



Annual
Report 2010

ZARDOYA OTIS S.A.

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Elevator installed in the Basilica
of the Holy Family (Barcelona)
for the visit of His Holiness
Pope Benedict XVI.



Annual Report 2010

Free translation of the Annual Report originally issued in Spanish for the year: 12.1.2009 to 11.30.2010 presented by the Board of Directors at the General Meeting of Shareholders held on May, 20, 2011 upon the first call, or May 23, 2011 upon the second call.

May 23rd, 2011

CHAIRMAN'S REPORT

Dear Shareholders,

In 2010, the first signs of an improvement in the economic situation in Europe appeared, led by Germany. However, in Spain and Portugal the situation remains stagnant, with minimal growth in the GDP and increasing unemployment. The real estate sector remains at rock bottom.

In this context, our Company has, as we will see, managed to maintain its good results, thanks to the continuation of the strategy that commenced in 2008, which has concentrated on 4 elements:

1. Priority on developing the service provided to our customers, with the acquisition of service companies and the development of the modernization and adaptation of elevators, which meant that this activity accounted for 77% of our total sales in 2010.
2. Cost reduction, with an austerity plan to save expense and the adaptation of our capacity to the heavy fall in sales of New Installations.
3. Priority attention to collection management and cash generation, which allowed a cash flow 8% higher than the profit after tax.
4. Development of the export markets, which, although they have also been affected by the general crisis, have suffered less than Spain. The weight of net exports remained at 9% of total sales.

1. KEY DATA AT NOVEMBER 30, 2010

• PROFIT AND LOSS

The consolidated profit before tax was 291.8 million Euros, which represents a 1.3% increase on the 288.1 million Euros of the preceding year.

The consolidated profit after tax and non-controlling interests was 205.1 million Euros, representing an increase of 1.5% on the 202.1 million Euros of 2009.

The EBITDA grew by 2% in 2010.

The cash flow was 221.0 million Euros, i.e. 8% higher than the profit after tax.

In summary, 2010 was a good year in terms of both results and cash flow, due to the strategy adopted in an unfavourable economic environment.

• SALES

Total consolidated sales for the year 2010 were 862.8 million Euros, a decrease of 2.5% on the 885.1 million Euros of 2009.

New Sales

- **Work completed.** This totalled 115.5 million Euros, showing a drop of 17.4% on the preceding year. This decrease began in 2008 and is the consequence of the drastic reduction in the construction of homes, of which you are well aware and which will continue in 2011.
- **Orders received.** These were 114.1 million Euros, practically the same as in 2009, when they were 114.7 million Euros. The downward trend in orders received commenced in the second half of 2007 and intensified in 2008 and 2009. However, we appear to have bottomed out in 2010.
- **Backlog of unfilled orders.** This dropped by 8.3%, totalling 107.6 million Euros.

In summary, since less orders were received, the backlog of unfilled orders and work completed also decreased, meaning that new sales now represent only 13.4% of total sales.

Since orders peaked in 2007 with 228.8 million Euros, orders received for new sales have been halved (114.1 million Euros). In spite of this, our results have continued to gradually improve.

Service

- **Sales.** Overall Service billing totalled 666.7 million Euros last year, 1.5 million Euros down on the preceding year. As I have said, Service now represents 77.3 % of total billing.
- **Units under maintenance.** At November 30, 2009, we had reached 268,147 units, with a net increase of 3,276 units on the previous year, i.e. a rise of 1.2%.

Acquisitions were made intensively in 2009 and represented an additional increase of 12,000 units. In 2010, this activity was much lower, since we did not find convenient opportunities in the market. Thus, only 900 units were included in this way.

Exports

Net export billing (eliminating sales to Group companies in Portugal and Morocco) totalled 80.6 million Euros, showing an increase of 4.5% on 2009. Exports represent 9.3 % of total billing.

• DIVIDENDS

In line with the results obtained, maintaining our shareholder remuneration policy of a pay-out of close to 100%, we paid the four quarterly dividends for a total amount of 194.31 million Euros. The pay-out was 94.8 % and the amount paid dropped by 1.89% in comparison with the preceding year.

• CAPITAL INCREASE

The new capital increase took place in June 2010, in the ratio of one new share for every 20 old shares.

The new shares were entitled to the dividends paid after the closing date of the capital increase, i.e. those distributed on September 10 and December 10, 2010.

This increase was our 31st bonus issue.

2. STOCK MARKET DATA AT DECEMBER 31, 2010

• CAPITAL DATA

On June 14, 2010, a capital increase took place in a ratio of one new share for every twenty old shares in issue, by means of the issuance of 16,639,304 new bonus shares charged to the Voluntary Reserve, for an amount of 1,663,930.40 Euros.

As a result of this increase, the capital stock rose to 34,942,539.70 Euros, represented by 349,425,397 shares with a par value of 0.10 Euros each.

The new shares were listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges, effective August 6, 2010.

It is important to clarify that the Board of Directors did not make use of the authorization to acquire treasury shares granted by the General Meeting of Shareholders held on May 25, 2010.

As of today's date, we can guarantee that no Zardoya Otis Group company holds any of its own shares or shares in Zardoya Otis, S.A.

• PROFIT PER SHARE

The profit per share in 2010 was 0.59 Euros, which should be compared with the profit per share of 0.61 Euros in 2009.

Thus, the net profit per share fell by 3%.

• DIVIDEND PER SHARE

This was 0.584 Euros per share, practically the same as in 2009 when, adjusted in accordance with the increase carried out in 2009, it was 0.595 Euros per share.

• STOCK MARKET PRICE

At December 31, 2010, the ZARDOYA OTIS share was quoted at 10.54 Euros, representing a fall of 18.7% on the preceding year's price adjusted in accordance with the capital increase of said year. In the same period, the IBEX dropped by 17.4%.

• TRADING FIGURES

The effective value traded on the Stock Exchange was 1,167 million Euros, a 40% increase on the 786 million Euros of 2009.

• STOCK MARKET RATIOS

PER	18
Pay Out	95%

3. INFORMATION ON THE FIRST QUARTER OF 2011

• BUSINESS EVOLUTION

Sales

Total consolidated sales for the first quarter of 2011 were 204.6 million Euros, 6.2% down on those for the same period of 2010.

In New Installations, the work completed of 26.2 million Euros dropped by 19.1% in relation to the work completed in the first quarter of 2010, following the downward trend that commenced in 2008 and has continued to date, due to the drop in activity in the construction sector.

Service sales were 158.7 million Euros, with a drop of 3.0% on those obtained in the first quarter of 2010, when the increase in maintenance was unable to fully compensate for the reduction in the volume of modernizations completed.

Export Sales, after elimination of the sales made to the subsidiaries in Portugal and Morocco upon consolidation, were 19.7 million Euros, with a decrease of 10.4% on last year's figure.

Profit and Loss

The EBITDA obtained in the first quarter of 2011 was 71.0 million Euros, in comparison with the 72.0 million Euros obtained in 2010, representing a decrease of 1.4%.

The consolidated profit before tax in this first quarter of 2011 totalled 67.9 million Euros, 1.0% down on the 68.5 million Euros obtained last year.

Profit after tax was 46.6 million Euros, 2.3% lower than the 47.7 million Euros obtained in the same period of 2010.

Orders received for New Installations

The crisis of the construction market continued to affect the amount of the orders received by Zardoya Otis for New Installations in the first quarter, which was 22.3 million Euros. While the orders received in 2010 were 8.4% lower than in 2009, the drop in 2011 is 29.4% in comparison with 2010.

The backlog of unfilled orders in the first quarter of 2011 was 104.5 million Euros, 7.0% lower than in the same period of 2010.

In the first quarter of 2011, the New Installations activity contributed 12.8% of total consolidated sales.

Units under maintenance

At the end of the first quarter of 2011, 267,683 units were under maintenance, 0.7% more than those of 2010.

Zardoya Otis continues with its acquisition strategy, thus complementing the organic growth resulting from New Installations sales.

- KEY DATA

Key Data, at 1st Quarter 2011

Consolidated figures in millions of euros

Results	2.011	2.010	% variance 11/10
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EBITDA	71,0	72,0	(1.4)
Profit before tax	67,9	68,5	(1.0)
Profit after tax	46,6	47,7	(2.3)

Sales Data	2.011	2.010	% variance 11/10
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New Installations	26,2	32,4	(19,1)
Service	158,7	163,7	(3,0)
Exports	19,7	22,0	(10,5)
Total	204.6	218.1	(6.2)

New Installations	2.011	2.010	% variance 11/10
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Orders received	22,3	31,6	(29,4)
Backlog	104,5	112,4	(7,0)

Service Data	2.011	2.010	% variance 11/10
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Units under maintenance	267.683	265.802	0,7
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- **DIVIDENDS**

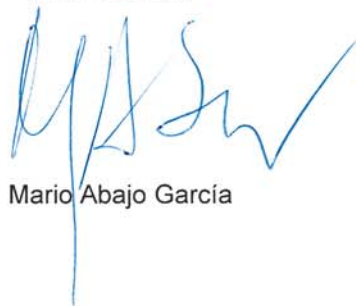
On March 10, 2011, the 125th consecutive quarterly dividend was paid, for a gross amount of 0.14 Euros per share.

No.	Date	Gross per share	Charged to	Shares entitled to dividend	Total gross dividend
125	March 10	0.140 Euros	1 st interim. Dividend 2011	349,425,397	48,919,555.58 €

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

- To our customers, without whom we would not exist as a Company.
- To all those who work and collaborate with our Group, without whose effort and dedication the positive results shown in our Annual Report would not have been possible.
- And to the shareholders for having placed their trust in us, assuring them that we will do everything possible to attain the objectives that they expect of our Company.

Yours faithfully



Mario Abajo García

Key Data at November 30 (Fiscal year end)

(Consolidated figures in millions of euros)

ANNUAL RESULTS	2010	2009	2008	2007*	2007	2006	% variance over prior year					
							10/09	09/08	08/07*	08/07	07*/06	07/06
Profit before tax	291.8	288.1	284.8	270.6	334.8	240.2	1.3	1.2	5.3	(14.9)	12.7	39.4
Profit after tax	205.1	202.1	201.1	175.9	221.9	154.3	1.5	0.5	14.4	(9.4)	14.0	43.8
EBITDA	305.5	299.5	296.6	277.7	277.7	247.6	2.0	1.0	6.8	6.8	12.2	12.2
Cash-Flow	221.0	216.2	217.1	188.6	234.6	162.3	2.2	(0.4)	15.1	(7.5)	16.2	44.6
Dividends paid	194.3	198.1	193.6	176.0	176.0	155.0	(1.9)	2.3	10.0	10.0	13.5	13.5

*Excludes the extraordinary result for the Madrid Factory sale

SHAREHOLDERS' EQUITY	2010	2009	2008	2007	2006	% variance over prior year			
						10/09	09/08	08/07	07/06
Capital and Reserves	244.0	233.3	230.4	173.8	127.7	4.6	1.2	32.6	36.0

SALES DATA	2010	2009	2008	2007	2006	% variance over prior year			
						10/09	09/08	08/07	07/06
New installations	115.5	139.8	200.7	214.9	200.6	(17.4)	(30.3)	(6.6)	7.1
Service	666.7	668.2	651.7	584.0	524.9	(0.2)	2.5	11.6	11.3
Total Exports	94.4	94.2	99.3	80.1	72.7	0.2	(5.1)	24.0	10.2
Exports to Portugal and Morocco (*)	(13.7)	(17.1)	(15.1)	(14.0)	(12.3)	(19.5)	13.0	7.9	13.6
Net Exports (without Portugal and Morocco)	80.6	77.1	84.2	66.1	60.4	4.5	(8.4)	27.4	9.5
Total	862.8	885.1	936.6	865.0	785.9	(2.5)	(5.5)	8.3	10.1

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

NEW INSTALLATIONS	2010	2009	2008	2007	2006	% variance over prior year			
						10/09	09/08	08/07	07/06
Orders received	114.1	114.7	191.2	222.8	217.0	(0.6)	(40.0)	(14.2)	2.7
Backlog	107.6	117.4	151.6	168.3	160.3	(8.3)	(22.6)	(9.9)	5.0

SERVICE DATA	2010	2009	2008	2007	2006	% variance over prior year			
						10/09	09/08	08/07	07/06
Units under maintenance	268,147	264,871	250,871	237,836	226,831	1.2	5.6	5.5	4.9
Maintenance centers	374	372	367	359	351	0.5	1.4	2.2	2.3

MANPOWER	2010	2009	2008	2007	2006	% variance over prior year			
						10/09	09/08	08/07	07/06
TOTAL MANPOWER	5,602	5,854	6,046	5,831	5,510	(4.3)	(3.2)	3.7	5.8

Stock Market Data at December 31

(euros)

SHARE CAPITAL	2010	2009	2008	2007	2006
Number of shares before share capital increase	332,786,093	316,939,137	288,126,489	261,933,172	238,121,066
Share capital increase (bonus) ratio	1X20	1X20	1X10	1X10	1X10
Number of shares at December 31	349,425,397	332,786,093	316,939,137	288,126,489	261,933,172
Par value	0.10	0.10	0.10	0.10	0.10
Share capital (millions)	34.9	33.3	31.7	28.8	26.2

PROFIT PER SHARE	2010	2009	2008	2007*	2007	2006
Profit after Tax	0.587	0.607	0.635	0.610	0.770	0.589
P.A.T. adjusted by capital increase	0.587	0.578	0.576	0.503	0.635	0.442
Adjusted P.A.T. Variance (%)	1.5	0.5	14.4	14.0	43.8	7.5
EBITDA per share	0.874	0.900	0.936	0.964	0.964	0.945
EBITDA adjusted by capital increase	0.874	0.857	0.849	0.795	0.795	0.709
Adjusted EBITDA variance (%)	2.0	1.0	6.8	12.2	12.2	10.4

(*) Excludes the extraordinary result for the Madrid Factory sale

DIVIDEND PER SHARE*	2010	2009	2008	2007	2006
Dividend per share	0.584	0.625	0.672	0.672	0.651
Dividend adjusted by capital increase	0.584	0.625	0.596	0.542	0.477
% Variance adjusted dividend	(1.89)	(0.18)	10.00	13.55	15.45

(*) Calculated with the dividends charged to profit of the year with share issued as of December 31 th

PRICE PER SHARE	2010	2009	2008	2007	2006
Price	10.54	13.61	12.69	19.37	22.98
Price adjusted by share capital increase	10.54	12.96	11.51	15.97	17.23
% adjusted price variance	(18.7)	12.6	(27.9)	(7.3)	18.1

ANNUAL YIELD OF ONE SHARE (%) (*)	2010	2009	2008	2007	2006
Dividend	4.291	4.925	3.469	2.924	3.042
Increase in market value	(18.685)	12.612	(27.935)	(7.280)	18.121
Total	(14.394)	17.537	(24.466)	(4.356)	21.164

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

TRADING DATA	2010	2009	2008	2007	2006
Market capitalization (millions)	3,683	4,529	4,022	5,581	6,019
Trading frequency (%)	100.0	100.0	100.0	100.0	100.0
Effective value traded (millions)	1,167.2	786.0	1,090	1,935	802

STOCK MARKET RATIOS	2010	2009	2008	2007*	2007	2006
PER (Price/net profit: number of times)	18.0	22.4	20.0	31.7	25.2	39.0
Pay-out % (Dividends paid/net profit)	94.8	98.0	96.3	100.1	79.3	100.5

(*) Excludes the extraordinary result for the Madrid Factory sale

STOCK MARKET RATIOS	2010	2009	2008	2007	2006
Zardoya Otis, S.A.					
Market capitalization at December 31 (€ Millions)	3,683	4,529	4,022	5,581	6,019
Market capitalization at January 1, 1990 (€ Millions) (Start of IBEX-35)	331	331	331	331	331
Market capitalization variance since January 1, 1990	3,352	4,198	3,691	5,250	5,688
% Variance market capitalization since January 1, 1990	1,011.4	1,266.7	1,113.7	1,584.1	1,716.4
% Inter-annual variance market capitalization	(18.7)	12.6	(27.9)	(7.3)	18.1
IBEX-35					
IBEX-35 at December 31	9,859	11,940	9,196	15,182	14,147
IBEX-35 at start (January 1, 1990)	3,000	3,000	3,000	3,000	3,000
Variance IBEX-35 since Jan. 1, 1990	6,859	8,940	6,196	12,182	11,147
% Variance IBEX-35 since Jan. 1, 1990	228.6	298.0	206.5	406.1	371.6
% Inter-annual variance IBEX-35	(17.4)	29.8	(39.4)	7.3	31.8





Management Report of Zardoya Otis

(Consolidated Accounts)

Business Evolution



Profit and Loss

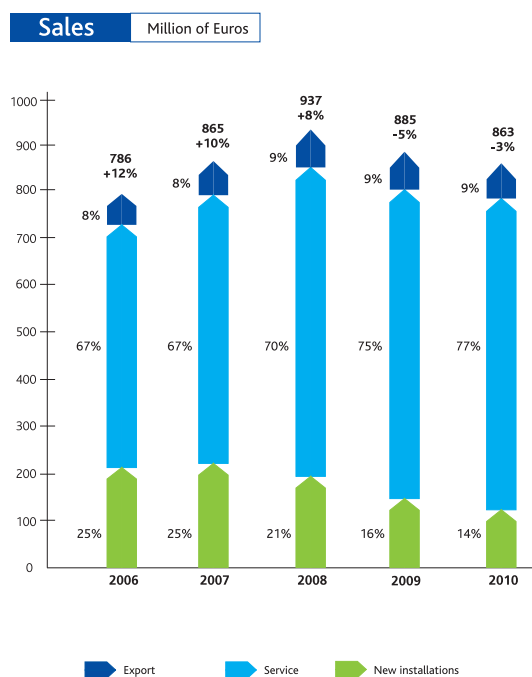
The consolidated profit before tax at the 2010 year end was 291,8 million Euros, representing an increase of 1,3% on the 288,1 million Euros obtained in 2009.

The EBITDA (operating profit + depreciation) obtained in 2010 was 305,5 million Euros 2,0%, up on the 2009 figure. The consolidated profit after tax attributable to shareholders (net profit after non controlling interest) was 205,1 million Euros, 1,5% higher than the amount obtained in 2009.

The consolidated Cash Flow (net profit + depreciation) at the end of 2010, was 221.0 million Euros, 2.2% higher to that of 2009.

Total Sales

The total consolidated sales for the year 2010 was 862,8 million Euros, in comparison with the 885,1 million Euros of 2009, representing a reduction of 2,5%.



New Sales

Work completed: the value of the work completed in New Installations in 2010 was 115,5 million Euros, 17,4% lower than the work completed in 2009, as a result of the drop in the orders received for New Sales, which commenced in 2008.

In 2010, New Sales Billings represented 13,4% of the total Billings (15,8% in 2009).

Orders received: New sales orders for 114,1 million Euros were received in 2010. It is remarkable that the total sales grew 0,9% and 7,8% for entities operating in Spain and Morocco respectively, compared to year 2009.

Backlog of unfilled orders: as a consequence of the decrease in the orders received for New Installations, the backlog of unfilled orders at the 2010 year end amounted to 107,6 million Euros with a 8,3% reduction in comparison with a 22,6% in 2009 compared to 2008

Service

Sales: total consolidated Service Sales was 666,7 million Euros, Showing a decrease of 0,2 % on the 2009 figure as a consequence of the reduction in volume of modernization sales completed.

Service activity represented 77,3% of total sales in 2010 (75,5% in 2009), demonstrating the importance that Service continues to have in the Zardoya Group's business structure and showing that it is an important base for its stability.

Units under maintenance of the Zardoya Otis Group:

In 2010 growth is mainly organic with the incorporation of 3.276 units, equivalent to a growth rate of 1,2% compared to 2009. In total the Group maintain 268.147 units.



Year 2009 was intense in acquisitions representing an additional growth of more than 12.000 units, in 2010 acquisition activity has decreased, being the most important Ascensores Tebón S.L. providing the group with 898 units.

Exports

Export sales in the year 2010 (not including the sales made to the Group companies in Portugal and Morocco) was 80,6 million Euros, 4,5% higher than in 2009.

In 2010, net exports represented 9,3% of the Group's consolidated sales (8,7% in 2009).

Employee Headcount

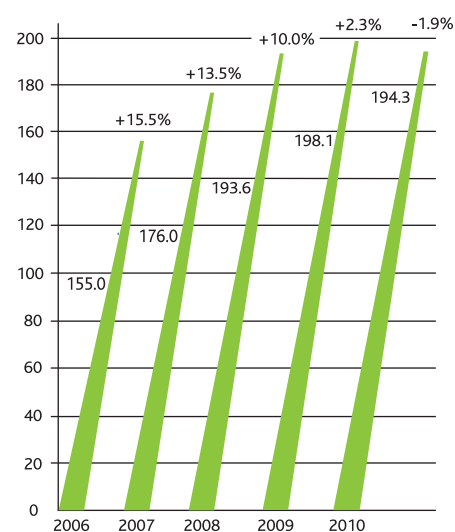
At the 2010 year end, the Zardoya Otis Group had 5.602 employees, with a reduction of 4,3% in comparison with year 2009.

Dividends

Dividends distributed and paid in 2010 were:

Number	Date	Gross per Share	Charged to	Shares entitled to the dividend	Total Gross Dividend
121	10 March	0.150 euros	1 st on acct. 2010	332,786,093	49,917,913.95 €
122	10 June	0.140 euros	Reserves	332,786,093	46,590,053.02 €
123	10 September	0.140 euros	2 nd on acct. 2010	349,425,397	48,919,555.58 €
124	10 December	0.140 euros	3 rd on acct. 2010	349,425,397	48,919,555.58 €
TOTAL DIVIDENDS PAID IN 2010					194,347,078.13 €

Millions of euros



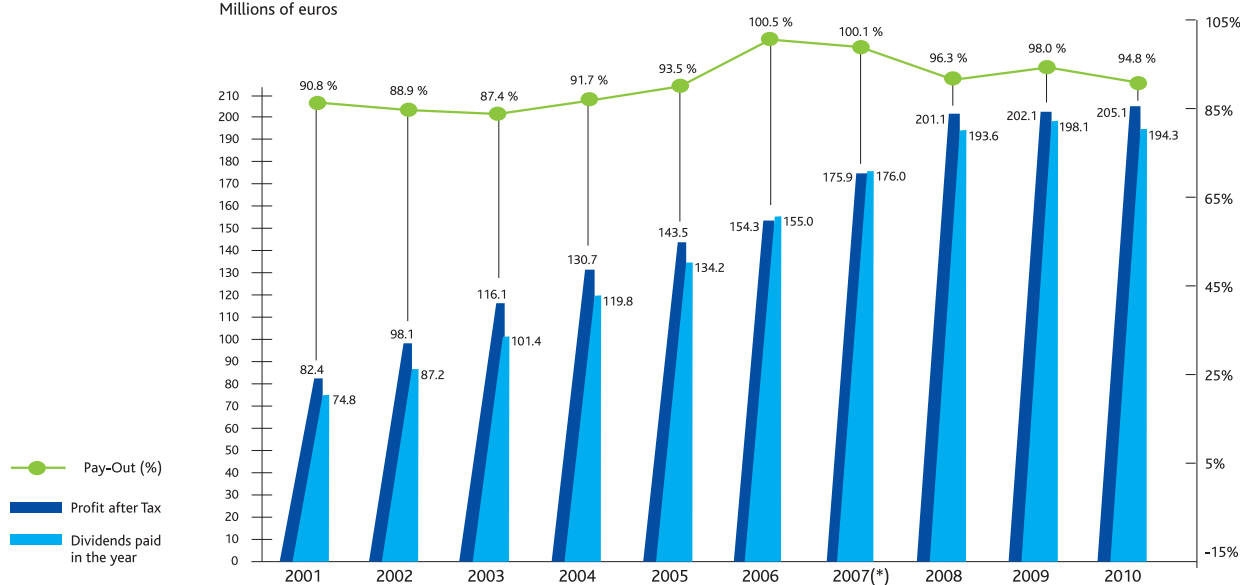
The first quarterly interim dividend charged to the 2010 profit was paid to all the outstanding shares - 332.786.093- for a gross amount of 49.917.913,95 Euros. The second quarterly dividend, distributed on June 10, 2010, was charged to the Voluntary Reserve and paid to all the outstanding shares - 332.786.093-. The 16.639.304 shares Coming from the 1x20 bonus issue that took place on June 14, 2010 were also entitled to the third and fourth interim dividends, charged to

the 2010 profit. Thus the total number of shares entitled to dividends rose to 349.425.397

The dividends paid in 2010 totalled 194.3 million Euros, in comparison with the 198,1 million Euros of the preceding year. This represented a reduction of 1,89 % and meant a pay-out de 94,8% of the consolidated profit of Zardoya Otis, thus continuing the Company's policy of distributing dividends with a pay-out of close to 100%.

Profit After Tax vs. Dividends Paid in the Year (Pay-Out %)

Millions of euros



(*) Before Extraordinary Results

Evolution of Capital



Capital Increase

On June 14, 2010, after the second quarterly dividend charged to the Voluntary Reserve had been distributed, the capital increase approved by the General Meeting of Shareholders held on May 25, 2010 took place.

The ratio was one new share for each twenty old outstanding shares, by means of the issuance of 16.639.304 new bonus shares charged to the voluntary Reserve, for an amount of 1.663.930,40 Euros.

The subscription took place from June 14, 2010 until June 30, 2010, both inclusive. As a result of this

increase, the share capital rose to 34.942.539,70 Euros, represented by 349.425.397 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, 2010.

The new shares were listed on the Madrid, Barcelona, Valencia y Bilbao Stock Exchanges, effective august 6, 2010.

Treasury Stock

The board of Directors did not make use the authorization to acquire treasury stock granted by the General Meeting of Shareholders of May 25, 2010.

At the November 30, 2010 year end, no Zardoya Otis Group company held treasury stock.



Evolution of Zardoya Otis on the Stock Market

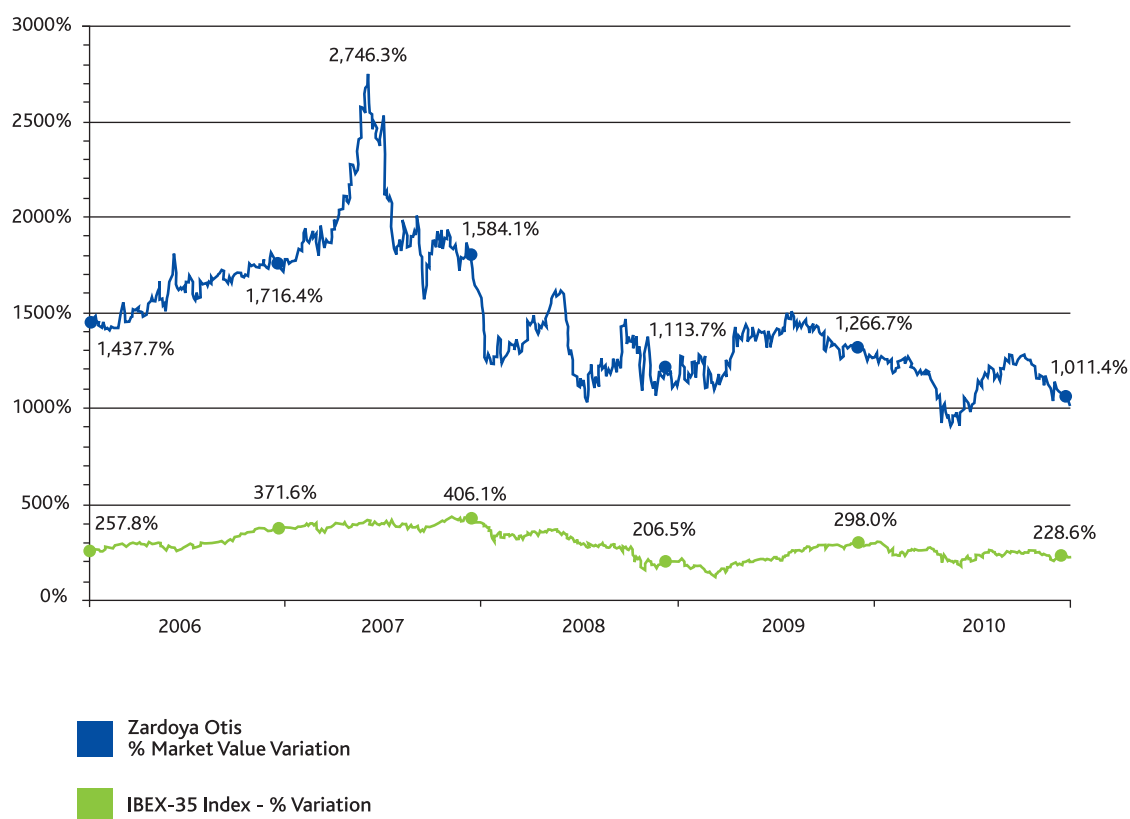
The quoted price at the 2010 year end was 10,54 euros per share, which meant a reduction in value of 18,7 % , while the IBEX value reduced by 17,4 %.

The share price is adjusted for comparative purpose as a consequence of the 1 x 20 bonus issue that took place in June 2010.



Stock Indexes - % of Variation

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



Historical Stock Market Data

(euros)

Year	Capital Increase and Splits	Share Price			P.E.R.	Pay-Out %	Market Capitalization (Millions)
		Last Price	Adjusted Price	Variance %			
dec-74		37.68	0.04		14.3		13.3
dec-90		63.71	1.00	5.7	13.8	80.1	350.2
dec-91	1 x 5	61.30	1.16	15.5	14.0	75.5	404.4
dec-92		52.23	0.99	(14.8)	11.0	79.8	344.6
dec-93	1 x 10	81.74	1.70	72.2	17.0	80.8	593.1
dec-94	1 x 10	82.28	1.88	10.7	17.4	57.4	656.8
dec-95	1 x 10	79.63	2.00	6.5	17.0	98.4	699.2
dec-96	1 x 10	90.75	2.51	25.4	19.5	100.8	876.5
dec-97	1 x 10	106.68	3.24	29.3	22.0	80.8	1,133.4
dec-98	split 5 x 1 and 1 x 6	26.62	4.72	45.6	28.9	84.7	1,649.8
dec-99	split 2 x 1 and 1 x 10	9.77	3.81	(19.3)	21.2	89.9	1,332.1
dec-00	1 x 10	9.35	4.01	5.3	19.7	94.0	1,402.3
dec-01	1 x 10	10.42	4.88	21.5	20.7	90.8	1,703.6
dec-02	1 x 10	12.55	6.43	31.8	22.9	88.9	2,245.2
dec-03	1 x 10	16.50	9.29	44.6	28.0	87.4	3,247.1
dec-04	1 x 10	18.87	11.69	25.8	31.2	91.7	4,084.9
dec-05	1 x 10	21.40	14.58	24.7	35.5	93.5	5,095.8
dec-06	1 x 10	22.98	17.23	18.1	39.0	100.5	6,019.2
dec-07	1 x 10	19.37	15.97	(7.3)	31.7 (*)	100.1 (*)	5,581.0
dec-08	1 x 10	12.69	11.61	(27.9)	20.0	96.3	4,022.0
dec-09	1 x 20	13.61	12.96	12.6	22.4	98.0	4,529.2
dec-10	1 x 20	10.54	10.54	(18.7)	18.0	94.8	3,682.9

(*) Without Extraordinary Result



Forecast Evolution

As a result of the heavy reduction in homes built that had commenced in 2008, in the year 2010 there was a reduction of 17,4% in the figure of sales of New Installations (work completed), while the figure of orders received was only 0,6% lower.

At the end of 2010, New Installation sales represented only 13.4% of total sales while the principal activity, Service accounted for 77,3% of the total and Exports for 9,3%.

The crisis is delaying the decision making of modernizations by our customers, what is reflected in the slight decrease of volume in Service compared to 2009.

Notwithstanding, we hope that an overall result similar to that of 2010 will be obtained in 2011.



Article 116 bis of the Stock Market Act

- a) The capital stock of Zardoya Otis, S.A. is 34,942,539.70 Euros and is represented by 349,425,397 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:
 - 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 (now Spanish Companies 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. (now article 244 of the Spanish Companies Act).

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
United Technologies Corporation (UTC)	0	174,747,914	50,01
United Technologies Holdings, S.A.	174,747,914	0	50,01
Euro-Syns, S.A.	37,808,077	628,717	11,00
Loizaga Viguri, José María	234,788	1,759	0,068
Abajo García, Mario	920,996	0	0,264
Sainz de Baranda, Pedro	221	184	0

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. Pedro Sainz de Baranda is the Company's Chief Executive Officer and holds all the powers of the Board, except those that 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 of Zardoya Otis S.A. held, on the second call, on May 25, 2010, the Board of Directors was granted authorization so that, without previously consulting the General Meeting of Shareholders, it may acquire, directly or indirectly, the Company's own shares up to the maximum percentage of the share capital allowed by law at any given moment for the maximum period likewise allowed by law at any given moment as from the date of this General Meeting. It may acquire these shares by purchasing them on the market at a minimum price of five (5) euros per share and maximum price of thirty-five (35) euros per share, the Board being authorized to set aside the reserves required under article 79 of the Spanish Corporations (now article 148.c of the Spanish Companies Act). This authorization was not used during the year 2010.

- 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.

General Description of the risk policy of the Group

The Group's objectives in relation to capital management are to safeguard its capacity to sustain profitability in the long-term; to have the capacity to fund its internal or external growth through acquisitions, to obtain adequate yields for the shareholders and to maintain an optimal capital structure that includes equity, the generation of its own cash from the business in each year and, as far as necessary, borrowings at the lowest cost possible.

