ANNUAL REPORT 2004

Annual Report
for the year: 1-12-2003
to 30-11-2004
presented by
the Board of Directors
at the General Meeting
of Shareholders held on
April 20, 2005
upon the first call,
or April 21, 2005
upon the second call.

OTIS

F. JAVIER ZARDOYA
Presidente

Zardoya Otis S.A.
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April 21, 2005

Dear Shareholders:

This is the thirtieth letter that I have addressed to you since 1975, the year in which we presented our Annual Report for 1974, which was the first year that our shares were listed on the Madrid Stock Exchange.

Fortunately, in these 30 years of uninterrupted communication with you, I have always had the pleasure of giving you good news, and this year will be no different.

As always, I will anlyze our F.Y. 2004 without making any comments on the political and economic environment in which it took place, since I know you are already more than familiar with it.

As you can see from the two charts that precede this letter, the most significant figures are, in summary, the following:

The net profit grew by 12.6%, sales by 4.6% and the cash flow by 12.9%. Dividends increased by 16%, with a pay-out of 93.8%. The profitability obtained for this item was 3.69%, as a result of comparing the dividends paid with the price of a share purchased at the closing value on December 31, 2003, which was 16.50 euros. Regarding the stock market price, this rose by 25.8%, which, added to the profitability from dividends, gives us a total profitability of 29.49%.

The figure for orders received for New Sales in 2004, 181.3 million euros, representing an increase of 19.2% on the preceding year, is very important. In 2003, we explained that the decrease in orders for new installations in comparison with the previous year (16.4%) was due to the fact that some very significant one-off orders, such as the Madrid Metro and the new Barajas Airport Terminal, coincided in 2002. However, in 2004, we attained practically the same amount in orders as in 2002, but without such significant projects, thus representing a greater number of units. This figure is very interesting if we think of future service.

Furthermore, as a consequence of these New Sales, the backlog of unfilled orders grew by 17.9% in comparison with the previous year, totalling 129.6 million euros, which is higher than the 124.6 million euros of the record year 2002.

Service grew by 7.2% in relation to 2003 and continues to account for approximately two thirds of our billing.

At the year end, we had 210,428 units under maintenance, which represented an increase of 3.4%, slightly less than that of previous years, due to the lower volume of new work completed.

In the area that, without any doubt, interests you most, the creation of value for the shareholder, I can inform you that, in 2004, we carried out a new bonus issue and paid what are now the traditional four quarterly dividends. In this respect, I reiterate the fact that the Board of Directors hopes to continue with this policy, although, obviously, neither I nor anyone else can provide a guarantee when talking about the future. However, I think our intention is supported sufficiently by the fact that we have been successful in maintaining this policy during 25 consecutive years, irrespective of the changing political and economic circumstances.

Regarding dividends, I would like to remind you, once again, that we were the first company on the Spanish Stock Exchange to pay out four quarterly dividends on fixed dates. Subsequently, some other companies did the same for a period of time. However, we have maintained this system uninterruptedly, without missing a single quarter, and, on December 10, 2004, we paid out dividend number 100.

As confirmation of the long-term effect that our policy of creating value for the shareholder has generated, it is interesting, as we do every year, to look at the evolution of our shares in comparison with that of the stock market indices since the latter came into existence:

- From December 31, 1985 until December 31, 2004, the initial value of the General Index of the Madrid Stock Exchange (which was established at 100) was multiplied by 9.59, while the stock market capitalization of Zardoya Otis was multiplied by 53.7, i.e. 5.6 times more.

- From January 1, 1990 until December 31, 2004, the value of the IBEX-35 was multiplied by 3. In the same period, the stock market capitalization of Zardoya Otis was multiplied by 12.3.

I have the pleasure of informing you that, for the year 2005, the Board of Directors has the intention:

- To maintain the four quarterly dividends.

- To propose to the General Meeting the approval of a new bonus issue in the proportion of 1 new share for each 10 outstanding old shares.
  This issue will be the twenty-ninth that we have carried out in the course of our history.

Finally, I would like to express my recognition, and that of the whole Board of Directors, of all those who work for or collaborate with the Zardoya Otis Group, since it is their effort and dedication that have made the positive Report that we have presented to you today possible.

Yours faithfully:

F. Javier Zardoya

BOARD OF DIRECTORS

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	Position	Capacity	% holding in share capital
Mr. Francisco Javier Zardoya García	Chairman	Shareholders Representative	0.206
Mr. Mario Abajo García (1)	Deputy Chairman	Executive	0.263
Mr. José María Loizaga Viguri *	Deputy Chairman	Independent	-
Mr. George Minnich (1) *	Board Member	Shareholders Representative	-
Mr. Ari Bousbib (1)	Board Member	Shareholders Representative	-
Mr. Bruno Grob (1) *	Board Member	Shareholders Representative	-
Otis Elevator Company (1) (Mr. Johan Bill)	Board Member	Shareholders Representative	-
Euro-Syns, S.A. (Mr. Jesús María Fernández-Iriondo)	Board Member	Shareholders Representative	10.622
Investment, S.A. (Mr. Francisco Javier Zardoya Arana)	Board Member	Shareholders Representative	0.251
			11.342
United Technologies Holdings, S.A. (2)			51.067
			62.409

Mr. Mario Abajo García	Managing Director
Mr. Pedro Sainz de Baranda	General Manager
Mr. Alberto Fernández-Ibarburu Arocena	Secretary

(1) Represents the parent company United Technologies Corporation (UTC).

(2) United Technologies Corporation (UTC) holds 51.067% of the share capital through United Technologies Holdings, S.A.

(*) Members of the Audit Committee.

KEY DATA AT NOVEMBER 30

(fiscal year end)

(Consolidated figues in millions of euros)

Annual results	2,004	2,003	2,002	2,001	2,000	1,999	% variance over prior year 04	03	02	01	00
Profit before tax	200.6	179.9	155.4	129.1	112.2	97.1	11.6	15.8	20.4	15.0	15.6
Profit after tax	130.7	116.1	98.1	82.4	71.2	62.9	12.6	18.4	19.1	15.7	13.2
Cash-Flow	143.8	127.3	112.5	104.3	90.3	80.4	12.9	13.2	7.8	15.6	12.2
Gross dividens	122.7	105.8	91.8	76.5	68.4	59.9	16.0	15.3	20.0	11.9	14.1

Shareholders' Equity	2,004	2,003	2,002	2,001	2,000	1,999	% variance over prior year 04	03	02	01	00
Capital and Reserves	99.0	91.6	81.9	76.6	80.0	87.8	8.0	11.8	6.9	(4.3)	(8.8)

Sales Data	2,004	2,003	2,002	2,001	2,000	1,999	% variance over prior year 04	03	02	01	00
New Installations	159.2	171.7	168.8	144.5	125.8	111.8	(7.3)	1.7	16.8	14.8	12.6
Service	443.4	413.6	388.4	352.6	310.8	284.7	7.2	6.5	10.1	13.5	9.1
Total Exports	74.6	61.9	59.4	59.2	61.0	53.1	20.5	4.2	0.3	(2.9)	14.9
Exports to Portugal (*)	(11.6)	(10.8)	(11.0)	(13.0)	(11.4)	(9.0)	7.2	(1.7)	(15.5)	14.3	26.3
Net Exports (without Portugal)	63.0	51.1	48.4	46.2	49.6	44.1	23.3	5.5	4.7	(6.8)	12.5
Total:	665.5	636.4	605.6	543.3	486.2	440.6	4.6	5.1	11.5	11.7	10.4

(*) Deducted as they are already included in consolidated sales.

New Installations	2,004	2,003	2,002	2,001	2,000	1,999	% variance over prior year 04	03	02	01	00
Orders received	181.3	152.2	182.0	150.7	150.2	128.6	19.2	(16.4)	20.7	0.3	16.8
Backlog	129.6	109.9	124.6	112.8	106.5	84.2	17.9	(11.8)	10.4	5.9	26.5

Service Data	2,004	2,003	2,002	2,001	2,000	1,999	% variance over prior year 04	03	02	01	00
Units under maintenance	210,428	203,447	194,487	183,735	176,252	171,006	3.4	4.6	5.9	4.2	3.1
Maintenance centers	338	329	325	324	322	317	2.7	1.2	0.3	0.6	1.6

Manpower	2,004	2,003	2,002	2,001	2,000	1,999	% variance over prior year 04	03	02	01	00
Total manpower	5,109	5,045	4,974	4,780	4,731	4,752	1.3	1.4	4.1	1.0	(0.4)

STOCK MARKET DATA AT DECEMBER 31

(Euros)

Capital Stock	2,004	2,003	2,002	2,001	2,000
Amortized shares	-	-	855,321	1,346,557	-
Number of shares before increase share capital	196,794,270	178,903,882	162,639,892	148,632,013	136,344,155
Increase in share capital (bonus) Ratio	1x10	1x10	1x10	1x10	1x10
Number of shares at December 31	216,473,697	196,794,270	178,903,882	163,495,214	149,978,570
Par value	0.10	0.10	0.10	0.10	0.10
Capital Stock (millions)	21.6	19.7	17.9	16.3	15.0

Profit per share	2,004	2,003	2,002	2,001	2,000
Profit After Tax	0.604	0.590	0.548	0.504	0.475
P.A.T. adjusted by Splits and share capital increase		0.536	0.453	0.380	0.329
P.A.T. adjusted variance	12.6%	18.4%	19.1%	15.7%	13.1%

Dividend per share (*)	2,004	2,003	2,002	2,001	2,000
Total dividend paid in the year (Millions)	119.8	101.4	87.2	74.8	66.9
Dividend per share in the year	0.609	0.567	0.536	0.504	0.492
adjusted by share capital increase and Splits		0.515	0.443	0.380	0.340
Adjusted dividend variance	18.1%	16.4%	16.5%	11.8%	18.3%

Price per Share	2,004	2,003	2,002	2,001	2,000
Price	18.87	16.50	12.55	10.42	9.35
Adjusted price by Splits and share capital increase		15.00	10.37	7.87	6.48
Adjusted price variance	25.8%	44.6%	31.8%	21.5%	5.3%

Annual yield of one share (%) (*)	2,004	2,003	2,002	2,001	2,000
Dividend	3.691	4.518	5.144	5.390	5.038
Increase in market value	25.800	44.622	31.793	21.488	5.271
Total:	29.491	49.139	36.936	26.878	10.309

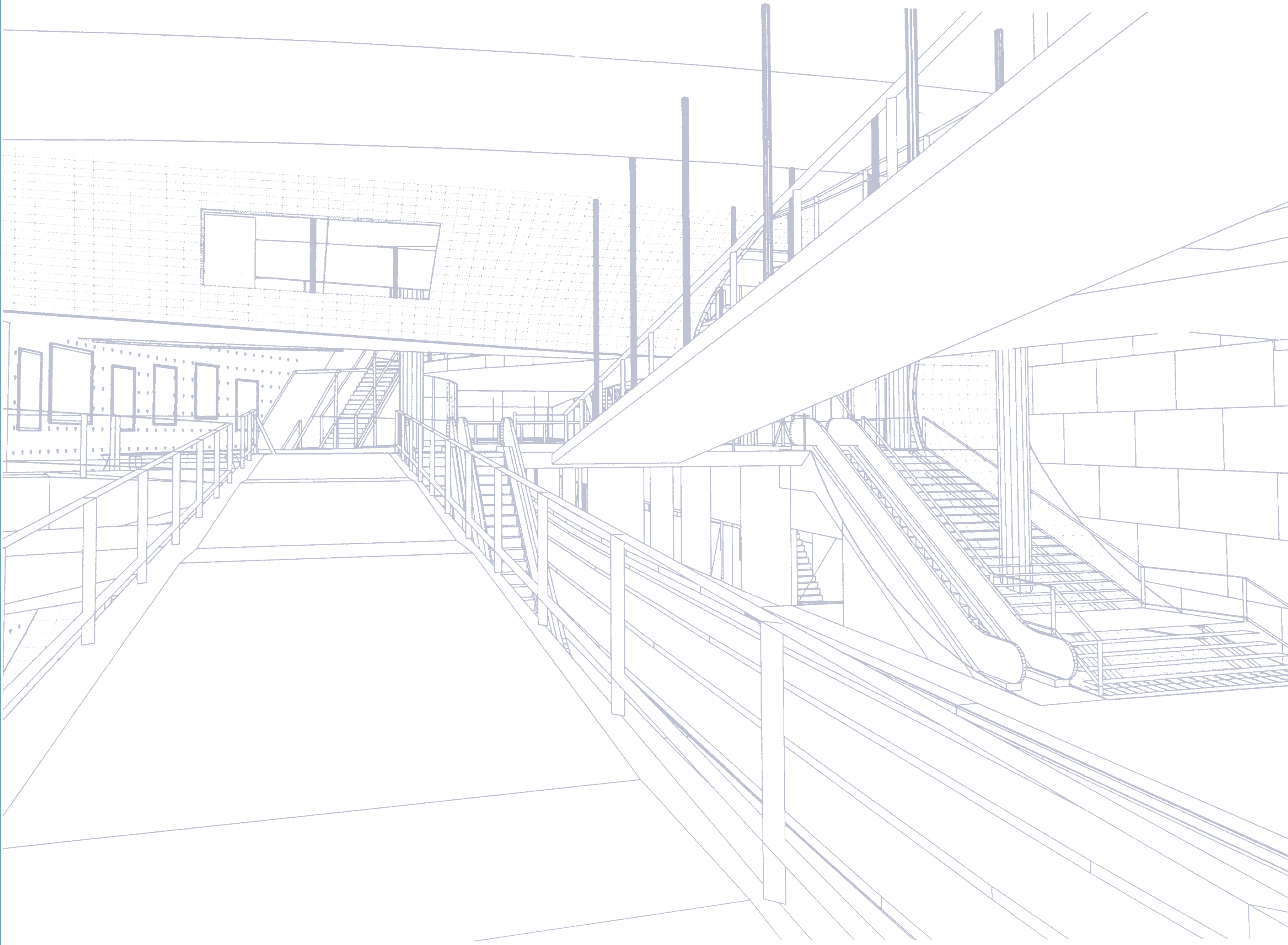
(*) Calculated with dividends paid in the year,
of a share owned on January 1st
and valued at last price on December 31th.

Trading Data	2,004	2,003	2,002	2,001	2,000
Market capitalization (millions)	4,085	3,247	2,245	1,704	1,402
Trading Frequency (%)	100.0	100.0	100.0	100.0	100.0
Effective value traded	506	332	223	310	234

Stock Market ratios	2,004	2,003	2,002	2,001	2,000
PER (Price/Profit after tax)	31.2	28.0	22.9	20.7	19.7
PER variance	11.7%	22.2%	10.6%	5.0%	(6.9%)
Pay-out (%) (Dividend/Profit after tax)	93.8	91.1	93.6	92.9	96.0
Change in Market Value:					
Annual (%)	25.8	44.6	31.8	21.5	5.3
Base 100 = 31/12/1985 (IGBM start)	5,371.5	4,269.8	2,952.4	2,240.2	1,844.0
Base 100 = 1/1/1990 (IBEX 35)	1,232.7	979.9	677.5	514.1	423.2
Madrid Stock Market Index (IGBM start)					
Annual (%)	18.7	27.4	(23.1)	(6.4)	(12.7)
Base 100 = 31/12/1985	959.06	808.0	634.0	824.4	880.7
Base 100 = 1/1/1990	323.4	272.4	213.8	278.0	296.9
IBEX 35:					
Annual (%)	17.4	28.2	(28.1)	(7.8)	(21.7)
Base 3000 = 1/1/1990	9,080.8	7,737.2	6,036.9	8,397.6	9,109.8
Base 100 = 1/1/1990	302.7	257.9	201.2	279.9	303.7

MANAGEMENT REPORT ON THE ZARDOYA OTIS GROUP

FINANCIAL AND STOCK MARKET DATA



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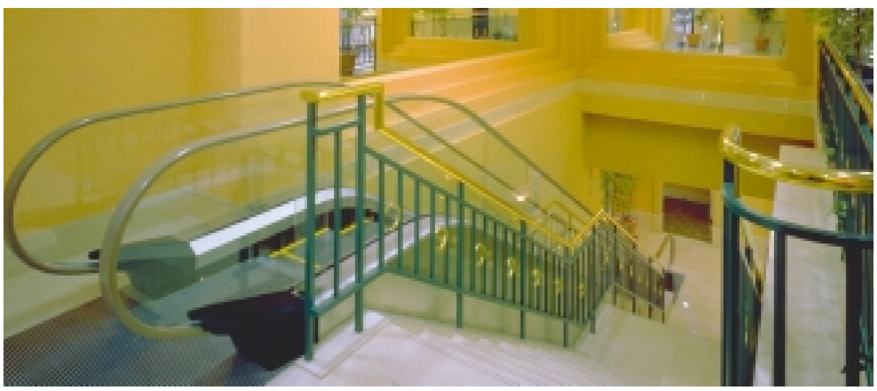
Presentation of the Annual Accounts

In accordance with the provisions of current mercantile legislation, we present the Consolidated Annual Accounts, formulated by the Directors of **Zardoya Otis S.A.**, below.

These Consolidated Annual Accounts of the Zardoya Otis Group for the year ended November 30, 2004 were signed by the members of the Board of Directors at the meeting held in Madrid on February 24, 2005.

Likewise, both these Annual Accounts and the Management Report for the year have been reviewed and certified by the firm PricewaterhouseCoopers Auditores, S.L.

The Notes accompanying the consolidated financial statements of the Zardoya Otis Group include the accounting principles applied and provide, in explanatory notes, details of the most important captions, showing the movements in 2003 and 2004 in two columns.



PROFIT AND LOSS

The consolidated profit before tax totalled 200.6 million euros in 2004, 11.6% higher than the 179.9 million euros of 2003.

The consolidated profit after tax was 130.7 million euros, 12.6% up on the 116.1 million euros obtained in 2003.

