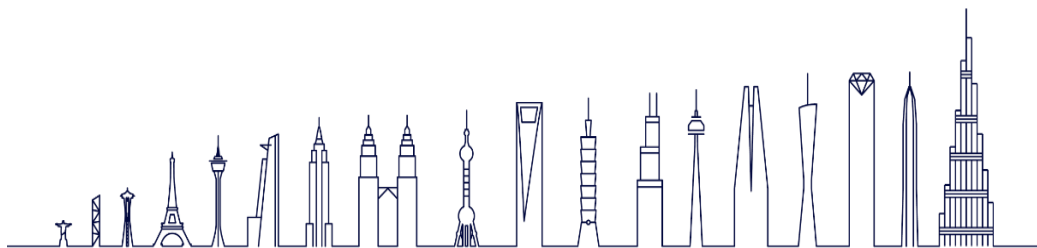




ZARDOYA OTIS, S.A

QUARTERLY REPORT FOR 4TH QUARTER 2019

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



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 has harmed trade and global economic activity and has meant continual downward revisions of the growth prospects.

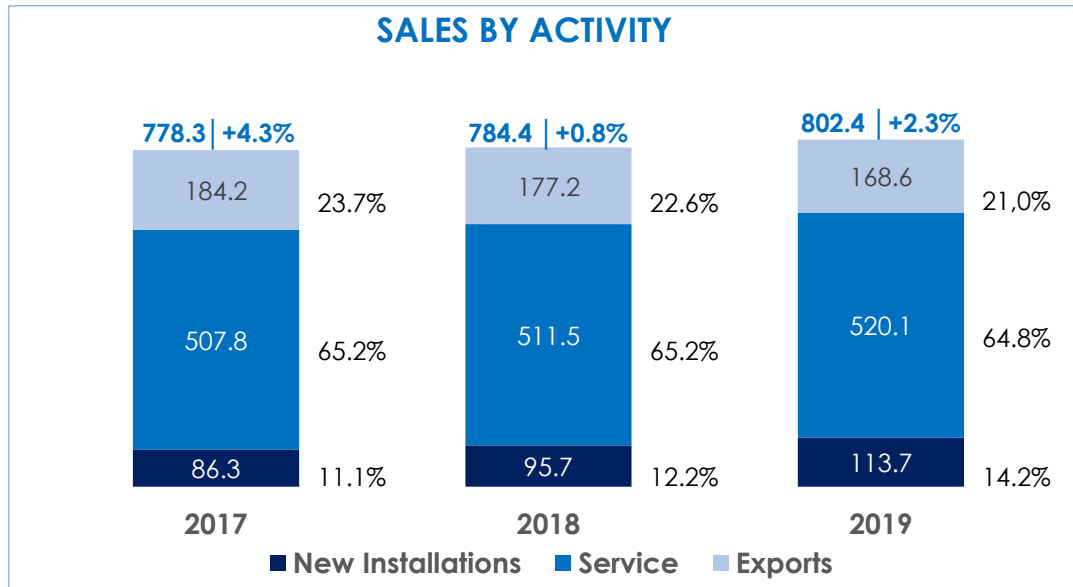
According to IMF projections, 2020 growth projections place the **GDP** for Spain at 1.8%, 1.6% for Portugal and 3.7% for Morocco. Regarding **inflation**, for 2020 the IMF predicts rates of 1% for Spain, 1.2% for Portugal and 1.1% for Morocco. In relation to the **unemployment rate**, even though it dropped in Spain, we ended 2019 with 13.9%, still a long way behind Portugal, which ended 2019 with 6.1%, and the European Union average, which was 6.7% at the end of the year. The 2020 FMI projections reduce the unemployment rate in Spain to 13.2%, 5.6% for Portugal and 8.9% for Morocco. Unemployment continues to be one of Spain's greatest challenges.

According to the Ministry of Development, the **construction sector** had been showing stable growth until 2018. Our New Sales and order figures clearly reflect this trend. We are still optimistic that this upward trend will continue but, however, in 2019, several analyses of the construction sector mentioned symptoms of a deceleration in the activity. The indicators relating to construction investment (new constructions approved, official calls for tenders, homes purchased and sold, etc.) showed signs of deterioration throughout 2019, in respect of both residential buildings and civil works.

