Annual Report for the year: 1-12-2004 to 30-11 - 2005 presented by the Board of Directors at the General Meeting of Shareholders held on April 19, 2006 upon the first call, or April 20, 2006 upon the second call.

F. JAVIER ZARDOYA
Presidente

Zardoya Otis S.A.
Golfo de Salónica, 73
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April 20, 2006

Dear Shareholders,

During the year 2005, ZARDOYA OTIS, S.A. once again maintained its history of sustained growth, which has been constant since it was incorporated.

As always, in the charts we include at the beginning of our Annual Report, you can find all the data that we consider you will find relevant.

I would like to draw special attention to some of these data, with comments and forecasts for the near future.

The net profit per share was 0.603 €, considering all the outstanding shares at the year end.

Total net profit was 143.7 million euros, showing an increase of 9.9% on the preceding year.

We billed 700.7 million euros, 5.3% up on 2004.

New Sales grew by 8.5% representing 25% of total sale.

Service increased by 6.9% equivalent to 67% of total sale.

Although these two sales figures are very significant, they could have been higher if there had not been delays in the completion of buildings and, especially, in the creation of homeowners' associations.

Exports dropped by 14.5% in relative terms. However, in absolute terms, they fell by only 9.2 million euros, totalling 53.8 million euros, similar to the billing in previous years. Exports represented 8% of total sale in 2005.

Orders received for New Sales were in line with those of the preceding year and, for the reasons I describe in my above comments on delays, the backlog of unfilled orders reached the record figure of 149.4 million euros.

In 2006, we are still receiving a good level of orders for New Sales. Logically, it appears that this will probably fall off, although the truth is that we have been considering this possibility for several years. Moreover, as we have said repeatedly, elevators are assembled in the final phase of the construction of a building and, therefore, in the event of a certain decline in the building industry, we would have time to reorganize ourselves, enabling us to maintain a reasonably logical profit level.

Regarding the Stock Exchange, our shares closed the year at 21.40 euros, with a revaluation of 24.7%, which, added to the 3.3% obtained through dividends, furnishes a share held at the end of 2004 with total profitability of 28.0%.

The PER, which was 35.5, was objectively higher than the average of the Spanish Stock Exchange. However, at the last General Meeting, all the shareholders who spoke found this logical, given the confidence we have generated over more than 26 years through our policy of creating value, with the dividends that have been uninterruptedly distributed on a quarterly basis and the annual bonus issues.

In relation to the preceding point, I have the pleasure of informing you that the Board of Directors has decided to:

- Maintain the four quarterly dividends in 2006.
- Propose a bonus issue at a ratio of 1 new share for every 10 old shares for the approval of the General Meeting.

If this capital increase is approved, it will be our 26th bonus issue.

And I would like to finish by expressing, on my own behalf and on behalf of the whole Board of Directors, our deepest and most heartfelt gratitude:

To our customers, without whom we would not exist as a Company.

To all those who work and collaborate with our Group, without whose effort and dedication the positive results shown in our Annual Report would not have been possible.

And to the shareholders for having placed their trust in us, assuring them that we will do everything possible to attain the objectives that they expect of our Company.

Yours faithfully,

F. Javier Zardoya

Puerta América Hotel
Madrid

Board of Directors

	POSITION	CAPACITY	%HOLDING IN SHARE CAPITAL
Mr. Francisco Javier Zardoya García	Chairman	Shareholders Representative	0.198
Mr. Mario Abajo García (1)	Deputy Chairman	Executive	0.263
Mr. José María Loizaga Viguri*	Deputy Chairman	Independent	-
Mr. Angelo Messina (1)*	Board Member	Shareholders Representative	-
Mr. Sandy Diehl (1)	Board Member	Shareholders Representative	-
Mr. Bruno Grob (1)*	Board Member	Shareholders Representative	-
Otis Elevator Company (1) (Mr. Johan Bill)	Board Member	Shareholdersl 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
			11.334
United Technologies Holdings, S.A. (2)			51.067
			62.401

Mr. Mario Abajo García	CEO
Mr. Pedro Sainz de Baranda y Riva	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	2005	2004	2003	2002	2001	% variance over prior year 05	04	03	02	01
Profit before tax	218.8	200.6	179.9	155.4	129.1	9.0	11.6	15.8	20.4	15.0
Profit after tax	143.7	130.7	116.1	98.1	82.4	9.9	12.6	18.4	19.1	15.7
Cash-Flow	151.4	139.6	131.2	113.8	93.5	8.5	6.4	15.3	21.7	29.0
Gross dividens	134.2	119.8	101.4	87.2	74.8	12.0	18.1	16.4	16.5	11.8

SHAREHOLDERS´ EQUITY	2005	2004	2003	2002	2001	% variance over prior year 05	04	03	02	01
Capital and Reserves	102.1	99.0	91.6	81.9	76.6	3.2	8.0	11.8	6.9	(4.3)

SALES DATA	2005	2004	2003	2002	2001	% variance over prior year 05	04	03	02	01
New Installations	172.7	159.2	171.7	168.8	144.5	8.5	(7.3)	1.7	16.8	14,8
Service	474.2	443.4	413.6	388.4	352.6	6.9	7.2	6.5	10.1	13.5
Total Exports	62.9	74.6	61.9	59.4	59.2	(15.6)	20.5	4.2	0.3	(2.9)
Exports to Portugal (*)	(9.1)	(11.6)	(10.8)	(11.0)	(13.0)	(21.9)	7.2	(1.7)	(15.5)	14.3
Net Exports (without Portugal)	53.8	63.0	51.1	48.4	46.2	(14.5)	23.3	5.5	4.7	(6.8)
Total	700.7	665.5	636.4	605.6	543.3	5.3	4.6	5.1	11.5	11.7

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

NEW INSTALLATIONS	2005	2004	2003	2002	2001	% variance over prior year 05	04	03	02	01
Orders received	176.1	181.3	152.2	182.0	150.7	(2.9)	19.2	(16.4)	20.7	0.3
Backlog	149.4	129.6	109.9	124.6	112.8	15.3	17.9	(11.8)	10.4	5.9

SERVICE DATA	2005	2004	2003	2002	2001	% variance over prior year 05	04	03	02	01
Units under maintenance	219,167	210,428	203,447	194,487	183.735	4.2	3.4	4.6	5.9	4.2
Maintenance centers	340	338	329	325	324	0.6	2.7	1.2	0.3	0.6

MANPOWER	2005	2004	2003	2002	2001	% variance over prior year 05	04	03	02	01
Total manpower	5,262	5,109	5,045	4,974	4,780	3.0	1.3	1.4	4.1	1.0

(Euros)

CAPITAL STOCK	2005	2004	2003	2002	2001
Amortized Shares	-	-	-	855,321	1,346,557
Number of shares before increase share capital	216,473,697	196,794,270	178,903,882	162,639,892	148,632,013
Increase in share capital (bonus) Ratio	1x10	1X10	1X10	1X10	1X10
Number of shares at December 31	238,121,066	216,473,697	196,794,270	178,903,882	163,495,214
Par value	0.10	0.10	0.10	0.10	0.10
Capital Stock (millions)	23.8	21.6	19.7	17.9	16.3

PROFIT PER SHARE	2005	2004	2003	2002	2001
Profit After Tax	0.603	0.604	0.590	0.548	0.504
P.A.T. adjusted by capital increase		0.549	0.488	0.412	0.346
P.A.T. adjusted variance	9.9%	12.6%	18.4%	19.1%	15.7%

DIVIDEND PER SHARE (*)	2005	2004	2003	2002	2001
Total dividend paid in calendar year (Millions)	134.2	119.8	101.4	87.2	74.8
Dividend per share paid in calendar year	0.620	0.609	0.567	0.536	0.504
adjusted by share capital increase		0.609	0.515	0.443	0.380
Adjusted dividend variance	12.0%	18.1%	16.4%	16.5%	11.8%

PRICE PER SHARE	2005	2004	2003	2002	2001
Price	21.40	18.87	16.50	12,55	10.42
Adjusted price by share capital increase		17.15	13.64	9.43	7.15
Adjusted price variance	24.7%	25.8%	44.6%	31.8%	21.5%

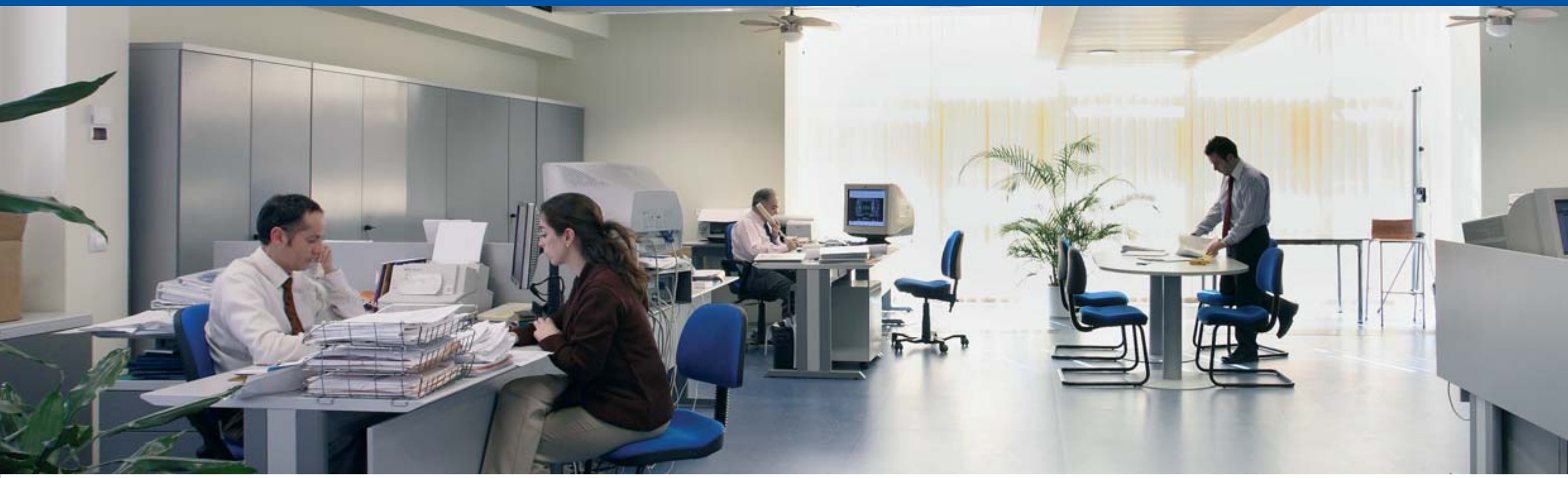
ANNUAL YIELD OF ONE SHARE (%) (*)	2005	2004	2003	2002	2001
Dividend	3.286	3.691	4.518	5.144	5.390
Increase in market value	24.748	25.800	44.621	31.792	21.488
Total	28.034	29.491	49.139	36.936	26.878

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

TRADING DATA	2005	2004	2003	2002	2001
Market capitalization (milllons)	5,096	4,085	3,247	2,245	1,704
Trading Frequency (%)	100.0	100.0	100.0	100.0	100.0
Efective value traded (millions)	683	506	332	223	310

STOCK MARKET RATIOS	2005	2004	2003	2002	2001
PER (Price/Profit after tax: times)	35.5	31.2	28.0	22.9	20.7
PER variance	13.5%	11.7%	22.2%	10.6%	5.0%
Pay-out % (Dividend paid/Profit after tax) (*)	93.4	91.7	87.4	88.9	90.8
Change in Zardoya Otis´ Market Value:					
Annual (%)	24.7	25.8	44.6	31.8	21.5
Base 100 = 31/12/1985 (IGBM start)	6,700.8	5,371.5	4,269.8	2,952.4	2,240.2
Base 100 = 1/1/1990 (IBEX 35 start)	1,537.7	1,232.7	979.9	677.5	514.1
Madrid Stock Market Index (IGBM) variance					
Annual (%)	20.6	18.7	27.4	(23.1)	(6.4)
Base 100 = 31/12/1985	1,156.2	959.1	808.0	634.0	824.4
Base 100 = 1/1/1990	389.8	323.4	272.4	213.8	278.0
IBEX 35 variance					
Annual (%)	18.2	17.4	28.2	(28.1)	(7.8)
Base 3000 = 1/1/1990	10,733.9	9,080.8	7,737.2	6,036.9	8,397.6
Base 100 = 1/1/1990	357.8	302.7	257.9	201.2	279.9

(*) See explanation on page 18 of management report



Financial and Stock Market Data

Presentation of 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, 2005 were signed by the members of the Board of Directors at the meeting held in Madrid on February 23, 2006.

