4 657)
Actuarial (gains) / losses	-	-	(3 586)
Total	184	356	(5 849)

(*) **Aplicación de la NIC 19R**

14. Deferred Taxes

Deferred tax is calculated on the basis of the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates that have been or are about to be approved at the end of the reporting period and are expected to apply when the related deferred tax asset is realized or deferred tax liability is settled. The enforcement of Law 27/2014 on Corporate Income Tax requires the re-estimate of the figures registered by the Group with an impact of a reduction in deferred tax assets of EThs 3 907 and a reduction of deferred tax liabilities of EThs 5 157.

	2.014	2.013
Deferred tax assets		
Beginning of period	25.532	25.510
P&L impact	(208)	(291)
Tax Rate impact	(3.907)	-
Business combinations	-	313
End of period	21.417	25.532
Deferred tax liabilities		
Beginning of period	33.618	9.372
P&L impact	(1.436)	(1.072)
Tax Rate impact	(5.157)	-
Business combinations	1.500	25.318
End of period	28.525	33.618

15. Events after the end of the reporting period

On December 10, 2014 Zardoya Otis, S.A declared the third dividend corresponding to 2014, third on account of the fiscal year profit, for an amount of 0.085 Euros gross per share, resulting in a total dividend gross of EThs. 36.972 (Note 8). Payment of the dividend was done on January 12, 2015.

On December 17, 2014 the subsidiary Puertas Automaticas Portis, S.L. acquired 1.06% of the non-controlling interest of its own shares for an amount of Eths 394. These own shares were amortized by means of a capital reduction at the same date. The transaction represents a change in the Zardoya Otis S.A. participation that increases from 93.83% to 94.83% ownership of such company.

On 9 January 2015, Zardoya Otis, S.A. was informed of the conclusion of the syndication agreement concluded in the frame of the Enor transaction between the two major shareholders of the company: United Technologies Holdings, S.A.S. and Euro Syns, S.A. on August 3, 2012. The syndication agreement should end on the date in which UTC owns shares representing 50.01% or more of the share capital of the company, which has been notified on 12 January 2015 by UTH to the “Comision Nacional del Mercado de Valores” by means of the corresponding communication of significant participation..