2. BUSINESS EVOLUTION

SALES:

Total consolidated sales at the end of the fourth quarter of 2019 were 802.4 million euros, in comparison with the 784.4 million euros of the fourth quarter of 2018, representing an increase of 2.3%.



(Millions of euros – cumulative figures at the end of 2019)

For comparative purposes, the New Installations and Service figures for the periods 2018 and 2017 include reclassifications between them for ETs 39,200 and ETs 37,541, 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 installations at the end of 2019 was 113.7 million euros, 18.8% up on the 2018 figure. Attention should be drawn to the fact that this increase took place on top of the increases, likewise in the two-digit range, of both 2017 (+18.3%) and 2018 (+10.9%), meaning that the cumulative growth between 2016 and 2019 was 55.9% (31.8% since 2017).

In 2019, new installations sales accounted for 14.2% of total sales (12.2% at the end of the fourth quarter of 2018).

Service

Consolidated service sales totalled 520.1 million euros (511.5 million euros in 2018), representing an annual increase of 1.7%. We have been showing continuous growth in our main activity since the first quarter of 2018.

The service activity represented 64.8% of the Group's total billing in 2019 (65.2% in 2018).

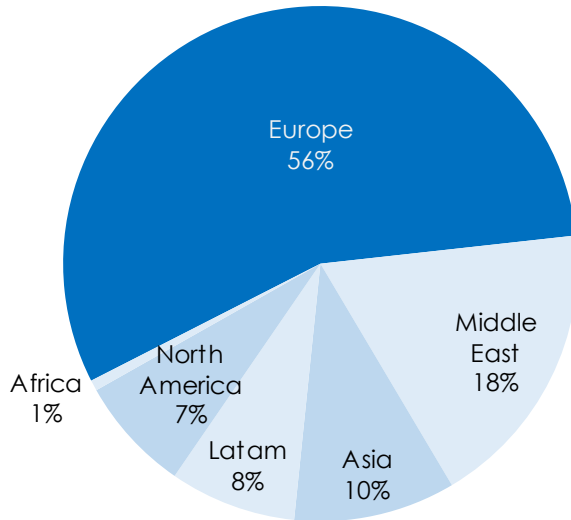
Exports

At the end of 2019, net accumulated Export Sales, after elimination of the sales to our subsidiaries in Portugal, Morocco, Gibraltar and Andorra in the consolidation process, were 168.6 million euros (177.2 million euros 2018), 4.9% down on the 2018 figure.

Exports represented 21% of Group consolidated sales in 2019 (20.9% in 2018).

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.

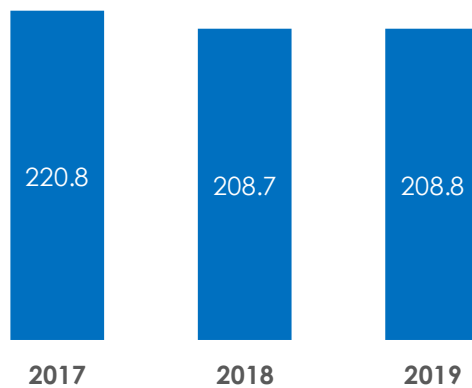
EXPORTS BY REGION



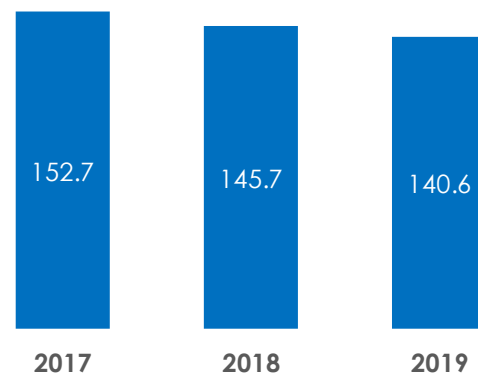
The graph shows the geographical destinations of the exports for 168.6 million euros in 2019

RESULTS

EBITDA (*)



CONSOLIDATED PROFIT AFTER TAX (**)



(*) Ebitda in millions of euros – cumulative figures at the end of 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 2019 was 208.8 million euros, 0.1% higher than the 2018 figure. For the first time since 2010, the EBITDA was higher than that of the preceding year.

