

Annual Report 2011

ZARDOYA OTIS S.A.



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Annual Report 2011

Free translation of the Annual
Report originally issued in
Spanish for the year:
12.1.2010 to 11.30.2011
presented by the Board of
Directors at the General
Meeting of Shareholders
held on
May, 23, 2012 upon the first
call, or May 24, 2012 upon
the second call.

CHAIRMAN'S REPORT

Dear Shareholders,

The economic situation in Spain and Portugal remains, as you know, at its lowest ebb, with negative growth of 0.3% in the GDP in the fourth quarter, as well as a negative forecast for the first quarter of 2012.

With the change of government, a barrage of measures has been adopted which, although they help to reduce the deficit, do not favour growth.

In this context our company has, as we will see, managed to maintain its results by continuing with the strategy initiated in 2008, which will run until 2015 and concentrates on 5 basic elements:

1. Priority on the attention provided to our customers, with innovation in products and services and development in the modernization and adaption of elevators, meaning that the service activity came to represent 77% of our sales in 2011.
2. Acquisition of companies in the sector, which, as you know, is one of our main sources of growth.
3. Cost reduction, with an austerity plan to save expense and the adaptation of our capacity to the heavy fall in sales of New Installations.
4. Priority attention to collection management and cash generation, which allowed a flow of cash higher than the profit after tax
5. Expansion of export markets, which have also been affected by the general crisis, in a lower degree than Spain. The weight of net exports remained at 11.5% of total sales, although exports actually grew more, as we will see later.

1. KEY DATA AT NOVEMBER 30, 2011

• PROFIT AND LOSS

The consolidated profit before tax was 276.1 million euros, which represents a 5.4% decrease on the preceding year.

The consolidated profit attributed to shareholders (after tax and non-controlling interests) was 194.0 million euros, 5.4% less than in 2010.

The EBITDA fell by 5.3% in 2011, including the cost of the actions undertaken in the second half of the year to adapt the Group's structure to the forecast activity.

The cash flow was 209.2 million euros, i.e. 8% higher than the profit after tax.

In summary, in 2011, we were successful in maintaining both the results and the cash flow as a result of the strategy adopted in an unfavourable environment.

• SALES

Total consolidated sales for the year 2011 were 819.1 million euros, a decrease of 5.1% on the 862.8 million euros of 2010.

New Sales

- **Work completed.** This totalled 93.7 million euros, showing a drop of 18.8% on the preceding year. This decrease began in 2008 and is the consequence of the drastic reduction in the construction of homes, which continued in 2011 and of which you are well aware.
- **Orders received.** These were 90.4 million euros, 20.8% lower than in 2010. The downward trend in orders received commenced in the second half of 2007 and is still continuing. Special attention should be drawn to the fact that Morocco grew by 30.4% in comparison with 2010.
- **Backlog of unfilled orders.** This dropped by 18.5%, totalling 87.6 million euros.

In summary, with less number of orders received, the backlog of unfilled orders and the work completed also decreased, meaning that new sales now represent only 11.4% of total sales.

Service

- **Sales.** Total billing was 631.0 million euros in 2011, 5.3% lower than in the preceding year. As I have said, Service now represents 77.0% of the total.
- **Units under maintenance.** There were 268,915 units under maintenance at November 30, 2011, with a net increase of 0.3% on the preceding year.

The acquisitions made in 2011 were not included on our portfolio until 2012, as we will see later.

Exports

Net export billing outside the consolidated group totalled 94.3 million euros, showing an increase of 17% on 2010. Exports represented 11.5 % of total billing in 2011.

• 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 191.5 million euros. The pay-out was 98.7 %, while the amount paid dropped by 1.47% in comparison with the preceding year.

• CAPITAL INCREASE

The new capital increase took place in June 2011, with a 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 12 and December 12, 2011.

This was our 32nd bonus issue.

• ACQUISITION OF TREASURY SHARES

In October 2011, the Board made use of the authorization that the General Shareholders' Meeting confers upon it each year to acquire treasury shares..

Said authorization was employed in the exchange of shares for the acquisition of the 52% of Montes Tallón S.A. The transaction was carried out in December 2011, which is the reason why the shares (1,010,905 shares) were still on the Company's portfolio at the year end. Furthermore, at the end of the first quarter of 2012, there were still 44,030 of the Company's own shares on its portfolio, valued at their acquisition price of 425 thousand euros. The result of the integration of the new company acquired will affect 2012.

2. STOCK MARKET DATA AT DECEMBER 31, 2011

• CAPITAL DATA

On June 14, 2011, 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 17,471,269 new bonus shares charged to the Voluntary Reserve, for an amount of 1,747,126.90 euros.

As a result of this increase, the share capital rose to 36,689,666.60 euros, represented by 366,896,666 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 12, 2011.

• PROFIT PER SHARE

The profit per share in 2011, adjusted to eliminate the treasury shares, was 0.545 euros, in comparison with the profit per share of 0.587 euros in 2010.

The net profit per share fell by 7%.

• DIVIDEND PER SHARE

This was 0.548 euros per share, which was not very different to the 2010 figure of 0.565 euros per share, adjusted in accordance with the increase carried out in 2010.

• STOCK MARKET PRICE

At December 31, 2011, the ZARDOYA OTIS share was quoted at 10.60 euros, representing an increase of 2.4% on the preceding year's price adjusted in accordance with the capital increase of said year. In the same period, the IBEX dropped by 13.0%.

• TRADING FIGURES

The effective value traded on the Stock Exchange was 831 million euros, a decrease of 30% on the 1,167 million of the year 2010.

• STOCK MARKET RATIOS

| | |
|---------|-------|
| PER | 19.4 |
| Pay-Out | 98.7% |

3. INFORMATION ON THE FIRST QUARTER OF 2012

In 2012, the Group's management team has undergone some important changes, caused by the appointment of Pedro Sainz de Baranda as the President of Otis worldwide. This is the first time that Otis has a Spanish President and his appointment fills us with pride. I imagine you will join the Board in wishing him every success in this new stage of his career.

Bernardo Calleja Fernández has been appointed to replace him. Bernardo had been the CEO of the Italian subsidiary of Otis Elevator since 2008. He graduated in Industrial Engineering from the Higher Technical School of Industrial Engineering in Gijón and holds an MBA from the IESE Business School. He joined Zardoya Otis in 1989 as an engineer at the San Sebastián plant and subsequently passed through all the Group's business areas until he was appointed as the Service and Installations Manager of Otis Italy in 2007.

In turn, Bernardo has appointed Rafael Fernández Fernández as the General Manager. Rafael graduated from the ICADE in Economic and Business Sciences and holds an MBA from the IESE Business School. He joined the company in 1985 and has held positions of increasing responsibility since then.

As a result of his new appointment, Pedro Sainz de Baranda submitted his resignation at the February Board meeting. In the same month, Bernardo was co-opted as a director and CEO. Likewise, at the end of 2011, we were sorry to learn of the sudden death of Mr. Bruno Grob, who had been a director for many years and was also the Chairman of Otis France. The vacancy he left has been filled, likewise by co-option, by Mr. Pierre Dejoux, who has also been appointed as the new Chairman of Otis France. You will have the opportunity to ratify these appointments at this General Meeting.

• BUSINESS EVOLUTION

Sales

Total consolidated sales for the first quarter of 2012 were 204.3 million Euros, in line with those for the same period of 2011.

In New Installations, the work completed of 20.2 million euros dropped by 21.4% in relation to the work completed in the first quarter of 2011, 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 152.2 million euros, with a drop of 4.1% on those obtained in the first quarter of 2011, affecting principally the volume of modernizations.

Consolidated net export sales were 31.5 million euros, showing an increase of 60.0% on those obtained in the same period of the preceding year.

Profit and Loss

The EBITDA obtained in the first quarter of 2012 was 70.0 million euros, in comparison with the 71.0 million euros obtained in 2011, representing a 1.4% decrease.

Consolidated profit before tax in the first quarter of 2012 was 64.8 million euros, 4.5% down on the 67.9 million euros obtained in 2011.

Profit after tax was 45.5 million euros, 2.4% lower than the 46.6 million euros of the same period in 2011.

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 22.1 million euros. This represented a decrease of 1.0% on the same period of 2011, reflecting the unfavourable economic environment in the Iberian Peninsula.

The backlog of unfilled orders in 2012 was 84.4 million euros, 19.2% lower than in the same period of 2011.

In the first quarter of 2012, the New Installations activity contributed 10.1% of consolidated sales.

Units under maintenance

At the end of the first quarter of 2012, there were 268,152 units under maintenance, 0.2% up on those of 2011, with growth of 469 units that mostly came from new installations. This figure does not yet include the units from our recent acquisition of Montes Tallón, S.A., which I mentioned previously.

- **KEY DATA**

Key Data, at 1st Quarter 2012

Consolidated figures in millions of euros

| Results | 2.012 | 2.011 | % variance 12/11 |
|-------------------|--------------|--------------|-----------------------------|
| EBITDA | 70,0 | 71,0 | -1,4 |
| Profit before tax | 64,8 | 67,9 | -4,5 |
| Profit after tax | 45,5 | 46,6 | -2,4 |

| Sales Data | 2.012 | 2.011 | % variance 12/11 |
|-------------------|--------------|--------------|-----------------------------|
| New Installations | 20,6 | 26,2 | (21,4) |
| Service | 152,2 | 158,7 | (4,1) |
| Exports | 31,5 | 19,7 | 60,0 |
| Total | 204,3 | 204,6 | (0,2) |

| New Installations | 2.012 | 2.011 | % variance 12/11 |
|--------------------------|--------------|--------------|-----------------------------|
| Orders received | 22,1 | 22,3 | (1,0) |
| Backlog | 84,4 | 104,5 | (19,2) |

| Service Data | 2.012 | 2.011 | % variance 12/11 |
|-------------------------|--------------|--------------|-----------------------------|
| Units under maintenance | 268.152 | 267.683 | 0,2 |

- **DIVIDENDS**

On March 12, 2012, the 129th consecutive quarterly dividend was paid, for a gross amount of 0,120 euros per share.

| No. | Date | Gross per share | Charged to | Shares entitled to dividend | Total gross dividend |
|-----|-----------------|-----------------|---------------------------|-----------------------------|----------------------|
| 129 | March 12 | 0.120 euros | 1st interim dividend 2012 | 366,896,666 | 44,027,599.92 € |
| | Treasury shares | | | (44,030) | (5,283.6) € |
| | Total | | | 366.852.636 | 44.022.316,32 € |

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

- Our customers, without whom we would not exist.
- All those who work and collaborate with our Group, without whose effort and dedication we would not be what we are.
- Our company's shareholders, whom we assure that we will do everything possible to keep the trust they have placed in us.

Yours faithfully,



Mario Abajo García

Key Data at November 30

(Fiscal year end)

(Consolidated figures in millions of euros)

| ANNUAL RESULTS | 2011 | 2010 | 2009 | 2008 | 2007* | 2007 | % variance over prior year | | | | |
|-------------------|-------|-------|-------|-------|-------|-------|----------------------------|-------|--------|--------|--------|
| | | | | | | | 11/10 | 10/09 | 09/08* | 08/07* | 08/07 |
| Profit before tax | 276.1 | 291.8 | 288.1 | 284.8 | 270.6 | 334.8 | (5.4) | 1.3 | 1.2 | 5.3 | (14.9) |
| Profit after tax | 194.0 | 205.1 | 202.1 | 201.1 | 175.9 | 221.9 | (5.4) | 1.5 | 0.5 | 14.4 | (9.4) |
| EBITDA | 289.2 | 305.5 | 299.5 | 296.6 | 277.7 | 277.7 | (5.3) | 2.0 | 1.0 | 6.8 | 6.8 |
| Cash-Flow | 209.2 | 221.0 | 216.2 | 217.1 | 188.6 | 234.6 | (5.3) | 2.2 | (0.4) | 15.1 | (7.5) |
| Dividends paid | 191.5 | 194.3 | 198.1 | 193.6 | 176.0 | 176.0 | (1.5) | (1.9) | 2.3 | 10.0 | 10.0 |

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

| SHAREHOLDERS' EQUITY | 2011* | 2010 | 2009 | 2008 | 2007 | % variance over prior year | | | | |
|----------------------|-------|-------|-------|-------|-------|----------------------------|-------|-------|-------|-------|
| | | | | | | 11/10 | 10/09 | 09/08 | 08/07 | 08/07 |
| Capital and Reserves | 229.5 | 244.0 | 233.3 | 230.4 | 173.8 | (6.0) | 4.6 | 1.2 | 32.6 | |

(*) Includes treasury stock

| SALES DATA | 2011 | 2010 | 2009 | 2008 | 2007 | % variance over prior year | | | | |
|--|--------|--------|--------|--------|--------|----------------------------|--------|--------|-------|-------|
| | | | | | | 11/10 | 10/09 | 09/08 | 08/07 | 08/07 |
| New installations | 93.7 | 115.5 | 139.8 | 200.7 | 214.9 | (18.8) | (17.4) | (30.3) | (6.6) | |
| Service | 631.0 | 666.7 | 668.2 | 651.7 | 584.0 | (5.3) | (0.2) | 2.5 | 11.6 | |
| Total Exports | 109.2 | 94.4 | 94.2 | 99.3 | 80.1 | 15.7 | 0.2 | (5.1) | 24.0 | |
| Exports to Portugal and Morocco (*) | (14.8) | (13.7) | (17.1) | (15.1) | (14.0) | 8.1 | (19.5) | 13.0 | 7.9 | |
| Net Exports (without Portugal and Morocco) | 94.3 | 80.6 | 77.1 | 84.2 | 66.1 | 17.0 | 4.5 | (8.4) | 27.4 | |
| Total | 819.1 | 862.8 | 885.1 | 936.6 | 865.0 | (5.1) | (2.5) | (5.5) | 8.3 | |

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

| NEW INSTALLATIONS | 2011 | 2010 | 2009 | 2008 | 2007 | % variance over prior year | | | | |
|-------------------|------|-------|-------|-------|-------|----------------------------|-------|--------|--------|-------|
| | | | | | | 11/10 | 10/09 | 09/08 | 08/07 | 08/07 |
| Orders received | 90.4 | 114.1 | 114.7 | 191.2 | 222.8 | (20.8) | (0.6) | (40.0) | (14.2) | |
| Backlog | 87.6 | 107.6 | 117.4 | 151.6 | 168.3 | (18.5) | (8.3) | (22.6) | (9.9) | |

| SERVICE DATA | 2011 | 2010 | 2009 | 2008 | 2007 | % variance over prior year | | | | |
|-------------------------|---------|---------|---------|---------|---------|----------------------------|-------|-------|-------|-------|
| | | | | | | 11/10 | 10/09 | 09/08 | 08/07 | 08/07 |
| Units under maintenance | 268,915 | 268,147 | 264,871 | 250,871 | 237,836 | 0.3 | 1.2 | 5.6 | 5.5 | |
| Maintenance centers | 364 | 374 | 372 | 367 | 359 | (2.7) | 0.5 | 1.4 | 2.2 | |

| MANPOWER | 2011 | 2010 | 2009 | 2008 | 2007 | % variance over prior year | | | | |
|----------------|-------|-------|-------|-------|-------|----------------------------|-------|-------|-------|-------|
| | | | | | | 2006 | 10/09 | 09/08 | 08/07 | 08/07 |
| Total manpower | 5,425 | 5,602 | 5,854 | 6,046 | 5,831 | (3.2) | (4.3) | (3.2) | 3.7 | |



Stock Market Data at December 31

(euros)

| SHARE CAPITAL | *2011 | 2010 | 2009 | 2008 | 2007 |
|--|-------------|-------------|-------------|-------------|-------------|
| Treasury Stock | 0 | | | | - |
| Number of shares before share capital increase | 349,425,397 | 332,786,093 | 316,939,137 | 288,126,489 | 261,933,172 |
| Splits | | | - | - | - |
| Share capital increase (bonus) ratio | 1x20 | 1x20 | 1x20 | 1x10 | 1x10 |
| Number of shares at December 31 | 355,826,776 | 349,425,397 | 332,786,093 | 316,939,137 | 288,126,489 |
| Par value | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| Share capital (millions) | 35.6 | 34.9 | 33.3 | 31.7 | 28.8 |

(*) Average number of ordinary Share in Issue in the year

| PROFIT PER SHARE | 2011 | 2010 | 2009 | 2008 | 2007* | 2007 |
|-------------------------------------|-------|-------|-------|-------|-------|-------|
| Profit after Tax | 0.545 | 0.587 | 0.607 | 0.635 | 0.610 | 0.770 |
| P.A.T. adjusted by capital increase | 0.545 | 0.576 | 0.568 | 0.565 | 0.494 | 0.624 |
| Adjusted P.A.T. Variance (%) | (5.4) | 1.5 | 0.5 | 14.4 | 14.0 | 43.8 |
| EBITDA per share | 0.813 | 0.874 | 0.900 | 0.936 | 0.964 | 0.964 |
| EBITDA adjusted by capital increase | 0.813 | 0.858 | 0.842 | 0.833 | 0.780 | 0.780 |
| Adjusted EBITDA variance (%) | (5.3) | 2.0 | 1.0 | 6.8 | 12.2 | 12.2 |

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

| DIVIDEND PER SHARE* | 2011 | 2010 | 2009 | 2008 | 2007 |
|---------------------------------------|--------|--------|--------|-------|-------|
| Dividend per share | 0.548 | 0.584 | 0.625 | 0.672 | 0.672 |
| Dividend adjusted by capital increase | 0.548 | 0.565 | 0.576 | 0.577 | 0.525 |
| % Variance adjusted dividend | (2.99) | (1.89) | (0.28) | 10.00 | 13.55 |

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

| PRICE PER SHARE | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|-------|--------|-------|--------|-------|
| Price | 10.60 | 10.54 | 13.61 | 12.69 | 19.37 |
| Price adjusted by share capital increase | 10.60 | 10.35 | 12.73 | 11.30 | 15.68 |
| % adjusted price variance | 2.4 | (18.7) | 12.6 | (27.9) | (7.3) |

| ANNUAL YIELD OF ONE SHARE (%) (*) | 2011 | 2010 | 2009 | 2008 | 2007 |
|-----------------------------------|-------|----------|--------|----------|---------|
| Dividend | 5.199 | 4.291 | 4.925 | 3.469 | 2.924 |
| Increase in market value | 2.412 | (18.685) | 12.612 | (27.935) | (7.280) |
| Total | 7.611 | (14.394) | 17.537 | (24.466) | (4.356) |

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

| TRADING DATA | 2011 | 2010 | 2009 | 2008 | 2007 |
|-----------------------------------|-------|-------|-------|-------|-------|
| Market capitalization (millions) | 3,772 | 3,683 | 4,529 | 4,022 | 5,581 |
| Trading frequency (%) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Effective value traded (millions) | 831.2 | 1,167 | 786 | 1,090 | 1,935 |

| STOCK MARKET RATIOS | 2011 | 2010 | 2009 | 2008 | 2007* | 2007 |
|---|------|------|------|------|-------|------|
| PER (Price/net profit: number of times) | 19.4 | 18.0 | 22.4 | 20.0 | 31.7 | 25.2 |
| Pay-out % (Dividends paid/net profit) | 98.7 | 94.8 | 98.0 | 96.3 | 100.1 | 79.3 |

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

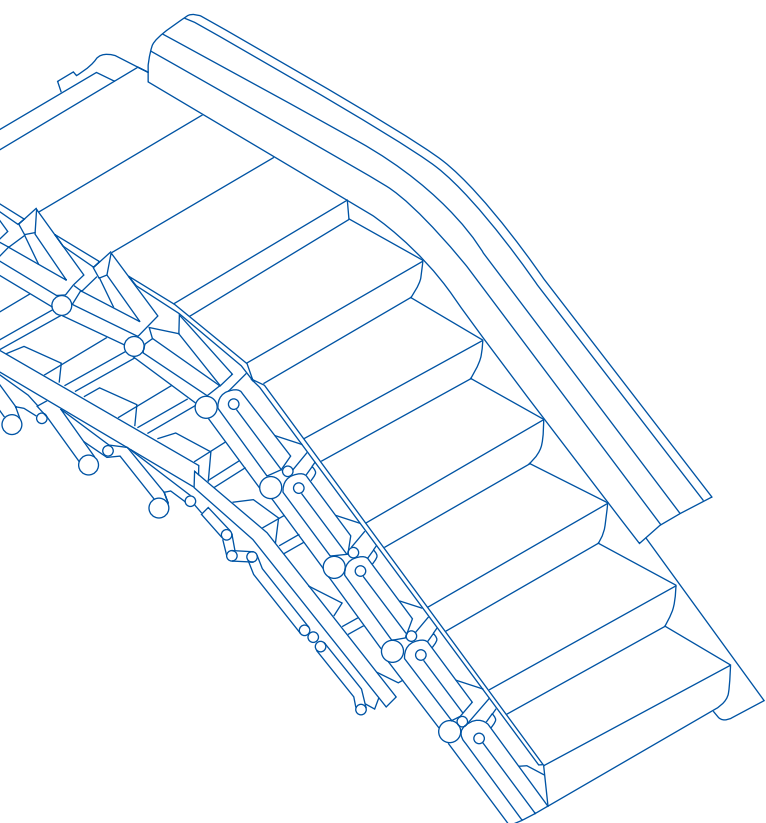
| STOCK MARKET RATIOS | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|---------|---------|---------|---------|---------|
| Zardoya Otis, S.A. | | | | | |
| Market capitalization at December 31 (€ Millions) | 3,772 | 3,683 | 4,529 | 4,022 | 5,581 |
| Market capitalization at January 1, 1990 (€ Millions) | | | | | |
| (Start of IBEX-35) | 331 | 331 | 331 | 331 | 331 |
| Market capitalization variance since January 1, 1990 | 3,440 | 3,352 | 4,198 | 3,691 | 5,250 |
| % Variance market capitalization since January 1, 1990 | 1,038.2 | 1,011.4 | 1,266.7 | 1,113.7 | 1,584.1 |
| % inter-annual variance market capitalization | 2.4 | (18.7) | 12.6 | (27.9) | (7.3) |
| IBEX-35 | | | | | |
| IBEX-35 at December 31 | 8,566 | 9,859 | 11,940 | 9,196 | 15,182 |
| IBEX-35 at start (January 1, 1990) | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| Variance IBEX-35 since January 1, 1990 | 5,566 | 6,859 | 8,940 | 6,196 | 12,182 |
| % Variance IBEX-35 since January 1, 1990 | 185.5 | 228.6 | 298.0 | 206.5 | 406.1 |
| % Inter-annual variance IBEX-35 | (13.1) | (17.4) | 29.8 | (39.4) | 7.3 |



IS

Management Report of Zardoza Otis

(Consolidated Accounts)



Business Evolution

Profit and Loss

The consolidated profit before tax at the 2011 year end was 276.1 million euros, with a 5.4% reduction in respect of 291.8 million euros obtained in 2010.

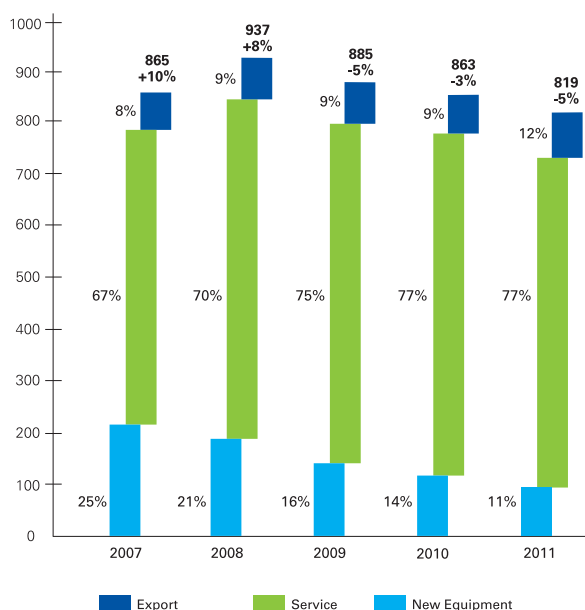
The EBITDA (operating profit + depreciation + amortization) obtained in 2011 was 289.2 million euros, 5.3% lower on the 305.5 million euros obtained in 2010. Such amount includes the cost of the actions started in the second half of the fiscal year to adjust the Group structure to the expected activity. The consolidated profit after tax attributable to shareholders (net profit after non controlling interest) was 194.0 million euros, 5.4% less than the amount obtained in 2010, in line with sales reduction.

The consolidated Cash Flow (net profit + depreciation + amortization) at the end of 2011, was 209.2 million euros, 5.3% lower to that of 2010.

Total Sales

The total consolidated sales for the year 2011 were 819.1 million euros, in comparison with the 862.8 million euros of 2010, representing a reduction of 5.1%.

Sales Millions of euros



New Sales

Work completed: the value of the work completed in New Installations in 2011 was 93.7 million euros, 18.8% lower than the work completed in 2010, as a result of the drop in the orders received for the New Sales, which commenced in 2008.

In 2011, New Sales Billings represented 11.4% of the total Billings (13.4% in 2010).

Orders received: New sales orders for 90.4 million euros were received in 2011, 20.8% below the figure obtained in 2010. It is remarkable that Morocco grows by 30.4% when compared with the same period of 2010.

Backlog of unfilled orders: as a consequence of the decrease in the orders received for New Installations, the backlog of unfilled orders at the 2011 was reduced by 18.5%, reaching the figure of 87.6 million euros.



Exports

Export sales in the year 2011 (not including the sales made to the Group companies in Portugal and Morocco) were 94.3 million euros, 17% higher than in 2010.

In 2011, net exports represented 11.5% of the Group's consolidated sales (9.3% in 2010).

Service

Sales: total consolidated Service Sales was 631.0 million euros, showing a decrease of 5.3 % on the 2010 figure as a consequence of the reduction in volume of modernization sales completed.

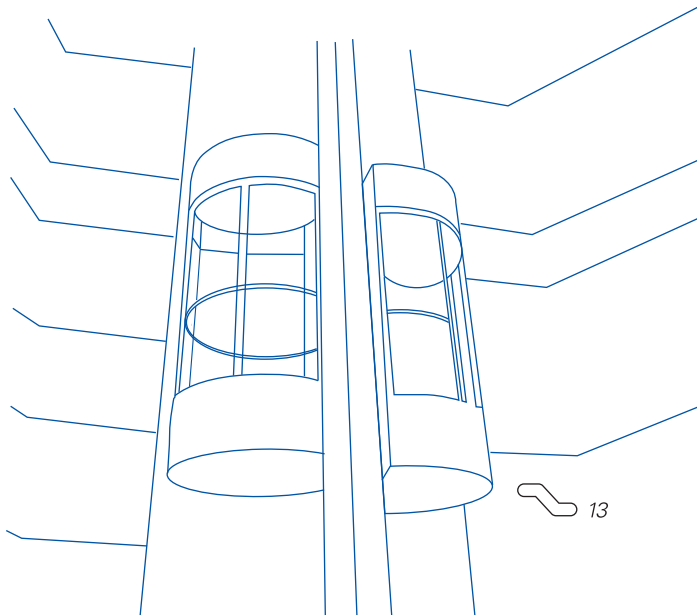
Service activity represented 77.0% of total sales in 2011 (77.3% in 2010), demonstrating once again the importance that Service continues to have in the Zardoya Group's business structure as the base for its stability.

Units under maintenance of the Zardoya Otis Group:

In 2011 the number of units grows by 0.3 % on the preceding year. In total the maintenance portfolio reached by the Group is 268,915 units. In this year the Group has acquired the maintenance portfolio of Ascensores Molero, S.L. and Reparación y Mantenimiento de Ascensores, S.L. providing the Group with 1,237 units.

Employee Headcount

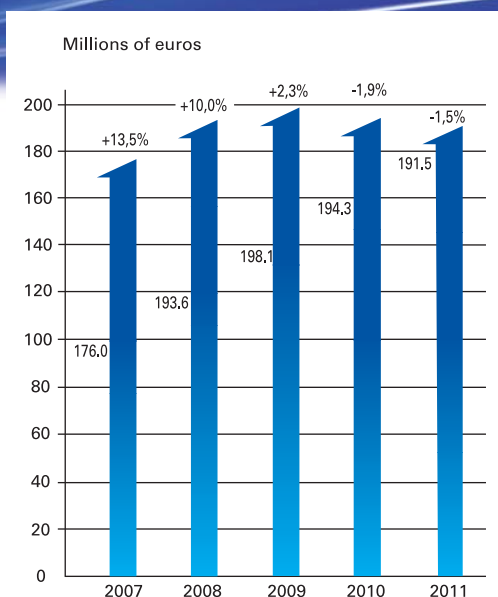
At the 2011 year end, the Zardoya Otis Group had 5,425 employees, with a reduction of 3.2% in comparison with 2010.



Dividends

Dividends distributed and paid in 2011 were:

| Number | Data | Gross per Share | Charged to | Shares entitled to the dividend | Total Gross Dividend |
|-------------------------------------|--------------|-----------------|-------------------------------|---------------------------------|-------------------------|
| 125 | 10 March | 0.140 euros | 1 st on acct. 2011 | 349,425,397 | 48,919,555.58 € |
| 126 | 10 June | 0.135 euros | Reserves | 349,425,397 | 47,172,428.60 € |
| 127 | 12 September | 0.135 euros | 2 nd on acct. 2011 | 366,896,666 | 49,531,049.91 € |
| 128 | 12 December | 0.125 euros | 3 rd on acct. 2011 | 366,896,666 | 45,862,083.25 € |
| TOTAL DIVIDENDS PAID IN 2011 | | | | | 191,485,117.34 € |

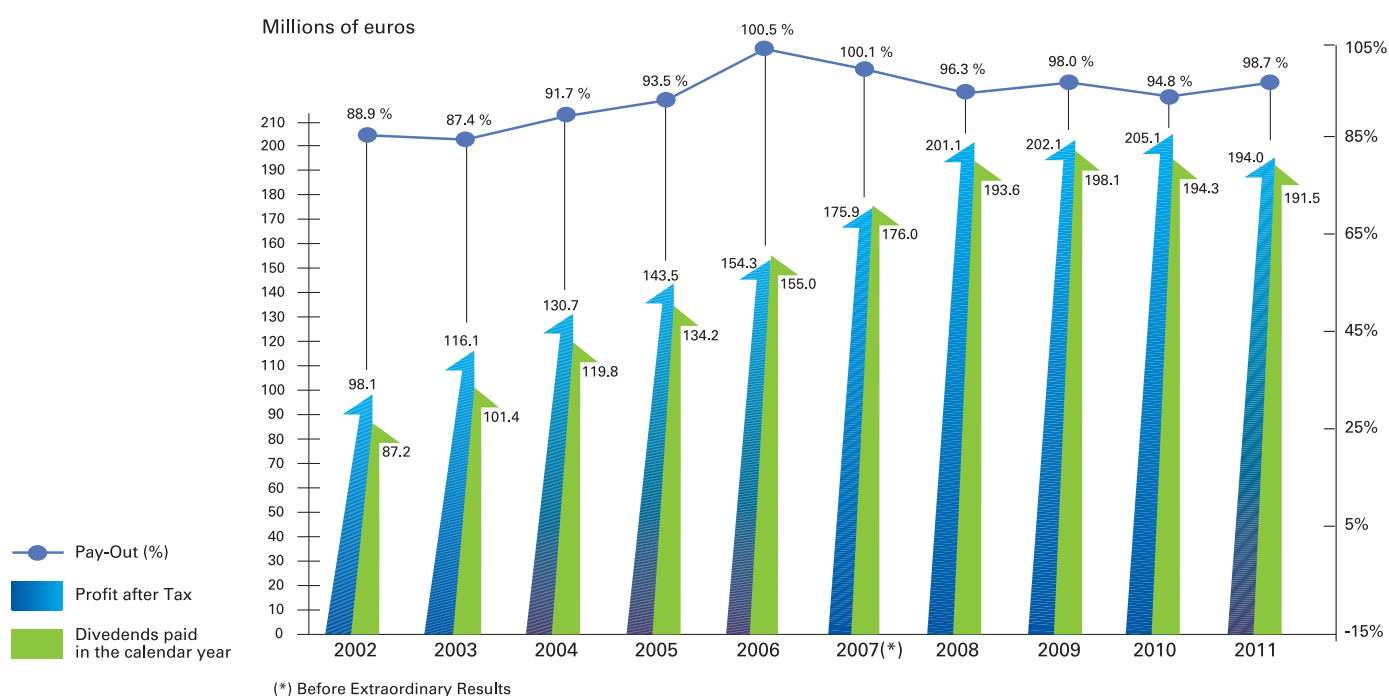


The first quarterly interim dividend charged to the 2011 profit was paid to all the outstanding shares: 349,425,397, for a gross amount of 48,919,555.58 Euros. The second quarterly dividend, distributed on June 10, 2011, was charged to the Voluntary Reserve and paid to all the outstanding shares: 349,425,397, the 17,471,269 shares Coming from the 1x20 bonus issue that took place on June 14, 2011 were also entitled to the third and fourth interim dividends, charged to the 2011 profit. Thus the

total number of shares entitled to dividends rose to 366,896,666. The dividend distributed on December 12, 2011 excluding the treasury stock.

The dividends paid in 2011 totalled 191.5 million euros, in comparison with the 194.3 million euros of the preceding year. This represented a reduction of 1.47 % and meant a pay-out of 98.7% of the consolidated profit of the Zardoya Otis, S.A. Group.

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



Evolution of capital

Capital Increase

On June 14, 2011, 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 23, 2011 took place.

The ratio was one new share for each twenty old outstanding shares, by means of the issuance of 17,471,269 new bonus shares charged to the voluntary Reserve, for an amount of 1,747,126.90 euros.

The subscription took place from June 14, 2011 until June 30, 2011, both inclusive. As a result

of this increase, the share capital rose to 36,689,666.60 euros, represented by 366,896,666 shares with a par value of 0.10 euros each.

The new shares were entitled to the dividends paid after the closing date of the increase and therefore, received the dividends distributed on September 12 and December 12, 2011.

The new shares were listed on the Madrid, Barcelona, Valencia y Bilbao Stock Exchanges, effective august 12, 2011.

Treasury Stock

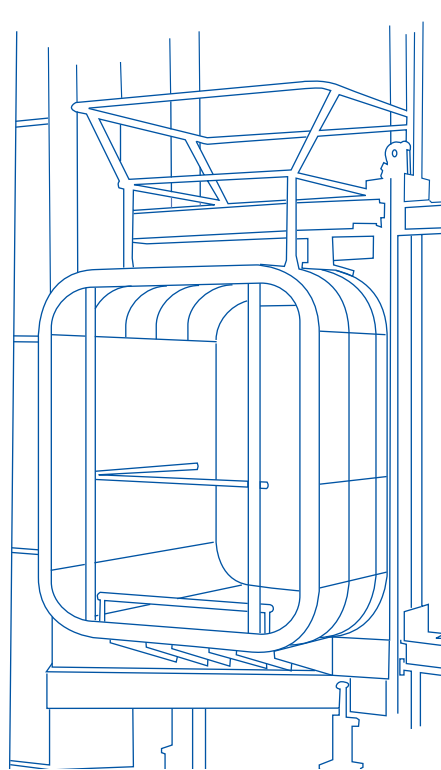
The Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on May 23, 2011 authorized the Board of Directors to acquire, directly or indirectly, shares of Zardoya Otis, S.A. itself up to the maximum amount permitted by law.

At its meeting of October 27, 2011, the Company's Board of Directors resolved, in accordance with said authorization, to acquire treasury shares in order to use them in any of the company acquisition transactions that the Company habitually performs that involves an exchange of shares.