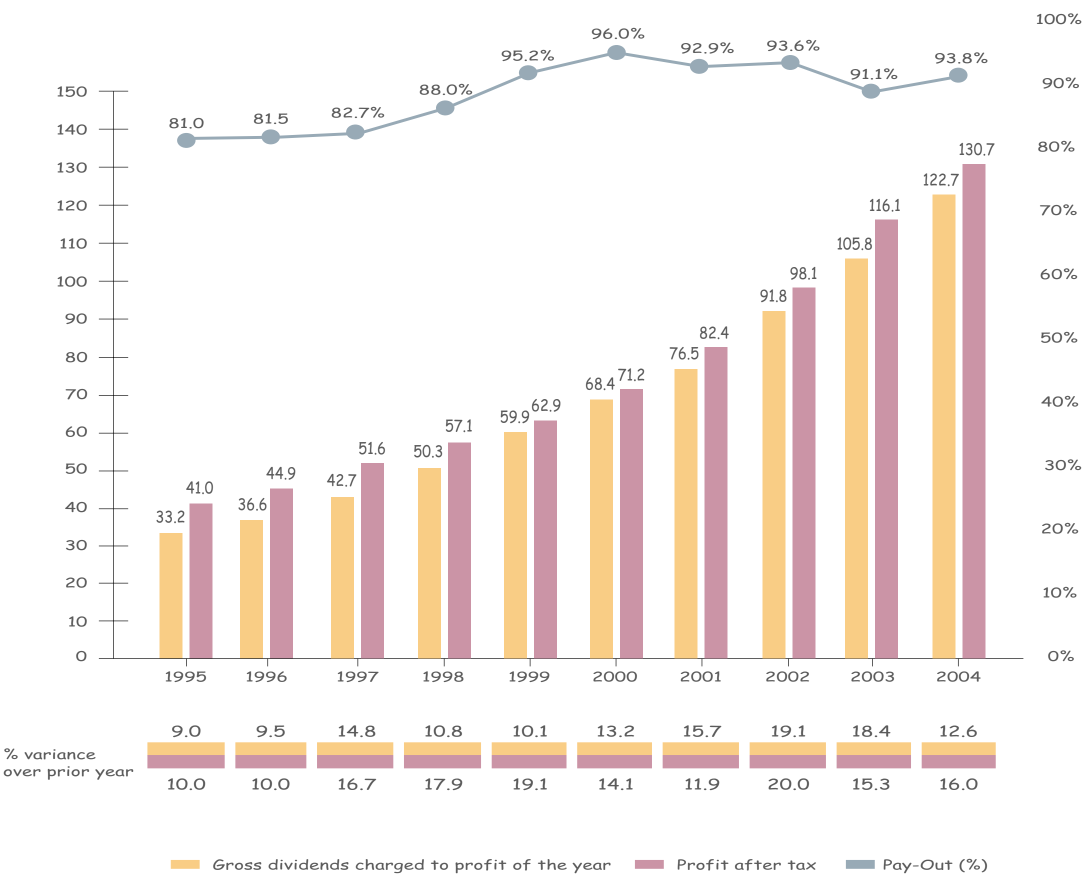
The profit per share in 2004 was **0.604** euros, which should be compared with the 0.536 euros profit per share in 2003. The latter of these values was reached after applying the pertinent adjustment for the capital increase (0.590 euros/1.10 shares). Comparing the two values, the resulting growth rate was 12.6%.

The consolidated cash flow at the end of the year under analysis was 143.8 million euros, i.e. 12.9% higher than in 2003.

Once again, this Annual Report includes a graph illustrating the constantly upward evolution of the net profit of Zardoya Otis over the last 10 years. We highlight the fact that this sustained upward trend has, naturally, been achieved in different environments derived from the inevitable economic cycles.

Profit after Tax vs. Dividends distributed in the year (Pay-Out %)

Millions of Euros



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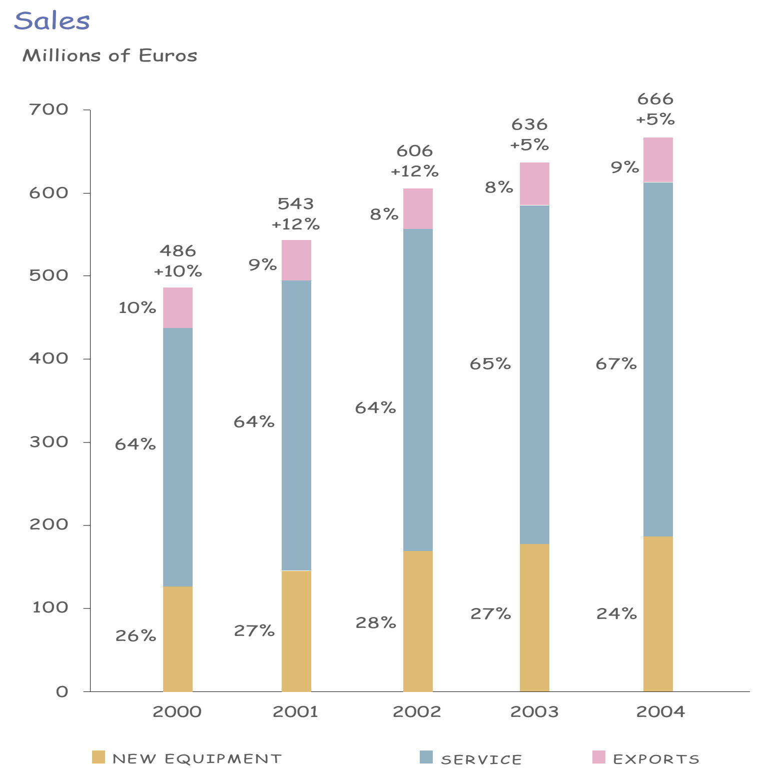
Total Sales



Total consolidated sales for the year 2004 grew by 4.6%, reaching 665.5 million euros.

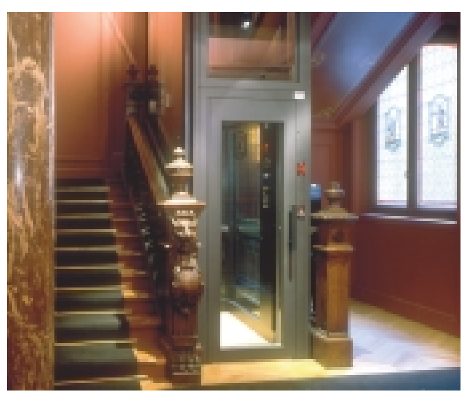
Let us look at the specific behaviour of each one of Zardoya Otis' three main business activities:

New Sales

Work completed: The value of work completed in New Installations dropped by 7.3% in 2004, totalling 159.2 million euros. This was due to the fact that both orders received and the backlog of unfilled orders showed decreases of 16.4% and 11.8%, respectively, when compared with a year (the year 2002) in which the highest historical figures were obtained for both items. We should remember that the upsurge that took place in 2002 in orders received and the backlog of unfilled orders were influenced decisively by several significant contracts valued at 27 million euros.

New Sales billing represented 24% of total billing in 2004.

Orders received: The 2004 figure for Orders received for New Sales was 181.3% million euros. This represented an increase of 19.2% on 2003. Thus, we almost returned to the record level of 2002, in which year Orders received totalled 182 million euros.



Backlog of unfilled orders: A new historical record was, in fact, achieved in 2004 in the backlog of unfilled orders. Effectively, the 129.6 million euros at which these were valued at November 30, 2004 represented an increase of 17.9% on 2003 and 5 million euros more than 2002, which was the previous record year.

The backlog of unfilled orders existing at the beginning of 2005 represents a volume equivalent to almost 10 months of New Installations activity, thus guaranteeing an important part of the activity for said year.

Service

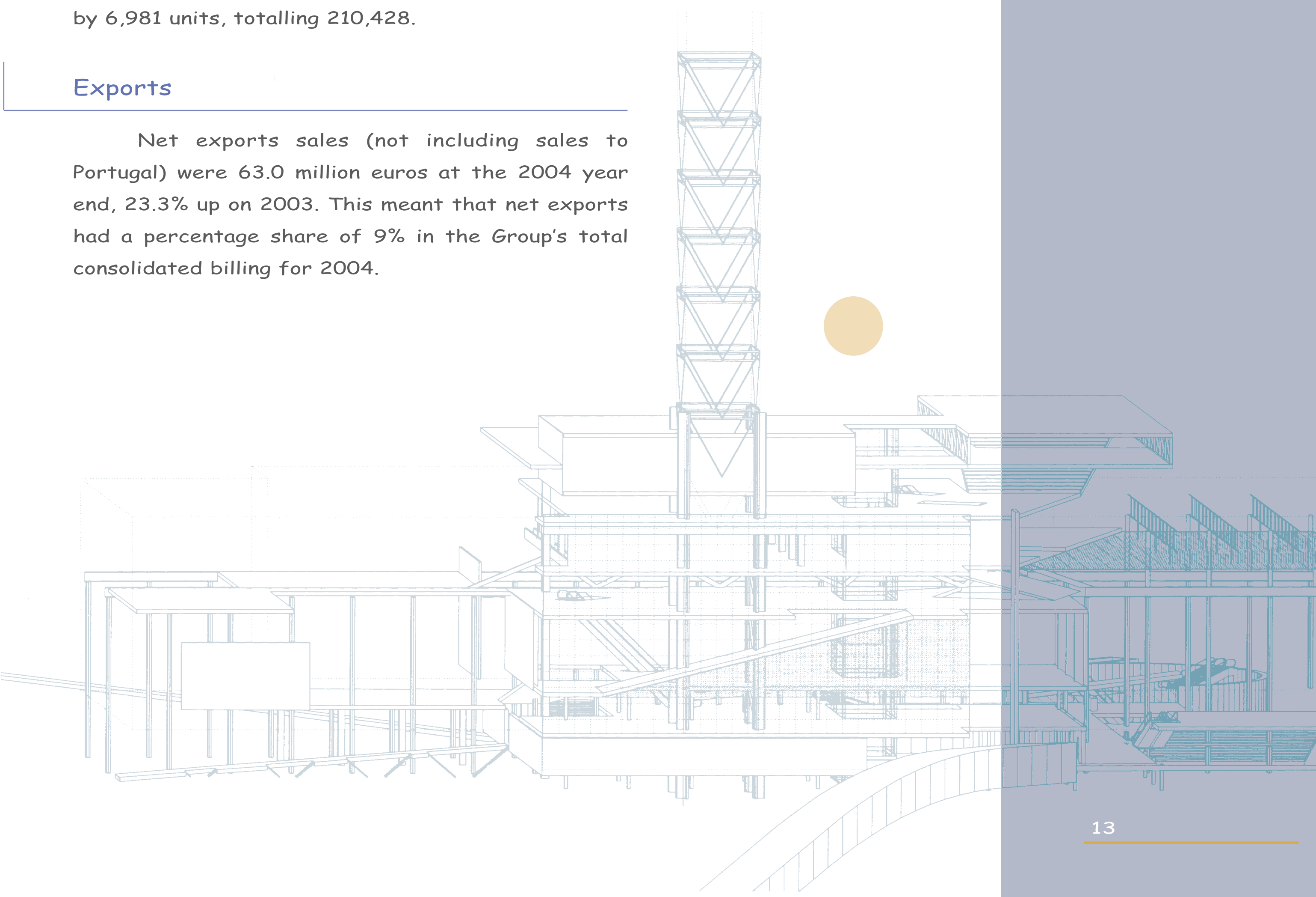
Sales: Overall Service billing totalled 443.4 million euros, 7.2% higher than in 2003.

The 2004 figures show, once again, the importance of the Service activity to Zardoya Otis, since it accounts for 67% of total consolidated sales.

Units under maintenance of the Zardoya Otis Group: At the year end 2004, the increase was 3.4% on the preceding year. In absolute terms, units under maintenance rose by 6,981 units, totalling 210,428.

Exports

Net exports sales (not including sales to Portugal) were 63.0 million euros at the 2004 year end, 23.3% up on 2003. This meant that net exports had a percentage share of 9% in the Group's total consolidated billing for 2004.



DIVIDENDS

The following chart summarizes the dividends distributed and paid in the year

2004	Gross per share	Charged to Profits	Shares entitled to dividend	Total gross dividend Calendar year	Total gross dividend Charge to the F.Y.
Mar. 10, 2004	0.145 euros	4th interim 2003	196,794,270	28,535,169.15 €	
Jun. 10, 2004	0.145 euros	1st interim 2004	196,794,270	28,535,169.15 €	28,535,169.15 €
Sept. 10, 2004	0.145 euros	2nd interim 2004	216,473,697	31,388,686.07 €	31,388,686.07 €
Dec. 10, 2004	0.145 euros	3rd interim 2004	216,473,697	31,388,686.07 €	31,388,686.07 €
TOTAL DIVIDENDS PAID IN THE CALENDAR YEAR 2004				**119,847,710.44 €**	
Mar. 10, 2005	0.145 euros	4th interim 2004	216,473,697		31,388,686.07 €
TOTAL DIVIDENDS CHARGED TO F.Y. 2004					**122,701,227.36 €**
					PAY-OUT 93.8%

Shares entitled to dividends

Both the fourth and last dividend charged to the profit for F.Y. 2003, paid on March 10, 2004, and the first interim dividend of the year 2004, paid on June 10, 2004, were applied to the total outstanding shares, the number of which was, after the 1 x 10 bonus issue carried out on June 16, 2003, 196,794,270.

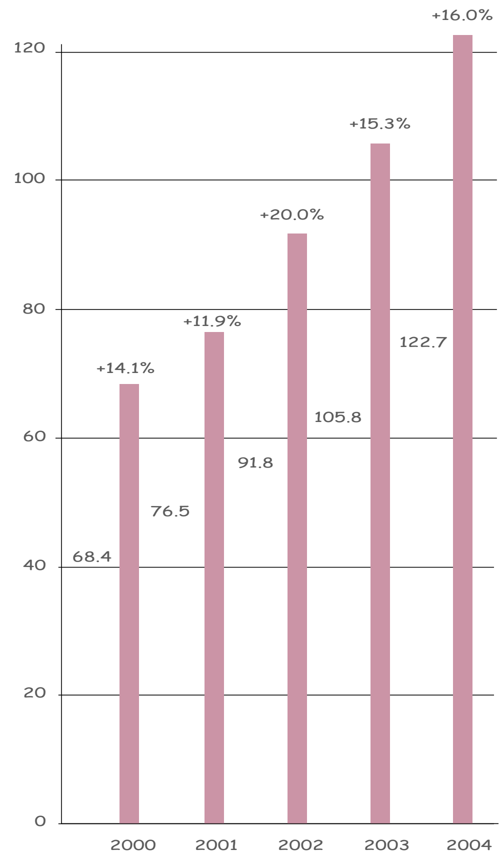
The 19,679,427 shares from the 1 x 10 bonus issue that took place on July 6, 2004 were entitled to the second interim dividend charged to F.Y. 2004 (paid on September 10, 2004). Thus, the total number of shares entitled to dividends was established at 216,473,697.

The same total number of outstanding shares (216,473,697) was entitled to the subsequent dividends, specifically the third and fourth interim dividends charged to the F.Y. 2004, which were paid on December 10, 2004 and March 10, 2005, respectively.

Total gross dividend

The overall dividends paid and charged to the profit for 2004 were 122.7 million euros, in comparison with the 105.8 million euros of the preceding year, representing a 16% increase. The resulting pay-out was 93.8% of the consolidated net profit, in comparison with 91.1% in 2003.

Total Gross Dividend
Millions of Euros



EVOLUTION OF CAPITAL

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Capital increase

Once the first quarterly dividend charged to the 2004 profit had been paid on June 10, 2004, the capital increase approved by the General Meeting of Shareholders held on April 26, 2004 was carried out.

The ratio was one new share to each ten old outstanding shares, by means of the issuance of 19,679,427 new bonus shares charged to the Voluntary Reserve for an amount of 1,967,942.70 euros.

The subscription took place between July 6 and 20, 2004, inclusive. After completion of the increase, the share capital was 21,647,369.70 euros, represented by 216,473,697 shares with a par value of 0.10 euros each.

The new shares were entitled to the dividends paid after the closing date of the increase and, therefore, were entitled to the second, third and fourth interim dividends charged to the profit of F.Y. 2004, distributed on September 10 and December 10, 2004 and March 10, 2005.

The new shares were listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges, effective September 9, 2004.

Treasury Stock

The Board of Directors did not make use of the authorization to acquire treasury stock granted by the General Meeting of Shareholders of April 26, 2004.

At the date of the present General Meeting of Shareholders, no Zardoya Otis Group company holds treasury stock.

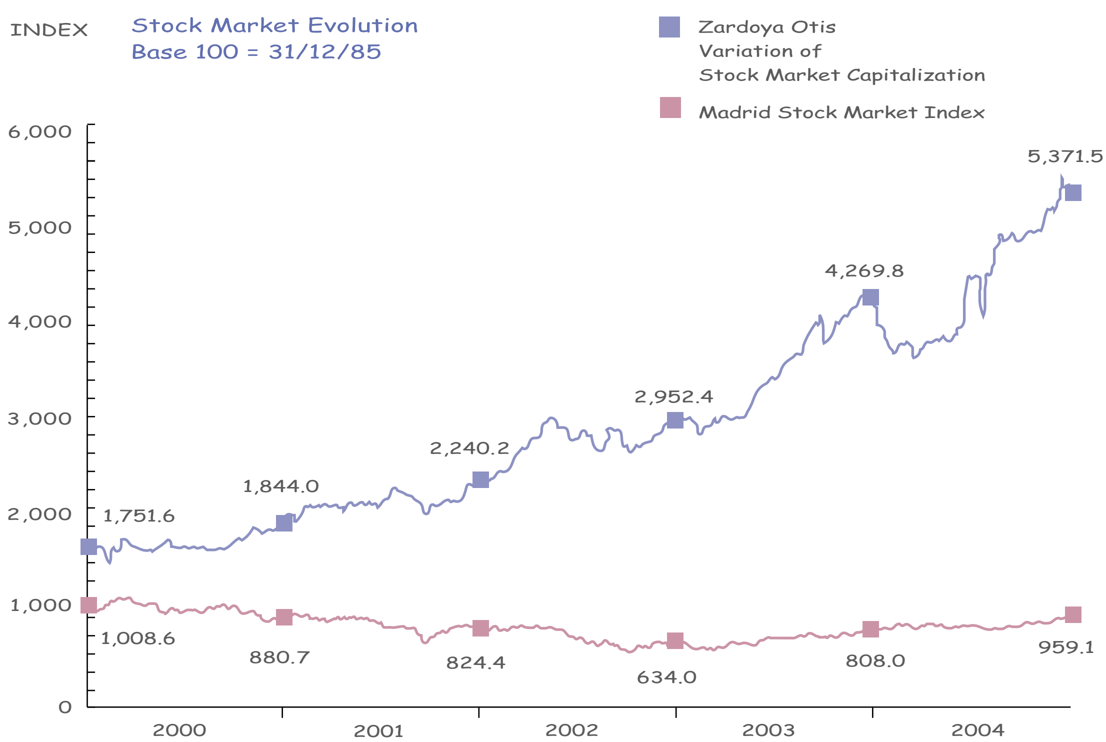
STOCK MARKET

OTIS

The Spanish stock market culminated the second year in which it showed an upward trend with rises of 18.70 percent in the General Index of the Madrid Stock Exchange and 17.37 percent in the IBEX. With this result, the Spanish market led the recovery on the large European Stock Exchanges, in front of Paris, which rose by 7.40 percent, London, which ended 2004 with an advance of 7.54 percent, and the German Stock Exchange, the index of which rose by 7.34 percent. The profitability obtained by the Spanish market was only exceeded by the stock exchanges of Latin American countries, which provided a generous reflection of the improvement in their economies.

