ZARDOYA OTIS S.A.

Annual Report 2008

ZARDOYA OTIS

Annual Report 2008

Annual Report
to the year:
1-12-2007
to 30 -11-2008
presented by the Board
of Directors at the
General Meeting of
Shareholders held
on May 26, 2009
upon the first call, or
May 27, 2009 upon
the second call.

Key Data at November 30

(Fiscal year end)

(Consolidated figues in millions of euros)

ANNUAL RESULTS	2008	2007*	2007	2006	2005	2004(1)	08/07*	08/07	07*/06	07/06	06/05	05/04	04/03
							% variance over prior year						
Profit before tax	284.8	270.6	334.8	240.2	215.6	200.6	5.3	(14.9)	12.7	39.4	11.4	7.5	11.6
Profit after tax	201.1	175.9	221.9	154.3	143.5	130.7	14.4	(9.4)	14.0	43.8	7.5	9.8	12.6
EBITDA	296.6	277.7	277.7	247.6	224.3	209.8	6.8	6.8	12.2	12.2	10.4	6.9	8.4
Cash-Flow	217.1	188.6	234.6	162.3	154.0	139.6	15.1	(7.5)	16.2	44.6	5.4	10.3	6.4
Gross dividens	193.6	176.0	176.0	155.0	134.2	119.8	10.0	10.0	13.5	13.5	15.5	12.0	18.1

(1) NIIF not applicable in 2004

(*) Excluding the extraordinary gain on the sale of the Madrid plant.

SHAREHOLDERS´ EQUITY	2008	2007	2006	2005	2004(2)	08/07	07/06	06/05	05/04	04/03
						% variance over prior year				
Capital and Reserves	230.4	173.8	127.7	128.8	99.0	32.6	36.0	(0.9)	30.2	8.0

(2) NIIF not applicable in 2004

SALES DATA	2008	2007	2006	2005	2004	08/07	07/06	06/05	05/04	04/03
						% variance over prior year				
New Installations	200.7	214.9	200.6	172.7	159.2	(6.6)	7.1	16.2	8.5	(7.3)
Service	651.7	584.0	524.9	474.2	443.4	11.6	11.3	10.7	6.9	7.2
Total Export	99.3	80.1	72.7	62.9	74.6	24.0	10.2	15.5	(15.6)	20.5
Export to Portugal and Morocco (3)	(15.1)	(14.0)	(12.3)	(9.1)	(11.6)	7.9	13.6	35.4	(21.4)	7.2
Net Export	84.2	66.1	60.4	53.8	63.0	27.4	9.5	12.2	(14.6)	23.3
Total	936.6	865.0	785.9	700.7	665.5	8.3	10.1	12.2	5.3	4.6

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

NEW INSTALLATIONS	2008	2007	2006	2005	2004	08/07	07/06	06/05	05/04	04/03
						% variance over prior year				
Orders received	191.2	222.8	217.0	176.1	181.3	(14.2)	2.7	23.2	(2.9)	19.2
Backlog	151.6	168.3	160.3	149.4	129.6	(9.9)	5.0	7.3	15.3	17.9

SERVICE DATA	2008	2007	2006	2005	2004	08/07	07/06	06/05	05/04	04/03
						% variance over prior year				
Units under maintenance	250,871	237,836	226,831	219,167	210,428	5.5	4.9	3.5	4.2	3.4
Maintenance Centers	367	359	351	340	338	2.2	2.3	3.2	0.6	2.7

MANPOWER	2008	2007	2006	2005	2004	08/07	07/06	06/05	05/04	04/03
						% variance over prior year				
Total manpower	6,046	5,831	5,510	5,262	5,109	3.7	5.8	4.7	3.0	1.3

Stock Market Data at December 31

(euros)

SHARE CAPITAL	2008	2007	2006	2005	2004
Number of shares before share capital increase	288,126,489	261,933,172	238,121,066	216,473,697	196,794,270
Share capital increase (bonus) Ratio	1x10	1X10	1X10	1X10	1X10
Number of shares at December 31	316,939,137	288,126,489	261,933,172	238,121,066	216,473,697
Par value	0.10	0.10	0.10	0.10	0.10
Share capital (millions)	31.7	28.8	26.2	23.8	21.6

PROFIT PER SHARE	2008	2007*	2007	2006	2005	2004
Profit after Tax	0.635	0.610	0.770	0.589	0.603	0.604
P.A.T. adjusted by capital increase	0.635	0.555	0.700	0.487	0.453	0.413
Adjusted P.A.T. variance (%)	14.4	14.0	43.8	7.5	9.8	12.6
EBITDA per share	0.936	0.964	0.964	0.945	0.942	0.969
EBITDA adjusted by capital increase	0.936	0.876	0.876	0.781	0.708	0.662
Adjusted EBITDA variance (%)	6.8	12.2	12.2	10.4	6.9	8.4

(*) Excluding the extraordinary gain on the sale of the Madrid plant.

DIVIDEND PER SHARE	2008	2007	2006	2005	2004
Dividend per share	0.672	0.672	0.651	0.620	0.609
Dividend adjusted by capital increase	0.672	0.611	0.538	0.466	0.416
% Variance adjusted dividend	10.00	13.55	15.50	11.99	18.15

PRICE PER SHARE	2008	2007	2006	2005	2004
Price	12.69	19.37	22.98	21.40	18.87
Price adjusted by share capital increase	12.69	17.61	18.99	16.08	12.89
% Adjusted price variance	(27.9)	(7.3)	18.1	24.7	25.8

ANNUAL YIELD OF ONE SHARE (%) (*)	2008	2007	2006	2005	2004
Dividend	3.469	2.924	3.042	3.286	3.691
Increase in market value	(27.935)	(7.280)	18.121	24.748	25.800
Total	(24.466)	(4.356)	21.164	28.034	29.491

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

TRADING DATA	2008	2007	2006	2005	2004
Market capitalization (millions)	4,022	5,581	6,019	5,096	4,085
Trading frequency (%)	100	100	100	100	100
Effective value trade (millions)	1,090	1,935	802	683	506

STOCK MARKET RATIOS	2008	2007*	2007	2006	2005	2004
PER (Price/net profit: number of times)	20.0	31.7	25.2	39.0	35.5	31.2
Pay-out % (Dividends paid/net profit)	96.3	100.1	79.3	100.5	93.5	91.7

(*) Excluding the extraordinary gain on the sale of the Madrid plant.

STOCK MARKET INDEX VARIANCE	2008	2007	2006	2005	2004
Zardoya Otis, S.A.					
Market capitalization at December 31 (€ millions)	4,022	5,581	6,019	5,096	4,085
Market capitalization at January 1, 1990 (€ millions) (Start of IBEX-35)	331	331	331	331	331
Market capitalization variance since Jan. 1, 1990	3,691	5,250	5,688	4,765	3,754
% Variance market capitalization since Jan. 1, 1990	1,113.7	1,584.1	1,716.4	1,437.7	1,132.7
% Inter-annual variance market capitalization	(27.9)	(7.3)	18.1	24.7	25.8
IBEX-35					
IBEX-35 at December 31	9,196	15,182	14,147	10,734	9,081
IBEX-35 at start (January 1, 1990)	3,000	3,000	3,000	3,000	3,000
Variance IBEX-35 since Jan. 1, 1990	6,196	12,182	11,147	7,734	6,081
% Variance IBEX-35 since Jan. 1, 1990	206.5	406.1	371.6	257.8	202.7
% Inter-annual variance IBEX-35	(39.4)	7.3	31.8	18.2	17.4

ZARDOYA OTIS

Management Report of Zardoya Otis (Consolidated Accounts)

Financial and Stock Market Data

Management Report of ZARDOYA OTIS
(Consolidated Accounts)

Presentation of the annual financial statements

The consolidated annual financial statements of Zardoya at November 30, 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted in the European Union and in force at said date.

Business evolution

Profit and loss

The consolidated profit before tax at the 2008 year end was 284.8 million Euros, representing an increase of 5.3% on the 270.6 million Euros obtained in 2007 not including the extraordinary profit of 64.2 million Euros obtained from the sale of the Madrid plant. If said extraordinary profit is included, the consolidated profit before tax for 2007 was 334.8 million Euros.

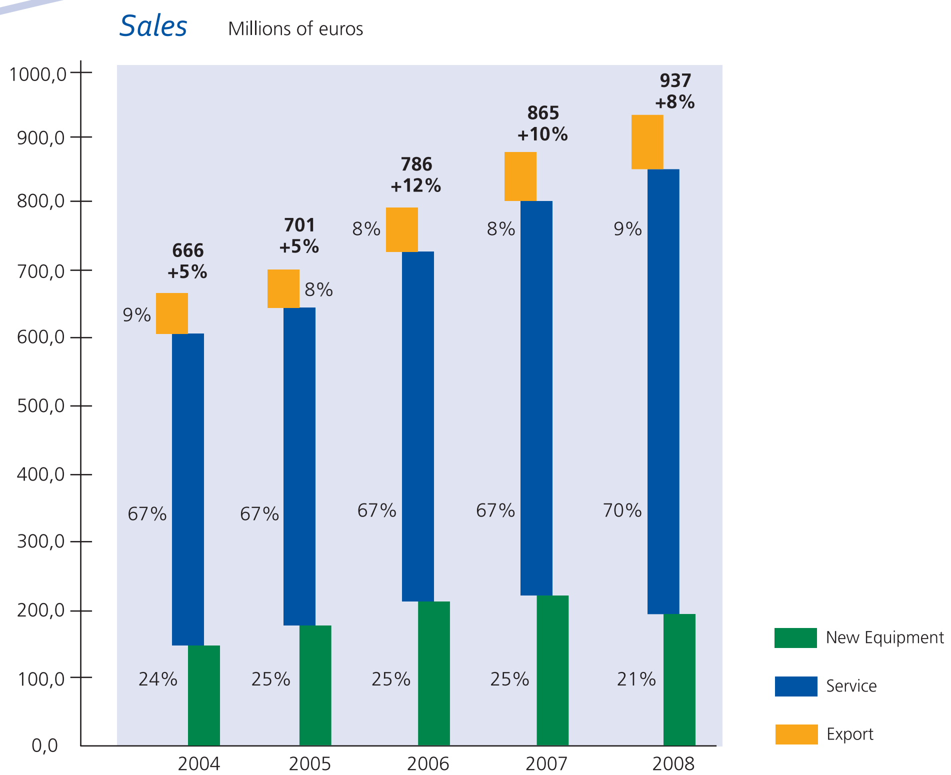
The consolidated profit after tax attributable to the shareholders (net profit after minority interests) was 201.1 million Euros, 14.4% higher than the 175.9 million Euros obtained in 2007 not including the extraordinary profit obtained from the sale of the Madrid plant. If this extraordinary profit is included, the net profit was 221.9 million Euros after minority interests.

The EBITDA (operating income plus amortization and depreciation) in 2008 grew by 6.8%, the provision for impairment of receivables having increased from 0.4% of total sales in 2007 to 1.5% in 2008.

The consolidated Cash-Flow (net profit plus amortization and depreciation) at the 2008 year end was 217.1 million Euros, 7.5% lower than in 2007 (15.1% higher without the extraordinary positive impact in 2007).

Total sales

The total consolidated sales figure rose by 8.3% in the year 2008, reaching 936.6 million Euros, in comparison with the 865.0 million Euros of 2007



New Sales

Work completed: the value of work completed in New Installations in 2008 was 200.7 million Euros, 6.6% down on the 2007 figure as a result of the reduction in the orders received for New Sales that commenced in the year.

In 2008, New Sales billing represented 21.4% of total billing (24.9% in 2007).

Orders received: New Sales orders of 191.2 million Euros were received in 2008, representing a decrease of 14.2% in the consolidated figure, with a reduction in the Spanish market and increases in Morocco and Portugal.

Backlog of unfilled orders: at the year end, the backlog of unfilled orders totalled 151.6 million Euros, showing a drop of 9.9% on the 168.3 million Euros attained in 2007, which was a record in the whole of the Company's history.

Service

Sales: total consolidated Service billing was 651.7 million Euros, which represented a 11.6% increase on the figure obtained in 2007.

Service activity represented 69.6% of total billing in 2008, demonstrating the importance of Service in the Zardoya Otis Group's business structure and showing that it is an important base for its stability.

Units under maintenance of the Zardoya Otis Group: at the 2008 year end, there were 250,871 units under maintenance, i.e. a rise of 13,035 units, equivalent to a growth rate of 5.5%.

Exports

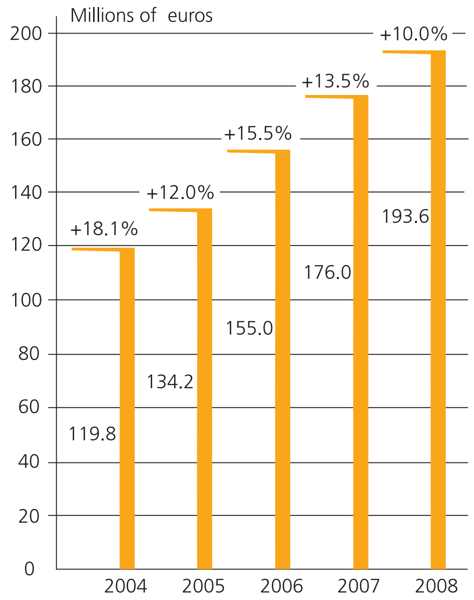
Net export billing in the year 2008 (not including sales made to the Group companies in Portugal and Morocco) was 84.2 million Euros, with growth of 27.4% on the preceding year.

In 2008, net exports represented 9.0% of the Group's consolidated sales.

Acquisitions

In the year 2008, 7 acquisitions were concluded (see Note 26 to the consolidated annual financial statements). The total investment made was 57 million Euros.