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 2004 and 2005 in two columns

Tenerife
Auditorium

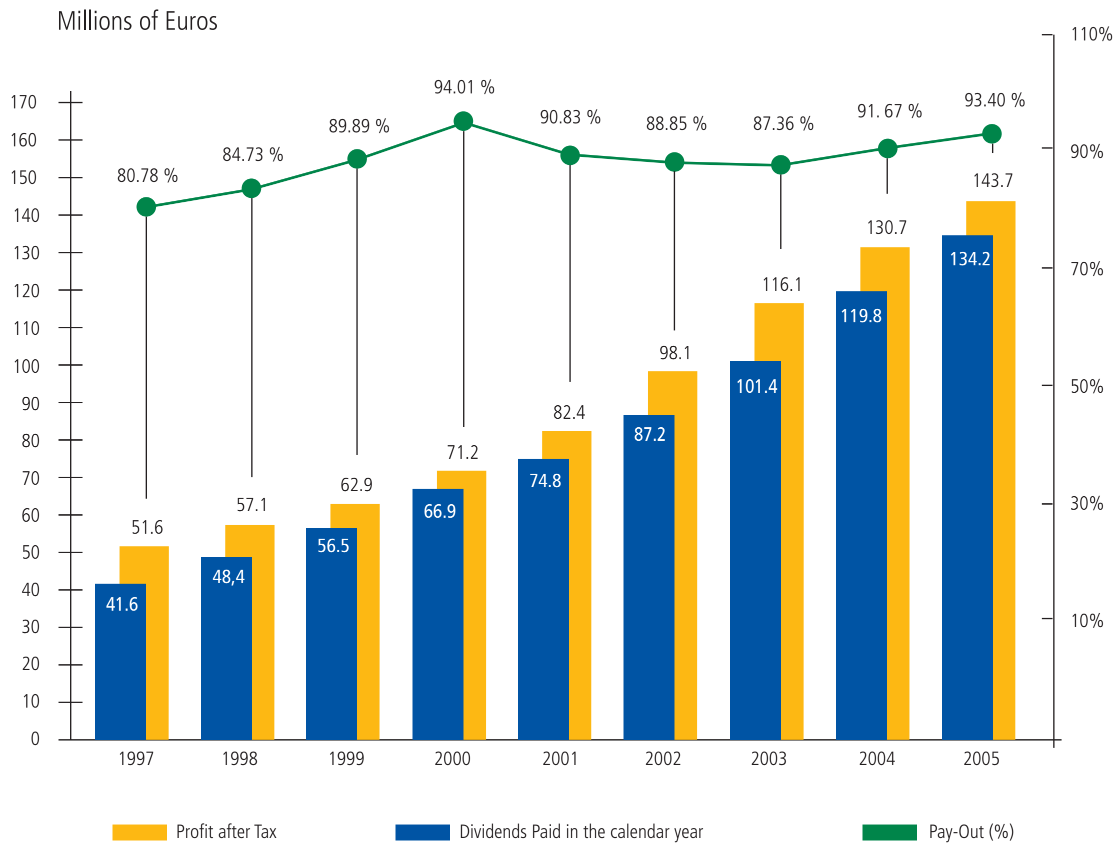
The consolidated profit before tax was 218.8 million euros at the 2005 year end, representing an increase of 9.0% on the 200.6 million euros of 2004.

This increase was slightly higher in net terms: 9.9%, totalling 143.7 million euros, in comparison with the 130.7 million of the preceding year. Although the rate of 9.9% was lower than the 12.6% attained in 2004, it clearly exceeds the percentage increase in the consolidated sales for 2005, which was 5.3%.

The profit per share was 0.603 euros in 2005. This figure should be compared with the profit per share of 0.549 euros in 2004, which value was reached after applying the pertinent adjustment for the capital increase (0.604 euros/1.10 shares), finally representing growth of 9.9%.

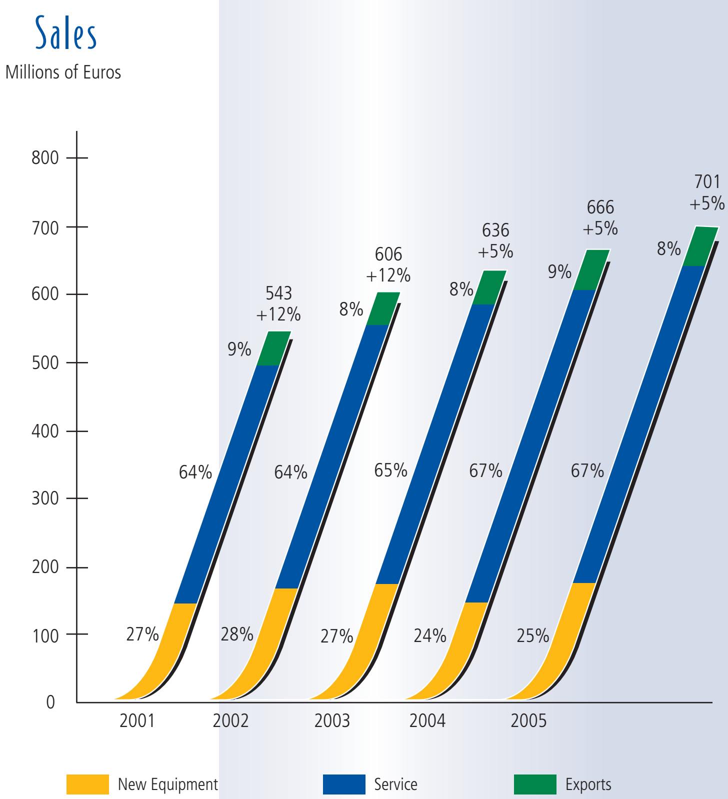
The consolidated cash flow rose by 8.5% in 2005, totalling 151.4 million euros.

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



Total Sales

Total consolidated sales for the year 2005 grew by 5.3%, reaching 700.7 million euros, in comparison with the 665.5 million of 2004. By areas of activity, the behaviour of the businesses may be summarized as follows:



New Sales

Work completed: The value of work completed in New Installations grew by 8.5% in 2005, meaning that the highest level in the Group's whole history was attained: 172.7 million euros, higher than the previous record (the 171.7 million of 2003). This was due to the heavy upward trend in both orders received and the backlog of unfilled orders in 2004, which is the essential basis for determining the higher or lower rate of new sales in later months.

New Sales billing represented 25% of total billing in 2005.

Orders received: The 2005 figure for orders received for new sales was 176.1 million euros, slightly lower than the 2004 figure, which was 181.3 million.

Backlog of unfilled orders: The slight decrease in the value of orders received did not prevent the backlog of unfilled orders from undergoing a strong forward thrust, as in 2004. The increase was, specifically, 15.3%, reaching a record volume of 149.4 million euros, almost 20 million higher than one year earlier.

The backlog of unfilled orders existing at the beginning of 2006 represents a volume equivalent to almost 10 months of New Installations activity, thus guaranteeing an important part of the activity for the year.

Service

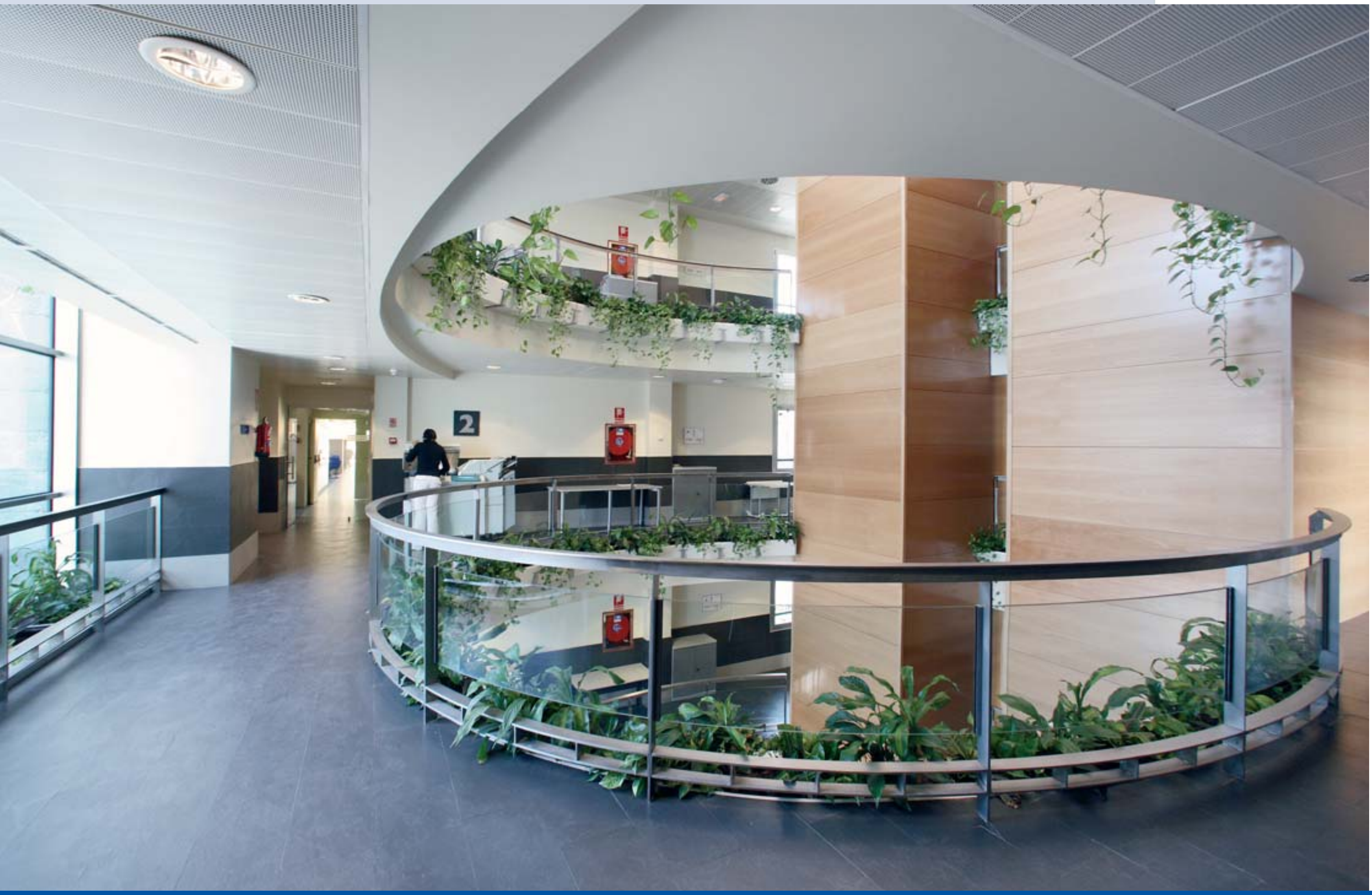
Sales: Overall Service billing totalled 474.2 million euros, 6.9% higher than in 2004. The importance of the Service activity within Zardoya Otis' business structure was again obvious in 2005, since it represented 67% of total Consolidated Sales.

Units under maintenance of the Zardoya Otis Group: At the 2005 year end, the increase was 4.2% on the preceding year. The growth in absolute terms was 8,739 units, totalling 219,167.

Exports

Finally, net export billing (not including sales to Portugal) dropped from 63 million euros in 2004 to 53.8 euros in 2005, i.e. by 9.2 million euros. Nevertheless, it was in line with the billing of previous years.

In 2005, net exports had a percentage share of 8% in the Group's total consolidated billing.



The dividends distributed and paid during the calendar year 2005 were:

2005	Gross per share	Shares entitled to dividend	Total gross dividend
March 10. 2005	0.145 euros	216,473,697	31,388,686.07 €
June 10. 2005	0.145 euros	216,473,697	31,388,686.07 €
September 12. 2005	0.150 euros	238,121,066	35,718,159.90 €
December 10. 2005	0.150 euros	238,121,066	35,718,159.90 €
TOTAL DIVIDENDS PAID IN THE CALENDAR YEAR 2005			**134,213,691.94 €**

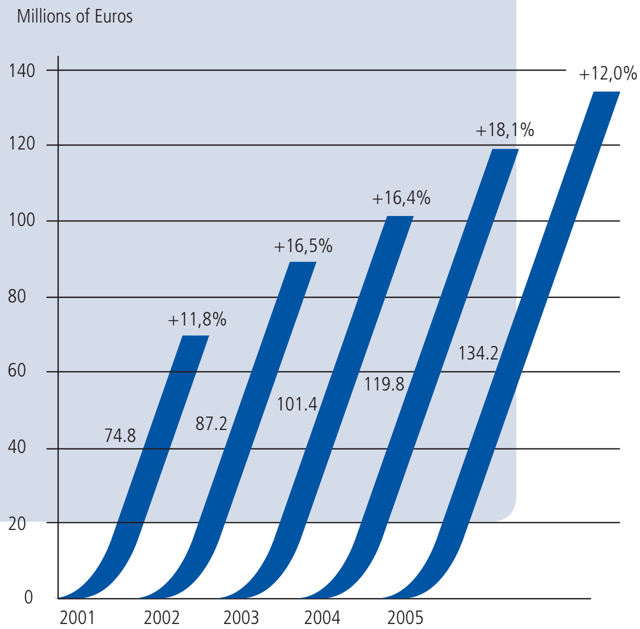
Shares entitled to dividends

The first dividend, paid on March 10, 2005, and the second, paid on June 10, 2005, were applied to the total outstanding shares, the volume of which was 216,473,697. The amount of each one of these dividends was 0.145 euros per share.

The 21,647,369 shares resulting from the 1 x 10 bonus issue that took place on June 13, 2005 were entitled to the third dividend, distributed on September 12, 2005, and the fourth, paid on December 10, 2005, meaning that the total shares entitled to dividends were 238,121,066. The amount of both the third and fourth dividends was 0.150 euros per share.

Total gross dividend paid in the calendar year

The dividends paid in 2005 totalled 134.2 million euros, in comparison with the 119.8 million of the preceding year, representing a 12% increase and a pay-out of 93.4%, thus continuing the progressive increase in this rate over recent years.



Capital increase

After the first quarterly dividend charged to the 2005 profit had been distributed on June 13, 2005, the capital increase approved by the General Meeting of Shareholders held on April 21, 2005 took place.

The ratio was one new share for each ten old outstanding shares, by means of the issuance of 21,647,369 new bonus shares charged to the Voluntary Reserve, for an amount of 2,164,736.90 euros.

The subscription took place between June 13 and 27, 2005, inclusive. As a result of this increase, the capital stock rose to 23,812,106.60 euros, represented by 238,121,066 ordinary 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, received the dividends distributed on September 12 and December 10, 2005.

The new shares were listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges, effective July 29, 2005.

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 21, 2005.

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

Stock Market

The Spanish stock market ended its third year of heavy revaluations. The main indicator, the IBEX 35, gained 18.2 percent in 2005, which was added to the rises of 28.2 and 17.4 percent in 2003 and 2004, respectively.

2005 was the year of the small and medium-sized securities in the Spanish market. Several dozens of them amply exceeded the stock market's average profitability and nine companies more than doubled their quoted price.

The great interest shown by the investors in this type of securities led to the creation of two new Spanish stock market indices, the IBEX Small Cap and the IBEX Mid Cap –in which the Zardoya Otis share was included-, which began to operate in July 2005. In addition, the avalanche of purchases of shares in these companies had a great deal to do with the growing activity of venture capital funds, which has become a determining factor in the market.

The markets have confirmed their attraction by meeting the challenge of threats so serious for the economy as the rise in oil prices, which reached their highest point of over 70 dollars, and the successive interest rate increases in the United States, in addition to the change in monetary policy in Europe with the first rise in rates in five years.