The Board of Directors is responsible for approving the risk management and control policy. The Audit Committee is responsible for periodically reviewing the internal control and risk management systems, so that the main risks are properly identified, managed and disclosed, through control devices that allow the main potential risks of the Company and its Group to be evaluated and the evaluation of the risk control systems, adapted to the risk profile of the Company and its Group.

Also, Zardoya Otis, S.A. has an Internal Audit Department, with systems and processes that are intended to evaluate, monitor, mitigate or reduce the Company's main risks by preventive measures and alerts of possible situations of risk. The Company has the risks that affect assets and liabilities covered by the appropriate insurance policies. Likewise, it has processes that ensure control of any risk that may stem from trading operations.

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. Management assesses and hedges financial risks in close collaboration with the Group's operating units.

The Group has no significant concentrations of risk with customers and there are no significant old credit balances, nevertheless given the deterioration in the economic situation, 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.

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 March 29, 2011.

This Report is on page 85 of this Annual Report.





Corporate Social Responsibility

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

Human Resources

Once again in 2010, Zardoya Otis showed that providing an entrepreneurial response in an adverse economic situation is compatible with attention to and the training and development of the Company's employees. Surmounting the crisis and emerging even stronger is also a challenge and an opportunity for professional growth that the Company has materialized on numerous occasions.

Employee Survey

As a result of the employee survey conducted in 2009, the Human Resources Department, using the employees' opinions as a basis, drew up an Action Plan to increase everyone's motivation and their commitment to the Company's success, which was widely distributed within the organization and applied in 2010.

The main pillars of this plan were:

- In response to the employees' request to be given more information on the results of the survey and see that the Company takes their opinions into account, an extensive report in this respect was published in the internal communication magazine *Gente Otis*.

- In relation to the demand for improved training for all employees, a brochure on the Scholar Program was published and distributed to 100 percent of the employees; a new management training module (Meta 4) was created, so that the training of all employees could be seen in real time; and training actions in technical aspects (for example, in non-Otis elevators), business ethics and human resources (with new intensive English courses) were increased.
- To ensure that 100 percent of the employees are satisfied with the Company's ethics, the person responsible for this area visited numerous regional offices to inform in person on how ethics are treated at Zardoya Otis. We were also 100 percent successful in carrying out the four annual courses on "Ethics in Practice", which all employees must attend.
- Concerning the request to improve the service we give to our customers, we began the intensive implementation of the Service Excellence Program in all regional offices, the head offices and the plants. We maintained the quarterly prizes for employees who are an example of good service and sent more than two million SMS to find out the status of each action on an elevator. These SMS include monthly reminder messages to all the company on key safety ideas and service excellence.



- To bring management closer to the employees, a video "The General Manager, Live" was made to ensure that 100 percent of the employees were aware of the plans we are implementing to surmount the current difficult circumstances.

In 2011, we will give all the employees a fresh opportunity to let us have their opinions through the employee survey.

Headcount

The persistent sales decrease in some of our business activities led the Company to adjust its headcount to adapt the production structure to current market demand. As in 2009, this adjustment was made, firstly, by reducing the hiring of new employees as much as possible, with only 50 people being hired, and, secondly, principally through relief contracts (which complete the hours of semi-retired employees) and early retirements.

Human Resource Development

In 2010, Zardoya Otis maintained its policy of preparing succession plans for all important positions, assessing 100 percent of the Company's mechanics, sales representatives and supervisors through the skills evaluation and validating the potential of the best of them through assessment centers carried out by a specialized consultancy company. As a result, a total of seventy employees were promoted during the year.

The accelerated high-potential engineer development program (ONE Program) now has its third promotion and, in 2010, it included industrial engineers recently hired by the Company.

Training

The current economic circumstances were no reason for Zardoya Otis to put a brake on its training effort and, in 2010, we continued to bet decidedly on employee training in both technical and managerial aspects.



During the year, 137,500 hours of training were imparted to a total of 6,000 participants in 7,500 courses on the widest variety of subjects, among which we can highlight technical training, with 47,000 hours of training to a total of 3,600 participants, distributed over 500 courses.

We must highlight the huge investment effort made in intensive English courses, due to the increasing international relations between the Company and both its United States parent and international customers.

The overall average represents 30.5 hours of training per employee in the year.

Through the Scholar Program, 75 company employees are studying an undergraduate or master's degree of their choice, fully paid for by Zardoya Otis.

Data Protection Act

In 2010, the Zardoya Otis Group completed its adaptation to the recent personal data protection legislation in order to guarantee to its employees, customers and suppliers the confidentiality of all the information that the Company has on them.



Safety

Since implementation of Safety, Health and Environment Management System began in Zardoya Otis over ten years ago, the results in all metrics that measure the efficiency of this system show a trend towards significant improvement.

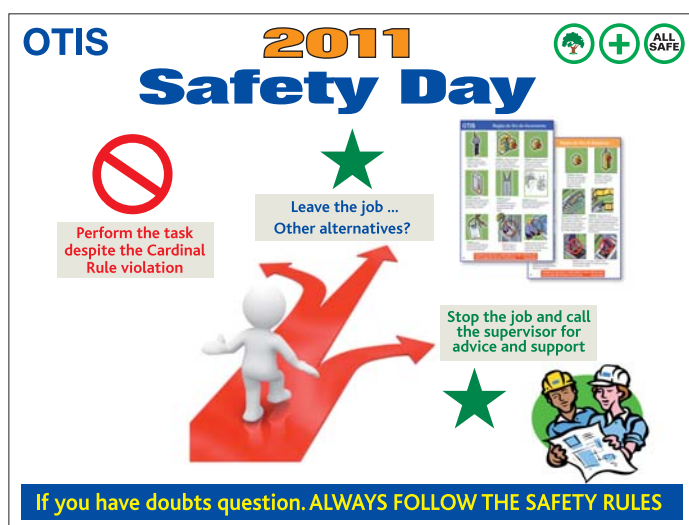
In 2010, the accidentability indexes were much better than in the preceding year and were lower than the targets set, getting increasingly closer to our zero accident goal.

We were also audited twice at international level by experts from Otis companies elsewhere in the world and, in both cases, the results showed that our Safety, Health and Environment Management System meets all legal and internal requirements and that it is among the Company's best worldwide.

These achievements are the result of the effort and participation of everyone at Zardoya Otis -managers, employees, safety committees- and the carrying out of different activities in each of the twelve chapters in which the Management System is structured.

Some of the communication and training programs carried out in 2010 were the following: Safety Day, poster and drawing contest, "Why I value safety" campaign, safety agenda, course on the golden rules of safety, courses on holding efficient safety meetings and performing efficient safety audits, etc.

In 2011, we will continue to place emphasis on increasing safety at work, improving individual safety conduct to reduce incidents and contributing to improve the environment. To do this, we have included new and innovative programs in our action plan, based on best international practices and the legislation and regulations that are being introduced on these subjects.



Social Action



Special Olympics

Zardoya Otis's collaboration with Special Olympics dates from 1981. This association organizes sports activities and competitions for children with some kind of intellectual or physical disability.

Employees spent 26,000 euros on the Special Olympics Christmas lottery, 5,200 euros of which was the donation to this NGO. The Company contributed a further 5,200 euros, following the philosophy that the Company should match the solidarity as its employees.

In 2010, as solidarity always brings its reward, the number purchased in favour of Special Olympics won fifth prize in the Christmas lottery, a total of 5.2 million euros spread over more than 9,000 shares. After the term fixed by law had elapsed, the amount of the winning shares for which the prize had not been claimed was also donated to Special Olympics.

In addition to this contribution, Zardoya Otis also paid Special Olympics 1.80 euros for each satisfaction survey completed by customers. Since 5,186 surveys were received in 2010, the Company's contribution was 9,335 euros. This amount was paid on a monthly basis, thus allowing Special Olympics to pay the rent on its Madrid offices thanks to the contribution of Zardoya Otis.

At least once a year, Zardoya Otis is the principal sponsor of a Special Olympics sports event. In 2010, we sponsored the Madrid Region's Five-a-Side Football

Championship and other adapted competitions, held in May. Many employees from the head offices, the Madrid plant and the regional office, with their family and friends, attended as volunteers.

Nantik Lum

Our collaboration with Nantik Lum dates from 2004. This NGO provides microcredits to indigenous women in Caribbean countries, so that making and selling local handicrafts allows them to support their families.

At the head office Christmas party, Nantik Lum held a Christmas market, where employees spent 760 euros on products made by hand by these women. Following our philosophy, the Company made a donation of the same amount to Nantik Lum.

United Firefighters without Borders

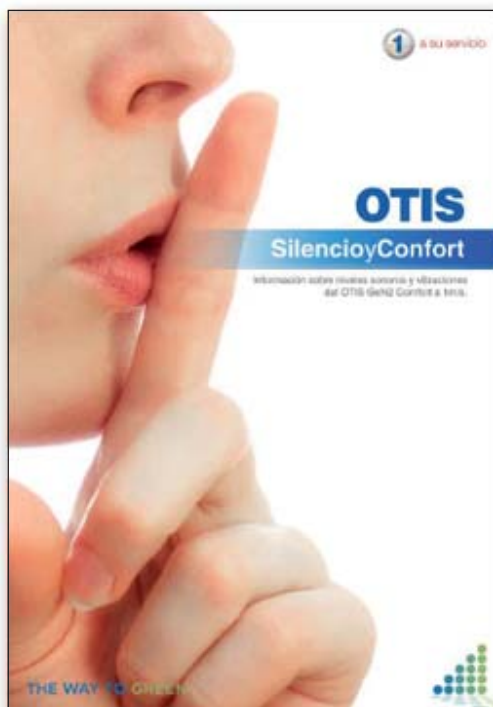
The financing sources whereby Zardoya Otis employees contribute to different NGOs also include the fees for using the head office paddle court and half the rental of the covered parking spaces at the Madrid plant.

As a result, 6,000 euros were assigned to help United Firefighters without Borders in their projects to rescue people in humanitarian disasters such as the earthquakes in Haiti and Chile in 2010. 3,000 euros were also contributed to implement a water purification plant in Haiti to mitigate the effects of the cholera outbreak that followed the earthquake.





Main Environmental Activities in 2010



"The Way To Green", Otis's commitment to the environment

With the motto "The Way To Green", which now accompanies our logo, Otis makes its commitment to the environment, our customers and the surroundings in which we live explicit.

It is a global commitment that involves more than 60,000 employees all over the world in order to proactively seek a better future for everyone. It means that we take environmental protection factors into account in all our activities: our installations, the manufacturing process, our products and when developing our energy saving systems.

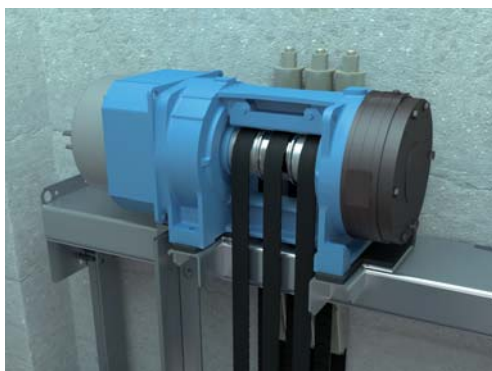
At our modern installations, which have the largest solar farm in Spain on an industrial roof, we employ the manufacturing processes that are both the most efficient and the most respectful to the environment. The roof is formed by 3,600 photovoltaic panels, it occupies an area of 12,450 m² and produces 1 Gwh of electricity annually. Since it is a renewable source, in addition to the energy saving it represents, it avoids the emission of 1,000 metric tons of CO₂ into the atmosphere each year.



GeN2, the ecological elevator

The Otis GeN2 Comfort elevator has been designed to attain the maximum environmental protection possible, minimizing energy consumption and reducing the emission of contaminating waste to almost zero, both during its production and when it is in operation.

The Otis GeN2 Comfort uses flat steel belts coated with polyurethane, instead of the conventional steel cables. They are 20 percent lighter, last three times longer and their great flexibility allows a much smaller radius of curvature, which makes it possible to use a gearless machine with less nominal power. The belts, unlike cables, do not require lubrication.



Its low-inertia GreenPower machine, which is gearless and has bearings that are sealed and lubricated for the whole of their lives, does not need oiling. It is furnished with a highly efficient, synchronous, radially-constructed, permanent-magnet engine.

It is up to 50 percent more efficient than conventional geared machines, up to 10 percent more efficient than conventional gearless machines with asynchronous induction engines and up to 15% more efficient than other machines with axially-constructed permanent-magnet engines.



ReGen drive, generates energy for the building

The ReGen drive achieves savings of up to 75 percent in comparison with conventional elevators. When the car is loaded and descends due to the effect of gravity, the engine, instead of consuming energy, produces it like a dynamo. The same happens when the car is empty when it rises: the counterweight descends due to the effect of gravity and the engine generates energy.

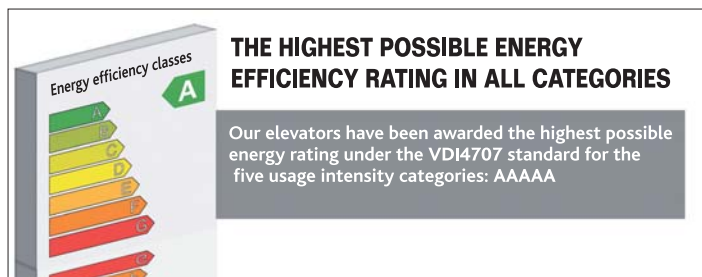
The ReGen drive, exclusive to Otis, allows this energy to be used by the building, feeding other electrical components. It generates clean energy with very low harmonic distortion of the line current, which means less pollution in the building's electricity installation and helps to protect more sensitive equipment.

Maximum energy efficiency

The Otis GeN2 has obtained the highest possible energy-efficiency rating under standard VD14707: class A. And it has obtained this rating in each and every one of the usage categories established in this standard.

VDI4707 is a standard created by the Association of German Engineers and establishes five different elevator categories depending on the intensiveness of their use. Thus, the categories go from 1, which refers to low-traffic residential use, to 5, which refers to very intensive use with a high traffic density.

The VDI standard values energy consumption when the elevator is not in use and consumption when operating. Thus, in usage category 1 (low traffic), more weight is placed on consumption when on standby, while in usage category 5 (very intensive traffic), the most weight is placed on consumption when in operation. This means that, in order to obtain energy classification A in the five categories, it is necessary to have excellent energy efficiency both on standby and when in operation.





Other environmental actions

In 2010, the first electric automobile joined Zardoya Otis's fleet of vehicles that provide maintenance services to our customers. With this initiative, we became the first elevator company to have a 100 percent ecological automobile to cover a service route.

The fleet's first electric automobile is the Think City two-seater model, which has a maximum speed of 120 km/h and autonomy of up to 203 km. Among this vehicle's characteristics, the fact that it does not emit contaminating gases, reduces noise pollution and is made of materials that are 95% recyclable can be highlighted.

The replacement of a combustion vehicle by an ecological vehicle will mean an average saving of 2.9 metric tons of CO₂ emissions per year. Zardoya Otis currently has a fleet of 1,730 vehicles used to provide maintenance services throughout Spain and, therefore, when the whole fleet has been replaced by electric automobiles, the emission of 5,000 metric tons of CO₂ per year will be avoided.

During the year, Zardoya Otis participated in various professional associations and forums by presenting its environmental policy and the energy-efficient features of its products, in addition to taking other actions with national and regional authorities to have elevators included in current legislation and obtain grants for ecologically efficient equipment and modernizations. The following may be highlighted:

- World Office Forum, where Zardoya Otis made a speech on energy efficiency in elevators and held a vertical transport workshop.

- Conference on energy efficiency at the Barcelona Professional Association of Technical Architects.
- Participation in the debates on Sustainable Architecture, which were attended by a good number of architects concerned for the environment.
- Succeeded in having the "Renove" (replacement) schemes extended in several autonomous regions.

Communication was also reinforced by an advertising campaign in specialized media and the publication of specific brochures on energy saving.

Zardoya Otis's concern for the environment was recognized when it was awarded the Madrid Autonomous Region's Environment Prize for the product with the least environmental impact and the Expansión, Garrigues and Wolters Kluwer Environment Prize for 2010.



Other Relevant Information



Orders and Projects

The cities of Palma de Mallorca and Plasencia entrusted the vertical transport equipment of their respective convention centres to Zardoya Otis. For the "Palacio de Congresos" in Palma de Mallorca, designed by the architect Patxi Mangado, 12 escalators and 25 Otis Gen2 Comfort elevators have been ordered, while, for the Plasencia centre, designed by Estudio Selgas-Cano, 7 Otis Gen2 Comfort elevators were ordered.

The Madrid Metro again awarded the equipment for some extensions to its current lines, with a total of 26 escalators. Specifically, for the extension of Line 2, the La Almudena and Alsacia stations will be equipped with 16 escalators. In addition, Line 9 will have 10 escalators for its extension, specifically for the Mirasierra station.

In Las Palmas, the Company was awarded a contract for the "Los Barrios" public action plan, in which five escalators and one Otis Gen2 Comfort elevator will be installed.

Zardoya Otis equipped important private and public residential projects. A good example is the Life Marina private residential complex in Ibiza, designed by the architect Jean Nouvel and equipped with 22 Otis Gen2 Comfort elevators. In relation to public-sector initiatives, we can highlight the officially-protected



housing project awarded in Logroño, designed by the architect Toyo Ito, which has 21 Otis Gen2 Comfort elevators.

In the tertiary sector, Banco Popular, in collaboration with Bovis Lend Lease, entrusted its new Madrid headquarters to Zardoya Otis, which will equip this new building with 13 Otis Gen2 Comfort elevators. We should also highlight the contract for offices with Hermanos Revilla, likewise in Madrid, which has three panoramic elevators and one Otis Gen2 Premier elevator.

In 2010, Zardoya Otis, which is always present in the most important projects nationwide, installed elevating equipment in such unique buildings as the Sant Ildefonso de Cornellá market, which has two escalators and one Otis Gen2 Comfort elevator, and the second phase of the Malaga Cruise Terminal, which has four escalators and two elevators.

Excellence and Total Quality

Aristotle wrote "excellence is a habit" and, from Zardoya OTIS, we continue to bet on Excellence/Total Quality programs as a key aspect that distinguishes us from our competitors and on the importance of their being taken as a habit and a custom in the culture of our organization's activity at all levels, impregnating the philosophy of continuous improvement and being constantly applied in all our processes.

In 2010, the growing implementation of the ACE program, "Achieving Competitive Excellence", led us to systematically define our processes, commencing with the key business processes focused on the customer (who defines the requirements), in order to define the quality indicators or metrics that allow us to measure and improve each one of them and thus make the processes much more solid (and mature), so as to attain quality envisaged by the Company through the "satisfaction of the customer's needs and compliance with the specifications agreed with him".

The improvement in the systematic approach and the recognition by Otis's worldwide ACE program representatives, who granted silver level in all the areas of our organization that they evaluated, has allowed us to establish the lines for improvement based on the evolution and monitoring of the metrics of the ACE-Regional Offices program and Associates towards Excellence, in the case of the commercial offices. The same is true for the metrics defined in the control towers for the manufacturing centres and for the head offices and the engineering centres. In all cases, these metrics are defined in accordance with the expectations of both our internal and external customers.

Improve in order to continue improving, since the market demands new products and services and we must meet the customer's expectations in order to improve his satisfaction by means of an Efficient Service. This program not only leads to customer loyalty, but also encourages our customers recommend Otis in what is an increasingly competitive market.

The results of the customer satisfaction survey questionnaires obtained in 2010 in all significant business fields (equipment in new buildings, integral renewals of existing equipment, modernizations, repairs and maintenance) showed 90% customer satisfaction, thus corroborating the result of the effort made and our dedication to the customer as the primordial aspect if we are to continue to be recognized as benchmark company in safety and a company that meets its commitments ethically and also considers sustainability in the projects and solutions to improve the energy efficiency of its equipment and installations.

The implementation of the Total Quality program as conceived for Zardoya Otis almost 25 years ago is still fully valid as a bet for the present and the future. At Zardoya Otis, we have demonstrated that Total Quality in an organization goes far beyond mere product quality, since it must permeate every level and all the actions taken in the context of our society.

After analyzing the market response, future lines of action have been established in order to continue improving, in Total Quality also, in that "very practical Utopia" that is more like a constant long-distance race, but is, nevertheless, dynamic and, therefore, stimulating (continuous improvement or, as the Japanese would say "kaizen"), so as to move forward and adapt to change as the only reason for existence.



Manufacturing and Engineering

The decrease in the demand that we had undergone in previous years continued in 2010, leading to a reduction in the number of units produced. This decrease occurred principally in orders from Zardoya Otis's commercial network (18%) and international customers (14%). The only rise was in demand from associated companies, which rose by 12 percent in comparison with the preceding year.

Machine manufacturing at the San Sebastián plant grew by close to 6 percent as a result of Otis's growth in other markets, principally in Asia.

In view of the foregoing, total billing of the products served by the plants fell by 5 percent.

In response to this decrease, the Company adopted the decision to transfer the manufacturing for Europe of the GeN2 elevators with a cantilever configuration, known as GeN2 Flex, especially appropriate for the Bex market, to the Madrid plant.

Cost reduction

In 2010, the cost of materials continued to rise, growing by 1.4 percent for the plants overall. To offset the dual damaging effect of the drop in volume (and, therefore, rise in fixed unit costs) and the increase in material prices, Zardoya Otis continued its effort to seek cost-reduction opportunities through design and manufacturing process improvements. The result was that the profit obtained by the plants rose by 5 percent in comparison with the preceding years.



The huge effort that simultaneously handling projects to expand the product range and projects to reduce the costs meant for the engineering, plant and supply chain organizations must be highlighted. For example, 1.25 projects per working day were launched in 2010.



New projects

Among these new projects, we draw special attention to the industrialization of the 2.6 metric ton (T) and 3.2 T machines, intended mainly for export. The pilot units were manufactured and tested successfully and orders began to be received at the end of the year. This success encouraged us to ask Otis for the responsibility of designing and manufacturing the larger GeN2 machines, the 4.1, 5 and 5.2 T, which we were finally given. With these machines, the San Sebastián plant will have become the only Otis plant worldwide to manufacture the whole range of machines for the GeN2 elevators.

Likewise, the production of the pilot series of another family of models with belt technology was launched, the Genesis, especially aimed at the highly price-competitive residential market. At the end of the year, the 1.6 m/s range was completed with the launching of the models for ten, twelve and thirteen people, as well as a bed elevator model.

Regarding research to improve the energy efficiency of the elevators by including three main components: regenerative drive, led lighting in the cars and automatic lighting switch-off in the car when the elevator is on standby, the current GeN2 Comfort and Genesis product range has successfully obtained the classification A for all categories under the VDI 4707 standard, used as general reference for this classification.

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Audit Committee

The Audit Committee has held seven meetings in 2010 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 dividends charged to the profit for the fiscal year 2010.
3. Share capital increase by issuance of bonus shares and its closing.
4. Follow up of the Internal Control Plan for 2009 and review of 2010 Plan.
5. Board remuneration.
6. Corporate Governance Report.
7. Review with the external auditors, of the individual Annual Accounts and those for the consolidated Group for the year 2010, 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 2010.
9. Review of related party transactions.
10. Review of the risk control system. In page 19 of this Annual Report there is a general description of the Risk Policy of the Group.



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation

AUDIT 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 2010, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes to the consolidated annual accounts for the year then ended. As explained in Note 1, the Directors of the company are responsible for the preparation of these consolidated annual accounts in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the financial reporting framework applicable to the group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed in accordance with the legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

In our opinion, the accompanying consolidated annual accounts for 2010 present fairly, in all material respects, the consolidated financial position of Zardoya Otis, S.A. and its subsidiaries at 30 November 2010 and the consolidated results of its operations and the consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the applicable financial reporting framework.

The accompanying consolidated directors' report for 2010 contains the explanations which the parent company's directors consider appropriate regarding the group's situation, 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 consolidated directors' report is in agreement with that of the consolidated annual accounts for 2010. Our work as auditors is limited to checking the consolidated directors' report in accordance with the scope mentioned in this paragraph and 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
Audit Partner

18 March 2011

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Zardoya Otis, S.A. and Subsidiaries

Consolidated Statement of Financial Position

at November 30, 2010 and 2009 (In thousands of euros - EThs)

	2010	2009
ASSETS		
NON CURRENT ASSETS		
Property, plant & equipment (Note 5)	54,675	57,805
Intangible assets (Note 6)	118,853	119,713
Goodwill (Note 6)	42,192	40,302
Financial investments	598	632
Deferred tax assets (Note 16)	24,580	22,681
Other non current assets (Note 7)	3,809	2,856
	244,707	243,989
CURRENT ASSETS		
Inventories (Note 8)	17,628	18,401
Financial receivables	564	728
Trade and other receivables (Note 7)	228,208	237,505
Cash and cash equivalents (Note 9)	90,985	104,134
	337,385	360,768
TOTAL ASSETS	582,092	604,757

The notes 1 to 33 form an integral part of these consolidated annual financial statements.

	2010	2009
EQUITY		
Share capital (Note 10)	34,943	33,279
Legal reserve (Note 11)	6,656	6,339
Reserves in subsidiaries & other reserves (Note 12)	96,157	91,952
Retained earnings (Note 13)	205,085	202,371
INTERIM DIVIDENDS PAID (Note 26)	(98,837)	(100,628)
FOREIGN EXCHANGE DIFFERENCES	(351)	(318)
NON CONTROLLING INTERESTS (Note 13)	10,081	9,460
TOTAL EQUITY	253,734	242,455
LIABILITIES		
NON CURRENT LIABILITIES		
Other payables (Note 14)	15,832	42,332
Welfare commitments (Note 17)	19,646	21,421
Provisions for other liabilities and expenses (Note 18)	2,503	2,314
Deferred tax liabilities (Note 16)	2,090	0
	40,071	66,067
CURRENT LIABILITIES		
Trade and other payables (Note 14)	232,848	229,867
Current tax liabilities (Note 15)	32,017	31,789
Borrowings (Note 9)	2,253	14,944
Provisions for other liabilities and expenses (Note 18)	21,169	19,635
	288,287	296,235
TOTAL LIABILITIES	328,358	362,302
TOTAL EQUITY AND LIABILITIES	582,092	604,757

The notes 1 to 33 form an integral part of these consolidated annual financial statements.

Consolidated Income Statement

For the years ended November 30, 2010 and 2009
(In thousands of euros - EThs)

	2010	2009
Sales (Note 19)	862,775	885,145
Other revenue	4,738	4,229
Raw materials and consumables used (Note 21)	(231,923)	(259,115)
Employee benefit expense (Note 20)	(249,988)	(250,737)
Amortization, depreciation and impairment losses (Note 5,6)	(15,898)	(14,181)
Other net expenses (Note 22)	(80,142)	(80,035)
OPERATING PROFIT	289,562	285,306
Revenue from financing activities (Note 23)	2,608	3,980
Costs of financing activities (Note 23)	(282)	(1,304)
Net foreign exchange differences (Note 23)	(100)	147
Share in (loss)/profit of associates	0	0
OTHER GAINS AND LOSSES	0	0
PROFIT BEFORE TAX	291,788	288,129
Income tax expense (Note 24)	(83,823)	(84,306)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (Note 13)	207,965	203,823
ATTRIBUTABLE TO:		
Shareholders of the Company	205,085	202,053
Non controlling interests	2,880	1,770
EARNING PER SHARE FOR THE PROFIT ON CONTINUING OPERATIONS ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY IN THE YEAR (Euros per share) (Note 25)		
- Basic	0,59	0,61
- Diluted	-	-

The notes 1 to 33 form an integral part of these consolidated annual financial statements.

Consolidated Statement of Comprehensive Income

For the years ended November 30, 2010 and 2009
(In thousands of euros - EThs)

	2010	2009
Profit for the year (Note 13)	207,965	203,823
Exchange rate differences	(33)	(318)
Total comprehensive income for the year, net of taxes	207,932	203,505
Attributable to:		
- Shareholders of the Company	205,052	201,735
- Non controlling interests	2,880	1,770

The notes 1 to 33 form an integral part of these consolidated annual financial statements.

Consolidated Statement of Changes in Equity

For the years ended November 30, 2010 and 2009

(In thousands of euros - EThs)

	Attributable to shareholders					Non controlling interests	Total equity
	Share capital	Legal reserve	Accum. foreign exchange differences	Reserve in subsidiaries & other reserves	Retained earnings		
Balance at November 30, 2008	31,694	6,339		132,804	59,543	8,048	238,428
Distribution of income 2008				7,520	(201,141)		(193,621)
Dividend relating to 2008					193,621		193,621
Capital increase (Note 10)	1,585			(1,585)			
Profit for the year (Note 13)					202,053	1,770	203,823
Dividend 2009 (Note 26)				(47,541)	(151,338)		(198,879)
Business combinations				(2,481)		711	(1,770)
Other movements			(318)	3,235	(995)	(1,069)	853
Balance at November 30, 2009	33,279	6,339	(318)	91,952	101,743	9,460	242,455
Distribution of income 2009 (Note 13)		317		2,857	(202,053)		(198,879)
Dividend relating to 2009 (Note 26)				47,541	151,338		198,879
Capital increase (Note 10)	1,664			(1,664)			
Profit for the year (Note 13)					205,085	2,880	207,965
Dividend 2010 (Note 26)				(46,590)	(148,754)		(195,344)
Business combinations							
Other movements			(33)	2,061	(1,111)	(2,259)	(1,342)
Balance at November 30, 2010	34,943	6,656	(351)	96,157	106,248	10,081	253,734

The notes 1 to 33 form an integral part of these consolidated annual financial statements.

Consolidated Statement of Cash Flows

For the year ended November 30, 2010 and 2009
(In thousands of euros - EThs)

	2010	2009
NET PROFIT	205,085	202,053
Adjustments to profit:		
Amortizacion/depreciation/provisions (Note 5,6,7)	25,308	31,351
Taxes (Note 24)	83,823	84,306
Other losses and gains (Note 23)	2,326	2,676
Tax payment	(58,419)	(51,791)
Net cash generated by operating activities	(40,069)	(74,437)
CASH FLOWS FROM OPERATING ACTIVITIES	218,054	194,158
Investment in property, plant & equipment/intangible assets (Note 5,6)	(3,048)	(7,181)
Acquisition of subsidiaries (Note 6)	(18,025)	(6,163)
Acquisition of other financial assets	(2,096)	(9,276)
Sale of land/buildings	-	47,277
CASH FLOWS FROM INVESTING ACTIVITIES	(23,169)	24,657
Dividends paid (Note 26)	(195,344)	(198,848)
Bank debt (Note 9)	(12,690)	3,472
CASH FLOWS FROM FINANCING ACTIVITIES	(208,034)	(195,376)
VARIATION IN CASH AND CASH EQUIVALENTS	(13,149)	23,439
Cash and cash equivalents at the beginning of the period (Note 9)	104,134	80,695
Cash and cash equivalents at the end of the period	90,985	104,134

The notes 1 to 33 form an integral part of these consolidated annual financial statements.

Notes to the Consolidated Annual Financial Statements for the years 2010 and 2009

(In thousands of euros - EThs)

NOTE 1. GENERAL INFORMATION

The main business activity of Zardoya Otis, S.A. (the Company) and its subsidiaries (together, the Group) is the manufacture and installation of elevators, the provision of the related maintenance service and the export of equipment for installation abroad. The Group has manufacturing plants in Madrid and San Sebastián and a Modernization Centre in Munguia (Vizcaya).

ZARDOYA OTIS S.A. is a limited liability company incorporated and registered in Madrid. The address of its registered office is Golfo de Salónica, 73, Madrid.

United Technologies Holding S.A., incorporated in France, holds a majority interest in the Group of 50.01% of the Company's shares. The company forms part of the UTC Group, incorporated in the United States of America. Zardoya Otis, S.A. is listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges.

These consolidated annual financial statements were approved by the Board of Directors on February 25, 2011 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 30, 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for application in the European Union and in force at that date.

Until the year ended November 30, 2005, 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 Group's consolidated annual financial statements at November 30, 2010 include the figures for the preceding year to allow a comparison to be made. Since IAS 1 (Revised) has been adopted, the names and format of the financial statements have been changed accordingly in relation to those contained in the consolidated annual financial statements for the year 2009. Also, the Group annual financial statements have been prepared in agreement with the principle of going concern.

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 Group'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 principally 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 difference 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 to 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 2.13.b and 2.20.a).

b) Welfare commitments

The liability recognized on the Balance Sheet in respect of defined benefit obligations 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 2.18)

c) Estimated impairment loss on goodwill and other intangible assets

The Group tests goodwill and units under maintenance for impairment annually, in accordance with the accounting policy described in Note 2.6. The recoverable amounts of the cash-generating units are determined on the basis of calculating the value in use. These calculations require the use of estimates.

d) Deferred taxes

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 in 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 temporary differences and are reviewed in accordance with any legal changes or circumstances that may affect their recoverability (Note 2.17).

2.2 Consolidation principles

Subsidiaries are all companies in 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. When assessing whether the Group controls another entity, the existence of any potential voting rights that are exercisable or convertible is considered. 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 is not material. They are de-consolidated from the date that control ceases.

Investments in subsidiaries are recognized at cost less accumulated impairment losses. The cost is adjusted to reflect changes in the amount of the consideration resulting from variations in the contingent consideration.

