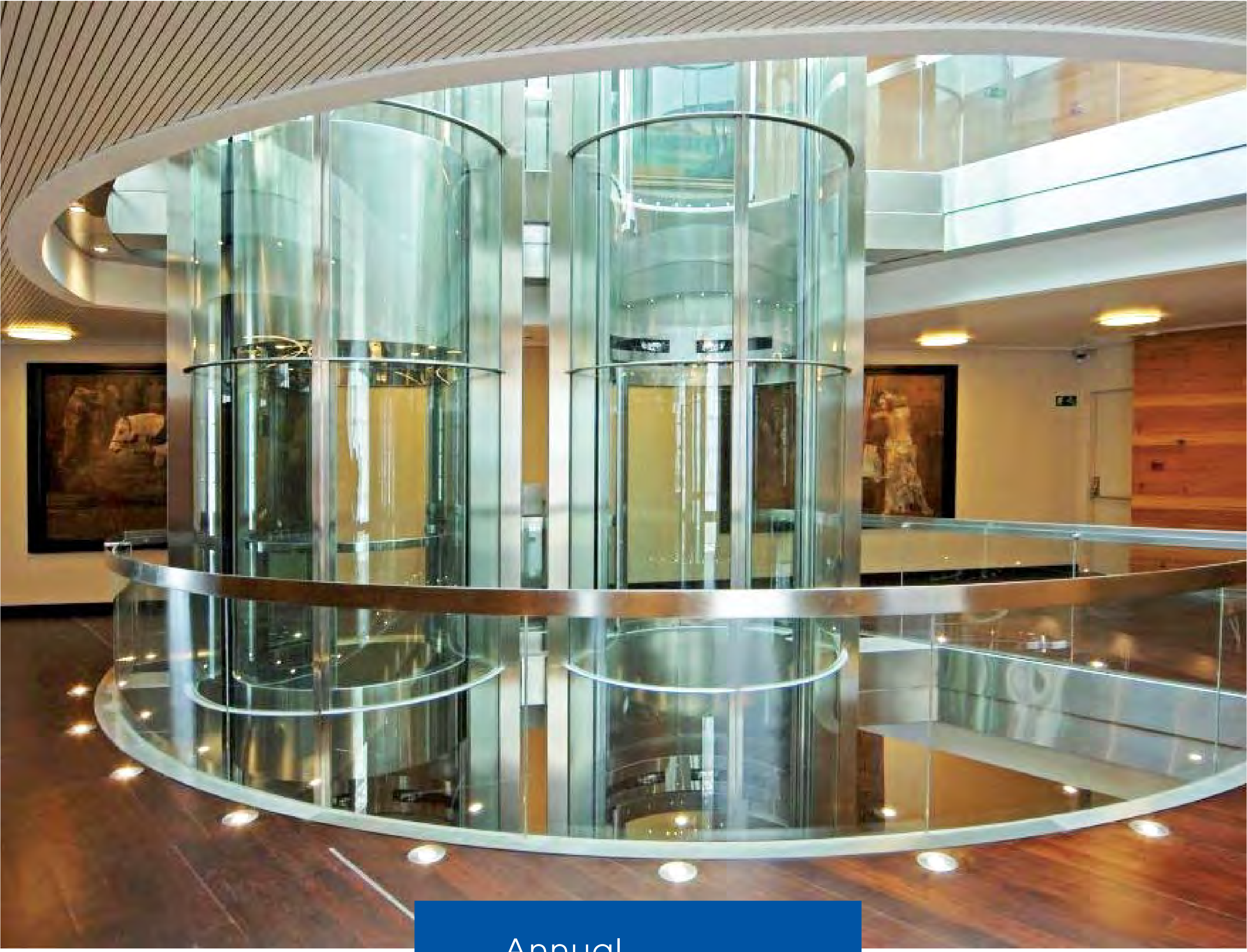
ZARDOYA OTIS S.A.

Annual Report 2013

Index



Annual Report 2013

OTIS

Free translation of the Annual Report originally issued in Spanish for the year: 12.1.2012 to 11.30.2013 presented by the Board of Directors at the General Meeting of Shareholders held on May, 23, 2014 upon the first call, or May 26, 2014 upon the second call.

ZARDOYA OTIS S.A.

OTIS
MARIO ABAJO
Presidente

Zardoya Otis S.A.
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28033 Madrid - España
www.otis.com

May 26, 2014

CHAIRMAN'S REPORT

Dear Shareholders

Although there are some small signs that could lead to optimism, the economic situation in Spain and Portugal continued to be difficult in 2013, with negative growth of 1.2% in the Spanish GDP.

In this context, our company continued, as we will see, with the strategy it commenced in 2008, which covers the years up to 2015 and concentrates of 5 basic elements:

1. Priority on attention to our customers, with innovations in products and services and development of the modernization and adaptation of elevators, meaning that the service activity represented 76.38% of our sales in 2013.

2. Acquisition of companies in the sector, which continues to be one of our main sources of growth. As you know, the ENOR group of companies was consolidated in 2013.

3. Cost reduction, with an austerity plan to cut expense and the adaptation of our capacity to the heavy reduction in the sales of new installations.

4. Priority attention to collection management and cash generation, which allowed a cash flow higher than the profit after tax.

5. Expansion of export markets. This year, exports are recovering and, in 2013, they represented 16.53% of total sales.

1. KEY DATA AT NOVEMBER, 30, 2013

• PROFIT

The consolidated profit before tax was 225.2 million euros, a decrease of 13.7% on the preceding year.

Consolidated profit attributable to shareholders (after tax and non-controlling interests) was 157.0 million euros, 13.3% less than in 2012.

EBITDA dropped by 8.9% in 2013.

The cash flow was 184.0 million euros, i.e. 17.2% higher than the profit after tax.

In summary, the evolution in 2013 was similar to that of 2012, with a cash flow higher than the profit as a result of the strategy followed in an unfavourable environment.

- **SALES**

Total consolidated sales for 2013 were 759.2 million euros, which represents a drop of 6.2% on the 809.1 million euros of 2012.

Sales of New Installations

- **Work completed**. This totalled 53.8 million euros, showing a drop of 27.5% on the preceding year.
- **Orders received.** These were 75.5 million euros, 3.8% lower than the 2012 figure. The downward trend in new orders began in the second half of 2007 and is still continuing. The fact that Morocco now accounts for 19.19% of our new sales should be highlighted.
- **Backlog of unfilled orders.** This increased by 14.2% in comparison with 2012, due to the inclusion of the unfilled orders of the Enor group and the inclusion of the unfilled modernization orders.

Service

- **Sales.** Total service billing was 579.9 million euros last year, 3.8% down on the preceding year. It was affected principally by the moderation of the consumer price index and the lower volume of repairs and modernizations As I said previously, service now represents 76.38% of total billing.
- **Units under maintenance.** 284,940 units were under maintenance at November, 30, 2013, showing a net increase of 5.5% on the previous year, subsequent to the inclusion of the units that came from the acquisition of Grupo Ascensores Enor, S.A.

Exports

Net export billing outside the consolidated Group totalled 125.5 million euros, representing a reduction of 5% on 2012. Exports accounted for 16.53% of total sales in 2013.

- **DIVIDENDS**

In line with the results obtained, while maintaining our policy of remunerating the shareholder with a pay-out of close to 100%, we paid 3 quarterly dividends, supplemented with the partial monetary distribution of the share premium, which, together, totalled 147.7 million euros, representing a pay-out of 94.1% and a reduction of 16.4% on the amount paid in the preceding year.

- **CAPITAL INCREASES**

There were two capital increases in 2013: in January, the Extraordinary General Shareholders' Meeting approved a capital increase to acquire 100% of the shares of Grupo Ascensores Enor S.A. by means of a non-monetary contribution. 16,913,367 ordinary shares were issued for an amount of 1,691,336.70 euros, i.e. with a par value of 0.10 euros and a share premium of 9,10 euros per share.

In July 2013, a further capital increase took place with a ratio of one new share for every 25 old shares. This was a bonus issue charged to the voluntary reserve and was for a total amount of 1,608,619.40 euros. It was our 34th bonus issue.

The new shares were entitled to the dividends paid after the closing date of the capital increase, paid on October 10, 2013 and January 10, 2014.

- **ACQUISITION OF TREASURY STOCK**

At November 30, 2011, the Company held 29,176 of its own shares with an acquisition value of 250,938 euros. After using part of them (18,500 shares) in January 2014 to acquire 8.33% of Admotion, it currently holds 10,272 of its own shares.

2. STOCK MARKET DATA AT DECEMBER 31, 2013

- **CAPITAL DATA**

As a result of the capital increases mentioned previously, 16,913,367 new shares were issued in February 2013 and 16,086,194 new shares were issued in July 2013. The share capital rose to 41,824,106.00 euros, represented by 418,241,060 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 March 14, 2013 and September 5, 2013, respectively.

- **PROFIT PER SHARE**

The profit per share was 0.38 euros in 2013.
The net profit per share dropped by 13.3%.

- **DIVIDEND AND PARTIAL MONETARY DISTRIBUTION OF THE SHARE PREMIUM PER SHARE**

This, was 0.37 euros per share, 16.81% lower than in the preceding year.

- **STOCK MARKET PRICE**

At 31 December, 2013, the ZARDOYA OTIS share was quoted at 13.15 euros, which represented a fall of 32.2% on the preceding year's price adjusted by the previous year's capital increases. In the same period, the IBEX rose by 21.4%.

- **TRADING FIGURES**

The effective value traded on the Stock Exchange was 691 million euros, a 21.23% increase on the 570 million euros of 2012.

- **STOCK MARKET RATIOS**

PER	35.0
Pay-Out	94.1%

3. OTHER INFORMATION

As I have mentioned, in February 2013, the acquisition of the Enor Group was completed and its results since the acquisition date were consolidated in the financial statements for the first six months of the year. In the period since the acquisition, we have worked to incorporate Enor into the Zardoya Otis Group from a strategic point of view and are now beginning to see results, especially in the naval and special contract area, where Enor has great experience. In 2013, the Enor Group contributed 32.6 million euros to the consolidated sales and a profit before tax of 7.2 million euros.

In 2014, we are continuing to progress with the integration of the Enor Group and will seek further opportunities to acquire companies, without losing sight of the objective of increasing our competitiveness and, in this respect, the Board of Directors is evaluating some company reorganizations within the Group in order to continue to save costs while improving the service to our customers.

In February 2014, the Company filed an appeal with the Contentious-Administrative Division of the National Court as a consequence of a decision issued by the Council of the National Competition Commission in September 2013, whereby it imposed penalties on several companies in the elevator industry, including Zardoya Otis. In this respect, we were required to furnish a bank guarantee for 2.8 million euros, which will remain in force until the proceedings conclude.

4. BUSINESS EVOLUTION IN THE FIRST QUARTER OF 2014

Sales

Total consolidated sales for the first quarter of 2014 were 182.0 million euros, 0.8% up on those obtained in the first quarter of 2013.

In New Installations, the work completed of 9.4 million euros showed a decrease of 28.2% in relation to the work completed in the first quarter of 2013, as a consequence of the fact that there was, as we all know, little real estate activity in general, particularly in housing.

Service Sales were 136.3 million euros, with a 4.8% drop in comparison with the first quarter of 2013. This affected mainly the volume of repairs and modernizations.

Net consolidated Export Sales were 36.3 million euros, an increase of 49.4% on the preceding year's figure.

Profit and Loss

The EBITDA in the first quarter of 2014 was 60.5 million euros, in comparison with the 61.0 million euros obtained in 2013, representing a decrease of 0.7%.

Consolidated profit before tax totalled 55.7 million euros in the first quarter of 2014, 3.1% lower than last year's 57.5 million euros.

Profit after tax was 38.7 million euros, a drop of 3.0% on the 39.9 million euros obtained in the same period of 2013.

Orders received for New Installations

The crisis of the real estate market in Spain continued to affect the amount of the orders received by Zardoya Otis for New Installations in the first quarter, which was 15.6 million euros, representing a decrease of 21.5% on the same period of 2013 and reflecting the unfavourable economic environment in the Iberian Peninsula.

The backlog of unfilled orders was 73.4 million euros, a drop of 16.5%.

In the first quarter of 2014, the New Installations activity contributed 5.2% of total consolidated sales.

Units under maintenance

In the first quarter of 2014, units under maintenance grew by 5.4% on the first quarter of 2013. The Group has a total of 283,572 units under maintenance after including the units from the acquisition of Grupo Ascensores Enor, S.A.

- **KEY DATA**

At the end of the first quarter of the 2014 fiscal year (December 1, 2013 – February 28, 2014), the total consolidated figures and the comparison with those of the preceding year were as follows:

(Consolidated figures in millions of euros)

Profit and Loss	**2014**	**2013**	**% var 14/13**
EBITDA	60.5	61.0	(0.7)
Profit before tax	55.7	57.5	(3.1)
Profit after tax	38.7	39.9	(3.0)
Sales	**2014**	**2013**	**% var 14/13**
New Sales	9.4	13.1	(28.2)
Service	136.3	143.3	(4.8)
Exports	36.3	24.3	49.4
Total	**182.0**	**180.7**	**0.8**
	2014	**2013**	**% var 14/13**
Orders received	15.6	19.9	(21.5)
Unfilled orders	73.4	87.9	(16.5)
Units under maintenance	283,572	269,155	5.4

- **DIVIDENDS**

In line with these results, following our policy of distributing a pay-out of close to 100%, on March 25, 2014, Zardoya Otis, S.A. declared its first dividend for 2014, which was also the first interim dividend charged to the profit for the year, to be paid on April 10, 2014 for a gross amount of 0.09 euros per share, resulting in a total gross amount of 37,642 thousand euros.

At this General Meeting, we will approve the payment of 0.08 euros per share to be paid on July 10, 2014 in the form of a monetary distribution of share premium and, immediately afterwards, a bonus issue of 1 new share for every 25 old shares, charged to reserves.

And, on behalf of the Board of Directors and on my own behalf, I conclude by expressing our deep gratitude to:

- Our customers, without whom we would not exist
- All those who work for and collaborate with our Group, without whose effort and dedication we would not be what we are
- Our shareholders, assuring you that we will do everything possible to maintain the trust you have placed in us

Kind regards

Mario Abajo García

Key Data at November 30

(Fiscal year end)

(Consolidated figures in millions of euros)

ANNUAL RESULTS	2013	2012	2011	2010	2009	13/12	12/11	11/10	10/09
						% variance over prior year			
Profit before tax	**225.2**	261.0	276.1	291.8	288.1	**(13.7)**	(5.5)	(5.4)	1.3
Profit after tax	**157.0**	181.1	194.0	205.1	202.1	**(13.3)**	(6.7)	(5.4)	1.5
EBITDA	**253.2**	278.0	289.2	305.5	299.5	**(8.9)**	(3.9)	(5.3)	2.0
Cash-Flow	**184.0**	197.9	209.2	221.0	216.2	**(7.0)**	(5.4)	(5.3)	2.2
Dividends paid	**147.7**	176.7	191.5	194.3	198.1	**(16.4)**	(7.7)	(1.5)	(1.9)

SHAREHOLDERS´ EQUITY	2013*	2012*	2011*	2010	2009	13/12	12/11	11/10	10/09
						% variance over prior year			
Capital and Reserves	**395.2**	238.5	229.5	244.0	233.3	**65.7**	3.9	(6.0)	4.6

(*) Includes Treasury Stock

SALES DATA	2013	2012	2011	2010	2009	13/12	12/11	11/10	10/09
						% variance over prior year			
New Installations	**53.8**	74.3	93.7	115.5	139.8	**(27.5)**	(20.7)	(18.8)	(17.4)
Service	**579.9**	602.8	631.0	666.7	668.2	**(3.8)**	(4.5)	(5.3)	(0.2)
Total Exports	**133.4**	144.6	109.2	94.4	94.2	**(7.8)**	32.4	15.7	0.2
Exports to Portugal and Morocco (*)	**(7.9)**	(12.5)	(14.8)	(13.7)	(17.1)	**(37.0)**	(15.8)	8.1	(19.5)
Net Exports (without Portugal)	**125.5**	132.1	94.3	80.6	77.1	**(5.0)**	40.0	17.0	4.5
Total	**759.2**	809.1	819.1	862.8	885.1	**(6.2)**	(1.2)	(5.1)	(2.5)

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

NEW INSTALLATIONS	2013	2012	2011	2010	2009	13/12	12/11	11/10	10/09
						% variance over prior year			
Orders Recived	**75.5**	78.6	90.4	114.1	114.7	**(3.8)**	(13.1)	(20.8)	(0.6)
Backlog	**76.1**	66.6	87.6	107.6	117.4	**14.2**	(24.0)	(18.5)	(8.3)

SERVICE DATA	2013	2012	2011	2010	2009	13/12	12/11	11/10	10/09
						% variance over prior year			
Units under maintenance	**284,940**	270,082	268,915	268,147	264,871	**5.5**	0.4	0.3	1.2
Maintenance centers	**372**	375	364	374	372	**(0.8)**	3.0	(2.7)	0.5

MAINPOWER	2013	2012	2011	2010	2009	13/12	12/11	2006	10/09
						% variance over prior year			
Total manpower	**5,399**	5,332	5,425	5,602	5,854	**1.3**	(1.7)	(3.2)	(4.3)

Stock Market data at December 31

(euros)

SHARE CAPITAL	2013	2012	2011	2010	2009
Amortized shares			0		
Number of shares before share capital increase	**385,241,499**	366,896,666	349,425,397	332,786,093	316,939,137
Number of shares (Non-monetary contribution)	**16,913,367**				
Splits	**-**	-	-	-	-
Share capital increase (bonus) ratio	**1x25**	1x20	1x20	1x20	1x20
Number of shares at December 31	**418,241,060**	385,241,499	366,896,666	349,425,397	332,786,093
Par value	**0.10**	0.10	0.10	0.10	0.10
Share capital (millions)	**41.8**	38.5	36.7	34.9	33.3

PROFIT PER SHARE	2013	2012	2011	2010	2009
Profit after Tax	**0.375**	0.470	0.529	0.587	0.607
P.A.T. adjusted by capital increase	**0.375**	0.433	0.464	0.490	0.483
Adjusted P.A.T. Variance %	**(13.3)**	(6.7)	(5.4)	1.5	0.5
EBITDA per share	**0.605**	0.722	0.788	0.874	0.900
EBITDA adjusted by capital increase	**0.605**	0.665	0.691	0.730	0.716
Adjusted EBITDA variance (%)	**(8.9)**	(3.9)	(5.3)	2.0	1,0

DIVIDEND PER SHARE*	2013	2012	2011	2010	2009
Dividend per share	**0.367**	0.482	0.548	0.584	0.625
Dividend adjusted by capital increase	**0.367**	0.441	0.478	0.486	0.495
% Variance adjusted dividend	**(16.81)**	(7.74)	(1.48)	(1.89)	(0.21)

(*) Calculated with dividends charged to F.Y. and partial distribution of share premium, with number of shares on December 31 th

PRICE PER SHARE	2013	2012	2011	2010	2009
Price	**13.15**	10.80	10.60	10.54	13.61
Price adjusted by share capital increase	**13.15**	9.95	9.30	8.81	10.83
% adjusted price variance	**32.2**	7.0	5.6	(18.7)	12.6

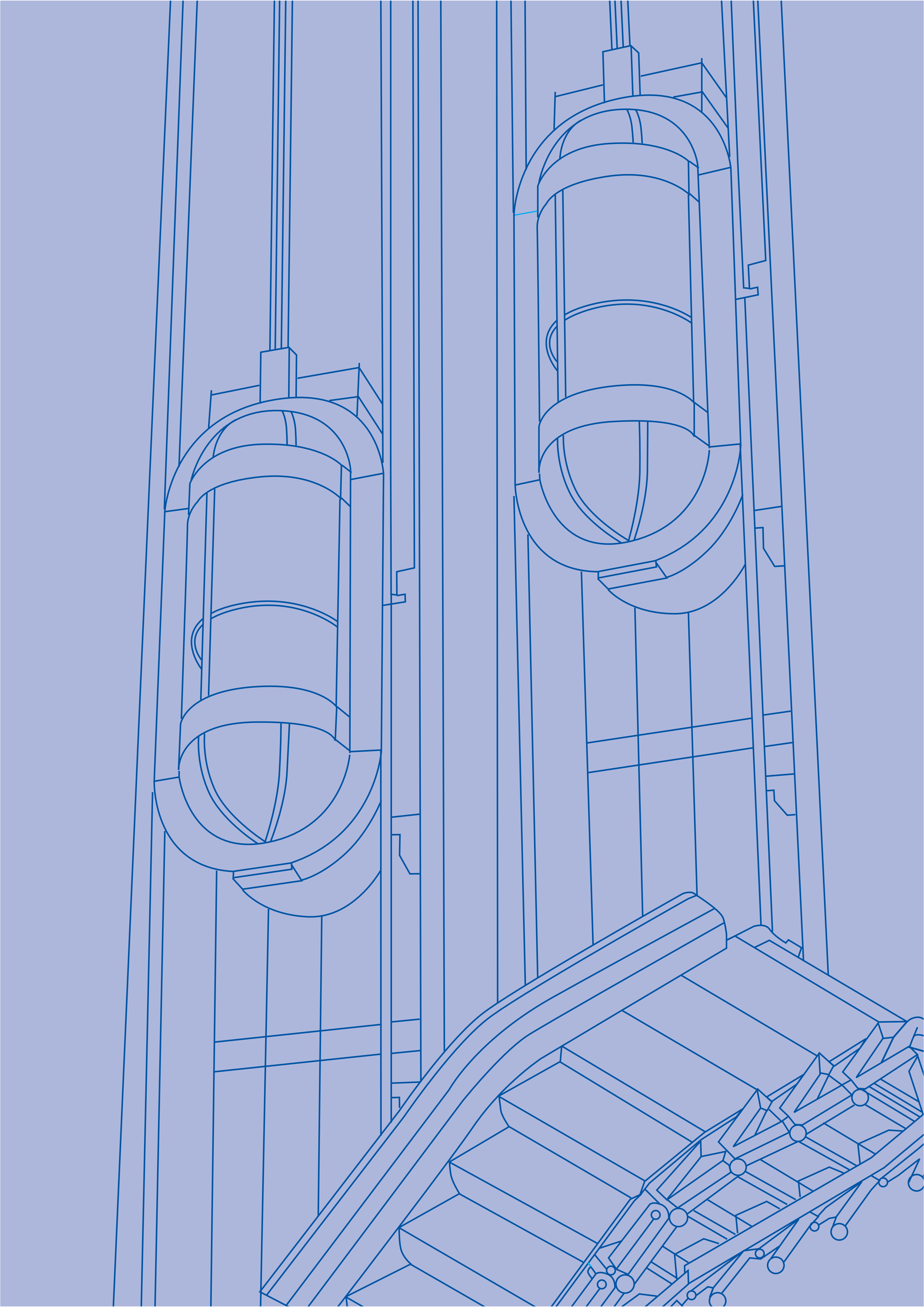
ANNUAL YIELD OF ONE SHARE (%) (*)	2013	2012	2011	2010	2009
Dividend	**3.400**	4.542	5.199	4.291	4.925
Increase in market value	**32.189**	6.981	5.598	(18.685)	12.612
Total	**35.589**	11.524	10.797	(14.394)	17.537

(*) Calculed with dividends charged to F.Y. and partial distribution of share premium,for a share owned on January 1st and valued at last price on December 31 th

TRADING DATA	2013	2012	2011	2010	2009
Market capitalization (millions)	**5,500**	4,161	3,889	3,683	4,529
Trading frequency (%)	**100.0**	100.0	100.0	100.0	100.0
Effective value traded (millions)	**691**	570	831	1,167	786

STOCK MARKET RATIOS	2013	2012	2011	2010	2009
PER (Price/net profit: number of times)	**35.0**	23.0	20.0	18.0	22.4
Pay-out % (Dividends paid/net profit)	**94.1**	97.6	98.7	94.8	98.0

STOCK MARKET RATIOS	2013	2012	2011	2010	2009
Zardoya Otis, S.A.					
Market capitalization at December 31 (Millions)	**5,500**	4,161	3,889	3,683	4,529
Market capitalization at January 1, 1990 (Millions) (Start of IBEX-35)	**331**	331	331	331	331
Market capitalization variance since January 1,1990	**5,168**	3,829	3,558	3,352	4,198
% Variance market capitalization since January 1,1990	**1,559.6**	1,155.5	1,037.6	1,011.4	1,266.7
% inter-annual variance market capitalization	**32.2**	7.0	5.6	(18.7)	12.6
IBEX-35					
IBEX-35 December 31	**9,917**	8,168	8,566	9,859	11,940
IBEX-35 at start (January 1, 1990	**3,000**	3,000	3,000	3,000	3,000
Variance IBEX-35 since January 1, 1990	**6,917**	5,168	5,566	6,859	8,940
% Variance IBEX-35 since January 1, 1990	**230.6**	172.3	185.5	228.6	298.0
% inter-annual variance IBEX-35	**21.4**	(4.7)	(13.1)	(17.4)	29.8



Management Report of Zardoya Otis

(Consolidated Accounts fiscal year 2013)
(thousands of euros)

OTIS

Presentation of the Annual Financial Statements

The consolidated annual financial statements of the Zardoya Otis Group at November 30, 2013 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations (IFRIC) adopted in the European Union and in force at said date.

ZARDOYA OTIS S.A.

Profit and Loss

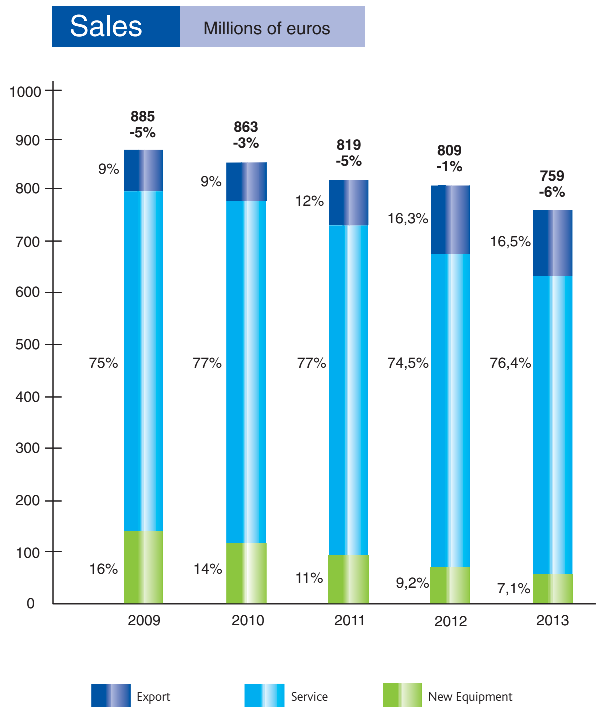
The consolidated profit before tax at the 2013 year end was 225.2 million euros, with a 13.7% reduction in respect of 261.0 million euros obtained in 2012.

The EBITDA (operating profit + depreciation + amortization) obtained in 2013 was 253.2 million euros, 8.9% lower on the 278.0 million euros obtained in 2012.

The consolidated profit after tax attributable to shareholders (net profit after non controlling interest) was 157.0 million euros, 13.3% less than the amount obtained in 2012.

The consolidated Cash Flow (net profit + depreciation + amortization) at the end of 2013, was 184.0 million euros, 7.0% lower to that of 2012.

Fiscal year 2013 figures includes the consolidation as of February of the results of the Enor group contributing with a profit before taxes of 7.2 million euros and an additional assets amortization of 3.2 million euros.



Total sales

The total consolidated sales figure reached 759.2 million euros, in comparison with the 809.1 million euros of 2012, or a drop of 6.2%.

The contribution of the 2013 sales of Enor group to the consolidated sales was 32.6 million euros.

New Sales

Work completed: The value of work completed in 2013 was 53.8 million euros, lower by 26.35% in relation to 2012, consequence of the already known lower activity in the construction sector in general and especially in residential construction.

In 2013, New Sales represented 7.09% of total billing (9.18% in 2012).

Orders received: The amount obtained in 2013 for orders received of New Installations, was 75.5 million euros, 3.8% below the figure obtained in 2012.

Backlog of unfilled orders: The backlog of unfilled orders at the end of 2013 grows by 14.2% over 2012 due to the inclusion of the Enor group portfolio and the computation of the non-completed refurbishment projects.

Service

Sales: Overall consolidated Service sales were 579.9 million euros, 3.8% less than in 2012, mainly affected by the moderation of level of consumer prices and the lower volume of completed modernization and repair projects

Service activity represented in 2013, 76.38% of total Group revenue.

Maintenance units:
In 2013 the number of units grew by 5.5% on the preceding year. In total, the maintenance portfolio reached by the Group is 284.940 units after the integration of the Enor group units.

Exports

Export sales totalled 125,5 million euros, with a reduction of 5% on the figure obtained last year.

In 2013, exports represented 16.53% of the Group's total consolidated revenue (16.32% in 2012).

Employee Headcount

At the end of 2013, Zardoya Otis Group employees were 5,399, which represent an increase of 1.3%, compared with 2012 after the incorporation of the Enor group.