The stock markets, notwithstanding, found several allies. Firstly, with the 15% drop in the euro, which improves European export expectations. Secondly, with the symptoms of economic recovery in Europe and the solid growth of the United States. And, lastly, with the healthy state of companies in general, which presented record results and, apart from some exceptions, raised their forecasts for the year 2006.

European investors appear to have become convinced that the worst of the crisis has passed and that Germany will gradually recover strength and, therefore, the markets have distanced themselves from the pessimism that has recently been predominant in the United States market, where the interest rate rises have left a bitter sensation among the investors, who fear that the high price of money will lead to a slowdown in economic growth in a fairly immediate future.

For the first time in four years, the euro lost against the dollar in 2005, ending the year at 1.1830 dollars, 12 percent lower than twelve months earlier.

The difference between interest rates at the two sides of the Atlantic –in favour of the United States currency- and the institutional crisis into which the European Union sunk in the middle of the year after the draft European Constitution had been rejected, tilted demand towards the dollar, at the expense of the common currency.

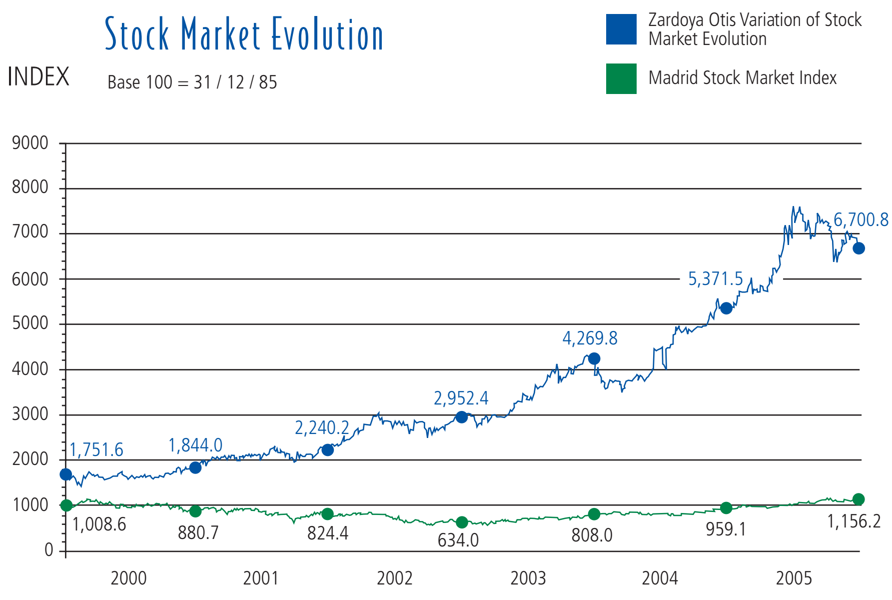
Evolution of Zardoya Otis, S.A.

During the upward cycle of the international and Spanish stock exchanges, the evolution of Zardoya Otis' shares once again beat the main references indices in 2005 (IBEX-35 and the General Index of the Madrid Stock Exchange). This has been happening uninterruptedly since the year 2000. The price of the share at the 2005 year end was 21.40 euros per share, which represented a revaluation of 24.7% in relation to the adjusted share value of 17.15 euros at the 2004 year end. The adjustment to which we refer is the result of dividing the value of 18.87 euros at December 31, 2004 by 1.1, as a consequence of the 1 x 10 bonus issue carried out in June 2005.

With 2005, Zardoya Otis has now achieved an upward evolution in the markets over 6 consecutive years. This meant that the stock market capitalization was 5,096 million euros at the 2005 year end, in comparison with the 1,332 million with which it ended 1999. In these 6 years, therefore, the capitalization has been multiplied by 3.8.

Reflecting this excellent sustained behaviour on the Stock Exchange, the PER rose again in 2005, reaching 35.5 at the year end.

The keys to Zardoya Otis' stock market evolution have not changed. If anything, they have been reinforced. They are, basically, the company's capacity to generate growing profit rates year after year, irrespective of whether the economic cycle is favourable or otherwise, and the company's shareholder remuneration policy, very much appreciated among the investor community because of its scope, continuity and predictability, qualities which are all very attractive in the context of the uncertainties of the global economy.



Zardoya Otis' Index is the % variation in its Stock Market Capitalization

In the usual way, to allow the evolution of our shares to be analyzed historically, we provide a chart with the key figures since 1990, the year when the selective index IBEX-35 first appeared.

Historical Stock Market Data (Euros)

Date	Capital Increase 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	1.47	5.69	13.8	80.1	350.2
dec-91	1 x 5	61.30	1.70	15.46	14.0	75.5	404.4
dec-92		52.23	1.45	(14.80)	11.0	79.8	344.6
dec-93	1 x 10	81.74	2.49	72.15	17.0	80.8	593.1
dec-94	1 x 10	82.28	2.76	10.73	17.4	57.4	656.8
dec-95	1 x 10	79.63	2.94	6.46	17.0	98.4	699.2
dec-96	1 x 10	90.75	3.68	25.36	19.5	100.9	876.5
dec-97	1 x 10	106.68	4.76	29.31	22.0	80.8	1,133.4
dec-98	split 5 x 1 and 1 x 6	26.62	6.93	45.56	28.9	84.7	1,649.8
dec-99	split 2 x 1 and 1 x 10	9.77	5.59	(19.26)	21.2	89.9	1,332.1
dec-00	1 x 10	9.35	5.89	5.27	19.7	94.0	1,402.3
dec-01	1 x 10	10.42	7.15	21.49	20.7	90.8	1,703.6
dec-02	1 x 10	12.55	9.43	31.79	22.9	88.9	2,245.2
dec-03	1 x 10	16.50	13.64	44.62	28.0	87.4	3,247.1
dec-04	1 x 10	18.87	17.15	25.80	31.2	91.7	4,084.9
dec-05	1 x 10	21.40	21.40	24.75	35.5	93.4	5,095.8

(*) Dividends paid in the calendar year / Profit after tax

In the company's more than 30 years' history on the Stock Exchange, one of the main priorities of the Board of Directors of Zardoya Otis has always been creating 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 (in 1979) and is the only one that has maintained this policy uninterruptedly over the last 26 years. The dividend paid on December 10, 2005 was the 104th 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 risen 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 contributions 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 -24 in the last 25 years-, maintaining the same dividend for all the new shares issued and recovering the price the share had before the bonus issue took place.
As may be seen in the Stock Market Data chart, at December 31, 2005, the total annual profitability of a share acquired at the closing price on December 31 comprised one part relating to the dividend received and another relating to the variation in the adjusted share price. In 2005, the total profitability was 28.0%, which should be added to the 29.5% of 2004, the 49.1% of 2003 and the 36.9% of 2002.

Forecast Evolution

Far from the deceleration that many forecast for the building sector in 2005, this sector once again showed considerable strength and confirmed its position as one of the driving forces behind the Spanish economy, which continues to lead the growth levels in the whole of the European Union.

This favourable environment is reflected in the new orders obtained by Zardoya Otis in 2005, which were very similar to those of the record year 2002, allowing the Company to enjoy a very significant backlog of unfilled orders.

In the light of these factors (and, primarily, the markedly anti-cyclical nature of a very significant part of our activity), we can contemplate 2006 with moderate optimism.

Otis GeN2 Comfort, the efficient solution for homes

The new Otis GeN2 Comfort model is mainly aimed at the residential segment, where silent performance, energy saving and durability are indispensable.

This is a machine room less elevator with a permanent-magnet engine. The main innovation is that it does not use the traditional steel traction and suspension ropes, but flat polyurethane-coated steel belts exclusive to Otis (GeN2 system), which allows the greatest technological advances to be applied to eliminate noise and save both energy and space.

The flat belts weight 20 percent less than the traditional ropes and use a considerably smaller traction sheave, which allows the mechanical components to be made lighter and smaller, thus reducing energy consumption by up to 70 percent. At the same time, contaminating waste is not generated, since neither the polyurethane belts nor the machine need oiling.

Moreover, Otis' new elevator has a gearless machine. Thus, numerous mobile parts are eliminated, reducing wear and tear, increasing reliability and durability and attaining a considerable quieter performance, an aspect of fundamental importance that provides greater comfort for the top floors of buildings. The GeN2 Comfort travels at a speed of 1 metre per second and has been designed to carry loads of from 320 kg. (4 people) to 1,000 kg. (13 people). It includes variable frequency movement control, which provides greater comfort and a smoother performance, and an excellent stopping accuracy. In the residential market at present, it is very usual for the speed control to have two speeds, which makes for a much less comfortable trip than that attained when the control is by variable frequency.

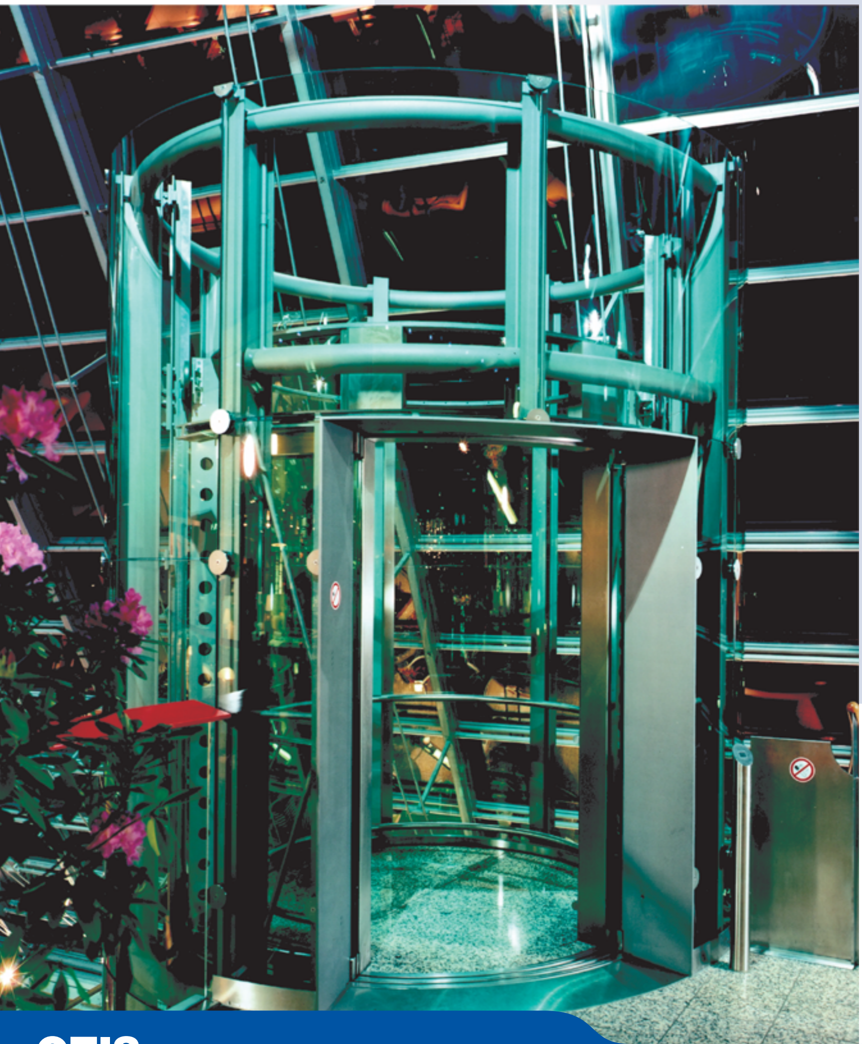
GeN2 system, the reinvention of the elevator

The GeN2 represented the first substantial change in traction technology since the elevator was invented in 1853. The use of flat belts, rather than the traditional steel ropes, has become one of Otis' distinguishing features. It is a technology developed and patented by Otis.

On each belt, 12 parallel groups of 588 steel wires are distributed. They are 3 mm thick and 30 mm wide and each one of them can support a weight of 3,200 kg.

The reinforced steel belts are much more flexible than the ropes, which makes it possible to use a traction sheave with a very small diameter and a small machine. Thus, the machine room becomes unnecessary. Furthermore, they are very quiet and last for two or three times longer than the traditional ropes because, since the surface of adherence is larger, they undergo less wear.

Du to their polyurethane coating, they do not require lubrication (unlike the traditional ropes, which have to be lubricated through their central core) and a more silent performance is attained with less vibrations, since direct contact of metal with metal is avoided.



Decoration

Óptima, quality and functionality

The Óptima cab is a perfect example of how elegance is attained through a simple and original design. Its unmistakable personality is marked by the control panel, from where the cab lighting originates.

In addition to creating a pleasant atmosphere, its simple curved design endows the cab with originality and elegance. Furthermore, the steel buttons guarantee reliability and durability. Attractive easy-maintenance finishes are offered in three different materials.

Selecta, personality and distinction

The attractive concept of a car operating panel from which the cab lighting originates, creating a pleasant atmosphere, is complemented by a large selection of finishes for the car panels. The wide range of options is also applicable to the floor, together with two attractive designs for the handrails.

The car operating panel is offered in two versions: with or without button plates. In the latter case, the floor numbers are cut by laser.

Lúmina, a contemporary classic

Probably the most significant factor that defines a cab is the lighting. In the Lúmina cab, we have created an extraordinary range of possibilities, varying from the most discreet to the most sumptuous. In combination with 4 possible materials for the wall finishes, infinite aesthetic effects may be attained.

The great pains that have been taken over the details are obvious in the cab accessories: ranging from the directional cab light, which uses blue LED diodes to achieve a greater light intensity, to the aluminium kick plates.

In the year 2005, the increase in the demand for our products that had commenced in the preceding year continued, reaching a historical record in relation to the supply of complete elevators. In this section, we should highlight the favourable evolution of exports to other Otis companies, which grew by 13.2%. All this speaks clearly of the quality of our elevators, also corroborated by the fact that various other Otis companies have taken them as references for the benchmarking of their own elevators.
One of the consequences of this increase in activity is that the plants' contribution to the company's profit grew by 11.7%.
During the year, the upward pressure on material prices was confirmed, although the evolution was uneven. Thus, while steel plate behaved favourably in the second half of the year, the prices of aluminium and copper showed a spectacular increase in the last few months, as was also the case of logistic costs and plastics, as a result of the increase in crude oil and the rise in value of the dollar. In order to contain the inflationist threat that this represented for our costs, a program to detect opportunities and reduce inefficiencies was launched, involving a large part of the personnel, as may be seen by the fact that almost 40% of the suggestions made in the Company came from manufacturing. This effort and the beneficial effect of the increase in volume, which allowed us to reduce the repercussions of the fixed expenses per unit produced, partially palliated the impact of the raw material price increase on the cost of the product.
Although all the foregoing is very significant, we will remember the year 2005 as the year in which Zardoya Otis launched its Otis GeN2 Comfort model.