In the second half of 2019, the positive effects of the plans for growth and productivity improvements initiated over recent years may be seen, allowing EBITDA to rise by 3.9% in comparison with the same period of 2018.

Consolidated profit before tax was 187.2 million euros in 2019, 2.2% down on the 2018 figure.

Profit after tax was 140.6 million euros in 2019, 3.6% down on the 145.7 million euros obtained in 2018.

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

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

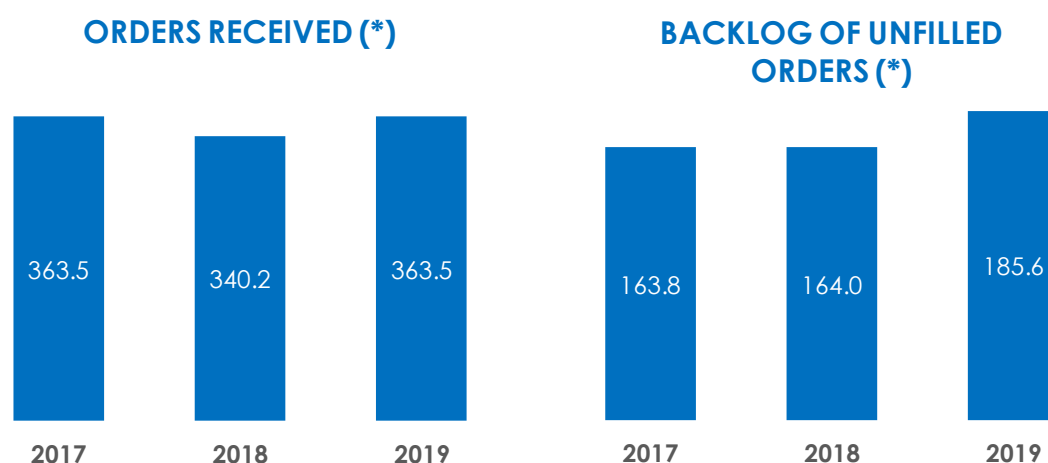
We are continually receiving millions of data that allow us to define operating patterns and, in the case of any deviation, generate specific action plans for each elevator. The technology at our disposal is very promising but, at the same time, it is necessary to modernize the elevators installed, which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

Exceptional events in the fourth quarter

The result for the fourth quarter of 2018 includes the positive effect of 3.6 million euros from the sale of a property in Munguía.

The exceptional positive impact of 4.0 million euros reported in the report on the previous quarter has been neutralized in the fourth quarter, as mentioned in the preceding quarterly report.

3. OTHER KEY DATA



(*) Includes cumulative figures at the end of fiscal period for New Installations, Modernizations and Exports

For comparative purposes, the orders received figures for 2018 and 2017 include sums of ETHs 151,102 and ETHs 166,321, respectively, relating to exports to distributors, other Otis companies and end customers in the Marine sector. Similarly, the backlog of unfilled orders for 2018 and 2017 contains sums of ETHs 20,669 and ETHs 24,481 for the same items. For presentation purposes, the Zardoya Otis Group now includes the transactions described in their Exports figures.

Orders received and backlog of unfilled orders

In 2019, the amount of the orders received for modernizations, new installations and exports, including new and existing buildings and cruise ships, was 363.5 million euros, representing an increase of 6.8% on 2018.

The backlog of unfilled orders at the end of 2019 was 185.6 million euros, an increase of 13.2% on the comparable period of 2018.

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

In 2019, we increased our assembly capacity by recruiting and training technical personnel, which will allow us to complete work more speedily in 2020.

Units under maintenance

We ended the fourth quarter of 2019 with a new record figure of 293,746 units, representing growth of 1.8% on the units at the end of the fourth quarter of 2018. We would like to highlight the fact that the figure of 250,000 units was surpassed in Spain during the year.