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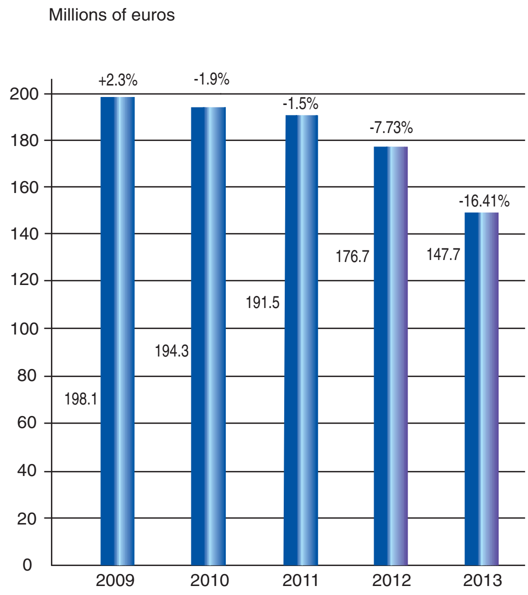
Dividends

Dividends and distribution of share Premium in 2013 were:

Data	Gross per Share	Charged to Shares entitled to the dividend		Total Gross Dividend
10 April	0,100 euros	1st a cta. 2013	402,154,866	40,215,486.60 €
10 July	0,080 euros	Distribution of share Premium	402,154,866	32,172,389.28 €
10 October	0,090 euros	2nd a cta. 2013	418,241,060	37,641,695.40 €
10 January	0,090 euros	3rd a cta. 2013	418,241,060	37,641,695.40 €
TOTAL DIVIDENDS PAID IN 2013				**147.671.266,68 €**

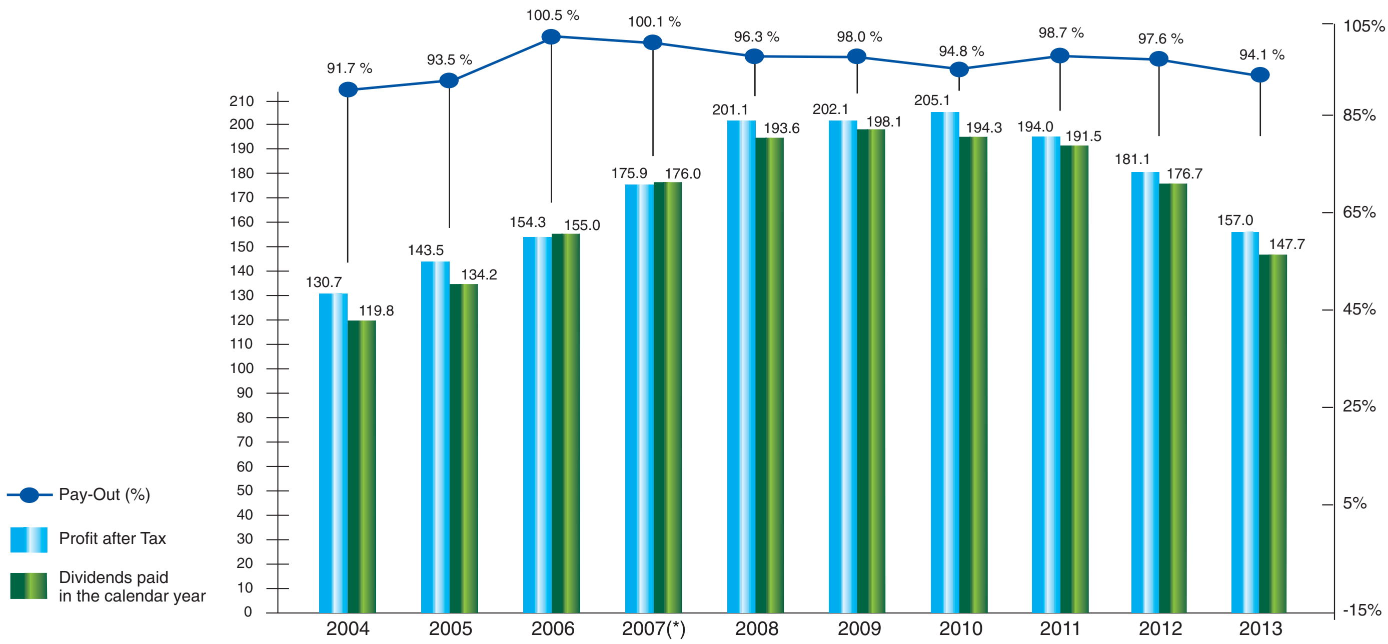


At November 30, 2013, interim dividends were declared for the year ended on said date for an amount of ETHs 77 850 (ETHs 90 246 in 2012). These interim dividends were paid for shares 1 to 402,154,866 (1st interim dividend) and shares 1 to 418,241,060 (2nd interim dividend). Additionally share premium was distributed partially to shares 1 to 402,154,866 on July 10, 2013, for an amount of Eths 32 172. Thus the total number of shares entitled to dividends rose excluding the treasury stock.

Dividends and partial distribution of share premium declared in 2013 totalled 147.7 million euros, with a reduction of 16.4% in comparison with the preceding year and represent a pay-out of 94,1% of the consolidated profit for the year attributable to shareholders of Zardoya Otis, S.A, continuing with the Company's policy of distributing to shareholders an amount close to a 100% pay-out.

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

Millions of euros



(*) Before Extraordinary Results

Capital Increase

On July 15, 2013, after the Partial distribution of Share Premium, the capital increase approved by the General Meeting of Shareholders held on May 27, 2013 took place.

The ratio was one new share for each twenty five old outstanding shares, by means of the issuance of 16.086.194 new bonus shares charged to the voluntary Reserve, for an amount of 1,608,619.40 euros.

The subscription took place from July 15, 2013 until July 30, 2013, both inclusive. As a result of this increase, the share capital rose to 41,824,106.00 euros, represented by 418,241,060 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 October 10, 2013 and January 10, 2014.

The new shares were listed on the Madrid, Barcelona, Valencia y Bilbao Stock Exchanges, effective September 5, 2013

Treasury Stock

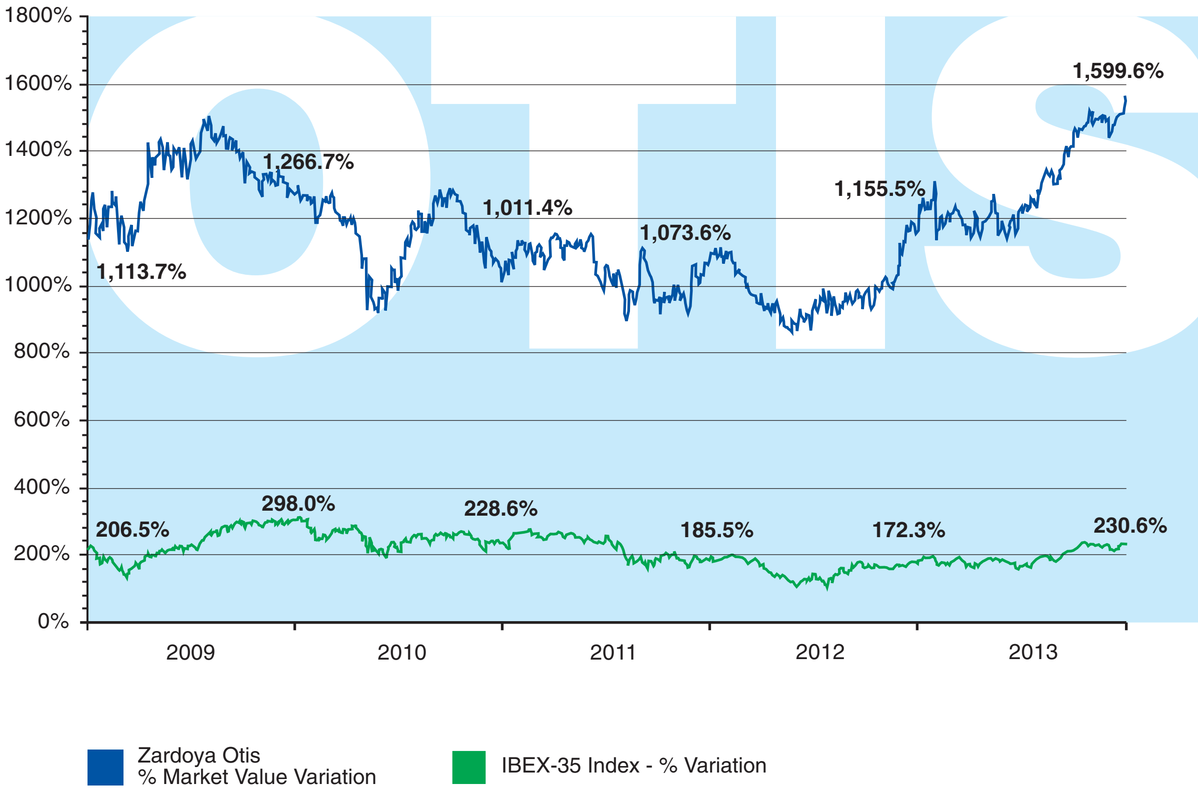
As of November, 30 2013 Zardoya Otis, S.A maintain 29,176 treasury shares (46.231 at 2012 year-end). Due to the non-controlling interest transaction mentioned in Note 6, Zardoya Otis exchanged 18,904 treasury shares. The above mentioned figure includes 1,849 shares received in the bonus issue.

The quoted price at the 2013 year end was 13,15 euros per share, which meant an increase in value of 32.2 %, compared to the adjusted price of 2012, while the IBEX value went increase by 21,4 %.

The share price is adjusted for comparative purpose as a consequence of the 1 x 25 bonus issue that took place in July 2013

Stock Indexes - % of Variation

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



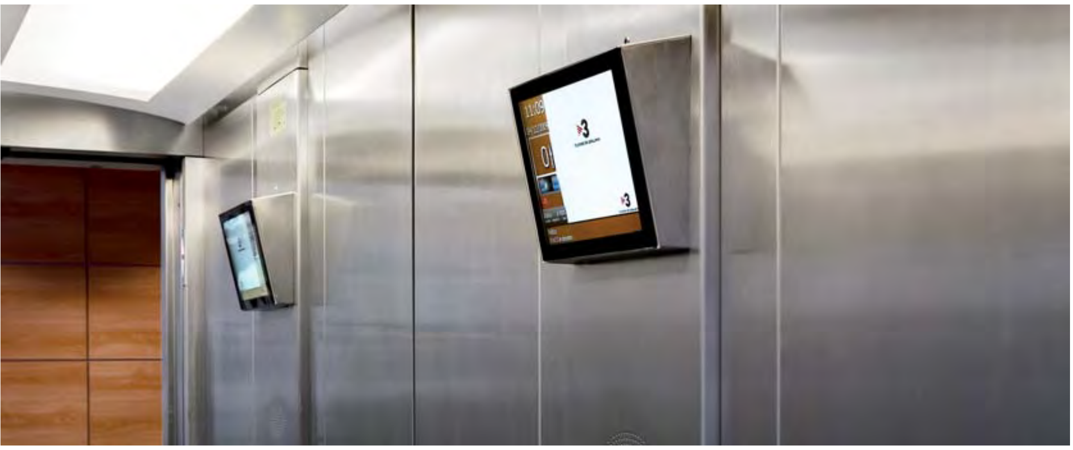
(euros)

Year	Capital increase and Splits	Shares Price: Last Price	Shares Price: Adjusted Price	Shares Price: Variance %	P.E.R.	Pay-Out %	Market Gapitalization (Millions)
dec-74		37.68	0.03		14.3		13.3
dec-91	1 x 5	61.30	0.97	15.5	14.0	75.5	404.4
dec-92		52.23	0.82	(14.8)	11.0	79.8	344.6
dec-93	1 x 10	81.74	1.42	72.2	17.0	80.8	593.1
dec-94	1 x 10	82.28	1.57	10.7	17.4	57.4	656.8
dec-95	1 x 10	79.63	1.67	6.5	17.0	98.4	699.2
dec-96	1 x 10	90.75	2.10	25.4	19.5	100.8	876.5
dec-97	1 x 10	106.68	2.71	29.3	22.0	80.8	1,133.4
dec-98	split 5 x 1 and 1 x 6	26.62	3.94	45.6	28.9	84.7	1,649.8
dec-99	split 2 x 1 and 1 x 10	9.77	3.18	(19.3)	21.2	89.9	1,332.1
dec-00	1 x 10	9.35	3.35	5.3	19.7	94.0	1,402.3
dec-01	1 x 10	10.42	4.07	21.5	20.7	90.8	1,703.6
dec-02	1 x 10	12.55	5.37	31.8	22.9	88.9	2,245.2
dec-03	1 x 10	16.50	7.76	44.6	28.0	87.4	3,247.1
dec-04	1 x 10	18.87	9.77	25.8	31.2	91.7	4,084.9
dec-05	1 x 10	21.40	12.18	24.7	35.5	93.5	5,095.8
dec-06	1 x 10	22.98	14.39	18.1	39.0	100.5	6,019.2
dec-07	1 x 10	19.37	13.34	(7.3)	31.7 (*)	100.1(*)	5,581.0
dec-08	1 x 10	12.69	9.62	(27.9)	20.0	96.3	4,022.0
dec-09	1 x 20	13.61	10.83	12.6	22.4	98.0	4,529.2
dec-10	1 x 20	10.54	8.81	(18.7)	18.0	94.8	3,682.9
dec-11	1 x 20	10.60	9.30	5.6	20.0	98.7	3,889.1
dec-12	1 x 20	10.80	9.95	7.0	23.0	97.6	4,160.6
dec-13	1 x 25	13.15	13.15	32.2	35.0	94.1	5,499.9

(*) Without Extraordinary Result

In 2013 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 14.2% increase than last year, while in Service the reduction in sales is only 3.8%.

At the end of 2013, New Installation sales represented only 7.09% of total while the principal activity, Service accounted for 76.38% of the total and Exports with a strong increase of 16.53%.



The Group's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, fair value interest 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.

In note 3 of the account of the year 2013 is presented the information with the following risks:

a) market risk:
a. risk of exchange
b. rate risk of price
c. risk of interest rate flows of cash and the fair value

b) risk of credit
c) risk of liquidity
d) risk of the capital

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.

In December 2012 Puertas Automáticas Portis S.L. signed an agreement to acquire from minority shareholders its own shares representing a 3.07 % for an amount of Eths 1,201. This transaction does not change the Zardoya Otis S.A. percentage of ownership in the subsidiary.

In December, 2012, Zardoya Otis, S.A. acquired the remaining 49% of Mototraccion Electrica Latierro, S.A. for an amount of EThs 3,573.

On December, 20 2012 the Board of Directors of Zardoya Otis, S.A. agreed to to call an Extraordinary General Shareholders' Meeting of the Company which took place in second call on January 30, 2013, with the following items in the agenda:

- Capital increase through a non-monetary contribution consisting of 3,338,463 registered shares representing the entirety of the share capital of the company Grupo Ascensores Enor, S.A. for a nominal amount of 3 euros by means of issuing 16.913.367 ordinary shares in the Company with a nominal value of 0.10 euros each.
- Authorization so that, in accordance with the contents of article 149 of the LSC, the Company may directly or indirectly accept its own shares as a guarantee.
- Amendment of article 9 of the Bylaws (rights conferred by the shares).

It was approved by the Extraordinary General Shareholders' Meeting to increase the Company's share capital, 38,524,149.90 euros, in the amount of 1,691,336.70 euros, by issuing 16,913,367 new ordinary shares in the Company with a nominal value of 0.10 euros each and a share premium of 9.10 per share (giving a total of 153,911,639.70 euros as a share premium).

On February 7, the 3.338.463 Enor shares, representatives of 100% of its capital, were exchanged by the 16.913.367 Zardoya Otis, S.A. shares issued to that effect, as registered in the commercial registry of Madrid on February 14, 2013. The book value attributed to these shares at market price is 175,729,883.13 euros. The new shares were admitted to trading on March 14th 2013, and to that date a total of 2.198.738 new shares have been pledged in favor of the company. There is no pact that restricts the free transferability of the remaining new shares.

The shares issued to execute the Capital Increase will be fully paid up by the shareholders owning the shares that represent 100% of the share capital of ENOR by means of a non-monetary contribution of 3,338,463 registered shares of ENOR, with a nominal value of 3 euros each, representing the entirety of ENOR's share capital.

The total cost of the business combination at February 7, 2013, determined provisionally totalled 175,729,883.13 euros There are no costs attributable to the business combination other than audit costs, assets valuation by independent expert and legal expenses on the transfer, which are not significant and registered as period cost when incurred. 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.

Additionally, there is a syndication agreement concluded between the two major shareholders of the company; United Technologies Holdings, S.A.S ("UTH") and Euro Syns, S.A., corresponding to the 2.10% of the share capital which has its origin in the operation of acquisition of group Ascensores Enor, S.A. described above and published by means of relevant fact date January 30, 2013.

Referred syndication Pact was held in the interest of the acquisition of Enor operation, so that UTH is holder at any time more than 50% of the voting rights on society.

In July, 2013, Zardoya Otis, S.A. acquired the remaining 30% of Cruxent-Edelma, S.L., for an amount of ETHs 13,328.

Additionally, in July, 2013 Zardoya Otis, S.A. acquired the 8.33% of the non-controlling interest of the company Admotion, SL. valued in Eths 200 using the Treasury Stock (18.904 shares held in portfolio) for payment.

In October, 2013 Zardoya Otis, S.A. acquired another 8.33% of the non-controlling interest of the company Admotion, SL. for an amount of Eths 230 paid in cash.

In November 2013, Portis S.L. used its own shares held since December 2012 in payment of the Eths 1,179 outstanding from the acquisition of Fercas. The rest of treasury stock, ETHs 22, were cancelled against the company equity.

The transactions with non-controlling interest will be reflected in the annual accounts corresponding to the fiscal year started in December 2012 and will be recognized as a minority transaction, thus without impact on the consolidated profit of the period.

Significant events after the end of the reporting period

On December 10, 2013 Zardoya Otis, S.A declared the fourth dividend corresponding to 2013, third on account of the fiscal year profit, for an amount of 0.09 Euros gross per share, resulting in a total dividend gross of ETHs. 37.641. The payment of this dividend was paid on January 10, 2014.
In January, 2014 Zardoya Otis, S.A. acquired the remaining 8.33% of the non-controlling interest of the company Admotion, SL., thus completing the 100% ownership of such company. The payment was done using the treasury stock (18.500 shares).
In February of 2014 Zardoya Otis, S.A. has presented a bank guarantee worth EMls 2 845 as a result of the resolution against several companies including Zardoya Otis, S., dictated by the “Consejo de la Comisión nacional de la Competencia” in September 2013. The Company has appealed at the Audiencia Nacional, for what is required the presentation of the mentioned bank guarantee that will be maintained until the resolution of the same.

Annual corporate governance report

The report annual of corporate governance of the financial year 2013, is part of the present management report.

This report i son page 95 of this annual report.

In 2013, Zardoya Otis maintained and reinforced its commitment to strict compliance with current legislation, always operating within the framework defined by its Code of Ethics. Likewise, it highlighted and encouraged the use of the Dialogue program among its employees , so that any query or concern regarding ethics, compliance or business practices could be raised.

As a result, in general terms, in the Employee Survey that was carried out in 2013, the improvement obtained in comparison with the 2011 campaign was substantial in the ethics field, with a global improvement of 6% in said section.

The most important aspects implemented were the following:

- Training in Ethics for all employees through courses on line and in person.

- Completion of the annual certification declaring conflicts of interest, reviewing all those declared and taking the measures necessary to eliminate them or adapting specific situations so as to operate correctly, under the control of Management and business practices director.

- Launching and implementation of UTC's new no-reprisals policy, in order to reinforce use of the Dialogue program and minimize any concern the employees might have in respect of consulting specific issues related to the Code of Ethics or business practices.

- Implementation of and compliance with the export rules (International Trade Compliance), ensuring that all relations with suppliers and customers were conducted correctly and eliminating any relationship with entities or persons classified as denied parties. All our suppliers and customers have been reviewed to confirm that they are not classified under the aforementioned definition: 220,000 references checked.

- Analysis and solution of all the cases opened in the year through queries to the Dialogue program, providing a definitive solution to each one of them.

Zardoya Otis was awarded the installation and maintenance of the elevators for the new hospital in Vigo. This is the largest public health project that is currently in progress in Spain and will provide healthcare to more than 600,000 people.

We are installing a total of 46 Otis GeN2 Comfort elevators, equipped with leading-edge technology and highly energy efficient, likewise providing an unbeatable performance in terms of comfort and safety. Most of the elevators are high-capacity, enabling them to transport beds and stretchers.

The new Vigo hospital, promoted by the regional government of Galicia, will be one of the most advanced hospitals in the world and will be in the technological vanguard.

The building has state-of-the-art active and passive environmental protection measures, into which the Zardoya Otis equipment fits perfectly, since it does not generate pollutants and represents significant energy saving due to its advanced technology.

Another important contract was the contract obtained for installation of vertical transport equipment at the new gastronomic leisure centre in the Spanish capital: Platea Madrid.

This complex is in the heart of the Salamanca district and will become one of the most important places to visit among the multiple culinary and leisure experiences that the city offers.

A total of nine pieces of equipment will be installed in this project: six latest-generation elevators, two escalators and one stair lift.

The Museo del Prado, one of the most important art galleries in the world, also entrusted the maintenance of its vertical transport equipment to Zardoya Otis. In a public tender bid, Zardoya Otis was the company that obtained the highest score from among the nine candidates. As a result, it was awarded the maintenance contract for the elevators and escalators in the Museo del Prado for the next two years.

In 2013, we dispatched the following abroad:
- 4,600 elevators
- 42,000 machines
- 119,600 speed limiters
- 2,500 sets of safety equipment

The total amount, placing Zardoya Otis among the principal exporting companies in Spain.

As highlights, we can mention:
- Our customers are in more than 100 countries in 4 continents.
- In 2013, we sold for the first time the countries like Jamaica, Trinidad-Tobago, Nicaragua, Guatemala, Benin, Burundi, Guyana and Tanzania.
- In Europe, our most important customers were Italy, with over 1,500 orders, Portugal, with over 200, Germany, with over 100 and France, with more than 70 orders.
- In Africa, we sold a total of 915 elevators to over 30 different countries. Our main customer in the area was Morocco, with more than 400 elevators.
- In the Middle East, our sales exceeded 1,700 elevators, principally to Saudi Arabia, Turkey, Kuwait and Iraq.
- In America, total sales were more than 500 elevators, our main customers being Mexico, Peru and Uruguay.

Special mention should be made of the orders received for the Olympic Village in Sochi in Russia, the 100 units of Acarsan for Iraq, and the sales to Egypt, Israel and Ethiopia for office buildings, which totalled more than 60 units.

Special elevators for the marine industry

As forecast a year ago, the results of the strategic inclusion of Enor in the Zardoya Otis Group are beginning to be seen in the increase in exports from Vigo, which rose heavily on previous years due to the manufacture of naval and special contracts, where Enor has great experience and is the national market leader.

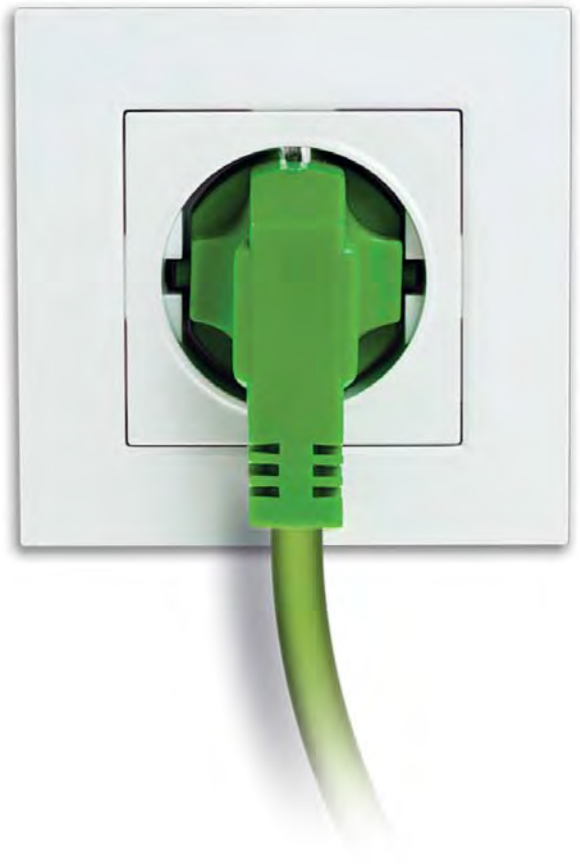
Bids and orders in the naval area, which had sales of 319,000 euros in 2012, increased in the last few months of the year, ending 2013 with orders for almost three million euros. The destinations of some of these elevators for ships were Ecovix and EEP in Brazil, Cosco Nantong Shipyard in China, Procco International Co. in Hong Kong and Fincantieri in Italy.

Regarding special equipment, in 2013, more than 170 bids were placed for a value of 20 million euros in more than 20 countries, thanks to Otis's commercial networks. Sales made for such unique projects as the Jeddah Airport in Saudi Arabia, the ABB petrochemical company, likewise in Saudi Arabia, or a cement plant in Cameroon may be highlighted.

OTIS

Products adapted
to the customer´s needs

GeN2™ Switch



Otis GeN2 Switch, the elevator that runs on solar energy

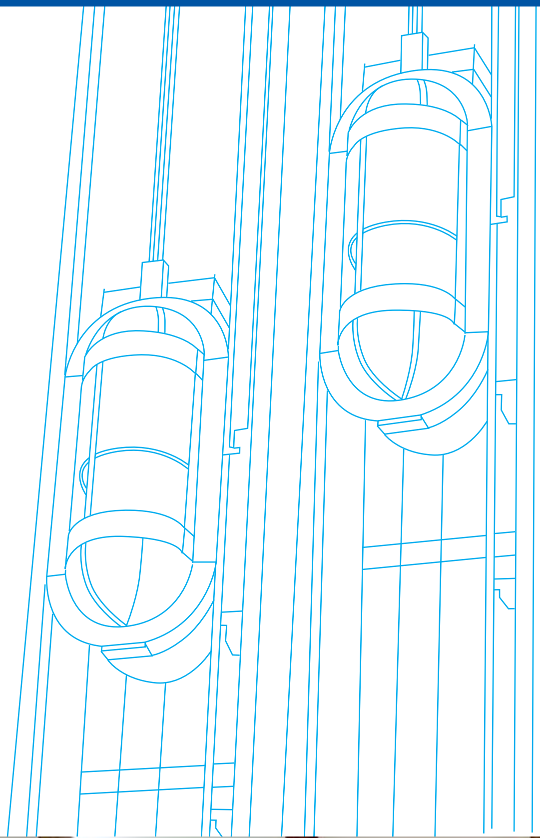
Safety, saving and sustainability are the characteristics that define the Otis GeN2 Switch elevator. This product was launched in the market in mid-2013 and, by the end of the year, more than 90 units had been sold, proving the market's recognition of an unbeatable product:

Safe, because the Switch elevator, in addition to meeting Otis's demanding safety requirements, guarantees more than 100 rides without the need for electricity.

Saving, because it does not need a three-phase installation and runs with power of 500w, less than a microwave oven. It is an elevator converted into a household appliance.

Sustainable, because it is 80% more efficient that a conventional elevator. It is equipped with a permanent-magnet gearless machine and LED lighting, which switches of automatically in the car. Furthermore, it incorporates RegenDrive for energy regeneration.

Otis has gone a step further in the path to sustainability and has made it possible for its elevators to run on solar energy, thus reducing operating costs to a minimum.



GeN2 Mod

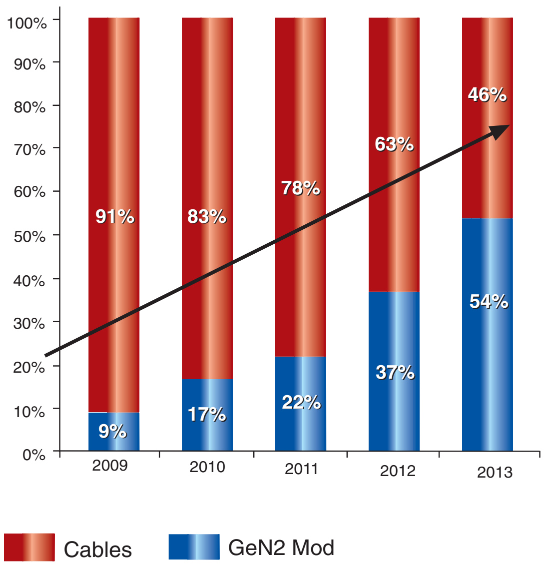
If the use of flat belts instead of cables marked the beginning of the second generation of elevators, the application of this technology to already-existing elevators has made it possible to modernize an elevator very quickly, without the need for building works, achieving the same advantages as with a new elevator:

- Energy regeneration, reducing consumption by 80%
- No additional lubrication
- LED lighting, meaning less consumption and greater durability
- Runs smoothly and silently
- High stopping precision

As an example, in a hydraulic elevator modernized with GeN2 technology, the noise inside the car is reduced by more than 20 dbA.

These multiple advantages and its compatibility with already-existing elevators have been recognized by the market and, over 5 years, it has risen from 9% of the total modernizations to 54% in 2013.

GeN2 Mod (Evolution of sales)



At Zardoya Otis, we consider the relationship with customers and employees to be based on our values (safety, compliance with the Code of Ethics, internal control and service excellence). We have a committed human team, with talent and dedication, that allows Zardoya Otis to adapt to a complex and demanding environment. We place a clear bet on the training of our employees so that we continue to be a benchmark company and are able to emerge successfully from situations so complex as the present one.

Training and professional development

At Zardoya Otis, aware of the importance of managing our internal talent as the basis for developing our business, we continue to make significant efforts to allow all the people whom we employ, who are, together with our customers, our main asset, to grow.

Employee training is one of the Company's fundamental objectives. Employees take part in a continuing education program to improve their work skills and efficiency. In 2013, they received an average of 35.31 hours of training in safety, ethics, technical training, quality, sales and languages, among other subjects.

In addition to continuing education, there are different individual training programs, such as the UTC Employee Scholar Program, in which all employees who have been with the organization for at least one year, may ask to study at a university and receive a grant from the organization. Likewise, there is the Otis University, a training plan that covers different areas of the organization in an international environment. There are other skill development programs for employees identified as having a high potential, training programs for Otis trainers and management programs for middle management.

In order to create a culture of high performance and cooperation with the employees that is focused on continual improvement, the employees and their managers assess performance, potential and plans for the future, as well as international opportunities.

Social benefits

Zardoya Otis makes very different and varied social benefits available to all its employees.

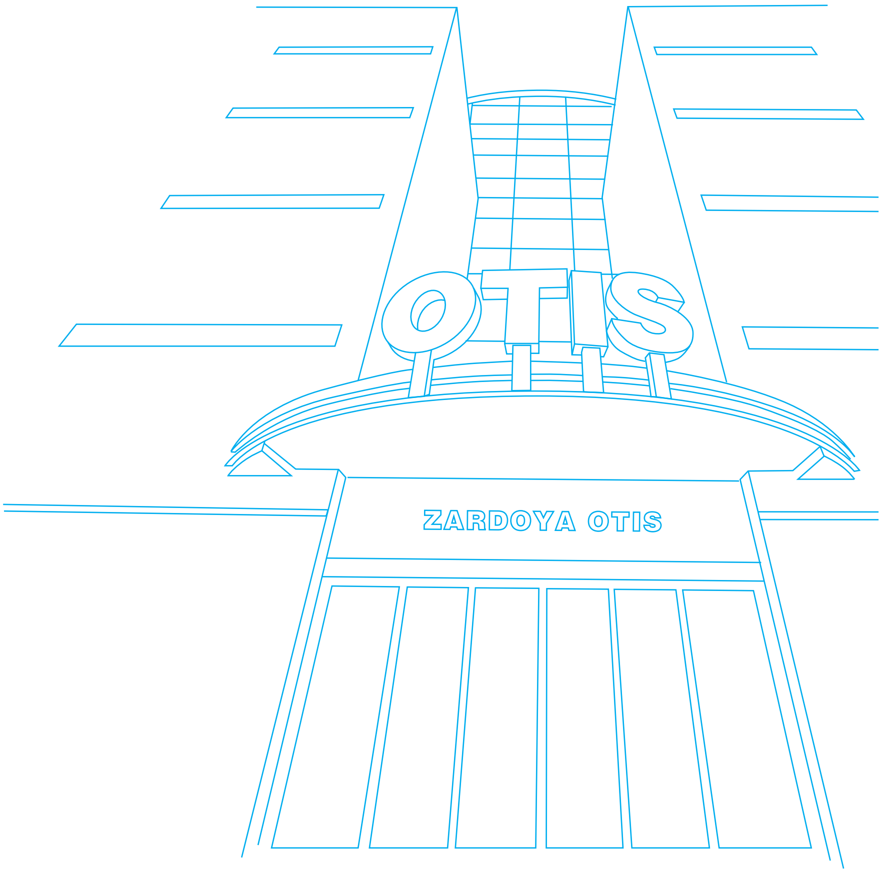
In 2013, the Company introduced medical insurance through the flexible remuneration. The Company likewise offers its employees opportunities in leisure, travel, sport, health and automobiles, among other items.

