ZARDOYA OTIS S.A.

ANNUAL REPORT
2016


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Letter from the Chairman

Mario Abajo García
Chairman

Dear Shareholders:

In 2016, we began to note the recovery. Orders received for new installations began to grow (+36%), with a significant amount of orders in the cruise vessel sector thanks to ENOR. We resumed our acquisition policy in the maintenance sector. Morocco's results improved substantially and Portugal is, like Spain, on the way to recovery. Thus, completed sales grew by 2% and profit after tax began to increase, rising by 2.6%. This trend was confirmed in the first quarter of 2017, with a sales increase of 5.4% and rise of 4.2% in profit after tax.

As occurred in the preceding year, the Spanish economy continued to show sustained growth and the GDP rose by a further 3.2% in 2016.

Before I start talking about figures, I would like to mention that the Group has many things to do and, for us, it is important to grow in every area. In Spain, it is calculated that there are more than a million buildings without an elevator. We should also remember that the life expectancy is rising and there are an increasing number of people with mobility needs, which furnishes us with great business potential, and, additionally, the application of new technologies (of digitalization) offers us opportunities to provide our customers with new services and facilitates our Service work. In this respect, we have prepared a Digital Application Development and Investment Plan. The investment in the new San Sebastián plant is underway and will allow us to continue to be leaders in terms of the competitiveness of our machines.

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1. KEY DATA AT NOVEMBER 30, 2016

PROFIT AND LOSS

Consolidated profit attributable to shareholders (after taxes and non-controlling interests) was 152.6 million euros, 2.6% up on 2015.

EBITDA was 227.8 million euros in 2016, 2.7% lower than in 2015.

SALES

Total consolidated sales for 2016 were 746.0 million euros, in comparison with the 732.2 million euros of 2015, representing an increase of 2%.

Sales of New Installations

- Work completed. The amount was 41.7 million euros, 13% higher than the figure obtained in 2015.
- Orders received. These totalled 168.2 million euros, 36.6% up on the 2015 figure.
- Backlog of unfilled orders. At the end of 2016, the backlog of unfilled orders rose by 19.7% in comparison with the same date of 2015.

Service

- Sales. Total Service billing was 534.4 million euros in the period, which was 1% lower than the 2015 figure.
- Units under maintenance. In 2016, the maintenance portfolio surpassed 285,000 units. This increase was partly due to growth from the entry of new equipment into maintenance and an improvement in the customer loyalty rate.

Exports

Net consolidated export sales were 169.9 million of euros, 9.4% higher than in 2015.

In 2016, exports represented 22.76% of the Group's consolidated sales (21.21% in 2015).

The difficulties in some markets, such as the Middle East and Turkey, were offset by growth in Africa and Central Europe.

• DIVIDENDS

In line with the results obtained, we paid out three quarterly dividends, supplemented by a partial cash distribution of the share premium, all of which totalled 147.6 million euros, representing a pay-out of 96.74%.

• CAPITAL INCREASES

In July 2016, a further capital increase took place at a ratio of one new share for every 25 old shares. It was a bonus issue charged to the Voluntary Reserve and was for a total amount of 1,809,478.10 euros. This was our 37th bonus issue.

The new shares were listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges effective September 19, 2016.

• ACQUISITION OF TREASURY STOCK

At November 30, Zardoya Otis does not hold any of its own shares (11,547 at the end of 2015). In 2016, Zardoya Otis, S.A. acquired treasury stock that it gave in payment for the acquisition of a company. The remainder was sold on the market and, at the end of the reporting period, it held no treasury stock.

2. STOCK MARKET DATA AT NOVEMBER 30, 2016

• CAPITAL DATA

As a result of the capital increases mentioned previously, 18,094,781 new shares were issued in July 2016 and the share capital rose to 47,046,431.10 euros, represented by 470,464,311 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 September 19, 2016.

• PROFIT PER SHARE

The profit per share in 2016 was 0.331 euros.

• DIVIDEND AND PARTIAL DISTRIBUTION OF THE SHARE PREMIUM PER SHARE

This was 0.320 euros per share, an increase of 2.4% on the preceding year.

• STOCK MARKET PRICE

At December 31, 2016, the ZARDOYA OTIS share was quoted at 8.03 euros, representing a drop of 22.5% on the preceding year's price adjusted by the capital increase that took place in that year. In the same period, the IBEX fell by 2.0%.

• TRADING FIGURES

The effective value traded on the Stock Exchange was 818 million euros, a reduction of 25.2% on the 1,094 million euros of 2015.

• STOCK MARKET RATIOS

PER	24,8
Pay-Out	96,74%

3. BUSINESS EVOLUTION IN THE FIRST QUARTER OF 2017

Sales

Total consolidated sales for the first quarter of 2017 were 188.7 million euros, showing a 5.4% increase on those obtained in the first quarter of 2016.

Consolidated Service sales totalled 135.4 million euros in the first quarter, representing an increase of 2.7% on those obtained in the first quarter of 2016.

Total Export sales were 42.6 million euros, 9.5% higher than in the first quarter of 2016.

Profit and loss

EBITDA was 53.1 million euros in the first quarter of 2017, similar to the 2016 figure.

Consolidated profit before tax in the first quarter of 2017 was 48.3 million euros, also similar to the 2016 figure.

Profit after tax was 35.3 million euros, 4.2% higher than the 33.9 million euros obtained in the same period of 2016.

Orders received and backlog of unfilled orders

Orders received for New Installations in the first quarter, for both new and existing buildings, were 34.8 million euros, representing a 33% increase on the same period of 2016, thus consolidating the upward trend that could already be seen in 2016.

The backlog of unfilled orders in the first quarter of 2017 was 111.8 million euros, an increase of 23% on the same period of the preceding year.

Units under maintenance

We ended the first quarter of 2017 with growth of 0.4% in comparison with the first quarter of 2016. The excellence of our service quality has allowed us to keep our customers' trust and the decrease in unemployment is favourable to the evolution of our business.

• KEY DATA

At the end of the first quarter of the 2017 reporting period (December 1, 2016 – February 28, 2017), the total consolidated figures and the comparison with those of the preceding year were as follows:

Key Figures, First quarter 2017

Consolidated in millions of euros

	2017	2016	% variation 17/16
Profit and loss			
EBITDA	53,1	53,1	0,1
Profit before tax	48,3	48,1	0,5
Profit after tax	35,3	33,9	4,2
Sales			
New sales	10,6	8,1	31,4
Service	135,4	131,9	2,7
Exports	42,6	38,9	9,5
Total	**188,7**	**179,0**	**5,4**
Orders received & backlog of unfilled orders (*)			
Orders received	34,8	26,3	32,5
Unfilled orders	111,8	90,9	23,0
Units under maintenance			
Units under maintenance	284.234	283.104	0,4

*Includes New Sales and Modernizations.

• DIVIDENDS

On March 21, 2017, Zardoya Otis, S.A. declared the first dividend charged to the 2017 profit, payable on April 10, 2017, for a gross amount of 0.080 euros per share. The resulting total amount was 37.6 million euros.

At this meeting, we will approve a payment in the form of a cash distribution of the share premium for a sum of 0.079 euros per share, which will be paid on July 10, 2017. This payment will complete the distribution of the share premium that we commenced in 2013.

As you were informed when notice of this meeting was given, the Company's Board of Directors has decided not to propose a bonus issue to the 2017 Ordinary General Shareholders' Meeting, due to the change that has taken place in the legislation regulating personal income tax, which, as from January 1, 2017, modified the taxation of preferential subscription rights, now taxed like dividends, with the disappearance of the deferred taxation on the sale of these rights.

In the same way as the bonus issue has been a practice followed by the Company for many years for the benefit of its shareholders, it is also for their benefit that we have decided to suspend this practice for the time being. This does not mean that we will not reconsider it in the future. Likewise, we confirm our policy of distributing 4 quarterly dividends with a pay-out of around 90%.

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

- Our customers, without whom we would not exist
- All those who work for or 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 confidence you have placed in us

Kind regards

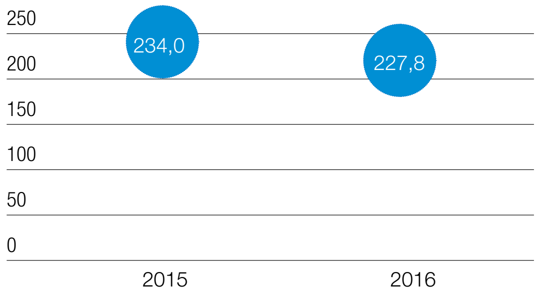
Mario Abajo García

1. Our key figures

+36,6% orders received

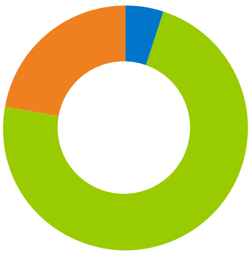
+9,4% exports

EBITDA



(*) Consolidated figures in millions of euros.

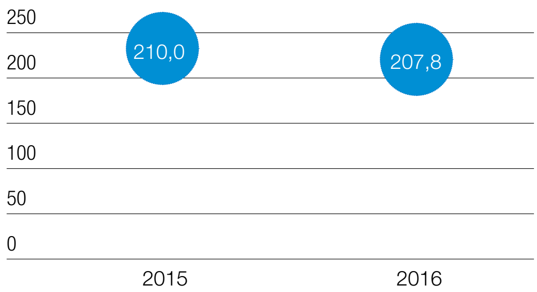
SALES BY ACTIVITY



New Sales	41,7
Service	534,4
Exports	169,9

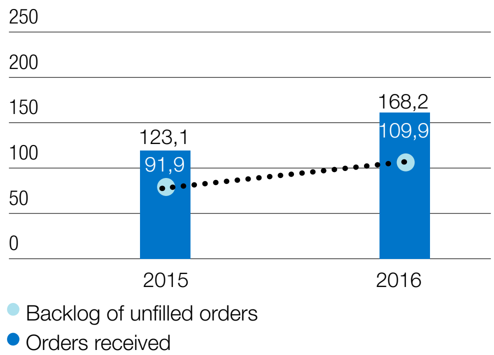
(*) Cifras consolidadas en millones de euros.

CONSOLIDATED PROFIT BEFORE TAX

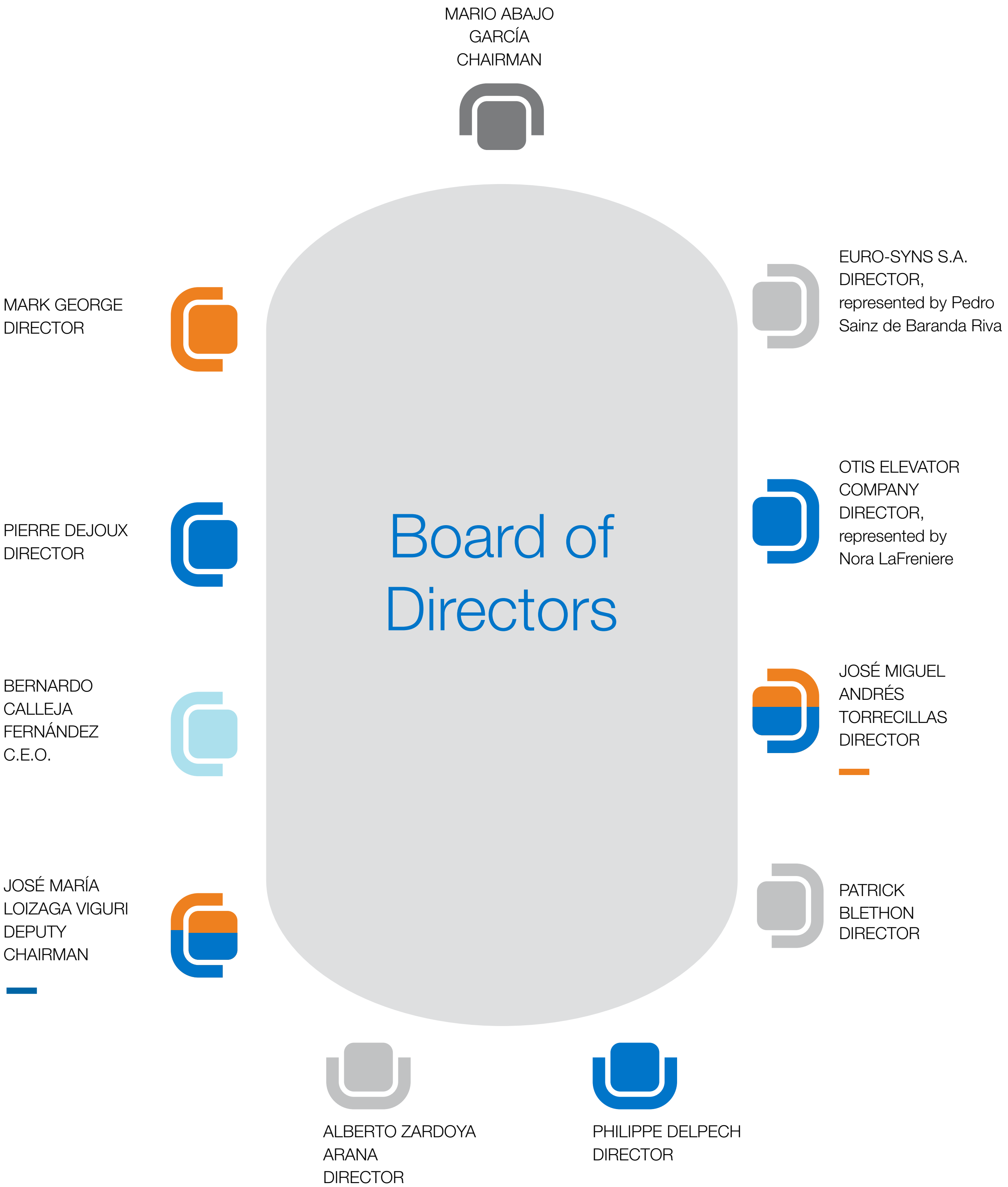


(*) Consolidated figures in millions of euros.

ORDERS RECEIVED AND BACKLOG OF UNFILLED ORDERS



(*) Consolidated figures in millions of euros.

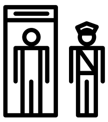


▬ Chairman of Commitee / Comission

● Audit Committee
● Nominating and Compensation Commission

2. Our Activity

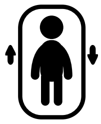
In 2016, Zardoya Otis in Spain was again the elevator company with the highest number of units under maintenance in a single country. At the beginning of the decade, we celebrated unit number 200,000 in Spain And we are now close to 245,000 units in Spain and 285,000 in the Group, meaning that Zardoya Otis maintains nearly 15% of the units of Otis Elevator Co. worldwide.



In 2016, Zardoya Otis in Spain was again the elevator company with the highest number of units under maintenance en un solo país.

Zardoya Otis maintains almost 15% of the units of Otis Elevator Co. worldwide.

In 2016, we beat the corporation's world record for orders received for existing buildings.



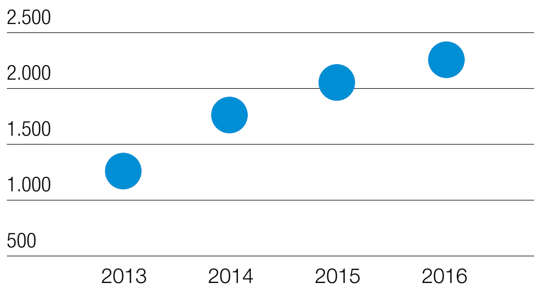
The Gen2 Flex y Gen2 Switch models have been crucial in attaining this success.

Furthermore, in 2016, we beat a world record by selling 2,389 elevators for existing buildings (BEX). Two thirds of these were new elevator installations and the remaining third were substitutions. This is a historical record that had never been reached, even before the crisis. It was possible because our company knew how to meet the demands of both the customers and the market and devoted all its efforts to doing so.

The Gen2 Flex and Gen2 Switch were crucial in attaining this success, distinguishing themselves from other products on the market in terms of both making the best use of space and energy efficiency.

The company's customer loyalty ratio also remained at the head of the sector, with an average recommendation rate of 90%. The employees of Zardoya Otis continue to strive to make our customers even more satisfied with our products and services and we have bet on the new technologies as a tool that allows us to be swifter and closer to our customers.

2016: new record in BEX units ordered



In 2016, we started a Service Transformation and Digitalization Program, concentrating on the development of new applications to enhance the connectivity of our elevators and create the best Service network. The digitalization of the elevators will make it possible for our employees to be connected with our customers and, at the same time, for the latter to be connected to their equipments. To do this, Zardoya Otis has created an extensive network of elevator - service center communication, through which, not only is permanent communication guaranteed, but also, it is now possible to remotely monitor the operation of more than 54,000 units

to detect any incident that arises and even detect anomalies in the elevator's operating parameters before they become perceptible to customers and users. The service transformation program includes a team of engineers who are experts in on-line intervention and ensure that any possible electronic incidents are solved without the need for the technical service to make a visit, provided the established safety conditions are met.

One of the fundamental factors in obtaining and improving the satisfaction of our customers has been our decision to follow the ONE program, a project intended to improve the mobility of our supervisors, endowing them with modern communication methods and focusing their work on training and support for on-site technicians, keeping in constant contact with our customers and the front line of the company.

Our attention to the Excellent Service strategy, as well as the implementation of new modern communication tools, has allowed us to take a further step in reducing customer service times and failure report response times. All areas of Spain meet the customer service standards stipulated by company management and our customers value receiving our service within a constantly-decreasing time period.

At Zardoya Otis, we evaluate every parameter of our work processes in order to improve the service given to our customers. Some of these parameters are:

- **Arrival time** from the time the customer calls until we reach their building)
- **Execution time** (how long we take to solve the problem).
- **Urgent circumstances** (especially strict and aggressive standards in the event of urgent incidents).

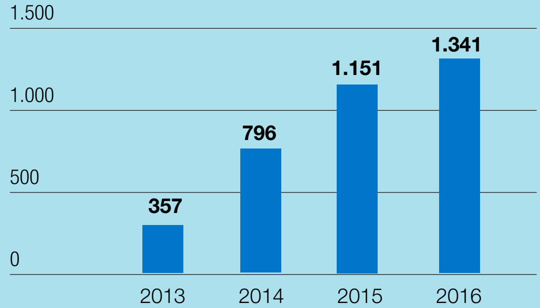
From the analysis, plans for improvement emerge, seeking one goal above all others: to be ever swifter and closer to the customer.

Gen2 Switch Solar

The GEN2 Switch Solar is Spain's first solar elevator and one of the first worldwide. It allows a zero energy balance to be achieved and 100% saving on the electricity bill. It works 100% on solar energy but, additionally, in the event of a lack of insolation over a prolonged period, it is also capable of running when connected to a 220V current, like that available in any building in this country.

The Otis Gen2 Switch Solar was designed by Spain's engineering team and is manufactured, on an exclusive basis worldwide, at the Otis industrial center in Leganés (Madrid).

Units exported Otis Gen2 Switch



Furthermore, with the implementation of analysis tools and the inclusion of new mobile devices, we have achieved a dual objective:

- Decrease in our average travel times in all the territories of Spain.
- Capacity to provide the technicians with information on the unit they are going to maintain or repair from a distance.

All our work processes are verified through inspections and audits to ensure that there are no deviations in the execution thereof. Our endeavour: to always provide the same degree of excellence wherever we are present.

Furthermore, in product terms, we have satisfied a desire expressed by our new installations customers: to change the elevator aesthetics.

In the new designs, not only have different colours been introduced, but also different shapes, materials, textures and lightings.

To show these new designs, a new showroom at the Leganés industrial plant was inaugurated in April. More than 200 customers from all over Spain were present at the inauguration. In addition, we organized events in five Spanish cities (Madrid, Barcelona, Seville, Bilbao and Alicante) to present our new decors.

Otis's growth has also been positive -in both the number of customers and billing- in the large accounts division. In 2016, we signed, for example, an agreement to include three new hospitals on our portfolio. We also formed alliances with distribution giants, the hotel sector and the banking sector. Because of this, we are the benchmark in all the large sectors of the national economy.

Moreover, each and every one of our territorial offices improved its balances in the year, which had never happened before and is the result of the implementation of different common strategies in every area of the Company..

Major works

During the year, our company participated in such significant projects as the Hard Rock Hotel in Tenerife, the Torre de Madrid, or the extension of the Glòries shopping center in Barcelona, as well as another especially prominent project: the Castellana 81 renovation project, the largest project in which Otis has been present in the last decade.

New designs

Two collections:

- Natural. With materials inspired by nature, like wood, stone or leather, combined into a minimalist design with pure forms.
- Modern. An avant-garde and technological atmosphere, with simple, innovative shapes that highlight the metallic textures and bright colours.

Three different finishes in each of them:

- Standard
- Advanced
- Premium

All the new car interiors use indirect LED lights integrated into the four corners, giving a sensation of space and depth, while highlighting the textures of the materials employed.


OTIS

More than a thousand customers have visited Zardoya Otis's showroom at our Madrid plant this year.

In 2016, we continued to promote meetings with professional associations of architects, building engineers, property administrators and other professional sectors involved in the development of our sector.