Since its beginnings, Zardoya Otis has followed an acquisitions policy that complements the organic growth that comes from the sale of new installations and still continues with the same policy today.



Dividends

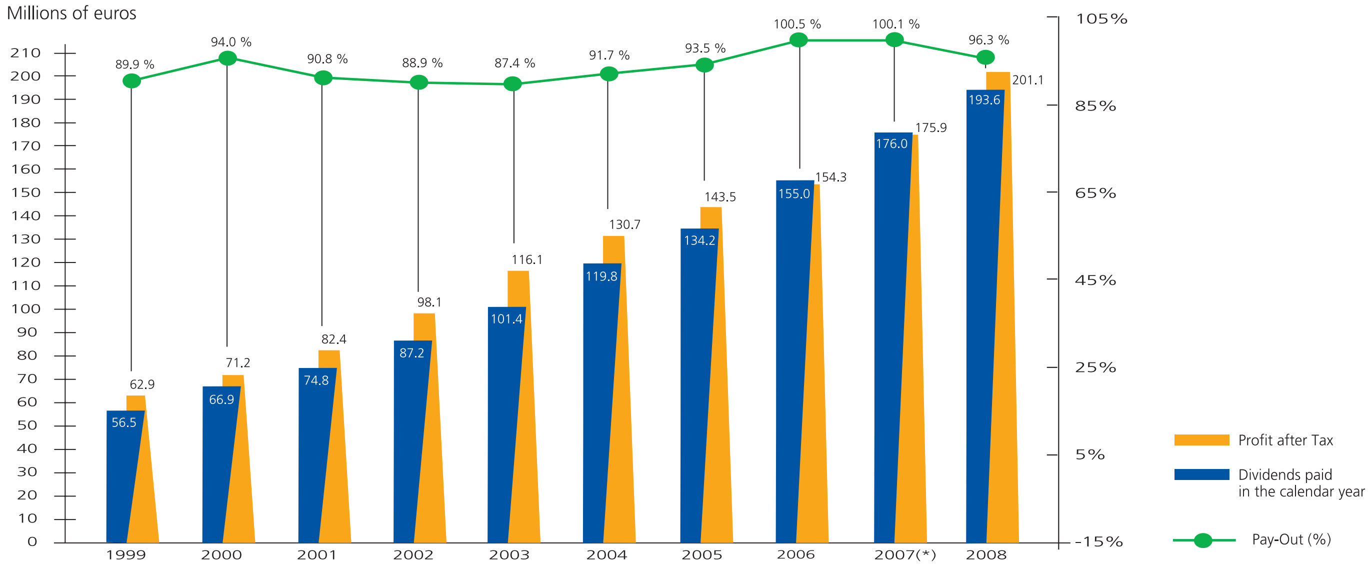
Dividends distributed and paid in 2008 were:

Number	Data	Gross per Share	Charged to	Shares entitled to dividend	Total gross divedend (Millions of Euros)
113	10 March	0.160 euros	1st on acct. 2008	288,126,489	46,100,238.24 €
114	10 June	0.160 euros	2nd on acct.2008	288,126,489	46,100,238.24 €
115	10 September	0.160 euros	3rd on acct. 2008	316,939,137	50,710,261.92 €
116	10 December	0.160 euros	4th on acct. 2008	316,939,137	50,710,261.92 €
	TOTAL DIVIDENDS PAID IN 2008				193.621.000,32 €

The first and second quarterly dividends were paid to all the outstanding shares: 288,126,489. The 28,812,648 shares coming from the 1 x 10 bonus issue that took place on June 12, 2008 were also entitled to the third dividend, distributed on September 10, 2008, and the fourth, paid on December 10, 2008. Thus, the total number of shares entitled to dividends rose to 316,939,137.

Dividends paid in 2008 totalled 193.6 million Euros, in comparison with the 176.0 million Euros of the preceding year. This represented an increase of 10% and meant a pay-out of 96.3% of the consolidated profit of the Zardoya Otis Group, 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 12, 2008, after the second quarterly dividend charged to the 2008 profit had been distributed, the capital increase approved by the General Meeting of Shareholders held on May 20, 2008 took place.

The ratio was one new share for each ten old outstanding shares, by means of the issuance of 28,812,648 new bonus shares charged to the Voluntary Reserve, for an amount of 2,881,264,80 Euros.

The subscription took place from June 12 to June 30, 2008, inclusive. As a result of this increase, the capital stock rose to 31,693,913.70 Euros, represented by 316.939.137 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, 2008.

The new shares were listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges, effective August 7, 2008.

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 May 20, 2007.

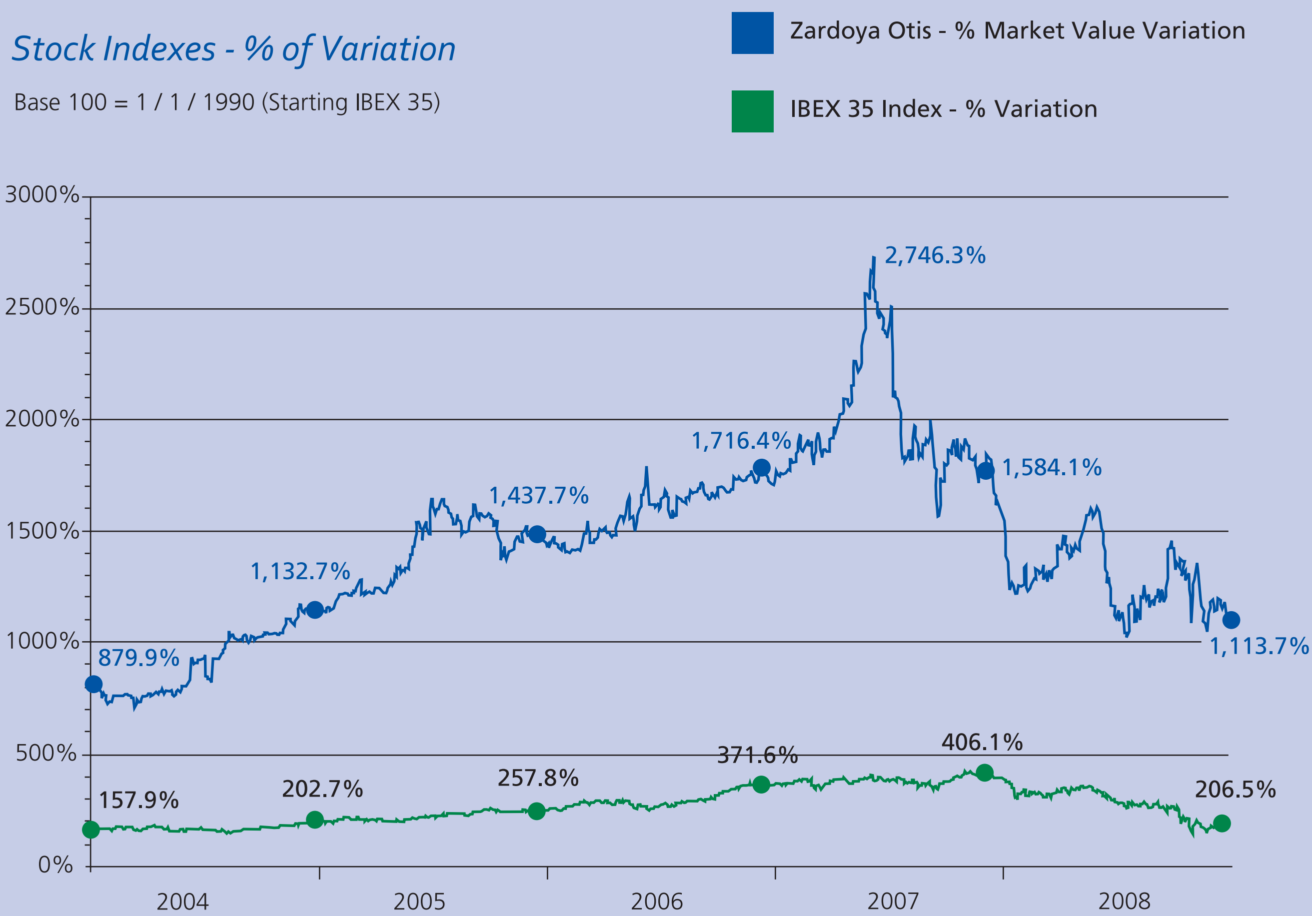
At the November 30. 2008 year end, no Zardoya Otis Group company held treasury stock.

Evolution of Zardoya Otis on the Stock Market

The quoted price at the 2008 year end was 12.69 Euros per share, which meant a loss in value of 27.9% in comparison with the 17.61 Euros at which the share ended the preceding year after the relevant adjustments had been applied as a result of the 1 x 10 bonus issue that took place in June 2007. The IBEX, however, fell by 39.4%.

Stock Indexes - % of Variation

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



Historical Stock Market Data

(euros)

Year	Capital Increase and Splits	Shares price: Last Price	Shares price: Adjusted Price	Shares price: Variance %	P.E.R.	Pay-Out %	Market Capitalization (Mill.)
dec-74		37.68	0.04		14.3		13.3
dec-90		63.71	1.11	5.69	13.8	80.14	350.2
dec-91	1 x 5	61.30	1.28	15.46	14.0	75.49	404.4
dec-92		52.23	1.09	(14.80)	11.0	79.80	344.6
dec-93	1 x 10	81.74	1.87	72.15	17.0	80.79	593.1
dec-94	1 x 10	82.28	2.07	10.73	17.4	57.36	656.8
dec-95	1 x 10	79.63	2.21	6.46	17.0	98.42	699.2
dec-96	1 x 10	90.75	2.77	25.36	19.5	100.85	876.5
dec-97	1 x 10	106.68	3.58	29.31	22.0	80.78	1,133.4
dec-98	split 5 x 1 and 1 x 6	26.62	5.21	45.56	28.9	84.73	1,649.8
dec-99	split 2 x 1 and 1 x 10	9.77	4.20	(19.26)	21.2	89.89	1,332.1
dec-00	1 x 10	9.35	4.42	5.27	19.7	94.01	1,402.3
dec-01	1 x 10	10.42	5.38	21.49	20.7	90.83	1,703.6
dec-02	1 x 10	12.55	7.08	31.79	22.9	88.85	2,245.2
dec-03	1 x 10	16.50	10.25	44.62	28.0	87.36	3,247.1
dec-04	1 x 10	18.87	12.89	25.80	31.2	91.67	4,084.9
dec-05	1 x 10	21.40	16.08	24.75	35.5	93.52	5,095.8
dec-06	1 x 10	22.98	18.99	18.12	39.0	100.48	6,019.2
dec-07	1 x 10	19.37	17.61	(7.28)	31.7 (*)	100.07 (*)	5,581.0
dec-08	1 x 10	12.69	12.69	(27.93)	20.0	96.26	4,022.0

(*) Without Extraordinary Result

Forecast evolution

As a result of the heavy reduction in homes built, orders received fell by 14.2% in 2008, while Sales of New Installations (work completed) dropped by 6.6%.

This trend is likely to continue in 2009 in relation to Sales of New Installations, although these represent only 21% of total sales, while the principal activity, Service, accounts for 70% of the total.

Notwithstanding, we hope that an overall result similar to that of 2008 will be obtained in 2009.

Article 116 bis of the Stock Market Act

a) The capital stock of Zardoya Otis, S.A. is 31,693,913.70 Euros and is represented by 316,939,137 ordinary shares with a par value of 0.10 Euros each, belonging to a single class. 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 interests belonging to the members of the Board of Directors and other significant interests that appear in the Annual Corporate Governance Report are the following:

Name of corporate name of shareholders	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
United Technologies Corporation (UTC)	0	158.786.508	50,10
United Technologies Holdings, S.A.	158.786.508		50,10
Euro-Syns, S.A.	37.676.791	0	11,888
Bresla Investments, S.L.	27.500	0	0,009
Loizaga Viguri, José María	212.960	1.597	0,068
Abajo García, Mario	835.370	0	0,264
Zardoya García, F. Javier	104.683	104.684	0,066

d) There are no restrictions on voting rights. Each share gives entitlement to one vote.

e) The Company is not aware of any shareholder agreements.

f) Rules applicable to the appointment and removal of the members of the Board of Directors and the amendment of the company By-Laws.
Article 20 of the company By-Laws states that directors will be designated by voting in accordance with the rules established in the Corporations Act.
According to the By-Laws, it is not necessary to be a shareholder in order to be appointed as a Director, except in the event of provisional appointment made by the Board of Directors itself pursuant to the provisions of article 138 of the Corporations Act.

In addition, article 13 of the Board of Directors Regulations states that Directors will be designated by the General Meeting or, provisionally, by the Board of Directors pursuant to the provisions of the Corporations Act.
Finally, article 15 of the Board of Directors Regulations states that Directors will leave their position on the Board when the period for which they were appointed has expired or when the General Meeting of Shareholders so decides using the attributions conferred upon it by law or in the By-Laws.

g) The Company has not granted powers of attorney to the members of the Board of Directors, except for those necessary to comply with or execute the corporate resolutions adopted in each specific case and to formalize said resolutions and enter them into public record when applicable. Likewise, Mr. Mario Abajo García is the Company's Chief Executive Officer and holds all the powers of the Board, except those than cannot be delegated by law or in accordance with the By-Laws and those relating to the purchase of real estate.
At the General Meeting of Shareholders held, on the second call, on May 20, 2008, the Board of Directors was granted authorization to acquire, directly or indirectly, treasury stock of Zardoya Otis, S.A., up to a maximum of 5% of the capital stock, during a period of 18 months as from the date of said General Meeting. The acquisition price of such 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 required under article 79 of the Corporations Act. This authorization was not used during the year 2008.

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

i) The Company has not signed any agreements with members of its governing bodies or management or with its employees that fix indemnities when they resign or are unfairly dismissed or if the employment relationship terminates due to a takeover bid.