The workers also have the opportunity to take out voluntary life, disability and retirement insurance.

We have a Support Unit that provides advice on disability and accessibility to anyone who requests information on equal opportunities at work or in the family.

In relation to financial help, Zardoya Otis offers financial support for special education for employees' children with some kind of disability or special need. Likewise, all employees with school- or kindergarten-age children receive a sum for education. Other economic help available is loans for home acquisition or renovation and personal loans.

In addition to economic benefits, employees are offered supplements in the event of some kinds of remunerated leave of absence, specific health programs (vaccinations, special diagnostic tests, anti-smoking programs), etc.



We listen to our employees

The opinions of our employees are very important and, therefore, we have different internal communication channels through which they may send us the opinions, suggestions, comments or complaints they see fit.

The Suggestions program allows all our workers to put forward new proposals that may improve any process, product or service and there are prizes for the best suggestions received.

The Dialogue program enables any employee, on a fully confidential basis, to report any problem, complaint or breach of the Code of Ethics that he/she wishes to make known to the Employee Ombudsman, both nationally and internationally.

One of the most important communication channels that provides our employees with a voice is the UTC Employee Survey, the full version of which is carried out every two years. In spring 2013 the employees had the chance to take part in this Survey and many did so, with a participation rate of 86%.

The results showed a general satisfaction rate of 63%, representing an increase of 6 percentage points on the 2011 survey. The highest scores were obtained in the Company's three fundamental values: ethics, safety and customers.

The results likewise showed that we want to continue to improve in many aspects and allowed a higher number of people from each work centre to participate in the design of more specific action plans, which have now come into operation and are beginning to bear their fruits.

In 2014, the employees will be able to give their opinions on the actions taken through a mini-survey, the results of which will be extremely valuable in helping us to improve.

Corporate social responsibility

Zardoya Otis bets firmly on a constant and effective participation in social action through active collaboration with different NGOs and corporate social responsibility actions.
Different associations and NGOs receive the voluntary help and collaboration of employees in their many activities, as well as financial contributions that are used to take steps that contribute to the development of our society.

Zardoya Otis is always present in the main industry forums in which our customers participate and likewise promotes events intended to make our technological capacity, innovative products and concern for the environment known.

2013 was marked by two basic events: the 100th anniversary of the invention of the elevator and the launching of the revolutionary elevator Otis GeN2 Switch. We celebrated both of these with our main customers at a large national event and, subsequently, at 22 regional events in different geographical areas, all of which were very well attended.

Among other professional events, Zardoya Otis had a prominent presence at the Symposium of Technical Architects in Barcelona, the Madrid Real Estate Exhibition, the Albacete Energy Efficiency Fair, the Building Conference at the Universidad Politécnica de Madrid and the Housing Cooperatives Conference, also in Madrid.

To talk about sustainability, energy efficiency and renovation, different professionals from the Company were speakers in such important forums as the Developers Associations of La Coruña, Barcelona and Alicante, the Professional Architects Associations of Madrid and Cadiz, the Professional Engineers Association of Barcelona, and the Professional Technical Architects Associations of Cadiz and Tenerife, as well as at various technical conferences organized by the Madrid Regional Government.

Future professionals and potential customers from the Higher Technical Schools of Architecture of San Sebastian, Valladolid and Burgos and the Schools of Engineering of Granada and Barcelona were also able to find out about the professional development possibilities offered by Zardoya Otis.

Otis Elevator obtained a patent for a new invention developed by Spanish engineers: an elevator configuration that allows both the overhead and pit dimensions to be reduced at the same time. It is a development of the Gen2 Flex elevator (with a cantilever configuration) in which the design and location of the components, including a speed limiter on the car, allow a very compact configuration.

It is very important for an elevator to occupy as little space as possible, especially in old buildings where it is non-existent. In these cases, when seeking space, the limitations imposed by the roof or the garage make the equipment difficult to install.

This new elevator solves this problem since, as it does not need either a pit or space overhead, it can be installed in any space available. Furthermore, as it is a Flex elevator, it only needs one bearing wall to fix the elevator to the building.

This patent is a further example of the high level of Zardoya Otis's R&D team, recognized all over the world, which, over the Company's history, has developed leading-edge products that have become great commercial successes.

The President´s Awards 2013 give Zardoya Otis a double reward

Zardoya Otis won the 2013 President's Awards in the categories of “Initiative and growth” and “Innovation”. The President's Awards were introduced in 2003 and are given by the worldwide President of Otis, who seeks to recognize the most valuable contributions made to the company during the year in different business areas.

As a growth initiative, the award was for the incorporation of Enor into the Zardoya Otis Group. This acquisition contributed 18,000 units under maintenance and growth in new market segments, both in Spain and abroad, thanks to Enor's long experience in the naval and special elevator sectors.

In the “Innovation” category, the engineering team's effort to develop a communication device inside the elevator that will help to change the business model currently in service and improve the passenger's experience was recognized. The Digital Multi Screen, which is already in operation in Spain, will be introduced worldwide.

NAN Award of Architecture and Construction

Zardoya Otis was among the winners of the VII Premios NAN de Arquitectura y Construcción (7th NAN Awards for Architecture and Construction) in the best construction solution category for the innovative Otis GeN2 Switch, an elevator that does not require a three-phase electricity installation, needing power of only 500W (less than a microwave oven), and is capable of making 100 trips without an electricity supply.

The jury was formed by prestigious architects and chaired by Jordi Ludevid I Anglada, President of the Consejo Superior de Colegios de Arquitectos de España (Higher Council of Professional Architects Associations of Spain). The Premios NAN de Arquitectura y Construcción, which have just been awarded and have been being organized annually for seven years now, seek to recognize the best architectural projects and the most innovative construction materials or equipment.

This award is an exceptional recognition of our product's quality and advantages. Thus, once again, Otis has marked an important milestone in the elevator world.

Consolidated Annual Financial Statements

Audit Committee

The Audit Committee met eight times in 2013, 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 Markets Commision (CNMV) and the Stock Exchanges.

2. Reports on payment of the quarterly dividends changes to the 2013 profit and a monetary distribution of share premium.

3. Review, wht 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 2012 and the interim statements relating to the first hast of 2013, which were subsequently formulated by the Board of Directors.

4. Review of the Annual Corporate Government Report for the year 2012 and the supplementary information to the Report, with the description of the systems Internal Control and risk management, in relation to the issuance of financial reporting (ICFR) process applied in the company.

5. Review of the report prepared by PwC assessment of the level of compliance with company requirements referred to above, in terms of internal controls and risk management systems.

6. Review of annual report on director compensation for the year 2012.

7. Review of related-party transactions.

8. Proposals to the Board of Directors for appointment of the external auditors of Zardoya Otis, S.A. and the consolidated Group for the year 2013.

9. Review of the report on the independence of the external auditors for the works of the financial statements at the 2012 year end.

10. Director compensation.

11. Monitoring of the 2012 Internal Control Program and review of the 2013 program, together with supervision of the Internal Control over Financial Reporting (ICFR) system.

12. Review of the risk control system: operating, technological, financial, legal, reputational and strategic risks.

13. 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.

14. 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.

15. Bonus issue and the closure thereof.

16. Review of the confidential communication channel put in place by the Group, together with the relevant action plans.

17. Conflicts of interest and annual certification.

18. Review of business combinations.

19. Review of the impairment test performed related to goodwill.

20. Review of the financial operational plan for the integration of the Group Enor.

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. (the Company) and its subsidiaries (the Group), consisting of the consolidated balance sheet at 30 November 2013, 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 2013 present fairly, in all material respects, the consolidated financial position of Zardoya Otis, S.A. and its subsidiaries at 30 November 2013 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 2013 contains the explanations which the 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 2013. 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.

Original Spanish version signed by Stefan Mundorf
Audit Partner

18 March 2014

Zardoya Otis, S.A. and Subsidiaries
Consolidated Statement of Financial Position

At November 30, 2013 and 2012 (Thousands of Euros - ETHs)

	2013	2012
ASSETS		
NONCURRENT ASSETS		
Property, plant & equipment (Note 5)	**66,744**	52,675
Intangible assets (Note 6)	**206,917**	134,042
Goodwill (Note 6)	**134,643**	56,663
Financial investments (Note 7)	**725**	543
Deferred tax assets (Note 18)	**25,532**	25,510
Other noncurrent assets (Notes 7 and 8)	**4,297**	6,276
	438,858	275,709
CURRENT ASSETS		
Inventories (Note 9)	**25,090**	28,706
Financial receivables (Note 7)	**373**	453
Trade and other receivables (Notes 7 and 8)	**202,921**	218,746
Cash and cash equivalents (Notes 7 and 10)	**44,895**	37,106
	273,279	285,011
TOTAL ASSETS	**712,137**	560,720

Notes 1 to 37 form an integral part of these Consolidated Annual Financial Statements.

	2013	2012
EQUITY		
Share capital (Note 11)	**41,824**	38,524
Share Premium	**141,870**	-
Legal Reserve (Note 13)	**8,445**	7,705
Reserves in subsidiaries & other reserves (Note 14)	**124,198**	101,805
Treasury stock (Note 12)	**(251)**	(425)
Retained earnings (Note 15)	**157,005**	181,097
INTERIM DIVIDENDS PAID (Note 29)	**(77,850)**	(90,246)
FOREIGN EXCHANGE DIFFERENCES	**(283)**	(216)
NON-CONTROLLING INTERESTS (Notes 2 and 15)	**15,601**	24,073
TOTAL EQUITY	**410,559**	262,317
LIABILITIES		
NONCURRENT LIABILITIES		
Other payables (Notes 7 and 16)	**7,909**	1,698
Borrowings (Notes 7 and 20)	**10,050**	18,539
Welfare commitments (Note 19)	**10,027**	12,182
Provisions for other liabilities and expenses (Note 21)	**4,797**	3,332
Deferred tax liabilities (Note 18)	**33,618**	9,372
	66,401	45,123
CURRENT LIABILITIES		
Trade and other payables (Notes 7 and 16)	**201,336**	210,900
Current tax liabilities (Note 17)	**6,881**	12,283
Borrowings (Notes 7 and 20)	**9,031**	12,585
Provisions for other liabilities and expenses (Note 21)	**17,929**	17,512
	235,177	253,280
TOTAL LIABILITIES	**301,578**	298,403
TOTAL EQUITY AND LIABILITIES	**712,137**	560,720

Notes 1 to 37 form an integral part of these Consolidated Annual Financial Statements.

Consolidated Income Statements

For the years ended November 30, 2013 and 2012
(Thousands of euros - ETh s)

	2013	2012
Sales (Note 22)	759,231	809,118
Other revenue	3,831	4,566
Raw materials and consumables used (Note 24)	(197,413)	(216,453)
Employee benefit expense (Note 23)	(251,881)	(252,216)
Amortization, depreciation and impairment losses (Note 5.6)	(26,966)	(16,758)
Other net expense (Note 25)	(60,575)	(67,039)
OPERATING PROFIT	226,227	261,218
Revenue from financing activities (Note 26)	817	938
Costs of financing activities (Note 26)	(2,089)	(1,163)
Net foreign exchange differences (Note 26)	57	24
Share in (loss)/profit of associates	-	-
OTHER GAINS AND LOSSES	140	4
PROFIT BEFORE TAX	225,152	261,021
Income tax expense (Note 27)	(67,007)	(76,924)
PROFIT FROM CONTINUING OPERATIONS	158,145	184,097
PROFIT FROM CONTINUING OPERATIONS AFTER TAX (Note 15)	158,145	184,097
ATTRIBUTABLE TO:		
Shareholders of the Company (Note 15)	157,005	181,097
Non controlling interests (Note 15)	1,140	3,000
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	0,38	0,49
- Diluted	-	-

Consolidated Statement of Comprehensive Income

For the years ended November 30, 2013 and 2012
(Thousands of euros - ETh s)

	2013	2012
Profit for the year (Note 15)	158,145	184,097
Other comprehensive income:		
Items that can be transferred to profit:		
Exchange rate differences	(67)	104
Other comprehensive income for the year, net of taxes		
Total comprehensive income for the year, net of taxes	158,078	184,201
Attributable to:		
- Shareholders of the Company	156,938	181,201
- Non controlling interests	1,140	3,000

Notes 1 to 37 form an integral part of these Consolidated Annual Financial Statements.

Consolidated Statements of Changes in Equity

For the years ended November 30, 2013 and 2012
(Thousands of euros - ETHs)

	Attributable to shareholders							Non controlling interests	Total equity
	Share capital	Share premium	Legal Reserve	Treasury stock	Accumulated foreign exchange differences	Reserves in subsidiaries & other reserves	Retained earnings		
Balance at November 30, 2011	**36,690**	**-**	**6,989**	**(8,322)**	**(320)**	**98,562**	**95,553**	**14,183**	**243,335**
Comprehensive profit for the year (Note 15)					104		181,097	3,000	184,201
Distribution of profit (Note 15)			716			49,107	(194,004)		(144,181)
Dividend relating to 2011 (Note 29)							144,181		144,181
Capital increase (Note 11)	1,834					(1,834)			-
Treasury stock transactions (Note 12)				7,897					7,897
Dividend 2012 (Note 29)						(44,022)	(135,976)		(179,998)
Business combinations (Note 33)						(40)		9,330	9,290
Other movements						32		(2,440)	(2,408)
Balance at November 30, 2012	**38,524**	**-**	**7,705**	**(425)**	**(216)**	**101,805**	**90,851**	**24,073**	**262,317**
Comprehensive profit for the year (Note 15)					(67)		157,005	1,140	158,078
Distribution of profit 2012 (Note 15)			740			47,740	(181,097)		(132,617)
Dividend relating to 2012 (Note 29)							132,617		132,617
Capital increase (Note 11)	3,300	174,039				(1,609)			175,730
Treasury stock transactions (Note 12)				174		26			200
Dividend 2013 (Note 29)							(120,221)		(120,221)
Share premium distribution (Note 29)		(32,169)							(32,169)
Non controlling interests transactions (Notes 2 and 6)						(23,764)		(7,629)	(31,393)
Other movements								(1,983)	(1,983)
Balance at November 30, 2013	**41,824**	**141,870**	**8,445**	**(251)**	**(283)**	**124,198**	**79,155**	**15,601**	**410,559**

Notes 1 to 37 form an integral part of these Consolidated Annual Financial Statements.

Consolidated Statements of Cash Flows

For the years ended November 30, 2013 and 2012
(Thousands of euros - ETHs)

	2013	2012
Net profit	**157,005**	**181,097**
Adjustments to profit:		
Amortization/depreciation/provisions (Note 5.6.8)	**31,262**	23,732
Taxes (Note 27)	**67,007**	76,924
Other losses and gains (Note 26)	**1,272**	225
Gains/(losses) on sales of fixed assets	**(140)**	(4)
Tax payment for the year (Note 27)	**(62,001)**	(62,022)
Net cash generated by operating activities	**(12,669)**	(46,620)
Profit attributable to non-controlling interests (Note 15)	**1,140**	3,000
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES (Note 30)	**182,876**	**176,332**
Investment in property, plant & equipment/intangible assets (Note 5.6)	**(6,024)**	(9,220)
Acquisition of subsidiaries (Notes 6 and 33)	**(17,637)**	(31,387)
Acquisition of other financial assets	**226**	(42)
Business combinations in kind	**12,781**	-
CASH FLOWS USED IN INVESTING ACTIVITIES	**(10,654)**	**(40,649)**
Dividends paid (Note 29)	**(152,390)**	(179,998)
Treasury stock acquisition (Note 12)	**-**	(1,828)
Band debt (Note 20)	**(12,043)**	16,468
CASH FLOWS USED IN FINANCING ACTIVITIES	**(164,433)**	**(165,358)**
VARIATION IN CASH AND CASH EQUIVALENTS	**7,789**	**(29,675)**
Cash and cash equivalents at the beginning of the period (Note 10)	**37,106**	66,781
Cash and cash equivalents at the end of the period (Note 10)	**44,895**	37,106

Notes 1 to 37 form an integral part of these Consolidated Annual Financial Statements.

Notes to the Consolidated Annual Financial Statements for the years 2013 and 2012

(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 Modernization Centres in Munguia (Vizcaya) and Vigo (Pontevedra).

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 interest in the Group of 48.60% of the Company's shares. The company forms part of the UTC Group, incorporated in the United States of America (Note 34). 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 26, 2014 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, 2013 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, 2013 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 in the Statement of FInancial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period 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 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 taxable income will be available against which to offset the temporary differences and are reviewed in accordance with any legal changes or circumstances that may affect their recoverability (Note 2.17).

2.2 Consolidation principles

Subsidiaries are all companies in which the Group has the power to govern the financial and operating policies, which, in the latter case, implies a shareholding of more than half the voting rights. When assessing whether the Group controls another entity, the existence of any potential voting rights that are exercisable or convertible is considered. Subsidiaries are fully consolidated from the date on which control is transferred to the Group unless the information provided by the company is not sufficiently reliable and is not material. They are de-consolidated from the date that control ceases.

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

The annual consolidated financial statements have been prepared applying the full integration method to the accounting records of Zardoya Otis, S.A. and its subsidiary companies, by including all the balance sheet and profit and loss items arising from the accounting records. Certain reclassifications have been made in order to improve the presentation of the consolidated financial statements and the related non controlling 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. The costs related to acquisition are recognized as expenses in the period incurred.

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	2013 %	2013 Carrying amount (Thousands of euros)	2012 %	2012 Carrying amount (Thousands of euros)	Parent company
(+) 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 & Service of Elevators	100.00%	3,404	100.00%	3,404	Zardoya Otis, S.A.
(+) Cruxent-Edelma, S.L. (Barcelona)	Installation & Service of Elevators	100.00%	26,504	70.00%	13,176	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	100.00%	4,073	51.00%	493	Zardoya Otis, S.A.
(+) Puertas Automáticas 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.
Masel Otis Elevadores Madeira Lda. (Portugal)	Installation & Service of Elevators	60.00%	2,104	60.00%	2,104	Otis Elevadores Lda.
(+) Ascensores Pertor, S.L. (Valencia)	Installation & Service of Elevators	94.13%	17,393	94.13%	17,393	Zardoya Otis, S.A.
(+) Acresa Cardellach, S.L. (Barcelona)	Installation & Service of Elevators	97.62%	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	91.66%	1,330	75.00%	-	Zardoya Otis, S.A.
(+) Otis Maroc, S.A. (Marruecos)	Installation & Service of Elevators	100.00%	21,949	100.00%	21,948	Zardoya Otis, S.A.
Ascensores Aspe, S.A. (Baleares)	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.
(+) Montes Tallón, S.A. (Alicante)	Installation & Service of Elevators	52.00%	10,823	52.00%	16,716	Zardoya Otis, S.A.
(+) Grupo Ascensores Enor, S.A. (Pontevedra)	Installation & Service of Elevators	100.00%	175,730	-	-	Zardoya Otis, S.A.
(+) Ascensores Enor, S.A. (Pontevedra)	Installation & Service of Elevators	100.00%	4,950	-	-	Grupo Ascensores Enor, S.A.
(+) Electromecánica del Noroeste, S.A. (Pontevedra)	Installation & Service of Elevators	100.00%	715	-	-	Grupo Ascensores Enor, S.A.
(+) Enor Elevaçao e Equipamentos Industriales Lda (Portugal)	Installation & Service of Elevators	100.00%	935	-	-	Grupo Ascensores Enor, S.A.

(+) Companies audited by PwC in 2013.

In fiscal year 2012 there have been the following changes in the Group:

In December 2011, Zardoya Otis, S.A. acquired 52% of the shares of the company Montes Tallón, S.A., valuated at EThs 17,069 by suscribing 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 (Note 33).

Furthermore, in December 2011, Zardoya Otis, S.A. sold at market value, to the new dependent Montes Tallón, S.A., the shares acquired during 2011 of the companies Ascensores Molero, S.L. and Reparación y Mantenimiento de Ascensores, S.L.

In June 2012 the companies Ascensores Molero, S.L. and Reparación y Mantenimiento de Ascensores, S.L. were dissolved and its assets and liabilities were incorporated into Montes Tallón, S.A. that owned 100% of their respective shares.

In March 2012, Fercas Serveis Integrals, S.A. was dissolved and its assets and liabilities were incorporated into Puertas Automáticas Portis, S.L. owner of 100% of its shares.

In May 2012, Conservación de Aparatos Elevadores Express, S.L. acquired 100% of the shares of the company Start Elevator, S.L. for an estimated cost of ETHs 7,446, the company carries on its activity in Navarra, Guipúzcoa, Logroño, Zaragoza and Álava, and is engaged in elevator installation and maintenance.

In October 2012 the company Start Elevator, S.L. was dissolved and its assets and liabilities were incorporated into Conservación de Aparatos Elevadores Express, S.L. that owned 100% of its shares.

In fiscal year 2013 there have been the following changes in the Group:

In December 2012, Puertas Automáticas Portis, S.L. signed an agreement to acquire its own shares from a minority shareholder for a 3.07% for amount to ETHs 1.201. This transaction does not change the Zardoya Otis, S.A. percentage of ownership in the subsidiary.

Also in December 2012, Zardoya Otis, S.A. acquired 49% of the company electric Mototracción Eléctrica Latierro, S.A. for an amount of ETHs 3.573; as of the transaction date the non-controlling interest book value was ETHs 2,889.

As mentioned in Note 33, in February 2013, Zardoya Otis, S.A. acquired 100% of the share capital of Grupo Ascensores Enor, S.A. for a total value of ETHs 175,730 by contribution of 3,338,463 registered shares of Grupo Ascensores Enor, S.A. representing the entirely of its share capital, in exchange of 16,913,367 new ordinary shares issued to that purpose. With this acquisition the entities: Grupo Ascensores Enor, S.A.; Electromecánica del Noroeste, S.A.; Ascensores Enor, S.A. and Enor Elevaçao e Equipamentos Industriais, Lda. are 100% directly or indirectly owned by Zardoya Otis, S.A.

In July 2013, Zardoya Otis, S.A. acquired the remaining 30% of Cruxent-Edelma, S.L., for an amount of ETHs 13,328; as of the transaction date the non-controlling interest book value was ETHs 4,779.

Additionally, in July, 2013 Zardoya Otis, S.A. acquired the 8.33% of the non-controlling interest of the company Admotion, S.L. valued in ETHs 200 using the Treasury Stock (18,904 shares held in portfolio) for payment. In October, 2013 Zardoya Otis, S.A. acquired another 8.33% of the non-controlling interest of the company Admotion, S.L. for an amount of ETHs 230 paid in cash, as of the transaction date the non-controlling interest book value was ETHs 40.

In November 2013, Portis, S.L. used its own shares held since December 2012 in payment of the ETHs 1,179 outstanding from the acquisition of Fercas. The rest of treasury stock, ETHs 22 were cancelled against the company equity.

Transactions with non-controlling interests are included in the financial statements in accordance with the Group policy (Note 2.2 b) therefore not impacting the consolidated profit for the year.

If these changes had taken place at the beginning of the period, the effect on the key figures of the consolidated income statement and consolidated statement of financial position would not have been significant.

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 reporting 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:

I) The assets and liabilities of each Statement of Financial Position presented are translated at the closing exchange rate at the end of the reporting period.

II) 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).

III) 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 which is not depreciated.

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	4, 8, 10 and 13 years
Vehicles	5 and 6 years
Furniture, fittings & equipment	4, 10 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 property, plant and equipment as of November 30, 2013 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, 2013, the aforementioned restatement had an impact of EThs 345 (2012: EThs 364) on the net carrying amount of property, plant and equipment. Consequently, the effect of this restatement on the provision for the year 2013 is EThs 19 (2012: EThs 19).

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 20 years depending on the characteristics of the portfolio).

Impairment tests are conducted regularly whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Trademarks and other related assets resulting from portfolios acquisition are shown at historical cost. They have a defined useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method.

(b) Goodwill

Goodwill represents the amount by which the acquisition cost exceeds the fair value of the Group's holding in the identifiable net assets of the subsidiary acquired at the acquisition date. Goodwill related to acquisitions of subsidiaries is included in the intangible assets. Goodwill recognized separately is submitted to annual impairment tests and is valued at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the sale of a company include the carrying amount of the goodwill associated to the company sold.

Goodwill is asigned 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.

(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, 2013 and 2012, 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, on 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 simultaeously.

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 ocurred 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 2013 and 2012, the Group did not enter into any contracts for derivative hedging instruments and no forward contracts existed at the 2013 and 2012 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.

When the net realizable value of the inventories is lower than their costs, the relevant adjustments to their value will be made and recognized in the income statement. If the circumstances that caused the value adjustment cease to exist, the adjustment is reversed and recognized as revenue in the Income Statement.

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 wich 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 and share premium

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

The share premium reserve account corresponds to reserves freely available for distribution.

As a general rule and unless there's a more reliable valuation, the fair value of the equity instruments or financial liabilities issued as consideration in a business combination shall be their quoted price, if such instruments are admitted to quote in an active market.

- 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 classifed 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.

Trade payables 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. In December 2011, Zardoya Otis, S.A. had been the last payment for the financing of the agreement signed. The amount outstanding at November 30, 2011 was ETHs 1,401.

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 from installation and assembly contracts

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 rate 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 extend 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 present year:

a) IAS 1, "Presentation of Financial Statements - Presentation of items of other comprehensive income". This amendment is mandatory for all annual periods commencing on or after July 1, 2012.

The Group has been applying these rules to transactions from December 1, 2012 onwards, but they have had 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 early adopted:

b) IAS 19, "Employee Benefits" was amended in June 2011. The effect on the Group will be as follows: the corridor aproach 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). The Group will adopt IAS 19 no later than the first accounting period commencing after January 1, 2013. At November 30, 2013 the unrecognized actuarial gains recorded amount to EThs 11,823, being this figure the total impact in the financial statements starting on December 1, 2013.

c) 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.

d) IFRS 11 "Joint Business". The Group will adopt IFRS 11 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 do not extend the use of fair value accounting, provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or U.S. GAAP. The Group will adopt IFRS 13 no later than the first accounting period commencing after January 1, 2013.

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 transaction. The amendments to IFRS 7 are mandatory for all annual periods commencing after January 1, 2013.

h) IAS 32 “Financial Instruments: Presentation”, issued to clarify certain requirements for offsetting financial assets and liabilities in the statement of financial position. The Group will adopt IAS 32 no later than the first accounting period commencing after January 1, 2014.

i) 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 IFRS9 no later than the first accounting period commencing after January 1, 2015.

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 occasionally 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 the 2013 and 2012 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 31,639 in 2013 and ETHs 24,435 in 2012, 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, 2013, said provision was EThs 100,101 (EThs 89,606 in 2012) (Note 8). The Company 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, 2013 and 2012 is as follows:

	2013	2012
Between 6 months & 1 year	**15,323**	21,302
Between 1 & 2 years	**10,093**	13,729
More than 2 years	**-**	-
EThs	**25,416**	35,031

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

As stated in Note 10, at November 30, 2013 and 2012, the Group held current deposits with financial institutions of EThs 21,009 and EThs 25,408, 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, 2013, cash and cash equivalents represented EThs 44,895 (EThs 37,106 in 2012), 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 million euros. During December 2011, Zardoya Otis, S.A. had been signed for an amount of EThs 15,000. The change in the Statement of Cash Flows in relation to operating, investing and financing activities is shown below:

	2013	2012
Cash at the beginning of the year	**37,106**	66,781
Cash flows from operating activities	**182,876**	176,332
Cash flows from investing activities	**(10,654)**	(40,649)
Cash flows from financing activities	**(164,433)**	(165,358)
Cash at the year end	**44,895**	37,106

(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 2013 year end, the noncurrent amount for this items was EThs 10,050 (EThs 18,539 in 2012). At November 30, 2013 and 2012, 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 1,473 (Eths 904 in 2012).

(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.

	2013	2012
Borrowings (current and noncurrent)	**18,815**	30,587
Other current & noncurrent financial liabilities	**11,092**	8,657
Cash and cash equivalents	**(44,895)**	(37,106)
Net financial debt	**(14,988)**	2,138
Equity	**410,559**	262,317
Leverage (*)	**-3.78%**	0.81%

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

At November 30, 2013, this net debt represents -0,0591 to EBITDA (2012: 0,008) (Ebitda: operating profit + depreciation + amortization).

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 basis, regularly reviewed and used as a basis for decision making by Management and the Board of Directors.