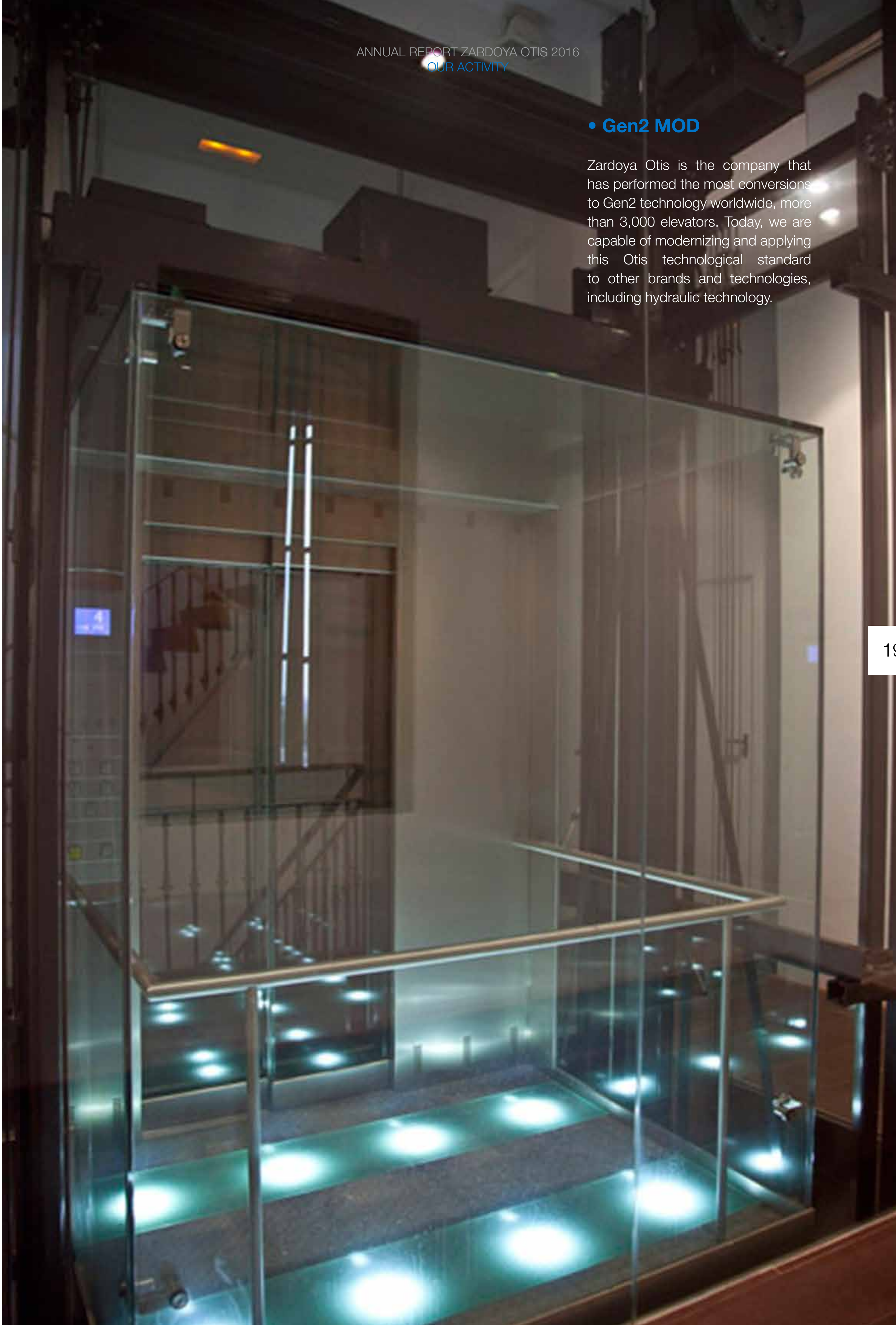

OTIS
OTIS
OTIS


OTIS

Product and technology at the service of the user

• Compass Plus

One of our most prominent technological advances is the Compass Plus tool. An intelligent system created to save time and optimize traffic in large buildings by assigning to each user the most suitable elevator in accordance with the floor to which they are travelling. Compass Plus has almost led to the disappearance of the queues for the approximately 100 elevators it is already managing in 14 of the principal buildings in Spain. Moreover, it is prepared to be used autonomously by any user with impaired hearing or vision.



• Gen2 MOD

Zardoya Otis is the company that has performed the most conversions to Gen2 technology worldwide, more than 3,000 elevators. Today, we are capable of modernizing and applying this Otis technological standard to other brands and technologies, including hydraulic technology.

• Digital Multi-Screen

Our company installed a total of 9,000 digital multi-screens in 2016. In addition to showing content, these security devices monitor the elevator and operate with 3G technology, meaning that, in the event of any incident, they allow users to connect with the Zardoya Otis service center by videoconferencing and the company to locate the affected elevator within the building and the address at which it is located. Furthermore, the DMS is capable of providing its own lighting in the event of an electricity failure and is, in itself, a powerful computer that constantly monitors the status of the unit on which it is located.

Minor repairs

The volume of repairs and minor adaptations also grew in 2016. Among the most successful devices, we can highlight the car entrance and exit security system or the intelligent lighting systems.

Environment

All our innovations have a positive impact on the environment. The Gen2 modernizations, for example, reduce the elevator's electricity consumption by up to 80%, allowing the contracted power to be reduced. And all our lighting systems are LED and intelligent, meaning that they know when to turn off or on.

Furthermore, the elevators sold in 2016, for both new and existing buildings, have the maximum energy certification that has been established. And they are also able to store the energy generated on their favourable trips.

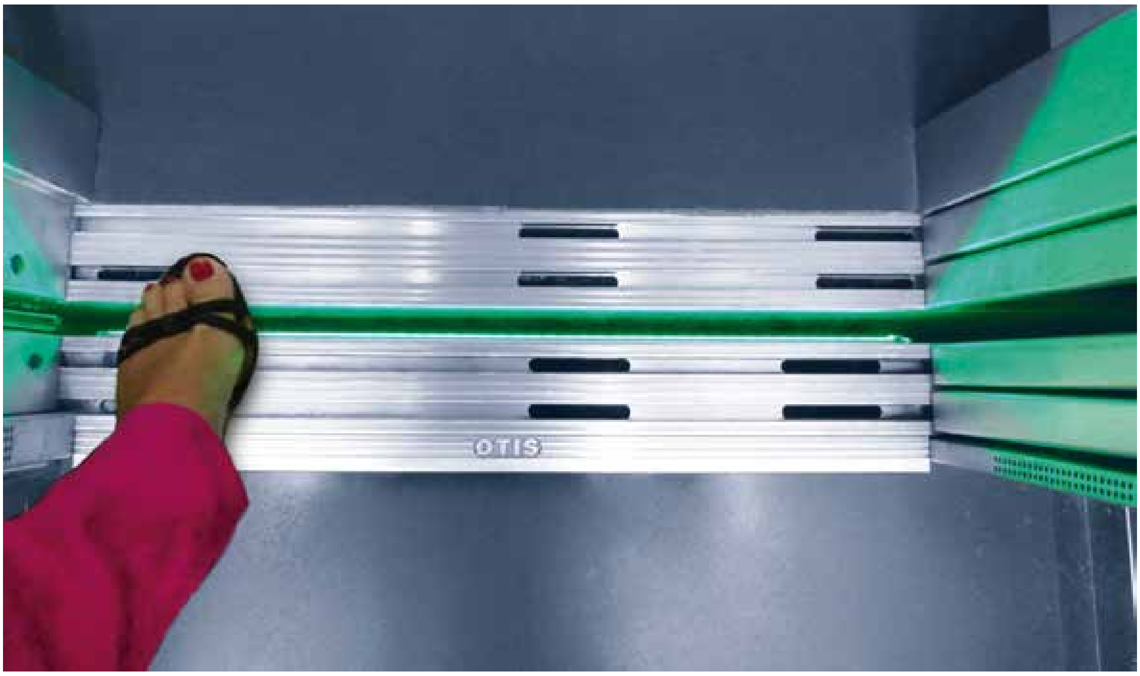
Contact Center

The Zardoya Otis Contact Center, the first in Spain in the elevator sector and an Otis benchmark worldwide, celebrated its 30th anniversary in 2016. During the year, a record figure of 3,000,000 contacts was reached. 105 people work at this center in different languages. Our contact center is at the company's head offices in Madrid and there is a reason for this: one of Zardoya Otis's priorities is to always be as close as possible to the customer.

The percentage of calls attended by our center on the first attempt is 97.56%.

In 2016, this service received the Platinum Contact Center Award in the category of Best IT Project in Industrial Engineering.

Furthermore, our center has already evolved towards an integral hub responsible for commercial attention by telephone, attention to emergency systems, failure management and customer satisfaction surveys.



105
WORKERS AT CONTACT CENTER

+3.000.000
CONTACTS

97,56%
CALLS ATTENDED ON THE FIRST ATTEMPT

Milestones in the evolution of the Zardoya Otis Contact Center

- **1986** — Creation of the “24 Hour Service” at facilities in Seville
- **1988** — Transfer of the telephone attention service to the head offices of Zardoya Otis in Madrid
- **2001** — Integration of bidirectional communication systems (car – contact center) under the same platform
- **2013** — Award for the Best Customer Service in the ii Competition to Elect Service Centers
- **2015** — VI Platinum Contact Center Award in the category of Service Best Valued by the End Customer
- **2016** — VII Platinum Contact Center Award in the category of Best IT Project in Industrial Engineering

The customer's voice

Zardoya Otis has a centralized service to provide attention and solutions to customer complaints. When the Zardoya Otis Customer Ombudsman receives a complaint, they contact the customer within a period that is always less than 48 hours. They either provide an immediate solution or, if this is not possible, inform the customer of the measures that will be taken to solve the problem.

In 2016, our average response time for a complaint was less than 24 hours. The complaint is not closed until the customer is satisfied with the solution.

On some occasions, the solution to complaints is local but, on others, head office departments must be involved. Therefore, the Customer Ombudsman coordinates plants, engineering, site management, etc. to provide an integral response. The Customer Ombudsman has direct communication channels with all areas of the company. They are the customers' voice in the company and, as such, must be heard in every field.
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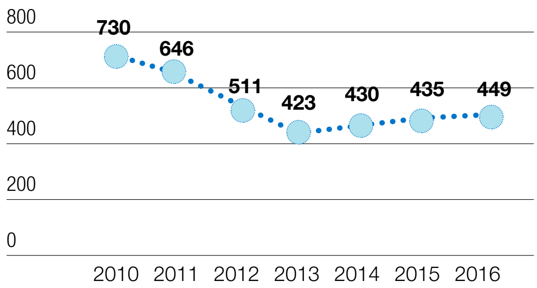
Customer satisfaction

Zardoya Otis carried out 40,000 telephone surveys among its customers during 2016. In all of them, there is a question that summarizes their experience with us: what is your degree of satisfaction with the service provided? This year, the percentage of satisfied customers was 95.04%.

Customer surveys are a very important tool in finding out the company's strengths and weaknesses from a neutral standpoint. Customers' comments and suggestions are collected and taken into account to define new improvement projects and put in place new processes aimed to improve and increase customer satisfaction.

Furthermore, in its efforts to continue to become closer to the needs of each purchaser and adopt international measurement trends, in 2016, Zardoya Otis incorporated a new metric: the Net Promoter Score. Based on a score from 0 to 10 for the likelihood that the customers would recommend us to others, this indicator will also help us to become closer to our users' demands.

Evolution of customer complaints



1 DAY
AVERAGE RESPONSE TIME FOR A COMPLAINT

40.000
TELEPHONE SURVEYS TO CUSTOMERS IN 2016

95,04%
PERCENTAGE SATISFACTION OF OUR CUSTOMERS

Awards and media presence

Otis continued to be a benchmark for its sector in the media in 2016. Our company received media attention for various reasons:

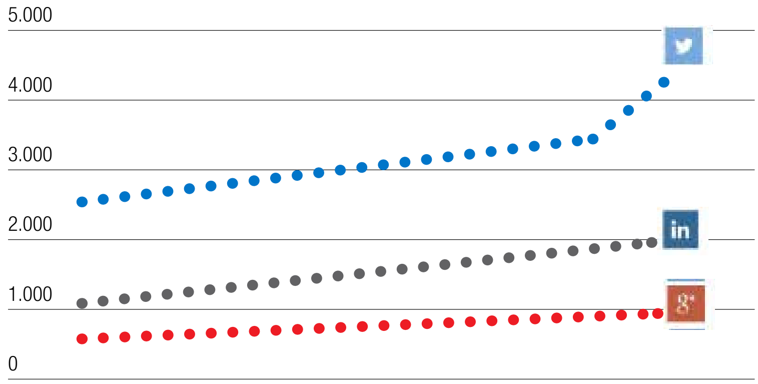
- Launch of new products
- Awards received (Top Employers, ASOCAS, AUDELCO...)
- 30th anniversary of Contact Center

Furthermore, Otis participates actively in:

- Youtube
- LinkedIn
- Google Plus
- Twitter

Through all these networks, we are relating to the customer 24 hours a day, with response times of no more than 2 or 3 hours.

Evolution of followers in the social networks (2016)



	Dic	Ene	Feb	Mar	Abr	May	Jun	Jul	Ago	Sep	Oct	Nov	Dic
Twitter	2.670	2.703	2.740	2.845	2.906	2.976	3.065	3.092	3.119	3.178	3.203	3.234	4.386
Google Plus	233	242	257	270	280	292	300	304	305	306	310	310	313
LinkedIn	912	1.021	1.108	1.168	1.264	1.347	1.433	1.492	1.559	1.628	1.728	1.942	2.039


top
EMPLOYERS

Advertising

Our Company is also present in the main architectural publications in Spain.


OTIS
GEN2 Switch
Ascensores con hechos, no palabras
Ahorro real después de modernizar el ascensor con tecnología Gen2
Antes
86,47 €/mes
Después
42,73 €/mes
Ahorro
50,6%
Ahorro real después de sustituir el ascensor por un OTIS Gen2
Antes
100,97 €/mes
Después
51,13 €/mes
Ahorro
49,36%
Estos son dos ejemplos reales de cómo el OTIS Gen2 Switch le puede ayudar a
la factura eléctrica a la mitad. No precisa instalación trifásica y sólo necesita 500W de
Además, en caso de corte eléctrico, sigue funcionando normalmente, ya que
efectuar más de 100 viajes sin alimentación de la red.
www.otis.com
Tel.: 90
* Datos reales verificables en factura eléctrica


EL PRIMER FABRICANTE DE ESCALERAS MECÁNICAS DEL MUNDO
OTIS fue la primera compañía del mundo en fabricar e instalar una escalera mecánica en el año 1900. Desde entonces hemos liderado el sector con productos más sólidos, fiables y duraderos, con dispositivos que las hacen más seguras y confortables, y que permiten ahorrar energía, disminuyendo los costes operacionales, como son el arranque automático, la frecuencia variable, la iluminación por leds o, lo más novedoso: nuestro drive regenerativo que aprovecha la energía que genera la escalera en bajada y la utiliza para hacer funcionar otros dispositivos eléctricos.
www.otis.com
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LA BELLEZA ESTÁ EN EL INTERIOR
OTIS
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Safety and training

Zardoya Otis develops its risk prevention system in accordance with the most demanding national and international standards. For this reason, we are a worldwide benchmark in safety, health and environmental management. Our incident rate, which has been below 1 for many years, is the best reflection of the safety culture that governs our company.

In 2016, Otis obtained a further international certification: ISO 5001 Energy Management. With this, our company has four basic guides in this area:

- Royal Decree 39/1997 on Occupational Risk Prevention Services
- European certification OHSAS 18001 in Occupational Health and Safety Management
- International certification ISO 14001 in Environmental Management.
- International certification ISO 50001 in Energy Management

Our safety culture is one of the company's pillars. This is why we promote it from three complementary angles:

- Training
- Communication
- Leadership

• Training investment

In 2016, Zardoya Otis in Spain invested more than 100,000 hours in technical and safety training. We are convinced that one of the key factors for our company's success is for our employees to be perfectly familiar with the equipment we maintain. Thus, we increase productivity and are more efficient in the solutions we furnish to the customer.

This way of working has made Zardoya Otis a benchmark in the corporation in technical training methods and management and we have likewise become experts in the maintenance of complex technological equipment and are considered as the teachers for the rest of the companies all over the world.

Since we are manufacturers and exporters, we are also the technical and training support for all the countries that buy our products.

+ 100.000
HOURS OF TECHNICAL AND SAFETY TRAINING

+3.700
PUPILS

+450
COURSES IMPARTED

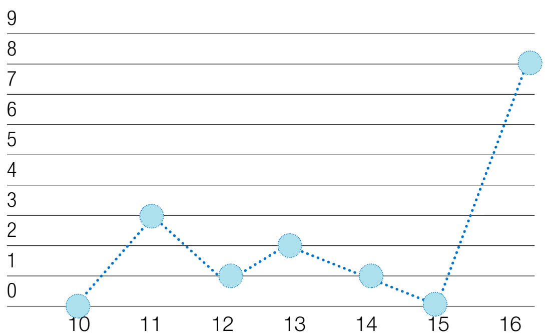
3. Corporate development

In the country that has most elevators installed per inhabitant in the world and in a market so large and disperse as the Spanish one (with more than 500 companies in the sector), our company has continued to seek and find opportunities. Thus, in 2016, we were able to conclude 8 transactions in Spain.

To achieve this success, the work of the entire sales network was crucial. They, the 160 branch and area managers of Zardoya Otis, are our ambassadors in the field and, when an acquisition materializes, we respect the effort and work that exists behind each company.

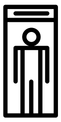
In 2016, Zardoya Otis was the entity in the OTIS world with the highest transaction activity: a total of eight, distributed all over Spain: Madrid, Cuenca, Málaga, Castellón, Ciudad Real, Seville and Vitoria.

History of transactions concluded in Spain 2010-2016



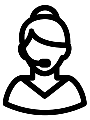
4. International sales

The international division of Zardoya Otis is one of the company's pillars. Only eight countries in the world have Otis plants and Spain is one of them. From here, we exported close to 7,000 elevators in 2016 to more than 120 countries, representing an increase of 7% in our international sales.



Our product quality

Approximation to customer countries, with constant visits and meetings



Service level, permanent attention

Price. We are able to offer an excellent product at a very competitive cost

These are currently our main world markets:

1. **Europe.** With a product dedicated basically to the BEX business.
2. **Near East**
3. **Central and South America**
4. **Africa.** Through our French sister company.
5. **Far East and South-east Asia.** Otis is beginning to install itself in this market to participate in its immense potential.

Our next objective is to reach a total of 10,000 elevators exported in a period of two and a half years. To do this, we trust in the potential of some particularly buoyant markets, such as Poland, Israel, Morocco, Kuwait and Dubai.

6.815

ELEVATORS EXPORTED FROM THE SPANISH PLANTS

5. OTIS Marine

Our marine division reached a milestone: in spring, orders were received for 176 elevators for cruise vessels.

Elevator sales for ships grew by 804% in 2016 in comparison with the preceding year.

Orders received in spring for elevating equipment for four cruise vessels opened the door to us in this growing sector and we are now negotiating the sale of elevators for another six cruise vessels.

All the high-performance elevators and escalators supplied by Zardoya Otis are especially designed to operate in highly saline and humid atmospheres, such as the high seas. Furthermore, they are energy efficient and are equipped with special luggage transport systems, covered walkways and priority service for passengers.

The objective of Zardoya Otis's marine division is to introduce Gen2 technology into elevators for cruise ships and ferries, as well as expanding our maintenance network in order to provide service to the more than 800 elevators that we have installed in ships to date.

Zardoya Otis Marine (ENOR) is fully coordinated with other entities of the United Technologies Corp MARINE group, which encompasses other UTC companies, such as MARIOFF, CARRIER or AUTRONICA, presenting a great opportunity for growth.

6. Automatic doors

It was a successful year for the Group's automatic door division. Portis consolidated its presence in the peninsula, particularly in the north-east through the recently-acquired Enor, as a result of its expansion strategy based on offering full maintenance and placing special attention on customer service.

A decade ago, 80% of our business was new sales and 20%, services. Now, it is practically the opposite.

Our desire is that, in the near future, we will have a service office in every Spanish city with more than 100,000 inhabitants. With this target, we opened five new centers in Spain in 2016: Toledo, Guadalajara, Ciudad Real, Badajoz and Palencia. We now have a total of 28 centres in the country.

Sales of Iona doors, a strategic product for entering the industrial sector, increased by 44%, while glass doors rose by 38%.

Furthermore, maintenance activity grew by 12%, allowing us to reach 30,000 units under maintenance.

28
SERVICE CENTERS IN SPAIN

30.000
DOORS UNDER MAINTENANCE

7. Supplier policy

Zardoya Otis is committed to the highest standards of ethics and business conduct.

According to our Code of Ethics, our employees must:

- Comply with the law
- Meet their commitments
- Act in good faith
- Defend Otis values
- Communicate openly and efficiently
- Be responsible for their actions

Likewise, our suppliers are essential to our success. Therefore, in order to provide excellent products and services in a responsible manner, we require them to meet our expectations in numerous fields. These are some of the main ones:

Legal compliance

The must fully comply with all the national or international laws and regulations applicable to running their businesses.

Quality, environmental health and safety

Their products and services must be designed, produced and supplied guaranteeing the health and safety of their employees and the consumers. Not only must they comply with environmental and health legislation, but they must also operate in a manner that protects the environment and minimizes waste, emissions, energy consumption and the use of toxic materials.

Competition based on merit and fair play

Our suppliers must compete solely on the basis of the merits of their products and services. Any practice from which unfair trading advantages may be derived is strictly prohibited.

Conflicts of interest

Situations which favour conflicts of interest must be avoided and, in all cases, Otis must be informed of any circumstance -real or apparent- that may represent a conflict between the supplier’s interests and those of our company.

Public procurement

It is indispensable to take special care in compliance with all the specific rules applied in contracts with the public authorities.

Protection of information

Otis's suppliers must scrupulously respect the property and intellectual property rights of both our Company and others.

They must, moreover, provide special protection for any confidential or personal information, preventing its use for any purpose other than that for which it was provided.

Accuracy of records and data

We require them to keep accounting books and records that show all transactions related to us accurately and reliably. There should be no entry in their accounting books that alters, conceals or distorts any fact, circumstance or transaction related to Otis companies.