The derivative acquisition of treasury stock was carried out in accordance with the terms of the aforementioned authorization from the Ordinary General Shareholders' Meeting and was subject to the following conditions: (i) up to a maximum limit of 0.5% of the number of shares that represent the Company's share capital,

equivalent to 1,835,000 shares; and (ii) during a term expiring on April 30, 2012, all of which is subject to Regulation (EC) 2273/2003 and other applicable legislation.

At the end of the year 2011, Zardoya Otis, S.A. held 878,316 treasury shares for a value of 8,321,626.37 euros.



Evolution of Zardoya Otis on the stock Market

The quoted price at the 2011 year end was 10.60 euros per share, which meant an increase in value of 5.6 %, compared to the adjusted price of 2010, while the IBEX value went down by 13,1 %.

The share price is adjusted for comparative purpose as a consequence of the 1 x 20 bonus issue that took place in June 2011.



Stock Indexes - % of Variation

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

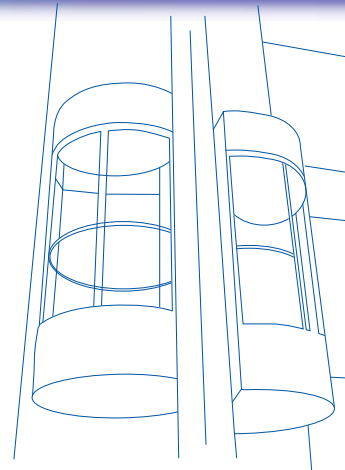


- Zardoya Otis
% Market Value Variation
- IBEX-35 Index - % Variation

Historical Stock Market Data (euros)

| Year | Capital increase and Splits | Shares 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 | 0.98 | 5.7 | 13.8 | 80.1 | 350.2 |
| dec-91 | 1 x 5 | 61.30 | 1.14 | 15.5 | 14.0 | 75.5 | 404.4 |
| dec-92 | | 52.23 | 0.97 | (14.8) | 11.0 | 79.8 | 344.6 |
| dec-93 | 1 x 10 | 81.74 | 1.67 | 72.2 | 17.0 | 80.8 | 593.1 |
| dec-94 | 1 x 10 | 82.28 | 1.85 | 10.7 | 17.4 | 57.4 | 656.8 |
| dec-95 | 1 x 10 | 79.63 | 1.96 | 6.5 | 17.0 | 98.4 | 699.2 |
| dec-96 | 1 x 10 | 90.75 | 2.46 | 25.4 | 19.5 | 100.8 | 876.5 |
| dec-97 | 1 x 10 | 106.68 | 3.19 | 29.3 | 22.0 | 80.8 | 1,133.4 |
| dec-98 | split 5 x 1 and 1 x 6 | 26.62 | 4.64 | 45.6 | 28.9 | 84.7 | 1,649.8 |
| dec-99 | split 2 x 1 and 1 x 10 | 9.77 | 3.74 | (19.3) | 21.2 | 89.9 | 1,332.1 |
| dec-00 | 1 x 10 | 9.35 | 3.94 | 5.3 | 19.7 | 94.0 | 1,402.3 |
| dec-01 | 1 x 10 | 10.42 | 4.79 | 21.5 | 20.7 | 90.8 | 1,703.6 |
| dec-02 | 1 x 10 | 12.55 | 6.31 | 31.8 | 22.9 | 88.9 | 2,245.2 |
| dec-03 | 1 x 10 | 16.50 | 9.13 | 44.6 | 28.0 | 87.4 | 3,247.1 |
| dec-04 | 1 x 10 | 18.87 | 11.48 | 25.8 | 31.2 | 91.7 | 4,084.9 |
| dec-05 | 1 x 10 | 21.40 | 14.32 | 24.7 | 35.5 | 93.5 | 5,095.8 |
| dec-06 | 1 x 10 | 22.98 | 16.92 | 18.1 | 39.0 | 100.5 | 6,019.2 |
| dec-07 | 1 x 10 | 19.37 | 15.68 | (7.3) | 31.7 (*) | 100.1 (*) | 5,581.0 |
| dec-08 | 1 x 10 | 12.69 | 11.30 | (27.9) | 20.0 | 96.3 | 4,022.0 |
| dec-09 | 1 x 20 | 13.61 | 12.73 | 12.6 | 22.4 | 98.0 | 4,529.2 |
| dec-10 | 1 x 20 | 10.54 | 10.35 | (18.7) | 18.0 | 94.8 | 3,682.9 |
| dic-11 | 1 x 20 | 10.60 | 10.60 | 2.4 | 20.0 | 98.7 | 3,771.8 |

(*) Without Extraordinary Result



Forecast Evolution

In 2011 has continued the decrease in sales as a result of the general economic environment and in particular in the difficulties in the construction sector. Therefore, the backlog of unfilled orders is 18.5% lower than last year, while in Service the reduction in sales is only 5.3% due mainly to the delay in the decision making of modernizations by our customers.

At the end of 2011, New Installation sales represented only 11.4% of total while the principal activity, Service accounted for 77.0% of the total and Exports with a strong increase of 11.5%.

For 2012 we expect the actions started in the second half of the fiscal year to adjust the Group structure to the expected activity to translate into an overall result similar to that of 2011.



General description of the risk policy of the Group

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 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.

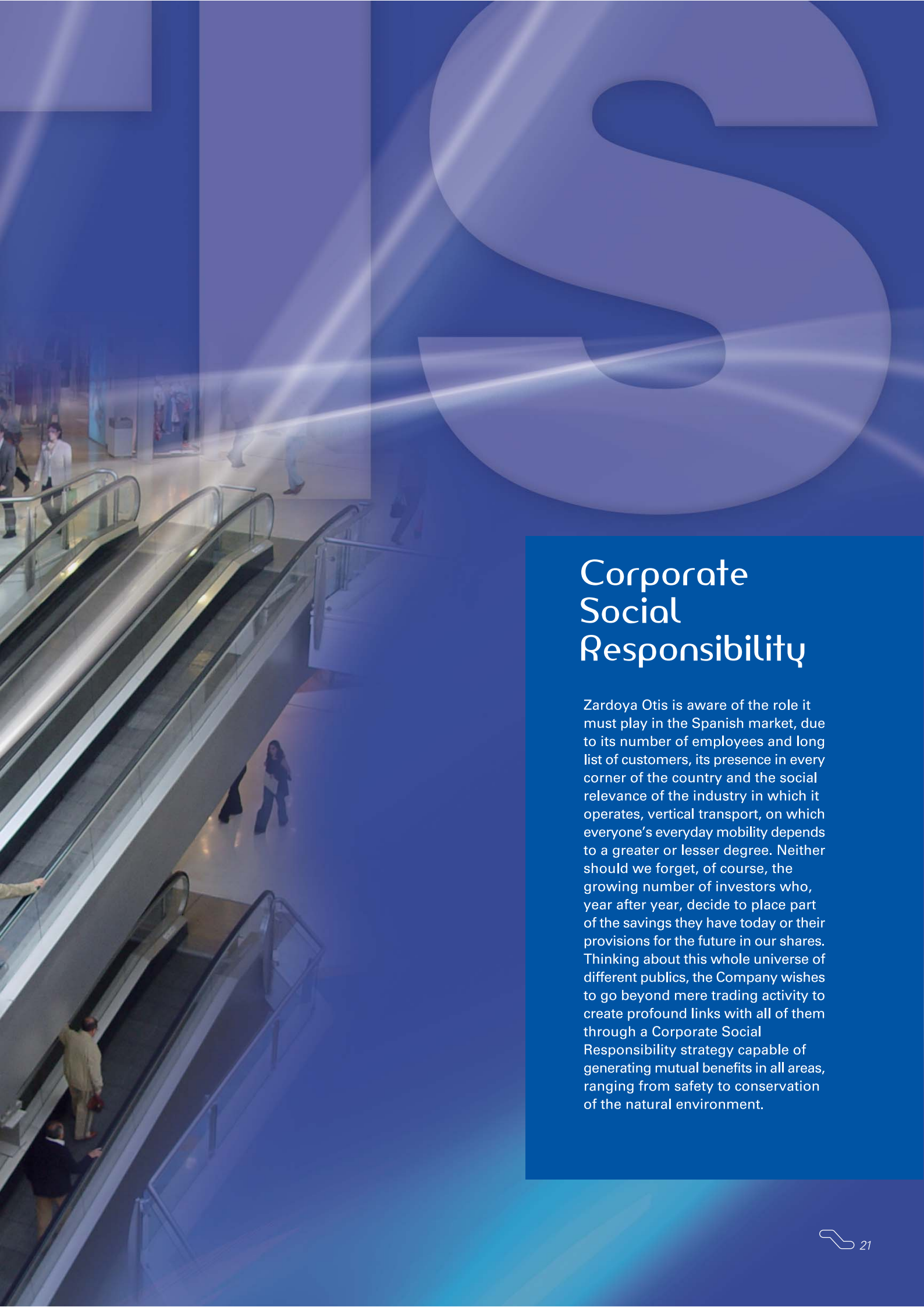


Annual Corporate Governance Report

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 28, 2012.

This Report is on page 91 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

Zardoya Otis continues to believe that its employees are its most valuable asset and demonstrates this with actions: listening to them through the satisfaction survey, recruiting people for critical positions on a selective basis, negotiating a new multi-year labour agreement and making a decided bet on employee training in all areas.

Employee Survey

In 2011, all the employees had the opportunity to answer the Employee Survey that we carry out every two years throughout the Group.

The percentage participation was higher this year, 83%. On this occasion, employees were invited to include qualitative comments. Specifically, a total of 3,055 comments were received, 1,456 of which were positive in respect of the Company, while 1,599 discussed concerns or criticisms.

The aspects most highly valued by the employees were ethics, safety, team work and the way we treat our customers. These values define us as a company and, therefore, we are proud to conclude that, in our employees' opinion, the crisis has not made us lose our values.

Finally, we can highlight the fact that 56% of the employees (one percentage point more than in 2009) are satisfied or very satisfied with the Company, while 75% say they are proud to work for Otis.



Evolution of Headcount

The policy of improving the Company's productivity in relation to absenteeism is bearing fruit. Over the last three year, we have reduced the average number of days off work per person per year from 17 to 10.

Finally, we must highlight the Company's low percentage of voluntary staff turnover, which is 0.5%.

New Collective Labour Agreement

In 2011, the agreement for the 17th Collective Labour Agreement in Zardoya Otis's history was signed with the workers' representatives.

The agreement was signed for three years and includes principally a lower increase in fixed remuneration, while the employees' purchasing power is maintained, as well as a new system of incentives linked to an improvement in the profits of the Company overall.

Training in the Company

For a further year, Zardoya Otis's training activity was one of the characteristics that differentiates and distinguishes us. The crisis has not led us to decrease our training efforts but, rather, to increase them, with a total of 45 hours of training per person per year.



The Company organized a total of 9200 training courses on very varied subjects, with a total of 10,100 participants. We can highlight 2660 participants in safety training and 3,500 in technical training related to elevators.

To reinforce the maintenance aspect of our customer service, we started the Service Excellence project, in which we have trained a total of 840 people all over Spain in the 8 commitments that all Otis employees have to their customers in order to provide a service that exceeds expectations.

Through the Scholar Program, 80 of the Company's employees are studying for an undergraduate or master's degree of their choice, fully paid for by Zardoya Otis.



Safety



We want to be recognized as the leaders par excellence in Safety, Health and Environment in our industry worldwide and, to achieve this, we are continuing with the strategy of reinforcing our Management Systems in these areas in order to:

- Provide a safe and healthy work environment that promotes a culture of prevention and the participation in and compliance with the rules by all the employees.
- Identify and control the safety, health and environmental risks in order to decrease the potential for accidents and improve the general performance.
- Comply with the health, safety and environmental legislation by integrating the rules into the organization's processes at all levels.

In 2011, Zardoya Otis and the different Group companies in Spain obtained:

- Renewal of the "Labour Risk Prevention System" certificate under Law 31/1995 and Royal Decree 39/1997 (the Prevention Services Regulation).

- OSHAS 18001:2007 certification. This is the internationally-recognized occupational health and safety management system specification.

As a result of these efforts, the different parameters in these areas continued to improve in 2011, particularly the accidentability index, which was the lowest ever.

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

- **Safety Day.** On this day, different activities related to Labour Risk Prevention are carried out at all the work centres. The 2011 motto was: **"We are committed to safety at work and the conservation of the environment ... will you join us?"**.
- **Contest of posters and drawings on safety.** For employees and their families, with prizes for participating and the winners of the different categories.
- **Safety Campaign** with the slogan "Why I consider safety important" to explain people's experiences that have reinforced their personal conviction that safety rules must be met.
- **Safety Agenda.** The main rules for accident prevention are included, as well as the safety drawings of the winners of the contest mentioned above.
- **Club for work centres with a significant number of days without accidents.** Each work centre's number of days without accidents is published in the monthly statistics and plaques and diplomas are awarded as a sign of recognition.
- **Recognition of individual employees.** For safety suggestions or special contributions, such as scoring 100% in the individual audits.



February 27, 2012

Safety Day

WE ARE COMMITTED ✓

TO SAFETY AT WORK AND THE CONSERVATION OF THE ENVIRONMENT, WILL YOU JOIN US?





COMMITMENT TO SAFETY AND THE ENVIRONMENT

| FORENAME | SURNAME |
|----------|---------|
| | |
| | |
| | |
| | |



Dirección de Seguridad y Obras - 2012

Social Action in Zardoya Otis

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.

The money collected by employees and that contributed by the Company is used to sponsor the different sports events in which the members of Special Olympics participate throughout Spain. The unclaimed money from the 2010 Christmas lottery ticket that won a fifth prize was also donated, amounting to 52,000 euros.

In addition to this contribution, Zardoya Otis donates 1.80 € to Special Olympics for every satisfaction questionnaire completed by our customers. Since 4,020 questionnaires were received in 2011, the Company's contribution was 7,236 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 2011, we sponsored the Madrid Region's Five-a-Side Football Championship and other adapted competitions. Many employees from the head offices, the Madrid plant and the regional office, with their family and friends, attended as volunteers.

Zardoya Otis employees also contribute to several NGOs through 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 provide assistance in humanitarian disasters and for water purification in South America.

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



Main Environmental Activities in 2011



Operaciones más sostenibles en todo el mundo
Control preciso, mejora constante.

Otis sabe que The Way To Green empieza en nuestras propias oficinas y en nuestras operaciones en los más de 200 países y territorios donde estamos presentes. Auditaríamos todas nuestras operaciones de forma proactiva, controlando nuestras flotas de vehículos e instalaciones de acuerdo con nuestros objetivos medioambientales, para así mejorar continuamente los resultados en la reducción de emisiones de gases de efecto invernadero, en el consumo de energía y agua, y en el impacto medioambiental en todo el mundo. Y mientras que mantenemos una fuerte conciencia de lo que estamos haciendo hoy, seguimos estableciendo objetivos ambiciosos para el futuro.

Reducción de gases de efecto invernadero
Para maximizar los resultados medioambientales, equipos de Otis en todo el mundo están trabajando activamente para mejorar los resultados de nuestra flota de más de 25.000 vehículos en todo el mundo, que se está priorizando para el mantenimiento diario de los equipos de nuestros clientes, y que representan más de la mitad de nuestras emisiones de gases de efecto invernadero. Continuamos nuestra reducción y fomento diario basado en el consumo actual de gasolina para evaluar el consumo de energía y la huella de carbono, y estamos optimizando de poder decir que desde 2008 hasta 2009, Otis ha reducido las emisiones globales de gases de efecto invernadero en más de un 11%.

Consumo de energía
Bien reduciendo nuestras emisiones de gases de efecto invernadero para ahorrar energía, bien incorporando sensores para apagar automáticamente la iluminación en las oficinas, nuestras operaciones están constantemente intentando encontrar maneras de reducir el consumo de energía. También nos centramos en resultados, como es la incorporación de luz solar en nuestras fábricas, para eliminar el consumo innecesario de energía.

Consumo de agua
Otis se ha comprometido a asegurar que nuestros acciones del día a día reflejen nuestro compromiso medioambiental. Estamos reduciendo el consumo diario de agua, tanto recogiendo el agua de lluvia y reciclándola como optimizando la presión del agua. También seguimos incorporando dispositivos de agua eficientes en nuestras instalaciones, y optimizando nuestros procesos industriales relacionados con el agua, para así mejorar el consumo en el mundo. Un ejemplo concreto, desde 2008 hasta 2009, Otis ha reducido su consumo de agua en todo el mundo cerca de un 12%.

Ecología en movimiento
Otis colabora en preservar el medio ambiente también optimizando su flota de vehículos. La optimización de vehículos del transporte eficiente, independiente del trabajo a motor y la formación en conducción eficiente, son prácticas habituales. Además, buscamos alternativas para el desplazamiento de nuestros técnicos, como el coche eléctrico. Otis incorporó en 2009 a su flota de vehículos al primer coche sin emisiones de CO₂ en las rutas de mantenimiento.

Explicit commitment to the environment

In 2010, the motto “The Way to Green” was coined to denominate the commitment which Otis has, for a number of years, been acquiring to environmental protection.

In 2011, this commitment was set forth explicitly in a new catalogue, in which we explain to our customers what this commitment consists of and how Otis acts to make it materialize.

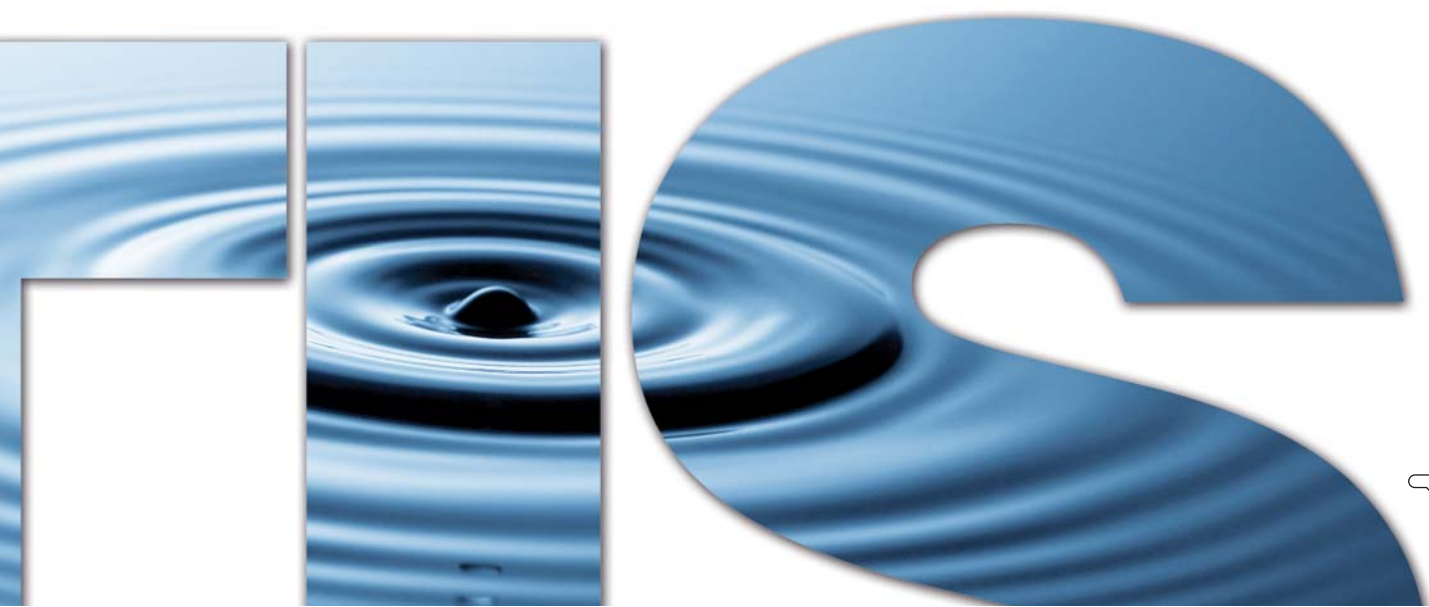
“The Way To Green” is really a path the Otis began to tread some time ago. It commences with the manufacture and development of products that respect the environment, continues with assembly and the maintenance operations throughout our products’ lives, and concludes with the modernization or replacement of equipment, at which point the cycle begins again.

In this aspect, our company has products like the GeN2, an elevator that does not generate contaminating waste and is capable of energy saving of up to 70%, or the ReGen drive, which not only saves energy, but also takes advantage of the energy generated by the elevator when the load is favourable and feeds it into the building, where it may be used by other electric elements.



Furthermore, our new Leganés industrial centre is an example of sustainability. It has an innovative solar energy system, capable of generating up to 60% of the energy required by the centre. It is one of the largest photovoltaic solar panel installations on industrial buildings in Spain.

Otis also collaborates in conserving the environment by optimizing its vehicle fleet, assigning them a size appropriate to the work to be performed and seeking less contaminating travel alternatives for our technical personnel.





Zardoya Otis meets its commitment to spreading information on the need for buildings to be equipped with sustainable and environmentally-friendly installations, such as those included in Otis equipment.

Therefore, in the course of the year, we participated in various professional forums on architecture and environment and gave conferences on sustainability and how our products contribute to it to both professional associations and schools and universities.

A total of 27 events were held in Murcia, Valencia, Barcelona Madrid, La Coruña, Cadiz, Valladolid, San Sebastian, Segovia, Bilbao, Badajoz, Zamora..., in other words, all over Spain.

More than 2,000 people attended these events, including architects, property developers, students, property administrators and members of the public administrations, and more than 5,000 contacts were made using various means.



Other communication material and actions concerning the environment

In addition to a specific publication on our commitment, "The Way to Green", we have incorporated the message on protection of the environment into all our visual and advertising material.

We can highlight the reissuing of our video on the ecological elevator par excellence, the Otis GeN2. The video was created with computer-generated images that described the characteristics of this elevator, placing special emphasis on the elements and features that make it a latest-generation elevator, highly energy efficient and respectful of the environment. It includes, for example, LED



(Light Emitting Diode) lighting – much more efficient and comfortable than other lighting systems such as fluorescents or halogenous lights, since it does not give off heat and consumes considerably less than half – or the intelligent device the turns off the car light when the elevator is not in use (at night, for example), while, in the past, the car light was permanently on, 24 hours a day, 365 days a year.



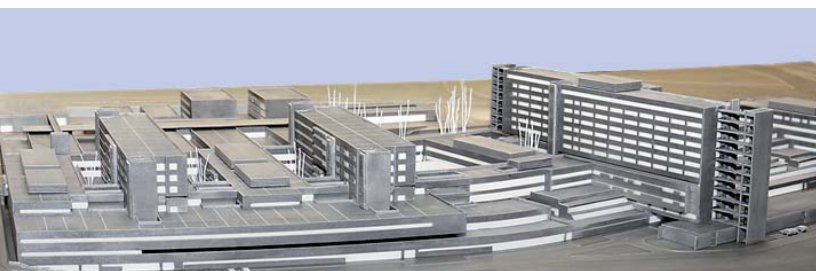


Orders and Projects

In the course of the year 2011, several orders were placed for vertical transport equipment in a number of important projects distributed over different cities and locations in Spain.

There were different types of project, ranging from hospital centres to hotel complexes and also including office buildings, shopping malls and even prisons. Also, of course, residential complexes.

Among the hospital complexes, we may highlight the Guadalajara University Hospital, designed by the studio Aidhos, specialized in hospital projects, with 23 elevators and bed elevators. It will have 771 beds and a floor area of 164,280 square metres.



As a hotel project, we can mention the Hotel Atlántico (Cadiz Parador), equipped with 11 OTIS GeN2 elevators. The hotel, which belongs to the prestigious hotel chain known as "Paradores nacionales de turismo", will be modern and functional and will have the latest technologies and advances in terms of comfort. Furthermore, the future Cadiz Parador will be a "Green

Parador", since it is intended to be environmentally sustainable. It will have systems to save water and will use clean and renewable energies. In this context, our OTIS GeN2 elector, which stands out for its energy efficiency and the use it makes of the energy generated when the load is favourable, will play an important role.



The new "Arroyo Encomiende" shopping mall in Valladolid will also have Otis equipment. The mall will house Ikea's first store in Valladolid and its floor area will be 34,700 square metres.

Likewise, several office and residential building projects will be equipped, although, this year, we can highlight the Soria prison and the Archidona prison in the province of Malaga, each of which will have 12 pieces of Otis equipment. The first is located in the La Laguna area of Soria and is forecast to come into operation in spring 2012. The second will occupy 350,000 square metres and is expected to be inaugurated in 2013.

Total Quality

The development of the Service Excellence program in 2011 corroborates the importance in our sector of focusing on the customer. The customer is the centre for development of our Excellence/Total Quality programs, which try, not only to achieve our customers' loyalty, but also to convert them into sources of recommendations, in other words, persuade them to "promote" us in the market.



Our objective is to Achieve Excellence throughout our activity, which implies a ceaseless search for the differences between the actual results and the objectives that were set, said objectives having been evaluated and fixed in view of the impact and importance they have for our customers, shareholders and employees. The ACE allows us to analyze, improve, implement and verify certain key processes of our activities and orientate them towards the customer.

Key elements of the ACE Program:

I. ACE Culture: the customers define our Quality. From the chief executive to the last of our technical personnel, the ACE encourages everyone to be involved. The cultural change requires everyone to make an effort and new habits and ideas to be adopted.

II. ACE Tools: 12 tools are defined, divided into three groups:

1. General tools: 5S (Sort, Set in order, Shine, Standardize and Sustain), Customer Satisfaction, Total Productive Maintenance (TPM).
2. For problem solving (compiling incidents, root cause analyses) and improvement of processes (indicator improvements, value stream mapping (VSM), process standardization, trial and error methods).
3. For decision making (passport system for project validation).

III. Skills: To maintain the ACE culture, it is necessary to increase the employees' skills through theoretical training, practical events, sharing good practices, etc.

The ACE establishes different levels of performance, certification or achievement. In 2011, Silver level was achieved throughout the Company, recertifying the levels of excellence previously attained by our Madrid and San Sebastián manufacturing centres, with the Modernization Centre in Munguía obtaining Silver for the first time and a sustained level of efficiency and efficacy being maintained in the central departments and all the regional offices. This recognition was confirmed in the quality audits conducted by Otis's world representatives and advisors on the ACE program.

The challenge must be constant and continually renewed. It requires us to drive the change in culture that coincides with the Company's vision of a process of continuing improvement for *"Satisfaction of the customer's needs and meeting the specification agreed with him"*.

In 2011, we celebrated the 25th Anniversary of the first introduction of the Total Quality Program, which is still in full force with the ACE Program's commitment to seeking excellence in our organization. Since the beginning, Zardoya Otis has, with its initiatives, been demonstrating that Total Quality in an organization must go beyond the quality of the product, since it must extend to every level and all the Company's actions in society.

Our commitment to Quality is supported by the results obtained in 2011. The satisfaction levels shown in the surveys conducted with our customers continued to grow, with a general satisfaction rate of over 93%, the valuation of the service improving in all aspects in comparison with previous years and the net recommendation rate (78.8%) increasing on 2010. The number of complaints dropped and the average response time improved (less than one day). Non-quality costs decreased and internal processes to eliminate anything that did not add value for the customer were optimized.

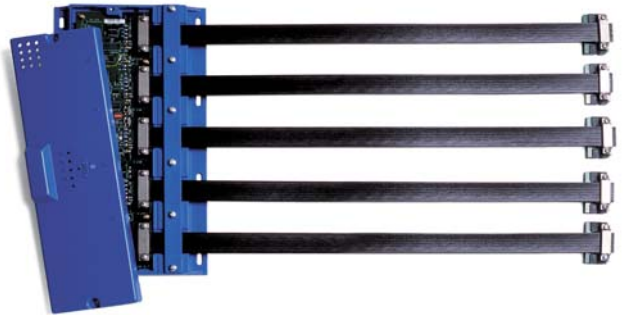
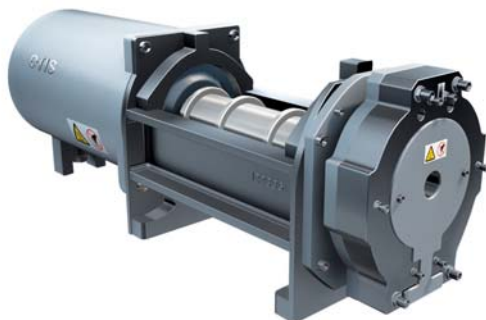
It is a challenge to continue convincing and demonstrating to an increasingly competitive market that the differential value of our service and products, with their quality-price combination, is well above that of any other competitor in the sector. Our consolidated experience, the excellent service and the low rate of repair calls, among other indicators, are the best guarantee to persuade people that the quality and service we provide more than justifies the confidence placed in our Company.

Manufacturing and Engineering

In 2011, the level of orders evolved very differently in the plants. Thus, in Madrid, the number elevators despatched fell as a result of the contraction in demand that has affected the whole of our customer base.. However, in San Sebastián, there was considerable growth in the orders placed for machines: demand more than doubled from May onwards, with the result that a record number of machines were despatched, showing a growth rate of 37% in the year.

Anticipating that the demand for machines would be maintained in 2012, an analysis was made of the workload in the different processes and the acquisition of machine tools that would allow Zardoya Otis to almost double its production capacity commenced, meaning that we will be well placed to meet future challenges. To mitigate the fall in volume in Madrid, new products were made available to the sales force. Among others, the GEN2 elevator range was expanded with bed elevators for 21 people and the GENESIS range with models for 5 to 7 people.

The price of raw materials continued to rise during the year. Special mention should be made of the rise in the price of magnets, which are a key component for manufacturing the GEN2 machines: the prices in summer were seven times higher than at the beginning of the year. Overall, raw material prices rose by 3%. To offset this, technical changes were made to the product and the processes and the result



was that the manufacturing cost of a GEN2 elevator dropped by 5% in the year, in a year when the Industrial Price Index rose by 5%.

Apart from economic considerations, there were important changes in the year to improve the level of our customer service. The transformation at the Munguía Modernization Centre can be highlighted. During the year, the spare part warehouse organization was moved there and it expanded its area of responsibility in the definition and supply of materials to also include repairs. As a result, the Company now has a Service Centre that concentrates the supply of spare parts, repair materials and modernization packages.

Lastly, we must thank all the people who, in a constantly increasing number, visited the Madrid Plant to find out about our activity. We draw special attention to the visit of the President of the Madrid Autonomous Region, Esperanza Aguirre in January. Accompanied by members of her government team and the Mayor of Leganés, Rafael Gómez, she highlighted the fact that this centre ***“has contributed to maintaining employment in the sector and has allowed competitiveness in the region to improve”***.

Consolidated Annual Financial Statements

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Audit Committee

The Audit Committee met nine times in 2011, deliberating and providing favourable reports to the Board of Directors on the following items:

1. Review of the quarterly reporting (interim statements or quarterly financial reporting) sent to the National Securities Market Commission (CNMV) and the Stock Exchanges.
2. Reports on payment of the quarterly dividends charged to the 2011 profit.
3. Review, with the Company's external auditors, of the individual Annual Financial Statements and the consolidated Annual Financial Statements of the Group for the year ended in 2010 and the interim statements relating to the first half of 2011, which were subsequently formulated by the Board of Directors.
4. Review of the Annual Corporate Governance Report for the year 2010.
5. Review of related-party transactions.
6. Proposal to the Board of Directors for appointment of the external auditors of Zardoya Otis, S.A. and the consolidated Group for the year 2011.
7. Review of the Report on the independence of the external auditors.
8. Director compensation.
9. Monitoring of the 2010 Internal Control Program and review of the 2011 Program, together with supervision of the Internal Control over Financial Reporting (ICFR) system.
10. Review of the risk control system: operating, technological, financial, legal, reputational and strategic risks.
11. Review of the process audit conducted in accordance with the requirements for listed groups in the USA (Sarbanes Oxley), which was first performed in the Zardoya Otis Group in 2004.
12. Analysis of the scope of the information to be sent with the Annual Corporate Governance Report in relation to the Internal Control over Financial Reporting (ICFR) system, in accordance with the draft Circular published by the National Securities Market Commission (CNMV).
13. Bonus issue and the closure thereof.
14. Updating of the Internal Code of Conduct on Issues relating to the Securities Markets.
15. Review of incidents and suggestions in relation to the confidential communication channel put in place by the Group, together with the relevant action plans.



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 2011, 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 2011 present fairly, in all material respects, the consolidated financial position of Zardoya Otis, S.A. and its subsidiaries at 30 November 2011 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 2011 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 2011. 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.

Gonzalo Sanjurjo Pose
Audit Partner

15 March 2012

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Zardoya Otis, S.A. and Subsidiaries

Consolidated Statement of Financial position

at November 30, 2011 and 2010 (Thousands of euros - EThs)

| | 2011 | 2010 |
|--|----------------|----------------|
| ASSETS | | |
| NONCURRENT ASSETS | | |
| Property, plant & equipment (Note 5) | 51,520 | 54,675 |
| Intangible assets (Note 6) | 121,292 | 118,853 |
| Goodwill (Note 6) | 46,903 | 42,192 |
| Financial investments | 2,630 | 598 |
| Deferred tax assets (Note 18) | 26,082 | 24,580 |
| Other noncurrent assets (Note 7 and 8) | 5,513 | 3,809 |
| | 253,940 | 244,707 |
| CURRENT ASSETS | | |
| Inventories (Note 9) | 22,012 | 17,628 |
| Financial receivables | 411 | 564 |
| Trade and other receivables (Note 8) | 215,829 | 228,208 |
| Cash and cash equivalents (Note 10) | 66,781 | 90,985 |
| | 305,033 | 337,385 |
| TOTAL ASSETS | 558,973 | 582,092 |

Notes 1 to 38 form an integral part of these consolidated annual financial statements.

| | 2011 | 2010 |
|---|-----------------|-----------------|
| EQUITY | | |
| Share capital (Note 11) | 36,690 | 34,943 |
| Legal reserve (Note 11) | 6,989 | 6,656 |
| Reserves in subsidiaries & other reserves (Note 14) | 98,562 | 96,157 |
| Treasury stock (Note 12) | (8,322) | - |
| Retained earnings (Note 15) | 194,004 | 205,085 |
| INTERIM DIVIDENDS PAID (Note 29) | (98,451) | (98,837) |
| FOREIGN EXCHANGE DIFFERENCES | (320) | (351) |
| NON CONTROLLING INTERESTS (Note 15) | 14,183 | 10,081 |
| TOTAL EQUITY | 243,335 | 253,734 |
| LIABILITIES | | |
| NONCURRENT LIABILITIES | | |
| Other payables (Note 16) | 5,263 | 15,832 |
| Borrowings (Note 20) | 10,649 | - |
| Welfare commitments (Note 19) | 12,820 | 19,646 |
| Provisions for other liabilities and expenses (Note 21) | 3,020 | 2,503 |
| Deferred tax liabilities (Note 18) | 3,562 | 2,090 |
| | 35,314 | 40,071 |
| CURRENT LIABILITIES | | |
| Trade and other payables (Note 16) | 232,961 | 232,848 |
| Current tax liabilities (Note 17) | 25,765 | 32,017 |
| Borrowings (Note 20) | 4,007 | 2,253 |
| Provisions for other liabilities and expenses (Note 21) | 17,591 | 21,169 |
| | 280,324 | 288,287 |
| TOTAL LIABILITIES | 315,638 | 328,358 |
| TOTAL EQUITY AND LIABILITIES | 558,973 | 582,092 |

Notes 1 to 38 form an integral part of these consolidated annual financial statements.