2013	Sales	Operating profit/ (loss)	Assets			Liabilities
			Total	Deprec. Amortizacion charge	Noncurrent investments in assets	
Zardoya Otis Group - Spain	739,932	205,331	624,018	26,200	191,941	249,721
Otis Elevadores Group - Portugal	63,277	24,203	63,966	707	112	31,339
Otis Maroc - Morocco	15,143	1,162	24,153	59	51	20,518
Eliminations - intra-group transactions	(59,121)	(4,469)	-	-	-	-
Consolidated ETHs	759,231	226,227	712,137	26,966	192,104	301,578

2012	Sales	Operating profit/ (loss)	Assets			Liabilities
			Total	Deprec. Amortizacion charge	Noncurrent investments in assets	
Zardoya Otis Group - Spain	787,754	231,742	475,913	15,884	40,459	261,747
Otis Elevadores Group - Portugal	64,477	26,737	65,377	811	22	24,276
Otis Maroc - Morocco	21,701	4,019	19,430	63	2	12,380
Eliminations - intra-group transactions	(64,814)	(1,280)	-	-	-	-
Consolidated ETHs	809,118	261,218	560,720	16,758	40,483	298,403

2013	Sales	Operating profit/(loss)	%	Fixed assets acquired
Zardoya Otis, S.A. (aggregate of 111 branches)	576,115	174,849	30.35	4,753
Spanish Group Companies - elevators (13 companies)	116,590	28,112	24.11	186,597
Otis Elevadores Group - Portugal	63,277	24,203	38.25	112
Otis Maroc - Morocco	15,143	1,162	7.67	51
Total Elevators	**771,125**	**228,326**	**29.61**	**191,513**
Spanish Group Companies - non elevators (3 companies)	47,227	2,370	5.02	591
Total Group	**818,352**	**230,696**	**28.19**	**192,104**
Eliminations - intragroup transactions	(59,121)	(4,469)	-	-
ETHs Consolidated	**759,231**	**226,227**	**29.80**	**192,104**

2012	Sales	Operating profit/(loss)	%	Fixed assets acquired
Zardoya Otis, S.A. (aggregate of 95 branches)	640,677	206,152	32.18	7,323
Spanish Group Companies - elevators (10 companies)	91,611	21,729	23.72	33,045
Otis Elevadores Group - Portugal	64,477	26,737	41.46	22
Otis Maroc - Morocco	21,701	4,019	18.51	2
Total Elevators	**818,466**	**258,637**	**31.60**	**40,392**
Spanish Group Companies - non elevators (3 companies)	55,466	3,870	6.98	91
Total Group	**873,932**	**262,507**	**30.04**	**40,483**
Eliminations - intragroup transactions	(64,814)	(1,289)	-	-
ETHs Consolidated	**809,118**	**261,218**	**32.28**	**40,483**

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, 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 EThs	**31,639**	**7,954**	**11,927**	**51,520**
2012				
Business combinations	-	477	-	477
Increases	-	3,499	2,810	6,309
Decreases	-	(829)	(112)	(941)
Depreciation charge	(643)	(1,664)	(3,323)	(5,630)
Eliminations from depreciation	-	829	111	940
Impairment losses recognized in the year	-	-	-	-
Impairment losses reversed	-	-	-	-
Other movements	-	-	-	-
	(643)	2,312	(514)	1,155
As of November 30, 2012				
Cost	41,056	38,963	68,539	148,558
Accumulated depreciation	(10,060)	(28,697)	(57,126)	(95,883)
Impairment loss	-	-	-	-
Net carrying amount EThs	**30,996**	**10,266**	**11,413**	**52,675**
2013				
Business combinations	15,806	179	1,614	17,599
Increases	-	2,549	631	3,180
Decreases	-	(491)	(377)	(868)
Depreciation charge	(1,041)	(2,967)	(2,594)	(6,602)
Eliminations from depreciation	-	443	317	760
Impairment losses recognized in the year	-	-	-	-
Impairment losses reversed	-	-	-	-
Other movements	-	-	-	-
	14,765	(287)	(409)	14,069
As of November 30, 2013				
Cost	58,917	41,859	73,038	173,814
Accumulated depreciation	(13,156)	(31,880)	(62,034)	(107,070)
Impairment loss	-	-	-	-
Net carrying amount EThs	**45,761**	**9,979**	**11,004**	**66,744**

The property, plant and equipment figure includes assets in progress for a total value of EThs 428 in 2013 and EThs 771 in 2012.

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. In 2013 it also include the manufacturing facilities and offices of the Grupo Enor: Ascensores Enor, S.A. and Electromecánica del Noroeste, S.A. in the technological park of Valladares (Vigo), opened in 2007 and included at the fair value in the business combination for an amount of EThs 15,786.

At November 30, 2013 and 2012, the following items of property, plant and equipment were fully depreciated:

	2013	2012
Land and buildings	**4,655**	3,862
Vehicles and machinery	**29,920**	27,948
Furniture, fittings and equipment	**37,755**	34,911
EThs	**72,330**	66,721

Of the total property, plant and equipment net of depreciation, the value of which is EThs 66,744, the amount of EThs 186 is in Portugal and the amount of EThs 164 in Morocco (EThs 193 and 172 respectively in 2012). There is no other property, plan 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, 2013 and 2012, 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, 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**
2012				
Increases	172	-	2,706	2,878
Business combinations	21,000	9,760	-	30,760
Decreases	-	-	-	-
Amortization charge	(8,399)	-	(2,729)	(11,128)
Eliminations from amortization	-	-	-	-
Impairment losses recognized in the year	-	-	-	-
Impairment losses reversed	-	-	-	-
Other movements	-	-	-	-
	12,773	9,760	(23)	22,510
At November 30, 2012				
Cost	220,361	56,663	3,090	280,114
Accumulated amortization	(86,499)	-	(2,910)	(89,409)
Impairment loss	-	-	-	-
Net carrying amount EThs	**133,862**	**56,663**	**180**	**190,705**
2013				
Increases	443	-	2,518	2,961
Business combinations	78,432	83,873	6,011	168,316
Decreases	(395)	-	-	(395)
Amortization charge	(11,897)	-	(2,574)	(14,471)
Eliminations from amortization	337	-	-	337
Impairment losses recognized in the year	-	(5,893)	-	(5,893)
Impairment losses reversed	-	-	-	-
Other movements	-	-	-	-
	66,920	77,980	5,955	150,855
At November 30, 2013				
Cost	298,841	140,536	9,093	448,470
Accumulated amortization	(98,059)	-	(2,958)	(101,017)
Impairment loss	-	(5,893)	-	(5,893)
Net carrying amount EThs	**200,782**	**134,643**	**6,135**	**341,560**

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

	2013	2012
Otis Maroc, S.A.	**17,780**	17,780
Zardoya Otis, S.A.	**19,180**	19,180
Conservación de aparatos elevadores Express, S.L.	**8,083**	8,083
Puertas Automáticas Portis, S.L.	**3,299**	3,299
Montes Tallón, S.A.	**2,428**	8,321
Grupo Ascensores Enor	**83,873**	-
EThs	**134,643**	56,663

In 2013, increases due to business combinations, both in maintenance contracts and goodwill, relate to the acquisitions made during the year (Note 33): Grupo Ascensores Enor, S.A.

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 cas-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 maximum 3% and growth rate used for projections subsequent to the period considered is 2%. The discount rate used is around 9.68% (2012: 9.69%).

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%
Puertas Automáticas Portis, S.L..	5 to 15	2.0%	9%
Zardoya Otis, S.A.	5 to 15	2.0%	8% to 9%
Montes Tallón, S.A.	5	2.0%	9.7%
Grupo Ascensores Enor	15	2.0%	10.13%

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.

In 2012 goodwill recognized in Montes Tallón from business combinations of Montes Tallón, S.A. and the companies integrated in the year in such CGU (Ascensores Molero, S.L. and Reparación y Mantenimiento de Ascensores, S.L.), was valued at EThs 8,321. In 2013, the value in use of the assets of the CGU obtained from the test for impairment based on the review of business expectations drawn up at the time of acquisition corresponding to service revenue, growth in the contracts on the portfolio from the expected synergies of the business combinations and CGU expense and cost structure, is lower than the net carrying amounts recognized and therefore, the impairment has been recognized in the present financial statements for an amount of EThs 5,893.

In consequence, and as the agreement signed in December 2011 included the application of the same criteria of pricing in the case of the eventual acquisition by the Group of 48% remaining of the capital of Montes Tallón, S.A. for the subsequent five years; the liability has been recorded under the heading of other account payables in application of IAS 32 for an amount of EThs 13,879.

As a result of the aforementioned process, in the years 2013 and 2012, and except for the above mentioned impairment registered for Montes Tallón, S.A., 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.

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

2013

.	Zardoya Otis, S.A.	Conservación de aparatos elevadores Express, S.L.	Otis Maroc, S.A.	Puertas Automáticas Portis, S.L.	Montes Tallón, S.A.	Grupo Ascensores Enor
Property, plan & equipment	46,713	61	164	115	115	17,193
Other intangible assets	70,687	18,172	5	5,179	5,967	40
Deferred tax assets	14,610	505	-	39	77	230
Other noncurrent	3,580	23	-	80	8	800
Inventories	39,190	50	551	429	295	1,381
Trade and other receivables	173,851	5,678	13,643	5,760	1,927	13,211
Other current assets	2,619	14	-	40	-	14
Cash and cash equivalents	11,090	559	623	605	487	2,959

2012

.	Zardoya Otis, S.A.	Conservación de aparatos elevadores Express, S.L.	Otis Maroc, S.A.	Puertas Automáticas Portis, S.L.	Montes Tallón, S.A.
Property, plan & equipment	49,268	54	172	126	159
Other intangible assets	73,583	18,528	6	5,179	6,358
Deferred tax assets	14,893	756	-	-	22
Other noncurrent assets	6,711	25	-	87	7
Inventories	21,337	111	205	944	685
Trade and other receivables	184,089	7,773	1,265	6,044	1,921
Other current assets	3,676	14	4,030	38	2,437
Cash and cash equivalents	4,755	297	119	57	1,572

NOTE 7. FINANCIAL ASSETS AND LIABILITIES BY CATEGORIE

	Loans & receivables & other	**Assets held at fair value through profit and loss**	**Hedging derivatives**	**Available for sale**	**Total**
November 30, 2013					
Noncurrent assets in statement of financial position					
Loans and receivables (Note 8)	4,297	-	-	-	4,297
Other	725	-	-	-	725
Total EThs	**5,022**	**-**	**-**	**-**	**5,022**
Current assets in statement of financial position					
Trade and other receivables (Note 8)	194,815	-	-	-	194,815
Other	373	-	-	-	373
Cash and cash equivalents (Note 10)	44,895	-	-	-	44,895
Total EThs	**240,083**	**-**	**-**	**-**	**240,083**

	Loans & receivables & other	Assets held at fair value through profit and loss	Hedging derivatives	Available for sale	Total
November 30, 2012					
Noncurrent assets in statement of financial position					
Loans and receivables (Note 8)	6,276	-	-	-	6,276
Other	543	-	-	-	543
Total EThs	**6,819**	**-**	**-**	**-**	**6,819**
Current assets in statement of financial position					
Trade and other receivables (Note 8)	212,040	-	-	-	212,040
Other	453	-	-	-	453
Cash and cash equivalents (Note 10)	37,106	-	-	-	37,106
Total EThs	**249,599**	**-**	**-**	**-**	**249,599**

	Liabilities held at fair value through profit and loss	Hedging derivatives	Other financial liabilities at amortized cost	Total
November 30, 2013				
Noncurrent liabilities in statement of financial position				
Borrowings from financial institutions (Note 20)	-	-	10,050	10,050
Trade and other payables (Note 16)	-	-	-	-
Other debts through acquisitions (Note 16)	-	-	7,909	7,909
Total EThs	**-**	**-**	**17,959**	**17,959**
November 30, 2013				
Current liabilities in statement of financial position				
Borrowings from financial institutions (Note 20)	-	-	9,031	9,031
Trade and other payables (Note 16)	-	-	170,300	170,300
Other debts through acquisitions (Note 16)	-	-	5,693	5,693
Total EThs	**-**	**-**	**185,024**	**185,024**

	Liabilities held at fair value through profit and loss	Hedging derivatives	Other financial liabilities at amortized cost	Total
November 30, 2012				
Noncurrent liabilities in statement of financial position				
Borrowings from financial institutions (Note 20)	-	-	18,539	18,539
Trade and other payables (Note 16)	-	-	-	-
Other debts through acquisitions (Note 16)	-	-	1,698	1,698
Total EThs	**-**	**-**	**20,237**	**20,237**
November 30, 2012				
Current liabilities in statement of financial position				
Borrowings from financial institutions (Note 20)	-	-	12,585	12,585
Trade and other payables (Note 16)	-	-	179,491	179,491
Other debts through acquisitions (Note 16)	-	-	6,578	6,578
Total EThs	**-**	**-**	**198,654**	**198,654**

NOTE 8. TRADE AND OTHER RECEIVABLES

		2013	2012
Trade receivables		**243,122**	248,419
Less: Provision for impairment of receivables		**(100,101)**	(89,606)
Trade receivables - Net		**143,021**	158,813
Amount due from customers for contract works		**9,185**	14,331
Other accounts receivable		**17,975**	19,898
Prepayments		**1,102**	1,269
Receivables from related parties (Note 34)		**31,639**	24,435
Total	EThs	**202,921**	218,746

The total amount of the costs incurred at the end of the reporting period was EThs 45,553 (2012: EThs 61,412), this amount includes recognized profits (less recognized losses) on all contracts in progress for EThs 3,952 (2012: EThs 4,177). 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 36,369 (EThs 47,081 in 2012). At November 30, 2013, the trade receivables balance showed an amount of EThs 3,691 (2012: EThs 3,676) 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:

		2013	2012
Beginning of the period		**89.606**	81.763
Provision made		**8.345**	8.659
Business combinations		**6.199**	865
Applications		**(4.049)**	(1.681)
	EThs	**100.101**	89.606

The provisions and applications are including on the income statement under the heading of “Other expenses, net”. The net provision provided in the financial year 2013 has been a 0.57% of Group sales (2012: 0.86%).

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

		2013	2012
Between six months and one year		**18,815**	22,881
Between one and two years		**41,072**	40,693
More than two years		**12,808**	12,438
	EThs	**72,695**	76,012

Additionally, other noncurren assets includes long-term promissory notes received from customers with maturity dates of more than one year for a total amount of EThs 4,297 (EThs 6,276 in 2012). The breakdown by years until maturity is as follows:

		2013	2012
Two years		**3,438**	4,885
Three years		**659**	1,065
More than three years		**200**	326
	EThs	**4,297**	6,276

NOTE 9. INVENTORIES

		2013	2012
Raw materials and consumables for production		**22,972**	25,579
Work in progress		**2,118**	3,127
	EThs	**25,090**	28,706

NOTE 10. CASH AND CASH EQUIVALENTS

		2013	2012
Cash and banks		**23,886**	11,698
Current deposits with financial institutions		**21,009**	25,408
	EThs	**44,895**	37,106

The effective interest rate on current deposits with financial institutions varied from 0.10% and 0.30% in 2013 (2012: from 0.83% to 0.24%) and the maturity of these deposits is less than 3 months. Unlike precedent years, at november 30, 2013 and 2012, the Group did not hold any deposits with Group companies.

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

		2013	2012
Cash and cash equivalents	EThs	**44,895**	37,106
Borrowings: utilization of bank credit (Note 20)	EMls	**18,815**	30,588

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 2013 year end, of the total current borrowings balance, the amount of EThs 266 (2012: EThs 536) 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, 2011	366,896,666	366,896,666	366,896,666
Capital increase	18,344,833	18,344,833	18,344,833
At November 30, 2012	385,241,499	385,241,499	385,241,499
Capital increase January	16,913,367	16,913,367	16,913,367
Capital increase July	16,086,194	16,086,194	16,086,194
At November 30, 2013	418,241,060	418,241,060	418,241,060

The share issues carried out in 2013 and 2012 were bonus issues charged to voluntary reserves.

	Shares		% shareholding	
Owner	**2013**	2012	**2013**	2012
United Techonologies Holdings, S.A.	**203,281,011**	192,659,576	**48.60**	50.01
Euro-Syns, S.A.	**47,319,722**	45,499,732	**11.31**	11.81
Other non-controlling interests	**167,611,151**	147,035,960	**40.08**	38.17
Treasury shares	**29,176**	46,231	**0.01**	0.01
	418,241,060	385,241,499	**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. All shares of the Parent Group are of the same class and have the same voting rights.

All share of the parent are of the same class and have the same voting rights.

On December 20, 2012 the Board of Directors of Zardoya Otis, S.A. agreed to call an Extraordinary General Shareholders’ Meeting of the Company to which took place in second call on January 30, 2013, approving the following points:

- Capital increase through a non-monetary contribution of 3,338,463 registered shares representing the entirety of the share capital of the company Grupo Ascensores Enor, S.A., for a nominal amount of three euros by means of issuing 16,913,367 ordinary shares in the Company with a face value of 0.10 euros each.

- Authorization so that, in accordance with the contents of article 149 of the LSC, the Company may directly or indirectly accept its own shares as a guarantee.

- Amendment of article 9 of the Bylaws (rights conferred by the shares).

- Delegation to the Board of Directors for the interpretation, correction, execution, formalization and registration of the motions adopted.

It was approved to the Extraordinary General Shareholders’ Meeting to increase the Company’s share capital, which is currently 38,524,149.90 euros, by the sum of 1,691,336.70 euros, by issuing 16,913,367 new ordinary shares in the Company with a face of 0.10 euros each and a share premium of 9.10 per share (giving a total of 153,911,639.70 euros as a share premium).

The new shares were listed effective March 14, 2013 and to that date a total of 2,198,738 new shares were pledged in favor of the company in compliance with the acquisition agreement (Note 7).

Additionally, there is a syndication agreement concluded between the two major shareholders of the company; United Technologies Holding, S.A.S. ("UTH") and Euro Syns, S.A., which has its origin in the operation of acquisition of Group Ascensores Enor, S.A. described above and published by means of relevant fact date January 30, 2013. Referred syndication Pact was held in the interest of the acquisition of Enor operation, so that UTH is holder at any time more than 50% of the voting rights on society.

Also, a the Annual Shareholders' Meeting held on May 27, 2013, a resolution was adopted to increase the share capital by 1,608,619.40 euros against the Voluntary Reserve, in the proportion of one new share for every twenty five old shares, issuing 16,086,194 new shares. Once the capital increase had been completed, the capital amounted to 41,824,106.00 euros are consisted of 418,241,060 shares with a par value of 0.10 euros each. The new shares were entitled to the dividends paid after the date of the capital increase and therefore participated in the second quarterly dividend, second interim dividend paid against 2013 profits on October 10, 2013. The increase was carried out from July 15, 2013 until July 30, 2013, inclusive. The new shares were listed on the Madrid, Barcelona, Valencia and Bilbao stock exchanges effective September 5, 2013.

At November 30, 2013, interim dividends were declared for the year ended on said date for an amount of ETHs 77,850 (ETHs 90,246 in 2012). These interim dividends were paid (Note 29) for shares 1 to 402,154,866 (1st interim dividend) and shares 1 to 418,241,060 (2nd interim dividend). Additionally there was a partial distribution of share premium distributed to shares 1 to 402,154,866, for an amount of ETHs 32,172.

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

NOTE 12. TREASURY STOCK

The ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on May 27, 2013 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.

As of November 30, 2013 Zardoya Otis, S.A. maintain 29,176 treasury shares (46,231 at 2012 year-end). Due to the non-controlling interest transaction, Zardoya Otis exchanged 18,904 treasury shares. The above mentioned figure includes 1,849 shares received in the bonus issue.

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, 2013 and 2012 are as follows:

	2013	2012
Company		
Zardoya Otis, S.A.	**8,445**	7,705
Ascensores Eguren, S.A.	**-**	-
Ascensores Ingar, S.A.	**13**	13
Ascensores Serra, S.A.	**48**	48
Cruxent-Edelma, S.L. (#)	**24**	24
Mototracción Eléctrica Latierro, S.A.	**63**	63
Grupo Otis Elevadores (Portugal)	**420**	429
Puertas Automáticas 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.	**37**	18
Otis Maroc, S.A.	**10**	10
Ascensores Aspe, S.A.	**41**	41
Montoy, S.L.	**20**	20
Montes Tallón, S.A.	**19**	19
Grupo Ascensores Enor, S.A.	**2,704**	-
Ascensores Enor, S.A.	**601**	-
Electromecánica del Noroeste, S.A.	**204**	-
Enor Elevaçao e Equipamentos Industriales Lda.	**50**	-

NOTE 14. RESERVES IN SUBSIDIARY COMPANIES AND OTHER RESERVES

	Subsidiary companies	Other reserves	Total
As of November 30, 2011 ......EThs	**82,314**	**16,248**	**98,562**
Profit 2011	39,868	45,842	85,710
Dividends paid in the year	(36,605)	(44,022)	(80,627)
Capital increase	-	(1,834)	(1,834)
Other movements	2	(8)	(6)
As of November 30, 2012 ......EThs	**85,579**	**16,226**	**101,805**
Profit 2012	36,531	45,699	82,230
Dividends paid in the year	(34,552)	-	(34,552)
Capital increase	-	(1,609)	(1,609)
Other movements	(9,792)	(13,884)	(23,676)
As of November 30, 2013 ......EThs	**77,766**	**46,432**	**124,198**

Details by company of reserves in subsidiary companies and other reserves as of November 30, 2013 and 2012 are as follows:

	2013	2012
Company		
Zardoya Otis, S.A.	**56,389**	26,185
Ascensores Eguren, S.A.	**(7,009)**	(6,629)
Ascensores Ingar, S.A.	**(4,795)**	(4,234)
Ascensores Serra, S.A.	**444**	444
Cruxent-Edelma, S.L.	**(11,954)**	(3,594)
Mototracción Eléctrica Latierro, S.A.	**877**	1,848
Grupo Otis Elevadores (Portugal)	**49,242**	49,143
Puertas Automáticas Portis, S.L.	**6,640**	6,154
Ascensores Pertor, S.L.	**6,691**	6,239
Conservación de Aparatos Elevadores Express, S.L.	**14,277**	13,574
Acresa Cardellach, S.L.	**22,914**	22,428
Admotion, S.L.	**(538)**	(299)
Ascensores Aspe, S.A. (dependiente de Eguren, S.A.)	**(2,186)**	(2,186)
Otis Maroc, S.A.	**4,712**	2,943
Montoy, S.L.	**(430)**	(121)
Montes Tallón, S.A.	**(1,117)**	(131)
IFRS adjustments	**(9,959)**	(9,959)
EThs	**124,198**	101,805

In compliance with the provisions of the Capital Company Act, art 273:4, the Group has recognized a reserve of EThs 4,667 (EThs 4,753 in 2012), equivalent to 5% of the goodwill included in the assets in its Statement of Financial Position. As stated in the Capital Compan 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:

	2013		2012	
	Consolidated profit	Attributable to non controlling interests	Consolidated profit	Attributable to non controlling interests
Company				
Zardoya Otis, S.A.	125,112	-	144,564	-
Ascensores Eguren, S.A.	(984)	-	(791)	-
Ascensores Ingar, S.A.	(371)	-	(561)	-
Ascensores Serra, S.A.	1,425	475	1,660	553
Cruxent-Edelma, S.L.	1,716	592	1,962	841
Mototracción Eléctrica Latierro, S.A.	1,610	-	665	639
Grupo Otis Elevadores (Portugal)	16,118	243	19,459	220
Puertas Automáticas Portis, S.L.	(438)	(48)	1,108	121
Ascensores Pertor, S.L.	2,882	180	3,665	229
Conservación de Aparatos Elevadores Express, S.L.	3,028	-	3,430	-
Acresa Cardellach, S.L.	3,397	82	3,365	82
Admotion, S.L.	372	103	190	63
Otis Maroc, S.A.	609	-	3,032	-
Ascensores Aspe, S.A.	423	-	411	-
Montoy, S.L.	11	151	(76)	156
Montes Tallón, S.A.	(692)	(638)	(986)	96
Grupo Ascensores Enor, S.A:.	2,787	-	-	-
EThs	157,005	1,140	181,097	3,000

The proposed distribution of 2013 profit and other reserves in the parent company that will be submitted for approval at the Annual Shareholders' Meeting, together with the 2012 profit distribution approved, is as follows:

	2013	2012(*)
Available for distribution		
Profit for the year	**154,287**	177,147
EThs	**154,287**	177,147
Distribution		
To legal reserve	**254**	740
To reserve for goodwill	**1,806**	1,986
Other reserves	**36,738**	41,804
Dividends	**115,489**	132,617
EThs	**154,287**	177,147

(*) Distribution of 2012 profit approved at the Annual Shareholders' Meeting on May 27, 2013.

NOTE 16. TRADE AND OTHER PAYABLES

	2013	2012
Trade payables	**29,798**	29,950
Payables to related parties (Note 34)	**7,536**	6,836
Other payables	**16,409**	16,216
Goods received but not invoiced	**6,513**	6,966
Notes payable	**1,362**	1,532
Amounts due to customers on work in progress (Note 8)	**25,104**	31,734
Maintenance billing in advance	**31,424**	38,639
Acquisition commitments	**5,693**	12,918
Other payables to public authorities (Note 17)	**25,343**	24,832
Outstanding employee remuneration	**32,545**	36,921
Other	**19,609**	4,356
EThs	**201,336**	210,900

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 377 (2012: EThs 642).

At November 30, 2013 and 2012, 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”. The heading “Other payables” includes mainy the liability mentioned in note 6 for a value of EThs 13,879.

In relation to commitments from acquisitions, the table below shows the maturities of the outstanding amounts for this item presented as other financial liabilities:

Year 2013	**Current**	**2015**	**2016/17**	**Noncurrent**
Acquisitions 2012 & earlier	4,766	974	-	974
Acquisitions 2013	927	6,935	-	6,935
EThs	5,693	7,909	-	7,909

Year 2012	**Current**	**2014**	**2015/16**	**Noncurrent**
Acquisitions 2011 & earlier	7,709	889	809	1,698
Acquisitions 2012	5,209	-	-	-
EThs	12,918	889	809	1,698

Company acquisitions agreements in force at November 30, 2013 and 2012 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.

Fiscal year 2011, was the first year of implementation of Law 15/2010 of 5 July. As indicate in the second transitional provision of the Resolution of December 29, of Accounting and Account Auditing Institute. 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.

In this respect and in compliance with the law 15/2010 of 5 July, the Group reports that during the period 2013, the total of payments made to suppliers amounted to EThs 294,718 (2012: EThs 272,143) complying with the rules concerned and at November 30, 2013 the Group maintains amounts pending payment to vendors whose payment term is greater than 60 days amounting to EThs 3,297, and 2012: EThs 331 pending payment to vendors whose payment term is greater than 75 days amount to EThs 256 corresponding to the new acquisition Montes Tallón, S.A.

NOTE 17. PUBLIC TREASURY

		2013	2012
Debit balances			
Social Security		**756**	3
Withholding tax		**607**	311
Public Treasury, VAT payable		**1,552**	667
Public Treasury, inputo VAT		**5,191**	5,725
	EThs	**8,106**	6,706
Credit balances			
Provision for corporate income tax		**68,882**	74,344
Payments on account of corporate income tax		**(62,001)**	(62,022)
Public Treasury, withholdings operated		**3,140**	3,018
Public Treasury, VAT due		**504**	88
Public Treasury, output VAT		**9,356**	10,431
Social Security		**12,343**	11,256
	EThs	**32,224**	37,115

NOTE 18. DEFERRED TAXES

Deferred tax assets:		2013	2012
To be recovered after more than 12 months		**22,563**	23,440
To be recovered within 12 months		**2,969**	2,070
	EThs	**25,532**	25,510

Deferred tax liabilities:		2013	2012
To be recovered after more than 12 months		**32,021**	9,372
To be recovered within 12 months		**1,597**	-
	EThs	**33,618**	9,372

Overall movement on the deferred tax account was as follows:

Deferred tax assets:		2013	2012
Beginning of period		**25,510**	26,082
Business combinations		**313**	673
P&L impact		**(291)**	(1,245)
End of period	EThs	**25,532**	25,510

Deferred tax liabilities:		2013	2012
Beginning of period		**9,372**	3,562
Business combinations		**25,318**	4,912
P&L impact		**(1,072)**	898
End of period	EThs	**33,618**	9,372

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

Deferred tax assets:		Welfare commitments	Amortization/ depreciation	Other	Total
As of November 30, 2011	EThs	18,159	2,515	5,408	26,082
P&L impact		(1,113)	475	(607)	(1,245)
Business combinations		-	-	673	673
As of November 30, 2012	EThs	17,046	2,990	5,474	25,510
P&L impact		(1,417)	526	600	(291)
Business combinations		-	-	313	313
As of November 30, 2013	EThs	15,629	3,516	6,387	25,532

Deferred tax liabilities:	Welfare commitments	Amort./deprec. fixed assets	Other	Total
As of November 30, 2011 EThs	-	3,562	-	3,562
P&L impact	-	898	-	898
Business combinations	-	4,912	-	4,912
As of November 30, 2012 EThs	-	9,372	-	9,372
P&L impact	-	(1,072)	-	(1,072)
Business combinations	-	25,318	-	25,318
As of November 30, 2013 EThs	-	33,618	-	33,618

In 2013, the increase for business combination corresponds to the tax effect of the registration of maintenance contracts acquired in the business combination of Grupo Enor, while in 2012 correspond to the Montes Tallón, S.A. business combination. (Note 33).

NOTE 19. WELFARE COMMITMENTS

		2013	2012
Obligations on consolidated statement of financial position:			
current employees		**10,027**	12,182
retired employees		**-**	-
	EThs	**10,027**	12,182

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

	2013	2012
Presente value of financial obligations	**37,639**	51,689
Fair value of plan assets	**(39,435)**	(52,391)
	(1,796)	(702)
Unrecognized actuarial gains	**11,823**	12,884
Liability on consolidated statement of financial position EThs	**10,027**	12,182

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

	Obligation recognized	Plan assets
As of November 30, 2011 EThs	**45,504**	**(43,855)**
Service cost	1,811	-
Interest cost	2,050	-
Return on plan assets	-	(2,049)
Payments to beneficiaries	(1,702)	1,701
Contributions	-	1,691
Actuarial losses / gains	4,909	(10,762)
Settlements	(883)	883
As of November 30, 2012 EThs	**51,689**	**(52,391)**
Service cost	2,457	-
Interest cost	1,282	-
Return on plan assets	-	(1,345)
Payments to beneficiaries	(2,759)	2,759
Contributions	-	3,693
Actuarial losses / gains	(11,289)	6,145
Settlements	(3,741)	1,702
As of November 30, 2013 EThs	**37,639**	**(39,435)**

The principal actuarial assumptions used were as follows:

	2013	2012
The discount rate varies, depending on the length of the obligation, between	**3.60%-0.90%**	2.89%-0.83%
Mortality tables	**PERMF 2000P**	PERMF 2000P
Wage increase	**3.0%**	3.5%
Estimated average early retirement age	**65 to 67 years**	65 to 67 years
Estimated average early retirement age (closed commitments)	**62 years**	62 years

The amounts recognized in profit and loss were as follows:

	2013	2012
Current service cost	**2,457**	1,811
Interest cost	**1,282**	2,050
Expected return on plan assets	**(1,345)**	(2,049)
Settlements	**(4,657)**	(260)
Actuarial (gains) / losses	**(3,586)**	(3,880)
Total included in employee benefit expense (Note 23) ETh*s*	**(5,849)**	(2,328)

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. These obligations were externalized and are subject to a financing plan with the insurance companies ended in 2012.

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:

	2013	2012	2011	2010	2009
Present value of financed obligations	37,639	51,689	45,504	66,132	67,939
Fair value of plan assets	(39,435)	(52,391)	(43,855)	(58,946)	(56,926)

The Group's best estimate of the contributions to be paid in the year ending November 30, 2013 is EThs 2,698.

Additionally, there is a defined contribution plan the annual cost of which is included under the heading "Employee benefit expense" for EThs 476 (EThs 479 in 2012).

NOTE 20. BORROWINGS

In 2011, the Group parent has entered into a frame agreement in order to finance acquisitions of companies with Banca March S.A. for the next three years and to a maximum amount of one hundred million euros; to be split in individual loans for each transaction with amortization periods between three and five years. Interest rates and additional terms were fixed and do not differ from market conditions. During December 2012 one of such transactions was signed to finance the acquisition of Montes Tallón, S.A., for a total amount of EThs 15,000.

