ZARDOYA OTIS S.A.

Annual Report 2007

OTIS

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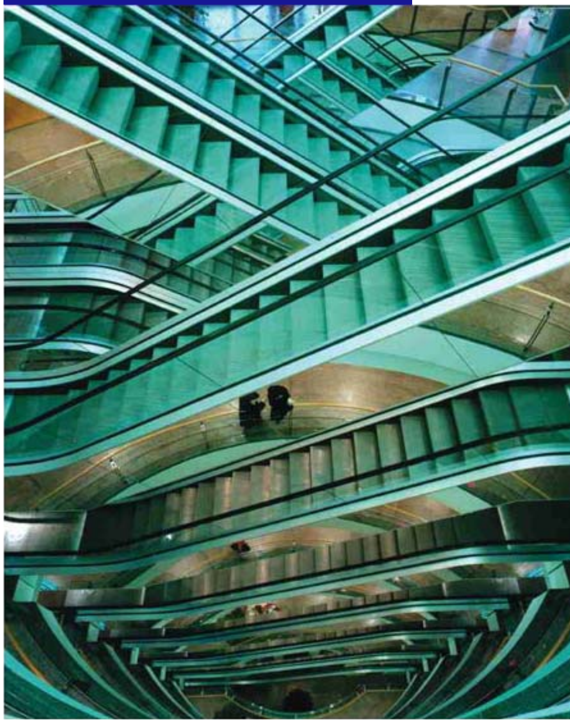
Annual Report 2007



Annual Report
for the year:
1-12-2006 to
30-11-2007
presented by the Board
of Directors at the
General Meeting of
Shareholders held
on May 19, 2008
upon the first call, or
May 20, 2008 upon
he second call.

OTIS

F. JAVIER ZARDOYA
Presidente

Zardoya Otis S.A.
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28033 Madrid - España
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May 19, 2008

Dear Sirs,

Our financial statements show that we concluded the year in a way that can be described as very positive for our company and this should not be impaired by the abnormal behaviour of our shares in the market.

Since 1974, when we were first listed on the Stock Exchange, the net profit has grown by an average of 10.7% per year. Therefore, we feel the 14% increase in the net profit in 2007 to be an excellent achievement.

Furthermore, we obtained an extraordinary net profit of 46 million euros from the sale of the Madrid plant.

There was also significant growth in all the important parameters, namely: Sales, Orders Received, Backlog of Unfilled Orders and, especially, Units under Maintenance.

As a consequence of these results, we maintained our shareholder remuneration policy and paid the traditional four quarterly dividends for a total amount of 176 million euros, representing a pay-out of 100% and an increase of 13.5% on the preceding year.

We should remember that, throughout our time on the stock markets, our annual dividend has never dropped.

In June 2007, we carried out our 29th bonus issue, in the ratio of one new share for every ten old shares. The new shares were entitled to the dividends paid after the closing date of the bonus issue, i.e. those distributed on September 10 and December 10, 2007.

Regarding the year 2008, in spite of the obvious deceleration in the real estate promotion market, we will be able to attain a reasonable increase in profits in comparison with the preceding year.

On the basis of the foregoing, it would seem logical to think that, in reality, the share maintained its price while a series of events affected the stock markets in general and our shares in particular. When this occurs, it is difficult to provide an objective explanation.

Our uninterrupted policy of growing quarterly dividends, together with the annual bonus issue and the status of safe haven that the market attributed to our shares, may have raised our PER to levels that some investment banks deemed to be too high.

In addition, certain entities with great influence on the international stock markets included our shares in various Stock Market Indexes, probably prompted by our high capitalization.

Our shares were used as underlying assets in transactions with derivatives, which took our profit multiple, trading volume and prices to disproportionate levels.

The publication of a report giving a target price of 15 euros per share by a certain investment bank and the international credit crisis market the beginning of a growing wave of share sales with higher-than-normal trading volumes, which led to a value of 19.37 euros per share at the 2007 year end.

Our impression is that the market will need a certain length of time to calm down and, meanwhile, we can only try, as in the past, to improve our results and continue with a shareholder remuneration policy similar to the one we have been applying for the last 30 years.

In this respect, for the current year 2008, in addition to maintaining the four quarterly dividends, we are going to propose that the General Meeting of Shareholders should approve a further bonus issue with a ratio of 1 new share for every 10 old shares.

Yours faithfully,

F. Javier Zardoya García

ZARDOYA OTIS

(Fiscal year end)

Key Data at November 30

(Consolidated figues in millions of euros)

% variance over prior year

ANNUAL RESULTS	2007	2006	2005	2004	2003	2002	07	06	05	04	03
	(1)	(1)	(1)				(1)	(1)			
Profit before tax	334.8	240.2					39.4				
Profit before tax and extraordinary profit	270.6	240.2	215.6	200.6	179.9	155.4	12.7	11,4	7,5	11,6	15,8
Profit after tax	221.9	154.3					43.8				
Profit after tax, before extraordinary profit	175.9	154.3	143.5	130.7	116.1	98.1	14.0	7,5	9,8	12,6	18,4
EBITDA	277.7	247.6	224.3	209.8	193.5	170.8	12.2	10,4	6,9	8,4	13,3
Cash-Flow	234.6	162.3					44,6				
Cash-Flow before extraordinary profit	188.6	162.3	154.0	139.6	131.2	113.8	16.2	5,4	10,3	6,4	15,3
Gross dividens	176.0	155.0	134.2	119.8	101.4	87.2	13.5	15,5	12,0	18,1	16,4

(1) IFRS adoption   The extraordinary profit corresponds to the sale of the Madrid Factory

% variance over prior year

SHAREHOLDERS´EQUITY	2007	2006	2005	2004	2003	2002	07	06	05	04	03
	(1)	(1)	(1)				(1)	(1)			
Capital and Reserves	173.8	127.7	128.8	99.0	91.6	81.9	36.0	(0.9)	30.2	8.0	11.8

(1) IFRS adoption

% variance over prior year

SALES DATA	2007	2006	2005	2004	2003	2002	07	06	05	04	03
New Installations	214.9	200.6	172.7	159.2	171.7	168.8	7.1	16.2	8.5	(7.3)	1.7
Service	584.0	524.9	474.2	443.4	413.6	388.4	11.3	10.7	6.9	7.2	6.5
Total Export	80.1	72.7	62.9	74.6	61.9	59.4	10.2	15.5	(15.6)	20.5	4.2
Export to Portugal and Morocco (2)	(14.0)	(12.3)	(9.1)	(11.6)	(10.8)	(11.0)	13.6	35.4	(21.4)	7.2	(1.7)
Net Export	66.1	60.4	53.8	63.0	51.1	48.4	9.5	12.2	(14.6)	23.3	5.5
Total	865.0	785.9	700.7	665.5	636.4	605.6	10.1	12.2	5.3	4.6	5.1

(2) Deduced as they are already included in consolidated sales.

% variance over prior year

NEW INSTALLATIONS	2007	2006	2005	2004	2003	2002	07	06	05	04	03
Orders received	222.8	217.0	176.1	181.3	152.2	182.0	2.7	23.2	(2.9)	19.2	(16.4)
Backlog	168.3	160.3	149.4	129.6	109.9	124.6	5.0	7.3	15.3	17.9	(11.8)

% variance over prior year

SERVICE DATA	2007	2006	2005	2004	2003	2002	07	06	05	04	03
Units under maintenance	237,836	226,831	219,167	210,428	203,447	194,487	4.9	3.5	4.2	3.4	4.6
Maintenance Centers	359	351	340	338	329	325	2.3	3.2	0.6	2.7	1.2

% variance over prior year

MANPOWER	2007	2006	2005	2004	2003	2002	07	06	05	04	03
Total manpower	5,831	5,510	5,262	5,109	5,045	4,974	5.8	4.7	3.0	1.3	1.4

Stock Market Data at December 31

(euros)

SHARE CAPITAL	2007	2006	2005	2004	2003
Number of shares before share capital increase	261,933,172	238,121,066	216,473,697	196,794,270	178,903,882
Share capital increase (bonus) Ratio	1x10	1X10	1X10	1X10	1X10
Number of shares at December 31	288,126,489	261,933,172	238,121,066	216,473,697	196,794,270
Par value	0.10	0.10	0.10	0.10	0.10
Share capital (Millions)	28.8	26.2	23.8	21.6	19.7

PROFIT PER SHARE	2007	2006	2005	2004	2003
Profit after Tax	0,770				
Profit after tax before extraordinary profit	0,610	0,589	0,603	0,604	0,590
P.A.T. adjusted by capital increase		0,535	0,498	0,454	0,403
Adjusted P.A.T. variance (%)	14,0	7,5	9,8	12,6	18,4
EBITDA per share	0,964	0,945	0,942	0,969	0,983
EBITDA adjusted by capital increase		0,859	0,779	0,728	0,672
Adjusted EBITDA variance (%)	12,2	10,4	6,9	8,4	13,3

DIVIDEND PER SHARE	2007	2006	2005	2004	2003
Dividend per share	0.672	0.651	0.620	0.609	0.567
Dividend adjusted by capital increase		0.592	0.512	0.458	0.387
% variance adjusted dividend	13.55	15.50	11.99	18.15	16.36

PRICE PER SHARE	2007	2006	2005	2004	2003
Price	19.37	22.98	21.40	18.87	16.50
Price adjusted by share capital increase		20.89	17.69	14.18	11.27
% adjusted price variance	(7.3)	18.1	24.7	25.8	44.6

ANNUAL YIELD OF ONE SHARE (%) (*)	2007	2006	2005	2004	2003
Dividend	2.924	3.042	3.286	3.691	4.518
Increase in market value	(7.280)	18.121	24.748	25.800	44.622
Total	(4.356)	21.164	28.034	29.491	49.139

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

TRADING DATA	2007	2006	2005	2004	2003
Market capitalization (Millions)	5,581	6,019	5,096	4,085	3,247
Trading frequency (%)	100.0	100.0	100.0	100.0	100.0
Effective value traded (Millions)	1.935	802	683	506	332

STOCK MARKET RATIOS	2007	2006	2005	2004	2003
PER (price/net profit: number of times)	25.2				
PER (with PAT, before extraordinary profit)	31.7	39.0	35.5	31.2	28.0
Pay-out % (dividends paid/net profit)	79.32				
Pay-out % (with PAT, before extraordinary profit)	100.07	100.48	93.52	91.67	87.36

STOCK MARKET INDEX VARIANCE	2007	2006	2005	2004	2003
Zardoya Otis, S.A.					
Market capitalization at December 31 (€ Millions)	5,581	6,019	5,096	4,085	3,247
Market capitalization at January 1, 1990 (€ Millions) (Start of IBEX-35)	331	331	331	331	331
Market capitalization variance since Jan. 1, 1990	5,250	5,688	4,765	3,754	2,916
% variance market capitalization since Jan. 1, 1990	1,584.1	1,716.4	1,437.7	1,132.7	879.9
% inter-annual variance market capitalization	(7.3)	18.1	24.7	25.8	44.6
IBEX 35					
IBEX 35 at December 31	15,182	14,147	10,734	9,081	7,737
IBEX 35 at start (January 1, 1990)	3,000	3,000	3,000	3,000	3,000
Variance IBEX 35 since Jan. 1, 1990	12,182	11,147	7,734	6,081	4,737
% variance IBEX 35 since Jan. 1, 1990	406.1	371.6	257.8	202.7	157.9
% inter-annual variance IBEX 35	7.3	31.8	18.2	17.4	28.2

OTIS

Management Report on the Zardoya Otis Group

Financial and Stock Market Data

Extraordinary Transactions in 2007

Otis Maroc, S.A.

In March 30, 2007, the Zardoya Otis Group acquired 51% of the capital stock of Otis Maroc, S.A. from Otis France for the amount of 11.2 million euros. There is a firm commitment for acquisition of the remaining 49% within the next two years under the same conditions.
The turnover of Otis Maroc, S.A. for 2007, which has been included in the consolidated figures of the Zardoya Otis Group, is 10.0 million euros, 5.9 million euros of which relate to New Installations and 4.1 million to Service. The gross profit consolidated for 2007 is 1.9 million euros.

Sale of Madrid plant

Zardoya Otis signed on January 4, 2007, the sale of the real estate where its Madrid elevator plant is located in Calle Méndez Álvaro. The amount of the transaction is 76 million euros, including the financial cost of payment of the sale in instalments. The income flow will be: 7 million euros in 2006, 22 million euros in January 2008, 23 million euros in January 2009 and 24 million euros in January 2010, by means of trade bills guaranteed by a bank. The profit before taxes on the transaction for Zardoya Otis is 64.1 million euros.
At the same time, Zardoya Otis signed a rental agreement on the real estate with the new owner. This will allow the Company to continue to carry on its industrial activity until such time as the new plant in Leganés becomes available. The annual cost of this rental agreement is 840,000 euros.

Profit and Loss

The consolidated profit before tax at the 2007 year end was 334.8 million euros, representing an increase of 39.4% on the 2006 figure.

This profit before tax includes the extraordinary profit on the sale of the real estate where our Madrid elevator plant is located, which took place in January 2007.

The profit before tax, without this extraordinary profit, increased 12.7% compared with 11.4% in 2006.

The EBITDA (operating income plus depreciation) grew by 12.2% in 2007. in comparison with the 10.4% attained in 2006.

The consolidated profit after tax attributed to shareholders (net profit after minority shareholders) was 221.9 million euros, 43.8% up on 2006, with the positive effect of the real estate sale mentioned above.

Without this extraordinary effect, the profit attributed to shareholders was 175.9 million euros, 14% higher than the 154.3 million euros obtained in 2006.

The net profit per share in 2007 was 0.770 euros (0.610 euros without the extraordinary impact). This figure should be compared with the profit per share of 0.535 euros in 2006, calculated after applying the relevant adjustment resulting from the capital increase (0.589 euros/1.10 shares), and represents growth of 43.8% (14% before the extraordinary impact).

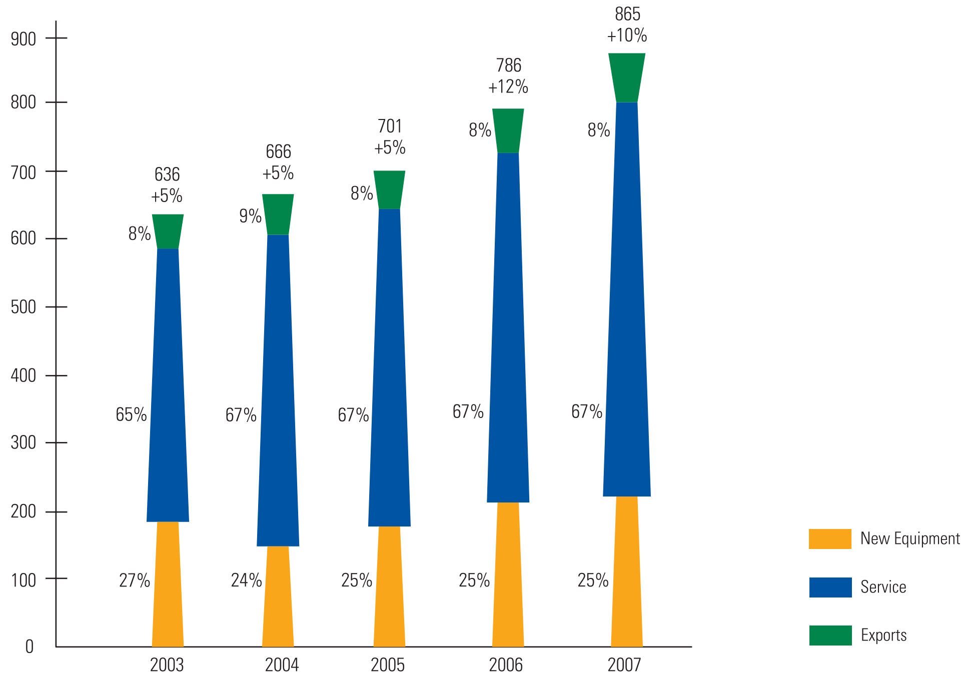
Regarding the consolidated Cash Flow (net income plus depreciation), at the 2007 year end the figure obtained was 234.6 million euros, i.e. 44.6% higher than that of 2006 (16.2% without the extraordinary impact).