Consolidated Income Statements

For the years ended 30 November 30, 2011 and 2010
(Thousands of euros - EThs)

| | 2011 | 2010 |
|---|----------------|----------------|
| Sales (Note 22) | 819,085 | 862,775 |
| Other revenue | 4,620 | 4,738 |
| Raw materials and consumables used (Note 24) | (220,705) | (231,923) |
| Employee benefit expense (Note 23) | (249,800) | (249,988) |
| Amortization, depreciation and impairment losses (Note 5.6) | (15,161) | (15,898) |
| Other net expenses (Note 25) | (64,033) | (80,142) |
| OPERATING PROFIT | 274,006 | 289,562 |
| Revenue from financing activities (Note 26) | 2,519 | 2,608 |
| Costs of financing activities (Note 26) | (392) | (282) |
| Net foreign exchange differences (Note 26) | (3) | (100) |
| Share in (loss)/profit of associates | - | - |
| OTHER GAINS AND LOSSES | 25 | - |
| PROFIT BEFORE TAX | 276,155 | 291,788 |
| Income tax expense (Note 27) | (79,555) | (83,823) |
| PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (Note 15) | 196,600 | 207,965 |
| ATTRIBUTABLE TO: | | |
| Shareholders of the Company (Note 15) | 194,004 | 205,085 |
| Non controlling interests (Note 15) | 2,596 | 2,880 |
| EARNINGS PER SHARE FOR THE PROFIT ON CONTINUING OPERATIONS ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY IN THE YEAR (Euros per share) (Note 28) | | |
| - Basic | 0,55 | 0,59 |
| - Diluted | - | - |

Consolidated Statement of Comprehensive Income

For the years ended November 30, 2011 and 2010
(Thousands of euros - EThs)

| | 2011 | 2010 |
|---|---------|---------|
| Profit for the year (Note 15) | 196,600 | 207,965 |
| Other comprehensive income | | |
| Exchange rate differences | 31 | (33) |
| Other comprehensive income for the year, net of taxes | | |
| Total comprehensive income for the year, net of taxes | 196,631 | 207,932 |
| Attributable to: | | |
| - Shareholders of the Company | 194,035 | 205,052 |
| - Non controlling interests | 2,596 | 2,880 |

Notes 1 to 38 form an integral part of these consolidated annual financial statements.

Consolidated Statement of Changes in Equity

For the years ended November 30, 2011 and 2010

(Thousands of euros - EThs)

| | Attributable to shareholders | | | | | | Non controlling interests | Total equity |
|---|------------------------------|---------------|----------------|--|---|-------------------|---------------------------|----------------|
| | Share capital | Legal Reserve | Treasury stock | Foreign accumulated exchange differences | Reserves in subsidiaries & other reserves | Retained earnings | | |
| Balance at November 30, 2009 | 33,279 | 6,339 | - | (318) | 91,952 | 101,743 | 9,460 | 242,455 |
| Distribution of profit 2009 (Note 15) | | 317 | | | 2,857 | (202,053) | | (198,879) |
| Dividend relating to 2009 (Note 29) | | | | | 47,541 | 151,338 | | 198,879 |
| Capital increase (Note 11) | 1,664 | | | | (1,664) | | | - |
| Profit for the year (Note 15) | | | | | | 205,085 | 2,880 | 207,965 |
| Dividend 2010 (Note 29) | | | | | (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 |
| Comprehensive profit for the year (Note 15) | | | | 31 | | 194,004 | 2,596 | 196,631 |
| Distribution profit 2010 (Note 15) | | 333 | | | 56,994 | (205,085) | | (147,758) |
| Dividend relating to 2010 (Note 29) | | | | | | 147,758 | | 147,758 |
| Capital increase (Note 11) | 1,747 | | | | (1,747) | | | - |
| Profit for the year (Note 15) | | | | | | | | |
| Treasury | | | | | | | | |
| Stock transactions (Note 12) | | | (8,322) | | | | | (8,322) |
| Dividend 2011 (Note 29) | | | | | (47,172) | (147,371) | | (194,543) |
| Business combinations | | | | | (3,796) | | 3,796 | - |
| Other movements | | | | | (1,874) | (1) | (2,290) | (4,165) |
| Balance at November 30, 2011 | 36,690 | 6,989 | (8,322) | (320) | 98,562 | 95,553 | 14,183 | 243,335 |

Notes 1 to 38 form an integral part of these consolidated annual financial statements.

Consolidated Statements of Cash Flows

For the years ended November 30, 2011 and 2010
(Thousands of euros - EThs)

| | 2011 | 2010 |
|--|------------------|------------------|
| NET PROFIT | 194,004 | 205,085 |
| Adjustments to profit: | | |
| Amortization/depreciation/provisions (Note 5.6.8) | 22,644 | 25,308 |
| Taxes (Note 27) | 79,555 | 83,823 |
| Other losses and gains (Note 26) | 2,127 | 2,326 |
| Gains/(losses) on sales of fixed assets | (25) | - |
| Tax payment for the year | (47,538) | (58,419) |
| Net cash generated by operating activities | (36,263) | (40,069) |
| CASH FLOWS FROM OPERATING ACTIVITIES (Note 30) | 214,504 | 218,054 |
| Investment in property, plant & equipment/intangible assets (Note 5.6) | (2,797) | (3,048) |
| Acquisition of subsidiaries (Note 6) | (41,443) | (18,025) |
| Acquisition of other financial assets | (4,006) | (2,096) |
| CASH FLOWS FROM INVESTING ACTIVITIES | (48,246) | 23,169 |
| Dividends paid (Note 29) | (194,543) | (195,344) |
| Treasury stock acquisition (Note 12) | (8,322) | - |
| Bank debt (Note 29) | (12,403) | (12,690) |
| CASH FLOWS FROM FINANCING ACTIVITIES | (190,462) | (208,034) |
| VARIATION IN CASH AND CASH EQUIVALENTS | (24,204) | (13,149) |
| Cash and cash equivalents at the beginning of the period (Note 10) | 90,985 | 104,134 |
| Cash and cash equivalents at the end of the period (Note 10) | 66,781 | 90,985 |

Notes 1 to 38 form an integral part of these consolidated annual financial statements.

Notes to the Consolidated Annual Financial Statements for the years 2011 and 2010

(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 28, 2012 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, 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) adopted for application in the European Union and in force at that date.

The Group's consolidated annual financial statements at November 30, 2011 include the figures for the preceding year to allow a comparison to be made. Likewise, they have been drawn up under the going concern principle.

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 Consolidated 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.

Transactions between Group companies and balances and unrealized gains on transactions between Group entities are eliminated. Likewise, unrealized losses are also eliminated.

a) Subsidiary companies

The list of subsidiaries and information thereon are as follows:

| Company and registered office | Activity | 2011 | | 2010 | | Parent company |
|--|---|---------------------------|-----------------------|---------------------------|-----------------------|-------------------------|
| | | Participation(Thousands % | Carring amount euros) | Participation(Thousands % | Carring amount 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% | 3,404 | 100.00% | - | Zardoya Otis, S.A. |
| (+ #) Cruxent-Edelma, S.L. (Barcelona) | Installation & Service of Elevators | 70.00% | 13,176 | 70.00% | 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 Elevator Engines | 51.00% | 493 | 51.00% | 493 | Zardoya Otis, S.A. |
| (+) Portis, S.L. (Madrid) | Installation & Service of Automatic Doors | 90.12% | 15,394 | 90.12% | 15.394 | 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 | 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 | 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. |
| Ascensores Molero, S.L. (Alicante) | Installation & Service of Elevators | 100.00% | 2,622 | - | - | Zardoya Otis, S.A. |
| Reparación y Mantenimiento de Ascensores, S.L. (Alicante) | Installation & Service of Elevators | 100.00% | 4,670 | - | - | Zardoya Otis, S.A. |
| Fercas Serveis Integral, S.A. (Barcelona) | Installation & Service of Automatic Doors | 100.00% | 8,969 | - | - | Portis, S.L. |

(+) Companies audited by PWC.

(#) Cruxent-Edelma, S.L. (formerly Elevadores del Maresme, S.L.)

In 2011, Industria Nacional de Elevadores, Lda (Inelda) and Savirel, Lda. were liquidated and transferred the whole of their equities to the company Otis Elevadores, Lda. (Portugal). Assets and liabilities have been valued at their carrying amount in the consolidated financial statements and transaction date, ETHs 44. No costs, other than legal costs, which are not significant, are attributable to the transaction.

b) Transactions and non-controlling 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.

c) Joint businesses

The Group recognizes the proportional part of the jointly-controlled assets and jointly-incurred liabilities in accordance with its percentage holding, together with the assets attached to the joint operations that are under its control and the liabilities incurred as a consequence of the joint business.

Likewise, the applicable portion of the revenue generated and expenses incurred by the joint business is recognized in the income statement. Additionally, expenses incurred in relation to the holding in the joint business are recognized.

Unrealized gains or losses that arise on reciprocal transactions are eliminated in proportion to the holding, as are the amounts of reciprocal assets, liabilities, revenues, expenses and cash flows.

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. Information on operating segments is reported in accordance with the management information produced on a monthly basis, which is reviewed by Management regularly and by the Board of Directors at each of its meetings.

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

The land and buildings comprise the Company's production centers. All property, plant and equipment is 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, 2011 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, 2011, the aforementioned restatement had an impact of EThs 383 on the net carrying amount of property, plant and equipment. Consequently, the effect of this restatement on the provision for the year 2011 is EThs 18.

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 principally 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 15 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

2.8.1) Classification

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, 2011 and 2010, 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.

2.8.2) Recognition and measurement

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. Financial assets 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 rewards of 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 or 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 2011 and 2010, the Group did not enter into any contracts for derivative hedging instruments and no forward contracts existed at the 2011 and 2010 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 cost incurred plus recognized profit (less recognized losses) exceed progress billing 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 and treasury stock

- Share capital

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

- Treasury stock

When shares of the group parent are acquired, the consideration paid, including any directly attributable incremental cost, is deducted from equity until the shares are written off, reissued or sold. When the shares are sold or reissued subsequently, any amount received, net of any directly attributable incremental cost of the transaction, is recognized in equity.

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 difference.

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 of the reported period.

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 2011:

- a) IAS 1, "Presentation of Financial Statements". The amendment clarifies the current/noncurrent classification of liabilities that can be converted into equity instruments at the election of the holder. A financial liability is classified as noncurrent if there is an unconditional right to defer settlement of the liability by transferring cash or other assets for at least the twelve months after the reporting period, despite the holder's right to require that the liability be settled by the issuance of equity instruments at any time.
- b) IAS 7, "Statement of Cash Flows". The guidance is amended to clarify that only expenditure that results in the recognition of an asset in the Statement of Financial Position can be classified as cash flows from investing activities. Thus, the alignment between 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.
- c) IAS 36 "Impairment of Assets". To test for impairment, the cash-generating units (CGUs) or groups of cash-generating units among which the goodwill is distributed may not be greater than an operating segment (as defined in IFRS 8) 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.
- d) IFRS 2 (Amendment) "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 financial statements.
- 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:
 - a.- Intangible assets acquired in a business combination that are separable or that arise from contractual or other legal rights must be recognized; and
 - b.- 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.

- f) IAS 39 "Financial Instruments: Recognition and Measurement". The following amendments are included:
 - a.- 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".
 - b.- The reference to transactions between segments as transactions that may be designated as hedged items in the individual or separate financial statements is deleted;
 - c.- It clarifies that amounts deferred in equity are only reclassified to profit or loss when the forecast cash flows affect profit or loss;
 - d.- It clarifies the terminology regarding the measurement of the components of call and put options in convertible instruments.

The Group has been applying these rules to transactions from December 1, 2010 onwards, but they have no significant effect of the Group's financial statements.

Likewise, there are other rules that will come into force after the end of the reporting period and that the Group has not adopted early:

- a) IAS 24 (Revision) “Related party Disclosures”, published in November 2009. This rule supersedes IAS 24 “Related Party Disclosures” issued in 2003. IAS 24 (Revision) is mandatory for all annual periods commencing on or after January 1, 2011.
- b) IAS 19, “Employee Benefits”, was amended in June 2011. The effect on the Group will be as follows: the corridor approach will be eliminated and all actuarial losses and gains will be recognized in other comprehensive income when they arise; all costs of past services will be recognized immediately; and interest cost and the expected yield on plan assets will be replaced by net amount of interest, calculated by applying the discount rate to the net defined-benefit liabilities/assets.
- c) IFRS 9 “Financial instruments” addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made upon initial recognition. The main change is that, when the fair value option is elected for financial liabilities, the part of the change in fair value that is the consequence of the entity's own credit risk is recognized in other comprehensive income, rather than in profit and loss, unless this would create an accounting mismatch. The Group will adopt IFRS 9 no later than the first accounting period commencing after January 1, 2015.
- d) IFRS 10 “Consolidated Financial Statements” is drawn up using existing principles identifying the control concept as the factor that determines whether an entity should be included in the consolidated financial statements of its parent. The Group will adopt IFRS 10 no later than the first accounting period commencing after January 1, 2013.
- e) IFRS 12, “Disclosure of Interests in Other Entities”, includes the reporting requirements for all types of interests in other entities, including joint arrangements and associates. The Group will adopt IFRS 12 no later than the first accounting period commencing after January 1, 2013.
- f) IFRS 13 “Fair Value Measurement”, is intended to improve consistency and reduce complexity by providing a clear definition of fair value and a sole source for measuring it, together with reporting requirements for the use thereof in IFRS. The requirements, most of which are aligned US GAAP, do not extend the use of recognition at fair value, but provide guidance as to how it should be applied when use thereof is already required or permitted by other rules in IFRS or US GAAP. The Group will adopt IFRS 13 no later than the first accounting period commencing after January 1, 2012.
- g) IFRS 7 (Amendment), “Disclosures-Transfers of Financial Instruments”. This requires additional disclosures on the risk exposures arising from financial instruments transferred to third parties. Among others, the amendment would affect financial asset sale transactions, factoring agreements and securities loan transactions. The amendments to IFRS 7 are mandatory for all annual periods commencing on or after July 1, 2011.
- h) IAS 12 (Amendment), “Deferred Taxes: Recovery of Underlying Assets”. This amendment is mandatory for all annual periods commencing on or after January 1, 2012.

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, in order to:

- Ensure that the most important risks are identified, assessed and managed.
- Ensure an appropriate operating segregation of the risk management functions.
- Ensure that the risk exposure level accepted by the Group in its operations is in line with its risk profile.

(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 2011 and 2010 year ends. 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.

Receivables from related Otis Group companies originating principally from trading transactions originated in euros (EThs 18,987 in 2011 and EThs 14,866 in 2010, Note 34). Since these are commercial collection rights in euros, the Company is not exposed to foreign exchange risk in relation to these accounts.

(II) Price risk

The Group has only limited exposure to commodity price risk

Additionally, Group companies do not hold investments in companies outside the Group and, therefore, the Group is not exposed to securities price risk.

(b) Credit risk

The Group has no significant concentrations of risk with customers and there are no significant old credit balances (Note 8). 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.

The amounts of trade receivables are shown in the statement of financial position net of the provision for impairment. At November 30, 2011, said provision was EThs 81,763 (EThs 74,246 in 2010) (Note 8). The Group estimates the provision in accordance with the age of the debt and experience in earlier years, in line with the previous segregation of the customer portfolio and the current economic environment.

The analysis of financial assets aged over six months but not deemed to be impaired at November 30, 2011 and 2010 is as follows:

| | 2011 | 2010 |
|--------------------------------|--------|--------|
| Between 6 months & 1 year..... | 18,158 | 31,262 |
| Between 1 & 2 years | 10,380 | 5,641 |
| More than 2 years | - | - |
| EThs | 28,540 | 36,093 |

Amounts receivable for exports relate to balances with related companies (Otis Group).

Amounts shown as trade receivables, trade bills receivable, relate principally to transactions carried out in national territory, for which the Company has assessed the credit capacity of each one of the debtors.

As stated in Note 10, at November 30, 2011, the Group held current deposits with financial institutions of EThs 50,415 and EThs 74,334, respectively. As stated above these deposits are placed with prestigious financial institutions in Spain and Portugal.

(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.

At November 30, 2011, cash and cash equivalents represented EThs 66,791 (EThs 90,985 in 2010), including amounts held as cash, in banks and as current deposits with financial institutions. As stated in Note 20, during the year 2011, the Company signed a framework agreement for the financing of company acquisitions with Banca March, S.A. for forthcoming years, up to a maximum amount of a hundred thousands euros. At the 2011 year end, two of these policies had been signed for an amount of EThs 14,000. The change in the Statement of Cash Flows in relation to operating, investing and financing activities is shown below:

| | 2011 | 2010 |
|--|---------------|-----------|
| Cash at the beginning of the year | 90,985 | 104,134 |
| Cash flows from operating activities..... | 214,504 | 218,054 |
| Cash flows from investing activities | (48,246) | (23,169) |
| Cash flows from financing activities..... | (190,462) | (208,034) |
| Cash at the year end | 66,781 | 90,985 |

(d) Cash flow and fair value interest rate risk

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

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

The Group's interest rate risks arises on noncurrent borrowings at a variable interest rate, the variable interest rate applied to the loans from financial institutions being subject to the fluctuations of the Euribor.

As stated in Note 20, at the 2011 year end, the noncurrent amount for this items was EThs 10,649. At November 30, 2011 and 2010, the Company did not hold any borrowings at a fixed interest rate and the sensitivity of the result to the variation of the interest rates on the borrowings from financial institutions was not significant in relation to the interest expense for the year, which was EThs 92.

(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 considers the leverage as a capital management indicator. It is calculated by dividing the net debt by the total capital. The net debt is calculated as total borrowings plus other financial liabilities less cash and cash equivalents less current financial assets

| | 2011 | 2010 |
|---|-----------------|----------|
| Borrowings (current and noncurrent)..... | 13,952 | - |
| Other current & noncurrent financial liabilities..... | 30,758 | 44,984 |
| Cash and cash equivalents | (66,781) | (90,985) |
| Net debt..... | (22,071) | (46,001) |
| Equity | 243,335 | 253,734 |
| Leverage (*)..... | -9.97% | -22.14% |

(*) Net financial debt/(Net financial debt + equity).

At November 30, 2011, this net debt represents - 0.08 to EBITDA (2010: -0.15).

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.

Additionally, 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 option, information is relevant for the shareholders.

As started in Note 2.3. the distinction between segments relates to the structure of the management information that is produced on a monthly by Management and the Board of Directors.

| | Sales | Operating profit/(loss) | Assets | | | Liabilities |
|--|----------|-------------------------|---------|----------------------|----------------------------------|-------------|
| | | | Total | Deprec. Amort Charge | Noncurrent investments in assets | |
| 2011 | | | | | | |
| Grupo Zardoya Otis - Spain | 775,366 | 241,835 | 463,605 | 13,845 | 18,784 | 274,949 |
| Grupo Otis Elevadores - Portugal | 73,160 | 28,986 | 75,553 | 1,256 | 392 | 27,879 |
| Otis Maroc - Morocco | 21,285 | 3,521 | 19,815 | 60 | 77 | 12,810 |
| Eliminations - intragroup transactions | (50,726) | (336) | - | - | - | - |
| Consolidated EThs | 819,085 | 274,006 | 558,973 | 15,161 | 19,253 | 315,638 |

| | Sales | Operating profit/(loss) | Assets | | | Liabilities |
|--|----------|-------------------------|---------|----------------------|----------------------------------|-------------|
| | | | Total | Deprec. Amort Charge | Noncurrent investments in assets | |
| 2010 | | | | | | |
| Grupo Zardoya Otis - Spain | 821,238 | 263,518 | 454,935 | 14,251 | 13,308 | 272,766 |
| Grupo Otis Elevadores- 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 - intragroup transactions | (47,680) | (1,639) | - | - | - | - |
| Consolidated EThs | 862,775 | 289,562 | 582,092 | 15,898 | 13,999 | 328,358 |

| | Sales | Operation profit/(loss) | % | Fixed assets acquired |
|--|----------------|-------------------------|--------------|-----------------------|
| 2011 | | | | |
| Zardoya Otis, S.A. (aggregate of 95 branches)..... | 637,716 | 219,744 | 34.46 | 4,268 |
| Spanish Group Companies - Elevators (10 companies) | 98,556 | 17,814 | 18.08 | 6,887 |
| Otis Elevadores Group - Portugal | 73,160 | 28,986 | 39.62 | 392 |
| Otis Maroc - Morocco | 21,285 | 3,521 | 16.54 | 77 |
| Total Elevators | 839,717 | 270,065 | 32.51 | 11,624 |
| Spanish Group Companies - non elevators (3 companies)..... | 39,094 | 4,277 | 18.08 | 7,629 |
| Total Group | 869,811 | 274,342 | 31.54 | 19,253 |
| Eliminations - intragroup transactions | (50,726) | (336) | - | - |
| EThs Consolidated | 819,085 | 274,006 | 33.45 | 19,253 |

| | 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 | 26,942 | 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 (3 companies)..... | 30,727 | 3,572 | 11.63 | - |
| Total Group | 910,455 | 291,201 | 31.98 | 13,999 |
| Eliminations - intragroup transactions | (47,680) | (1,639) | - | - |
| EThs Consolidated | 862,775 | 289,562 | 33.56 | 13,999 |

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

Details of the different categories of property, plant and equipment and movements on these accounts are shown below:

| | Land & Buildings | Machinery | Furniture, fittings & equipment | Total |
|--|---------------------|--------------|------------------------------------|---------------|
| As of November 30, 2009 | | | | |
| Cost | 40,914 | 34,194 | 62,253 | 137,361 |
| Accumulated depreciation | (7,905) | (24,864) | (46,788) | (79,556) |
| Impairment loss..... | - | - | - | - |
| Net carrying amount.....EMIs | 33,009 | 9,331 | 15,465 | 57,805 |
| 2010 | | | | |
| Business combinations | - | - | - | - |
| Increases | 194 | 1,011 | 2,044 | 3,249 |
| Decreases | (62) | (61) | (366) | (489) |
| Depreciation charge | (877) | (1,497) | (3,804) | (6,178) |
| Eliminations from depreciation | 29 | 60 | 200 | 289 |
| Impairment losses recognized in the year | - | - | - | - |
| Impairment losses reversed | - | - | - | - |
| Other movements | - | - | - | - |
| | (716) | (488) | (1,926) | (3,130) |
| As of November 30, 2010 | | | | |
| Cost | 41,046 | 35,144 | 63,931 | 140,121 |
| Accumulated depreciation | (8,753) | (26,301) | (50,392) | (85,446) |
| Impairment loss | - | - | - | - |
| Net carrying amount..... | 32,293 | 8,843 | 13,539 | 54,675 |
| 2011 | | | | |
| Business combinations | - | - | 52 | 52 |
| Increases | 10 | 708 | 2,124 | 2,842 |
| Decreases | - | (36) | (334) | (370) |
| Depreciation charge | (664) | (1,597) | (3,691) | (5,952) |
| Eliminations from depreciation | - | 36 | 236 | 272 |
| Impairment losses recognized in the year | - | - | - | - |
| Impairment losses reversed | - | - | - | - |
| Other movements | - | - | - | - |
| | (654) | (889) | (1,613) | (3,156) |
| As of November 30, 2011 | | | | |
| Cost | 41,056 | 35,816 | 65,841 | 142,713 |
| Accumulated depreciation | (9,417) | (27,862) | (53,914) | (91,193) |
| Impairment loss | - | - | - | - |
| Net carrying amount.....EMIs | 31,639 | 7,954 | 11,927 | 51,520 |

The property, plant and equipment figure includes assets in progress for a total value of EThs 824 in 2011 and EThs 815 in 2010.

The principal property, plant and equipment comprises buildings and installations related to the Leganés plant, work on which was completed in the year 2008. The value of the buildings and installations recognized as property, plant and equipment is EThs 23,345.

At November 30, 2011 and 2010, the following items of property, plant and equipment were fully depreciated:

| | 2011 | 2010 |
|---|---------------|--------|
| Land and buildings | 3,739 | 3,351 |
| Vehicles and machinery..... | 26,421 | 24,191 |
| Furniture, fittings and equipment | 32,570 | 30,506 |
| EThs | 62,730 | 58,048 |

Of the total property, plant and equipment net of depreciation, the value of which is EThs 51,520, the amount of EThs 390 is in Portugal and the amount of EThs 124 in Morocco (EThs 694 and 143 respectively in 2010). There is no other property, plant and equipment outside Spanish territory.

It is the Group'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, 2011 and 2010, 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, 2009 | | | | |
| Cost | 184,352 | 40,302 | 179 | 224,833 |
| Accumulated amortization | (64,686) | - | (132) | (64,818) |
| Impairment loss | - | - | - | - |
| Net carrying amount EThs | 119,666 | 40,302 | 47 | 160,015 |
| 2010 | | | | |
| Increases | 2,814 | 1,890 | 2,014 | 6,718 |
| Business combinations | 4,032 | - | - | 4,032 |
| Decreases | - | - | - | - |
| Amortization charge | (7,697) | - | (2,023) | (9,720) |
| Eliminations from amortization | - | - | - | - |
| Impairment losses recognized in the year | - | - | - | - |
| Impairment losses reversed | - | - | - | - |
| Other movements | - | - | - | - |
| | (851) | 1,890 | (9) | 1,030 |
| As of November 30, 2010 | | | | |
| Cost | 193,198 | 42,192 | 193 | 235,583 |
| Accumulated amortization | (74,383) | - | (155) | (74,538) |
| Impairment loss | - | - | - | - |
| Net carrying amount | 118,815 | 42,192 | 38 | 161,045 |
| 2011 | | | | |
| Increases | 333 | - | 2,195 | 2,528 |
| Business combinations | 9,120 | 4,711 | - | 13,831 |
| Decreases | (3,462) | - | - | (3,462) |
| Amortization charge | (6,910) | - | (2,023) | (8,940) |
| Eliminations from amortization | 3,193 | - | - | 3,193 |
| Impairment losses recognized in the year | - | - | - | - |
| Impairment losses reversed | - | - | - | - |
| Other movements | - | - | - | - |
| | 2,274 | 4,711 | 165 | 7,150 |
| At November 30, 2011 | | | | |
| Cost | 199,189 | 46,903 | 2,388 | 248,480 |
| Accumulated amortization | (78,100) | - | (2,185) | (80,285) |
| Impairment loss | - | - | - | - |
| Net carrying amount EThs | 121,089 | 46,903 | 203 | 168,195 |

The amount of EThs 1,081 corresponding to 2008 acquisitions value adjustments, disclosed in prior years under the heading accumulated goodwill amortization and impairment, has been netted for effects of presentation.

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

| | 2011 | 2010 |
|--|---------------|---------------|
| Otis Maroc, S.A. | 17,780 | 17,780 |
| Zardoya Otis, S.A. | 23,892 | 19,181 |
| Conservación de aparatos elevadores Express, S.L. | 5,231 | 5,231 |
| EMIs | 46,903 | 42,192 |

In 2011, increases due to business combinations, both in maintenance contracts and goodwill, relate to the acquisitions made during the year (Note 33): Ascensore Molero, S.L., Reparaciones y Mantenimiento de Ascensores, S.L. y Fercas Serveis Integrals, S.A. In 2010, valuation adjustments relating to Montoy, S.L., Jobensa, S.L. y Ascensores González, S.L. are included.

For each business combination, the Group requires 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 maximum 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 9.37% (2010: 9.0%).

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 operates.

| | Period in years budgeted | Subsequent growth rate | Discount rate (acquisition date) |
|--|-----------------------------|---------------------------|-------------------------------------|
| 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% |

The discount rate used is after tax and is independent of the specific capital structure of Zardoya Otis, S.A. and its subsidiaries, which does not have significant financial debt, assuming the discount rate structure of the international group and the sector.

It is a common Group practice, when there are operating reasons that justify it, to take advantage of business combinations synergies through the legal integration by merger or liquidation of the entity acquired into the CGU to which it belongs. In this regard, since Group business constitutes a single integrated production process, we consider a 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 business expectations drawn up at the time of acquisition using the key assumptions: period considered, discount rate and perpetuity growth rate. Generally, 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 itself.

Apart from the discount rate, the most sensitive aspects included the projections used, which are based on the forecasts of the international Group, sector forecasts and historical experience, are service revenue, growth in the contracts on the portfolio from the expected synergies of the business combinations and adequate maintenance of the Group's expense and cost structure.

As a result of the aforementioned process, in the years 2011 and 2010, the values in use of the assets of the CGUs, calculated as per the above model, are, in all cases, higher than the net carrying amounts recognized in these consolidated annual financial statements. Therefore, no impairment has been recognized. Likewise, it is estimated that any possible reasonable variations that may be undergone by the key assumptions upon which calculation of the recoverable amounts of the different CGUs is based would not change the conclusions drawn on the valuation of the assets.

In relation to the aforementioned sensitivity analysis, the following table shows the analysis relating to Otis Maroc, S.A., which is the most significant one in the Group:

| Rate | 1.00% | 1.50% | 2.00% | 2.50% | 3.00% |
|---------------|-------|-------|-------|-------|-------|
| 10.00% | 20.2 | 20.6 | 21.0 | 21.5 | 22.1 |
| 9.50% | 21.2 | 21.6 | 22.2 | 22.8 | 23.4 |
| 9.37% | 21.5 | 21.9 | 22.5 | 23.2 | 23.8 |
| 9.00% | 24.9 | 25.7 | 26.6 | 27.6 | 28.9 |

(Millions of Euros)

The principal assets, at their carrying amounts, contributed to the consolidation by each one of the CGUs to which goodwill has been assigned are as follows:

| | 2011 | | | 2010 | | |
|-----------------------------------|--------------------|-----------------------------------|------------------|--------------------|-----------------------------------|------------------|
| | Conservación de | | | Conservación de | | |
| | Zardoya Otis, S.A. | aparatos elevadores Express, S.L. | Otis Maroc, S.A. | Zardoya Otis, S.A. | aparatos elevadores Express, S.L. | Otis Maroc, S.A. |
| Property, plant & equipment | 48,287 | 26 | 172 | 50,723 | 38 | 150 |
| Other intangible assets | 52,596 | 11,218 | 4 | 60,209 | 11,218 | 7 |
| Deferred tax assets | 16,235 | - | - | 15,808 | - | - |
| Other noncurrent assets | 5,958 | 12 | - | 4,248 | 14 | - |
| Inventories | 16,221 | 69 | 112 | 12,773 | 217 | 100 |
| Trade and other receivables..... | 172,023 | 6,350 | 12,646 | 165,851 | 6,005 | 10,531 |
| Other current assets | 708 | 2 | 5,719 | 3,844 | 36 | 8,791 |
| Cash and cash equivalents | 25,381 | 763 | 641 | 31,690 | 4,743 | 2,331 |

NOTE 7. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

| | Loans & receivables & others | Assets held at fair value through profit and loss | Hedging derivatives | Available for sale | Total |
|---|------------------------------|---|---------------------|--------------------|----------------|
| November 30, 2011 | | | | | |
| Noncurrent assets in statement of financial position | | | | | |
| Loans and receivables (Note 8) | 5,513 | - | - | - | 5,513 |
| Other | 2,630 | - | - | - | 2,630 |
| Total | 8,143 | - | - | - | 8,143 |
| Current assets in statement of financial position | | | | | |
| Trade and other receivables (Note 8) | 209,676 | - | - | - | 209,676 |
| Other | 411 | - | - | - | 411 |
| Cash and cash equivalents | 66,781 | - | - | - | 66,781 |
| Total | 276,868 | - | - | - | 276,868 |
| | Loans & receivables & other | Asset held at fair value through profit and loss | Hedging derivatives | Available for sale | Total |
| November 30, 2010 | | | | | |
| Noncurrent assets in statement of financial position | | | | | |
| Loans and receivables (Note 8) | 3.809 | - | - | - | 3.809 |
| Other | 598 | - | - | - | 598 |
| Total | 4.407 | - | - | - | 4.407 |
| Current assets in statement of financial position | | | | | |
| Trade and other receivables (Note 8) | 221.595 | - | - | - | 221.595 |
| Other | 564 | - | - | - | 564 |
| Cash and cash equivalents (Note 10) | 90.985 | - | - | - | 90.985 |
| Total | 313.144 | - | - | - | 313.144 |

| | Liabilities held at fair value through profit and loss | Hedging derivatives | Other financial liabilities at amortized cost | Total |
|--|--|------------------------|---|---------------|
| November 30, 2011 | | | | |
| Noncurrent liabilities in statement of financial position | | | | |
| Borrowings from financial institutions (Note 20) | - | - | 10,649 | 10,649 |
| Trade and other payments (Note 16) | - | - | - | - |
| Other debts through acquisitions (Note 16) | - | - | 5,263 | 5,263 |
| TotalETHs | - | - | 15,912 | 15,912 |

| | | | | |
|---|---|---|----------------|----------------|
| November 30, 2011 | | | | |
| Current liabilities in statement of financial position | | | | |
| Borrowings from financial institutions (Note 20) | - | - | 4,007 | 4,007 |
| Trade and other payables (Note 16) | - | - | 208,071 | 208,071 |
| Other debts through acquisitions (Note 16) | - | - | 25,495 | 25,495 |
| TotalETHs | - | - | 237,573 | 237,573 |

| | Liabilities held at fair value through profit and loss | Hedging derivatives | Other financial liabilities at amortized cost | Total |
|--|--|------------------------|---|---------------|
| November 30, 2010 | | | | |
| Noncurrent liabilities in statement of financial position | | | | |
| Borrowings from financial institutions (Note 20) | - | - | - | - |
| Trade and other payables (Note 16) | - | - | - | - |
| Other debts through acquisitions (Note 16) | - | - | 15,832 | 15,832 |
| TotalETHs | - | - | 15,832 | 15,832 |

| | | | | |
|---|---|---|----------------|----------------|
| November 30, 2010 | | | | |
| Current liabilities in statement of financial position | | | | |
| Borrowings from financial institutions (Note 20) | - | - | 2,253 | 2,253 |
| Trade and other payables (Note 16) | - | - | 210,422 | 210,422 |
| Other debts through acquisitions (Note 16) | - | - | 29,152 | 29,152 |
| TotalETHs | - | - | 241,827 | 241,827 |

NOTE 8. TRADE AND OTHER RECEIVABLES

| | 2011 | 2010 |
|---|----------|----------|
| Trade receivables | 258,551 | 263,374 |
| Less: Provision for impairment of receivables | (81,763) | (74,246) |
| Net receivables - Net | 176,788 | 189,128 |
| Amount due from customers for contract works | 3,547 | 7,052 |
| Other accounts receivables | 15,448 | 15,940 |
| Prepayments | 1,059 | 1,222 |
| Receivables from related parties (Note 30) | 18,987 | 14,866 |
| TotalETHs | 215,829 | 228,208 |

The total amount of the costs incurred at the end of the reporting period was ETHs 81,386 (2010: ETHs 98,958). This amount includes recognized profits (less recognized losses) on all contracts in progress for ETHs 2,208 (2010: ETHs 2,489). Amounts due from customers for contract works are shown net, between the cost incurred at the end of the reporting period and the advance payments received from the customers, for an amount of ETHs 77,839 (ETHs 91,906 in 2010). At November 30, 2011, the trade receivables balance showed an amount of ETHs 4,189 related to amounts withheld by customers in accordance with the conditions of their contracts.