This favourable evolution, after an excellent year in 2003, confirmed that the markets were in a new upward cycle, based on a global recovery in growth after the period of crisis that commenced when the technological bubble burst in the year 2000.

However, this new phase of prosperity is not exempt from risks, as shown over the twelve months of 2004, when the constant rise in oil prices and the volatility of the dollar were continuous sources of concern to analysts and investors. Without any doubt, these two issues will also play a leading role throughout the present year.



Looking back over the year 2004, although it got off to a good start on the Spanish stock exchange, the terrorist attacks in Madrid on March 11 and the immediately subsequent General Elections provoked a significant adjustment. In spite of everything, the IBEX-35 reached highs for the year so far in April and did not reach the same levels again until the second half of the year.

The falls that commenced in the second quarter continued until August, when the lowest level was reached on August 13. These were the months when oil and the euro began their upward climb, with the added concern that the United States Federal Reserve was going to bring the downward cycle in interest rates to an end. There was fear of the impact that these three factors might have on the North American and European economic recovery.

The Spanish Index began to rise in September, just when the euro was gaining impetus, and did not stop until the year end. This change in trend was due to the fact that the clouds that could be seen on the horizon cleared away: the United States elections took place without problems of recounts, oil prices began to deflate when the market found that there was not going to be a supply problem, and the Federal Reserve raised the price of money by only 0.25 percentage points.

The year ended with the IBEX at 9,080.80 points, a level that could only be reached because of a spectacular thrust in the final stretch of the year. The Index attained its climax with a further seven consecutive weeks of advance and, in the last week, achieved two highs for the year.

Evolution of Zardoya Otis, S.A.

In this context, the behaviour of the Zardoya Otis shares in the year 2004 may, once again, be described as extraordinary.

The price of the share at December 31, 2004 was 18.87 euros per share, with a revaluation of 25.8% over the 15.00 euros at which it was quoted at December 31, 2003. This adjusted value of 15.00 euros is the result of dividing the value of 16.50 euros at December 31, 2003 by 1.10, as a consequence of the 1 x 10 bonus issue carried out in July 2004.

Whe highlight the fact that this revalutaion is added to the revaluation attained in 2003, which was significant: 44.6%. In the last three years, the adjusted share value has risen from 7.87 euros in 2001 to 18.70 euros in 2004, with a total revaluation of 140%.

The values reached by the price of a Zardoya Otis share give rise to an increase in the PER, which was 31.2 in 2004. Stock market capitalization was 4,085 million euros at December 31, 2004, 25.8% higher than a year earlier.

The reasons behind this constant revaluation of the share value are based on both the behaviour of the business and the shareholder remuneration strategy. The first of these areas is affected by a sustained growth in the profit per share and the anti-cyclical nature of the business. Regarding remuneration, it may be said that the policy of creating value for the shareholder, maintained by the Board of Directors over many years, has gained acceptance among investors.

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To allow the evolution of our shares to be followed in detail, we include a chart with the Historical Stock Market Data since 1990, when the selective index IBEX-35 was created.

Historical Stock Market Data (euros)

Date	Bonus Capital Increases and Splits	Share Price: Last Price	Share Price: Adjusted Price	Share Price: Variance %	P.E.R.	Pay-out %	Market Capitalization (Mill. Euros)
dec-90		63.71	**1.62**	5.69	13.8	78.2	350.2
dec-91	1 x 5	61.30	**1.87**	15.46	14.0	78.9	404.4
dec-92		52.23	**1.59**	(14.80)	11.0	81.7	344.6
dec-93	1 x 10	81.74	**2.74**	72.15	17.0	82.7	593.1
dec-94	1 x 10	82.28	**3.03**	10.73	17.4	80.3	656.8
dec-95	1 x 10	79.63	**3.23**	6.46	17.0	81.0	699.2
dec-96	1 x 10	90.75	**4.05**	25.36	19.5	81.5	876.5
dec-97	1 x 10	106.68	**5.24**	29.31	22.0	82.7	1,133.4
dec-98	split 5 x 1 and 1 x 6	26.62	**7.62**	45.56	28.9	88.0	1,649.8
dec-99	split 2 x 1 and 1 x 10	9.77	**6.15**	(19.26)	21.2	95.2	1,332.1
dec-00	1 x 10	9.35	**6.48**	5.27	19.7	96.0	1,402.3
dec-01	1 x 10	10.42	**7.87**	21.49	20.7	92.9	1,703.6
dec-02	1 x 10	12.55	**10.37**	31.79	22.9	93.6	2,245.2
dec-03	1 x 10	16.50	**15.00**	44.62	28.0	91.1	3,247.1
dec-04	1 x 10	18.87	**18.87**	25.80	31.2	93.8	4,084.9

If we analyze the stock market results for the last five years (2000 to 2004), we can see that, in the first three years (2000 to 2002), there was a general fall in the Spanish and international stock exchanges, while Zardoya Otis showed significant growth. In the last two years, the trend has changed, with important revaluations of the Spanish stock exchanges, as may be seen from the rise in the IBEX-35 index and the index of the Madrid Stock Exchanges. At the same time, the Zardoya Otis share has continued to be revalued at even a higher rate than these two indices.

CREATING VALUE FOR THE SHAREHOLDER

In Zardoya Otis' more than 30 years' history on the Stock Exchange, one of the main priorities of the Board of Directors has always been the creation of value for the shareholder, measured as total remuneration: revaluation of the share value plus dividends plus other monetary contributions.

Zardoya Otis, S.A. was one of the first companies in Spain to pay four quarterly dividends on a regular basis (since 1979) and is the only one that has maintained this policy uninterruptedly over the last 25 years. The diviend paid on December 10, 2004 was the 100th dividend to be paid by the Company since the commencement of the policy of regular payments, which, furthermore, have been for growing amounts each year.

The dividend pay-out, which was 80% at the beginning of the eighties, has grown gradually until it has reached a level of almost 100%.

In addition to the dividend, Zardoya Otis, S.A. has reduced the par value of its shares on four occasions -1997, 1998, 1999 and 2000- by returning contributuions to the shareholder. The present par value is 0.10 euros per share.

In 2001 and 2002, the Company repurchased its own shares at a reasonable price and subsequently wrote them off. Although this did not represent any income for the shareholder, it improved the profit per share.

Zardoya Otis, S.A. is the only company on the Spanish Stock Exchanges to have followed a policy of bonus issues -23 in the last 24 years-, maintaining the same dividend for all the new shares issued and recovering the price the share had before the bonus issue started.

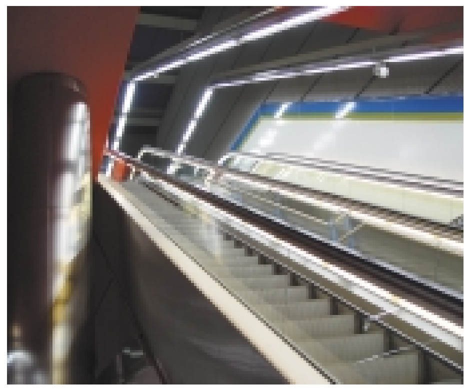
As may be seen in the Stock Market Data chart, at December 31, 2004, the total annual profitability of a share acquired at the closing price on December 31, 2003 comprised one part relating to the dividend received and another relating to the variation in the adjusted share price. In 2004, the total profitability was 29.49%.

OTIS

FORECAST EVOLUTION

In spite of the opinions heard over recent years to the effect that the building sector had reached its highest point and a significant drop was feared, home building again showed growth in 2004, which had a favourable effect on the Zardoya Otis Group, since it influenced the increase in orders and, consequently, the backlog of unfilled orders.

Therefore, considering the forecasts for 2005, we are moderately optimistic, taking into account the important backlog of unfilled orders and the prospects for an increase in Service activity.



Elevators a la carte

Zardoya Otis has launched on to the market a new model of elevator, BEX HRL, especially designed for buildings that have already been constructed, either residential blocks or individual houses, where the space available for the elevator is limited and made-to-measure solutions are required. The project was fully developed in Spain and required a two-year R&D effort.

The BEX HRL allows maximum advantage to be taken of the existing space and, therefore, is an efficient solution for buildings that do not have an elevator, while meeting the maximum safety and quality criteria.

This is a machine room less hydraulic elevator, developed for buildings without too much traffic, such as homes, and not many stops, since the maximum total distance is 20 metres, equivalent to seven stops. It bears a maximum load of 320 kilos, approximately 4 people, and reaches a speed of 0.63 metres per second.

A novelty in comparison with other elevators is that, since the BEX HRL is not a standard elevator, the design and plans are individual for each customer. In fact, Zardoya Otis undertakes to deliver a detailed study of the solution appropriate to the space available, set forth in a tailor-made technical report and plan, within a minimum period.

In buildings without an elevator, there are no standard spaces. In old buildings, for example, the useful space that may be used for an elevator is, in some cases, an irregular shape or no apparent space can be seen. Therefore, the BEX HRL is the best solution to this problem, since it allows an elevator to be designed in line with the structural needs of the building. At present, this advantage is especially important because of the boom in the refurbishment of buildings.

Furthermore, the installation of the BEX HRL has a minimum impact on the building, since it uses self-supporting structures that can be adapted to the architecture of each different building. For this new model, Zardoya Otis applies the "turnkey" concept, since the Company carries out both the installation of the elevator and any civil works necessary for this purpose.

EMS Panorama

Otis has developed an improved version of the Elevator Monitoring System (EMS), a system for controlling the elevator through the web that allows the building personnel to monitor, control, administer and obtain reports on a wide range of manoeuvres of the elevator from any computer with an Internet connection.

Among its advantages, we can highlight: simpler and more intuitive monitoring, an unprecedented possibility of interactive control, the capacity to issue both historical reports and reports in real time and the additional possibility of consulting them from any terminal with access to the computer network.

The main features of the year 2004 were the expansion of the demand for our products and a constant growth in the prices of materials, as a consequence of the oil and raw material price increases.

While the supply of elevators increased moderately, it was in component manufacturing that we found an order volume that surpassed our estimates and allowed us to beat records in factory output. Thus, our exports of safety components increased by 20% in comparison with 2003 and those of traction machines by 16%. The impetus behind this growth came from the higher level of exports to China and the success of the machine room less elevator Madrid 99 in Europe.

The policy followed for years of integrating the supply chain and the acquisition of CNC flexible machinery allowed us to meet this demand and even to improve our service level.

As a consequence of this important increase in volume, the higher absorption of fixed costs offset the increase in variable expenses, attaining for a further year, a competitive cost for our products, in spite of the significant increases in raw material prices.

In order to hear the voices of our international customers, who represent more than 40% of our activity, in 2004 we initiated periodic meetings with export customers through a *Customer Board*, where ideas were put forward on how we could expand what we offer, make it more flexible and better meet our customers' needs, thus helping us to maintain the growth in our exports.

All this development has been in an environment where our priority is the safety of our employees and respect for the environment, as may be seen from the drop in the accident rates and the fact that we more than met all the objectives for emission and waste generation reduction that we had fixed for 2004.

Engineering

Closely related to our manufacturing activity is engineering, the Madrid Centre of which tackled two large projects in 2004:

- Design of the Gen2EU elevator.
- Creation of various modernization packages.

Using the flat traction belt technology developed by Otis 5 years ago, a new line of Gen2EU machine room less models has been created. With this new product, any building, regardless of its use, including residential buildings, may have the most advanced elevator technology, an exclusive Otis technology that represents the future of the elevator and that our competitors will try to imitate.

This line of models covers elevators for 4, 6, 8 and 13 passenger, including loads from 320 to 1000 Kg, with a speed of 1 m/s in a first phase, reaching 1.6 m/s in a second phase.

Likewise, the elevator is designed to be adapted to spaces with a very small dimensions in the near future. In fact, the commercial dimensions it requires are substantially less than those of existing elevators, which constitutes a great advantage when designing a building.

This elevator, which meets current CEN requirements, represents an advance in terms of design and comfort (it attains very high quality in respect of noise and vibrations in the car), at a very competitive price.

In the other segment (modernization), specific packages have been created to support the updating of the existing elevators under maintenance in terms of technology, safety and quality, particularly in oder to comply with the 16 points of the SNEL (European Safety Norm for Existing Lifts), which are included in a Royal Decree to be published in Spain in 2005.

More than 10 different packages have been developed, among which we may highlight the adaptation of the VF (variable frequency) control package to existing installations/controllers, the possibility of including COBI bidirectional communication, between the car and the 24-hour Centre in any elevator in operation and, finally, various packages for adapting existing doors, both car and landing door with a current Prima door, an important package when new doors are required because of an increase in the stops, deterioration, etc.

SERVICE EXCELLENCE

OTIS

The history of Zardoya Otis is dominated by the technological advances that have influenced the development of vertical transport all over the world. Speed records, the height of the buildings where we have installed our products, elevator "intelligence", innovative solutions to the needs that we have apparently satisfied throughout our history. All this, both for the world of one-off buildings and for the more modest, but numerous, residential sector has been possible thanks to constant innovation and the adaptation of technology to our products.

Today, our leadership in elevator design and manufacture is not questioned. This leadership has allowed Otis to be a reference brand associated with prestigious products. In short, an industrial brand able to create value in the building industry.

No product in any sector can ever be deemed to have been completed. One of the major characteristics of human development has been that man has refused to stand still and accept what has been achieved as sufficient. Otis will continue to investigate and develop products that allow the needs of architects and users to be met even more satisfactorly: in one-off buildings, where the quality of the leader shines through, and in the highly competitive residential sector, where space saving, price, manufacturing periods and assembly are the most highly valued attributes. We will continue to put all our enthusiasm into doing this but, at the same time, we have fixed a new goal: SERVICE EXCELLENCE.

At the end of the year 2004, the units under maintenance by the Zardoya Otis Group, including elevators and escalators, totalled 210,428. This means that we transport more than 60 million people every day in 40 million trips, many more than are moved by any other public transport system.

Satisfying such a numerous group, which are direct witnesses of how we work, since our work is performed in the place where the elevator is installed, in both cities where resources are available and more remote locations, requires organizational logistics to attend to situations that we may call foreseeable, together with other arbitrary situations derived from circumstances outside our control. This second type of situation, the most difficult to handle, is where our customers' demand-need is strongest.

In these situations, we need the Zardoya Otis Group personnel to be endowed with personal qualities that go beyond more technical capacity, since information to the customer and attention to details, even though intangible, are the first service factor that the customer expects of us.

The second factor required, product or service quality in relation to the operation of the installation, is tangible and will only be seen with time.

It is said that, to try to predict the future, it is indispensable to study the past. Some years ago now, Zardoya Otis put the mechanisms necessary to listen to the customers into operation, which has allowed us to find out their service demands and needs first hand, together with our own strong and weak points when satisfying them.

Today, Zardoya Otis launches the SERVICE EXCELLENCE on to the market, with the challenge of attaining a brand image in the service world with the same reputation as the image Otis enjoys in technology and products. We want to be the best service company and to be recognized as such.

We do not think this task will be easy, but we are not starting from scratch. Constant improvement has been a fact in our operations and we are now in a good situation to achieve the goal we have set ourselves: to improve from providing a good service to providing an excellent one.

And the difference between good and excellent is not defined by companies but by individuals. In other words, it is achieved with the excellence of the people who comprise the organization.

SERVICE EXCELLENCES will be founded on a series of basic principles, ranging from the priority taken by safety and the need to respond quickly to customer's requirements to never becoming complacent about the quality of our work.

To achieve Excellence in people as a first step to providing an Excellent Service, our Management has promoted the development of an intensive training and adaptation program at all levels of the Company, intended to have all the people belonging to the Zardoya Otis Group carry on their daily work in accordance with these basic principles.

Work safely and take care of the safety or the users. Receive and be receptive to our customers' concerns. Meet their requirements calmly and promptly. Ensure we are properly trained and work as a team. These are the keys to success of SERVICE EXCELLENCE.

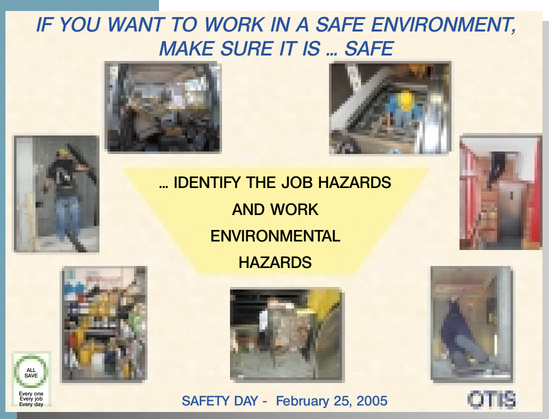
OTIS

Reputation is not only related to brand knowledge and an increase in profits, but to ethical business management. Aspects such as good governance, defence of the environment, safety, training and social action form part of Zardoya Otis's global strategy in favour of the environment of which it forms part and in which it carries on its activity, thus committing itself with society, its shareholders, its customers and its employees.

Safety

For years, Zardoya Otis has been developing a program which fixes the activities and guidelines to follow to ensure a complete management system for Environment, Health and Safety, at all its work centres.

The structure of this management system allows safety in the company to be implemented in full on an orderly basis, beginning with a sound policy defined by Management and accepted as a commitment by all the employees.



This policy establishes safety as the company's priority objective, in order to provide all the employees with a safe place of work and conserve the environment. This, combined with an exhaustive evaluation of the work place, methods, equipment design, etc. allows us to constantly develop better and safer products. This aspect distinguishes us in the market and is valued positively by our customers and users.

For a further year, the effort made by all concerned has made it possible to reduce the accident rate to a very low level, clearly getting close to our zero accidents objective.

The foregoing, combined with safety campaigns, drawing and poster competitions on safety, or *Safety Day* itself, which the company has been celebrating for seven years now, means that the safety culture is constantly increasing and, rather than considering it as mere compliance with rules, we have become clearly convinced that safety is in the interests of all of us.

Environment

Our environment protection culture is one of the basic aspects at our plants. The study of the materials, chemical products, treatments and waste or the reduction in packing and packaging are aspects taken into account when developong the company's environment plans.

The ISO 14001 certification, obtained by the three plants -Madrid, San Sebastián and Munguía-, bears out the initiatives and programs that are developed at each one of them in order to comply with environmental policies to reduce and/or eliminate waste and pollution.