Total Sales

The total consolidated sales figure rose by 10.1% in the year 2007, reaching 865.0 million euros, in comparison with the 785.9 million euros of 2006.

Sales

Millions of euros



New Sales

Work completed: the value of work completed in New Installations in 2007 was 214.9 million euros, 7.1% upon on the 2006 figure. The installation of equipment in Line 3 of the Madrid Metro should be highlighted. In 2007, New Sales billing represented 24.9% of total billing.

Orders received: in 2007, orders received for New Sales totalled 222.8 million euros, representing an increase of 2.7% on those obtained in 2006, when the sale of the contract for Line 3 of the Madrid Metro was recorded.

Backlog of unfilled orders: in spite of the fact that clear signs of a change in the economic cycle were noted in 2007, principally driven by the building market, the backlog of unfilled orders at the 2007 year end had grown by 5% in comparison with the figure one year earlier. The increase in unfilled orders resulting from the inclusion of the company Otis Maroc, S.A. represented a rise of 2.2%.

The backlog of unfilled orders at the beginning of the year 2008 represented 9 months' New Installations activity and, therefore, a fall in orders in 2008 is likely to affect the work to be completed in said year only partially.

Service

Sales: overall Service billing was 584.0 million euros, 11.3% more than in 2006. Again, this was the highest growth attained in the last five years.

The importance that the Service activity represents in the business structure of the Zardoya Otis Group is shown by the fact that said activity accounts for 67.5% of the Group's total consolidated sales and is, thus, an important basis for its stability.

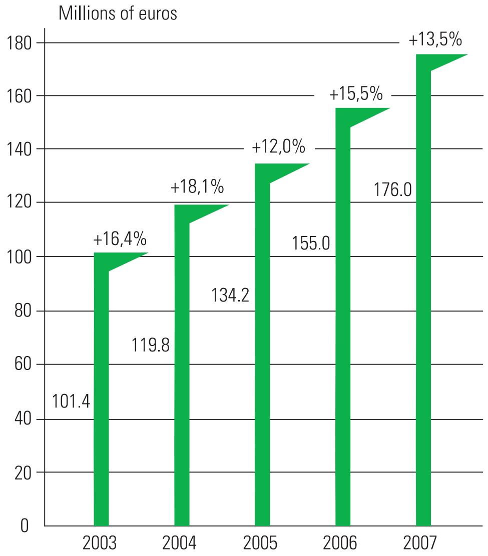
Units under maintenance of the Zardoya Otis Group: at 2007 year end, the increase was 4.9% on the preceding year. In absolute terms, the increase was 11,005 units, 2,000 of which came from the acquisition made in Morocco.

Exports

Finally, the net billing for Exports (eliminating sales made to Group companies in Portugal and Morocco) rose from 60.4 million euros to 66.1 million euros, an increase of 9.5%.

In 2007, net exports represented 7.6% of the Group's total consolidated sales.

Dividends



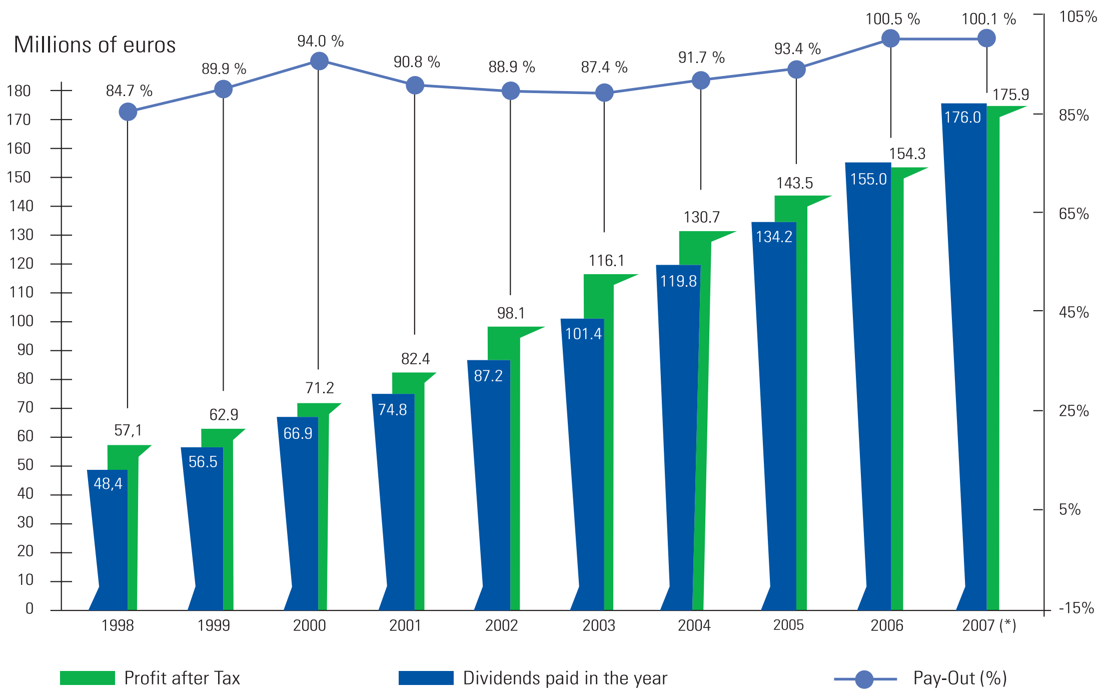
The dividends distributed and paid during 2007 were:

Number	Date	Gross per Share	Shares entitled to dividend	Total gross dividend
109	12 March	0.160 euros	261,933,172	41,909,307.52 €
110	11 June	0.160 euros	261,933,172	41,909,307.52 €
111	10 September	0.160 euros	288,126,489	46,100,238.24 €
112	10 December	0.160 euros	288,126,489	46,100,238.24 €
TOTAL DIVIDENDS PAID IN 2007				176,019,091.52 €

The first and second quarterly dividend were paid to the total of outstanding shares, 261,933,172. The 26,193,317 shares coming from the 1 x 10 bonus issue that took place on June 14, 2007 were entitled to the third dividend, distributed on September 10, 2007, and the fourth, paid on December 10, 2007. Thus, the total number of shares entitled to dividends rose to 288,126,489.

Dividends paid in 2007 totalled 176.0 million euros, in comparison with the 155.0 million euros of the preceding year. This represented an increase of 13.55% and meant a pay-out of 100% (considering the net profit before extraordinary items), continuing with the Company's policy of distributing dividends with a pay-out of close to 100%.

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



(*) Before Extraordinary Results

Evolution of Capital

Capital increase

On June 14, 2007, after the second quarterly dividend charged to the 2007 profit had been distributed, the capital increase approved by the General Meeting of Shareholders held on April 24, 2007 took place.
The ratio was one new share for each ten old outstanding shares, by means of the issuance of 26,193,317 new bonus shares charged to the Voluntary Reserve, for an amount of 2,619,331.70 euros.
The subscription took place between June 14 and 29, 2007, inclusive. As a result of this increase, the capital stock rose to 28,812,648.90 euros, represented by 288,126,489 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 10 and December 10, 2007.
The new shares were listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges, effective August 16, 2007.

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 24, 2007.
At the date of the present General Meeting of Shareholders, no Zardoya Otis Group company holds treasury stock.

Evolution of Zardoya Otis, S.A. on the Stock Market

The quoted price at the 2007 year end was 19.37 euros per share, which meant a loss in value of 7.3% in comparison with the 20.89 euros at which, after the relevant adjustments had been applied, the share ended the preceding year, as a result of the 1 x 10 bonus issue that took place in June 2007. The PER was 31.7 before extraordinary items and 25.2 afterwards.

In the 33 years since Zardoya Otis was first listed on the stock exchange in 1974, its shares have been revalued year after year except on two occasions: 1992 and 1999. Thus, it has been demonstrated to be a safe haven in situations of instability and economic uncertainty, with annual growth in proportion to, or even higher than, the Company's growing profits.

In 2007, there were very significant variations in the share value that did not correspond to the evolution in the Company's profits. The evolution of the quoted price over the year was as follows:

Month	Share Price Maximum	Share Price Minimum	Year end	Average daily share trading (thousands of shares)	Maximum daily share trading (thousands of shares)
December			22.98		
January	24.44	22.94	24.32	111	211
February	25.80	23.30	24.64	137	356
March	26.00	24.02	25.70	196	336
April	28.14	25.25	27.79	186	610
May	35.96	27.79	35.20	524	4,341
June	36.15	28.12	29.10	475	973
July	30.45	21.66	22.65	533	1,759
August	24.40	22.10	23.14	289	635
September	24.37	19.22	21.77	341	749
October	23.71	21.61	23.30	226	670
November	23.39	20.80	21.78	240	437
December	19.50	19.03	19.37	237	351

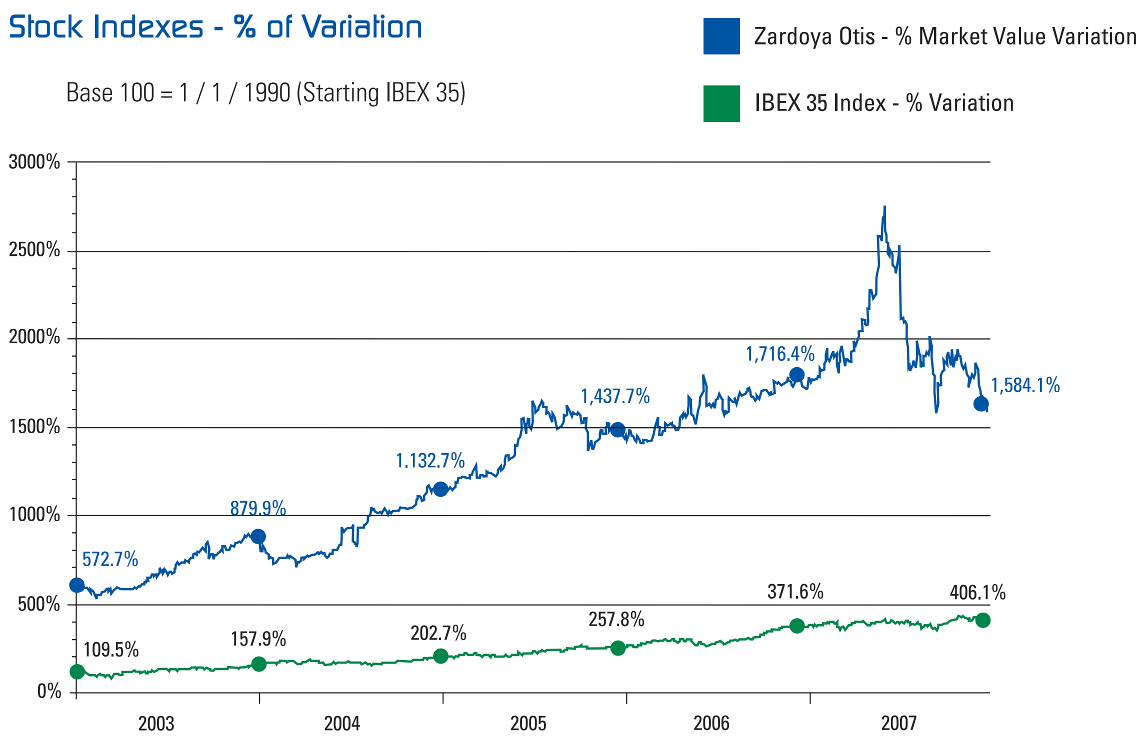
From the time our shares were included in certain reference indexes for investors, there was an increase in daily trading and in the price, which culminated in the months of May and June with non-habitual trading figures and a maximum quoted price of 36.15 euros per share, representing, at that time, a revaluation of 57% since the beginning of the year.

The publication of a report giving a target price of 15 euros per share by an investment bank and the international credit crisis marked the beginning of a growing wave of share sales with higher-than-normal trading volumes, which led to a value of 19.37 euros per share at the 2007 year end.

The following chart shows the variation in the last five years of the Company's stock market capitalization and the IBEX 35 Index using as a base when this Index first appeared on January 1, 1990.

Stock Indexes - % of Variation

Base 100 = 1 / 1 / 1990 (Starting IBEX 35)



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.

Stock Market Data

(euros)

		Shares price					
Year	Bonus Capital Increases and Splits	Last Price	Adjusted Price	Variance %	P.E.R.	Pay-Out %	Market Capitalization (Mill.)
dec-74		37.68	0.05		14.3		13.3
dec-90		63.71	1.22	5.69	13.8	80.14	350.2
dec-91	1 x 5	61.30	1.40	15.46	14.0	75.49	404.4
dec-92		52.23	1.20	(14.80)	11.0	79.80	344.6
dec-93	1 x 10	81.74	2.06	72.15	17.0	80.79	593.1
dec-94	1 x 10	82.28	2.28	10.73	17.4	57.36	656.8
dec-95	1 x 10	79.63	2.43	6.46	17.0	98.42	699.2
dec-96	1 x 10	90.75	3.04	25.36	19.5	100.85	876.5
dec-97	1 x 10	106.68	3.93	29.31	22.0	80.78	1,133.4
dec-98	split 5 x 1 and 1 x 6	26.62	5.73	45.56	28.9	84.73	1,649.8
dec-99	split 2 x 1 and 1 x 10	9.77	4.62	(19.26)	21.2	89.89	1,332.1
dec-00	1 x 10	9.35	4.87	5.27	19.7	94.01	1,402.3
dec-01	1 x 10	10.42	5.91	21.49	20.7	90.83	1,703.6
dec-02	1 x 10	12.55	7.79	31.79	22.9	88.85	2,245.2
dec-03	1 x 10	16.50	11.27	44.62	28.0	87.36	3,247.1
dec-04	1 x 10	18.87	14.18	25.80	31.2	91.67	4,084.9
dec-05	1 x 10	21.40	17.69	24.75	35.5	93.52	5,095.8
dec-06	1 x 10	22.98	20.89	18.12	39.0	100.48	6,019.2
dec-07	1 x 10	19.37	19.37	(7.28)	31.7 (*)	100.07 (*)	5,581.0

(*) Without Extraordinary Result

Forecast Evolution

In 2007, the predictions of a crisis in the building market, affected by, among other things, the impact of the subprime mortgages in the United States, the reduction in bank liquidity and the rise in interest rates and in the cost of mortgages, began to materialize. The situation of the building market for 2008 continues to deteriorate, which will affect principally the homes segment.

Regarding the Zardoya Otis Group, we must consider that: a) New Sales activity accounts for 25% of the total turnover, b) we had sufficient unfilled orders at the beginning of the year, and c) the heavy New Sales activity in 2006/2007 will lead to an increase in Service activity when the units join the units under maintenance and d) the acquisition activity will likewise have a positive impact.