Annual Corporate Governance Report

The Annual Corporate Governance Report forms an integral part of the Management Report and was sent to the National Stock Market Commission and included on the website on February 27, 2009.
A separate booklet containing the Report is provided.

Other Relevant Information

Safety

The "Safety, Health and Environment Program" has been updated to describe the latest improvements made to processes, work methods, tools and safety equipment. These improvements are the result of applying current legislation, employee contributions and management leadership in this issue, considered as one of the Company's key values.

This program is the basis of our Safety Health and Environment Management System and is formed by the following twelve elements: 1. Policy and Leadership, 2. Organization, 3. Planning, 4. Responsibilities, 5. Assessment, Prevention and Control, 6. Training, 7. Communication, 8. Rules and Procedures, 9. Inspections and Audits, 10. Incident Investigation, 11. Documentation, 12. Annual Assessment.

Each year the different actions established in each one of the elements of the Management System are applied, placing the emphasis on the assessment of what happened in the preceding year and preventive actions for the following year, in order to continue to expand the "Total Safety Culture" and thus facilitate the reduction we obtain, year after year, in the incident rate.

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

• **Safety Day.** On this day, different activities related to the Prevention of Risks at Work are carried out at all the work centres. The 2008 motto was **"Prevention is constructed among all of us …. without you, it isn't possible".**

• **Safety Posters and Drawings 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.

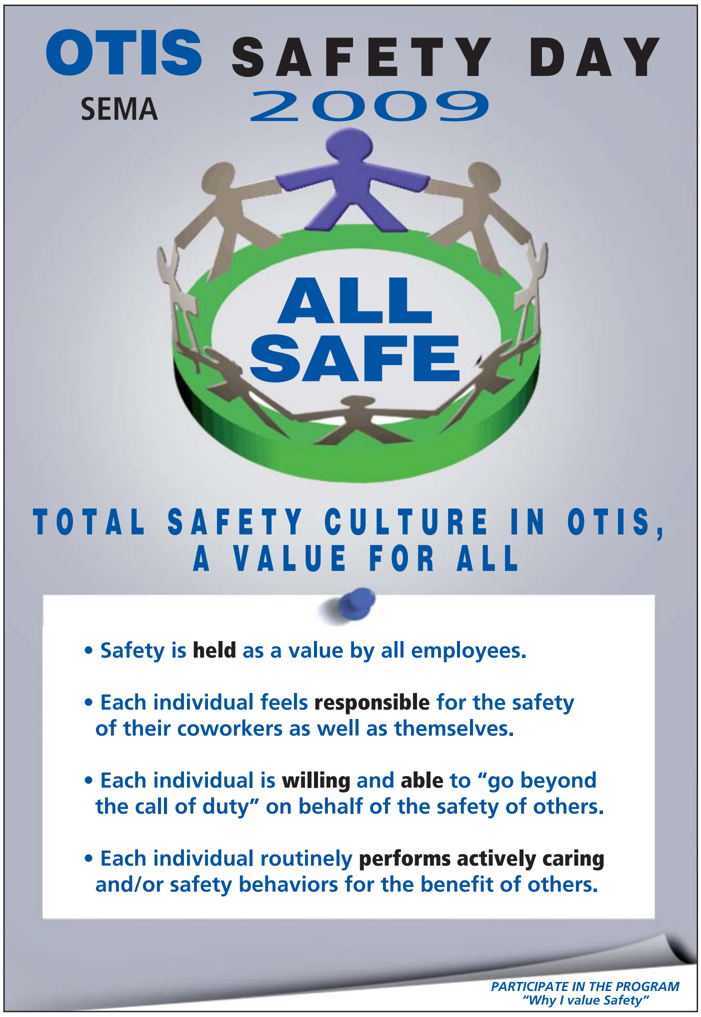
• **Club for the work centres with a significant number of accident-free days.** The number of accident-free days of each centre is published in the monthly statistics and plaques and diplomas are given in recognition of this. The General Manager awards the recognition plaques, in person to the centres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

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

• **Training courses.** For all the employees on all aspects of safety, so that they follow the rules, not only because the Company says so, but also because they are personally convinced of the benefits for all concerned.

• **Internal and external inspections and audits.** Of the workplaces (worksites, plants and offices) and the application of the Safety, Health and Environment Management System, in order to identify aspects where reinforcement is needed.

This combination of actions succeeds in making 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 one of the safest companies, with one of the most complete Safety, Health and Environment Management Systems.



Excellence and Total Quality

200 meetings of the Quality Committee

Around the mid-eighties, United Technologies Corporation, OTIS and ZARDOYA OTIS, S.A. were world, European and national pioneers in realizing that the new ideas and methodologies that were being implemented in Excellence/Total Quality would represent the third industrial revolution, the new key factor in distinguishing between organizations, and the principal asset to get customer loyalty, in order to, as it has been the case, successfully maintain leadership in the sector and continuing economic efficiency.

At that time, from among the very few organizations that could help in the new paradigm, Philip Crosby's organization was chosen, whose methodology, based on the 4 Quality Absolutes:

- *Quality is conformance to requirements*
- *Prevention, not correction*
- *Do everything right at the first time (zero defects)*
- *The measurement of quality is the price of non conformance*

had successfully eliminated defects and problems in the NASA's space program.

One of the essential innovations of Crosby's methodology was the creation of a Company Quality Steering Committee at the highest level in the organization.
Its main task was and is to lead, develop and supervise the process of obtaining Excellence/Total Quality.

Our Committee first met in 1987 and was -and still is- composed of the Managing Director (Chairman) and all the company's top-level managers, with the director of Quality acting as Secretary.

Since the beginning, apart from the months of August and December and, on very few occasions, due to force majeure, the Company Excellence/Total Quality Steering Committee has held meetings every month, as may be seen from the fact that meeting No. 200 was held in June 2008, marking a milestone among organizations that commenced this type of program and have continued with its development.

Many strategic decisions, controls, supervisions, supportive actions, etc. have taken place in the Committee to attain the key objectives proposed. Among them, we can mention, as the most significant, those relating to programs and projects of employee training, the customer ombudsman, evaluation on Excellence Models, ISO 9001 standard, . Service 2000, Service Excellence, ACE Passport System and the Programs ACE- Districts Towards Suggestions, Safety and, recently, those related to the environment care.

Orders and Projects

Zardoya Otis continues to be present in the most emblematic buildings and receives the confidence of the most distinguished customers for the installation and maintenance of their equipment. These are some of the most important projects in which the Company was involved during 2008:

Maintenance with the Madrid Metro

Zardoya Otis was awarded the integral maintenance of 208 escalators located in 44 stations of the metropolitan network, put out to tender by the Madrid Metro. The contract has a term of one year and may be extended for three more years.

With this award, Zardoya Otis now has a total of 333 units under maintenance in the Madrid Metro, 41 of which are elevators, while 292 are escalators. This equipment includes the 109 units the installation of which in a number of newly-built stations on lines 1 and 3 concluded in 2007, the largest contract in all the Company's history.

To date, a large number of the 208 escalators were maintained by the Madrid Metro itself, with the technical assistance of various companies in order to resolve specific problems. The contract that Zardoya Otis has now been awarded is for integral maintenance of the equipment, including preventive maintenance.

Completion of the Caja Madrid Tower works

In 2008, Zardoya Otis completed the installation of the elevators in the Caja Madrid Tower, designed by the British architect Norman Foster, which has become the highest building in Spain and one of the highest in Europe, with a height of 250 metres and 49 floors. This tower forms part of the “Four Towers Business Area”, a business park formed by four office towers that has been built on the land of the former Real Madrid Sports City.

Zardoya Otis has installed a total of 19 elevators, all of which are Elevonic except the three that go down to the garage, which are the Otis 2000-VF model. 14 of the elevators have a load capacity of 1,800 kg. and speeds of between 5 and 7 metres per second. Eight of them have glass doors and a panoramic back panel.

Completion of the expansion of the IFEMA (Madrid Trade Fair)

Another one-off project completed in 2008 was the provision of vertical transport equipment for the expansion of the IFEMA's trade fair centre in Madrid, with 50,000 squares of surface area for exhibitions. Zardoya Otis installed a total of 16 elevators and 30 escalators and moving walkways. Twelve of the elevators include the GeN2 flat-belt technology and four of them are hydraulic goods elevators with a load capacity of 12,000 kg.

Department stores

El Corte Inglés, one of our main customers, has once again placed its confidence in Otis to equip several of the shopping centres it plans to open in the near future. Among them, we can highlight the Hipercor in El Ejido (Almería), where Zardoya Otis was chosen to install 16 moving walkways, 16 escalators and 8 elevators and goods elevators.

New Otis GeN2 FLEX with two entrances at 90º

The new model Otis GeN2 Flex with two entrances at 90º represents a further step in the expansion of the GeN2 range, which aims to cover all possible market needs using Otis' exclusive GeN2 flat-belt system.

This is a machine room-less elevator with all the advantages implied by the GeN2 flat-belt system:

- *Energy saving*
- *Environmentally friendly*
- *Space saving*
- *Smooth, quite performance*
- *Greater stopping accuracy*

In order to accommodate two entrances at 90º, this elevator has a cantilever configuration, which is the main difference from the Otis GeN2 Comfort.

Versions are available for 6 and 8 people. In the very near future, the Otis GeN2 Flex range will be extended, fixing variable car sizes. The objective is for the GeN2 Flex to be adaptable to all kinds of hoistways, thanks to its cantilever configuration. It will, therefore, be an ideal model for existing buildings in which it is necessary to fit an elevator into a hoistway with a non-standard size. It will also cover all the possible requirements for a hydraulic elevator.

Engineering

Activity in 2008 concentrated almost totally on consolidating and expanding the GeN2 Comfort product range, in view of the benefits that its belt technology, patented by Otis, provides to customers and the environment.

In this line:

- Work on the extension of the GeN2 Comfort range to high speeds continued.
- The range of optional features was extended to enable us to serve the Italian market.
- The GeN2 Flex was launched. This is a more flexible elevator with regard to the size of the hoistway. An ideal solution for existing buildings where hydraulic elevators would previously have been installed. The GeN2 Flex requires a quarter of the installed power of an hydraulic elevator and consumes less than half.
- A modernization package with GeN2 technology was launched. The objective is to improve ride quality, levelling, safety and energy consumption in existing elevators.
- The option of a low overhead trip (2.7 m.), which is also very interesting for existing buildings, has been consolidated.

Manufacturing

The year 2008 was very complex for the industrial environment. Thus, raw material prices rose in the first half of the year, stabilized from summer onwards, and commenced a downward trend at the end of the year, representing an average increase of 1.5% in our costs for the year. To counteract this effect as far as possible, cost-reduction projects were launched, focused on rationalizing production by concentrating on the gearless GeN2 range, the search for alternative supply sources in low-cost countries and the internal manufacturing of components that were previously subcontracted. In this respect, we obtained the certification of a new permanent-magnet machine that will equip the European models for 10 to 13 people, thus eliminating the need to import this component from China as we did previously.

The economic crisis has been felt mostly in the reduction of the demand at the Madrid plant. Thus, elevator manufacturing dropped by 9%, pulled down by the decrease in domestic orders. However, international customers who have habitually bought our products increased their orders by 9.3%.

The decision adopted by Otis to transfer part of the subsystem production from the Italian plants to Madrid will have a significant impact on our exports. Thus, in September, we began to send these subsystems to a distribution centre located in northern Italy, from where they are re-dispatched to the Italian and Central European markets. When the process becomes fully operative during 2009, the number of international units that receive our products is expected to double.

Sending these products to Europe has required us to devote Design and Industrial Engineering resources to expand our product range, adapting it to the European market, at the same time as the national market's new needs are covered: new elevators with GeN2 technology have been created for 12 people, for 8 people with entrances at 90º, elevators for 4, 6 and 8 people for hoistways with a low overhead and a new elevator family, called Flex, with a cantilever configuration and variable dimensions, which is intended to replace hydraulic elevators and with which it is hoped to compete in the replacement market.

At the San Sebastián plant, there was spectacular growth in production of the new family of gearless machines with magnet engines, which exceeded the production of the traditional geared machines. The result is that, overall, a historical machine manufacturing record was achieved, since 27% more than in the preceding year were dispatched, although there has been a swift fall in the backlog of unfilled orders over the last few months.

But there can be no doubt that we will remember 2008 because the works of the new Leganés plant were completed in the summer, one year after they had commenced. The solar panel plant that occupies the roof has been operative since July. The plant has been conceived as organized in cells, each one of which is devoted to the manufacture of a subsystem and contains all the equipment that said manufacture requires. This concept, which has meant a significant investment effort, is focused on improving productivity and control of the production process and has allowed us to implement a plan to bring the plant into operation in phases, with the intention of minimizing the possibility that a move of this type could have a negative effect on the quality of the service we provide to our customers. The first cell came into operation in October and we are carrying out a process which is developing satisfactorily and which we hope will conclude in April 2009. Furthermore, the new distribution centre will be located in the same building as the plant, which reduces the time and cost associated to the current dispatches between the plant and logistic operators. As a result of all the foregoing, we hope to improve the efficiency of the industrial activities over the next few years.

Human Resources

For a further year, Zardoya Otis' experience confirms that our human teams are the Company's main asset and the guarantee of our past, present and future successes, the professional and human capacity of our employees being one of the aspects that our clients value most in all the surveys we conduct.

In this respect, management of the Company's human resources concentrates on attracting, keeping and motivating the employees, encouraging them to give the best of themselves in their work.

2008 was a demanding year for Zardoya Otis is aspects related to Human Resources. The following milestones may be highlighted:

Headcount

The headcount of the Zardoya Otis Group at December 31, 2008 was 6,046 employees, representing an increase of 3.7% on the year 2007.

A total of 370 new people joined the Company from outside during 2008 and 165 people joined from acquisitions, principally from Grupo De Vega, which joined the Group mid-year.