At November 30, 2013, 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 2013 and the interest accrued in the year end. The amount of which was EThs 1,473 (EThs 904 in 2012).

The noncurrent portion of this debt, which is EThs 10,050, is shown at amortized cost in accordance with the effective interest rate method. It matures as follows:

Fiscal year 2013	Current	2015	2016	2017	Noncurrent
Borrowings from financial institutions	8,765	5,177	3,966	907	10,050
Other (Note 10)	266	-	-	-	-
EThs	9,031	5,177	3,966	907	10,050

Fiscal year 2012	Current	2014	2015/16	Noncurrent
Borrowings from financial institutions	12,049	8,550	9,989	18,539
Other (Note 10)	536	-	-	-
EThs	12,585	8,550	9,989	18,539

NOTE 21. PROVISION FOR OTHER LIABILITIES AND EXPENSES

	2013	2012
Noncurrent		
Other commitments with employees	**4,797**	3,332
Current		
Litigations: customer transactions	**1,561**	1,494
Guarantees for services and contracts	**14,731**	14,719
Chamber of Commerce and other taxes	**1,637**	1,299
EThs	**17,929**	17,512

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, 2011	3,020	1,423	14,073	2,095
Provisions / (reversals) in Income Statement:	312	71	2,058	(500)
Amounts used	-	-	(1,412)	(296)
Other	-	-	-	-
As of November 30, 2012	3,332	1,494	14,719	1,299
Provisions / (reversals) in Income Statement:	1,034	67	618	203
Amounts used	-	-	(606)	-
Other	431	-	-	135
As of November 30, 2013 EThs	4,797	1,561	14,731	1,637

NOTE 22. REVENUE

	2013	2012
Services rendered	**578,784**	602,769
Revenue from works contracts	**53,835**	73,089
Exports	**125,485**	132,082
Other sales	**1,127**	1,178
Total revenue EThs	**759,231**	809,118

NOTE 23. EMPLOYEE BENEFITS

	2013	2012
Wages and salaries	**185,634**	180,870
Social security and other	**72,096**	73,674
Employee benefit commitments	**(5,849)**	(2,328)
EThs	**251,881**	252,216

Social security and other includes severance payments to employees of EThs 11,309 in 2013 (EThs 15,588 in 2012).

Starting from fiscal year 2011, 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 2013 is EThs 675 (2012: EThs 139).

NOTE 24. RAW MATERIALS AND CONSUMABLES USED

	2013	2012
Materials and subcompanies for installations and services	**252,923**	287,970
Elimination of intra-group transactions	**(59,121)**	(64,814)
Purchase discounts	**(5)**	(8)
Change in inventories	**3,616**	(6,695)
EThs	**197,413**	216,453

NOTE 25. OTHER NET EXPENSES

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

	2013	2012
Leases	**19,783**	19,898
Repairs and maintenance	**2,423**	2,661
Insurance premiums	**313**	1,596
Advertising and publicity	**1,955**	1,988
Transport	**7,305**	7,756
Supplies and other services	**15,265**	17,344
Independent professionals	**4,164**	4,075
Subcontracting	**688**	769
Other	**4,383**	3,974
Impairment of receivables (Note 8)	**4,296**	6,978
EThs	**60,575**	67,039

NOTE 26. NET FINANCE COST

	2013	2012
Interest expense:		
- Loans with financial institutions	**(2,089)**	(1,163)
	(2,089)	(1,163)
Interest revenue:		
- Bank deposits	**817**	938
- Other	**-**	-
	817	938
Net foreign exchange gains / (losses)	**57**	24
EThs	**(1,215)**	(201)

NOTE 27. INCOME TAX

	2013	2012
Profit before tax	**225,152**	261,021
Permanent differences:	**5,299**	10,253
Profit from foreign companies	**(26,068)**	(32,022)
Other differences	**6,205**	4,944
Prior year temporary differences in respect of which the relevant deferred tax asset was not recognized	**5,443**	(2,993)
Temporary differences arising in the year in respect of which the relevant deferred tax asset has not been recognized	**-**	-
Adjusted profit before tax	**216,031**	241,206
Temporary differences arising in the year in respect of which the relevant deferred tax asset is recognized	**(8,046)**	(2,176)
Taxable income	**207,983**	239,027
Gross tax payable	**62,395**	71,708
Tax credits	**(4,908)**	(4,746)
Other differences	**1,247**	651
Corporate net tax expense from foreign companies	**8,273**	9,311
Corporate income tax expense ETHs	**67,007**	76,924

The deferred tax asset accumulated at November 30, 2013 amounted to EThs 25,532 (EThs 25,510 in 2012). 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 33,618 (EThs 9,372 in 2012) relating to differences generated by goodwill.

At the year end, the sum of EThs 62,001 (EThs 62,022 in 2012) had been paid on account of the final corporate income tax liability. Corporate income tax expense includes income of EThs 781 from deferred taxes (income of EThs 2,143 from deferred taxes in 2012).

The effective tax rate for Otis Elevadores, Lda. (Portugal) is 31% and for Otis Maroc 30% (29.6% and 25.3% respectively, in 2012) and their tax expense for 2013 amounted to EThs 7,339 and EThs 578, respectively (EThs 8,282 and EThs 1,029, respectively, in 2012).

For Zardoya Otis, S.A. remain open to inspection of corporate tax and in general the rest of taxes for the years 2011 and 2012. For most of the Spanish subsidiaries, as well as Otis Maroc, S.A., Grupo Otis Elevadores (Portugal) and Enor Portugal remain open to inspection the last four years, except for corporate income tax of Otis Elevadores (Portugal), for the year ended November 30, 2012 and the value added tax and other faxes for the calendar year ended December 31, 2012, which have been inspected by the Portuguese tax agency actions. In this regard, in the year 2012, for Zardoya Otis, S.A. commenced a tax audit including: Corporate Income Tax, Vat and withholdings tax for the financial years 2009 and 2010, said inspection ended in 2013 and its result does not affect significantly the profit of the year.

In consequence, among other things, additional liabilities could arise as the result of an inspection, due to possible different interpretations of current tax legislation. However, the directors consider that, if any such liabilities were to arise, they would not have a significant effect on the annual financial statements.

NOTE 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.

	2013	2012
Profit attributable to equity holders of the Company	**157,005**	181,097
Weighted average number of ordinary shares in issue during the year	**406,038,552**	373,011,610
Weighted average number of treasury shares	**(40,484)**	(99,151)
Basic earnings per share	**0.38**	0.49

NOTE 29. DIVIDENDS PER SHARE

During the years 2012 and 2013, the following interim dividends and part of the share premium were distributed by Zardoya Otis, S.A.:

	Miles de euros
1st Dividend 0,120 Euros gross per share charged to the year 2012. Declared on March 6, 2012 and paid out on March 12, 2012. Shares: 366,896,666 (Treasury Stock 44,030). Total = 44,027,599.92 Euros	44,022
2nd Dividend 0,120 Euros gross per share, charged to reserves. Declared on May 24, 2012 and paid out on June 11, 2012. Shares: 366,896,666 (Treasury Stock 44,030). Total = 44,027,599.92 Euros	44,022
3rd Dividend 0,120 Euros gross per share charged to the year 2012. Declared on September 3, 2012 and paid out on September 10, 2012. Shares: 385,241,499 (Treasury Stock 46,231). Total = 46,228,979.88 Euros	46,223
Dividend at the end of the year ETHs	134,267
4th Dividend 0,110 Euros gross per share charged to the year 2012. Declared on December 3, 2012 and paid out on December 10, 2012. Shares: 385,241,499 (Treasury Stock 46,231). Total = 42,376,564.89 Euros	42,371
Total 2012 ETHs	**176,638**

1st Dividend 0,100 Euros gross per share charged to the year 2013. Declared on March 21, 2013 and paid out on April 10, 2013. Shares: 402,154,866 (Treasury Stock 46,231) Total = 40,215,486.60 Euros	40,211
Partial distribution of share premium: 0,080 Euros gross per share. Declared on May 27, 2013 and paid out on July 10, 2013. Shares: 402,154,866 (Treasury Stock 46,231) Total = 32,172,389.28 Euros	32,169
2nd Dividend 0,090 Euros gross per share charged to the year 2013 Declared on September 17, 2013 and paid out on October 10, 2013. Shares: 418,241,060 (Treasury Stock 29,176) Total = 37,641,695.40 Euros	37,639
Dividend at the end of the year ETHs	110,019
3rd Dividend 0,090 Euros gross per share charged to the year 2013. Declared on December 10, 2013 and paid out on January 10, 2014. Shares: 418,241,060 (Treasury Stock 29,176) Total = 37,641,695.40 Euros	37,639
Total 2013 ETHs	**147,658**

In relation to the interim dividends distributed by Zardoya Otis, S.A. in the year 2013, the existence of sufficient liquidity for their distribution was verified, in accordance with the Capital Company Act, art. 277.

NOTE 30. CASH GENERATED BY OPERATIONS

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

	2013	2012
Profit before tax	**225,152**	261,021
- Depreciation of property, plant and equipment (Note 5)	**6,602**	5,630
- Amortization of intangible assets (Note 6)	**20,364**	11,128
- (Profit)/loss on disposals of property, plant and equipment	**(140)**	(4)
- Increase /(Reduction) in retirement benefit obligations	**(2,155)**	(638)
- Interest expense - net (Note 26)	**(1,272)**	(225)
- Losses/(gains) on foreign currency conversion in operating activities (Note 26)	**57**	24
Changes in working capital (excluding the effects of the acquisition and foreign exchange differences upon consolidation):		
- Inventories	**5,064**	(6,694)
- Trade and other receivables	**(26,474)**	(9,891)
- Financial assets at fair value through profit and loss	**-**	-
- Trade and other payables	**(44,322)**	(84,019)
Cash generated by operations EThs	**182,876**	176,332

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 20,381 (2012: EThs 16,243).

NOTE 32. COMMITMENTS

Fixed asset purchases commitments

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

	2013	2012
Property, plant and equipment EThs	**1,950**	948
Intangible assets EThs	**-**	-

At November 30, 2013, there were firm purchase commitments for the acquisition of fixed assets for an amount of EThs 1,950 (EThs 948 in 2012), of which EThs 428 (EThs 771 in 2012) were anticipated to suppliers.

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:

	2013	2012
Premises leaded	**4,381**	4,333
Other	**4,888**	4,378

NOTE 33. BUSINESS COMBINATIONS

a.- Business combinations and mergers (Fiscal year 2013):

GRUPO ASCENSORES ENOR, S.A. (Enor)

Grupo Ascensores Enor, S.A. owns, directly or indirectly, 100% of the capital of Electromecánica del Noroeste, S.A.; Ascensores Enor, S.A. and Enor Elevaçao e Equipamentos Industriais, Lda. all of them operating in the field of elevators, escalators and automatic doors in Spain and Portugal.

On December, 20th 2012 the Board of Directors of Zardoya Otis, S.A. agreed to call an Extraordinary General Shareholders' Meeting of the Company which took place in second call on January 30, 2013, that approved the following points:

- Capital increase through a non-monetary contribution consisting of 3,338,463 registered shares representing the entirety of the share capital of the company Grupo Ascensores Enor, S.A., for a nominal amount of 3 euros by means of issuing 16,913,367 ordinary shares in the Company with a nominal value of 0.10 euros each.

- Authorization so that, in accordance with the contents of article 149 of the LSC, the Company may directly or indirectly accept its own shares as a guarantee.

- Amendment of article 9 of the Bylaws (rights conferred by the shares).

It was approved by the Extraordinary General Shareholders' Meeting to increase the Company's share capital, 38,524,149.90 euros, in the amount of 1,691,336.70 euros, by issuing 16,913,367 new ordinary shares in the Company with a nominal value of 0.10 euros each and a share premium of 9.10 per share (giving a total of 153,911,639.70 euros as a share premium).

On February 7th, the 3,338,463 Enor shares, representatives of 100% of its capital, were exchanged by the 16,913,367 Zardoya Otis, S.A. shares issued to that effect, as registered in the commercial registry of Madrid on February 14, 2013. The book value attributed to these shares at market price is 175,729,883.13 euros. The new shares were admitted to trading on March 14th, 2013, and to that date a total of 2,198,738 new shares have been pledged in favor of the company.

The shares issued to execute the capital increase will be fully paid up by the shareholders owning the shares that represent 100% of the share capital of ENOR by means of a non-monetary contribution of 3,338,463 registered shares of ENOR, with a nominal value of 3 euros each, representing the entirety of ENOR's share capital.

The total cost of the business combination determined provionally totalled 175,729,883.13 euros. There are no costs attributable to the business combination other than audit costs, assets valuation by independent expert and legal expenses on the transfer, which are not significant and registered as period cost when incurred. 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 as mentioned above.

The business acquired contributes recurring sales of ETHs 31,218 to the Group. Details of the assets and liabilities acquired are as follows:

Cash and cash equivalents	12,781
Property, plant and equipment	17,599
Intangible assets	84,443
Receivables	9,618
Inventories	1,448
Deferred tax assets	313
Other current assets	146
Other non current assets	875
Payables	8,994
Deferred tax liabilities	25,318
Provisions	488
Other current liabilities	566

There is a difference that gives rise to goodwill of EThs 83,873.

As of November 30, 2013 Grupo Enor brings to the consolidated figures EThs 32,627 of total sales and a profit before tax for the period of EThs 7,207. If the transaction had taken place at beginning of the year the impact on the consolidated financial statements would not have been significant.

Main assets incorporated to the Group financial statements through the business combinations correspond to fixed assets, intangible assets and deferred tax liability arising from the recognition of intangible assets. Both the net assets identified as the goodwill arising in the business combination have been integrated into a new cash generating unit (CGU) called Group Ascensores Enor.

Fixed assets include mainly the value of the land and buildings located in the technological park of Valladares (Vigo), where are located the manufacturing facilities and offices of the subsidiaries Ascensores Enor, S.A. and Electromecánica del Noroeste, S.A. The premises opened in 2007 and have been valued by an independent expert at the time of the acquisition so the amount considered in the business combination corresponds to the fair value of such assets.

Intangible assets reflect the allocation of value to the service portfolio for an amount of EThs 78,432, brand for EThs 5,961 and other intangible for an amount of EThs 50.

As of November 30, 2013 the amount recognized as amortization for the consolidated income statement is EThs 3,186 corresponding to the amortization of the service portfolio, for which a useful life of twenty years has been assigned.

The recoverable value of the assets acquired has been determined by an independent expert using discounted cash-flow projections. These cash-flows were derived from financial budgets approved by Management for a 15 years period, based on past performance and market development expectations. The growth rates applied are on average 1.3% and growth rate used for projections subsequent to the period considered is 2%. The discount rate used has been 10.13%.

To calculate the discount rate, the Group considers 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.

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 by reviewing the business expectations drawn up at the time of acquisition using the key assumptions: period considered, discount rate and perpetuity growth rate.

Apart from the discount rate, the most sensitive aspects included in the projections used, which are based on the forecasts of the 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.

In relation to the aforementioned sensitivity analysis, the following table shows the analysis relating to Grupo Enor:

Rate Discount	EThs
9.63%	81,360
9.88%	79,995
10.13%	78,672
10.38%	77,388
10.63%	76,141

b.- Business combinations and mergers (Fiscal year 2012):

MONTES TALLÓN, S.A.

In December 2011, Zardoya Otis, S.A. acquired 52% of the shares of the company Montes Tallón, S.A., which carries on its activity in the province of Alicante and is engaged in elevator installation and maintenance. The acquisition was made 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 was initially calculated at EThs 17,069, most of which related to acquisition of the maintenance portfolio. There are no costs attributable to the business combination other than audit costs and legal expenses on the transfer, which are not significant.

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 price payable.

The business acquired contributes recurring sales of ETHs 4,600 to the Group. Details of the assets and liabilities acquired are as follows:

Cash and cash equivalents	7,689
Property, plant and equipment	189
Intangible assets	16,373
Receivables	1,670
Inventories	250
Other current asset	7
Payables	580
Deferred tax liabilities	4,912
Provisions	928
Other current liabilities	219
Non controlling interest	9,379

There is a difference that gives rise to goodwill of ETHs 6,909.

As indicated in Note 2.2, after the business combination in December 2011, Zardoya Otis, S.A. sold at market prices, to the new subsidiary Montes Tallón, S.A. 199% of the shares acquired during in the fiscal year 2011 in Ascensores Molero, S.L. and Reparaciones y Mantenimiento de Ascensore, S.L. In June 2012, the companies Ascensores Molero, S.L. and Reparación y Mantenimiento de Ascensores, S.L. were dissolved and its assets and liabilities incorporated into Montes Tallón, S.A., that owned 100% of their respective shares.

Such assets and liabilities were included at their carrying amounts in the consolidated annual financial statements at the transaction date. The difference between the investment recognized in Montes Tallón, S.A. and the net carrying amounts of the assets and liabilities of the acquired companies were recognized as a reserves item for ETHs 131, without impact in the consolidated financial statements.

MERGER FERCAS SERVEIS INTEGRAL, S.A.

In September 2011, Puertas Automáticas Portis, S.L. acquired 100% of the shares of the company Fercas Serveis Integral, S.A.

In March 2012, the company Fercas Serveis Integral, S.A. was dissolved and its assets and liabilities incorporated into Puertas Automáticas Portis, S.L. That owned 100% of their respective shares.

Such assets and liabilities were included at their carrying amounts in the consolidated annual financial statements at the transaction date. The difference between the investment recognized in Puertas Automáticas Portis, S.L. and the net carrying amounts of the assets and liabilities of the acquired company was recognized as a reserves item for ETHs 40.

START ELEVATOR, S.L.

In May 2012, Conservación de Aparatos y Elevadores Express, S.L. acquired 100% of the shares of the company Start Elevator, S.L., which carries out its activity in Navarra, Guipúzcoa, Logroño, Zaragoza and Álava and engages in elevator installation and maintenance.

The total cost of the business combination was calculated at ETHs 7,446, most of which relates to acquisition of the maintenance portfolio. 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 was determined provisionally, since some items must be measured definitively one year after the acquisition date. However, there were no significant variations on the aforementioned figure.

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

The business acquired contributes recurring sales of EThs 1,600 to the Group. Details of the assets and liabilities acquired is as follows:

Cash and cash equivalents	2
Property, plant and equipment	288
Intangible assets	4,627
Receivables	1,448
Other assets	36
Long term liabilities	639
Payables	329
Provisions	239
Other liabilities	599

The difference arising leads to goodwill of EThs 2,851.

In October 2012, the company Start Elevator, S.L. was dissolved and its assets and liabilities incorporated into Conservación de Aparatos y Elevadores Express, S.L.

The assets and liabilities were included at their carrying amounts in the consolidated annual financial statements at the transaction date.

NOTE 34. RELATED-PARTY TRANSACTIONS

United Technologies Holdings, S.A. (incorporated in France) holds 48.60% of the shares of the parent company of the Group Zardoya Otis, S.A.. United Corporation (incorporated in the United States) is the parent company of United Technologies Holdings, S.A.

The following transactions were performed with related parties:

(a) Transactions with Otis Elevator Co

	2013	2012
Royalties	**19,219**	21,161
Charge-back of costs relating to the R&D Center	**654**	747
Payables EThs	**475**	485

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

	2013	2012
Sales	**129,036**	127,734
Purchases	**29,346**	36,673
Receivables	**31,639**	24,435
Payables EThs	**7,536**	6,351

The Group periodically requires for its revision by the Audit Committee the opinion of an external expert concerning the transfer price poling 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 2013, the expense was EThs 675 (EThs 139 in fiscal year 2012), relating to the fair value of the assets to which it is indexed, which was EThs 1,545.

At November 30, 2012, the other receivables heading showed a receivable of EThs 2,008 due from Silamargi, which held a non-controlling interest in the subsidiary Elevadores del Maresme, S.L. until July 2013 (Note 2.2).

The overall compensation for all items accrued during the year by the members of the Board of Directors was EThs 1,368 (EThs 1,505 in 2012) and comprised the following items:

	2013	2012
Fixed compensation	**174**	194
Variable compensation	**68**	166
By-law stipulated items	**1,000**	1,000
Other long-term benefits	**77**	64
Pension plan contributions	**49**	81
Total EThs	**1,368**	1,505

At the 2013 and 2012 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 974 (EThs 465 in 2012), as reported in sections C.1.15 and C.1.16 of the Annual Corporate Governance Report 2013.

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. Bernardo Calleja Fernández and Mr. Piere Dejoux 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)	Chairman of the Board; Member of the Board of Directors
	Otis Elevadores Lda. (Portugal)	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 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
Pierre Dejoux	Otis A/S (Denmark)	Chairman
	Otis, N.V. (Belgium)	Director
	Otis Oy (Finland)	Director
	Otis, S.A. (Switzerland)	Director
	Vtechnologies (Kenia)	Director
	Otis S.C.S. (France)	Director
	Otis B.V. (Netherlands)	Director
Bernardo Calleja Fernández	Buga Otis Asansor Sanayi ve Ticaret A.S. (Turkey)	Director
	C. Veremis Otis, S.A. (Greece)	Director
	Otis Elevadores (Portugal)	Chairman of the Board
	Otis Elevator Company Saudi Arabia Limited (Saudi Arabia)	Director
	Zayani Otis Elevator Company W.L.L.	Director
	Otis Servizi S.r.l. (Italy)	Chairman
	Grupo Ascensores Enor, S.A.	Chairman
	Otis Maroc, S.A.S. (Morocco)	Director
	Acresa Cardellach, S.L.	Chairman

Name or corporate name of Director	Name or corporate name of significant shareholder	Designation
Lindsay E. Harvey	"OTIS" spolka z organiczona odpowiedzialnoscia (Poland)	Chairman
	Advance Lifts Holdings Limited (United Kingdom)	Director
	Advance Lifts Limited (United Kingdom)	Director
	English Lifts (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
	Moveman SKG Limited (United Kingdom)	Director
	Oakland Elevators Limited (United Kingdom)	Director
	Oakland Elevators Limited (United Kingdom - Dormant)	Director
	OAO MOS Otis (Russia)	Director
	OTIS (Isle of man) Limited	Director
	Otis Elevator Ireland Limited (Ireland)	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
	Foster & Cross (Holding) Ltd (United Kingdom)	Director
	Foster & Cross Lifts Limited (United Kingdom)	Director
	Otis Gesellschaft m.b.H. (Austria)	Director
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, 2013, 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, 2013.

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 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 1,078 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 36 (2012: ETHs 54) were waste removal or recycling were recognized in 2013.

NOTE 36. EVENTS AFTER THE END OF THE REPORTING PERIOD

On December 10, 2013 Zardoya Otis, S.A. declared the third dividend corresponding to 2013, third on account of the fiscal year profit, for an amount of 0.09 euros gross per share, resulting in a total dividend gross of EThs 37,641 (Note 29). Payment of the dividend was done on January 10, 2014.

In January, 2014 Zardoya Otis, S.A. acquired the remaining 8.33% of the non-controlling interest of the company Admotion, S.L., thus completing the 100% ownership of such company. The payment was done using the treasury stock (18.500 shares of Zardoya Otis, S.A.).

In February of 2014 Zardoya Otis, S.A. has presented a bank guarantee worth EThs 2,845 as a result of the resolution against several companies including Zardoya Otis, S.A., dictated by the "Consejo de la Comisión Nacional de la Competencia" in September 2013. The Company has appealed at the Audiencia Nacional, for what is required the presentation of the mentioned bank guarantee that will be maintained until the resolution of the same.

NOTE 37. OTHER INFORMATION

(a) Number of Group employees by category (medium and closing fiscal year)

	Men	Women	**2013**
Managers	70	6	**76**
Administration / workshop / field supervisors	475	22	**497**
Engineers, university graduates and other experts	241	46	**287**
Administrative and technical personnel	491	447	**938**
Other workers	3,579	22	**3,601**
	4,856	543	**5,399**

	Men	Women	**2012**
Managers	64	6	**70**
Administration / workshop / field supervisors	502	21	**523**
Engineers, university graduates and other experts	216	42	**258**
Administrative and technical personnel	474	433	**907**
Other workers	3.551	23	**3.574**
	4.807	525	**5.332**

(b) Fees of account auditors 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 2013 is EThs 334 (EThs 324 in 2012), including the fees paid for the audit of processes required to comply with the rules for public companies in USA. Likewise, fees accrued during the year by other companies in the PwC network as a result of audit to foreign subsidiaries are EThs 48 (EThs 38 in 2012).

The fees accrued during the year by PriceWaterhouseCoopers Auditores, S.L. and other companies that use the PwC brand name as a result of other services rendered to the Group, were EThs 79 (EThs 208 in 2012), related to audit services performed within the scope of the acquisition of Group Enor.

BOARD OF DIRECTORS, COMMITTEE & COMMISSION (for the year ended November 30, 2013)

Board of Directors

Mr. Mario Abajo García
Chairman

Mr. José María Loizaga Viguri
Deputy Chairman

Mr. Bernardo Calleja Fernández
CEO

Otis Elevator Company
(Mr. Johan Bill)

Mr. Angelo Messina

Mr. Pierre Dejoux

Mr. Lindsay Harvey

Mr. Alberto 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

General Meeting of Shareholders Agenda

1. Examination and, if applicable, approval of the annual financial statements and management reports of both the Company and its consolidated group for the year running from December 1, 2012 to November 30, 2013.

2. Application of the profit for the year running from December 1, 2012 to November 30, 2013.

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, 2012 to November 30, 2013.

4. Approval of a monetary distribution of share premium for a gross amount of 0.08 euros per share.

5. Appointment of the auditors for the Company and its consolidated group for the year running from December 1, 2013 to November 30, 2014.

6. Appointment and ratification, as applicable and outlet of reason of members of the Board of Directors for the term established in the By-Laws:

6.1. Appointment of Mr. Philippe Delpech as external member.

6.2. Ratification and re-election of Mr. Mark George, who was appointed as an external propietary director by co-option

6.3. Outlet of reason of the appointment of Mrs. Muriel Makharine as the representative person physical of Otis Elevator Company in the exercise of the office of Board.

7. Share capital increase in a ratio of one 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. Consultative ballot on the 2013 Annual Report on Director Compensation to which article 61 ter of the Securities Market Law refers.

9. 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.

10. Authorization to the Board of Directors to agree on the enlagerment of share capital pursuant to article 297.1b) of the companies act of Capital, in one or several times by a maximum amount equal to half of the capital existing at the time of authorization, at any time within a period of five years from the agreement of the General meeting of shareholders. Delegation to the exclusion of the right of pre-emption pursuant to article 506 of the company's act of Capital.

11. Delegation to the Board of Directors for the interpretation, rectification, execution, formalization and registration of the resolutions adopted.

12. Request and questions.

13. Approval of the Minutes.

Financial Statements of the last five years

Consolidated Profit and Loss Accounts

(In millions of euros)

	2013		2012		2011		2010		2009		2008	
		%		%		%		%		%		%
SALES	**759,2**	**100.0**	**809,1**	**100.0**	**819,1**	**100.0**	**862,8**	**100.0**	**885,1**	**100.0**	**936,6**	**100.0**
Raw materials and consumable used	(197,4)	(26.0)	(216,5)	(26.8)	(220,7)	(26.9)	(231,9)	(26.9)	(259,1)	(29.3)	(316,0)	(33.7)
GROSS PROFIT	**561,8**	**74.0**	**592,6**	**73.2**	**598,4**	**73.1**	**630,9**	**73.1**	**626,0**	**70.7**	**620,6**	**66.3**
Other net expenses	(56,3)	(7.4)	(60,0)	(7.4)	(56,5)	(6.9)	(61,5)	(7.1)	(63,5)	(7.2)	(64,1)	(6.8)
Personnel expenses	(251,9)	(33.2)	(252,2)	(31.2)	(249,8)	(30.5)	(250,0)	(29.0)	(250,7)	(28.3)	(249,0)	(26.6)
Impairment of accounts receivable	(4,3)	(0.6)	(7,0)	(0.9)	(7,5)	(0.9)	(18,6)	(2.1)	(16,5)	(1.8)	(14,3)	(1.5)
Otros Income	3,8	0.5	4,6	0.6	4,6	0.6	4,7	0.5	4,2	0.4	3,4	0.4
EBITDA	**253,1**	**33.3**	**278,0**	**34.4**	**289,2**	**35.3**	**305,5**	**35.4**	**299,5**	**33.8**	**296,6**	**31.7**
Amortization, depreciation and impairment losses	(26,9)	(3.5)	(16,8)	(2.1)	(15,2)	(1.9)	(15,9)	(1.8)	(14,2)	(1.6)	(16,0)	(1.7)
OPERATING PROFIT	**226,2**	**29.8**	**261,2**	**32.3**	**274,4**	**33.5**	**289,6**	**33.6**	**285,3**	**32.2**	**280,6**	**30.0**
Financial income	0,8	0.1	0,9	0.1	2,5	0.3	2,6	0.3	4,0	0.4	7,0	0.7
Financial expenses	(2,0)	(0.3)	(1,1)	(0.1)	(0,4)	0.0	(0,3)	(0.1)	(1,3)	(0.1)	(2,2)	(0.2)
Net foreign exchange differences	0,0	0.0	0,0	0.0	0,0	0.0	(0,1)	0.0	0,1	0.0	(0,1)	0.0
Other gains and losses	0,1	0.0	0,0	0.0	0,0	0.0			(0,0)	0.0	(0,5)	0.1
PROFIT BEFORE TAX	**225,1**	**29.6**	**261,0**	**32.3**	**276,1**	**33.7**	**291,8**	**33.8**	**288,1**	**32.6**	**284,8**	**30.4**
Income tax expenses	(67,0)	(8.8)	(76,9)	(9.5)	(79,5)	(9.7)	(83,8)	(9.7)	(84,3)	(9.6)	(81,6)	(8.7)
PROFIT FOR THE YEAR	**158,1**	**20.8**	**184,1**	**22.8**	**196,6**	**24.0**	**208,0**	**24.1**	**203,8**	**23.0**	**203,2**	**21.7**
Minority interests	(1,1)	(0.1)	(3,0)	(0.4)	(2,6)	(0.3)	(2,9)	(0.3)	(1,7)	0.2	(2,1)	(0.2)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**157,0**	**20.7**	**181,1**	**22.4**	**194,0**	**23.7**	**205,1**	**23.8**	**202,1**	**22.8**	**201,1**	**21.5**
CASH FLOW (1)	**183,9**	**24.2**	**197,9**	**24.5**	**209,2**	**25.5**	**221,0**	**25.6**	**216,2**	**24.4**	**217,1**	**23.2**

(1) Net income + Depreciation.