In view of the foregoing, we consider that we will be able to obtain a further increase in profits.

Article 116 Bis of the Stock Market Act

a) The share capital of Zardoya Otis, S.A. is 28,812,648.90 euros and is represented by 288,126,489 ordinary shares, belonging to a single class, with a par value of 0.10 euros each. The shares are represented by account entries.

- The shares are fully subscribed and paid up.
- All the shares are traded on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges.

b) There is no restriction on the transferability of the shares

c) The stakes held by Board members and other significant shareholdings that appear in the Annual Corporate Governance Report are the following

Shareholder´s name or corporate name	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
United Technoligies Corporation (UTC)	0	146,515,402	50.851
United Technoligies Holdings, S.A.	146,515,402	0	50.851
Euro-Syns, S.A.	31,693,915	0	11.000
Bresla Investments, S.L.	25,999	0	0.009
Loizaga Viguri, José María	193,600	1,452	0.068
Abajo García, Mario	759,430	0	0.264
Zardoya García, F. Javier	95,166	95,167	0.066

d) There are no restrictions on voting rights. Each share entitles the holder to one vote.

e) The Company is not aware of the existence of any shareholders' agreement.

f) Rules applicable to the appointment and re-election of the members of the governing body and amendment of the Company's Articles of Association.

- Article 20 of the Articles of Association states that Directors will be elected by voting in accordance with the rules provided for in the Spanish Corporations Act.
- According to the Articles of Association, it is not necessary to be a shareholder to be a Director, except in the event of a provisional appointment made by the Board of Directors itself pursuant to the provisions of article 138 of the Spanish Corporations Act.
- In addition, article 13 of the Regulations of the Board of Directors states that Directors will be appointed by the General Meeting or, provisionally, by the Board of Directors in accordance with the provisions of the Spanish Corporations Act.
- Finally article 15 of the Regulations of the Regulations of the Board of Directors states that Directors will leave their post when the term for which they were appointed expires or when the General Meeting, using the attributions conferred upon it by Law or in the Articles of Association, so decides.

g) The Company has not conferred powers on the members of the Board of Directors except for those necessary for compliance with or execution of the corporate resolutions adopted in each case and the formalisation and entry into public record of said resolutions, when applicable. Likewise, Mr. Mario Abajo García is the Chief Executive Officer of the Company and holds the entirety of the Board's powers, except those that, in accordance with the Law or Articles of Association, cannot be delegated and those relating to the purchase or sale of real estate.

At the General Meeting of Shareholders held, on the second call, on April 24, 2007, authorization was granted to the Board of Directors for the direct or indirect acquisition of Zardoya Otis, S.A.'s own shares, up to a maximum of 5% of the share capital, for a period of 18 months as from the date of said General Meeting. The acquisition price of said shares could not be lower than 5 euros per share or higher than 35 euros per share and the Board was authorized to set aside the reserves provided for in article 79 of the Spanish Corporations Act. The aforementioned authorization was not used in F.Y. 2007.

h) The Company has not signed any significant agreements that enter into force, are amended or conclude in the event of a change of control due to a public takeover bid.

i) The Company has not signed any agreements with its Directors, management personnel or employees that provide for indemnities when they resign or are unfairly dismissed or if the employment relationship terminates as the result of a public takeover bid.

Safety

This year we have renewed our "Safety, Health and Environment System" in Zardoya Otis to ratify our commitment in this area and our values, which are summarized below:

- We actively support the safe conduct of our employees.
- We practise and promote actions for safety and environmental care all over the world.
- All of us are responsible for keeping the people and the workplaces safe.
- We design processes that allow us to carry out our work in the safest way possible, while providing the highest-quality products and services to our customers.

The Safety, Health and Environment Management System implemented in all our work centres, together with the example and leadership that may be seen in Management every day, allows us to attain improvements in the indexes that measure these aspects and show the system's efficiency year after year. In 2007, the Company's certification from the external company Audelco in this respect was renewed.

Among the different initiatives that we have implemented in order to reinforce the culture of total safety and employee participation, we can highlight the following:

• Safety Day. On this day, different activities are carried out at all the work centres in relation to the Prevention of Risks at Work. The 2007 motto was "February 25, Safety Day, and every other day of the year as well …".

• Safety Posters and Drawing Contest. For employees and their families, with prizes for participation and for the winners in the different categories.

• Safety Agenda. The main rules for accident prevention and the contest winners' safety drawings are included.

• Club for the work centres with a significant number of accident-free days. The number of accident-free days of each centre is published in the monthly statistics and plaques and diplomas are given in recognition of this. The General Manager awards the recognition plaques in person to the centres with more than 10 years without accidents.

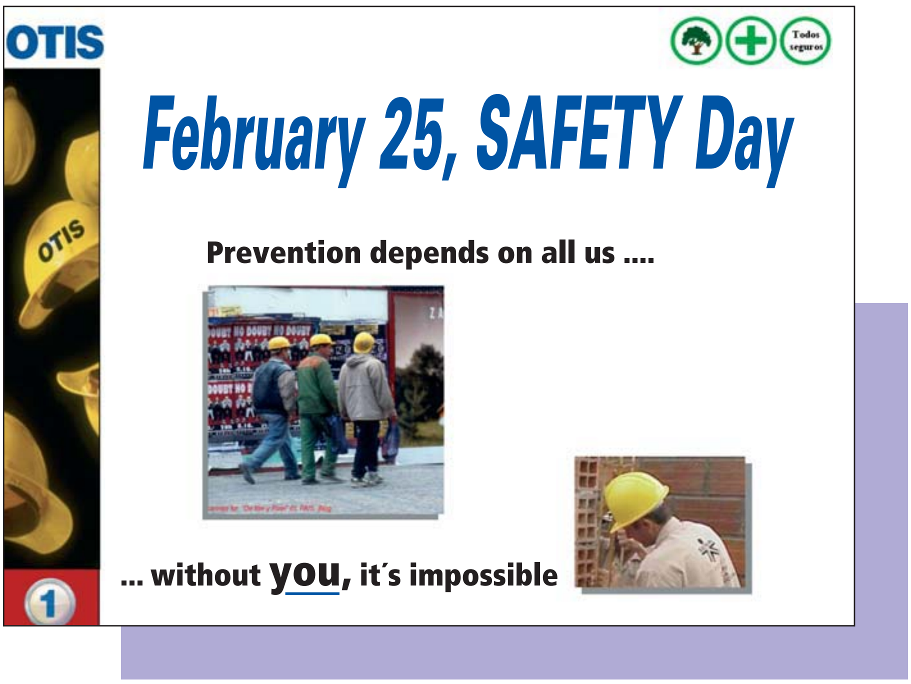
• Recognition of individual employees. For safety suggestion or special contributions, such as obtaining a score of 100% in the external audits.

These initiatives are part of a set of actions established each year in each one of the 12 sections of the Safety, Health and Environment Management System in which, taking the risk evaluations of the different processes and tasks as a basis, the necessary measures are developed in the area of:

• Information to and training of employees

• Development of high-quality, efficient and safe equipment, tools and work processes.

These actions help to make our workplace a safe place for every person every working day. Our customers and the users of our products distinguish us from the rest of the companies in the sector because of these aspects and value us positively as the safest company, with one of the most complete Safety, Health and Environment Management Systems.



Excellence / Total Quality

Sinergy between two important excellence programs

In the long path towards Business Excellence through Total Quality that Zardoya Otis commenced in 1986, two large programs have marked the implementation milestones for different reasons:

The program “ZONE DISTRICTS FOR EXCELLENCE” (ZDE), launched in 1995, was the most successful and best accepted action known at the time, exceeding all expectations.

Apart from its internal success, the program boosted the Company’s external image, since it was presented in different national and international forums and followed by a number of organizations from inside and outside Otis.

The program, with the minimum changes required for it to operate optimally, ran for a long time and its importance even increased, indubitably due to its main features of representing the Integral Balanced Scorecard and the possibility of internal Benchmarking.

The ACE (Achieving Competitive Excellence) program was introduced from 1999 onwards at the decision of UTC and Otis, which considered it as the general Excellence/Total Quality program for all their companies.

Both programs ran simultaneously until 2007, when the continuing search for improvements gave rise to in-depth study and consideration of the programs whose implementation had provided the best results.

Thus, it was found that, for the Zone, the ACE and ZDE programs could complement each other and be integrated in a practical and innovative manner, obtaining important synergies by merging them.

Effectively, each program had strong points and opportunities for improvement and, through integration, the former could be emphasized and the latter developed.

The ACE program was better in terms of methodology, good and detailed implementation requirements and tools for improvement, monitoring and recording.

The ZDE program beat ACE in simplicity, practicality, objectives and verifiable results, communication and recognition.

The final guideline for the merger was that, in order to evidence improvements, the ZDE program was based on the evolution of certain parameters, metrics or indicators that everyone considered to be fundamental for excellent Zone management.

In order to check the improvements, the ACE program also considered the evolution of certain parameters, metrics or indicators that were likewise crucial in measuring the Excellence status.

Thus, it was discovered that the two programs, which had been running at the same time:

- Converged in considering, measuring and improving key parameters, metrics or indicators.
- Should necessarily be the same one, since excellent management is closely related to Excellence.

The obvious decision was to create the ACE-Zone Districts for Excellence Program (ACE-ZDE) as an innovative manner of implementing the ACE program in the zone in Otis (that could be used in other UTC companies).

The ACE-ZDE program includes the best of the two programs mentioned above. Thus, it has adopted the methodology and tools of the ACE program to improve the key parameters, which are still those of the ZDE program.

In addition, the ZDE program's treatment is maintained for internal Benchmarking (with identification and implementation of the best practices), the objectivation, management and communication of the results of the indicators and the aspects relating to recognition.

The 15 key parameters that form the BSC (Balanced scorecard) may be reviewed if necessary to adapt them to the Company's circumstances and strategic orientation. Each year, Management, together with the Zones, will determine the total score to reach and the specific parameters on which to focus the improvement projects, which will be achieved by using the ACE tools and internal benchmarking.

In addition, to find out the economic impact of the improvements attained, the economic quantifications derived from variations in each parameter have been defined as objectively and accurately as possible.

With the implementation of the ACE-ZDE program, it is hoped to obtain significant results from the synergy in the near future.

Zardoya Otis will install 580 Ecological Elevators in the Tres Molinos Resort in Murcia

Zardoya Otis has obtained a contract to supply and install 580 elevators at the Tres Molinos resort, currently under construction in the Murcia region. In terms of the number of units, it is the largest award that the Company has received to date.

The elevators installed will be the Otis GeN2 Comfort model, fully manufactured in Spain, the traction system of which uses flat steel belts coated in polyurethane, rather than the traditional cables. This reduces energy consumption and wear and tear and makes the elevator operate more silently.

The flat belts weigh 40 percent less than the traditional cables and use a considerably smaller traction hoist, which allows both the weight and size of the mechanical components to be reduced, thus reducing energy consumption by 70 percent. At the same time, no contaminating waste is generated, since neither the polyurethane belts nor the machine need lubrication. Thus, an energy-efficient elevator that respects the environment has been achieved.

Tres Molinos, a residential and sports complex, will have 10,800 homes, three golf courses and a wide range of services, such as a medical centre, a spa, a theatre, a school and shops. There will be three phases, the first of which will be completed in 2008.

Engineering

In 2007, the R&D engineering activities concentrated on continuing the expansion of the GeN2 range, in order to increase both the load capacities and speeds of these models. The clear advantages that the apparatus with GeN2 technology offer the customers (space saving, lower energy consumption, silent operation and maximum safety) mean that our product strategy concentrates on incorporating this technology into all our product lines. Thus, in 2007, GeN2 models were designed with variable dimensions and safety devices to be used in hoistways with reduced overhead. These are highly suitable for installation in existing buildings with no elevators.
In this line, our engineering has developed a package of modernizations that allow this technology to be applied in the modernization of existing elevators, obtaining the aforementioned advantages. Thousands of old elevators will benefit from these advantages from now onwards.
We trust that the conservation and energy saving consciousness that is developing in our society and public administrations will make these very low-consumption technologies become our industry standard in a very short space of time.

Energy saving and efficiency actually exist for all our customers

Banco de Santander headquarters in Pº de Pereda - Santander

Manufacturing

The increase in the demand for our products continued in 2007, which led to a 12% rise in billing that affected the three plants and almost all our products. Thus, the number of elevators supplied grew by 3.7%, modernization units by 18% and machines by 19%, growth being principally driven by external demand. Elevator exports rose by 14% and now represent 36% of the Madrid plant's billing, while elevators supplied on the domestic market remained at the same levels as in the preceding year.

We highlight the fact that the GeN2 Comfort belt traction elevator showed constant growth in its second year of life, while the supply of elevators with conventional cable traction technology gradually dropped, which proves our customers' positive valuation of the former's higher operating quality and contribution to sustainable development. In particular, we highlight the contract to install 580 GeN2 Comfort elevators at the Tres Molinos resort in Murcia, which is the contract for the highest number of units in the Company's history. This market evolution has led us to decide to offer only the models with the new GeN2 technology in the residential machine room-less market. This will allow rationalizations in production from which we hope a reduction in our costs will derive.

Growth in machine production was possible because of our launching of the permanent-magnet machine that equips the GeN2 elevators in the preceding year. The European plants in France and Italy decided to introduce our machine, given the competitive advantage it represented for them in comparison with the machine they were using previously, which was produced by an external supplier in China. This made it possible to manufacture more than 9,000 units of the machine that equips the elevators for up to 8 people and led us to design new versions to expand the range, among them, a larger machine that can be used for up to 13 people.

The preliminary tests of this machine were satisfactory and, at the end of the year, it was decided to manufacture a pilot series. We hope that it will be definitively launched in 2008. The introduction of this technology has reversed the trend in machine production, which had been dropping since 2004, and, in 2007, the historical record of 26,199 units, 34.5% of which were of the new type, were manufactured.

New Industrial Centre

There is no doubt that the most important milestone of the year was the commencement of the building of the new Madrid plant, located in the Leganés Technology Park, in the summer. The works are progressing at a good rate in relation to the schedule and we hope to be able to use it in 2008 to allow a greater expansion of the products we offer. In the year, an analysis was made of the production capacity and machinery investments to equip the new Centre with modern production means and systems that improved our product quality were authorized, thus permitting us to organize the production flow more rationally, favouring greater productivity.
A test tower is being built to allow us to test larger safety devices and the high-speed GeN2 elevators that we hope will become part of the products on offer next year.
The building has been designed to minimize its environmental impact. It includes materials with a high thermal insulation capacity, artificial lighting that can be regulated in accordance with daylight and solar panels to product the Centre's hot sanitary water.
Furthermore, on the roof of the building, we will install a solar photovoltaic plant with power of 720 Kw and the capacity to generate 1 Mwh of electricity each year, which means that 60% of the industrial centre's energy needs will be produced from renewable sources.
This photovoltaic installation, which represents an investment of 4 million euros, will avoid the emission of 1000 tonnes of CO2 and 90 tonnes of SOx (sulphur-based compounds that generate what is known as "acid rain") into the atmosphere each year.
Thus, we will have an industrial centre that creates a new reference for environmental sustainability in the sector worldwide.