Respect for and improvement in the environment represent a significant change in the manufacturing processes that have been employed since 1989, adapting them to the new environmental requirements. This transformation is now extending gradually from the plants to the branches and work centres, with an increasing commitment to this aspect.

Any initiative or environmental improvement proposed is studied and evaluated with a view to implementing it in the Company through a *Suggestion Program*, to which all employees have access.

Among the actions taken in this respect, we may highlight the elimination of the paint line from our production process, waste collection and management at the plants and work centres, the optimization of water consumption and the elimination of organic vapour emission.

Training

The global objective of Zardoya Otis' strategic training plan is to have the best prepared and motivated personnel in the sector, with the final purpose of meeting our customers' needs through an excellent service, for the benefit of the Company and our shareholders.

In 2004, the training plan was based on the areas identified previously, the most significant ones being: technical training, health and safety at work, Excellence Service, commercial management, management development, quality, communications, computing, ethics and English.

A total of 342 seminars and courses were given, most of which were attended in person, representing 152,880 hours, 44.4% higher than the preceding year. Training in safety and Excellent Service may be highlighted, with an average of 30 hours per person per year.

One of the objectives of this plan was to reinforce the development of the different levels of the organization, particularly in respect of customer service capacity, competitiveness, innovation, initiative, results, etc., thus enhancing the competitive profile of the different groups that comprise the Company.

OTIS

Educational program for employees

This program commenced worldwide in 1997, at the initiative of United Technologies Corporation (UTC) and is intended to provide support for the education and individual development of all the people who comprise our organization's payroll.

It is aimed at anyone in the Company who wishes to study at public educational institutions, whether it be university access, professional training, lower or higher university studies, a doctorate or a publi master's degree. These studies are fully financed and, once they have been completed, the employees are rewarded with a certain number of shares in UTC, depending on the qualification or postgraduate title obtained.

In the year 2004, 46 people studied under this educational program.

Training program for scholarship-holders

For the last 16 years, our organization has been signing framework agreements with the most prestigious and private universities and cooperation agreements with public professional training institutes. The initiative has a clear social objective: it helps new promotions of students to have their first professional contacts with the business world through a training system coordinated with the aforementioned institutions and private organizations.

103 students underwent this training program in 2004. In the last 10 years, 18% of all the program participants have been hired.

Internal communication

As in previous years, an internal communication program has continued, covering a wide variety of communication channels, including those established in earlier years, such as DIALOG, now configured in the Intranet, which gives any employee the opportunity to address his complaints, concerns, problems, etc. to the highest level of the Company, in order to receive a prompt reply with guaranteed confidentiality.

The *Corrective Action Plan* allows employees to propose changes that improve the quality processes and development programs.

Through the *Suggestion Plan*, any employee on the payroll may make suggestions that have a positive effect on the processes, with prizes for the best.

Documentation has been published on Environment, Health and Safety, Excellent Service (posters and documentation), a welcome folder, various manuals, etc.

Four internal newsletters were prepared, edited and published ("Boletín Informativo"), with a print-run of 5,500 copies, which are sent to the homes of current employees, retired employees and customers.

The web page and the Intranet were reinforced, becoming clearer and more widely available.

Social Action

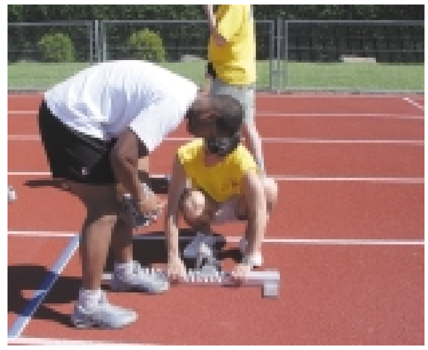
Zardoya Otis' philosophy regarding its social action is based on the premise of employee participation. Whatever the project may be, Zardoya Otis involves its employees, in such a way that it contributes the same amount of money as has previously been collected by the employees through different activities. Thus, employees are stimulated to play a really active and palpable role.

As has become traditional, Zardoya Otis' most important collaboration is concentrated on Special Olympics, an association founded in the sixties by Eunice Kennedy Shriver and presided by H.R.H. Princess Elena in Spain. Promoting sport among the mentally disabled is one of Special Olympics' main objectives, helping them to improve their quality of life and favouring their social integration. Practising a sport has given surprising results in terms of physical improvement and, consequently, in the integration and acceptance of these people.

In Spain, the presence in 17 autonomous regions has allowed Special Olympics to develop 14 types of sport, with the participation of more than 14,500 volunteers. Every championship is a huge sporting celebration, where there is full integration among athletes, volunteers, family members, friends and the institutions that support this movement.

This spirit was lived especially intensely in June last year, during the Madrid Autonomous Region's First Games for the Mentally Disabled, where many Zardoya Otis employees took part as volunteers supporting the athletics team.

OTIS



On the days on which the Championship took place, a total of six sports could be seen at different sports facilities in the town of Colmenar Viejo, Madrid: rhythmic gymnastics, basketball, five-a-side football, athletics, swimming and a series of adapted events. In total, there were 450 sportspeople, 15 clubs and 80 volunteers.

Zardoya Otis' relationship with Special Olympics seeks employee commitment and even collaboration from customers. In relation to the former, apart from their monetary contributions and the work of many people as volunteers, there is an "Otis Team", composed of 50 people, which organizes the different activities that take place to collect funds.

Customers are involved through customer satisfaction surveys: each year almost 100,000 questionnaires are sent to the same number of customers, enquiring about their degree of satisfaction with the service provided. For each completed questionnaire returned, the Company makes a monetary contribution to Special Olympics.

Another activity organized for the benefit of Special Olympics in 2004 and worth highlighting was the V Painting Contest-Auction. Almost 30 artists took part in the exhibition with a total of 81 paintings.

More than 150 employees, family members and friends gathered together at the Hotel Velázquez in Madrid to see the works exhibited and take part in the auction. Among all of them, they raised 10,460 euros, which will be used to pay for the activities carried on by Special Olympics at national level.

Other associations

Associations like Nantik Lum or the John XXIII Foundation have also benefited from the solidarity of Zardoya Otis employees. Several collaboration agreements have been signed, and subsequently renewed, with Nantik Lum, in order to help various groups of people, including six groups formed by 164 women in the Lacandona Jungle (Chiapas, Mexico), representing 975 families, and another group of Nichim indigenous women (Las Flores), who embroider articles by hand in order to sell them.

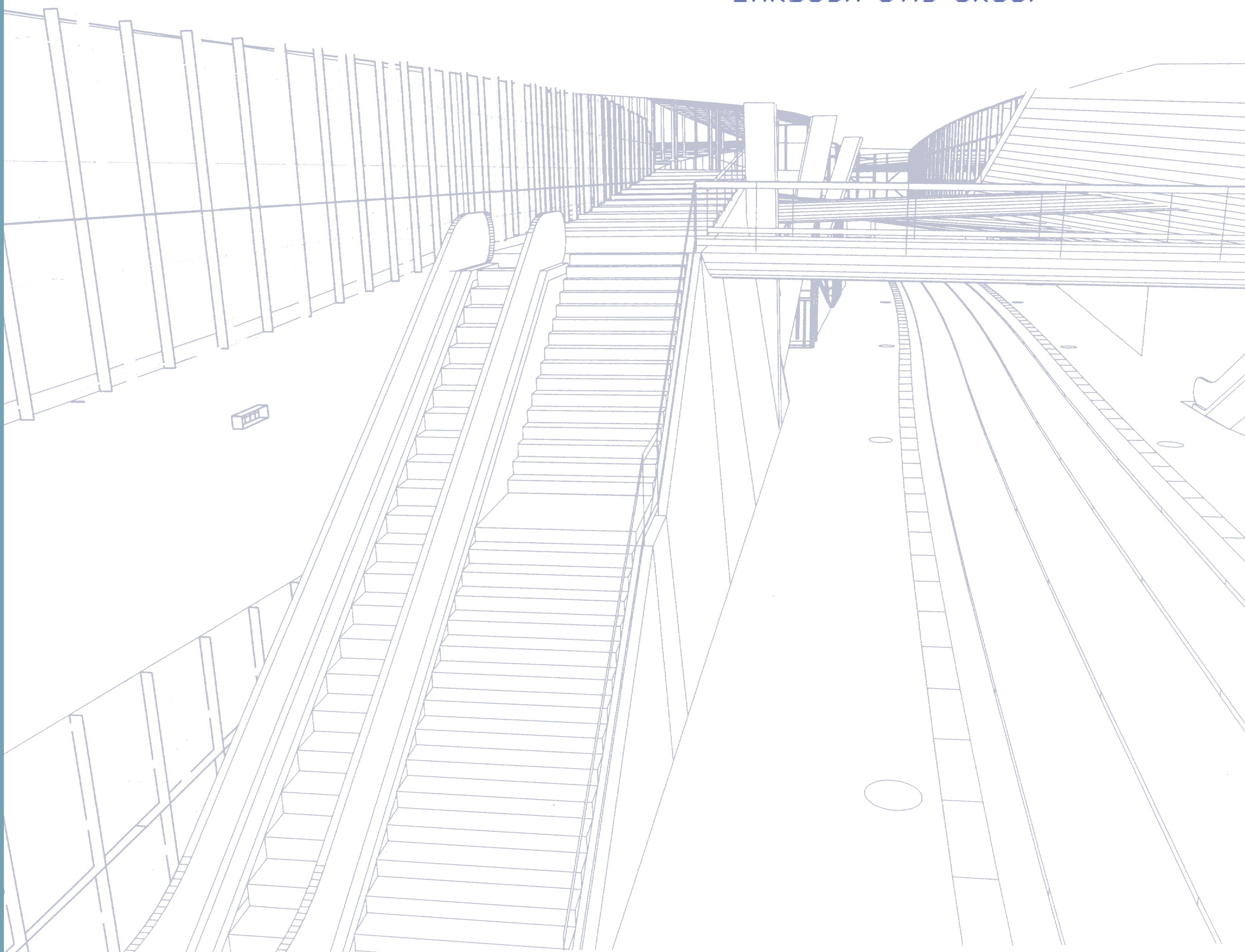
In 2004, bags were embroidered and distributed among employees and branches. The amount collected was sent to Chiapas to cover family and community needs in the region. This support is, fortunately, leading to the consolidation of micro-companies among these groups of people, which, in turn, contributes to strengthen the leadership of the indigenous Tseltal women of the Lacandona Jungle.

Deep appreciation of Zardoya Otis' support of these projects and, especially, of the participation of its employees, customers and suppliers, has been expressed in letters sent from Chiapas and in the course of visits in person.

Zardoya Otis has full confidence in the disabled and actively supports and promotes their social and professional integration. In this respect, it works with organizations engaged in training young people so that they can acquire skills and carry out a professional function in society, as is the case with the John XXIII Foundation. When Zardoya Otis sends out bulk correspondence, Ibermail, one of the John XXIII Foundation companies, puts it into envelopes. Another example of collaboration is with Sertel, a company belonging to the Fundación ONCE, which attends the Company's 24-Hour call centre.

AUDITOR'S REPORT AND CONSOLIDATED ANNUAL ACCOUNTS

ZARDOYA OTIS GROUP



AUDIT COMMITTEE

The Audit Committee as held five meetings in 2004, at which it has deliberated and informed favourably to the Board of Directors on the following points:

1. Review of the information on the four quarterly reports sent to the Stock Market National Commission and the Stock Exchanges.
2. Reports on the payment of quarterly interim dividend charged to the profit for the fiscal year 2004.
3. Follow up of the Internal Control Plan 2004.
4. Financial Information Rules (NIIF).
5. Tax audit.
6. Review, with the external auditors, of the individual Annual Accounts and those for the consolidated group for the year 2004, later on formulated by the Board of Directors.
7. Proposals to the Board of Directors for the appointment of external auditors for Zardoya Otis, S.A. and the consolidated Group for the year 2005.
8. Review of the intercompany transaction with the majority shareholder Group of Zardoya Otis, S.A.
9. Review of the application of the Technical Assistance Contract with Otis Elevator Company.

The minutes of the meetings of the Audit Commitee are in the possession of the Secretary to the Board of Directors.

PRICEWATERHOUSECOOPERS

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A free translation of the report on the consolidated annual accounts originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails.

To the shareholders of Zardoya Otis, S.A.

1. We have audited the consolidated annual accounts of Zardoya Otis, S.A. and its subsidiaries (Zardoya Otis Group) consisting of the consolidated balance sheet as at November 30, 2004, the consolidated profit and loss account and the related notes to the consolidated annual accounts for the year then ended, the preparation of which is the responsibility of the parent Company's Directors. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work carried out in accordance with auditing standards generally accepted in Spain which require the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

2. In accordance with Spanish Corporate Law, the parent Company's Directors have presented, for comparative purposes only, for each item of the consolidated balance sheet, the consolidated profit and loss account and the consolidated statement of source and application of funds, the corresponding amounts for the previous year as well as the amounts for 2004. Our opinion refers exclusively to the consolidated annual accounts for 2004. On March 4, 2004, we issued our audit report on the 2003 consolidated annual accounts, in which we expressed an unqualified opinion.

3. In our opinion, the accompanying consolidated annual accounts for the year 2004 present fairly, in all material respects, the consolidated financial position of Zardoya Otis, S.A. and its subsidiaries (Zardoya Otis Group) at November 30, 2004 and the consolidated results of its operations and its source and application of funds for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with generally accepted accounting principles in Spain, applied on a basis consistent with that of the preceding year.

4. The accompanying consolidated Directors' Report for 2004 contains the information that the parent Company's Directors consider relevant to the Zardoya Otis Group's position, the evolution of its business and of other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the aforementioned Directors' Report coincides with that of the consolidated annual accounts for 2004. Our work as auditors is limited to checking the Director's Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the group companies' accounting records.

PricewaterhouseCoopers Auditores, S.L.

Raúl Oscar Yebra Cemborain
Partner

March 4, 2005

PricewaterhouseCoopers Auditores, S. L. - R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
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PwC-059

CONSOLIDATED BALANCE SHEETS

at November 30, 2004 and 2003 (In thousands of euros — ETHs)
(Before the application of the results obtained in the year)

ASSETS	2004		2003	
FIXED ASSETS				
FORMATION EXPENSES		3		6
INTANGIBLE ASSETS (Note 5)		16,740		16,168
Research and development costs	2,192		2,322	
Concessions and patents	8,141		7,143	
Goodwill	18,690		16,204	
Software	381		359	
Capital leases	771		771	
Amortization	(13,435)		(10,631)	
TANGIBLE FIXED ASSETS (Note 6)		13,659		13,796
Land and buildings	9,189		9,226	
Technical installations and machinery	23,512		23,130	
Other installations, tools and furniture	19,009		17,685	
Fixed assets in progress	694		264	
Other fixed assets	18,603		18,204	
Depreciation	(57,348)		(54,713)	
INVESTMENTS (Note 7)		26,288		21,988
Investments in Group's companies	4,991		651	
Other investments	32		907	
Long-term deposits and financial guarantees	519		372	
Public Treasury long-term	20,754		20,067	
Provisions	(8)		(9)	
LONG-TERM TRADE DEBTORS (Note 10)		3,520		1,487
Long-term notes receivables	3,520		1,487	
TOTAL FIXED ASSETS		60,210		53,445
GOODWILL ON CONSOLIDATION (Note 8)		3,100		4,352
Full integration method companies	3,100		4,352	
DEFERRED CHARGES		1		19
CURRENT ASSETS				
INVENTORIES		124,224		127,959
Raw materials	12,470		10,551	
Products in progress	8,536		6.720	
Costs of contracts in progress (Note 9)	103,218		110,688	
DEBTORS		216,788		211,722
Customers (Note 10)	179,600		175,123	
Sundry accounts receivable (Note 11)	15,768		16,712	
Personnel	580		635	
Public Treasury (Note 12)	45,695		43,804	
Provisions (Note 10)	(24,855)		(24,552)	
SHORT-TERM INVESTMENTS		167,199		159,364
Short-term securities portfolio (Note 13)	55,801		48,462	
Loans to affiliated companies and Other (Note 13)	111,095		110,627	
Short-term deposits and financial guarantees	303		275	
CASH AND BANKS		5,609		4,757
TIMING ADJUSTMENTS		911		493
TOTAL CURRENT ASSETS		514,731		504,295
TOTAL ASSETS	EThs	578,042		562,111

LIABILITIES	2004		2003	
SHAREHOLDERS' EQUITY (Note 14)		130,364		120,145
Capital stock	21,647		19,679	
Legal Reserve	4,329		3,936	
Voluntary Reserve	34,218		28,660	
Reserve for subsidiary companies	30,742		29,036	
Profits for the year	130,741		116,120	
Interim dividens (Note 3.b)	(91,313)		(77,286)	
MINORITY INTERESTS (Note 16)		4,653		4,315
LONG-TERM CREDITORS		31,671		39,782
Debts with financial institutions	-		-	
Notes payable	-		48	
Other Long-Term Debt (Note 18)	31,671		39,734	
SHORT-TERM CREDITORS				
DEBTS WITH FINANCIAL INSTITUTIONS (Note 19)		2,105		2,746
Loans	-		315	
Interest	2,105		2,431	
TRADE CREDITORS		213,010		209,439
Suppliers (Note 20)	55,928		51,399	
Notes payable	1,680		1,186	
Billings on contracts in progress (Note 9)	155,402		156,854	
OTHER NON-TRADE DEBTS		147,411		136,340
Public Treasury (Note 12)	75,824		75,646	
Other payables	45,075		34,711	
Accrued salaries and wages	26,512		25,983	
PROVISIONS FOR TRADING OPERATIONS (Note 21)		26,581		28,518
TIMING ADJUSTMENTS (Note 22)		22,247		20,826
TOTAL CURRENT LIABILITIES		411,354		397,869

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	EThs	578,042	562,111

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

For the year ended November 30, 2004 and 2003
(In thousands of Euros — ETHs)

	2004		2003	
INCOME		667,789		638,725
Sales (Note 25.a)	665,532		636,376	
Work carried out by the Company for fixed assets	2,192		2,322	
Other income	65		27	
EXPENSES				
Supplies (Note 25.b)		(225,812)		(220,626)
Personnel costs (Note 25.c)		(191,270)		(185,120)
Salaries and wages	(141,896)		(136,623)	
Social security	(44,925)		(41,943)	
Welfare commitments (Note 17)	(4,449)		(6,554)	
Depreciation of fixed assests		(9,050)		(8,967)
Tangible (Note 6)	(3,813)		(4,207)	
Intangible (Note 5)	(5,237)		(4,760)	
Variation in the provision for doubtful debts		151		(2,072)
Variation in the provision for risks		-		(4,034)
Other trading expenses		(40,891)		(38,846)
External services (Note 25.d)	(40,313)		(38,306)	
Taxes	(578)		(540)	
TRADING PROFITS		200,917		179,060
Income from capital investments	-			3
In associated companies	-		3	
Income from other marketable securities		637		649
Other financial interest		3,830		4,215
Positive exchange rate differences		814		102
Financial expenses		(4,286)		(3,323)
Negative exchange rate differences		(693)		(42)
FINANCIAL PROFITS		302		1,604
Amortization of goodwill on consolidation (Note 8)		(2,129)		(1,895)
PROFITS FROM ORDINARY ACTIVITIES		199,090		178,769
Profit (loss) from the sale of fixed assets		103		3
Variation in provisions		-		(2)
Securities portfolio	-		(2)	
Extraordinary profits (Note 25.f)		4,386		1,985
Extraordinary losses (Note 25.e)		(2,948)		(894)
EXTRAORDINARY PROFITS (LOSSES)		1,541		1,092
PROFIT BEFORE TAX		200,631		179,861
Corporate tax (Note 23)		(68,100)		(62,252)
Minority interests (Note 16)		(1,790)		(1,489)
PROFIT AFTER TAX AND MINORITY		130,741		116,120
NET PROFIT AVAILABLE FOR DISTRIBUTION	EThs	130,741		116,120

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

at November 30, 2004 and 2003
(In thousands of Euros — ETHs)

NOTE 1. OPERATIONS

The Group is engaged in the manufacture and installation of elevators, their maintenance, and the export of equipment for installation abroad. The breakdown of sales is given in Note 25a).