Consolidated Balance Sheets

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

(In million of euros)

	2013		2012		2011		2010		2009		2008	
ASSETS		%		%		%		%		%		%
Property, plant & equipment	66.7	9.4	52.7	9.4	51.5	9.2	54.6	9.4	57.8	9.6	56.5	9.1
Intangible assets	206.9	29.1	134.0	23.9	121.3	21.7	118.9	20.4	119.7	19.8	80.4	12.9
Goodwill	134.6	18.9	56.7	10.1	46.9	8.4	42.2	7.2	40.3	6.7	30.0	4.8
Financial investments	0.7	0.1	0.5	0.1	2.6	0.5	0.6	0.1	0.6	0.1	12.4	2.0
Deferred tax assets	25.6	3.6	25.5	4.5	26.1	4.7	24.6	4.2	22.7	3.8	24.1	3.9
Other non current assets	4.3	0.6	6.3	1.1	5.5	1.0	3.8	0.7	2.9	0.5		
NON CURRENT ASSETS	**438.8**	**61.6**	**275.7**	**49.3**	**253.9**	**45.4**	**244.7**	**42.0**	**244.0**	**40.3**	**203.4**	**32.8**
Inventories	25.1	3.5	28.7	5.1	22.0	3.9	17.6	3.0	18.4	3.0	21.7	3.5
Financial receivables	0.4	0.1	0.5	0.1	0.4	0.1	0.6	0.1	0.7	0.1	0.3	0.0
Trade and other receivables	202.9	28.5	218.7	39.0	215.8	38.6	228.2	39.2	237.6	39.3	314.8	50.7
Cash and cash equivalents	44.9	6.3	37.1	6.6	66.8	12.0	91.0	15.7	104.1	17.2	80.7	13.0
CURRENT ASSETS	**273.3**	**38.4**	**285.0**	**50.8**	**305.0**	**54.6**	**337.4**	**58.0**	**360.8**	**59.7**	**417.5**	**67.2**
TOTAL ASSETS	**712.1**	**100.0**	**560.7**	**100.0**	**558.9**	**100.0**	**582.1**	**100.0**	**604.8**	**100.0**	**620.9**	**100.0**
LIABILITIES												
Social capital	41.8	5.9	38.5	6.9	36.7	6.6	34.9	6.0	33.3	5.5	31.7	5.1
Prima de emisión de acciones	141.9	19.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Legal Reserve	8.5	1.2	7.7	1.4	7.0	1.3	7.0	1.2	6.7	1.1	6.3	1.0
Reserves in subsidiaries & other reserves	203.3	28.5	192.6	34.3	194.1	34.7	153.1	26.3	143.4	23.7	141.7	22.8
Treasury stock	(0.3)	0.0	(0.4)	(0.1)	(8.3)	(1.5)						
NET EQUITY	**395.2**	**55.5**	**238.4**	**42.5**	**229.5**	**41.1**	**195.0**	**33.5**	**183.4**	**30.3**	**179.7**	**28.9**
Foreign exchange differences	(0.3)	0.0	(0.2)	0.0	(0.3)	(0.1)	(0.3)	0.0	(0.3)	0.0		
MINORITY INTERESTS	**15.6**	**2.2**	**24.1**	**4.3**	**14.1**	**2.5**	**10.0**	**1.7**	**9.5**	**1.6**	**8.0**	**1.3**
TOTAL NET EQUITY	**410.5**	**57.6**	**262.3**	**46.8**	**243.3**	**43.5**	**204.8**	**35.2**	**192.6**	**31.8**	**187.7**	**30.2**
Other payables	7.9	1.1	1.7	0.3	5.2	0.9	15.8	2.7	42.3	7.0	32.3	5.2
Borrowings	10.1	1.4	18.5	3.3	10.7	1.9						
Welfare commitments	10.0	1.4	12.2	2.2	12.8	2.3	19.7	3.4	21.4	3.5	27.2	4.4
Provisions for other liabilities and expenses	4.8	0.7	3.3	0.6	3.0	0.5	2.5	0.4	2.3	0.4	1.9	0.3
Deferred tax liabilities	33.6	4.7	9.4	1.7	3.6	0.6	2.1	0.4				
NON CURRENT LIABILITIES	**66.4**	**9.3**	**45.1**	**8.0**	**35.3**	**6.3**	**40.1**	**6.9**	**66.0**	**10.9**	**61.4**	**9.9**
Trade and other payables	201.4	28.3	210.9	37.6	232.9	41.7	281.7	4.4	279.8	46.3	326.9	52.6
Current tax liabilities	6.9	1.0	12.3	2.2	25.8	4.6	32.0	5.5	31.8	5.3	25.2	4.1
Borrowings	9.0	1.3	12.6	2.2	4.0	0.7	2.2	0.4	14.9	2.5	0.7	0.1
Provisions for other liabilities and expenses	17.9	2.5	17.5	3.1	17.6	3.1	21.2	3.6	19.7	3.3	19.0	3.1
CURRENT LIABILITIES	**235.2**	**33.0**	**253.3**	**45.2**	**280.3**	**50.2**	**337.2**	**57.9**	**346.2**	**57.2**	**371.8**	**59.9**
TOTAL LIABILITIES	**301.6**	**42.4**	**298.4**	**53.2**	**315.6**	**56.5**	**377.3**	**64.8**	**412.2**	**68.2**	**433.2**	**69.8**
TOTAL EQUITY AND LIABILITIES	**712.1**	**100.0**	**560.7**	**100.0**	**558.9**	**100.0**	**582.1**	**100.0**	**604.8**	**100.0**	**620.9**	**100.0**

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EXHIBIT I

ANNUAL CORPORATE GOVERNANCE REPORT

FOR LISTED COMPANIES

DETAILS IDENTIFYING ISSUER

DATE OF FISCAL YEAR END	Nov. 30, 2013

TAX IDENTIFICATION CODE	A28011153

CORPORATE NAME
ZARDOYA OTIS S.A

REGISTERED ADDRESS
CL GOLFO DE SALÓNICA 73

ANNUAL CORPORATE GOVERNANCE REPORT

FOR LISTED CORPORATIONS

A OWNERSHIP STRUCTURE

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

Date of latest modification	Capital social (€)	Number of shares	Number of voting rights
July 15, 2013	41,824,106,00	418,241,060	418,241,060

State whether there are different classes of shares to which different rights are associated:

Yes No X

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 voting rights	Number of indirect voting rights	% of total voting rights
UNITED TECHNOLOGIES CORPORATION (UTC)	0	209,162,354	50.01%
EURO-SYNS S.A.	0	0	0.00%

Name or corporate name of the indirect owner of the shareholding	Through: Name or corporate name of the direct owner of the shareholding	Number of voting rights
UNITED TECHNOLOGIES CORPORATION (UTC)	UNITED TECHNOLOGIES HOLDINGS, S.A.S.	209,162,354
EURO-SYNS S.A.	EURO-SYNS S.A.	0

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

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

Name or corporate name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR BERNARDO CALLEJA FERNANDEZ	520	0	0.00%
MR PIERRE DEJOUX	10	0	0.00%
MR ANGELO MESSINA	1	0	0.00%
MR JOSE MARIA LOIZAGA VIGURI	150,000	2,015	0.04%
MR MARIO ABAJO GARCIA	1,125,649	0	0.27%
MR LINDSAY HARVEY	10	0	0.00%
EURO-SYNS S.A.	43,350,744	3,968,978	11.31%

Name or corporate name of the indirect owner of the shareholding	Through: Name or corporate name of the direct owner of the shareholding	Number of voting rights
MR BERNARDO CALLEJA FERNANDEZ		0
MR PIERRE DEJOUX		0
MR ANGELO MESSINA		0

MR JOSE MARIA LOIZAGA VIGURI	MS MARIA PAZ JIMENEZ MARTINEZ (SPOUSE)	2,015
MR MARIO ABAJO GARCIA		0
MR LINDSAY HARVEY		0
EURO-SYNS S.A.	CENON INVESTMENTS S.L.	3,968,978

% of total voting rights held by the Board of Directors	11.62%

Complete the following charts on the members of the Board of Directors of the company who hold rights over company shares:

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:

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

Related name or corporate name
UNITED TECHNOLOGIES CORPORATION (UTC)
UNITED TECHNOLOGIES HOLDINGS, S.A.S.

Type of relationship: Commercial

Brief description:

As of November 30, 2013, 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.S. Zardoya Otis S.A. has commercial and contractual relations with Otis Elevator Company and United Technologies Corporation (UTC).

Related name or corporate name
UNITED TECHNOLOGIES CORPORATION (UTC)
UNITED TECHNOLOGIES HOLDINGS, S.A.S.

Type of relationship: Contractual

Brief description:

As of November 30, 2013, 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.S. Zardoya Otis S.A. has commercial and contractual relations with Otis Elevator Company and United Technologies Corporation (UTC).

Related name or corporate name
UNITED TECHNOLOGIES CORPORATION (UTC)
UNITED TECHNOLOGIES HOLDINGS, S.A.S.

Type of relationship: Corporate

Brief description:

As of November 30, 2013, 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.S. Zardoya Otis S.A. has commercial and contractual relations with Otis Elevator Company and United Technologies Corporation (UTC).

A.6 State whether any paracorporate (shareholders') agreements affecting the Company pursuant to the provisions of articles 530 and 531 of the Capital Companies Law] have been reported to the Company. If so, briefly describe them and list the shareholders bound by the agreement:

Yes X No

Parties to shareholders' agreement
EURO-SYNS S.A.
UNITED TECHNOLOGIES HOLDINGS, S.A.S.

Percentage of share capital affected: 2.10%

Brief description of agreement:

On August 3, 2012, Euro Syns, S.A. and United Technologies Holdings, S.A.S. signed a syndication agreement whereby Euro Syns, S.A. agreed to syndicate 8,458,074 shares in Zardoya Otis, S.A. representing up to approximately 2.103% of the share capital (after the capital increase approved by the Extraordinary General Shareholders' Meeting held on January 30, 2013).

This syndication agreement was signed in the interests of the transaction for the acquisition of Grupo Ascensores ENOR, S.A., in order for UTH to be, at any given moment, the holder of more than 50% of the voting rights of Zardoya Otis, S.A., so that the UTC Group can continue to consolidate Zardoya Otis, S.A. after the capital increase approved by the Company's Extraordinary General Shareholders' Meeting held on January 30, 2013.

State whether the company is aware of the existence of any actions that have been arranged between its shareholders. If S, briefly describe them:

Yes No X

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 X No

Name or corporate name
UNITED TECHNOLOGIES CORPORATION (UTC)

Comments
At November 30, 2013, 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 capital
29,176	0	0.01%

(*) Through:

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

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 issue, repurchase or transfer treasury stock:

The Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on May 27, 2013 unanimously approved the proposal to authorize the Board of Directors to, without consulting the General Shareholders' Meeting beforehand, acquire, directly or indirectly, shares in Zardoya Otis, S.A. up to the maximum percentage of the share capital allowed by law at any given moment and for the maximum period likewise allowed by law as from the date on which the aforementioned Ordinary General Shareholders' Meeting was held. The acquisition price of said shares may not be lower than 2 euros per share or higher than 25 euros per share and the Board is expressly authorized to set aside the reserves required under article 148 of the Capital Companies Law.

In addition, the Extraordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on January 30, 2013 unanimously approved to authorize the Board of Directors to, pursuant to the provisions of article 149 of the current Capital Companies Law, either directly or through any group companies, accept its own shares as a pledge or any other type of guarantee, within the limits and meeting the same requirements as are applicable to the acquisition thereof.

Specifically:

The maximum number of shares to be accepted as pledges shall not exceed 10% of the Company's share capital.

The shares accepted as pledges shall be free of all charges and encumbrances, fully paid up and not attached to compliance with any obligation the beneficiary of which is not the Company.

Term of the authorization: the authorization shall be in force for the maximum period allowed by Law at any given moment, as from the date of this Extraordinary General Shareholders' Meeting.

When carrying out these transactions, the rules on the subject contained in the Company's Internal Code of Conduct shall likewise be met.

This authorization does not amend but –rather- complements the authorization granted as per the first paragraph above.

A.10 State whether there is any restriction on the transferability of shares and/or any restrictions on voting rights. In particular, state the existence of any kind of restrictions that might hinder taking control of the company by acquiring shares therein in the market.

Yes No X

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

Yes No X

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

A.12 State whether the company has issued securities that are not traded on a regulated Community market.

Yes No X

If applicable, state the different classes of shares and, for each class of shares, the rights and obligations it confers.

B GENERAL MEETING

B.1 State and, if applicable, describe whether there are any differences from the system of minimums provided for in the Capital Companies Law regarding the quorum required to constitute a General Meeting.

Yes X No

	Quorum % different from that established as a general rule in art. 193 Capital Companies Law	Quorum % different from that established in art. 194 Capital Companies Law for the special cases of art. 194 Capital Comp. Law
Quorum required on 1st call	60.00%	50.00%
Quorum required on 2nd call	66.66%	50.00%

Describe the differences

The qualified quorums mentioned in the above chart are required.

B.2 State and, if applicable, describe whether the system for adopting corporate resolutions differs from the system provided for in the Capital Companies Law.

Yes No X

Describe the differences from the system provided for in the Capital Companies Law.

B.3 State the rules applicable to amending the corporate By-Laws. In particular, state the majorities required to amend the By-Laws and, if applicable, the rules that are in place to protect shareholder rights when the By-Laws are amended.

To amend the Company's By-Laws, the system set forth in article 285 onwards of the Capital Companies Law will be applied.

Notwithstanding the provisions of the preceding paragraph, according to article 14 of the Company's By-laws, in order for a General Meeting (Ordinary or Extraordinary) to validly resolve to increase or decrease the capital or make any other amendment to the By-Laws, issue debentures, eliminate the limitation on the preferential right of acquisition of new shares, convert, merge or spin off the Company or globally transfer its assets and liabilities, move its registered office abroad, or any other amendment for which a qualified majority is legally required, it will be necessary, on the first call, for shareholders owning at least two thirds of the subscribed capital with voting rights to be present or represented. On the second call, it will be sufficient for 50% of said capital to be present or represented.

Additionally, in accordance with article 15 of the Company's By-laws, a separate vote will be taken on each one of the items on the agenda and on those matters which, although they form part of the same item on the agenda, are substantially independent, in order for the shareholders to exercise their voting preferences separately. In particular, in the event of amendments to the Company's By-laws, separate votes will be taken on each article or group of articles that is substantially independent.

Resolutions concerning amendment of the Company's By-laws will be adopted by a majority of the capital present or represented at the General Shareholders' Meeting.

B.4 State the attendance figures for the General Meetings held in the financial year to which this report refers and in the preceding financial year:

	Attendance figures				
Date of General Meeting	% physically present	% represented	% distance votes		Total
			Electronic vote	Other	
30/01/2013	64.69%	7.86%	0.00%	0.00%	72.55%
27/05/2013	64.62%	6.77%	0.00%	0.00%	71.39%

B.5 State whether the By-Laws contain a restriction establishing the minimum number of shares required to attend the General Meeting:

Yes No X

B.6 State whether it has been decided that certain decisions that involve a structural modification of the company (subsidiarization, purchase or sale of essential operating assets, operations equivalent to winding up the company, …) should be submitted to the approval of the General Shareholders' Meeting even though mercantile legislation does not expressly require this:

Yes X No

B.7 State the address and way to access the corporate governance information on the company's website, as well as other information on General Meetings that must be made available to shareholders through the company's website:

The website of Zardoya Otis, S.A. is (www.otis.com/site/es-esl/Pages/InformacionparaAccionistaseInversores.aspx) which likewise contains a section on "Corporate Governance". Among other documents, the Annual Corporate Governance Report for 2012, published in March 2013, is included.

The 2013 Annual Corporate Governance Report will be duly published on the corporate website in March 2014.

C STRUCTURE OF THE COMPANY'S GOVERNING BODIES

C.1 Board of Directors

C.1.1 Maximum and minimum number of Directors provided for in the By-Laws:

Maximum number of Directors	15
Minimum number of Directors	3

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

Name or corporate name of Director	Representative	Position on the Board	Date first appointment	Date latest appointment	Election procedure
MR MARIO ABAJO GARCIA		CHAIRMAN	05/31/1985	06/23/2011	RESOLUT. GENERAL SHAREHOLDERS' MEETING
MR JOSE MARIA LOIZAGA VIGURI		DEPUTY CHAIRMAN	02/23/1973	05/27/2013	RESOLUT. GENERAL SHAREHOLDERS' MEETING
MR BERNARDO CALLEJA FERNANDEZ		DIRECTOR & CEO	02/28/2012	05/24/2012	RESOLUT. GENERAL SHAREHOLDERS' MEETING
MR PIERRE DEJOUX		DIRECTOR	01/26/2012	05/24/2012	RESOLUT. GENERAL SHAREHOLDERS' MEETING
MR ANGELO MESSINA		DIRECTOR	06/30/2005	06/23/2011	RESOLUT. GENERAL SHAREHOLDERS' MEETING
MR ALBERTO ZARDOYA ARANA		DIRECTOR	02/26/2013	05/27/2013	RESOLUT. GENERAL SHAREHOLDERS' MEETING

Name or corporate name of Director	Representative	Position on the Board	Date first appointment	Date latest appointment	Election procedure
MR LINDSAY HARVEY		DIRECTOR	06/24/2009	06/23/2011	RESOLUT. GENERAL SHAREHOLDERS' MEETING
EURO-SYNS S.A.	MS MARIA LUISA ZARDOYA ARANA	DIRECTOR	05/31/1996	06/23/2011	RESOLUT. GENERAL SHAREHOLDERS' MEETING
OTIS ELEVATOR COMPANY	MR JOHAN BILL	DIRECTOR	06/30/1984	06/23/2011	RESOLUT. GENERAL SHAREHOLDERS' MEETING

Total number of directors	9

State any Directors who left the Board during the reporting period:

C.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 reported on his/her appointment	Position in the company's organization chart
MR BERNARDO CALLEJA FERNANDEZ	NOMINATING COMMISSION	CEO

Total number of executive directors	1
Total % of the Board	11.11%

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of Director	Commission that reported on his/her appointment	Name or corporate name of significant shareholder represented or that proposed his/her appointment
MR PIERRE DEJOUX	NOMINATING COMMISSION	UNITED TECHNOLOGIES HOLDINGS, S.A.S.
MR ANGELO MESSINA	NOMINATING COMMISSION	UNITED TECHNOLOGIES HOLDINGS, S.A.S.
MR ALBERTO ZARDOYA ARANA	NOMINATING COMMISSION	EURO-SYNS S.A.
MR LINDSAY HARVEY	NOMINATING COMMISSION	UNITED TECHNOLOGIES HOLDINGS, S.A.S.
EURO-SYNS S.A.	NOMINATING COMMISSION	EURO-SYNS S.A.
OTIS ELEVATOR COMPANY	NOMINATING COMMISSION	UNITED TECHNOLOGIES HOLDINGS, S.A.S.

Total number of proprietary directors	6
Total % of the Board	66.67%

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of Director

MR JOSE MARIA LOIZAGA VIGURI

Profile:

Deputy Chairman. Appointed at the proposal of the Nominating Commission.

Total number of independent Directors	1
Total % of the Board	11,11%

State whether any Director classified as independent receives from the company or its group any amount or benefit for an item other than director remuneration or maintains or has maintained in the last financial year a business relationship with the company or any company belonging to its group, either in his/her own name or as a significant shareholder, director or member of senior management of an entity that maintains or has maintained such a relationship:

N O

If applicable, provide a statement explaining the Board's reasons for considering that said Director can perform his/her functions as an independent Director.

OTHER EXTERNAL DIRECTORS

Name or corporate name of Director	Commission that reported on or proposed his/her appointment
MR MARIO ABAJO GARCIA	NOMINATING COMMISSION

Total number of other external directors	1
Total % of the Board	11,11%

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:

MR MARIO ABAJO GARCIA

Company, member of management or shareholder to which he/she is related:

ZARDOYA OTIS, S.A.

Reasons:

Mr Abajo meets all the requirements of art. 5 of the Board of Directors Regulations and 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.

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

C.1.4 Complete the following chart with information on the number of women Directors over the last 4 financial years and the classification of said women Directors:

	Number of women Directors				% of total Board members of each type			
	F. Year 2013	F. Year 2012	F. Year 2011	F. Year 2010	F. Year 2013	F. Year 2012	F. Year 2011	F. Year 2010
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	0	0	0	0	0.00%	0.00%	0.00%	0.00%

C.1.5 Explain any measures that have been adopted to try to include a number of women on the Board of Directors sufficient to allow a balanced presence of men and women:

Explanation of the measures

At the 2013 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". At present, Ms María Luisa Zardoya Arana is the personal representative of the director Euro-Syns, S.A.

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.º

In this respect, articles 5 and 12 B) 1 of the Board of Directors Regulations require that this body should ensure, within its competencies, that the choice of director candidates should include people who, in addition to meeting the legal requirements and those stipulated in the By-Laws for the position, possess the appropriate knowledge, prestige and experience to perform the functions that they are appointed to perform. And this is irrespective of their sex.

Likewise, article 12 B) 2 e) of the Board of Directors Regulations states that one of the functions of the Nominating Committee 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.

C.1.6 Explain any measures that the Nominating Commission has established to ensure that selection processes are free from any implied bias hindering the selection of women directors and that the company deliberately seeks women with the appropriate professional profile and includes them among the potential candidates:

Explanation of the measures

See point C.1.5 above.

In the director selection processes that have taken place, the Nominating Commission, following the principles established in the Board of Directors Regulations, has ensured that there is no implicit bias that hinders the access of women directors to the vacant positions and has evaluated the skills, knowledge and experience of all the candidates in accordance with the needs of the governing bodies at any given moment, valuing the commitment that is considered necessary in order to perform their task, irrespective of their sex.

When, in spite of any measures that have been adopted, the number of women directors is scant or nil, explain the reasons that justify this:

Explanation of the reasons

See preceding section.

C.1.7 Explain how owners of significant holdings are represented on the Board:

As stated in points A2 and A3 above, the two principle direct owners of significant shareholders were United Technologies Holdings, S.A.S. (UTH) and Euro-Syns, S.A.

At November 30, 2013, United Technologies Holdings, S.A.S. (UTH) and Euro-Syns, S.A. were represented on the Board of Directors as follows:

- Euro-Syns, S.A. has been a Director since May 31, 1996 and was most recently re-elected at the Ordinary General Shareholders' Meeting held on May 23, 2011.

- Otis Elevator Company has been a Director since May 31, 1996 at the proposal of the significant shareholder United Technologies Holdings, S.A.S. (UTH) and was most recently re-elected at the General Shareholders' Meeting held on May 23, 2011.

- Angelo Messina has been a Director since June 30, 2005 at the proposal of the significant shareholder United Technologies Holdings, S.A.S. (UTH) and was most recently re-elected at the General Shareholders' Meeting held on May 23, 2011.

- Lindsay Harvey has been a Director since June 24, 2009 at the proposal of the significant shareholder United Technologies Holdings, S.A.S. (UTH) and was most recently re-elected at the General Shareholders' Meeting held on May 23, 2011.

- Pierre Dejoux was co-opted to the Board of Directors on January 26, 2012 at the proposal of the significant shareholder United Technologies Holdings, S.A.S. (UTH) and was ratified by the Ordinary General Shareholders' Meeting held on May 24, 2012.

- Alberto Zardoya Arana was co-opted to the Board of Directors on February 26, 2013 at the proposal of the significant shareholder Euro-Syns, S.A. and was ratified by the Ordinary General Shareholders' Meeting held on May 27, 2013.

C.1.8 Explain, 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.

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 X

C.1.9 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:

C.1.10 State the powers, if any, that are delegated to the Chief Executive Officer/s:

Name or corporate name of the Director:

MR BERNARDO CALLEJA FERNANDEZ

Brief description:

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

C.1.11 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
MR MARIO ABAJO GARCIA	OTIS ELEVADORES LDA. (PORTUGAL)	DIRECTOR
MR JOSE MARIA LOIZAGA VIGURI	OTIS ELEVADORES LDA. (PORTUGAL)	DIRECTOR
MR BERNARDO CALLEJA FERNANDEZ	OTIS ELEVADORES LDA. (PORTUGAL)	CHAIRMAN OF BOARD OF DIRECTORS
MR BERNARDO CALLEJA FERNANDEZ	OTIS MAROC S.A. [MOROCCO]	CHAIRMAN
MR BERNARDO CALLEJA FERNANDEZ	GRUPO ASCENSORES ENOR, S.A.	CHAIRMAN
MR BERNARDO CALLEJA FERNANDEZ	ACRESA-CARDELLACH S.L.	CHAIRMAN

C.1.12 Identify, if applicable, the Directors of your company who are members of the Board of Directors of other companies outside your group listed on official stock markets, when this has been notified to the company:

Name or corporate name of Director	Corporate name of group company	Position
MR JOSE MARIA LOIZAGA VIGURI	ACTIVIDADES DE CONSTRUCCION Y SERVICIOS. S.A. (ACS)	DIRECTOR
MR JOSE MARIA LOIZAGA VIGURI	ACTIVIDADES DE CONSTRUCCION Y SERVICIOS. S.A. (ACS)	EXECUTIVE DEPUTY CHAIRMAN
MR JOSE MARIA LOIZAGA VIGURI	CARTERA INDUSTRIAL REA. S.A.	CHAIRMAN

C.1.13 State and, if applicable, explain whether the Company has established rules regarding the number of boards of which its directors may be members:

Yes X No

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

C.1.14 State 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**	

C.1.15 State the aggregated compensation of the Board of Directors:

Compensation of the Board of Directors (thousands of euros)	1,319
Aggregated amount of rights accumulated by the Directors in relation to pensions (thousands of euros)	49
Aggregated compensation of the Board of Directors (thousands of euros)	1,368

C.1.16 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
MR RAFAEL MANUEL FERNANDEZ FERNANDEZ	GENERAL MANAGER
MR JORGE RAMOS	GENERAL MANAGER
MR DOMINGOS EDMUNDO DA ASCENÇAO OLIVEIRA	GENERAL MANAGER
MR PHILIPE OLIVEIRA	GENERAL MANAGER

Total compensation of senior management (thousands of euros)	974

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

Name or corporate name of shareholder	Corporate name of significant shareholder	Position
MR MARIO ABAJO GARCIA	UNITED TECHNOLOGIES CORPORATION (UTC)	DEPUTY CHAIRMAN
MR MARIO ABAJO GARCIA	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR MARIO ABAJO GARCIA	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR ANGELO MESSINA	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR ANGELO MESSINA	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR ANGELO MESSINA	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR ANGELO MESSINA	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR ANGELO MESSINA	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR ANGELO MESSINA	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR ANGELO MESSINA	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR ANGELO MESSINA	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR ANGELO MESSINA	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR ANGELO MESSINA	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR ANGELO MESSINA	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR PIERRE DEJOUX	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR PIERRE DEJOUX	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR PIERRE DEJOUX	UNITED TECHNOLOGIES CORPORATION (UTC)	CHAIRMAN
MR PIERRE DEJOUX	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR PIERRE DEJOUX	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR PIERRE DEJOUX	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR PIERRE DEJOUX	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR

MR BERNARDO CALLEJA FERNANDEZ	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR BERNARDO CALLEJA FERNANDEZ	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR BERNARDO CALLEJA FERNANDEZ	UNITED TECHNOLOGIES CORPORATION (UTC)	CHAIRMAN
MR BERNARDO CALLEJA FERNANDEZ	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR BERNARDO CALLEJA FERNANDEZ	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR BERNARDO CALLEJA FERNANDEZ	UNITED TECHNOLOGIES CORPORATION (UTC)	CHAIRMAN
MR BERNARDO CALLEJA FERNANDEZ	UNITED TECHNOLOGIES CORPORATION (UTC)	CHAIRMAN
MR BERNARDO CALLEJA FERNANDEZ	UNITED TECHNOLOGIES CORPORATION (UTC)	CHAIRMAN
MR BERNARDO CALLEJA FERNANDEZ	UNITED TECHNOLOGIES CORPORATION (UTC)	CHAIRMAN
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	CHAIRMAN
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
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MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR

Name or corporate name of shareholder	Corporate name of significant shareholder	Position
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR LINDSAY HARVEY	UNITED TECHNOLOGIES CORPORATION (UTC)	DIRECTOR
MR JOSE MARIA LOIZAGA VIGURI	UNITED TECHNOLOGIES CORPORATION (UTC)	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 related Director:

MR BERNARDO CALLEJA FERNANDEZ

Name or corporate name of related significant shareholder:

UNITED TECHNOLOGIES CORPORATION (UTC)

Description of relationship:

He is an executive of the United Technologies Corporation Group

Name or corporate name of related Director:

MR PIERRE DEJOUX

Name or corporate name of related significant shareholder:

UNITED TECHNOLOGIES CORPORATION (UTC)

Description of relationship:

He is an executive of the United Technologies Corporation Group

Name or corporate name of related Director:

MR ANGELO MESSINA

Name or corporate name of related significant shareholder:

UNITED TECHNOLOGIES CORPORATION (UTC)

Description of relationship:

He is an executive of the United Technologies Corporation Group

Name or corporate name of related Director:

MR LINDSAY HARVEY

Name or corporate name of related significant shareholder:

UNITED TECHNOLOGIES CORPORATION (UTC)

Description of relationship:

He is an executive of the United Technologies Corporation Group

Name or corporate name of related Director:

EURO-SYNS S.A.

Name or corporate name of related significant shareholder:

EURO-SYNS S.A.

Description of relationship:

Euro-Syns, S.A. is a company controlled by the Zardoya family

Name or corporate name of related Director:

OTIS ELEVATOR COMPANY

Name or corporate name of related significant shareholder:

UNITED TECHNOLOGIES CORPORATION (UTC)

Description of relationship

It is a company controlled by United Technologies Corporation

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

Yes No X

C.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.

According to article 20 of the By-Laws, directors will be designated by voting pursuant to the rules established by law.

In this respect, 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 Companies Law.

In addition, article 13 of the Board of Directors Regulations states that Directors will be designated by the General Meeting or, provisionally, by the Board of Directors, pursuant to the provisions of the Capital Companies Law and the By-Laws.

Thus, the Board of Directors (i) shall, within the scope of their respective competencies, ensure that the persons chosen as candidates are persons with recognized competence and experience; (ii) establish a guidance program for new directors that swiftly provides them with sufficient knowledge of the Company and its corporate governance rules; and (iii) likewise have knowledge updating programs when the circumstances thus advise.

C.1.20 State whether the Board of Directors has evaluated its activity during the F.Y.:

Yes No X

If applicable, explain the extent to which the self-evaluation has led to important changes in its internal organization and the programs applicable to the activities:

C.1.21 State the circumstances in which Directors are obliged to resign:

Firstly, article 15 of the Board of Directors Regulations states that directors will cease to hold office when the term for which they were appointed has elapsed or when the General Shareholders' Meeting 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 Board of Directors Regulations provides that directors must tender their resignation to the Board and, if the latter deems it convenient, resign 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 Companies Act;

(d) When they are seriously rebuked by the Audit Committee or for having failed to perform their duties as directors; or

(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.