Human Resources

For a further year, the Human Resources Department has contributed to the success of the business, since there have been no labour disputes in the Company and the corporate reputation generated allows the Company to attract the best professionals and give our best professionals development and growth opportunities, asking the employees for their opinions and drawing up action plans, based on the conviction that our human teams are the Company's principal asset and, therefore, our guarantee of success today and in the future.

Headcount

The headcount of the Zardoya Otis Group at December 31, 2007 was 5,831 employees, representing a 5.8% increase on the year 2006.
90% of the Company's total number of contracts was permanent, a total of 322 contracts having been converted during 2007.
More than 536 new people joined the Company, which was a new recruiting record in the Group's history.
Recruitment of legal immigrants and women increased, as did recruitment from the Company's subcontractors.
However, the number is still insufficient to meet Human Resources' strategic targets.
The net growth in the headcount at the year end was 321 people, 52 of whom came from acquisitions and 125 from the Moroccan subsidiary.
The percentage of people who voluntarily left the Group was 3.1%. We analysed them to find out the most frequent causes and draw up an action plan to reduce their number.

Internal Communication

In 2007, an Employee Survey was conducted with the participation of 53% of our employees. The results obtained indicate that the employees are satisfied to work for Zardoya Otis and the most highly valued categories were precisely the Company's three fundamental values: Safety, Ethics and Service Excellence. Notwithstanding, a comparison with Otis in other European countries indicates that we still have room for improvement in making the employees feel prouder of working for our Group. This is why we have drawn up and are implementing an ambitious Action Plan to improve the employees' commitment to and satisfaction with the Company.
In addition, the internal communication magazine was relaunched and is now called "Gente Otis", focussing much more on the employee and the recognition thereof.
In relation to internal communication concerning the transfer of our work centre to Leganés, we have organised visits for managers, department heads, the workers' council and operational personnel to the works of the new plant.
We are recording the whole process of construction of the new plant on video and all the employees can see a daily photo of the evolution of the building works on the Zardoya Otis corporate intranet.
All the foregoing is aimed to ensure that the transition to the new plant is successful and that our employees are proud to have a plant that is totally new in Spain.

Training and Development

The total number of hours of training was 164,187, with 7,170 participants and an average of 35 hours' training per person per year.

Area	Hours	People	Courses
Corporate Programs	19,752	3,371	2,852
Technical Programs (Hum. Res.)	53,101	676	524
Technical Programs (Field)	36,700	2,850	360
Individual Development	54,634	273	142
TOTAL	164,187	7,170	3,878

For the first time, we imparted training in Service Excellence skills:

- Recruitment by Skills
- The Proactive Supervisor
- Excellent Communication
- Development of Contact Networks to increase sales
- Persuasion and Influence in sale processes
- Problem Diagnosis and Solution
- Orientation towards Results and Time Management

The idea for 2008 is to extend this training to the whole Company, now that its success is confirmed.

The main novelty in the Human Resources development policies in Zardoya Otis in 2007 was the implementation of an accelerated program for the development of new industrial engineers (ONE program) that we presented at the main universities of Spain. It consists of 6 months' general training followed by 2 times nine months carrying out real work in different departments of the Company, concluding with a job in the Company after 2 years.

In 2007, the group was formed by 5 people, one of whom is an internal candidate from the Company, while another is a woman. This plan will be implemented every year.

Study Program

The UTC educational program (Scholar Program) facilitates, finances and rewards studies to obtain a university degree or postgraduate qualification or those to obtain university access for all employees who hold a permanent contract.

We can distinguish between two types of program:

- Educational program for UTC employees (undergraduate degrees, diplomas, postgraduate degrees and doctorates).
- Educational program additional to the UTC program (BUP, ESO, COU, FP -basic Spanish educational qualifications-, university access for over 25's).

In 2007 and 2008, around 54 employees are participating in these programs, with a total of 24.000 hours of training. We highlight the fact that, at present, we have 4 mechanics studying undergraduate degrees, 6 studying engineering, 5 administrative employees and 3 sales people studying different types of Master's degrees, etc.

Social Action

Special Olympics

In October 2007, Special Olympics held its Summer Olympic Games in Asia, specifically in China. Following our tradition, Zardoya Otis employees contributed money to bear part of the travel expenses of the sportspeople and their monitors and the Company contributed the same amount as the employees obtained.
A one-week trip to Shanghai for two people was raffled among all the people who helped to make this challenge possible with their money, so that they could support the Spanish participants with their presence and encouragement. The Spanish team did well in all the categories in which they competed, winning a total of 46 medals.

Special Olympics Padel day

On May 19, 2007, some very special sportspeople visited the padel court at the Zardoya Otis headquarters. The girls and boys of Special Olympics, accompanied by their monitors, came to learn the secrets of this sport and they could have had no better teachers than the participants in the Company's padel championship.

Mr. Mario Abajo hands the money collected by Zardoya Otis S.A. to Mr. Gaizka Ortuzar of Special Olympics.

Zardoya Otis, with the Typhoon victims in the Philippines

The typhoon Durian, which hit the Philippines last December, finally left 1,300 people dead or missing, 8,700 homes destroyed, 14,000 homes damaged, 40,000 displaced people and all the electricity, telephone, water, sanitation and sewage installations almost 100 percent destroyed.

Bomberos Unidos Sin Fronteras (Firefighters United without Frontiers), an organization with which Zardoya Otis collaborates, sent a team to the area to help the victims of this emergency. The team was formed by medical and sanitary personnel, a dog rescue unit with two dogs trained to locate buried victims and a group of firefighters specialised in rescue work.

These relief workers carried out tasks to locate victims and attended to close to 300 people who were injured or sick as a result of the disaster, 80 percent of whom were women and children, principally suffering from broken bones and respiratory and digestive illnesses.

Various types of material that the local authorities might continue to need and use were donated:
a fully-equipped medical unit, with lighting, a generator, stretchers, chairs, shelves and medicines.

Once again, Zardoya Otis collaborates with the Indigenous women of Chiapas

Zardoya Otis has renewed its collaboration agreement with the Nantik Lum Foundation to finance a project for the benefit of the indigenous women of Chiapas (Mexico).

The principal aim sought by the project is to encourage sustainable economic and productive activities to improve family and community economy. Through micro-credits, these women receive the initial financing to enable them to carry out small manual tasks in return for an economic consideration that allows them to maintain their families.

The collaboration agreement comprises two phases. In the first phase, Zardoya Otis donated to Nantik Lum the money necessary to allow the indigenous women to make handmade diaries. In the second phase, Zardoya Otis distributes these diaries to be sold at its branches. The money obtained is likewise used to develop the project.

This collaboration formula allows the employees of Zardoya Otis to play a direct part in the success of this social initiative.

OTIS

Auditor's Report and Consolidated Annual Accounts

Zardoya Otis Group

Audit Committee

The Audit Committee has held five meetings in 2007 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 2007.

3. Increase in share Capital and its closing.

4. Follow up of the Internal Control Plans for 2006 and 2007.

5. Financial Information Rules (IFRS).

6. Corporate Governance Report 2006.

7. Review, with the external auditors, of the individual Annual Accounts and those for the consolidated group for the year 2007, 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 2007.

9. Review of related party transactions.

10. Review of the risk control system.

PRICEWATERHOUSECOOPERS

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Free translation of the auditor's report originally issued in Spanish on the consolidated annual accounts prepared in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of a discrepancy, the Spanish language version prevails.

AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the Shareholders of Zardoya Otis, S.A.

We have audited the consolidated annual accounts of Zardoya Otis, S.A. (Parent Company) and its subsidiaries (the Group), consisting of the consolidated balance sheet at 30 November 2007, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes to the consolidated annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the Parent Company. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed 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.

In compliance with Spanish Corporate Law, the Parent Company's Directors have presented, for comparative purposes only, for each of the items in the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes to the consolidated annual accounts the corresponding amounts for the previous year. Our opinion refers solely to the 2007 consolidated annual accounts. On 28 February 2007 we issued our audit report on the consolidated annual accounts for 2006 in which we expressed an unqualified opinion.

In our opinion, the accompanying consolidated annual accounts for 2007 present fairly, in all material respects, the consolidated financial position of Zardoya Otis, S.A. and its subsidiaries as at 30 November 2007 and the consolidated results of their operations, changes in consolidated net equity and consolidated cash flows for the year then ended and contain all the information necessary for their interpretation and comprehension in accordance with International Financial Reporting Standards as adopted by the European Union which are consistent with those applied in the preparation of the consolidated financial statements for the previous year, which are included in the accompanying consolidated annual accounts for comparative purposes.

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

PRICEWATERHOUSECOOPERS

The accompanying consolidated Directors' Report for 2007 contains the information that the Zardoya Otis, S.A.'s Directors consider relevant to the Group's position, the development of its business and 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 agrees with that of the consolidated annual accounts for 2007. Our work as auditors is limited to checking the consolidated Directors' Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the accounting records of Zardoya Otis, S.A. and its subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

Stefan Mundorf

Stefan Mundorf
Partner

February 29, 2008

Zardoya Otis Group
Consolidated Balance Sheet

at November 30, 2007 and 2006 (In thousands of euros - ETHs)

	2007	2006
ASSETS		
NON CURRENT ASSETS		
Fixed assets (Note 5)	29,745	17,773
Intangible assets (Note 6)	56,100	41,014
Goodwill	18,725	-
Other investments	714	3,812
Deferred tax assets	24,641	29,008
	129,925	91,607
CURRENT ASSETS		
Inventories (Note 8)	27,250	28,727
Current financial receivables	331	311
Accounts receivable (Note 7)	332,452	248,264
Cash and cash equivalents (Note 9)	99,335	142,549
	459,368	419,852
TOTAL ASSETS	589,293	511,458

The notes on pages 42 to 69 form an integral part of these consolidated financial statements.

	2007	2006
EQUITY		
Share Capital (Note 10)	28,813	26,193
Legal reserve (Note 11)	5,763	5,239
Reserve for Subsidiary companies and other reserves (Note 12)	92,711	60,310
Retained earnings	222,486	154,092
INTERIM DIVIDEND PAID	(176,019)	(118,108)
MINORITY INTERESTS	7,612	6,020
TOTAL EQUITY	181,366	133,746
LIABILITIES		
NON CURRENT LIABILITIES		
Borrowings	2,801	10
Welfare Commitments	30,506	37,794
Other liabilities	2,363	2,126
	35,670	39,930
CURRENT LIABILITIES		
Trade and other payables (Note 14)	293,938	269,059
Current tax liabilities (Note 15)	55,115	50,101
Borrowings	4,090	1,553
Other liabilities	19,114	17,069
	372,257	337,782
TOTAL LIABILITIES	407,927	377,712
TOTAL EQUITY AND LIABILITIES	589,293	511,458

The Notes on pages 42 to 69 form an integral part of these consolidated financial statements.

Zardoya Otis Group
Consolidated Income Statements

For the years ended November 30, 2007 and 2006
(In thousands of euros - ETHs)

	2007	2006
Sales (Note 18)	864,992	785,910
Other income	2,316	2,146
Changes in inventories	(169)	6,232
Raw materials used	(297,485)	(276,263)
Employee compensation and benefit expenses (Note 19)	(230,536)	(214,144)
Depreciation, amortization and impairment charges	(12,734)	(8,028)
Other expenses	(61,430)	(56,308)
OPERATING PROFIT	**264,954**	**239,545**
Financial income (Note 20)	8,061	5,124
Financial expenses (Note 20)	(2,682)	(2,920)
Net exchange rate differences (Note 20)	226	482
Share of (loss)/profit of associates	9	6
OTHER (EXPENSES) INCOME	64,203	(2,084)
PROFIT BEFORE TAXES	**334,771**	**240,152**
Income tax expense (Note 21)	(111,112)	(84,162)
PROFIT FOR THE YEAR	**223,659**	**155,990**
ATTRIBUTABLE TO:		
Equity shareholders of the Company	221,903	154,283
Minority interests	1,756	1,707
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY DURING THE YEAR (in Euros per share)		
- Basic	0,80	0,61
- Diluted	-	-

The Notes on pages 42 to 69 form an integral part of these consolidated financial statements.

Zardoya Otis, S.A. Group

Consolidated Statement of Changes in Equity

For the years ended November 30, 2007 and 2006
(In thousands of euros - ETHs)

	Attributable to Equity Shareholders				Minority Interest	Total net Equity
	Capital	Legal reserve	Consolidation and other Reserves	Retained Earnings		
Balance at December 1, 2005	**23,812**	**4,763**	**59,567**	**40,689**	**5,869**	**134,700**
Distrubution of income 2005		476	4,012	(143,704)		(139,217)
Dividend relating to 2005				102,825		102,825
Capital increase	2,381		(2,381)			-
Profit for the year				154,283	1,707	155,990
Interim dividend 2006				(118,109)		(118,109)
Business combinations					(59)	(59)
Other			(888)		(1,496)	(2,384)
Balance at November 30, 2006	**26,193**	**5,239**	**60,310**	**35,984**	**6,020**	**133,746**
Distribution of income 2006		524	35,400	(153,509)		(117,585)
Dividend relating to 2006				118,109		118,109
Capital increase	2,620		(2,620)			-
Profit for the year				221,903	1,756	223,659
Interim dividend 2007				(176,019)		(176,019)
Business combinations			214		(164)	50
Other			(593)			(593)
Balance at November 30, 2007	**28,813**	**5,763**	**92,711**	**46,468**	**7,612**	**181,366**

The Notes on pages 42 to 69 form an integral part of these consolidated financial statements.

Zardoya Otis, S.A. Group
Consolidated Statement of Cash Flow

For the years ended November 30, 2007 and 2006
(In thousands of euros - ETHs)

	2007	2006
NET PROFIT	**221,903**	**154,283**
Adjustments to profit:		
Amortization/depreciation/provisions	14,818	13,579
Taxes	111,112	84,162
Other gains and losses	9,484	1,591
Gains on sale of fixed assets	(64,131)	-
Tax payment	(91,858)	(73,427)
Variation on accounts receivable, payable and other	(74,224)	(24,505)
OPERATING CASH FLOW	**174,381**	**155,683**
Investment in tangible/intangible fixed assets	(26,707)	(8,820)
Acquisition of subsidiaries	(25,960)	(4,604)
Acquisition of other financial assets	(8,299)	(5,075)
Sale of Land/Building	16,854	-
INVESTMENT CASH FLOW	**(44,112)**	**(18,499)**
Dividends paid	(176,019)	(155,017)
Bank debt	2,537	487
FINANCING CASH FLOW	**(173,482)**	**(154,530)**
VARIATION IN CASH AND EQUIVALENTS	**(43,213)**	**(17,347)**
Cash and equivalents at the beginning of the period	142,548	159,895
Cash and equivalents at the end of the period	99,335	142,548

The Notes on pages 42 to 69 form an integral part of these consolidated financial statements.

NOTE 1. GENERAL INFORMATION

Zardoya Otis S.A. (the Company) and its subsidiaries (together the Group) have the main business activity of the manufacture and installation of elevators, the provision of the related maintenance service, and export of equipment for its installation abroad. The Group operates throughout national territory and has two manufacturing plants in Madrid and San Sebastian and a modernizations centre in Munguía (Vizcaya).. Zardoya Otis S.A. is a limited liability company incorporated and registered in Madrid. The address of its registered office is in Golfo de Salónica, 73 Madrid.