Very few people left voluntarily, 1.0%, showing that the workers of Zardoya Otis have confidence in the way in which the Company is managed.

Labour relations

After 31 working meetings and several months' negotiations, the Company and the workers' representatives signed the XVI Collective Labour Agreement of Zardoya Otis for a three-year term.

Signed without any strikes, the agreement is satisfactory for both the Company and the workers, since it guarantees three years free of conflicts, thus allowing efforts to be concentrated on tackling the economic crisis. It also solves some pending conflicts by mutual agreement, adds and improves some interesting welfare benefits and, in general, makes the Company more transparent and attractive.

All the workers received weekly information on the progress of the negotiations.

In relation to the definitive transfer of the workers of the Méndez Álvaro plant to the new Leganés plant, after several weeks of talks with the workers' representatives regarding the conditions of the move, the Company notified these conditions in September 2008 and the transfer of the workers, which will finalize in the first quarter of 2009, commenced.

All the workers transferred participated in the "Zero Day Event" one week before their actual transfer. They visited their new work post, the general facilities, changing rooms, rest area, garage, etc. and were welcomed by the Management with a snack

Training

With an average of 40 hours' training per employee per year, Zardoya Otis demonstrates its bet on the continuing education of its employees, in relation to both the technical aspects of elevator assembly, maintenance and manufacture and the updating of all kinds of other knowledge.

Area	Hours	People	Courses
Corporate Programs	25,352	2,290	4,070
Technical Programs (Hum. Res.)	22,164	621	436
Technical Programs (Field)	57,520	3,418	504
Individual Development	88,651	503	430
TOTAL	**193,687**	**6,832**	**5,440**

In particular, a huge effort was made in the competency-training aspect in 2008, with a total of 375 people participating in courses on communication excellence, the diagnosis and solution of problems, results orientation and time management, the proactive supervisor, …, while 270 people participated in our commercial training plan (good commercial practices, development of contact networks to increase sales, …).

Likewise, in June 2008, the last week of training and the graduation ceremony of the OTIS UNIVERSITY took place in Madrid. This is a worldwide training program in Elevator Engineering, Elevator Manufacturing, Elevator Assembly and Advanced Sales, with 90 participants in 40 countries.

In line with our increasing internationalization, in order to reinforce our employees' communication level in English, we developed and implemented a new language training system, based on intensive courses and professional contents, in which 90 employees participated. The end-of-year award to the best student of the year, a one-week trip to London, is very much appreciated.

The training of our employees will continue to be an indisputable objective in the future.

Human Resource Development

The decision to publish vacancies in the Company's intranet, based on comments from workers in the employee survey, turned out to be a success. Five employees now hold better posts than before the change.

The Company created several Assessment Centres to validate the potential of and prepare development plans for 40 people with high potential.

After several years as an expatriate, a Spanish person assigned to Cyprus as the General Manager returned to Spain as the manager of one of our commercial regions, closing the circle of his scheduled career plan. Today, there are other Spanish Zardoya Otis employees with appointments abroad as part of their professional career.

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.

In 2008/2009, 64 people are taking part in this program, with a total of 31,300 hours of education.

We can highlight the fact that, among others, we have 1 mechanic doing a doctorate, 9 mechanics studying technical engineering degrees, 7 of which are Technical Industrial Engineering, and 9 members of the administrative personnel and 4 members of the sales personnel studying different types of Master's degrees, etc.

Social Action

Special Olympics

Zardoya Otis continued to collaborate with Special Olympics, providing volunteers for the different sports activities carried out by people with physical or intellectual disabilities and contributing money for each satisfaction survey that customers returned to the Company.

In 2008, Zardoya Otis had an important presence in the Inter-Autonomous Region Mobility adapted games and five-a-side football meeting that was held in November in Colmenar Viejo (Madrid). Employees, families and friends went to the municipal facilities of the Lorenzo Rico Pavilion to help the sportspeople, collaborate in the organization of the adapted games or simply encourage the participants.

Special Olympics
España

Nantik Lum Fundation

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 bags and necklaces. In the second phase, Zardoya Otis distributed these bags and necklaces among its branches to be sold. 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.

1st OTIS Environment Day

On November 15, 2008, the 1st Otis Environment Day was held in Cazalegas (Toledo). This initiative fell within the framework of our Company's commitment to reducing CO_2 emissions and compensating for the CO_2 emitted by the Zardoya Otis vehicle fleet.

More than 350 people, including employees, families and friends, took part in this activity and, with the effort and collaboration of everyone, the old and the young, we were able to repopulate four hectares of land with pine trees, holm oaks and cork oaks.

Environmental Action 2008

Introduction

In 2008, Zardoya Otis, S.A. continued to develop the aspects defined in its strategy, policy and key objectives in relation to the environment, with the materialization of some of the future projects announced in the 2007 Annual Report.

We can highlight, among others, the completion and bringing into operation of the new Madrid Industrial Centre, located in the Leganés Technological Park, where the most modern manufacturing technologies have been implemented and solutions aimed to improve energy efficiency have been applied, such as renewable energy solutions (solar photovoltaic and photothermal energy).

Main Environmental Actions in 2008

Committed to the environmental challenges that are increasingly becoming real needs demanded by society and the market, Zardoya Otis, S.A. has focused its efforts along the basic lines of preventing climate change, improving energy efficiency and reinforcing its image as a "green company".

Aware of its great importance for both the market and society in general, Zardoya Otis reinforces its commitment to environmental challenges year after year. The key principles in this area are the fight against climate change, an improvement in energy efficiency and the consolidation of our image as a "green company".

Reinforcement of the corporate image

In order to reinforce the corporate image in relation to the Company's commitment to the environment, the following actions, among others, were taken in 2008:

- Congresses and seminars

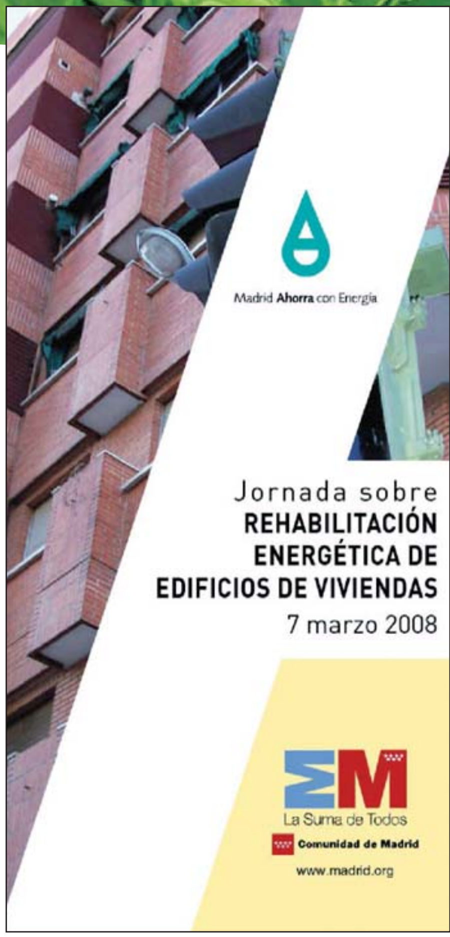
We can highlight the participation in two Seminars held by the Social Council of the Universidad Politécnica de Madrid (Madrid Polytechnic University) and seven conferences promoted by the Energy, Industry and Mines Directorate of the Madrid Autonomous Region. We also participated in the congress held by GENERA (International Energy and Environment Fair") at the Madrid Trade Fair Centre and attended the LEED course given by the Green Building Council of Spain.

- Guides of the Madrid Autonomous Region and conferences

Within Zardoya Otis, S.A.'s cooperation with the Madrid Autonomous Region to collaborate in energy efficiency programs, we participated in preparing the "Guide to Energy Renovation in Residential Buildings" (previously, we had already participated in the "Guide on Energy Efficiency in Owners' Associations" and the "Guide to Saving and Energy Efficiency in Offices"), writing a chapter entitled "Latest-generation elevators".

In the sphere of Zardoya Otis' collaboration with the Madrid Autonomous Region in energy efficiency programs, the company participated in preparing the "Guide to Energy Renovation in Residential Buildings". This Guide included a chapter entitled "Latest-Generation Elevators". The document was the continuation of two earlier Guides: the "Guide to Energy Efficiency in Owners' Associations" and the "Guide to Saving and Energy Efficiency in Offices".

Two conferences were given at the official presentations of the new Guide.



- Sustainable Development Award

In June, we were awarded the Sustainable Development Award for Eco-Efficiency of the Murcia Autonomous Region. This award highlighted the Company's business and marketing policy, focused principally on the GeN2 Comfort range of elevators.

- Other actions

The Directorate of Quality, Products and Legislation, through the official entities in which it participates, has encouraged and promoted the development, at both national and regional level, of new building rules that include elevators in a building's energy consumption, allowing them to be classified and helping to obtain official subsidies when installing elevators or replacing conventional elevators by new, more efficient ones, able to consume up to 70% less energy.

Zardoya Otis, S.A.'s greatest efforts have been aimed at cooperating with governmental entities and the autonomous regions that can be seen to be pioneers and are the most active in this field (Madrid, Asturias, Galicia, Valencia, Murcia, etc.).

As a result of the actions in FEEDA (Federación Empresarial Española de Ascensores - Spanish Elevator Business Federation) and its Madrid Association, two Work Groups have been set up to achieve the key objectives mentioned previously.

A cooperation agreement was also reached with the IDAE (Instituto para la Diversificación y Ahorro de la Energía - Institute for Energy Diversification and Saving), together with the possibility of a joint effort to determine the parameters required for an elevator to be considered energy efficient and eligible for a subsidy under ***"Renewal Schemes".*** For this purpose, a cooperation relationship has also been established with the Technological Institute of Aragón.

Standard ISO 14001

In May 2008, AENOR performed the first audit to review the second cycle of the ISO 14001 Environmental Management System at the Madrid plant in Méndez Álvaro. The system implemented was considered to meet the standard and to be efficient. The review was passed with no non-conformities for the fifth year running.

The San Sebastián and Munguia plants also passed the follow-up annual environmental audits with the same result of no non-conformities.

Likewise, the REIVAJ engine plant successfully passed the audit carried out by AENOR under standard ISO 14001 with no non-conformities.

Savings and energy afficiency at the new Madrid Industrial Centre in the leganés Technological Park

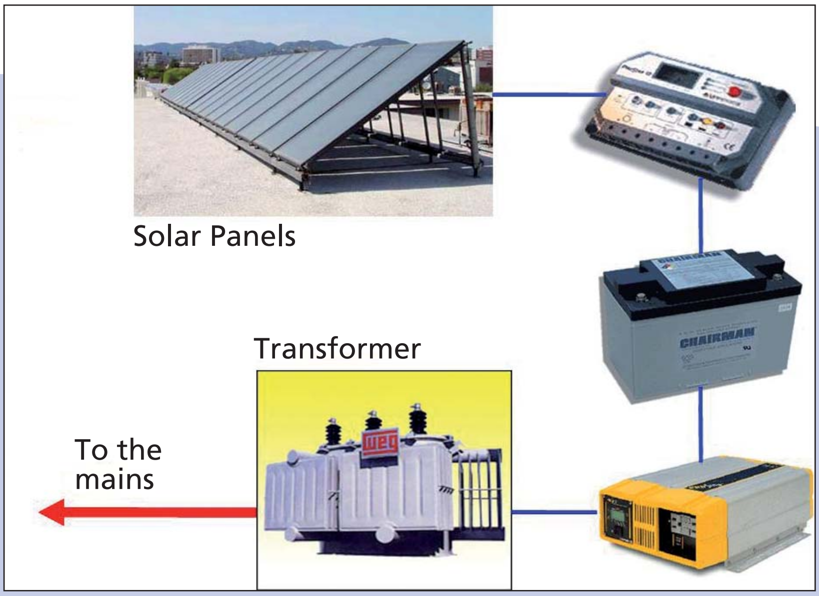
In October 2008, the transfer of the Méndez Álvaro industrial centre to the new facilities in the Leganés Technological Park commenced and will be completed, according to the action plan established, in the first few months of 2009.

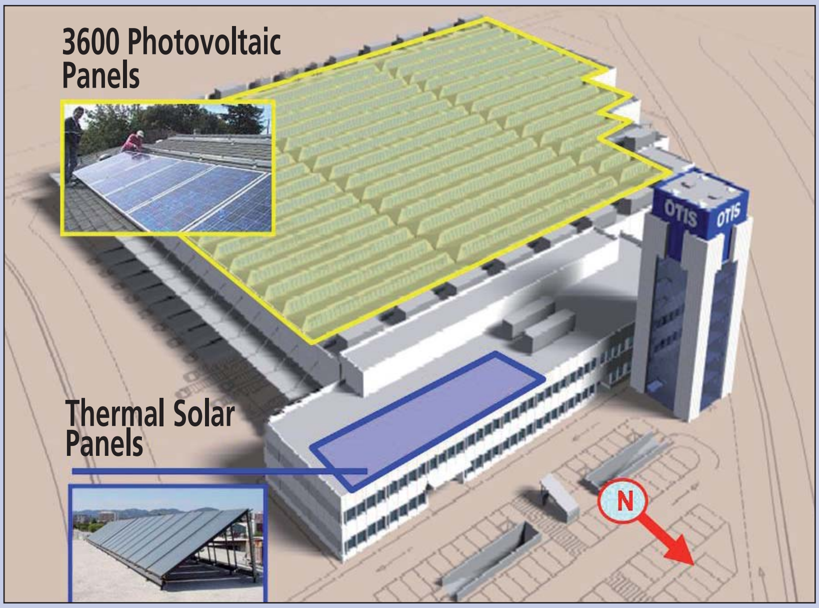
The new centre deals responsibly and carefully with the environment and has the most advanced technologies to reduce energy consumption and greenhouse gas emissions into the atmosphere. We can highlight the photovoltaic energy-generating installation, which is currently the largest unperforated installation in Spain, with a total of 12,000 square meters, larger than a soccer field.