Movement on the provision for the impairment of receivables was as follows:

| | 2011 | 2010 |
|-----------------------------|---------|---------|
| Beginning of period | 74,246 | 62,094 |
| Provision made | 10,800 | 18,580 |
| Business combinations | 34 | (2,480) |
| Applications..... | (3,317) | (3,948) |
| ETHs | 81,763 | 74,246 |

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

| | 2011 | 2010 |
|---------------------------------------|--------|--------|
| Between six months and one year | 21,184 | 36,470 |
| Between one and two years | 36,290 | 19,721 |
| More than two years | 10,453 | 17,619 |
| ETHs | 67,927 | 73,810 |

Additionally, other noncurrent assets includes long-term promissory notes received from customers with maturity dates of more than one year for a total amount of ETHs 5,513 (ETHs 3,809 in 2010). The breakdown by years until maturity is as follows:

| | 2011 | 2010 |
|-----------------------------|-------|-------|
| Two years | 5,031 | 3,238 |
| Three years | 355 | 531 |
| More than three years | 127 | 40 |
| ETHs | 5,513 | 3,809 |

NOTE 9. INVENTORIES

| | 2011 | 2010 |
|--|--------|--------|
| Raw materials and consumables for production | 18,111 | 15,783 |
| Work in progress | 3,901 | 1,845 |
| ETHs | 22,012 | 17,628 |

NOTE 10. CASH AND CASH EQUIVALENTS

| | 2011 | 2010 |
|--|---------------|--------|
| Cash and banks..... | 16,366 | 16,651 |
| Current deposits with financial institutions | 50,415 | 74,334 |
| Deposits with Group companies | - | - |
| EThs | 66,781 | 90,985 |

The effective interest rate on current deposits with financial institutions varied from 1.24% and 0.73% in 2011 (2010: from 4.1% to 0.38%) and the maturity of these deposits is less than 3 months. Unlike precedent years, at november 30, 2011 and 2010, the Group did not hold any deposits with Group companies.

For the statement of cash flows, cash and borrowings include:

| | 2011 | 2010 |
|---|---------------|--------|
| Cash and cash equivalentsEThs | 66,781 | 90,985 |
| Borrowings: utilization of bank credit (Note 20).....EThs | 13,952 | - |

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 2011 year end, of the total borrowings balance of EThs 704 (2010: EThs 2,253) relates to other non-bank credits granted to the Group and to the interest calculated on acquisitions.

NOTE 11. SHARE CAPITAL

| | No. Shares | Ordinary shares | Total |
|----------------------------|-------------|-----------------|-------------|
| At November 30, 2009 | 332,786,093 | 332,786,093 | 332,786,093 |
| Capital increase | 16,639,304 | 16,639,304 | 16,639,304 |
| At November 30, 2010 | 349,425,397 | 349,425,397 | 349,425,397 |
| Capital increase | 17,471,269 | 17,471,269 | 17,471,269 |
| At November 30, 2011 | 366,896,666 | 366,896,666 | 366,896,666 |

The share issues carried out in 2011 and 2010 were bonus issues charged to voluntary reserves.

| Owner | Shares | | % shareholding | |
|---|--------------------|-------------|----------------|--------|
| | 2011 | 2010 | 2011 | 2010 |
| United Techonologies Holdings, S.A..... | 183,485,310 | 174,747,914 | 50.01 | 50.01 |
| Euro-Syns, S.A | 43,333,077 | 38,436,794 | 11.81 | 11.00 |
| Other non-controlling interests | 139,199,963 | 136,240,689 | 37.94 | 38.99 |
| Treasury shares | 878,316 | - | 0.24 | - |
| | 366,896,666 | 349,425,397 | 100.00 | 100.00 |

No other individual shareholder holds an interest of more than 10% in the capital of the parent company of the Group.

At the General Shareholders' Meeting held on May 23, 2011, the following resolutions, among others, were adopted.

Capital increases charged to the voluntary reserves, in the proportion of one new share for every twenty old shares, for an amount of 1,747,126.90 euros, issuing 17,471,269 shares. Once the capital increase had been completed, the capital amounted to 36,689,666.60 euros and consisted of 366,896,666 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, which was the second interim dividend charged to the 2011 profits, paid on September 12, 2011. The increase was carried out from June 14, 2011 until June 30, 2011, inclusive. The new shares were listed on the Madrid, Barcelona, Valencia and Bilbao stock exchanges effective August 12, 2011.

At November 30, 2011, interim dividends were declared for the year ended on said date for an amount of EThs 98,451 (EThs 98,837 in 2010). These interim dividends were paid (Note 29) for shares 1 to 349,425,397 (1st interim dividend) and shares 1 to 366,896,666 (2nd interim dividend). Additionally a dividend charged to voluntary reserves was distributed to shares 1 to 349,425,397 on May 23, 2011, for an amount of EThs 47,172.

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.

NOTAE 12. TREASURY STOCK

The ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on May 23, 2011 authorized the Board of Directors to acquire, directly or indirectly, shares of Zardoya Otis, S.A. itself up to the maximum amount permitted by law.

At its meeting of October 27, 2011, the Company's Board of Directors resolved, in accordance with said authorization, to acquire treasury shares in order to use them in any of the company acquisition transactions that the Company habitually performs that involves an exchange of shares.

The derivative acquisition of treasury stock was carried out in accordance with the terms of the aforementioned authorization from the Ordinary General Shareholders' Meeting and was subject to the following conditions: (I) up to a maximum limit of 0.5% of the number of shares that represent the Company's share capital, equivalent to 1,835,000 shares; and (II) during a term expiring on April 30, 2012, and subject to Regulation (EC) 2273/2003 and other applicable legislation.

At the end of the year 2011, Zardoya Otis, S.A held 878,316 treasury shares for a value of 8,321,626.37.

NOTE 13. LEGAL RESERVE

The legal reserve has been recognized under the provisions 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 at November 30, 2011 and 2010 are as follows:

| Company | 2011 | 2010 |
|--|-------|-------|
| Zardoya Otis, S.A. | 6,989 | 6,656 |
| Ascensores Eguren, S.A. | - | - |
| Ascensores Ingar, S.A. | 13 | 13 |
| Ascensores Serra, S.A. | 48 | 48 |
| Cruxent-Edelma, S.L. (#) | 24 | 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 |
| Montoy, S.L. | 20 | 20 |
| Ascensores Molero, S.L. | 1 | - |
| Reparación y Mantenimiento de Ascensores, S.L. EThs | 9 | - |

(#) Formerly called Elevadores del Maresme, S.L.

(*) Company merged with the former Elevadores del Maresme, S.L. in 2011.

NOTE 14. RESERVES IN SUBSIDIARY COMPANIES AND OTHER RESERVES

| | Subsidiary companies | Other reserves | Total |
|--|-------------------------|----------------|----------|
| 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 |
| Profit 2010..... | 35,505 | 52,187 | 87,692 |
| Dividends paid in the year..... | (30,135) | (47,172) | (77,307) |
| Capital increase | - | (1,747) | (1,747) |
| Other movements..... | (1,826) | (4,407) | (6,233) |
| As of November 30, 2011EThs | 82,314 | 16,248 | 98,562 |

Details by company of reserves in subsidiary companies and other reserves as of November 30, 2011 and 2010 are as follows:

| | 2011 | 2010 |
|---|---------|---------|
| Company | | |
| Zardoya Otis, S.A. | 26,207 | 23,463 |
| Ascensores Eguren, S.A. | (5,989) | (3,839) |
| Ascensores Ingar, S.A. | (3,614) | (3,030) |
| Ascensores Serra, S.A. | 444 | 444 |
| Cruxent-Edelma, S.L. (#) | (3,781) | (104) |
| Mototracción Eléctrica Latierro, S.A. | 1,691 | 1,329 |
| Grupo Otis Elevadores (Portugal)..... | 48,902 | 43,548 |
| Portis, S.L. | 4,304 | 3,557 |
| Ascensores Pector, S.L. | 5,788 | 5,788 |
| Conservación de Aparatos Elevadores Express, S.L. | 13,013 | 13,010 |
| Acresa Cardellach, S.L. | 21,943 | 21,909 |
| Admotion, S.L. | (436) | (446) |
| Ascensores Aspe, S.A. (dependiente de Eguren, S.A.) | (2,186) | (814) |
| Otis Maroc, S.A. | 2,073 | 1,237 |
| Cruxent, S.L. | - | 2 |
| Montoy, S.L. | 162 | 62 |
| IFRS adjustments | (9,959) | (9,959) |
| EThs | 98,562 | 96,157 |

(#) Formerly called Elevadores del Maresme, S.L.

In compliance with the provisions of the Capital Company Act, art 273:4, the Group has recognized a reserve of EThs 4,441 (EThs 4,142 in 2010), 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 15. PROFIT FOR THE YEAR

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

| | 2011 | | 2010 | |
|--|---------------------|---|---------------------|---|
| | Consolidated profit | Attributable to non controlling interests | Consolidated profit | Attributable to non controlling interests |
| Company | | | | |
| Zardoya Otis, S.A. | 154,179 | - | 169,805 | - |
| Ascensores Eguren, S.A. | (1,350) | - | (2,150) | - |
| Ascensores Ingar, S.A. | (619) | - | (585) | - |
| Ascensores Serra, S.A. | 1,926 | 642 | 2,072 | 691 |
| Cruxent-Edelma, S.L. | 1,260 | 540 | 1,260 | 315 |
| Mototracción Eléctrica Latierro, S.A. | 393 | 378 | 603 | 579 |
| Grupo Otis Elevadores (Portugal) | 22,104 | 328 | 19,324 | 243 |
| Portis, S.L. | 1,885 | 206 | 1,580 | 173 |
| Ascensores Pertor, S.L. | 3,693 | 230 | 4,432 | 276 |
| Conservación de Aparatos Elevadores Express, S.L. | 3,130 | - | 3,456 | - |
| Acresa Cardellach, S.L. | 4,072 | 98 | 4,195 | 102 |
| Admotion, S.L. | 135 | 45 | 12 | 4 |
| Otis Maroc, S.A. | 2,675 | - | 542 | - |
| Ascensores Aspe, S.A. | 711 | - | 284 | - |
| Cruxent, S.L. | - | - | 108 | 210 |
| Montoy, S.L. | (92) | 129 | 147 | 287 |
| Ascensores Molero, S.L. | (63) | - | - | - |
| Reparación y Mantenimiento de Ascensores, S.L. | 6 | - | - | - |
| Fercas, S.L. | (41) | - | - | - |
| EThs | 194,004 | 2,596 | 205,085 | 2,880 |

The proposed distribution of 2011 profit and other reserves in the parent company that will be submitted for approval at the Annual Shareholders' Meeting, together with the 2010 profit distribution approved, is as follows:

| | 2011 | 2010 |
|-----------------------------------|----------------|---------|
| Available for distribution | | |
| Profit for the year..... | 178,775 | 195,018 |
| EThs | 178,775 | 195,018 |
| Distribution | | |
| To legal reserve | 716 | 333 |
| To reserve for goodwill | 1,986 | 2,008 |
| To other reserves | 31,892 | 44,920 |
| Dividends..... | 144,181 | 147,757 |
| EThs | 178,775 | 195,018 |

NOTE 16. TRADE AND OTHER PAYABLES

| | 2011 | 2010 |
|---|---------|---------|
| Trade payables..... | 26,060 | 30,699 |
| Payables to related parties (Note 34) | 12,663 | 9,883 |
| Other payables..... | 16,543 | 13,501 |
| Goods received but not invoiced | 6,707 | 6,193 |
| Notes payable | 1,883 | 1,659 |
| Amounts due to customers on work in progress (Note 8) | 34,599 | 43,557 |
| Maintenance billing in advance | 38,482 | 32,833 |
| Acquisitions commitments | 25,495 | 29,152 |
| Other payables to public authorities (Note 17) | 24,890 | 22,426 |
| Outstanding employee remuneration..... | 40,674 | 34,235 |
| Other | 4,965 | 8,710 |
| EThs | 232,961 | 232,848 |

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 478 (2010: EThs 351).

At November 30, 2011 and 2010, there were commitments for costs incurred in work for which, although it had been completed, charges from third parties had not yet been received. This item is shown under the heading “Other payables”.

In relation to commitments from acquisitions, the table below shows the maturities of the outstanding amounts for this item:

| Year 2011 | Current | 2013 | 2014/15 | Noncurrent |
|-----------------------------------|---------|--------|---------|------------|
| Acquisitions 2010 & earlier | 19,621 | 1,810 | 1,097 | 2,907 |
| Acquisitions 2011 | 5,874 | 2,204 | 152 | 2,356 |
| EThs | 25,495 | 4,014 | 1,249 | 5,263 |
| Year 2010 | Current | 2012 | 2013/14 | Noncurrent |
| Acquisitions 2009 & earlier | 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, 2011 and 2010 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.

a) Information on delays in payments to suppliers. Third Additional Provision “Reporting duties” of Law 15/2010 of July 5.

As stated in the Second Transitional Provision of the Resolution of the Instituto de Contabilidad y Auditoría de Cuentas (Accounting and Account Auditing Institute) of December 29, 2010, in the first year in which Law 15/2010 of July 5 is applicable, companies must provide information on the outstanding amount payable to suppliers that accumulates a delay longer than the legal payment period at the year end.

The transitional calendar fixes January 1, 2013 as the deadline for complying with the above mentioned period of delay. According to said calendar, at November 30, 2011, the maximum period of delay was fixed at 85 days.

In accordance with this transitional calendar, at November 30, 2011, the Group did not have any outstanding amounts payable to suppliers with a payment period of longer than 85 days.

NOTE 17. PUBLIC TREASURY

| | 2011 | 2010 |
|---|----------|----------|
| Debit balances | | |
| Social Security | 3 | 12 |
| Withholding tax | 321 | 389 |
| Public Treasury, VAT payable | 846 | 812 |
| Public Treasury, input VAT | 4,983 | 5,400 |
| EThs (Note 8) | 6,153 | 6,613 |
| Credit balances | | |
| Provision for corporate income tax..... | 80,270 | 80,988 |
| Payments on account of corporate income tax | (54,505) | (48,971) |
| Public Treasury, withholdings operated | 3,785 | 2,545 |
| Public Treasury, VAT due | 221 | 4,713 |
| Public Treasury, output VAT | 10,241 | 6,726 |
| Social Security | 10,643 | 8,442 |
| EThs | 50,655 | 54,443 |

NOTE 18. DEFERRED TAXES

| | | |
|---|--------|--------|
| Deferred tax assets: | 2011 | 2010 |
| To be recovered after more than 12 months | 22,208 | 20,151 |
| To be recovered within 12 months | 3,874 | 4,429 |
| EThs | 26,082 | 24,580 |
| Deferred tax liabilities: | 2011 | 2010 |
| To be recovered after more than 12 months | 3,562 | 2,090 |
| To be recovered within 12 months | - | - |
| EThs | 3,562 | 2,090 |

Overall movement on the deferred tax account was as follows:

| | | |
|----------------------------------|--------|--------|
| Deferred tax assets: | 2011 | 2010 |
| Beginning period | 24,580 | 22,681 |
| Business combinations | - | - |
| P&L impact | 1,502 | 1,899 |
| End of period | 26,082 | 24,580 |
| EThs | | |
| Deferred tax liabilities: | 2011 | 2010 |
| Beginning period | 2,090 | - |
| Business combinations | 557 | 1,699 |
| P&L impact | 915 | 391 |
| End of period | 3,562 | 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, 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 |
| P&L impact | (1,680) | 576 | 2,606 | 1,487 |
| Business combinations | - | - | - | - |
| As of November 30, 2011 | 18,159 | 2,515 | 5,408 | 26,082 |
| EThs | | | | |

| Deferred tax liabilities: | Welfare commitments | Amortization/deprec. fixed assets | Other | Total |
|--|------------------------|--------------------------------------|-------|-------|
| At November 30, 2009EThs | - | - | - | - |
| P&L impact | - | 391 | - | 391 |
| Business combinations | - | 1,699 | - | 1,699 |
| As of November 30, 2010EThs | - | 2,090 | - | 2,090 |
| P&L impact | - | 915 | - | 915 |
| Business combinations | - | 557 | - | 557 |
| As of November 30, 2011EThs | - | 3,562 | - | 3,562 |

In 2011, the Group did not recognize any deferred liability relating to the recognition of the maintenance contracts acquired through the business combinations: Ascensores Molero, S.L., Reparación y Mantenimiento de Ascensores, S.L. and Fercas Serveis Integrals, S.A., since said companies will be integrated into Group companies in 2012 and, therefore, there will be no differences between the tax bases and the financial bases.

NOTE 19. WELFARE COMMITMENTS

| | 2011 | 2010 |
|--|---------------|--------|
| Obligations on Statement of Financial Position: | | |
| current employees | 12,820 | 18,666 |
| retired employees..... | - | 980 |
| EThs | 12,820 | 19,646 |

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

| | 2011 | 2010 |
|--|-----------------|----------|
| Present value of financial obligations | 45,504 | 66,132 |
| Fair value of plan assets | (43,855) | (58,946) |
| | 1,649 | 7,186 |
| Unrecognized actuarial gains | 11,171 | 12,460 |
| Liability on Statement of Financial PositionEThs | 12,820 | 19,646 |

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

| | Obligation recognized | Plan assets |
|--|-----------------------|-----------------|
| As of November 30, 2009 | 67,939 | (56,946) |
| 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 losses/gains | (3,207) | (1,965) |
| Settlements | - | - |
| As of November 30, 2010EThs | 66,132 | (58,946) |
| Service cost | 2,265 | - |
| Interest cost..... | 2,443 | - |
| Return on plan assets | - | (2,279) |
| Payments to beneficiaries | (5,260) | 5,260 |
| Contributions | - | (2,269) |
| Actuarial losses/gains | (10,578) | 5,089 |
| Settlements | (9,498) | 9,290 |
| As of November 30, 2011EThs | 45,504 | (43,855) |

The principal actuarial assumptions used were as follows:

| | 2011 | 2010 |
|--|----------------|-------------|
| The discount rate varies, depending on the length of the obligation, between | 5.10%-2.71% | 4.26%-2.46% |
| Mortality tables | PER2000 | PER2000 |
| Wage increase | 3.5% | 3.5% |
| Estimated average early retirement age | 62 to 67 years | 62 years |
| Estimated average early retirement age (closed commitments) | 62 years | 62 years |

The amounts recognized in profit and loss were as follows:

| | 2011 | 2010 |
|---|----------------|--------------|
| Current service cost..... | 2,265 | 2,185 |
| Interest cost..... | 2,443 | 2,933 |
| Expected return on plan assets | (2,278) | (2,568) |
| Settlements | 538 | - |
| Actuarial (gains) / losses | (7,522) | (3,123) |
| Total included in employee benefit expense (Note 23) | (4,554) | (574) |

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:

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|----------|----------|----------|----------|----------|
| Present value of financed obligations | 45,504 | 66,132 | 67,939 | 74,620 | 81,506 |
| Fair value of plan assets | (43,855) | (58,946) | (56,926) | (59,212) | (58,727) |

The Group's best estimate of the contributions to be paid in the year ending November 30, 2012 is EThs 1,810.

Additionally, there is a defined contribution plan the annual cost of which is included under the heading "Employee benefit expense" for EThs 554 (EThs 498 in 2010).

NOTE 20. BORROWINGS

In the year 2011, the Group parent signed a framework agreement with Banca March S.A. for the financing of company acquisitions over the next three years, up to a maximum amount of one hundred million euros. This sum will be divided into individual credit policies with repayment periods of between three and five years. Likewise, the interest rates and additional conditions fixed do not differ from normal market conditions. At the year end, two of these policies had been signed to finance the acquisitions of Reparaciones y Mantenimiento de Ascensores, S.L. and Fercas Serveis Integral, S.A. for a value of EThs 14,000.

At November 30, 2011, the carrying amount of current borrowings from financial institutions was equal to their fair value, since the impact of applying a discount was not significant. Said amount includes the value of the instalments payable in the year 2012 and the interest accrued in the year that matured for payment in January 2012, the amount of which was EThs 92.

The noncurrent portion of this debt, which is EThs 10,649, is shown at amortized cost in accordance with the effective interest rate method. It matures as follows:

| | Current | 2013 | 2014/15 | Noncurrent |
|---|--------------|--------------|--------------|---------------|
| Borrowings from financial institutions..... | 3,303 | 4,576 | 6,073 | 10,649 |
| Other (Note 10)..... | 704 | - | - | - |
| EThs | 4,007 | 4,576 | 6,073 | 10,649 |

NOTE 21. PROVISION FOR OTHER LIABILITIES AND EXPENSES

| | 2011 | 2010 |
|---|--------|--------|
| Noncurrent | | |
| Other commitments with employees | 3,020 | 2,503 |
| Current | | |
| Litigations: customer transactions | 1,423 | 2,904 |
| Guarantees for services and contracts | 14,073 | 16,328 |
| Chamber of Commerce and other taxes..... | 1,595 | 1,437 |
| Environmental actions..... | 500 | 500 |
| EThs | 17,591 | 21,169 |

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.

The following table shows the movement on the provisions:

| | Other commitments with employees | Litigations, customer transactions | Guarantees | Other |
|--|-------------------------------------|---------------------------------------|------------|-------|
| As of November 30, 2010 | 2,503 | 2,904 | 16,328 | 1,937 |
| Provisions/(reversals) in income statement: | 517 | (1,481) | (627) | 158 |
| Amounts used | - | - | (1,628) | - |
| Other | - | - | - | - |
| As of November 30, 2011 | 3,020 | 1,423 | 14,073 | 2,095 |
| EThs | | | | |

NOTE 22. REVENUE

| | 2011 | 2010 |
|-----------------------------------|---------|---------|
| Services rendered | 631,028 | 666,675 |
| Revenue from works contracts..... | 93,029 | 115,069 |
| Exports..... | 94,347 | 80,640 |
| Other sales | 681 | 391 |
| Total revenue | 819,085 | 862,775 |
| EThs | | |

NOTE 23. EMPLOYEE BENEFITS

| | 2011 | 2010 |
|-----------------------------------|---------|---------|
| Wages and salaries | 181,329 | 180,549 |
| Social security and other | 73,025 | 70,013 |
| Employee benefit commitments..... | (4,554) | (574) |
| EThs | 249,800 | 249,988 |

Social security and other includes severance payments to employees of EThs 12,431 in 2011 (10,902 in 2010).

Starting from December 1, 2010 it is included also the UTC long-term incentive plan, for certain Zardoya Otis executives who are also considered to be UTC Group executive which includes UTC stock options (Note 34). The expense incurred for this item in 2011 is EThs 390.

NOTE 24. RAW MATERIALS AND CONSUMABLES USED

| | 2011 | 2010 |
|--|----------|----------|
| Materials and subcomponents for installations and services | 275,887 | 278,973 |
| Elimination of intra-group transactions | (50,726) | (47,680) |
| Purchase discounts | (72) | (96) |
| Change in inventories | (4,384) | 726 |
| EThs | 220,705 | 231,923 |

NOTE 25. OTHER NET EXPENSES

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

| | 2011 | 2010 |
|----------------------------------|--------|--------|
| Leases | 20,210 | 21,126 |
| Repairs and maintenance | 2,580 | 2,792 |
| Insurance premiums | 1,269 | 959 |
| Advertising and publicity..... | 1,783 | 1,687 |
| Transport | 6,727 | 7,438 |
| Supplies and other services..... | 18,007 | 20,947 |
| Independent professionals..... | 2,753 | 2,382 |
| Other | 3,221 | 4,231 |
| Impairment of receivables..... | 7,483 | 18,580 |
| EThs | 64,033 | 80,142 |

NOTE 26. NET FINANCE COST

| | 2011 | 2010 |
|---|-------|-------|
| Interest expense: | | |
| - Loans with financial institutions | (392) | (282) |
| | (392) | (282) |
| Interest revenue: | | |
| - Bank deposits | 2,519 | 2,608 |
| - Other | - | - |
| | 2,519 | 2,608 |
| Net foreign exchange gains / (losses) | (3) | (100) |
| EThs | 2,124 | 2,226 |

NOTE 27. INCOME TAX

| | 2011 | 2010 |
|--|----------------|----------------|
| Profit before tax | 276,155 | 291,788 |
| Permanent differences: | 9,112 | (3,252) |
| Profit from foreign companies | (34,611) | (28,382) |
| Other differences | 4,961 | 7,052 |
| Prior year temporary differences in respect of which the relevant deferred tax asset has not been recognized | (5,985) | (4,955) |
| Temporary differences arising in the year in respect of which the relevant deferred tax asset has not been recognized | (292) | 2,549 |
| Adjusted profit before tax | 249,340 | 264,800 |
| Temporary differences arising in the year in respect of which the relevant deferred tax asset is recognized | - | (3,006) |
| Taxable income | 249,340 | 261,794 |
| Gross tax payable | 74,802 | 79,440 |
| Tax credits | (4,769) | (3,916) |
| Other differences | 19 | 26 |
| Corporate tax expense from foreign companies | 9,503 | 8,273 |
| Corporate income tax expenseETHs | 79,555 | 83,823 |

The deferred tax asset accumulated at November 30, 2011 amounted to ETHs 26,082 (ETHs 24,580 in 2010). 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 3,562 (ETHs 2,090 in 2010) relating to differences generated by goodwill.

At the year end, the sum of ETHs 54,505 (ETHs 48,971 in 2010) had been paid on account of the final corporate income tax liability. Corporate income tax expense includes income of ETHs 587 from deferred taxes (income of ETHs 2,290 from deferred taxes in 2010).

The effective tax rate for Otis Elevadores, Lda. (Portugal) is 28.81% and for Otis Maroc 24.90 (27.8% and 57.2% respectively, in 2010) and their tax expense for 2011 amounted to ETHs 9,097 and 885, respectively (ETHs 7,549 and 724, respectively, in 2010).

For Zardoya Otis, S.A. and the Spanish subsidiaries, as well as for Otis Maroc, S.A., the latest 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 the 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 28. 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 weighted average number of ordinary shares in issue in the year, excluding ordinary purchased by the Company. No event that could dilute the earnings per share has occurred.

| | 2011 | 2010 |
|--|-------------|-------------|
| Profit attributable to equity holders of the Company | 194,004 | 205,085 |
| Weighted average number of ordinary shares in issue during the year | 356,705,092 | 349,425,397 |
| Treasury shares held | (878,316) | - |
| Basic earnings per share | 0.55 | 0.59 |

NOTE 29. DIVIDENDS PER SHARE

In the years 2010 and 2011, Zardoya Otis, S.A. paid the following interim dividends charged to the profit for the year and reserves:

| | Thousand euros |
|---|----------------|
| <u>1st Dividend</u> 0.150 Euros gross per share charged to the year 2010. | |
| Declared on March 4, 2010 and paid out 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 out 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 year 2010. | |
| Declared on September 2, 2010 and paid out on September 10, 2010. Shares: 349,425,397 | |
| Total = 48,919,555.58 Euros..... | 48,919 |
| Dividend at end of yearEThs | 145,427 |
| <u>4th Dividend</u> 0.140 Euros gross per share, charged to the year 2010. | |
| Declared on December 2, 2010 and paid out on December 10, 2010. Shares: 349,425,397 | |
| Total = 48,919,555.58 Euros..... | 48,919 |
| Total 2010.....EThs | 194,346 |
| | |
| <u>1st Dividend</u> 0.140 Euros gross per share, charged to the year 2011. | |
| Declared on March 3, 2011 and paid out on March 10, 2011. Shares: 349,425,397 | |
| Total = 48,919,555.58 Euros..... | 48,920 |
| <u>2nd Dividend</u> 0.135 Euros gross per share, charged to reserves. | |
| Declared on May 23, 2011 and paid out on June 10, 2011. Shares: 349,425,397 | |
| Total = 47,172,428.60 Euros..... | 47,172 |
| <u>3rd Dividend</u> 0.135 Euros gross per share, charged to the year 2011. | |
| Declared on September 2, 2011 and paid out on September 12, 2011. Shares: 366,896,666 | |
| Total = 49,531,049.91 Euros..... | 49,531 |
| Dividend at end of yearEThs | 145,622 |
| <u>4th Dividend</u> 0.125 Euros gross per share, charged to the year 2011. | |
| Declared on December 1, 2011 and paid out on December 12, 2011. Shares: 366,896,666 | |
| Total = 45,862,083.25 Euros..... | 45,729 |
| Total 2011.....EThs | 191,352 |

In relation to the interim dividends distributed by Zardoya Otis, S.A. in the year 2011, the existence of sufficient liquidity for their distribution was verified, in accordance with the Capital Company Act, ar. 277.

NOTE 30. CASH GENERATED BY OPERATIONS

The following is a breakdown by item of the cash flow from operations included in the Consolidated Statement of Cash Flows::

| | 2011 | 2010 |
|---|----------------|----------------|
| Profit before tax | 276,155 | 291,788 |
| - Depreciation of property, plant and equipment (Note 5) | 5,952 | 6,178 |
| - Amortization of intangible assets (Note 6) | 9,209 | 9,720 |
| - (Profit)/loss on disposals of property, plant and equipment | (25) | - |
| - Increase/(reduction) in retirement benefit obligations | (6,826) | (1,775) |
| - Interest expense - net (Note 26) | 2,127 | 2,326 |
| - Losses/(gains) on foreign currency conversion in operating activities (Note 26) | (3) | (100) |
| Changes in working capital (excluding the effects of the acquisition and foreign exchange differences upon consolidation): | | |
| - Inventories | (4,384) | 773 |
| - Trade and other receivables | 9,615 | 2,658 |
| - Financial assets at fair value through profit and loss | - | - |
| - Trade and other payables | (77,316) | (93,514) |
| Cash generated by operations EThs | 214,504 | 218,054 |

NOTE 31. 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 20,456 (2010: EThs 27,196).

NOTE 32. COMMITMENTS**Fixed asset purchase commitments**

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

| | 2011 | 2010 |
|--|--------|-------|
| Property, plant and equipment EThs | 4,786 | 331 |
| Intangible assets EThs | 17,016 | 3,072 |

Lease 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:

| | 2011 | 2010 |
|----------------------------|-------|-------|
| Premises leased EThs | 4,166 | 4,338 |
| Other EThs | 4,011 | 4,614 |

NOTE 33. BUSINESS COMBINATIONS**ASCENSORES TEBÓN, S.L.**

Ascensores Tebón, S.L. was acquired by Acresca Cardellach, S.L. in December 2009. Its asset and liabilities were integrated into the acquiring company in July 2010.

MERGER EDELMA CRUXENT

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.

In January 2011, the company Cruxent, S.L., the absorbed company, was merged into the company Elevadores del Maresme, S.L., the absorbing company. Cruxent, S.L. was dissolved but not liquidated and the totality of its equity was transferred in bloc to the absorbing company. The merger was recognized retroactively in the books of Edelma, S.L. as of December 1, 2010. The assets and liabilities are included in the consolidated financial statements at their carrying amounts at the transaction date. The differences between the investment recognized in Edelma and the net value of the assets and liabilities of the acquired company was recognized as an item in the reserves, together with the corresponding variation in the non-controlling interest, which is EThs 4,026.

ASCENSORES MOLERO, S.L.

In March 2011, Zardoya Otis, S.A. acquired 100% of the shares of the company Ascensores Molero, S.L., which carries on its activity in the province of Alicante and is engaged in elevator intallation and maintenance.

The total cost of the business combination was initially calculated at EThs 3,040, most of which related to acquisition of the maintenance portfolio. Said figure was subsequently adjusted to EThs 2,622, affecting the value of the goodwill, with EThs 1,154 yet to be paid at the year end. There are no costs attributable to the business combination other than audit costs and legal expenses on the transfer, which are not significant. The cost of the business combination has been determined provisionally, since some items must be measured definitively one year after the acquisition date. However, no significant variations on the aforementioned figure are forecast.

The amounts recognized on the business combination at fair value 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 prices payable. The acquisition is being financed with own funds.

The business acquired contributes recurring sales of EThs 495 to the Group. The information on the entity's revenue and profit and loss is not relevant, since the entity will be integrated into one of the Group's existing CGUs. Details of the assets and liabilities acquired are as follows:

| | |
|-------------------------------------|-------|
| Cash and cash equivalents | 206 |
| Property, plant and equipment | 42 |
| Intangible assets..... | 1,840 |
| Receivables | 180 |
| Inventories..... | 98 |
| Payables | 76 |
| Provisions | 37 |

There is a difference that gives rise to goodwill EThs 369 (792 EThs before adjustments).

REPARACIÓN Y MANTENIMIENTO DE ASCENSORES, S.L.

In October 2011, Zardoya Otis, S.A. acquired 100% of the shares of the company Reparación y Mantenimiento de Ascensores, S.L., which carries on its activity in the province of Alicante and is engaged in elevator intallation and maintenance.

The total cost of the business combination was initially calculated at EThs 4,670, most of which related to acquisition of the maintenance portfolio with EThs 2,298 yet to be paid at the year end. There are no costs attributable to the business combination other than audit costs and legal expenses on the transfer, which are not significant. The cost of the business combination has been determined provisionally, since some items must be measured definitively one year after the acquisition date. However, no significant variations on the aforementioned figure are forecast.

The amounts recognized on the business combination at fair value 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 prices payable. The acquisition is being financed with a loan obtained for this purpose (see Note 20).

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

| | |
|-------------------------------------|-------|
| Cash and cash equivalents | 100 |
| Property, plant and equipment | 16 |
| Intangible assets..... | 3,625 |
| Receivables | 176 |
| Inventories..... | 40 |
| Payables | 121 |
| Provisions | 209 |

There is a difference that gives rise to goodwill of EThs 1,043.

FERCAS SERVEIS INTEGRALS, S.A.

In September 2011, Puertas Automáticas Portis, S.L., acquired 100% of the shares of the Company Fercas Serveis Integrals, S.A., which carries on its activity in the provinces of Barcelona and Gerona and is engaged in the installations, maintenance and repair of automatic doors and the provision of services to condominiums and buildings, such as the maintenance and repair of lighting and low-tension systems, gas extraction systems, water pumps and extinguishes and the maintenance of gardens and swimming pools.

The total cost of the business combination was calculated at EThs 8,969, most of which related to acquisition of the maintenance portfolio. with EThs 4,524 yet to be paid at the year end. There are no costs attributable to the business combination other than audit costs and legal expenses on the transfer, which are not significant. The cost of the business combination has been determined provisionally, since some elements must be measured definitively one year after the acquisition date. However, no significant variations on the aforementioned figure are forecasted.

The amounts recognized on the business combination at fair value 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 prices payable. The acquisition is being financed with a loan obtained for this purpose (see Note 20).

The business acquired contributes recurring sales of EThs 650 to the Group. Details of the assets and liabilities acquired are as follows:

| | |
|-------------------------------------|-------|
| Cash and cash equivalents | 400 |
| Property, plant and equipment | 285 |
| Intangible assets..... | 3,655 |
| Receivables | 1,000 |
| Inventories..... | 410 |
| Payables | 80 |

There is a difference that gives rise to goodwill of EThs 3,299.

NOTE 34. RELATED-PARTY TRANSACTIONS

United Technologies Holding S.A. (incorporated in France) holds 50.01% of the shares of the parent company United Technologies Corporation (incorporated in the United States), the parent company of United Technologies Holdings, S.A.

The following transactions were performed with related parties:

(a) Transactions with Otis Elevator Co

| | 2011 | 2010 |
|---|---------------|-------------|
| Royalties | 23,118 | 24,873 |
| Charge-back of costs relating to the R&D Center | 668 | 856 |
| Payables.....EThs | 736 | 665 |

(b) Transactions with Otis Group company, sales and purchases of goods and services

| | 2011 | 2010 |
|-------------------|---------------|-------------|
| Sales | 92,264 | 80,640 |
| Purchases..... | 39,838 | 42,146 |
| Receivables | 18,987 | 14,866 |
| Payables.....EThs | 11,927 | 9,218 |

The Group periodically requires for its revision by the Audit Committee the opinion of an external expert concerning the transfer price policy established for the transactions with other Otis entities.

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 & 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 United Technologies Corporation (UTC), which concerned the possibility that certain Zardoya Otis, S.A. executives who were also considered to be UTC Group executives, since they held important management responsibilities should benefit, depending on their performance and the attainment of joint objectives of Zardoya Otis, Otis and United Technologies Corporation (UTC), from the UTC long-term incentive plan, which includes UTC share-based compensation schemes. The Agreement is applicable to incentives assigned as from December 1, 2010. The cost, approved by the Audit Committee, is included under the employee benefit expense heading, generating a credit account with Group companies (presented as other provisions in the statement of financial position). The cost, approved by the Audit Committee, is included in employee benefit expenses, generating a credit account with UTC Group companies (shown as other provisions in the statement of financial position). The expense originated by this item is included under the employee benefit expense heading. For 2011, the expense was EThs 390, relating to the fair value of the assets to which it is indexed, which was EThs 650.