United Technologies Holding S.A. incorporated in France, holds an interest in the Group of 50.85 % of the shares of the Company. The company is a dependent of the UTC Group, incorporated in the United States of America. The company is listed on the Madrid, Barcelona, Bilbao y Valencia stock exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on February 27, 2008 and are pending on the approval of the Annual Shareholders' Meeting. Nevertheless, Management considers that the above mentioned accounts will be approved as presented.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.
These policies have been consistently applied to the years presented.

2.1 Basis of Presentation

The consolidated financial statements of the Group as of November 30th, 2007 have been prepared in accordance with "International Financial Reporting Standards (IRFS)" adopted for application in Spain and in force at that date.

Up to the end of FY 2005, inclusive, the Group presented its Consolidated Financial Statements in accordance with the rules of Spanish Commercial Law and the "Plan General de Contabilidad" (Spanish GAAP).

The preparation of financial statements under IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are:

a) Contracts in progress

Contracts in progress are valued at the cost incurred plus the expected profit margin, based on the percentage of completion of the contract, in proportion to the differences between the total estimated cost and the contract price agreed upon with the customers. Said margin is reviewed in accordance with the actual progress of the work and the costs still lto be incurred, by means of periodic reestimations so that the margin of profit or loss that will result at the end of the contracts will note differ substantially from the margins applied while the contracts were in progress. (Note 2.11, b 2.16, a).

b) Welfare commitments

The liability recognized on the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. (Note 2.14).

c) Estimated loss due to impairment of goodwill and other related intangibles

Goodwill or other intangible assets acquired directly or as a consequence of a business combination are shown at fair value considering their useful life and the term of incremental income. They are regularly tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. (Note 2.6).

d) Deferred tax

Deferred tax is calculated on the basis of the timing differences that arise between the taxes bases of assets and liabilities and their carrying amount on the consolidated financial statements. Deferred tax is determined using tax rates that have been or are about to be approved at balance sheet date and are expected to apply when the related deferred tax asset is realized or deferred tax liability is settled. Deferred tax assets are recognized to the extent that it is likely that future taxable income will be available against which to offset the timing differences and are reviewed in accordance with any legal changes or circumstances that may affect their recoverability. (Note 2.13).

2.2 Consolidated principles

Subsidiaries are all companies over which the Group has the power to govern the financial and operating policies, which, in the latter case, implies a shareholding of more than half the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group unless the information provided by the Company is not sufficiently reliable and its effect on the consolidated accounts is not material. They are de-consolidated from the date that control ceases.

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, by including all the balance sheet and profit and loss items in the accounting records. Certain reclassifications have been made in order to improve the presentation of the consolidated financial statements, and the related minority interests.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets delivered, equity instruments issued and liabilities incurred or accepted at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions and balances are eliminated. Likewise, profits generated between related parties but not yet billed are also eliminated.

The list of subsidiaries and information thereon are as follows:

		Shareholding				
		2007		2006		
		Book value		Book Value		
Company and registered office	Business	%	ETh s	%	ETh s	Parent Company
(+) Ascensores Eguren, S.A. (Bilbao)	Installation & Service of Elevators	100.00%	7,220	100.00%	7.220	Zardoya Otis, S.A.
(+) Ascensores Ingar, S.A. (Granada)	Installation of Elevators	100.00%	-	100.00%	-	Zardoya Otis, S.A.
(+) Elevadores del Maresme, S.A. (Barcelona)	Installation & Service of Elevators	80.00%	165	80.00%	165	Zardoya Otis, S.A.
(+) Ascensores Serra, S.A. (Gerona)	Installation & Service of Elevators	75.00%	605	75.00%	605	Zardoya Otis, S.A.
(+) Mototracción Eléctrica Latierro, S.A. (Vitoria)	Manufacturing of Elevator motors	51.00%	493	51.00%	493	Zardoya Otis, S.A.
(+) Portis, S.L. (Madrid)	Installation & service of automatic doors	88.25%	14,602	100.00%	437	Zardoya Otis, S.A.
(+) Otis Elevadores Lda. (Portugal)	Installation & Service of Elevators	100.00%	11,742	100.00%	11.742	Zardoya Otis, S.A.
Inelda-Ind. Nacional Elevadores Lda. (Portugal)	Installation & Service of Elevators	100.00%	-	100.00%	-	Otis Elevadores Lda.
Masel Otis Elevadores Madeira Lda. (Portugal)	Installation & Service of Elevators	60.00%	-	60.00%	-	Otis Elevadores Lda.
Asistencia Técnica Electromecánica Lda. (Portugal)	Installation & Service of Elevators	100.00%	160	100.00%	160	Otis Elevadores Lda.
Savirel Lda. (Portugal)	Installation & Service of Elevators	100.00%	48	100.00%	48	Otis Elevadores Lda.
Elevaçores Lda. (Portugal)	Installation & Service of Elevators	100.00%	305	100.00%	305	Otis Elevadores Lda.
(+) Ascensores Pertor, S.L. (Valencia)	Installation & Service of Elevators	94.13%	15,094	94.13%	15.094	Zardoya Otis, S.A.
(+) Acresa Cardellach, S.L. (Barcelona)	Installation & Service of Elevators	97.62%	8,315	97.62%	8.315	Zardoya Otis, S.A.
(+) Conservación de Aparatos Elevadores Express, S.L. (Madrid)	Installation & Service of Elevators	100.00%	1,771	100.00%	1.771	Zardoya Otis, S.A.
(+) Admotion, S.L. (Zaragoza)	Research development & manufacturing of electronic equipment	75.00%	21	75.00%	21	Zardoya Otis, S.A.
Mantenimiento de elevadores Soler, S.L. (Castellón)	Installation & Service of Elevators	100.00%	3,327	100.00%	3.327	Zardoya Otis, S.A.
Otis Maroc. (#) (Marruecos)	Installation & Service of Elevators	100.00%	21,988	-	-	Zardoya Otis, S.A.
Ascensores Aspe, S.A. (Baleares)	Installation & Service of Elevators	100.00%	9,097	-	-	Ascensores Eguren, S.A.
Rolltore, S.A. (Pamplona)	Installation & Service of automatic doors	(*)	(*)	80.00%	2.319	Puertas Autom. Portis, S.A.
Rolltore Centro, S.L. (Madrid)	Installation & Service of automatic doors	(*)	(*)	80.00%	1.781	Puertas Autom. Portis, S.A.
Rolltore Sur, S.L. (Sevilla)	Installation & Service of automatic doors	(*)	(*)	100.00%	(337)	Puertas Autom. Portis, S.A.
Rolltore Cataluña, S.A. (Barcelona)	Installation & Service of automatic doors	(*)	(*)	85.00%	770	Puertas Autom. Portis, S.A.
Rolltore Aragón, S.L. (Zaragoza)	Installation & Service of automatic doors	(*)	(*)	90.00%	135	Puertas Autom. Portis, S.A.
Automatismos Costa Brava, S.L. (Palamós)	Installation & Service of automatic doors	(*)	(*)	84.00%	42	Puertas Autom. Portis, S.A.
Grupo Lagi, S.L. (Cádiz)	Installation & Service of Elevators	60,00%	5	60.00%	5	Zardoya Otis, S.A.
Ascensores Lagi, S.L. (Cádiz)	Installation & Service of Elevators	(*)	(*)	100.00%	144	Grupo Lagi, S.L.
Elevadores Lagi, S.L. (Cádiz)	Installation & Service of Elevators	(*)	(*)	100.00%	143	Grupo Lagi, S.L.
Puertas Lagi, S.L. (Cádiz)	Installation & Service of automatic doors	(*)	(*)	100.00%	114	Grupo Lagi, S.L.

(*) Entities merged into another Group subsidiary.

(#) Includes the purchase and sale commitment of the remaining 49%.

(+) Audited companies.

2.3 Segments Information

A business segment is a group of assets and operations engaged in providing products of services that are subject to risks and returns that differ from those of other business segments. A geographical segment is engaged in providing products of services within a particular economic environment that are subject to risks and returns that differ from those of segments operating in other economic environments. Each of the defined segments has its own functional structure. Common or shared costs are allocated based on time devoted for usage of the resources.

2.4 Foreign currency translation

(a) Functional currency and presentation

The consolidated financial statements are presented in thousands of Euros, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency losses and gains resulting from settlement of these transactions and conversion of monetary assets and liabilities denominated in foreign currencies at year-end are recognized in the income statement.

2.5 Fixed Assets

Land and buildings comprise the Company's production centres. All fized assets are stated at cost, less accumulated depreciation and impairment with the exception of land.

Historical cost includes expenses that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	50 and 33 years
Machinery	8, 10, 13 and 4 years
Vehicles	5 and 6 years
Furniture, fittings and equipment	10, 4 and 13 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable value.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and included in the income statement. When revalued assets are sold, the amounts included in the revaluation reserves are trasnferred to reserves for retained earnings.

The value of the tangible fixed assets as of November 30, 2007 includes the effect of the revaluation carried out under Spanish legislation in the year 1996 following the Royal Decree 7/1996 dated June 7. The aforementioned revaluation was carried out only in the parent company, Zardoya Otis, S.A.. For the purposes of the first implementation of IFRS, it has been considered acquisition cost with no further revaluations under IFRS.

2.6 Intangible Assets

(a) Maintenance contracts and other related intangibles

The amounts correspond to the subrogation cost of elevator maintenance contract portfolios acquired either directly as a portfolio of contracts or as a consequence of a business combination. Their amortization is carried out systematically using the straight line method, considering its estimated useful life (five to twenty years depending on the characteristics of the portfolio).

They are regularly tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Trademarks and other related assets are shown at historical cost. They have a defined useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method.

(b) Research and Development cost

Unlike the Spanish rules, research expenditures are recognized as expenses when incurred and are not recognized as an asset, since they do not meet requirements to be capitalized under IRFS.

2.7 Impairment of Assets

Assets that have an indefinite useful life are not subject to amortization and are tested regularly for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.8 Financial investments

Financial assets include investments in companies other than subsidiaries and associates, financial receivables held for investment purposes, and investments held until maturity. Financial assets are recorded at their fair value, including additional direct charges. Permanent impairment is provided as a direct reduction in the securities account.

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Guarantees and deposits are shown at the amount paid.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities longer than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables on the balance sheet and recorded at cost. They are subsequently measured at amortized cost using the effective interest method.

Financial assets available for sale

Financial assets held for sale are non-derivative financial assets or those that are placed in this category or are not classified in any other category. They are included as non-current assets unless Management intends to dispose of the investment in the 12 months following the balance sheet date.

Adquisition and disposal of investments are recognized on the date they are negotiated, i.e. the date on which the Group makes the commitment to acquire or sell the asset. Investments are initially recognized at their fair value plus transaction costs. Investments are eliminated from the accounts when the rights to receive cash flows from them have expired or been transferred and the Group has substantially transferred all the risks and benefits derived from the ownership thereof.

When securities classified as available for sale are sold or incur losses due to a decline in value, the accumulated adjustments to the fair value are included in the Income Statements as losses or gains on the securities.

2.9 Derivative financial instruments and hedging activity

The Group occasionally maintains commitments in foreign currency of non significant value originated by the acquisition of equipment to be installed in special projects. These cases are covered by forward contracts the impact of which is included on the income statement, as net financial cost, in accordance with the accrual method.

2.10 Inventories

Inventories are valued at the lower of market value or average cost of acquisition or production. Finished goods and work in progress include costs directly attributable to the products in question as appropriate to their period of production.

2.11 Trade and other Receivables

(a) Trade receivables

Trade receivables are recognized initially at fair value, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognized in the income statement.

(b) Contracts in progress

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

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings and as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

Progress billings not yet paid by customers and retentions are included within “trade and other receivables”.

2.12 Cash and Cash equivalents

Cash and cash equivalents cmprise cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less and cash placements 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 optimization of the placement of cash surpluses, exchange insurance and other, services. Bank overdrafts are included as borrowings in the balance sheet in current liabilities.

2.13 Deferred Taxes

The consolidated profit and loss account for the year includes the corporate income tax expense, which is calculated considering the corporate income tax accrued during the year and the effect of deferral of the differences arising between the taxable income and the book profit before tax that will reverse in future years, together with the tax credits and allowances applied by Group companies. Deferred tax is calculated on the basis of the timing differences that arise between the tax bases of assets and liabilities and their carrying amount on the consolidated financial statements. Deferred tax is determined using tax rates that have been or are about to be approved by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred taxes are recognised to the extent that it is likely that future taxable profit will be available to offset the timing differences.

2.14 Welfare commitments

In accordance with Royal Decree 1588/1999, whereby the Regulations on Pension Commitments between companies and employees were enacted which provides that pension commitments acquired by companies must be externalised and arranged through a group life insurance policy or pension plan, and the amendment introduced by Law 14/2000 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 acquired by the company with its current and retired employees.

The liability recognised on the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

There is also a defined contribution plan of which the annual premium is included as employee expenses.

The Group has decided to apply the corridor method for the recognition of actuarial net gain or losses. The corridor test implies that only actuarial gain or losses in excess of 10% of the greater of the present value of the defined benefit obligation at the balance sheet date or the fair value of plan assets are recognized in the year.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives.

2.15 Provisions

In general, the Group recognizes a provision when it is legally or contractually liable or when past practices have created an implicit obligation.

2.16 Revenue recognition

Revenue compromises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after sales within the Group have been eliminated. Revenue is recognized as follows:

(a) Income from installation contracts

Income from elevator installation 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.

(b) Income from maintenance contracts

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.

(c) Interest income

Interest income is recognized using the effective interest method.

2.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability on the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.18 Leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

2.19 New IFRS rules and IFRIC interpretation

The IASB has recently approved and published certain new accounting rules, improvements to existing ones and IFRIC Interpretations enforced after year end. Of them, the following will be applicable and will be adopted in the future:

a) IFRS 7 "Financial Instruments: Disclosures" effective date January 1, 2007. Adds certain disclosures to improve information on financial risk management and financial instruments.

b) IAS 1 "Presentation of Financial Statements" introduces disclosures to allow the evaluation of the company's objectives, policies and processes for managing capital.

c) IFRIC 11 "IFRS 2 Share-based transactions involving a company's own equity instruments or equity instruments of another company of the same group", applicable to periods beginning on or after March 1, 2007, which requires that a share-based payment agreement in which the company receives goods or services in consideration for its own equity instruments be recorded as a transaction with share-based payments settled by equity instruments, irrespective of hew the required equity instruments are obtained.

The implementation of these rules is not expected to lead to any substantial change in the presentation of these financial statements.

NOTE 3. FINANCIAL RISK MANAGEMENT

3.1 Financial Risk factors

The Group's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk and price risk), cash flow and fair value interest rate risk, credit risk, and liquidity risk. The Group's risk management program is focussed on identifying, evaluating and covering financial risks to minimize the potential negative impact on financial results.

(a) Market Risk

(I) Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposure in respect mainly to the UD dollar. Foreign exchange risk arises from future commercial transactions, and recognized assets and liabilities.

The Group's risk management policy is to hedge future commercial transactions for import of materials. Group entities use forward contracts negotiated with UTC Treasury Center.

(II) Price Risk

The Group is not substantially exposed to commodity price risks.