NOTE 2. BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

The consolidated annual accounts are based on the accounting records of Zardoya Otis, S.A. and its subisidiaries and are prepared in accordance with generally accepted accounting principles in Spain under current legislation.

The amounts contained in the consolidated annual accounts and which are comprised of the balance sheets, the profit and loss accounts and the notes are expressed in thousands of euros (ETHs).

NOTE 3. PROPOSED DISTRIBUTION OF PROFITS FOR THE DOMINANT ENTITY

a) The following distribution of profits is subject to approval at the Shareholders' Annual General Meeting:

Available for distribution		
Net profit available for distribution		124,147
	ETHs	124,147
Distribution		
To legal reserve		433
To voluntary reserve		1,013
To dividends		122,701
	ETHs	124,147

b) During 2004 Zardoya Otis, S.A., paid the following interim dividends:

1st Dividend: 0.145 Euros gross per share. Declared on June 2, 2004 and paid out on June 10, 2004.		
Shares: 196,794,270. Total: 28,535,169.15 Euros		28,535
2nd Dividend: 0.145 Euros gross per share. Declared on July 13, 2004 and paid out on September 10, 2004.		
Shares: 216,473,697. Total: 31,388,686.07 Euros		31,389
3rd Dividend: 0.145 Euros gross per share. Declared on November 3, 2004 and paid out on December 10, 2004		
Shares: 216,473,697. Total: 31,388,686.07 Euros		31,389
Interim dividend	ETHs.	91,313

The following table shows that sufficient profit was made during the following periods to distribute the interim dividends on the dates already mentioned. In addition, the interim financial statements demonstrate sufficient liquidity to distribute interim dividends on those dates.

		Interim dividends		
		1	2	3
		April	June	October
Gross profit from December 1, 2003		50,809	93,556	148,732
Estimated corporate tax to be paid		(19,390)	(28,432)	(46,538)
Available net profits	EThs.	31,419	65,124	102,194
Total cumulative amount distributed previously		-	28,532	59,924
Maximum quantity available for distribution	EThs.	31,419	36,589	42,270
Proposed and distributed interim dividends	EThs.	28,532	31,389	31,389
Liquidity in cash and banks		576	671	521
Short-term financial investments		127,200	114,152	127,265
Short-term loans		-	(42)	(93)
Net liquidity	EThs.	127,776	114,781	127,693

The net liquidity available at the date of declaring each interim dividend was much higher than the gross amount of each dividend and a liquidity study was carried out on each separate occasion covering the following twelve month period, showing that the liquidity was more than sufficient on those dates.

c) Subsequent to November 30, 2004 Zardoya Otis, S.A. has paid the other quarterly dividend:

4th Dividend: 0.145 Euros gross per share. Declared on February 24, 2005 and paid out on March 10, 2005. Shares: 216,473,697. Total: 31,388,686.07 Euros	EThs	31,389

The total interim dividend paid out and charged to 2004 results was EThs 122.701.

NOTE 4. PRINCIPAL ACCOUNTING POLICIES

a) Preparation and presentation of the consolidated financial statements

The consolidated financial statements have been prepared applying the full integration method to the accounting records of Zardoya Otis, S.A., and its subsidiary companies (those in which it holds more than 50% of the capital stock), by incorporating in the consolidation all the balance sheet and profit and loss items in the accounting records. The costs of the investments in subsidiaries were eliminated, and goodwill at the time of the acquisition was determined. Certain reclassifications have been made in order to improve the presentation of the consolidated financial statements. The results and reserves of subsidiaries created between the date of their purchase and the year end are taken to the corresponding profit and loss and reserve accounts, and the related minority interests are accounted for. Intercompany transactions and balances are eliminated.

The differences between the acquisition value of investments and their book value at the purchase date are accounted for as "Consolildation Goodwill", which is amortized on a straight line basis over a period of 10 years, the period estimated to recover the investment, except for the goodwill arising in the subsidiaries of Otis Elevadores Group (Inelda-Ind. Nacional Elevadores, Lda y Masel Otis-Elevadores de Madeira, Lda, Raul de Oliveira Elevadores, Lda y Savirel, Lda) which are being amortized over a period of 5 years.

The subsidiary companies which have been consolidated and the percentage participation of Zardoya Otis, S.A. are as follows:

	2004	2003
Ascensores Eguren, S.A.	100.00%	100.00%
Ascensores Ingar, S.A.	100.00%	100.00%
Elevadores del Maresme, S.A.	80.00%	80.00%
Ascensores Serra, S.A.	75.00%	75.00%
Mototracción Eléctrica Latierro, S.A.	51.00%	51.00%
Puertas Automáticas Portis, S.A.	100.00%	100.00%
Otis Elevadores, Lda. (Portugal)	100.00%	100.00%
- Inelda-Ind. Nacional Elevadores Lda.	100.00%	100.00%
- Masel Otis Elevadores de Madeira, Lda	60.00%	60.00%
- Raul de Oliveira Elevadores, Lda.	100.00%	100.00%
- Savirel, Lda	100.00%	100.00%
Ascensores Pertor, S.L.	94.13%	94.13%
Serveis de l'Ascensor, Manteniment, Reparació, Instalació i Reformes, S.L.	97.62%	97.62%
Conservación de Aparatos Elevadores Express, S.L.	100.00%	100.00%
Admotion, S.L.	75.00%	75.00%

All companies have been consolidated under the full consolidation method. The main business activity carried out by the companies of the corporate group consists of the manufacture and installation of lifts and the provision of the related maintenance services (see Note 1), except for Mototracción Eléctrica Latierro, S.A. (lift engine manufacturer), Puertas Automáticas Portis, S.A. (sale, installation, repair and maintenance of automatic doors) and Admotion, S.L. (development, research and manufacture of electronic equipments).

b) Share capital increase expenses

Expenses incurred as a result of increases in share capital are regarded as expenses of the financial year.

c) Intangible assets

The items which make up the intangible assets are valued at their acquisition cost or the cost of production.

The following principles, in particular, are applied:

- Concessions and patents

The amounts correspond to the acquisition cost of elevator maintenance contract portfolios. Their amortization is carried out systematically over a period of five to ten years except when the figures are insignificant, in which case they are charged directly to the profit and loss account for the year.

- Research and development costs

They are regarded as expenses of the year in which they are incurred and are capitalised and fully amortized at the year end and then written-off in their entirety in the following year.

- Goodwill

Goodwill reflects the difference between the book value and the value of capital and reserves of these companies at the date of their incorporation in the Group. Goodwill is amortised on a straight-line basis over 10 years.

- Capital Leases

Capital Leases are included as intangible assets when, according to contract terms, assets can be capitalized and depreciated along their useful life. Financial costs are considered as expenses and calculated with financial criteria and the length of the lease agreement.

d) Tangible fixed assets

Assets included in the tangible fixed assets are valued at their acquisition cost plus revaluations made in accordance with the applicable legislation.

The value of the tangible fixed assets at November 30, 2004 includes the effect of the revaluation carried out under Royal Decree Law 7/1996 of June 7. The main criteria applied in said revaluation were the application of the maximum rates to each and every one of the tangible fixed assets and the effects of taking into consideration the circumstances relative to the financing method used. No reduction in coefficient was applied since the debt to equity ratio for the prior year and the five preceding ones was higher than 0.4. The aforementioned revaluation was carried out only in the parent company, Zardoya Otis, S.A.

Renewal, enlargement or improvement costs of the fixed assets are included in the assets as a higher value of the item, only when it involves an increase in their capacity, productivity or prolonged useful life, and only if it is possible to estimate the accounting net value of the items which have been deleted from the fixed assets due to them having been replaced.

Depreciation of the fixed assets is calculated systematically applying the straight-line method to the useful life of the respective items.

e) Investments

Long-term as well as short-term security investments, with fixed or variable interest are valued at their acquisition price at the time of subscription or purchase. If an amount of goodwill arises from the transaction, it is accounted for according to Notes 4.a) and 4.c).

For securities which are officially quoted on the Stock Market, when the value of the securities based on the lower of the average quotation for the last quarter of the year and the market value at the year end is less than the acquisition cost, the necessary provisions for the depreciation suffered are made.

Similarly, those securities which are not quoted are valued at their acquisition cost, decreasing those values as appropriate by the provision which are thought to be necessary for any devaluation suffered.

For presentation purposes, Group Companies are considered to be those which are more than 50% owned by the parent company, and Associated Companies are those where more than 20% of the company's capital is held by the parent company if they are not officially quoted on the Stock Exchange, or more than 3% if they are.

f) Non-commercial loans and debts

Loans are shown based on the amount utilised.

g) Inventories

Inventories are valued at the lower of market value or average cost of acquisition or production, which includes costs directly and indirectly attributable to the products in question as appropriate to their period of production.

h) Contracts in progress

Contracts in progress are valued at the cost incurred, plus the expected profit margin, based on the stage of advancement of the contract, in proportion to the difference between the total estimated cost and the contract price.

i) Billings on contracts in progress

These correspond to billings issued to customers, in accordance with conditions of the contract, before the work has actually been finished.

j) Welfare commitments

The welfare commitment acquired with retired employees and employees on the payroll, which in all cases are complementary to those granted by the Social Security, are establlished in accordance with actuarial criteria and represent the current value of future payment commitments assumed by the Company in relation to the payment of supplements, other retirement benefits and life insurance premiums, in accordance with the benefits agreed to by the entity.

At November 30, 2004, the actuarial calculations were made on the basis of actuarial -financial hypotheses which include an annual discount rate of 4.0% (4.0% in 2003), mortality tables PER 2000 (PER 2000 in 2003) and tables of growth in income in keeping with the habitual practice of the environment. Likewise, in 2004 the actuarial calculations have considered an estimated retirement age of 62 years which coincides with the age also estimated in 2003.

The effect of the updating of the actuarial calculations which do not entail a change in the basic hypotheses or when they have no significant effect, is recorded in its entirety in the profit and loss accounts of the relevant years.

Deficits accumulated as a result of changes in the actuarial hypotheses and the transitional provision which the company availed itself of at November 30, 1990, and which at November 30, 2004 amount to ETs 5,461 are written off systematically over a maximum period of 10 and 15 years, respectively, (see note 17), which, in any event, is less than the period established for the expiry of the financing period for the externalisation of commitments mentioned in the following paragraphs.

In accordance with Royal Decree 1588/1999, whereby the Regulations on Pension Commitments between companies and employees were enacted and which lays down that pension commitments assumed by companies must be externalised and arranged through a group life insurance policy or pension plan, and in accordance with the modification introduced by Law 14/2001 concerning the transitional period for the formalisation or adaptation thereof, on November 7, 2002 and November 14, 2002, respectively, the Company signed, with both insurance companies, the framework agreements regulating the technical, economic and legal conditions of the group insurance policies in order to arrange the pension commitments assumed by the company with its employees and retired employees.

These framework agreements establish single premiums which are paid annually up until January 2012, the amount of which at nominal value in relation to past services on the contracting date is ETs 45,685 (ETs 51,300 at November 2003).

The financial expenses related to the external funding that amount to EThs 10,973, are recorded in the profit and loss account in accordance with the sum-of-the digits method, as from the contracting date and until the expiry and payment of the obligations arising from the contracts relating to the externalisation of the commitments.

The principal that will be externalised in the year finishing on November 30, 2005 and which amounts to EThs 8,590 (EThs 9,373 at November 2003) is included in current liabilities under the heading “Other debts”.

The differences arising between welfare commitments calculated in accordance with the hypotheses described above and the amount of the contributions to be made to the external funds, which mainly derive from differences between the technical rate of interest used for the actuarial calculation of the commitments and the profitability guaranteed by the insurance companies on the basis of the underlying financial instruments, will be recognised in a maximum period of 10 years which is the financial externalisation period. Likewise, the invoice received by the Company for the normal cost each year will be recorded as a current cost in the relevant year as well as any possible variations in the cost of the externalised services for non-insurable items such as possible variations in the actual salary increase with respect to the forecasted.

k) Extra month’s pay and vacation pay

The accrued liabilites arising from the extra month’s pay and vacation pay are fully provided for.

l) Debtors and creditors for trading operations

Long-term as well as short-term debtors and creditors for the Company’s trading operations are registered at their nominal value.

m) Corporate tax

The expense for corporate income tax is calculated on the basis of the profit before tax obtained, adjusted for permanent differences in accordance with tax criteria and taking into consideration the applicable tax credits and deductions. The tax effect of the temporary timing differences is included as part of the deferred tax assets or liabilities in the balance sheet. Deferred tax assets are only recognised under assets insofar as their future realisation is reasonably assured within a maximum of ten years.

n) Exchange rate differences

The following procedures are followed for foreign currency operations and their associated balances:

1. Fixed assets

Conversion to local currency is done by applying the exchange rate current at the date the goods are incorporated into the Company’s accounting records.

2. Inventories

The acquisition price or the cost of production is converted into local currency by applying the exchange rate current at the time each item is acquired, except when forward contracts are taken out and then the rate in the contract is applied.

3. Creditors and Debtors

The conversion of debits and credits in foreign currency into local currency is done by applying the exchange rate current at the moment of each operation. At the year end they are valued at an internal exchange rate which does not differ significantly from the official exchange rates then applicable.

Unrealized positive exchange rate differences are not included in the results for the year, as a general rule, but are included in the balance sheet as income to be distributed over several years. On the other hand, the unrealized negative exchange differences are charged directly to expense of the year.

Foreign currencies are deemed to be all those other than the Euro.

o) Income recognition

Income from elevator installation and assembly contracts is recognized based on their estimated percentage of completion. Periodic corrections are made to the estimates so that the margin of profit or loss that will result at the end of the contracts will not differ substantially from the margins applied while the contracts were in progress.

Income from maintenance contracts is apportioned on a straight-line basis as it accrues. Invoicing may be on a monthly, quarterly, six monthly or annual basis depending on the terms laid down in the agreements signed with the customers. The necessary entries are made to recognise billing in advance.

p) Environment

Expenses resulting from company actions aimed to improve or protect environment are accounted for as expenses of the year.

When said expenses include acquisition of fixed assets, used to minimise environmental effects or to improve or protect environment are considered higher value of the fixed assets.

NOTE 5. INTANGIBLE ASSETS

The amounts and variations experienced by the items which make up the intangible assets are the following:

	2002	Increases	Decreases	Other (*)	2003	Increases	Decreases	Other	2004
Research and development costs	2,784	2,322	(2,784)	-	2,322	2,192	(2,322)	-	2,192
Concessions and patents	6,497	1,095	-	(449)	7,143	1,107	(108)	(1)	8,141
Goodwill	16,202	-	-	2	16,204	2,486	-	-	18,690
Assets acquired through leasing contracts	71	738	(17)	(21)	771	-	-	-	771
Software	342	19	(2)	-	359	22	-	-	381
Cost	25,896	4,174	(2,803)	(468)	26,799	5,807	(2,430)	(1)	30,175
Research and development costs	2,784	2,322	(2,784)	-	2,322	2,192	(2,322)	-	2,192
Concessions and patents	3,471	710	-	2	4,183	820	(108)	-	4,895
Goodwill	2,166	1,618	-	1	3,785	2,075	-	-	5,860
Assets acquired through leasing contracts	66	37	(15)	(21)	67	90	-	-	157
Software	204	73	(2)	(1)	274	57	-	-	331
Accumulated amortization	8,691	4,760	(2,801)	(19)	10,631	5,234	(2,430)	-	13,435
Intangible Assets net ....EThs.	17,205				16,168				16,740

(*) The item "Other" mainly includes the reclassification of payments on account corresponding to the acquisition by Otis Elevadores, Lda. of Savirel, Lda. and Elevaçores for EThs 149 and 300 respectively.

The amount paid in relation to assets being acquired under finance leases in 2004 amounts to EThs 372 (EThs 365 at November 30, 2003). The assets under finance leases, include two machines acquired by Zardoya Otis, S.A. with contracts maturing November and December 2004 respectively.

At November 30, 2004, the Company's Goodwill (see notes 4.a) and 4.c)) is as follows:

	Cost	Amortization	Net
Elevamar, S.L.	1,467	(526)	950
Ideal Boid, S.L.	9,384	(2,883)	6,501
Intedel, S.L.	1,836	(719)	1,117
Hermanos Gonzalo, S.L.	773	(463)	310
Ascensores Artzai, S.A.	568	(284)	284
Lorenzo Girón, S.L.	988	(239)	749
Molpla, S.A.	1,240	(299)	941
Valenciana de Ascensores, S.L.	937	-	937
Sadet, S.A.*	1,071	(322)	749
Ascensores Huesca, S.L.*	417	(125)	292
EThs	18,690	(5,860)	12,830

* Recognized as a consequence of Tax inspection 1997-2001.