No discrimination

They must treat their employees -current and potential- and trading partners solely on the basis of their merits and legitimate business interests, without distinction of race, religion, colour, age, gender, gender identity or expression, sexual orientation, nationality, civil status or disability.

Child labour

It is strictly prohibited for our suppliers to use child labour in their activities, whether or not they are related to Otis. The term «child» refers to any person below the legal age to work in the country where the work is performed.

Their business partners

If their contract with Otis prohibits assigning, delegating or subcontracting their obligations, Otis expects them to comply strictly with this prohibition. If their contract with Otis allows them to assign, delegate or subcontract their obligations or acquire products or services from others, Otis expects them to choose their business partners carefully and perform the appropriate due diligence, auditing and supervision to detect and prevent any possible misconduct.

8. Human resources

The stability of the Zardoya Otis payroll is a fundamental factor in guaranteeing the company's basic pillars: safety, ethics, internal control and customer satisfaction.

At the end of 2016, Zardoya Otis had 5,145 professionals distributed throughout all the autonomous regions and provinces of Spain, including Ceuta and Melilla, as well as Portugal and Morocco.

Madrid (21.5%), Catalonia (12.7%) and Andalusia (11.7%) are the regions where we have the most employees..

95.83% of the company's workers have permanent contracts, which shows our interest in attaining service excellence through employment stability.

Zardoya Otis's success stems from its human capital and its capacity to make commitments, the pride of belonging and leadership.

We feel especially proud of having obtained, for a further year, the Top Employers certification awarded by the Top Employers Institute, the global certification company that recognizes excellence in the conditions that employers create for their people.

Equality and work-life balance

Ltis's commitments to equality and diversity are reflected in the company's Equality Plan, which is public for all employees.

This commitment materializes in the hiring of new employees and meant that, in 2016, the ratio of women hired at all levels of the organization was 18.9%.

The Equality Plan ensures that our employees can exercise their rights to a work-life balance, provides information thereon and makes these rights accessible to all employees, promoting co-responsibility and guaranteeing that exercising rights concerning the work-life balance does not lead to any kind of discrimination. The company has kept records of the use of the different work-life balance measures in order to continue to encourage employees to use them.

In the last employee climate survey, we detected opportunities for improvement in communication and recognition. Therefore, we led and developed strategic communication actions aimed at all the employees, telling them about our business strategies and involving management. Action was also taken to recognize service excellence, announcing these recognitions and sharing them with all the employees.

At present, our company is facing the challenging of integrating the new generations into its business culture. Therefore, the company is leading, at international level, an integration and development program called "Millennial Voices", in order to incorporate new initiatives of talented young people into our leadership culture.

We have also implemented specific training programs for high-potential employees and special programs for engineers who have recently joined us.

All these actions are intended to promote our pride in belonging, commitment and employee value proposition. Because Zardoya Otis places the team and people at the center of its business decisions.

9. Corporate social responsibility

Our company makes social action a priority and is constantly participating in this field by collaborating with various NGOs, foundations and non-profit organizations, which receive help through volunteers from among our employees.

Our CSR policy includes Otis's principles and commitments in the following fields of action:

- Safety
- Health
- Environment
- Ethics
- Quality
- Accessibility
- Innovation

At present, actions of this nature materialize with entities such as Special Olympics, Fundación Theodora, Prodis, Randstad, Cruzada por los Niños and various associations that combat multiple sclerosis.

The response of Otis's employees in joint social responsibility actions and in the different awareness campaigns has surpassed all expectations, which confirms the commitment and great human qualities of each and every one of the people who form our company. We are proud to have this response capacity to furnish content, as a company and a group, to our actions to meet the needs of society.

10. Industry

With an estimated investment of 20 million euros, the new Zardoya Otis plant will have more than 10.000 m^2 devoted solely to production, not including the areas for office use.

Manufacturing

New plant in San Sebastián

In 2016, Zardoya Otis signed the transfer of its plant in the principal city of Guipuzcoa to the new Eskuzaitzeta estate in Altos de Zubieta.

Both the San Sebastián city council and our company are enthusiastic about this project. The new industrial estate has a privileged location for both supply logistics and national and international shipments.

With an estimated investment of 20 million euros, the new Zardoya Otis plant will have more than 10,000 m2 devoted to production alone, not including the areas for office use. The start-up of a high-technology manufacturing plant is always complex, but our objective is to begin to operate in 2019. With these new facilities, Zardoya Otis will become one of Otis Elevator Ltd.'s two exclusive suppliers of machines and safety elements worldwide. We therefore hope our orders to increase considerably, both in number and in type.

Shipments

In 2016, the production of the industrial plant in Vitoria was integrated into the San Sebastián plant, adding the manufacture of electrical engines to the usual activity. **Thus, more than 50,000 machines, 78,000 parachutes and 29,000 speed limiters were shipped**.

Likewise, **the Madrid plant completed and sent close to 9,500 elevators** and increased the volume of elements for use in modernizations by 30%.

Engineering

We have added a further variable to our interest and concerns about designing increasingly efficient elevators that show greater respect for the environment: the struggle to eliminate architectural barriers.

Zardoya Otis, aware of the evolution of society and the needs arising as a consequence of the ageing of the population, has created a low-consumption elevator that is easy to install and is particularly adaptable for buildings with only a few floors: the new Gen2 Home. In terms of savings, smoothness, silence and precision, the Gen2 Home is the ideal elevator for any kind of single-family home or buildings with moderate traffic.

Furthermore, in line with the data of the building sector, which show that approximately 60% of the investment in the sector is used to refurbish or renovate buildings, Zardoya Otis has specialized in the design of elevators for already-existing buildings with two basic priorities: to maximize energy saving and make the best use of the space available.

Quality

Teamwork is part of our company's quality culture. It is frequent for several departments to be involved in solving each problem.

Among all of us, we have succeeded in reducing the number of corrective actions undertaken by 77%, as the result of various improvements based on monitoring, speed and flexibility when solving the incidents that arise.

ACE program (Achieving Competitive Excellence)

This coordinates quality management in two broad areas:

- Regional offices and head offices (responsible for the business).
- Plants and engineering.

In 2016, Otis was certified under the new European Union Lift Directive (2014/33/EU) and also renewed its ISO 9001 certification. In the latter case, the auditor (AENOR) expressed only one "non-conformance" during its visit of an entire week to different centers of the company last October.

The ACE program uses internal excellence indicators to find out which of the company's processes require action. Furthermore, Otis trains its employees in the ACE Certification Program: 17 training modules to which, in 2016, 65% of head office employees and 23% of regional office employees adhered. 90% of the company's employees have done these courses and, according to our internal audits, all the Spanish regions have ACE results of over 80%.

Otis has a maxim: errors are not the fault of people but of processes. Therefore, if we have a failure, we take action on the procedures. The best way to prevent or minimize failures is to know where to establish controls.

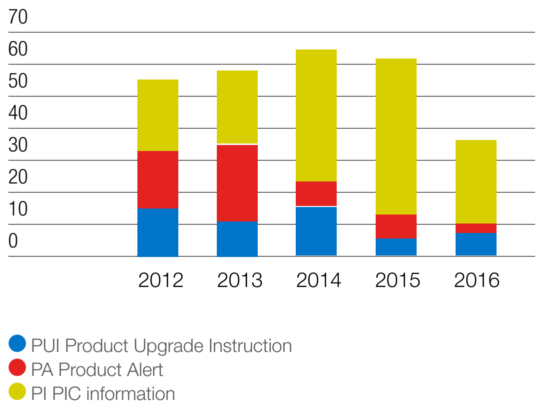
Furthermore, Zardoya Otis in Spain is certified under the following standards:

- ISO 9001 – Quality Management System, with AENOR
- ISO 14001 – Environmental Management System, with AENOR, at manufacturing plants
- ISO 14001 – Environmental Management System, with AUDELCO, for head offices and service centers
- OSHAS 18001 – Occupational Risk Prevention System, with AUDELCO
- ISO 50001 – Energy Efficiency Management System, with AENOR

CAR: Corrective Action Process

This receives and manages all complaints received by the company -regarding both products and services- and analyzes them to decide which department they should be sent to and how to solve them. Our employees themselves may issue CARs when they identify a problem. Thus, the program has become a great vehicle for internal communication and constant improvement. The number of incidents received has remained stable over recent years.

Corrective Action Process



Regional offices towards Excellence

We measure our regional offices' progress towards Excellence using 12 parameters related to safety, customer satisfaction and various business and service metrics.

Depending on these data, targets and scores are established each year for each office.

Management Report 2016

Key Data at November 30

(Consolidated figures in millions of euros)

						% variance on previous period			
Annual Results	**2016**	**2015**	**2014**	**2013(*)**	**2012**	**16/15**	**15/14**	**14/13**	**13/12**
Profit before tax	207.8	210.0	220.2	218.9	261.0	(1.0)	(4.6)	0.6	(16.1)
Profit attributed to parent company	152.6	148.7	154.0	150.8	181.1	2.6	(3.4)	2.1	(16.7)
EBITDA	227.8	234.0	242.6	247.0	278.0	(2.7)	(3.5)	(1.8)	(11.1)
Cash-Flow	163.3	163.8	199.5	182.9	176.3	(0.3)	(17.9)	9.1	3.7
Gross dividends	147.7	144.1	147.2	147.7	176.7	2.4	(2.1)	(0.3)	(16.4)

(*) Restated figures applying IAS 19-R

						% variance on previous period			
Shareholders' Equity	**2016**	**2015**	**2014**	**2013(*)**	**2012**	**16/15**	**15/14**	**14/13**	**13/12**
Capital and reserves (**)	423.6	419.6	412.1	407.1	238.5	0.9	1.8	1.2	70.7

(*) Restated figures in application of NIC 19-R
(**) Includes Treasury Stock

						% variance on previous period			
Sales	**2016**	**2015**	**2014**	**2013**	**2012**	**16/15**	**15/14**	**14/13**	**13/12**
New sales	41.7	37.1	39.4	53.8	74.3	12.6	(6.0)	(26.8)	(27.5)
Service	534.4	539.9	546.9	579.9	602.8	(1.0)	(1.3)	(5.7)	(3.8)
Total exports	179.2	163.3	160.5	133.4	144.6	9.7	1.7	20.4	(7.8)
Exports to Portugal and Morocco (*)	(9.4)	(8.1)	(7.9)	(7.9)	(12.5)	15.9	2.6	(0.1)	(37.0)
Net exports	169.9	155.3	152.7	125.5	132.1	9.4	1.7	21.7	(5.0)
Total	746.0	732.2	739.0	759.2	809.1	1.9	(0.9)	(2.7)	(6.2)

(*)Deducted because already included in consolidated sales

						% variance on previous period			
New Sales	**2016**	**2015**	**2014**	**2013**	**2012**	**16/15**	**15/14**	**14/13**	**13/12**
Orders received	168.2	123.1	106.0	109.8	129.8	36.6	16.2	(3.4)	(15.5)
Backlog of unfilled orders	109.9	91.9	82.5	83.5	102.3	19.7	11.3	(1.1)	(18.4)

(*) Includes new sales and modernizations in 2015 and 2014

						% variance on previous period			
Service	**2016**	**2015**	**2014**	**2013**	**2012**	**16/15**	**15/14**	**14/13**	**13/12**
Units under maintenance	285,586	283,626	284,418	284,940	270,082	0.7	(0.3)	(0.2)	5.5
Maintenance centers	374	371	371	372	375	0.8	0.0	(0.3)	(0.8)

						% variance on previous period			
Manpower	**2016**	**2015**	**2014**	**2013**	**2012**	**16/15**	**15/14**	**14/13**	**13/12**
Total manpower	5,145	5,086	5,137	5,399	5,332	1.2	(1.0)	(4.9)	1.3

Stock Market Data at December 31

(euros)

Share capital	2016	2015	2014	2013	2012
Shares written off					
Number of shares before capital increase	452,369,530	434,970,702	418,241,060	385,241,499	366,896,666
Number of shares capital increase (Non-monetary contribution)				16,913,367	
Splits	-	-	-	-	-
Capital increases (Bonus issues)	1x25	1x25	1x25	1x25	1x20
Number of shares at December 31	470,464,311	452,369,530	434,970,702	418,241,060	385,241,499
Par value	0.10	0.10	0.10	0.10	0.10
Share capital (millions)	47.0	45.2	43.5	41.8	38.5

Profit per share	2016	2015	2014	2013	2012
Profit after tax	0.331	0.329	0.354	0.361	0.470
P.A.T. adjusted by capital increase	0.331	0.316	0.327	0.321	0.385
Adjusted P.A.T. variance (%)	4.7%	(3.4%)	2.1%	(16.7%)	(6.7%)
EBITDA per share	0.484	0.517	0.558	0.591	0.722
EBITDA adjusted by capital increase	0.484	0.497	0.516	0.525	0.591
Adjusted EBITDA variance (%)	(2.7%)	(3.5%)	(1.8%)	(11.1%)	(3.9%)

Dividend per share*	2016	2015	2014	2013	2012
Dividend per share	0.320	0.325	0.345	0.360	0.470
Dividend adjusted by capital increase	0.320	0.313	0.319	0.320	0.383
% variance adjusted dividend	2.4%	(2.0%)	(0.3%)	(16.4%)	(7.8%)
Paid in calendar year	0.314	0.319	0.338	0.353	0.459

(*) Calculated with dividends charged to the period and partial cash distribution of share premium, with number of shares at December 31

Price per share	2016	2015	2014	2013	2012
Price of 1 share	8.03	10.78	9.20	13.15	10.80
Price adjusted by capital increase	8.03	10.37	8.51	11.69	8.84
% adjusted price variance	(22.5%)	21.9%	(27.2%)	32.2%	7.0%

Annual yield of one share (%) (*)	2016	2015	2014	2013	2012
Dividend	3.0	3.6	2.7	3.4	4.5
Market value	(22.5)	21.9	(27.2)	32.2	7.0
Total	(19.5)	25.5	(24.6)	35.6	11.5

(*) Calculated with dividends charged to the period and partial cash distribution of share premium, for one share owned on January 1 and valued at closing price on December 31

Trading	2016	2015	2014	2013	2012
Market capitalization (millions)	3,778	4,877	4,002	5,500	4,161
Trading frequency (%)	100.0	100.0	100.0	100.0	100.0

Effective value traded (millions)	818	1.094	1.494	691	570

Stock market ratios	**2016**	**2015**	**2014**	**2013**	**2012**
PER (price/net profit: number of times)	24.8	32.8	26.0	36.5	23.0
Pay-out % (dividends paid / net profit)	96.74	96.91	95.6	97.9	97.6

Variance of stock market indices	**2016**	**2015**	**2014**	**2013**	**2012**
Zardoya Otis, S.A.					
Market capitalization at 12/31 (Mill.€)	3,778	4,877	4,002	5,500	4,161
Market capitalization at 1/1/1990 (Mill.€) (Start of IBEX 35)	331	331	331	331	331
Variance market capitalization since 1/1/1990	3,446	4,545	3,670	5,168	3,829
% variance market capitalization since 1/1/1990	1,040.0%	1,371.6%	1,107.6%	1,559.6%	1,155.5%
% inter-annual variance market capitalization	(22.5%)	21.9%	(27.2%)	32.2%	7.0%
IBEX 35					
IBEX 35 at 12/31	9,352	9,544	10,280	9,917	8,168
IBEX 35 at start (1/1/1990)	3,000	3,000	3,000	3,000	3,000
Variance IBEX 35 since 1/1/1990	6,352	6,544	7,280	6,917	5,168
% variance IBEX 35 since 1/1/1990	211.7%	218.1%	242.7%	230.6%	172.3%
% inter-annual variance IBEX 35	(2.0%)	(7.2%)	3.7%	21.4%	(4.7%)

Management Report of Zardoya Otis, S.A.

(Consolidated Annual Financial Statements for 2016) (Expressed in thousands of euros - ETHs)

Presentation of the Annual Financial Statements

The consolidated annual financial statements of Zardoya Otis, S.A. at November 30, 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) adopted by the European Union and in force at said date.

Business evolution

Profit and loss

The EBITDA (operating profit + depreciation + amortization) obtained in 2016 was 227.8 million euros, 2.7% lower than the 234.0 million euros obtained in 2015.

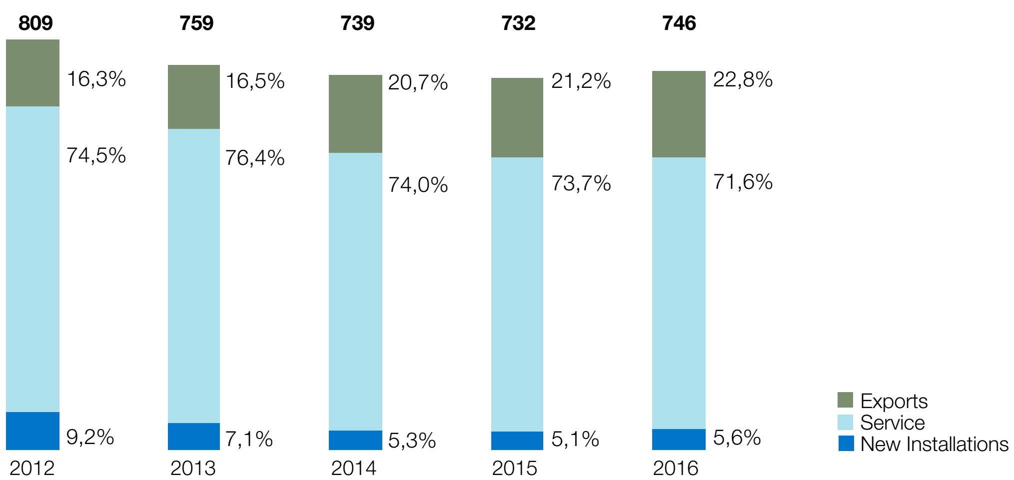
Profit after tax at the end of 2016 was 152.6 million euros, which was 2.6% higher than the 148.7 million euros of 2015.

Consolidated cash flow (operating activities) at the end of 2016 was 163.3 million euros, similar to the 2015 figure.

Total sales

Total consolidated sales in 2016 were 746.0 million euros, in comparison with the 732.2 million euros of 2015, representing a 2% increase.

SALES (millions of euros)



New installations

Work completed: the value of work completed in 2016 was 41.7 million euros, 12.6% higher than the work completed in 2015.

New installations sales accounted for 5.6% of total sales in 2016 (5.1% in 2015).

Orders received and backlog of unfilled order

The amount of orders received for Installations in the 2016 reporting period, including both new and existing buildings, was 168.2 million euros, showing an increase of 36.6% on the same period of 2015, thus consolidating the upward trend shown in the first three quarters of 2016.

The backlog of unfilled orders was 109.9 million euros in 2016, representing an increase of 19.7% on 2015.

Heavy growth (double-digit) could be seen in orders received for new installations and renovations in Spain, Portugal and also Morocco. There was likewise a positive impact from capturing new orders in the marine sector, where we highlight the 176 units to be installed in four cruise vessels.

Service

Consolidated Service sales totalled 534.4 million euros, showing a decrease of 1.0% on the 2015 figure.

The Service activity accounted for 71.6% of the Group's total billing in 2016.

Units under maintenance

In 2016, more than 285,000 units were under maintenance. This increase was due partly to the growth in the entry of new equipment into maintenance and an improvement in the customer loyalty rate.

Exports

Net consolidated Export sales were 169.9 million euros, 9.4% up on the 2015 figure.

Exports accounted for 22.8% of the Group's consolidated sales in 2016 (21.2% in 2015).

The difficulties in some markets, such as the Middle East and Turkey, were offset by growth in Africa and Central Europe.

Employees

At the end of the 2016 reporting period, the Group employed 5,145 people, showing an increase of 1.2% on the end of the 2015 period.

The sales area was reinforced, in order to capture the favourable change in real estate activity.

Dividends

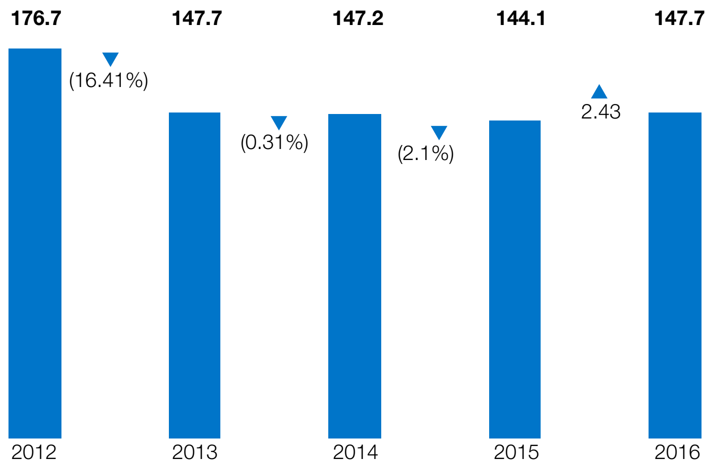
The dividends and partial cash distribution of the share premium paid out in the 2016 calendar year were as follows:

Date	Gross per share	Charged to	Shares entitled to dividend	Gross total dividend
April 11	0.080 euros	1st interim, 2016	452,369,530	36,189,562.40
July 11	0.080 euros	Partial cash distribution of share premium	452,369,530	36,189,562.40
October 10	0.080 euros	2nd interim 2016	470,464,311	37,637,144.88
January 10	0.080 euros	3rd interim 2016	470,464,311	37,637,144.88
TOTAL DIVIDENDS PAID IN 2016				147,653,414.56

At November 30, 2016, interim dividends of EThs 73,827 (EThs 73,162) charged to the profit for the period ended at said date had been declared. These interim dividends were paid for shares 1 to 452,369,530 (1st interim dividend) and 1 to 470,464,311 (2nd interim dividend).