(b) Credit Risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of installations are made to customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure with any financial institution.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Cash Flow and Fair value interest rate Risk

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

NOTE 4. INFORMACIÓN FINANCIERA POR SEGMENTOS

Zardoya Otis has fixed achieving Service Excellence as its main goal. From this standpoint, the objective is to satisfy vertical transport users throughout the full cycle of the product, starting with the design and manufacture of elevators, integrating the technological advances that made the Group the market leader, applied not only to new, but also to existing buildings, and including their maintenance and replacement. In consequence, installation (and replacement) and maintenance of elevators are not considered separated segments but complementary products and services, with the same nature with an integrated production cycle, addressed to the same type of customers and with a single distribution network, that represent to the Group a unique business segment, managed as such and subject to similar risks and opportunities.

Therefore, the geographical differentiation has been identified as primary segment, considering the markets of Spain and Portugal, and from this year on also Morocco/North of Africa, as they have independent supervision as stated in IAS 14.

As secondary segment, the non-elevator business, mainly automatic doors is shown, due to its distinctive characteristics: a much less mature market with lower margins and higher risks but with significant growth prospect. Therefore, it is an activity clearly differentiated from traditional Group business and, in Management's opinion, information thereon is relevant for the Shareholders.

	Sales	Operating profit/loss	Assets		Liabilities
			Total	Depreciation charge	
2007					
Zardoya Otis Group - Spain	828,094	233,092	458,023	11,313	334,900
Zardoya Otis Group - Portugal	84,067	25,042	119,222	1,362	53,049
Otis Maroc - Morocco	10,045	1,833	12,048	59	9,978
Eliminations - intra-group transactions	(57,214)	382			
IFRS adjustments		4,486			
Consolidated	864,992	264,835	589,293	12,734	407,927

	Sales	Operating profit/loss	Assets		Liabilities
			Total	Depreciation charge	
2006					
Zardoya Otis Group - Spain	751,339	210,469	421,631	6,772	325,604
Zardoya Otis Group - Portugal	82,485	27,973	89,827	1,256	52,108
Eliminations - intra-group transactions	(47,913)	1,304			
IFRS adjustments		(201)			
Consolidated	785,910	239,545	511,458	8,028	377,712

	Sales	Operating Profit	%
2007			
Zardoya Otis, S.A. (Addition of 95 branches)	684,001	212,919	31.13
Group companies in Spain - Elevators (10 companies)	110,589	17,412	15.74
Otis Elevator Group - Portugal	84,067	25,042	29.79
Otis Maroc - Morocco	10,045	1,833	18.25
Total Elevators	**888,702**	**257,206**	**28.94**
Group companies in Spain - non elevators (10 companies)	33,504	2,816	8.40
Total Group	**922,205**	**260,022**	**28.20**
Eliminations - intra-group transactions	(57,214)	382	
IFRS adjustments		4,550	
Consolidated	**864,992**	**264,954**	**30.63**

	Sales	Operating Profit	%
2006			
Zardoya Otis, S.A. (Addition of 95 branches)	625,287	193,119	30.88
Group companies in Spain - Elevators (16 companies)	92,766	15,002	16.17
Otis Elevadores Group - Portugal	82,485	27,973	33.91
Total Elevators	**800,538**	**236,094**	**29.50**
Group companies in Spain - non elevators (10 companies)	33,285	2,348	7.05
Total Group	**833,823**	**238,442**	**28.60**
Eliminations - intra-group transactions	(47,913)	1,304	
IFRS adjustments		(201)	
Consolidated	**785,910**	**239,545**	**30.49**

NOTE 5. FIXED ASSETS

Details and balances of the main categories of fixed assets are as follows:

	Land & Buildings	Machinery	Furniture, fittings & equipment	Total
2006				
Opening net book value	2,545	3,758	8,906	15,209
Business combinations			38	38
Increases	67	518	6,819	7,404
Decreases	(43)	(1)	(1,494)	(1,538)
Depreciation	(212)	(1,055)	(2,072)	(3,339)
Net book value EThs	2,357	3,220	12,196	17,773
2007				
Opening net book value	2,357	3,220	12,196	17,773
Business combinations	67	70	108	245
Increases	12,415	636	3,618	16,669
Decreases	(241)	(98)	(58)	(397)
Depreciation	(250)	(989)	(3,276)	(4,515)
Other	-	75	(105)	(30)
Net book value EThs	14,348	2,914	12,483	29,745

The fixed assets figure includes assets in progress for a total value of EThs 3,564 in 2006 and EThs 4,044 in 2007.

On January 4, 2007, Zardoya Otis signed the sale of the premises of the Madrid elevator's factory located in Mendez Alvaro street. The proceeds of the transaction amount to 76 million euros, including the financial interest resulting from deferral of the payments. The net profit on the transaction is EThs 64,131. At the year end there are two pending promisory notes for a value of EThs 23,079 and 24,198 maturing in January 2009 and 2010 respectively. The receivable is included under the "Trade and other receivables" heading.

Zardoya Otis has chosen continuity and will build its new plant in the Madrid region, specifically in the Leganés tecnology park, in the municipality of Leganés, not very far from the where it is located today.

For this purpose the Company has acquired two plots of land of 30.282 square meters and a building capability of 33,108 square meters. The total estimated cost of the new factory is 40 million euros and construction is expected to be completed in 2009. As of November 30, 2007, the land in Leganés is included in the fixed assets figure, together with EThs 2,923 relating to the building work completed, considered as assets in progress.

At November 30, 2007 and 2006, the following fixed assets items were fully depreciated:

	2007	2006
Land & Buildings	-	2,645
Vehicles & Machinery	18,417	16,570
Furniture, Fixtures & Equipment	27,689	28,027
EThs	46,106	47,242

Of the total net fixed assets net of depreciation, the value of which is EThs 29.745, the amount of EThs 953 is in Portugal and the amount of EThs 123 in Morocco. Thre are no other fixed assets outside Spanish territory.

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

NOTE 6. INTANGIBLE ASSETS

It is company policy to recognize intangible assets acquired from a third party.

Details and balances of the main categories of intangible assets are as follows:

	Maintenance Contracts	Goodwill	Other	Total
As of November 30, 2005				
Cost or valuation	76,192		381	76,573
Acc. Amortization and Impairment	(42,542)		(349)	(42,891)
Net book value EThs	**33,650**		**32**	**33,682**
2006				
Increases	913		42	955
Business combinations	10,536		-	10,536
Decreases	(400)		(199)	(599)
Amortization	(3,753)		192	(3,561)
Other	-		-	-
As of November 30, 2006				
Cost or valuation	86,316		224	86,540
Acc. Amortization and Impairment	(45,369)		(157)	(45,526)
Net book value	**40,947**		**67**	**41,014**
2007				
Increases	6,756		4	6,760
Business combinations	15,640	18,725	5	34,370
Decreases	(1,361)		-	(1,361)
Amortization	(5,937)		(21)	(5,958)
Other			-	
As of November 30, 2007				
Cost or valuation	108,277	18,725	236	127,235
Acc. Amortization and Impairment	52,232		(181)	(52,410)
Net book value EThs	**56,045**	**18,725**	**55**	**74,825**

The useful life of the elements of the intangible assets, mainly maintenance contracts, is based in the average length of said contracts.

NOTE 7. TRADE AND OTHER RECEIVABLES

		2007	2006
Trade receivables		303,815	238,176
Less: Provision for impairment of receivables		(29,498)	(25,691)
Trade receivables - Net		274,317	212,485
Amount fue from customers for contract works		8,946	10,527
Other accounts receivables		32,864	9,562
Prepayments		478	825
Receivables from related parties		15,847	14,865
Total	EThs	332,452	248,264

There is no risk concentration in relation to trade receivables since the Group has a large number of customers.

The total amount of the costs incurred at the balance sheet date was EThs 170,605 (2006: EThs 141,473). This amount includes profits recognized (less recognized losses) on all contracts in progress for EThs 5,464 (2006: EThs 3,936).

NOTE 8. INVENTORIES

		2007	2006
Raw materials		20,736	20,589
Work in progress		6,514	8,138
	EThs	27,250	28,727

NOTE 9. CASH AND CASH EQUIVALENTS

		2007	2006
Cash in banks		11,114	8,244
Short term bank deposits		58,878	59,519
Short term deposits with related parties (UTC)		29,343	74,785
	EThs	99,335	142,548

The effective interest rate of short-term deposits varies from 4.40% to 3.18% (2006: from 2.17% to 3.42%), their average maturity is 30 days.

Short-term deposits with UTC are cash placements 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 optimization of the placement of cash surpluses, exchange insurance and other. These deposits have accrued interest during the year at an average interest rate of 3.90% (2.80% in 2006), which exceeds the market rate by 0.10 percentage points.

For cash flow statements, cash and overdrafts include:

		2007	2006
Cash and cash equivalents	EThs	99,335	142,548

NOTE 10. SHARE CAPITAL

	Nº Shares	Ordinary Shares	Treasury Stock	Total
November 30, 2005	238,121,066	238,121,066	-	238,121,066
Capital Increase	23,812,106	23,812,106	-	23,812,106
November 30, 2006	261,933,172	261,933,172	-	261,933,172
Capital Increase	26,193,317	26,193,317	-	26,193,317
November 30, 2007	288,126,489	288,126,489	-	288,126,489

The share issues carried out in 2006 and 2007 were bonus issues charged to voluntary reserves.
The share capital consists of 288,126,489 shares (2006: 261,933,172 shares) bearer shares with a par value of 0.10 euros each (2006: euros 0.10 per share), fully subscribed and paid up as follows:

	Shares		% shareholding	
	2007	2006	2007	2006
United Techonologies Holdings, S.A.	146,515,402	133,762,063	50.85	51.07
Euro-Syns, S.A.	31,693,915	27,821,690	11.00	10.62
Other minority interests	109,917,172	100,349,419	38.15	38.31
	288,126,489	261,933,172	100.00	100.00

All the shares of Zardoya Otis, S.A. are listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges.

At the Annual Shareholders' Meeting held on April 24, 2007, the following resolution was adopted: to increase the share capital by 2,619,331.70 euros against the Voluntary Reserve, in the proportion of one new share for every ten old shares, issuing 26,193,317 new shares. Once the capital increase had been completed, the capital amounted to 28,812,648.90 euros and consisted of 288,126,489 shares with a par value of 0.40 euros each. The new shares were entitled to the dividends paid after the date of the capital increase and therefore participated in the third interim dividend paid against 2007 profits on September 10, 2007. The increase was carried out from June 14, 2007, inclusive. The new shares were listed on the Madrid, Barcelona, Valencia and Bilbao stock exchanges effective August 16, 2007.

NOTE 11. LEGAL RESERVE

The legal reseve has been recognized under the provisions of the Limited Liability Companies Act, article 214, which requires a 10% of annual profit be set aside until 20% of the share capital is reached.

The legal reserve is not distributable and can be used to offset losses incurred if no other reserves are available, in which case it must be replaced with future profits.

Detail of legal reserve by company as of November 30, 2007 and 2006 are as follows:

	2007	2006
Company		
Zardoya Otis, S.A.	5,763	5,239
Ascensores Eguren, S.A.	-	-
Ascensores Ingar, S.A.	13	13
Ascensores Serra, S.A.	48	48
Elevadores del Maresme, S.A.	12	12
Mototracción Eléctrica Latierro, S.A.	63	63
Grupo Otis Elevadores (Portugal)	429	429
Portis, S.L.	12	12
Ascensores Pertor, S.L.	10	10
Conservación de Aparatos Elevadores Express, S.L.	354	354
Acresa Cardellach, S.L.	1,990	1,990
Otis Maroc, S.A.	9	-
Ascensores Aspe, S.A.	31	-
Grupo Lagi, S.L. ....ETHs	1	1

NOTE 12. RESERVE FOR SUBSIDIARY COMPANIES AND OTHER RESERVES

		Subsidiary Companies	Other Reserves	Total
As of November 30, 2005	EThs	33,781	25,786	59,567
Profit 2005		30,053	(1,362)	28,691
Dividends paid in the year		(24,677)	-	(24,677)
Capital Increase		-	(2,381)	(2,381)
Other		(434)	(456)	(890)
As of November 30, 2006	EThs	38,723	21,587	60,310
Profit 2006		31,443	8,731	40,174
Dividends paid in the year		(4,774)	-	(4,774)
Capital Increase		-	(2,620)	(2,620)
Other		(232)	(147)	(379)
As of November 30, 2007	EThs	65,160	27,551	92,711

Details of reseves for subsidiary companies and other reserves by companies as of November 30, 2007 and 2006 are as follows:

		2007	2006
Company			
Zardoya Otis, S.A.		37,511	31,546
Ascensores Eguren, S.A.		(3,133)	(4,547)
Ascensores Ingar, S.A.		(1,849)	(1,590)
Ascensores Serra, S.A.		445	445
Elevadores del Maresme, S.A.		349	349
Mototracción Eléctrica Latierro, S.A.		790	635
Grupo Otis Elevadores (Portugal)		43,093	22,593
Portis, S.L.		1,186	281
Ascensores Pertor, S.L.		4,884	2,800
Conservación de Aparatos Elevadores Express, S.L.		3,411	3,498
Acresa Cardellach, S.L.		16,250	14,172
Admotion, S.L.		(111)	-
Grupo Rolltore, (dependiente de Puertas Automáticas Portis, S.A.)		-	171
Grupo Lagi, S.L.		(102)	(84)
Ascensores Aspe, S.A. (dependiente de Eguren, S.A.)		(59)	-
First implementation of IFRS	EThs	(9,959)	(9,959)
		92,711	60,310

NOTE 13. PROFIT FOR THE YEAR

Companies' contributions to the Zardoya Otis Group accounts, including the portion allocated to minority interests, are as follows:

	2007		2006	
	Consolidated Profit	Attributable to minority interest	Consolidated Profit	Attributable to minority interest
Company				
Zardoya Otis, S.A.	190,986		122,840	
Ascensores Eguren, S.A.	(31)		1,414	
Ascensores Ingar, S.A.	(469)		(260)	
Ascensores Serra, S.A.	1,718	573	1,476	492
Elevadores del Maresme, S.A.	1,046	261	1,154	271
Mototracción Eléctrica Latierro, S.A.	415	399	314	301
Grupo Otis Elevadores (Portugal)	19,255	320	20,338	350
Portis, S.L.	919	122	(268)	
Ascensores Pertor, S.L.	2,610	163	2,084	130
Conservación de Aparatos Elevadores Express, S.L.	2,428		2,072	
Acresa Cardellach, S.L.	2,857	70	2,518	42
Admotion, S.L.	(96)	(32)	(111)	(37)
Grupo Rolltore (subsidiary of Portis, S.A.)	-	-	730	170
Grupo Lagi, S.L.	(224)	(149)	(18)	(12)
Otis Maroc, S.A.	1,246			
Ascensores Aspe, S.A.	(757)			
	221,903	1,756	154,283	1,707

The proposed distribution of 2007 profits subject to approval at the Annual Shareholders' Meeting, as well as the 2006 profit distribution approved, is as follows:

		2007	2006
Available for distribution			
Net profit of the year		195,792	148,715
	EThs	195,792	148,715
Distribution			
To legal reserve		576	524
To retained earnings		19,197	30,082
To dividends		176,019	118,109
	EThs	195,792	148,715

NOTE 14. TRADE AND OTHER PAYABLES

	2007	2006
Suppliers	35,421	36,776
Payables to related parties	12,085	15,545
Other accounts payable	67,719	101,364
Goods received not invoiced	9,462	5,913
Notes payable	3,151	2,137
Amounts due to customers on work in progress (Note 8)	72,624	69,361
Maintenance billing in advance	27,795	24,497
Share acquisition commitment	10,774	
Other	54,907	13,466
EThs	293,938	269,059

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, the equivalent value of which is euros amounts to EThs 799.