This machine room less elevator, designed in Spain, has allowed a reduction in the weight of machinery and its suspension elements, which has a beneficial effect, not only by reducing the energy used by our customers to operate their elevators and the raw materials employed in the elevator components themselves, but also on the energy and by-products consumed in the manufacturing processes.

We have estimated that, when all the machine room less elevators produced by Zardoya Otis use this technology, around four million kilos of materials will be saved per year. Not in vain has this elevator been chosen by the magazine Actualidad Económica as one of the 100 best ideas of 2005 and received a prize for Social Responsibility due to its considerable energy saving and low noise level.

Turning to other matters, the decrease in component production was much less than expected. Thus, shipments of geared machines dropped by only 1.7%, in spite of the fact that, in most of the markets we supply, Otis has bet on promoting the GeN2 model equipped with a gearless machine, produced in the USA and China. Anticipating that the technological change will inevitably affect us and that the production of geared machines will drop very considerably, a project was launched in the year to design and manufacture locally a gearless machine equipped with a permanent-magnet synchronous engine, with which we hope to equip the Gen2 elevators commercialized by Zardoya Otis and compete with the foreign manufacturers in supplying to other Otis companies. The mass production of this innovative machine should commence in mid-2006.

The constant improvement in the quality of Zardoya Otis' products and services, which has enabled it to reach and maintain the leading position in its sector, has always been one of the Company's priorities.

For several years, Zardoya Otis has been implementing the corporate program A.C.E. (Achieving Competitive Excellence), aimed to optimize processes in all the Company's activities (commercialization, design, manufacturing, assembly, maintenance and management) with the goal of attaining the Excellence that allows us to fully satisfy our customers, at the same time as failures, time wasting and activities with no value-added are eliminated and competitiveness is assured.

This program was launched by United Technologies Corporation (UTC), the parent company of Otis Elevator, and is a system common to the whole Corporation, starting on three premises:

- Processes will be carried out without failures or errors "at the first attempt".
- Anything that prevents this from being achieved will be a difficulty, which will be considered a treasure, since it will show us why and how the errors took place, giving us the opportunity to eliminate them.
- The result will be measured objectively (process metrics) and subjectively (customer opinions). There are three areas of action within this program:

• ACE Manufacturing: Aimed to improve manufacturing processes. This is the program applied to the Madrid and San Sebastián plants.

• ACE Management: Aimed to optimize the Company's management processes. Implemented in the head administrative offices and for the commercial network management area.

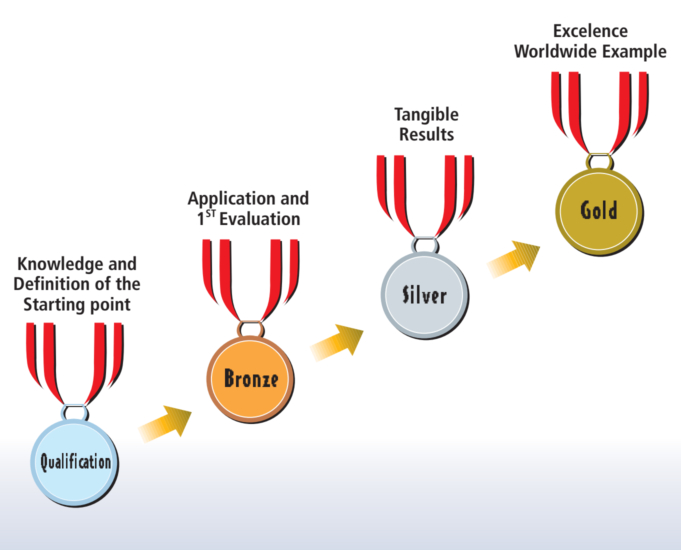
• ACE Sales and Works: Addressed to the operational processes of the commercial network. This is the program applied to the Company's basic business processes: Sales, Assembly, Maintenance, Unit Modernization, Customer Service and Collections.

The priority of the ACE program is to find the initial cause of the errors and thus identify, prioritize and continuously improve the processes, avoiding delays and failures on the basis of employees' knowledge and application of the following Decalogue:

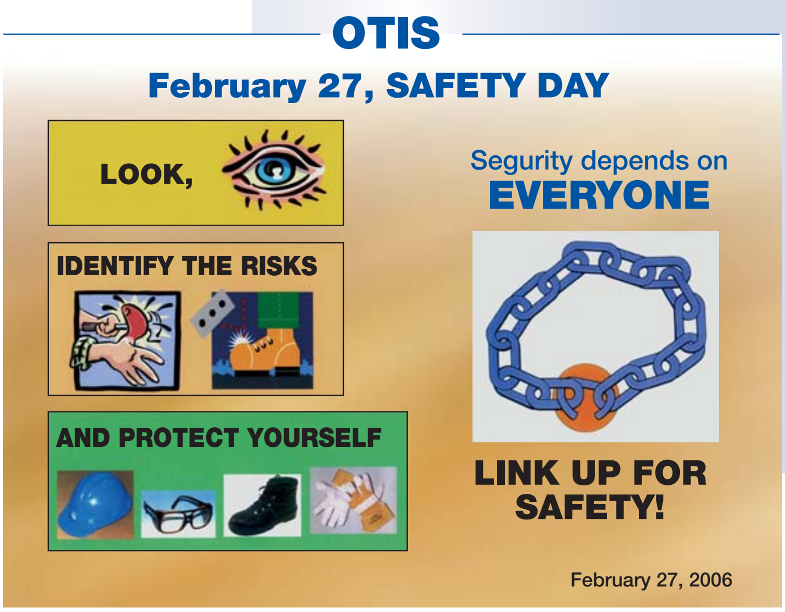
Achieving Competitive Excellence

1.Oriented at the Company's business. The result of ACE activity is measured in tangible benefits.
2.Team work and active participation.
3.Put the work environment in order and always keep it in optimal condition without risks.
4.Always keep the Company's tools and equipment ready for immediate use.
5.Describe the processes without ambiguities, continually analyze and improve them.
6.Measure errors, analyze the causes thereof as a team and establish corrective actions intended to eliminate the causes of the error definitively.
7.Identify unnecessary activities, those which do not add competitive value, in each process and eliminate them.
8.Obtain the customer's opinion on our products and services, analyze and set up plans for continuing improvement.
9.Treat complaints as an opportunity that allows failures to be detected and eliminated definitively.
10.ACE is a CONTINUING IMPROVEMENT PROCESS that is evaluated and certified at four levels.

The certification at each one of these levels is carried out in audits performed at each work centre and central area or department. These audits evaluate the degree to which the requirements fixed for each level are met, the improvements made and the quantifiable benefits obtained.



Zardoya Otis is aware of the role it must play in the Spanish market, due to its number of employees and long list of customers, its presence in every corner of the country and the social relevance of the industry in which it operates, vertical transport, on which everyone's everyday mobility depends to a greater or lesser degree. Neither should we forget, of course, the growing number of investors who, year after year, decide to place part of the savings they have today or their provisions for the future in our shares.
Thinking about this whole universe of different publics, the Company wishes to go beyond mere trading activity to create profound links with all of them through a Corporate Social Responsibility strategy capable of generating mutual benefits in all areas, ranging from safety to conservation of the natural environment.



Safety

Zardoya Otis has been implementing a full Safety, Health and Environment Management System for years in all its work centres. This System establishes the activities and guidelines to follow in order to reach the highest standards in the sector in these areas.
The structure of this Management System begins with Management commitment, which is communicated to all the employees through the Safety, Health and Environment Policy and personal participation in the different activities established each year in the pertinent Plan.
This Policy establishes the priority objective of providing all the Company's employees with a safe work place and conserving the environment. This, combined with an exhaustive evaluation of the work place and the innovative design of methods, tools and work teams, allows us to permanently develop better and safer products, an aspect which distinguishes us in the market and is valued positively by our customers and users.
The participation and training of all the employees is of basic importance in attaining the objectives and, in this respect, the Company has established programs like the suggestion program, safety meetings and courses, communications on lessons learnt from incidents and accidents, safety campaigns, drawing contests or Safety Day itself (February 27), which has been taking place in the Company for the last eight years.

The Management System, combined with the participation and efforts of all those involved (management, employees, Safety Committee, technical Committees, etc.), means that the Company's safety culture becomes stronger each year and that rules in this respect are applied, not as impositions, but due to the belief that they are beneficial to all concerned. These actions have made a reduction in the accident rate possible for a further year, meaning that the favourable trend continues and showing the efficiency of our Management System, clearly bringing us closer to the final goal of Zero accidents.

Environment

Activities to improve and protect the environment are one of the basic aspects of Environment Plans of the Company and our plants. The most appropriate materials, processes, products and packaging for each piece of equipment are permanently being studied to improve their safety, quality and effect on the environment. Certification under the Standard ISO14001, achieved at our three plants (Madrid, San Sebastián and Munguía), together with the highly favourable reports obtained in the various audits that have been conducted, bear out the efficiency of Zardoya Otis' Environment Management System and of the actions and programs that have been implemented, which are developed further each year, in order to continually improve the reduction and/or elimination of waste, pollution, etc.

Through the suggestion program, in which all the Company's employees can participate, ideas are received on components, processes, etc., which contribute to improve different aspects related to the environment.
Some of the most relevant actions that have been implemented and have given rise to environmental improvements have been the replacement of welded parts by parts joined in a different way, the change of materials in order to reduce or eliminate painted parts, the elimination of the paint line, the elimination of several chemical products, a reduction in energy and industrial water consumption, the replacement of glue or the elimination of organic vapour emissions. Continuing with the environment policy, in 2005 the Otis GeN2 Comfort elevator was launched. Thanks to its exclusive flat-belt design, it consumes 41% less energy than a conventional two-speed elevator. This aspect contributes significantly to reducing CO_2 emissions into the atmosphere. It also means a reduction of 51% in the generation of contaminating waste in comparison with a conventional electric elevator and more than 95% in comparison with a hydraulic elevator.
These environmental practices, which began many years ago in the plants and now form part of the Company's environmental culture, allow a significant and progressive improvement to be attained each year in all the parameters related to the environment.

Smokeless Campaign

In view of the foreseeable approval of the legislation that would prohibit smoking in work centres from January 1, 2006 onwards, Zardoya Otis wanted to anticipate events and promoted a transition period until said law came into force. During this period, the Company tried to help smokers to adapt to the future situation in the best way possible.

For this purpose, an information campaign was launched on the need to create smoke-free spaces, given the evidence of the impact on people´s health of both active and passive smoking.

Visual material of varius kinds was designed to support this campaign and was distributed to all the Company´s work centres: posters, stickers and informational leaflets.

This Medical Service team advised those who were interested in stopping smoking on the methods available to do so and the Company paid for the treatment of all employees who decided to stop.

This iniciative fell within the framework of Zardoya Otis´health at work policy, which includes the commitment to adopt the measures necessary to attain the objective of offering its workers the means and training required to work with a high degree of health and safety at work and in the environment.

Training

The purpose of our Company's Strategic Training Plan, based on the prior identification of strategic needs in this area, is simply systematic support of our employees in order to have the most highly trained, prepared and motivated personnel in the sector, thus also helping the cultural change represented by the introduction of Service Excellence, for the benefit of our customers, the society and our shareholders.

We should highlight the following training activities in the course of 2005: Service Excellence seminars and courses, technical training, health and safety at work, management development, commercial management, quality, communications, computing, ethics and English. In the technical training, the new Otis GeN2 Comfort has played the leading role.

A total of 387 seminars and courses were imparted in the aforementioned areas, most of which were attended in person, representing 30,000 hours, with an average of 36 hours per person in the Group.

The final objective of this Plan was to develop and reinforce the different levels of the Company in Service Excellence, competitiveness, innovation, initiative, team work, leadership, etc., thus improving the competency profiles that comprise the organization, within the strategy based on Management by Competency.

Educational program for employees

This program commenced in 1997, at the initiative of United Technologies Corporation (UTC) and its final objective is to provide the maximum support for the education and individual development of all the people who wish to study professional training, university access, lower or higher university studies, doctorates, masters' degrees, etc. at public institutions. These studies are fully financed by the Company 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.

A total of 33 people studied under this program in 2005, 9 of whom were studying for masters' degrees, 6 for ordinary degrees in engineering and other subjects and 16 for technical engineering degrees and diplomas, while 2 followed additional programs.

Training program for scholarship-holders

For the last 18 years, our organization has been signing framework agreements for collaboration with the most prestigious public and private universities in the country and cooperation agreements with public professional training institutes.

The initiative has a clear social objective, in other words, it allow new promotions of students the opportunity to undergo their first professional training in the business world, coordinated by the aforementioned public and private institutions.

In 2005, 112 students underwent training. In the last 12 years, 18% of all the people who have participated in this program have been hired.

Social action

Zardoya Otis' philosophy regarding its social action works on the basic premise of employee participation. When there is any initiative, it is the employees who devote their time and efforts to collecting funds, organizing events or carrying out different activities. In exchange, the Company undertakes to contribute the same amount of money as has been previously collected by the employees. Thus, the employees are stimulated to take a really active and palpable part.

As has now become traditional, Zardoya Otis' most important collaboration is with Special Olympics, an association founded in the sixties by Eunice Kennedy Shriver and presided in Spain by H.R.H. Princess Elena. 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.

In 2005, Zardoya Otis had a significant presence in the basketball championships for the mentally disabled that were held in November in Madrid. More than sixty employees, family members and friends were present at the municipal facilities of the Marqués de Samaranch Sports Centre in order to help the players, collaborate in the organization of the adapted games or simply encourage the participants.