The annual 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 arising from 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 consideration for the acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and shares in the equity issued by the Group at the acquisition date. The consideration transferred also includes the fair value of any asset or liability that comes from the acquisition agreement. Identifiable assets acquired and liabilities and contingent liabilities accepted in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group may elect to recognize any non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share in the net identifiable assets of the acquiree. Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If this amount were lower than the fair value of the net assets of the acquiree, the difference is recognized as bargain purchase gain in the comprehensive income statement.

a) Subsidiary companies

The list of subsidiaries and information thereon are as follows:

Company and registered office	Activity	2010		2009		Parent company
		Carrying value		Carrying value		
		Participation %	(in thousands of euros)	Participation %	(in thousands of euros)	
(+) Ascensores Eguren, S.A. (Bilbao)	Installation & Service of Elevators	100.00%	6,635	100.00%	6,635	Zardoya Otis, S.A.
(+) Ascensores Ingar, S.A. (Granada)	Installation of Elevators	100.00%	-	100.00%	-	Zardoya Otis, S.A.
(+) Elevadores del Maresme, S.L. (Barcelona)	Installation & Service of Elevators	70.00%	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 Elevators Engines	51.00%	493	51.00%	493	Zardoya Otis, S.A.
(+) Portis, S.L. (Madrid)	Installation & Service of Automatic Doors	90.12%	15,394	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%	577	100.00%	577	Otis Elevadores Lda.
Masel Otis Elevadores Madeira Lda. (Portugal)	Installation & Service of Elevators	60.00%	2,104	60.00%	2,104	Otis Elevadores Lda.
Savirel Lda. (Portugal)	Installation & Service of Elevators	100.00%	705	100.00%	705	Otis Elevadores Lda.
(+) Ascensores Pertor, S.L. (Valencia)	Installation & Service of Elevators	94.13%	17,393	94.13%	17,393	Zardoya Otis, S.A.
(+) Acresca Cardellach, S.L. (Barcelona)	Installation & Service of Elevators	97.62%	10,882	97.62%	10,882	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 & manufacture of electronic equipment	75.00%	-	75.00%	-	Zardoya Otis, S.A.
(+) Otis Maroc, S.A. (Marruecos)	Installation & Service of Elevators	100.00%	21,948	100.00%	21,948	Zardoya Otis, S.A.
Ascensores Aspe, S.A. (Balears)	Installation & Service of Elevators	100.00%	9,122	100.00%	9,122	Ascensores Eguren, S.A.
Montoy, S.L. (Lérida)	Installation & Service of Elevators	60.00%	7,143	60.00%	7,143	Zardoya Otis, S.A.
Cruxent, S.L. (Barcelona)	Installation & Service of Elevators	100.00%	13,011	60.00%	11,724	Elevadores del Maresme, S.L.

(+) Companies audited by PWC.

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 of minority interests, the difference between any consideration paid and the relevant share acquired in the carrying amount of net assets of the subsidiary is recorded in the 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 equity.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or 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 segments operating in other economic environments. Each of the defined segments is allocated 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 or usage of the resources.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into Euros 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 rates are recognized in profit and loss. Exchange rate gains and losses relating to loans and cash and cash equivalents are shown in the income statement under "revenue and expenses from financing activities".

(c) Group companies

Gains and losses 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 at the end of the reporting period.

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 in other comprehensive income.

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 Property, plant and equipment

Land and buildings comprise the Company's production centers. 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. The carrying amount of the replaced part is derecognized. 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 and 4 years
Vehicles	5 and 6 years
Furniture, fittings & equipment	10, 4 and 13 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

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 profit and loss. When revalued assets are sold, the amounts included in the revaluation reserves are transferred to reserves for retained earnings.

The value of the tangible fixed assets as of November 30, 2010 includes the effect of the revaluation carried out under Spanish legislation in the year 1996 following Royal Decree 7/1996 dated June 7, which gave rise to a net value increase of EThs 4,056 in the Company's property, plant and equipment. The total amount of the restatement was shown in the accounts, as provided for in Royal Decree-Law 7/1996, as an increase in the value of the restated assets, with its balancing item in the revaluation reserve account, net of the applicable taxes, for an amount of EThs 3,934. At November 30, 2010, the aforementioned restatement had an impact of EThs 402 on the net carrying amount of property, plant and equipment. Consequently, the effect of this restatement on the provision for the year 2010 is EThs 27.

This restatement was carried out only in the parent company, Zardoya Otis SA. For the purposes of the first implementation of IFRS, it was considered as acquisition cost with no further revaluations under IFRS.

2.6 INTANGIBLE ASSETS

(a) Maintenance contracts and other related intangible assets

The amounts relate to the cost of taking over 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 the estimated useful lives (5 to 20 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 resulting from portfolios acquisition 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 acquisition 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 carrying amount of the goodwill associated to the company sold.

Goodwill is assigned to the cash-generating units for the purposes of testing for impairment. It is assigned to the cash-generating units that are expected to benefit from the business combination upon which the goodwill arises, identified in accordance with the operating segments.

(c) Research and development expenses

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 IFRS.

2.7 Impairment losses on non-financial 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 recognized 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 level for which there are separately identifiable cash flows (cash-generating units). The possible reversal of impairment losses on non-financial assets other than goodwill is reviewed at the end of each reporting period.

2.8 Financial assets

Financial Assets include shareholdings in companies other than subsidiaries and associates, financial assets held for investment purposes and investments held until maturity. Financial assets are recorded at their fair value, including additional direct costs. Permanent impairment is provided for 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 each reporting date. Guarantee and other deposits are measured at the amounts deposited.

a) Financial assets at fair value through profit and loss

Financial assets held at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of being sold in the short term. Derivatives are also classified as held for trading unless designated as hedges. Assets in this category are classified as current assets if expected to be liquidated within twelve months. Otherwise, they are classified as noncurrent. At November 30, 2010 and 2009, the Group did not hold any financial assets at fair value through profit and loss.

b) 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 end of the financial period. These are classified as noncurrent assets. Loans and receivables are included in trade and other receivables on the Statement of Financial Position and recorded at amortized cost using the effective interest method.

c) Financial assets available for sale

Available-for-sale financial assets are non-derivative financial assets placed in this category or not classified in any other category. They are included as noncurrent assets unless management intends to dispose of the investment in the 12 months following the end of the reporting period.

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 derecognized 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 ownership thereof. When securities classified as available for sale are sold or incur impairment losses, the accumulated adjustments to the fair value are recognized in profit and loss as losses or gains on the securities.

2.9 Offsetting financial instruments

Financial assets and financial liabilities are offset against each other and presented at the net amount on the Statement of Financial Position when there is a legal right to offset the amounts recognized and the Group intends to liquidate the net amount or to realise the asset and settle the liability simultaneously.

2.10 Impairment losses on financial assets

Assets at amortized cost

The Group assesses financial assets or groups of financial assets for indicators of impairment at the end of each reporting period. A financial asset or group of financial assets is impaired and suffers an impairment loss when there is objective evidence of impairment, as a result of one or more events that have occurred after the initial recognition of the financial asset and the event causing the impairment affects the estimated future cash flows of the financial asset or group of financial assets, provided that this effect can be reliably estimated.

Other criteria the Group uses to determine whether there is objective evidence of impairment include: significant financial difficulties of the issuer or counterparty; breach of contract, such as a default or delinquency in interest of principal payments; it becoming probable that the borrower will enter bankruptcy or financial re-organization; the disappearance of an active market for that financial asset because of financial difficulties; or other observable information that indicates that there is a measurable decrease in the estimated future cash flows, even if the decrease cannot yet be identified with individual financial assets belonging to the Group, including if, in a future period, the amount of the impairment loss decreases and the decrease cannot be objectively attributed to an event that has occurred after the impairment was recognized, the reversal of the previously-recognized impairment loss is recognized in consolidated profit and loss.

2.11 Derivative financial instruments and hedging activity

The Group occasionally maintains commitments in foreign currency of insignificant 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 in the Income Statement as net financial cost, in accordance with the accrual method.

Derivatives are initially recognized at their fair value on the date on which the derivative contract is signed. After initial recognition, they are remeasured at fair value. In the years 2010 and 2009, the Group did not enter into any contracts for derivative hedging instruments and no forward contracts existed at the 2010 and 2009 year ends.

2.12 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.

The net realizable value is the estimated selling price in the ordinary course of business less the applicable variable selling costs.

2.13 Trade and other receivables

(a) Trade receivables

Trade receivables are recognized initially at fair value, and subsequently at their amortized cost in accordance with the effective interest rate method, 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 in accordance with the original terms of the receivables. The amount of the provision is recognized in profit and loss.

(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 amounts withheld are included within 'trade and other receivables'.

2.14 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 as borrowings in current liabilities in the Statement of Financial Position.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issuing of new shares or options are shown in equity as a deduction, net of taxes, from the revenue obtained.

2.16 Trade payables

Trade payables are payment obligations for goods or services that have been acquired from vendors in the ordinary course of operations. Payables are classified as current liabilities if payment is due at one year or less (or matures in the normal operating cycle, if longer). Other wise, they are shown as noncurrent liabilities.

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

2.17 Current and 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 temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts in 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 tax profits will be available to offset the temporary differences.

Deferred tax assets and deferred tax liabilities are offset when, and only when, there is a legally-recognized right to offset the current tax assets against the current tax liabilities and when the deferred tax assets and the deferred tax liabilities derive from corporate income tax levied by the same tax authority and they refer either to the same company or taxpayer or to different companies or taxpayers that intend to settle their current tax assets and liabilities for the net amount.

2.18 Welfare commitments

In accordance with Royal Decree 1588/1999, whereby the Regulations on Pension Commitments between companies and employees were enacted and which provides that pension commitments acquired by companies must be externalized 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 of said policies and/or plans, 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 recognized on the Balance Sheet in respect of the 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. The present value of the defined benefit obligation is calculated by discounting the estimated future cash outflows using the interest rate on high-quality corporate bonds denominated in the same currency as that in which the benefits will be paid and maturing at similar terms as the obligation.

There is also a defined contribution plan the annual premium of which is included as employee expenses. Once the contributions have been paid, the Group holds no additional payment obligations. Contributions are recognized as employee expenses annually.

The Group has decided to apply the corridor method for the recognition of actuarial net gains or losses. The corridor test implies that only actuarial gains 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 beneficiary employees, starting from the year after the fiscal year end.

2.19 Provisions

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

Provisions are measured at the present value of the payments that are expected to be required to settle the obligation, applying a rate before tax that reflects the current market's estimates of the time value of money and the specific risks of the obligation. The increase in the provision as time passes is recognized as interest expense.

2.20 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) Revenue from installation and assembly contracts

Revenue from elevator installation is recognized based on the 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) Revenue from maintenance contracts

Revenue from maintenance contracts is apportioned on a straight-line basis as it is earned. 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 recognize advance invoicing.

(c) Interest revenue

Interest revenue is recognized using the effective interest method.

2.21 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.

2.22 Borrowings

Borrowings are initially recognized at fair value net of any transaction costs incurred. Subsequently, they are measured at their amortized cost and any difference between the funds obtained (net of the costs necessary to obtain them) and the repayment value is recognized in the Income Statement over the life of the debt, applying the effective interest rate method.

Commissions paid on the granting of credit lines are recognized as transaction costs of the loan, to the extent that it is probable that any or all of the lines will be used. In these cases, the commissions are deferred until the line is used. To the extent that there is no evidence that the line is likely to be used, the commission is capitalized as an advance payment for liquidity services and is amortized over the period for which the credit line is available.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least the twelve following months after the year end closure.

2.23 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.

2.24 New rules and IFRIC interpretations

The IASB has approved and published certain accounting rules, amendments to existing ones and IFRIC interpretations that came into force in the year 2010:

- a) IAS 1, revised “Presentation of Financial Statements”. This revised rule prohibits the presentation of revenue and expense items, i.e. changes in equity as a result of transactions with non-shareholders, on the statement of changes in equity.
- b) IAS 27, revised “Consolidated and Individual Financial Statements”. The revised rule requires that all transactions with minority interests be recognized in the equity, provided that there are no changes in control, in such a way that these transactions no longer have any effect on the goodwill or lead to a loss or gain. The amendment also includes the accounting treatment to be applied to changes in control. The minority interest that is kept must be remeasured at its fair value and the effect recognized in profit and loss.
- c) IFRS 3 revised “Business Combinations”. The revised standard maintains the acquisition method for business combinations, although it introduces an accounting policy option, applicable at business combination level, that consists of measuring the minority interests at their fair value or at the proportional amount of the net assets and liabilities of the company acquired. All the transaction costs are recognized as expenses.
- d) IFRIC 14 - “The limit on a defined-benefit asset, minimum funding requirements and their interaction” which sets forth the guidelines for assessing the limit fixed in IAS 19 on the surplus that may be recognized as an asset. It also explains how pension liability may be affected by the minimum funding obligations fixed contractually or legally.
- e) IFRIC 18 - “Transfers of Assets from Customers”. This interpretation provides guidance as to how to account for items of property, plant and equipment received from a customer or cash received that is used to acquire or construct specific assets. This interpretation is applicable only to assets used to connect the client to a network or to provide the customer with ongoing access to a supply of goods or services or both.
- f) IFRIC 9 - “Reassessment of Embedded Derivatives”. The amendment clarifies that IFRS 9 does not apply to embedded derivatives in contracts acquired in business combinations within the scope of IFRS 3 (revised) combinations of entities or businesses under common control or the formation of joint ventures.

It has also approved others which will be enforced after the year end.

- a) IFRS 2, (amended) “Group Share-based Cash-settled Payment Arrangements”. The amendments to IFRS 2 provide a clear basis for determining the classification of share-based payment transactions in the consolidated and individual financial statements. This amendment to IFRS 2 is mandatory for all fiscal years commencing on or after January 1, 2010.
- b) IAS 1, “Presentation of Financial Statements”. The amendment clarifies the current/noncurrent classification of liabilities at the holder’s election. A financial liability is classified as noncurrent if there is an unconditional right to defer settlement of the liability by transferring funds or other assets for at least the 12 months after the reporting period, despite the holder’s right to require settlement of the liability by the issuance of a financial instrument at any time. This amendment is mandatory for all fiscal years commencing on or after January 1, 2010.
- c) IAS 7 “Statement of Cash Flows”. The amendment clarifies that only an expenditure that results in the recognition of an asset on the Statement of Financial Position can be classified as cash flows from investing activities. Thus, the alignment of the classification of cash flows from investing activities in the Statement of Cash Flows and the presentation of the assets recognized in the Statement of Financial Position is improved, reducing the discrepancies in practice. This amendment is mandatory for all fiscal years commencing on or after January 1, 2010.
- d) IAS 36 - “Impairment of Assets”. In order to test for impairment, cash-generating units (CGUs) or groups of CGUs to which goodwill is allocated should not be larger than an operating segment (as defined in IFRS 9) before the aggregation. Entities that use aggregated operating segments to determine their CGUs will be obliged to desegregate them when the amendment comes into force. This could result in recognition of an impairment charge. This amendment is mandatory for all fiscal years commencing on or after January 1, 2010.

e) IAS 38 “Intangible Assets”. The amendment eliminates the exceptions to recognition of intangible assets on the basis that their fair values cannot be reliably estimated. This has the following effects:

- Intangible assets acquired in a business combination that are separable or that arise from contractual or other legal rights must be recognized, and
- Complementary assets can only be recognized as a single asset if they have similar useful lives.

The amendment specifies different measuring techniques that can be used to measure intangible assets when there is no active market. This amendment is mandatory for all fiscal years commencing on or after January 1, 2010.

f) IAS 39 “Financial Instruments: Recognition and Measurement”. The following amendments are included:

- The exception to the scope in IAS39p2(g) is amended to clarify that it only applies to forward contracts that will result in a business combination at a future date when the term of the forward contract does not exceed “a reasonable period normally necessary to obtain any required approvals and to complete the transaction”;
- The reference to transactions between segments as transaction that may be designated as hedged items in the individual or separate financial statements is deleted;
- It clarifies that amounts deferred in equity are only reclassified to profit and loss when the forecast cash flows affect profit and loss;
- It clarifies the terminology regarding the measurement of the components of call and put options in convertible instruments.

These amendments are mandatory for all F.Y.s commencing on or after January 1, 2010. The amendment to IAS39p2(g) applies prospectively to all contracts that have not matured at the date of adoption.

Furthermore, the following standards, amendments or IFRICs that are pending adoption by the EU would, if appropriate, be applicable to the Group:

a) IFRS 9, “Financial Instruments”. IFRS 9 simplifies the accounting for financial assets and introduces new classification and measurement requirements. It requires that financial assets held principally to collect cash flows representing the payment of principal and interest be measured at amortized cost, while other financial assets, including those held for trading, are measured at fair value. Therefore, an impairment model is only required for financial assets carried at amortized cost. This rule will be applicable for fiscal years commencing on or after January 1, 2012, although early application is allowed.

b) IFRS 7, (Amendment) “Disclosures-Transfer of Financial Assets”. The amendment to IFRS 7 requires additional details to be disclosed regarding risk exposure arising from financial assets transferred to third parties. It requires inclusion of information on risk and profit assessment on transactions that have not qualified for derecognition of financial assets and the identification of the financial liabilities associated thereto. The details of the information on transactions that have qualified for derecognition of financial assets have also increased: the profit or loss on the transactions, other risks or benefits, and the estimated fair value of the “ongoing involvement” recorded on the Statement of Financial Position. Among other, this amendment would affect financial asset sales transactions, factoring agreements, the securitization of financial assets and securities loan transactions. The amendments to IFRS 7 are mandatory for all fiscal years commencing on or after July 1, 2011, although early adoption is allowed.

c) IAS 12 (Amendment) “Deferred Taxes: Recovery of the Underlying Assets”. The amendment to IAS 12 allows deferred tax assets and liabilities associated with investment property measured at fair value to be measured, using one of the measurement options provided by IAS 40 “Investment property”. Regarding the measurement of these deferred taxes, the amendment introduces the rebuttable assumption that the economic profits inherent to investment property measured at fair value will be recovered through sale of the property, not through its use. This amendment is mandatory for all fiscal years commencing on or after January 1, 2012.

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

NOTE 3. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

Risk management is controlled by Group Management in accordance with policies approved by the parent company's Board of Directors, Management assesses and hedges financial risks in close collaboration with the Group's operating units.

(a) Market risk

(I) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from transactions in US dollars. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. However, these transactions are not significant and the effect in a change in the interest rate would not have a material effect on the Group's financial statements. To hedge the foreign exchange risk on future commercial transactions for the import of materials, Group companies use forward contracts negotiated with UTC Treasury Center.

The Group holds an investment in foreign currency, Otis Maroc, S.A., which net assets are exposed to the risk of Foreign exchange differences at 2009 and 2010 year end. However net assets value is not significant and the effect in a change in the exchange rate would not have a material effect on the Group's financial statements.

(II) Price risk

The Group has only limited exposure to commodity price risk.

(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, to have the capacity to fund its internal or external growth through acquisitions, to obtain adequate yields for the shareholders and to maintain an optimal capital structure that includes equity, the generation of its own cash from the business in each year and, as far as necessary, borrowings at the lowest cost possible.

The Group monitors its capital on the basis of the debt ratio. This ratio is calculated by dividing the net debt by the total capital. The net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as the equity on the consolidated Statement of Financial Position plus net debt. For 2009 and 2010, the debt ratio was negative.

NOTE 4. SEGMENT REPORTING

Zardoya Otis has determined 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 have 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 separate 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 the primary segment, considering the markets of Spain and Portugal and also Morocco / North Africa, as they have independent supervision as stated in IFRS 8. As a secondary segment, the non-elevator business, mainly automatic doors is shown, given its distinctive characteristics: a much less mature market with lower margins and higher risks but with significant growth prospects. 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	Long-term investments in assets	
2010						
Zardoya Otis Group - Spain	821,238	263,518	454,935	14,251	13,308	272,766
Otis Elevadores Group - Portugal	75,134	26,492	106,602	1,577	418	38,928
Otis Maroc - Morocco	14,083	1,191	20,555	70	273	16,664
Eliminations - intra-group	(47,680)	(1,639)	-	-	-	-
Consolidated EThs	862,775	289,562	582,092	15,898	13,999	328,358

	Sales	Operating profit/(loss)	Assets			Liabilities
			Total	Depreciation charge	Long-term investments in assets	
2009						
Zardoya Otis Group - Spain	840,905	257,354	486,815	12,998	67,690	310,042
Otis Elevadores Group - Portugal	80,008	25,647	98,976	1,123	328	38,296
Otis Maroc - Morocco	14,960	2,248	18,966	60	63	13,964
Eliminations - intra-group	(50,728)	57				
Consolidated EThs	885,145	285,306	604,757	14,181	68,081	362,302

	Sales	Operating profit/(loss)	%	Fixed assets acquired
2010				
Zardoya Otis, S.A. (aggregate of 95 branches).....	685,583	236,973	34.57	3,261
Spanish Group Companies - Elevators (10 companies)	104,928	22,972	21.89	10,047
Otis Elevadores Group- Portugal.....	75,134	26,492	35.26	418
Otis Maroc - Morocco	14,083	1,191	8.46	273
Total Elevators	879,728	287,628	32.70	13,999
Spanish Group Companies - non elevators.....	30,727	3,572	11.63	
Total Group	910,455	291,201	31.98	13,999
Eliminations - intra-group transactions.....	(47,680)	(1,639)		
EThs Consolidated	862,775	289,562	33.56	13,999

	Sales	Operating profit/(loss)	%	Fixed assets acquired
2009				
Zardoya Otis, S.A. (aggregate of 95 branches).....	703,602	234,130	33.28	66,263
Spanish Group Companies - Elevators (10 companies)	107,785	22,100	20.50	50
Otis Elevadores Group- Portugal.....	80,008	25,647	32.06	328
Otis Maroc - Morocco	14,960	2,247	15.03	63
Total Elevators	906,355	284,124	31.35	
Spanish Group Companies - non elevators.....	29,518	1,125	3.81	1,377
Total Group	935,873	285,249	30.48	68,081
Eliminations - intra-group transactions.....	(50,728)	57		
EThs Consolidated	885,145	285,306	32.23	68,081

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

Movements on the different categories of property, plant and equipment are shown below:

	Land & Buildings	Machinery	Furniture, fitting & equipment	Total
As of November 30, 2008				
Cost	40,135	31,818	59,142	131,095
Accumulated depreciation and impairment	(7,266)	(24,041)	(43,222)	(74,529)
Net carrying amountEThs	32,869	7,777	15,920	56,566
2009				
Business combinations	0	0	591	591
Increases	779	3,070	6,268	10,117
Decreases	0	(694)	(3,748)	(4,442)
Depreciation charge	(643)	(1,501)	(4,356)	(6,500)
Depreciation decreases	4	678	790	1,473
Other movements	0	0	0	0
	140	1,554	(455)	1,239
As of November 30, 2009				
Cost	40,914	34,194	62,253	137,361
Accumulated depreciation and impairment	(7,905)	(24,864)	(46,788)	(79,556)
Net carrying amountEThs	33,009	9,331	15,465	57,805
2010				
Business combinations	0	0	0	0
Increases	194	1,011	2,044	3,249
Decreases	(62)	(61)	(366)	(489)
Depreciation charge	(877)	(1,497)	(3,804)	(6,178)
Depreciation decreases	29	60	200	289
Other movements	0	0	0	0
	(716)	(488)	(1,926)	(3,130)
As of November 30, 2010				
Cost	41,046	35,144	63,931	140,121
Accumulated depreciation and impairment	(8,753)	(26,301)	(50,392)	(85,446)
Net carrying amountEMIs	32,293	8,843	13,539	54,675

The property, plant and equipment figure includes assets in progress for a total value of EThs 615 in 2010 and EThs 1,082 in 2009.

At November 30, 2008, the building works of the new Leganés plant had been completed and, consequently, the value of the buildings and installations were included as property, plant and equipment with a value of EThs 23,345.

At November 30, 2010 and 2009, the following items of property, plant and equipment were fully depreciated:

	2010	2009
Land and buildings	3,351	3,071
Vehicles and machinery.....	24,191	20,306
Furniture, fittings and equipment	30,506	31,494
EThs	58,048	54,873

Of the total property, plant and equipment net of depreciation, the value of which is EThs 54,675, the amount of EThs 694 is in Portugal and the amount of EThs 143 in Morocco (EThs 852 and 178 respectively in 2009). There is 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, property, plant and equipment. At November 30, 2010 and 2009, none of the Group's financial liabilities was secured by property, plant and equipment and, therefore, all the property, plant and equipment were free of any charges.

NOTE 6. INTANGIBLE ASSETS

Details of the main categories of intangible assets and the movement on these accounts are shown below:

	Maintenance contracts	Goodwill	Other	Total
As of November 30, 2008				
Cost	137,317	31,046	283	168,646
Accumulated amortization and impairment	(57,026)	(1,081)	(202)	(58,309)
Net carrying amountEThs	80,291	29,965	81	110,337
2009				
Increases	3,964	0	0	3,964
Business combinations	43,071	10,337	0	53,408
Decreases	0	0	(104)	(104)
Amortization charge	(7,660)	0	(21)	(7,681)
Amortization decreases	0	0	91	91
Other movements	0	0	0	0
	39,375	10,337	(34)	49,678
As of November 30, 2009				
Cost	184,352	41,383	179	225,914
Accumulated amortization and impairment	(64,686)	(1,081)	(132)	(65,899)
Net carrying amountEThs	119,666	40,302	47	160,015
2010				
Increases	2,814	1,890	2,014	6,718
Business combinations	4,032	0	0	4,032
Decreases	0	0	0	0
Amortization charge	(7,697)	0	(2,023)	(9,720)
Amortization decreases	0	0	0	0
Other movements	0	0	0	0
	(851)	1,890	(9)	1,030
As of November 30, 2010				
Cost	193,198	43,273	193	236,664
Accumulated amortization and impairment	(74,383)	(1,081)	(155)	(75,619)
Net carrying amountEThs	118,815	42,192	38	161,045

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

	2010	2009
Otis Maroc, S.A.	17,780	17,780
Zardoya Otis, S.A.	19,181	17,291
Conservación de aparatos elevadores Express, S.L.	5,231	5,231
EMIs	42,192	40,302

In the year 2009, the goodwill on the acquisitions of Ascensores Vascos, S.A., Técnicos de Ascensores Reunidos, S.A., Montoy, S.L., Cruxent, S.L. and Ascensores González, S.L., all of which belong to the elevator segment, was included. In 2010, valuation adjustments relating to Montoy, S.L., Jobensa, S.L. and Ascensores González, S.L. are included.

The Group follows the practice of requiring an external company of recognized prestige to verify the fair value of the assets acquired. The recoverable amount is determined by using cash-flow projections in financial budgets approved by Management for a 15-year period, based on past performance and market development expectations. The growth rates applied are between 5% and 20% and growth rate used for projections subsequent to the period considered is 2%. The discount rate used is around 9%.

To calculate the discount rate, the company uses a long term Treasury bond rate, growth expectations, the cash-generating unit (CGU) effective tax rate and the Group's cost of debt. The perpetuity growth rate used is in line with the one used by similar industries in the countries in which the Group works.

	Period in years budgeted	Subsequent growth rate	Discount Rate
Otis Maroc, S.A.	15	2.0%	8.2%
Conservación de aparatos elevadores Express, S.L.	15	2.0%	8.3%
Zardoya Otis, S.A.	5 to 15	2.0%	From 8% to 9%

It is a Group common practice, when there are operating reasons which justify it, to take advantage of the business combinations synergies through the legal integration or merge of the acquired companies in the CGU in which they are integrated. In this regard, considering that the Group business constitutes a sole integrated production process, we consider cash-generating unit as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The goodwill and service portfolios are regularly tested for impairment reviewing the key business evolution hypothesis assumed at acquisition date: period considered, discount rate and perpetuity growth rate. Generally and except for Otis Morocco, the amount of goodwill assigned to the different cash-generating units is not significant compared to the value of the CGU.

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.

Sensitivity analysis of the valuation of goodwill for growth and discount rate hypothesis were performed for each of the CGUs.

In the table below it is shown the most significant for the Group which is Otis Maroc, S.A.:

Rate	1.00%	1.50%	2.00%	2.50%	3.00%
9.00%	14.8	15.3	16.3	17.1	17.8
8.50%	15.8	16.5	17.7	18.5	19.4
8.20%	16.5	17.2	18.4	19.3	20.4
8.00%	17.0	17.8	19.2	20.1	21.3

(In Euro millions)

Main assets, at book value, contributed to the consolidation by the CGU's to which goodwill has been assigned are:

	Zardoya Otis, S.A.	Conservación de aparatos elevadores Express, S.L.	Otis Maroc, S.A.
Property and equipment	50,723	38	150
Other intangible assets	60,209	11,218	7
Deferred tax assets	15,808	-	-
Other non current assets	4,248	14	-
Inventories	12,773	217	100
Trade and other receivables.....	165,851	6,005	10,531
Other current assets	3,844	36	8,791
Cash and short term deposits	31,690	4,743	2,331

NOTE 7. TRADE AND OTHER RECEIVABLES

	2010	2009
Trade receivables	263,374	263,766
Less: Provision for impairment of receivables	(74,246)	(62,094)
Trade receivables - Net	189,128	201,672
Amount due from customers for contract works	7,052	1,537
Other accounts receivable	15,940	15,399
Prepayments	1,222	1,211
Receivables from related parties (Note 30)	14,866	17,686
Total EThs	228,208	237,505

The total amount of the costs incurred at the end of the reporting period was EThs 98,958 (2009: EThs 106,531). This amount includes profits recognized (less recognized losses) on all contracts in progress for EThs 2,489 (2009: EThs 1,563).

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

	2010	2009
Beginning of period	62,094	43,796
Provision made	18,580	16,551
Business combinations	(2,480)	1,747
Other	(3,948)	-
..... EThs	74,246	62,094

Provisions and reversals of provisions appear in the Income Statement under the “Other net expenses” heading. The net provision recognized in 2010 was 2.08% of Group sales (2009: 1.87%).

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

	2010	2009
Between six months and one year	36,470	23,371
Between one and two years	19,721	28,082
More than two years	17,619	6,766
..... EThs	73,810	58,219

Additionally, other non current assets includes long term promissory notes received from customers with maturity dates of more than one year for a total amount of EThs 3,809 (EThs 2,856 in 2009). The detail per years is as follows:

	2010	2009
Two years	3,238	2,437
Three years	531	310
More than three years	40	109
..... EThs	3,809	2,856

NOTE 8. INVENTORIES

	2010	2009
Raw materials and consumables for production	15,783	16,726
Work in progress	1,845	1,675
..... EThs	17,628	18,401

NOTE 9. CASH AND CASH EQUIVALENTS

	2010	2009
Cash and banks.....	16,651	15,862
Current deposits with financial institutions	74,334	75,772
Deposits with Group companies	-	12,500
EThs	90,985	104,134

The effective interest rate on current deposits varied from 4.10 to 0.38% (2009: from 3.95% to 0.18%), their average maturity being 30 days.

Deposits with Group companies 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 accrued interest during 2009 at an average interest rate of 1.09%, which exceeds the market rate by 0.10 percentage points.

For cash flow statements, cash and borrowings include:

	2010	2009
Cash and cash equivalentsEThs	90,985	104,134
Bank overdraftsEThs	-	11,472

The Group holds committed credit lines for an amount sufficient to maintain flexibility in funding, as stated in Note 3 “Financial Risk Management”. Notwithstanding, these lines are only used occasionally. At the 2010 year end, of the total borrowings balance of EThs 2,253 (2009: EThs 14,944), EThs 2,253 (2009: EThs 3,472) relates to other non-bank credits granted to the Group and to the interest calculated on acquisitions. In 2009: EThs 11,472 relate to a single item comprising use of a credit line.

NOTE 10. SHARE CAPITAL

	Number of Shares	Ordinary shares	Treasury stock	Total
November 30, 2008	316,939,137	316,939,137	-	316,939,137
Capital increase	15,846,956	15,846,956	-	15,846,956
November 30, 2009	332,786,093	332,786,093	-	332,786,093
Capital increas.....	16,639,304	16,639,304	-	16,639,304
November 30, 2010	349,425,397	349,425,397	-	349,425,397

The share issues carried out in 2009 and 2010 were bonus issues charged to voluntary reserves.

Owner	Shares		% shareholding	
	2010	2009	2010	2009
United Techonologies Holdings, S.A.....	174,747,914	166,426,584	50.01	50.01
Euro-Syns, S.A	38,436,794	36,224,439	11.00	10.88
Other minority shareholders	136,240,689	130,135,070	38.99	39.11
	349,425,397	332,786,093	100.00	100.00

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

At the Annual Shareholders’ Meeting held on May 25, 2010, a resolution was adopted to increase the share capital by 1,663,930.40 Euros against the Voluntary Reserve, in the proportion of one new share for every twenty old shares, issuing 16,639,304 new shares. Once the capital increase had been completed, the capital amounted to 34,942,539.70 Euros and consisted of 349,425,397 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 quarterly dividend, second interim dividend paid against 2010 profits on September 10, 2010. The increase was carried out from June 14, 2010 until June 30, 2010, inclusive. The new shares were listed on the Madrid, Barcelona, Valencia and Bilbao stock exchanges effective August 6, 2010.

Incremental costs directly attributable to the issuance of new shares or options are recognized in the equity as a deduction, net of tax, from the income obtained.

NOTE 11. LEGAL RESERVE

The legal reserve has been recognized under the provisions of the Capital Company Act, article 274, which requires 10% of annual profit be set aside until 20% of the share capital is reached.

Unless the legal reserve exceeds said limit, it can be used only to offset losses when no other reserves are available.