The share acquisition commitment represents the agreement value of the purchase price for the remaining 49% of Otis Maroc, S.A. as mentioned in note 26.

NOTE 15. PUBLIC TREASURY

	2007	2006
Receivable balances		
Social Security	16	25
Withholding tax	394	265
VAT deductible	805	769
VAT recoverable	6,235	6,378
EThs	7,450	7,437
Payable balances		
Provision for corporate tax	101,654	75,537
Corporate tax payments on account	(65,257)	(44,190)
Withholdings made	2,615	2,395
Credits for VAT	2,363	2,361
VAT invoiced	7,594	8,730
Social Security	5,801	5,246
Other tax payables	345	22
EThs	55,115	50,101

NOTE 16. DEFERRED TAXES

Deferred tax assets and liabilities are compensated if the right to such compensation against current taxes is legally recognized.

	2007	2006
To be recovered after more than 12 months	23,424	26,783
To be recovered within 12 months	1,276	2,225
EThs	24,700	29,008

Overall movement on the deferred tax account was as follows:

	2007	2006
Beginning of Period	29,008	32,445
Business combinations	144	-
P&L impact	(4,511)	(3,437)
End of Period EThs	24,641	29,008

Movement on the deferred tax assets and liabilities in the year was as follows:

	Welfare Commitments	Assets Depreciation	Other	Total
At November 30, 2005 EThs	31,068	355	1,022	32,445
P&L impact	(3,056)	(63)	(318)	(3,437)
Business combinations	-	-	-	-
At November 30, 2006 EThs	28,012	292	704	29,008
P&L impact	(3,560)	(94)	(857)	(4,511)
Business combinations	-	123	21	144
At November 30, 2007 EThs	24,452	321	(132)	24,641

In 2006, the Group recognized the impact of the corporate income tax changes that were announced, which will affect the Group in the fiscal year 2007/2008. The mentioned impact affects deferred tax by an amount of EThs 4,763.

NOTE 17. WELFARE COMMITMENTS

	2007	2006
Obligations on Balance Sheet:		
Active employees	25,146	31,064
Retired employees	5,360	6,730
EThs	30,506	37,794
P&L charges:		
Welfare commitments payments EThs	3,268	4,304

The amounts recognized in the accounts have been determined as follows:

	2007	2006
Present value of obligations financed	81,506	86,190
Expected return on plan assets	(58,727)	(54,816)
	22,779	31,374
Unrecognized net actuarial gain	7,727	6,420
Obligations in Balance Sheet ETHs	30,506	37,794

The fiscal year change in obligation recognized is as follows:

	2007	2006
Beginning of period	37,794	43,036
Charged to P&L	3,268	4,305
Employer contributions and other	(3,582)	(9,547)
End of period ETHs	30,506	37,794

The main actuarial-financial assumptions employed are:

	2007	2006
The discount rate varies depending on the length of the obligation between	3.95-4.50	3.95-4.50
Mortality tables	PER2000P	PER2000P
Estimated early retirement age	62 years	62 years

The amounts charged to P&L are as follows:

	2007	2006
Current service cost	2,608	2,660
Interest cost	3,478	3,442
Expected return on plan assets	(2,129)	(1,798)
Actuarial gains / (losses)	(689)	-
Total included in personnel costs ETHs	3,268	4,304

The calculation of fair value of plan assets (matched insurance contracts) has been done in accordance with paragraph 104, IFRS 19, which allows the equalization of the value of these contracts with that of the obligations.

However, these obligations were externalized and subject to a financing plan with the insurance companies to be concluded in 1012. In consequence, only the portion of plan assets effectively paid at the balance sheet date has been considered for the equalization of the obligation.

NOTE 18. SALES

	2007	2006
Service	584,030	524,922
New Installations	214,355	200,017
Exports	66,110	60,356
Other sales	497	615
Total Sales ETHs	864,992	785,910

NOTE 19. EMPLOYEE BENEFITS

	2007	2006
Wages and salaries	177,229	161,535
Social Security & Other	51,347	48,305
Welfare commitments	1,960	4,304
EThs	230,536	214,144

NOTE 20. NET FINANCE COST

	2007	2006
Interest expense:		
-Bank borrowings	(2,682)	(2,920)
	(2,682)	(2,920)
Interest income:		
- Bank deposits	1,557	999
- Other	6,504	4,125
	8,061	5,124
Net foreign exchange transactions gain (losses)	226	482
EThs	5,605	2,686

NOTE 21. INCOME TAX

	2007	2006
Income before tax	**334,771**	240,152
Permanent Differences:		
Profit from foreign companies	**(28,790)**	(28,273)
Other differences	**19,292**	6,908
Prior year timing differences in respect of which the relevant deferred tax asset was not recorded	**(4,012)**	5,299
Temporary differences arising in the year in respect of which the relevant deferred tax asset is not recorded	**1,960**	4,907
Adjusted income before tax	**323,221**	228,993
Temporary differences arising in the year in respect of which the relevant deferred tax asset is recorded	**(9,445)**	(10,201)
Taxable income	**313,776**	218,792
Tax payable	**113,127**	80,148
Tax credits	**(8,663)**	(3,534)
Other differences	**(975)**	(38)
Corporate tax expense from foreign companies	**7,623**	7,586
Corporate tax expense EThs	**111,112**	84,162

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 current legislation.

Consequently, the deferred tax asset accumulated at November 30, 2007 amounted to EThs 24,641. This deferred tax asset came basically from timing differences relating to welfare commitment, bad debt provision, delayed sales costs and other provisions that will reverse in future years.

At the year end, the sum of EThs 65,257 (EThs 41,168 in 2006) had been paid on account of the final corporate income tax liability.

The effective tax rate for Otis Elevadores, Lda. (Portugal) is 26% and its tax expense for 2007 amounted to EThs 6,966.

During 1999, the tax authorities completed their inspection of personal income tax returns in Zardoy Otis, S.A. for the years 1993 to 1997. As a result of this inspection, assessments were raised, against which the Company has appealed. Provision has been made for both the value of the assessment and the estimated interest.

In January 2007, the tax authorities initiated an inspection of Zardoya Otis, S.A. in relation to corporate income tax and the rest of taxes, for the fiscal years 2002 to 2005, still in progress. The resulting assessment would not affect significantly these annual accounts. For other affiliate Spanish companies all taxes for the last four years are open to inspection by the tax authorities.

For the companies that form the Otis Elevadores (Portugal) Group, the last ten years are open to inspection, pursuant to current Portuguese legislation.

NOTE 22. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the wighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares. No event that could dilute the earnings per share has occured.

	2007	2006
Profit attributable to equity holders of the Company	**221,903**	154,283
Weighted average number of ordinary shares in issue	**276,357,437**	251,168,795
Basic earnings per share	**0.80**	0.61

NOTE 23. DIVIDENDS PER SHARE

During 2007 Zardoya Otis, S.A., paid the following interim dividends:

	Thousands euros
1st Dividend 0.160 Euros gross per share. Declared on February 28, 2007 and paid out March 12, 2007. Shares: 261,933,172 Total = 41,909,307.52 Euros	41,909
2nd Dividend 0.160 Euros gross per share. Declared on May 31, 2007 and paid out June 11, 2007. Shares: 261,933,172 Total = 41,909,307.52 Euros	41,909
3rd Dividend 0.160 Euros gross per share. Declarred on July 16, 2007 and paid out on September 10, 2007. Shares: 288,126,489 Total = 46,100,238.24 Euros	46,100
4th Dividend 0.160 Euros gross per share. Declared on November 15, 2007 and paid out on December 10, 2007. Shares: 288,126,489 Total = 46,100,238.24 Euros	46,100
Interim dividend ... EThs	176,018

NOTE 24. CONTINGENCIES

The Group has contingent liabilities in respect of bank guarantees and other matters arising in the ordinary course of business. It is not foreseen that any material liabilities will arise from the contingent liabilities. The Group has given guarantees in the ordinary course of business amounting to EThs 32,166 (2006:29,688).

NOTE 25. COMMITMENTS

Fixed Assets purchase commitments

The investments committed at the date of Balance Sheet and not yet incurred are as follows:

	2007	2006
Fixed Assets ... EThs	21,411	2,268
Intangible Assets ... EThs		8,450

Rental Commitments

The Group rents commercial premises, offices and warehouses under rental contracts for which different conditions have been agreed. The estimated annual cost of all the rentals these contracts is as follows:

	2007	2006
Annual estimated payments ... EThs	4,990	3,122

The figure includes the rental of the Méndez Álvaro premises to allow Zardoya Otis to continue with its manufacturing activity until the new premises being built in Leganés are available. Annual rental cost of the premises is EThs 840.

NOTE 26. BUSINESS COMBINATIONS

ASCENSORES ASPE, S.A.

In May 2007, Ascensores Eguren, S.A. acquired 100% of the share capital of Ascensores Aspe, S.A. The Company is engaged in the installation and maintenance of elevators in the Balearic Islands and the province of Las Palmas.

The total cost of the business combination was EThs 8,984, mainly relating to the acquisition of the maintenance portfolio. No additional costs can be attributed to the combination other than audit and legal expenses of the transaction, which are note significant. The cost of the business combination has been determined provisionally since there are elements that should be valued definitively one year after the acquisition date. However, no significant variances on the above mentioned figure are expected.

The amounts recognized at the business combination date do not differ from the book value immediately before the combination valued under IFRS, with the exception of the intangible assets arising from the business combination itself, which are valued after the acquisition agreement. Contingent liabilities have been guaranteed by the sellers and withheld on the amount to be paid.

The acquisition was settled in cash and through the issuance of long term promissory notes.

The business acquired contributed to the Group with sales of EThs 1,349 and a profit of EThs 293 resulting over the period after the combination and the year end.

Details of the assets and liabilities acquired are as follows:

Cash and cash equivalents	421
Tangible fixed assets	110
Intangible fixed assets	4,889
Inventories	311
Accounts receivable	240
Debts of related companies	2,560
Accounts payable	492

A difference of EThs 945, attributable to Goodwill, arises.

OTIS MAROC, S.A.

In January 2007, the Group acquired from Otis France 51% of the share capital of Otis Maroc, S.A., engaged in the installation, modernization and maintenance of elevators exclusively in the Moroccan market. Details of sales for the fiscal year 2007 are follows:

New Installations	5,865
Service	4,181

The business acquired contributed to the Group with sales of EThs 10,045 and a profit of EThs 1,902 resulting over the period after the combination and the year end.

The total cost of the acquisition was EThs 11,214 and was paid entirely in cash. Also, there is a firm purchase/sale agreement to acquire the remaining 49% under the same terms and conditions within the next two years. No additional costs are attributable to the combination other than audit and legal expenses of the transaction, which are not significant.

The amounts recognized at the business combination date do not differ to the book value immediately before the combination valued under IFRS, with the exception of contracts in progress, for which the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings has been reclassified as an asset, while the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses) has been reclassified as a liability. Furthermore, the intangible assets arising as a result of the combination itself have been recognized and valued in accordance with their life and the expected profitability.

Details of assets and liabilities acquired are as follows:

Cash and cash equivalents	2,365
Tangible fixed assets	123
Intangible assets	3,383
Inventories	495
Accounts receivable	5,951
Accounts payable	4,855

The resulting difference attributable to goodwill is EThs 7,007, to which EThs 10,774, relating to the value of the 49% still to be acquired under the commitment mentioned above, should be added.

PUERTAS PORTIS, S.L.

In November 2007, with effects backdated to January 2007, the merger of Rolltore, S.A., Rolltore Centro, S.L., Rolltore Cataluña, S.A., Rolltore Aragón, S.L., Automatismos Costa Brava, S.L. and Rolltore Sur, S.L. into Portis, S.L. was agreed. All of them formed part of the Group in 2006.

Before the merger, a capital increase took place to cover the loan by Zardoya Otis, S.A. and to recognize the new minority interest. The new Portis, S.L. share capital was fixed at EThs 340, with an excess par value of EThs 17,943. The minority interest after the merge represents 11,753%.

NOTE 27. RELATED PARTY TRANSACTIONS

The Group is controlled by United Technologies Holding, S.A. (incorporated in France), which holds 50.85% of Zardoya Otis, S.A.'s shares, while the remaining 49.15% is held by more than 30,000 shareholders. The parent company of the UTC Group is United Technologies Corporation (incorporated in USA), the parent of Otis Elevator Company.

The following transactions were performed with related parties:

(a) Transactions with companies of the Otis Group

	2007	2006
Financial income	1,313	2,217
Royalties accrued	22,654	18,312
Charge back of costs relating to the R&D Centre EThs	618	427

(b) Year end balances from sales/purchases of goods

	2007	2006
Sales	68,605	62,355
Purchases	48,679	52,521
Receivables	15,847	14,865
Payables EThs	12,085	15,545

The overall remuneration of members of the Board of Directors in 2007 was EThs 2,129 (EThs 2,045 in 2006).

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 office or perform duties in companies with an activity that is identical, analogous or complementary to the activities that form the corporate purpose of Zardoya Otis, S.A. and its Group, except in the following cases:

- Mr. José María Loizaga Viguri is a Director of Actividades de Contratación y Servicios, S.A. (ACS).
- The members of the Board Mr. Francisco Javier Zardoya García, Mr. Mario Abajo García and Mr. Jose María Loizaga Viguri are likewise members of the Board of Otis Elevadores, Lda, a company belonging to the Zardoya Otis Group.
- The members of the Board Mr. Mario Abajo García, Mr. Angelo j. Messina, Mr. Sandy Diehl and Mr. Bruno Grob execute different functions in other companies of the Otis Elevator Group worldwide as follows:

Name of Director	Company	Designation
Otis Elevator Company	Zardoya Otis, S.A. (Spain)	Director
Mario Abajo García	Otis Elevadores, Lda (Portugal)	Chairman of the Board; Member of the Board of Directors
	Otis L.L.C. (United Arab Emirates)	Chairman of the Board; Member of the Board of Directors
	Otis S.p.A. (Italy)	Chairman of the Board; Member of the Board of Directors
	Buga Otis Asansor Sanayi ve Ticaret A.S. (Turkey)	Vice Chairman of the Board; Member of the Board of Directors
	Zardoya Otis, S.A. (Spain)	Deputy Chairman of the Board; Member of the Board of Directors
	C. Veremis Otis, S.A. (Cyprus)	Director
	Melcorp South Africa (Pty) Ltd. (South Africa)	Director
	Otis Elevator Company Saudi Arabia Limited (Saudi Arabia)	Director
	Jordan Elevator Overseas Limited (Channel Islands)	Director
	Otis Elevator Company 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 Corporation (Delaware, USA)	Director
	Nippon Otis Elevator Company (Japan)	Director
	Otis Elevator Company (Delaware, USA)	Director
	Otis Elevator International, Inc. (Delaware, USA)	Director
	Otis Elevator Korea (Korea)	Director
	Otis Pacific Holdings B.V. (Netherlands)	Director
	United Technologies (Cayman) Holdings, Ltd. (Cayman Islands)	Director
	UTCL Investments B.V.. (Netherland)	Director
	Zardoya Otis, S.A.	Director; Audit Committee Member
	Otis Investments, L.L.C. (Delaware, USA)	Assistant General Manager;
G. Sandy Diehl	Otis Systèmes de Transport S.A.S. (France)	Chairman; Member of the Board of Directors
	Otis Elevator International, Inc. (Delaware, USA)	Chairman of the Board; Member of the Board of Directors
	Nippon Otis Elevator Company (Japan)	Director
	Otis Elevator Korea (Korea)	Director
	Zardoya Otis, S.A. (Spain)	Director
Bruno Grob	Otis (Switzerland)	Chairman of the Board; Member of the Board of Directors
	Otis (Belgium)	Director
	Otis AB (Sweden)	Director
	Otis S.p.A. (Italy)	Director
	Zardoya Otis, S.A. (Spain)	Director
	Otis B.V. (Netherlands)	Supervisory Board Member

NOTE 28. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There are no subsequent events at the date of the Balance Sheet, that could have a significant impact to the consolidated annual statements.