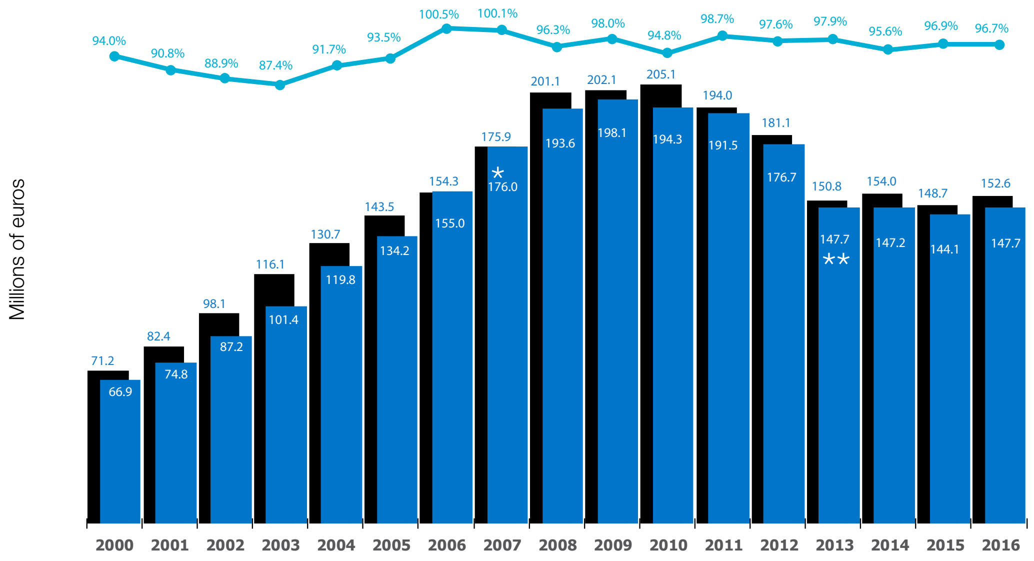
Additionally, on July 11, 2016, a partial cash distribution of the share premium was made for shares 1 to 452,369,530 for a gross value of EThs 36,190. Treasury stock held at said date was excluded.

DIVIDENDS (Millions of euros)



The amount of dividends paid in 2016 plus the partial distribution of the share premium totalled 147.7 million euros, representing an increase of 2.43% in comparison with the amount settled in 2015 and, overall, a pay-out of 96.74% of the consolidated profit attributable to Company shareholders. Thus, the Company's policy of distributing a pay-out of close to 100% continued.

Net profit vs. Dividends paid in the year (Pay-Out %)



* Before extraordinary results
** Figures restated in accordance with IAS 19-R.

Net profit
Gross dividends paid in the year
Pay out

Evolution of capital

Bonus issue

The bonus issue in the proportion of one new share for every twenty-five old outstanding shares, approved at the General Shareholders' Meeting held on May 19, 2016, commenced on July 14, 2016 and ended on July 29, 2016.

Once the capital increase had been completed, the share capital was 47,046,431.10 euros, represented by 470,464,311 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 September 19, 2016.

Treasury stock

At its meeting of May 19, 2016, the Board of Directors decided to acquire treasury stock to be used in company acquisition transactions.

At November 30, 2016, Zardoya Otis, S.A. did not hold any treasury stock (11,547 shares at the end of 2015). As a result of the bonus issue in 2016, the Group parent was assigned 23,514 shares.

As a consequence of one of the acquisition transactions, on July 21, 2016, Zardoya Otis, S.A. gave 553,995 of the treasury shares it held as payment.

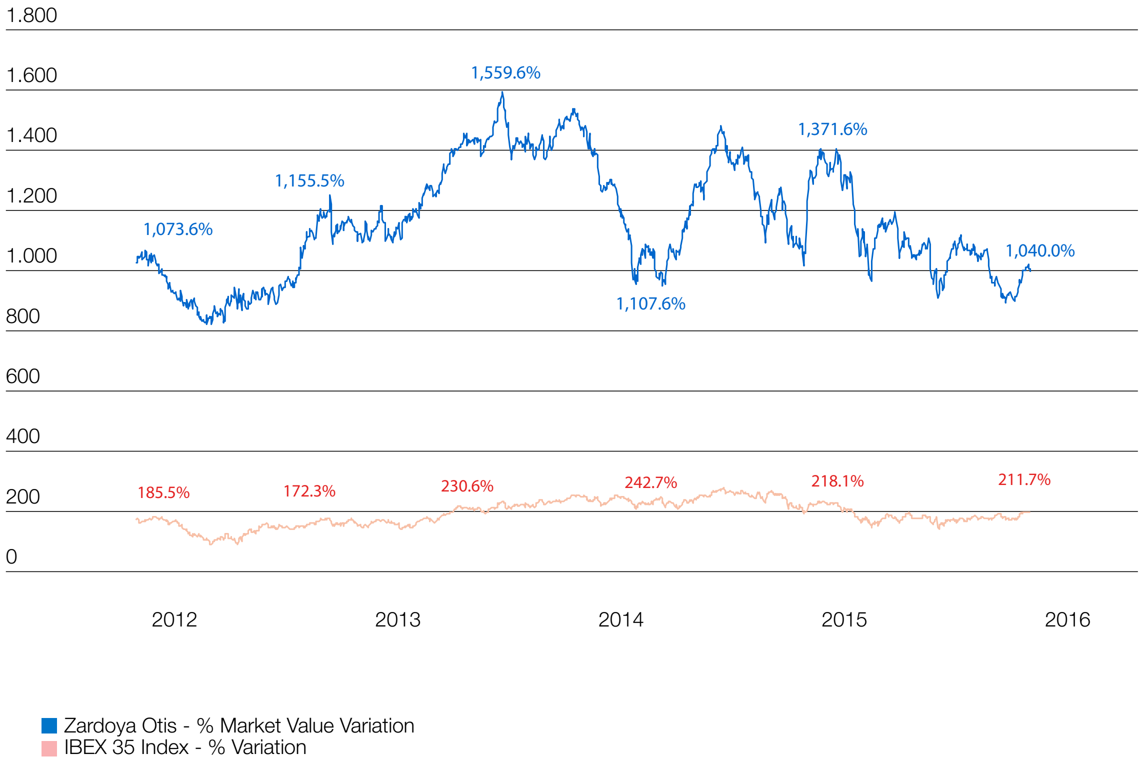
Evolution of Zardoya Otis on the Stock Markets

The quoted price at the end of 2016 was 8.03 euros per share, representing a decrease of 22.5% on the adjusted value at the end of 2015, while the IBEX fell by 2.0%.

For comparative purposes, the value of the share was adjusted as a result of the 1 x 25 bonus issue that took place in July 2016.

% Variance Stock Market Indices

Base 100 = 1/1/1990 (Start of IBEX 35)



Historical Stock Market Data

(Euros)

Year	Bonus issues and splits	Share price			P.E.R,	Pay-Out %	Market capitaliz. (Millions)
		Closing value	Adjusted value	Variance year %			
Dec-74		37.68	0.03		14.3		13.3
Dec-90		63.71	0.74	5.7	13.8	80.14	350.2
Dec-91	1 x 5	61.30	0.86	15.5	14.0	75.49	404.4
Dec-92		52.23	0.73	(14.8)	11.0	79.80	344.6
Dec-93	1 x 10	81.74	1.26	72.2	17.0	80.79	593.1
Dec-94	1 x 10	82.28	1.40	10.7	17.4	57.36	656.8
Dec-95	1 x 10	79.63	1.49	6.5	17.0	98.42	699.2
Dec-96	1 x 10	90.75	1.86	25.4	19.5	100.85	876.5
Dec-97	1 x 10	106.68	2.41	29.3	22.0	80.78	1,133.4
Dec-98	split 5 x 1 plus 1 x 6	26.62	3.51	45.6	28.9	84.73	1,649.8
Dec-99	split 2 x 1 plus 1 x 10	9.77	2.83	(19.3)	21.2	89.89	1,332.1
Dec-00	1 x 10	9.35	2.98	5.3	19.7	94.01	1,402.3
Dec-01	1 x 10	10.42	3.62	21.5	20.7	90.83	1,703.6
Dec-02	1 x 10	12.55	4.77	31.8	22.9	88.85	2,245.2
Dec-03	1 x 10	16.50	6.90	44.6	28.0	87.36	3,247.1
Dec-04	1 x 10	18.87	8.68	25.8	31.2	91.67	4,084.9
Dec-05	1 x 10	21.40	10.83	24.7	35.5	93.52	5,095.8
Dec-06	1 x 10	22.98	12.79	18.1	39.0	100.48	6,019.2
Dec-07	1 x 10	19.37	11.86	(7.3)	31.7 (*)	100.1 (*)	5,581.0
Dec-08	1 x 10	12.69	8.55	(27.9)	20.0	96.26	4,022.0
Dec-09	1 x 20	13.61	9.63	12.6	22.4	98.04	4,529.2
Dec-10	1 x 20	10.54	7.83	(18.7)	18.0	94.76	3,682.9
Dec-11	1 x 20	10.60	8.27	5.6	20.0	98.70	3,889.1
Dec-12	1 x 20	10.80	8.84	7.0	23.0	97.55	4,160.6
Dec-13	1 x 25	13.15	11.69	32.2	36.5	97.93	5,499.9
Dec-14	1 x 25	9.20	8.51	(27.2)	26.0	95.58	4,001.7
Dec-15	1 x 25	10.78	10.37	21.9	32.8	96.91	4,876.5
Dec-16	1 x 25	8.03	8.03	(22.5)	24.8	96.74	3,777.8

(*) Without Extraordinary Results

Forecast evolution

In 2016, we increased sales by almost 2% as a consequence of a gradual recovery in the general economic situation and also in the construction sector. Orders received for new installations grew by 36.6%, while the fall in sales in the Service area was only 1.0%.

At the end of 2016, New installations sales accounted for 5.6% of total sales (5.1% in 2015) and we hope their relative weight will continue to grow in 2017.

Some of the actions implemented in earlier years have begun to bear fruit. In 2016, the evolution of the cruise vessel business was very positive, which was one of the objectives we had been seeking since the purchase of Enor in 2013. It is a complicated sector, but will have a long way to go in forthcoming years.

As occurred in 2015, the Spanish economy continued to show sustained growth and the GDP again grew by 3.2% in 2016

The Group has many things to do and, for us, it is important to grow in every area. In Spain, it is calculated that there are more than a million buildings without an elevator. We should also remember that the life expectancy is rising and there is an increasing number of people with adaptability needs, which furnishes us with great business potential.

General Description of the Group's Risk Policy

The Company'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 Company's global risk management program is focused on the uncertainty of the financial markets and tries to minimize any potential adverse effects on the Company's financial profitability.

Risk management is controlled by company Management in accordance with policies approved by the Company's 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:

- Ensure that the most important risks are identified, assessed and managed;

- Ensure an appropriate operating segregation of 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 to the 2016 Annual Financial Statements of Zardoya Otis, S.A., the information concerning the following risks is presented:

a) Market risk:

(i) Exchange rate risk

(ii) Price risk

b) Credit risk

c) Liquidity risk

d) Cash Flow interest rate risk and fair value risk

e) Capital risk

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 assessed and the evaluation of the risk control systems, adapted to the risk profile of the Company and its Group.

Zardoya Otis, S.A. has an Internal Audit Department, with systems and processes that are intended to evaluate, monitor, mitigate or reduce the Company's main risks by preventive measures and alerts of possible situations of risk.

The Company has the risks that affect assets and 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.

The Company 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.

Research and Development expenses

The Group parent applies the policy of recognizing research costs in the Income Statement in the period in which they are incurred, as established in its accounting policies and principles. At November 30, 2016, the Income Statement included expenses of EThs 1,718 for this item (2015: EThs 2,160).

Significant Events at November 30, 2016

In 2016, the following transactions and changes in the consolidated Group took place:

On February 25, 2016, the subsidiary Otis Elevadores, Lda. Increased its capital through a non-monetary contribution whereby Zardoya Otis, S.A. contributed its shareholding in Enor – Elevacao e Equipamentos Industriales, Lda. This transaction does not affect the consolidated group, since the Group maintains the same percentage interest.

On March 22, 2016, the Board of Directors of Zardoya Otis, S.A. and the Administrator of Admotion, S.L.U. (Admotion) approved a merger project. At the end of 2016, the company Admotion was dissolved but not liquidated and the totality of its equity was transferred to Zardoya Otis, S.A., the absorbing company, which held 100% of its shares.

In addition, also on March 22, 2016, the Board of Directors of Zardoya Otis, S.A. and the Administrator of Ascensores Eguren, S.A.U. (Eguren) approved a merger project. This project is still in progress and is awaiting completion of the relevant legal and mercantile procedures.

At the date of approval of this Management Report, the companies belonging to the UGE Group Zardoya Otis (Spain) had acquired companies engaged in the maintenance and repair of elevators in Spain. This information is included in Note 6 of the Notes to the Consolidated Annual Financial Statements.

On May 19, 2016, the Board of Directors of Zardoya Otis, S.A. and the Administrator of Mototracciones Electrica Latierro, S.L.U (Latierro) approved a merger project. This project is still in progress and is awaiting completion of the relevant legal and mercantile procedures.

The General Shareholders' Meeting held on May 19, 2016 passed a resolution to increase the share capital through a free bonus issue, charged in full to the available reserves. To execute this resolution, 18,094,781 shares were issued for a value of 1,809,478.10 euros. The capital increase took place from July 14, 2016 to July 29, 2016, inclusive.

On June 16, 2016, Zardoya Otis, S.A. acquired 4.66% of the shares of the subsidiary Puertas Automáticas Portis, S.L. from non-controlling interests. This transaction led to a change in the percentage held by Zardoya Otis, S.A. in Puertas Automáticas Portis, S.A., which rose from 95.36% to 100%.

On September 22, 2016, Zardoya Otis, S.A. declared the third interim dividend in the calendar year 2016, the second charged to the 2016 profit, for a gross amount of 0.080 euros per share. This resulted in a total gross dividend of EThs 37 637, which was paid out on October 10, 2016.

Events after the end of the reporting period

On December 14, 2016, Zardoya Otis, S.A. declared the third interim dividend charged to the 2016 profit for a gross amount of 0.080 euros per share. This resulted in a total gross dividend of ETHs 37 637, which was paid out on January 10, 2017.

Annual Corporate Governance Report

The 2016 Annual Corporate Governance Report forms part of this Management Report.

Said Report is published on the websites of both the National Securities Market Commission (CNMV) and Zardoya.

Consolidated Annual Financial Statements 2016

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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.

INDEPENDENT AUDITOR´S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

To the Shareholders of Zardoya Otis, S.A.:

Report on the Consolidated Annual Accounts

We have audited the accompanying consolidated annual accounts of Zardoya Otis, S.A. and its subsidiaries, which comprise the consolidated balance sheet as at November 30, 2016, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and related notes for the year then ended.

Directors' Responsibility for the Consolidated Annual Accounts

The parent company´s directors are responsible for the preparation of these consolidated annual accounts, so that they present fairly the consolidated equity, financial position and financial performance of Zardoya Otis, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with legislation governing the audit practice in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the parent company´s directors´ preparation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated annual accounts taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

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Opinion

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and financial position of Zardoya Otis, S.A. and its subsidiaries as at November 30, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' Report for 2016 contains the explanations which the parent company´s directors consider appropriate regarding Zardoya Otis, S.A. and its subsidiaries´ situation, the development of their 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 directors' Report is in agreement with that of the consolidated annual accounts for 2016. Our work as auditors is limited to checking the directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Zardoya Otis, S.A. and its subsidiaries´ accounting records.

PricewaterhouseCoopers Auditores, S.L.

Original Spanish version signed by Rafael Pérez Guerra

24 March 2017

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Año 2017 Nº 01/17/00402
COPIA

Informe de auditoría de cuentas sujeto a la normativa de auditoría de cuentas española o internacional

ZARDOYA OTIS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT NOVEMBER 30, 2016 AND 2015
(Thousands of euros - ETHs)

		2016	2015
	ASSETS		
	Noncurrent assets		
	Property, plant & equipment (Note 5)	60 601	60 837
	Intangible assets (Note 6)	185 459	186 329
	Goodwill (Note 6)	145 444	139 096
	Financial investments (Note 7)	728	731
	Deferred tax assets (Note 18)	23 205	22 578
	Other noncurrent assets (Note 7, 8 & 19)	7 379	9 339
		422 816	**418 910**
	Current assets		
	Inventories (Note 9)	30 545	23 650
	Financial receivables (Note 7)	1 409	296
	Trade and other receivables (Note 7,8)	192 436	196 891
	Cash and cash equivalents (Note 7,10)	62 344	65 553
		286 734	**286 390**
	Total assets	**709 550**	**705 300**

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

ZARDOYA OTIS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT NOVEMBER 30, 2016 AND 2015 (Thousands of euros - ETHs)

	2016	2015
EQUITY		
Share capital (Note 11)	47 046	45 236
Share Premium	37 472	73 615
Legal reserve (Note 13)	9 409	9 047
Reserves in subsidiaries & other reserves (Note 14)	250 838	214 647
Treasury stock (Note 12)	-	(92)
Retained earnings(Note 15)	152 626	148 745
Interim dividends paid (Note 29)	(73 819)	(73 160)
Foreign exchange differences	(5)	51
Non-controlling interests (Note 2,15)	14 009	15 713
Total equity	**437 576**	**433 802**
LIABILITIES		
Noncurrent liabilities		
Other payables (Note 7,16)	3 850	2 155
Provisions for other liabilities and expenses (Note 21)	8 370	7 220
Deferred tax liabilities (Note 18)	26 792	25 416
	39 012	**34 791**
Current liabilities		
Trade and other payables (Note 7,16)	216 429	214 090
Current tax liabilities (Note 17)	3 072	8 091
Borrowings(Note 7,20)	324	335
Provisions for other liabilities and expenses(Note 21)	13 137	14 191
	232 962	**236 707**
Total liabilities	**271 974**	**271 498**
Total equity and liabilities	**709 550**	**705 300**

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

ZARDOYA OTIS S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS FOR THE PERIODS ENDED NOVEMBER 30, 2016 AND 2015
(Thousands of euros - ETHs)

		2016	2015
	Sales (Note 22)	746 041	732 228
	Other revenue	2 656	4 095
	Raw materials and consumables used (Note 24)	(228 121)	(208 309)
	Employee benefit expense (Note 23)	(241 373)	(237 508)
	Amortization, depreciation and impairment losses(Note 5 & 6)	(21 647)	(24 261)
	Other net expenses (Note 25)	(51 399)	(56 470)
	Operating profit	**206 157**	**209 775**
	Financial income (Note 26)	768	843
	Financial costs (Note 26)	(173)	(573)
	Net foreign exchange differences (Note 26)	28	(39)
	Other gains and losses	**1 050**	**19**
	Profit before tax	**207 830**	**210 025**
	Income tax expense (Note 27)	(54 385)	(60 274)
	Profit for period	**153 445**	**149 751**
	Profit from continuing operations after tax (Note 15)	**153 445**	**149 751**
	Attributable to:		
	Shareholders of the Company (Note 15)	152 626	148 745
	Non-controlling interests (Note 15)	819	1 006
	Earnings per share for the profit on continuing operations attributable to the shareholders of the Company in the period (euros per share) (Note 28)		
	- Basic	0,33	0,34
	- Diluted	0,33	0,34

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

ZARDOYA OTIS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED NOVEMBER 30, 2016 AND 2015
(Thousands of euros - ETHs)

	2016	2015
Profit for the period (Note 15)	**153 445**	**149 751**
Other comprehensive income:		
Items that can be transferred to profit and loss		
Exchange rate differences	(56)	74
Items that will not be reclassified to profit and loss		
Actuarial gain or (loss)	(341)	2 133
Other comprehensive income for the period, net of taxes		
Total comprehensive income for the year, net of taxes	**153 048**	**151 958**
Attributable to:		
– Shareholders of parent company	152 229	150 952
– Non-controlling interests	819	1 006

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

ZARDOYA OTIS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED NOVEMBER 30, 2016 AND 2015
(Thousands of euros - ETHs)

	Attributable to shareholders of the Company							Non-controlling interests	Total equity
	Legal reserve	Treasury stock	Accumulated foreign exchange differences	Legal reserve	Treasury stock	Reserva de consolidación y otras reservas	Ganancias acumuladas		
Balance at November 30, 2014	**43 497**	**108 411**	**8 699**	**(92)**	**(23)**	**158 324**	**93 288**	**16 478**	**428 582**
Comprehensive profit for the period (Note 15)					74		150 878	1 006	151 958
Distribution of profit 2014 (Note 15)			348			39 923	(154 030)		(113 759)
Dividend relating to 2014 (Note 29)							113 759		113 759
Capital increase (Note 11)	1 740					(1 739)			-
Dividend 2015 (Note 29)							(110 131)		(110 131)
Partial monetary distribution of share premium (Note 29)		(34 796)							(34 796)
Transactions with non-controlling interests (Notes 2, 6)						(41)		(513)	(554)
Other movements								(1 257)	(1 257)
Balance at November 30, 2015	**45 237**	**73 615**	**9 047**	**(92)**	**51**	**196 467**	**93 763**	**15 714**	**433 802**
Comprehensive profit for the period (Note 15)					(56)		152 285	819	153 048
Distribution of profit 2015 (Note 15)			362			41 167	(150 878)		(109 349)
Dividend relating to 2015 (Note 29)							109 349		109 349
Capital increase (Note 11)	1 809					(1 809)			-
Other equity transactions (Note 12)				(5 293)					(5 293)
Other equity transactions (Note 12)				491		135			626
Business combinations				4 894		(226)			4 668
Dividend 2016 (Note 29)							(110 008)		(110 008)
Partial monetary distribution of share premium (Note 29)		(36 143)							(36 143)
Transactions with non-controlling interests (Notes 2, 6)						(598)		(1 344)	(1 942)
Other movements								(1 181)	(1 181)
Balance at November 30, 2016	**47 046**	**37 472**	**9 409**	**-**	**(5)**	**235 134**	**94 511**	**14 009**	**437 576**

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

ZARDOYA OTIS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FORT HE PERIODS ENDED NOVEMBER 30, 2016 AND 2015
(Thousands of euros - ETHs)

	2016	2015
Beneficio Neto	**152 626**	**148 745**
Adjustments to profit:		
Amortization/depreciation/provisions (Notes 5,6,8)	19 017	21 009
Taxes (Note 27)	54 385	60 274
Other losses and gains (Note 26)	(485)	(270)
Gains/(losses) on sales of fixed assets	1 050	(19)
Tax payment for the period (Note 27)	(56 276)	(64 738)
Net cash generated by operating activities	(7 816)	(2 250)
Profit attributable to non-controlling interests (Note 15)	819	1 006
Cash flows from operating activities (Note 30)	**163 320**	**163 757**
Investment in property, plant & equipment/intangible assets(Notes 5, 6)	(9 853)	(5 395)
Acquisition of subsidiaries (Notes 6, 33)	(7 515)	(8 083)
Acquisition of other financial assets	-	31
Cash from business combinations (Note 33)	3 095	-
Cash receipts from asset disposal (Nota 5)	1 250	-
Cash flows from investing activities	**(13 023)**	**(13 447)**
Dividends paid (Note 29)	(146 151)	(144 928)
Acquisition of treasury stock (Note12)	(5 293)	-
Treasury stock sale (Nota12)	626	-
Bank borrowings (Received/Paid) (Note 20)	(11)	(9 976)
Payment for acquisition of non-controlling interests	(2 677)	(1 882)
Cash flow from financing activities	**(153 506)**	**(156 786)**
Variation in cash and cash equivalents	**(3 209)**	**(6 476)**
Cash and cash equivalents at the beginning of the period (Note 10)	65 553	72 029
Cash and cash equivalents at the end of the period (Note 10)	62 344	65 553

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

ZARDOYA OTIS S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE PERIODS 2016 AND 2015
(Thousands of euros – Eths)

1. General information

The main business activity of Zardoya Otis S.A. (the Company) and its subsidiaries (together, the Group) is the manufacturing 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 Sebastian and a Modernization Centre in Vigo (Pontevedra).