Details of the legal reserve by company as of November 30, 2010 and 2009 are as follows:

	2010	2009
Company		
Zardoya Otis, S.A.	6,656	6,339
Ascensores Eguren, S.A.	-	-
Ascensores Ingar, S.A.	13	13
Ascensores Serra, S.A.	48	48
Elevadores del Maresme, S.L.	12	12
Mototracción Eléctrica Latierro, S.A.	63	63
Grupo Otis Elevadores (Portugal).....	429	429
Portis, S.L.	68	68
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.	41	41
Cruxent, S.L.	12	12
Montoy, S.L. EThs	20	20

NOTE 12. RESERVES IN SUBSIDIARY COMPANIES AND OTHER RESERVES

	Subsidiary companies	Other Reserves	Total
As of November 30, 2008EThs	53,953	78,851	132,804
Profit 2008.....	35,786	(12,463)	23,323
Dividends paid in the year.....	(15,827)	(47,541)	(63,368)
Capital increase	-	(1,585)	(1,585)
Other movements.....	(1,313)	2,091	778
As of November 30, 2009EThs	72,599	19,353	91,952
Profit 2009.....	34,702	43,384	78,076
Dividends paid in the year.....	(26,966)	(46,590)	(73,556)
Capital increase	-	(1,664)	(1,664)
Other movements.....	(1,566)	2,904	(1,338)
As of November 30, 2010EThs	78,770	17,387	96,157

Details, by company, of reserves in subsidiary companies and other reserves as of November 30, 2010 and 2009 are as follows:

	2010	2009
Company		
Zardoya Otis, S.A.	23,463	29,313
Ascensores Eguren, S.A.	(3,839)	(3,544)
Ascensores Ingar, S.A.	(3,030)	(2,574)
Ascensores Serra, S.A.	444	444
Elevadores del Maresme, S.L.	(104)	1,920
Mototracción Eléctrica Latierro, S.A.	1,329	1,267
Grupo Otis Elevadores (Portugal).....	43,548	36,825
Portis, S.L.	3,557	3,107
Ascensores Pertor, S.L.	5,788	5,336
Conservación de Aparatos Elevadores Express, S.L.	13,010	9,735
Acresa Cardellach, S.L.	21,909	21,405
Admotion, S.L.	(446)	(320)
Grupo Lagí, S.L.	-	(2,148)
Ascensores Aspe, S.A. (dependiente de Eguren, S.A.)	(814)	(830)
Otis Maroc, S.A.	1,237	1,975
Cruxent, S.L.	2	-
Montoy, S.L.	62	-
IFRS adjustments	(9,959)	(9,959)
EThs	96,157	91,952

In compliance with the provisions of the Capital Company Act, art. 273.4, the Group has recognized a reserve of EThs 4,142, equivalent to 5% of the goodwill included in the assets in its Statement of Financial Position. As stated in the Capital Company Act, this reserve is unavailable.

NOTE 13. PROFIT FOR THE YEAR

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

	2010		2009	
	Consolidated profit	Attributable to non controlling interests	Consolidated profit	Attributable to non controlling interests
Company				
Zardoya Otis, S.A.	169,805	-	165,134	-
Ascensores Eguren, S.A.	(2,150)	-	(295)	-
Ascensores Ingar, S.A.	(585)	-	(458)	-
Ascensores Serra, S.A.	2,072	691	1,887	629
Elevadores del Maresme, S.L.	1,260	315	1,376	344
Mototracción Eléctrica Latierro, S.A.	603	579	125	120
Grupo Otis Elevadores (Portugal)	19,324	243	19,289	214
Portis, S.L.	1,580	173	796	105
Ascensores Pertor, S.L.	4,432	276	3,770	235
Conservación de Aparatos Elevadores Express, S.L.	3,456	-	3,269	-
Acresa Cardellach, S.L.	4,195	102	5,159	125
Admotion, S.L.	12	4	(126)	(43)
Otis Maroc, S.A.	542	-	1,481	-
Ascensores Aspe, S.A.	284	-	565	-
Cruxent, S.L.	108	210	1	-
Montoy, S.L.	147	287	62	41
Ascensores González, S.L.	-	-	18	-
EThs	205,085	2,880	202,053	1,770

The proposed distribution of 2010 profit and other reserves in the parent company that will be submitted for approval at the Annual Shareholders' Meeting, together with the 2009 profit distribution approved, is as follows:

	2010	2009
Available for distribution		
Profit for the year.....	195,018	177,203
EThs	195,018	177,203
Distribution		
To legal reserve	333	317
To non distributable reserves (Goodwill)	2,008	1,855
To other reserves	44,920	24,485
Dividends.....	147,757	150,546
EThs	195,018	177,203

NOTE 14. TRADE AND OTHER PAYABLES

	2010	2009
Trade payables.....	30,699	39,804
Payables to related parties (Note 30)	9,883	8,729
Other accounts payable.....	13,501	16,085
Goods received but not invoiced	6,193	4,028
Notes payable	1,659	0
Amounts due to customers on work in progress (Note 7)	43,557	51,727
Maintenance billing in advance	32,833	32,223
Acquisition commitments	29,152	12,404
Other payables to public treasury (Note 15)	22,426	20,923
Amounts due to employees	34,235	32,103
Other	8,710	11,841
EThs	232,848	229,867

The amounts payable to related companies are partly in foreign currency and there are no other significant amounts payable in foreign currency. Since the amounts are current and are not significant, no hedges have been deemed necessary. The heading "Related companies" includes balances denominated in foreign currencies other than Euros, the equivalent value of which in euros amounts to EThs 351 (2009: EThs 578).

Furthermore, there are long-term acquisition commitments for a value of EThs 15,832, presented on the Statement of Financial Position as a noncurrent liability under the heading "Other Payables", maturing as follows:

	Current	2012	2013/14	Noncurrent
Acquisitions 2009 or before	28,023	12,860	2,645	15,505
Acquisitions 2010	1,129	179	148	327
EThs	29,152	13,039	2,793	15,832

Company acquisitions agreements in force at November 30, 2010 and 2009 bear interest charges only on the portions relating to contingent liabilities secured by withholding part of the price payable. The amount is not significant.

Forecast payments are classified as current in accordance with the payment conditions fixed in each contract. Those classified as noncurrent are measured at amortized cost and the differences are recognized in profit and loss over the term of the debt, applying the effective interest rate method.

NOTE 15. PUBLIC TREASURY

	2010	2009
Receivable balances		
Social Security	12	3
Withholding tax	389	483
VAT deductible	812	645
VAT recoverable	5,400	4,587
Ths	6,613	5,718
Payable balances		
Provision for corporate tax	80,988	77,288
Corporate tax payments on account	(48,971)	(45,488)
Withholding made	2,545	2,721
Credit for VAT	4,713	4,249
VAT invoiced	6,726	6,211
Social Security	8,442	7,742
EThs	54,443	52,712

NOTE 16. DEFERRED TAXES

Deferred Tax Assets:	2010	2009
To be recovered after more than 12 months	20,151	20,631
To be recovered within 12 months	4,429	2,050
EThs	24,580	22,681
Deferred Tax Liabilities:	2010	2009
To be recovered after more than 12 months	2,090	-
To be recovered within 12 months	-	-
EThs	2,090	-

Overall movement on the deferred tax account was as follows:

Deferred Tax Assets:	2010	2009
Beginning of period	22,681	24,130
Business combinations	-	-
P&L impact	1,899	(1,449)
End of period	24,580	22,681
EThs		
Deferred Tax Liabilities:	2010	2009
Beginning of period	-	-
Business combinations	1,699	-
P&L impact	391	-
End of period	2,090	-
EThs		

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

	Welfare commitments	Amortization/ depreciation	Other	Total
Deferred Tax Assets:				
As of November 30, 2008	22,386	779	965	24,130
P&L impact	(2,004)	(205)	760	(1,449)
Business combinations	-	-	-	-
As of November 30, 2009	20,382	574	1,725	22,681
P&L impact	(543)	1,365	1,077	1,899
Business combinations	-	-	-	-
As of November 30, 2010	19,839	1,939	2,802	24,580
EThs				
Deferred Tax Liabilities:				
P&L impact	-	391	-	391
Business combinations	-	1,699	-	1,699
As of November 30, 2010	-	2,090	-	2,090
EThs				

NOTE 17. WELFARE COMMITMENTS

	2010	2009
Obligations on Statement of Financial Position:		
Current employees	18,666	18,914
Retired employees	980	2,507
EThs	19,646	21,421

The amounts recognized on the Statement of Financial Position were measured as follows:

	2010	2009
Present value of obligations financed	66,132	67,939
Fair value of plan assets	(58,946)	(56,926)
	7,186	11,013
Unrecognized actuarial gains	12,460	10,408
Liability on Balance SheetEThs	19,646	21,421

The evolution of the present value of the defined benefit obligation and the fair value of plan assets was as follows:

	Recognized Obligation	Plan Assets
As of November 30, 2009	67,939	(56,926)
Service cost	2,185	-
Interest cost.....	2,933	-
Return on plan assets	-	(2,568)
Payments to beneficiaries	(3,718)	3,718
Contributions	-	(1,205)
Actuarial Gains/Losses	(3,207)	(1,965)
As of November 30, 2010EThs	66,132	(58,946)

The main actuarial assumptions used were as follows:

	2010	2009
The discount rate varies, depending on the length of the obligation, between	4.26%-2.46%	5.12%-3.12%
Mortality tables	PER2000	PER2000
Wage increase	3.5%	3.5%
Estimated average early retirement age	62 years	62 years

The amounts recognized in profit and loss were as follows:

	2010	2009
Current service cost.....	2,185	2,178
Interest cost.....	2,933	3,973
Expected return on plan assets	(2,568)	(3,213)
Actuarial (gains) / losses	(3,123)	(2,967)
Total included in employee benefit expense (Note 20)EThs	(574)	(29)

The fair value of plan assets (matched insurance contracts) was measured in accordance with IAS 19, section 104, which allows the equalization of the value of these contracts with that of the obligations. However, these obligations were externalized and are 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 end of the reporting period has been considered for the equalization of the obligation.

The amounts of the present value of obligations for defined benefits and the fair value of plan assets for the current period and the preceding four annual periods are as follows:

	2010	2009	2008	2007	2006
Present value of financed obligations	66,132	67,939	74,620	81,506	86,190
Fair value of plan assets	(58,946)	(56,926)	(59,212)	(58,727)	(54,816)

The Group's best estimate of the contributions to be paid in the year ending November 30, 2011 is EThs 2,265.

Additionally, there is a defined contribution plan the annual cost of which is included under the heading employee benefit expense for EThs 498 (EThs 479 in 2009).

NOTE 18. PROVISION FOR OTHER LIABILITIES AND EXPENSES

	2010	2009
Noncurrent		
Other commitments with employees	2,503	2,314
Current		
Litigations: customer transactions	2,904	1,176
Guarantees for services and contracts	16,328	16,692
Chamber of Commerce and other taxes.....	1,437	1,267
Environmental actions.....	500	500
EThs	21,169	19,635

The provision for guarantees covers principally free service commitments derived from the signature of contracts by Group companies, usually with a term of less than one year. Risks provided for relate to litigations and other identified risks inherent to the Group's activity.

NOTE 19. SALES

	2010	2009
Service.....	666,675	668,160
New installations.....	115,069	139,570
Exports.....	80,640	77,135
Other sales	391	280
Total salesEThs	862,775	885,145

NOTE 20. EMPLOYEE BENEFITS

	2010	2009
Wages and salaries	180,549	185,153
Social security and other	70,013	65,613
Employee benefit commitments.....	(574)	(29)
EThs	249,988	250,737

Social security and other includes severance payments to employees of EThs 10,902 (8,350 in 2009).

NOTE 21. RAW MATERIALS AND CONSUMABLES USED

	2010	2009
Materials and subcomponents for installations and services	278,973	307,486
Elimination of intra-group transactions	(47,680)	(50,728)
Purchase discounts	(96)	(153)
Change in inventories	726	2,510
EThs	231,923	259,115

NOTE 22. OTHER NET EXPENSES

Depending on their nature, other net expenses are broken down into:

	2010	2009
Rentals	21,126	23,167
Repairs and maintenance	2,792	3,341
Insurance premiums	959	567
Advertising and publicity.....	1,687	2,139
Transport	7,438	8,213
Supplies and other services.....	20,947	20,158
Independent professionals.....	2,382	2,090
Other	4,231	3,809
Impairment of receivables.....	18,580	16,551
EThs	80,142	80,035

NOTE 23. NET FINANCE COST

	2010	2009
Interest expense:		
- Bank borrowings	(282)	(1,304)
	(282)	(1,304)
Interest revenue:		
- Bank deposits	2,608	3,812
- Other	-	168
	2,608	3,980
Net foreign exchange transactions gain (losses).....	(100)	147
EThs	2,226	2,823

NOTE 24. INCOME TAX

	2010	2009
Income before tax	291,788	288,129
Permanent difference:	(3,252)	(3,208)
Profit from foreign companies	(28,382)	(28,832)
Other differences	7,052	6,462
Prior year temporary differences in respect of which the relevant deferred tax asset was not recorded.....	(4,955)	(4,680)
Temporary differences arising in the year in respect of which the relevant deferred tax asset is not recorded	2,549	2,938
Adjusted income before tax	264,800	260,809
Temporary differences arising in the year in respect of which the relevant deferred tax asset is recorded	(3,006)	(7,695)
Taxable income	261,794	253,114
Tax payable	79,440	78,243
Tax credits	(3,916)	(1,749)
Other differences	26	(36)
Corporate tax expense from foreign companies	8,273	7,848
Corporate income tax expenseEThs	83,823	84,306

The deferred tax asset accumulated at November 30, 2010 amounted to EThs 24,580 (EThs 22,681 in 2009). This deferred tax asset came basically from temporary differences relating to welfare commitments, bad debt provision, delayed sales costs and other provisions that will reverse in future years. Furthermore, there are deferred tax liabilities of EThs 2,090 relating to differences generated by goodwill.

At the year end, the sum of EThs 48,971 (EThs 45,488 in 2009) had been paid on account of the final corporate income tax liability.

The effective tax rate for Otis Elevadores, Lda. (Portugal) is 27.8% and for Otis Maroc 57.2% (26.4% and 36.6%, respectively, in 2009) and their tax expense for 2010 amounted to EThs 7,549 and 724, respectively (EThs 6,994 and 854, respectively, in 2009).

For Zardoya Otis, S.A. and the Spanish subsidiaries, as well as for Otis Maroc, S.A. the last four years are still open to inspection. For the companies that form the Otis Elevadores (Portugal) Group, the last ten years are open to inspection, pursuant to current Portuguese legislation. In consequence, among other things, additional liabilities could arise as the result of an inspection, due to possible different interpretations of current tax legislation. However, the directors consider that, if any such liabilities were to arise, they would not have a significant effect on the annual financial statements.

NOTE 25. EARNINGS PER SHARE

Basic earnings per share are calculated, in accordance with IAS 33, by dividing the profit attributable to equity holders of the Company by the number of ordinary shares in issue at the year end, excluding ordinary shares purchased by the Company and held as treasury shares. No event that could dilute the earnings per share has occurred.

	2010	2009
Profit attributable to equity holders of the Company.....	205,085	202,053
Number of ordinary shares in issue at the year end	349,425,397	332,786,093
Basic earnings per share.....	0.59	0.61

NOTAE 26. DIVIDENDS PER SHARE

During 2010 and 2009, Zardoya Otis, S.A. paid the following interim dividends charged to the year profit and reserves:

	Thousands of euros
<u>1st Dividend</u> 0.160 Euros gross per share, charged to the 2009 profit. Declared on March 4, 2009 and paid on March 10, 2009. Shares: 316,939,137 Total = 50,710,261.92 Euros.....	50,710
<u>2nd Dividend</u> 0.150 Euros gross per share, charged to reserves Declared on May 27, 2009 and paid on June 10, 2009. Shares: 316,939,137 Total = 47,540,870.55 Euros.....	47,541
<u>3rd Dividend</u> 0.150 Euros gross per share, charged to the 2009 profit. Declared on September 3, 2009 and paid on September 10, 2009. Shares: 332,786,093 Total = 49,917,913.95 Euros.....	49,918
Year-end dividendEThs	148,169
<u>4th Dividend</u> 0.150 Euros gross per share, charged to the 2009 profit. Declared on December 3, 2009 and paid on December 10, 2009. Shares: 332,786,093 Total = 49,917,913.95 Euros.....	49,918
Total 2009.....EThs	198,087
<u>1st Dividend</u> 0,150 Euros gross per share, charged to the 2010 profit. Declared on March 4, 2010 and paid on March 10, 2010. Shares: 332,786,093 Total = 49,917,913.95 Euros.....	49,918
<u>2nd Dividend</u> 0,140 Euros gross per share, charged to reserves. Declared on May 25, 2010 and paid on June 10, 2010. Shares: 332,786,093 Total = 46,590,053.02 Euros.....	46,590
<u>3rd Dividend</u> 0,140 Euros gross per share, charged to the 2010 profit. Declared on September 2, 2010 and paid on September 10, 2010. Shares: 349,425,397 Total = 48,919,555.58 Euros.....	48,919
Year-end dividendEThs	145,427
<u>4th Dividend</u> 0,140 Euros gross per share, charged to the 2010 profit. Declared on December 2, 2010 and paid on December 10, 2010. Shares: 349,425,397 Total = 48,919,555.58 Euros.....	48,919
Total 2010.....EThs	194,346

Zardoya Otis, S.A. paid interim dividends charged to the 2010 profit having verified that there was sufficient liquidity to allow these dividends to be distributed, as required by Art. 277 of the new Capital Company Act.

NOTE 27. 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 27,196 (2008: EThs 18,729).

NOTE 28. COMMITMENTS

Fixed asset purchase commitments

The investments committed at the end of the reporting period but not yet incurred are as follows:

	2010	2009
Property, plant and equipmentETHs	331	1,981
Intangible assetsETHs	3,072	-

Leases commitments

The Group leases commercial premises, offices and warehouses under lease contracts for which different conditions have been agreed. Furthermore, there are other operating lease commitments, principally concerning vehicles. The estimated annual cost of the totality of the commitments assumed under said lease agreements is:

	2010	2009
Premises rentalETHs	4,338	4,493
Others.....ETHs	4,614	4,084

NOTE 29. BUSINESS COMBINATIONS

Of the business combinations that took place in 2009, Técnicos de Ascensores Reunidos, S.A. was dissolved and its assets and liabilities were incorporated into Zardoya Otis, S.A., recognizing a positive adjustment of 141 ETHs to the goodwill.

The cost of the business combinations were calculated provisionally at the acquisition date, since some items had to be valued definitively when one year had elapsed. After this period, there were no significant changes in the cost recognized. The contingent liabilities had been guaranteed by the sellers and withheld on the price payable.

	Técnicos de Ascensores Reunidos	Cruxent, S.L.	Montoy, S.L.	Ascensores González, S.L.
Date of the combination	April 2009	October 2009	October 2009	October 2009
Cost of the combination (ETHs)	13,841	13,011	7,144	9,916
% acquired	100%	60%	60%	100%

CRUXENT, S.L.

In October 2010, Zardoya Otis, S.A. exchanged its holding in Cruxent, S.L. for 420 shares in Elevadores del Maresme, S.L., after the latter had increased its capital by 700 shares.

ASCENSORES TEBÓN, S.L.

In December 2009, ACRESA CARDELLACH, S.L. acquired 100% of the shares in Ascensores Tebón, S.L. a company engaged in elevator installation and maintenance in Catalonia. In July 2010, the company was dissolved and its assets and liabilities were incorporated into the acquirer.

The total cost of the business combination has been calculated as ETHs 4,211, most of which relates to acquisition of the maintenance portfolio. ETHs 1,780 of this amount remain outstanding. The only costs allocable to the combination are those derived from audit and the legal expenses of 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 carrying amounts 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 measured 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 estimated recurring sales of the ETHs 1,756 to the Group. Details of the assets and liabilities acquired are as follows:

Cash and cash equivalents	60
Property, plant and equipment	25
Intangible assets.....	157
Inventories.....	4.032
Receivables	290
Payables	223
Provisions	131

NOTE 30. RELATED-PARTY TRANSACTIONS

The Group is controlled by United Technologies Holding, S.A. (incorporated in France), which holds 50.01% of the shares of the parent company, Zardoya Otis, S.A. The Group's ultimate parent is United Technologies Corporation (incorporated in USA), the parent company of United Technologies Holding, S.A.

The following transactions were performed with related parties

(a) Transactions with United Technologies Treasury Center

	2010	2009
Renevue from investing activitiesETHs	-	168

(b) Transactions with Otis Elevator Co.

	2010	2009
Royalties	24,873	25,609
Charged back of costs relating to the R&D Center.....	856	908
Payables.....ETHs	665	417

(c) Transactions with companies of the Otis Group from sales/purchases of goods and services

	2010	2009
Sales	80,640	77,135
Purchases.....	42,146	44,488
Receivables	14,866	17,686
Payables.....ETHs	9,218	8,312

The Group has been party to a technical assistance agreement, "Intellectual Property License Agreement", with Otis Elevator Company since 1999. This agreement allows the Company to use the trademarks and have access to Research and Development activities and global product development. The cost of this agreement is a royalty of 3.5% of sales to end customers.

Additionally, in September 2010, a Recharge Agreement was signed with our majority shareholder, the United Technologies Corporation (UTC) Group. Under this agreement, the Company undertakes to duly reimburse tu UTC, after a favourable report from the Audit Committee, the cost of the long-term UTC share-based incentive program in favour of members of management common to both the Company and UTC. This is applicable to incentives granted on or after December 1, 2010.

In November 2009, executing a Board of Directors resolution dated March 30, 2007, Zardoya Otis, S.A. exercised the purchase option granted by United Technologies Holdings, S.A. on remaining 49% of the capital of Otis Maroc, S.A. The amount paid was ETHs 10,773, which was paid in cash in its entirety.

The overall remuneration of members of the Board of Directors in 2010 was ETHs 1,382 (ETHs 2,003 in 2009). In addition, the overall remuneration accrued by members of the Group's senior management (non Board members) was, as stated in Sections B.1.11 and B.1.12 of the 2010 Annual Corporate Governance Report, ETHs 333 (ETHs 296 in 2009).

Likewise, in compliance with article 229 of the Capital Company Act, the members of the Board of Directors state that neither they nor any parties related to them have holdings in the share capital of or 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 consolidated 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 Mr. Mario Abajo García, Mr. Angelo J. Messina, Mr. Lindsay E. Harvey, Mr. Pedro Sáinz de Baranda Riva and Mr. Bruno Grob execute different functions in other companies of the Otis Elevator Group worldwide as follows:

Name of Director	Current Board Memberships	Designation
Mario Abajo García	Buga Otis Asansor Sanayi ve Ticaret A.S. (Turkey)	Vice Chairman of the Board; Member of the Board of Directors
	Melcorp South Africa (Pty) Ltd. (South Africa)	Director
	Otis Elevadores Lda. (Portugal)	Director
	Otis (Proprietary) Limited (South Africa)	Director
Angelo J. Messina	Asia Pacific Elevator Company (Delaware, USA)	Director
	Atlantic Lifts, Inc. (Delaware, USA)	Director
	Elevator Export Trading Company (Delaware, USA)	Director
	Otis Elevator Company (New Jersey)	Director
	Otis Elevator Company (Delaware, USA)	Director
	Otis Elevator International, Inc. (Delaware, USA)	Director
	Otis Elevator Korea (Korea)	Director
	Otis Elevator Overseas Limited	Director
	Otis Investments, L.L.C. (Delaware, USA)	Assistant General Manager; Member of Management Committee
	Otis Pacific Holdings B.V. (Netherlands)	Director
Bruno Grob	United Technologies (Cayman) Holdings, Ltd. (Cayman)	Director
	UTCL Investments B.V.. (Netherlands)	Director
	Otis, S.A. (Switzerland)	Chairman of the Board; Member of the Board of Directors
	Otis, N.V. (Belgium)	Director
	Otis AB (Sweden)	Director
Pedro Sáinz de Baranda Riva	Otis S.p.A. (Italy)	Director
	Otis Management GMBH (Germany)	Supervisory Board Member
	Otis B.V. (Netherlands)	Supervisory Board Member
	Buga Otis Asansor Sanayi ve Ticaret A.S. (Turkey)	Director
	C. Veremis Otis, S.A. (Greece)	Director
	Otis Elevadores (Portugal)	Chairman of the Board; Director; Managing Director
	Otis Management GMBH (Germany)	Director
	Otis Maroc, S.A.S. (Morocco)	Representative Director
	Otis S.p.A. (Italy)	Chairman of the Board; Director
	Acrea Cardellach, S.L.	Chairman
Lindsay E. Harvey	Ascensores Eguren, S.A.	Natural person representing the Board Member
	Conservación de Aparatos Elevadores Express, S.L.	
	Ascensores Ingar, S.A.	
	“OTIS” spolka z ograniczona odpowiedzialnoscia (Poland)	Chairman
	Advance Lifts Holdings Limited (England)	Director
	Advance Lifts Limited (England)	Director
	Becker Lifts Limited (England)	Director
	Budget Lift Limited (England)	Director
	Combined Lift Services (Merseyside) Ltd. (England)	Director
	English Lifts (England)	Director
	Estec Limited (England)	Director
	Evans Lifts Limited (England)	Director
	Excelsior Lifts Limited (England)	Director
	Express Evans Lifts Limited (England)	Director
	Express Lifts (Overseas) Limited (England)	Director
	Key Elevators Limited (England)	Director
	GB Lifts Limited (England)	Director
	Lerman Oakland Lifts Limited (England)	Director
	Lift Components Limited (England)	Director
	Manor Lifts Limited (England)	Director
	Moveman SKG Limited (England)	Director
	Northern Lifts Services Limited (England)	Director
	Oakland Elevators Limited (England)	Director
	Oakland Elevators Limited (United Kingdom - Dormant)	Director
	Orion Lifts Limited (England)	Director
	Otis Elevator Ireland Limited (Ireland)	Director
	Otis International Holdings UK Limited (England)	Director
	Otis Investments Ltd. (England)	Director
	Otis Limited (England)	Director
	Otis UK Holding Limited (England)	Director
	PDERS Key Lifts Limited (England)	Director
	Porn Dunwoody (Lifts) Limited (England)	Director
	Sirius Korea Limited (England)	Director
	SKG (UK) Limited (England)	Director
	The Express Lift Company Limited (England)	Director
	Trent Valley Lifts Limited (England)	Director
	Wadsworth Lifts Limited (England)	Director
	Waygood Lifts Ltd. (England)	Director
	Otis Management GmbH (Germany)	Supervisory Board Member
	Otis Gesellschaft m.b.H. (Austria)	Supervisory Board Member
F. Javier Zardoya Arana	Otis Elevadores Lda. (Portugal)	Director
	Portis, S.L.	Chairman
José María Loizaga Viguri	Otis Elevadores Lda. (Portugal)	Director
María Luisa Zardoya Arana (natural person representing the Board Member Euro-Syns, S.A.)	Otis Elevadores Lda. (Portugal)	Director

NOTE 31. ENVIRONMENTAL INFORMATION

At November 30, 2010, the Group was not aware of any contingency, risk or litigation in progress related to the protection and improvement of the environment and, therefore, had not recorded any provision related to environmental actions on the balance sheet at November 30, 2010 other than the one related to the sale of the Méndez Álvaro premises in Madrid.

The Group has approved a Corporate Environmental Policy Manual, fixing the main procedures and actions to be followed in this field by the central departments, the plants, the regional offices, transport, installation and after-sale service.

The principal programs set have the objective of control and monitoring of the processes for the reduction of dangerous wastes and emissions

- Control, reduction and recycling of highly contaminating wastes (oils).
- Control and reduction of recyclable waste (packing).
- Control and reductions in electricity and water consumption.
- Control and reduction in emissions due to industrial processes and combustion.

Certification under Standard UNE-EN-ISO 14001, were renewed in the three industrial centres of Madrid in 2010 and until 2013.

The new Madrid-Leganés plant was designed to keep energy consumption to a minimum and included the installation of photovoltaic panels on the roof, the carrying amount of which is EThs 4,153, with accumulated depreciation of EThs 622 at the end of the reporting period. When these photovoltaic panels were brought into operation, they gave rise for a tax credit of EThs 283 for “investment in the use of renewable energy”. There are no other significant investments for protection of the environment.

In addition, expenses of EThs 67 for waste removal or recycling were recognized in 2010.

NOTE 32. EVENTS AFTER THE END OF THE REPORTING PERIOD

On December 2, 2010 Zardoya Otis, S.A. declared the fourth dividend corresponding to 2010, third on account of the fiscal year profit, for an amount of 0.140 Euros gross per share, resulting in a total dividend gross of EThs 48,919.

NOTE 33. OTHER INFORMATION

(a) Number of Group employees by category

	Men	Women	2010	2009
Managers.....	74	6	80	81
Administration/workshop/field supervisors	515	19	534	528
Engineers, university graduates and other experts	202	35	237	236
Administrative and technical personnel	499	438	937	968
Other workers.....	3,790	24	3,814	4.041
	5,080	522	5,602	5.854

(b) Fees of account auditors and companies belonging to their group or related companies

The amount accrued by PriceWaterhouseCoopers, which audits the Zardoya Otis Group, for the year 2010 is EThs 333 (EThs 297 in 2009), including the fees paid for the audit of processes required to comply with the rules for public companies in USA.

Likewise, the fees accrued during the year by other companies that use the PriceWaterhouseCoopers brand name as a result of other services rendered to the Group, were EThs 155 (2009: EThs 233).

Board of Directors

Mr. Mario Abajo García
Chairman

Mr. José María Loizaga Viguri
Deputy Chairman

Mr. Pedro Sainz de Baranda Riva
CEO

Otis Elevator Company
(Mr. Johan Bill)

Mr. Angelo Messina

Mr. Bruno Grob

Mr. Lindsay Harvey

Mr. Francisco Javier Zardoya Arana

EURO-SYNS, S.A.
(Mrs. María Luisa Zardoya Arana)

Audit Committee

Mr. José María Loizaga Viguri
Chairman

Mr. Angelo Messina

Mr. Bruno Grob

Nominating Commission

Mr. Lindsay Harvey
Chairman

Mr. José María Loizaga Viguri

Otis Elevator Company
(Mr. Johan Bill)

Mr. Alberto Fernández-Ibarburu Arocena
Secretary

Agenda of General Meeting of Shareholders

1. Examination and, if applicable, approval of the annual financial statements and management reports of both the Company and its consolidated group for the period from December 1, 2009 to November 30, 2010.
2. Application of the profit for the year running from December 1, 2009 to November 30, 2010.
3. Approval of the performance of the Board of Directors and, in particular, of the distribution of interim dividends charged to the profit for the year running from December 1, 2009 to November 30, 2010.
4. Re election of directors: 4.1. Re election of Mr. Mario Abajo García. 4.2. Re election of Mr. José María Loizaga Viguri. 4.3. Re election of Mr. Pedro Sainz de Baranda Riva. 4.4. Re election of Euro Syns, S.A. 4.5. Re election of Mr. Javier Zardoya Arana. 4.6. Re election of Mr. Angelo Mesina. 4.7. Re election of Otis Elevator Company. 4.8. Re election of Mr. Bruno Grob. 4.9. Re election of Mr. Lindsay Harvey.
5. Approval of the distribution of a dividend charged to reserves for a gross amount of 0.135 Euros per share.
6. Appointment of the auditors for the Company and its consolidated group for the year running from December 1, 2010 to November 30, 2011.
7. Share capital increase in a ratio of 1 new share for every twenty old shares by issuing bonus shares fully charged to the voluntary reserve and application to the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges for the listing of said shares. Amendment of article 5 of the Company's By-Laws.
8. Authorization to the Board of Directors for the direct or indirect derivative acquisition of treasury stock, within the limits and meeting the requirements set forth in article 146 and related articles of the Spanish Company Act.
9. Report presented by the Board of Directors in relation to the amendments to the Regulations of the Board of Directors, in compliance with article 516 of the Spanish Companies Act.
10. Requests and questions.
11. Delegation of powers to formalize the resolutions.
12. Approval of the Minutes of the meeting.

Financial Statements of the Last Five Years

Consolidated Profit and Loss Accounts

(In millions of euros)

	2010		2009		2008		2007		2006	
	%		%		%		%		%	
SALES	862,8	100.0	885,1	100.0	936,6	100.0	865,0	100.0	785,9	100.0
Raw materials and consumable used	(231,9)	(26.9)	(259,1)	(29.3)	(316,0)	(33.7)	(297,7)	(34.4)	(270,0)	(34.4)
GROSS PROFIT	630,9	73.1	626,0	70.7	620,6	66.3	567,3	65.6	515,9	65.6
Other net expenses	(61,5)	(7.1)	(63,5)	(7.2)	(64,1)	(6.8)	(57,6)	(6.7)	(53,6)	(6.8)
Personnel expenses	(250,0)	(29.0)	(250,7)	(28.3)	(249,0)	(26.6)	(230,5)	(26.7)	(214,2)	(27.2)
Impairment of accounts receivable	(18,6)	(2.1)	(16,5)	(1.8)	(14,3)	(1.5)	(3,8)	(0.4)	(2,7)	(0.3)
Other income	4,7	0.5	4,2	0.4	3,4	0.4	2,3	0.3	2,1	0.3
EBITDA	305,5	35.4	299,5	33.8	296,6	31.7	277,7	32.1	247,5	31.6
Amortization, depreciation and impairment losses	(15,9)	(1.8)	(14,2)	(1.6)	(16,0)	(1.7)	(12,7)	(1.5)	(8,0)	(1.0)
OPERATING PROFIT	289,6	33.6	285,3	32.2	280,6	30.0	265,0	30.6	239,5	30.6
Financial income	2,6	0.3	4,0	0.4	7,0	0.7	8,1	1.0	5,2	0.6
Financial expenses	(0,3)	(0.1)	(1,3)	(0.1)	(2,2)	(0.2)	(2,7)	(0.3)	(2,9)	(0.4)
Net foreign exchange differences	(0,1)	(0.0)	0,1	0.0	(0,1)	0.0	0,2	0.0	0,5	0.1
Other gains and losses			0,0	0.0	(0,5)	0.1	64,2	7.4	(2,1)	(0.3)
PROFIT BEFORE TAX	291,8	33.8	288,1	32.6	284,8	30.4	334,8	38.7	240,2	30.6
Income tax expense	(83,8)	(9.7)	(84,3)	(9.6)	(81,6)	(8.7)	(111,1)	(12.8)	(84,2)	(10.7)
PROFIT FOR THE YEAR	208,0	24.1	203,8	23.0	203,2	21.7	223,7	25.9	156,0	19.9
Minority interests	(2,9)	(0.3)	1,7	0.2	(2,1)	(0.2)	(1,8)	(0.2)	(1,7)	(0.2)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	205,1	23.8	202,1	22.8	201,1	21.5	221,9	25.7	154,3	19.7
CASH FLOW (1)	221,0	25.6	216,2	24.4	217,1	23.2	234,6	27.2	162,3	20.7

(1) Net Income + Depreciation.