NOTE 29. OTHER INFORMATION

(a) Number of personnel employed by the consolidated group broken down into categories:

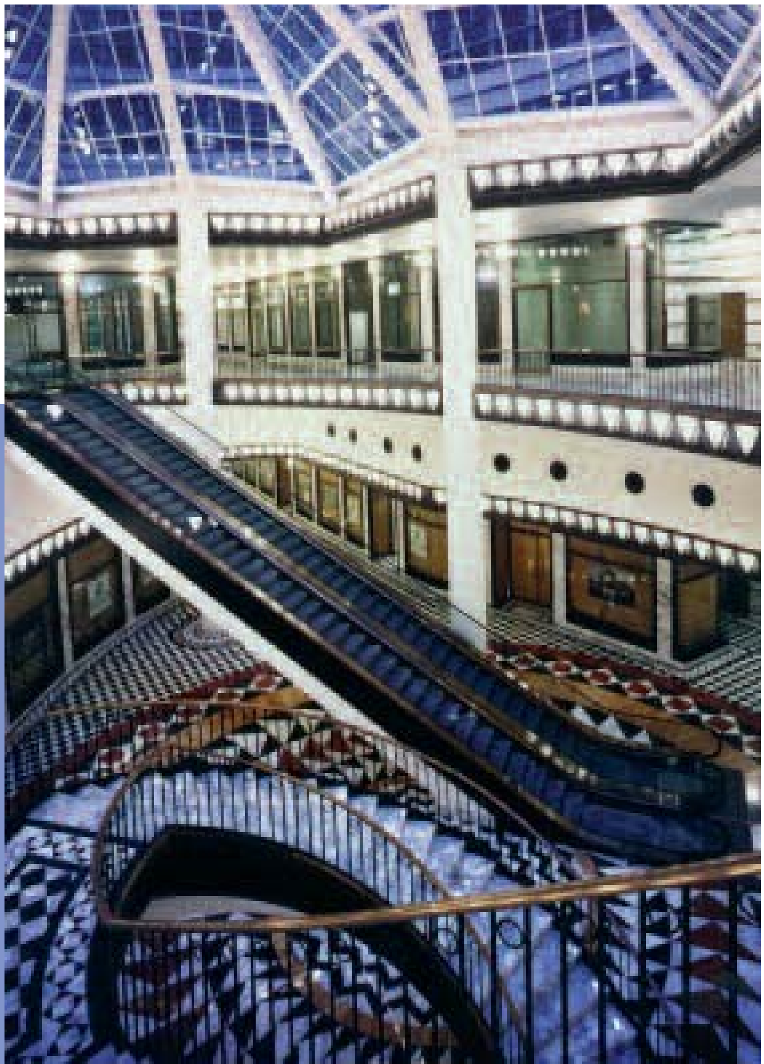
	2007	2006
Managers	95	70
Administration / workshop / field supervisors	540	468
Engineers, university graduates and other experts	287	324
Administrative and technical personnel	849	791
Workers	4,060	3,857
	5,831	5,510

(b) Audit expenses

The amount billed by PricewaterhouseCoopers (auditor of Zardoya Otis Group) as audit fees for 2007 was EThs 270, including the fees paid for the audit of internal controls and processes required to comply with the rules for public companies in USA. Additionally audit fees of EThs 7 have been paid to other audit firms.

OTIS

Proposals to the General Shareholders' Meeting and Resulting Balance Sheets



Agenda of General Meeting of Shareholders'

1. Examination and, if applicable, approval of the annual accounts and management reports of both the Company and its consolidated group for the fiscal year running from December 1, 2006 to November 30, 2007.
2. Application of the profit for the year running from December 1, 2006 to November 30, 2007.
3. Approval of the Board of Directors' performance, in particular, the distribution of dividends, which were all charged to the profit for the fiscal year running from December 1, 2006 to November 30, 2007.
4. Appointment of BRESLA INVESTMENTS, S.L. and re-election of EURO-SYNS, S.A. as Directors.
5. Appointment of auditors for the Company and is consolidated group for the fiscal year running from December 1, 2007 to November 30, 2008.
6. Share capital increase in the ratio of one new share to every ten old shares, issuing new bonus shares charged in full to the voluntary reserve. Application for admission to listing of said shares on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges. Amendment of Article 5th of the Articles of Association.
7. Amendment of the following articles of the Articles of Association: Article 13th (Notice), Article 16th (Presiding officials. Deliberations. Adoption of resolutions.), Article 17th (Attributions and competencies of the General Meeting) and Article 24th.bis (Audit Committee).
8. Amendment of the following articles of the General Meeting of Shareholders Regulation: Article 4th (Notice), Article 5th (Rights of the shareholder), Article 8th (Presiding officials of the General Meeting) and Article 10th (Deliberation and adoption of resolutions). Information to the General Meeting of the amendments to the Board of Directors Regulation approved by the Board of Directors.
9. Authorization to the Board of Directors for the derivative, direct or indirect acquisition of Treasury Stock within the limits and meeting the requirements of Article 75th and similar of the Spanish Corporations Act.
10. Questions and queries.
11. Delegation of authorization to formalize the resolutions.
12. Approval of the Minutes of the Meeting.

Consolidated Balance Sheets

at November 30, 2007 (In thousands of euros - ETHs)
(After the application of the results obtained in the year)

		2007
ASSETS		
NON CURRENT ASSETS		
Fixed assets	29,745	
Intangible assets	56,100	
Goodwill	18,725	
Other investments	714	
Deferred tax assets	24,641	
		129,925
CURRENT ASSETS		
Inventories	27,250	
Current financial receivable	331	
Accounts receivable	332,452	
Cash and cash equivalents	99,335	
		459,368
TOTAL ASSETS		**589,293**

		2007
EQUITY		
Share capital	28,813	
Legal reserve	6,339	
Consolidation and other reserves	138,602	173,754
MINORITY INTEREST		7,612
TOTAL EQUITY		181,366
LIABILITIES		
NON CURRENT LIABILITIES		
Borrowings	2,801	
Welfare Commitments	30,506	
Other liabilities	2,363	
		35,670
CURRENT LIABILITIES		
Trade and other payables	293,938	
Current tax liabilities	55,115	
Borrowings	4,090	
Other liabilities	19,114	
		372,257
TOTAL LIABILITIES		407,927
TOTAL EQUITY AND LIABILITIES		589,293

OTIS

Financial Statements of the Last Five Years

Consolidated Profit and Loss Accounts

(In millions of euros)

	2007		2006		2005		2004		2003	
		%		%		%		%		%
SALES	**865,0**	**100.0**	**785,9**	**100.0**	**700,7**	**100.0**	**665,5**	**100.0**	**636,4**	**100.0**
Supplies	(297,7)	(34.4)	(270,0)	(34.4)	(230,1)	(32.8)	(225,8)	(33.9)	(221,3)	(34.8)
GROSS INCOME	**567,3**	**65.6**	**519,9**	**65.6**	**470,6**	**67.2**	**439,7**	**66.1**	**415,1**	**65.2**
Other trading expenses	(61,4)	(7.1)	(56,3)	(7.2)	(46,1)	(6.6)	(40,9)	(6.1)	(38,8)	(6.1)
Personnel costs	(230,5)	(26.7)	(214,2)	(27.2)	(202,5)	(28.9)	(191,3)	(28.7)	(185,1)	(29.1)
Other income	2,3	0.3	2,1	0.3	2,3	0.3	2,3	0.3	2,3	0.4
EBITDA	**277,7**	**32.1**	**247,5**	**31.5**	**224,9**	**32.0**	**209,8**	**31.5**	**193,5**	**30.4**
Depreciation	(12,7)	(1.5)	(8,0)	(1.0)	(10,5)	(1.5)	(9,1)	(1.4)	(9,0)	(1.4)
Provisions	0,0	0.0	0,0	0.0	0,0	0.0	0,2	0.0	(6,1)	(1.0)
OPERATING INCOME	**265,0**	**30.6**	**239,5**	**30.5**	**213,8**	**30.5**	**200,9**	**30.2**	**178,4**	**28.0**
Financial income	8,1	1.0	5,1	0.6	4,3	0.6	4,5	0.7	4,9	0.8
Financial expenses	(2,7)	(0.3)	(2,9)	(0.4)	(3,2)	(0.5)	(4,3)	(0.6)	(3,3)	(0.5)
Exchange rate differences	0,2	0.0	0,5	0.1	(0,2)	0.0	0,1	0.0	0,1	0.0
Amortization of Goodwill on consolidation	0,0	0.0	0,0	0.0	(0,0)	0.0	(2,1)	(0.3)	(1,9)	(0.3)
Extraordinary income	64,2	7.4	(2,1)	(0.3)	1,0	0.1	1,5	0.2	1,7	0.3
INCOME BEFORE TAX	**334,8**	**38.7**	**240,2**	**30.6**	**215,6**	**30.8**	**200,6**	**30.1**	**179,9**	**28.3**
Income taxes	(111,1)	(12.8)	(84,2)	(10.7)	(70,3)	(10.0)	(68,1)	(10.2)	(62,3)	(9.8)
Minority interest	(1,8)	(0.2)	(1,7)	(0.2)	(1,8)	(0.3)	(1,8)	(0.3)	(1,5)	(0.2)
NET INCOME	**221,9**	**25.7**	**154,3**	**19.6**	**143,5**	**20.5**	**130,7**	**19.6**	**116,1**	**18.2**
CASH FLOW (1)	**234,6**	**27.1**	**162,3**	**20.7**	**154,0**	**22.0**	**139,6**	**21.0**	**131,2**	**20.6**

The amounts related to 2006, 2005 and 2004 have been prepared applying IFRS rules.

(1) Net Income + Depreciation

Consolidated Balance Sheets

CONSOLIDATED BALANCE SHEET WITH IFRS (After distribution of the profit obtained in the year)

(In millions of euros)

	2007		2006		2005	
ASSETS		%		%		%
Fixed assets	29.7	5.0	17.8	3.5	15.2	3.2
Intangible assets	56.1	9.6	41.0	8.0	33.7	7.1
Goodwill	18.7	3.2	-	-	-	-
Other investments	0.7	-	3.8	0.7	1.3	0.3
Deferred tax assets	24.7	4.2	29.0	5.7	32.4	6.8
NON CURRENT ASSETS	**129.9**	**22.0**	**91.6**	**17.9**	**82.6**	**17.4**
Inventories	27.3	4.6	28.7	5.6	22.2	4.7
Current financial receivables	0.3	-	0.3	0.1	0.3	0.1
Accounts receivable	332.5	56.5	248.3	48.5	209.2	44.1
Cash and cash equivalents	99.3	16.9	142.5	27.9	159.9	33.7
CURRENT ASSETS	**459.4**	**78.0**	**419.9**	**82.1**	**391.6**	**82.6**
TOTAL ASSETS	**589.3**	**100.0**	**511.5**	**100.0**	**472.2**	**100.0**
LIABILITIES						
Share capital	28.8	4.9	26.2	5.1	23.8	5.0
Legal reserve	6.3	1.1	5.8	1.1	5.2	1.1
Consolidated and other reserves	138.7	23.5	95.8	18.7	62.9	13.3
EQUITY	**173.8**	**29.5**	**127.8**	**25.0**	**91.9**	**19.4**
MINORITY INTERESTS	**7.6**	**1.3**	**6.0**	**1.2**	**5.9**	**1.2**
TOTAL EQUITY	**181.4**	**30.8**	**133.8**	**26.2**	**97.8**	**20.6**
Borrowings	2.8	0.5	0.0	0.0	0.1	0.0
Welfare commitments	30.5	5.2	37.8	7.4	43.0	9.1
Other liabilities	2.4	0.4	2.1	0.4	2.1	0.4
NON CURRENT LIABILITIES	**35.7**	**6.1**	**39.9**	**7.8**	**45.2**	**9.5**
Trade and other payables	293.9	49.9	269.0	52.6	267.7	56.5
Current tax liabilities	55.1	9.4	50.1	9.8	46.8	9.9
Borrowings	4.1	0.6	1.6	0.3	1.9	0.4
Other liabilities	19.1	3.2	17.1	3.3	14.8	3.1
CURRENT LIABILITIES	**372.2**	**63.1**	**337.8**	**66.0**	**331.2**	**69.8**
TOTAL LIABILITIES	**407.9**	**69.2**	**377.7**	**73.8**	**376.4**	**79.4**
TOTAL EQUITY AND LIABILITIES	**589.3**	**100.0**	**511.5**	**100.0**	**474.2**	**100.0**

CONSOLIDATED BALANCE SHEET WITH PGC (After distribution of the profits obtained in the year)

(In millions of euros)

	2004		2003	
ASSETS		%		%
Intangible assets	16.7	2.9	16.2	2.9
Tangible fixed assets	33.7	2.4	13.8	2.5
Investments	26.3	4.5	22.0	3.9
Long-term debtors	3.5	0.6	1.5	0.3
TOTAL FIXED ASSETS	**60.2**	**10.4**	**53.4**	**9.5**
GOODWILL ON CONSOLIDATION	**3.1**	**0.5**	**4.4**	**0.8**
Inventories	124.2	21.5	128.0	22.8
Debtors	216.8	37.5	211.7	37.7
Short-term investments	167.2	28.9	159.4	28.4
Cash and banks	5.6	1.0	4.8	0.8
Timing adjuntments	0.9	0.2	0.5	0.1
TOTAL CURRENT ASSETS	**514.7**	**89.0**	**504.3**	**89.7**
TOTAL ASSETS	**578.0**	**100.0**	**562.1**	**100.0**
LIABILITIES				
SHAREHOLDERS' EQUITY	**99.0**	**17.1**	**91.6**	**16.3**
MINORITY INTERESTS	**4.7**	**0.8**	**4.3**	**0.8**
LONG-TERM CREDITORS	**31.7**	**5.5**	**39.8**	**7.1**
Debts with financial institutions	2.1	0.4	2.7	0.5
Trade creditors	213.0	36.9	209.4	37.3
Other non-trade debtors	178.8	30.9	164.9	29.3
Provision for trading operations	26.6	4.6	28.5	5.1
Timing adjuntments	22.2	3.8	20.8	3.7
TOTAL CURRENT LIABILITIES	**442.7**	**76.6**	**426.4**	**75.9**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**578.0**	**100.0**	**562.1**	**100.0**

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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 34th 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:

- 31 capital increases, 27 of which were bonus issues.
- 2 splits and 4 par value reductions.
- An adjusted share value that has risen from the 0.05 euros of December 1974 to the 19,37 euros at December 31, 2007.
- A stock market capitalization that has evolved from the 13.3 million euros at the end of 1974 to the 5,581 million euros at the 2007 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 80% 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 359 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.

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