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

United Technologies Holding S.A., incorporated in France, held an interest in the Group of 50.01% of the Company's shares. The Company is part of the UTC Group, incorporated in the United States of America (Notes 11 and 34). The Company 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 21, 2017 and are pending the approval of the Annual General Shareholders' Meeting. Nevertheless, Management considers that the above mentioned financial statements will be approved as presented.

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 Bases of presentation

The Consolidated Financial Statements of the Group as of November 30, 2016 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, 2016 include the figures for the preceding year to allow a comparison to be made. Likewise, they have been prepared up under the going concern principle. They will be formulated by the Board of Directors on February 21, 2017. The Consolidated Annual Financial Statements for 2015 were approved at the General Shareholders' Meeting of May 19, 2016.

The Consolidated Annual Financial Statements have been prepared using the historical cost method, modified by recognition criteria for available-for-sale assets. Assets and liabilities (including derivative instruments) at fair value through profit and loss.

The preparation of consolidated annual 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 judgements and estimates are constantly reviewed and are based principally on historical experience and expectations of future events deemed reasonable.

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

(a) Contracts in progress

Contracts in progress are measured 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 re-estimation, 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) Employee benefit expenses

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 the end of the reporting period 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 its effect on the consolidated accounts is not material. They are de-consolidated from the date that control ceases.

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 items on the statement of financial position and profit and loss items arising from the accounting records. Certain reclassifications deemed advisable have been made in order to improve the presentation of the Consolidated Financial Statements and the related non-controlling interests.

If a business combination takes place in stages, the carrying amount at the acquisition date of the interest in the acquiree's equity previously held by the acquirer is remeasured at acquisition-date fair value. Any loss or gain arising from this remeasurement is taken to profit and loss.

Non-controlling interests in the profit or loss and equity of subsidiaries are shown separately in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of financial position, respectively.

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 an acquisition agreement. Identifiable assets acquired and identifiable liabilities and contingent liabilities accepted in a business combination are measured initially at their acquisition-date fair values. 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 amount by which 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 acquire exceeds the acquisition-date net amounts of the identifiable assets acquired and the identifiable liabilities assumed. If this amount were lower than the fair value of the net assets of the acquiree, the difference is recognized as a gain directly in profit and loss The costs related to acquisitions 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) Subsidiaries

The list of subsidiaries and information thereon is as follows:

		2016		2015		
Company and registered office	**Activity**	%	Carrying amount (EThs)	%	Carrying amount (EThs))	**Parent company**
(+) Ascensores Eguren, S.A. (Bilbao)	Installation & Service of Elevators	-	-	100%	10 839	Zardoya Otis S.A. (*)
Ascensores Ingar, S.A. (Granada)	Installation of Elevators	100%	14 306	100%	3 404	Zardoya Otis S.A.
(+) Cruxent-Edelma, S.L. (Barcelona)	Installation & Service of Elevators	100%	26 504	100%	26 504	Zardoya Otis S.A.
(+) Ascensores Serra, S.A. (Gerona)	Installation & Service of Elevators	75%	605	75%	605	Zardoya Otis S.A.
(+) Mototracción Eléctrica Latierro, S.A. (Vitoria)	Manufacturing elevator engines	100%	4 073	100%	4 073	Zardoya Otis S.A.
(+) Puertas Automáticas Portis, S.L. (Madrid)	Installation and Service of Automatic Doors	100%	18 977	95,36%	17 035	Zardoya Otis S.A.
(+) Otis Elevadores, Lda. (Portugal)	Installation & Service of Elevators	100%	31 658	100%	11 742	Zardoya Otis S.A.
Masel Otis Elevadores de Madeira, Lda. (Portugal)	Installation & Service of Elevators	60%	2 104	60%	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	94,57%	18 025	94,57%	18 025	Zardoya Otis S.A.
Zardoya Otis (Gibraltal) Limited. (Gibraltar)	Installation & Service of Elevators	100%	0	100%	0	Zardoya Otis S.A.
(+) Conservación de Aparatos Elevadores Express, S.L. (Madrid)	Installation & Service of Elevators	100%	1 771	100%	1 771	Zardoya Otis S.A.
Admotion, S.L. (Zaragoza)	Research, development and manufacturing of electronic equipment			100%	682	Zardoya Otis S.A. (*)
(+) Otis Maroc, S.A. (Marruecos)	Installation & Service of Elevators	100%	19 966	100%	19 966	Zardoya Otis S.A.
Ascensores Aspe S.A (Baleares)	Installation & Service of Elevators	100%	9 122	100%	9 122	Ascensores Eguren, S.A
(+) Montes Tallón, S.A (Alicante).	Installation & Service of Elevators	52%	10 823	52%	10 823	Zardoya Otis, S.A.
(+) Ascensores Enor S.A. (Pontevedra)	Installation & Service of	100%	117 100	100%	117 100	Zardoya Otis, S.A.

	Elevators and Automatic Doors					
(+) Electromecanica del Noroeste S.A (Pontevedra)	Installation & Service of Elevators	100%	16 525	100%	16 525	Zardoya Otis, S.A.
(+) Enor Elevacao e Equipamentos Industriales Lda (Portugal)	Installation & Service of Elevators	100%	19 916	100%	19 916	Otis Elevadores, Lda. (Portugal) (**)
Electromecánica Hemen Elevadores, S.L.. (Vitoria)	Installation & Service of Elevators	92,77%	9 888	92,77%	9 888	Zardoya Otis, S.A.
Companies adquired by the CGU España (Puertollano, Sevilla, Malaga, Castellon, Madrid)	Installation & Service of Elevators	100%	18 737	-	-	Companies Integrated in CGU Spain (***)

(+) Companies audited by PwC in 2016

(*) Merged with Zardoya Otis, S.A. (period 2016)

(**) Enor Elevacao e Equipamentos Industriales Lda, entity transferred by Zardoya to Otis Elevadores Lda, (Portugal) at the period 2016

(***) Companies acquired by entities of the Group, belonging to CGU Spain which are expected to be merged at the period 2017.

The following transactions and changes to the Group took place in 2015:

On December 17, 2014, the subsidiary Puertas Automáticas Portis S.L. acquired 1.06% of its own shares from minority shareholders for EThs 394. These shares were written off on the same date through a capital reduction. This transaction meant that Zardoya Otis, S.A.'s percentage holding in Puertas Automáticas Portis, S.L. changed, rising from 93.83% to 94.83%.

On March 9, 2015, the company Montoy, S.A. was merged by absorption. It was dissolved without liquidation and all its equity was transferred en bloc to Acresa Cardellach, S.L., the absorbing company, which held 100% of its shares.

On July 9, 2015, the subsidiary Electromecánica Hemen Elevadores, S.L. carried out a capital increase by means of a non-monetary contribution of EThs 2 928, which was subscribed by Zardoya Otis, S.A. as the sole shareholder of the subsidiary Hemen Ascensores, S.L. Hemen Ascensores, S.L. thus became a 100%-held subsidiary of Electromecánica Hemen Elevadores, S.L. This transaction meant that Zardoya Otis, S.A.'s percentage holding in Electromecánica Hemen Elevadores, S.L. changed, its direct interest rising to 92.77% of the shares.

On September 1, 2015, the company Hemen Ascensores, S.L., was merged by absorption. It was dissolved without liquidation and all its equity was transferred en bloc to Electromecánica Hemen Elevadores, S.L., the absorbing company, which held 100% of its shares.

On September 1, 2015, the company Grupo Ascensores Enor, S.A. was merged by absorption. Said company was dissolved without liquidation and the entirety of its equity was transferred en bloc to Zardoya Otis, S.A., the absorbing company, which held 100% of its shares.

On October 13, 2015, Zardoya Otis, S.A. acquired 0.53% of the shares of Puertas Automáticas Portis, S.L. for EThs 209. This transaction meant that Zardoya Otis, S.A.'s percentage holding changed, rising to 95.36%.

On November 27, 2015, the subsidiary Ascensores Eguren, S.A. increased its capital by EThs 4 203. The new shares in the company and the related share premium were fully subscribed and paid up by Zardoya Otis, S.A. by offsetting credits and, in particular, by offsetting the amounts that the company owed to its aforementioned sole shareholder for goods delivered and services rendered.

The following transactions and changes to the Group took place in 2016:

On February 25, 2016, the subsidiary Otis Elevadores, Lda. Increased its capital through a non-monetary contribution whereby Zardoya Otis, S.A. contributed with its shareholding in Enor – Elevacao e Equipamentos Industriales, Lda. This operation does not affect to the consolidation perimeter, since the Group maintains the same percentage of participation.

On March 22, 2016, the Board of Directors of Zardoya Otis, S.A. and the Administrator of Admotion, S.L.U. (Admotion) approved a merger project. At the end of 2016, the company Admotion was dissolved but not liquidated and the totality of its equity was transferred to Zardoya Otis, S.A., the absorbing company, which held 100% of its shares.

In addition, on March 22, 2016, the Board of Directors of Zardoya Otis, S.A. and the Administrator of Ascensores Eguren, S.A.U. (Eguren) approved a merger project. At the end of the 2016 period, Eguren was dissolved but not liquidated and the totality of its equity was transferred to Zardoya Otis, S.A., the absorbing company, which held 100% of its shares.

At the date of approval of this Consolidated Annual Financial Statements, the Companies belonging to CGU Zardoya Otis Group (Spain), had acquired Companies engaged in the maintenance and repair of elevators in Spain. This information is included in the Note 33 of this annual financial statements.

On May 19, 2016, the Board of Directors of Zardoya Otis, S.A. and the Administrator of Mototracciones Electrica Latierro, S.L.U (Latierro) approved a merger project. This project is still in progress and is awaiting completion of the relevant legal and mercantile procedures.

As stated at the Note 11, the General Shareholders' Meeting held on May 19, 2016 passed a resolution to increase the share capital through a free bonus issue, charged in full to the available reserves. To execute this resolution, 18,094,781 shares were issued for a value of 1,809,478.10 euros. The capital increase took place from July 14, 2016 to July 29, 2016, inclusive.

On June 16, 2016, Zardoya Otis, S.A. acquired 4.66% of the shares of the subsidiary Puertas Automáticas Portis, S.L. from non-controlling interests. This transaction led to a change in the percentage held by Zardoya Otis, S.A. in Puertas Automáticas Portis, S.A., which rose from 95.36% to 100%.

Transactions with non-controlling interests are included in the financial statements and are treated in accordance with Group policy, with no impact on the consolidated profit for the period.

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 non-controlling interests, the difference between any consideration paid and the relevant share acquired in the carrying amount of the net assets of the subsidiary is deducted from the equity. Gains or losses on sales of minority interests are also recorded in equity. The disposal of minority interests and the difference between the consideration received and the related proportion of minority interests are also recognized in equity.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that differ from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that differ from those of segments operating in other economic environments. Each of the defined segments is allocated the costs that it has incurred directly. Each of the defined segments has its own functional structure. Common or shared costs are allocated based on time devoted or usage of the resources. 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 Annual Financial Statements are presented in thousands of euros. The euro is the Group's functional and reporting currency.

The items included in the financial statements of each one of the Group companies are measured using the currency of the principal economic environment in which the company operates ("the functional currency"). The Consolidated Financial Statements are presented in thousands of euros, which is the Group's 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 “financial income and expenses”.

(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 on the reporting date.

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 date),

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 are taken to the shareholders’ equity. When sold, these exchange differences are recognized in profit or loss 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 exchange rate on the reporting date.

2.5 Property, plant and equipment

The land and buildings comprise the Group 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 profit and loss 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 remeasured amounts to their residual values over their estimated useful lives, as follows:

Buildings	33 years
Machinery	4, 8, 10 & 13 years
Vehicles	5 & 6 years
Furniture, fittings and equipment	4, 10 &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 or 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, 2016 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, 2016, the aforementioned restatement had an impact of ETHs 288 (ETHs 307 in 2015) on the net carrying amount of property, plant and equipment. Consequently, the effect of this restatement on the provision for the year 2016 is ETHs 19 (ETHs 19 in 2014).

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 remeasurements 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 any possible impairment.

Trademarks and other related assets resulting from portfolio acquisitions 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 relating to acquisitions of subsidiaries is included in the intangible assets. Goodwill recognized separately is submitted to annual impairment tests and is measured 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 assigned to the cash-generating units for the purposes of testing for impairment. It is assigned to the cash-generating units that are expected to benefit from the business combination upon which the goodwill arises.

(c) Research and development expenses

Research expenditures are recognized as expenses when incurred and are not recognized as an asset. Development costs previously recognized as an expense are not recognized as an asset in a later reporting period.

2.7 Impairment losses on non-financial assets

Assets that have an undefined useful life are not subject to amortization and are tested annually 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 on each reporting date.

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 and 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.

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 reporting date. 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.

Financial assets are derecognised when all the risks and rewards of asset ownership are substantially transferred. In the specific case of accounts receivable it is understood that this fact occurs in general when the insolvency and default risks have been transferred, the amount financed by the credit institution directly to the client.

c) Available-for-sale financial assets

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 reporting date.

2.8.2 Recognition and measurement

Acquisitions and disposals of investments are recognized on the trading date, i.e. the date on which the Group makes the commitment to acquire or sell the asset. Investments are initially recognized at their fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from them have expired or been transferred and the Group has substantially transferred all the risks and rewards of ownership thereof. When securities classified as available for sale are sold or incur impairment losses, the accumulated adjustments to the fair value are recognized in profit or loss as losses or gains on the securities.

2.9 Offsetting financial instruments

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

2.10 Impairment losses on financial assets

Assets at amortized cost

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

Other criteria that 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 or principal payments; the probability that the borrower will enter bankruptcy or financial re-organization; the disappearance of an active market for that financial asset in question; 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 hedged by forward contracts the impact of which is included in profit and loss as financial costs, 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.

2.12 Inventories

Inventories are measured at the lower of their net realizable 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 agreed with the customer.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which cost incurred plus recognized profit (less recognized losses) exceed progress billing and, as a liability, the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (lees 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 classified as borrowings in the current assets in the statement of financial positiion.

2.15 Share capital, share premium 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 corresponds to reserves freely available for distribution

As a general rule and unless there's a more reliable measurement, the fair value of the equity instruments or financial liabilities issued as consideration in a business combination is their quoted price, if such instruments are listed on 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 classified as current liabilities if payment is due at one year or less (or matures in the normal operating cycle, if longer). Otherwise, they are shown as noncurrent liabilities.

Trade payables are initially recognized at fair value and are subsequently measured 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 the reporting 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 profit 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.

When there is a change in the tax rates, the deferred tax assets and liabilities are re-estimated. Thsee amounts are charged to profit and loss or other comprehensive income, depending on the account to which the original amount was charged or credited.

2.18 Employee benefits

(a) Welfare commitments

In accordance with Royal Decree 1588/1999, whereby the Regulations on Pension Commitments between companies and employees were approved and which provided 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. made the last payment for the financing of the agreement signed.

The liability recognized in the statement of financial position in respect of the defined-benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses recognized in the consolidated comprehensive income statement 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.

As stated in Note 34, there are benefits for certain Company executives that depend on their performance and the attainment of joint objectives of Zardoya Otis, Otis and United Technologies Corporation (UTC), based on the UTC long-term incentive plan, which includes UTC share-based compensation schemes. The cost is included under the employee benefit expense heading, generating a credit account with UTC Group companies (presented as other provisions in the statement of financial position).

(b) Severance payments

The Group recognizes these benefits when it has made a demonstrable commitment in accordance with a detailed formal plan with no possibility of withdrawal. Benefits that will not be paid in the twelve months following the reporting date are discounted back to their present value.

2.19 Provisions

Provisions are recognized when the Group has a legal or constructive current obligation as the result of past events, it is likely that an outflow of resources will be necessary to settle the obligation and the amount can be estimated reliably.

Provisions are measured as the present value of the payments that are expected to be necessary to settle the obligation using a before-tax rate that reflects the present market's estimates of the time value of money and the specific risks of the obligation. Adjustments to the provision to update it are recognized as financial expenses when accrued.

Provisions maturing at one year or less with an insignificant financial effect are not discounted.

When it is expected that part of the payment necessary to settle a provision will be reimbursed by a third party, the reimbursement is recognized as an independent asset, provided that it is almost certain to be received.

Possible obligations arising as a consequence of past events the materialization of which depends on whether, irrespective of the Group's wishes, one or more future events occur, are considered contingent liabilities. These contingent liabilities are not accounted for, although details thereof are presented in the Notes.

2.20 Revenue recognition

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

(a) Revenue from installation and assembly contracts

Revenue from elevator installation and assembly 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 differences between the funds obtained (net of the costs necessary to obtain them) and the repayment value is recognized in profit and loss over the life of the debt, applying the effective interest rate method.

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

Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement for at least twelve months after the reporting date.

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 profit and loss on a straight-line basis over the period of the lease

2.24 Earnings per share

Basic earnings per share are calculated by dividing:

- The profit attributable to Company shareholders, excluding any cost of servicing the equity other than ordinary shares.
- Between the weighted average number of ordinary shares in issue during the period, adjusted by the incentives issued on ordinary shares during the period, excluding treasury stock.

For the diluted earnings per share, the figures used to determine the basic earnings per share are adjusted to take the following into account:

- The effect after tax of interest gains and other financial costs associated to ordinary shares with potential diluting effects, and
- The weighted average number of ordinary shares that would have been in issue if all the ordinary shares with potential diluting effects had been converted.

2.25 New Standards and IFRIC Interpretations

The IASB has approved and published certain accounting standards, amendments to existing ones and IFRIC interpretations that came into force in the present reporting period:

a.- Standards that came into force in the period:

IFRIC 21 “Levies”: This interpretation deals with the accounting treatment of levies imposed by public authorities, other than income tax and fines and sanctions imposed for breaking the law.

IFRS 3 “Business Combinations”: Scope exception for joint ventures.

IFRS 13 “Fair Value Measurement”: Scope of portfolio exception.

IAS 40 “Investment Property”: Interrelationship of IAS 40 and IFRS 3 when classifying property as investment property or owner-occupied property.

The Group has been applying these rules to transactions since December 1, 2015, with no significant effect on the Group’s financial statements.

b.- Standards that are mandatory for reporting periods commencing on or after January 1, 2015 that the Group has not adopted early and which are not expected to have any significant effects on the financial statements in the period in which they are adopted:

IFRS 2 “Share-Based Payment”: Definition of "vesting conditions".

IFRS 3 “Business Combinations”: Accounting for a contingent consideration in a business combination.

IFRS 8 “Operating Segments”: Disclosure in relation to the aggregation of operating segments and reconciliation of all the assets assigned to the segments reported with the entity’s assets.

IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”: Proportionate restatement of accumulated depreciation when the revaluation model is used.

IAS 24 “Related Party Disclosures”: Entities that provide the services of key management personnel as related parties.

IAS 19 (Amendment) “Defined Benefit Plans: Employee Contributions”: The current amendment also distinguishes between contributions linked to service only in the period in which they arise and those linked to service in more than one period.

IFRS 11 (Amendment) “Accounting for acquisitions of interests in joint operations”: Requires the acquirer of an interest in a joint operation that constitutes a business to apply the principles on business combination accounting in IFRS

IAS 16 (Amendment) and IAS 38 (Amendment) "Clarification of Acceptable Methods of Depreciation and Amortization": This amendment clarifies that revenue-based methods are not appropriate for calculating the depreciation or amortization of an asset because the revenue generated by activity that includes the use of an asset usually represents factors other than the consumption of the economic benefits embodies in the asset. This amendment will come into force for annual periods commencing on or after January 1, 2016 and will apply prospectively.