In addition to the transactions with the Otis Group, at November 30, 2011, the other receivables heading shows a receivable of EThs 2,008 due from Silamargi, which holds a non-controlling interest in the subsidiary Elevadores del Maresme, S.L.

The overall compensation for all items accrued during the year by the members of the Board of Directors was EThs 1,567 (EThs 1,394 in 2010) and comprised the following items:

| | 2011 | 2010 |
|----------------------------------|--------------|--------------|
| Fixed compensation | 204 | 167 |
| Variable compensation | 250 | 215 |
| By-law stipulated items | 1,000 | 1,000 |
| Other long-term benefits | 58 | - |
| Pension plan contributions | 55 | 12 |
| Total EThs | 1,567 | 1,394 |

At the 2011 and 2010 year ends, the Company had not granted any advance payments or credits to the members of the Board of Directors.

Additionally, the overall compensation accrued for all items by members of the Group's senior management (non-directors) was EThs 350 (EThs 333 in 2010), as reported in sections B.1.11 and B.1.12 of the Annual Corporate Governance Report 2011..

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 of the Board 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 or corporate name of director | Name or corporate name of significant shareholder | Designation |
|---|---|--|
| Mario Abajo García | Buga Otis Asansor Sanayi ve Ticaret A.S. (Turkey) | Deputy Chairman and 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 Manag. Committe |
| | Otis Pacific Holdings B.V. (Netherlands) | Director |
| | United Technologies (Cayman) Holdings, Ltd. (Cayman) | Director |
| | UTCL Investments B.V.. (Netherlands) | Director |
| Bruno Grob (fallecido) | Otis, S.A. (Switzerland) | Chairman and member of the Board of Directors |
| | Otis, N.V. (Belgium) | Director |
| | Otis AB (Sweden) | Director |
| | Otis S.p.A. (Italy) | Director |
| | Otis Management GMBH (Germany) | Director |
| | Otis B.V. (Netherlands) | Director |
| Pedro Sáinz de Baranda Riva | Buga Otis Asansor Sanayi ve Ticaret A.S. (Turkey) | Director |
| | C. Veremis Otis, S.A. (Greece) | Director |
| | Otis Elevadores (Portugal) | Chairman and member of the Board of Directors |
| | Otis Management GMBH (Germany) | Director |
| | Otis Maroc, S.A.S. (Morocco) | Director |
| | Otis S.p.A. (Italy) | Chairman |
| | Acresa Cardellach, S.L. | Chairman |
| | Ascensores Eguren, S.A. | Personal Representative of Director |
| | Conservación de Aparatos Elevadores Express, S.L. | |
| Lindsay E. Harvey | Ascensores Ingar, S.A. | |
| | “OTIS” spolka z ograniczona odpowiedzialnoscia (Poland) | Chairman |
| | Advance Lifts Holdings Limited (United Kingdom) | Director |
| | Advance Lifts Limited (United Kingdom) | Director |
| | Becker Lifts Limited (United Kingdom) | Director |
| | Budget Lift Limited (United Kingdom) | Director |
| | Combined Lift Services (Merseyside) Ltd. (United Kingdom) | Director |
| | English Lifts (United Kingdom) | Director |
| | Estec Limited (United Kingdom) | Director |
| | Evans Lifts Limited (United Kingdom) | Director |
| | Excelsior Lifts Limited (United Kingdom) | Director |
| | Express Evans Lifts Limited (United Kingdom) | Director |
| | Express Lifts (Overseas) Limited (United Kingdom) | Director |
| | Express Lifts Alliance Limited (United Kingdom) | Director |
| | I.L.S. Irish Lift Services Ltd. | Director |
| | GB Lifts Limited (United Kingdom) | Director |
| | Key Elevators Limited (United Kingdom) | Director |
| | Lerman Oakland Lifts Limited (United Kingdom) | Director |
| | Lift Components Limited (United Kingdom) | Director |
| | Manor Lifts Limited (United Kingdom) | Director |
| | Moveman SKG Limited (United Kingdom) | Director |
| | Northern Lifts Services Limited (United Kingdom) | Director |
| | Oakland Elevators Limited (United Kingdom) | Director |
| | Oakland Elevators Limited (United Kingdom - Dormant) | Director |
| | Orion Lifts Limited (United Kingdom) | Director |
| | OTIS (Isle of man) Limited | Director |
| | Otis Elevator Ireland Limited (Ireland) | Director |
| | Otis Elevator Pension Trustee Limited | Director |
| | Otis International Holdings UK Limited (United Kingdom) | Director |
| | Otis Investments Ltd. (United Kingdom) | Director |
| | Otis Limited (United Kingdom) | Director |
| | Otis UK Holding Limited (United Kingdom) | Director |
| | PDERS Key Lifts Limited (United Kingdom) | Director |
| | Porn Dunwoody (Lifts) Limited (United Kingdom) | Director |
| | Sirius Korea Limited (United Kingdom) | Director |
| | SKG (UK) Limited (United Kingdom) | Director |
| | The Express Lift Company Limited (United Kingdom) | Director |
| | Trent Valley Lifts Limited (United Kingdom) | Director |
| | Wadsworth Lifts Limited (United Kingdom) | Director |
| | Waygood Lifts Ltd. (United Kingdom) | Director |
| | Otis Management GmbH (Germany) | Director |
| | Otis Gesellschaft m.b.H. (Austria) | Director |
| F. Javier Zardoya Arana | Otis Elevadores Lda. (Portugal) | Director |
| | Puertas Automáticas Portis, S.L. | Chairman |
| José María Loizaga Viguri | Otis Elevadores Lda. (Portugal) | Director |
| María Luisa Zardoya Arana (Personal representative of the director Euro-Syns, S.A.) | Otis Elevadores Lda. (Portugal) | Director |

NOTE 35. ENVIRONMENTAL INFORMATION

At November 30, 2011, 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 statement of financial position at November 30, 2010 other than those relating to the sale of the Méndez Álvaro premises in Madrid, where its elevator plant used to be located.

The Group has approved a Corporate Environmental Policy Manual, fixing the main procedures and actions to be followed in this field in plants, offices, transport, Installations and Service.

The principal programs established are intended to reduce the effects of environmental pollution by:

- Control, recycling and decrease of highly contaminating waste (oils).
- Control and reduction of recyclable waste (packaging).
- Control and reduction of emissions into the air due to industrial and combustion processes.
- Control and reduction of water and energy consumption.

In 2010, the Madrid, San Sebastián and Munguía production centres renewed their ISO - 14000 certification 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 830 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 80 were waste removal or recycling were recognized in 2011..

NOTE 36. JOINT BUSINESS

In addition, since the end of the year 2011, Zardoya Otis, S.A. and Indra Sistemas, S.A. have been participating in a Temporary Consortium (UTE) in which Zardoya Otis, S.A. holds 50% of the operational fund of EThs 3. At November 30, 2011, the inclusion of this UTE in the Company's figures related solely to the cash contribution of EThs 1.5.

NOTE 37. EVENTS AFTER THE END OF THE REPORTING PERIOD

On December 1, 2011, Zardoya Otis, S.A. declared the fourth dividend of the 2011 calendar year, which was the third to be charged to the profit for the year ended November 30, 2011, for a gross amount of 0.125 euros per share. The maximum amount to be paid out was EThs 45,862, which is the result of multiplying the dividend per share by the total number of shares (366,896,666) into which the Company's capital is divided. From the aforementioned amount, the amount resulting of multiplying the gross amount of 0.125 euros per share by the number of treasury shares held by the Company at the time the shareholder were entitled to receive payment of the dividend was deducted. The resulting amount was a dividend of EThs 45,729.

Likewise, in December 2011, Zardoya Otis, S.A. acquired 52% of the shares of Montes Tallón, S.A. by subscribing and paying up a capital increase of EThs 7,291 carried out by said company and exchanging shares, using, for this purpose, the treasury shares acquired for a value of EThs 9,725. The total cost of the business combination determined provisionally totalled EThs 17,016, pending completion of the audit work. However, no significant variations on this amount are forecast. Contingent liabilities have been guaranteed by the sellers. The acquisition is being financed with a loan of EThs 15,000 obtained in December 2011, under the same conditions as mentioned in Note 20 above.

As a consequence of said transaction, the parent company of the Group has exchanged its own shares to a total of 1,010,905 shares, remaining, at the date of approval of these annual accounts by the Board of Directors, a total of 44,030 own shares valued at their purchase value, for a total amount of EThs 425.

NOTE 38. OTHER INFORMATION**(a) Number of Group employees by category**

| | Men | Women | 2011 |
|---|-------|-------|-------|
| Managers..... | 68 | 6 | 74 |
| Administration / workshop / field | 490 | 19 | 509 |
| Engineers, university graduates and other experts | 193 | 35 | 228 |
| Administrative and technical personnel | 486 | 440 | 926 |
| Other workers..... | 3,665 | 23 | 3,688 |
| | 4,902 | 523 | 5,425 |
| | Men | Women | 2010 |
| Managers..... | 74 | 6 | 80 |
| Administration / workshop / field | 515 | 19 | 534 |
| Engineers, university graduates and other experts | 202 | 35 | 237 |
| Administrative and technical personnel | 499 | 438 | 937 |
| Other workers..... | 3,790 | 24 | 3,814 |
| | 5,080 | 522 | 5,602 |

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

The amount accrued by PriceWaterhouseCoopers Auditores, S.L., which audits the Zardoya Otis Group, for the year 2011 is EThs 352 (EThs 333 in 2010), 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 PwC brand name as a result of other services rendered to the Group, were EThs 354 (EThs 155 in 2010).

GENERAL MEETING OF SHAREHOLDERS

Board of Directors

Mr. Mario Abajo García
Chairman

Mr. José María Loizaga Viguri
Deputy Chairman

Mr. Bernardo Calleja Fernández
CEO

Otis Elevator Company
(D. Johan Bill)

Mr. Angelo Messina

Mr. Pierre Dejoux

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. Lindsay Harvey

Nominating Commission

Mr. Lindsay Harvey
Chairman

Mr. José María Loizaga Viguri

Otis Elevator Company
(Mr. Johan Bill)

Mr. Alberto Fernández-Ibarburu Arocena
Secretary

Agenda

1. Examination and approval of the annual financial statements and management reports of both the Company and its consolidated group for the year running from December 1, 2010 to November 30, 2011.
2. Application of the profit for the year running from December 1, 2010 to November 30, 2011.
3. Approval of the performance of the Board of Directors and, in particular, of the distribution of dividends charged to the profit for the year running from December 1, 2010 to November 30, 2011.
4. Approval of the distribution of a dividend charged to reserves for a gross amount of 0.120 euros per share.
5. Appointment of the auditors for the Company and its consolidated group for the year running from December 1, 2011 to November 30, 2012.
6. Ratification of Mr. Pierre Dejoux and Mr. Bernardo Calleja Fernández, who were appointed by co-option, as directors.
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 By-Laws.
8. Approval, if applicable of a new revised text of the By-Laws and rescission of the current By-Laws.
9. Approval, if applicable, of new Regulations of the General Shareholders' Meeting and rescission of the current Regulations.
10. Board's report on the amendments made to the Regulations of the Board of Director since the last General Shareholders' Meeting in compliance with article 528 of the Capital Companies Law.
11. Ratification of the creation of the Company's corporate website for the purposes of article 11 bis of the Capital Companies Law.
12. Consultative ballot on the 2011 Annual Report on Director Compensation for the purposes of article 61 ter of the Securities Market Act.
13. 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 Capital Companies Law.
14. Authorization to the Board of Directors to resolve to increase the share capital in accordance with article 297.1.b) of the Capital Companies Law, either on a single occasion or spread over several occasions, by a maximum amount equal to half the capital that exists at the time of the authorization, at any time within a term of five years as from adoption of the resolution by the General Shareholders' Meeting. Delegation for exclusion of preferential subscription rights in accordance with article 506 of the Capital Companies Law.
15. Delegation to the Board of Directors for the interpretation, rectification, execution, formalization and registration of the resolutions adopted.
16. Requests and questions.
17. Approval of the Minutes

Financial Statements of the last five years

Consolidated Profit and Loss Accounts

(In millions of euros)

| | 2011 | | 2010 | | 2009 | | 2008 | | 2007 | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | % | | % | | % | | % | | % | |
| SALES | 819,1 | 100.0 | 862,8 | 100.0 | 885,1 | 100.0 | 936,6 | 100.0 | 865,0 | 100.0 |
| Raw materials and consumable used | (220,7) | (26.9) | (231,9) | (26.9) | (259,1) | (29.3) | (316,0) | (33.7) | (297,7) | (34.4) |
| GROSS PROFIT | 598.4 | 73.1 | 630,9 | 73.1 | 626,0 | 70.7 | 620,6 | 66.3 | 567,3 | 65.6 |
| Other net expenses | (56,5) | (6.9) | (61,5) | (7.1) | (63,5) | (7.2) | (64,1) | (6.8) | (57,6) | (6.7) |
| Personnel expenses | (249,8) | (30.5) | (250,0) | (29.0) | (250,7) | (28.3) | (249,0) | (26.6) | (230,5) | (26.7) |
| Impairment of accounts receivable | (7,5) | (0.9) | (18,6) | (2.1) | (16,5) | (1.8) | (14,3) | (1.5) | (3,8) | (0.4) |
| Other income | 4,6 | 0.6 | 4,7 | 0.5 | 4,2 | 0.4 | 3,4 | 0.4 | 2,3 | 0.3 |
| EBITDA | 289,2 | 35.3 | 305,5 | 35.4 | 299,5 | 33.8 | 296,6 | 31.7 | 277,7 | 32.1 |
| Amortization, depreciation and impairment losses | (15,2) | (1.9) | (15,9) | (1.8) | (14,2) | (1.6) | (16,0) | (1.7) | (12,7) | (1.5) |
| OPERATING PROFIT | 274,4 | 33.5 | 289,6 | 33.6 | 285,3 | 32.2 | 280,6 | 30.0 | 265,0 | 30.6 |
| Financial income | 2,5 | 0.3 | 2,6 | 0.3 | 4,0 | 0.4 | 7,0 | 0.7 | 8,1 | 1.0 |
| Financial expenses | (0,4) | 0.0 | (0,3) | (0.1) | (1,3) | (0.1) | (2,2) | (0.2) | (2,7) | (0.3) |
| Net foreign exchange differences | 0,0 | 0.0 | (0,1) | 0.0 | 0,1 | 0.0 | (0,1) | 0.0 | 0,2 | 0.0 |
| Other gains and losses | 0,0 | 0.0 | 0,0 | 0.0 | (0,0) | 0.0 | (0,5) | 0.1 | 64,2 | 7.4 |
| PROFIT BEFORE TAX | 276,1 | 33.7 | 291,8 | 33.8 | 288,1 | 32.6 | 284,8 | 30.4 | 334,8 | 38.7 |
| Income tax expense | (79,5) | (9.7) | (83,8) | (9.7) | (84,3) | (9.6) | (81,6) | (8.7) | (111,1) | (12.8) |
| PROFIT FOR THE YEAR | 196,6 | 24.0 | 208,0 | 24.1 | 203,8 | 23.0 | 203,2 | 21.7 | 223,7 | 25.9 |
| Minority interests | (2,6) | (0.3) | (2,9) | (0.3) | (1,7) | 0.2 | (2,1) | (0.2) | (1,8) | (0.2) |
| PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | 194,0 | 23.7 | 205,1 | 23.8 | 202,1 | 22.8 | 201,1 | 21.5 | 221,9 | 25.7 |
| CASH FLOW (1) | 209,2 | 25.5 | 221,0 | 25.6 | 216,2 | 24.4 | 217,1 | 23.2 | 234,6 | 27.2 |

(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)

| | 2011 | | 2010 | | 2009 | | 2008 | | 2007 | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| ASSETS | % | | % | | % | | % | | % | |
| Property, plant & equipment | 51.5 | 9.2 | 54.6 | 9.4 | 57.8 | 9.6 | 56.5 | 9.1 | 29.7 | 5.0 |
| Intangible assets | 121.3 | 21.7 | 118.9 | 20.4 | 119.7 | 19.8 | 80.4 | 12.9 | 56.1 | 9.5 |
| Goodwill | 46.9 | 8.4 | 42.2 | 7.2 | 40.3 | 6.7 | 30.0 | 4.8 | 18.7 | 3.2 |
| Financial investments | 2.6 | 0.5 | 0.6 | 0.1 | 0.6 | 0.1 | 12.4 | 2.0 | 0.7 | 0.1 |
| Deferred tax assets | 26.1 | 4.7 | 24.6 | 4.2 | 22.7 | 3.8 | 24.1 | 3.9 | 24.7 | 4.2 |
| Other non current assets | 5.5 | 1.0 | 3.8 | 0.7 | 2.9 | 0.5 | | | | |
| NON CURRENT ASSETS | 253.9 | 45.4 | 244.7 | 42.0 | 244.0 | 40.3 | 203.4 | 32.8 | 129.9 | 22.0 |
| Inventories | 22.0 | 3.9 | 17.6 | 3.0 | 18.4 | 3.0 | 21.7 | 3.5 | 27.3 | 4.6 |
| Financial receivables | 0.4 | 0.1 | 0.6 | 0.1 | 0.7 | 0.1 | 0.3 | 0.0 | 0.3 | 0.1 |
| Trade and other receivables | 215.8 | 38.6 | 228.2 | 39.2 | 237.6 | 39.3 | 314.8 | 50.7 | 332.5 | 56.4 |
| Cash and cash equivalents | 66.8 | 12.0 | 91.0 | 15.7 | 104.1 | 17.2 | 80.7 | 13.0 | 99.3 | 16.9 |
| CURRENT ASSETS | 305.0 | 54.6 | 337.4 | 58.0 | 360.8 | 59.7 | 417.5 | 67.2 | 459.4 | 78.0 |
| TOTAL ASSETS | 558.9 | 100.0 | 582.1 | 100.0 | 604.8 | 100.0 | 620.9 | 100.0 | 589.3 | 100.0 |
| LIABILITIES | | | | | | | | | | |
| Share capital | 36.7 | 6.6 | 34.9 | 6.0 | 33.3 | 5.5 | 31.7 | 5.1 | 28.8 | 4.9 |
| Legal Reserve | 7.0 | 1.3 | 7.0 | 1.2 | 6.7 | 1.1 | 6.3 | 1.0 | 6.3 | 1.1 |
| Reserves in subsidiaries & other reserves | 194.1 | 34.7 | 153.1 | 26.3 | 143.4 | 23.7 | 141.7 | 22.8 | 138.7 | 23.5 |
| Treasury stock | (8.3) | (1.5) | | | | | | | | |
| NET EQUITY | 229.5 | 41.1 | 195.0 | 33.5 | 183.4 | 30.3 | 179.7 | 28.9 | 173.8 | 29.5 |
| Foreign exchange difference | (0.3) | (0.1) | (0.3) | 0.0 | (0.3) | 0.0 | | | | |
| MINORITY INTERESTS | 14.1 | 2.5 | 10.0 | 1.7 | 9.5 | 1.6 | 8.0 | 1.3 | 7.6 | 1.3 |
| TOTAL NET EQUITY | 243.3 | 43.5 | 204.8 | 35.2 | 192.6 | 31.8 | 187.7 | 30.2 | 181.4 | 30.8 |
| Other payables | 5.2 | 0.9 | 15.8 | 2.7 | 42.3 | 7.0 | 32.3 | 5.2 | 2.8 | 0.5 |
| Borrowings | 10.7 | 1.9 | | | | | | | | |
| Welfare commitments | 12.8 | 2.3 | 19.7 | 3.4 | 21.4 | 3.5 | 27.2 | 4.4 | 30.5 | 5.2 |
| Provisions for other liabilities and expenses | 3.0 | 0.5 | 2.5 | 0.4 | 2.3 | 0.4 | 1.9 | 0.3 | 2.4 | 0.4 |
| Deferred tax liabilities | 3.6 | 0.6 | 2.1 | 0.4 | | | | | | |
| NON CURRENT LIABILITIES | 35.3 | 6.3 | 40.1 | 6.9 | 66.0 | 10.9 | 61.4 | 9.9 | 35.7 | 6.1 |
| Trade and other payables | 232.9 | 41.7 | 281.7 | 48.4 | 279.8 | 46.3 | 326.9 | 52.6 | 293.9 | 49.9 |
| Current tax liabilities | 25.8 | 4.6 | 32.0 | 5.5 | 31.8 | 5.3 | 25.2 | 4.1 | 55.1 | 9.4 |
| Borrowings | 4.0 | 0.7 | 2.2 | 0.4 | 14.9 | 2.5 | 0.7 | 0.1 | 4.1 | 0.7 |
| Provisions for other liabilities and expenses | 17.6 | 3.1 | 21.2 | 3.6 | 19.7 | 3.3 | 19.0 | 3.1 | 19.1 | 3.2 |
| CURRENT LIABILITIES | 280.3 | 50.2 | 337.2 | 57.9 | 346.2 | 57.2 | 371.8 | 59.9 | 372.2 | 63.2 |
| TOTAL LIABILITIES | 315.6 | 56.5 | 377.3 | 64.8 | 412.2 | 68.2 | 433.2 | 69.8 | 407.9 | 69.2 |
| TOTAL EQUITY AND LIABILITIES | 558.9 | 100.0 | 582.1 | 100.0 | 604.8 | 100.0 | 620.9 | 100.0 | 589.3 | 100.0 |

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Yecla

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Bergara

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

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EXHIBIT I

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED CORPORATIONS

DETAILS IDENTIFYING ISSUER

DATE OF F.Y. END

November 30, 2011

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.

5

| 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 |
|-----------------------------|---------------------|------------------|-------------------------|
| 14-06-2011 | 36,689,666.60 | 366,896,666 | 366,896,666 |

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 | 183,485,310 | 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. | 183,485,310 | 50.01 |
| Total: | 183,485,310 | 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. | 39,698,482 | 3,634,595 | 11.811 |

| | | | |
|----------------------------|-----------|-------|-------|
| Loizaga Viguri, José María | 196,527 | 1,846 | 0.054 |
| Abajo García, Mario | 1,072,046 | 0 | 0.292 |
| Sainz de Baranda, Pedro | 232 | 193 | 0 |
| Harvey, Lindsay | 10 | 0 | 0 |
| Messina, Angelo | 1 | 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. | 3,634,595 | 0.991 |
| Jiménez Martínez, María Paz (spouse) | 1,846 | 0.001 |
| Underage children | 193 | 0 |
| Total: | 3,636,634 | 0.992 |

| | |
|--|---------------|
| % of total voting rights held by the Board of Directors | 12,157 |
|--|---------------|

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 |
|-------------------------|-------------------------------|--------------------------|
| 878,316 | 0 | 0.239 |

(*) 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 |
|-------------------|------------------------------|--------------------------------|--------------------------|
| 11-22-2011 | 407,290 | 0 | 0.111 |
| 12-07-2011 | 471,026 | 0 | 0.128 |

| | |
|--|--|
| 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 23, 2011 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 given 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 25 euros per share and the Board was authorized to set aside the reserves required under article 148 c) of the Capital Company Act.

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 | N/A |
|---|-----|

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 | N/A |
|--|-----|

| |
|--|
| 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 | 05-23-2011 | General Meeting |
| Loizaga Viguri, José María | | Deputy Chairman | 02-23-1973 | 05-23-2011 | General Meeting |
| Sainz de Baranda Riva, Pedro | | Director and CEO | 01-29-2009 | 05-23-2011 | General Meeting |
| Otis Elevator Company | Bill, Johan | Director | 05-30-1984 | 05-23-2011 | General Meeting |
| Messina, Angelo | | Director | 06-30-2005 | 05-23-2011] | General Meeting |
| Grob, Bruno | | Director | 05-27-1992 | 05-23-2011 | General Meeting. Died 11-11-2011, replaced on 01-26-2012 |
| Harvey, Lindsay | | Director | 06-24-2009 | 05-23-2011 | General Meeting |
| Zardoya Arana, Francisco Javier | | Director | 05-27-2009 | 05-23-2011 | General Meeting |
| Euro-Syns S.A. | Zardoya Arana, María Luisa | Director | 05-31-1996 | 05-23-2011 | General Meeting |

| | |
|----------------------------------|---|
| Total number of Directors | 9 |
|----------------------------------|---|

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 |
|------------------------------------|---|--------------------|
| Grob, Bruno | External proprietary | Died on 11-11-2011 |
| | | |
| | | |

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 | Nominating Commission. | 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. | Nominating Commission | United Technologies Holdings, S.A. |
| Grob, Bruno | Nominating Commission | United Technologies Holdings, S.A. |
| Harvey, Lindsay | Nominating Commission | United Technologies Holdings, S.A. |
| Otis Elevator Co | Nominating Commission | United Technologies Holdings, S.A. |
| Zardoya Arana, Francisco Javier | Nominating Commission | Euro-Syns, S.A. (Zardoya family) |
| Euro-Syns S.A. | Nominating Commission | 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 | Deputy Chairman |

| | |
|---|--------|
| 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 | Nominating Commission |

| | |
|---|--------|
| 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 | Mr. 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 a), since he was an Executive Director less than five years ago. | Mr. Mario Abajo García is not an executive director, or employee or 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 |
|------------------------------------|----------------------|-----------------------|------------------------|
| | | | |

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 |
|------------------|-----------------------|
| Grob, Bruno | Death |
| | |
| | |

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 the purchase/sale of real estate as well as the financial disbursement faculty, limited to joint powers for 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 a director |
| Abajo García, Mario | Otis Elevadores Lda. (Portugal) | Director |
| Zardoya Arana, F. Javier | Otis Elevadores Lda. (Portugal) Puertas Automáticas 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, Executive Committee Deputy Chairman, Audit Committee Chairman, Nominating and Compensation Committee Chairman 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 establishes 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 | 204 |
| Variable compensation | 250 |
| Allowances | 0 |
| Remuneration pursuant to By-laws | 1,000 |
| Stock options and/or other financial instruments | 0 |
| Other | 113 |
| Total: | 1,567 |

| 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 | 567 | 0 |
| External proprietary directors | 600 | 0 |
| Independent external directors | 200 | 0 |
| Other external directors | 200 | 0 |
| Total: | 1,567 | 0 |

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

| | |
|--|--------------|
| Total compensation of Directors (thousands of euros) | 1,567 |
| Total compensation of Directors/profit attributed to parent company (expressed as a percentage) | 0.808 |

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) | 350 |
|--|-----|

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 |
|--------------------------------|---|

| | Board of Directors | General Meeting |
|-------------------------------------|--------------------|-----------------|
| Body authorizing the clauses | NO | NO |

| | 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 |
|--|
| <p>According to article 24 of the By-Laws and article 18 of the Regulations of the Board of Directors, membership of the Company's Board of Directors will be remunerated. 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.</p> <p>Said global compensation will be distributed in the manner freely decided by the Board of Directors among the members thereof in each year, depending on: (i) whether they sit on any Board committees or other bodies; (ii) whether they hold specific positions on the Board; (iii) their attendance of Board meetings; and/or (iv) their commitment to the service of the Company.</p> <p>Furthermore, article 18 of the Regulations of the Board of Directors establishes the principles or criteria that should be taken into account when fixing the compensation of external directors. In particular, it states that this compensation will be the amount deemed necessary to remunerate the commitment, abilities and responsibility required by the position, although it must not be so high as to compromise their independence.</p> <p>The director compensation policy has not changed in comparison with the preceding year, using solely the criteria established in the aforementioned articles 24 of the By-Laws and 18 of the Regulations of the Board of Directors.</p> <p>Additionally, article 3 of the Regulations of the Board of Directors includes the approval of director compensation among the functions of the Board of Directors and the Company does not have a Compensation Commission.</p> <p>Neither has Zardoya Otis, S.A. used the services of external advisors to determine its director compensation policy and, therefore, the Board of Directors itself, with the participation of all its members, is the body responsible for designing, approving and implementing its compensation policy.</p> |

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? | | X |
| Name of external advisors | N/A | |

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:

| <u>Name of Director</u> | <u>Current Board Memberships</u> | <u>Designation</u> |
|-------------------------|---|---|
| Mario Abajo | Buga Otis Asansor Sanayi ve Ticaret A.S. [Turkey] | Deputy Chairman and 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 |
| | UTCL Investments B.V. [Netherlands] | Director |
| Bruno Grob | 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] | Director |
| | Otis B.V. [Netherlands] | Director |
| Pedro Sainz de Baranda Riva | Buga Otis Asansor Sanayi ve Ticaret A.S. [Turkey] | Director |
| | C. Veremis Otis S.A. [Greece] | Director |
| | Otis Elevadores, Lda. [Portugal] | Chairman of the Board; Director; Managing Director |
| | Otis Management GMBH (Germany) | Director |
| | Otis Maroc S.A.S. (Morocco) | Director |
| | Otis S.p.A. [Italy] | Chairman of the Board; Director |
| | Acresa Cardellach, S.L. | Chairman |
| | Ascensores Eguren, S.A. | Natural person representing a director |
| | Conservación de Aparatos Elevadores Express, S.L. | |
| | Ascensores Ingar, S.A. | |
| 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 |
| | I.L.S. Irish Lift Services Ltd | 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 |
| | Pom 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] | Director |
| | Otis Gesellschaft m.b.H. [Austria] | Director |
| F. Javier Zardoya Arana | Otis Elevadores Lda. (Portugal) | Director |
| | Puertas Automáticas 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 (dead) | United Technologies Corporation | He was 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>At its meeting of July 28, 2010, the Board of Directors of Zardoya Otis, S.A. resolved:</p> <p>(i) To adapt its Regulations to the requirements of the new Law 12/2010 of June 30 on Account Auditing. In particular, it resolved that the Regulations of the Board of Directors should define more precisely the functions that the Audit Committee should perform, especially in order to guarantee the independence of the external account auditors.</p> <p>(ii) To create a Nominating Commission, amending the Regulations of the Board of Directors in this respect and appointing the Commission's members.</p> <p>(iii) To make certain minor amendments, including the adaptation of the Regulations of the Board of Directors to the new Capital Company Act,</p> |

which came into force on September 1, 2010.

Having informed the public appropriately of the aforementioned resolution in a relevant fact dated July 29, 2010, the Company's Board of Directors unanimously approved the mandatory report on the amendments to the Regulations of the Board of Directors in compliance with the provisions of article 115.1 of the Stock Market Act (now article 516 of the Capital Company Act).

The Chairman of the Company's Board of Directors explained the scope of the reform at the General Shareholders' Meeting of May 23, 2011 and, in relation to other aspects, referred the shareholders to the aforementioned report, which had been given to them.

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 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 244 of 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 Capital Company Act.

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

Firstly, article 15 of the Regulations of the Board of Directors states that directors will cease to hold office when the term for which they were appointed has elapsed or when the General Meeting of Shareholders thus decides, using the attributions conferred upon it by law or in the By-Laws.

Furthermore, 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 are affected by one of the cases of 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 an oral trial in ordinary proceedings or a conviction in abridged proceedings is issued against them for a serious offence, in particular, one of the offences mentioned in article 213 of the Capital Company Act.
- (d) When they are seriously rebuked by the Audit Committee or for having failed to perform 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.

Members of any Committees or Commissions that may exist will cease to be so when they cease to be 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 2011 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, article 12.B) 2 e) of the Regulations of the Board of Directors 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>Article 12.B) 2 e) of the Regulations of the Board of Directors 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 | 12 |
| 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 | 9 |
| 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 Secretary was appointed by the Board of Directors on April 13, 2011, with the prior favourable opinion of the Nominating Commission. |
| 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 |
|---|
| <p>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 of the Board of Directors must ensure that the resolutions of the Board of Directors:</p> <ul style="list-style-type: none"> (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.

At its meeting of April 13, 2011, the Board of Directors of Zardoya Otis, S.A. approved the updating of its Internal Code of Conduct in order to include the new legal developments in respect of the stock markets that have been approved since 2004 in the Code previously approved by Zardoya Otis, S.A., including the provisions of Royal Decree 1333/2005 of November 11, which implemented Law 24/1998 on July 28, the Stock Market Act, in relation to market abuse, Order EHA/1421/2009 of June 1, which likewise implemented the Stock Market Act in relation to market abuse, Order EHA/1421/2009 of June 1, which implemented the Stock Market Act in relation to relevant information and Law 47/2007 of December 19, which amended the Stock Market Act, together with the associated legislation.

The ultimate purpose of the Internal Code of Conduct of Zardoya Otis, S.A. is to protect the interests of those who invest in securities of Zardoya Otis, S.A. and avoid any situation where market abuse exists, establishing, in this respect, a set of rules applicable to the management and control of privileged and relevant information, the carrying out of transactions with securities of Zardoya Otis, S.A. itself, the carrying out of treasury stock transactions and detecting and handling conflicts of interest, among other issues.

In order to meet recommendation 50.2.c) of the Unified Code of Good Governance, article 12.A) 2. f) 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, must maintain with the external Account Auditor those other communications required by the account auditing legislation and technical audit rules and must 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 relevant fact, 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;
- (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 encourage 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) | 213 | 141 | 354 |
| Amount of work other than audit work / Total amount billed by the audit firm (%) | 52.59 | 19.97 | 50.14 |

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 | 24 | 24 |

| | Company | Group |
|---|----------------|---------------|
| Number of years audited by the current audit firm / Number of years for which the company has been audited (%) | 64.86 | 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) | 0.0408 | 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

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 Zardoya Otis, S.A. whenever it so requires to perform its functions. The right to information extends to subsidiary companies, both national and foreign, and will be channelled through the Chairman, who will handle the director's requests, providing him/her with the information directly, offering any appropriate contacts or arranging any measures that may be necessary for the examination requested.

Likewise, 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, in order to be assisted in his/he functions, 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:

- (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.

The Audit Committee and Nominating Commission may obtain external advice when they deem this necessary in order to perform their functions.

Likewise, the Chairman may, as an exception, temporarily restrict access to certain information, informing the Board of this decision..

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 |
|--|
| <p>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 before the date fixed for the meeting, 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.</p> <p>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.</p> <p>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.</p> |

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 |
|---|
| <p>Articles 15 and 19 of the Regulations of the Board of Directors follow recommendation 32 of the Unified Code of Good Governance.</p> <p>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:</p> <ul style="list-style-type: none"> (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 abridged proceedings is issued against them for a serious offence, in particular, one of 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. <p>(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</p> |

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 Capital Company Act:

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 (dead on 11-11-2011) | Member | Proprietary |

NOMINATING AND COMPENSATION COMMISSION

| Name | Position | Type of shareholder |
|------|----------|---------------------|
| | | |

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, favour 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

1. 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 264 of the Capital Company Act refers.
- 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.
- f) 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 efficiency Company's internal control, internal audit and risk control systems 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 process of preparing and presenting financial information on 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 relevant fact, 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;
 - (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.
- (g) To encourage 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, the Regulations of the Board of Directors, the Board of Directors itself or the Law.

2. Rules of organization and operation

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

First- 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.

Second- The Committee is a collegiate body and its decisions shall be adopted by a majority of its members. Resolutions adopted by the Audit Committee shall be notified to the Board of Directors by sending it the full contents of the minutes of the meetings of this Committee.

Third- The Audit Committee may require the presence at any of its meetings of any officer or employee of the Company (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), executive director, the external account auditor or the legal advisor to the Board of Directors.

Fourth- The Committee shall review the financial information that is sent on a quarterly basis to the Comisión Nacional del Mercado de Valores (CNMV).