Zardoya Otis' relationship with Special Olympics seeks employee commitment and also customer collaboration. With regard the former, apart from their monetary contributions and the voluntary work carried out by many of them, there is an Otis Team composed of 50 people that manages the different fund-raising events organized.

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.

Special Olympics
España

Other associations

Other associations, such as Nantik Lum or Save the Children, have also benefited from the solidarity of the Zardoya Otis employees. Several conventions, which have been successively renewed, have been signed with Nantik Lum in order to help various groups: among them, six formed by 164 women from the Lacandona Jungle (Chiapas, Mexico), representing 975 families.

In 2005, the Chiapas women made notebooks, which were distributed to our employees and branches in return for a donation. The amount collected was sent to the area in order to solve family and community needs in the region.

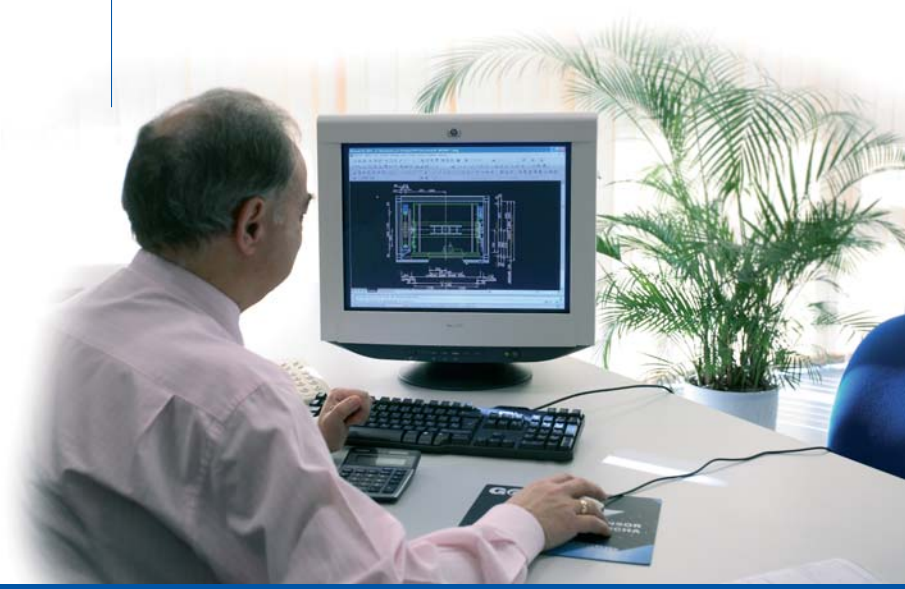
This assistance is, fortunately, leading to the consolidation of the micro-company among these groups, which, in turn, helps to improve the leadership of the indigenous woman.

Zardoya Otis was likewise present at the 1st International Campus for solidarity organized by Save the Children. A group of 46 Iraqi boys and girls travelled to Cuacos de Yuste (Caceres) to spend a few weeks far from the conflict that is taking place in their country and enjoy a period of leisure, education and multicultural living with Spanish boys and girls.

The Company collaborated with Save the Children by contributing the medical services that attended to the children during the campus

Auditor´s Report and Consolidated Annual Accounts

Zardoya Otis Group



Audit Committee

The Audit Committee has held seven meetings in 2005, 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 2005.

3. Increase in share Capital.

4. Follow up of the Internal Control Plan 2005.

5. Financial Information Rules (NIIF).

6. Corporate Governance Report.

7. Review, with the external auditors, of the individual Annual Accounts and those for the consolidated group for the year 2005, later on formulated by the Board of Directors.

8. Proposals to the Board of Directors for the appointment of auditors for Zardoya Otis, S.A. and the consolidated Group for the year 2006.

9. Review of the intercompany transaction with the majority shareholder Group of Zardoya Otis, S.A.

10. Review of the application of the Technical Assistance Contract with Otis Elevator Company.

The minutes of the meetings of the Audit Committee 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, 2005, 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 2005. Our opinion refers exclusively to the consolidated annual accounts for 2005. On March 4, 2005, we issued our audit report on the 2004 consolidated annual accounts, in which we expressed an unqualified opinion.

3. In our opinion, the accompanying consolidated annual accounts for the year 2005 present fairly, in all material respects, the consolidated financial position of Zardoya Otis, S.A. and its subsidiaries (Zardoya Otis Group) at November 30, 2005 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 2005 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 2005. 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.

Stefan Mundorf
Partner

March 3, 2006

PricewaterhouseCoopers Auditores, S. L. - R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79031290

Consolidated Balance Sheets

at November 30, 2005 and 2004 (In thousands of euros — ETHs)
(Before the application of the results obtained in the year)

ASSETS	2005		2004	
FIXED ASSETS				
FORMATION EXPENSES		-		3
INTANGIBLE ASSETS (Note 5)		19,505		16,740
Research and development costs	2,374		2,192	
Concessions and patents	8,806		8,141	
Goodwill	24,585		18,690	
Software	381		381	
Capital leases	51		771	
Amortization	(16,692)		(13,435)	
TANGIBLE FIXED ASSETS (Note 6)		15,213		13,659
Land and buildings	9,183		9,189	
Technical installations and machinery	24,873		23,512	
Other installations, tools and furniture	21,764		19,009	
Fixed assets in progress	486		694	
Other fixed assets	20,046		18,603	
Depreciation	(61,139)		(57,348)	
INVESTMENTS (Note 7)		22,348		26,288
Investments in Group's companies	815		4,991	
Other investments	32		32	
Long-term deposits and financial guarantees	473		519	
Public Treasury long-term	21,036		20,754	
Provisions	(8)		(8)	
LONG-TERM TRADE DEBTORS. (Note 10)		3,021		3,520
Long-term notes receivables	3,021		3,520	
TOTAL FIXED ASSETS		60,087		60,210
GOODWILL ON CONSOLIDATION (Note 8)		13,421		3,100
Full integration method companies	13,421		3,100	
DEFERRED CHARGES		-		1
CURRENT ASSETS				
INVENTORIES		131,660		124,224
Raw materials	14,400		12,470	
Products in progress	7,808		8,536	
Costs of contracts in progress (Note 9)	109,452		103,218	
DEBTORS		240,028		216,788
Customers (Note 10)	198,675		179,600	
Sundry accounts receivable (Note 11)	15,907		15,768	
Personnel	592		580	
Public Treasury (Note 12)	48,726		45,695	
Provisions (Note 10)	(23,872)		(24,855)	
SHORT-TERM INVESTMENTS		154,136		167,199
Short-term securities portfolio (Note 13)	62,333		55,801	
Loans to affiliated companies and Othe (Note 13)	91,475		111,095	
Short-term deposits and financial guarantees	328		303	
CASH AND BANKS		6,073		5,609
TIMING ADJUSTMENTS		344		911
TOTAL CURRENT ASSETS		532,241		514,731
TOTAL ASSETS	ETHs	605,749		578,042

LIABILITIES		2005		2004
SHAREHOLDERS' EQUITY (Note 14)		138,979		130,364
Capital stock	23,812		21,647	
Legal Reserve	4,763		4,329	
Voluntary Reserve	35,746		34,218	
Reserve for subsidiary companies	33,779		30,742	
Profits for the year	143,704		130,741	
Interim dividends (Note 3.b)	(102,825)		(91,313)	
MINORITY INTERESTS (Note 16)		5,867		4,653
LONG-TERM CREDITORS		26,230		31,671
Debts with financial institutions	26		-	
Notes payable	18		-	
Other Long-Term Debt (Note 18)	26,186		31,671	
SHORT-TERM CREDITORS				
DEBTS WITH FINANCIAL INSTITUTIONS (Note 19)		1,947		2,105
Loans	279		-	
Interest	1,668		2,105	
TRADE CREDITORS		221,493		213,010
Suppliers (Note 20)	61,051		55,928	
Notes payable	1,335		1,680	
Billings on contracts in progress (Note 9)	159,107		155,402	
OTHER NON-TRADE DEBTS		157,615		147,411
Public Treasury (Note 12)	85,908		75,824	
Other payables	45,910		45,075	
Accrued salaries and wages	25,797		26,512	
PROVISIONS FOR TRADING OPERATIONS (Note 21)		24,104		26,581
TIMING ADJUSTMENTS (Note 22)		29,514		22,247
TOTAL CURRENT LIABILITIES		434,673		411,354

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	ETHs	605,749	578,042

Consolidated Profit and Loss Accounts

For the years ended November 30, 2005 and 2004
(In thousands of euros — ETHs)

	2005		2004	
INCOME		702,997		667,789
Sales (Note 25.a)	700,740		665,532	
Work carried out by the Company for fixed assets	2,245		2,192	
Other income	12		65	
EXPENSES				
Supplies (Note 25.b)		(230,122)		(225,812)
Personnel costs (Note 25.c)		(200,275)		(191,270)
Salaries and wages	(148,484)		(141,896)	
Social security	(47,228)		(44,925)	
Welfare commitments (Note 17)	(4,563)		(4,449)	
Depreciation of fixed assets		(10,414)		(9,050)
Tangible (Note 6)	(4,206)		(3,813)	
Intangible (Note 5)	(6,208)		(5,237)	
Variation in the provision for doubtful debts		1,182		151
Variation in the provision for risks		1,542		-
Other trading expenses		(45,775)		(40,891)
External services (Note 25.d)	(45,135)		(40,313)	
Taxes	(640)		(578)	
TRADING PROFITS		219,135		200,917
Income from capital investments	8	8	-	
In associated companies	-		-	
Income from other marketable securities		595		637
Other financial interest		3,692		3,830
Positive exchange rate differences		799		814
Financial expenses		(3,206)		(4,286)
Negative exchange rate differences		(1,007)		(693)
FINANCIAL PROFITS		881		302
Amortization of goodwill on consolidation (Note 8)		(2,224)		(2,129)
PROFITS FROM ORDINARY ACTIVITIES		217,792		199,090
Profit (loss) from the sale of fixed assets		67		103
Variation in provisions		-		-
Securities portfolio	-		-	
Other extraordinary profits (Note 25.e)		3,155		4,386
Other extraordinary losses		(2,232)		(2,948)
EXTRAORDINARY PROFITS (LOSSES)		990		1,541
PROFIT BEFORE TAX		218,782		200,631
Corporate tax (Note 23)		(73,241)		(68,100)
Minority interests (Note 16)		(1,837)		(1,790)
PROFIT AFTER TAX		143,704		130,741
NET PROFIT AVAILABLE FOR DISTRIBUTION	EThs	143,704		130,741

NOTE 1. OPERATIONS

The group is engaged in the manufacture and installation of elevators and 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 subsidiaries 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 ZARDOYA OTIS, S.A.

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

Available for distribution		
Net profit available for distribution		140,681
	EThs	140,681
Distribution		
To legal reserve		476
To voluntary reserve		471
To dividends		139,734
	EThs	140,681

b) During 2005 Zardoya Otis, S.A., paid the following interim dividends:

1st Dividend: 0,145 Euros gross per share. Declared on June 2, 2005 and paid out on June 10, 2005.		
Shares: 216,473,697. Total: 31,388,686.07 Euros		31,389
2nd Dividend: 0,150 Euros gross per share. Declared on September 2, 2005 and paid out on September 12, 2005.		
Shares: 238,121,066. Total: 35,718,159.90 Euros		35,718
3rd Dividend: 0,150 Euros gross per share. Declared on November 3, 2005 and paid out on December 10, 2005.		
Shares: 238,121,066. Total: 35,718,159.90 Euros		35,718
Interim dividend	EThs.	102,825

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	August	October
Gross profit from December 1, 2004		59,800	119,321	157,008
Estimated corporate tax to be paid		(22,405)	(36,548)	(53,456)
Available net profits	EThs.	37,395	82,773	103,552
Total cumulative amount distributed previously		-	31,389	67,107
Maximum quantity available for distribution	EThs.	37,395	51,384	36,445
Proposed and distributed interim dividends	EThs.	31,389	35,718	35,718
Liquidity in cash and banks		550	482	1,102
Short-term financial investments		112,102	126,162	91,999
Short-term loans		-	(834)	
Net liquidity	EThs.	112,652	125,810	93,101

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, 2005 Zardoya Otis, S.A. has paid the other quarterly dividend:

4th Dividend: 0,155 Euros gross per share. Declared on February 23, 2006 and paid out on March 10, 2006.	
Shares: 238,121,006. Total: 36,908,765.23 Euros	36,909

The total interim dividend paid out and charged to 2005 results was EThs 139,734.

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 is accounted for as "Consolidation Goodwill", which is amortized on a straight line basis over a period of 10 to 20 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, Masel Otis-Elevadores de Madeira, Lda, Raul de Oliveira Elevadores, Lda and Savirel, Lda), which are being amortized over a period of 5 years.

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

	2005	2004
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%
Grupo Rolltore	81.07%	-

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 manufacturee 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. and Grupo Rolltore (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 twenty 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, 2005 includes the effect of the revaluation carried out under Royal Decree Law 7/1996 of June 7. 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 provisions 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 mora 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, 2005, the actuarial calculations were made on the basis of actuarial -financial hypotheses which include an annual discount rate of 4.0% (4.0% in 2004), mortality tables PER 2000 (PER 2000 in 2004) and tables of growth in income in keeping with the habitual practice of the environment. Likewise, in 2005 the actuarial calculations have considered an estimated retirement age of 62 years which coincides with the age also estimated in 2004.

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, 2005 amount to EThs 3,907 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 EThs 31,493 (EThs 45,685 at November 2004).

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, 2006 and which amounts to EThs 7,544 (EThs 8,590 at November 2004) 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 advance invoicing.