Its main characteristics are described below:

- Photovoltaic installation on the roof with 3600 panels that generate 1GWh of energy a year, equivalent to 60% of the energy needed in the centre. It will reduce the CO2 emissions by 1050 tonnes and those of SOx by 3 tonnes a year.
- Thermal solar panels for hot water, which provide 70% of that used in the centre.
- Lighting control system, which monitors the electric light by means of a system that regulates the lighting in accordance with the daylight. The system uses low-consumption fluorescents.
- Thermal insulation obtained, in addition to from the building materials used, by the orientation of the offices, in order to increase the exposure to sunlight in winter and reflect it in summer by parasols installed on the faces of the building exposed to sunlight.
- Air conditioning with an automatically-regulated system.
- Water consumption, including an underground water deposit for use in the event of fire. The elements that control the water flow are designed to economize on its use.
- Elevators. Two latest-generation GeN2 Comfort elevators have been installed, which optimize energy use and include modules that automatically turn the car light off.

Installation Diagram





First OTIS Environment Day

On November 15, 2008, Zardoya Otis, S.A. organized the first Environment Day with a reforestation activity at the tree nursery in the municipal area of Cazalegas (Talavera de La Reina, Toledo). The event consisted of repopulating an old poplar grove with the collaboration of the Confederación Hidrográfica del Tajo (entity that administers and controls the River Tajo), in order to convert it into an environmental education area.

3,000 trees belonging to native species were planted: holm oaks, cork oaks and pines. More than 350 people took part in the event, including employees and their families and suppliers and collaborators of Zardoya Otis.

This action forms part of the project for reducing CO2 emissions to which the Company is committed. The activity in Cazalegas was intended to counteract the impact produced by the CO2 emissions from the vehicles of the Company's technical team.

Actions on the product

The following new developments included during 2008 may be highlighted:

- *Model GeN2 Flex,* to solve the issue of elevators with two entrances at 90º.
- *Electronic reactances* in curved car operating panels, which produce less heat and guarantee that the fluorescents last longer, especially if the system for automatically turning the car light off is installed.
- *System that automatically turns the car light off,* which can reduce the energy consumed in lighting the car by more than 85%, in addition to reducing the heat inside.

Future Environmental Development

In 2009 and the following years, Zardoya Otis, S.A. will continue to develop its environmental strategy, policy and key objectives by launching new products and more efficient energy solutions in the market.

The GeN2 Comfort elevator line and the line of gearless machines with permanent-magnet engines will continue to expand. These lines consume less energy and are less aggressive with the environment.

In addition, the efforts in manufacturing, transport, storage and recycling will continue, in order to further reduce the emissions into the atmosphere and favour energy saving.

Regarding the environmental management system at the manufacturing centres, the certification under the standard ISO 14001 will be maintained at the Company's three centres.

We will continue to work with the representatives of the Ministries of Industry, Housing and the Environment, the Autonomous Regions, the official entities that handle environmental issues -such as IDAE or the Technological Institute of Aragon- and FEEDA and its Associations, in order to have elevators and their components classified as energy efficient and subsequently obtain the applicable subsidies.

ZARDOYA OTIS

Auditor´s Report and Consolidated Annual Accounts

Audit Committee

The Audit Committee has held six meetings in 2008 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 2008.

3. Increase in share Capital and its closing.

4. Follow up of the Internal Control Plans for 2007 and 2008.

5. Financial Information Rules (IFRS).

6. Corporate Governance Report 2007.

7. Review, with the external auditors, of the individual Annual Accounts and those for the consolidated group for the year 2008, 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 2008.

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 for the first financial year 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 2008, 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 2008 consolidated annual accounts. On 29 February 2008 we issued our audit report on the consolidated annual accounts for 2007 in which we expressed an unqualified opinion.

In our opinion, the accompanying consolidated annual accounts for 2008 present fairly, in all material respects, the consolidated financial position of Zardoya Otis, S.A. and its subsidiaries as at 30 November 2008 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..

The accompanying consolidated Directors' Report for 2008 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 2008. 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.

Alan D'Silva
Partner

March 3, 2009

Consolidated Balance Sheet

at November 30, 2008 and 2007 (In Euros thousand - ETHs)

	2008	2007
ASSETS		
NON CURRENT ASSETS		
Fixed assets (Note 5)	56,566	29,745
Intangible assets (Note 6)	80,372	56,100
Goodwill (Note 6)	29,965	18,725
Other Investments	12,369	714
Deferred tax assets (Note 16)	24,130	24,641
	203,402	129,925
CURRENT ASSETS		
Inventories (Note 8)	21,687	27,250
Current financial receivables	335	331
Accounts receivable (Note 7)	314,786	332,452
Cash and cash equivalents (Note 9)	80,695	99,335
	417,502	459,368
TOTAL ASSETS	620,905	589,293

The notes on pages 47 to 73 form an integral part of these annual accounts.

	2008	2007
EQUITY		
Share capital (Note 10)	31,694	28,813
Legal reserve (Note 11)	6,339	5,763
Reserves of subsidiary companies and other reserves (Note 12)	132,804	92,711
Retained earnings	202,454	222,486
INTERIM DIVIDEND PAID	(142,911)	(176,019)
MINORITY INTERESTS	8,048	7,612
TOTAL EQUITY	238,428	181,366
LIABILITIES		
NON CURRENT LIABILITIES		
Other accounts payable (Note 14)	32,281	2,801
Welfare commitments	27,219	30,506
Other liabilities	1,937	2,363
	61,437	35,670
CURRENT LIABILITIES		
Trade and other payables (Note 14)	256,667	293,938
Current tax liabilities (Note 15)	44,707	55,115
Borrowings	698	4,090
Other liabilities	18,968	19,114
	321,040	372,257
TOTAL LIABILITIES	382,477	407,927
TOTAL EQUITY AND LIABILITIES	620,905	589,293

The notes on pages 47 to 73 form an integral part of these consolidated annual accounts.

Consolidated Income Statements

For the years ended November 30, 2008 and 2007
(In Euros thousand - ETHs)

	2008	2007
Sales (Note 18)	936,647	864,992
Other income	3,391	2,316
Changes in inventories		(169)
Raw materials used	(316,031)	(297,485)
Employee compensation and benefit expenses (Note 19)	(249,048)	(230,536)
Depreciation, amortization and impairment charges	(15,989)	(12,734)
Other expenses	(78,385)	(61,430)
OPERATING PROFIT	**280,583**	**264,954**
Financial income (Note 20)	6,978	8,061
Financial expenses (Note 20)	(2,228)	(2,682)
Net exchange rate differences (Note 20)	(55)	226
Share of (loss)/profit of associates	2	9
OTHER (EXPENSES)/INCOME (Note 5, 22)	**(479)**	**64,203**
PROFIT BEFORE TAXES	**284,801**	**334,771**
Income tax expense (Note 21)	(81,598)	(111,112)
PROFIT FOR THE YEAR	**203,203**	**223,659**
ATTRIBUTABLE TO:		
Equity shareholders of the Company	201,141	221,903
Minority interests	2,063	1,756
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY DURING THE YEAR (In Euros per share)		
- Basic	0.66	0.80
- Diluted	-	-

The notes on pages 47 to 73 form an integral part of these consolidated annual accounts.

Consolidated Statement of Changes in Equity

For the years enden November 30, 2008 and 2007
(In Euros thousand - ETHs)

	Attributable to Equity Shareholders				Minority Interest	Total Net Equity
	Capital	Legal Reserve	Consolidation and other Reserves	Retained Earning		
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**	**181,367**
Distribution of income 2007		576	43,770	(221,173)	(1,421)	(178,248)
Dividend relating to 2008				176,019		176,019
Capital increase	2,881		(2,881)			-
Profit for the year				201,141	2.062	203,203
Interim dividend 2008				(142,911)		(142,911)
Business combinations						-
Other			(797)		(205)	(1,002)
Balance at November 30, 2008	**31,694**	**6,339**	**132,803**	**59,544**	**8,048**	**238,428**

The notes on pages 47 to 73 form an integral part of these consolidated annual accounts.

Consolidated Statement of Cash Flow

For the years ended November 30, 2008 and 2007
(In Euros thousand - ETHs)

	2008	2007
NET PROFIT	**201,141**	**221,903**
Adjustments to profit:		
Amortization/depreciation/provisions	25,152	14,818
Taxes	81,598	111,112
Other gains and losses	4,913	9,484
Gains on sales of fixed assets	(19)	(64,131)
Tax payment	(50,031)	(91,858)
Variation on accounts receivable, payable and other	(85,182)	(26,947)
OPERATING CASH FLOW	**177,572**	**174,381**
Investment in tangible/intangible fixed assets	(31,601)	(26,707)
Acquisition of subsidiaries	(11,304)	(25,960)
Acquisition of other financial assets	(7,004)	(8,299)
Sale of land/buildings	0	16,854
INVESTMENT CASH FLOW	**(49,909)**	**(44,112)**
Dividends paid	(142,911)	(176,019)
Bank debt	(3,392)	2,537
FINANCING CASH FLOW	**(146,303)**	**(173,482)**
VARIATION IN CASH AND EQUIVALENTS	**(18,640)**	**(43,213)**
Cash and equivalents at the beginning of the period	99,335	142,548
Cash and equivalents at the end of the period	80,695	99,335

The notes on pages 47 to 73 form an integral part of these consolidated annual accounts.

Notes to the Consolidated Financial Statements 2008 & 2007 (In Euros thousand - ETHs)

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 a majority interest in the Group of 50.10 % of the Company's shares. 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 exchanges.

These consolidated financial statements were approved by the Board of Directors on February 25, 2009 and are pending 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, 2008 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 not differ substantially from the margins applied while the contracts were in progress. (Note 2.11, b 2.17, 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 2.15).

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 2.14).

2.2 Consolidation 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.

a) Subsidiary Companies

The list of subsidiaries and information thereon are as follows:

		Shareholding				
		2008		2007		
		Book value		Book value		
Company and registered office	Business	%	EThs	%	EThs	Parent Company
(+) Ascensores Eguren, S.A. (Bilbao)	Installation & Service of Elevators	100.00%	6,635	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%	14,662	88,25%	14,662	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%	17,393	94.13%	17,393	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 & manufacting of electronic equipment	75.00%	-	75.00%	21	Zardoya Otis, S.A.
Otis Maroc, S.A. (#) (Morocco)	Installation & Service of Elevators	100.00%	21,988	100.00%	21,988	Zardoya Otis, S.A.
Ascensores Aspe, S.A. (Baleares)	Installation & Service of Elevators	100.00%	7,791	100.00%	9,097	Ascensores Eguren, S.A.
(+) Grupo Lagi, S.L. (Cádiz)	Installation & Service of Elevators	60.00%	5	60.00%	5	Zardoya Otis, S.A.
Jobensa, S.L. (León)	Installation & Service of Elevators	100.00%	5,355	-	-	Zardoya Otis, S.A.
(*) Ascensores Vascos, S.A. (Bilbao)	Installation & Service of Elevators	100.00%	9,806	-	-	Zardoya Otis, S.A.
(*) Puesal, S.L. (Vitoria)	Installation & service of automatic doors	100.00%	1,276	-	-	Portis, S.L.

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

(+) Audited companies.

(*) Companies in the process of acquisition and not consolidated, which, therefore, have not contributed either revenue or profit/loss to the Group.

b) Transactions and minority interests

The group applies a policy of treating transactions with minority interests as transactions with equity owners of the group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interests are also recorded in equity. The disposal of minority interests and the difference between the consideration received and the related proportion of minority interests are also recognized in the net equity.

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 or services within a particular economic environment that are subject to risks and returns that differ from those of segme nts operating in other economic environments. Each of the defined segments is assigned the costs that it has incurred directly. 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.

(c) Group companies

Gains and loses and the financial situation of Group companies (none of which has the currency of a hyperinflationary economy) with a functional currency other than the currency in which the financial statements are presented are translated into the latter as follows:

The assets and liabilities of each Balance Sheet presented are translated at the closing exchange rate on the date of the Balance Sheet.

The income and expenses of each Income Statement are translated at the average exchange rates (unless this average is not a fair reflection of the accumulated effect of the rates existing on the transaction dates, in which case the income and expenses are converted at the transaction dates), and all exchange rate differences are recognized as a separate component of the net equity.

Upon consolidation, the exchange differences that arise on the translation of a net investment in foreign companies is taken to the shareholders' equity. When sold, these exchange differences are recognized on the Income Statement as part of the loss or gain on the sale.

Adjustments to goodwill and fair value that arise on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and are translated at the year-end exchange rate.

2.5 Fixed Assets

Land and buildings comprise the Company's production centres. All fixed 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	33 years
Machinery	8, 10, 13 & 4 years
Vehicles	5 y 6 years
Furniture, fittings and equipment	10, 4 & 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, 2008 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. Amortization is carried out using the straight line method, considering its estimated useful life (five to twenty years depending on the characteristics of the portfolio).

Impairment tests are conducted regularly 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) Goodwill

Goodwill represents the amount by which the acquisition cost exceeds the fair value of the Group's holding in the identifiable net assets of the subsidiary acquired at the acquisitions date. Goodwill related to acquisitions of subsidiaries is included in the intangible assets. Goodwill recognized separately is submitted to annual impairment tests and is valued at cost less accumulated impairment losses. Gains or losses on the sale of a company include the book value of the goodwill associated to the company sold.

(c) Research ad 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 undefined 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 investments include shareholding 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 asset 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 amortized using the effective interest method.

Financial assets available for sale

Financial assets held for sale are non-derivative financial assets placed in this category or 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.