Fifth- 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.

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 the Regulations of the Board of Directors on the operation thereof shall be applicable to the Audit Committee to the extent that they are not incompatible with the nature of the latter, 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

1. Competencies

According to article 12 B) 2 of the Regulations of the Board of Directors, the Nominating Commission shall have the following competencies:

- (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

2. Rules of organization and operation

In accordance with article 12 B) 3 of the Regulations of the Board of Directors, the Nominating Commission shall observe the following rules of organization and 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 Commission's 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 the Regulations 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 |
|---|--|
| <p style="text-align: center;">Audit Committee</p> | <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), any executive Director, the Account Auditor or the Legal Advisor to the Board of Directors.</p> <p>Powers: The Board of Directors does not hold any powers delegated by the Board of Directors.</p> |

| | |
|---|--|
| <p style="text-align: center;">Nominating Commission</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 Nominating Commission may require the collaboration of any director, manager or employee of the Company or its Group to assist it in its functions.</p> |
|---|--|

| | |
|--|--|
| | Powers: the Nominating Commission does not hold any powers delegated by the Board of Directors. |
|--|--|

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 (www.otis.com/site/es-es in the section "Shareholder and Investor Information", which, in turn, contains a heading relating to "Board Commissions" within the "Corporate Governance" section.

Article 24 bis (Audit Committee) of the By-Laws states that the Audit Committee's competencies are not only those set forth in said article, but may be complemented by the contents of the Regulations of the Board of Directors.

Nominating Commission

The Nominating Commission has the competencies and rules of operation transcribed above. All this information is available on the Company's website (www.otis.com/site/es-es in the section "Shareholder and Investor Information", which, in turn, contains a heading relating to "Board Commissions" within the "Corporate Governance" section.

No annual report is drawn up on the activities of either 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 favourable 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 (<i>"Intellectual Property License Agreement"</i>) | 23,118 |
| United Technologies Corporation (parent company) | | Contractual | Recharge Agreement | 390 |

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 United Technologies Corporation (UTC), which concerned the possibility that certain Zardoya Otis, S.A. executives who were also considered to be UTC group executives, since they held important management responsibilities, should benefit, depending on their performance and the attainment of joint objectives of Zardoya Otis, Otis and United Technologies Corporation (UTC), from the UTC long-term incentive plan, which includes UTC share-based compensation schemes. The Agreement is applicable to incentives assigned as from December 1, 2010. The cost, approved by the Audit Committee, is included in employee benefit expenses, generating a credit account with UTC Group companies (shown as other provisions in the statement of financial position). For 2011, the expense was EThs 390, relating to the fair value of the assets to which it is indexed, which was EThs 650.

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) | 39,838 |
| Otis Elevator Group | Exports (to) | 92,264 |
| Otis Elevator Group | Financial income (from) | 0 |
| Otis Elevator Group | Invoicing (to) R&D of Zardoya Otis | 668 |

- 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 interest shall refrain from participating in resolutions or decisions that concern the operation to which the conflict refers.

Article 19 of the Regulations of the Board of Directors formally establishes the obligation for the directors to abstain in the event that a situation arises in which their personal interests and those of the Company enter into conflict.

Additionally, article 10 of the Internal Code of Conduct on Matters relating to the Stock Markets, approved and updated by Zardoya Otis, S.A., states that directors, members of management and significant shareholders are obliged to inform the Secretary of the Board of Directors on any possible conflicts of interest to which they are subject. Any doubt on the possibility of a conflict of interest must be consulted with the Secretary of the Board of Directors before any decision that may affect 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 interest exist or that no new conflicts have arisen.

According to article 10.4 of the Internal Code of Conduct, In the event of a conflict of interest 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:

- (a) 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.
- (b) 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.

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.

Section F) attached to this Annual Corporate Governance Report presents a description of the main features of the internal control and risk management systems in relation to the financial reporting process. In particular, the risk policy of the Company and its consolidated group is described in points F.1) to F.5).

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 analysis 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. |

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 main risks of the Company and its consolidated group 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. The exhibit attached hereto sets forth information on the internal control and risk management systems in greater detail.

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 | Quorum % different from that established in article 103 of the Corporations Law (now articles 194 and 201 of Spanish Capital Company Act) for the special |
|--|---|---|

| | | |
|--------------------------------------|-----------------------------|--|
| | Capital Company Act) | cases set forth in such article 103 (now articles 194 and 201 of the Capital Company Act) |
| 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.

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.

Finally, in accordance with the provisions of article 528.2 of the Capital Company Act, the Board of Directors approved on April 13, 2011 the document "*Regulations of the Electronic Shareholder Forum*", governing the operation of said Forum, which was put into operation before the General Shareholders' Meeting held on May 23, 2011.

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 |
|---|
| <p>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.</p> <p>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.</p> |

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

There were no modifications in 2011, 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 Unified Code of Good Governance.

Notwithstanding, after the end of the year to which this report refers, Zardoya Otis, S.A. plans to make certain amendments to the General Meeting Regulations in order to adapt this text to the new legislation of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Company Act, and the recent Law 25/2011 of August 1, which partially reformed the Capital Company Act and incorporated Directive 2007/36/EC of the European Parliament and Council, of July 11, 2007, on the exercise of certain rights of shareholders in listed companies.

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 | |
| 05-23-2011 | 65.48 | 6.15 | 0.000 | 0.000 | 71.63 |

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 2011 was held on the second call on May 23, 2011 and the Agenda was as follows:

1. Examination and, if applicable, approval of the annual financial statements and management reports of both the Company and its consolidated group for the fiscal year running 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 Board of Directors' performance, in particular, the distribution of dividends, which were charged to the profit for the fiscal year running from December 1, 2009 to November 30, 2010.
4. Re-election and ratification of Directors.
5. Approval of the distribution of a dividend charged to reserves, for a gross amount of 0.135 Euros per share.
6. Appointment of auditors for the Company and its consolidated group for the fiscal year running from December 1, 2010 to November 30, 2011.
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 of the Board of Directors for the derivative, direct or indirect acquisition of Treasury Stock within the limits and meeting the requirements of article 146 and similar of the Spanish Capital Company Act.
9. Report of the Board of Directors on the amendment of the Regulations of the Board of Directors to meet article 516 of the Spanish Capital Company Act
10. Questions and queries
11. Delegation of authorization to formalize the resolutions.
12. 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 |
|--|---|

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

Notwithstanding, after the end of the year to which this report refers, Zardoya Otis, S.A. plans to make certain amendments to the General Meeting Regulations, among which the legal requirements in relation to the delegation of votes at the General Meeting that came into force with the aforementioned Law 25/2011 will be included.

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. (www.otis.com). Includes a section of "Shareholder and Investor Information", which, in turn, contains a "Corporate Governance" section. Among other documents, the Annual Corporate Governance Report for the year 2010, published in March 2011, is included.

The Annual Corporate Governance Report for the year 2011 will be duly published in the corporate web in March 2012.

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 and C.6.

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

United Technologies Corporation holds and manages the shares of its subsidiaries, which include (i) Pratt & Whitney, Carrier Corporation; (ii) UTC Fire & Security Corporation; (iii) Otis Elevator Company; (iv) Sikorsky Aircraft Company; (v) Hamilton Sundstrand Corporation, and (vi) UTC Power Corporation.

United Technologies Corporation has the following Divisions (Business Units): (i) Pratt & Whitney Division; (ii), United Technologies Research Division, and (iii) United Technologies Corporation.

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, on 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 (Functions) of the Regulations of the Board of Directors.

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.

According to article 518 of the Capital Company Act, introduced by the aforementioned Law 25/2011, it is necessary to include the detailed proposals for the resolutions to be adopted at the General Meeting. As stated above, Zardoya Otis, S.A. plans to make amendments to the General Meeting Regulations after the year to which this report refers has ended. These amendments will include provision for this legal requirement that appears in the aforementioned Act.

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

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

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 favourable 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, 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.1.2

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 was the C.E.O. of the Company less than five years ago.

- 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: A.2, A.3 and B.1.3.

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. 2011, 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 2011 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 By-Laws 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, article 12.B) 2 e) of the Regulations of the Board of Directors 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 another belongs 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 of 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, one is independent and the other belongs 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 ☐

See article 17 (Rights to information, inspection and advice) of the Regulations of the Board of Directors.

24. All directors are entitled to call on the company for the advice they need to carry out their duties. The company provides suitable 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 ☐

See article 17 (Rights to information, inspection and advice) of the Regulations of the Board of Directors.

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 (Appointment of directors) of the Regulations of the Board of Directors.

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;

See section B.1.9.

- 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 on its directors 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 ☐

See article 15 ((Removal of Directors) of the Regulations of the Board of Directors.

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.1.20, B.1.43 and B.1.44.

Complies ☒ Complies in part ☐ Explain ☐

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

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 (The Secretary of the Board of Directors) and 11 (Meeting Procedures) of the Regulations of the Board of Directors.

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.1.13, B.14 and B.1.15.

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 of Zardoya Otis, S.A. or other companies belonging to its group.

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.

See section: B.1.14

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 of 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.

Apart from the above, the Board of Directors makes its compensation policy public in the Annual Corporate Governance Report.

Additionally, after the end of the year to which this report refers, Zardoya Otis, S.A. plans to issue an Annual Director Compensation Report in compliance with the provisions of Law 2/2011 of March 4 on Sustainable Economy. A vote will be taken on this report at the next General Meeting as a separate item on the Agenda. The vote will be consultative.

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 ☒

In compliance with the obligation introduced by Law 2/2011 on Sustainable Economy, Zardoya Otis, S.A. will publish an Annual Director Compensation Report for 2011, which will, among other items, contain the contents mentioned in this recommendation.

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 (Formation 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 ☐

See article 12.A)1 of the Regulations of the Board of Directors (Formation of Committees).

- 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.**

See section: B.2.3.

Complies ☒ Explain ☐

See article 12.A) of the Regulations of the Board of Directors (Formation of Committees).

- 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.**

See section: B.2.3.

Complies ☒ Complies in part ☐ Explain ☐

See article 12 (Formation 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 ☐

See article 12 (Formation 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 favours 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.A) (Formation 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 ☐

See article 12.A) 3 (Formation of Committees) of the Regulations of the Board of Directors.

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 (Formation 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 sections: B.1.32 and 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.2.3

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

As stated in section B.2.3, these competencies are included in article 12.B) 2 of the Regulations of the Board of Directors (Formation of Committees).

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 ☐

As stated in section B.2.3, these competencies are included in article 12.B) 2 of the Regulations of the Board of Directors (Formation of Committees).

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 ☒

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 ☒

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 28, 2012.



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

REPORT OF THE AUDITORS ON "INFORMATION RELATING TO THE FINANCIAL INFORMATION OF INTERNAL CONTROL SYSTEM (FIICS)" OF ZARDOYA OTIS, S.A FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2011

To the Directors,

As requested by the Board of Directors of Zardoya Otis, S.A. (the Company) and further to our proposal of 8 March 2012, we have applied certain procedures to the "Information relating to the FIICS" included in the "F" section of the Information supplementing the Annual Corporate Governance Report of Zardoya Otis, S.A. for 2011, which summarises the Company's internal control procedures in connection with its annual financial information, pursuant to Article 61bis of the Stock Market Act.

Under Stock Market Act 24/1988 (28 July), as amended by Law 2/2011 (4 March) on Sustainable Economy, for financial years starting on or after 1 January 2011 the Annual Corporate Governance Report (ACGR) must include a description of the main features of the Company's internal control and risk management systems in relation to the issuance of regulated financial information. In this regard, on 26 October 2011 the Spanish National Securities Market Commission (CNMV) published a Draft Circular amending the model Annual Corporate Governance Report to be published, including instructions as to the way in which each company must describe the main features of its FIICS. In a letter of 28 December 2011, the CNMV reminded companies of the above-mentioned legal amendments that must be taken into consideration when preparing the "Information relating to the SCIIF" until the definitive publication of the CNMV Circular that will define a new ACGR.

For the purposes of subsection 7 of the content of the FIICS as per the model ACGR contained in the CNMV's Draft Circular, which instructs companies to mention whether the FIICS description has been reviewed by the external auditor and, if so, to include the report of the auditors, on 28 October 2011 the Corporations representing auditors published Guidelines and an illustrative model auditors' report (the Draft Guidelines). Additionally, on 25 January 2012 the Spanish Institute of Chartered Accountants issued Circular E01/2012, establishing certain additional considerations.

The Board of Directors is responsible for adopting suitable measures to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and improvements to the system, and the preparation and definition of the content of the accompanying Information relating to the FIICS.

It should be noted that, irrespective of the quality of design and functionality of the Company's internal control system in relation to its annual financial information, the system can only provide reasonable assurance, but not absolute assurance, in connection with the objectives pursued, due to the limitations inherent in all internal control systems.

In the course of our audit work on the annual accounts, and pursuant to Technical Auditing Standards, our evaluation of the Company's internal control was performed for the sole purpose of allowing us to establish the scope, nature and timing of the audit procedures applied to the Company's annual accounts. Consequently, our appraisal of internal control, performed for the purposes of the audit of the accounts, did not have a sufficient scope to allow us to issue a specific opinion on the effectiveness of internal controls for regulated annual financial information.

In order to issue this report, we have applied exclusively the specific procedures described below and indicated in the Guidelines on the Report of the Auditors on Information relating to the Financial Information Internal Control System of listed companies, published by the CNMV in its website, which establishes the work to be performed, the minimum scope of the work and the content of this report. As the work resulting from these procedures has, in any event, a limited scope that is substantially less than that of an audit or a review of the internal control system, we do not express an opinion on its effectiveness, or on its design and operational efficiency, in connection with the Company's financial information for the period 2011, described in the accompanying Information relating to the FIICS. Consequently, had we applied other procedures in addition to the ones stated in the Guidelines, or had we performed an audit or a review of the internal control system in relation to regulated financial information, other facts or aspects might have been detected and reported.

Additionally, as this special work is not an audit of the accounts and is not subject to the revised Audit Act introduced under Royal Decree-Law 1/2011 (1 July), we do not express an audit opinion in the terms of these regulations.

The procedures applied are listed below:

1. Reading and understanding of the information prepared by the Company in relation to the FIICS attached, and evaluation of whether or not the information includes all the details required, following the minimum content described in the Annual Corporate Governance Report model in the Draft Circular of the CNMV.
2. Questions posed to personnel responsible for preparing the information indicated in point 1 above, in order to: (i) obtain an understanding of the preparation process; (ii) obtain information to determine whether the terminology employed fits the definitions contained in the reference framework; and (iii) obtain information on whether not the control procedures described are in place and operational in the Company.
3. Review of the explanation documentation supporting the information indicated in point 1 above, which will consist mainly of the documentation made available to the persons responsible for preparing the FIICS descriptive information. This documentation includes reports prepared by the internal auditors, senior management and other internal or external specialists performing audit committee support functions.
4. Comparison of the information indicated in point 1 above with the insight into the Company's FIICS obtained through the procedures performed during the audit of the annual accounts.
5. Reading of minutes of meetings of the Board of Directors, Audit Committee and other Company committees in order to assess the consistency of the matters addressed in them in connection with the FIICS and the information indicated in point 1 above.
6. Obtainment of the letter of representation relating to the work performed, duly signed by the persons responsible for preparing and issuing the information indicated in point 1 above.



As a result of the procedures applied to the Information relating to the FIICS, no inconsistencies or incidents have been identified that could affect that information.

This report has been prepared solely in connection with the requirements of Stock Market Act 24/1988 (28 July), as amended by Law 2/2011 (4 March) on Sustainable Economy, and the Draft Circular issued by the CNMV on 26 October 2011 for the purposes of the description of the FIICS in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

A handwritten signature in dark ink, appearing to be 'G. Sanjurjo Pose', written over a horizontal line.

Gonzalo Sanjurjo Pose
Partner - Auditor

15 March 2012

Supplementary Information to the Annual Corporate Governance Report

**SUPPLEMENTARY INFORMATION TO THE ANNUAL CORPORATE
GOVERNANCE REPORT OF ZARDOYA OTIS, S.A. IN COMPLIANCE WITH
ARTICLE 61 BIS OF THE SECURITIES MARKET ACT**

In accordance with the provisions of article 253 of the Capital Companies Act, at its meeting of February 28, 2012, the Board of Directors of Zardoya Otis, S.A. approved the annual financial statements and the individual and consolidated management report for the year running from December 1, 2010 to November 30, 2011. Likewise, it approved the Annual Corporate Governance Report for the same year (the “**ACGR 2011**”).

Pursuant to article 61 *bis* of Law 24/1988 of July 28, the Securities Market Act, introduced by Law 2/2011 of March 4, the Law on Sustainable Economy (“**LSE**”), the Board of Directors has likewise resolved to include this Exhibit (the “**Exhibit**”) as supplementary information to the ACGR, in order to incorporate contents that, as per the new requirements introduced by the LSE, are not included in the current Corporate Governance Report model approved by the National Stock Market Commission Circular 4/2007 of December 27.

Thus, this Exhibit covers the provisions of article 61 *bis* h) of the Securities Market Act, which, in accordance with the contents of the third final provision of the LSE, is applicable to fiscal years starting on or after January 1, 2011.

The additional content to which said article refers is the following:

- A) Securities that are not traded on a regulated Community market stating, if applicable, the different classes of shares and, for each class of shares, the rights and duties it confers.**

All the Company’s shares are tradable on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges.

- B) Any restriction on the transferability of the securities and any restriction on voting rights.**

There is no restriction on the transferability of the shares or on voting rights. The Company has no securities in issue other than shares.

- C) Rules applicable to the amendment of the Company’s By-Laws.**

In accordance with the provisions of articles 285 onwards of the Capital Companies Act, any amendment of the By-Laws will be the competency of the General Meeting.

Firstly, article 13 of the By-Laws states that, when the Ordinary or Extraordinary General Meeting has to decide on the amendment of the By-Laws, the notice calling the meeting will clearly express the points to be amended and the right of all shareholders to examine the full text of the proposed amendment and the report thereon at the registered office and to request that said documentation be given or sent to them.

Additionally, article 14 of the By-Laws states that the Ordinary or Extraordinary General Meeting will have a valid quorum on the first call when the shareholders present or represented hold at least 60% of the subscribed capital with voting rights. On the second call, the Meeting will have a valid quorum when the shareholders present or represented hold at least 50% of the subscribed capital with voting rights.

Lastly, according to article 16 of the By-Laws, if it is resolved to make amendments to the By-Laws, a separate vote will be taken on each substantially independent article or group of articles. In all cases, the resolutions will be adopted by a majority of the capital that is either present or represented at the General Meeting.

D) Significant resolutions adopted by the company that come into force, are amended or conclude in the event of a change in control of the company due to a public takeover bid and the effects thereof.

The Company has not adopted any significant resolution that comes into force, is amended or concludes in the event of a change in control of the Company due to a public takeover bid.

E) Agreements between the Company and its directors and management or employees that provides for indemnities when they resign or are unfairly dismissed or if the employment relationship comes to an end due to a public takeover bid.

There are no clauses protecting any of the Company's directors, members of management or employees.

F) Description of the main characteristics of the internal risk control and management systems in relation to the financial reporting process.

F.1) Entity's control environment

State, mentioning their main characteristics, at least:

F.1.1) The bodies and/or functions that are responsible for: (i) the existence and maintenance of an appropriate and effective ICFR; (ii) the implementation thereof; and (iii) the supervision thereof

Article 3 of the Regulations of the Board of Directors states that the Board of Directors has the function of approving the risk control and management policy and regularly monitoring the internal reporting and control systems.

According to article 24 *bis* of the By-Laws and, in particular, article 12 (A) 2 (c) of the Regulations of the Board of Directors, the Audit Committee has the function of monitoring the efficacy of the Company's internal control, internal audit and risk control systems. Furthermore, in particular, the Audit Committee will be responsible for: (i) ensuring the independence and efficacy of the internal audit function; (ii) proposing the selection, appointment, re-appointment and removal of the person responsible for the internal audit function; (iii) proposing the budget for this service; (iv) receiving regular information on its activities; (v) reviewing the internal audit's annual work program and its annual activity focus; (vi) knowing any incidents that may arise while the annual internal audit work program is being carried out; (vii) verifying that senior management takes the findings and recommendations contained in its reports into account, and (viii) discussing any significant weaknesses in the internal control system (the "**Internal Control System**") noted in the course of the audit with the account auditors

In addition, the Audit Committee has the function of being informed of and supervising the process of preparing the financial information on the Company and Group, reviewing compliance with legal provisions, the accurate demarcation of the consolidated group and the correct application of accounting principles, ensuring the integrity thereof.

Lastly, article 12 (A) 2 (e) of the Regulations of the Board of Directors states that the Audit Committee must regularly review the internal control and management systems to identify, manage and make known the principal risks. In particular, the risk control and management policy states:

- The different types of risk (operational, technological, financial, legal, reputational, etc.) to which the Company is exposed, including financial or economic risks, contingent liabilities and other off-balance sheet risks;
- The fixing of the level of risk that the Company deems acceptable;
- Measures in place to mitigate the impact of the risks identified in the event that they materialize; and
- The internal reporting and control systems used to control and manage the above risks, including the aforementioned contingent liabilities and/or off-balance sheet risks.

The Company's Audit Committee is formed by three directors: the Chairman, Mr. José María Loizaga (independent director) and Messrs.. Angelo Messina (proprietary director) and Bruno Grob (proprietary director), Mr. Grob died on November 11, 2011 (as stated in section B.2.1. of the ACGR 2011) and was replaced by Mr. Pierre Dejoux on January 26, 2012.

F.1.2.) The following elements if they exist, especially in relation to the financial reporting process:

F.1.2.1) Departments and/or mechanisms responsible for: (i) the design and review of the organizational structure; (ii) clearly defining the lines of responsibility and authorization, with an appropriate distribution of tasks and functions; (iii) the existence of suitable procedures to ensure that they are correctly made known within the entity.

The design and review of the organizational structure is the responsibility of the Human Resources Department and ultimate responsibility is held by the Chief Executive Officer in his functions as an executive director.

The more detailed definition of the resources needed is prepared by the relevant area together with Human Resources. This includes, therefore, both areas related to the financial reporting process and the rest of the Group's operating areas.

The Company and Group have an organization chart that includes all the functional areas.

In relation to suitable procedures to ensure that the information is made known correctly, all the information on the organization chart and organizational structure is in the Group intranet (the "**Intranet**"), to which all employees have access.

In addition, the Group Finance Department (the "**Finance Department**"), as the department responsible for preparing the financial reporting, has a matrix of responsibilities and segregation of functions that establishes the different levels of approval of each one of the activities and processes of the finance and operating departments.

F.1.2.2) Code of conduct, approving body, degree to which it is made known and training is given, principles and values included (stating whether there are any specific references to recording operations and preparing financial information), body responsible for analyzing non-compliances and proposing corrective actions and penalties.

The Company and the Group have an Internal Code of Conduct on Issues relating to the Securities Market, approved by the Board of Directors, and a Code of Ethics (the “**Code of Ethics**”), which is notified to all the members of the organization through the Intranet. Likewise, courses are held on the subject. They must be attended by all new recruits and include annual updates for all Company and Group employees.

The Code of Ethics is based on the following essential principles: (i) compliance with legal requirements; (ii) correct preparation of financial information, which must be complete and accurate; and (iii) fair treatment of customers and other interested parties. Thus, the Code of Ethics does not merely require compliance with the laws, but represents a commitment to positive conduct that builds trust, promotes respect and shows integrity.

The principles established in the Code of Ethics are: (i) loyalty to the Company; (ii) meeting one’s commitments; (iii) acting in good faith; (iv) respect for others; (v) accurate and true information; (vi) not compromising either safety or quality; and (vii) helping to detect and avoid bad practices.

The Group has a Good Business Practices Manager, who is responsible for implementing the Code of Ethics and ensuring that it is applied.

The Audit Committee conducts an annual review of the ethics compliance program for each year, which includes actions, those responsible for them, dates and current status. Likewise, it obtains information on the training and updating courses that each member of the organization must attend.

In accordance with article 12 of the Regulations of the Board of Directors, to which article 11 of the Internal Code of Conduct refers, the Audit Committee has the function of supervising effective compliance with the obligations included in the Internal Code of Conduct. In particular, the Audit Committee will be responsible for:

- Meeting the rules of conduct of the securities markets and the rules of the Internal Code of Conduct, their procedures and any other present or future supplementary rules and ensuring that they are met.
- Promoting awareness of the Internal Code of Conduct and the rest of the securities market rules on conduct by the obliged persons, insiders and the Group.
- Developing, if applicable, procedures and implementing rules that are deemed appropriate in order to apply the Internal Code of Conduct.
- Interpreting the rules contained in the Internal Code of Conduct and solving any doubts or issues that are raised by obliged persons or insiders
- Conducting enquiries in disciplinary proceedings due to non-compliance with the rules of the Internal Code of Conduct by obliged persons or insiders.
- Proposing any revisions of or improvements to the Internal Code of Conduct that may be seen fit.

F.1.2.3) Complaints channel, which allows any financial or accounting irregularities to be notified to the Audit Committee, in addition to any non-compliances with the Code of Conduct or irregular activities in the organization, stating, if applicable, whether they are confidential.

The Group has a confidential communication channel that enables all Group employees to make suggestions or complaints, allowing their concerns to be heard swiftly, neutrally and in the strictest confidence.

The program provides:

- Confidentiality: the identity of the person sending a communication is protected.
- Neutrality: neither the side of the Management nor that of the employee is taken.
- Independence: the person responsible for the program does not report hierarchically to Management.
- Quality: the system works as an intermediary between the employees and Management while, at the same time, ensuring that communication is clear and comprehensible.

Thus, employees may make communications as follows:

- By telephoning a number free of charge.
- By completing a form and sending it by mail or fax to the relevant center.
- By using the program's application from anywhere with Internet access.

F.1.2.4) Training and regular updating programs for employees involved in preparing and reviewing the financial information and assessing the ICFR, covering at least accounting principles, audit, internal control and risk management.

The employees involved in preparing and reviewing financial information have sound knowledge of financial and accounting matters. Additionally, the Group has a training program for its employees, supervised by the Human Resources Department.

Furthermore, courses, seminars and work groups relating to updates in accounting legislation, audit, internal control and risk management are organized, since the Group holds agreements for regular training with a specialized provider in the accounting, financial, legal, tax and labour areas, among others.

F.2) Financial information risk assessment.

State at least:

F 2.1) The main characteristics of the process for identifying risks, including the risk of error or fraud, in relation to:

F.2.1.1) Whether the process exists and is documented.

The Group has a Risk Management System (the “**Risk Map**”), which is carried out by the Group's different operating and functional units and submitted to the Audit Committee and Board of Directors for review. The Risk Map is based on the integrated management of each and every one of the business processes and appropriate segregation of the risk levels, in order to attain compliance with the strategic objectives fixed by the Group.

F.2.1.2) Whether the process covers all the financial reporting objectives (existence and occurrence; integrity; valuation; presentation, details and comparability; and rights and duties), whether it is updated and how often.

All the risks that could affect the financial reporting (operational risks) are assessed and quantified, in order to carry out regular monitoring of the controls designed to mitigate the risks identified. Operational risks are those that would cover the objectives of existence and occurrence, integrity, valuation, presentation, details and comparability and rights and duties.

The risk management is based on dynamic analyses for each one of the processes that make up the business units, so that those responsible for each one of the areas or departments of the organization identify and assess the potential risks.

F.2.1.3) The existence of a process for identifying the consolidated group, taking into account, among other aspects, the possible existence of complex corporate structures, instrumented or special-purpose entities.

The Group does not have a complex corporate structure. As may be seen from the Consolidated Annual Financial Statements, all the subsidiary companies are included in the consolidated group. The Finance Department, through the Consolidation Department, is responsible for the consolidation process. In close collaboration with the Legal Department, on the basis of decisions taken by the Board of Directors on corporate transactions of acquisitions, business combinations, disposals and mergers, among others, the consolidated group is determined together with the percentage interests that each company holds in its subsidiaries.

Following the best corporate governance practices, in order to meet recommendation 52 of the Unified Code of Good Corporate Governance, article 12 of the Regulations of the Board of Directors includes among the competencies of the Audit Committee the need to report to the Board of Directors prior to the latter's adoption of decisions on the acquisition of shares or interests in special-purpose entities or entities that have their registered office in countries or territories deemed to be tax havens, together with any other analogous transactions or operations that, due to their complexity, could impair the Group's transparency.

F.2.1.4) Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect the financial statements.

The different types of risk that comprise the Group's Risk Management System may be grouped principally into the following categories:

- Compliance.
- Operational.
- Strategic.
- Reputational.
- Financial.
- Legal.

Each one of these categories has controls and mitigating actions and they are reviewed and included in the annual work program of the Internal Audit Department (the "**Internal Audit Department**").

F.2.1.5) The entity's governing body that supervises the process.

The Audit Committee, in conjunction with the Internal Financial Reporting Control System, has the function of regularly reviewing the internal control and risk management systems, in order to identify and manage the main risks that might affect the Group's financial reporting.

F.3) Control activities

State, mentioning its main features, whether the entity has at least:

F.3.1) Procedure for review and authorization of the financial reporting and the description of the ICFR to be published in the securities markets, stating who is responsible, together with the documentation describing the flows of activities and controls (including those relating to the risk of fraud) for the different types of transactions that might have a material effect on the financial statements, including the financial closing procedure and the specific review of significant judgements, estimates, valuations and projections.

The Finance Department consolidates and reviews all the financial information of the Company and its subsidiaries, including, for this purpose, the companies with registered offices in Spain, Portugal and Morocco. Once this information is known, it prepares the monthly, quarterly and half-yearly reports and the annual financial statements, among other items.

Likewise, the Finance Department submits the annual financial statements for review by the Audit Committee, as well as the half-yearly and quarterly financial statements and any other financial information that is sent to regulatory bodies or publications. The Audit Committee checks that the information is complete, accurate and sufficient to provide a true and fair view of the equity, the financial position, the Group's results and the cash flows, which are prepared in accordance with the legal framework for individual and consolidated purposes.

The Board of Directors approves all the financial information that the Group publishes regularly and approves the Annual Financial Statements and Annual Corporate Governance Report.

The review of the estimates and assumptions used is based on the Group's historical experience and other factors deemed reasonable. This procedure is included in a procedure manual on financial closing procedures.

F.3.2) Internal control policies and procedures for the information systems (among others, security of access, control of changes, how they are operated, operational continuity and segregation of functions) that support the entity's important processes in relation to the preparation and publication of the financial reporting.

The Systems Department acts directly in accordance with the rules related to the security of the information and, in addition, the Group Finance Department authorizes all accesses to sensitive systems that could affect the financial reporting.

The rules are based on placing controls on the security of access, control of changes, how they are operated, operational continuity and segregation of functions. All these rules are published in the Intranet in order to provide each one of the employees with access to them.

The Group has a series of actions that guarantee the correct running of operations when an incident occurs, in order mitigate or reduce to a minimum the possible materialization of an incident.

The Internal Audit Department includes a review of the proper working of the Internal Control System, both from a technological point of view and from the point of view of maintenance-oriented processes, in its annual work program.

F.3.3) Internal control policies and procedures intended to supervise the management of activities outsourced to third parties and those aspects of assessments, calculation or valuation entrusted to independent experts, which may have a material effect on the financial statements.

The relationship with any Group suppliers is conducted through the people specifically responsible in each business unit, both for goods and for services. Any selection of goods or services outsourced to third parties is made applying technical, professional and economic criteria.

The Internal Audit Department's annual work program includes the review of compliance with the rules relating to the main procedures for purchasing goods and services.

Any outsourcing concerning valuations entrusted to independent exports is conducted through the Finance Department and notified to the Audit Committee, since these valuations are included in the Group's financial reporting. In all cases, the Group Finance Department supervises whether the supplier is independent, experienced and prestigious both nationally and internationally.

F.4) Information and communication.

State, mentioning the main features, whether the entity has at least:

F.4.1) A specific function responsible for defining accounting policies and keeping them updated (accounting policies area or department) and solving doubts or conflicts derived from the interpretation thereof, maintaining smooth communication with those responsible for operations in the organization, as well as an updated accounting policies manual that has been notified to the units through which the entity operates.

The Finance Department, through its Accounting and Consolidation Departments, is responsible for reviewing accounting policies and rules and ensuring that they are updated for each of the Group's processes and units.

Likewise, the Internal Control Department has a smooth relationship with the Finance Department and those responsible for finance at each Group company and other units and corporate areas, with whom they establish any procedure updates that may be applicable.

All Group manuals and procedures are made known through the Intranet.

F.4.2) Mechanisms for capturing and preparing the financial information with consistent formats applied and used by all the units of the entity or group, supporting the main financial statements and the notes, together with the information given on the ICFR.

The Finance Department has the function of preparing the financial statements and the notes thereto through the Consolidation Department. In relation to the mechanisms for capturing and preparing the financial information, except for Otis Elevadores Lda. (Portugal) and Otis Maroc, S.A. (Morocco), the companies that form the consolidated group use the same reporting system and the same accounting policies and

procedures, which allows the group to have a unified capturing mechanism that is in line with the accounting legislation in force at any given moment.

In addition, there are reporting packages for the companies that have their registered offices in Portugal and Morocco, which allows the financial reporting to be unified and made consistent and the policies and bases of presentation used by the Group to be met.

F.5) Supervision of the running of the system.

State, mentioning its main features, whether the entity has at least:

F.5.1) ICFR supervision activities performed by the Audit Committee and whether the entity has an internal audit department whose functions include supporting the Committee in the supervision of the internal control system, including the ICFR. Likewise, explain the scope of the assessment of the ICFR performed in the year and the procedure whereby whoever is responsible for performing the assessment notifies the results, whether the entity has an action plan that describes possible corrective measures and whether the impact on the financial reporting has been considered.

The Company has an Internal Audit Department with systems and processes intended to assess, mitigate or reduce the main risks of the Company or Group by means of preventive measures and alerts of possible situations of risk.

Among its ICFR supervision activities, the Audit Committee reviews the financial information that is sent to the National Stock Market Commission on a quarterly basis.

In addition, the Audit Committee supervises the annual audit plan and monitors it. The head of the Internal Audit Department presents the conclusions of the work program and the tasks performed by said Department during the year to the Audit Committee

The Group's Internal Audit Department has 6 members, who have extensive knowledge in the areas of internal and external audit and management control, with experience in the operating part of the Group's units.

The Internal Audit Department has a work manual that establishes the procedures and functions to be performed by each one of its members.

The main functions of the Internal Audit Department are:

- Assessing the appropriateness, sufficiency and efficacy of the Group's internal audit system.
- Assessing compliance with the Risk Management System.

The Group has an account auditor which, as part of its procedures for auditing the annual financial statements, reviews the Internal Control System. At least once a year, the account auditor has a meeting with the Audit Committee at which it presents the conclusions of its work. In the event that any weakness or incident has been detected in the course of the auditor's work, the Audit Committee will establish actions and commits management to consider the actions established. During the year to which the report refers, the account auditor has not presented any weaknesses or incidents related to the Internal Control System in its conclusions.

F.5.2) Whether there is a discussion procedure whereby the account auditor (in accordance with the provisions of the Technical Audit Rules), the internal audit department and other experts may notify senior management and the internal Audit Committee or Directors of the entity of any significant internal control weaknesses identified during the processes of reviewing the annual financial statements or any others that have been entrusted to them. Likewise, state whether there is an action plan that attempts to correct or mitigate the weaknesses noted.

The Finance Department, the Internal Audit Department and the Audit Committee have regular and smooth communication with the Group's account auditor.

At the beginning of the year, the account auditor submits its audit work plan to the Finance Department. This plan includes the visit dates, objectives, companies to be audited and a list of the audit fees, so that they can be reviewed by the Audit Committee.