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 upp the intangible assets are the following:

	2003	Increases	Decreases	Other	2004	Increases	Decreases	Other	2005
Research and development costs	2,322	2,192	(2,322)	-	2,192	2.244	(2,062)	-	2,374
Concessions and patents	7,143	1,107	109	-	8,141	1,707	(794)	(248)	8,806
Goodwill	16,204	2,486	-	-	18,690	5,895	-	-	24,585
Assets acquired through leasing contracts	771	-	-	-	771	29	(11)	(738)	51
Software	359	22	-	-	381	-	-	-	381
Cost	26,799	5,807	(2,431)	-	30,175	9,875	(2,867)	(986)	36,197
Research and development costs	2,322	2,192	(2,322)	-	2,192	2,244	(2,062)		2,374
Concessions and patents	4,183	820	(108)	-	4,895	1,546	(707)	(55)	5,679
Goodwill	3,785	2,075	-	-	5,860	2,399		3	8,262
Assets acquired through leasing contracts	67	90	-	-	157	1	(8)	(122)	28
Software	274	57	-	-	331	18	-		349
Accumulated amortization	10,631	5,234	(2,430)	-	13,435	6,208	(2,777)	(174)	16,692
EThs.	16,168				16,740				19,505

The amount paid in relation to assets being acquired under finance leases in 2005 amounts to EThs 48 (EThs 372 at November 30, 2004).

At November 30, 2005, the Company's Goodwill from merged companies (see notes 4.a) and 4.c)) is as follows:

	Cost	Amortization	Net
Elevamar, S.L.	1,467	(675)	801
Ideal Boid, S.L.	9,600	(3,844)	5,756
Intedel, S.L.	1,717	(885)	832
Hermanos Gonzalo, S.L.	773	(541)	232
Ascensores Artzai, S.A.	568	(341)	227
Lorenzo Girón, S.L.	992	(338)	654
Molpla, S.A.	1,240	(424)	816
Valenciana de Ascensores, S.L.	937	(86)	851
Sadet, S.A.	1,071	(429)	642
Ascensores Huesca, S.L.	417	(167)	250
Goberna, S.A.	3,941	(361)	3,580
Cardellach, S.A.	1,853	(170)	1,683
EThs	24,585	(8,262)	16,323

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

	2003	Increases	Decreases	Others	2004	Increases	Decreases	Others	2005
Land and buildings	9,226	-	(37)	-	9,189	-	(6)	-	9,183
Technical installations and machinery	23,130	455	(56)	(17)	23,512	633	(4)	732	24,873
Other installations, tools and furniture	17,685	1,446	(122)	-	19,009	2,973	(572)	354	21,764
Assets in progress	264	937	(507)	-	694	1,046	(1,254)	-	486
Other assets	18,204	1,400	(1,018)	17	18,603	1,262	(894)	1,075	20,046
Restated cost	68,509	4,238	(1,740)	-	71,007	5,914	(2,730)	2,161	76,352

	2003	Increases	Decreases	Others	2004	Increases	Decreases	Others	2005
Land and buildings	6,186	232	(6)	-	6,412	230	(4)	-	6,638
Technical installations and machinery	18,768	1,136	(52)	(3)	19,849	1,155	(4)	115	21,115
Other installations, tools and furniture	14,177	1,196	(119)	(21)	15,233	1,475	(515)	82	16,275
Other assets	15,582	1,249	(1,004)	27	15,854	1,346	(278)	189	17,111
Accumulated depreciation	54,713	3,813	(1,181)	3	57,348	4,206	(801)	386	61,139
Net tangible fixed assets	13,796				13,659				15,213

Zardoya Otis, S.A. revalued its balance sheet at November 30, 1996 under Royal Decree Law 7/1996 of June 7, 1996, applying the criteria mentioned in Note 4d). 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 revaluated assets, the balancing entry, net of the tax thereon, of EThs 3,934 appears in the revaluation reserve.

At November 30, 2005 the effect of the aforementioned revaluation on the net book value of tangible fixed amounts to EThs 823 (EThs 938 at November 30, 2004). As a result, the effect of this revaluation on the annual depreciation charge for the year 2005 is EThs 115.

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, 2005 and 2004 the following elements of fixed assets were still in use and have been totally amortized:

	2005	2004
Land and buildings	**2,645**	2,645
Technical installations and machinery	**15,936**	14,340
Other installations, tools and furniture	**12,436**	11,738
Other assets	**14,359**	13,560
EThs.	**45,376**	42,283

At November 30. 2005 Zardoya Otis, S.A. and its subsidiaries had firm commitments to purchase fixed assets amounting to EThs 3,555 (EThs 2,661 at November 30, 2004) 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 investment items of the consolidated group are shown below:

	2003	Increases	Decreases	Other	2004	Increases	Decreases	Other	2005
Investments in Group companies	651	4,991	(651)	-	4,991	4,347	(8,523)	-	**815**
Other investments	907	-	(875)	-	32	-	-	-	**32**
Deposits and financial guarantees	372	152	(5)	-	520	-	(98)	51	**473**
Public Treasury long-term	20,067	807	-	(120)	20,754	344	(62)	-	**21,036**
EThs.	21.997	5,950	(1,531)	(120)	26,297	4,691	(8,683)	51	**22,356**
Provision	(9)	-	-	1	(8)	-	-	-	**(8)**
Net EThs.	21,988	5,950	(1,531)	(119)	26,289	4,691	(8,683)	51	**22,348**

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 "Investment in Group Companies" the additions in 2004 represented the acquisition of Goberna, S.A. by Serveis de L'Ascensor, Manteniment, Reparació, Instalació i Reformes, S.L.. In 2005 includes also the acquisition of Cardellach, S.A. and the merge of both. Also Mantenimiento Elevadores Soler, S.L., acquired by Zardoya Otis, S.A. excluded from consolidation and in the process of liquidation.

The companies included in the consolidation scope at November 30, 2004 and 2005 are as follows:

					November 30, 2004	
Company	Location	Percentage of participation	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.

Company	Location	Percentage of participation	Book value of the participation (*)	Capital	Reserves	Net Results of the year
					November 30, 2004	
Ascensores Eguren, S.A.	Bilbao	100.00	5,806	1,457	2,447	1,901
Ascensores Ingar, S.A.	Granada	100.00	100	601	(412)	(89)
Elevadores del Maresme, S.A.	Barcelona	80.00	165	60	580	1,127
Ascensores Serra, S.A.	Gerona	75.00	605	240	1,158	1,809
Mototracción Eléctrica Latierro, S.A.	Vitoria	51.00	493	313	1,898	996
Otis Elevadores, Lda.	Portugal	100.00	11,742	2,110	24,703	19,388
Ascensores Pertor, S.L.	Valencia	94.13	15,067	51	13,771	1,598
Serveis de L'Ascensor, Manteniment, Reparació, Instalació i Reformes, S.L.	Barcelona	97.62	8,315	9,948	5,885	1,268
Puertas Automáticas Portis, S.A.	Madrid	100.00	437	60	505	153
Conservación de Aparatos Elevadores Express, S.L.	Madrid	100.00	1,771	1,771	2,026	2,042
Admotion, S.L.	Zaragoza	75.00	132	184	204	(214)
Rolltore, S.A.	Pamplona	80.00	7,800	151	2,749	477
Rolltore Centro, S.L.	Madrid	80.00	5,889	62	2,164	177
Rolltore Catalunya, S.A.	Barcelona	85.00	1,522	60	845	135
Rolltore Aragón, S.L.	Zaragoza	90.00	981	3	147	54
Rolltore Sur, S.L.	Sevilla	80.00	669	90	(511)	(136)
Automatismos Costa Brava, S.L.	Gerona	84.00	185	3	47	25

(*) Amount net of provisions.

NOTE 8. GOODWILL ON CONSOLIDATION

Goodwill	2003	Increases	Other	Decreases	2004	Increases	Other	Decreases	2005
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	3,064	875	-	-	3,939	379	(912)	-	**3,406**
Elevadores del Maresme, S.A.	706	-	-	-	706	-	-	-	**706**
Grupo Rolltore	-	-	-	-	-	12,336	-	-	**12,336**
The Goodwill full integration method companies.....................EThs	30,123	875	-	-	30,998	12,715	(912)	-	**42,801**

Accumulative amortization	2003	Increases	Other	Decreases	2004	Increases	Other	Decreases	2005
Otis Elevadores,Lda.	8,523	-	-	-	8,523	-	-	-	**8,523**
Serveis de L'Ascensor, Manteniment, Reparació, Instalació i Reformes, S.L..	7,669	696	-	-	8,365	696	-	-	**9,061**
Ascensores Pertor, S.L.	5,706	739	-	-	6,445	739	-	-	**7,184**
Conservación de Aparatos Elevadores Express, S.L.	1,162	145	-	-	1,307	145	-	-	**1,452**
Companies of Grupo Otis Elevadores	2,357	478	(2)	-	2,833	419	(742)	-	**2,510**
Elevadores del Maresme, S.A.	354	71	-	-	425	71	-	-	**496**
Grupo Rolltore	-	-	-	-	-	154	-	-	**154**
Accumulated amortization	25,771	2,129	(2)	-	27,898	2,224	(742)	-	**29,380**
Goodwill remaining to be amortized ....EThs	4,352	(1,252)	(2)	-	3,100	10,491	(170)	-	**13,421**

In 2004, increase in consolidation goodwill reflects the consolidation by "Otis Elevadores, Lda." of Elevaçores.

In 2005, the increase is mainly due to the first consolidation of Grupo Rolltore.

NOTE 9. CONTRACTS IN PROGRESS AND BILLING IN ADVANCE

	2005	2004
Costs of contracts in progress	104,626	98,754
Net profit margin applied	4,826	4,464
Total contracts in progress	109,452	103,218
Billings on contracts in progress	(159,107)	(155,402)
EThs.	(49,655)	(52,185)

The cost of contracts in progress and billings on contracts in progress include EThs 7,116 and EThs 6,041 (EThs 1,858 and EThs 397 in 2004) respectively for export contracts with companies affiliated to the Otis Group.

NOTE 10. CUSTOMERS

	2005	2004
New installations	98,853	89,847
Service	69,498	60,525
Doubtfull accounts	30,324	29,228
EThs.	198,675	179,600
Provision EThs.	(23,872)	(24,855)

At November 30, 2005 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 68,005 (EThs 61,774 in 2004) in the consolidated group.

Notes receivables with maturity dates longer than one year amount to EThs 3,021 (EThs 3,520 in 2004) and are included under the heading "Long-term trade debtors".

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

	2005
Two years	2,794
Three years	227
EMls	3,021

NOTE 11. SUNDRY ACCOUNTS RECEIVABLE

	2005	2004
Affiliated companies' debts	13,575	13,704
Others	2,332	2,064
EThs.	15,907	15,768

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

NOTE 12. PUBLIC TREASURY

Debtors balances	2005	2004
Treasury for tax refund	47	49
On account corporate tax payments (Note 23)	39,131	36,082
Withholding tax	127	86
VAT recoverable	4,622	4,347
Deductions under VAT	433	1,069
Social Security organization receivable	203	207
Deferred Tax assets (Note 23)	4,163	3,855
EThs.	48,726	45,695

Payable balances	2005	2004
Provision for corporate tax	68,370	62,474
Treasury for tax deductions made	4,288	2,150
Treasury credit for VAT	2,520	2,100
Treasury for VAT invoiced	5,950	4,802
Social Security organization payable	4,754	4,280
Other taxes payable	26	18
EThs.	85,908	75,824

NOTE 13. SHORT-TERM SECURITIES PORTFOLIO

This heading corresponds to the short-term investment in Treasury Bonds of funds in excess of immediate requirements, totalling ETHs 62,333, with the interest rate varying from 1.85% to 2.27% in 2005 (1.80% to 2.10% in 2004). This amount includes ETHs 21 (ETHs 11 in 2004) corresponding to accrued interest pending maturity at November 30, 2005.

The heading Other loans mainly includes cash placements, ETHs 60,000 for Zardoya Otis, S.A. and ETHs 28,000 for Otis Elevadores Lda. (ETHs 90,000 and 16,000 respectively in 2004), maturing at 30 days in accordance with the contract for the provision of financial services signed with United Technologies Treasury Center and United Technologies Corporation (the parent company of Otis Elevator Company) for the provision of services and optimisation of thte placement of cash surpluses, exchange insurance and other. These deposits have accrued interest during the year at an average interest rate of 2.11% (2.08% in 2004) which exceeds the market rate by 0.10 percentage points aproximately. This amount includes ETHs 53 (ETHs 55 in 2004) relating to accrued interest pending maturity at November 30, 2005.

NOTE 14. SHAREHOLDER'S EQUITY

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

Thousand euros

	Balance at 30.11.03	Distribution of profits 2003	Increase in capital	Other movements	Balance at 30.11.04	Distribution of profits 2004	Increase in capital	Other movements	Balance at 30.11.05
Capital stock	19,679	-	1,968	-	21,647	-	2,165	-	23,812
Legal Reserve	3,936	393		-	4,329	434		-	4,763
Voluntary Reserve	28,660	10,183	(1,968)	(2,657)	34,218	4,144	(2,165)	(451)	35,746
Reserve for subsidiary companies	29,036	150	-	1,556	30,742	3,938	-	(901)	33,779
Profits of the year	116,120	(116,120)	-	130,741	130,741	(130,741)	-	143,704	143,704
Interim dividends	(77,286)	77,286	-	(91,313)	(91,313)	91,313	-	(102,825)	(102,825)
Total shareholders equity	120,145	(28,108)	-	38,327	130,364	(30,912)	-	39,527	138,979

a) Share capital and reserves

The capital stock consists of 238,121,066 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	2005	2004	2005	2004
United Technologies Holdings, S.A.	121,601,875	110,547,159	51.07	51.07
Euro-Syns, S.A.	25,292,444	22,993,130	10.62	10.62
Minority shareholders	91,226,747	82,933,408	38.31	38.31
	238,121,066	216,473,697	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 21, 2005, the following resolutions were adopted:

- To increase share capital against the Voluntary Reserve, in proportion to one new share for every ten old shares, by 2,164,736,90 euros by issuing 21.647.369 new shares. Once completed the capital increase, capital amounted to 23,812,106,60 euros and consisted of 238.121.066 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 2005 profits on September 12, 2005. The increase was carried out since June 13, 2005 until June 27, 2005, both dates included. The new shares were listed on the Madrid, Barcelona, Valencia and Bilbao stock exchanges with effect from July 29, 2005.

On November 30, 2005 interim dividends totalling ETHs 102,825 were declared for the year then ended. These interim dividends were paid (Note 3) on shares numbered 1 to 216,473,697 (1st interim dividend), on shares numbered 1 to 238,121,066 (2nd interim dividend) and on shares numbered 1 to 238,121,066 (3rd interim dividend).