Other gain and losses in 2007, include the extraordinary profit of Euros 64,2 million obtained in the sale of the Madrid factory.

Consolidated Balance Sheets

Consolidated Balance Sheet (After distribution of the profit obtained in the year)

(In million of euros)

	2010		2009		2008		2007		2006	
ASSETS	%		%		%		%		%	
Property, plant & equipment	54.6	9.4	57.8	9.6	56.5	9.1	29.7	5.0	17.8	3.5
Intangible assets	118.9	20.4	119.7	19.8	80.4	12.9	56.1	9.5	41.0	8.0
Goodwill	42.2	7.2	40.3	6.7	30.0	4.8	18.7	3.2	-	-
Financial investments	0.6	0.1	0.6	0.1	12.4	2.0	0.7	0.1	3.8	0.7
Deferred tax assets	24.6	4.2	22.7	3.8	24.1	3.9	24.7	4.2	29.0	5.7
Other non current assets	3.8	0.7	2.9	0.5						
NON CURRENT ASSETS	244.7	42.0	244.0	40.3	203.4	32.8	129.9	22.0	91.6	17.9
Inventories	17.6	3.0	18.4	3.0	21.7	3.5	27.3	4.6	28.7	5.6
Financial receivables	0.6	0.1	0.7	0.1	0.3	0.0	0.3	0.1	0.3	0.1
Trade and other receivables	228.2	39.2	237.6	39.3	314.8	50.7	332.5	56.4	248.4	48.6
Cash and cash equivalents	91.0	15.7	104.1	17.2	80.7	13.0	99.3	16.9	142.5	27.9
CURRENT ASSETS	337.4	58.0	360.8	59.7	417.5	67.2	459.4	78.0	419.9	82.1
TOTAL ASSETS	582.1	100.0	604.8	100.0	620.9	100.0	589.3	100.0	511.5	100.0
LIABILITIES										
Share Capital	34.9	6.0	33.3	5.5	31.7	5.1	28.8	4.9	26.2	5.1
Legal Reserve	7.0	1.2	6.7	1.1	6.3	1.0	6.3	1.1	5.8	1.1
Reserves in subsidiaries & other reserves	153.1	26.3	143.4	23.7	141.7	22.8	138.7	23.5	95.8	18.7
NET EQUITY	195.0	33.5	183.4	30.3	179.7	28.9	173.8	29.5	127.8	25.0
Diferencias de conversión	(0.3)	(0.0)	(0.3)	0.0						
MINORITY INTERESTS	10.0	1.7	9.5	1.6	8.0	1.3	7.6	1.3	6.0	1.2
TOTAL NET EQUITY	204.8	35.2	192.6	31.8	187.7	30.2	181.4	30.8	133.8	26.2
Other payables	15.8	2.7	42.3	7.0	32.3	5.2	2.8	0.5	0.0	0.0
Welfare commitments	19.7	3.4	21.4	3.5	27.2	4.4	30.5	5.2	37.8	7.4
Provisions for other liabilities and expenses	2.5	0.4	2.3	0.4	1.9	0.3	2.4	0.4	2.1	0.4
Deferred tax liabilities	2.1	0.4								
NON CURRENT LIABILITIES	40.1	6.9	66.0	10.9	61.4	9.9	35.7	6.1	39.9	7.8
Trade and other payables	281.7	48.4	279.8	46.3	326.9	52.6	293.9	49.9	269.0	52.6
Current tax liabilities	32.0	5.5	31.8	5.3	25.2	4.1	55.1	9.4	50.1	9.8
Borrowings	2.2	0.4	14.9	2.5	0.7	0.1	4.1	0.7	1.6	0.3
Provisions for other liabilities and expenses	21.2	3.6	19.7	3.3	19.0	3.1	19.1	3.2	17.1	3.3
CURRENT LIABILITIES	337.2	57.9	346.2	57.2	371.8	59.9	372.2	63.2	337.8	66.0
TOTAL LIABILITIES	377.3	64.8	412.2	68.2	433.2	69.8	407.9	69.2	377.7	73.8
TOTAL EQUITY AND LIABILITIES	582.1	100.0	604.8	100.0	620.9	100.0	589.3	100.0	511.5	100.0

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Annual Corporate Governance Report

EXHIBIT I

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED CORPORATIONS

DETAILS IDENTIFYING ISSUER

DATE OF F.Y. END

November 30, 2010

Tax Id. Code A-28011153

Corporate name:

ZARDOYA OTIS, S.A.

**MODEL FOR ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED
CORPORATIONS**

For a better understanding of this specimen report and completion hereof, it is necessary to read the instructions on how to complete it included at the end of this report. The column containing the Tax ID Code or similar code, which shall be non-public, must be filled out in all cases where such information is necessary to complete the data of individuals or legal persons.

Tax ID or similar code or number (NIF, CIF)	Other information
A-28011153	

A OWNERSHIP STRUCTURE

A.1. Complete the following table on the company's share capital:

Date of latest modification	Share capital (€)	Number of shares	Number of voting rights
14-06-2010	34,942,539.70	349,425,397	349,425.397

In the event that different classes of shares exist, state this in the following chart:

Yes ☐ No ☒

Class	Number of shares	Nominal unit value	Number of voting rights per share	Different rights

A.2. Details of the direct and/or indirect owners of significant shareholdings in your company at the year-end date, excluding Board Members:

Name or corporate name of shareholder	Number of direct shares	Number of indirect shares (*)	% of total share capital
United Technologies Corporation (UTC)	0	174,747,914	50.01

(*) Through:

Name or corporate name of the direct owner of the shareholding	Number of direct voting rights	% of total voting rights
United Technologies Holdings, S.A.	174,747,914	50.01
Total:	174,747,914	50.01

State the most significant movements in the shareholder structure that took place during the F.Y.:

Name or corporate name of shareholder	Transaction date	Description of transaction

A.3. Complete the following charts on the members of the Board of Directors of the company who hold shares therein:

Name or corporate name of Director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Euro-Syns S.A.	37,808,077	628,717	11.000

Loizaga Viguri, José María	234,788	1,759	0.068
Abajo García, Mario	920,996	0	0.264
Sainz de Baranda, Pedro	221	184	0
Harvey, Lindsay	10	0	0

(*) Through:

Name or corporate name of the direct owner of the shareholding	Number of direct voting rights	% of total voting rights
CENON Investments S.L.	628,717	0.180
Jiménez Martínez, María Paz (spouse)	1,759	0.001
Underage children	184	0
Total:	630,660	0.181

% of total voting rights held by the Board of Directors	11.332
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Complete the following chart of the members of the Board of Directors of the company who hold rights over company shares:

Name or corporate name of Director	Number of direct option rights	Number of indirect option rights	Equivalent number of shares	% of total voting rights

A.4. State, if applicable, any family, commercial, contractual or corporate relationships that exist between the owners of significant shareholdings, to the extent that these are known to the company, unless they are of little relevance or are derived from ordinary business or trading:

Names or corporate names related	Type of relationship	Brief description
Euro-Syns, S.A.	Family	This director is a company controlled by the Zardoya family

A.5. State, if applicable, any commercial, contractual or corporate relationships that exist between the owners of significant shareholdings and the company, unless they are of little relevance or are derived from ordinary business or trading

Names or corporate names related	Type of relationship	Brief description
United Technologies Holdings, S.A.	Commercial Contractual Corporate	United Technologies Corporation (UTC) holds 100% shares of Otis Elevator Co. and 50.01% of Zardoya Otis, S.A.. through United Technologies Holdings S.A. . Zardoya Otis S.A. has commercial and contractual relations with Otis Elevator Company and United Technologies Corporation (UTC).

A.6. Indicate whether any paracorporate (shareholders') agreements affecting the Company pursuant to the provisions of Section 112 of the Stock Market Act [Ley del Mercado de Valores – LMV] have been reported to the Company. If so, briefly describe them and list the shareholders bound by the agreement:

Yes ☐ No ☒

Parties to agreement	% of share capital affected	Brief description of agreement

State, if applicable, any actions that have been arranged between the shareholders of your company that are known to the company:

Yes ☐ No ☒

Parties to the action arranged	% of share capital affected	Brief description of the action arranged

In the event that there was any change or breach of said agreements or arranged actions during the F.Y., state this expressly.

A.7. State whether there exists any natural or legal person that exercises or can exercise control over the company pursuant to article 4 of the Stock Market Act. If so, identify them:

Yes ☒ No ☐

Name or corporate name
United Technologies Corporation

Comments
It is the indirect owner (through the French company United Technologies Holdings S.A.) of 50.01 % of the shares of Zardoya Otis, S.A.

A.8. Complete the following charts on the company's treasury stock:
At year-end date:

Number of direct shares	Number of indirect shares (*)	% of total share capital
0	0	0,000

(*) Through

Name or corporate name of the direct owner of the shareholding	Number of direct shares
Total:	

Give details of any significant variations, pursuant to the provisions of Royal Decree 1362/2007, , that took place in the F.Y.:

Notification date	Total direct shares acquired	Total indirect shares acquired	% total of share capital

Profit/(loss) obtained in the F.Y. on treasury stock transactions

A.9. Give details of the conditions and/or periods of the authorization(s) provided by the General Meeting of Shareholders to the Board of Directors to acquire or transfer the treasury stock:

The Ordinary General Meeting of Shareholders of Zardoya Otis, S.A. held on May 25, 2010 authorized the Board of Directors to acquire shares of Zardoya Otis, S.A., either directly or indirectly, up to the maximum allowed by law at any moment, during the maximum period likewise allowed by law. The acquisition price of said shares may 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 (now article 148.c) of the Capital Company Act).

Notwithstanding the foregoing, the Board will propose to the General Shareholders' Meeting, to be held in May 2011, that it should authorize the Board of Directors so that it may acquire, directly or indirectly, shares in the company within the limits and requirements set forth in the Capital Company Act, proposing that this authorization should be renewed for the maximum allowed by law.

A.10. State, if applicable, any legal restrictions or restrictions imposed by the By-Laws on the use of voting rights, together with legal restrictions on the acquisition or transfer of holdings in the share capital.

Indicate whether there are legal restrictions on the exercise of voting rights:

Yes ☐ No ☒

Maximum percentage of voting rights that a shareholder may exercise due to legal restrictions	0
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Indicate whether there are by-law restrictions on the exercise of voting rights:

Yes ☐ No ☒

Maximum percentage of voting rights that a shareholder may exercise due to by-law restrictions	0
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Description of legal and by law restrictions on the exercise of voting rights

A.11. State whether the shareholders acting at a General Shareholders' Meeting have approved the adoption of breakthrough measures in the event of a public tender offer pursuant to the provisions of Law 6/2007:

Yes ☐ No ☒

If applicable, describe the approved measures and the terms on which the restrictions will become ineffective.

B STRUCTURE OF THE COMPANY'S GOVERNING BODIES

B.1. Board of Directors

B.1.1. State the maximum and minimum number of Directors provided for in the By-Laws:

Maximum number of Directors	15
Minimum number of Directors	3

B.1.2. Complete the following chart with the members of the Board:

Name or corporate name of Director	Representative	Position on the Board	Date of first appointment	Date of latest appointment	Election procedure
Abajo García, Mario		Chairman	05-31-1985	05-27-2009	General Meeting
Loizaga Viguri, José María		Deputy Chairman	02-23-1973	05-25-2010	General Meeting
Sainz de Baranda Riva, Pedro		Director and CEO	01-29-2009	01-29-2009	Co-option by the BOD and ratification by General Meeting on 06-27-2009
Otis Elevator Company	Bill, Johan	Director	05-30-1984	05-25-2010	General Meeting
Messina, Angelo		Director	06-30-2005	05-25-2010	General Meeting
Grob, Bruno		Director	05-27-1992	05-25-2010	General Meeting
Harvey, Lindsay		Director	06-24-2009	05-25-2010	Cooption by the Board of Directors and ratification by the Shareholders' Meeting as of 05-25-2010
Zardoya Arana, Francisco Javier		Director	05-27-2009		General Meeting
Euro-Syns S.A.	Zardoya Arana, Luisa	Director	05-31-1996	05-27-2009	General Meeting

Total number of Directors	9
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State any Directors who left the Board during the period:

Name or corporate name of Director	Status of the director at the time of vacancy	Date of vacancy

B.1.3. Complete the following charts on the members of the Board and their classification:

EXECUTIVE DIRECTORS

Name or corporate name of Director	Commission that proposed appointment of the Director	Position in the company's organization chart
Pedro Sainz de Baranda Riva	None. BOD resolution.	CEO
Total number of executive directors		1
Total % of Board members		11.111

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of Director	Commission that proposed appointment of the Director	Name or corporate name of significant shareholder represented or that proposed appointment of the Director
Messina, Angelo J.		United Technologies Holdings, S.A.
Grob, Bruno		United Technologies Holdings, S.A.
Harvey, Lindsay		United Technologies Holdings, S.A.
Otis Elevator Co		United Technologies Holdings, S.A.
Euro-Syns S.A.		Euro-Syns, S.A. (Zardoya family)
Zardoya Arana, Francisco Javier		Euro-Syns, S.A. (Zardoya family)
Total number of external proprietary directors		6
Total % of Board members		66,667

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of Director	Commission that proposed appointment of the Director	Profile
Loizaga Viguri, José María	Nominating Commission	
Total number of other external directors		1
Total % of Board members		11.111

OTHER EXTERNAL DIRECTORS

Name or corporate name of Director	Commission that proposed appointment of the Director
Abajo García, Mario	None
Total number of other external directors	1
Total % of Board members	11.111

Give details of the reasons for which they cannot be deemed to represent a shareholding or be independent and of their ties with the company, its management and/or its shareholders.

Name or corporate name of Director	Reasons	Company, Manager or shareholder with whom the director has ties
Abajo García Mario	El Sr. Abajo meets all the requirements of section III, No. 5 of the Unified Code of Good Governance to be considered an independent member of the Board, except letter h), since he was appointed prior to the creation of a Nominating Commission in 2010, and letter a), since he has been an Executive Director for less than five years.	Mr. Mario Abajo García is neither Executive Director, nor Employee nor Manager of any Company.

State any variations in the classification of each Director that may have taken place during the period:

Name or corporate name of Director	Date of modification	Former classification	Current classification
Loizaga Viguri, José María	09-08-2010	Other External Directors	Independent

B.1.4. Describe, if applicable, the reasons why proprietary directors have been appointed at the proposal of shareholders whose shareholding interest is less than 5% of share capital.

Name or corporate name of director	Reasons

State whether formal petitions for presence on the Board have been received from shareholders whose shareholding interest is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If so, describe the reasons why such petitions have not been satisfied.

Yes ☐ No ☒

Name or corporate name of shareholder	Reason

B.1.5. State whether any director has withdrawn from his/her position before the expiration of his/her term of office, whether the director has given reasons to the Board and by what means, and in the event that he/she gave reasons in writing to the full Board, describe at least the reasons given by the director:

Name of director	Reason for withdrawal

B.1.6. State the powers, if any, that are delegated to the Chief Executive Officer/s:

Name or corporate name of Director	Brief description
Sainz de Baranda Riva, Pedro	The CEO holds all the powers that can be delegated in accordance with the law or By-Laws, with the exception of purchase/sale of real estate as well as the financial disbursement faculty, limited jointly to 50 million euros per transaction

B.1.7. Identify, if applicable, the members of the Board who hold positions as Directors or managers in other companies that form part of the group of the listed company:

Name or corporate name of Director	Corporate name of group company	Position
Sainz de Baranda Riva, Pedro	Otis Elevadores Lda. (Portugal) Otis Maroc, S.A. Acresa-Cardellach, S.L. Ascensores Eguren, S.A. Conservación de Aparatos Elevadores Express, S.L. Ascensores Ingar, S.A.	Chairman of the Board of Directors Chairman Chairman Natural person representing the Board Member: Zardoya Otis S.A.
Abajo García, Mario	Otis Elevadores Lda. (Portugal)	Director
Zardoya Arana, F. Javier	Otis Elevadores Lda. (Portugal) Portis, S.L..	Director Chairman
Loizaga Viguri, José María	Otis Elevadores Lda. (Portugal)	Director
Zardoya Arana, María Luisa (natural person representing the Board Member Euro-Syns, S.A.)	Otis Elevadores Lda. (Portugal)	Director

B.1.8. Give details, if applicable, of the Directors of your company who are members of the Boards of Directors of other companies outside your group that are listed on official stock markets in Spain, when this has been notified to the company:

Name or corporate name of Director	Listed company	Position
Loizaga Viguri, José María	Actividades de Construcción y Servicios, S.A. (ACS) Cartera Industrial Rea, S.A	Director & Deputy Chairman of Executive Committee Chairman
Zardoya Arana, F. Javier	Cartera Industrial Rea, S.A.	Director

B.1.9. Indicate and, if applicable, explain whether the Company has established rules regarding the number of boards of which its directors may be members:

Yes ☒ No ☐

Description of Rules
Article 19 of the Regulations of the Board of Directors expressly establish the directors' duty to devote the time and effort necessary to perform their function efficiently.

B.1.10. In connection with recommendation number 8 of the Unified Code, indicate the Company's general policies and strategies reserved for approval by the full Board:

	Yes	No
The investment and financing policy	X	
The definition of the structure of the group of companies	X	
The corporate governance policy	X	
The corporate social responsibility policy	X	
The strategic or business plan, as well as management objectives and annual budgets	X	
The policy regarding compensation and evaluation of performance of senior management	X	
The risk control and management policy, as well as the periodic monitoring of the internal information and control systems	X	
The dividend policy, as well the treasury stock policy and, especially, the limits thereto	X	

B.1.11. Complete the following charts on the aggregated compensation of the Directors accrued during the year:

a) In the company to which the present report refers:

Item of compensation	Figures in thousands of euros
Fixed compensation	215
Variable compensation	167
Allowances	0
Remuneration pursuant to By-laws	1.000
Stock options and/or other financial instruments	0
Other	0
Total:	1.382

Other benefits	Figures in thousands of euros
Advance payments	0
Credits granted	0
Pension funds and plans: contributions	0
Pension funds and plans: obligations acquired	0
Life insurance premiums	0
Guarantees furnished by the company in favour of Directors	0

b) As a result of company Directors' belonging to other Boards of Directors and/or the senior management of group companies:

Item of compensation	Figures in thousands of euros
Fixed compensation	0
Variable compensation	0
Allowances	0
Remuneration pursuant to By-laws	0

Stock options and/or other financial instruments	0
Other	0
Total:	0

Other benefits	Figures in thousands of euros
Advance payments	0
Credits granted	0
Pension funds and plans: contributions	0
Pension funds and plans: obligations acquired	0
Life insurance premiums	0
Guarantees furnished by the company in favour of Directors	0

c) Total compensation by type of Director:

Type of Director	By company (in thousands of euros)	By group
Executive directors	382	0
External proprietary directors	600	0
Independent external directors	200	0
Other external directors	200	0
Total:	1.382	0

d) In relation to the profit attributed to the parent company:

Total compensation of Directors (thousands of euros)	1.382
Total compensation of Directors/profit attributed to parent company (expressed as a percentage)	0,674

B.1.12. Identify the members of senior management who are not also executive directors and state the total compensation accrued in their favour during the F.Y.:

Name or corporate name	Position
Ramos, Jorge	General Manager
da Ascensão Oliveira, Domingos Edmundo	General Manager

Total compensation senior management (thousands of euros)	333
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B.1.13. State, on an aggregated basis, whether there exist guarantee or protection clauses in favour of the members of senior management, including executive directors of the company or its group, in the event of dismissal or changes in control. State whether these contracts must be notified to and/or approved by the governing body/ies of the company or its group:

Number of beneficiaries	0
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	Board of Directors	General Meeting
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Body authorizing the clauses	NO	NO
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	YES	NO
Is the General Meeting informed of the clauses?		X

B.1.14. State the process for fixing the compensation of the members of the Board of Directors and the relevant clauses of the By-Laws in this respect.

Process to set the compensation of the members of the Board of Directors and by-law provisions
Article 24 of the By-Laws states that the maximum global compensation for all the members of the Board will consist of a 1.5% share in the consolidated profit after tax, up to an upper limit of 1% of the consolidated profit before tax, which may only be taken from the liquid profit (after tax) after the needs of the Legal Reserve and the Reserves provided for in the By-Laws have been met and a minimum dividend of 10% of the paid-up share capital has been attributed to the shareholders. Said compensation will be distributed in the manner freely decided by the Board of Directors among the members thereof, depending on whether or not they belong to delegate bodies of the Board, the positions they hold, their attendance at meetings or the service they provide to the company.

State whether the full Board has reserved the right to approve the following decisions:

	YES	NO
At the proposal of the Company's chief executive, the appointment and, if applicable, the removal of senior managers, as well as their indemnity provisions.	X	
The compensation of directors and, in the case of executive directors, the additional compensation for their executive duties and other terms and conditions that must be included in their contracts.	X	

B.1.15. State whether the Board of Directors approves a detailed compensation policy and specify the matters covered thereby:

Yes ☐ No ☒

	YES	NO
Amount of fixed components, with a breakdown, if applicable, of fees payable for attendance at meetings of the Board and its Committees and estimated annual fixed compensation arising		X
Variable compensation items		X
Main characteristics of the social security systems, with an estimate of the amount thereof or equivalent annual cost .		X
Terms and conditions that must be included in the contracts with executive directors performing senior management duties, which will include		X

B.1.16. State whether the Board submits a report on director compensation policy to the vote of the shareholders at a General Shareholders' Meeting for consultative purposes.

If so, describe the relevant portions of the report regarding the compensation policy approved by the Board for the following years and the most significant changes experienced by such policies vis-à-vis the policy applied during the fiscal year, and provide an outline of the manner in which the compensation policy was applied during the fiscal year. Describe the role of the Compensation Commission and, if external advice has been provided, state the name of the external advisors that have given such advice:

Yes ☐ No ☒

Matters covered by the report on compensation policy

Role of the Compensation Commission
The Company does not have a Compensation Commission

	Yes	No
Has external advice been provided?		
Name of external advisors		

B.1.17. State, if applicable, the identity of the members of the Board who are also members of the Boards of Directors or management of companies that hold significant shareholdings in the listed company and/or companies belonging to its group:

Name of Director	Current Board Memberships	Designation
Mario Abajo	Buga Otis Asansor Sanayi ve Ticaret A.S. [Turkey]	Vice Chairman of the Board; Member of the Board of Directors
	Melcorp South Africa (Pty) Ltd. [South Africa]	Director
	Otis Elevadores Lda. [Portugal]	Director
	Otis (Proprietary) Limited [South Africa]	Director
Angelo J. Messina	Asia Pacific Elevator Company [Delaware, USA]	Director
	Atlantic Lifts, Inc. [Delaware, USA]	Director
	Elevator Export Trading Company [Delaware, USA]	Director
	Otis Elevator Company [New Jersey]	Director
	Otis Elevator Company [Delaware, USA]	Director
	Otis Elevator International, Inc. [Delaware, USA]	Director
	Otis Elevator Korea [Korea]	Director
	Otis Elevator Overseas Limited	Director
	Otis Investments, L.L.C. [Delaware, USA]	Assistant General Manager; Member of Management Committee
	Otis Pacific Holdings B.V. [Netherlands]	Director
	United Technologies (Cayman) Holdings, Ltd. [Cayman Islands]	Director
Bruno Grob	UTCL Investments B.V. [Netherlands]	Director
	Otis S.A. [Switzerland]	Chairman of the Board; Member of the Board of Directors
	Otis NV [Belgium]	Director
	Otis AB [Sweden]	Director
	Otis S.p.A. [Italy]	Director
	Otis Management GmbH [Germany]	Supervisory Board Member
Pedro Sainz de Baranda Riva	Otis B.V. [Netherlands]	Supervisory Board Member
	Buga Otis Asansor Sanayi ve Ticaret A.S. [Turkey]	Director
	C. Veremis Otis S.A. [Greece]	Director
	Otis Management GMBH (Germany)	Director
	Otis Elevadores, Lda. [Portugal]	Chairman of the Board; Director; Managing Director
	Otis Maroc S.A.S. [Morocco]	Representative Director
	Otis S.p.A. [Italy]	Chairman of the Board; Director
	Acresa Cardellach, S.L.	Chairman
	Ascensores Eguren, S.A.	Natural person

	Conservación de Aparatos Elevadores Express, S.L.	representing
	Ascensores Ingar, S.A.	the Board member
Lindsay E. Harvey	“OTIS” spolka z ograniczona odpowiedzialnoscia [Poland]	Chairman
	Advance Lifts Holdings Limited [England]	Director
	Advance Lifts Limited [England]	Director
	Becker Lifts Limited [England]	Director
	Budget Lift Services Limited [England]	Director
	Combined Lift Services (Merseyside) Ltd. [England]	Director
	English Lifts [England]	Director
	Estec Limited [England]	Director
	Evans Lifts Limited [England]	Director
	Excelsior Lifts Limited [England]	Director
	Express Evans Lifts Limited [England]	Director
	Express Lifts (Overseas) Limited [England]	Director
	GB Lifts Limited [England]	Director
	Key Elevators Limited [England]	Director
	Lerman Oakland Lifts Limited [England]	Director
	Lift Components Limited [England]	Director
	Manor Lifts Limited [England]	Director
	MovemanSKG Limited [England]	Director
	Northern Lifts Services Limited [England]	Director
	Oakland Elevators Limited [England]	Director
	Oakland Elevators Limited [United Kingdom - Dormant]	Director
	Orion Lifts Limited [England]	Director
	Otis Elevator Ireland Limited [Ireland]	Director
	Otis International Holdings UK Limited [England]	Director
	Otis Investments Ltd. [England]	Director
	Otis Limited [England]	Director
	Otis UK Holding Limit [England]ed	Director
	PDERS Key Lifts Limited [England]	Director
	Porn Dunwoody (Lifts) Limited [England]	Director
	Sirius Korea Limited [England]	Director
	SKG (UK) Limited [England]	Director
	The Express Lift Company Limited [England]	Director
	Trent Valley Lifts Limited [England]	Director
	Wadsworth Lifts Limited [England]	Director
	Waygood Lifts Ltd. [England]	Director
	Otis Management GmbH [Germany]	Supervisory Board Member
	Otis Gesellschaft m.b.H. [Austria]	Supervisory Board Member
F. Javier Zardoya Arana	Otis Elevadores Lda. (Portugal)	Director
	Portis, S.L.	Chairman
José Maria Loizaga Viguri	Otis Elevadores Lda. (Portugal)	Director
María Luisa Zardoya Arana (natural person representing the board Member Euro-Syns, S.A.)	Otis Elevadores Lda. (Portugal)	Director

Explain, if applicable, any significant relationships, other than those mentioned in the preceding caption, between the members of the Board of Directors and the significant shareholders and/or companies belonging to their groups:

Name or Corporate Name of Director	Name or Corporate Name of Significant Shareholders	Description of Relationship
Messina, Angelo J.	United Technologies Corporation	He is an executive of the United Technologies Corporation Group
Harvey, Lindsay	United Technologies Corporation	He is an executive of the United Technologies Corporation Group

Grob, Bruno	United Technologies Corporation	He is an executive of the United Technologies Corporation Group
Otis Elevator Company	United Technologies Corporation	This company is controlled by United Technologies Corporation
Sainz de Baranda Riva, Pedro	United Technologies Corporation	He is an executive of the United Technologies Corporation Group
Zardoya Arana, Francisco Javier	Euro-Syns S.A .	Euro-Syns S.A. is a company controlled by the Zardoya family
Euro-Syns, S.A.	Euro-Syns S.A .	Euro-Syns S.A. is a company controlled by the Zardoya family

B.1.18. State, if applicable, any modifications made to the Regulations of the Board of Directors during the F.Y.

Yes ☒

No ☐

Description of modifications
<p>In 2008, an extensive modification to the Board Regulations was carried out in order to adapt them to most of the recommendations of the Unified Code of Good Governance. Additionally, its meeting of 07-28-2010, the Board of Directors resolved to amend the Board Regulations with three objectives:</p> <p>(i) First, in order to meet the requirements of the new Law 12/2010 of June 30 on Account Auditing, which requires the Board of Directors Regulations to define the functions that the Audit Committee must perform more precisely. This is the reason for the changes made to what is now section A) of article 12 of the Regulations.</p> <p>(ii) Second, in order to create a Nominating Commission. The new Law 12/2010 of June 30 on Account Auditing introduced, among other amendments relevant to the Company, the reform of sections 2 and 4 of the 18th Additional Provision of Law 24/1988 of July 28 on the Stock Market. This amendment states that at least one of the members of the Audit Committee must be independent. In relation to this requirement, the Unified Code of Good Governance states that listed companies must respect the meaning that the Unified Code gives to the concepts. In particular, the Unified Code expressly states that companies may not classify a director who does not meet the minimum requirements contained in point 5 of section III, Definitions, in the Unified Code as independent. Point 5.h) states that directors <i>“not proposed for appointment or renewal by the Nominating Committee”</i> cannot be classified as independent. Although the law does not expressly make the Nominating Committee mandatory (unlike the case of the Audit Committee), the new legal requirement that there must be at least one independent director implies the need to have a Nominating Committee. In the light of the foregoing, the Board of Directors, at the aforementioned meeting of July 28, 2010, unanimously agreed to amend the Board of Directors Regulations to, among other items, create the</p>

- Nominating Committee and appoint its first members. This is the reason for including a section B) in article 12 of the Regulations.
- (iii) Finally, other amendments, although of less importance, result from the convenience of adapting the Board of Directors Regulations to the new Capital Company Act that came into force on September 1, 2010. This is the reason for the changes made to article 5.h) (correct reference to the Nominating Committee), article 15.c) (consistency with the Capital Company Act), the penultimate paragraph of article 17 (extension of the provisions thereof to the Nominating Committee) and article 22 (elimination of the reference to the repealed Corporations Act). Likewise, taking the opportunity of the in-depth reform of article 12 of the Regulations, the references it contained to the repealed Corporations Act have been eliminated.

B.1.19. State the procedures for appointment, re-election, evaluation and removal of Directors. Give details of the competent bodies, the procedures to follow and the criteria to be employed in each one of the procedures.

Article 20 of the corporate By-Laws states that directors will be designated by voting in accordance with the rules established in the Corporations Act (this should now be understood to refer to the Capital Company 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 (this should now be understood to refer to the Capital Company Act)

In addition, article 13 of the Regulations of the Board of Directors 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 (this should now be understood to refer to the Capital Company Act).

Finally, article 15 of the Regulations of the Board of Directors 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.

B.1.20. State the circumstances in which Directors are obliged to resign.

Article 15 of the Regulations of the Board of Directors states that directors should tender their resignation to the Board of Directors in the event that they are affected by any of the cases of incompatibility or prohibition provided for by law.

In order to meet recommendations 30 and 32 of the Unified Code of Good Governance, article 15 of the Regulations of the Board of Directors provides that directors must tender their resignation to the Board under any of the following circumstances:

- (a) When they will be involved in some case of either incompatibility or prohibition, considered by the law.
- (b) When they may damage the Company's prestige or reputation.
- (c) When they are accused or prosecuted or when a ruling for opening of an oral trial in ordinary proceedings or a conviction in abbreviated proceedings is issued against them for a serious offence, in particular, from among the offences mentioned in article 213 of the Capital Company Act.
- (d) When they are seriously rebuked by the Audit Committee or for having infringed their duties as directors.

- (e) When an external proprietary director transfers its shareholding in the Company or when the shareholder that proposed the appointment of the director to the Company sells its shareholding in full or reduces it to a level that requires the reduction or elimination of its proprietary directors.

B.1.21. Explain whether the function of chief executive of the company is performed by the person holding the position of Chairman of the Board. If applicable, state the measures taken to limit the risks of accumulation of power by a single person:

YES ☐ NO ☒

Measures to limit risks

Indicate and, if applicable, explain whether rules have been established whereby one of the independent directors is authorized to request that a meeting of the Board be called or that other items be included on the agenda, to coordinate and hear the concerns of external directors and to direct the evaluation by the Board of Directors

Yes ☐ No ☒

Description of the rules

B.1.22. Are qualified majorities, other than those legally provided for, required for any type of decision?