NOTE 6. TANGIBLE FIXED ASSETS

The amounts and variations in tangible fixed assets of the consolidated group and the related accumulated depreciation were as follows:

Thousand euros

	2002	Increases	Decreases	Other(*)	2003	Increases	Decreases	Other	2004
Land and buildings	9,282	1	(57)	-	9,226		(37)		9,189
Technical installation and machinery	26,681	251	(3,802)	-	23,130	455	(56)	(17)	23,512
Other installations, tools and furniture	17,668	1,180	(1,157)	(6)	17,685	1,446	(122)		19,009
Assets in progress	411	457	(604)	-	264	937	(507)		694
Other assets	18,378	1,021	(1,288)	93	18,204	1,400	(1,018)	17	18,603
Restated cost	72,420	2,910	(6,908)	87	68,509	4,238	(1,740)	-	71,007

	2002	Increases	Decreases	Other(*)	2003	Increases	Decreases	Other	2004
Land and buildings	5,961	233	(8)	-	6,186	232	(6)	-	6,412
Technical installation and machinery	21,232	1,241	(3,705)	-	18,768	1,136	(52)	(3)	19,849
Other installations, tools and furniture	14,143	1,171	(1,156)	19	14,177	1,196	(119)	(21)	15,233
Other assets	15,189	1,562	(1,213)	44	15,582	1,249	(1,004)	27	15,854
Acumulated depreciation	56,525	4,207	(6,082)	63	54,713	3,813	(1,181)	3	57,348
Net tangible fixed assets	15,895				13,796				13,659

(*) Under the heading "other" it is represented mainly the incorporation of assets corresponding to Savirel, Lda. to the Otis Elevadores group in Portugal.

Zardoya Otis, S.A. revalued its balance sheet at November 30, 1996 under Royal Decree Law 7, 1996 of June 7, applying the criteria mentioned in Note 4.d). This revaluation gave rise to a net increase of EThs 4,056 in the value of the Company's tangible fixed assets.

In accordance with the provisions of Royal Decree Law 7/1996, the total amount of the revaluation was included in the accounts as an increase in the value of the revalued assets, the balancing entry, net of the tax thereon, of EThs 3,934 appears in the revaluation reserve.

At November 30, 2004 the effect of the aforementioned revaluation on the net book value of tangible fixed amounts to EThs 938 (EThs 1,062 at November 30, 2003). As a result, the effect of this revaluation on the annual depreciation charge for the year 2004 is EThs 124.

The average estimated useful lives used for calculating the depreciation of the various asset groups is as follows:

	Useful life in years
Buildings and other facilities	50 and 33
Machinery, installations and tools	8, 10, 13 and 4
Transport equipment	5 and 6
Furniture and fittings	10
Data processing equipment	4
Other fixed asset items	13

At November 30, 2004 and 2003 the following elements of fixed assets were still in use and have been totally amortized:

	2004	2003
Buildings	2,645	2,645
Technical installations and machinery	14,340	13,107
Other installations, tools and furniture	11,738	10,926
Other assets	13,560	11,957
EThs.	42,283	38,635

At Novembe 30, 2004 Zardoya Otis, S.A. and its subsidiaries had firm commitments to purchase fixed assets amounting to EThs 2,661 (EThs 467 at November 30, 2003) which will presumably be acquired through self financing and, if appropriate, under finance leases.

It is the Company's policy to take out all the insurance policies thought necessary to cover the possible risks which could affect, among other things, tangible fixed assets.

NOTE 7. INVESTMENTS

The amount and variations experienced during the financial years in the investments items of the consolidated group are shown below:

	2002	Increases	Decreases	Other	2003	Increases	Decreases	Other	2004
Investments in Group companies	-	651	-	-	651	4,991	(651)		4,991
Other investments	49	873	-	(15)	907		(875)		32
Deposits and financial guarantees	365	21	(14)	-	372	152	(5)		519
Public Treasury long-term	17,282	2,776	-	9	20,067	807		(120)	20,754
EThs.	17,696	4,321	(14)	(6)	21,997	5,950	(1,531)	(120)	26,296
Provision	(15)	(2)	-	8	(9)	-	-	1	(8)
Net EThs.	17,681	4,319	(14)	2	21,988	5,950	(1,531)	(119)	26,288

The amount recorded under Public Treasury long-term relates to the portion of deferred tax assets the recovery period of which exceeds one year (Note 23).

Under the heading “Investments in Group Companies” the additions in 2003 represented the value of “Valenciana de Ascensores, S.L.” excluded from the consolidation and in the process of liquidation. The liquidation was completed in 2004. Also in 2004 and for the same reason is recognized the acquisition of Goberna, S.A. by Serveis de L’Ascensor, Manteniment, Reparació, Instalació i Reformes, S.L.

The companies included in the consolidation scope at November 30, 2003 and 2004 are as follows:

November 30, 2003

Company	Location	Percentage of participacion	Book value of the participation (*)	Capital	Reserves	Net results of the year
Ascensores Eguren, S.A.	Bilbao	100.00	3,307	1,457	1,917	(66)
Ascensores Ingar, S.A.	Granada	100.00	379	601	(124)	(98)
Elevadores del Maresme, S.A.	Barcelona	80.00	165	60	580	678
Ascensores Serra, S.A.	Gerona	75.00	605	240	1,158	1,646
Mototracción Eléctrica Latierro, S.A.	Vitoria	51.00	493	313	1,898	1,074
Otis Elevadores, Lda.	Portugal	100.00	11,742	2,110	25,915	13,457
Ascensores Pertor, S.L.	Valencia	94.13	13,830	51	11,817	826
Serveis de L’Ascensor, Manteniment, Reparació, Instalació i Reformes, S.L.	Barcelona	97.62	8,315	9,948	2,934	1,368
Puertas Automáticas Portis, S.A.	Madrid	100.00	376	60	(14)	330
Conservación de Aparatos Elevadores Express, S.L.	Madrid	100.00	1,771	1,771	2,026	1,375
Admotion, S.L.	Zaragoza	75.00	399	184	520	(173)

(*) Amount net of provisions.

						November 30, 2004
Company	Location	Percentage of participacion	Book value of the participation (*)	Capital	Reserves	Net results of the year
Ascensores Eguren, S.A.	Bilbao	100.00	3,904	1,457	1,850	597
Ascensores Ingar, S.A.	Granada	100.00	190	601	(222)	(190)
Elevadores del Maresme, S.A.	Barcelona	80.00	165	60	580	991
Ascensores Serra, S.A.	Gerona	75.00	605	240	1,158	1,701
Mototracción Eléctrica Latierro, S.A.	Vitoria	51.00	493	313	1,898	1,374
Otis Elevadores, Lda.	Portugal	100.00	11,742	2,110	24,703	17,987
Ascensores Pertor, S.L.	Valencia	94.13	14,225	51	12,643	1,128
Serveis de L'Ascensor, Manteniment, Reparació, Instalació i Reformes, S.L.	Barcelona	97.62	8,315	9,948	4,302	1,583
Puertas Automáticas Portis, S.A.	Madrid	100.00	437	60	316	189
Conservación de Aparatos Elevadores Express, S.L.	Madrid	100.00	1,771	1,771	2,026	1,829
Admotion, S.L.	Zaragoza	75.00	292	184	346	(143)

(*) Amount net of provisions.

NOTE 8. GOODWILL ON CONSOLIDATION

Goodwill	2002	Increases	Other	Decreases	2003	Increases	Other	Decreases	2004
Otis Elevadores, Lda.	8,523	-	-	-	8,523	-	-	-	8,523
Serveis de L'Ascensor, Manteniment, Reparació, Instalació i Reformes, S.L.	9,061	-	-	-	9,061	-	-	-	9,061
Ascensores Pertor, S.L.	7,183	-	-	-	7,183	-	-	-	7,183
Conservación de Aparatos Elevadores Express, S.L.	1,586	-	-	-	1,586	-	-	-	1,586
Companies of Grupo Otis Elevadores	2,650	599	(185)	-	3,064	875	-	-	3,939
Elevadores del Maresme, S.A.	706	-	-	-	706	-	-	-	706
The Goodwill full integration method companies ETh s	29,709	599	(185)	-	30,123	875	-	-	30,998

Accumulated amortization	2002	Increases	Other	Decreases	2003	Increases	Other	Decreases	2004
Otis Elevadores,Lda.	8,523	-	-	-	8,523	-	-	-	8,523
Serveis de L'Ascensor, Manteniment, Reparació, Instalació i Reformes, S.L.	6,973	696	-	-	7,669	696	-	-	8,365
Ascensores Pertor, S.L.	4,967	739	-	-	5,706	739	-	-	6,445
Conservación de Aparatos Elevadores Express, S.L.	1,017	145	-	-	1,162	145	-	-	1,307
Companies of Grupo Otis Elevadores	2,113	244	-	-	2,357	478	(2)	-	2,833
Elevadores del Maresme, S.A.	283	71	-	-	354	71	-	-	425
Accumulated amortization	23,876	1,895		-	25,771	2,129	(2)	-	27,898
Goodwill remaining to be amortized ETh s	5,833	(1,296)	(185)	-	4,352	(1,252)	(2)	-	3,100

In 2003, increase in consolidation goodwill reflects the acquisition by “Otis Elevadores, Lda.” of “Savirel, Lda.”. Also, the heading “Other” includes the impact of first consolidation of “Savirel, Lda.”.

In 2004, increase in consolidation goodwill reflects the consolidation by “Otis Elevadores, Lda.” of Elevaçores that was partially included in 2003 Intangible asset.

NOTE 9. CONTRACTS IN PROGRESS AND BILLING IN ADVANCE

	2004	2003
Costs of contracts in progress	98,754	102,242
Net profit margin applied	4,464	8,446
Total contracts in progress	103,218	110,688
Billings on contracts in progress	(155,402)	(156,854)
EThs.	(52,185)	(46,166)

The cost of contracts in progress and billings on contracts in progress include EThs 1,858 and EThs 397 (EThs 4,349 and EThs 5,738 in 2003) respectively for export contracts with companies affiliated to the Otis Group.

NOTE 10. CUSTOMERS

	2004	2003
New installations	89,847	92,609
Service	60,525	54,043
Doubtful accounts	29,228	28,471
EThs.	179,600	175,123
Provision EThs.	(24,855)	(24,552)

At November 30, 2004 the group has no customers, sales to whom account for 5% of turnover for the year then ended.

The amount of trade Receivable to be collected include notes receivables totalling EThs 61,774 (EThs 63,714 in 2003) in the consolidated group.

Notes receivables with maturity dates longer than one year amount to EThs 3,520 (EThs 1,487 in 2003) and are included under the heading "Long-term trade debtors".

An analysis of notes receivable by maturity date is as follows:

	2004
Two years	2,928
Three years	589
Four years	3
EThs	3,520

NOTE 11. SUNDRY ACCOUNTS RECEIVABLE

	2004	2003
Affiliated companies' debts	13,704	13,991
Others	2,064	2,721
EThs.	15,768	16,712

"Affiliated companies' debts" do not include balances denominated in currencies other than euros.

NOTE 12. PUBLIC TREASURY

Debtors balances	2004	2003
Treasury for tax refund	49	138
On account corporate tax payments (Note 23)	36,082	35,930
Withholding tax	86	72
VAT recoverable	4,347	3,985
Deductions under VAT	1,069	495
Social Security organization receivable	207	-
Deferred Tax assets (Note 23)	3,855	3,184
EThs.	45,695	43,804

Payable balances	2004	2003
Provision for corporate tax	62,474	59,727
Treasury for tax deductions made	2,150	3,863
Treasury credit for VAT	2,100	2,699
Treasury for VAT invoiced	4,802	5,354
Social Security organization payable	4,280	3,974
Other taxes payable	18	29
EThs.	75,824	75,646

NOTE 13. SHORT-TERM SECURITIES PORTFOLIO

This heading corresponds to the short-term cash placements in Treasury Bonds, totalling EThs 55,801, with the interest rate varying from 1.80% to 2.10% in 2004 (1.97% to 3.00% in 2003). This amount includes EThs 11 (EThs 24 in 2003) corresponding to accrued interest pending maturity at November 30, 2004.

The heading "Other loans" mainly includes cash placements, EThs 90,000 for Zardoya Otis, S.A. and EThs 16,000 for Otis Elevadores, Lda. (EThs 80,000 and 27,000 respectively in 2003), maturing at 30 days in accordance with the contract for the provision of financial services signed with United Technologies Treasury Center and United Technologies Coporation (the parent company of Otis Elevator Company) for the provision of services and optimisation of the placement of cash surpluses, forward contracts and other. These deposits have accrued interest during the year at an average interest rate of 2.08% (2.51% in 2003) which exceeds the market rate by 0.10 percentage points. This amount includes EThs 55 (EThs 68 in 2003) relating to accrued interest pending maturity at November 30, 2004.

NOTE 14. SHAREHOLDER'S EQUITY

The amount and movements in the shareholders' equity accounts have been as follows:

Miles de euros

	Balance at 30.11.02	Distribution of profits 2002	Increase in capital	Other movements	Balance at 30.11.03	Distribution of profits 2003	Increase in capital	Other movements	Balance at 30.11.04
Capital stock	17,890	-	1,789	-	19,679	-	1,968	-	21,647
Legal reserve	3,276	660	-	-	3,936	393		-	4,329
Voluntary reserve	34,592	(2,865)	(1,789)	(1,278)	28,660	10,183	(1,968)	(2,657)	34,218
Reserve for subsidiary companies	19,884	9,169	-	(17)	29,036	150	-	1,556	30,742
Profits for the year	98,114	(98,114)	-	116,120	116,120	(116,120)	-	130,741	130,741
Interim dividends	(67,658)	67,658	-	(77,286)	(77,286)	77,286	-	(91,313)	(91,313)
Total shareholders equity	106,098	(23,492)	-	37,539	120,145	(28,108)	-	38,327	130,364

a) Share capital and reserves

The capital stock consists of 216,473,697 bearer shares with a par value of 0,10 Euros each, fully subscribed and paid up, as shown by the following:

	Shares		Percentage of participation	
Shareholders	2004	2003	2004	2003
United Technologies Holdings, S.A.	110,547,159	100,497,417	51.07	51.07
Euro-Syns, S.A.	22,993,130	20,902,845	10.62	10.62
Minority shareholders	82,933,408	75,394,008	38.31	38.31
	216,473,697	196,794,270	100.00	100.00

All the shares of Zardoya Otis, S.A. are listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges. There is no other individual shareholder with a participation of over 10% of the capital stock.

In the Shareholders' General Meeting held on April 26, 2004, the following resolutions among others were adopted:

- A bonus increase in share capital against the Voluntary Reserve, in proportion to one new share for every ten old outstanding ones, by 1,967,942,70 euros. Once completed the capital increase, capital amounted to 21,647,369,70 euros and consisted of 216,473,697 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 interim dividend paid against 2004 profits on September 10, 2004. The increase was carried out from July 6, 2004 until July 20, 2004, both dates included. The new shares were listed on the Madrid, Barcelona, Valencia and Bilbao stock exchanges with effect from September 9, 2004.

On November 30, 2004 interim dividends totalling EThs 91,313 were declared for the year then ended. These interim dividends were paid (Note 3) on shares numbered 1 to 196,794,270 (1st interim dividend), on shares numbered 1 to 216,473,697 (2nd interim dividend), and on shares numbered 1 to 216,473,697 (3rd interim dividend).

NOTE 15. COMPANIES' CONTRIBUTIONS TO THE ZARDOYA OTIS GROUP ACCOUNTS

Companies	To consolidated profit 2004	To reserves 2004
Ascensores Eguren, S.A.	597	(7,045)
Ascensores Ingar, S.A.	(190)	(1,311)
Ascensores Serra, S.A.	1.276	444
Elevadores del Maresme, S.A.	864	347
Mototracción Eléctrica Latierro, S.A.	701	634
Grupo Otis Elevadores (Portugal)	17,987	23,544
Puertas Automáticas Portis, S.A.	189	-
Ascensores Pertor, S.L.	1,062	1,738
Conservación de Aparatos Elevadores Express, S.L.	1,932	3,213
Serveis de L'Ascensor, Manteniment, Reparació, Instalació i Reformes, S.L.	2,358	9,178
Admotion, S.L.	(107)	-
	26,669	30,742
Zardoya Otis, S.A.	104,072	38,547
EThs.	130,741	69,289

The reserves contributed by Zardoya Otis are analysed below:

Legal reserve	4,329
Voluntary reserve	34,218
EThs	38,547

NOTE 16. MINORITY INTERESTS

Minority interests correspond to the minority participation in the equity of the following companies:

Company	Balance at 30.11.02	%Minority participation	Net equity	Results	Balance at 30.11.03	% Minority participation	Net equity	Results	Balance at 30.11.04
Grupo Otis Elevadores (*)	382	0.00	85	377	462	0.00	84	426	510
Elevadores del Maresme, S.A.	266	20.00	128	136	264	20.00	128	198	326
Ascensores Serra, S.A.	726	25.00	350	412	762	25.00	350	425	775
Mototracción Eléctrica Latierro, S.A.	1,566	49.00	1,083	526	1,609	49.00	1,083	673	1,756
Ascensores Pertor, S.L.	698	5.87	697	48	745	5.87	745	66	811
Serveis de L'Ascensor, Manteniment, Reparació, S.L.	307	2.38	307	33	340	2.38	339	38	377
Admotion, S.L.	176	25.00	176	(43)	133	25.00	133	(35)	98
EThs	4,121		2,826	1,489	4,315		2,862	1,791	4,653

(*) Otis Elevadores, Lda. has a 40% investment in MASEL.

NOTE 17. WELFARE COMMITMENTS

In accordance with the actuarial calculations specified in note 4.j), the current value of the commitments assumed with employees covered by these benefits is as follows:

	2004	2003
Employees on the payroll	70,934	68,432
Retired employees	12,643	13,117
Assets externalised prior to the signing of the frameword agreement	3,155	3,155
EThs.	86,732	84,704

Liabilities established for welfare commitments may be analysed as follows:

Balance recorded in the provision at November 30, 2002	EThs.	62,206
Provision for the year		6,554
Payments to insurance entities		(19,653)
Balance recorded in the provision at November 30, 2003	EThs.	49,107
Provision for the year		4,449
Payments to insurance entities		(9,373)
Other adjustments		498
Balance recorded in the provision at November 30, 2004	EThs.	44,681
Classified on the balance sheet:		
Other current liabilities		13,010
Other long-term liabilities	EThs.	31,671
	EThs.	44,681

The current value of the commitments at November 30, 2004 and its reconciliation with the book liabilities at said date may be analysed as follows:

	2004	2003
Early retirement of active employees	20,711	20,525
Apportionment of insurance premiums and other benefits (active employees)	53,378	51,061
Apportionment of insurance premiums (retired employees)	3,708	3,608
Benefits to retired employees	8,935	9,510
EThs.	86,732	84,704
Assets externalised prior to the signing of the framework agreement	(3,155)	(3,155)
EThs.	83,577	81,549
Annual reversal of the difference between total payments value and current value of commitments	(323)	(489)
Accrued and paid interests	(2,047)	(2,732)
Acumulated payments to insurance entities	(31,065)	(21,721)
EThs.	50,142	56,607
Book liabilities at year end	44,681	49,107
Accumulated deficit	(5,461)	(7,500)

As explained in note 4.j), the accumulated deficit relates to the effect of the changes in the actuarial hypotheses and the amounts pending amortisation resulting from the transitional provision which the Company availed itself of in 1990, as shown below:

	Amounts pending amortization at 30.11.2004	Annual appropriations	Years pending amortisation
Change in assumptions in 1998 (interest rate from 6% to 4%)	2,279	759	3
Change in assumptions in 1999 (estimated age of retirement from 63 to 62 years)	3,182	795	4
	EThs	5,461	1,554

Current commitments relating to the early retirement of active employees only include employees who were paying Social Security contributions before 1st January 1967, in accordance with applicable legislation.