Improvement Project, Cycle 2012 – 2014: The amendments affect IFRS 5, IFRS 7, IAS 19 and IAS 34 and will apply to annual periods commencing on or after January 1, 2016. The main amendments refer to:

IFRS 5, "Non-current Assets Held for Sale and. Discontinued Operations": Changes in disposal methods.

IFRS 7, "Financial Instruments: Disclosures": Continuing involvement in servicing contracts.

IAS 19, "Employee Benefits": Determination of the discount rate for post-employment obligations.

IAS 34, "Interim Financial Reporting": Disclosure of information elsewhere in the interim financial report.

IAS 1 (Amendment) "Disclosure Initiative": The amendments clarify that companies should use professional judgement to determine where and in what order the information in the financial statements is presented. The amendments to IAS 1 are mandatory for annual periods starting on or after January 1, 2016.

IAS 27 (Amendment) "Equity Method in Separate Financial Statements": An entity that elects to change to the equity method will apply the amendments for annual periods commencing on or after January 1, 2016 in accordance with IAS 8 "Accounting Policies: Changes in Accounting Estimates and Errors". Earlier adoption is permitted.

c.- Standards that have not yet come into force, but which may be adopted earlier than the periods beginning on or after January 1, 2015 and which we have not identified yet significant effects the financial statements in the period in which they are adopted.

IFRS 15 "Revenue from Contracts with Customers": In May 2014, the IASB and the FASB jointly issued a converged Standard in relation to the recognition of revenue from contracts with customers. Under this Standard, revenue is recognized when a customer acquires control of the good or service sold, i.e. when it has both the capacity to both direct the use of and obtain the benefits from the good or service. This IFRS includes new guidance to determine whether revenue should be recognized over time or at the specific moment. IFRS 15 has broad reporting requirements concerning both revenue recognized and revenue expected to be recognized in the future in relation to existing contracts. Likewise, it requires quantitative and qualitative reporting on the significant judgements made by Management when determining the revenue to be recognized and on possible changes in these judgements. IFRS 15 will apply to annual periods commencing on or after January 1, 2018. The Group is evaluating the possible effects of applying this Standard and has not identified, for the time being, any significant impacts on the financial statements in the period in which it is adopted.

IFRS 9 "Financial Instruments": This refers to the classification, measurement and recognition of financial assets and liabilities. The full version of IFRS 9 was published in July 2014 and replaces the guidance contained in IAS 39 on the classification and measurement of financial instruments. IFRS 9 maintains, but simplifies, the mixed measurement model and establishes three main measurement categories for financial assets: amortized cost, fair value through changes in profit and loss and fair value through changes in other comprehensive income. The classification depends on the entity's business model and the characteristics of the financial asset's contractual cash flows.

d.- Standards that have not been adopted by the European Union which we have not identified yet significant effects on the financial statements in the period in which they are adopted:

IFRS 16 "Leases": In January 2016, the IASB published a new Standard on leases, which replaces IAS 17 "Leases", as the result of a joint project with the FASB. The IASB and FASB have reached the same conclusions in many areas related to accounting for a lease, the requirement, as a general rule, to include leases in the statement of financial position and the measurement of lease liabilities. The IASB and FASB also agreed not to include substantial changes to accounting by the lessor, maintaining requirements similar to those of the legislation that was previously in force. There continue to be differences between the IASB and the FASB regarding recognition and presentation of lease-related expenses in the income statement and the statement of cash flows. The Group is evaluating the possible effects of applying this Standard and has not identified any significant impacts on the results in the period in which it is adopted.

IAS 12 (Amendment) "Recognition of Deferred Tax Assets for Unrealized Losses": This amendment clarifies how to recognize deferred tax assets related to debt instruments measured at fair value Decreases is the carrying amount below the cost of a fixed-rate debt instrument held at fair value, where the tax base is cost, give rise to deductible temporary differences.
The amendment will apply for annual periods commencing on or after January 1, 2017.
IAS 7 (Amendment) "Disclosure Initiative – Amendments to IAS 7": This narrow-scope amendment includes a requirement for additional disclosures in the financial statements to allow users of financial statements to evaluate changes in liabilities arising from financing activities.
The amendment will apply to annual periods commencing on or after January 1, 2017, although early adoption is permitted.

Additionally, during 2016 transitional guidance was published on interpretations of international standards that have not yet come into force and that the Group has not adopted early.

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 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 at November 30, 2016

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., the net assets of which were exposed to the risk of foreign exchange differences at the 2016 and 2015 reporting dates. However, their 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.

In relation to export and import trading transactions, the Group is exposed to exchange rate risk, which is not significant. At November 30, 2016, there were balances payable in foreign currencies other than the euro for a value equivalent to Eths 754 (Eths 1 682 in 2015).

(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, 2016, said provision was ETHs 94 659 (ETHs 98 295 in 2015) (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, 2016 and 2015 is as follows:

	2016	**2015**
Between 6 months & 1 year	11 968	12 157
Between 1 & 2 years	9 646	9 849
More than 2 years	-	-
ETHs	21 614	22 006

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

As stated in Note 10, at November 30, 2016 and 2015, the Group held shore term deposits with financial institutions of ETHs 26 695 and ETHs 17 137, 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, 2016, cash and cash equivalents represented ETHs 62 344 (Eths 65 553 in 2015), including amounts held as cash, in banks and as current deposits with financial institutions.

The change in the statement of cash flows in relation to operating, investing and financing activities is shown below:

	2016	2015
Cash at beginning of period	**65 553**	**72 029**
Cash flows from operating activities	163 320	163 757
Cash flows from investing activities	(13 023)	(13 447)
Cash flows from financial activities	(153 506)	(156 786)
Cash at end of period	**62 344**	**65 553**

(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..

The Group's interest rate risks arises on noncurrent borrowings indexed to variable interest rates. The variable interest rate applied to the loans from financial institutions is subject to the fluctuations of the Euribor.

As stated in Note 20, at the 2016 and 2016 year end, the Group does not hold any borrowings at a fixed interest rate.

(d) 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 growth 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 financial debt is calculated as total borrowings plus other financial liabilities less cash and cash equivalents less current financial assets.

	2016	2015
Borrowings (current and noncurrent)	324	335
Other current & noncurrent financial liabilities	13 709	6 990
Cash and cash equivalents	(62 344)	(65 553)
Net financial debt	(48 311)	(58 228)
Equity	437 576	433 802
Leverage (*)	**-0,12**	**-0,15**

(*) (Deuda financiera neta / (Deuda financiera neta + Patrimonio neto)).

(*) (Net financial debt / (Net financial debt + equity)).
At November 30, 2016, this net debt represents -0.2121 of EBITDA (2015: -0.2488) (Ebitda: operating profit + depreciation + amortization).

4. Segment reporting

Zardoya Otis has determined achieving Service Excellence as its main goal. From this standpoint, the objective is to satisfy vertical transport users throughout the full cycle of the product, starting with the design and manufacture of elevators, integrating the technological advances that have made the Group the market leader, applied not only to new, but also to existing buildings, and including their maintenance and replacement. In consequence, installation (and replacement) and maintenance of elevators are not considered separate segments but complementary products and services of the same nature, with an integrated production cycle, addressed to the same type of customers and with a single distribution network, that represent a unique business segment for the Group, managed as such and subject to similar risks and opportunities. Therefore, geographical differentiation has been identified as the primary segment, considering the markets of Spain and Portugal and also Morocco / North Africa, as they have independent supervision, as stated in IFRS 8.

As stated 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.

2016			Assets			
	Sales	Operating profit	Total	Amortization/ depreciation charge	Noncurrent investments in assets	Liabilities
Zardoya Otis Group – Spain	681 802	184 426	588 614	20 981	26 996	219 925
Otis Elevadores Group and Enor - Portugal	56 708	21 061	73 412	575	212	29 992
Otis Maroc – Morocco	16 888	1 381	47 536	91	111	22 057
Elimination intra-group transactions	(9 357)	(711)	-	-	-	-
Consolidated	746 041	206 157	709 550	21 647	27 319	271 974

2015			Assets			
	Sales	Operating profit	Total	Amortization/ depreciation charge	Noncurrent investments in assets	Liabilities
Zardoya Otis Group – Spain	668 795	192 597	585 584	21 688	5 113	213 418
Otis Elevadores Group and Enor – Portugal	57 442	21 960	74 009	450	130	32 337
Otis Maroc – Morocco	14 069	142	45 707	56	177	25 743
Elimination intra-group transactions	(8 078)	(2 836)	-	-	-	-
Consolidated	732 228	209 775	705 300	24 261	5 420	271 498

Additionally, it has been considered relevant, for each segment, to differentiate the non-elevator business, mainly automatic doors, given its distinctive characteristics: a much less mature market with lower margins and higher risks but with significant growth prospects. Therefore, it is an activity clearly differentiated from traditional Group business and, in Management's opinion, information thereon is relevant for the shareholders.

2016	Sales	Operating profit	%	Fixed assets acquired
Zardoya Otis S.A. (aggregate of 99 branches)	570 357	153 773	26,96	8 091
Spanish Group companies - Elevators (15 companies)	127 967	26 913	21,03	18 864
Otis Elevadores Group and Enor – Portugal	56 708	21 061	37,14	212
Otis Maroc – Morocco	16 888	1 381	8,18	111
Elevators Total	771 920	203 128	26,31	27 278
Spanish Group Companies - non elevators (2 companies)	36 425	3 740	10,27	41
Group Total	808 345	206 868	25,59	27 319
Eliminations – intra-group transactions	(62 304)	(711)	-	-
Consolidated	746 041	206 157	27,63	27 319
2015	Sales	Operating profit	%	Fixed assets acquired
Zardoya Otis S.A. (aggregate of 99 branches)	558 078	160 622	28,78	4941
Spanish Group companies - Elevators (13 companies)	118 160	37 399	31,65	145
Otis Elevadores Group and Enor – Portugal	57 442	21 960	38,23	130
Otis Maroc – Morocco	14 069	161	1,15	177
Elevators Total	747 749	209 820	28,06	5 393
Spanish Group Companies - non elevators (3 companies)	45 741	5 102	11,15	27
Group Total	793 490	214 718	27,06	5 420
Eliminations – intra-group transactions	(61 262)	(4 943)	-	-
Consolidated	732 228	209 775	28,65	5 420

5. Property, plant and equipment

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

	Land & Buildings	Machinery	Furniture, fittings & equipment	Total
As of November 30, 2014				
Cost	58 925	43 534	73 906	176 365
Accumulated depreciation	(14 316)	(33 775)	(63 617)	(111 708)
Impairment loss	-	-	-	-
Net carrying amount	**44 609**	**9 759**	**10 289**	**64 657**
2015				
Business combinations	-	-	-	-
Increases	624	1 350	1 224	3 198
Decreases	-	(1 484)	(1 396)	(2 880)
Depreciation charge	(1 136)	(3 634)	(2 162)	(6 932)
Eliminations from depreciation		1 398	1 395	2 793
Impairment losses recognized in period	-	-	-	-
Impairment losses reversed	-	-	-	-
Other movements	-	-	-	-
	(512)	(2 370)	(938)	(3 820)
At November 30, 2015				
Cost	59 549	43 400	73 734	176 683
Accumulated depreciation	(15 452)	(36 011)	(64 384)	(115 846)
Impairment loss	-	-	-	-
Net carrying amount	**44 097**	**7 389**	**9 351**	**60 837**
2016				
Business combinations (Note 33)	-	-	116	116
Increases	3 838	1 580	1 255	6 673
Decreases	(242)	(2 028)	(1 697)	(3 967)
Depreciation charge	(1 732)	(2 737)	(2 149)	(6 618)
Eliminations from depreciation	141	1 766	1 653	3 560
Impairment losses recognized in period	-	-	-	-
Impairment losses reversed	-	-	-	-
Other movements	-	-	-	-
	2 005	(1 419)	(822)	(236)
At November 30, 2016				
Cost	63 145	42 952	73 408	179 505
Accumulated depreciation	(17 043)	(36 982)	(64 880)	(118 904)
Impairment loss	-	-	-	-
Net carrying amount	**46 102**	**5 970**	**8 528**	**60 601**

The property, plant and equipment figures include assets in progress for a total value of ETHs 138 in 2016 and ETHs 124 in 2015.

The principal property, plant and equipment comprises buildings and installations related to the Leganés plant (2008) for ETHs 23 345 and those acquired in 2013 relation to the value of the land and building located in the Valladares Technical and Logistical Park (Vigo), where the industrial building, the production facilities and the offices of the subsidiaries Ascensores Enor, S.A. and Electromecánica del Noroeste, S.A. are located. These facilities were inaugurated in 2009, At the reporting date, their carrying amount was ETHs 13 883 (ETHs 14 518 in 2015).

At November 30, 2016 and 2015, the following items of property, plant and equipment were fully depreciated:

Thousands of euros

The principal property, plant and equipment comprises buildings and installations related to the Leganés plant (2008) for ETHs 23 345 and those acquired in 2013 relation to the value of the land and building located in the Valladares Technical and Logistical Park (Vigo), where the industrial building, the production facilities and the offices of the subsidiaries Ascensores Enor, S.A. and Electromecánica del Noroeste, S.A. are located. These facilities were inaugurated in 2009, At the reporting date, their carrying amount was ETHs 13 883 (ETHs 14 518 in 2015).

At November 30, 2016 and 2015, the following items of property, plant and equipment were fully depreciated:

Thousands of euros

	2016	**2015**
Land and buildings	4 763	4 749
Vehicles and machinery	29 413	28 406
Furniture, fittings and equipment	39 380	37 677
	73 556	70 561
ETHs		

Of the total property, plant and equipment net of depreciation, the value of which is ETHs 60 601, a total of ETHs 323 is in Portugal and a total of Eths 297 in Morocco (ETHs 288 and ETHs 32, respectively, in 2015). There is no other property, plant and equipment outside Spanish territory.

It is the Group's policy to take out all the insurance policies deemed necessary to cover any possible risks which could affect, among other things, property, plant and equipment. At November 30, 2016 and 2015 none of the Group’s financial liabilities were secured by property, plant and equipment and, therefore, all the property, plant and equipment were free of any charges.

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

EThs	Maintenance contracts	Goodwill	Other	Total
	(7 544)	6 614	(70)	(1 000)
As of November 30, 2014				
Cost	303 966	147 150	11 772	462 888
Accumulated amortization	(110 728)	-	(5 707)	(116 435)
Impairment loss	-	(5 893)	-	(5 893)
Net carrying amount	**193 238**	**141 257**	**6 065**	**340 560**
2015				
Increases	26	-	2 196	2 222
Business combinations	-	-	-	-
Decreases	(221)	-	-	(221)
Amortization charge	(12 903)	-	(2 265)	(15 168)
Eliminations from amortization	195	-	-	195
Impairment losses recognized in period	-	(2 161)	-	(2 161)
Impairment losses reversed	-	-	-	-
Other movements	-	-	-	-
	(12 903)	(2 161)	(69)	(15 133)
As of November 30, 2015				
Cost	303 771	147 150	13 968	464 889
Accumulated amortization	(123 436)	-	(7 972)	(131 408)
Impairment loss	-	(8 054)	-	(8 054)
Net carrying amount	**180 335**	**139 096**	**5 996**	**325 427**
2016				
Increases	802	-	1 738	2 540
Business combinations	11 642	6 348	-	17 990
Decreases	(145)	-	-	(145)
Amortization charge	(13 303)	-	(1 726)	(15 029)
Eliminations from amortization	121	-	-	121
Impairment losses recognized in period	-	-	-	-
Impairment losses reversed	-	-	-	-
Other movements	-	-	-	-
	(883)	6 348	12	5 477
As of November 30, 2016				
Cost	316 070	153 498	15 706	485 274
Accumulated amortization	(136 619)	-	(9 698)	(146 317)
Impairment loss	-	(8 054)	-	(8 054)
Net carrying amount	**179 451**	**145 444**	**6 008**	**330 903**

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 independent cash inflows.

As may be seen in Note 2.2, in 2016 and 2015, several transactions were carried out with non-controlling interests and mergers took place between Group companies, with effects on Group decision-making and management. In this respect, the Group's cash generation and both financial and operational decision-making falls into three CGUs: Zardoya Otis Spain Group, Zardoya Otis Portugal Group and Zardoya Otis Morocco Group.Cash Generating Units are aligned with the financial, operating and strategic information that is used as a basis for decision-making by the Management and Directors of the Group parent.

At November 30, 2016 and 2015, goodwill with an indefinite useful life was assigned to the Group's cash generating units (CGUs) as follows:

	2016	2015
Zardoya Otis Group (Spain)	116 657	110 309
Zardoya Otis Group (Portugal)	13 168	13 168
Zardoya Otis Group (Morocco)	15 619	15 619
EThs	**145 444**	**139 096**

At November 30, 2016 and 2015, maintenance contracts with defined useful lives were assigned to the Group's cash generating units (CGUs) as follows:

	2016	2015
Zardoya Otis Group (Spain)	173 360	173 396
Zardoya Otis Group (Portugal)	5 305	5 634
Zardoya Otis Group (Morocco)	786	1 305
EThs	**179 451**	**180 335**

In 2016, the Group carried out business combinations described in Note 33. In 2015, the Group did not carry out any business combinations.

For significant business combinations, the Group requires an external company of recognized prestige to verify the fair value of the net assets acquired. The recoverable amount at the time of the business combination for each CGU is determined by using cash-flow projections of financial budgets approved by Management for a maximum 15-year period, based on past performance and market development expectations.

Maintenance contracts are measured applying the free discounted cash flow method, adjusted by the customer cancellation and turnover rate according to the information and statistics held y Group Management and on the basis of the verification of the existence and current validity of the contracts.

To calculate the discount rate, the Group uses the long term bond rate, growth expectations, the cash-generating unit (CGU)'s effective tax rate and the Group's cost of debt. The perpetuity rate is in line with the one used by similar industries in the countries in which the Group operates. Information on the assumptions used at the date the business combinations took place for each Cash Generating Unit are as follows:

	Period in years budgeted	Subsequent growth rate	*Discount rate (acquisition date)*
Zardoya Otis Group (Spain)	5 a 15	2.0 %	De 7,5% a 9,7%
Zardoya Otis Group (Portugal)	5 a 15	2.0 %	9,72 %
Zardoya Otis Group (Morocco)	15	2.0 %	8.2 %

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

The goodwill included in the net value of the assets of each CGU is tested for impairment, consisting of a comparison between the carrying amount for consolidation purposes and the recoverable value (value in use) applying the key assumptions: period considered, discount rate and growth rate employed for the projection beyond the period considered.

For impairment testing in 2016, a maximum annual growth rate of 2.9% (2.9% in 2015) was used and the perpetuity rate was 2% (2% in 2015). The discount rate applied was 6.50% (2015: 6,35%) for the Spain CGU, 8.82% (2015: 8,90%) for the Portugal CGU and 9.25% (2015: 10,34%) for the Morocco CGU.

Apart from the discount rate, the most sensitive aspects included in 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 2015, impairment testing of each CGU gave a value in use of the assets related to the Zardoya Otis Group Morocco that was lower than the net carrying amount recognized and, therefore, in this financial information on 2015, impairment of said goodwill was recognized for EThs 2 161. Said impairment cannot be reversed, in accordance with current accounting legislation.

Except for the aforementioned impairment in 2015, in the periods 2016 and 2015, the values in use of the assets of the CGUs, calculated in accordance with the aforementioned model, were, in all cases, higher than the net carrying amounts recognized in these Consolidated Annual Financial Statements. Therefore, no impairment has been recognized other than that mentioned above in 2015. Likewise, it is considered that any possible reasonable variations that may be undergone by the key assumptions upon which the determination of the recoverable amounts of the CGUs was based would not change the conclusions drawn on the measurement of the assets.

Regarding the aforementioned sensibility analysis, the following table shows the one corresponding to the CGU Zardoya Otis Group Morocco, since it was the only one with an impairment in its goodwill in the period 2015 and therefore the most adjusted one:

Period 2016: (Million euros)

	Growth				
Discount rate	**1,00%**	**1,50%**	**2,00%**	**2,50%**	**3,00%**
11,00%	19,7	20,5	21,4	22,3	23,4
10,34%	21,2	22,2	23,2	24,3	25,7
9,25%	24,3	25,5	26,9	28,5	30,4
8,00%	28,8	30,7	32,8	35,3	38,3

Period 2016: (Millon euros)

	Growth				
Discount rate	**1,00%**	**1,50%**	**2,00%**	**2,50%**	**3,00%**
11,00%	17,1	17,7	18,5	19,3	20,2
10,34%	18,3	19,1	20,0	20,9	22,0
10,00%	19,1	19,9	20,8	21,9	23,1
9,70%	19,7	20,7	21,7	22,9	24,2

Regarding CGUs Zardoya Otis Spain Group and Portugal, their value in use significantly exceed the consolidated carrying amount of each. Even if the hypothesis considered (discount rate, projected period growth and perpetuity growh rate) would go through significant variances, their value in use would still be higher than their respective consolidated carrying amounts.

In 2016, the trade and other payables heading included an obligation of ETHs 12 855 (2015: 13 318) related to the share purchase agreement signed in 2011 with the sellers of Montes Tallón. This obligation is updated, since the risks and rewards associated to ownership of 48% of the shares of Monte Tallón are still held by the minority shareholders. In this respect, in 2016, the change in the liabilities was recognized in the consolidated income statement as financial income for Eths 463 (Eths 377 in 2015).