YES ☐ NO ☒

State how the resolutions of the Board of Directors are adopted, stating at least the minimum quorum for attendance and the type of majorities required to adopt the resolutions:

Adoption of resolutions		
Description of resolution	Quorum	Type of majority

B.1.23. Explain whether there exist specific requirements, other than those relating to Directors, to be appointed Chairman:

YES ☐ NO ☒

Description of the requirements

B.1.24. State whether the Chairman has a casting vote:

YES ☐ NO ☒

Subjects for which the casting vote exists

B.1.25. State whether the By-Laws or the Regulations of the Board of Directors fix any age limit for Directors:

YES ☐ NO ☒

Age limit Chairman
Age limit Chief Executive Officer
Age limit Director

B.1.26. State whether the By-Laws or the Regulations of the Board of Directors fix a limited term of office for independent Directors:

YES ☐ NO ☒

Maximum number of year of term of office	
--	--

B.1.27. If the number of women directors is scant or nil, describe the reasons therefor as well as the initiatives adopted to correct such situation.

Description of reasons and initiatives
<p>At the 2010 year end, to which this report refers, Zardoya Otis, S.A. had a small Board of Directors. Of its 9 members, 6 are proprietary directors, one is an executive director, one is classified as "other external directors" (recommendation 11 of the Unified Code of Good Governance) and one is classified as "independent".</p> <p>In its policy for choosing directors, Zardoya Otis, S.A. applies processes intended to avoid any discrimination that might limit the access of women to posts on the Board of Directors. The Board Regulations require the Board of Directors to ensure, to the extent of its competencies, that persons of recognized competence and experience be chosen as directors, regardless of their sex. Additionally, the new article 12.B) 2 e) of the Board of directors Regulations, as approved by the Board of Directors at its meeting of 07-28-2010, states that one of the competencies of the Nominating Commission is to ensure that, when new vacancies arise or new directors are appointed, the selection procedures are not implicitly biased in any way that might imply some kind of discrimination and to report to the Board on gender diversity issues. At present, the director Euro-Syns, S.A. is represented by Ms. María Luisa Zardoya Arana.</p>

In particular, state whether the Nominating and Compensation Commission has established procedures which ensure that selection processes are free from any implied bias hindering the selection of women directors and which allow for the free search for women candidates that meet the required profile:

YES ☒ NO ☐

Describe the main procedures
<p>The new article 12.B) 2 e) of the Board of directors Regulations, as approved by the Board of Directors at its meeting of 07-28-2010, states that one of the competencies of the Nominating Commission is to ensure that, when new vacancies arise or new directors are appointed, the selection procedures are not implicitly biased in any way that might imply some kind of discrimination and to report to the Board on gender diversity issues.</p>

B.1.28. Indicate whether there are formal procedures for proxy-voting at meetings of the Board of Directors. If so, briefly describe them.

Article 22 of the By-Laws states that any Director may provide written authorization for another Director to represent him.

In addition, article 11 of the Regulations of the Board of Directors states that each director may authorize another director to represent him without any limit on the number of other directors that one director may represent at the Board meeting. Absent directors may authorize another director to represent them using any written means and telegrams, e-mails or faxes addressed to the Chairman of the Board of Directors are valid.

B.1.29. State the number of meetings held by the Board of Directors during the F.Y. Likewise, if applicable, state the number of times that the Board met without the presence of the Chairman:

Number of Board meetings	11
Number of Board meetings without the presence of the Chairman	0

State the number of meetings that the different commissions of the Board held during the F.Y.:

Number of meetings of the Executive or Delegate Commission	0
Number of meetings of the Audit Commission	7
Number of meetings of the Nominating and Compensation Commission	0
Number of meetings of the Nominating Commission	1
Number of meetings of the Remuneration Commission	0

B.1.30. Indicate the number of meetings held by the Board of Directors during the fiscal year at which not all of its members have been in attendance. Proxies granted without specific instructions must be counted as absences:

Number of absences of directors during the fiscal year (with representations but without specific instructions)	0
% of absences over total votes during the fiscal year	0

B.1.31. State whether the individual and consolidated annual accounts that are submitted to the Board for its approval are certified previously:

YES ☐ NO ☒

Identify, if applicable, the person/s who certified the company's individual and consolidated accounts to be formulated by the Board:

Name	Position

B.1.32. Explain the mechanism, if any, established by the Board of Directors to prevent the individual and consolidated accounts it formulates from being submitted to the General Meeting with qualifications in the audit report.

The Board of Directors controls, through the Audit Committee, the whole process of drawing up and formulating the annual accounts of Zardoya Otis, S.A. and its Group.

To date, the annual accounts (individual and consolidated) have never been submitted to the General Meeting with qualifications in the Audit Report.

In order to meet recommendation 53 of the Unified Code of Good Governance, article 12 of the Regulations of the Board of Directors states that the Board of Directors will endeavour to submit the accounts to the General Meeting of Shareholders without reservations or qualifications in the audit report and, in exceptional cases where these may exist, the Chairman of the Audit Committee and the auditors will provide the shareholders with clear explanations on the content and scope of said reservations or qualifications.

B.1.33. Is the Secretary of the Board of Directors a Director?

YES ☐

NO ☒

B.1.34. Describe the procedures for appointment and removal of the Secretary of the Board, stating whether the appointment and removal thereof have been reported upon by the Nominating Commission and approved by the full Board.

Procedure for appointment and removal
In accordance with article 8 of the Regulations of the Board of Directors, the Secretary will be designated by the Board of Directors. The Nominating Commission did not report on the appointment of the Secretary since said Commission did not exist until 07-28-2010. Neither the By-Laws nor the Regulations of the Board of Directors provide for any specific procedure for removal of the Secretary and, therefore, he will leave his post when the term for which he was appointed expires or when the Board of Directors so resolves with the vote in favour of a majority of its members.

	Yes	No
Does the Nominating Commission report on the appointment?	x	
Does the Nominating Commission report on the removal?		x
Does the full Board approve the appointment?	x	
Does the full Board approve the removal?	x	

Is the secretary of the Board responsible for specially ensuring compliance with good governance recommendations?

YES ☒

NO ☐

Comments

In order to meet recommendation 18 of the Unified Code of Good Governance article 8 of the Regulations of the Board of Directors expressly provides that the Secretary to the Board of Directors must ensure that the resolutions of the Board of Directors:

- (a) are in line with the letter and the spirit of the Laws and their implementing regulations, including those approved by the regulatory bodies;
- (b) are in accordance with the By-Laws of the Company and the Regulations of the General Meeting, the Board of Directors and any other body present in the Company; and
- (c) respect the rules or recommendations on good corporate governance in force at any given moment.

B.1.35. Indicate the mechanisms, if any, used by the Company to preserve the independence of the auditors, the financial analysts, the investment banks and the rating agencies.

On July 30, 2004, Zardoya Otis, S.A. approved Internal Conduct Regulations on issues relating to the stock markets, in order to protect the investor by promoting measures for transparency and thus avoid abuse.

In order to meet recommendation 50.2.c) of the Unified Code of Good Governance, article 12.A) 2 of the Regulations of the Board of Directors states that the Audit Committee must be in contact with the external Account Auditor in order to receive information on any matters related to the process of performing the account audit, such as the progress and findings of the audit program, to maintain with the external Account Auditor those other communications required by the account auditing legislation and technical audit rules and check that the Company's senior management is acting in accordance with its recommendations. Likewise, the Audit Committee must receive information on any issues which may place the external Account Auditor's independence at risk.

To this effect:

- (i) the Company shall notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements that may have arisen with the outgoing auditor and, if such disagreements exist, the contents thereof;
- (ii) the Audit Committee shall ensure that the Company and the external Account Auditor respect the current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, the other requirements designed to safeguard auditors' independence; and
- (iii) the Company shall establish appropriate contacts with the account auditor to receive information on any questions which might place the latter's independence at risk, which will be examined by the Audit Committee, and any other issues related to the process of conducting the account audit, together with the matters provided for in the account auditing legislation and auditing rules. In particular, the Audit Committee will receive from the account auditors, on an annual basis, written confirmation of their independence in relation to the Company or any companies that may be related directly or indirectly thereto, together with confirmation of the additional services of any nature rendered to said companies by the auditors or by persons or entities related to the auditors in accordance with the provisions of the Account Auditing Law.
- (iv) the Audit Committee shall investigate the issues giving rise to the resignation of any external Account Auditor; and
- (v) the Audit Committee shall issue an annual report, prior to the issue of the audit report, expressing an opinion on the independence of the account auditors. Said report shall also always make a pronouncement on the additional services to which point (ii) above refers.

Finally, the Audit Committee must urge the external group auditor to take on the auditing of all the group's companies.

B.1.36. Indicate whether the Company has changed the external auditor during the fiscal year. If so, identify the incoming and the outgoing auditor:

YES ☐

NO ☒

Outgoing auditor	Incoming auditor

If there has been any disagreement with the outgoing auditor, describe the content thereof:

YES ☐

NO ☒

Description of the disagreement
Not applicable

B.1.37. State whether the audit firm carries out work for the company and/or its group other than audit work and, if so, state the amount of the fees received for said work and the percentage of the fees billed to the company and/or its group that these represent:

YES ☒

NO ☐

	Company	Group	Total
Amount of work other than audit work (thousands of euros)	137	18	155
Amount of work other than audit work / Total amount billed by the audit firm (%)	41,64	11,32	31,76

B.1.38. State whether the audit report on the Annual Financial Statements for the prior fiscal year has observations or qualifications. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of such observations or qualifications.

YES ☐

NO ☒

Description of reasons

B.1.39. State the number of years for which the current audit firm has been uninterruptedly auditing the annual accounts of the company and/or its group. Likewise, state the percentage represented by the number of years audited by the current audit firm in relation to the total number of years for which the annual accounts have been audited:

	Company	Group
Number of consecutive years	23	23

	Company	Group
Number of years audited by the current audit firm / Number of years for which the company has been audited (%)	63.9	100.00

B.1.40. State the holdings of members of the Board of Directors of the company in companies that have the same, an analogous or a complementary type of activity to the activity that constitutes the corporate purpose of both the company and its group, when such holdings have been notified to the company. Likewise, state the positions or functions executed in said companies:

Name or corporate name of Director	Name of the relevant company	% shareholding	Position or functions
Loizaga Viguri, José María	Actividades de Construcción y Servicios, S.A. (ACS)	0.0730	Director

B.1.41. State whether any procedure exists that allows the Directors to obtain external advice and, if applicable, give details thereof:

YES ☒ NO ☐

Details of procedure
<p>Article 17 of the Regulations of the Board of Directors states that the Board of Directors may, with the broadest authorization, obtain any information or advice it may require on any aspect of the Company whenever it so requires to perform its functions.</p> <p>In order to meet recommendation 24 of the Unified Code of Good Governance, article 17 of the Regulations of the Board of Directors provides that any director may request the engagement, at the Company's expense, of legal, accounting, financial or commercial advisors or other experts. The engagement must necessarily refer to specific problems of certain importance and complexity that arise in carrying out the director's duties. The request for the engagement will be channelled through the Chairman or Secretary of the Board of Directors, who may make it subject to the Board's prior authorization, which may be refused when there are reasons to justify this, including the following circumstances:</p> <ul style="list-style-type: none"> (a) When it is not necessary in order to correctly fulfil the functions entrusted to the directors. (b) If the cost is not reasonable in the light of the importance of the problem and the Company's assets and income. (c) If the technical assistance requested may be given adequately by experts and technical staff within the Company. (d) If it may represent a risk to the confidentiality of the information that must be provided to the expert. <p>Likewise, the Chairman may, as an exception, temporarily restrict access to certain information, informing the Board of this decision..</p> <p>Additionally, at its meeting of 07-28-2010, the Board of Directors resolved to include a new paragraph in article 17 of the Board Regulations stating that the Audit Committee and Nominating Commission may obtain external advice when they deem this necessary in order to perform their functions.</p>

B.1.42. State whether there exists a procedure that allows the Directors to obtain the information required to prepare the meetings of the governing bodies in sufficient time and, if applicable, give details:

YES ☒NO ☐**Describe the procedure**

Board meetings are, in practice, called 20 days in advance, although the minimum period included in article 10 of the Regulations of the Board of Directors is 10 days, enclosing the Agenda and providing the directors with the information required to prepare the items to be considered at each meeting. For matters in which the Audit Committee is involved, the latter will meet before the Board meeting, which it will subsequently inform, and will obtain such information, calling the persons from the Company, auditors, etc. that it deems necessary in order to fulfil its functions appropriately.

Article 17 of the Regulations of the Board of Directors provides that any director will be entitled to receive the information he requests to be used for preparing the items to be considered at each Board of Directors meeting. The right to information covers subsidiaries, both national and foreign, and will be channelled through the Chairman of the Board of Directors, who will handle the requests of any director and provide the information directly, offering the appropriate contacts or taking any measures necessary for the examination requested.

In order to meet recommendation 16 of the Unified Code of Good Governance article 6 of the Regulations of the Board of Directors expressly provides that the Chairman of the Board is responsible for ensuring that all the directors receive sufficient information to prepare the items to be discussed at each meeting of the Board of Directors.

B.1.43. State whether the Company has established any rules requiring Directors to inform the Company —and, if applicable, resign from their position— in cases in which the credit and reputation of the Company may be damaged. If so, describe such rules:

YES ☒NO ☐**Describe the rules**

Articles 15 and 19 of the Regulations of the Board of Directors follow recommendation 32 of the Unified Code of Good Governance.

- 1) Article 15 of the Regulations of the Board of Directors states that directors are obliged to tender their resignation to the Board of Directors and formalize it if the latter sees fit in the following cases:
 - (a) When they are affected by any of the circumstances for incompatibility or prohibition provided for by law.
 - (b) When they may damage the Company's prestige or reputation.
 - (c) When they are accused or prosecuted or when a ruling for opening of an oral trial in ordinary proceedings or a conviction in abbreviated proceedings is issued against them for a serious offence, in particular, from among the offences mentioned in article 213 of the Capital Company Act.
 - (d) When they are seriously rebuked by the Audit Committee or for having breached their duties as Directors.

- (e) When an external proprietary director transfers its shareholding or when the shareholder that proposed the appointment of the director to the Company sells its shareholding in full or reduces it to a level that requires the reduction or elimination of its proprietary directors.
- (2) Article 19 of the Regulations of the Board of Directors states that the directors are obliged to notify the Board of Directors as soon as possible and, if applicable, resign, in the event that any of the circumstances that may affect them and may damage the Company's prestige and reputation arise, in particular, if they are prosecuted in criminal proceedings.

B.1.44. State whether any member of the Board of Directors has informed the Company that he has become subject to an order for further criminal prosecution upon indictment or that an order for the commencement of an oral trial has been issued against him for the commission of any of the crimes contemplated in Section 124 of the Companies Law:

YES ☐ NO ☒

Name of Director	Criminal Case	Comments

Indicate whether the Board of Directors has analyzed the case. If so, provide a duly substantiated explanation of the decision adopted regarding whether or not the Director should remain in office.

YES ☐ NO ☐

Decision adopted	Duly substantiated explanation
Not applicable	

B.2. Commissions of the Board of Directors

B.2.1. Give details of all the commissions of the Board of Directors and the members of said commissions:

EXECUTIVE OR DELEGATE COMMISSION

Name	Position	Type of shareholder

AUDIT COMMITTEE

Name	Position	Type of shareholder
Loizaga, José María	Chairman	Independent
Messina, Angelo	Member	Proprietary
Grob, Bruno	Member	Proprietary

NOMINATING AND COMPENSATION COMMISSION

Name	Position	Type of shareholder
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NOMINATING COMMISSION

Name	Position	Type of shareholder
Harvey, Lindsay	Chairman	Proprietary
Loizaga, José María	Member	Independent
Otis Elevator Company (Johan Bill)	Member	Proprietary

COMPENSATION COMMISSION

Name	Position	Type of shareholder

..... COMMISSION

Name	Position	Type of shareholder

B.2.2. State whether the Audit Committee has the following duties:

	Yes	No
To monitor the preparation and the integrity of the financial information relating to the company and, if appropriate, to the group, checking compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting standards.	X	
Periodically review the internal control and risk management systems, in order for the main risks to be properly identified, managed and made known.	X	
Ensure the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit service; propose the department's budget; receive regular reports on its activities; and verify that senior management takes into account the findings and recommendations of its reports.	X	
Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, potentially significant irregularities within the company that they detect, in particular financial or accounting irregularities.	X	
Submit to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which it should be hired.	X	
Regularly receive from the external auditor information regarding the audit plan and the results of the implementation thereof, and verify that senior management takes its recommendations into account.	X	
Ensure the independence of the external auditor.	X	
In the case of groups of companies, favor the auditor of the Group as the auditor responsible for audit work at the companies that form part thereof.	X	

B.2.3. Provide a description of the rules of organization and operation and of the responsibilities attributed to each one of the commissions of the Board.

AUDIT COMMITTEE

Competencies

Article 24-bis of the By-Laws states that the competencies of the Audit Committee are as follows:

- a) To inform, through the Chairman, at the General Meeting of Shareholders on issues raised thereat on subjects in which it is competent.
- b) To propose to the Board of Directors, for submission to the General Meeting of Shareholders, the appointment of the external auditor to which article 204 of the Corporations Act refers (reference related now to article 264 of the Spanish Companies Act).
- c) To supervise the Company's internal audit services.
- d) To keep informed of the Company's financial information and internal control systems.
- e) To keep in contact with the Auditor to receive information on any issues that may place said Auditor's independence at risk and any other matters related to the process of conducting the account audit and to exchange the other communications provided for in account auditing legislation and technical auditing rules with the Auditor.

Article 24 bis of the By-Laws includes an express reference to the fact that the Audit Committee has, not only the functions attributed thereto in the By-Laws, but also any other functions attributed to it in the Regulations of the Board of Directors.

In order to meet recommendations Nos. 45, 48, 49, 50, 51, 52 and 53 of the Unified Code of Good Governance, article 12 of the Regulations of the Board of Directors states that the competencies of the Audit Committee are as follows:

- (a) To report, through its Chairman, to the General Shareholders' Meeting with respect to matters relating to its functions raised thereat by the shareholders.
- (b) To propose to the Board of Directors, for submission to the General Shareholders' Meeting, the recommendations for the selection, appointment, reappointment and removal of the external account auditor and its engagement conditions.
- (c) To supervise the Company's internal audit services and, in particular:
 - (i) to monitor the independence and efficacy in its functions of the internal audit services;
 - (ii) to propose the selection, appointment, reappointment and removal of the head of internal audit services;
 - (iii) to propose the budget of said services;
 - (iv) to receive regular report-backs on their activities;
 - (v) to review the annual work program and the yearly activities report of the internal audit services;
 - (vi) to be informed of any incidents arising during the implementation of the internal audit services' yearly work program,
 - (vii) to verify that senior management acts in accordance with the conclusions and recommendations contained in their reports, and
 - (viii) to discuss any significant weaknesses detected in the internal audit system in the course of the audit with the account auditors.
- (d) To be informed of and to monitor the financial information of the Company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidated group and the correct application of accounting principles, ensuring the integrity thereof.

- (e) To review internal control and risk management systems on a regular basis, so that main risks are properly identified, managed and disclosed. In particular, control and risk management policy shall identify, at least:
 - (i) the different types of risk (operational, technological, financial, legal, reputational, etc.) the Company is exposed to, including contingent liabilities and other off-balance sheet risks among the financial and economic risks;
 - (ii) the determination of the risk level the Company sees as acceptable;
 - (iii) the measures in place to mitigate the impact of the identified risk events, should they occur; and
 - (iv) the internal reporting and control systems which will be used to control and manage said risks, including the aforementioned contingent liabilities and off-balance sheet risks.
- (f) To be in contact with the external Account Auditor in order to receive information on any matters related to the process of performing the account audit, such as the progress and findings of the audit program, to maintain with the external Account Auditor those other communications required by the account auditing legislation and technical audit rules and check that the Company's senior management is acting in accordance with its recommendations. Likewise, to receive information on any issues which may place the external Account Auditor's independence at risk. To this effect:
 - (i) the Company shall notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements that may have arisen with the outgoing auditor and, if such disagreements exist, the contents thereof;
 - (ii) the Audit Committee shall ensure that the Company and the external Account Auditor respect the current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, the other requirements designed to safeguard auditors' independence; and
 - (iii) the Company shall establish appropriate contacts with the account auditor to receive information on any questions which might place the latter's independence at risk, which will be examined by the Audit Committee, and any other issues related to the process of conducting the account audit, together with the matters provided for in the account auditing legislation and auditing rules. In particular, the Audit Committee will receive from the account auditors, on an annual basis, written confirmation of their independence in relation to the Company or any companies that may be related directly or indirectly thereto, together with confirmation of the additional services of any nature rendered to said companies by the auditors or by persons or entities related to the auditors in accordance with the provisions of the Account Auditing Law.
 - (iv) the Audit Committee shall investigate the issues giving rise to the resignation of any external Account Auditor; and
 - (v) the Audit Committee shall issue an annual report, prior to the issue of the audit report, expressing an opinion on the independence of the account auditors. Said report shall also always make a pronouncement on the additional services to which point (ii) above refers.
- (g) To urge the group auditor to take on the auditing of all the group's companies.
- (h) To establish and supervise a mechanism whereby employees can report, confidentially and, if seen fit, anonymously, any potentially serious irregularities that they note within the Company, especially financial and accounting irregularities. The Chairman of the Audit Committee shall inform the Board of Directors on any reports received at the first Board meeting following receipt thereof.

- (i) To supervise compliance with the internal codes of conduct and corporate governance rules and recommendations in force at any given moment.
- (j) To inform the Board of Directors, before the decision-making, on the following issues:
 - (i) the financial information that the Company must periodically disclose. The Committee shall ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review;
 - (ii) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of an analogous nature whose complexity may detract from the transparency of the group; and
 - (iii) related-party transactions.
- (k) Any others that may be attributed to them by the By-Laws, these Regulations, the Board of Directors or the Law.

Rules of operation

In accordance with article 24 bis of the By-Laws, the rules of operation of the Audit Committee are as follows:

1. The Audit Committee shall meet at least once quarterly and whenever the Chairman considers convenient or at least two members of the Committee so request.
2. The Committee is a collegiate body and its decisions shall be adopted by a majority of its members. The meetings of the Audit Committee shall be minuted, a complete copy of such minutes shall be sent to all the Board members and to the Board of Directors.
3. The Audit Committee may require the presence at any of its meetings of the external auditor, the legal advisor to the Board of Directors or any officer or employee of the Company. In the last of these cases, their attendance should be requested through the General Manager.
4. The Committee shall review the financial information that is sent on a quarterly basis to the Comisión Nacional del Mercado de Valores (CNMV).
5. The Board of Directors is competent to develop, expand and complete the rules on the composition, operation and competencies of the Audit Committee in all aspects not specified in these By-Laws by drawing up internal regulations of the Audit Committee, which must respect the provisions of these By-Laws and the law.

Article 24 bis of the By-Laws, in Rule of Operation No. 3, states that the Audit Committee may require the presence of any employee, officer (even ordering their appearance without the presence of another officer, the request for an employee or officer to attend must be made through the Company's General Manager), Executive Director, the external Account Auditor or the legal advisor to the Board of Directors at any of its meetings

In order to meet recommendations numbers 44 and 51 of the Unified Code of Good Governance, article 12 of the Regulations of the Board of Directors states that the rules of operation of the Audit Committee are the following:

- (a) The Audit Committee shall meet at least once quarterly and whenever the Chairman considers convenient or at least two members of the Committee so request.
- (b) Meetings of the Audit Committee will reach a quorum when a majority of the members are present or represented. Its decisions shall likewise be adopted by a majority of the members.
- (c) The Chief Executive Officer shall provide the Audit Committee with the information it requires to perform its duties in relation to the directors and senior management of the principal companies in which interests are held.

- (d) The Audit Committee shall have free access to any kind of information or documentation held by or available to the Company that it considers necessary in order to perform its duties.
- (e) The Committee may require the presence at any of its meetings of any employee or officer (and may order them to appear without the presence of any other officer, in which case, their attendance shall be requested through the General Manager), any executive Director, the external account auditor and/or the legal advisor to the Board of Directors.
- (f) Minutes of Audit Committee meetings shall be taken and a copy shall be sent to all the members of the Board and to the Board of Directors, sending the full contents of the minutes of the Committee meetings. Furthermore, the Chairman of the Audit Committee shall, if applicable, report on any decisions and/or significant events that may have occurred at the Committee meetings at the first Board meeting to take place after the Committee meeting in question.
- (g) The Committee shall review the financial information that is sent on a quarterly basis to the Comisión Nacional del Mercado de Valores (CNMV).
- (h) The Board of Directors shall discuss the proposals and/or reports presented by the Audit Committee.

In the absence of any specific rule, the provisions of these Regulations on the operation of the Board of Directors shall be applicable to the Audit Committee to the extent that they are not incompatible with the nature thereof, in particular, the rules on calling the meetings, delegating another Director as a representative, universal meetings, written ballots without holding a meeting, the persons acting as chairman and secretary of the meetings and the approval of the minutes thereof.

NOMINATING COMMISSION

Functions

The Nominating Commission shall have the following functions:

- (a) To assess the skills, knowledge and experience necessary on the Board and, consequently, to define the functions and abilities necessary in the candidates who are to cover any vacancies and assess the time and effort required for them to carry out their duties well.
- (b) To report on proposals for designating the internal positions to be held by the members of the Board of Directors and propose the members that should compose each of the Commissions to the Board of Directors.
- (c) To examine or organize, in the manner seen fit, the succession of the Chairman and the chief executive and, if applicable, to make proposals to the Board so that said succession takes place in an orderly and well-planned manner.
- (d) To report on the appointments and removals of members of senior management that the Company's chief executive proposes to the Board.
- (e) To ensure that, when new vacancies arise or new Directors are appointed, the selection procedures are not implicitly biased in any way that might imply some kind of discrimination and to report to the Board on gender diversity issues.
- (f) Any others that may be attributed to them by the By-Laws, these Regulations, the Board of Directors or the Law.

The Nominating Commission shall consult the Chairman and the Company's chief executive, especially in relation to issues concerning the executive directors.

Any Director may request the Nominating Commission to consider potential candidates to cover vacancies on the Board, so that it may decide on their suitability.

Rules of operation

In the performance of its activities, the Nominating Commission shall be governed by the following rules of operation:

- (a) The Nominating Commission shall meet before any Board of Directors meeting at which a proposal is to be put to the General Shareholders' Meeting for the appointment, removal from office, re-election or ratification of a Director and before any Board of Directors meeting at which it is planned to co-opt a Director to cover a vacancy. The Nominating Commission shall likewise meet whenever the Chairman considers it necessary or when at least two members of the Commission so request.
- (b) Meetings of the Nominating Commission will reach a quorum when a majority of the members are present or represented. Its decisions shall likewise be adopted by a majority of the members.
- (c) The Chief Executive Officer shall provide the Nominating Commission with the information it requires to perform its duties in relation to the directors and senior management of the principal companies in which interests are held.
- (d) The Commission shall have free access to any kind of information or documentation held by or available to the Company that it considers necessary in order to perform its duties.
- (e) The Commission may require the collaboration of any Director, member of senior management or employee of the Company and/or its group to enable it to better perform its functions.
- (f) Minutes of Nominating Commission meetings shall be taken and a copy shall be sent to all the members of the Board and to the Board of Directors, sending the full contents of the minutes of the Committee meetings. Furthermore, the Chairman of the Nominating Commission shall, if applicable, report on any decisions and/or significant events that may have occurred at the Committee meetings at the first Board meeting to take place after the Commission meeting in question.

In the absence of any specific rule, the provisions of these Regulations on the operation of the Board of Directors shall be applicable to the Nominating Commission to the extent that they are not incompatible with the nature thereof, in particular, the rules on calling the meetings, delegating another Director as a representative, universal meetings, written ballots without holding a meeting, the persons acting as chairman and secretary of the meetings and the approval of the minutes thereof.

B.2.4. State, if applicable, the authority in relation to advice or consultation and, if applicable, the delegations that each of the commissions holds:

Name of commission	Brief description
Audit Committee	<p>Advice: the Audit Committee may obtain external advice when it deems this necessary in order to carry out its functions.</p> <p>Consultation: the Committee may require the presence at any of its meetings of any employee or member of management (and also require them to appear without the presence of any member of management, in which case the requirement for attendance must be made through the General Manager), of any executive Director, the Account Auditor or the Advisor Lawyer to the Board of Directors.</p>

	Delegations: the Audit Committee does not
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Nominating Commission	<p>hold any powers delegated by the Board of Directors.</p> <p>Advice: the Nominating Commission may obtain external advice when it deems this necessary in order to carry out its functions.</p> <p>Consultation: the Commission may require the presence at any of its meetings of any employee or member of management (and also require them to appear without the presence of any member of management, in which case the requirement for attendance must be made through the General Manager), of any executive Director, the Account Auditor or the Advisor Lawyer to the Board of Directors.</p> <p>Delegations: the Nominating Commission does not hold any powers delegated by the Board of Directors.</p>
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B.2.5. State, if applicable, the existence of any regulations of the commissions of the Board, the place in which they are available to be consulted and any amendments that may have been made during the year. Also, state whether any annual report has been prepared voluntarily on the activities of each commission:

Audit Committee

The Audit Committee has the competencies and rules of operation transcribed above. At the year end, the financial statements include a summary of the main points discussed by the Audit Committee during the year. All this information is available on the Company's website in the section Corporate Governance, Board Commissions. Article 24 bis (Audit Committee) of the By-Laws states that the competencies of the Audit Committee are not only those described in said article but may be complemented by the provisions of the Regulations of the Board of Directors.

Nominating Commission

The Audit Committee has the competencies and rules of operation transcribed above. All this information is available on the Company's website in the section Corporate Governance, Board Commissions.

No annual report is drawn up on the activities of each Commission.

B.2.6. State whether the composition of the executive commission reflects the participation of the different Directors in the Board in accordance with their classification:

YES ☐ NO ☒

If not, explain the composition of the executive commission
There is no executive commission.

C RELATED TRANSACTIONS

- C.1. State whether the Board in full has reserved the power to approve, after a favorable report of the Audit Committee or any other committee entrusted with such duty, transactions carried out by the Company with Directors, with significant shareholders or shareholders represented on the Board, or with persons related thereto:**

yes ☒ NO ☐

Article 12 of Board Regulations, states that the Audit Committee will inform the Board of Directors, prior to the decisions of the Board on related transactions.

- C.2. Give details of any relevant transactions that represent a transfer of resources or obligations between the company or companies belonging to its group and the company's significant shareholders:**

Name or corporate name of significant shareholder	Name or corporate name of the company or company belonging to its group	Nature of the transaction	Type of relationship	Amount (thousands of euros)
United Technologies Holdings, S.A.	Otis Elevator Company	Contractual	License Agreements	24.873
United Technologies Corporation (parent company)		Contractual	Recharge Agreement	

The Group has been party to a technical assistance agreement (Intellectual Property License Agreement) with Otis Elevator Company since 1999. This Agreement allows the company to use the trademarks and have access to the Research and Development and global product development activities. The cost of this Agreement is a royalty of 3.5% of sales to final customers.

Additionally, in September 2010, a Recharge Agreement was signed with our majority shareholder, the United Technologies Corporation (UTC) Group. Under this Agreement, the Company undertakes to duly reimburse to UTC, after a favourable report from the Audit Committee, the cost of the long-term UTC share-based incentive program in favour of members of management common to both the Company and UTC. This is applicable to incentives granted on or after December 1, 2010.

- C.3. Give details of any relevant transactions that represent a transfer of resources or obligations between the company or companies belonging to its group and the company's Directors or management staff:**

Name or corporate name of the directors or management staff	Name or corporate name of the company or company belonging to its group	Nature of the transaction	Type of relationship	Amount (thousands of euros)

C.4. Give details of any relevant transactions performed by the company with other companies belonging to the same group, when these are not eliminated in the process of preparing financial consolidated statements and do not form part of the company's ordinary trade in terms of their purpose and conditions:

Corporate name of group entity	Brief description of transaction	Amount (thousands of euros)
Otis Elevator Group	Imports (from)	42.146
Otis Elevator Group	Exports (to)	80.625
Otis Elevator Group	Financial income (from)	0
Otis Elevator Group	Invoicing (to) R&D of Zardoya Otis	856

C.5. Identify, if applicable, any situations of conflicts of interest that affect the company's Directors, as provided for in article 127 ter of the Spanish Corporations Act.

YES ☐ NO ☒

Name or corporate name of the director	Description of the conflict of interest situation

C.6. Give details of the any mechanisms established to detect, determine and solve any possible conflicts of interest between the company and/or its group and its Directors, management staff or significant shareholders.

In accordance with article 229 of the Capital Company Act, directors affected by a conflict of interests refrain from participating in the debate and subsequent voting, absenting themselves from the meeting at which the relevant resolution is adopted.

Article 7.3 of the Internal Conduct Regulations on matters relating to the Stock Markets states that directors, members of management and significant shareholders are obliged to inform the Secretary to the Board of Directors on any possible conflicts of interests to which they may be subject. Any doubt on the possibility of a conflict of interests must be consulted with the Secretary to the Board of Directors before any decision that may be affected by said conflict is adopted.

The Secretary is responsible for keeping an updated register of conflicts of interests. The Secretary may periodically request the persons subject to the Internal Conduct Regulations on matters relating to the Stock Markets to provide written confirmation that no conflicts of interests exist or that no new conflicts have arisen.

In the event of a conflict of interests that the Secretary has been unable to solve and that requires authorized intervention, it will be submitted to the Board of Directors, which will take the following rules into account in order to decide:

- In the event of conflict between the directors, members of management or significant shareholders and Zardoya Otis, S.A., the interests of the Company will prevail.
- In the event of conflict between Zardoya Otis, S.A. and a shareholder or customer or between the two latter, the fair criterion of the Board will be applicable.