Acquisition 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 percentage 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 comprise 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, forward contracts and other services. Bank overdrafts are included in current liabilities on the balance sheet.

2.13 Vendors

Vendors are initially recognized at fair value and are subsequently valued at amortized cost using the effective interest rate method.

2.14 Deferred Taxes

The consolidated Income Statement 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 realized 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.

2.15 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 or both, and the amendment introduced by Law 14/2000 concerning the transitional period for the formalization or adaptation thereof, on November 7, 2002 and November 14, 2002, respectively, the Company signed, with two 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 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.

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.

These actuarial gain or losses are deferred and accounted over the expected average remaining working lives of the employees beneficiaries of the plan, starting from the year after the closing of the fiscal year.

2.16 Provisions

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

2.17 Revenue recognition

Revenue comprises 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.

2.18 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.

2.19 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.

2.20 New IFRS rules and IFRIC interpretation

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

a) IFRS 8 "Operating Segments", applicable for years beginning from January 2009 onwards, replacing IAS 14.

Furthermore, the following standards or amendments and IFRIC interpretations are awaiting adoption by the European Union and will, if appropriate, be applicable to the Group:

a) IAS 1, revised, “Presentation of Financial Statements”, applicable to years beginning from January 1, 2009 onwards.

b) IAS 27, amended, “Consolidated and Separate Financial Statements”, applicable from June 1, 2009 onwards.

c) IFRS 3, revised, “Business Combinations”, applicable to transactions performed from July 1, 2009 onwards.

d) IFRIC 14, “The limit on a defined Benefit Asset, minumum funding requirements and interaction”.

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 risk with customers and there are no significant old credit balances (Note 7). The Group has policies in place to ensure that installation sales are made to customers with appropriate credit histories and, in addition, regular debt-monitoring procedures are conducted by the departments involved in debt collection.
To minimize credit risk, the Group has risk management policies in place to limit the amount of risk with any one financial institution. The credit risk arises from cash and cash equivalents, financial instruments, deposits with financial institutions, debt available for sale and accounts receivable. The banks and financial institutions with which the Group works are of recognized prestige and hold high credit ratings.

(c) Liquidity Risk

Conservative liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities, Group treasury aims to maintain flexibility in funding by keeping committed credit lines available.

(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.
The Group does not use financial derivatives to hedge the interest rate risks derived from its activity. In accordance with Group treasury policies, it does not acquire or hold financial derivatives for trading.

(e) Capital Risk Management

The Group’s objectives in relation to capital management are to safeguard its capacity to continue as a going concern and obtain yields for the shareholders and profits for other holders of net equity instruments, as well as maintaining an optimal capital structure and reducing the cost thereof.

NOTE 4. SEGMENTS FINANCIAL INFORMATION

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, of the same nature with an integrated production cycle, addressed to the same type of customers and with a single distribution network, that represent a unique business segment for the Group, managed as such and subject to similar risks and opportunities.

Therefore, 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	
2008						
Zardoya Otis Group - Spain		906,859	254,225	511,361	14,746	329,068
Zardoya Otis Group - Portugal		78,910	25,268	92,549	1,183	40,030
Otis Maroc - Morocco		13,958	1,888	16,995	60	13,379
Eliminations - intra-group transactions		(63,080)	(721)			
IFRS adjustments			(77)			
Consolidated	ETHs	936,647	280,583	620,905	15,989	382,477

		Sales	Operating profit/loss	Assets		Liabilities
				Total	Depreciation charge	
2007						
Zardoya Otis Group - Spain		828,094	233,147	458,023	11,313	344,900
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			4,550			
Consolidated	ETHs	864,992	264,954	589,293	12,734	407,927

	Sales	Operating Profit	%
2008			
Zardoya Otis, S.A. (aggregation of 95 branches)	743,069	231,319	31.13
Group companies in Spain - Elevators (10 companies)	129,083	21,064	16.32
Otis Elevadores Group - Portugal	78,910	25,268	32.02
Otis Maroc - Morocco	13,960	1,888	13.52
Total Elevators	**965,022**	**279,539**	**28.97**
Group companies in Spain - non elevators (3 companies)	34,705	1,842	5.31
Total Group	**999,727**	**281,381**	**28.15**
Eliminations - intra-group transactions	(63,080)	(721)	
IFRS adjustments		(77)	
EThs Consolidated	**936,647**	**280,583**	**29.96**

	Sales	Operating Profit	%
2007			
Zardoya Otis, S.A. (aggregation of 95 branches)	684,001	212,919	31.13
Group companies in Spain - Elevators (10 companies)	110,589	17,412	15.74
Otis Elevadores 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 (3 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	
EThs Consolidated	**864,992**	**264,954**	**30.63**

NOTE 5. FIXED ASSETS

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

	Land & Buildings	Machinery	Furniture, fittings & equipment	Total
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
2008				
Opening net book value	14,348	2,914	12,483	29,745
Business combinations	-	-	98	98
Increases	18,683	5,741	7,079	31,503
Decreases	-	-	(45)	(45)
Depreciation	(162)	(878)	(3,695)	(4,735)
Other	-	-	-	-
Net book value EThs	32,869	7,777	15,920	56,566

The fixed assets figure includes assets in progress for a total value of EThs 1,612 in 2008 and EThs 4,044 in 2007.

On January 4, 2007, Zardoya Otis signed the sale of the premises of the Madrid elevator factory located in Mendez Alvaro street with the building company Nozar. 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 was EThs 64,131. At year end there are two pending promissory 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. At November 30, 2007, the value of the land, with a total area of 30,282 square metres and a value of EThs 11,935, had been included in the tangible fixed assets. At November 30, 2008 the building work was completed and, consequently, the value of the buildings and installations was included as Fixed Assets for an amount of EThs 23,345

As of November 30, 2008 and 2007, the following fixed assets items were fully depreciated:

	2008	2007
Land & Buildings	3,071	-
Vehicles & Machinery	20,361	18,417
Furniture, Fixtures & Equipment	29,667	27,689
EThs	53,099	46,106

Of the total net fixed assets net of depreciation, the value of which is EThs 56,566, the amount of EThs 1,042 is in Portugal and the amount of EThs 149 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

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

	Maintenance Contracts	Goodwill	Other	Total
As of November 30, 2006				
Cost	86,316		224	86,540
Acc. Amortization and Impairment	(45,369)		(157)	(45,526)
Net book value EThs	**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	108,277	18,725	236	127,235
Acc. Amortization and Impairment	(52,232)		(181)	(52,410)
Net book value	**56,045**	**18,725**	**55**	**74,825**
2008				
Increases	1,903		47	1,950
Business combinations	28,931	12,321		41,252
Decreases	(1,794)			(1,794)
Amortization	(4,794)		(21)	(4,815)
Other	-	(1,081)	-	(1,081)
As of November 30, 2008				
Cost	137,317	31,046	283	168,646
Acc. Amortization and Impairment	(57,026)	(1,081)	(202)	(58,309)
Net book value EThs	**80,291**	**29,965**	**81**	**110,337**

The goodwill and intangible assets with indefinite useful lives have been assigned to the Group's cash-generating units (CGU's).

In the year 2007, the goodwill on the acquisition of Otis Maroc by Zardoya Otis, S.A. was included. In the year 2008, goodwill on the acquisitions of Grupo de Vega, Ascensores Sáez, S.L and Jobensa, S.L. in Spain, all of which belong to the elevator segment, has been included.

The recoverable amount is determined using of cash-flow projections in financial budgets approved by Management, based on past performance and market development expectations. Growth rates of between 5% and 20% and a discount rate of 10.5% have been applied.

No impairment losses were recognized in the year, since the forecast cash-flows attributable to the CGU's allow the net value of the goodwill recorded to be recovered.

In addition, the heading "financial investments" includes the acquisition cost of the shares of Ascensores Vascos, S.A. and Puesal, S.L. for EThs 9,806 and 1,276, respectively, at the end of the year (consolidation in process).

NOTE 7. TRADE AND OTHER RECEIVABLES

	2008	2007
Trade receivables	276,720	303,815
Less: Provision for impairment of receivables	(43,796)	(29,498)
Trade receivables - Net	232,924	274,317
Amount due from customers for contract works	(252)	8,946
Other accounts receivable	62,719	32,864
Prepayments	807	478
Receivables from related parties	18,588	15,847
Total EThs	314,786	332,452

The total amount of the costs incurred at the balance sheet date was EThs 147,905 (2007: EThs 170,695). This amount includes profits recognized (less recognized losses) on all contracts in progress for EThs 5,043 (2007: EThs 5,464).

Movement on the provision for value impairment of accounts receivable was as follows:

	2008	2007
Beginning of period	29,498	25,691
Provision made	22,537	12,308
Accounts receivable written off as unrecoverable	-	-
Reversal of unused provisions	8,239	8,501
EThs	43,796	29,498

Provisions and reversals of provisions appear on the Income Statement under the "Other net expenses" heading. The net provision recognized in 2008 is 1.53% of Group sales (0.44% in 2007).

"Trade receivables" includes balances at more than six months for the following amounts:

	2008	2007
Between six months and one year	19,202	15,404
Between one and two years	18,807	16,602
More than two years	1,754	777
EThs	39,763	32,783

NOTE 8. INVENTORIES

	2008	2007
Raw materials	20,283	20,736
Work in progress	1,404	6,514
EThs	21,687	27,250

NOTE 9. CASH AND CASH EQUIVALENTS

	2008	2007
Cash in banks	17,166	11,114
Short term bank deposits	26,500	58,878
Short term deposits with related parties (UTC)	37,029	29,343
EThs	80,695	99,335

The effective interest rate of short-term deposits varies from 4.57% to 3.29% (2007: from 4.40% to 3.18%), 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, forward contracts and other. These deposits have accrued interest during the year at an average interest rate of 4.37% (3.90% in 2007), which exceeds the market rate by 0.30 percentage points.

For cash flow statements, cash and overdrafts include:

		2008	2007
Cash and cash equivalents	EThs	80,695	99,335
Bank overdrafts		-	-

NOTE 10. SHARE CAPITAL

	Nº Shares	Ordinary Shares	Treasury Stock	Total
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
Capital increase	28,812,648	28,812,648	-	28,812,648
November 30, 2008	316,939,137	316,939,137	-	316,939,137

The share issues carried out in 2007 and 2008 were bonus issues charged to voluntary reserves.
There is a total of 316,939,137 authorized ordinary shares (2007: 288,126,489 shares) with a par value of 0,10 euros each (2007: 0.10 per share). All the shares issued have been fully subscribed and paid up as follows:

	Shares		% shareholding	
Owner	2008	2007	2008	2007
United Techonologies Holdings, S.A.	158,786,508	146,515,402	50.10	50.85
Euro-Syns, S.A.	37,676,791	31,693,915	11.88	11.00
Other minority interests	120,475,838	109,917,172	38.02	38.15
	316,939,137	288,126,489	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 May 20, 2008, a resolution was adopted: to increase the share capital by 2,881,264.80 euros against the Voluntary Reserve, in the proportion of one new share for every ten old shares, issuing 28,812,648 new shares. Once the capital increase had been completed, the capital amounted to 31,693,913.70 euros and consisted of 316,939,137 shares with a par value of 0.10 euros each. The new shares were entitled to the dividends paid after the date of the capital increase and therefore participated in the third interim dividend paid against 2008 profits on September 10, 2008. The increase was carried out from June 12, 2008 until June 30, 2008, inclusive. The new shares were listed on the Madrid, Barcelona, Valencia and Bilbao stock exchanges effective August 7, 2008.

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.

Details of the legal reserve by company as of November 30, 2008 and 2007 are as follows:

	2008	2007
Company		
Zardoya Otis, S.A.	6,339	5,763
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.	68	12
Ascensores Pertor, S.L.	10	10
Conservación de Aparatos Elevadores Express, S.L.	354	354
Acresa Cardellach, S.L.	1,990	1,990
Admotion, S.L.	-	-
Otis Maroc, S.A.	9	9
Ascensores Aspe, S.A.	31	31
Grupo Lagi, S.L. ......EThs	1	1

NOTE 12. RESERVES OF SUBSIDIARY COMPANIES AND OTHER RESERVES

	Subsidiary companies	Other reserves	Total
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
Profit 2007	32,389	53,730	86,119
Dividends paid in the year	(42,349)	-	(42,349)
Capital increase	-	(2,881)	(2,881)
Other	(1,247)	451	(796)
As of November 30, 2008 ......EThs	53,953	78,851	132,804

Details of reserves of subsidiary companies and other reserves by company as of November 30, 2008 and 2007 are as follows:

Company	2008	2007
Zardoya Otis, S.A.	88,811	37,511
Ascensores Eguren, S.A.	(3,163)	(3,133)
Ascensores Ingar, S.A.	(2,316)	(1,849)
Ascensores Serra, S.A.	444	445
Elevadores del Maresme, S.A.	347	349
Mototracción Eléctrica Latierro, S.A.	957	790
Grupo Otis Elevadores (Portugal)	28,307	43,098
Portis, S.L.	1,866	1,186
Ascensores Pertor, S.L.	4,884	4,884
Conservación de Aparatos Elevadores Express, S.L.	6,067	3,411
Acresa Cardellach, S.L.	16,811	16,250
Admotion, S.L.	(76)	(111)
Grupo Lagi, S.L.	(312)	(102)
Ascensores Aspe, S.A. (subsidiary of Eguren, S.A.)	(1,104)	(59)
Otis Maroc, S.A.	1,240	-
First implementation of IFRS	(9,959)	(9,959)
EThs	132,804	92,711

NOTE 13. PROFIT FOR THE YEAR

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

	2008		2007	
Company	Consolidated profit	Attributable to minority interest	Consolidated profit	Attributable to minority interest
Zardoya Otis, S.A.	165,355	-	190,986	-
Ascensores Eguren, S.A.	(381)	-	(31)	-
Ascensores Ingar, S.A.	(256)	-	(469)	-
Ascensores Serra, S.A.	2,013	671	1,718	573
Elevadores del Maresme, S.A.	1,639	393	1,046	261
Mototracción Eléctrica Latierro, S.A.	516	496	415	399
Grupo Otis Elevadores (Portugal)	20,040	346	19,255	349
Portis, S.L.	577	77	919	122
Ascensores Pertor, S.L.	3,083	192	2,610	163
Conservación de Aparatos Elevadores Express, S.L.	3,132	-	2,428	-
Acresa Cardellach, S.L.	4,140	100	2,857	70
Admotion, S.L.	(244)	(81)	(96)	(32)
Grupo Lagi, S.L.	(196)	(131)	(224)	(149)
Otis Maroc, S.A.	1,210	-	1,246	-
Ascensores Aspe, S.A.	513	-	(757)	-
ETHs	201,141	2,063	221,903	1,756

The proposed distribution of 2008 profits subject to approval at the Annual Shareholders' Meeting, as well as the 2007 profit distribution approved, is as follows:

		2008	2007
Available for distribution			
Net profit of the year		208,093	195,792
	EThs	208,093	195,792
Distribution			
To legal reserve		-	576
To retained earnings		14,472	19,197
To dividends		193,621	176,019
	EThs	208,093	195,792

NOTE 14. TRADE AND OTHER PAYABLES

		2008	2007
Suppliers		47,677	35,421
Payables to related parties		9,843	12,085
Other accounts payable		19,207	67,719
Goods received not invoiced		6,087	9,462
Notes payable		2,915	3,151
Amounts due to customers on work in progress (Note 7)		65,693	72,624
Maintenance billing in advance		30,706	27,795
Acquisition commitment		25,117	10,774
Other		49,422	54,907
	EThs	256,667	293,938

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 in euros amounts to EThs 172.