Regarding acquisition of the remaining 48%, under the agreement signed, the sellers may, at any time until December 21, 2016, request Zardoya Otis, S.A. to purchase all or some of their shares. To fix the share price, the same criteria as used for the initial purchase will be applied, basically, maintenance contracts and equity value. Subsequent to the end of the year this agreement has been renewed for a period of 5 years in the same initial conditions.

As stated in Note 33, in 2014, 100% of the company Ascensores Hemen Elevadores, S.L. was acquired for an amount of ETHs 2 908 and 90% of the company Electromecánica Hemen Elevadores, S.L. for an amount of ETHs 6 980. The valuation of the company at the business combination date was ETHs 7 756, and an obligation of Eths 776 (Eths 895 in 2015 and Eths 956 in 2016) was recognized under the trade and other payables heading in relation to the purchase agreement for said shares, which states that, regarding the acquisition of the non-controlling interest, the sellers may request Zardoya Otis, S.A. to purchase said shares at any time during a five-year period. In this respect, in 2016, the change in the liability was recognized in the consolidated income statement as financial expenses, for an amount of Eths 61 (Eths 119 in 2015).

As stated in the accounting policies in the Notes to the Consolidated Annual Financial Statements for 2016 and 2015 in relation to transactions and non-controlling interests, the Group applies the policy of considering transactions with non-controlling interests as transactions with holders of instruments in the Group's capital. For acquisitions of non-controlling interests, the difference between the price paid and the related proportion of the carrying amount of the subsidiary's net assets is deducted from the equity. For this reason, the obligation was recognized against reserves in consolidated companies and other reserves.

The principal assets, at carrying amount in the individual financial reporting, contributed to the consolidation by each one of the CGUs to which goodwill has been assigned are as follows:

EThs period 2016	Zardoya Otis Group Spain	Zardoya Otis Group Portugal	Zardoya Otis Group Morocco	Total
Maintenance contracts	173 360	5 305	786	179 451
Goodwill	116 657	13 168	15 619	145 444
Other intangible assets	6 008	-	-	6 008
Property, plant & equipment	59 981	323	297	60 601
Other noncurrent assets	30 272	1 040	-	31 312
Current assets	207 608	51 167	27 959	286 734
Total assets	**593 886**	**71 003**	**44 661**	**709 550**
Noncurrent liabilities	38 149	697	166	39 012
Current liabilities	184 481	26 589	21 892	232 962
Total liabilities	**222 630**	**27 286**	**22 058**	**271 974**
Net assets	**371 256**	**43 717**	**22 603**	**437 576**

EThs period 2015	Zardoya Otis Group Spain	Zardoya Otis Group Portugal	Zardoya Otis Group Morocco	Total
Maintenance contracts	173 396	5 634	1 305	180 335
Goodwill	110 309	13 168	15 619	139 096
Other intangible assets	5 996	-	-	5 996
Property, plant & equipment	60 250	310	277	60 837
Other noncurrent assets	31 795	851	-	32 646
Current assets	203 838	54 046	28 506	286 390
Total assets	**585 584**	**74 009**	**45 707**	**705 300**
Noncurrent liabilities	33 098	1 525	168	34 791
Current liabilities	180 320	30 812	25 575	236 707
Total liabilities	**213 418**	**32 337**	**25 743**	**271 498**
Net assets	**372 166**	**41 672**	**19 964**	**433 802**

7. Financial assets and liabilities by category

	Loans & receivables & other	Assets held at fair value through profit and loss	Hedging derivatives	Available for sale	Total
November 30, 2016					
Noncurrent assets in statement of financial position					
Loans and receivables (Note 8)	7 379	-	-	-	7 379
Other	728	-	-	-	728
Total	**8 107**	**-**	**-**	**-**	**8 107**
November 30, 2016					
Current assets in statement of financial position					
Trade and other receivables (Note 8)	180 867	-	-	-	180 867
Other	1 409	-	-	-	1 409
Cash and cash equivalents (Note 10)	62 344	-	-	-	62 344
Total	**244 620**	**-**	**-**	**-**	**244 620**

	Loans & receivables & other	Assets held at fair value through profit and loss	Hedging derivatives	Available for sale	Total
November 30, 2016					
Noncurrent assets in statement of financial position					
Loans and receivables (Note 8)	9 339	-	-	-	9 339
Other	731	-	-	-	731
Total	**10 070**	**-**	**-**	**-**	**10 070**
November 30, 2016					
Current assets in statement of financial position					
Trade and other receivables (Note 8)	186 613	-	-	-	186 613
Other	296	-	-	-	296
Cash and cash equivalents (Note 10)	65 553	-	-	-	65 553
Total	**252 462**	**-**	**-**	**-**	**252 462**

	Liabilities held at fair value through profit and loss	Hedging derivatives	Other financial liabilities at amortized cost	Total
November 30, 2016				
Noncurrent liabilities in statement of financial position				
Borrowings from financial institutions (Note 20)	-	-	-	-
Trade and other payables	-	-	-	-
Other debts through acquisitions (Note 16)	-	-	3 850	3 850
Total	**-**	**-**	**3 850**	**3 850**
November 30, 2016				
Current liabilities in statement of financial position				
Borrowings from financial institutions (Note 20)	-	-	324	324
Trade and other payables (Note 16)	-	-	180 902	181 904
Other debts through acquisitions (Note 16)	-	-	10 422	10 422
Total	**-**	**-**	**191 648**	**192 650**

	Liabilities held at fair value through profit and loss	Hedging derivatives	Other financial liabilities at amortized cost	Total
November 30, 2015				
Noncurrent liabilities in statement of financial position				
Borrowings from financial institutions (Note 20)	-	-	-	-
Trade and other payables	-	-	-	-
Other debts through acquisitions (Note 16)	-	-	2 155	2 155
Total	**-**	**-**	**2 155**	**2 155**
November 30, 2015				
Current liabilities in statement of financial position				
Borrowings from financial institutions (Note 20)	-	-	335	335
Trade and other payables (Note 16)	-	-	184 299	184 299
Other debts through acquisitions (Note 16)	-	-	5 459	5 459
Total	**-**	**-**	**190 093**	**190 093**

8. Trade and other receivables

		2016	2015
Trade receivables		210 747	212 429
Less: Provision for impairment of receivables		(94 659)	(98 295)
Trade receivables– Net		116 088	114 134
Amount due from customers for contract work		14 678	22 306
Other receivables (Note 17)		7 407	7 551
Public authorities		11 569	10 279
Prepayments		2 043	3 142
Receivables from related parties (Note 34)		40 651	39 479
Total	EThs	192 436	196 891

The total amount of the costs incurred at the reporting date was EThs 62 514 (2015: EThs 67 988). This amount includes recognized profits (less recognized losses) on all contracts in progress for EThs 4 571 (2015: EThs 5 834). Amounts due from customers for contract work are shown as the net of the cost incurred at the end of the reporting period and the advance payments received from the customers, for an amount of EThs 47 836 (EThs 45 682 in 2015). At November 30, 2016, the trade receivables balance showed an amount of EThs 2 470 (2015: EThs 2 269) 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:

		2016	2015
Beginning of period		98 295	101 512
Provision made		857	730
Business combinations		288	-
Applications		(3 488)	(3 947)
Reversal of unused provisions		(1 293)	-
	EThs	94 659	98 295

The provisions and applications are including on the income statement under the heading of "Other expenses, net". The net provision provided in the period 2016 was -0.35% of Group sales (2015: -0.44%).

To provide further detail, the following is a summary of receivables overdue more and less than 6 months not reserved:

Period 2016

EThs	Total	Reserves	Net	Not due	Net of reserved
Less than 6 months	111 811	(17 298)	94 513	55 964	38 549
Between 6 months and 1 year	13 252	(1 285)	11 967	-	11 967
Between 1 and 2 years	34 917	(25 309)	9 608	-	9 608
More than 2 years	10 053	(10 053)	-	-	-
In litigation	40 714	(40 714)	-	-	-
Total	210 747	(94 659)	116 088	55 964	60 124

Period 2015

EThs	Total	Reserves	Net	Not due	Net of reserved
Less than 6 months	105 656	(13 528)	92 128	63 573	28 555
Between 6 months and 1 year	14 733	(2 576)	12 157	-	12 157
Between 1 and 2 years	35 491	(25 642)	9 849	-	9 849
More than 2 years	15 057	(15 057)	-	-	-
In litigation	41 492	(41 492)	-	-	-
Total	212 429	(98 295)	123 091	63 573	50 561

For 2016 and 2015, the carrying amount of trade and other payables does not differ significantly from their fair value.

Additionally, other noncurrent assets includes long-term promissory notes received from customers with maturity dates of more than one year for a total amount of EThs 4 706 (EThs 4 767 in 2015). The breakdown by years until maturity is as follows:

	2016	2015
Two years	4 003	3 901
Three years	659	722
More than three years	44	144
EThs	4 706	4 767

9. Inventories

	2016	2015
Raw materials and consumables for production	25 615	18 631
Work in progress	4 930	5 019
EThs	30 545	23 650

10. Cash and cash equivalents

		2016	2015
Cash and banks		35 649	48 416
Current deposits with financial institutions		26 695	17 137
	ETHs	62 344	65 553

The effective interest rate on current deposits with financial institutions varied from 0,10% and 0.65% (2015: from 0.25% to 0.37%) and the maturity of these deposits is less than 3 months. Unlike preceding years, at November 30, 2016 and 2015, the Group did not hold any deposits with Group companies.

Cash and borrowings include:

	2016	2015
Cash and cash equivalents	62 344	65 553
Borrowings: utilization of bank credit (Note 20)	155	166

The Group holds committed credit lines for an amount sufficient to maintain flexibility in funding. Notwithstanding, these lines are only used occasionally. At the 2019 reporting date, total current borrowings balance include ETHs 155 (2015: ETHs 169) relating to other non-bank credits granted to the Group and to the interest calculated on acquisitions.

11. Capital

	No. Shares	Ordinary shares	Total
At November 30, 2014	434.970.702	434.970.702	434.970.702
Capital increase June	17.398.828	17.398.828	17.398.828
At November 30, 2015	452.369.530	452.369.530	452.369.530
Capital increase July	18.094.781	18.094.781	18.094.781
At November 30, 2016	470.464.311	470.464.311	470.464.311

The share issues carried out in 2016 and 2015 were bonus issues charged to voluntary reserves.

	Shares		% shareholding	
Owner	2016	2015	2016	2015
United Technologies Holdings, S.A.	235.279.377	226.230.171	50,01	50,01
Euro-Syns, S.A.	53.802.775	51.181.014	11,44	11,31
Other non-controlling interests	181.382.159	174.946.798	38,55	38,68
Treasury shares	0,00	11.547	0,00	0,00
	470.464.311	452.369.530	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 the shares of the Group parent are of the same class and have the same voting rights.

The incremental costs directly attributable to the issuance of new shares are presented in equity as a deduction, net of taxes, from the income obtained.

2016:

At the General Shareholders' Meeting held on May 19, 2016, the following resolutions, among others, were adopted:

Bonus issue charged to freely-available reserves, in the proportion of one new share for every twenty-five old shares in issue, for an amount of 1,809,478.10 euros, by means of the issue of 18,094,781 shares. When this capital increase had been completed, the share capital rose to 47,046,431.10 euros, represented by 470,464,311 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 capital increase and, therefore, received the second quarterly dividend charged to the 2016 profit, which was distributed on October 10, 2016. The increase was carried out between July 14, 2016 and July 29, 2016, inclusive. The new shares were listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges, effective September 19, 2016.

12. Treasury stock

The Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on May 19, 2016 authorized the Board of Directors to acquire, directly or indirectly, shares in Zardoya Otis, S.A. respecting the limits and requirements contained in article 146 and related articles of the Capital Companies Law.

At its meeting of May 19, 2016, the Board of Directors passed a resolution to acquire some of the Company's own shares, so that they could be used in company acquisition transactions.

At November 30, 2016, Zardoya Otis, S.A. did not hold any treasury shares (11 547 at the end of the 2015 period). For the bonus issue charged indicated in the Note 11 at the period 2016, the Society received after the assignation 23 514 shares.

As a consequence of one of the acquisition transactions mentioned in Note 2.2a above, on July 21, 2016, Zardoya Otis, S.A. handed over 553,995 treasury shares in payment.

13. Legal reserve

The legal reserve has been set aside in accordance with article 274 of the Capital Companies Law, which states that, in all cases, an amount equal to 10 percent of the profit for the year will be allocated to this reserve until a figure equal to at least 20 percent of the share capital is reached.

The legal reserve as long as it does not exceed the indicated limit can only be used for compensation of losses, in case there are not enough other reserves available for this purpose.

Details of the legal reserve by company at November 30, 2016 and 2015 are as follows:

		2016	2015
Parent company of Group			
Zardoya Otis S.A.	ETHs	9 409	9047
Subsidiaries			
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	420
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.		2 162	2 162
Zardoya Otis (Gibraltar) Limited		0	0
Otis Maroc, S.A.		10	10
Ascensores Aspe S.A.		41	41
Montes Tallón, S.A.		19	19
Ascensores Enor S.A.		601	601
Electromecánica del Noroeste S.A.		204	204
Enor Elevacao e Equipamentos Industriales Lda		50	50
Electromecánica Hemen Elevadores, S.L.		1	1
Adquired companies in 2016 (in process of merger)		38	-

(*) Company merged in 2016.

14. Reserves in consolidated companies, other reserves and non-controlling interests

EThs	Consolidated companies	Other reserves	Total
As of November 30, 2014	**83 480**	**74 844**	**158 324**
Profit 2014	32 242	38 461	70 703
Dividends paid in the period	(30 780)	-	(30 780)
Capital increase	-	(1 739)	(1 739)
Other movements	(41)	-	(41)
As of November 30, 2015	**84 901**	**111 566**	**196 467**
Profit 2015	41 521	39 642	81 163
Dividends paid in the period	(39 998)	-	(39 998)
Capital increase	-	(1 809)	(1 809)
Other movements	(689)	-	(689)
As of November 30, 2016	**85 735**	**149 399**	**235 134**

Details by company of reserves in consolidated companies and other reserves as of November 30, 2016 and 2015 are as follows:

Company	**2016**	**2015**
Zardoya Otis S.A.	160 725	121 525
Ascensores Eguren, S.A. (*)	-	(6 367)
Ascensores Ingar, S.A.	(5 834)	(5 539)
Ascensores Serra, S.A.	1 167	1 166
Cruxent-Edelma, S.L.	(12 498)	(12 811)
Mototracción Eléctrica Latierro, S.A.	2 543	1 108
Grupo Otis Elevadores (Portugal)	36 997	42 921
Puertas Automáticas Portis, S.L.	7 219	6 494
Ascensores Pertor, S.L.	7 376	7 865
Conservación de Aparatos Elevadores Express, S.L.	17 183	18 009
Acresa Cardellach, S.L.	26 287	25 796
Zardoya Otis (Gibraltar) Limited	35	7
Ascensores Aspe S.A. (dependiente de Eguren S.A.)	(1 688)	(1 685)
Otis Maroc, S.A.	4 493	4 351
Montes Tallón S.L.	(2 632)	(2 369)
Electromecánica Hemen Elevadores, S.L.	97	(64)
Enor companies	3 623	6 125
IFRS adjustments	(9 959)	(9 959)
	235 134	196 467

(*) Company merged in 2016.

In compliance with the provisions of the Capital Companies Law, art 273.4, the Group has recognized a reserve of EThs 4 588 (EThs 4 558 in 2015), equivalent to 5% of the goodwill included in the assets in its statements of financial position, to the reserve for goodwill. As stated in the Capital Companies Law, this reserve is unavailable.

As of November 2016 and 2015 broken down of Non-controlling interests is as follows:

Company	**Non-controlling interests**		**Dividends paid**	
	2016	**2015**	**2016**	**2015**
Ascensores Serra, S.A.	815	853	502	487
Puertas Automáticas Portis, S.L.	-	1 269	-	30
Ascensores Pertor, S.L.	1 217	1 255	175	136
Acresa Cardellach, S.L.	2 276	2 231	140	124
Montes Tallón S.L.	7 266	7 705	-	-
Electromecánica Hemen Elevadores, S.L.	1 232	1 205	44	-
Masel Otis Elevadores de Madeira, Lda	1 203	1 196	320	480
EThs	14 009	15 714	1 181	1 257

15. Profit for the period

The contribution of each consolidated company to the net consolidated profit, including the portion relating to non-controlling interests, is as follows:

	2016		2015	
Company EThs	**Consolidated profit**	**Attributable to non-controlling interests**	**Consolidated profit**	**Attributable to non-controlling interests**
Zardoya Otis S.A.	118 964	-	114 828	-
Ascensores Eguren, S.A.(*)	-	-	637	-
Ascensores Ingar, S.A.	(428)	-	(295)	-
Ascensores Serra, S.A.	1 398	466	1 509	503
Cruxent-Edelma, S.L.	1 834	-	2 101	-
Mototracción Eléctrica Latierro, S.A.	500	-	1 435	-
Grupo Otis Elevadores (Portugal)	15 214	326	14 040	303
Puertas Automáticas Portis, S.L.	2 340	-	1 761	86
Zardoya Otis (Gibraltar) Limited	28	-	27	-
Ascensores Pertor, S.L.	2 192	137	2 322	145
Conservación de Aparatos Elevadores Express, S.L.	3 044	-	2 503	-
Acresa Cardellach, S.L.	3 195	184	2 909	162
Admotion, S.L. (*)	-	-	328	-
Otis Maroc, S.A.	925	-	142	-
Ascensores Aspe S.A.	560	-	523	-
Montes Tallón, S.A.	(395)	(321)	(263)	(243)
Enor	2 813	-	3 514	-
Electromecánica y Ascensores Hemen	345	27	725	51
Adquisiciones 2016 (proceso fusión)	97			
EThs	**152 626**	**819**	**148 745**	**1 006**

(*) Company merged in 2016.

The proposed distribution of 2016 profit of the parent company that will be submitted for approval at the Annual General Shareholders' Meeting, together with the 2015 profit distribution approved, is as follows:

		2016	2015
Available for distribution			
Profit for the period		154 836	151 159
	EThs	154 836	151 159
Distribution			
Legal reserve		376	362
Reserve for goodwill		1 806	1 806
Other reserves		41 197	39 642
Dividends		111 457	109 349
	EThs	154 836	151 159

(*) Distribution of the 2015 profit approved by the General Shareholders' Meeting of Zardoya Otis, S.A. on May 19, 2016.

16. Trade and other payables

	2016	2015
Trade payables	28 094	33 289
Payables to related parties (Note 34)	9 677	10 858
Other payables	15 958	18 744
Goods received but not invoiced	10 261	9 621
Notes payable	305	1 406
Amounts due to customers on work in progress (Note 8)	40 300	31 923
Maintenance billing in advance	25 989	28 520
Acquisition commitments (Note 7)	10 422	5 460
Other payables to public authorities (Note 17)	24 103	24 332
Outstanding employee remuneration	29 103	29 379
Other	22 217	20 558
EThs	216 429	214 090

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 is EThs 740 (2015: EThs 1 682).

At November 30, 2016 and 2015, 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" includes mainly the liabilities mentioned in note 6 for a value of EThs 13 811. (2015:EThs 14 213).

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

Period 2016

	Current	2018	2019/20	Noncurrent
Acquisitions 2015 & earlier	4 138	817	105	922
Acquisitions 2016	6 284	2 463	465	2 928
	10 422	3 280	570	3 850

Period 2015

	Current	2018	2019/20	Noncurrent
Acquisitions 2014 & earlier	5 460	1 762	393	2 155
Acquisitions 2015	-	-	-	-
EThs	5 460	1 762	393	2 155

Summary of the 2016 debt

	Current	Noncurrent
Acquisitions until 2016		
Acquisitions CGU Spain	10 422	3 850
Acquisitions CGU Portugal	-	-
Acquisitions CGU Morocco	-	-
	10 422	**3 850**

Summary of the 2015 debt:

	Current	Noncurrent
Acquisitions until 2015		
Acquisitions CGU Spain	5 460	2 155
Acquisitions CGU Portugal	-	-
Acquisitions CGU Morocco	-	-
	5 460	**2 155**

Company acquisition agreements in force at November 30, 2016 and 2015 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.

The reporting period ending November 30, 2011, was the first year of implementation of Law 15/2010 of 5 July. In this respect and in compliance with the law 15/2010 of 5 July, the Group reports that during the period 2015 the total of payments made to suppliers amounted to EThs 334 419 (2015: EThs 327 319 in 2015) complying with the aforementioned legislation.