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

Companies	To consolidated profit 2005	To reserves 2005
Ascensores Eguren, S.A.	1,901	(6,448)
Ascensores Ingar, S.A.	(89)	(1,499)
Ascensores Serra, S.A.	1,357	444
Elevadores del Maresme, S.A.	973	347
Mototracción Eléctrica Latierro, S.A.	508	634
Grupo Otis Elevadores (Portugal)	19,388	22,477
Puertas Automáticas Portis, S.A.	153	128
Ascensores Pertor, S.L.	1,504	2,800
Conservación de Aparatos Elevadores Express, S.L.	2,136	3,360
Serveis de L'Ascensor, Manteniment, Reparació, Instalació i Reformes, S.L.	2,058	11,536
Admotion, S.L.	(161)	-
Grupo Rolltore	325	-
	30,053	33,779
Zardoya Otis, S.A.	113,651	40,509
EThs.	143,704	74,288

The reserves contributed by Zardoya Otis are analysed below:

Legal reserve	4,763
Voluntary reserve	35,746
EThs	40,509

NOTE 16. MINORITY INTERESTS

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

Company	Balance at 30.11.03	%Minority. participation	Net equity	Results	Balance at 30.11.04	% Minority participation	Net equity	Results	Balance at 30.11.05
Grupo Otis Elevadores (*)	462	0.00	84	426	510	0.00	84	526	610
Elevadores del Maresme, S.A.	264	20.00	128	198	326	20.00	128	225	353
Ascensores Serra, S.A.	762	25.00	350	425	775	25.00	350	452	802
Mototracción Eléctrica Latierro, S.A.	1,609	49.00	1,083	673	1,756	49.00	1,083	488	1,571
Ascensores Pertor, S.L.	745	5.87	745	66	811	5.87	811	94	905
Serveis de L'Ascensor, Manteniment, Reparació, S.L.	340	2.38	339	38	377	2.38	377	30	407
Admotion, S.L.	133	25.00	133	(35)	98	25.00	97	(53)	44
Grupo Rolltore	-	-	-	-	-	18.93	1,100	76	1,175
EThs	4,315		2,862	1,791	4,653		4,030	1,838	5,867

(*) Otis Elevadores, Ltda. 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:

	2005	2004
Employees on the payroll	73,078	70,934
Retired employees	11,459	12,643
Assets externalised prior to the signing of the framework agreement	3,155	3,155
EThs.	87,692	86,732

Liabilities established for welfare commitments may be analysed as follows:

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
Provision for the year	4,563
Payments to insurance entities	(11,028)
Book liabilities at November 30, 2005 EThs.	38,216
Classified on the balance sheet:	
Other current liabilities	12,030
Other long-term liabilities EThs.	26,186
EThs.	38,216

The current value of the commitments at November 30, 2005 and its reconciliation with the book liabilities at said date may be analysed as follows:

	2005	2004
Early retirement (active employees)	20,496	20,711
Apportionment of insurance premiums and other benefits (active employees)	55,737	53,378
Apportionment of insurance premiums (retired employees)	2,832	3,708
Benefits to retired employees	8,627	8,935
EThs.	87,692	86,732
Assets externalised prior to the signing of the framework agreement	(3,155)	(3,155)
EThs.	84,537	83,577
Reversal of apportionment of the difference between total payments value and current value of commitments	1,417	(323)
Accrued and paid interests	(1,741)	(2,047)
Accumulated payments to insurance entities	(42,093)	(31,065)
EThs.	42,120	50,142
Book liabilities at year end	38,216	44,681
Accumulated deficit	(3,907)	(5,461)

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 30.11.2005	Annual appropriations	Years pending amortisation
Change in assumptions in 1998			
(interest rate from 6% to 4%)	1,520	759	2
Change in assumptions in 1999 (estimated age of retirement from 63 to 62 years)	2,387	795	3
EThs	3,907	1,554	

Current commitments relating to the early retirement of active employees only include employees who were paying Social Security contributions before 1 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:

	2005	2004
Total value of the amounts to be paid in the ten year period	91,105	86,895
Interest to be apportioned	(10,973)	(10,973)
EThs.	80,132	75,922
Payments made to insurance entities	(42,093)	(31,065)
Provision for the year	2,575	2,830
Assets externalised prior to the signing of the framework agreement	(3,155)	(3,155)
EThs.	37,459	44,532
Real value of the net commitments in relation to staff externalised	42,120	50,142
Difference to be apportioned in the externalisation period EThs.	4,661	5,610

NOTE 18. LONG-TERM CREDITORS

As mentioned in Note 4.j), the difference between the amount previously maintained as the provision for welfare commitments and the principal amounts to be externalised is recorded under Long-term creditors. The amount recorded in this respect is EThs 26,186 (EThs 31,671 in 2004).

NOTE 19. LOANS

This heading corresponds to the overdraft facilities subscribed by the Companies and are shown here by the amounts utilised. The accrued interest pending maturity includes ETHs 1,688 corresponding to the interest related to the financing of the welfare commitments externalised (note 17)

During 2005 discounted notes pending maturity and loans accrued interest at a rate from 2.35% to 2.36% (2.30% to 2.45% in 2004).

NOTE 20. SUPPLIERS

	2005	2004
Suppliers	29,900	29,156
Invoices pending receipt	8,714	7,163
Affiliated companies	11,761	9,339
Trade creditors	10,676	10,270
EThs.	61,051	55,928

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 3,989.

NOTE 21. PROVISIONS FOR TRADING OPERATIONS

	2005	2004
Delayed sales costs	8,754	9,726
Provision for risks	14,654	16,196
Guarantees	696	659
EThs.	24,104	26,581

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

		2005	2004
Advance maintenance billings		26,539	19,857
Others		2,975	2,390
	EThs.	29,514	22,247

"Advance maintenance billings" record the relevant apportionement 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.

Reconcilation of the differences between the profits and estimated corporate taxable income is as follows:

		2005	2004
Income before tax	EThs	218,782	200,631
Permanent differences:			
Amortization of goodwill		606	460
Profit from foreign companies		(27,597)	(27,114)
Losses in consolidated companies and differences in investment provisions		1,874	136
Others		5,768	1,734
Provision for risks		(1,542)	-
Prior year timing differences in respect of which the relevant deferred tax asset was not recorded		(2,905)	(4,032)
Temporary differences arising 2005 in respect of which the relevant deferred tax asset is not recorded		884	3,910
Adjustment income before tax		195,870	175,725
Temporary differences arising in 2005 in respect of which the relevant deferred tax asset is recorded		2,108	946
Taxable income		197,978	176,671
Adjusted income before tax		195,870	175,725
Overall quota (35%)		68,556	61,504
Other deductions:			
Others		(2,986)	(2,088)
Others		(12)	(56)
Plus:			
Others		-	39
Corporate tax expense from foreign companies		7,683	8,701
Corporate tax expense	EThs	73,241	68,100

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 2005 due to provisions relating to welfare commitments has been recorded on the condition that the deferred tax asset recorded at November 30, 2005 does not exceed forecasts for payments relating to social welfare commitments over the next 10 years. The tax effect of ETHs 3,275 (ETHs 3,910 in 2004), is not included in the application of this rule. In this respect, the deferred tax asset recorded in 2005 amounts to ETHs 1,287 (35% 3,677) and the deferred tax asset accumulated at November 30, 2005 amounts to ETHs 22,791, (ETHs 21,504 in 2004).

Additionally, the accumulated amount of deferred tax assets at November 30, 2005 amounts to ETHs 2,408 and is shown under "Public Treasury receivable". 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 25,199, a total of ETHs 21,036 (Note 7, ETHs 20,754 in 2004) is recorded as long-term deferred tax assets and ETHs 4,163 (Note 12, ETHs 3,855 in 2004) is recorded under Taxes and Social Security-amounts falling due within one year.

The effective tax rate for Otis Elevadores, Lda. (Portugal) is 28% and its tax expense for 2005 amounted to of ETHs 7,683.

At the year end the consolidated group had paid ETHs 39,131 (ETHs 36,082 in 2004) 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.

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 31,531 (ETHs 38,879 in 2004).

NOTE 25. INCOME AND EXPENSES

a) Sales

The following is a breakdown of sales for the year:

	2005	2004
New installations	172,185	158,597
Service	474,156	443,362
Export sales	53,887	63,018
Other sales	512	555
ETHs.	700,740	665,532

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

Included in the consolidated total sales are the sales of Otis Elevadores, Lda. (Portugal) amounting to ETHs 75,613 (ETHs 76,828 in 2004).

b) Supplies

	2005	2004
Purchases	230,427	227,237
Difference between opening and closing inventories	(305)	(1,425)
EThs.	230,122	225,812

c) Staff costs

	2005	2004
Wages and salaries	148,484	141,896
Staff welfare expenses	47,228	44,925
Welfare commitments (Note 17)	4,563	4,449
EThs.	200,275	191,270

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 9,657 and represent 2.5% of service activity (apart from the sub-group Otis Elevadores (Portugal) which represents 3.5% of net turnover). In addition in 2005, EThs 6,633 was recorded under cost in process and represents 2.5% of net turnover for installation agreements (3.5% for the sub-group Otis Elevadores (Portugal)).

e) Extraordinary income

Under this heading the subsidiary Otis Elevadores, Lda. has mainly recorded the reversal of the provisions recorded in previous years to cover litigation and other risks totalling EThs 3,155.

f) Transactions with companies of the Otis Group

Other than commercial transactions carried out in 2005 and 2004 with the companies of the Otis group are as follows:

	2005	2004
Financial income	1,839	2,135
Royalties accrued	16,290	13,201
Billing of costs relating to the develpoment engineering centre	664	1,703

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 engineering develpment centre.

NOTE 26. ENVIRONMENT

During 2005 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 Madrid factory keeps the certification ISO-14001 obtained in 2001, while the factories of San Sebastián and Munguía have ratified this year the certification UNE-EN-ISO-14000 obtained in past years.

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

- Reduction of non recyclable waste (oils).
- Reduction of recyclable waste (packaging).
- Reduction of emissions resulting from industrial processes and combustion (elimination of painting lines).
- Reduction of water and energy consumption.

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 2005 was EThs 2,039 (EThs 1,856 in 2004). Additionally, in compliance with Section 127 ter, 4 of the Spanish Companies Act, 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 other than the ones stated below:

• D. José María Loizaga Viguri is director of Actividades de Contratación y Servicios S.A. (ACS).

• The members of the Board D. Francisco Javier Zardoya García, D. Mario Abajo García and D. José María Loizaga Viguri are at the same time members of the Board of Otis Elevadores, Lda, a company of the Group Zardoya Otis.

• The Board Directors D. Mario Abajo García, D. Angelo J. Messina, D. Sandy Diehl and D. Bruno Grob execute different functions in other companies of the Otis Elevator Group in the world as follows:

Name of Director	Current Board Memberships	Designation
Mario Abajo García	Otis L.L.C. (United Arab Emirates)	Chairman of the Board
	Otis S.p.A. (Italy)	Chairman of the Board
	Buga Otis Asansor Sanayi ve Ticaret A.S. (Turkey)	Vice Chairman of the Board
	Jordan Elevator Overseas Limited (Channel Islands)	Director
	Melcorp South Africa (Pty) Ltd. (South Africa)	Director
	Otis Elevator Company Saudi Arabia Limeted (Saudi Arabia)	Director
	Otis Elevator Company/Kuwait (Kuwait)	Director
	Otis Elevator Overseas Ltd. (Channel Islands)	Director
	Technologie Liban S.A.L. (Lebanon)	Director
	Otis (Proprietary) Limited (South Africa)	Director
	Otis Elevator Company (Egypt) S.A.E. (Egypt)	Director
Angelo J. Messina	Asia Pacific Elevator Company (Delaware, USA)	Director
	Atlantic Lifts, Inc. (Delaware, USA)	Director
	Elevator Export Trading Company (Delaware, USA)	Director
	Nippon Otis Elevator Company (Japan)	Director
	North Sea Lifts, Inc. (Delaware, USA)	Director
	Otis Elevator Company (Delaware, USA)	Director
	Otis Elevator International, Inc. (Delaware, USA)	Director
	Otis Pacific Holdings B.V. (Netherlands)	Director
	United Technologies (Cayman) Holdings, Ltd. (Cayman Islands)	Director
	UTCL Investments B.V. (Netherlands)	Director
	Otis Investments, L.L.C. (Delaware, USA)	Assistant General Manager
G. Sandy Diehl	POMA-OTIS Systèmes de Transport S.A.S. (France)	Chairman of the Board
	Otis Elevator International, Inc. (Delaware, USA)	Chairman of the Board
	Nippon Otis Elevator Company (Japan)	Director
	Otis Elevator Korea (Korea)	Director
	LiftMall, L.L.C. (Delaware, USA)	General Manager
Bruno Grob	Otis (Switzerland)	Chairman of the Board
	Otis (Belgium)	Director
	Otis Maroc, S.A. (Morocco)	Director
	Otis OY (Finland)	Director
	Otis S.p.A. (Italy)	Director
	Otis B.V. (Netherlands)	Supervisory Board Member

b) The average number of personnel employed by the consolidated group during the year 2005 broken down into categories, follows:

	Number	
	2005	2004
Directors	**86**	84
Administration/workshop/field	**495**	464
Engineers, university graduates and other experts	**281**	273
Administrative and technical personnel	**741**	711
Workers	**3,660**	3,577
	5,263	5,109

c) The amount paid to PricewaterhouseCoopers as audit fee for 2005 is EThs 280, 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.

d) The Law 61/2003 establishes the obligation of adopting the IFRS 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 IFRS 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 IFRS, evaluation of the impact of the necessary changes over the Group Equity and the preparation of the interim financial statements required by IFRS1. The supervision role of this process is under the Audit Committee responsibility who reviews the situation in every meeting of the Committee.

The effect of the implementation of IFRS should not be substantial, neither on the annual accounts nor in the net equity of the Group. It will impact mainly the accounting of the welfare commitments, other provisions and eventually the revaluation of certain assets. The required analysis is well advance and will allow the Group to comply with the dates established by the Law.