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. Furthermore, there are long-term acquisition commitments for a value of EThs 32.281 under the heading "Other accounts payable".

NOTE 15. PUBLIC TREASURY

		2008	2007
Receivable balances			
Social Security		12	16
Withholding tax		456	394
VAT deductible		717	805
VAT recoverable		5,348	6,235
	EThs	6,533	7,450
Payable balances			
Provision for corporate tax		75,266	101,654
Corporate tax payments on account		(50,031)	(65,257)
Withholding made		2,784	2,615
Credit for VAT		3,355	2,363
VAT invoiced		7,007	7,594
Social Security		6,130	5,801
Other tax payables		196	345
	EThs	44,707	55,115

NOTE 16. DEFERRED TAXES

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

	2008	2007
To be recovered after more than 12 months	21,583	23,424
To be recovered within 12 months	2,547	1,276
EThs	24,130	24,700

Overall movement on the deferred tax account was as follows:

	2008	2007
Beginning of period	24,641	29,008
Business combinations	-	144
P&L impact	(511)	(4,511)
End of period EThs	24,130	24,641

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

	Welfare Commitments	Assets Depreciation	Other	Total
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
P&L impact	(2,066)	458	1,097	(511)
Business combinations	-	-	-	
At November 30, 2008 EThs	22,386	779	965	24,130

NOTE 17. WELFARE COMMITMENTS

	2008	2007
Obligations on Balance Sheet		
Active employees	23,227	25,146
Retired employees	3,992	5,360
EThs	27,219	30,506
P&L charges:		
Welfare commitments payments EThs	3,284	3,268

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

	2008	2007
Present value of obligations financed	74,620	81,506
Expected return on plan assets	(59,212)	(58,727)
	15,408	22,779
Unrecognized net actuarial gain	11,811	7,727
Obligations in Balance Sheet ETHs	27,219	30,506

The fiscal year change in obligation recognized is as follows:

	2008	2007
Beginning of period	30,506	37,794
Charged to income statement	3,284	3,268
Employer contributions and other	(6,571)	(10,556)
End of period ETHs	27,219	30,506

The main actuarial-financial assumptions employed are:

	2008	2007
The discount rate varies, depending on the length of the obligation, between	5.62-5.93	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:

	2008	2007
Current service cost	2,564	2,608
Interest cost	3,917	3,478
Expected return on plan assets	(2,788)	(2,129)
Actuarial gains/(losses)	(409)	(689)
Total included in personnel costs ETHs	3,284	3,268

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 2012. 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

	2008	2007
Service	651,736	584,030
New Installations	200,016	214,355
Exports	84,206	66,110
Other sales	689	497
Total Sales EThs	936,647	864,992

NOTE 19. EMPLOYEE BENEFITS

	2008	2007
Wages and salaries	189,722	177,229
Social Security & Other	56,043	50,039
Welfare commitments	3,284	3,268
EThs	249,049	230,536

NOTE 20. NET FINANCE COST

	2008	2007
Interest expense:		
- Bank borrowings	(2,228)	(2,682)
	(2,228)	(2,682)
Interest income:		
- Bank deposits	1,284	1,557
- Other	5,694	6,504
	6,978	8,061
Net foreign exchange transactions gain (losses)	(55)	226
EThs	4,695	5,605

NOTE 21. INCOME TAX

	2008	2007
Income before tax	284,801	334,771
Permanent differences:		
Profit from foreign companies	(29,700)	(28,790)
Other differences	12,743	19,292
Prior year timing differences in respect of which the relevant deferred tax asset was not recorded	(3,203)	(4,012)
Temporary differences arising in the year in respect of which the relevant deferred tax asset is not recorded	3,073	1,960
Adjusted income before tax	267,714	323,221
Temporary differences arising in the year in respect of which the relevant deferred tax asset is recorded	(7,201)	(9,445)
Taxable income	260,513	313,776
Tax payable	87,007	113,127
Tax credits	(13,393)	(8,663)
Other differences	(119)	(975)
Corporate tax expense from foreign companies	8,103	7,623
Corporate tax expense EThs	81,598	111,112

The Group follows the criterion 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, 2008 amounted to EThs 24,130. This deferred tax asset came basically from timing differences relating to welfare commitments, bad debt provision, delayed sales costs and other provisions that will reverse in future years.

At the year end, the sum of EThs 50,031 (EThs 65,257 in 2007) had been paid on account of the final corporate income tax liability.

The effective tax rate for Otis Elevadores, Lda. (Portugal) is 26,3% and for Otis Maroc 40,8% and their tax expense for 2008 amounted to EThs 7,269 and EThs 834 respectively.

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 August 2008, the inspection of corporate income tax and the rest of taxes in general, for the affiliated years 2002 to 2005, concluded. No significant adjustments to these annual accounts resulted. For other affiliate Spanish affiliated 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 weighted 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. The profit of 2007 includes the extraordinary profit resulting from the sale of Méndez Álvaro factory in Madrid (Note 5).

	2008	2007
Profit attributable to equity holders of the Company	201,141	221,903
Weighted average number of ordinary shares in issue	304,759,091	276,357,437
Basic earnings per share	0.66	0.80

NOTE 23. DIVIDENDS PER SHARE

During 2008 Zardoya Otis, S.A. paid the following interim dividends:

		Thousand of euros
1st Dividend 0.160 Euros gross per share. Declared on February 27, 2008 an paid out March 10, 2008. Shares: 288,126,489 Total = 46,100,238.24 Euros		46,100
2nd Dividend 0.160 Euros gross per share. Declared on June 2, 2008 and paid out June 10, 2008. Shares: 288,126,489 Total = 46,100,238.24 Euros		46,100
3rd Dividend 0.160 Euros gross per share. Declared on September 5, 2008 and paid out on September 10, 2008. Shares: 316,939,137 Total = 50,710,261.92 Euros		50,710
Year-end interim dividend	EThs	142,911
4th Dividend 0.160 Euros gross per share. Declared on December 4, 2008 and paid out on December 10, 2008. Shares: 316,939,137 Total = 50,710,261.92 Euros		50,710
Interim dividend charged to profit for year	EThs	193,621

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 33,414 (2007: 32,166).

NOTE 25. COMMITMENTS

Fixed Assets purchase commitments

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

		2008	2007
Fixed assets	EThs	4,043	21,411
Intangible assets	EThs	-	14,258

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:

		2008	2007
Annual estimated payments	EThs	4,318	4,990

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

GRUPO DE VEGA

In February 2008, 100% of the shares of the three companies that form the De Vega Group, which has elevator installation and maintenance activities in Madrid, Castile-León and Castile-La Mancha, was acquired.

The total cost of the business combination has been calculated at ETHs 31,144, most of which relates to acquisition of the maintenance portfolio. ETHs 21,045 of this amount remains outstanding. The costs allocable to the combination are those derived from audit and the legal expenses on the transfer, which are not significant, and a reorganization plan, which had been fully carried out at the year end, for a value of ETHs 322. The cost of the business combination has been calculated provisionally, since some items must be valued definitively when one year has elapsed as from the acquisition date. However, no significant variations on the aforementioned amount are forecasted.

The amounts recognized on the business combination do not differ from the book values immediately preceding the combination determined under IFRS, except for the valuation of the intangible assets that arise as a result of the combination itself, which have been valued as provided for in the acquisition agreement. The contingent liabilities have been guaranteed by the sellers and withheld on the price payable. The acquisition is being financed with own funds.

The business acquired contributes with sales of EThs 4,100 to the Group and a profit of EThs 436 in the period between the acquisition date and the respective mergers. Details of the assets and liabilities acquired are as follows:

Cash and cash equivalents	2,271
Tangible fixed assets	88
Intangible fixed assets	19,628
Inventories	382
Accounts receivable	3,103
Debt with related companies	221
Accounts payable	2,765

The difference arising leads to goodwill of EThs 9,094.

In May 2008, two of the Group companies, Ascensores De Vega, S.L. and Conservaciones De Vega, S.L., were dissolved and their assets and liabilities were integrated into the acquirer of 100% of their shares, Conservación de Aparatos Elevadores Express, S.L. In November 2008, the remaining company, De Vega, S.L., was also dissolved and its assets and liabilities were integrated into Zardoya Otis, S.A., the acquirer of 100% of its shares.

ASCENSORES SAEZ, S.L.

In May 2008, Zardoya Otis, S.A. acquired 100% of the shares of the company Ascensores Sáez, S.L., a company with activity in Cantabria engaged in elevator installation and maintenance. In September 2008, the company was dissolved and its assets and liabilities were integrated into the acquirer.

The total cost of the business combination has been calculated at EThs 9,025, most of which relates to acquisition of the maintenance portfolio. EThs 6,324 of this amount remains outstanding. There are no costs allocable to the combination other than those derived from audit and the legal expenses on the transfer, which are not significant. The cost of the business combination has been calculated provisionally, since some items must be valued definitively when one year has elapsed as from the acquisition date. However, no significant variations on the aforementioned amount are forecasted.

The amounts recognized on the business combination do not differ from the book values immediately preceding the combination determined under IFRS, except for the valuation of the intangible assets that arise as a result of the combination itself, which have been valued as provided for in the acquisition agreement. The contingent liabilities have been guaranteed by the sellers and withheld on the price payable. The acquisition is being financed with own funds.

The business acquired contributes with recurring sales of EThs 2,298 to the Group. Details of the assets and liabilities acquired are as follows:

Cash and cash equivalents	802
Tangible fixed assets	30
Intangible fixed assets	5,689
Accounts receivable	868
Accounts payable	370

The difference arising leads to goodwill of EThs 2,005.

JOBENSA, S.L.

In September 2008, Zardoya Otis, S.A. acquired 100% of the shares of the company Jobensa, S.L. engaged in elevator installation and maintenance in the province of León. After the year end, the company was dissolved and its assets and liabilities were integrated into the acquirer.

The total cost of the business combination has been calculated at EThs 5,653, most of which relates to acquisition of the maintenance portfolio. EThs 1,975 of this amount remains outstanding. There are no costs allocable to the combination other than those derived from audit and the legal expenses on the transfer, which are not significant. The cost of the business combination has been calculated provisionally, since some items must be valued definitively when one year has elapsed as from the acquisition date. However, no significant variations on the aforementioned amount are forecasted.

The amounts recognized on the business combination do not differ from the book values immediately preceding the combination determined under IFRS, except for the valuation of the intangible assets that arise as a result of the combination itself, which have been valued as provided for in the acquisition agreement. The contingent liabilities have been guaranteed by the sellers and withheld on the price payable. The acquisition is being financed with own funds.

The business acquired contributes with recurring sales of EThs 800 to the Group. Details of the assets and liabilities acquired are as follows:

Cash and cash equivalents	501
Intangible fixed assets	3,614
Accounts receivable	1,046
Accounts payable	729

The difference arising leads to goodwill of Eths 1,221.

ASCENSORES VASCOS, S.A.

In October 2008, Zardoya Otis, S.A. acquired 100% of the shares of the company Ascensores Vascos, S.A. engaged in elevator installation and maintenance in the province of Vizcaya. After the year end, in February 2009, the company became part of the consolidated Group.

The total cost of the business combination has been calculated at EThs 9,775, most of which relates to acquisition of the maintenance portfolio. EThs 7,691 of this amount remains outstanding. There are no costs allocable to the combination other than those derived from audit and the legal expenses on the transfer, which are not significant. The cost of the business combination has been calculated provisionally, since some items must be valued definitively when one year has elapsed as from the acquisition date. However, no significant variations on the aforementioned amount are forecasted.

The amounts recognized on the business combination do not differ from the book values immediately preceding the combination determined under IFRS, except for the valuation of the intangible assets that arise as a result of the combination itself, which have been valued as provided for in the acquisition agreement. The contingent liabilities have been guaranteed by the sellers and withheld on the price payable. The acquisition is being financed with own funds.

The business acquired contributes with recurring sales of EThs 1,102 to the Group. Details of the assets and liabilities acquired are as follows:

Cash and cash equivalents	225
Tangible fixed assets	21
Intangible fixed assets	6,529
Inventories	295
Accounts receivable	474
Accounts payable	665

The difference arising leads to goodwill of Eths 2,896.