Throughout the audit process, the account auditor holds regular meetings with key personnel responsible for preparing the financial information, drawing preliminary conclusions in each one of the phases of the process.

Throughout the year or in any phase of the external audit process, the account auditor may meet with the Audit Committee.

At the end of the audit, as stated above, the account auditor presents its conclusions to the Audit Committee, which will assess any situation reported by the auditor and is considered by both the Internal Audit Department and the Audit Committee as actions to bear in mind.

F.6) External auditor's report

State:

F.6.1) Whether the ICFR information sent to the markets has been reviewed by the external auditor. If so, the entity should attach the relevant report hereto. Otherwise, state the reasons.

Report attached to the present Exhibit of the Company's 2011 ACGR.

Annual Report on Director Compensation

ANNUAL REPORT ON DIRECTOR COMPENSATION

1.- INTRODUCTION

This report describes the compensation policy for the members of the Board of Directors of Zardoya Otis, S.A. (the “Company”), in compliance with the principle of transparent compensation and the obligation introduced by Law 2/2011 of March 4 on Sustainable Economy.

The report contains a description of the basic principles of the compensation policy that the Company applies to its directors also giving details of the different elements that comprise their compensation, based on the contents of the Company’s By-Laws and the Board of Directors Regulations.

The report has been prepared taking into account the content and the structure of the model attached as Exhibit 1 to the Draft Circular made public last year by the National Stock Market Commission.

2.- THE COMPANY’S COMPENSATION POLICY FOR THE CURRENT YEAR

2.1. General principles and bases of the compensation policy

According to article 24 of the By-Laws and article 18 of the Board of Directors Regulations, the position of director of the Company will be remunerated.

Said article 24 of the By-Laws fixes global remuneration (the “By-Law stipulated compensation”) consisting of a share of 1.5% of the consolidated profit before tax. This amount can only be taken from the liquid profit (after tax) after the legal reserves and the reserves provided for in the By-Laws have been covered and a dividend of at least 10% of the paid-up share capital has been recognized in the shareholders’ favour.

This By-Law stipulated compensation will be distributed among its members in the manner freely determined by the Board of Directors, depending on (i) whether they sit on any Board committees or other bodies; (ii) whether they hold specific positions on the Board; (iii) their attendance of Board meetings; and/or (iv) their commitment to the service of the Company.

Furthermore, article 18 of the Board of Directors Regulations establishes the principles or criteria that should be taken into account when fixing the compensation of external directors. In particular, it states that this compensation will be the amount deemed necessary to remunerate the commitment, abilities and responsibility required by the position, although it must not be so high as to compromise their independence.

The director compensation policy has not changed in comparison with the preceding year, using solely the criteria established in the aforementioned articles 24 of the By-Laws and 18 of the Board of Directors Regulations.

Regarding the relative importance of the components of fixed compensation in comparison with the variable ones, we must highlight the fact that, in 2011, the former represented 15.6% of the total and the Board of Directors does not foresee any changes in the decision-making process when deciding on the mix of the director compensation in forthcoming years.

2.2. Preparatory work and decision-making process for determining the compensation policy.

Article 3 of the Company's Board of Directors Regulations establishes, within the functions of the Board of Directors, the approval of director compensation. In particular, the Board of Directors must approve the compensation of the Company's executive director, who will receive an additional fixed sum for performing the executive functions.

The Company does not have a Compensation Commission and has not used the services of external advisors to determine its director compensation policy. Therefore, the Board of Directors itself, with the participation of all its members, is the body responsible for designing, approving and implementing its compensation policy.

The items of compensation applicable to the different types of director of the Company (executive, external proprietary, external independent and other external) are summarized below:

Applicable compensation items for the different types of director of the Company

| Type | Number | Fixed compensation | Variable compensation | By-Law stipulated compensation | UTC long-term incentive plan |
|-------------------------------|--------|--------------------|-----------------------|--------------------------------|------------------------------|
| Executive director | 1 | YES | YES | N.A. | YES |
| External proprietary director | 6 | N.A. | N.A. | YES ¹ | N.A. |
| External independent director | 1 | N.A. | N.A. | YES | N.A. |
| Other external director | 1 | N.A. | N.A. | YES | N.A. |

2.3. Amount and nature of fixed components

2.3.1. Fixed compensation of Chief Executive Officer

As stated in point 2.2 above, only Mr. Pedro Sainz de Baranda y Riva, the Company's Chief Executive Officer in 2011, received fixed remuneration for carrying out his executive duties. This fixed compensation does not include any guarantee or golden parachute clauses, notice periods, or no-compete, exclusivity, continuance or loyalty, or post-contractual no-compete covenants or agreements other than those established in the applicable Spanish labour legislation.

There is no extra compensation for holding the position of Chairman or belonging to Board committees or other bodies and no per diem expenses are distributed for attending Board meetings or meetings of the Nominating Commission or Audit

¹ Not all the external proprietary Directors receive the above mentioned By-Law stipulated compensation.

Committee. Notwithstanding, these circumstances will be taken into account when distributing the remuneration stipulated in the By-Laws, as stated in point 2.1 above.

2.3.2. UTC Recharge Agreement

In September 2010, a “Recharge Agreement” was signed with United Technologies Corporation (UTC), under which considers the possibility that certain Zardoya Otis executives who are also considered to be UTC Group executives because they hold important management responsibilities should benefit, depending on their performance and the attainment of joint objectives of Zardoya Otis, Otis and United Technologies Corporation (UTC), from the UTC long-term incentive plan, which includes UTC shares. The incentive plan allows Zardoya Otis to capture and retain highly-qualified members of management who provide important services to the Company and contribute to its success.

This Agreement is applicable to incentives awarded as from December 1, 2010 onwards.

In the case of the Company the effect of this Agreement for the directors represents in 2011, the amount of 58 thousand euros.

2.4. Amount and nature of the variable components

2.4.1. By-Law stipulated compensation

As stated above in point 2.1, article 24 of the By-Laws fix a compensation subject to certain quantitative limits, which is subsequently distributed by the Board of Directors among its members (with the exception of the Chief Executive Officer) on the basis of certain criteria.

In addition, we must highlight the fact that the Board of Directors adopted the following decisions at its meeting of July 21, 2011:

- (A) To limit, for the second consecutive year, the total amount of the remuneration stipulated in the By-Laws to 1,000,000 €.
- (B) To delegate the distribution of the remuneration stipulated in the By-Laws among the Company’s directors to the Chairman of the Board, applying the following criteria: on (i) whether they sit on any Board committees or other bodies; (ii) whether they hold specific positions on the Board; (iii) their attendance of Board meetings; or (iv) their commitment to the service of the Company; and
- (C) The payment of the first six months of 2011, for 500,000 € on account of the By-Law stipulated remuneration.

2.4.2. Variable compensation

The variable compensation for the Chief Executive Officer is based on performance and the attainment of joint objectives of Zardoya Otis, Otis and United Technologies Corporation (UTC) and is calculated considering the operating profit and cash flow obtained each year. The variable compensation is payable the following year once approved the Annual Accounts by the Board of Directors.

2.4.3. Other considerations

- (A) Regarding the types of director who benefit from the variable compensations systems, please see Chart in point 2.2 above in relation to the compensation items applicable in accordance with the type of director.
- (B) The basis of the variable compensation system and the methods for assessing performance used by the Company to distribute it may be found in the aforementioned articles 24 of the By-Laws and 18 of the Board of Directors Regulations.
- (C) No periods of deferral or delay in payment of the compensation of the members of the Company's Board of Directors have been established.

2.5. Characteristics of long-term savings systems

The Company has made contributions to pension funds and plans for the Company's Chief Executive Officer, Mr. Pedro Sainz de Baranda y Riva, for an amount of 55 thousand euros in 2011.

2.6. Indemnities in the event that a director ceases to hold office

Director compensation does not include any guarantee or golden parachute clauses, notice periods, or no-compete, exclusivity, continuance or loyalty, or post-contractual no-compete covenants or agreements in the event that a director ceases to hold office as such.

2.7. Conditions of the senior management contracts for executive directors

The compensation awarded to the executive director does not include any guarantee or golden parachute clauses in the event of dismissal or continuance, notice periods or no-compete, exclusivity, continuance or loyalty, or post-contractual no-compete covenants or agreements, other than those established in the applicable Spanish labour legislation.

2.8. Supplementary compensation in consideration for services rendered other than those inherent to the position

With the exception of the Chief Executive Officer, only executive director of the Company, none of the other members of the Board of Directors have rendered other services to the Company. Please see point 2.2 above regarding the specific characteristics of this supplementary compensation received by the Chief Executive Officer.

2.9. Compensation in the form of advances, credits and guarantees

As indicated in paragraph 2.4.1 C above, the Board of Directors of the company agreed to advance the payment, at the end of the first half of 2011, of 500,000 euros to account of the by-law stipulated compensation.

The Company has not awarded any compensation to the directors has not granted any credits or guarantees for its account.

2.10. Other compensation items

No other compensation items are settled by Group entities apart from as explained in above.

2.11. Company's actions in relation to the compensation system to reduce risk exposure and adapt it to long-term interests

The composition of the Board of Directors (67% of its members are proprietary directors) guarantees that the director compensation policy takes the results that should be obtained by the Company in the long term into account.

Thus, with the sole exception of the executive director, who receives additional fixed compensation for performing executive functions in the Company, the remuneration of the Board of Directors is variable in its entirety, based on the Company's results. Furthermore, the quantitative limits contained in the Company's By-Laws and Board of Directors Regulations help to necessarily link director compensation to the Company's best long-term interests.

In addition, the Group is studying the implementation of specific measures which:

- (A) ensure the limitation of the risk in relation to those categories of employees whose professional activities have a significant effect on the entity's risk profile.
- (B) allow the return of the variable results-based components to be claimed when such components have been settled on the basis of data that have later been manifestly shown to be inaccurate; and
- (C) avoid conflicts of interest (derived from the Group's internal control system).

3. COMPENSATION POLICY PLANNED FOR FUTURE YEARS

The Company's Board of Directors has not, to date, considered reviewing the compensation policy established in article 24 of the By-Laws and article 18 of the Board of Directors Regulations for forthcoming years.

In the opinion of the members of the Board, the compensation policy that exists is the most appropriate, taking into account current economic circumstances, combined with the principle of moderation that has always guided the compensation policy applied by the Company. In this respect, the Board of Directors' decision to limit the total amount of the By-Law stipulated remuneration to 1,000,000 euros for the second consecutive year is especially important.

4. SUMMARY OF THE APPLICATION OF THE REMUNERATION POLICY IN 2011 AND DETAILS OF THE INDIVIDUAL REMUNERATION RECEIVED BY EACH DIRECTOR

4.1. Compensation accrued in the Company

The total amount of the compensation accrued during the year 2011 was 1,567 thousand euros.

Details of the compensation accrued by each one of the Company's directors, by item, are shown below:

Details of the individual compensation (in thousands of euros) received by each director.

| Director | Fixed compensation | Variable compensation | By-Law stipulated compensation | Pension funds and plans | Other items | Total 2011 |
|------------------------------------|--------------------|-----------------------|--------------------------------|-------------------------|-------------|--------------|
| Mr. Mario Abajo García | - | - | 200 | - | - | 200 |
| Mr. José María Loizaga Viguri | - | - | 200 | - | - | 200 |
| Mr. Pedro Sainz de Baranda y Riva | 204 | 250 ² | - | 55 | 58 | 567 |
| Otis Elevator Company | - | - | 500 | - | - | 500 |
| Mr. Francisco Javier Zardoya Arana | - | - | 50 | - | - | 50 |
| Euro Syns, S.A. | - | - | 50 | - | - | 50 |
| Mr. Angelo Messina | - | - | - | - | - | - |
| Mr. Lindsay Harvey | - | - | - | - | - | - |
| Mr. Bruno Grob | - | - | - | - | - | - |
| TOTAL | 204 | 250 | 1,000 | 55 | 58 | 1,567 |

² Of the preceding year's profit.

Breakdown of the compensation in cash (thousands of euros) in the years 2010 and 2011.

| Compensation item | 2011 | 2010 |
|--------------------------------|--------------|--------------|
| Fixed compensation | 204 | 167 |
| Variable compensation | 250 | 215 |
| By-Law stipulated compensation | 1,000 | 1,000 |
| Compensation in cash | 1.454 | 1.382 |
| Other | 113 | 12 |
| TOTAL | 1,567 | 1,394 |

4.2. Compensation accrued by the Company's directors as directors of other Group companies

The directors of the company do not perceive any compensation for his membership in the boards of Directors of other companies in the group.

* * *

This annual compensation report was unanimously approved by the Company's Board of Directors at its meeting of February 28, 2012.

REINSTATED TEXT OF THE BY-LAWS OF ZARDOYA OTIS, S.A. (May 24, 2012)

SECTION I NAME, DURATION, REGISTERED OFFICE AND CORPORATE PURPOSE

Article 1. NAME

The name of the company is ZARDOYA OTIS, S.A.

It is a business company and shall be governed by these By-Laws and, subsidiarily, by the Capital Companies Law (*Ley de Sociedades de Capital*) and other relevant legal provisions.

Article 2. DURATION

The duration of the company has no definite time limit. It commenced its operations on the date on which the public deed of incorporation was signed.

Article 3. REGISTERED OFFICE

The company has its registered office in Madrid, Calle Golfo de Salónica 73, where its effective centre of administration and management is located.

The company shall be entitled to establish branches, agencies or delegations, both in Spain and abroad, by virtue of a resolution adopted by the Board of Directors, which shall also be competent to decide to transfer the registered office within the same town and to eliminate or transfer branches, agencies or delegations.

Article 3. (bis) CORPORATE WEBSITE

The Company will have a corporate website to provide shareholders with the mandatory information and to disclose any relevant information required by the stock market legislation, as well as to make available to shareholders and investors any other information deemed appropriate or convenient. The corporate website will comply under all circumstances with the requirements provided by the Law.

The elimination or relocation of the Company's website will be decided by the Board of Directors. This Board decision will be recorded in the Commercial Registry or notified to each shareholder. It will also be published on the Company's former website during the thirty days following the relevant Board resolution.

Article 4. CORPORATE PURPOSE

The corporate purpose of the company shall be:

- a) The manufacture, design and development, installation, repair, maintenance and sale of engines, elevators, service elevators, platforms, escalators and moving platforms, vertical evacuation sleeves, cable railways, automatic doors and garage doors, for any use and with any characteristics whatsoever, the import and export of machinery and equipment related to the foregoing, parts and components, previously assembled or otherwise, and any equipment the purpose of which is to move people or objects.
- b) The administration, promotion and management of industrial, agricultural, commercial or service companies and the participation in companies that already exist or are newly

created, either through the management bodies or by holding shares or interests.

- c) The activities that comprise the corporate purpose may be carried on by the company indirectly, either totally or partially, by means of holding interests in companies with an identical or analogous purpose.

SECTION II CAPITAL STOCK, SHARES

Article 5. CAPITAL

The capital stock is 36,689,666.60 euros and is represented by a series of 366,896,666 ordinary shares with a par value of 0.10 euros each.

The shares are fully subscribed and paid up.

Article 6. SHARES WITHOUT VOTING RIGHTS

The company shall be entitled to issue shares without voting rights under the conditions and meeting the limits and requirements established by law.

The holders of non-voting shares shall be entitled to receive a minimum annual dividend of 5% of the capital paid up for each share without voting rights, to which the same dividend as that corresponding to each ordinary share shall be added.

The foregoing is pursuant to the provisions of articles 98 et seq. of the Capital Companies Law

Article 7. INCREASE IN CAPITAL

The capital stock may be either increased or reduced in accordance with the General Shareholders' Meeting legally called for this purpose, pursuant to the provisions of articles 295 et seq. of the Capital Companies Law.

Article 8. FORM OF THE SHARES AND THE SUBSCRIPTION, ACQUISITION AND TRANSFER THEREOF

The shares shall be represented by account entries.

While the shares are listed on the Stock Exchange, the accounting records therefore shall be kept by the Register of Securities and of the Clearing and Settlement of all trades ("*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.*" or "Iberclear") and the participating entities entitled to do so in the terms provided for in the applicable securities market regulations.

The shares may be freely transferred by any of the means admitted by law.

Article 9. RIGHTS GRANTED BY THE SHARES

Each share confers the status of shareholder upon its legitimate holder. Those belonging to the same class confer the same rights and duties in accordance with the provisions of the Capital Companies Law.

The usufruct, pledge and seizure of shares shall be governed by the provisions of the Law.

SECTION III THE COMPANY'S BODIES OF MANAGEMENT

Article 10. MANAGEMENT AND REPRESENTATION OF THE COMPANY

The management and representation of the company rest with the General Shareholders' Meeting and the Board of Directors, in accordance with the provisions of these By-Laws.

PART ONE General Shareholders' Meetings

Article 11. THE GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting is the assembly of shareholders, duly called and constituted. Its resolutions shall be binding on all shareholders, including those who dissent or are absent, without prejudice to the right to objection and actions granted to the shareholders under the Act.

Article 12. TYPES OF GENERAL SHAREHOLDERS' MEETING

General Shareholders' Meetings may be either ordinary or special and must be called by the Board of Directors.

An ordinary Shareholders' Meeting shall necessarily be held once a year, within six months from each fiscal year end.

A special Shareholders' Meeting shall be held when so resolved by the Board of Directors or at the request of shareholders representing at least 5% of the capital stock, the items to be discussed at the Meeting being stated in the request.

Article 13. CALLS FOR MEETINGS

Both ordinary and special Shareholders' Meetings shall be called by the Board of Directors through the means of communication established by law, which include, at least, the following: (i) Official Gazette of the Companies Register or one of the daily newspapers with highest circulation in Spain; (ii) the website of the CNMV; and (iii) the website of the Company.

A minimum period of one month must elapse between the announcement of the meeting (ordinary or special) and the holding of meeting, except for special Shareholder's Meetings when the law establishes a shorter term, and provided that the legal requirements are complied. Notwithstanding this, if shareholders representing at least 5% of the capital stock have requested the Board of Directors to announce a special Shareholder's Meeting, the Board of Directors shall call this special meeting within two months from the date it was requested to do so by means of a notarized document.

The notice of the meeting (whether ordinary or special) shall detail all the information that is required by law as applicable, including the date, place and time of the meeting at first call, as well as the detailed proposals of the resolutions to be adopted by the meeting and included in the agenda. Likewise, it may state the date on which, if applicable, the meeting shall be held at second call, with a minimum period of 24 hours between the first and second calls.

Shareholders representing at least 5% of the Capital Stock may request the publication of an addendum to the announcement of the General Shareholders Meeting, including one or more additional items on the agenda, provided that each such item is accompanied by a justification or a reasoned proposal for a resolution. However, this right cannot be used in connection with special Shareholders Meetings. The mentioned shareholders may likewise submit supported proposals relating to matters already included or that shall be included in the agenda of the meeting called. These rights shall be exercised in accordance with the requirements and time limits set out in the Law.

From the publication date of the notice of the meeting, until the holding of the next Shareholders Meeting, the company will make available on its website all the relevant information for shareholders.

Notwithstanding the provisions of the preceding paragraphs, a General Shareholders Meeting may be held without the need for prior notice if all the paid-up capital stock is present and those present agree to hold it.

Article 14. QUORUM

A General Shareholders' Meeting (whether ordinary or special) shall be validly assembled at first call when the shareholders present or represented hold at least 60% of the subscribed capital with voting rights.

At second call, the Meeting shall be validly assembled when the shareholders present or represented hold at least 50% of the subscribed capital with voting rights.

In order for the general or special Shareholders' Meeting to resolve validly upon the capital stock increase or reduction and any other amendment to the company's by-laws, the issuance of debentures, the suspension or limitation of pre-emptive rights of new shares, or the transformation, merger, spin-off of the company or the global conveyance of assets and liabilities, or the relocation of the registered office abroad or, in general, any other amendment in relation to which the law requires an increased majority, it will be necessary, on first call, that the meeting be attended by shareholders present or represented owning at least two thirds of the subscribed capital with voting rights. At second call, 50% of the paid up capital shall suffice.

Article 15. ATTENDANCE AT THE MEETINGS

All shareholders may attend General Shareholders' Meetings in person or may be represented thereat by another person, who need not be a shareholder. Representation must be conferred in writing specifically for each Meeting, in compliance with the applicable legal requirements

Proof of ownership of the shares by means of a certificate from Iberclear or from the participating entities entitled to do so, issued five days before the date of the Meeting, shall be an essential requirement for attending the Meeting.

The directors must attend the General Shareholders' Meetings. Managers, legal representatives, technical personnel and any other persons who, in the opinion of the Chairman of the Meeting, should be present thereat due to their interest in the correct running of corporate matters may also attend. The Chairman of the Meeting may authorize, in principle, the attendance of any other person he sees fit. The Meeting may, notwithstanding, revoke this authorization.

Article 16. CHAIRMANSHIP OF THE MEETING, DELIBERATIONS AND ADOPTION OF RESOLUTIONS

The Chairman of the Board shall chair the Shareholders' Meeting or, in his absence, the oldest Deputy Chairman will replace him or otherwise, the other Deputy Chairman or the oldest among the other two Deputy Chairmen.

In the absence of the Chairman and Deputy Chairmen, the shareholder appointed for this purpose by the Shareholders' Meeting shall act as Chairman.

The Secretary to the Board shall act as the Secretary to the Shareholders' Meeting. In his absence, the person designated for this purpose by the Shareholders' Meeting shall act as Secretary.

Before commencing the Agenda, a list of those present shall be drawn up in the manner and with the requirements set forth in the Act.

The Chairman shall lead the debate, granting the floor, in strict sequence, to all shareholders who have so requested in writing and then to those who do so orally.

Each of the items on the Agenda, as well as those items that, even if they are included in the same item of the Agenda are materially different, shall be put to a separate ballot so that the shareholders can express their preferences in each case. This rule shall apply in particular to:

- a) The appointment or ratification of directors, that shall be voted separately.
- b) Amendments to the by-laws, with votes taken on all articles or groups of articles that are materially different.

Resolutions shall be adopted by a majority of the capital present or represented at the Meeting.

Article 17. ATTRIBUTES AND COMPETENCIES OF THE GENERAL SHAREHOLDER'S MEETINGS

Ordinary General Shareholders' Meetings shall be competent:

- a) To examine and approve, if applicable, the annual accounts, directors' report and proposed application of the profit or loss for the previous fiscal year, submitted by the Board of Directors.
- b) To approve the management of the company.
- c) To appoint account auditors.

In any case, decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval and, in particular the following:

- a) The transformation of the Company into a holding company or reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former.
- b) Any acquisition or disposal of key operating assets that would effectively alter the Company's corporate purpose.

c) Operations that effectively add up to the Company's liquidation.

Any other matter reserved to the competency of the Shareholders' Meeting, either by law or under the provisions of the By-Laws, may be decided at an ordinary or special Shareholders' Meeting.

Article 18. MINUTES

The deliberations and resolutions of both ordinary and special Shareholders' Meetings shall be recorded in minutes drawn up in a special minute book and shall be signed by the Chairman or Secretary or the persons who have acted as their substitutes. The minutes may be approved by the Shareholders' Meeting itself immediately after it has been held or, failing this, within a term of fifteen days, by the Chairman and two auditors, one appointed by the majority shareholders and the other by the minority.

The Board of Directors may, on its own initiative, if it thus decides, or obligatorily, when shareholders representing at least 1% of the capital stock have so requested in writing using reliable means at least five days prior to the date planned for holding the Meeting at the first call, require the presence of a notary to make a record of the meeting, the fees of the Notary chosen being payable by the company. The notary's record shall be considered as the minutes of the Meeting.

The resolutions adopted and the results of the voting in the Shareholders' Meeting will be published on the Company's website, within five days from the end of the Shareholders' Meeting.

SECOND PART BOARD OF DIRECTORS

Article 19. BOARD OF DIRECTORS

The Board of Directors is the body responsible for directing, managing and representing the company, the foregoing without prejudice to the powers pertaining to the General Shareholders' Meeting.

Article 20. STRUCTURE OF THE BOARD

The Board of Directors shall consist of no less than three and no more than fifteen members. The number of members shall be determined by the General Shareholders' Meeting.

The Directors shall be elected by ballot pursuant to the rules established for this purpose in the Act.

It is not necessary to be a shareholder in order to be a member of the Board, except in the event of appointment by co-option (*cooptación*) made by the Board itself pursuant to the provisions of Article 244 of the Capital Companies Law.

Article 21. TERMS OF THE OFFICE OF DIRECTORS

Directors shall hold office for an initial term of six years. Directors may be re-elected for successive periods up to a maximum of six years on each occasion by the General Shareholders' Meeting as many times as the latter sees fit.

Even though a director's term of office may have expired, he shall continue to discharge his duties until the first General Shareholders' Meeting is held.

Article 22. CALLS FOR BOARD MEETING, QUORUM, ADOPTION OF RESOLUTIONS

The Board shall meet whenever required by the interests of the company and must meet during the first three months of each fiscal year in order to draw up the annual accounts, the directors' report and the proposal for the application of the profit or loss for the prior year and whenever it must call a General Shareholders' Meeting.

It shall be called by the Chairman, or the person acting in his stead, on his own initiative or, in the cases to which the preceding paragraph refers or when one third of the members of the Board has requested the calling of a meeting of the Board of Directors. In this case, if the Chairman did not call the meeting within a term of one month without a reasonable cause, the directors constituting at least one third of the Board of Directors, shall be entitled to call it (on his or her behalf), and decide the agenda.

A Board Meeting shall be validly assembled if attended, either in person or duly represented, by one half plus one of the members in office. Any Director may confer, in writing, the power to represent him at the Meeting on any other Director.

For resolutions to be adopted, the vote in favor of an absolute majority of the directors attending the meeting shall be required, except in the cases of the permanent delegation of any of the powers of the Board of Directors to the Executive Commission or to the Managing Director, or the appointment of the directors who are to discharge such offices, when the vote in favor of two thirds of the members of the Board shall be required.

The deliberations and resolutions of the Board shall be recorded in a minute book and each of the minutes shall be signed by the Chairman and Secretary or those persons who substitute them.

The Board of Directors shall meet at the Company's address, except if it is called to take place in another location.

As an exception, if none of the directors opposes, resolutions may be passed in writing or by videoconference or conference call.

Article 23. POWERS OF THE BOARD

The Board of Directors shall have the following powers:

- a) To appoint from among its members a Chairman and one or more Deputy Chairmen. It shall also appoint a Secretary, who need not be a Director.
- b) To call both the ordinary and special General Shareholders' Meetings as and when this may be in order, pursuant to these By-Laws, drawing up the Agenda and proposing such motions as may be appropriate, in accordance with the type of Shareholders' Meeting called.
- c) To represent the company in all administrative or judicial civil, mercantile and criminal matters and acts, before the State administration or any public agencies of all kinds, as well as before any jurisdiction (ordinary, administrative, special, labour, etc.) and any Court degree, taking actions of all kinds that pertain to the company in defense of its rights, in or out of court, conferring and executing the appropriate powers of attorney

upon court solicitors and appointing attorneys at Law to represent and defend the company before said courts and agencies.

- d) To direct and administer the company business, permanently conducting the management thereof. For this purpose, the Board shall lay down the rules of government and the system for administering and running the company, organizing and regulating the technical and administrative services.
- e) To enter into all kinds of contracts concerning any kind of property or rights, under the covenants and conditions that it may see fit, and to establish and cancel mortgages and other liens or rights *in rem* on the company's property, as well as to waive, against payment or without it, all kinds of privileges or rights. It may likewise decide on the participation of the company in other undertakings or companies.
- f) To sign and to act on behalf of the company in all kinds of banking transactions, opening and closing current accounts, drawing cash therefrom, acting as drawer, acceptor, guarantor, endorser, endorsee or holder of bills of exchange; to open lines of credit, with or without guarantee, and to cancel them; to transfer funds, revenue, credits or securities, using any procedure for the draft or remittance of moneys; to approve settlements of final accounts, to create and withdraw deposits or bonds, to set off accounts, to formalize exchanges, etc., all of which may be carried out at the Bank of Spain or any private banking entities, or at any Agencies whatsoever of the State administration.
- g) To appoint and dismiss any of the company's personnel, assigning to them such salaries and bonuses as may be appropriate.
- h) To appoint from among its members an Executive Committee or one or more Managing Directors, and to delegate to them, pursuant to the Law, such powers as the Board may deem advisable. It may also establish any committees and confer powers on any persons whatsoever.
- i) To establish its own operating procedure in all matters not specifically provided for by the Law or by these By-Laws.

The powers of the Board of Directors include, but are not limited to, those listed above, the Board being understood to hold all powers not expressly reserved to the Shareholders' Meetings.

Article 24. REMUNERATION OF DIRECTORS

Holding the office of Director shall be remunerated.

An overall remuneration shall be fixed for all the members of the Board, consisting of a share of 1,5% of the consolidated profit after tax with a maximum limit of 1% of the consolidated profit before tax, which may only be taken from the net profit after the legal and statutory reserve requirements have been met and a dividend of at least 10% of the paid-up capital stock has been allocated to the shareholders. The subscription of civil liability insurance in favour of the Company's Board members will be included within the aforementioned maximum limit.

The aforementioned remuneration shall be distributed among its members in the manner freely determined by the Board of Directors, depending on whether or not they belong to bodies holding powers delegated by the Board, the positions they hold, their attendance of the meetings or otherwise or the service they provide to the company.

Article 24.bis AUDIT COMMITTEE

An Audit Committee shall be formed within the Board of Directors and 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 board members. The members shall be appointed for a term of office of four years and one of them shall be elected Chairman. The Audit Committee shall also have a Secretary, who need not be a board member.

Competencies:

- a) To inform, through the Chairman, at the General Meeting of Shareholders on issues raised thereat by the shareholders relating to matters 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 account auditor to which article 264 of the Capital Companies Law.

To supervise the company's internal audit services.

- c) To be informed of the company's financial information process and internal control systems.
- d) To be in contact with the account auditor to receive information on any issues that may place the latter's independence at risk and any other matters related to the process of performing the account audit and to maintain with the account auditor the other communications provided for in account auditing legislation and technical audit rules.
- e) Any other provided in the Regulations of the Board of Directors.

Rules of Operation:

- First.- The Audit Committee shall meet at least once quarterly and whenever the Chairman sees fit or any at least two members of the committee so request.
- Second.- The Committee is a collegiate body and its decisions shall be adopted by a majority of its members. The resolutions adopted by the Audit Committee shall be notified to the Board of Directors by sending the full contents of the Minutes of the meetings of the Committee.
- Third.- 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.
- Fourth.- The Committee shall review the financial information that is sent to the Stock Market National Commission (CNMV) on a quarterly basis.
- Fifth.- The Board of Directors is competent to develop, expand and complete the rules related to the composition, functioning and competencies of the Audit Committee in all aspects not specified in these By-laws through the preparation of internal rules of operation of the Audit Committee, which shall comply with the provisions of these By-laws and the Law.

Section IV

FISCAL YEAR, ACCOUNTING DOCUMENTATION AND APPLICATION OF PROFIT

Article 25. FISCAL YEAR

The fiscal year shall begin on December 1 of each year and end on November 30 of the following year.

Article 26. ACCOUNTING DOCUMENTATION

Within three months at the latest from the end of each fiscal year, the Board shall draw up the annual accounts, the directors' report and the proposal for the application of the profit or loss, together with, if applicable, the consolidated accounts and directors' report, pursuant to the principles and criteria required by the Law.

These documents, which shall be signed by all the directors, expressly stating, if applicable, the reason justifying the omission of the signature of any of them, shall be submitted for review by the account auditor or auditors appointed in the manner, for the periods and with the duties provided for in the Act to verify the annual accounts. When appointing the person or persons who shall perform the audit, the Shareholders' Meeting shall determine the number thereof and the length of time over which they are to discharge their duties, which may not be less than three years or more than nine, as from the date on which the first fiscal year to be audited commences.

Article 27. FILING AND PUBLICATION OF ANNUAL ACCOUNTS

When the Annual Accounts, the Directors' Report and the Application of the Profit or Loss have been approved by the General Shareholders' Meeting, they shall be submitted for filing, together with the certification of the resolutions of the Shareholders' Meeting as well as any other appropriate documentation, at the Companies Registry pertaining to the registered office, in the manner, within the term and pursuant to the provisions laid down in the Law and the Companies.

Article 28. APPLICATION OF THE PROFITS

The net profit of the company shall be applied as follows:

- a) The amount required for payment of Corporate Tax and of those taxes levied on the company's profits prior to their distribution to shareholders.
- b) The amount necessary to set up the reserves required by law or such voluntary reserves as the Shareholders' Meeting may see fit.
- c) The remainder is freely available to the shareholders, who will decide as to the use to be made of it.

SECTION V DISSOLUTION AND LIQUIDATION

Article 29. DISSOLUTION

The company shall be dissolved in the cases provided for in the Act.

Article 30. SYSTEM FOR LIQUIDATION

Once the General Shareholders' Meeting has resolved to dissolve the company, the Shareholders' Meeting unless the Company provides otherwise, those who were directors at the time of dissolution of the company, shall become liquidators.

Without prejudice to the provisions of the preceding paragraph, shareholders representing at least one twentieth of the capital stock or, if applicable, the committee or committees of creditor-liquidators may request the Commercial Court Judge (*Juez de lo Mercantil*) pertaining to the registered office to appoint a receiver with the requirements and powers established by the Act.

The Shareholders' Meeting shall retain the same powers as those it holds during the company's normal operations throughout the liquidation period and shall, in particular, be authorized to approve the accounts and final liquidation balance sheet.

Article 31. RULES FOR LIQUIDATION

The rules established in the Act shall be complied with in the liquidation of the company.

ZARDOYA OTIS, S.A.

REINSTATED TEXT OF REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING (May 24 2012)

Article 1. Purpose and distribution of the Regulations

These Regulations are intended to regulate the General Shareholders' Meeting of ZARDOYA OTIS, S.A. (the "**Company**"), the sovereign corporate body, through which the shareholders' right to take part in the making of the Company's essential decisions is organized, establishing the principles for preparing the Meeting, information relating thereto, the calling thereof, the manner in which it is conducted and the rules that govern its activity by law and in the by-laws, and the applicable discipline set forth in current mercantile legislation and in the Company by-laws is completed.

The Board of Directors shall adopt any measures that may be necessary to ensure the distribution of the provisions of these Regulations among the shareholders and the investor public and, for this purpose, shall publish them on the Company's web page.

Article 2. Effective date of the Regulations

These Regulations shall be applicable as from the first General Shareholders' Meeting held after they have been approved.

Article 3. Types of General Shareholders' Meeting

- Ordinary General Shareholders' Meeting

The Ordinary General Shareholders' Meeting shall be held within the first six months of each financial year in order to:

- a) Opine on the corporate management.
- b) Approve, if applicable, the accounts for the previous year.
- c) Resolve on the application of the profit/(loss).
- d) Appoint the Company's auditor.

Likewise, the Ordinary Shareholders' Meeting may adopt resolutions on any other matters that are submitted for its consideration.

- Extraordinary General Shareholders' Meeting

Any General Shareholders' Meeting that differs from the above shall be considered Extraordinary.

Article 4. Calling the General Shareholders' Meeting

General Shareholders' Meetings (whether Ordinary or Extraordinary) will be called by the Board of Directors through the means of communication established by law, which

include, among others: (i) the Official Gazette of the Commercial Registry or one of the most widely circulated daily newspapers in Spain, (ii) the Securities and Exchange Commission's (CNMV) website for which purposes a copy shall be sent to the CNMV and the Stock Exchange Governing Company, and (iii) the Company's website, so that the shareholders have sufficient time to request and obtain supplementary information in relation to the items on the agenda.