At any event, persons affected by a conflict must govern their conduct by the principles of abstention and independence.

Article 19 of the Regulations of the Board of Directors includes the directors' obligation to abstain if a situation arises in which their personal interests and those of the Company enter into conflict.

C.7. Is more than one company of the Group listed in Spain?

YES ☐ NO ☒

Identify the subsidiaries listed in Spain:

Listed subsidiaries
Not applicable

State whether they have publicly and accurately defined their respective areas of activity and any possible business relationships among them, as well as those between the listed dependent company and the other companies within the Group:

YES ☐ NO ☐

Describe the possible business relationships between the parent company and the listed subsidiary, and between the subsidiary and the other companies within the Group
Not applicable.

Describe the mechanisms established to resolve possible conflicts of interest between the listed subsidiary and the other companies within the Group:

Mechanisms for the resolution of possible conflicts of interest
Not applicable

D RISK CONTROL SYSTEMS

D.1. General description of the risk policy of the company and/or its group, providing details of and evaluating the risks covered by the systems, together with an explanation of why said systems are appropriate for the profile of each type of risk.

In accordance with article 24 bis c) of the By-Laws, the Audit Committee is responsible for supervising the Company's internal audit services. The Audit Committee has put in place and supervised the control devices that allow the main potential risks of the Company and its Group to be evaluated and the evaluation of the risk control systems, adapted to the risk profile of the Company and its Group.

In order to meet recommendation 8 of the Unified Code of Good Governance, article 3 of the Board Regulations states that the Board of Directors is responsible for fixing the Company's internal audit and control policy.

In order to meet recommendations 48 and 50 of the Unified Code of Good Governance, article 12.A) 2 of the Board Regulations states that the Audit Committee must supervise the efficiency of the Company's internal control, internal audit and risk control systems and, in particular, (i) monitor the independence and efficacy in its functions of the internal audit services; (ii) propose the selection, appointment, reappointment and removal of the

head of internal audit services; (iii) propose the budget of said services; (iv) receive regular report-backs on their activities; (v) review the annual work program and the yearly activities report of the internal audit services; (vi) be informed of any incidents arising during the implementation of the internal audit services' yearly work program, (vii) verify that senior management acts in accordance with the conclusions and recommendations contained in their reports, and (viii) discuss any significant weaknesses detected in the internal audit system in the course of the audit with the account auditors.

In accordance with article 12.A) 2 of the Board Regulations, as amended by the resolution of the Board of Directors dated 07-28-2010, the Audit Committee is responsible for reviewing internal control and risk management systems on a regular basis, so that main risks are properly identified, managed and disclosed. In particular, control and risk management policy shall identify, at least:

- (i) the different types of risk (operational, technological, financial, legal, reputational, etc.) the Company is exposed to, including contingent liabilities and other off-balance sheet risks among the financial and economic risks;
- (ii) the determination of the risk level the Company sees as acceptable;
- (iii) the measures in place to mitigate the impact of the identified risk events, should they occur; and
- (iv) the internal reporting and control systems which will be used to control and manage said risks, including the aforementioned contingent liabilities and off-balance sheet risks

D.2. Indicate whether any of the various types of risks (operational, technological, financial, legal, reputational, tax-related, etc.) affecting the Company and/or its Group materialized during the fiscal year.

YES ☒ NO ☐

If so, indicate the circumstances giving rise to them and whether the established control systems have worked:

Risk that occurred during the fiscal year	Circumstances giving rise thereto	Performance of control systems
Risk on accounts receivables	Deterioration in the economic situation	The Group has customer credit risk management policies, as well as regular debt monitoring procedures conducted by the departments involved in debt collection.

D.3. Indicate whether there is any committee or other decision-making body in charge of establishing and supervising these control mechanisms.

YES ☒ NO ☐

If so, describe its duties:

Name of Committee or other Body	Description of duties
Board of Directors	The Board of Directors is responsible for approving the risk management and control policy.

Audit Committee	The Audit Committee is responsible for periodically reviewing the internal control and risk management systems, so that the main risks are properly identified, managed and disclosed.
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D.4. Identification and description of processes for compliance with the different regulations that affect your company and/or its group.

Zardoya Otis, S.A. has an Internal Audit Department, with systems and processes that are intended to evaluate, monitor, mitigate or reduce the Company's main risks by preventive measures and alerts of possible situations of risk. The Company has the risks that affect assets and liability covered by the appropriate insurance policies. Likewise, it has processes that ensure control of any risk that may stem from trading operations.

E GENERAL MEETING

E.1. State the quorum required for the valid assembly of the General Meeting fixed in the By-Laws. Describe how it differs from the system of minimums provided for in the Spanish Corporations Law (now Spanish Companies Act)

YES ☒ NO ☐

	Quorum % different from that established as a general rule in article 102 of Corporations Law (now article 193 of Spanish Corporations Act)	Quorum % different from that established in article 103 of the Corporations Law (now articles 194 and 201 of Spanish Companies Act) for the special cases set forth in such article 103
Required quorum upon 1st call	60%	2/3 (66.66%)
Required quorum upon 2nd call	50%	50%

Description of differences
The qualified quorums mentioned in the above chart are required.

E.2. Explain the regime for adopting corporate resolutions. Describe how it differs from the system provided for in the Corporations Law (now Spanish Companies Act).

YES ☐ NO ☒

Describe the differences

	Qualified majority other than that established in Section 103.2 of the Companies Law (now article 194 of Spanish Companies Act) for the cases set Forth in section 103.1 of the Companies Law (now article 201 of Spanish Companies Act)	Other cases of qualified majority

% established by the entity for the adoption of resolutions		
Describe the differences		
Not applicable		

E.3. List any shareholders' rights in relation to the General Meetings that differ from those provided for in the Spanish Corporations Law (now Spanish Companies Act).

There are no shareholder rights in relation to General Meetings other than those provided for in the Capital Company Act.

E.4. State, if applicable, any measures adopted to promote shareholder participation in the General Meetings.

All the shareholders of Zardoya Otis, S.A. may attend the General Meeting of Shareholders pursuant to the provisions of article 5 of the Regulations of the General Meeting. Likewise, in accordance with article 10 of the Regulations of the General Meeting, all shareholders are entitled to participate, with voice and vote, in the deliberations at the General Meeting, with no type of limitation on the use of voting rights.

In addition to the rights to request a meeting be called, to attend and to designate a representative included in the By-Laws, Zardoya Otis, S.A. applies a policy of encouraging shareholders to participate in the General Meeting of Shareholders with the following measures:

- The General Meeting of Shareholders takes place on premises with the best conditions for holding and following the meeting, with a large capacity, located in the centre of the city where the registered office is located.
- All the documentation necessary for preparing the General Meeting of Shareholders is made available to the shareholders, both on the Company's website and at the registered office.

Finally, in accordance with article 16 of the By-Laws, the Chairman of the General Meeting is responsible for chairing the deliberations, yielding the floor, in strict order, to all the shareholders who have so requested in writing and then to those who request it orally.

E.5. State whether the position of Chairman of the General Meeting coincides with the position of Chairman of the Board of Directors. Give details, if applicable, of the measures adopted to guarantee the independence and correct operation of the General Meeting:

YES ☒

NO ☐

Details of the measures

To ensure that the General Meeting of Shareholders is conducted in an orderly manner, the relevant measures of caution and protection are in place, including access control systems and other measures necessary to ensure that the meeting runs correctly.

In accordance with Article 8 of the Regulations for the General Meeting of Shareholders, the Chairman will preside and fix the order of the deliberations and speeches, decide on the manner in which votes are taken on the resolutions, handle any queries, clarifications or claims that arise in relation to the Agenda, the list of attendees, share ownership, delegations or representatives, the requirements for a valid quorum and/or the adoption of resolutions by the Meeting, or on the limit on voting rights in the By-Laws. Likewise, the Chairman will yield the floor to the shareholders who so request, withdrawing the right to speak or not granting it and concluding the debates when he considers the subject thereof to have been discussed sufficiently.

E.6. State, if applicable, any amendments made to the Regulations for the General Meeting during the year.

There were no modifications in 2010, due to the fact that the General Meeting Regulations were modified at length in 2008, in order to adapt most of them to the recommendations of the Corporate Governance Code.

E.7. State the attendance figures for General Meetings held in the year to which the present report refers:

Date of General Meeting	Attendance Figures				Total %
	% physically present	% represented	% distance votes Electronic voting	Other	
05-25-2010	65.78	6.81	0.000	0.000	72.59

E.8. State briefly the resolutions adopted at the General Meetings held in the year to which the present report refers and the percentage of votes with which each resolution was adopted.

The only General Meeting held in 2010 was held on the second call on May 25, 2010 and the Agenda was as follows:

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, 2008 to November 30, 2009.
2. Application of the profit for the year running from December 1, 2008 to November 30, 2009.
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, 2008 to November 30, 2009.
4. Re-election and ratification of Directors.
5. Approval of the distribution of a dividend charged to reserves, for a gross amount of 0.140 Euros per share.
6. Appointment of auditors for the Company and its consolidated group for the fiscal year running from December 1, 2009 to November 30, 2010.
7. Share capital increase in the ratio of one new share to every twenty old shares, issuing new bonus shares charged in full to the voluntary reserve. Application for admission to listing of said shares on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges. Amendment of article 5 of the By-Laws.

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.

All the resolutions were adopted unanimously.

E.9. State, if applicable, the number of shares required to attend the General Meeting and whether the By-Laws contain any restriction in this respect.

YES ☐ NO ☒

Number of shares required to attend the General Meeting	1
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E.10. State and justify the policies followed by the company in relation to the delegation of votes at the General Meeting.

According to article 15 of the By-Laws and 6 of the Regulations of the General Meeting, any shareholder may be represented at the General Meeting of Shareholders by another person, who need not be a shareholder, provided said authorization to represent is conferred in writing specifically for each General Meeting of Shareholders, meeting the requirements contained in articles 106 onwards of the Corporations Act (now articles 184 onwards of the Capital Company Act).

Each shareholder may vote in person if he attends the General Meeting of Shareholders or by means of his duly-authorized representative.

Article 10 of the Board of Directors Regulations states that, whenever legally possible and the necessary guarantees of transparency and security exist in the opinion of the Board of Directors, the financial intermediaries who are legitimated as shareholders but acting on behalf of different clients may fraction their votes in accordance with the instructions of said clients.

E.11. State whether or not the company is aware of the policy of institutional investors on participating or otherwise in the company's decisions:

YES ☐ NO ☒

Describe the policy

E.12. State the address and form of access to the corporate governance content of your web page.

The web page of Zardoya Otis S.A. is www.otis.com. Depending on the language chosen, it may be accessed under Spain/Spanish or Spain/English. Once on the page, there is a section of Shareholder and Investor Information. This section has an extensive menu with all the periodic and historical information and significant events and, among other documents, includes the Corporate Governance Report for the F.Y. 2009, published in March 2010. The Report for the F.Y. 2010 will be published on March 2011.

F DEGREE TO WHICH THE CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED

State the degree to which the company follows existing corporate governance recommendations or, if applicable, any failures to follow said recommendations.

In the event that any of them is not met, explain the recommendations, rules, practices or criteria applied by the company.

1. The By-Laws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.

See sections: A.10 & A.11

Complies ☒ Explain ☐

2. When both the parent company and a company controlled by it are listed companies, they both provide detailed public disclosure on:

- a) Their respective areas of activity, and any business dealings between them, as well as between the controlled listed company and other companies belonging to the group;
- b) The mechanisms in place to resolve any conflicts of interest that may arise..

See sections: C.7

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

United Technologies Corporation holds and manages the shares of its subsidiaries, which include Pratt & Whitney, Carrier Corporation, UTC Fire & Security Corporation, Otis Elevator Company, Sikorsky Aircraft Company, Hamilton Sundstrand Corporation, and UTC Power Corporation.

United Technologies Corporation has the following Divisions (Business Units): Pratt & Whitney Division, United Technologies Research Division, and United Technologies Corporate Headquarters Division.

If any potential conflicts of interest between Zardoya Otis, S.A. and its parent arise, the directors appointed at the request of United Technologies Corporation abstain from voting on the relevant resolution, as provided for in article 229 of the Capital Company Act, and the Audit Committee must inform the Board of Directors, before any decision is adopted, of the related transactions between the Company and its shareholders, directors or senior management. Likewise, the procedure described in section C.6 above will be applicable.

3. Even if not expressly required under applicable commercial Laws, transactions involving a structural change of the company and, in particular, the following, are submitted to the shareholders at the General Shareholders' Meeting for approval:

- a) The transformation of listed companies into holding companies through "subsidiarization", i.e., reallocating core activities to controlled entities that were previously carried out by the company itself, even if the latter retains full ownership of the former;
- b) The acquisition or disposal of key operating assets, when it involves an actual change in the corporate purpose;

c) Transactions whose effect is tantamount to the liquidation of the company.

Complies ☒ Complies in part ☐ Explain ☐

The Board of Directors does not expect any of these situations to arise in the near future.
See article 3 of Board of Directors Regulations.

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information to which recommendation 28 refers, are made public at the time of publication of the notice of call to the General Shareholders' Meeting.

Complies ☐ Explain ☒

See article 13 (Notice) of the By-Laws and article 4 (Notice) of the Regulations of the General Meeting of Shareholders.

5. Matters that are substantially independent are voted on separately at the General Shareholders' Meeting, in order to allow the shareholders to express their voting preferences separately. This rule applies, in particular:

- a) To the appointment or ratification of directors, which shall be voted on individually;**
- b) In the event of amendments of the By-Laws, to each article or group of articles that are substantially independent of one another.**

Complies ☒ Complies in part ☐ Explain ☐

See article 16 (Presiding Officials. Deliberations. Adoption of Resolutions) of the By-Laws and article 10 (Deliberations and Adoption of resolutions) of the Regulations of the General Meeting of Shareholders.

6. Companies allow split votes so financial intermediaries who are recorded as having shareholder status but act for the account of different clients can divide their votes in accordance with the instructions given by such clients.

Complies ☒ Explain ☐

See article 10 (Deliberations and Adoption of Resolutions) of the Regulations of the General Meeting of Shareholders

7. The Board performs its duties with a unity of purpose and independent judgment, affording equal treatment to all shareholders in furtherance of the corporate interests, which shall be understood to mean the optimization, in a sustained fashion, of the financial value of the Company.

It likewise ensures that in its dealings with stakeholders, the Company abides by the laws and regulations, fulfils its obligations and contracts in good faith, respects the customs and good practices of the industries and territories in which it carries on its business, and upholds any other social responsibility standards to which it has voluntarily adhered.

Complies ☒ Complies in part ☐ Explain ☐

See article 3 (Functions) of the Regulations of the Board of Directors.

8. **The Board assumes responsibility, as its core mission, for approving the company's strategy and the organization required to put it into practice, and to ensure that Management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the full Board reserves for itself the right to approve:**

a) The company's policies and general lines of strategy, and in particular:

- i) The strategic or business Plan as well as the management targets and annual budgets;**
- ii) The investment and financing policy;**
- iii) The design of the structure of the corporate group;**
- iv) The corporate governance policy;**
- v) The corporate social responsibility policy;**
- vi) The policy for compensation and assessment of the performance of senior managers;**
- vii) The risk control and management policy, as well as the periodic monitoring of internal information and control systems.**
- viii) The dividend policy and the policy regarding treasury stock and, especially, the limits thereto.**

See Sections: B.1.10 and D.3

b) The following decisions:

- i) At the proposal of the chief executive of the Company, the appointment and, if applicable, removal of senior managers, as well as their severance packages.**

See Section: B.1.14.

- ii) The compensation of directors and, in the case of executive directors, the additional compensation to be paid for their executive duties and other terms of their contracts.**

See Section: B.1.14.

- iii) The financial information that the Company must periodically make public due to its status as listed company.**
- iv) Investments or transactions of all kinds which are strategic in nature due to the large amount or special characteristics thereof, unless approval thereof falls upon the shareholders at the General Shareholders' Meeting.**

- v) The creation or acquisition of interests in special -purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.
- c) Transactions made by the company with directors, with significant shareholders or shareholders with Board representation, or with other persons related thereto ("related-party transactions").

However, Board authorization need not be required in connection with related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard-form agreements applied on an across-the-board basis to a large number of clients;
2. They are conducted at prices or rates generally set by the party acting as supplier of the goods or services in question;
3. The amount thereof is no more than 1% of the Company's annual revenues.

It is recommended that related-party transactions only be approved by the Board upon the prior favorable report of the Audit Committee or such other committee handling the same function; and that the directors affected thereby should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes on the transaction.

It is recommended that the powers granted herein to the Board are conferred without the power of delegation, except for those mentioned under b) and c) above, which may, for urgent reasons, be adopted by the Executive Committee subject to subsequent ratification by the full Board.

See Sections: C.1 and C.6 and B.2.3

Complies ☐ Complies in part ☒ Explain ☐

See article 3 (Functions) of the Regulations of the Board of Directors.

9. In order to operate effectively and in a participatory manner, the Board ideally is comprised of no few than five and no more than fifteen members.

See section: B.1.1

Complies ☒ Explain ☐

10. External directors, proprietary and independent, occupy an ample majority of the Board and the number of executive directors is the minimum necessary number, bearing in mind the complexity of the corporate group and the percentage interest held by the executive directors in the Company's share capital.

See sections: A.2, A.3 and B.1.3

Complies ☒ Complies in part ☐ Explain ☐

11. If there is an external director who cannot be deemed either proprietary or independent, the company explains such circumstance and the links such director maintains with the company or its managers or with its shareholders.

See section: B.1.3

Complies ☐ Explain ☒ Not applicable ☐

The only external director who cannot be considered either proprietary or independent is Mr. Mario Abajo García, since he has been the C.E.O. of the Company for less than 5 years.

12. Among external directors, the relation between the number of proprietary directors and independent directors reflects the proportion existing between the share capital of the company represented by proprietary directors and the rest of its capital.

This strict proportionality standard can be relaxed so that the weight of proprietary directors is greater than would correspond to the total percentage of the share capital that they represent:

1. In large cap companies where few or no equity stakes attain the legal threshold as significant, but there are shareholders holding interests with a high absolute value.
2. In companies with a plurality of shareholders represented on the Board but not otherwise related.

See sections: B.1.3, A.2 and A.3

Complies ☐ Explain ☒

The Regulations of the Board of Directors do not require the Board to include a minimum number of independent directors. The composition of the Board of Directors is appropriate to the composition of the shareholders and, at any event, meets the provisions of the Regulations of the Board of Directors and the By-Laws.

13. The number of independent directors represents at least one-third of the total number of directors.

See section: B.1.3

Complies ☐ Explain ☒

The Regulations of the Board of Directors do not require the Board to be formed by a minimum number of independent directors. The composition of the Board of Directors is considered appropriate to the composition of the shareholders and, at any event, meets the provisions of the Regulations of the Board of Directors and the By-Laws.

14. The status of each director is explained by the Board at the General Shareholders' Meeting at which the shareholders are to make or ratify their appointment and that such status is confirmed or reviewed, as the case may be, annually in the Annual Corporate Governance Report, after verification by the Nominating Commission.

Said report also discloses the reasons for the appointment of proprietary directors at the proposal of shareholders controlling less than 5% of the share capital, as well as the reasons for not having accommodated formal petitions, if any, for presence on the Board from shareholders whose equity stake is equal to or greater than that others at whose proposal proprietary directors have been appointed.

See sections: B.1.3 and B.1.4

Complies ☒ Complies in part ☐ Explain ☐

The Board of Directors explains to the General Meeting of Shareholders the status of each director whose appointment or ratification has been proposed. Zardoya Otis, S.A. created a Nominating Commission within the Board of Directors in 2010. In F.Y. 2010, no formal petitions for presence on the Board of Directors were received from shareholders whose equity stake was less than 5%..

15. When women directors are few or non-existent, the Board explains the reasons for this situation and the measures taken to correct it ; and in particular, the Nominating Commission takes steps to ensure that, when new vacancies are filled:

- a) Selection procedures do not have an implied bias that hinders the selection of women directors;
- b) The company deliberately looks for women with the target professional profile and includes them among the potential candidates.

See sections: B.1.2 and B.1.27

Complies ☐ Complies in part ☒ Explain ☐ Not applicable ☐

At the 2010 year end, to which this report refers, Zardoya Otis, S.A. had a small Board of Directors. Of its 9 members, 6 are proprietary directors, one is an executive director, one is independent and other is classified as "other external directors" (recommendation 11 of the Unified Code of Good Governance).

In its policy for choosing directors, Zardoya Otis, S.A. applies processes intended to avoid any discrimination that might limit the access of women to posts on the Board of Directors. The Board Regulations require the Board of Directors to ensure, to the extent of its competencies, that persons of recognized competence and experience be chosen as directors, regardless of their sex. Additionally, the new article 12.B) 2 e) of the Board of directors Regulations, as approved by the Board of Directors at its meeting of 07-28-2010, states that one of the competencies of the Nominating Commission is to ensure that, when new vacancies arise or new directors are appointed, the selection procedures are not implicitly biased in any way that might imply some kind of discrimination and to report to the Board on gender diversity issues. At present, the director Euro-Syns, S.A. is represented by Ms. María Luisa Zardoya Arana.

16. The Chairman, as the person responsible for the effective operation of the Board, ensures that directors receive adequate information in advance of Board meetings; promotes debate and the active involvement of directors during Board meetings; safeguards their rights to freely take a position and express their opinion; and, working with the chairmen of the appropriate committees, organizes and coordinates regular evaluations of the Board and, where appropriate, the Chief Executive Officer.

See section: B.1 42

Complies ☐ Complies in part ☒ Explain ☐

According to article 11 of the Regulations of the Board of Directors, the Chairman is responsible for organizing the debate at the Board of Directors meetings and encouraging the participation of all the directors in the Board's deliberations. Likewise, according to the Regulations of the Board of Directors, he must ensure that the directors receive sufficient information to prepare the items on the agenda at the Board meetings and channel any information requests submitted by directors.

Notwithstanding, given the shareholder composition and the structure of the Board (on which 6 of the 9 directors are proprietary directors, one is an executive director and the other two belong to the category of "other external directors"), the Board of Directors has not seen fit to date to make any formal evaluation of its performance.

- 17. When the Chairman of the Board is also the chief executive of the company, one of the independent directors is authorized to request the calling of a Board meeting or the inclusion of new business on the agenda; to coordinate and hear the concerns of external directors; and to lead the Board's evaluation of the Chairman.**

See section: B.1.21

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

- 18. The Secretary of the Board takes particular care to ensure that the Board's actions:**

- a) **Adhere to the letter and the spirit of laws and their implementing regulations, including those approved by the regulatory authorities;**
- b) **Comply with the company's bylaws and the Regulations for the General Shareholders' Meeting, the Regulations of the Board and other regulations of the company;**
- c) **Are informed by those good governance recommendations included in this Unified Code as the company has subscribed to.**

And, in order to safeguard the independence, impartiality and professionalism of the Secretary, his appointment and removal are reported by the Nominating Commission and approved by the full Board; and that such appointment and removal procedures are set forth in the Regulations of the Board.

See section: B.1.34

Complies ☒ Complies in part ☐ Explain ☐

See article 8 (The Secretary to the Board of Directors) of the Regulations of the Board of Directors.

- 19. The Board meets with the frequency required to perform its duties efficiently, in accordance with the calendar and agendas set at the beginning of the fiscal year, and that each Director is entitled to propose items of the agenda that were not originally included therein.**

See section: B.1.29

Complies ☒ Complies in part ☐ Explain ☐

20. **Directors' absences are limited to unavoidable cases and quantified in the Annual Corporate Governance Report. And when there is no choice but to grant a proxy, it is granted with instructions.**

See sections: B.1.28 and B.1.30

Complies ☒ Complies in part ☐ Explain ☐

21. **When directors or the Secretary express concerns about a proposal or, in the case of the directors, regarding the running of the company, and such concerns have not been resolved at a Board meeting, such concerns are recorded in the minutes at the request of the person expressing them.**

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

22. **The full Board evaluates the following on a yearly basis:**

- a) **The quality and efficiency of the Board's operation;**
- b) **On the basis of a report submitted to it by the Nominating Commission, how well the Chairman and chief executive of the company have carried out their duties;**
- c) **The performance of its Committees, on the basis of the reports furnished by them.**

See sections: B.1.19 and B.2.5.

Complies ☐ Complies in part ☐ Explain ☒

Given the shareholder composition and the structure of the Board (on which 6 of the 9 directors are proprietary directors, one is an executive director and the other two belong to the category of "other external directors"), the Board of Directors has not seen fit to date to make any formal evaluation of its performance.

23. **All directors are able to exercise the right to request any additional information they require on matters within the Board's competence. Unless the By-laws or the Regulations of the Board provide otherwise, such requests are addressed to the Chairman or the Secretary of the Board.**

See section: B.1.42

Complies ☒ Explain ☐

24. **All directors are entitled to call on the company for the advice they need to carry out their duties. The company provides sui table channels for the exercise of this right, which, in special circumstances, may include external advice at the company's expense.**

See section: B.1.41

Complies ☒ Explain ☐

25. Companies organize induction programs for new Directors to rapidly and adequately acquaint them with the Company and its corporate governance rules. Directors are also offered refresher training programs when circumstances so advise.

Complies ☒ Complies in part ☐ Explain ☐

See article 13 of the Board of Directors Regulations.

26. Companies require that directors devote sufficient time and effort to perform their duties efficiently, and, as such:

- a) Directors apprise the Nominating Commission of their other professional duties, in case they might detract from the necessary dedication;
- b) Companies lay down rules about the number of boards on which their directors may sit.

See sections: B.1.8, B.1.9 and B.1.17

Complies ☐ Complies in part ☒ Explain ☐

The Company has not seen fit to limit the number of Boards of Directors of which the directors may sit, in particular because many of the proprietary directors are executives of the parent group, United Technologies Corporation, and, therefore, are members of the Boards of Directors of other group companies.

27. The proposal for the appointment or re-election of directors that the Board submits to the shareholders at the General Shareholders' Meeting, as well as the interim appointment of directors to fill vacancies, are approved by the Board:

- a) On the proposal of the Nominating Commission, in the case of independent directors.
- b) Subject to a prior report from the Nominating Commission, in the case of other directors.

See sections: B.1.2, B.1.19 and B.2.1.

Complies ☒ Complies in part ☐ Explain ☐

28. Companies post the following director information on their websites, and keep such information updated:

- a) Professional and biographical profile;
- b) Other Boards of Directors of listed or unlisted companies on which they sit
- c) Indication of the director's classification, specifying, for proprietary directors, the shareholder they represent or to whom they are related.
- d) Date of their first and subsequent appointments as a company director; and

e) Shares held in the company and options thereon held by them.

Complies ☒ Complies in part ☐ Explain ☐

Zardoya Otis, S.A. posts the information described in this recommendation on its website and keeps it updated..

29. Independent directors do not hold office as such for a continuous period of more than 12 years.

See sections: B.1.2, B.1.3. and B.1.26.

Complies ☐ Explain ☒

The Regulations of the Board of Directors do not currently provide for this limitation.

30. Proprietary directors tender their resignation when the shareholder they represent sells its entire shareholding interest. The appropriate number of them do likewise when such shareholder reduces its interest to a level that requires the reduction of the number of its proprietary directors.

See sections: A.2 , B.1.2, B.1.20 and B.1.43.

Complies ☒ Complies in part ☐ Explain ☐

31. The Board of Directors does not propose the removal of any independent director prior to the expiration of the term, set by the bylaws, for which he was appointed, except for good cause is found by the Board upon a prior report of the Nominating Commission. In particular, good cause shall be deemed to exist whenever the director has failed to perform the duties inherent in his position or comes under any of the circumstances described in section III.5 (Definitions) of this Code.

The removal of independent directors may also be proposed as a result of Tender Offers, mergers or other similar corporate transactions that entail a change in the equity structure of the Company, when such changes in the structure of the Board follow from the proportionality standard mentioned in Recommendation 12.

See sections: B.1.2, B.1.5 and B.2.1.

Complies ☒ Explain ☐

32. Companies establish rules obliging directors to report and, if appropriate, to resign in those instances as a result of which the credit and reputation of the company might be damaged and, in particular, they require that such directors report to the Board any criminal charges brought against them, and the progress of any subsequent proceedings.

If a director is indicted or tried for any of the crimes described in Section 124 of the Corporations Act, the Board examines the matter as soon as practicable and, in view of the particular circumstances thereof, decides whether or not it is appropriate for the director to continue to hold office. And the Board provides a substantiated account thereof in the Annual Corporate Governance Report.

See sections: B.1.43, B.1.44 and B.1.20.

Complies ☒ Complies in part ☐ Explain ☐

33. All directors clearly express their opposition when they feel that any proposed resolution submitted to the Board might be contrary to the best interests of the company. And in particular, independent directors and the other directors not affected by the potential conflict of interest do likewise in the case of decisions that could be detrimental to the shareholders lacking Board representation.

When the Board adopts material or reiterated resolutions about which a director has expressed serious reservations, such director draws the pertinent conclusions and, if he chooses to resign, sets out the reasons in the letter referred to in the next Recommendation.

This Recommendation also applies to the Secretary of the Board, even if he is not a director.

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

See articles 8 and 11 of the Board of Directors Regulations.

34. Directors who give up their place before their tenure expires, through resignation or otherwise, explain the reasons in a letter sent to all members of the Board. Without prejudice to such withdrawal being communicated as a significant event, the reason for the withdrawal is explained in the Annual Corporate Governance Report.

See section: B.1.

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

The Company does not see fit to impose the obligation to explain the reasons for their resignation upon the directors, notwithstanding their right to make the reasons for such resignation public.

35. The compensation policy approved by the Board specifies at least the following points.

a) The amount of the fixed components, with a breakdown showing the fees, if any, for attending the meetings of the Board and its Committees and an estimate of the fixed annual fixed compensation they give rise to;

b) Variable compensation items, including, in particular:

i) The classes of directors to which they apply, as well as an explanation of the relative weight of variable to fixed compensation

ii) Performance evaluation criteria used to calculate entitlement to compensation in shares, share options or any other variable component;

iii) Main parameters and grounds for any system of annual bonuses or other non-cash benefits; and

- iv) An estimate of the absolute amount of variable compensation arising from the proposed compensation plan, as a function of the degree of compliance with benchmark assumptions or targets.
- c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar systems), with an estimate of the amount thereof or the equivalent annual cost.
- d) Terms and conditions that must be included in the contracts of executive directors performing senior management duties, which will include:
 - i) Duration;
 - ii) Notice periods; and
 - iii) Any other provisions relating to hiring bonuses, as well as indemnity or “golden parachute” provisions in the event of early or other termination of the contractual relationship between the company and the executive director.

See sections: B.1.15 and B.1.13.

Complies ☐ Complies in part ☒ Explain ☐

36. Compensation paid by means of delivery of shares in the company or companies that are members of the group, share options or instruments indexed to the price of the shares, and variable compensation linked to the company's performance or pension schemes is confined to executive directors.

This recommendation shall not apply to the delivery of shares when such delivery is subjected to the condition that the directors hold the shares until they cease to hold office as directors.

See sections: A.3, B.1.3 and B.1.14.

Complies ☒ Explain ☐

The compensation policy of Zardoya Otis, S.A. does not include the delivery of shares.

37. The compensation of external directors is such as is necessary to compensate them for the dedication, qualifications and responsibility required by their position, but is not so high as to compromise their independence.

Complies ☒ Explain ☐

38. The compensation linked to company earnings takes into account any qualifications included in the external auditor's report that reduce such earnings.

Complies ☒ Explain ☐ Not applicable ☐

39. In the case of variable compensation, compensation policies include technical safeguards to ensure that such compensation reflects the professional performance of the beneficiaries thereof and not simply the general performance of the markets or of the industry in which the company does business or circumstances of this kind.

Complies ☐ Explain ☒ Not applicable ☐

The variable compensation considered in the compensation policy of Zardoya Otis, S.A. is related only to the attendance to the meetings of the Board of Directors, the remuneration pursuant to the By-Laws being limited to the total amount of Euros one million.

40. **The Board submits a report on director compensation policy to the vote of the shareholders at a General Shareholders' Meeting, as a separate item on the agenda and for advisory purposes. This report is made available to the shareholders separately or in any other manner that the Company deems appropriate.**

Such report shall focus especially on the compensation policy the Board has approved for the current year, as well as on the policy, if any, established for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will emphasize the most significant changes in such policies with respect to the policy applied during the fiscal year prior to that to which the General Shareholders' Meeting refers. It shall also include an outline of the manner in which the compensation policy was applied in such prior fiscal year.

The Board also reports on the role played by the Compensation Commission in the preparation of the compensation policy and, if external advice was provided, it states the name of the external advisors that have given such advice.

See section: B.1.16

Complies ☐ Complies in part ☐ Explain ☒

The maximum amount of the directors' compensation is fixed in article 24 of the By-Laws and it is paid on the condition that a minimum dividend is paid to the shareholders and the legal reserves and those provided for in the By-Laws are met. In practice, the compensation is always lower than the sum provided for in the By-Laws. The mechanism for fixing the maximum compensation of the directors is described in more detail in section B.1.14 above.

Therefore, given that Spanish legislation does not provide for consultative voting at the General Meeting of Shareholders (the highest decision-making body in mercantile companies), the Board of Directors has considered that the foregoing means that it is not necessary to submit a report on compensation policy to a consultative vote.

Apart from the above, the Board of Directors makes its compensation policy public in the Annual Corporate Governance Report.