4. CONDENSED CONSOLIDATED INCOME STATEMENT

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

	2019	2018
SALES	802.4	784.4
OTHER REVENUE	1.3	1.5
RAW MATERIALS AND CONSUMABLES USED	(274.0)	(264.7)
EMPLOYEE BENEFIT EXPENSES	(262.1)	(254.3)
OTHER NET EXPENSES	(58.8)	(58.3)
EBITDA	208.8	208.7
AMORTIZATION, DEPRECIATION AND IMPAIRMENT	(21.9)	(20.5)
OPERATING PROFIT	187.0	188.1
FINANCIAL INCOME	0.3	0.2
FINANCIAL COSTS	(0.2)	(0.4)
FOREIGN EXCHANGE DIFFERENCES	(0.1)	(0.1)
OTHER GAINS & LOSSES	0.3	3.6
PROFIT BEFORE TAX	187.2	191.4
INCOME TAX EXPENSE	(46.0)	(45.1)
PROFIT FOR THE PERIOD	141.2	146.3
ATTRIBUTABLE TO:		
OWNERS OF THE PARENT COMPANY	140.6	145.7
NON-CONTROLLING INTERESTS	0.7	0.6

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

5. DIVIDENDS

In these four quarters, four quarterly dividends were approved as follows:

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

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

Subsequently, at its December meeting, the Board of Directors approved the third interim dividend charged to the 2019 profit, paid on January 10, 2020, as follows:

Jan. 10	0.080 euros	3rd interim 2019	470,464,311	37,637,144.88 €
Treasury shares			(385,869)	(30,869.52) €
Total			470,078,442	37,606,275.36 €

6. ORDINARY GENERAL SHAREHOLDERS' MEETING

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

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

The result the attendance list may be summarized as follows: (i) 165 shareholders owning 62,951,337 shares and representing 13.38% of the share capital were present;

and (ii) 930 shareholders owning 282,075,179 shares and representing 59.96% of the share capital, were represented. Consequently, the total number of shares present or represented was 345,026,516, representing 73.34% of the share capital.

7. TREASURY SHARES

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 agreed to acquire treasury shares so that they could be used in company acquisition transactions.

As a consequence of a company acquisition transaction (Ascensores Eleva SL), Zardoya Otis, S.A. acquired 922,794 shares for a value of EThs 6,206 euros and, on June 28, 2019, in payment, gave in exchange 536,925 treasury shares that it held on its portfolio, valued at EThs 3,557.

As of November 30, 2019, Zardoya Otis, S.A. held 385,869 treasury shares (zero at the end of 2018) for a value of EThs 2,572.

8. FINANCIAL RISK MANAGEMENT FOURTH QUARTER 2019

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

Risk management is controlled by Group Management in accordance with the supplementary information to the annual corporate governance report as of November 30, 2018. Management assesses and hedges financial risks in close collaboration with the Group's operating units, in order to:

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

9. SIGNIFICANT EVENTS IN THE FOURTH QUARTER 2019 AND AFTER THE END OF THE REPORTING PERIOD

On December 11, 2019, Zardoya Otis, S.A. declared the third interim dividend charged to the profit for the period for a gross amount of 0.080 euros per share. The result was a total gross dividend of EThs 37,637, which was paid out on January 10, 2020.

10. OTHER INFORMATION

PRINCIPAL PRODUCTS

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

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

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

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

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

REGULATIONS AND LEGISLATION

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

11. EXHIBIT – KEY FIGURES:

At the end of the fourth quarter of 2019 (December 1, 2018 to November 30, 2019), the total consolidated figures and the comparison thereof with those of the preceding fiscal period were as follows:

Key Data, 4^o Quarter 2019			
Consolidated figures in millions of euros			
Results	2019	2018	% variance 19/18
EBITDA	208.8	208.7	0.1
Profit before tax	187.2	191.4	(2.2)
Profit after tax	140.6	145.7	(3.6)

Sales	2019	2018	% variance 19/18
New Installations	113.7	95.7	18.8
Service	520.1	511.5	1.7
Exports	168.6	177.2	(4.9)
Total	<u>597.1</u>	<u>784.4</u>	<u>2.3</u>

Orders received (*)	2019	2018	% variance 19/18
Orders received	363.5	340.2	6.8
Backlog	185.6	164.0	13.2

Units under maintenance	2019	2018	% variance 19/18
Units under maintenance	293,746	288,467	1.8

(*) Includes New Installations, Modernizations and Exports