C.1.22 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 X

State 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 X

C.1.23 Are qualified majorities, other than those legally provided for, required for any type of decision?:

Yes No X

If applicable, describe the differences:

C.1.24 Explain whether there exist specific requirements, other than those relating to Directors, to be appointed Chairman:

Yes No X

C.1.25 State whether the Chairman has a casting vote:

Yes No X

C.1.26 State whether the By-Laws or the Regulations of the Board of Directors fix any age limit for Directors:

Yes No X

C.1.27 State whether the By-Laws or the Regulations of the Board of Directors fix a limited term of office for independent Directors, other than that established by law:

Yes No X

C.1.28 State whether the By-Laws or the Board of Directors Regulations fix any specific rules for proxy-voting at meetings of the Board of Directors, the way in which this is done and, in particular, the maximum number of proxy votes that a Director may hold, as well as whether it is compulsory to delegate to a Director with the same classification. If applicable, briefly describe these rules:

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 Board of Directors Regulations states that each director may authorize another director to represent him without any limit on the number of proxies that one director may hold 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.

C.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. Proxies granted with specific instructions must be counted as presences:

Number of Board meetings	12
Number of Board meetings without the presence of the Chairman	0

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

Commission	Number of meetings
AUDIT COMMITTEE	8
NOMINATING COMMISSION	2

C.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 with specific instructions must be counted as presences:

Attendances of Directors	12
% of attendances of total votes during the F.Y.	100.00%

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

Yes No X

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

C.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 Board of Directors Regulations 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.

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

Yes No X

C.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 Board of Directors Regulations, 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 Board of Directors Regulations 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 X No

Comments

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

(i) se are in line with the letter and the spirit of the Laws and their implementing regulations, including those approved by the regulatory bodies;

(ii) 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

(iii)respect the rules or recommendations on good corporate governance in force at any given moment

C.1.35 State 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;

Zardoya Otis, S.A. has an internal Code of Conduct the ultimate purpose of which 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 of the Board of Directors Regulations 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) it 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) if the external account auditor resigns, it will investigate the issues that gave rise to said resignation; 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.

Finally, in accordance with article 12 A) 2 g) of the Board of Directors Regulations, the Audit Committee must encourage the external group auditor to take on the auditing of all the group's companies.

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

Yes No X

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

C.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 X No

	Company	Group	Total
Amount of work other than audit work (thousands of euros)	79	0	79
Amount of work other than audit work / Total amount billed by the audit firm (%)	29.28%	0.00%	17.20%

C.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 X

C.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	26	26
Number of years audited by the current audit firm / Number of years for which the company has been audited (%)	66.67%	100.00%

C.1.40 State whether any procedure exists that allows the Directors to obtain external advice and, if applicable, give details thereof:

Yes X No

Details of procedure

Article 17 of B 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.

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:

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:

(i) When it is not necessary in order to correctly fulfil the functions entrusted to the directors.

(ii) If the cost is not reasonable in the light of the importance of the problem and the Company's assets and income.

(iii) If the technical assistance requested may be given adequately by experts and technical staff within the Company.

(iv) 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.

C.1.41 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 X No

Details of procedure

In accordance with article 10 of the Board of Directors Regulations, Zardoya Otis, S.A.'s Board meetings are called 10 days before the date fixed for the meeting.

The notice of the meeting, which will be sent by letter, e-mail, telegram or fax to each one of the directors at the address they have provided for this purpose, must also attach the Agenda and provide the directors with the information necessary to prepare to 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 and call such persons from the Company, auditors, etc. that it deems necessary in order to fulfil its functions appropriately.

Likewise, article17 of the Board of Directors Regulations states that any director may obtain, with the broadest authorization, any information or advice they he/she requires on any aspect of the Company whenever this is required in order to fulfil his/her functions. The right to information covers subsidiaries, both national and foreign, and will be channelled through the Chairman of the Board of Directors, who will handle the requests of any director and provide the information directly, offering the appropriate contacts or taking any measures necessary for the examination requested.

In order to meet recommendation 16 of the Unified Code of Good Governance article 6 of the Board of Directors Regulations 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.

C.1.42 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 X No

Explain the rules

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

1. Article 15 of the Board of Directors Regulations 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:

(i) When they are affected by any of the circumstances for incompatibility or prohibition provided for by law;

(ii) When they may damage the Company's prestige or reputation;

(iii) 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, any of the offences mentioned in article 213 of the Capital Companies Law;

(iv) When they are seriously rebuked by the Audit Committee or for having breached their duties as Directors; or

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

2. Article 19 of the Board of Directors Regulations states that the directors are obliged to notify the Board of Directors as soon as possible and, if applicable, resign, in the event that any of the circumstances that may affect them and may damage the Company's prestige and reputation arise, in particular, if they are prosecuted in criminal proceedings.

C.1.43 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 article 213 of the Capital Companies Law:

Yes No X

State 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 or, if applicable, set forth the actions taken by the Board of Directors up to the date of this report or those it plans to take hereafter:

C.1.44 Provide details of any significant agreements into which the company has entered that come into force, are modified or conclude in the event of a change in the control of the company as a result of a public tender offer and the effects of said entry into force, modification or conclusion:

There are no any significant agreements into which the company has entered that come into force, are modified or conclude in the event of a change in the control of the company as a result of a public takeover bid.

C.1.45 State, on an aggregated basis, and describe in detail, any agreements between the company and its directors, managers or employees that provide for indemnities or contain any guarantee or protective clauses in the event that they resign or are unfairly dismissed or if the contractual relationship concludes as the result of a public tender offer or any other type of transaction:

Number of beneficiaries: 0

Type of beneficiary:

NONE

Description of Agreement:

NONE

State whether these contracts must be notified to and/or approved by the governing body/ies of the company or its group:

	Board of Directors	General Meeting
Body authorizing the clauses	**No**	**No**

	Yes	No
Is the General Meeting informed of the clauses		X

C.2 Commissions of the Board of Directors

C.2.1 Give details of all the commissions of the Board of Directors, their members and the proportion of proprietary and independent directors that sit on them:

AUDIT COMMITTEE

Name	Position	Type
MR JOSE MARIA LOIZAGA VIGURI	CHAIRMAN	Independent
MR LINDSAY HARVEY	DIRECTOR	Proprietary
MR ANGELO MESSINA	DIRECTOR	Proprietary

% of executive directors	0.00%
% of proprietary directors	66.66%
% of independent directors	33.33%
% of other external directors	0.00%

NOMINATING COMMISSION

Name	Position	Type
MR LINDSAY HARVEY	CHAIRMAN	Proprietary
OTIS ELEVATOR COMPANY	DIRECTOR	Proprietary
MR JOSE MARIA LOIZAGA VIGURI	DIRECTOR	Independent

% of executive directors	0.00%
% of proprietary directors	66.66%
% of independent directors	33.33%
% of other external directors	0.00%

C.2.2 Complete the following chart with information on the number of women directors who have sat on the commissions of the Board of Directors in the last four F.Y.s:

	Number of women directors							
	F.Y. 2013		F.Y 2012		F.Y. 2011		F.Y. 2010	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
NOMINATING COMMISSION	0	0.00%	0	0.00%	0	0.00%	0	0.00%
EXECUTIVE OR DELEGATE COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
NOMINATING AND COMPENSATION COMMISSION	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 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	

C.2.4 Provide a description of the rules of organization and operation and of the responsibilities attributed to each one of the commissions of the Board:

See "H. Other information of interest"

C.2.5 State, if applicable, whether rules exist for the Board commissions, where they are available to be consulted and the amendments made to them during the F.Y. Likewise, state whether any annual report on the activities of each commission has been prepared on a voluntary basis:

Audit Committee

The Audit Committee has the competencies and rules of operation transcribed above. The annual financial statements include a summary of the main points discussed by the Audit Committee in the F.Y. ended November 30, 2013. All this information is available on the Company's website((www.otis.com/site/es-esl/Pages/InformacionparaAccionistaseInversores.aspx), which likewise contains a heading concerning the "Commissions of the Board of Directors" within the "Corporate Governance" section.

Article 24 bis f) of the By-Laws shows that the Audit Committee's competencies are not only these reflected in this article, but may be supplemented by the provisions of the Board of Directors Regulations.

Nominating Commission

The Nominating Committee has the competencies and rules of operation transcribed above. The annual financial statements include a summary of the main points discussed by the Audit Committee in the F.Y. ended November 30, 2013. All this information is available on the Company's website (www.otis.com/site/es-esl/Pages/InformacionparaAccionistaseInversores.aspx), which likewise contains a heading concerning the "Commissions of the Board of Directors" within the "Corporate Governance" section.

No annual report is prepared on the activities of the Nominating Commission.

C.2.6 State whether the composition of the delegate or executive commission reflects the participation of the Directors on the Board of Directors in accordance with their classification:

Yes No X

If not, explain the composition of the delegate or executive commission

Zardoya Otis, S.A. dos not have a delegate or executive commission

D RELATED-PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

D.1 Identify the competent body and explain, if applicable, the procedure for approval of related-party and intragroup transactions:

Body competent to approve related transactions

The Board of Directors

Procedure for approval of related transactions

According to article 12 (A) 2 (j) of the Board of Directors Regulations, the Audit Committee will provide a report to the Board of Directors prior to the latter's adoption of decisions on related transactions.

According to article 11 of the Board of Directors Regulations, the Board of Directors will adopt its decisions, including, therefore, the approval of related transactions, by an absolute majority of all the Directors present or represented at the meeting.

Explain whether the approval of transactions with related parties has been delegated, stating, if applicable, the body or person to which it has been delegated.

N/A

D.2 Give details of any transactions that are significant because of their amount or relevant because of their content that have been performed between the company or companies belonging to its group and significant shareholders of the company:

Name of corporate name of significant shareholder	Name or corporate name of the company or company belonging to its group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
UNITED TECHNOLOGIES CORPORATION (UTC)	OTIS ELEVATOR COMPANY	Contractual	License Agreements	19,219
UNITED TECHNOLOGIES CORPORATION (UTC)	ZARDOYA OTIS, S.A.	Contractual	Other	675

D.3 Give details of any transactions that are significant because of their amount or content that have been performed between the company or companies belonging to its group and the directors of the company or its management staff:

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

Any intragroup transaction performed with companies established in countries or territories classified as tax havens must be reported.

Corporate name of the group company: OTIS

ELEVATOR COMPANY

Amount (thousands of euros): 29,346 **Brief**

description of the transaction: IMPORTS

(FROM)

Corporate name of the group company: OTIS

ELEVATOR COMPANY

Amount (thousands of euros): 129,036

Brief description of the transaction:

EXPORTS (TO)

Corporate name of the group company: OTIS

ELEVATOR COMPANY

Amount (thousands of euros): 654

Brief description of the transaction::

INVOICING(TO) OF THE R&D OF ZARDOYA OTIS

D.5 State the amount of the transactions performed with other related parties

(thousands of euros):

D.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 Companies 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 Board of Directors Regulations 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 be affected by said conflict is adopted.

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

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

Yes No X

Identify the subsidiaries listed in Spain:

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's risk management system:.

Section F of 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.

The risk control and management policy contains:

- The different types of risk (operating, technological, financial, legal, reputational, etc.) to which the Company is exposed, including financial or economic risk, contingent liabilities and other off-balance-sheet risks;

- Fixing the level of risk that the Company considers acceptable;

-The measures foreseen to mitigate the impact of the risks identified, in the event that they materialize; and

- The internal reporting and control systems that are used to control and manage the aforementioned risks, including the contingent liabilities and off-balance-sheet risks mentioned above.

E.2 Identify the company bodies responsible for preparing and executing the Risk Management System:

Article 3 of the Board of Directors Regulations states that the Board of Directors is competent to approve the risk control and management system.

Article 12 (A) 2 (e) of the Board of Directors Regulations states that the Audit Committee must periodically review the internal control and management systems in order for the main risks to be identified, managed and made known.

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

- Guarantee that the most significant risks are identified, assessed and managed;

- Ensure an appropriate operating segregation of risk management functions;

- Ensure that the level of risk exposure accepted by the Company in its operations is adapted to the risk profile.

E.3 State the main risks that may affect attainment of the business objectives:

As mentioned in point E1 above, the risk control and management policy fixes the different types of risk, among which the principal ones are

- Operating,

- Technological,

- Financial,

- Legal,

- Reputational,

From the financial point of view, the activities of the Company and the Group are exposed to a number of financial risks: market risk (including exchange rate risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk). The Company's global risk management program concentrates on the uncertainty in the financial markets and tries to minimize any potential adverse effects on the Company's financial profitability. In Note 4 of the Individual Annual Financial Statements and Note 3 of the Consolidated Annual Financial Statements, management of each one of the financial risks is explained.

E.4 State whether the company has a risk tolerance level:

As stated in point E1 above, the risk control and management policy fixes the level of risk that the Company considers acceptable.

E.5 State the risks that materialized during the F.Y.:

As in previous F.Y.s, the risk that materialized in the F.Y. refers to trade receivables:

- Circumstances that caused this: deterioration in the national economic situation.
- Operation of the control systems: both the Company and the Group have customer credit analysis policies and periodic debt monitoring procedures performed by the departments involved in collection management.

E.6 Explain the response and supervision plans for the company's main risks:

Zardoya Otis, S.A. has an Internal Audit Department, with systems and processes that are intended to assess, monitor, mitigate or reduce the main risks of the Company and its consolidated group by preventive measures and alert of possible situations of risk. The Company has the risks that affect assets and liability covered by the appropriate insurance policies. Likewise, the Company and its consolidated group have processes that ensure control of any risk that may stem from trading operations. Section F of this Annual Corporate Governance Report describes the internal control and risk management systems in greater detail.

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO FINANCIAL REPORTING (ICFR)

Describe the mechanisms that form the risk control and management systems in relation to financial reporting (ICFR) in the company.

F.1 The company's control environment

Describe, stating the 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 Board of Directors Regulations states that the Board of Directors is competent to approve the risk control and management policy, as well as the periodic monitoring of the internal reporting and control systems.

According to article 24 bis of the By-Laws and, especially, article 12 (a) 2. (c) of the Board of Directors Regulations, the Audit Committee will have the duties of: (i) ensuring the independence and efficacy of the internal audit function, (ii) proposing the selection, appointment, reappointment and removal of the head of the internal audit service, (iii) proposing the department's budget; (iv) receiving regular reports on its activities, (v) reviewing the internal audit annual work plan its its annual focus on activities, (vii) verifying that senior management takes into account the findings and recommendations of its reports, 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 receiving information on and supervising the process of preparation of the financial reporting of the Company and the Group, checking compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting standards, ensuring its integrity.

Lastly, article 12 (A) 2. (e) of the Board of Directors Regulations states that the Audit Committee must periodically review the internal control and management systems in order for the principal risks to be identified, managed and made known. In particular, the risk control and management policy states:

- The different types of risk (operating, technological, financial, legal, reputational, etc.) to which the Company is exposed, including financial or economic risk, contingent liabilities and other off-balance-sheet risks;

- Fixing the level of risk that the Company considers acceptable;

-The measures foreseen to mitigate the impact of the risks identified, in the event that they materialize; and

- The internal reporting and control systems that are used to control and manage the aforementioned risks, including the contingent liabilities and off-balance-sheet risks mentioned above.

The Company's Audit Committee is formed by three Directors. Its Chairman is Mr José María Loizaga Viguri (independent director) and the other two members are Mr Angelo Messina (proprietary director) and Mr Lindsay Harvey (proprietary director).

F.1.2. Whether the following elements exist, especially in relation to the financial reporting:

- Departments and/or mechanisms responsible for: (i) the design and review of the organizational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) the existence of sufficient procedures for these to be correctly known within the company.

The design and review of the organizational structure is the responsibility of the Human Resources Department and, ultimately, the CEO, within his functions as an executive director.

More detailed definition of resource needs is carried out by the area in question, together with Human Resources, including, therefore, the areas related to the process of preparing the financial reporting and the rest of the Group's operational areas.

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

In relation to sufficient procedures for the information to be correctly known, 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 Financial Department (the "Financial Department"), responsible for preparing the financial reporting, has a system of responsibilities and segregation of functions that fixes the different levels for approval for each one of the activities and processes of the financial and operating departments.

- Code of conduct, approving body, degree to which it is known and explained, principles and values included (stating whether there are specific references to the operations register and financial reporting), body responsible for analyzing non-compliances and proposing corrective actions and penalties.

The Company and the Group have an Internal Code of Conduct on Matters relating to the Stock Markets, approved by the Board of Directors, and a Code of Ethics (the "Code of Ethics"), which has been notified to all the members of the organization through the Intranet.

The Code of Ethics is based on the following essential principles: (i) compliance with legal requirements; (ii) correct preparation of the financial statements, 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 law, but represents a commitment to positive behaviour that forges trust, promotes respect and shows integrity.

The principles established in the Code of Ethics are: (i) loyalty to the Company; (ii) meeting commitments; (iii) acting bona fides; (iii) respect towards others; (v) accurate and true information; (vi) not to jeopardize safety or quality; and (iv) to help to detect and avoid bad practices.

The Group has a Good Business Practice Manager, responsible for implementing the Code of Ethics and ensuring compliance therewith.

The Audit Committee makes an annual review of the plan for compliance with the Code of Ethics for each F.Y., covering the actions, those responsible for them, dates and current status, likewise obtaining information on the training and updating courses that each one of the organization's members must attend.

As stated in article 12 of the Company's Board of Directors Regulations, mentioned in article 11 of the Internal Code of Conduct, the Audit Committee is responsible for supervising effective compliance with the obligations established in the Internal Code of Conduct. In particular, the Audit Committee must:

- Comply and ensure compliance with the stock market rules on conduct and the rules contained in the Internal Code of Conduct, the procedures thereof and any other present or future supplementary rules.

- Promote knowledge of the Internal Code of Conduct and other stock market rules on conduct on the part of the persons subject to them, insiders and the Group..

- Develop, if applicable, the procedures and implementing rules deemed appropriate in order to apply the Internal Code of Conduct.

- Interpret the rules contained in the Internal Code of Conduct and solve any queries or issues raised by those subject to it and/or insiders.

- Conduct disciplinary procedures against those subject to the Code of Conduct and insiders due to failure to comply with the rules of the Code of Conduct.

- Propose to the Company's Board of Directors the revisions or improvements to the Internal Code of Conduct that it deems appropriate.

- Complaints channel that allows any financial or accounting irregularities, in addition to any breaches of the code of conduct and/or irregular activities in the organization to be reported to the Audit Committee, stating, if applicable, whether this channel is confidential.

The Group has a confidential communication channel that allows all Group employees to make suggestions and place complaints in such a way that their concerns can be heard swiftly, neutrally and in the strictest confidence.

The program provides:

- Confidentiality: the identity of the person making a communication is protected.

- Neutrality: neither management nor the employee takes part.

- independence: there is no hierarchical relationship between the person responsible for the program and Management.

- Quality: the system operates as an intermediary between the employees and Management, while ensuring that communication is clear and comprehensible.

Thus, employees may make communications as follows:

- Through a free telephone call.

- By completing a form and sending it to the relevant centre by mail or fax.

- Using the program application from anywhere with Internet access.

- Training programs and regular updates for employees involved in preparing and reviewing the financial information and in the assessment of the ICFR, covering at least accounting rules, auditing, internal control and risk management.

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

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

F.2 Assessment of financial reporting risks

Provide information on at least:

F.2.1. The principal characteristics of the risk identification process, including the risks of error or fraud, in respect of:

- 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 for review by the Audit Committee and Board of Directors. The Risk Map is based on integrated management of each and every one of the business processes and an appropriate segregation of the levels of risk, in order to achieve compliance with the strategic objectives fixed by the Group.

- Whether the process covers the whole of the financial reporting objectives (existence and occurrence; integrity; measurement, presentation, breakdown and comparability; and rights and obligations. Whether it is updated and how often:

All the risks that could affect the financial reporting (principally operational risks) are assessed and quantified in order to carry out regular supervision of the controls designed to mitigate the risks identified. Operational risks cover the objectives of existence, occurrence, integrity, measurement, presentation, breakdown and comparability, and rights and obligations.

Risk management is based on dynamic analyses for each one of the processes that comprise the business units, meaning that those responsible for each one of the organization's areas or departments identify and assess the potential risks.

- The existence of a process to identify the scope of the consolidated group, taking into account, among other aspects, the possible existence of complex corporate structures and instrumental entities or special-purpose vehicles:

The Group does not have a complex corporate structure. As may be seen from the consolidated annual financial statements, all the subsidiaries are consolidated. The Financial Department, through its Consolidation Department, carries out the consolidation process. In close collaboration with the Legal Department, on the basis of the decisions adopted by the Board of Directors on corporate transactions for acquisitions, business combinations, disposals and mergers, among others, the scope of the consolidation and the percentage interests held by each company in its subsidiaries are determined.

Following the best corporate governance practices, in order to comply with Recommendation No. 52 of the Unified Code of Good Governance, article 12 of the Board of Directors Regulations includes, among the duties of the Audit Committee, the need to provide a report to the Board of Directors before the latter adopts any decisions on the creation or acquisition of shares or interests in special-purpose vehicles or entities resident in countries or territories considered tax havens, as well as any other similar transactions or operations that, given their complexity, could impair the Group's transparency.

- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements:

The different type of risk that comprise the Group risk management system are grouped principally into the following categories:

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

Each one of these categories has controls and mitigating actions, which are reviewed and included in annual work plan of the internal audit department's (the "Internal Audit Department").

- Which of the company's governing bodies supervises the process:

The Audit Committee, with the ICFR system, is responsible for periodically reviewing the internal control and risk management systems, in order for the main risks that affect the Group's financial information to be identified and managed.

F.3 Control activities

State, describing their main characteristics, whether the company has at least:

F.3.1. Financial reporting review and authorization procedures and a description of the ICFR to be published in the stock markets, stating the persons responsible for them, as well as documentation describing the flows of activities and controls (including those concerning the risk of fraud) for the different transactions that could have a material effect on the financial statements, including the procedure for closing the accounts and a specific review of significant judgements, estimates, measurements and projections.

The Financial Department consolidates and reviews all the financial information of the Company and its subsidiaries, including, in this respect, the companies resident in Spain, Portugal and Morocco. Once said information is known, it prepares monthly, quarterly and six-monthly reports and annual financial statements, among other items. Likewise, the Financial Department submits the annual, six-monthly and quarterly financial statements for review by the Audit Committee, as well as 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 Group's equity, financial situation and results and the cash flows, which are prepared in accordance with the legal framework applicable to individual and consolidated financial statements.

The Board of Directors approves all the financial information that the Group publishes periodically and formulates the annual financial statements together with the Annual Corporate Governance Report.

The review of the estimates and assumptions used is based on the Group's historical experience and other factors considered reasonable. Said procedure is included in the procedure manual for closing the accounts.

F.3.2. Internal control policies and procedures for the information systems (including, among others,access security, control of changes, the operation thereof, operational continuity and segregation of functions) that support the company's significant processes in relation to preparing and publishing the financial information:

The Systems Department acts directly in accordance with the rules on data security and, furthermore, the Group Financial Department authorizes all access to sensitive systems that could affect the financial reporting.

The rules are based on establishing access security controls and control of changes, operations, operating continuity and segregation of functions. All these rules are published in the Intranet in order to enable each one of the employees to access them.

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

The Internal Audit Department's annual work plan includes the review of the correct running of the Internal Control System covering both technological aspects and processes, aimed to maintain them.

F.3.3. Internal control policies and procedures intended to supervise management of activities subcontracted to third parties, as well as any aspects of assessment, calculation or valuation entrusted to independent experts, that could have a material effect on the financial statements:

The relationship with any group supplier is conducted through those specifically responsible in each business unit, for both goods and services. Any selection of products or services subcontracted to third parties is done using technical, professional and economic criteria..

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

Any subcontracting of valuations to independent experts is carried out through the Financial Department and notified to the Audit Committee, since they relate to valuations included in the Group's financing reporting. At any event, the Group Financial Department ensures that the supplier is independent, experienced and prestigious, both nationally and internationally.

F.4 Information and communication:

State, describing their main characteristics, whether the company has at least:

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

The Financial Department, through its Accounting and Consolidation Departments, is responsible for reviewing the accounting policies and rules and ensuring they are kept updated for each of the Group's processes and units. Likewise, the Internal Control department maintains a smooth relationship with the Financial Department, those responsible for the financial area in each of the Group companies and other units and corporate areas, with whom they establish the procedure updates when applicable.

All the Group's manuals and procedures are communicated 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 company or group, which contain the principal financial statements and notes, as well as the information provided on ICFR:

The Financial Department, through the Consolidation Department, has the function of preparing the financial statements and the notes thereto. 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 belong to the consolidated group use the same financial information system, the same policies and identical accounting procedures, which permits a unified capturing mechanism that is in accordance with the accounting rules in force at any given moment. Additionally, there are reporting packages for the companies resident in Portugal and Morocco, which allows the financial information to be unified and made consistent and compliance with the policies and bases of presentation used by the Group.

F.5 Describe, stating their main characteristics, at least:

F.5.1. The ICFR supervision activities performed by the Audit Committee and whether the company has an internal audit service whose duties include supporting the Committee in its supervision of the internal control system, including ICFR. Likewise, describe the scope of the evaluation of ICFR carried out in the year and the procedure whereby those responsible for performing the evaluation notify the results, whether the company has an action plan that describes any possible corrective measures and whether the impact on the financial information has been considered.

The Company has an Internal Audit Department, with systems and processes, which aims to evaluate, mitigate or reduce the principal risks of the Company and Group through preventive measures and alerts of possible situations of risk.

The Audit Committee, among its ICFR supervision activities, review the financial reporting that is sent to the Comisión Nacional del Mercado de Valores on a quarterly basis.

Additionally, the Audit Committee supervises and monitors the annual audit plan. The head of the Internal Audit Department presents the findings of the work plan and the tasks performed by said Department during the F.Y. to the Audit Committee.

The Group's Internal Audit Department has five members, who have extensive knowledge in the areas of internal and external auditing and management control, as well as experience in the operational part of the Group's units.

The Internal Audit Department has a work manual that establishes the procedures and functions that each one of its members must perform.

The main functions of the Internal Audit Department are:

- To evaluate the appropriateness, sufficiency and efficacy of the Group's Internal Control System.

- To evaluate compliance with the Risk Management System.

The Group has an account auditor (the "Account Auditor"), who, as part of its procedures to audit the annual financial statements, reviews the Internal Control System. The Account Auditor has a meeting with the Audit Committee at least once a year and presents the findings of its work at said meeting. In the event that any weakness or issue has been noted in the course of the work, the Audit Committee will establish actions and oblige management to consider the actions established. In the findings presented to the Audit Committee, the Account Auditor has not included any weaknesses or issues concerning the Internal Control System.

F.5.2. Whether the company has a discussion procedure whereby the account auditor (as established in the Technical Audit Notes), the internal audit service and other experts may inform senior management and the company's audit committee or directors of any significant weaknesses noted during the annual financial statement review processes or any other processes for which they are responsible. Likewise, state whether the company has an action plan intended to correct or mitigate the weaknesses noted:

The Financial Department, the Internal Audit Department and the Audit Committee maintain regular and smooth communication with the Group's Account Auditor.

At the beginning of the F.Y., the Account Auditor presents its audit plan to the Financial Department, containing the visit dates, objectives, companies to be audited and a list of audit fees, so that the Audit Committee can review it.

During the whole audit process, the Account Auditor holds regular meetings with key employees responsible for preparing the financial information, establishing preliminary findings in each one of the phases of the process.

Throughout the F.Y. or in any phase of the external audit process, the Account Auditor may meet with the Audit Committee.

Upon conclusion of the audit, as stated previously, the Account Auditor presents its findings to the Audit Committee, which will evaluate any situation reported by the former. This will be considered by both the Internal Audit Department and the Audit Committee in order to undertake the appropriate actions.

F.6 Other relevant information

N/A

F.7 Report of the external auditor

State:

F.7.1. Whether the ICFR information sent to the markets has been subject to review by the external auditor, in which case the company must include the relevant report as an exhibit hereto. Otherwise, state the reasons.

Report attached to this 2013 Corporate Governance Report on the Company.

G DEGREE TO WHICH THE CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED

State the degree to which the company follows the recommendations of the Unified Code of Good Governance.

In the event that any recommendation is not followed or is only followed partially, provide a detailed explanation of the reasons so that the shareholders, investors and market in general have enough information to evaluate the company's behaviour. General explanations are not acceptable.

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, B.1, B.2, C.1.23 & C.1.24.

Complies X 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: D.4 & D.7

Complies Complies in part Explain Not applicable X

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.

See section: B.6

Complies X Complies in part Explain

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information to which recommendation 27 refers, are made public at the time of publication of the notice of call to the General Shareholders' Meeting.

Complies X Explain

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 X Complies in part Explain

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 X Explain

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 X Complies in part Explain

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: C.1.14, C.1.16 & E.2

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;**

- **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;**

- **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 performed 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: D.1 & D.6

Complies　　Complies in part X　　Explain

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

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: C.1.2

Complies X　　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.3 & C.1.3.

Complies X | Complies in part | Explain

11. 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 & C.1.3

Complies | Explain X

The Board of Directors Regulations 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 Board of Directors Regulations and the By-Laws.

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

See section: C.1.3

Complies | Explain X

The Board of Directors Regulations 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 Board of Directors Regulations and the By-Laws.

13. 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: C.1.3 & C.1.8

Complies X | Complies in part | Explain

14. When women directors are few or non-existent, 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: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 Y C.2.4.

Complies Complies in part X Explain Not applicable

At the 2013 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" in accordance with Recommendation 11 of the Unified Code of Good Governance. At present, Ms María Luisa Zardoya Arana is the representative of the company Euro-Syns, S.A. In this respect, articles 5 and 12 B) 1 of the Board of Directors Regulations require this body to ensure, as part of its duties, that director candidates are chosen from among persons that, apart from meeting legal requirements for the position and those of the By-Laws, have the appropriate knowledge, prestige and experience to carry out the duties they will have to perform, irrespective of their gender.

Likewise, article 12 B) 2 of the Board of Directors Regulations states that one of the duties of the Nominating Commission is to ensure that, when new vacancies are filled or new directors are appointed, the selection procedures do not have an implied bias that could lead to any kind of discrimination and to report to the Board of Directors on gender diversity issues.

15. 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 sections: C.1.19 & C.1 41

Complies Complies in part X Explain

According to article 11 of the Board of Directors Regulations, 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 Board of Directors Regulations, 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.