The Meeting (whether Ordinary or Extraordinary) will need to be called at least one month in advance, except for Extraordinary General Shareholders' Meetings when the law allows for a shorter period and provided that in this latter case all applicable legal requirements are met.

The notice of the Meeting (whether Ordinary or Extraordinary) will include all the requirements established by law, including the Company's name, the date, place and time of the Meeting on the first call, the agenda containing the matters to be discussed and the date on which the shareholders must have their shares registered in order to attend and vote in the General Shareholders' Meeting. It will also state how and where a full copy of the resolutions and the proposals of resolutions can be accessed, the website of the Company in which the information will be available, and the position of the person(s) calling the Meeting. The notice will contain clear and precise information of the procedures that shareholders must comply in order to be able to participate and to cast their vote in the General Shareholders' Meeting, including all the requirements established by law. The notice of the Meeting may also indicate the date and time at which the Meeting will be held on second call, provided that there will be a minimum period of twenty-four hours between the first and second call of the Meeting.

The Board shall call an Extraordinary General Shareholders' Meeting when a number of shareholders that hold at least five percent of the capital stock so request, stating the matters to be discussed in their request. In this case, the Meeting shall be called to be held within the two months following the date on which the request, through a notary, was made to the Board of Directors to call it. In this case, the Board of Directors shall draw up the agenda, and shall include as items of such agenda the matters included in the shareholders' request.

Notwithstanding the provisions of the preceding paragraphs, a General Shareholders' Meeting may be held to adopt resolutions on any matters without any prior notice if all the paid-up capital stock is present or represented and agrees to hold the Meeting.

Article 5. Shareholder rights

The Company will ensure at all times that all shareholders who are in the same position are treated equally with regard to information, participation and the exercise of voting rights in the General Shareholders' Meeting.

- Shareholder participation rights

Shareholders holding, at least, five percent of the capital stock may request the publication of an addenda to the agenda of the Ordinary General Shareholders' Meeting, in order to include one or more items on the notice of the General Shareholders' Meeting provided that such added items are accompanied by a justification or a reasoned proposal for a resolution. However, this right cannot be exercised in connection with Extraordinary General Shareholders' Meetings.

This right shall be exercised by means of written notice which shall be received at the Company's registered office within the five days following the date on which notice of the Meeting is published. The addenda to the notice of the General Shareholders' Meeting shall be published at least fifteen days before the date on which the Meeting is to be held. The failure to publish this addenda within the period established by law will lead to the nullity of the General Shareholders' Meeting.

Shareholders representing at least five percent of the share capital may submit, during the aforementioned period, additional proposals relating to matters already included or that will be included on the agenda of the Meeting called. The Company will ensure that these proposals of resolutions and any documentation attached, if applicable, is distributed among the remaining shareholders, in accordance with the law.

- Shareholder information rights

Provision of information to shareholders: As from the publication date of the notice of the Meeting, until the holding of the following General Shareholders' Meeting, the Company will make available on its website all legally required information, including, at least, the following:

- a) The notice of the Meeting.
- b) The total number of shares and voting rights on the date of the notice of the Meeting, broken down by types of shares, if applicable.
- c) The documents to be submitted to the General Shareholders' Meeting, and, in particular, any directors' reports, auditing reports and independent experts' reports. When an Ordinary General Shareholders' Meeting is called, the following documents will be included, in any event: the Company's annual accounts, the consolidated accounts and the proposal for application of the profit/(loss) for the year, the Company's management report and the consolidated management report, and the audit reports on the consolidated annual accounts and the annual accounts of the Company.
- d) Full text of the proposals of resolutions or, if none are made, a report of competent bodies or of any other Committees set up within the Board of Directors, discussing each of the items on the agenda. If and when they are received, any proposals of resolutions made by the shareholders will also be included.
- e) Any other information that may be required by law, or which the Board of Directors decides to publish in the Company's website.

On the day of the Meeting, the shareholders shall be provided with the necessary documentation at the place of the Meeting.

Shareholders' requests for information: Up to the seventh day before the date on which the Meeting is to be held, shareholders may request the Board of Directors, in relation to the items included on the agenda, any information or clarification they deem necessary, or may pose any questions in writing that they deem appropriate.

Likewise, shareholders may request from the directors in writing until the seventh day prior to the date set for the Meeting, or verbally during the Meeting, any clarifications that they deem necessary concerning the information available to the public that the Company has provided to the CNMV since the date of the last General Shareholders' Meeting and in relation to the auditor's report.

The Board of Directors shall be obliged to provide the above information in writing up to the day of the General Shareholders' Meeting.

During the General Shareholders' Meeting itself, shareholders may orally request any information or clarification that they deem appropriate in relation to the items included on the agenda. If the information requested cannot be provided at the General Shareholders' Meeting itself, the Board of Directors shall send such information in writing within the seven days after the General Shareholders' Meeting took place.

The Board of Directors shall send the information requested pursuant to the preceding paragraphs unless, in the Chairman's opinion, disclosure will damage the Company's interests.

Likewise, the directors will not be obliged to respond to specific questions from the shareholders when, before these are made, the requested information is available for all the shareholders on the Company's website, in a Q&A format.

However, information shall not be denied when the request is supported by shareholders who represent at least a quarter of the capital stock.

- Shareholders' right of attendance

Shareholders who prove that they are such by means of a certificate issued, five days prior the date of the Meeting, by the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (Iberclear), or by the participating entities authorised for this purpose, may attend the Meeting.

Shareholders must request from Iberclear, or the participating entity authorised for this purpose, a certificate of ownership or an equivalent document, together with the card required to attend the General Shareholders' Meeting, which must be in registered form.

The Company shall begin to register the attendance cards at least two hours before the time fixed for the Meeting.

Company directors must attend the General Shareholders' Meetings.

Article 6. Representation

All shareholders who are entitled to attend may be represented at the General Shareholders' Meeting by another person, who need not be a shareholder. Representation must be conferred in writing for each specific Meeting and will be subject to the terms, conditions and limitations established by law.

A person acting as a proxy holder may hold a proxy from more than one shareholder without limitation as to the number of shareholders so represented.

Similarly, investment services entities, in their condition as financial professional intermediaries, may represent their clients, natural or legal persons, subject to the terms, conditions and with the limitations prescribed by law.

Article 7. Quorum

General Shareholders' Meetings (Ordinary or Extraordinary) will meet the quorum in order to be validly held on the first call when the shareholders, present or represented, hold at least 60% of the subscribed capital stock with voting rights.

On the second call, the Meeting will be validly held when the shareholders, present or represented, hold at least 50% of the capital stock with voting rights.

In order for a General Shareholders' Meeting (Ordinary or Extraordinary) to validly resolve on a capital increase or reduction and any other amendment to the Company's by-laws; the suspension or limitation of pre-emptive rights of new shares; the issuance of bonds; the conversion, merger, spin-off of the Company; the global assignment of assets and liabilities; and the relocation of the registered office abroad; two thirds of the subscribed capital with voting rights must be present or represented on the first call. On the second call, it will be sufficient for half said capital to be attending the Meeting.

Article 8. The presiding committee of the General Shareholders' Meeting

The presiding committee of a General Shareholders' Meeting will be formed by the members of the Board of Directors.

It will be chaired by the Chairman of the Board of Directors or, in his absence, the longest serving Deputy Chairman or, in his absence, the other Deputy Chairman or the longest serving Deputy Chairman of the other two Deputy Chairmen.

The Chairman will be assisted by a Secretary, who will be the Secretary to the Board of Directors. In the absence thereof, the person designated by the shareholders at the beginning of the Meeting will act as Secretary.

The Chairman will conduct and establish the order of the deliberations and speeches; decide the manner in which votes will be taken on the resolutions; resolve any doubts, clarifications or claims that are raised in relation to the agenda, the list of those attending, ownership of the shares, delegation or representation and the requirements for the Meeting to be held validly and pass resolutions, or on any limit on voting rights established in the by-laws.

Article 9. List of those attending and opening of the General Shareholders' Meeting

Before starting the discussion of the items on the agenda, a list of those present shall be drawn up, stating the capacity in which each one of them is present or whom they represent, and the number of shares, owned by the shareholder or by a third party, with which they attend.

At the end of the list, as a summary, the number of shareholders present or represented shall be stated, together with the amount of capital that they hold, specifying the capital belonging to shareholders with voting rights.

The list of those attending the Meeting may also be drawn up in a file or placed on a computer medium. In these cases, the medium used will be stated in the minutes and the appropriate identification, signed by the Secretary with the Chairman's approval, will be placed on the sealed cover of the file or computer medium. Once the list of the shareholders attending the Meeting has been closed, those absent or, if applicable, their representatives, may attend the Meeting but will not be included in the list of attendants, without the approval of the Chairman of the Meeting.

Once the Meeting has commenced, the Secretary will read the information on the notice of the meeting and will inform on the attendance on the basis of the list of those attending the Meeting. In light of the list of those attending the Meeting, the Chairman shall, if appropriate, declare the Meeting duly constituted.

Article 10. Deliberation and adoption of resolutions

- Deliberation

At an Ordinary General Shareholders' Meeting, the Chairman will inform on the most relevant aspects of the year and the Board's proposals. His explanations may be completed by the persons he authorizes. The Chairman of the Audit Committee or, if applicable, of any of the other Committees or, in his absence, any other member of the Audit Committee or of other Committees, shall be available to answer any questions that the shareholders may raise thereat on matters which are within the powers of the Meeting.

When the appropriate explanations have concluded, the Chairman will allow the shareholders who have so requested to speak, conducting and coordinating the debate and seeking to follow the established agenda, except as provided for in articles 223 and 238 of the Capital Companies Law.

The Chairman shall conclude the debate when, in his opinion, the matter has been sufficiently debated and will then submit, to a vote the motions for a resolution, which will be read by the Secretary.

Each of the items that forms part of the agenda and any matters that notwithstanding being part of the same item of the agenda are materially different, shall be put to a separate vote, so that the shareholders can express their preferences in each case. This rule shall apply in particular to:

- a) The appointment or ratification of directors, who shall be voted separately.
- b) Amendments to the by-laws, with votes taken on all articles or groups of articles that are materially different.

At the Chairman's decision, the motions may be read in an abridged manner, provided that the shareholders who represent a majority of the subscribed capital with voting rights present or represented at the Meeting do not object.

Using his right to order the manner in which the Meeting is conducted, the Chairman may, without prejudice to other actions:

- a) Extend, when he sees fit, the time initially assigned to each shareholder, which, unless expressly stated otherwise, may not exceed five minutes.
- b) Ask the speakers to clarify questions that have not been understood or have not been sufficiently explained during their speech.
- c) Ask the shareholders who speak to restrict their speeches to matters pertaining to the Meeting and to refrain from making inappropriate statements or using their right in an abusive or obstructive manner.
- d) Inform the speakers when the time allotted to them is near to the end, so that they can adapt their speech and, when the time allowed for the speech has ended or if they persist with any of the conducts described in point (c) above, he may prevent them from continuing.
- e) If he considers that their speech may alter the appropriate order and normal evolution of the Meeting, instruct them to leave the premises and, if applicable, adopt the measures required for this order to be met.

- Voting

Each share shall give the right to one vote in the terms established in the by-laws.

If the shareholder is represented by another person in accordance with the requirements set out by law, the representative will issue the vote according to the instructions received from the shareholder and must keep these instructions for one year as from the holding of the Meeting.

When a representative represents several shareholders, he/she may issue votes in a different direction, pursuant to the instructions received from each of the represented shareholders.

In addition, financial intermediaries may exercise the voting rights on behalf of their clients, whether they are natural or legal persons, when they have been duly empowered to do so, and may, on behalf of their clients, exercise the vote in a different direction as per the voting instructions received. To this end, they will have to send the Company, within the seven days prior to the date set for the Meeting, and with the purpose of determining the direction of the vote, a list indicating the identity of each client, the number of shares in respect of which they exercise the voting rights, as well as the voting instructions received, as the case may be.

The Company will establish for each resolution put to vote at the Meeting, at least: the number of shares for which votes have been validly cast, the proportion of the share capital represented by those votes, the total number of votes validly cast as well as the number of votes cast in favour of and against each resolution and, where applicable, the number of abstentions.

The votes shall be noted by the Secretary individually for each of the items on the agenda. The Secretary shall deliver the list with the result of the vote on each motion to the Chairman.

- Adoption of resolutions

Resolutions shall be adopted by the majority of votes provided for in the by-laws and shall be binding on all shareholders, including those who voted against them and those who did not attend the Meeting.

- Questions and answers

Before the Meeting ends, those present at the Meeting may raise any other issues they see fit.

- End of the General Shareholders' Meeting

Subsequently, the Chairman will bring the Meeting to an end.

Article 11. Minutes of the General Shareholders' Meeting and publication of its resolutions

The matters debated and the resolutions adopted at General Shareholders' Meetings shall be recorded in the minutes. The minutes thus drawn up shall either be approved at the end of the Meeting by those present, or during the following fifteen days by the person who acted as Chairman of the Meeting and two scrutinisers appointed by the Meeting itself, one by the majority and the other by the minority.

Minutes approved in either of the manners described above shall be enforceable as from the date of their approval.

The minutes shall be recorded in the Company's Minutes Book, which may be formed by loose sheets previously legalized by the Commercial Registry, on which at least the circumstances and requirements set forth by both the Capital Companies Law and the Regulations of the Commercial Registry shall be included.

Without prejudice to having any resolutions that must be recorded in the Commercial Registry recorded and any legal provisions that may be applicable in relation to making corporate resolutions public, the Company shall send the text of the resolutions passed to the CNMV on the working day immediately following the day on which the Meeting was held.

Likewise, the resolutions passed and the results of the voting in the Shareholders' Meeting will be published on the Company's website, within five days following the end of the General Shareholders' Meeting.

Article 12. Making the Regulations of the General Shareholders' Meeting public

After approval hereof, these Regulations on the General Shareholders' Meeting shall be available through the Company's web page for the information of shareholders and investors.

The Regulations of the General Shareholders' Meeting will be notified to the CNMV. Once the communication has been made, the Regulations will be registered with the Commercial Registry as established by law. After registration, the Regulations of the General Shareholders' Meeting will be published by the CNMV.

ZARDOYA OTIS, S.A.

Regulations of the Board of Directors (May 24, 2012)

Chapter I

PROLOGUE

ARTICLE 1. PURPOSE

These Regulations determine the principles for action of the Board of Directors of Zardoya Otis, S.A. (the “**Company**”) and the basic rules for the organization and operation thereof and the rules of conduct of its members.

ARTICLE 2. DISTRIBUTION

The directors of the Company are under the obligation to know, understand and comply and obtain compliance with these Regulations.

The Board of Directors shall adopt the appropriate measures in order for the Regulations to be distributed to the shareholders and the investor public in general.

ARTICLE 2 bis. EFFECTIVE DATE

These Regulations shall be applicable as from the first Meeting of the Board of Directors held after they have been approved.

Chapter II

MISSION OF THE BOARD

ARTICLE 3. FUNCTIONS

Apart from matters reserved to the competency of the General Shareholders' Meeting, the Board of Directors is the Company's highest decision-making body and is assigned the powers conferred under the Company's by-laws.

In particular, the Board of Directors shall submit to the General Shareholders' Meeting the following decisions:

- (a) The Company's transformation into a holding company through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the Company, even if the latter retains full control of the former.
- (b) Any acquisition or disposal of key operating assets that would effectively alter the Company's corporate purpose.
- (c) Operations that effectively add up to the Company's liquidation.

The Board of Directors delegates the normal management of the Company to its Chief Executive Officer (“**CEO**”) and, through him, the management team and the Board's activity concentrates on the general function of executing the decisions of the Company's General Shareholders' Meeting and the function of the general supervision and definition of the Company's policy. The Board of Directors shall assume the following faculties:

- (a) The approval of the following Company's general policies:
 - (i) risk control and management, and the periodic monitoring of internal information and control systems;
 - (ii) corporate governance policy; and
 - (iii) dividend policy, as well as the policies and limits applying to treasury stock.
- (b) On the proposal of the Company's CEO, the appointment and removal of senior officers.
- (c) The approval, in accordance with the by-laws, of the directors' remuneration and, in the case of executive directors, compensations for their management duties and other contract conditions.
- (d) The approval of the financial information and of the annual reports on corporate governance and on directors' compensation, pursuant to the requirements stipulated by law that the Company must periodically disclose.
- (e) The approval of the investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting.
- (f) The authorization for the creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- (g) The approval of the sale and purchase transactions regarding Company's real estate.
- (h) The strategic or business plan, management targets and annual budgets.
- (i) The investment and financing policy.
- (j) The design of the structure of the corporate group.
- (k) The corporate social responsibility policy.
- (l) The decisions specifically foreseen in these Regulations and those others that may not be delegated pursuant to the law.

The Board of Directors shall perform its duties with unity of purpose and independent judgment, guided by the Company's best interest and, as such, strive to maximize its value over time in the interest of shareholders, pursuant to the corporate purpose established in the by-laws.

It shall likewise perform its duties affording all shareholders who are in the same position the same treatment, shall ensure that the Company abides by the laws and regulations in its dealings with stakeholders, fulfills its obligations and contracts in good faith, respects the customs and good practices of the sectors and territories where it does business and upholds any additional social responsibility principles it has subscribed to voluntarily.

Chapter III

COMPOSITION OF THE BOARD

ARTICLE 4. NUMBER OF DIRECTORS

The Board of Directors shall be formed by the number of directors determined by the General Shareholders' Meeting within the limits fixed in the Company's by-laws.

ARTICLE 5. CHARACTERISTICS AND TYPES OF DIRECTORS

The Board of Directors, using its powers to make proposals to the General Shareholders' Meeting and co-opt to cover vacancies, shall propose to the General Shareholders' Meeting, the appropriate number of directors that, according to the circumstances which affect the Company, and taking into account the maximum and minimum limit established in the by-laws, are the most suitable in accordance with the recommendations of good governance to assure the representative nature and efficient operation of the body. In particular, the Board of Directors using its powers to make proposals to the General Shareholders' Meeting and co-opt to cover vacancies, shall seek to ensure that in the Board's composition, external or non-executive directors shall represent a broad majority of the Board, over executive directors.

The foregoing is applicable notwithstanding the proportional representation right corresponding to the shareholders in accordance with the provisions of the Capital Companies Law.

Likewise, the Board of Directors shall seek to ensure that the directors proposed, in addition to meeting the legal requirements for the post and those of the by-laws, are recognized as having the professional knowledge, prestige and experience appropriate for performing their functions. In the event that a legal person is appointed, the same conditions shall be required of the natural person who represents it

Executive directors shall be those who are senior officers or employees of the Company or its group.

Proprietary external directors shall be (a) those who own an equity stake above or equal to the legally determined threshold for significant stake holdings, or appointed due to their status as shareholders, even if their stake holding does not reach such

amount; and (b) those who have been appointed to represent the shareholders stated in letter (a) above.

A director shall be deemed to be appointed to represent a shareholder when: (a) he or she has been appointed in exercise of the representation right; (b) he or she is a director, senior officer, employee or regular service supplier of the said shareholder, or of companies within the same group; (c) Company's records show that the shareholder acknowledges the director as his appointee or representative; and (d) he or she is the spouse or maintains an analogous affective relationship or is a close relative of a significant shareholder.

Board members who are senior officers or directors of the Company's parent company shall be classified as proprietary external directors.

Independent external directors shall be those who are appointed because of the professional and personal conditions, can undertake their duties without being determined by their relations with the Company, its significant shareholders or its officers

The following shall not be appointed as independent external directors:

- (a) Past employees or executive directors of group companies, unless three or five years have elapsed, respectively, from the end of such relation.
- (b) Those who receive any payments or other form of compensation from the Company or its group other than their compensation as director, unless such the amount is not significant.

Dividends or pension supplements received by a director for prior employment or professional services shall not be taken into account for the purposes of this section, provided that such supplements are non contingent, and that the Company has no discretionary power to, without breaching its obligations, suspend, modify or revoke their payment.

- (c) Those who are or have been during the past three years partners, in the external auditor or the firm responsible for the audit report of the Company or any other company within its group.
- (d) Those who are executive directors or senior officers of another company where an executive director or senior officer of the Company is an external director.
- (e) Those having material business dealings with the Company or any other Company within its group or who have had such dealings in the preceding year, either on their own account or as significant shareholder, director or senior officer of an entity that has or has had such dealings.

Business dealings will include the provision of goods or services, including financial services, as well as advisory or consultancy relationships.

- (f) Those who are significant shareholders, executive directors or senior officers of an entity which receives or has received in the past three years significant donations from the Company or its group.

This provision will not apply to those who are merely patrons of a foundation receiving donations.

- (g) Those who are spouses, or partners maintaining an analogous affective relationship, or close relatives of one of the Company's executive directors or senior officers.
- (h) Those who have not been proposed for appointment or renewal by the Appointments Commission.
- (i) Those who are in some of the situations listed in a), e), f) or g) above in relation to a significant shareholder or a shareholder with Board representation. In the case of the family relations set out in letter g), the limitation shall apply not only in connection with the shareholder but also with his or her proprietary directors in the invested company.
- (j) And any other circumstances which, pursuant to the applicable law, prevent a director from qualifying as independent external director.

Proprietary directors disqualified as such due to the disposal of shares by the shareholder they represent may only be re-elected as independent directors once the said shareholder has sold all its shares in the Company.

A director with shares in the Company may qualify as independent, provided that he or she meets all the conditions stated in this article and its stake holding is not significant.

In the event that some external director can be deemed neither proprietary nor independent, according to the foregoing, the Company shall disclose this circumstance and the links that person maintains with the Company or its senior officers, or its shareholders.

The Board of Directors shall explain the nature of each director to the General Shareholders' Meeting which has to appoint or ratify his or her appointment, such determination shall be confirmed or, as the case may be, reviewed in each year's Annual Corporate Governance Report. Such Report, in addition to the disclosures required by law, shall also disclose the reasons for the appointment as proprietary directors at the request of shareholders controlling less than five per cent of the Company's share capital and explain any rejection of a formal request for a Board place from shareholders whose stake holding is equal to or greater than that of others who have successfully appointed a proprietary director.

Chapter IV

STRUCTURE OF THE BOARD OF DIRECTORS

ARTICLE 6. CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER OF THE COMPANY

The Chairman of the Board of Directors, as the person responsible for its proper operation, holds the ordinary right to call the Board of Directors' meetings, to provide directors, in advance, with sufficient information, to draw up the meetings' Agendas and to stimulate the debate and the active participation of all members, safeguarding their rights to freely express and adopt positions.

The Chief Executive Officer (or similar) is responsible for managing the Company's business with the powers delegated by the Board of Directors, with the exception of the sale or purchase of real estate.

ARTICLE 7. DEPUTY CHAIRMAN OR DEPUTY CHAIRMEN

The Board of Directors may designate up to three Deputy Chairmen. In the event that it is impossible for the Chairman to chair the meeting or that he or she is absent, the oldest Deputy Chairman will replace him or otherwise, the other Deputy Chairman or the oldest among the other two Deputy Chairmen.

ARTICLE 8. THE SECRETARY TO THE BOARD OF DIRECTORS

The Board of Directors shall, likewise, designate its Secretary, who does not need to be a director.

The Secretary of the Board of Directors shall assist the Chairman of the Board of Directors in his work and shall provide for the correct operation of the Board of Directors, providing the directors with the necessary advice and information, keeping the Company's corporate records, duly reflecting the development of the meetings in the Minutes Book and certifying the resolutions passed by the Board of Directors.

The Secretary shall specially take care to ensure that the Board's actions:

- (a) are in accordance with the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
- (b) comply with the Company's by-laws and the regulations of the General Shareholders' Meeting, the regulations of the Board of Directors and other regulations which the Company may have approved; and
- (c) take into account the good governance rules or recommendations in effect from time to time.

The Secretary shall clearly express his or hers opposition when he or she considers that a proposal submitted to the Board's approval might damage the corporate interest or could go against the interests of shareholders which are not represented in the Board.

When the Board makes material or reiterated decisions about which the Secretary has expressed serious reservations, then he or she shall draw the pertinent conclusions, and if he or she decides to resign for such causes, shall explain the reasons in the resignation letter

ARTICLE 9. LEGAL COUNSEL

The Legal Counsel appointed by the Board of Directors shall provide legal advice on the legality of the resolutions passed by the Board of Directors, including the legality of any resolution to call the General Shareholders' Meeting and, if applicable, on the legality of the deliberations when present at a meeting of the Board.

Chapter V

OPERATION OF THE BOARD

ARTICLE 10. MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors shall meet with the frequency required to properly perform its duties, in accordance with the calendar and agendas set out at the beginning of the year, and it shall meet within the first three months of each fiscal year in order to draw up the annual accounts, the management report and the proposal for the application of the earnings of the previous year, and at any time it must convene a General Shareholders' Meeting.

Meetings of the Board of Directors shall be called by letter, e-mail, telegram or fax sent to each one of the directors, at the address previously provided for this purpose, with at least ten days' notice before the date fixed for the meeting, and shall include the agenda of the meeting.

A meeting of the Board of Directors not called in advance shall be valid if all the directors are present or represented and agree to hold the meeting.

The Chairman may call Board meetings as many times as he or she considers it convenient, establishing its agenda. It will be compulsory to call a meeting if it is requested by one third of the directors. In that event, following the request to the Chairman, if the Chairman, without a reasonable cause has not called the meeting within a term of one month, the aforementioned directors representing at least one third of the members of the Board may call it, establishing its agenda so as to hold the meeting in the municipality where the registered address of the Company is located. Without prejudice of the preceding paragraph, the Board of Directors shall meet at the Company's registered address or at such other place, either in Spain or abroad, as is designated in the call to the meeting.

The Board meeting may as well be held simultaneously in several places, connected by multi-conference systems which permit the recognition and identification of the attendees, permanent communication among the attendees regardless of their location, and participation in discussion and the casting of votes, all in real time. Attendees at any of such places shall be deemed to have attended the same meeting for all purposes relating to the Board of Directors. The meeting shall be deemed to have been held where the majority of the directors are located and, if they are located in different places in equal numbers, where the director chairing the meeting is located.

The Secretary of the Board shall identify, under his responsibility, the attendees and ensure that the provisions of this paragraph are complied with.

As an exception, if no director opposes, resolutions may be passed in writing. In this case, the directors may deliver their votes and the considerations they wish to appear in the minutes using the same means mentioned above to the Chairman (or the Secretary). Resolutions adopted by this procedure shall be recorded in minutes prepared pursuant to the law.

ARTICLE 11. MEETING PROCEDURES

In order for there to be quorum at a meeting of the Board of Directors, half plus one of the number of directors on the Board must be present or represented at the meeting.

Each director may confer the power to represent him to another director and there is no limit to the number of other directors that a director may represent at a Board meeting. The power to represent another director may be conferred using any written means, a telegram, e-mail or fax sent to the Chairman being valid. Each director present or duly represented shall have one vote.

Resolutions of the Board of Directors shall be adopted by an absolute majority of all directors present or represented at the meeting.

The Chairman shall organize the debate, seeking to ensure and encouraging the participation of all the directors in the deliberations of the corporate body, and shall put the matters to a vote when he or she deems them to have been sufficiently debated.

When directors or the Secretary express their concerns or opposition because they consider that a proposal submitted for the Board's approval might damage the corporate interest and such concerns are not resolved at the meeting, the person expressing them can request its recording in the minutes of the meeting.

Independent external directors and other directors which are not affected by a conflict of interest shall express their opposition to any decision which could go against the interests of the shareholders which are not represented at the Board.

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 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 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 Comisión Nacional del Mercado de Valores (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 (iii) 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.

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 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 Shareholders' 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.

Chapter VI

APPOINTMENT AND RESIGNATION OF DIRECTORS

ARTICLE 13. APPOINTMENT OF DIRECTORS

The directors shall be appointed by the General Shareholders' Meeting or, provisionally, by the Board of Directors pursuant to the provisions contained in the Capital Companies Law and the by-laws.

The Board of Directors shall endeavor to ensure that, within the scope of their respective competencies, the candidates are chosen from among persons of recognized competence and experience.

The Board of Directors shall organize orientation programs for new directors to acquaint them rapidly with the Company and its corporate governance rules. Directors shall also be offered updating programs when circumstances so advise.

ARTICLE 14. TERM OF OFFICE

Directors shall hold office for an initial term of six years, pursuant to the provisions of the by-laws, and may be re-elected for successive periods which may last up to a maximum of six years.

Directors appointed by co-option shall hold office until the date on which the first General Shareholders' Meeting after their appointment is held.

ARTICLE 15. RESIGNATION OF DIRECTORS

Directors shall leave office when the term for which they were appointed has elapsed or when the General Shareholders' Meeting so decides using the attributions conferred on it by law or the by-laws.

Directors must place their post at the disposal of the Board of Directors and, if the latter considers appropriate, resign in the following cases:

- (a) When they are affected by any of the circumstances of incompatibility or prohibition legally provided for.
- (b) When they may harm the Company's name or reputation.
- (c) When they have been charged, prosecuted, in the process of trial in an ordinary criminal proceedings or found guilty in summary criminal proceedings for any serious crime, in particular, any of the crimes stated in article 213 of Capital Companies Law.
- (d) When they have been seriously admonished by the Audit Committee or because they have infringed their duties as directors.
- (e) When a external proprietary director transfers his or her shareholding in the Company or when the shareholder which proposed his appointment to the

Company sells its entire shareholding interest or reduces it to a level that requires the reduction or removal of its proprietary directors

Members of any Committees or Commissions that may exist shall resign when they cease to be directors.

ARTICLE 16. ABSTENTION AND SECRET BALLOT

Pursuant to the provisions of these Regulations, directors affected by proposals for appointment, re-election or removal from office shall refrain from participating in the deliberations and ballots that involve them.

All the ballots of the Board of Directors that concern the appointment, re-election or removal from office shall be secret.

Chapter VII

INFORMATION AVAILABLE TO DIRECTORS

ARTICLE 17. RIGHTS TO INFORMATION, INSPECTION AND ADVICE

A director may obtain, using the broadest authorization, any information or advice that he or she may require on any aspect of the Company, provided that the performance of his functions so requires. The right to information extends to subsidiary companies, be they national or foreign, and will be channeled through the Chairman, who shall attend to the director's requests for information by providing the information directly, offering him the appropriate contacts or arranging any measures that may be necessary for the examination requested.

In order to be assisted in the performance of his duties, any director may request the hiring of legal, accounting, technical, financial, commercial or other expert advisors, whose services shall be paid for by the Company.

The assignment must deal with specific issues of certain significance and complexity arising during the performance of the director's duties.

The request for an expert to be hired shall be done through the Chairman or the Secretary of the Board of Directors, who may subject it to the prior approval of the Board of Directors; such approval may be denied in well-founded circumstances, including the following:

- (a) That it is not necessary for the proper performance of the duties entrusted to the directors.
- (b) That the cost thereof is not reasonable in light of the significance of the issues and the Company's assets and income.
- (c) That the technical assistance sought may be adequately provided by the Company's own experts and technical personnel.

- (d) That it may entail a risk to the confidentiality of the information that must be made available to the expert.

The Audit Committee and Appointments Commissions may also engage external advisors, when they consider that this is necessary for the performance of its duties.

The Chairman may temporarily and exceptionally restrict access to certain information, informing the Board of Directors of this decision.

Chapter VIII

REMUNERATION OF THE DIRECTORS

ARTICLE 18. REMUNERATION OF THE DIRECTORS

Holding office as a director shall be remunerated pursuant to the provisions of the Company by-laws.

External directors' remuneration shall be sufficient to compensate them for the dedication, abilities and responsibilities that the office entails, but shall not be so high as to compromise their independence.

Chapter IX

DUTIES OF DIRECTORS

ARTICLE 19. GENERAL DUTIES OF A DIRECTOR

In the performance of his or her duties, a director shall act with the diligence of a good businessman and faithful representative, devoting sufficient time and effort to effectively perform his or her duties, guided by the Company's interest and seeking the best defense and protection of the overall interests of the shareholders, from whom his mandate comes and to whom he or she is responsible through the General Shareholders' Meeting.

In particular, directors are obliged to:

- (a) Obtain information on and properly prepare the Board of Directors' meetings and, if applicable, the Committee or Committees on which he or she sits.
- (b) Respect the duty of confidentiality in the terms provided for in the following article.
- (c) Attend the meetings of the corporate bodies of which he or she forms part and actively participate in the deliberations, so that his or her criteria makes an efficient contribution to the decision-making process. If, for a justified reason, he or she is not able to attend the meetings to which he or she has been called, he or she must instruct the director who, as the case may be, represents him.
- (d) Perform any specific task entrusted by the Board of Directors that is reasonably included in their commitment to the Company.

- (e) Refrain from performing, or suggesting that anyone performs, transactions with securities of the Company itself or subsidiaries, associated or related companies which he or she has, due to his position as a director, privileged or reserved information, until such information is made public.
- (f) Leave any meeting of any corporate body of which he or she forms part when deliberations are held on questions in which, in the opinion of said corporate body or the Board of Directors, holds direct or indirect personal interests.
- (g) Communicate, as soon as possible, to the Board any circumstance that might harm the Company's name or reputation with particular mention of any criminal charges brought against them and the progress of any subsequent trial, and, as the case may be, to resign.

In addition to these specific duties, directors have the following general duties:

- DUTY OF CONFIDENTIALITY

Each director must keep the deliberations of the Board of Directors and all the issues of a reserved or confidential nature that he or she is aware of as a result of holding office strictly secret, even after leaving office. In no case may he or she use such information until it becomes generally known

The director must likewise keep any documentation that is provided to him as a result of Board meetings or holding office confidential:

- NON COMPETE DUTY

A director may not provide his professional services in companies that compete with the Company or with its subsidiaries or companies in which it holds interests. Exception is made of any posts he or she may hold in companies that hold a significant stable shareholding in the Company.

- USE OF INFORMATION AND CORPORATE ASSETS

A director shall refrain from taking part in business in which assets of the Company may be used and from using his position in the Company to obtain an economic advantage.

- BUSINESS OPPORTUNITIES

Unless the Company desists from exploiting business opportunities previously offered by a director, the director may not use, for his own benefit, any possibility of making an investment or carrying out a commercial transaction that has arisen or been discovered while carrying out his duties, using the Company's means of information or under circumstances that make it reasonable to assume that the third-party offer was actually addressed to the Company.

Chapter X

RELATIONS OF THE BOARD

ARTICLE 20. RELATIONS WITH THE MARKETS

The Board of Directors shall ensure prompt compliance with current rules on the notification of relevant information.

The Board of Directors shall adopt the measures required to ensure that the quarterly, six-monthly and annual information are prepared, after a prior report by the Audit Committee, pursuant to the same principles, criteria and professional practices with which the annual accounts are drawn up and is as reliable as the latter.

ARTICLE 21. RELATIONS WITH THE AUDITORS

These relations shall be conducted through the Audit Committee. The Board of Directors shall inform publicly of the global fees that the Company has paid to the audit firm, distinguishing between those relating to account auditing and those relating to other services provided, and, in the Notes to the annual accounts, must provide a breakdown of payments to the account auditors, together with payments made to any company belonging to the same group of companies as the account auditor, or any other company to which the auditor is related due to common ownership, management or control.

Chapter XI

FINAL PROVISIONS

ARTICLE 22. SUBMISSION TO THESE REGULATIONS

Irrespective of the compulsory nature of these 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.

ARTICLE 23. PUBLICATION OF THE REGULATIONS

After approval hereof, the Regulations of the Board of Directors shall be available through the Company's web page.

The Regulations of the Board of Directors will be notified to the CNMV. Once such communication has been carried out, the Regulations shall be registered with the Commercial Registry, pursuant to the general rules. After registration, these Regulations of the Board of Directors will be published by the CNMV.