NOTE 28. STATEMENT OF CHANGES IN FINANCIAL POSITION

SOURCE OF FUNDS	2005	2004
Funds from operations		
Net distributable income	143,704	130,741
Plus:		
Minority interests	1,838	1,791
Depreciation of tangible fixed assets	4,206	3,815
Amortization of intangible assets	6,208	5,234
Amortization of goodwill on consolidation	1,482	2,127
Provision for risks and expenses	3,021	4,449
Provision for investments	-	(1)
Less:		
Profit on sale of fixed assets	(67)	-
Deferred tax assets	(282)	(687)
	160,110	147,469
Sale of assets		
Intangible	-	-
Tangible	1,996	-
Investments	-	-
Long-term Debts	499	(2,033)
TOTAL SOURCE OF FUNDS EThs.	162,605	145,436

USE OF FUNDS	2005	2004
Asset acquisitions		
Intangible	9,875	5,807
Tangible	5,914	4,238
Investments	(4,176)	3,465
Formation expenses	(3)	(3)
Deferred charges	(1)	(18)
Other assets	827	(414)
Goodwill on consolidation	11,803	875
Long-term creditors	(44)	48
Payments of welfare commitments	11,028	9,373
Decrease in minority interest	624	1,453
Change in reserves	875	672
Dividens paid	134,214	119,850
Transfer to short-term debt of welfare commitments	980	3,139
Increase (decrease) in working capital	(7,351)	(3,049)
TOTAL USE OF FUNDS EThs.	162,605	145,436

VARIATIONS IN WORKING CAPITAL	2005	2004
Increase (decrease) in inventories	7,436	(3,735)
Increase (decrease) in debtors	23,240	5,066
Increase (decrease) in short-term financial investments	(13,063)	7,835
Increase (decrease) in cash and banks	464	852
Increase (decrease) in timing adjustment assets	(567)	418
(Increase) decrease in debts with financial institutions	158	641
(Increase) decrease in trade creditors	(8,483)	(3,571)
(Increase) decrease in other non-trade debts	(10,204)	(11,071)
(Increase) decrease in provisions for trading operations	935	1,937
(Increase) decrease in timing adjustments liabilities	(7,267)	(1,421)
INCREASE (DECREASE) IN WORKING CAPITAL EThs.	(7,351)	(3,049)

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, 2004 to November 30, 2005.
2. Approval of the Profit Distribution for the fiscal year 2005 as follows:

Legal reserve	476,163.50
Dividends	139,733,771.10
Voluntary reserve	471,022.98
TOTAL (euros)	140,680,957.58

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 2005.
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 2006.
6. 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.
7. 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.
8. Request and questions.
9. Delegation of powers in favour of the Board of Directors to formalize the resolutions, with authorization to interpret, correct and develop them.
10. Approval of the minutes of the meeting.

Consolidated Balance Sheets

at November 30, 2005 (In thousands of euros - ETHs)
(After the application of the results obtained in the year)

ASSETS		2005
FIXED ASSETS		
INTANGIBLE ASSETS		19,505
Research and development costs	2,374	
Concessions and patents	8,806	
Goodwill	24,585	
Software	381	
Capital leases	51	
Amortization	(16,692)	
TANGIBLE FIXED ASSETS		15,213
Land and buildings	9,183	
Technical installations and machinery	24,873	
Other installations, tools and furniture	21,764	
Fixed assets in progress	486	
Other fixed assets	20,046	
Depreciation	(61,139)	
INVESTMENTS		22,348
Investments in Group's companies	815	
Other investments	32	
Long-term deposits and financial guarantees	473	
Public Treasury long-term	21,036	
Provisions	(8)	
LONG-TERM TRADE DEBTORS		3,021
Long-term notes receivables	3,021	
TOTAL FIXED ASSETS		60,087
GOODWILL ON CONSOLIDATION		13,421
Full integration method companies	13,421	
DEFERRED CHARGES		
CURRENT ASSETS		131,660
Raw materials	14,400	
Products in progress	7,808	
Costs of contracts in progress	109,452	
DEBTORS		240,028
Customers	198,675	
Sundry accounts receivable	15,907	
Personnel	592	
Public Treasury	48,726	
Provisions	(23,872)	
SHORT-TERM INVESTMENTS		154,136
Short-term securities portfolio	62,333	
Loans to affiliated companies and Other	91,475	
Short-term deposits and financial guarantees	328	
CASH AND BANKS		6,073
TIMING ADJUSTMENTS		344
TOTAL CURRENT ASSETS		532,241
TOTAL ASSETS	EThs	605,749

LIABILITIES		2005
SHAREHOLDERS' EQUITY		102,070
Capital stock	23,812	
Legal Reserve	5,239	
Voluntary Reserve	36,217	
Reserve for subisidiary companies	36,802	
MINORITY INTERESTS		5,867
LONG-TERM CREDITORS		26,230
Debts with financial institutions	26	
Notes payable	18	
Other Long-term Debt	26,186	
SHORT-TERM CREDITORS		
DEBTS WITH FINANCIAL INSTITUTIONS		1,947
Loans	279	
Interest	1,668	
TRADE CREDITORS		221,493
Suppliers	61,051	
Notes payable	1,335	
Billings on contracts in progress	159,107	
OTHER NON-TRADE DEBTS		194,524
Public Treasury	85,908	
Other payables	82,819	
Accrued salaries and wages	25,797	
PROVISIONS FOR TRADING OPERATIONS		24,104
TIMING ADJUSTMENTS		29,514
TOTAL CURRENT LIABILITIES		471,582

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	EThs	605,749

Financial Statements of the Last Five Years

Consolidated Profit and Loss Accounts

(In millions of euros)

	2005		2004		2003		2002		2001	
		%		%		%		%		%
SALES	**700,7**	**100.0**	**665,5**	**100.0**	**636,4**	**100.0**	**605,6**	**100.0**	**543,4**	**100.0**
Supplies	(230,1)	(32.8)	(225,8)	(33.9)	(221,3)	(34.8)	(219,4)	(36.2)	(199,2)	(36.7)
GROSS INCOME	**470,6**	**67.2**	**439,7**	**66.1**	**415,1**	**65.2**	**386,2**	**63.8**	**344,2**	**63.3**
Other trading expenses	(45,8)	(6.5)	(40,9)	(6.1)	(38,8)	(6.1)	(37,5)	(6.2)	(35,4)	(6.5)
Personnel costs	(200,3)	(28.6)	(191,3)	(28.7)	(185,1)	(29.1)	(180,6)	(29.8)	(175,0)	(32.2)
Other income	2,3	0.3	2,3	0.3	2,3	0.4	2,7	0.5	2,5	0.5
EBITDA	**226,8**	**32.4**	**209,8**	**31.5**	**193,5**	**30.4**	**170,8**	**28.2**	**136,3**	**25.1**
Depreciation	(10,4)	(1.5)	(9,1)	(1.4)	(9,0)	(1.4)	(9,1)	(1.5)	(7,7)	(1.4)
Provisions	2,7	0.4	0,2	0.0	(6,1)	(1.0)	(6,6)	(1.1)	(3,4)	(0.6)
OPERATING INCOME	**219,1**	**31.3**	**200,9**	**30.2**	**178,4**	**28.0**	**155,1**	**25.6**	**125,2**	**23.0**
Financial income	4,3	0.6	4,5	0.7	4,9	0.8	5,8	1.0	7,1	1.3
Financial expenses	(3,2)	(0.5)	(4,3)	(0.6)	(3,3)	(0.5)	(1,1)	(0.2)	(1,0)	(0.2)
Exchange rate differences	(0,2)	(0.0)	0,1	0.0	0,1	0.0	0,1	0.0	0,0	0.0
Amortization of Goodwill on consolidation	(2,2)	(0.3)	(2,1)	(0.3)	(1,9)	(0.3)	(2,8)	(0.5)	(2,8)	(0.5)
Extraordinary income	1,0	0.1	1,5	0.2	1,7	0.3	(1,7)	(0.3)	0,6	0.1
INCOME BEFORE TAX	**218,8**	**31.2**	**200,6**	**30.1**	**179,9**	**28.3**	**155,4**	**25.7**	**129,1**	**23.8**
Income taxes	(73,2)	(10.5)	(68,1)	(10.2)	(62,3)	(9.8)	(56,0)	(8.4)	(45,4)	(8.4)
Minority interest	(1,8)	(0.3)	(1,8)	(0.3)	(1,5)	(0.2)	(1,3)	(0.2)	(1,3)	(0.2)
NET INCOME	**143,7**	**20.5**	**130,7**	**19.6**	**116,1**	**18.2**	**98,1**	**16.2**	**82,4**	**15.2**
CASH FLOW	**151,4**	**21.6**	**139,6**	**21.0**	**131,2**	**20.6**	**113,8**	**18.8**	**93,5**	**17.2**

Consolidated Balance Sheets

(After distribution of the profits obtained in the year)

(In millions of euros)

	2005		2004		2003		2002		2001	
ASSETS		%		%		%		%		%
Intangible assets	19.6	3.2	16.7	2.9	16.2	2.9	17.2	3.1	14.9	2.9
Tangible fixed assets	15.2	2.5	13.7	2.4	13.8	2.5	15.9	2.9	17.3	3.4
Investments	22.3	3.7	26.3	4.5	22.0	3.9	17.7	3.2	16.5	3.3
Long term trade debtors	3.0	0.5	3.5	0.6	1.5	0.3	1.8	0.3	3.1	0.6
Treasury stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.1
TOTAL FIXED ASSETS	60.1	9.9	60.2	10.4	53.4	9.5	52.6	9.5	52.2	10.3
GOODWILL ON CONSOLIDATION	13.4	2.2	3.1	0.5	4.4	0.8	5.8	1.1	9.5	1.9
Inventories	131.7	21.7	124.2	21.5	128.0	22.8	133.0	24.0	112.2	22.1
Debtors	240.0	39.6	216.8	37.5	211.7	37.7	203.1	36.7	195.6	38.6
Short-term investments	154.1	25.4	167.2	28.9	159.4	28.4	153.9	27.8	132.7	26.2
Cash and banks	6.1	1.0	5.6	1.0	4.8	0.8	4.2	0.8	2.7	0.5
Timing adjustments	0.3	0.1	0.9	0.2	0.5	0.1	0.3	0.1	1.8	0.4
TOTAL CURRENT ASSETS	532.2	87.9	514.7	89.0	504.3	89.7	494.4	89.4	445.1	87.8
TOTAL ASSETS	605.7	100.0	578.0	100.0	562.1	100.0	552.9	100.0	506.8	100.0
LIABILITIES										
SHAREHOLDERS' EQUITY	102.1	16.9	99.0	17.1	91.6	16.3	81.9	14.8	76.6	15.1
MINORITY INTERESTS	5.9	1.0	4.7	0.8	4.3	0.8	4.1	0.7	3.6	0.7
PROVISION FOR RISKS AND EXPENSES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	59.8	11.8
LONG TERM CREDITORS	26.2	4.3	31.7	5.5	39.8	7.1	48.8	8.8	0.0	0.0
Debts with financial institutions	1.9	0.3	2.1	0.4	2.7	0.5	0.8	0.1	1.2	0.2
Trade creditors	221.5	36.6	213.0	36.9	209.4	37.3	209.6	37.9	203.4	40.1
Other non-trade debtors	194.5	32.1	178.8	30.9	164.9	29.3	160.8	29.1	119.4	23.6
Provision for trading operations	24.1	4.0	26.6	4.6	28.5	5.1	27.0	4.9	25.2	5.0
Timing adjustments	29.5	4.9	22.2	3.8	20.8	3.7	19.8	3.6	17.6	3.5
TOTAL CURRENT LIABILITIES	471.6	77.9	442.7	76.6	426.4	75.9	418.0	75.6	366.8	72.4
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	605.7	100.0	578.0	100.0	562.1	100.0	552.9	100.0	506.8	100.0

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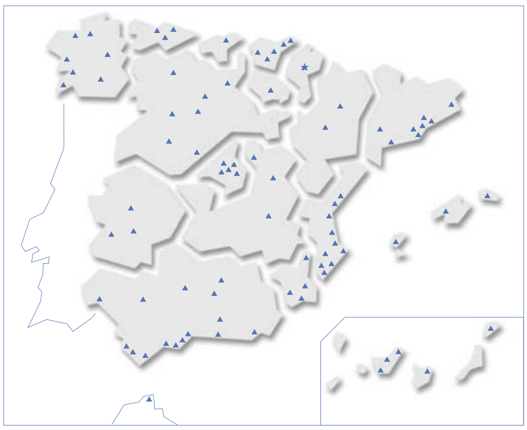

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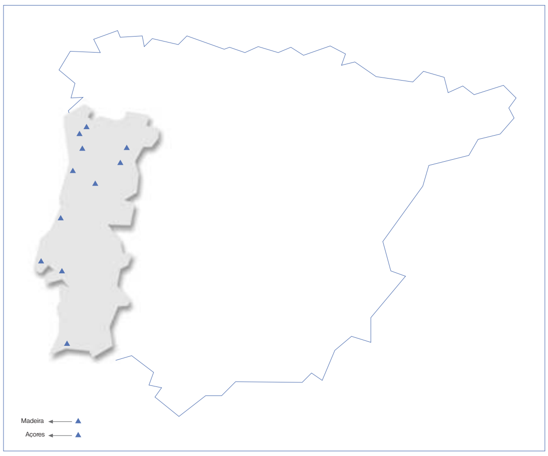
OUR SERVICE NETWORK COVERS THE ENTIRE COUNTRY WITH MORE THAN 300 SERVICE LOCATIONS

Regional Branch Offices



AENOR Gestión Ambiental GA-2004/0018
AENOR Gestión Ambiental CGM-01/125
AENOR Gestión Ambiental GA-2003/0237

Calidad OTIS ISO 9001
AENOR Empresa Registrada ER-0084/1992

Zardoya Otis, S.A.

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 32nd 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:

- 29 capital increases, 25 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 21,40 euros at December 31, 2005.
- A stock market capitalization that has evolved from the 13.3 million euros at the end of 1974 to the 5,096 million euros at the 2005 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 340 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.

Diseño: El Manantial   www.elmanantial-design.com