16. 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: C.1.22

Complies Complies in part Explain Not applicable X

17. 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: C.1.34

Complies X Complies in part Explain

18. 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: C.1.29

Complies X Complies in part Explain

19. 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: C.1.28, C.1.29 & C.1.30

Complies X Complies in part Explain

20. 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 X Complies in part Explain Not applicable

21. 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: C.1.19 y C.1.20

Complies Complies in part Explain X

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.

22. 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: C.1.41

Complies X Explain

23. 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: C.1.40

Complies X Explain

24. 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 X Complies in part Explain

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

a) Directors apprise the Nominating Commission of their other professional duties, in case they might detract from the necessary dedication;

b) Companies lay down rules about the number of boards on which their directors may sit.

See sections: C.1.12, C.1.13 & C.1.17

Complies Complies in part X 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.

26. 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 section: C.1.3

Complies X Complies in part Explain

27. 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 X Complies in part Explain

28. 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 , A.3 & C.1.2

Complies X Complies in part Explain

29. 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 when 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 that cause him to lose his independent status, in accordance with Order ECC/461/2013.

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 11.

See sections: C.1.2, C.1.9, C.1.19 & C.1.27

Complies X Explain

30. 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 article 213 of the Capital Companies Law, 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: C.1.42, C.1.43

Complies X Complies in part Explain

31. 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 X | Complies in part | Explain | Not applicable

32. 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: C.1.9

Complies | Complies in part | Explain X | 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.

33. 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 subject to the condition that the directors hold the shares until they cease to hold office as directors.

Complies X | Complies in part | Explain | Not applicable

34. The compensation of external directors is such as is necessary to compensate them for the dedication, qualifications and responsibility required by their position, but is not so high as to compromise their independence.

Complies X | Explain | Not applicable

35. The compensation linked to company earnings takes into account any qualifications included in the external auditor's report that reduce such earnings.

Complies X | Explain | Not applicable

36. 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 X | 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 1,000,000 euros..

37. 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: C.2.1 & C.2.6

Complies   Complies in part   Explain   Not applicable X

38. 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 X

39. 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 Commissions 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 knowledge, skills and experience of the Directors and the responsibilities of each Commission, 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 Commissions are formed exclusively by 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 Commission.

c) Commission 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 sections: C.2.1 & C.2.4

Complies   Complies in part X   Explain

The Company has created a Nominating Commission but not a Compensation Commission.

At any event, the rules of operation of the Audit Committee and Nominating Commission appear in the Board of Directors Regulations and include those to which points (a) to (e) above refer.

40. 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.

See sections: C.2.3 & C.2.4

Complies X   Explain

41. The members of the Audit Committee and, particularly, the Chairman thereof, are appointed taking into account their knowledge and experience in accounting, auditing and risk management matters.

Complies X Explain

42. Listed companies have an internal audit function which, under the supervision of the Audit Committee, ensures the smooth operation of the information and internal control systems.

See section: C.2.3

Complies X Explain

43. The head of internal audit presents an annual work plan to the Audit Committee; reports to it directly on any issues arising in the execution of such plan; and submits an activities report to it at the end of each fiscal year.

Complies X Complies in part Explain

44. The 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 the financial or economic risks.

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;

d) 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: E

Complies X Complies in part Explain

45. The Audit Committee's role is to:

1. With respect to the internal control and reporting systems:

a) To ensure that the principal risks identified as a result of the supervision of the efficacy of the company's internal control and internal audit, if applicable, are managed and made known appropriately.

b) 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.

c) 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 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.

b) To ensure 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) In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.

See sections: C.1.36, C.2.3, C.2.4 & E.2

Complies X Complies in part Explain

46. 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 X Explain

47. 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: C.2.3 & C.2.4

Complies X Complies in part Explain

48. The Board of Directors seeks to present the financial statements to the shareholders at the General Shareholders' Meeting without reservations or qualifications in the auditor's report and, in the exceptional instances where they do exist, both the Chairman of the Audit Committee and the auditors give a clear account to the shareholders of the content and scope of such reservations or qualifications.

See section: C.1.38

Complies X Complies in part Explain

49. 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: C.2.1

Complies Explain X Not applicable

The Company currently only has one director who meets the conditions to be considered independent.

50. The Nominating Commission has the following duties, in addition to those stated in the earlier Recommendations:

a) To assess the qualifications, 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: C.2.4

Complies X Complies in part Explain Not applicable

51. 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 X Complies in part Explain Not applicable

52. 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: C.2.4

Complies Complies in part Explain Not applicable X

53. 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 X

OTHER INFORMATION OF INTEREST

1. If there is any relevant aspect in relation to corporate governance in the company or in companies belonging to the group that is not included in the other sections of this report, but that it is necessary to include in order to provide more complete and substantiated information on the governance structure and practices in the company, provide a brief description thereof.

2. 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.

3. The company may likewise state whether it has adhered on a voluntary basis to other codes of ethical principles or good practices, whether they be international, industry-related or pertaining to another sphere. If applicable, identify the code in question and the date of adhesion.

See attached file: "H. O(Anexos a los puntos C.2.4. y C.1.17.).pdf"

This annual corporate governance report was approved by the company's Board of Directors at its meeting held on February 26, 2013.

State whether any directors have voted against the approval of this Report or have abstained in relation thereto.

Yes No X

H. OTHER INFORMATION OF INTEREST

(Exhibit to section C.2.4. of the 2013 ACGR): ***"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 AND NOMINATING COMMISSION

A) 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 Shareholders' Meeting on issues raised thereat on subjects in which it is competent.

b) To propose to the Board of Directors, for submission to the General Shareholders' Meeting, the appointment of the external auditor to which article 264 of the Capital Companies Law refers.

c) To supervise the Company's internal audit services.

d) To receive information on 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 Board of Directors Regulations.

In order to meet recommendations Nos. 45, 48, 49, 50, 51, 52 and 53 of the Unified Code of Good Governance, article 12 A) of the Board of Directors Regulations 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 within its competency 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 efficacy of the 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 service; (iii) to propose the budget of said service; (iv) to receive regular reports on their activities; (v) to review the annual work program and the yearly activities report of the internal audit service; (vi) to be informed of any incidents arising during the implementation of the internal audit services' yearly work plan, (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) he 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;

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.

(iii) the Audit Committee shall investigate the issues giving rise to the resignation of any external Account Auditor; and

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 good 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 Board of Directors Regulations, 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 manager, 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 Board of Directors Regulations 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 manager, 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 Board of Directors Regulations 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.

B) NOMINATING COMMISSION

1. Competencies

According to article 12 B) 2 of the Board of Directors Regulations, 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 Board of Directors Regulations, 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 Board of Directors Regulations 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.

<u>(Exhibit to section C.1.17. of the 2013 ACGR):</u> ***"State, if applicable, the identity of the members of the Board who are also members of the Boards of Directors of companies that hold significant shareholdings in the listed company and/or companies belonging to its group."***

NAME OR CORPORATE NAME OF DIRECTOR	NAME OR CORPORATE NAME OF SIGNIFICANT SHAREHOLDER AND/OR COMPANY BELONGING TO ITS GROUP	POSITION
MARIO ABAJO GARCÍA	BUGA OTIS ASANSOR SANAYI VE TICARET A.S. (TURKEY)	DEPUTY CHAIRMAN AND DIRECTOR
	OTIS ELEVADORES LDA. (PORTUGAL)	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 INVESTMENTS, L.L.C. (DELAWARE, USA)	DIRECTOR
	OTIS PACIFID HOLDINGS B.V. (NETHERLANDS)	DIRECTOR
	UNITED TECHNOLOGIES (CAYMAN) HOLDINGS, LTD. (CAYMAN ISLANDS)	DIRECTOR
	UTCL INVESTMENTS B.V. (NETHERLANDS)	DIRECTOR
PIERRE DEJOUX	OTIS A/S (DENMARK)	CHAIRMAN
	OTIS NV (BELGIUM)	DIRECTOR
	OTIS OY (FINLAND)	CHAIRMAN
	OTIS S.A. (SWITZERLAND)	DIRECTOR
	OTIS LIMITED (KENYA)	DIRECTOR
	OTIS S.C.S (FRANCE)	DIRECTOR
	OTIS B.V. (NETHERLANDS)	DIRECTOR
BERNARDO CALLEJA FERNANDEZ	BUGA OTIS ASANSOR SANAYI VE TICARET A.S. (TURKEY)	DIRECTOR
	C. VEREMIS OTIS S.A. (GREECE)	DIRECTOR
	OTIS ELEVADORES (PORTUGAL)	CHAIRMAN
	OTIS ELEVATOR COMPANY SAUDI ARABIA LIMITED (SAUDI ARABIA)	DIRECTOR
	ZAYANI OTIS ELEVATOR COMPANY W.L.L.	DIRECTOR
	OTIS SERVIZI S.R.L.(ITALY)	CHAIRMAN
	GRUPO ASCENSORES ENOR, S.A.	CHAIRMAN
	ACRESA CARDELLACH, S.L.	CHAIRMAN
	OTIS MAROC S.A. (MOROCCO)	CHAIRMAN

LINDSAY E. HARVEY	"OTIS" SPOLKA Z ORGANICZONA ODPOWIEDZIALNOSCIA (POLAND)	CHAIRMAN
	ADVANCE LIFTS HOLDINGS LIMITED (U.K.)	DIRECTOR
	ADVANCE LIFTS LIMITED (U.K.)	DIRECTOR
	ENGLISH LIFTS (U.K.)	DIRECTOR
	EVANS LIFTS LIMITED (U.K.)	DIRECTOR
	EXCELSIOR LIFTS LIMITED (U.K.)	DIRECTOR
	EXPRESS EVANS LIFTS LIMITED (U.K.)	DIRECTOR
	EXPRESS LIFTS (OVERSEAS) LIMITED (U.K.)	DIRECTOR
	EXPRESS LIFTS ALLIANCE LIMITED	DIRECTOR
	I.L.S. IRISH LIFT SERVICES LTD	DIRECTOR
	GB LIFTS LIMITED (U.K.)	DIRECTOR
	KEY ELEVATORS LIMITED (U.K.)	DIRECTOR
	LERMAN OAKLAND LIFTS LIMITED (U.K.)	DIRECTOR
	LIFT COMPONENTS LIMITED (U.K.)	DIRECTOR
	MOVEMANSKG LIMITED ((U.K.)	DIRECTOR
	OAKLAND ELEVATORS LIMITED (U.K.)	DIRECTOR
	OAKLAND ELEVATORS LIMITED (U.K. –DORMANT)	DIRECTOR
	OAO MOS OTIS (RUSSIA)	DIRECTOR
	OTIS (ISLE OF MAN) LIMITED	DIRECTOR
	OTIS ELEVATOR IRELAND LIMITED (IRELAND)	DIRECTOR
	OTIS INTERNATIONAL HOLDINGS UK LIMITED (U.K.)	DIRECTOR
	OTIS INVESTMENTS LTD. (U.K.)	DIRECTOR
	OTIS LIMITED (U.K.)	DIRECTOR
	OTIS UK HOLDING LIMITED (U.K.)	DIRECTOR
	PDERS KEY LIFTS LIMITED (U.K.)	DIRECTOR
	PORN DUNWOODY (LIFTS) LIMITED (U.K.)	DIRECTOR
	SIRIUS KOREA LIMITED (U.K.)	DIRECTOR
	SKG (UK) LIMITED (U.K.)	DIRECTOR
	THE EXPRESS LIFT COMPANY LIMITED (U.K.)	DIRECTOR
	TRENT VALLEY LIFTS LIMITED (U.K.)	DIRECTOR
	FOSTER & CROSS (HOLDING) LTD (U.K.)	DIRECTOR
	FOSTER &CROSS LIFTS LIMITED. (U.K.)	DIRECTOR
	OTIS GESELLSCHAFT M.B.H. (AUSTRIA)	DIRECTOR
JOSÉ MARÍA LOIZAGA VIGURI	OTIS ELEVADORES LDA. (PORTUGAL)	DIRECTOR

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 2013

To the Directors:

As requested by the Board of Directors of Zardoya Otis, S.A. (hereinafter, the Entity) and further to our proposal dated 19 February 2014, we have applied certain procedures to the "Information relating to the FIICS" included in section "F" of the Annual Corporate Governance Report (hereinafter, the ACGR) of Zardoya Otis, S.A. for the financial year ended 30 November 2013, which summarises the Entity's internal control procedures for annual financial information.

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 Entity'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 Entity'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 Entity'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 of the Report of the Auditors on Information relating to the Financial Information of Internal Control System of listed companies, issued by the National Securities Market Commission (hereinafter, CNMV) on 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 Entity's financial information for the period 2013, 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 Entity in relation to the FIICS attached – disclosure information included in the Director's Report -, and evaluation of whether or not the information includes all the details required, following the minimum content described in section "F", on the description of the FIICS of the Annual Corporate Governance Report model as stipulated in the Circular Nº 5/2013 of the CNMV dated June 12, 2013.

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 Entity.

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 Entity'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 Entity 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 as stipulated in the Circular Nº 5/2013 of the CNMV dated June 12, 2013 for the purposes of the description of the FIICS in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original Spanish version signed by Stefan Mundorf
Audit Partner

18 March 2014

Annual Director Compensation Report for listed Corporations

EXHIBIT 1

ANNUAL DIRECTOR COMPENSATION REPORT FOR LISTED CORPORATIONS

DETAILS IDENTIFYING ISSUER

DATE OF FISCAL YEAR END	11/30/2013
TAX IDENTIFICATION CODE	A-28011153

CORPORATE NAME

ZARDOYA OTIS, S.A.

REGISTERED OFFICE

GOLFO DE SALONICA, 73, MADRID

ANNUAL REPORT ON DIRECTOR COMPENSATION
IN LISTED CORPORATIONS

A THE COMPANY'S COMPENSATION POLICY FOR THE CURRENT YEAR

A.1 Explain the company's compensation policy. This section will include information on:

- The general principles and bases of the compensation policy.

- The most significant changes made to the compensation policy in comparison to the policy applied in the preceding fiscal year, together with any changes made during the year to the conditions of previously-granted options.

- The criteria employed and the composition of the comparable groups of companies whose compensation policies were examined in order to fix the company's compensation policy.

- The relative importance of items of variable compensation in comparison to fixed items and the criteria followed to determine the different components of the Directors' compensation package (compensation mix).

Explain the compensation policy

THE COMPANY´S COMPENSATION POLICY FOR THE CURRENT YEAR

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 after tax with the limit of 1% 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.

Executive: Nº: 1; RF: SÍ; RV: SÍ; RE: N.A.; PI L/P UTC: SÍ

Proprietary director: Nº: 6; RF: N.A.; RV: N.A.; RE: SI; PI L/P UTC: N.A.

External independent: Nº: 1; RF: N.A.; RV: N.A.; RE: SI; PI L/P UTC: N.A.

Other external director: Nº: 1; RF: N.A.; RV: N.A.; RE: SI; PI L/P UTC: N.A.

Nº=Number; RF=Fixed compensation; RV=variable compensation; RE=by-law stipulated compensation; PI L/P UTC=UTC long-term incentive plan.

Regarding the relative importance of the items of fixed compensation in comparison with the variable items, we must highlight the fact that, in 2013, the last represented 78.8% (71% in 2012) 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.

The Board of Directors does not currently plan to make changes in the decision-making process to configure the director compensation scheme (compensation mix) over the next few years.

A.2 Information on the preparatory work and decision-making process for determining the compensation policy and the role played, if applicable, by the Compensation Commission and other governing bodies in configuring the compensation policy. This information will include, if applicable, the mandate and composition of the Compensation Commission and the identity of any external advisors whose services were used to determine the compensation policy. Likewise, the classification of any directors who participated in defining the compensation policy must be stated.

Explain the process for determining the compensation policy

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 and 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.

A.3 State the amount and nature of the fixed components, with details, if applicable, of the executive directors' compensation for performing senior management duties, any additional compensation for the chairman or members of any Board committees, the per diem allowances for attending meetings of the Board and its committees, or any other fixed compensation for directors, together with an estimate of the annual fixed compensation to which the foregoing give rise. Identify any other non-cash benefits and the basic parameters for granting them.

Explain the fixed components of the compensation

AMOUNT AND NATURE OF FIXED COMPONENTS

Fixed compensation of Chief Executive Officer

Only Mr. Bernardo Calleja Fernandez, the Company's Chief Executive Officer in 2013, received fixed remuneration of 174 thousand euros 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.

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 2013, the amount of 77 thousand euros (64 thousand euros, in 2012).

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 Committee. Notwithstanding, these circumstances will be taken into account when distributing the remuneration stipulated in the By-Laws, as stated in point A.2 above.

A.4 Explain the amount, nature and principal characteristics of the variable components of the compensation systems.

In particular:

- Identify each one of the compensation plans of which the directors are beneficiaries, the scope thereof, its date of approval, its date of implementation, the term for which it is in force and its main features. In the case of stock option plans and other financial instruments, the general features of the plan must include information on the conditions for exercising said options or financial instruments for each plan.

- State any compensation that originates from profit-sharing or bonuses and the reason why it is awarded.

- Explain the basic parameters and grounds for any annual bonus system.

- The types of director (executive directors, external proprietary directors, external directors, independent directors or other external directors) that are the beneficiaries of compensation systems or plans that include variable compensation.

- The basis of said variable compensation systems or plans, the criteria chosen for evaluating performance and the evaluation components and methods used to determine whether or not said evaluation criteria have been met, as well as an estimate of the total amount of variable compensation to which the current compensation plan would give rise, depending on the degree to which the assumptions or objectives taken as a reference are met.

- If applicable, state the periods for which an already-established payment may be deferred or delayed and/or the periods for which shares or other financial instruments, if any, may be retained.

Explain the variable components of the compensation systems

AMOUNT AND NATURE OF VARIABLE COMPONENTS

As stated above, 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 18, 2013:

(A) To limit 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 2013, for 500,000 € on account of the By-Law stipulated remuneration

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.

Other considerations

(A) Regarding the types of director who benefit from the variable compensations systems, please see chart below 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

A.5 Explain the principal features of the long-term saving systems, including retirement and any other survivor benefits, financed fully or in part by the company, irrespective of whether the provision is made internally or externally, with an estimate of the amount thereof or equivalent annual cost, stating the type of plan, whether it Is a defined-contribution or defined-benefit plan, the conditions under which the economic rights are consolidated in favour of the directors and its compatibility with any kind of indemnity for early rescission or termination of the contractual relationship between the company and the director.

Also state the contributions made in the director's favour to defined-contribution pension plans or the increase in the director's rights in the case of contributions to defined-benefit plans.

Explain the long-term saving systems

FEATURES OF THE LONG-TERM SAVING PLANS

See section: A.3.

A.6 State any indemnities agreed or paid in the event that a director ceases to hold office as such.

Explain the indemnities

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.

A.7 State the conditions that must be observed by the contracts of those who perform senior management duties as executive directors. Among others, information must be included on the term, the limits on the amounts of any indemnity, continuity clauses, notice periods and/or any other clauses relating to hiring bonuses, as well as indemnities or golden parachutes for the early rescission or termination of the contractual relationship between the company and the executive director. Include, among others, any no-compete, exclusivity, continuity, loyalty or post-contractual no-compete clauses or agreements.

Explain the contract conditions of the executive directors

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.

A.8 Explain any supplementary compensation accrued by the directors in consideration for the services rendered other than those inherent to the position.

Explain the supplementary compensation

SUPPLEMENTARY COMPENSATION IN CONSIDERATION FOR SERVICES RENDERED OTHER THAN THOSE INHERENT TO THE POSITION

With the exception of the Chief Executive Officer, the 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 A.3 above regarding the specific characteristics of this supplementary compensation received by the Chief Executive Officer.

A.9 State any compensation in the form of advances, credits, guarantees granted, mentioning the interest rate, their basic features and any amounts that may be repayable, as well as any obligations acquired on the directors' behalf as a guarantor.

Explain the advances, credits and guarantees granted

COMPENSATION IN THE FORM OF ADVANCES, CREDITS AND GUARANTEES

As mentioned in point A.3 above, the Board of Directors agreed the payment on account, at the end of the first six months of 2013, of 500,000 € of the By-Law stipulated remuneration.

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

A.10 Explain the main features of any compensation in kind.

Explain the compensation in kind

COMPENSATION IN KIND

No compensation in kind items are settled by Group entities to any Board member.

A.11 State any compensation accrued by a director due to the payments made by the listed company to another company to which the director provides his/her services, when said payments are intended to remunerate the director's services to the company.

Explain any compensation accrued by a director due to the payments made by the listed company to another company to which the director provides his/her services

COMPENSATION ACCRUED BY PAYMENT TO A THIRD PARTY

As mentioned in point A.4 above, some of the external proprietary Directors do not receive the above mentioned By-Law stipulated compensation, such compensation is instead received by Otis Elevator Co.

A.12 Any other item of compensation apart from the foregoing, irrespective the nature thereof or the group company that settles it, especially when it is classified as a related-party transaction or payment thereof distorts the accurate picture of the total compensation accrued by the director.

Explain the other items of compensation

OTHER COMPENSATION ITEMS

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

A.13 Explain the measures adopted by the company in relation to the compensation system in order to reduce exposure to excessive risks or adjust it to the company's long-term objectives, values and/or interests. This will, if applicable, include mention of: preventive measures to ensure that company's long-term results are taken into account in the compensation policy, any measures that establish an appropriate balance between the fixed and variable compensation components, measures adopted in relation to those categories of personnel whose professional activities have a material effect on the company's risk profile, repayment formulas or clauses to enable the company to claim the return of any results-based variable compensation components when said components were paid on the basis of figures that have since clearly been shown to be inaccurate, and, if applicable measures in place to avoid conflicts of interest.

Explain the other items of compensation

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 to:

(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).

B COMPENSATION POLICY PLANNED FOR FUTURE YEARS

B.1 Explain the general plan for the compensation policy for future years that describes said policy in respect of: fixed components, per diem allowances and variable compensation, relationship between the compensation and the results, forecasting systems, contract conditions of executive directors and plans for the most significant changes in the compensation system in comparison with preceding years.

General Compensation Policy Plan

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 is relevant.

B.2 Explain the decision-making process to configure the compensation policy planned for future years and the role played, if applicable, by the Compensation Commission.

Explain the decision-making process to configure the compensation policy

DECISION-MAKING PROCESS FOR DETERMINING THE COMPENSATION POLICY FOR FUTURE YEARS

As already indicated in paragraph B.1 above, the Board of Directors does not currently intend to review the compensation policy. In the event that it were necessary to initiate a decision-making process to fix the compensation policy, the procedure described in paragraph A.2 above would be followed

B.3 Explain the incentives created by the company in the compensation system to reduce exposure to excessive risks and adjust said system to the company's long-term objectives, values and interests.

Explain the incentives created to reduce risk

COMPENSATION SYSTEM INTENDING TO REDUCE RISK EXPOSURE AND ADAPT IT TO LONG-TERM INTERESTS

Compensation system intending to reduce risk exposure is as described above in paragraph A.13.

C OVERVIEW OF THE IMPLEMENTATION OF THE COMPENSATION POLICY IN 2013

C.1 Provide an overview of the main features of the structure and items of the compensation policy applied in 2013 that gave rise to the details of the individual compensation accrued by each one of the directors shown in section D of this report, as well as a summary of the decisions made by the Board for application of said items.

Explain the structure and items of the compensation policy applied in the year

OVERVIEW OF THE IMPLEMENTATION OF THE REMUNERATION POLICY IN 2013

The following is a summary of the structure and items of the company's director compensation policy in 2013, including the amounts of the compensation relating to said year.

As stated above, the structure of the director compensation policy may be divided into: (i) those items of compensation that comprise the fixed income received by the Company's Board of Directors, the main features and procedure for application of which are described in section A.3 above; (ii) the compensation stipulated in the By-Laws, the main features and procedure for application of which are described in section A.1 above; and (iii) any other items relating to variable compensation of the members of the Board of Directors, the main features and procedure for application of which are described in section A.4 above.

For further clarification, in addition to the chart describing the individual compensation accrued by each one of the directors as stated in section D.1 below, the breakdown of the compensation by item (in thousands of euros) for the years 2012 and 2013 may be summarized as follows:

Compensation: 2013 / 2012

Fixed compensation: 174 / 194

Variable compensation: 68 / 166

By-Law stipulated compensation: 1,000 / 1,000

Cash compensation: 1,242 / 1,360

Other compensation: 126 / 145

TOTAL: 1,368 / 1,505

D DETAILS OF INDIVIDUAL COMPENSATION ACCRUED BY EACH DIRECTOR

Name	Classification	Accrual period fiscal year 2013
PIERRE DEJOUX	Proprietary director	From 12/01/2012 until 11/30/2013.
EURO-SYNS S.A.	Proprietary director	From 12/01/2012 until 11/30/2013.
OTIS ELEVATOR COMPANY	Proprietary director	From 12/01/2012 until 11/30/2013.
ALBERTO ZARDOYA ARANA	Proprietary director	From 02/26/2013 until 11/30/2013.
MARIO ABAJO GARCIA	Other external director	From 12/01/2012 until 11/30/2013.
JOSE MARIA LOIZAGA VIGURI	Independent	From 12/01/2012 until 11/30/2013.
BERNARDO CALLEJA FERNANDEZ	Executive	From 12/01/2012 until 11/30/2013.
LINDSAY HARVEY	Proprietary director	From 12/01/2012 until 11/30/2013.
ANGELO MESSINA	Proprietary director	From 12/01/2012 until 11/30/2013.

D.1 Complete the following charts on the individual compensation of each one of the directors (including compensation for performing executive duties) accrued during the year.

a) Compensation accrued in the company to which this report refers: i)

Cash compensation (in thousands of €)

Name	Salaries	Fixed compensation	Subsistences	Short term Variable compensation	Long term variable compensation	Compensation for membership of committees of the board	Indemnities	Other compensation	Total year 2013	Total year 2012
ANGELO MESSINA	0	0	0	0	0	0	0	0	0	0
LINDSAY HARVEY	0	0	0	0	0	0	0	0	0	0
ALBERTO ZARDOYA ARANA	0	0	0	50	0	0	0	0	50	0
EURO-SYNS S.A.	0	0	0	50	0	0	0	0	50	50
BERNARDO CALLEJA FERNANDEZ	174	0	0	68	77	0	0	49	368	187

Name	Salaries	Fixed compensation	Subsistences	Short term Variable compensation	Long term variable compensation	Compensation for membership of committees of the board	Indemnities	Other compensation	Total year 2013	Total year 2012
MARIO ABAJO GARCIA	0	0	0	200	0	0	0	0	200	200
JOSE MARIA LOIZAGA VIGURI	0	0	0	200	0	0	0	0	200	200
PIERRE DEJOUX	0	0	0	0	0	0	0	0	0	0
OTIS ELEVATOR COMPANY	0	0	0	500	0	0	0	0	500	500

ii) Share-based compensation systems

iii) Long-term saving systems

Name	Company's contribution for the F.Y. (thousands of €)		Amount of accumulated funds (thousands of €)	
	F.Y. 2013	F.Y.2012	F.Y. 2013	F.Y.2012
BERNARDO CALLEJA FERNANDEZ	49	66	274	220

b) Compensation accrued by directors of the company from sitting on Boards of Directors of other group companies

i) Cash compensation (thousands of €)

Name	Salaries	Fixed compensation	Subsistences	Short term Variable compensation	Long term variable compensation	Compensation for membership of committees of the board	Indemnities	Other compensation	Total year 2013	Total year 2012
ALBERTO ZARDOYA ARANA	0	0	0	0	0	0	0	0	0	0
ANGELO MESSINA	0	0	0	0	0	0	0	0	0	0
BERNARDO CALLEJA FERNANDEZ	0	0	0	0	0	0	0	0	0	0
EURO-SYNS S.A.	0	0	0	0	0	0	0	0	0	0
JOSE MARIA LOIZAGA VIGURI	0	0	0	0	0	0	0	0	0	0
LINDSAY HARVEY	0	0	0	0	0	0	0	0	0	0
MARIO ABAJO GARCIA	0	0	0	0	0	0	0	0	0	0
OTIS ELEVATOR COMPANY	0	0	0	0	0	0	0	0	0	0
PIERRE DEJOUX	0	0	0	0	0	0	0	0	0	0

ii) Share-based compensation systems

iii) Long-term saving systems

c) Summary of compensation (thousands of €):

The summary must include the amounts for all the items of compensation included in this report that were accrued by the director, in thousands of euros.

In the case of long-term saving systems, the contributions or provisions made to systems of this nature must be included:

Name	Compensation accrued in the company				Compensation accrued in group companies				Total		
	Total cash compensation	Amount of shares awarded	Gross profit on options exercised	Total F.Y. 2013 Company	Total cash compensation	Amount of shares awarded	Gross profit on options exercised	Total F.Y. 2013 Group	Total F.Y. 2013	Total F.Y. 2012	Contribution to saving systems in the F.Y.
MARIO ABAJO GARCIA	200	0	0	200	0	0	0	0	200	200	0
JOSE MARIA LOIZAGA VIGURI	200	0	0	200	0	0	0	0	200	200	0
BERNARDO CALLEJA FERNANDEZ	368	0	0	368	0	0	0	0	368	187	49
OTIS ELEVATOR COMPANY	500	0	0	500	0	0	0	0	500	500	0
ANGELO MESSINA	0	0	0	0	0	0	0	0	0	0	0
PIERRE DEJOUX	0	0	0	0	0	0	0	0	0	0	0
ALBERTO ZARDOYA ARANA	50	0	0	50	0	0	0	0	50	0	0
EURO-SYNS S.A.	50	0	0	50	0	0	0	0	50	50	0
TOTAL	**1.368**	**0**	**0**	**1.368**	**0**	**0**	**0**	**0**	**1.368**	**1.137**	**49**

D.2 Describe the relationship between the compensation obtained by the directors and the results or other measurements of the company's performance, explaining, if applicable, how variations in the company's performance may have affected the variation in the directors' compensation.

As indicated in paragraph A.13 above. 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, as mentioned in paragraph A.4 the the Board of Directors adopted at its meeting of July 18, 2013 by unanimous consent to limit the total amount of the remuneration stipulated in the By-Laws to 1,000,000 €.

D.3 State the result of the consultative ballot at the General Shareholders' Meeting on the annual compensation report for the preceding year, giving the number of votes against, if any.

	Number	% of total
Votes issued	287,110,963	71.39%

	Number	% of total
Votes against	0	0.00%
Votes in favour	287,110,963	100.00%
Abstentions	0	0.00%

E OTHER INFORMATION OF INTEREST

If there is any other important matter concerning director compensation that it has not been possible to include in other sections of this report but that it is necessary to include to provide more complete and substantial information on the company's compensation structure and practices in relation to its directors, give a brief description thereof.

Not applicable

This annual compensation report was unanimously approved by the Company´s Board of Directors at its meeting of February 26, 2014.

State whether any directors have voted against the approval of this report or abstained in relation thereto.

Yes No X