PUESAL, S.L.

In September 2008, Zardoya Otis, S.A. acquired 100% of the shares of the company Puesal, S.L., engaged in elevator installation and maintenance in the province of Álava. The acquirer intends the company to be dissolved, the assets and liabilities being integrated into the acquirer.

The total cost of the business combination has been calculated at EThs 1,276, most of which relates to acquisition of the maintenance portfolio. EThs 656 of this amount remains outstanding. There are no costs allocable to the combination other than those derived from audit and the legal expenses on the transfer, which are not significant. The cost of the business combination has been calculated provisionally, since some items must be valued definitively when one year has elapsed as from the acquisition date. However, no significant variations on the aforementioned amount are forecasted.

NOTE 27. RELATED PARTY TRANSACTIONS

The Group is controlled by United Technologies Holding, S.A. (incorporated in France), which holds 50.10% of Zardoya Otis, S.A.'s shares, while the remaining 49.90% 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 United Technologies Holdings, S.A.

The following transactions were performed with related parties:

(a) Transactions with companies of the Otis Group

	2008	2007
Financial income	745	1,313
Royalties accrued	23,910	22,654
Charge back of costs relating to the R&D Centre .... EThs	610	618

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

	2008	2007
Sales	85,732	68,605
Purchases	46,795	48,679
Receivables	18,588	15,847
Payables .... EThs	9,843	12,085

The overall remuneration of members of the Board of Directors in 2008 was EThs 2,032 (EThs 2,129 in 2007).

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	Board Memberships	Designation
Mario Abajo García	Otis Elevadores, Lda (Portugal)	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
	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
	Technologie Liban (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
	Otis Investments, L.L.C. (Delaware, USA)	Member of Management Committee
G. Sandy Diehl	Nippon Otis Elevator Company (Japan)	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
	Otis Management GmbH (Germany)	Director
	Otis B.V. (Netherlands)	Supervisory Board Member

NOTE 28. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

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

NOTA 29. OTHER INFORMATION

(a) Number of personnel employed by the consolidated group by category:

	Men	Women	2008	2007
Managers	73	5	78	95
Administration / workshop / field supervisors	527	24	551	540
Engineers, university graduates and other experts	257	45	302	287
Administrative and technical personnel	499	431	930	849
Other workers	4,152	33	4,185	4,060
	5,508	538	6,046	5,831

(b) Audit expenses

The amount billed by PricewaterhouseCooopers (auditor of Zardoya Otis Group) as audit fees for 2008 was EThs 297, 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 9 have been paid to other audit firms.

In addition, PWC carried out other services for an amount of EThs 151.

ZARDOYA 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, 2007 to November 30, 2008.
2. Application of the profit for the year running from December 1, 2007 to November 30, 2008.
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, 2007 to November 30, 2008.
4. Approval of the distribution of a dividend charged to retained earnings, for a gross amount of 0,150 euros per share.
5. Approval of the reorganization of the Board of Directors:
    - 5.1- Re-election of Mr. Francisco Javier Zardoya García as a director.
    - 5.2. Appointment of Mr. Francisco Javier Zardoya Arana as director.
    - 5.3. Re-election of Mr. Mario Abajo García as a director.
    - 5.4. Ratification of the appointment by co-option of Mr. Pedro Sainz de Baranda Riva as director.
    - 5.5. Appointment of Mr. Lindsay Harvey as a director.
    - 5.6. Resulting composition of the Board of Directors.
6. Appointment of auditors for the Company and its consolidated group for the fiscal year running from December 1, 2008 to November 30, 2009.
7. Share capital increase in the ratio of one new share to every twenty old shares, issuing new bonus chares 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 5 of the Articles Association.
8. 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 75 and similar of the Spanish Corporations Act.
9. Questions and queries.
10. Delegation of authorization to formalize the resolutions.
11. Approval of the Minutes of the Meeting.

Consolidated Balance Sheet

at November 30, 2008 (In thousands of euros - ETHs)
(After the application of the results obtained in the year)

		2008
ASSETS		
NON CURRENT ASSETS		
Fixed assets	56,566	
Intangible assets	80,372	
Goodwill	29,965	
Other investments	12,369	
Deferred tax assets	24,130	
		203,402
CURRENT ASSETS		
Inventories	21,687	
Current financial receivables	335	
Accounts receivables	314,786	
Cash and cash equivalents	80,695	
		417,502
TOTAL ASSETS		**620,904**

		2008
EQUITY		
Share capital	31,694	
Legal reserve	6,339	
Reserves of subsidiary companies and other reserves	192,347	230,380
MINORITY INTEREST		8,048
TOTAL EQUITY		238,427
LIABILITIES		
NON CURRENT LIABILITIES		
Borrowings	32,281	
Welfare Commitments	27,219	
Other liabilities	1,937	
		61,438
CURRENT LIABILITIES		
Trade and other payables	256,667	
Current tax liabilities	44,707	
Borrowings	698	
Other liabilities	18,968	
		321,040
TOTAL LIABILITIES		382,477
TOTAL EQUITY AND LIABILITIES		620,904

ZARDOYA OTIS

Financial Statements of the Last Five Years

Consolidated Profit and Loss Accounts

(In millions of euros)

	2008		2007		2006		2005		2004	
		%		%		%		%		%
SALES	**936,6**	**100.0**	**865,0**	**100.0**	**785,9**	**100.0**	**700,7**	**100.0**	**665,5**	**100.0**
Supplies	(316,0)	(33.7)	(297,7)	(34.4)	(270,0)	(34.3)	(230,1)	(32.8)	(225,8)	(33.9)
GROSS INCOME	**620,6**	**66.3**	**567,3**	**65.6**	**519,9**	**65.6**	**470,6**	**67.2**	**439,7**	**66.1**
Other trading expenses	(64,1)	(6.8)	(57,6)	(6.7)	(53,6)	(6.8)	(44,9)	(6.4)	(40,7)	(6.1)
Personnel costs	(249,0)	(26.6)	(230,5)	(26.7)	(214,2)	(27.2)	(202,5)	(28.9)	(191,3)	(28.7)
Provision for impairment	(14,3)	(1.5)	(3,8)	(0.4)	(2,7)	(0.3)	(1,2)	(0.2)	(0,2)	(0.1)
Other income	3,4	0.3	2,3	0.3	2,1	0.3	2,3	0.3	2,3	0.3
EBITDA	**296,6**	**31.7**	**277,7**	**32.1**	**247,5**	**31.5**	**224,3**	**32.0**	**209,8**	**31.5**
Depreciation	(16,0)	(1.7)	(12,7)	(1.5)	(8,0)	(1.0)	(10,5)	(1.5)	(9,1)	(1.4)
Provisions	0,0	0.0	0,0	0.0	0,0	0.0	0,0	0.0	0,2	0.0
OPERATING INCOME	**280,6**	**30.0**	**265,0**	**30.6**	**239,5**	**30.5**	**213,8**	**30.5**	**200,9**	**30.2**
Financial income	7,0	0.7	8,1	1.0	5,1	0.6	4,3	0.6	4,5	0.7
Financial expenses	(2,2)	(0.2)	(2,7)	(0.3)	(2,9)	(0.4)	(3,2)	(0.5)	(4,3)	(0.6)
Exchange rate differences	(0,1)	0.0	0,2	0.0	0,5	0.1	(0,2)	0.0	0,1	0.0
Amortization of Goodwill on consolidation	0,0	0.0	0,0	0.0	0,0	0.0	(0,0)	0.0	(2,1)	(0.3)
Extraordinary income	(0,5)	(0.1)	64,2	7.4	(2,1)	(0.3)	1,0	0.1	1,5	0.2
INCOME BEFORE TAX	**284,8**	**30.4**	**334,8**	**38.7**	**240,2**	**30.6**	**215,6**	**30.8**	**200,6**	**30.1**
Income taxes	(81,6)	(8.7)	(111,1)	(12.8)	(84,2)	(10.7)	(70,3)	(10.0)	(68,1)	(10.2)
Minority interest	(2,1)	(0.2)	(1,8)	(0.2)	(1,7)	(0.2)	(1,8)	(0.3)	(1,8)	(0.3)
NET INCOME	**201,1**	**21.5**	**221,9**	**25.7**	**154,3**	**19.6**	**143,5**	**20.5**	**130,7**	**19.6**
CASH FLOW (1)	**217,1**	**23.2**	**234,6**	**27.1**	**162,3**	**20.7**	**154,0**	**22.0**	**139,6**	**21.0**

The amounts related to 2005 and 2008, 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)

	2008		2007		2006		2005	
ASSETS		%		%		%		%
Fixed assets	56.5	9.1	29.7	5.0	17.8	3.5	15.2	3.2
Intangible assets	80.4	13.0	56.1	9.6	41.0	8.0	33.7	7.1
Goodwill	30.0	4.8	18.7	3.2	-	-	-	-
Other investments	12.4	2.0	0.7	-	3.8	0.7	1.3	0.3
Deferred tax assets	24.1	3.9	24.7	4.2	29.0	5.7	32.4	6.8
NON CURRENT ASSETS	**203.4**	**32.8**	**129.9**	**22.0**	**91.6**	**17.9**	**82.6**	**17.4**
Inventories	21.7	3.5	27.3	4.6	28.7	5.6	22.2	4.7
Current financial receivables	0.3	-	0.3	-	0.3	0.1	0.3	0.1
Accounts receivable	314.8	50.7	332.5	56.5	248.3	48.5	209.2	44.1
Cash and cash equivalents	80.7	13.0	99.3	16.9	142.5	27.9	159.9	33.7
CURRENT ASSETS	**417.5**	**67.2**	**459.4**	**78.0**	**419.9**	**82.1**	**391.6**	**82.6**
TOTAL ASSETS	**620.9**	**100.0**	**589.3**	**100.0**	**511.5**	**100.0**	**472.2**	**100.0**
LIABILITIE								
Share capital	31.7	5.1	28.8	4.9	26.2	5.1	23.8	5,0
Legal reserve	6.3	1.0	6.3	1.1	5.8	1.1	5.2	1,1
Reseves of subsidiary companies and other reserves	192.4	31.0	138.7	23.5	95.8	18.7	62.9	13,3
EQUITY	**230.4**	**37.1**	**173.8**	**29.5**	**127.8**	**25.0**	**91.9**	**19,4**
MINORITY INTERESTS	**8.0**	**1.3**	**7.6**	**1.3**	**6.0**	**1.2**	**5.9**	**1,2**
TOTAL EQUITY	**238.4**	**38.4**	**181.4**	**30.8**	**133.8**	**26,2**	**97.8**	**20,6**
Other accounts payable	32.3	5.2	2.8	0.5	0.0	0.0	0.1	0,0
Welfare commitments	27.3	4.4	30.5	5.2	37.8	7.4	43.0	9,1
Other liabilities	1.9	0.2	2.4	0.4	2.1	0.4	2.1	0,4
NON CURRENT LIABILITIES	**61.5**	**9.9**	**35.7**	**6.1**	**39.9**	**7.8**	**45.2**	**9,5**
Trade and other payables	256.6	41.3	293.9	49.9	269.0	52.6	267.7	56,5
Current tax liabilities	44.7	7.2	55.1	9.4	50.1	9.8	46.8	9,9
Borrowings	0.7	0.2	4.1	0.6	1.6	0.3	1.9	0,4
Other liabilities	19.0	3.0	19.1	3.2	17.1	3.3	14.8	3,1
CURRENT LIABILITIES	**321.0**	**51.7**	**372.2**	**63.1**	**337.8**	**66.0**	**331.2**	**69,8**
TOTAL LIABILITIES	**382.5**	**61.6**	**407.9**	**69.2**	**377.7**	**73.8**	**376.4**	**79,4**
TOTAL EQUITY AND LIABILITIES	**620.9**	**100.0**	**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	
ASSETS		%
Intangible assets	16.7	2.9
Tangible fixed assets	33.7	2.4
Investments	26.3	4.5
Long-term debtors	3.5	0.6
TOTAL FIXED ASSETS	**60.2**	**10.4**
GOODWILL ON CONSOLIDATION	**3.1**	**0.5**
Inventories	124.2	21.5
Debtors	216.8	37.5
Short-term investments	167.2	28.9
Cash and banks	5.6	1.0
Timing adjustments	0.9	0.2
TOTAL CURRENT ASSETS	**514.7**	**89.0**
TOTAL ASSETS	**578.0**	**100.0**
LIABILITIES		
SHAREHOLDERS' EQUITY	**99.0**	**17.1**
MINORITY INTERESTS	**4.7**	**0.8**
LONG-TERM CREDITORS	**31.7**	**5.5**
Debts with financial institutions	2.1	0.4
Trade creditors	213.0	36.9
Other non-trade debtors	178.8	30.9
Provision for trading operations	26.6	4.6
Timing adjustments	22.2	3.8
TOTAL CURRENT LIABILITIES	**442.7**	**76.6**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**578.0**	**100.0**

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Zardoya Otis, S.A.

35 years of Stock Market tradition

In 1974 Zardoya Otis, S.A. began its career on the stock exchange. Thus, the Company is now celebrating the 35th 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:

- 32 capital increases, 28 of which were bonus issues.
- 2 splits and 4 par value reductions.
- An adjusted share value that has risen from the 0.04 euros of December 1974 to the 12,69 euros at December 31, 2008.
- A stock market capitalization that has evolved from the 13.3 million euros at the end of 1974 to the 4,022 million euros at the 2008 year end.
- A traditional (and, at the time, pioneer) policy of paying four quarterly dividends since 1981.

All of them are factors that have helped to consolidate Zardoya Otis' prestige in the Stock Markets.

The initial confidence that the markets placed in Zardoya Otis 35 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), Leganés-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 367 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 155 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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