EThs	**2016**	**%**	**2015**	**%**
Payments settled and outstanding within the legal payment period	334 323	99,9	327 188	99,7
Remainder	96	0,01	131	0,30
Total payments for period	**334 419**	**100**	**327 319**	**100**
Weighted average payment delay	-	-	-	-
Delays that exceed the legal deadline at the reporting date	96	-	131	-

17. Public Treasury

		2016	2015
Debit balances			
Social security		26	2 439
Withholding tax on investment income		170	370
Public Treasury, VAT payable		492	269
Public Treasury, input VAT		5 593	7 201
Prior years taxes		5 288	-
	EThs	11 569	10 279
Credit balances			
Provision for corporate income tax		56 597	64 818
Payments on account of corporate income tax		(53 525)	(56 727)
Public Treasury, withholdings operated		3 007	2 669
Public Treasury, VAT due		1 006	647
Public Treasury, output VAT		9 382	10 743
Social Security		10 708	10 273
	EThs	27 175	32 423

18. Deferred taxes

		2016	2015
Deferred tax assets			
to be recovered after more than 12 months		22 580	21 438
to be recovered within 12 months		625	1 140
	EThs	23 205	22 578
Deferred tax liabilities			
to be recovered after more than 12 months		25 289	23 913
to be recovered within 12 months		1 503	1 503
	EThs	26 792	25 416

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

Deferred tax assets	Welfare commitments	Amortization/ depreciation	Other	Total
As of November 30, 2014	12 076	4 162	5 179	21 417
P&L impact	(497)	2 003	(345)	(1 161)
Business combinations	-	-	-	-
	-	-		
As of November 30, 2015	11 579	6 165	4 834	22 578
P&L impact	(547)	(722)	1 894	625
P&L impact: change of statutory rate	-	-	-	-
Business combinations	-	-	2	2
As of November 30, 2016	11 032	5 443	6 730	23 205

Deferred tax assets	Welfare commitments	Amortization/ depreciation	Other	Total
As of November 30, 2014	-	28 525	-	28 525
P&L impact	-	(3 109)	-	(3 109)
P&L impact, change in statutory rate	-	-	-	-
Business combinations	-	-	-	-
As of November 30, 2015	-	25 416	-	25 416
P&L impact	-	(1 535)	-	(1 535)
P&L impact: change of statutory rate	-	-	-	-
Business combinations	-	2 911	-	2 911
As of November 30, 2016	-	26 792	-	26 792

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 the reporting date and are expected to apply when the related deferred tax asset is realized or deferred tax liability is settled.

19. Welfare commitments

Post-employment commitments held with Group employees, consisting of the payment of social security benefit complements, other retirement benefits and life insurance premiums are met through group insurance policies and are classified as defined benefit plans.

The liability recognized in the statement of financial position for the defined benefit plans is the present value of the obligation at the reporting date less the fair value of the assets attached to the plan. The defined benefit obligation is calculated annually, once the salary adjustment process has concluded in October, by independent actuaries, using the projected unit credit method. The consolidated income statement shows an expense of ETths 1 378 (2015: Eths 1 175) for this item as an employee benefit expense.

In 2014, the Group adopted IAS 19 and applied it retrospectively. The impact of the application of this Standard included recognition of actuarial gains in the statement of comprehensive income.

	2016	2015
Obligations (Asset) on consolidated statement of financial position		
Current employees	(2 673)	(4 572)
Retired employees	-	-
	(2 673)	(4 572)

The amounts recognized in the statement of financial position were measured as follows:

	2016	2015
Present value of the obligations financed	39 843	36 058

Fair value of plan assets	(42 516)	(40 630)
	(2 673)	(4 572)
Unrecognized actuarial gains	-	-
Liability (Asset) in statement of financial position	(2 673)	(4 572)

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, 2014	39 640	(41 674)
Service cost	1 976	-
Interest cost	830	-
Return on plan assets	-	(961)
Payments to beneficiaries	(1 752)	1 752
Contributions	-	(1 580)
Actuarial losses / gains	(2 290)	157
Settlements	(2 346)	1 676
As of November 30, 2015	36 058	(40 630)
Service cost	1 975	-
Interest cost	830	-
Return on plan assets	-	(961)
Payments to beneficiaries	(903)	903
Contributions	-	(220)
Actuarial losses / gains	2 632	(2 290)
Settlements	(749)	251
As of November 30, 2016	39 843	(42 516)

The principal actuarial assumptions used were as follows

	2016	**2015**
The discount rate varies, depending on the length of the obligation, between	2,37%-0,40%	2,37%-0,40%
Mortality tables	PERMF 2000P	PERMF 2000P
Wage increase	2,75%	2,75%
Estimated average early retirement age	65 to 67 years	65 to 67 years

The amounts recognized in profit and loss were as follows:

	2016	2015
Current service cost	1 975	1 976
Interest cost	829	830
Expected return on plan assets	(961)	(961)
Settlements	(465)	(669)
Actuarial (gains) / losses	-	-
Total included in employee benefit expenses (income) (Note 23)	**1 378**	**1 175**

The fair value of plan assets (matched insurance policies) was measured in accordance with IAS 19, which allows the equalization of the value of these policies with that of the obligations. These obligations were externalized and were subject to a financing plan with the insurance companies that 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:

	2016	2015	2014	2013
Present value of financed obligations	39 843	36 058	39 640	37 639
Fair value of plan assets	(42 516)	(40 630)	(41 674)	(39 435)

The Group's best estimate of the contributions to be paid in the year ending November 30, 2017 is EThs 2 232 (2016: EThs 1 975).
La mejor estimación del Grupo de las aportaciones a pagar en el ejercicio que terminará el 30 de noviembre de 2017 es de EMls 2 232 (2016: 1 975).

The actuarial gains and losses shown in the statement of recognized income and expenses, recognized in equity for EThs 342 (EThs 2 133 in 2015), relate principally to the effects of experience with the group on which the calculation was based, giving an actuarial loss of EThs 335 (2015: actuarial gains of EThs 177). EThs 184 (2015: EThs 1 155) is attributable to deviations in wages, which were lower than expected, and persons who no longer belong to the plan, which reduced the obligation. Likewise, EThs 34 (2015: EThs 466) related to changes in the rates of and returns on the funds.

Additionally, there is a defined-contribution plan, the annual cost of which is included under the heading "Employee benefit expenses" for an amount of EThs 608 (2015: EThs 639).

20. Borrowings

At November 30, 2016 and 2015, 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. The interest accrued on these loans in the period was EThs 559 (2014: EThs 261)-

In 2015, the Group made advance repayment of the amounts maturing in 2016 and 2017 for EThs 4 900. For this reason, the noncurrent portion of this debt is EThs zero (2015: EThs zero).

2016:

	Current	2018	2019	Noncurrent
Borrowings from financial institutions	155	-	-	-
Other	169			
EThs	324	-	-	-

2015:

	Current	2017	2018	Noncurrent
Borrowings from financial institutions	166	-	-	-
Other	169			
EThs	335	-	-	-

At November, 30 2016 there are financial assets (right of collection against customers) that have been withdraw in the amount of EMls 24 895 (EMls 21 003 in 2015) because the risks of insolvency and delinquency have been transmitted.

21. Provision for other liabilities and expenses

	2016	2015
Noncurrent		
Other commitments with employees	8 370	7 220
Current		
Litigations: customer transactions	46	1 319
Guarantees for services and contracts	12 699	12 215
Chamber of Commerce and other taxes	392	657
EThs	13 137	14 191

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, 2014	**5 603**	**1 460**	**14 339**	**1 579**
Provisions/(reversals) in income statement	1 617	(141)	(2 124)	(922)
Amounts used				
Other		-	-	-
As of November 30, 2015	**7 220**	**1 319**	**12 215**	**657**
Provisions/(reversals) in income statement	1 150	(1 273)	484	(265)
Amounts used				
Other		-	-	-
As of November 30, 2016	**8 370**	**46**	**12 699**	**392**

22. Revenue

		2016	**2015**
Services rendered		533 683	539 044
Revenue from works contracts		41 728	37 056
Exports		169 867	155 258
Other sales		763	870
Total revenue	EThs	746 041	732 228

23. Employee benefit expenses

		2016	**2015**
Wages and salaries		175 979	174 002
Social security and other		64 016	62 331
Employee benefit commitments		1 378	1 175
	EThs	241 373	237 508

Social security and other includes severance payments to employees of EThs 5 544 in 20166 (EThs 5 553 in 2015).

As from the 2011 reporting period, a long-term UTC incentive plan has also been included for certain Zardoya Otis executives who are likewise considered as UTC Group executives. This plan includes UTC share-based payments (Note 34). The expense recognized for this item in 2016 was EThs 789 (2015: EThs 597).

24. Raw materials and consumables used

		2016	**2015**
Materials and subcomponents for installations and services		295 553	270 534
Elimination of intra-group transactions		(60 537)	(61 262)
Purchase discounts		-	(5)
Change in inventories		(6 895)	(958)
	EThs	228 121	208 309

25. Other net expenses

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

		2016	2015
Leases		17 896	18 818
Repairs and maintenance		2 318	2 739
Insurance premiums		627	174
Advertising and publicity		2 468	2 144
Transport		9 555	9 484
Supplies and other services		14 355	17 776
Independent professionals		3 263	3 872
Subcontracting		1 625	1 319
Other		1 922	3 361
Impairment of receivables (Note 8)		(2 630)	(3 217)
	EThs	51 399	56 470

26. Net financial expenses and income

		2016	2015
Interest expense:			
– Loans from financial institutions		(173)	(573)
		(173)	(573)
Interest income:			
– Bank deposits		768	843
– Other		-	-
		595	270
Net foreign exchange gains / (losses)		28	(39)
	EThs	623	231

27. Income tax

		2016	2015
Profit before tax		207 830	210 025
Permanent differences:		521	1 313
Profit from foreign companies		(22 574)	(23 001)
Other differences			
Prior period temporary differences in respect of which the relevant deferred tax asset was not recognized		(11 851)	16 171
Temporary differences arising in the period in respect of which the relevant deferred tax asset has not been recognized		-	-
Adjusted profit before tax		173 926	204 508
Temporary differences arising in the period in respect of which the relevant deferred tax asset is recognized		6 045	(1 938)
Taxable income		179 971	202 570
Gross tax payable		50 392	60 771
Tax credits		(2 115)	(7 072)
Other differences and tax assessment raised		-	-
Net corporate income tax expense, foreign companies		6 108	6 575
Change in statutory rate		-	-
Corporate income tax expense	EThs	**54 385**	**60 274**

The deferred tax asset accumulated at November 30, 2016 was EThs 23 205 (EThs 22 578 in 2015). 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 26 792 (EThs 25 416 in 2015) relating to differences generated by goodwill.

Deductible temporary differences relate principally to welfare commitments of EThs 11 469 (2015: 11 579), which are expected to be offset as follows:

Period 2017: EThs 373
Period 2018: EThs 708
Period 2019: EThs 629
Period 2020: EThs 525
Period 2021: EThs 508
Period 2022: EThs 552
Period 2023: EThs 474
Period 2024: EThs 433
Other periods: EThs 7 767.

At the reporting date, ETths 53 525 (EThs 56 727 in 2015) had been paid on account of the final corporate income tax payable. Corporate income tax expense included Eths 2 160 of revenue from deferred taxes (EThs 4 270 of revenue from deferred taxes in 2015). (Note 18)

The effective tax rate for Otis Elevadores, Lda. (Portugal) is 26.69 % and that of Otis Maroc, S.A., 33,00% (29.55 % and 30.00% in 2015, respectively), while corporate income tax expense for 2016 was EThs 5 658 and EThs 450, respectively (EThs 6 016 and 58 in 2015).

For Zardoya Otis, S.A., corporate income tax and, in general, the rest of the taxes remain open to inspection from the period 2011 onwards.

For the Spanish subsidiaries and for Otis Maroc, S.A., Grupo Otis Elevadores (Portugal) and Enor Portugal, the last four tax periods are still open to inspection, except for the corporate income tax of Otis Elevadores (Portugal) for the period ended November 30, 2012 and the value-added taxes and other taxes for the calendar year ended December 31, 2012, which have already been inspected by the Portuguese Tax Agency. This inspection was completed in 2014 and the adjustment made had no significant effect on the annual results for said period.

In 2015, the Group parent and certain subsidiaries received notifications that the Tax Agency would commence inspections in relation to corporate income tax, value-added tax and personal income tax for the accounting periods 2011, 2012, 2013, 2014 and 2015. Some of the inspections are in process at the date of the formulation of the present annual financial accounts.

In 2015, the General Treasury of the Social Security inspected the Group parent. When the inspection was completed, the adjustment made had no significant effect on the profit of the period 2015.

As a consequence of, among other items, possible different interpretations of current tax legislation, additional liabilities could arise as the result of an inspection. However, the directors consider that, to the best of their knowledge should any such liabilities arise, they would not have a significant effect on the Consolidated Annual Financial Statements

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 treasury shares acquired by the Company. No event that could dilute the earnings per share has occurred.

	2016	**2015**
Profit attributable to equity holders of the Company	152 626	148 745
Weighted average number of ordinary shares in issue during the year	459.909.022	442.220.214
Weighted average number of treasury shares	(83 460)	(11 289)
Basic earnings per share	0,33	0,34

29. Dividends per share and partial monetary distribution of share premium

In 2016 and 2015, Zardoya Otis, S.A. paid the following dividends, which were charged to the profit for the period, together with a partial monetary distribution of the share premium:

1st Dividend 0.080 euros gross per share, charged to the year 2015. Declared on March 24, 2015 and paid out on April 10, 2015. Shares: 434,970,702 (Treasury stock: 11,103 shares). Total = 36,971,565.90 euros	36 972
Partial distribution of share premium 0.080 euros gross per share. Declared on May 26, 2015 and paid out on June 10, 2015. Shares: 434,970,702 (Treasury stock: 11,103 shares). Total = 33,458,430.72 euros	34 797
2nd Dividend 0.080 euros gross per share, charged to the year 2015. Declared on September 19, 2015 and paid out on October 13, 2015. Shares: 434,970,702 (Treasury stock: 11,103 shares). Total = 39,147,363.18 euros	36 189
Dividend at end of period	107 958
3rd Dividend 0.080 euros gross per share, charged to the year 2015. Declared on December 10, 2015 and paid out on January 11, 2016. Shares: 434,970,702 (Treasury stock: 11,103 shares). Total = 36,188,638.64 euros	36 189
TOTAL 2015	144 147
1st Dividend 0.080 euros gross per share, charged to the year 2016. Declared on March 30, 2016 and paid out on April 11, 2016. Shares: 452,369,530 (Treasury stock: 11,547 shares). Total = 36,189,638.64 euros	36 189
Partial distribution of share premium 0.080 euros gross per share. Declared on May 20, 2016 and paid out on July 11, 2016. Shares: 434,970,702 (Treasury stock: 11,103 shares). Total = 34,796,767.90 euros	36 189
2nd Dividend 0.080 euros gross per share, charged to the year 2016. Declared on September 22, 2016 and paid out on October 10, 2016. Shares: 470,464,311 (Treasury stock: 79,066 shares). Total = 37,637,144.88 euros	37 637
Dividend at end of period	110 015
3rd Dividend 0.080 euros gross per share, charged to the year 2016. Declared on December 14, 2016 and paid out on January 10, 2017. Shares: 470,464,311 (Treasury stock: - shares). Total = 37,637,144.88 euros	37 637
TOTAL 2016	147 652

In relation to the interim dividends distributed by Zardoya Otis, S.A. in the year 2016, the existence of sufficient liquidty for their distribution was verified, in accordance with the Capital Companies Law, art. 277.

	Dividend:		
	2nd August	**3rd November**	**3º Noviembre**
Gross profit since December 1, 2015	57 634	154 081	196 810
Estimate of corporate income tax payable	(10 537)	(34 776)	(41 974)
Available net profit	47 096	119 305	154 836
Amount distributed previously	-	36 190	73 827
Amount proposed and distributed	36 190	37 637	37 637
Liquidity in cash	22 405	46 609	8 791
Temporary financial investments	-	-	-
Current trade bills receivable	21 234	12 988	20 973
Current loans	20 418	4 130	40 540
Net liquidity	64 057	63 727	70 304

30. Cash generated by operations

The following is a breakdown by item of the cash flow from operations included in the consolidated statement of cash flows:

	2016	**2015**
Profit before tax	207 011	209 019
– Depreciation of property, plant and equipment (Note 5)	6 596	6 932
– Amortization of intangible assets (Note 6)	15 050	17 329
– (Profit)/loss on disposals of property, plant and equipment	1 050	(19)
– Increase/(reduction) in retirement benefit obligations	1 900	(2 539)
– Interest paid (Note 26)	(173)	(572)
– Interest received (Note 26)	768	844
– Losses/(gains) on foreign currency conversion in operating activities (Note 26)	28	(39)
Changes in working capital (excluding the effects of the acquisition and foreign exchange differences upon consolidation):		
– Inventories	(6 894)	(958)
– Trade and other receivables	(1 298)	(10 421)
– Financial assets at fair value through Profit and loss		
– Trade and other payables	(4 472)	8 919
Tax payment for the period	(56 276)	(64 738)
Cash generated by operations	**163 320**	**163 757**

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 14 919 (2015: EThs 17 382).

32. Commitments

Fixed asset purchase commitments

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

EThs	2016	2015
Property, plant and equipment	335	418
Intangible assets	-	-

At the reporting date, there were purchase commitments for property, plant and equipment of EThs 335 (EThs 418 in 2015), of which Eths 138 (EThs 125 in 2015) were paid in advance.

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:

	2016	2015
Premises leased	3 464	4 124
Other	5 867	6 396

33. Business combinations

2016:

Companies belonging to UGE Grupo Zardoya Otis (Spain), have acquired, for the amount of ETHs 18 737, 100% of the shares of the Elevación y Servicio IM 2000, S.L. (February 25, 2016), Ascensores Puertollano, S.L. (March 14, 2016), Ascensores Stelokotu, S.L. (July 5, 2016), Ascensores Castalia, S.A. (July 21, 2016) and M. CASAS S.A. (September 6, 2016), all of these companies engaged in the maintenance and repair of elevators in Spain in Spain.

The detail of assets and liabilities is as follows:

Cash and cash equivalents	3 096
Property, plant and equipment	116
Intangible assets	11 642
Accounts receivable	1 335
Stocks	36
Deferred tax assets	3
Accounts payable	929
Deferred tax liabilities	2 911

Goodwill emerges a difference emerge amounting EThs 6 348

During the period 2016, the Group has carried out operations with non-controlling interests, which are explained in Note 2.2.

2015:

In 2015, the Group did not make any acquisitions. Transactions with non-controlling interests are explained in Note 2.2.

34. Transacciones con partes vinculadas

At November 30, 2016, United Technologies Holdings S.A. (incorporated in France) held 50.01% of the parent company, Zardoya Otis, S.A. The ultimate Group parent is United Technologies Corporation (incorporated in the United States), the parent company of United Technologies Holdings, S.A.

The following transactions were carried out with related parties:

EThs	**2016**	**2015**
Transactions with Otis Elevator Co		
Royalties	17 949	17 434
Charge-back of costs relating to the R&D Center	3 092	1 146
Payables	460	491
Transactions with Otis Group company, sales and purchases of goods and services		
Sales and expenses invoiced	165 914	153 751
Purchases and expenses borne	35 737	37 081
Receivables	40 651	39 479

Payables	9 217	10 367

The Group considers all the trading and non-trading transactions carried out by any Group company with shareholders, directors or associated companies to be related transactions.

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 between 2.1% and 3.5% of sales to end, excluding intra-group sales.

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 2016, the expense was ETHs 789 (Eths 597 in 2015), relating to the fair value of the accumulated assets to which it is indexed, which was ETHs 4 146 (ETHs 3 357in 2015).

The global remuneration for all items accrued during the year by the members of the Board of Directors was ETHs 1 676 (1 818 in 2015) and comprised the following items:

	2016	**2015**
Fixed compensation	249	210
Variable compensation	100	140
By-law stipulated items	1 200	1 100
Other long-term benefits	70	321
Pension plan contributions	57	47
TOTAL	**1 676**	**1 818**

At the 2016 and 2015 reporting dates, the Company had not granted any advances or credits to the members of the Board of Directors.

Additionally, the overall compensation for all items accrued by the members of Group senior management (non-directors) was ETHs 626 (ETHs 348 in 2015), as reported in Sections C.1.15 and C.1.16 of the 2016 Annual Corporate Governance Report.

Conflicts of interest of the directors

Complying with the duty to avoid situations where there is a conflict with the Company's interests, the directors who held office on the Board of Directors during the period met the obligations set forth in article 228 of the Revised Text of the Capital Companies Law. Likewise, both they and persons related to them refrained from entering into the situations of conflict of interest provided for in article 229 of said Law, except in cases where the relevant authorization had been obtained.

35. Environmental information

At November 30 2016, the Group was not aware of any contingency, risk or litigation in progress related to the protection and improvement of the environment. Therefore, the Company has not recognized any provision in the statement of financial position at November 30, 2016 for environmental actions.

The Group has approved a Corporate Environmental Policy Manual that stipulates the principal procedures and actions to be followed in plants, offices, transport, Installation and Service.

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

- Control, recycling and reduction 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.

The production centers of Madrid, San Sebastián and Vigo have renewed the ISO – 14000 certificate until 2016.

The Madrid-Leganés plant was designed to minimize energy consumption by including the installation of photovoltaic panels on the roof, the carrying amount of which is EThs 4 153, with accumulated depreciation of EThs 1 576 at the reporting date.

In addition, in 2015, expenses for the removal or recycling of waste were recognized for a value of EThs 26 (2015: EThs 25).

36. Events after the reporting date

On December 10, 2016 Zardoya Otis, S.A. declared the third interim dividend charged to the profit for the period for an amount of 0.080 euros gross per share, resulting in a total gross dividend of EThs 37 637. This dividend was paid out on January 10, 2017.

37. Other information

a) Number of Group employees by category (average – reporting date)

	Men	Women	2016
Managers	67	8	75
Administration/workshop/field supervisors	492	30	522
Engineers, university graduates and other experts	246	63	309
Administrative and technical personnel	488	427	915
Other workers	3 298	26	3 324
	4 591	554	5 145

	Men	Women	2015
Managers	66	7	73
Administration/workshop/field supervisors	484	29	513
Engineers, university graduates and other experts	206	55	261
Administrative and technical personnel	522	425	947
Other workers	3 275	17	3 292
	4 553	533	5 086

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

The amount of the fees accrued by PricewaterhouseCoopers Auditores, S.L., which audits the Zardoya Otis Group, for the year 2016 was EThs 317 (EThs 334 in 2015, including the fees paid for the audit of processes required to comply with the rules for the main shareholder. Likewise, fees accrued during the year by other companies in the PwC network as a result of audit to foreign subsidiaries were EThs 45 (EThs 50 in 2015).

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 161 (EThs 52 in 2015).

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