41. **The Notes to the Financial Statements list the individual directors' compensation during the fiscal year, including:**

a) **A breakdown of the compensation of each director, to include where appropriate.**

i) **Attendance fees or other fixed compensation received as a director;**

ii) **The additional compensation received as chairman or member of a Board committee;**

- iii) Any compensation received under profit-sharing or bonus schemes, and the reason for the accrual thereof;
 - iv) Contributions on the director's behalf to defined-contribution pension plans; or any increase in the director's vested rights, in the case of contributions to defined-benefit plans;
 - v) Any severance package agreed or paid;
 - vi) Any compensation received as a director of other companies in the group.
 - vii) Compensation for the performance of senior management duties by executive directors;
 - viii) Any item of compensation other than those listed above, of whatever nature and provenance within the group, especially when it is deemed to be a related-party transaction or when the omission thereof detracts from a true and fair view of the total compensation received by the director.
- b) A breakdown of any delivery to directors of shares, share options or any other instrument indexed to the price of the shares, specifying:
- i) Number of shares or options awarded during the year, and the terms and conditions for the exercise thereof;
 - ii) Number of options exercised during the year, specifying the number of shares involved and the exercise price;
 - iii) Number of options outstanding at the end of the year, specifying their price, date and other requirements for exercise;
 - iv) Any change during the year in the terms for the exercise of previously-awarded options.
- c) Information on the relationship, in such past fiscal year, between the compensation received by executive directors and the profits or other measures of performance of the company.

Complies ☐ Complies in part ☐ Explain ☒

Zardoya Otis has not seen fit to make more information public regarding its directors' compensation than that required by the Annual Corporate Governance Report, thus complying with legal obligations and respecting the directors' privacy.

42. When there is an Executive Committee (hereinafter, "Executive Committee"), the breakdown of its members by director category is similar to that of the Board, and its secretary is the Secretary of the Board.

See sections: B.2.1 and B.2.6

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

43. The Board is always kept informed of the matters dealt with and the resolutions adopted by the Executive Committee, and all members of the Board receive a copy of the minutes of the meetings of the Executive Committee.

Complies ☐ Explain ☐ Not applicable ☒

44. In addition to the Audit Committee mandatory under the Stock Market Act, the Board of Directors forms a single Nominating and Compensation Commission as a separate committee of the Board, or a Nominating Commission and a Compensation Commission.

The rules governing the make-up and operation of the Audit Committee and the Nominating and Compensation Commission or committees are set forth in the Regulations of the Board, and include the following:

- a) The Board appoints the members of such Committees, taking into account the background knowledge, qualifications and experience of the Directors and the responsibilities of each Committee, discusses its proposals and reports, and receives a report, at the first meeting of the full Board following the meetings of such committees, on their activities and the work.
- b) These Committees are formed exclusively of external directors and have a minimum of three members. The foregoing is without prejudice to the attendance of executive directors or senior managers, when expressly resolved by the members of the Committee.
- c) Committee Chairmen are independent directors.
- d) They may receive external advice, whenever they feel this is necessary for the discharge of their duties.
- e) Minutes are prepared of their meetings, and a copy sent to all Board members.

See section: B.2.1

Complies ☐ Complies in part ☒ Explain ☐

The Company has created a Nominating Commission but not a compensation Commission.

45. Supervising compliance with internal codes of conduct and corporate governance rules is entrusted to the Audit Committee, the Nominating Commission or, if they exist separately, to the Compliance or Corporate Governance Committee.

Complies ☒ Explain ☐

See article 12 (Creation of Committees) of the Regulations of the Board of Directors.

46. The members of the Audit Committee and, particularly, the Chairman thereof, are appointed taking into account their background knowledge and experience in accounting, auditing and risk management matters.

Complies ☒ Explain ☐

47. Listed companies have an internal audit function which, under the supervision of the Audit Committee, to ensure the smooth operation of the information and internal control systems.

Complies ☒ Explain ☐

48. The head of internal audit presents an annual work plan to the Audit Committee; reports to it directly on any issues arising in the execution of such plan; and submits an activities report to it at the end of each fiscal year.

Complies ☒ Complies in part ☐ Explain ☐

See article 12 (Creation of Committees) of the Regulations of the Board of Directors,

49. Risk control and management policy specifies at least:

- a) The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, including contingent liabilities and other off-balance sheet risks among financial or economic
- b) The determination of the risk level the company sees as acceptable;
- c) Measures in place designed to mitigate the impact of the risks identified, should they materialize;
- e) The internal reporting and control systems to be used to monitor and manage the above risks, including contingent liabilities and off-balance sheet risks.

See section: D.1.

Complies ☒ Complies in part ☐ Explain ☐

- (i) See article 12 (Creation of Committees) of the Regulations of the Board of Directors.

50. The Audit Committee's role is:

1. With respect to the internal control and reporting systems:

- a) To monitor the preparation and the integrity of the financial information relating to the company and, if appropriate, to the group, checking compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting standards.
- b) To periodically review internal control and risk management systems so main risks are properly identified, managed and disclosed.
- c) To ensure the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit service; propose the department's budget; receive regular reports on its activities; and verify that senior management takes into account the findings and recommendations of its reports.

- d) To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, potentially significant irregularities within the company that they detect, in particular financial or accounting irregularities.

2. With respect to the external auditor:

- a) To make recommendations to the Board for the selection, appointment, reappointment and replacement of the external auditor, and the terms of its engagement.
- b) To receive regular information from the external auditor on the audit plan and the results of the implementation thereof, and check that senior management takes its recommendations into account.
- c) To monitor the independence of the external auditor, to which end:
 - i) The company reports a change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements with the outgoing auditor and the reasons for the same.
 - ii) The Committee ensures that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, all other regulations established to safeguard the independence of the auditors;
 - iii) In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.
- d) In the case of groups, the Committee favors the auditor of the group assuming responsibility for the audits of the companies that form part thereof.

See sections: B.1.35, B.2.2, B.2.3, B.2.4 and D.1

Complies ☒ Complies in part ☐ Explain ☐

See article 12 (Creation of Committees) of the Regulations of the Board of Directors..

- 51. The Audit Committee may cause any company employee or manager to appear before it, and even order their appearance without the presence of any other manager.**

Complies ☒ Explain ☐

- 52. The Audit Committee reports to the Board, prior to the adoption thereby of the corresponding decisions, on the following matters specified in Recommendation 8:**

- a) The financial information that the Company must periodically make public due to its status as a listed company. The Committee should ensure that interim financial statements are prepared under the same accounting standards as the annual financial statements and, to this end, consider whether a limited review by the external auditor is appropriate.

- b) The creation or acquisition of interests in special -purpose entities or entities registered in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- c) Related-party transactions, unless such prior reporting duty has been assigned to another supervision and control committee.

See sections: B.2.2 and B.2.3

Complies ☒ Complies in part ☐ Explain ☐

See article 12 (Creation of Committees) of the Regulations of the Board of Directors.

53. The Board of Directors seeks to present the financial statements to the shareholders at the General Shareholders' Meeting without reservations or qualifications in the auditor's report and, in the exceptional instances where they do exist, both the Chairman of the Audit Committee and the auditors give a clear account to the shareholders of the content and scope of such reservations or qualifications.

See section: B.1.38

Complies ☒ Complies in part ☐ Explain ☐

54. The majority of the members of the Nominating Commission –or of the Nominating and Compensation Commission, if one and the same– are independent directors.

See section: B.2.1

Complies ☐ Explain ☒ Not applicable ☐

The Company currently only has one director who meets the conditions to be considered independent.

55. The Nominating Commission has the following duties, in addition to those stated in the earlier Recommendations:

- a) To assess the qualifications, background knowledge and experience necessary to sit on the Board, defining, accordingly, the duties and qualifications required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- b) To examine or organize, in the manner it deems appropriate, the succession of the Chairman and the chief executive and, if appropriate, make proposals to the Board for such succession to take place in an orderly and well-planned manner.
- c) To report on senior manager appointments and removals that the chief executive proposes to the Board.
- d) To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.1

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

These competencies are included in article 12.b) 2 of the Regulations of the Board of Directors.

56. **The Nominating Commission consults with the Company' s Chairman and chief executive, especially on matters relating to executive directors.**

And that any board member may request that the Nominating Commission consider possible candidates to fill vacancies for the position of director, if it finds them suitably qualified.

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

Given the shareholder composition and the structure of the Board (on which 6 of the 9 directors are proprietary directors, one is an executive director, one is independent and other is classified as "other external directors"), the Board of Directors has not created a Nominating Commission.

57. **The Compensation Commission is responsible for the following duties, in addition to those set forth in the earlier recommendations:**

a) **To propose to the Board of Directors:**

- i) **The compensation policy for directors and senior managers;**
- ii) **The individual compensation of executive directors and other terms of their contracts.**
- iii) **The basic terms and conditions of the contracts with senior managers.**

b) **To ensure compliance with the compensation policy set by the company.**

See sections: B.1.14, B.2.1

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

Zardoya Otis, S.A. has not created a Compensation Commission..

58. **The Compensation Commission consults with the Chairman and chief executive of the Company, especially on matters relating to executive directors and senior managers.**

Complies ☐ Explain ☐ Not applicable ☒

Given the shareholder composition and the structure of the Board (on which 6 of the 9 directors are proprietary directors, one is an executive director, one is independent and other is classified as "other external directors"), the Board of Directors has not created a Nominating Commission.

G OTHER INFORMATION OF INTEREST

If you consider there to be any relevant principle or aspect in relation to the corporate governance practices applied by your company that has not been considered in the present Report, please mention it below and explain its content.

This section may include any other information, clarification or nuance related to the preceding sections of the Report, provided that it is relevant and is not repetitive.

Specifically, state whether the company is subject to corporate governance legislation other than the Spanish legislation and, if applicable, include any information that it is obliged to provide, other than the information required in the present report.

Binding definition of independent director:

Indicate whether any of the independent directors has or has had any relationship with the company, its significant shareholders or its managers which, had it been sufficiently significant or important, would have resulted in the director not qualifying for consideration as independent pursuant to the definition set forth in sub-section 5 of the Unified Code of Good Governance.

YES ☐ NO ☒

Name of the director	Type of relationship	Explanation

This annual corporate governance report was approved by the company's Board of Directors at its meeting held on February 25, 2011.

State the Directors who voted against approval of the present Report or abstained in relation hereto.

YES ☐ NO ☒

Name or corporate name of the director that did not vote in favor of the approval of this report	Reasons (opposed, abstained, absent)	Explain the reasons

Report presented by the Board of Directors
of Zardoya Otis, S.A. in relation to the amendments
to the regulations of the Board of Directors
approved at the meeting of the Board of Directors
held on July 28, 2010

**REPORT PRESENTED BY THE BOARD OF DIRECTORS OF ZARDOYA OTIS, S.A.
IN RELATION TO THE AMENDMENTS TO THE REGULATIONS OF THE BOARD
OF DIRECTORS APPROVED AT THE MEETING OF THE BOARD OF DIRECTORS
HELD ON JULY 28, 2010**

1. Background

At its meeting of July 28, 2010, the Board of Directors of Zardoya Otis, S.A. (the “Company”) unanimously resolved to:

- (i) Adapt its Regulations to the requirements of the new Law 12/2010 of June 30 on Account Auditing. In particular, it was decided to define the functions to be performed by the Audit Committee more precisely in the Regulations of the Board of Directors, especially with a view to guaranteeing the independence of the external account auditors.
- (ii) Create a Nominating Commission, amending the Regulations of the Board of Directors in this respect and appointing Mr. Lindsay Harvey (also appointed Chairman of the Commission), Mr. José María Loizaga and the director Otis Elevator Company (represented by Mr. Johan Bill) as members of the Commission.
- (iii) To make certain minor amendments in order to, among other things, adapt the Regulations of the Board of Directors to the new Capital Company Act (“Ley de Sociedades de Capital”), which came into force on September 1, 2010.

2. Purpose of the report

In a notification of a relevant event dated July 29, 2010, the public was informed that, before the next General Shareholders’ Meeting, which would be held in the first half of 2011, the Board of Directors, in compliance with article 115.1 of the Securities Market Act (“Ley del Mercado de Valores”), which was then in force (now article 516 of the Capital Company Act), would draw up a report on the aforementioned amendments to the Regulations of the Board of Directors. Consequently, the Company’s Board of Directors submits this report in compliance with the provisions of article 516 of the Capital Company Act, in order to inform the General Shareholders’ Meeting called for May 20 and 23, 2011 on the first and second call, respectively, of the aforementioned amendments to the Regulations of the Board of Directors, approved by the Board itself at its meeting of July 28, 2011.

3. Justification of the amendments

As explained in section 1 above (Background), the amendments to the Regulations of the Board of Directors are due to:

- (i) First, the need to meet the requirements of the new Law 12/2010 of June 30 on Account Auditing, which requires the Regulations of the Board of Directors to define the functions to be performed by the Audit Committee more precisely.

This is the reason behind the changes to what is now section A) of article 12 of the Regulations.

- (ii) Second, in order to create a Nominating Commission. On July 28, 2010, the Board of Directors was informed that the new Law 12/2010 of Jun 30 on Account Auditing had been passed (this Law was published in the Official State Gazette of July 1, 2010 and came into force on the day after its publication). Among other amendments relevant to the

Company, the Law introduced a reform of points 2 and 4 of additional provision 18 of Law 24/1988 of July 28 on the Securities Market. Said amendment states that at least one of the members of the Audit Committee must be independent. In relation to this requirement, we must remember that the Unified Code of Good Governance (the “**Unified Code**”) published by the National Securities Market Commission (“Comisión Nacional del Mercado de Valores”) as Exhibit I of the Report of the Special Working Group on the Good Governance of Listed Companies dated May 19, 2006, states that listed companies are free to comply with the good governance recommendations or not, but that, when reporting on their compliance or otherwise, they must respect the meanings that the Unified Code places on the concepts used. In particular, the Unified Code expressly states that companies may not classify any director who does not meet the minimum conditions fixed in point 5 of Section III “Definitions of the Unified Code as “independent”. Said point 5 states, in letter h), that directors “*who have not been proposed for appointment or renewal by the Nominating Committee*” cannot be classified as independent.

Although none of the provisions of the Law expressly makes the Nominating Commission mandatory (unlike the case of the Audit Committee), the need to have one could be said to derive from the new legal requirement for at least one independent director to exist. In the light of the foregoing, the Board of Directors, at its aforementioned meeting of July 28, 2010, unanimously resolved to amend the Regulations of the Board of Directors to, among other things, create the Nominating Commission and appoint its first members.

This is the reason why a point B) has been included in article 12 of the Regulations.

- (iii) Finally, other amendments, although of lesser importance, result from the convenience of adapting the Regulations of the Board of Directors to the new Capital Company Act, which came into force on September 1, 2010.

This is the reason for the changes made to article 5, letter h) (correct reference to the Nominating Commission), article 15, letter c) (consistency with the Capital Company Act), article 17, penultimate paragraph (extension of the provisions thereof to the Nominating Commission) and article 22 (elimination of the reference to the Spanish Corporations Act (“Ley de Sociedades Anónimas”)-, which has now been repealed. Likewise, the Board has taken the opportunity of the in-depth amendment of article 12 of the Regulations to eliminate the references it contained to the repealed Corporations Act.

4. Comparative text of the Regulations of the Board of Directors

To facilitate the comparison between the new wording of the articles it is proposed to amend and the current wording, the current text of the Regulations of the Board of Directors and the revised text, in two columns, is attached hereto as an Exhibit, merely for informational purposes.

Original Wording

POINT (h) ARTICLE 5. CHARACTERISTICS AND TYPES OF DIRECTOR

(h) Who have not been proposed for either appointment or renewal by the Nominating and Compensation Commission.

ARTICLE 12. FORMATION OF COMMITTEES

The Board of Directors may form any Committees it deems convenient in order to carry out its duties. In particular, the Board of Directors shall form the Audit Committee which is mandatory under the Securities Market Law.

The Board of Directors shall appoint the members of the Audit Committee, particularly its Chairman, with regard to their knowledge and background in accounting, auditing and risk management matters.

The Audit Committee shall be composed of a minimum of three and a maximum of five members. All the members of the Audit Committee shall be non-executive directors. The office of member of the Audit Committee shall be held for a period of four years and one of them shall be elected Chairman and a Secretary, who does not need to be a Board member

THE AUDIT COMMITTEE SHALL HAVE THE FOLLOWING FUNCTIONS:

- (a) To report, through its Chairman, to the General Shareholders' Meeting with respect to matters raised thereat by the shareholders relating to its functions.
- (b) To propose to the Board of Directors, for submission to the General Shareholders' Meeting, the recommendations for the selection, appointment, reappointment and removal of the external Account Auditor to which article 204 of Limited Liability Companies Act, and

Approved Wording

POINT (h) ARTICLE 5. CHARACTERISTICS AND TYPES OF DIRECTOR

(h) Who have not been proposed for either appointment or renewal by the Nominating Commission.

ARTICLE 12. FORMATION OF COMMITTEES

The Board of Directors may form any Committees or Commissions it deems convenient in order to carry out its duties. In particular, the Board of Directors shall form an Audit Committee and an Appointments Commission from among its members.

A) The Audit Committee

1. Composition

The Board of Directors shall form a permanent Audit Committee, which shall be an internal body for reporting and consulting purposes, with no executive functions, and is able to report, advise and propose within its sphere of action.

The Audit Committee shall be formed by a minimum of three and a maximum of five Directors, appointed by the Board of Directors from among the external Directors. The Board of Directors shall likewise appoint a Chairman from among its members and a Secretary, who need not be a Director, at the proposal of the Appointments Commission.

The members of the Audit Committee, especially the Chairman thereof, must have knowledge and experience in accounting, auditing or risk management.

the terms and conditions of its engagement.

- (c) To supervise the Company's internal audit services and, in particular: (i) to monitor the independence and efficacy in its functions of the internal audit services; (ii) to propose the selection, appointment, reappointment and removal of the head of internal audit services; (iii) to propose such service budget; (iv) to receive regular report-backs on its activities; (v) to review the annual work program and the yearly activities report of the internal audit services; (vi) to be informed of any incidents arising during the implementation of the internal audit services' yearly work program, and (vii) to verify that senior management acts in accordance with the conclusions and recommendations contained in its reports.
- (d) To be informed of and to monitor the Company's financial information and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- (e) To review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed. In particular, control and risk management policy shall identify, at least:
 - (i) the different types of risk (operational, technological, financial, legal, reputational, etc.) the Company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance risks;
 - (ii) the determination of the risk level the Company sees as acceptable;
 - (iii) the measures in place to mitigate the impact of the

The Directors who form part of the Audit Committee shall hold office while they remain in office as Directors of the Company and maintain the status of external directors, unless the Board of Directors resolves otherwise. The renewal, re-election and removal from office of the Directors who form the Committee shall be governed by the resolutions of the board of Directors. Likewise, Directors forming part of the Audit Committee who are re-elected as Directors of the Company in a resolution adopted by the General Shareholders' Meeting shall continue to hold office on the Committee without the need to be re-elected thereto, unless the Board of Directors resolves otherwise.

2. Functions

The Audit Committee shall have the following functions:

- (a) *To report, through its Chairman, to the General Shareholders' Meeting with respect to matters relating to its functions raised thereat by the shareholders.*
- (b) *To propose to the Board of Directors, for submission to the General Shareholders' Meeting, the recommendations for the selection, appointment, reappointment and removal of the external account auditor and its engagement conditions.*
- (c) *To supervise the Company's internal audit services and, in particular: (i) to monitor the independence and efficacy in its functions of the internal audit services; (ii) to propose the selection, appointment, reappointment and removal of the head of internal audit services; (iii) to propose the budget of said services; (iv) to receive regular report-backs on their activities; (v) to review the annual work*

- identified risk events, should they occur; and
- (iv) the internal reporting and control systems which will be used to control and manage the aforementioned risks, including contingent liabilities and off-balance risks.
 - (f) To be in contact with the external Account Auditor in order to receive information on any matters related to the process of performing the account audit, such as the progress and findings of the audit programme, to maintain with the external Account Auditor those other communications required by the account auditing legislation and technical audit rules and check that the Company's senior management is acting in accordance with its recommendations. Likewise, to receive information on any issues which may place the external Account Auditor's independence at risk. To that effect:

- (i) the Company shall notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and, if existing, its contents;
- (ii) the Audit Committee shall ensure that the Company and the external Account Auditor respect the current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, the other requirements designed to safeguard auditors' independence; and
- (iii) the Audit Committee shall investigate the issues giving

program and the yearly activities report of the internal audit services; (vi) to be informed of any incidents arising during the implementation of the internal audit services' yearly work program, (vii) to verify that senior management acts in accordance with the conclusions and recommendations contained in their reports, and (viii) to discuss any significant weaknesses detected in the internal audit system in the course of the audit with the account auditors.

- (d) *To be informed of and to monitor the financial information of the Company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidated group and the correct application of accounting principles, ensuring the integrity thereof.*

- (e) *To review internal control and risk management systems on a regular basis, so that main risks are properly identified, managed and disclosed. In particular, control and risk management policy shall identify, at least:*

- (i) *the different types of risk (operational, technological, financial, legal, reputational, etc.) the Company is exposed to, including contingent liabilities and other off-balance sheet risks among the financial and economic risks;*
- (ii) *the determination of the risk level the Company sees as acceptable;*
- (iii) *the measures in place to mitigate the impact of the identified risk events,*

rise to the resignation of any external Account Auditor.

should they occur; and

- (g) To urge the group auditor to take on the auditing of all the group's companies.
 - (h) To establish and supervise a mechanism whereby employees can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the Company. The Chairman of the Audit Committee shall inform the Board of Directors on the reports received in the first Board Meeting following the receipt of such reports.
 - (i) To supervise the compliance with internal codes of conduct and corporate governance rules and recommendations in effect from time to time.
 - (j) To inform the Board of Directors before the decision-making on the following issues:
 - (i) the financial information that the Company must periodically disclose. The Committee shall ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review;
 - (ii) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of an analogous nature whose complexity may detract from the transparency of the group; and
 - (iii) related-party transactions.
- (iv) *the internal reporting and control systems which will be used to control and manage said risks, including the aforementioned contingent liabilities and off-balance sheet risks.*
- (f) *To be in contact with the external Account Auditor in order to receive information on any matters related to the process of performing the account audit, such as the progress and findings of the audit program, to maintain with the external Account Auditor those other communications required by the account auditing legislation and technical audit rules and check that the Company's senior management is acting in accordance with its recommendations. Likewise, to receive information on any issues which may place the external Account Auditor's independence at risk. To this effect:*
 - (i) *the Company shall notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements that may have arisen with the outgoing auditor and, if such disagreements exist, the contents thereof;*
 - (ii) *the Audit Committee shall ensure that the Company and the external Account Auditor respect the current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, the other requirements designed to safeguard auditors' independence; and*

- (k) And any other specifically foreseen in the By-laws or in these Regulations.

IN THE PERFORMANCE OF ITS ACTIVITIES, THE AUDIT COMMITTEE SHALL BE GOVERNED BY THE FOLLOWING RULES OF OPERATION:

- (a) The Audit Committee shall meet at least once quarterly and whenever the Chairman considers convenient or at least two members of the Committee so request.

- (b) The Committee is a collegiate body and its decisions shall be adopted by a majority of its members. The meetings of the Audit Committee shall be minuted, a complete copy of such minutes shall be sent to all the Board members and to the Board of Directors.

- (c) The Committee may require the presence of any employee, officer (even ordering their appearance without the presence of another officer, the request for an employee or officer to attend must be made through the Company's General Director), Executive Director, the external Account Auditor or the legal advisor to the Board of Directors at any of its meetings.

- (iii) *the Company shall establish appropriate contacts with the account auditor to receive information on any questions which might place the latter's independence at risk, which will be examined by the Audit Committee, and any other issues related to the process of conducting the account audit, together with the matters provided for in the account auditing legislation and auditing rules. In particular, the Audit Committee will receive from the account auditors, on an annual basis, written confirmation of their independence in relation to the Company or any companies that may be related directly or indirectly thereto, together with confirmation of the additional services of any nature rendered to said companies by the auditors or by persons or entities related to the auditors in accordance with the provisions of the Account Auditing Law*

- (iv) *the Audit Committee shall investigate the issues giving rise to the resignation of any external Account Auditor; and*

- (v) *the Audit Committee shall issue an annual report, prior to the issue of the audit report, expressing an opinion on the independence of the account auditors. Said report shall also always make a pronouncement on the additional services to which point (iii) above refers.*

- (d) The Chairman of the Audit Committee shall report to the Board of Directors about the resolutions and significant events approved in the meetings of the Committee, in the first Board plenary following each meeting of the Committee.
- (e) The Committee shall review the financial information that is sent on a quarterly basis to the CNMV.

The Board of Directors shall discuss the proposals and reports presented by the Audit Committee.

The Board of Directors shall seek to present the annual statements to the General Meeting without reservations or qualifications in the audit report, and in the exceptional case that these may be included, the President of the Audit Committee and the auditors shall give a clear explanation to the shareholders on the content and extent of said reservations and qualifications.

The Board of Directors shall, likewise, be able to create a Nomination Committee or a Nomination and Remuneration Committee, and designate its members among the Board of Directors' members.

(g) *To urge the group auditor to take on the auditing of all the group's companies..*

(h) *To establish and supervise a mechanism whereby employees can report, confidentially and, if seen fit, anonymously, any potentially serious irregularities that they note within the Company, especially financial and accounting irregularities. The Chairman of the Audit Committee shall inform the Board of Directors on any reports received at the first Board meeting following receipt thereof.*

(i) *To supervise compliance with the internal codes of conduct and corporate governance rules and recommendations in force at any given moment.*

(j) *To inform the Board of Directors, before the decision-making, on the following issues:*

(i) the financial information that the Company must periodically disclose. The Committee shall ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review;

- (ii) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of an analogous nature whose complexity may detract from the transparency of the group; and
- (iii) related-party transactions.
- (k) Any others that may be attributed to them by the By-Laws, these Regulations, the Board of Directors or the Law.

3. Rules of operation

In the performance of its activities, the Audit Committee shall be governed by the following rules of operation:

- (a) The Audit Committee shall meet at least once quarterly and whenever the Chairman considers convenient or at least two members of the Committee so request.
- (b) Meetings of the Audit Committee will reach a quorum when a majority of the members are present or represented. Its decisions shall likewise be adopted by a majority of the members.
- (c) The Chief Executive Officer shall provide the Audit Committee with the information it requires to perform its duties in relation to the directors and senior management of the principal companies in which interests are held.
- (d) The Audit Committee shall have free access to any kind of information or documentation held by or available to the

Company that it considers necessary in order to perform its duties.

- (e) The Committee may require the presence at any of its meetings of any employee or officer (and may order them to appear without the presence of any other officer, in which case, their attendance shall be requested through the General Manager), any executive Director, the external account auditor and/or the legal advisor to the Board of Directors.*
- (f) Minutes of Audit Committee meetings shall be taken and a copy shall be sent to all the members of the Board and to the Board of Directors, sending the full contents of the minutes of the Committee meetings. Furthermore, the Chairman of the Audit Committee shall, if applicable, report on any decisions and/or significant events that may have occurred at the Committee meetings at the first Board meeting to take place after the Committee meeting in question.*
- (g) The Committee shall review the financial information that is sent on a quarterly basis to the Comisión Nacional del Mercado de Valores (CNMV).*
- (h) The Board of Directors shall discuss the proposals and/or reports presented by the Audit Committee.*

In the absence of any specific rule, the provisions of these Regulations on the operation of the Board of Directors shall be applicable to the Audit Committee to the extent that they are not incompatible with the nature thereof, in particular, the rules on calling the meetings, delegating another Director as a representative, universal meetings, written ballots without holding a meeting, the persons acting

as chairman and secretary of the meetings and the approval of the minutes thereof.

The Board of Directors shall seek to present the annual statements to the General Meeting without reservations or qualifications in the audit report, and in the exceptional case that these may be included, the Chairman of the Audit Committee and the auditors shall give a clear explanation to the shareholders on the content and extent of said reservations and qualifications.

B) The Appointments Commission

1. Composition

The Board of Directors shall form a permanent Appointments Commission, which shall be an internal body for reporting and consulting purposes, with no executive functions, and is able to report, advise and propose within its sphere of action.

The Appointments Commission shall be formed by a minimum of three and a maximum of five Directors, appointed by the Board of Directors from among the external Directors. The Board of Directors shall likewise appoint a Chairman from among the members and a Secretary, who need not be a Director, at the proposal of the Appointments Commission itself.

The Board of Directors shall try to ensure that the Directors who form part of the Appointments Commission have appropriate knowledge, capacity and experience for the functions they are to perform.

The Directors who form part of the Appointments Commission shall hold office while they remain in office as Directors of the Company and maintain the status of external directors, unless the Board of Directors resolves otherwise. The renewal, re-election and removal from office of the Directors who form the Committee shall be governed by the resolutions of the

board of Directors.

Directors forming part of the Appointments Commission who are re-elected as Directors of the Company in a resolution adopted by the General Shareholders' Meeting shall continue to hold office on the Commission without the need to be re-elected thereto, unless the Board of Directors resolves otherwise.

2. Functions

The Appointments Commission shall have the following functions:

- (a) To assess the skills, knowledge and experience necessary on the Board and, consequently, to define the functions and abilities necessary in the candidates who are to cover any vacancies and assess the time and effort required for them to carry out their duties well.*
- (b) To report on proposals for designating the internal positions to be held by the members of the Board of Directors and propose the members that should compose each of the Commissions to the Board of Directors.*
- (c) To examine or organize, in the manner seen fit, the succession of the Chairman and the chief executive and, if applicable, to make proposals to the Board so that said succession takes place in an orderly and well-planned manner.*
- (d) To report on the appointments and removals of members of senior management that the Company's chief executive proposes to the Board.*
- (e) To ensure that, when new vacancies arise or new Directors are appointed, the selection procedures are not implicitly biased in any way that*

might imply some kind of discrimination and to report to the Board on gender diversity issues.

- (f) Any others that may be attributed to them by the By-Laws, these Regulations, the Board of Directors or the Law.*

The Appointments Commission shall consult the Chairman and the Company's chief executive, especially in relation to issues concerning the executive directors.

Any Director may request the Appointments Commission to consider potential candidates to cover vacancies on the Board, so that it may decide on their suitability.

3. Rules of operation

In the performance of its activities, the Appointments Commission shall be governed by the following rules of operation:

- (a) The Appointments Commission shall meet before any Board of Directors meeting at which a proposal is to be put to the General Shareholders' Meeting for the appointment, removal from office, re-election or ratification of a Director and before any Board of Directors meeting at which it is planned to co-opt a Director to cover a vacancy. The Appointments Commission shall likewise meet whenever the Chairman considers it necessary or when at least two members of the Commission so request.*
- (b) Meetings of the Appointments Commission will reach a quorum when a majority of the members are present or represented. Its decisions shall likewise be adopted by a majority of the members.*
- (c) The Chief Executive Officer shall provide the Appointments*

Commission with the information it requires to perform its duties in relation to the directors and senior management of the principal companies in which interests are held.

- (d) The Commission shall have free access to any kind of information or documentation held by or available to the Company that it considers necessary in order to perform its duties.*
- (e) The Commission may require the collaboration of any Director, member of senior management or employee of the Company and/or its group to enable it to better perform its functions.*
- (f) Minutes of Appointments Commission meetings shall be taken and a copy shall be sent to all the members of the Board and to the Board of Directors, sending the full contents of the minutes of the Committee meetings. Furthermore, the Chairman of the Appointments Commission shall, if applicable, report on any decisions and/or significant events that may have occurred at the Committee meetings at the first Board meeting to take place after the Commission meeting in question.*

In the absence of any specific rule, the provisions of these Regulations on the operation of the Board of Directors shall be applicable to the Appointments Commission to the extent that they are not incompatible with the nature thereof, in particular, the rules on calling the meetings, delegating another Director as a representative, universal meetings, written ballots without holding a meeting, the persons acting as chairman and secretary of the meetings and the approval of the minutes thereof.

POINT c) ARTICLE 15. RESIGNATION OF DIRECTORS

c) When they have been charged or prosecuted, when a decision that they should stand trial in oral proceedings is adopted or when they are convicted of a serious offence in summary criminal proceedings, in particular, of one of the offences mentioned in article 124 of the Spanish Corporation Law.

PENULTIMATE PARAGRAPH OF ARTICLE 17. RIGHT TO INFORMATION, INSPECTION AND ADVICE

The Audit Committee may also engage external advisors, when they consider that it is necessary for the performance of their duties.

ARTICLE 22. SUBMISSION TO THESE REGULATIONS

Irrespective of the mandatory nature of the present Regulations due to their approval by the Board of Directors of the Company, executing the self-regulation function attributed to it by Article 141 of Spanish Corporation Law, the acceptance and performance of the position of Director is deemed to also imply the individual voluntary acceptance of each and every one of the rules of these Regulations.

POINT c) ARTICLE 15. RESIGNATION OF DIRECTORS

c) When they have been charged or prosecuted, when a decision that they should stand trial in oral proceedings is adopted or when they are convicted of a serious offence in summary criminal proceedings, in particular, of one of the offences mentioned in article 213 of the Capital Company Act..

PENULTIMATE PARAGRAPH OF ARTICLE 17. RIGHT TO INFORMATION, INSPECTION AND ADVICE

The Audit Committee and the Nominating Commission may also engage external advisors, when they consider that it is necessary for the performance of their duties.

ARTICLE 22. SUBMISSION TO THESE REGULATIONS

Irrespective of the mandatory nature of the present Regulations due to their approval by the Board of Directors of the Company, executing the self-regulation function attributed to it by law, the acceptance and performance of the position of Director is deemed to also imply the individual voluntary acceptance of each and every one of the rules of these Regulations.