The reconciliation between the total value of the payments to be made in accordance with the framework agreement mentioned in note 4.j) and the current value of commitments pending externalisation, in accordance with actuarial calculations based on the assumptions stated in said note, is as follows:

	2004	2003
Total value of the amounts to be paid in the 10 year period	86,895	83,151
Interest to be apportioned	(10,973)	(10,973)
EThs.	75,922	72,178
Payments made to insurance entities	(31,065)	(21,721)
Provision for the year	2,830	3,743
Assets externalised prior to the signing of the framework agreement	(3,155)	(3,155)
EThs	44,532	51,045
Real value of the net commitments in relation to Assets externalised	50,142	56,607
Difference to be apportioned in the externalisation period EThs.	5,610	5,562

NOTE 18. LONG-TERM CREDITORS

Includes mainly amounts pending externalization, as per framework agreement mentioned in note 4.j), including interests to be apportioned resulting from the financing of the single premium in ten years, in the amount of EThs 31,671 (EThs 39,734 in 2003).

NOTE 19. LOANS

The accrued interest pending maturity includes EThs 2.047 corresponding to the interest accrued and not paid to insurance entities mentioned in note 17.

During 2004 the overdrafts accrued interest at a rate from 2.30% to 2.45% (from 2.31% to 3.62% in 2003)

NOTE 20. SUPPLIERS

	2004	2003
Suppliers	29,156	29,220
Invoices pending receipt	7,163	5,022
Affiliated Companies	9,339	10,276
Trade creditors	10,270	6,881
EThs.	55,928	51,399

The amounts payable to Affiliated Companies are partly in foreign currency, and there are no other significant amounts payable in foreign currency. The heading "Affiliated Companies" includes balances denominated in foreign currencies other than Euro, whose equivalent value in euros amounts to EThs 1,296.

NOTE 21. PROVISIONS FOR TRADING OPERATIONS

	2004	2003
Delayed sales costs	9,726	11,623
Provision for risks	16,196	16,236
Guarantees	659	659
EThs.	26,581	28,518

The provision for delayed sales costs relates to the costs incurred in work which has already been completed but for which third-party charges have yet to be received. The risks provided for, relate to litigation and other risk items which have been identified or which may arise inherent to the Company's business activity.

NOTE 22. TIMING ADJUSTMENTS FOR LIABILITIES

	2004	2003
Advance maintenance billings	19,857	17,626
Others	2,390	3,200
EThs.	22,247	20,826

“Advance maintenance billings” record the relevant apportionment of amounts invoiced in advance to maintenance customers.

NOTE 23. TAX SITUATION

As the Group has not asked for permission to apply the consolidation regime for corporate income tax purposes, the corporate income tax expense and tax payable by the Group has been calculated by adding the corporate tax obligations of each consolidated company.

Reconciliation of the difference between the profits and estimated corporate taxable income is as follows:

		2004	2003
Income before tax	EThs	200,631	179,861
Permanent differences:			
Amortization of goodwill		460	234
Profit from foreign companies		(27,114)	(20,949)
Losses in consolidated companies and differences in:			
Investment provisions:		136	35
Others		1,734	302
Provision for risks		-	4,034
Prior year timing differences in respect of which the relevant deferred tax asset was not recorded		(4,032)	(1,944)
Temporary differences arising in the year in respect of which the relevant deferred tax asset is not recorded		3,910	1,246
Adjusted income before tax		175,725	162,818
Temporary differences arising in the year in respect of which the relevant deferred tax asset is recorded		946	7,932
Taxable income (tax result)		176,671	170,750
Adjusted income before tax		175,725	162,818
Overall quota (35%)		61,504	56,986
Less:			
Other deductions		2,088	1,818
Other differences		56	30
Add:			
Others		39	-
Corporate tax expense from foreign companies		8,701	7,114
Corporate tax expense	EThs	68,100	62,252

The group follows the criteria of recognizing only those deferred tax assets that are expected to be realized in the future, within the time frame considered by the law actually in force.

As a consequence, the deferred tax asset corresponding to timing differences arising in 2004 due to provisions relating to welfare commitments has been recorded on the condition that the deferred tax asset recorded at November 30, 2004 does not exceed forecasts for payments relating to social welfare commitments over the next 10 years. The tax effect of EThs 3,910 (EThs 1,246 in 2003), is not included in the application of this rule. In this respect, the deferred tax asset recorded in 2004 amounts to EThs 189 (35% 539) and the deferred tax asset accumulated at November 30, 2004 amounts to EThs 21,504, (EThs 21,315 in 2003).

Additionally, the accumulated amount of deferred tax assets at November 30, 2004 amounts to EThs 3,105. These deferred tax assets are mainly related to timing differences for bad debts, delayed sales costs and other provisions that are expected to be realized in future years.

Of the total of EThs 24,609, a total of EThs 20,754 (Note 7, EThs 20,067 in 2003) is recorded as long-term deferred tax assets and EThs 3,855 (Note 12, EThs 3,184 in 2003) is recorded under Taxes and Social Security-amounts falling due within one year.

The effective tax rate for Otis Elevadores, Lda. (Portugal) is 32% and its tax expense for 2004 amounted to of EThs 8,701.

At the year end the consolidated group had paid EThs 36,082 (EThs 35,930 in 2003) taxes on account corresponding to the final liability for corporate tax (Note 12).

During 1999, the tax authorities completed their inspection of personal income tax returns in Zardoya Otis, S.A. for the years 1993 to 1997. As a result of this inspection, assessments were raised against which the Company has appealed. Also in 2004 it was completed the tax inspection of corporate income tax, personal income tax and VAT for the years 1997 to 2001, these assessments do not have a significant effect on the true and fair view expressed by the accompanying annual accounts.

For Zardoya Otis, S.A. and its affiliates, Corporate Income Tax and, in general, all taxes for the last four years are open to inspection by the tax authorities, except for personal income tax which, in accordance with the above is open to inspection since 1999 for Zardoya Otis, S.A.

For Otis Elevadores, Lda. (Portugal) and its Group of companies, taxes are open to inspection for the last ten years, in accordance with legislation in force in Portugal.

Due to possible different interpretations of the fiscal principles applicable to certain operations, some contingent tax liabilities might exist. However, the resulting tax liability is not expected to significantly affect the accompaying annual accounts.

NOTE 24. GUARANTEES

The following performance guarantees are outstanding and refer to installation contracts which are currently in progress totalling EThs 38,879 (EThs 32,454 in 2003).

NOTE 25. INCOME AND EXPENSES

a) Sales

The following is a breakdown of sales for the year:

	2004	2003
New installations	158,597	171,367
Service	443,362	413,576
Export sales	63,018	51,056
Other sales	555	377
EThs.	665,532	636,376

Export sales are mainly made to companies of the Otis Elevator Group.

Included in the consolidated total sales are the sales of Otis Elevadores, Lda. (Portugal) amounting to EThs 76,828 (EThs 80,466 in 2003).

b) Supplies	2004	2003
Purchases	227,237	219,122
Differences between opening and closing inventories	(1,425)	1,504
EThs.	225,812	220,626

c) Staff costs	2004	2003
Wages and salaries	141,896	136,623
Staff welfare expenses	44,925	41,943
Welfare commitments (Note 17)	4,449	6,554
EThs.	191,270	185,120

Expenses relating to welfare commitments relate to the appropriation made by the company this year to welfare commitments.

d) External services

This item includes expenses relating to royalties for agreements entered into with Otis Elevator Company for the use of licenses, technology and other support services which amount to EThs 7,528 and represent 2.0% of service activity (apart from the sub-group Otis Elevadores (Portugal) which represents 3.5% of net turnover). In addition in 2004, EThs 5,673 was recorded under cost in process and represents 2.0% of net turnover for installation contracts (3.5% for the sub-group Otis Elevadores (Portugal)).neta de los contratos de instalación (3,5% para el subgrupo Otis Elevadores (Portugal)).

e) Extraordinary income

This heading includes mainly the reversal by the subsidiary Otis Elevadores, Lda. of the provisions recorded in previous years to cover litigation and other risks totalling EThs 2,902.

f) Transactions with companies of the Otis Group

Other than commercial transactions carried out in 2004 and 2003 with the companies of the Otis Group are as follows:

	2004	2003
Financial income	2,135	2,387
Royalties accrued	13,201	12,736
Billing of costs relating to the R&D Centre	1,703	2,342

The amount of royalties paid by the Group to Otis Elevator Company in the year is the net amount of royalties accrued and the costs passed on in respect of the R&D Centre.

NOTE 26. ENVIRONMENT

During 2004 Zardoya Otis, S.A. has continued with the implementation and follow up of the different programs on environmental protection and waste treatment initiated in 1986.

The factory of Madrid maintains the certification ISO-14001 obtained in 2001 while San Sebastián and Munguía production centers, have ratified the certification obtained last year.

The main programs established pretend to reduce the impact on environment by:

- Control and reduction of non recyclable waste (oils).
- Control and reduction of recyclable waste as the continuous program for packaging improvement.
- Control and reduction of emissions resulting from industrial processes and combustion (use of cleaner fuels like natural gas).
- Reduction of water and energy consumption.

In 2004 the expense incurred by the above mentioned programs are as follows:

Control of pollution: Waste treatment	EThs 34
Control and analysis of emissions	EThs 6
Control and reduction of water and energy	EThs 10

There are no current litigation or pending indemnities due to environment related issues.

NOTE 27. OTHER INFORMATION

a) The overall remuneration for members of the Board of Directors in 2004 was EThs 1,856 (EThs 2,695 in 2003). Additionally, in compliance with Section 127 ter, 4 of the Spanish Corporations Law, the members of the Board of Directors state that they have no holdings in the share capital of and do not hold offices or perform duties in companies having an identical, analogous or complementary kind of activity to that which makes up the corporate objects of Zardoya Otis, S.A. and its Group.

b) The average number of personnel employed by the consolidated group during the year 2003 broken down into categories, follows:

	Number	
	2004	2003
Executives	84	84
Administrative Chiefs/workshop/field	464	470
Engineers, university graduates and other experts	273	273
Administrative and technical personnel	711	690
Workers	3,577	3,528
	5,109	5,045

c) The amount paid to PricewaterhouseCoopers as audit fee for 2004 is EThs 337, included the fees paid corresponding to the audit of internal controls and processes required to comply with the new rules for public companies in USA (Sarbanes Oxley).

d) The Law 61/2003 establishes the obligation of adopting the International Accounting Standards (IAS) rules starting from the fiscal year initiated as of January 1st, 2005 for the consolidated accounts of the Groups quoted in any EC Stock Exchange.

The IAS rules provide a higher degree of transparency combined with higher flexibility in the determination of the accounting criteria. They also require from the Directors of the companies a higher responsibility not only in the application but also in the communication to the Market of these adopted accounting principles. In general, the main difference versus the currently applied in Spain accounting principles is the introduction of the “Fair Value” concept as opposed to the traditional historical cost for the valuation of different assets: financial instruments, intangible assets, goodwill. For the provisions, they should be accounted for by the reliable discounted estimate of future required outflows.

There will be also new information requirements: the annual accounts should include a Cash Flow Statement, that replaces the Statement of Changes in Financial Position, and the Statement of Changes in Equity; some of the notes to the annual accounts will require additional information to balance sheet and profit an loss account, earnings per share and information per segments; in conclusion a substantial increase in the information provided.

The Group, in order to comply with such requirement has appointed a team responsible of the transition, with the objective of identifying and analysing the changes to existing accounting policies, implementation of the new ones when required by IAS, evaluation of the impact of the necessary changes over the Group Equity and the preparation of the interim financial statements required by IAS.

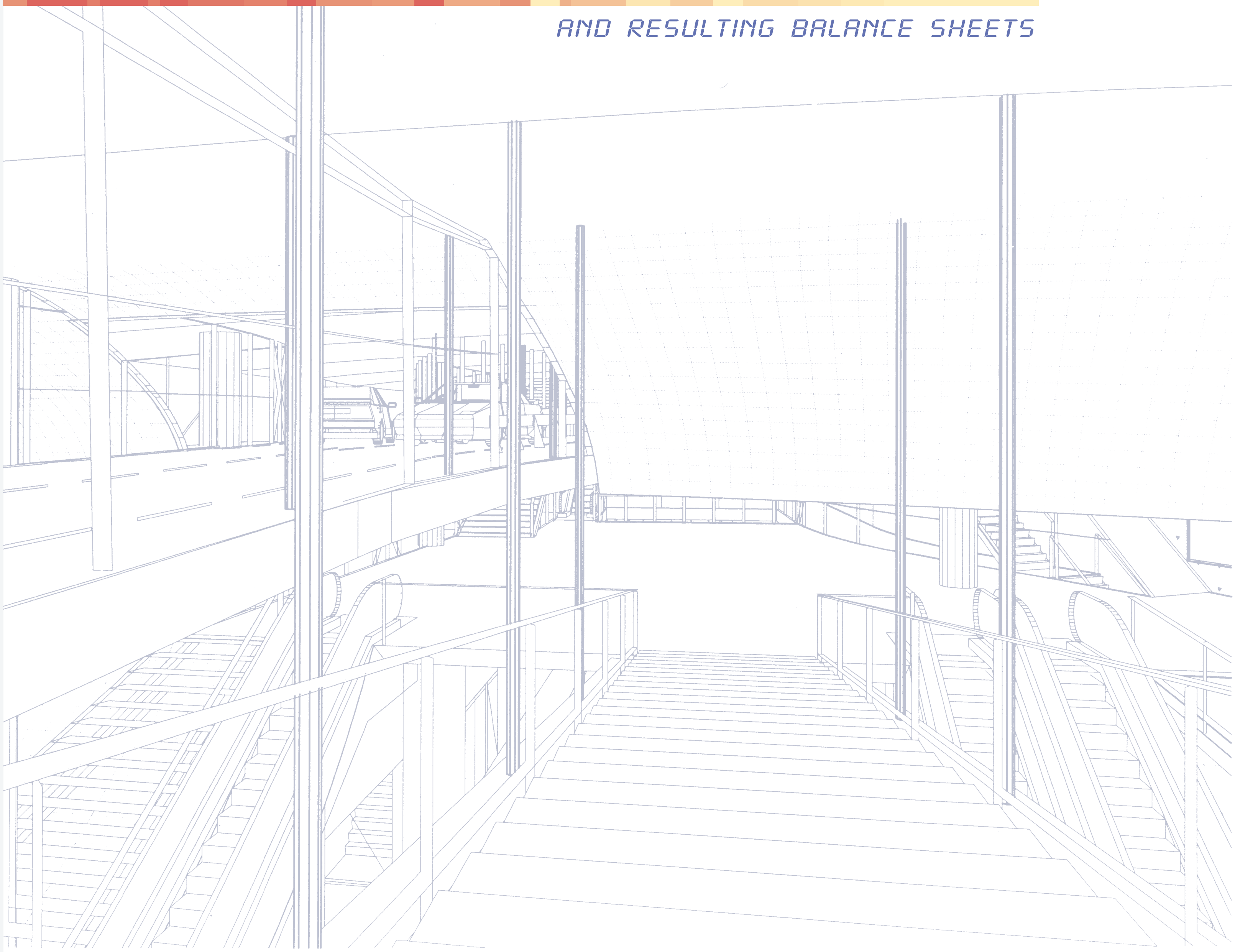
The Audit Committe is responsible for the supervision of this process, and in every meeting they review the current situation.

NOTE 28. STATEMENT OF CHANGES IN FINANCIAL POSITION

USE OF FUNDS		2004	2003
Asset acquisitions:			
Intangible		5,807	4,174
Tangible		4,238	2,910
Investments		3,465	1,545
Formation expenses		(3)	(3)
Deferred charges		(18)	19
Other assets		(414)	(440)
Goodwill on consolidation		875	414
Long-term creditors		48	(33)
Payments of welfare commitments		9,373	19,653
Decrease in minority interest		1,453	1,295
Change in reserves		672	634
Dividends paid		119,850	101,439
Transfer to short-term debt of welfare commitments		3,139	(4,082)
Increase (decrease) in working capital		(3,049)	5,890
TOTAL USE OF FUNDS	EThs.	145,436	133,415
SOURCE OF FUNDS			
Funds from operations			
Net distributable income		130,741	116,120
Plus:			
Minority interests		1,791	1,489
Depreciation of tangible fixed assets		3,815	4,207
Amortization of intangible assets		5,234	4,760
Amortization of goodwill on consolidation		2,127	1,895
Provision for risks and expenses		4,449	6,554
Provision for investments		(1)	(6)
Less:			
Profit on sale of fixed assets			(3)
Deferred tax assets		(687)	(2,785)
		147,469	132,231
Sale of assets			
Intangible			2
Tangible			829
Investments			14
Long-term Debts		(2,033)	339
TOTAL SOURCE OF FUNDS	EThs.	145,436	133,415
VARIATIONS IN WORKING CAPITAL			
Increase (decrease) in inventories		(3,735)	(4,997)
Increase (decrease) in debtors		5,066	8,637
Increase (decrease) in short-term financial investments		7,835	5,458
Increase (decrease) in cash and banks		852	590
Increase (decrease) in timing adjustement assets		418	177
(Increase) decrease in debts with financial institutions		641	(1,946)
(Increase) decrease in trade creditors		(3,571)	202
(Increase) decrease in other non-trade debts		(11,071)	304
(Increase) decrease in provisions for trading operations		1,937	(1,503)
(Increase) decrease in timing adjustments liabilities		(1,421)	(1,032)
INCREASE (DECREASE) IN WORKING CAPITAL	EThs.	(3,049)	5,890

PROPOSALS TO THE GENERAL SHAREHOLDERS' MEETING

AND RESULTING BALANCE SHEETS



PROPOSALS TO THE GENERAL SHAREHOLDERS' MEETING

The Board of Directors presents the following motions to the General Shareholders' Meeting for approval:

1. Examination and, if applicable, approval of the Annual Accounts (Balance Sheet, Statement of Profit and Loss and Notes to the Financial Statements) and Management Reports of the consolidated Group and the Company for the fiscal year December 1, 2003 to November 30, 2004.

2. Approval of the Profit Distribution for the fiscal year 2004 as follows:

Legal reserve	433,026.00
Dividends	122,701,227.36
Voluntary reserve	1,012,636.09
TOTAL (euros)	124,146,889.45

3. Approval of the Board of Directors' performance, with particular reference to the distribution of dividends, all of which were charged to the profit of the fiscal year 2004.

4. Resignation, appointment and re-election of Board Members.

5. Appointment of the auditors of the Company and the consolidated Group for the fiscal year 2005.

6. Amendment of Article 4 of the company By-Laws. Extension of the corporate purpose.

7. Increase in Share Capital, in the proportion of one new share for each ten old shares as a bonus issue charged to the Voluntary Reserve, likewise requesting the listing of said shares on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges. Modification of Article 5 of the Articles of Association.

8. Authorization to the Board of Directors for the purchase by the Company of its own shares, either directly or indirectly, within the limits and requirements of Art. 75 of the Spanish Corporations' Law.

9. Request and questions.

10. Delegation of powers in favour of the Board of Directors to formalize the resolutions, with authorization to interpret, correct and develop them.

11. Approval of the minutes of the meeting.

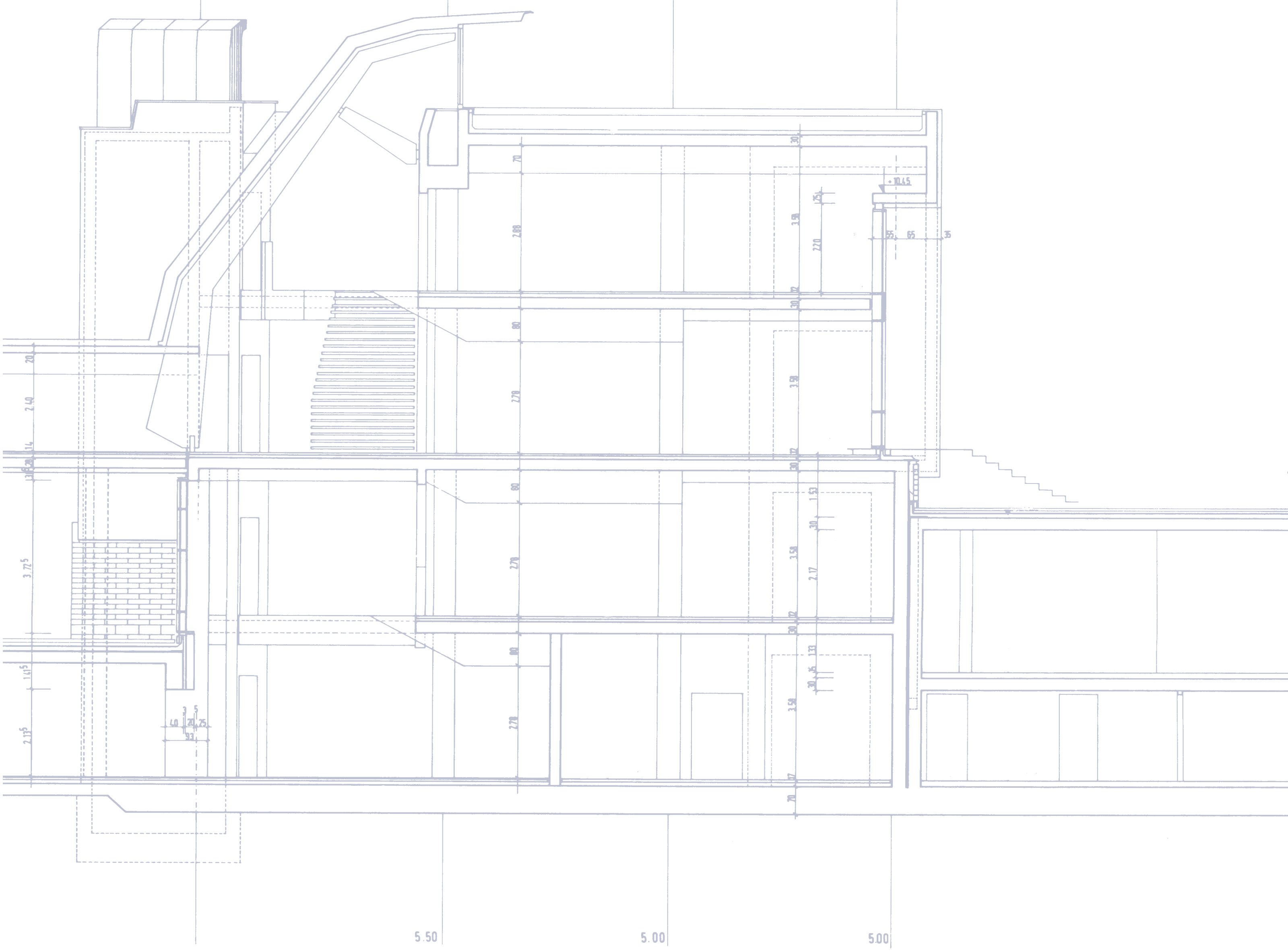
CONSOLIDATED BALANCE SHEETS

at November 30, 2004 (In thousands of euros - ETHs)
(After the application of the results obtained in the year)

ASSETS		2004
FIXED ASSETS		
FORMATION EXPENSES		3
INTANGIBLE ASSETS		16,740
Research and development costs	2,192	
Concessions and patents	8,141	
Goodwill	18,690	
Software	381	
Capital leases	771	
Amortization	(13,435)	
TANGIBLE FIXED ASSETS		13,659
Land and buildings	9,189	
Technical installations and machinery	23,512	
Other installations, tools and furniture	19,009	
Fixed assets in progress	694	
Other fixed assets	18,603	
Depreciation	(57,348)	
INVESTMENTS		26,288
Investments in Group's companies	4,991	
Other investments	32	
Long-term deposits and financial guarantees	519	
Public Treasury long-term	20,754	
Provisions	(8)	
LONG-TERM TRADE DEBTORS		3,520
Long-term notes receivables	3,520	
TOTAL FIXED ASSETS		60,210
GOODWILL ON CONSOLIDATION		3,100
Full integration method companies	3,100	
DEFERRED CHARGES		1
CURRENT ASSETS		
INVENTORIES		124,224
Raw materials	12,470	
Products in progress	8,536	
Costs of contracts in progress	103,218	
DEBTORS		216,788
Customers	179,600	
Sundry accounts receivable	15,768	
Personnel	580	
Public Treasury	45,695	
Provisions	(24,855)	
SHORT-TERM INVESTMENTS		167,199
Short-term securities portfolio	55,801	
Loans to affiliated companies and Other	111,095	
Short-term deposits and financial guarantees	303	
CASH AND BANKS		5,609
TIMING ADJUSTMENTS		911
TOTAL CURRENT ASSETS		514,731
TOTAL ASSETS	ETHs	578,042

LIABILITIES		2004
SHAREHOLDERS' EQUITY		98,976
Capital stock	21,647	
Legal Reserve	4,762	
Voluntary Reserve	35,231	
Reserve for subsidiary companies	37,336	
MINORITY INTERESTS		4,653
LONG-TERM CREDITORS		31,671
Debts with financial institutions	0	
Notes payable	0	
Other Long-term Debt	31,671	
SHORT-TERM CREDITORS		
DEBTS WITH FINANCIAL INSTITUTIONS		2,105
Loans	0	
Interest	2,105	
TRADE CREDITORS		213,010
Suppliers	55,928	
Notes payable	1,680	
Billings on contracts in progress	155,402	
OTHER NON-TRADE DEBTS		178,799
Public Treasury	75,824	
Other payables	76,463	
Accrued salaries and wages	26,512	
PROVISIONS FOR TRADING OPERATIONS		26,581
TIMING ADJUSTMENTS		22,247
TOTAL CURRENT LIABILITIES		442,742
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	EMIs	578,042

FINANCIAL STATEMENTS OF THE LAST FIVE YEARS



CONSOLIDATED PROFIT AND LOSS ACCOUNTS

(In millions of euros)

	2004		2003		2002		2001		2000	
		%		%		%		%		%
SALES	665,5	100.0	636,4	100.0	605,6	100.0	543,4	100.0	486,2	100.0
Other income	2,3	0.3	2,3	0.4	2,7	0.5	2,5	0.5	2,6	0.5
Supplies	(225,8)	(33.9)	(221,3)	(34.8)	(219,4)	(36.2)	(199,2)	(36.7)	(173,7)	(35.7)
Personnel costs	(191,3)	(28.7)	(185,1)	(29.1)	(180,6)	(29.8)	(175,0)	(32.2)	(165,4)	(34.0)
Depreciation of fixed assets	(9,1)	(1.4)	(9,0)	(1.4)	(9,1)	(1.5)	(7,6)	(1.4)	(8,1)	(1.7)
Provision for doubtful debts	0,2	0.0	(2,1)	(0.3)	(4,8)	(0.8)	(0,7)	(0.1)	0,3	0.1
Provision for risks	0,0	0.0	(4,0)	(0.6)	(1,8)	(0.3)	(2,7)	(0.5)	(1,6)	(0.3)
Other trading expenses	(40,9)	(6.1)	(38,8)	(6.1)	(37,5)	(6.2)	(35,4)	(6.5)	(33,4)	(6.9)
TRADING PROFITS	200,9	30.2	178,4	28.0	155,1	25.6	125,2	23.0	106,8	22.0
Dividends from associated companies	0,0	0.0	0,0	0.0	0,0	0.0	0,0	0.0	0,0	0.0
Financial income	4,5	0.7	4,9	0.8	5,8	1.0	7,1	1.3	5,8	1.2
Financial expenses	(4,3)	(0.6)	(3,3)	(0.5)	(1,1)	(0.2)	(1,0)	(0.2)	(1,1)	(0.2)
Exchange rate differences	0,1	0.0	0,1	0.0	0,1	0.0	0,0	0.0	0,2	0.0
FINANCIAL PROFITS	0,3	0.0	1,6	0.3	4,8	0.8	6,1	1.1	4,9	1.0
AMORTIZATION OF GOODWILL ON CONSOLIDATION	(2,1)	(0.3)	(1,9)	(0.3)	(2,8)	(0.5)	(2,8)	(0.5)	(2,7)	(0.6)
PROFITS FROM ORDINARY ACTIVITIES	199,1	29.9	178,1	28.0	157,1	25.9	128,5	23.6	109,1	22.4
EXTRAORDINARY PROFITS (LOSSES)	1,5	0.2	1,7	0.3	(1,7)	(0.3)	0,6	0.1	3,1	0.6
PROFIT BEFORE TAX	200,6	30.1	179,9	28.3	155,4	25.7	129,1	23.8	112,2	23.1
NET PROFIT AVAILABLE FOR DISTRIBUTION	130,7	19.6	116,1	18.2	98,1	16.2	82,4	15.2	71,2	14.6

CONSOLIDATED BALANCE SHEETS

(After distribution of the profits obtained in the year)

(In millions of euros)

	2004		2003		2002		2001		2000	
ASSETS		%		%		%		%		%
Intangible assets	16.7	2.9	16.2	2.9	17.2	3.1	14.9	2.9	3.9	0.9
Tangible fixed assets	13.7	2.4	13.8	2.5	15.9	2.9	17.3	3.4	17.3	3.9
Investments	26.3	4.5	22.0	3.9	17.7	3.2	16.5	3.3	12.2	2.8
Long term trade debtors	3.5	0.6	1.5	0.3	1.8	0.3	3.1	0.6	4.4	1.0
Treasury Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.1	0.0	0.0
TOTAL FIXED ASSETS	60.2	10.4	53.4	9.5	52.6	9.5	52.2	10.3	37.9	8.6
GOODWILL ON CONSOLIDATION	3.1	0.5	4.4	0.8	5.8	1.1	9.5	1.9	13.5	3.1
Inventories	124.2	21.5	128.0	22.8	133.0	24.0	112.2	22.1	92.4	20.9
Debtors	216.8	37.5	211.7	37.7	203.1	36.7	195.6	38.6	163.7	37.1
Short-term investments	167.2	28.9	159.4	28.4	153.9	27.8	132.7	26.2	130.0	29.5
Cash and Banks	5.6	1.0	4.8	0.8	4.2	0.8	2.7	0.5	2.6	0.6
Timing adjustments	0.9	0.2	0.5	0.1	0.3	0.1	1.8	0.4	1.0	0.2
TOTAL CURRENT ASSETS	514.7	89.0	504.3	89.7	494.4	89.4	445.1	87.8	389.7	88.3
TOTAL ASSETS	578.0	100.0	562.1	100.0	552.9	100.0	506.8	100.0	441.2	100.0
LIABILITIES										
SHAREHOLDERS' EQUITY	99.0	17.1	91.6	16.3	81.9	14.8	76.6	15.1	80.0	18.1
MINORITY INTERESTS	4.7	0.8	4.3	0.8	4.1	0.7	3.6	0.7	3.5	0.8
PROVISION FOR RISKS AND EXPENSES	0.0	0.0	0.0	0.0	0.0	0.0	59.8	11.8	48.2	10.9
LONG TERM CREDITORS	31.7	5.5	39.8	7.1	48.8	8.8	0.0	0.0	0.1	0.0
Debts with financial institutions	2.1	0.4	2.7	0.5	0.8	0.1	1.2	0.2	1.0	0.2
Trade creditors	213.0	36.9	209.4	37.3	209.6	37.9	203.4	40.1	162.1	36.7
Other non-trade debtors	178.8	30.9	164.9	29.3	160.8	29.1	119.4	23.6	108.8	24.7
Provision for trading operations	26.6	4.6	28.5	5.1	27.0	4.9	25.2	5.0	20.2	4.6
Timing adjustments	22.2	3.8	20.8	3.7	19.8	3.6	17.6	3.5	17.2	3.9
TOTAL CURRENT LIABILITIES	442.7	76.6	426.4	75.9	418.0	75.6	366.8	72.4	309.3	70.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	578.0	100.0	562.1	100.0	552.9	100.0	506.8	100.0	441.2	100.0

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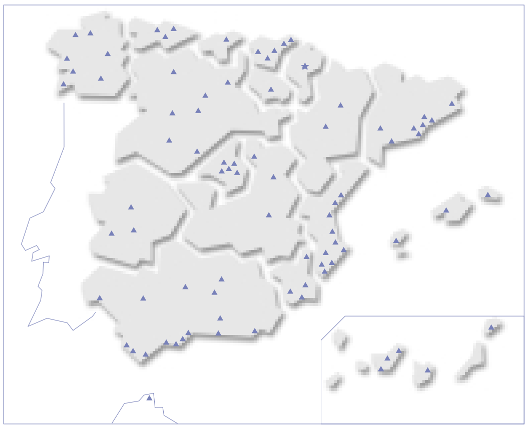

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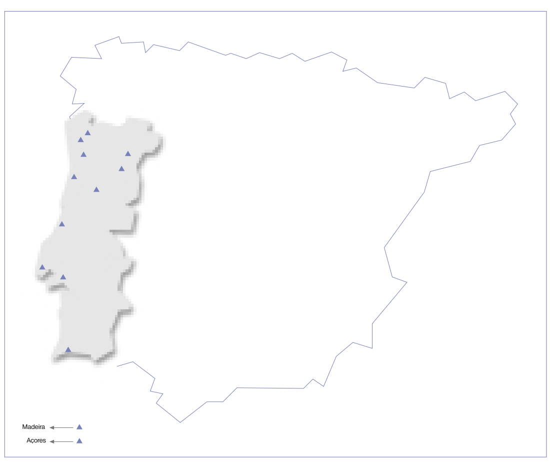

AENOR Gestión Ambiental

Calidad OTIS ISO 9001

AENOR Empresa Registrada ER-0084/1992

Pioneers yesterday, today a point of reference for the elevator industry

In 1974 Zardoya Otis, S.A. began its career on the stock exchange. Thus, the Company is now celebrating the 31st anniversary on the stock markets.

In all this time, the Company's continual growth and expansion has allowed a significant and sustained creation of value for our shareholders, which has been reflected in the quoted price of the shares and the favourable evolution of the stock market capitalization. Here are some data:

- 28 capital increases, 24 of which were bonus issues.
- 2 splits and 4 par value reductions.
- An adjusted share value that has risen from the 0.06 euros of December 1974 to the 18.87 euros at December 31, 2004.
- A stock market capitalization that has evolved from the 13.3 million euros at the end of 1974 to the 4,085 million euros at the 2004 year end.
- A traditional (and, at the time, pioneer) policy of paying four quarterly dividends since 1981.

The initial confidence that the markets placed in Zardoya Otis 30 years ago, progressively consolidated since then, was heavily influenced by the sum of the contributions that the two founding companies (Zardoya, S.A. and Schneider Otis, S.A.) made at the time of its incorporation.

The present Zardoya Otis is the result of several company concentrations that have been carried out since the end of the sixties by the Spanish Company Zardoya S.A. and the United States multinational Otis Elevator Company. In 1972, the merger of the activities of the two companies gave rise to a company that was, from the beginning, and still is today, the leader in the vertical transportation sector in this country.

Zardoya Otis' business philosophy is supported by one basic principle: seeking maximum customer satisfaction. This has meant that human, technical and production resources have been organized to guarantee the highest quality levels in the product and the service.

Some of the company's distinguishing features are:

- Leader in the Spanish elevator market.
- A productive structure in Spain including three plants: San Sebastián (specialized in the production of traction machines and safety components, with 66% exports), Madrid (manufacture of the other elevator components) and Munguía (standard home elevators and special elevators, modernizations, etc.).
- It is present all over the country with 329 assistance points.
- "24 Hour" service, through which attention to any possible emergency is guaranteed for 24 Hours a day, seven days a week, 365 days a year.
- Implementation of the "Customer Ombudsman", who channels any complaints towards the most appropriate person in the Organization in order to provide each case with the most suitable solution.

Zardoya Otis has always founded its leadership on its permanent concern for research and, from the beginning, has always marked the most important milestones in the history of the elevator. Thus, since Elisha Graves Otis invented the first elevator with safety components and, therefore, valid for people 150 years ago, the Company has developed many products and services. In all of them, the idea of increasing passenger safety and comfort has prevailed.

True to these innovative roots, Zardoya Otis was able to redefine its customer service by introducing a portfolio of electronic commerce tools known as e*Business, included in a web page, www.otis.com. Once more, the Company merged technology with the creative commercial guidelines on which its leadership is based and generated new opportunities, which have completed the way in which it understands and carries out its business.

OTIS

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