

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

ZARDOYA OTIS, S.A.
Calle del Golfo de Salónica, 73
Madrid

COMISIÓN NACIONAL DEL MERCADO DE VALORES
Área de Mercados
Calle Edison, 4
28006 Madrid

For the attention of the Director of the Market Area Division

Madrid, May 10, 2020

OTHER RELEVANT INFORMATION

Notice of the Ordinary General Shareholders' Meeting of Zardoya Otis, S.A.

Dear Sirs,

In compliance with articles 227 and 228 of Royal Legislative Decree 4/2015 of October 23, whereby the revised text of the Securities Market Law was approved, Zardoya Otis, S.A. (the "**Company**") informs you that, at its meeting of May 8, 2020, the Board of Directors passed a resolution to call the Company's Ordinary General Shareholders' Meeting at 12:00 noon on June 15, 2020, on the first call, in the auditorium of Edificio Rodrigo Uría, Plaza de Rodrigo Uría, s/n, calle Príncipe de Vergara, 187, 28002 - Madrid, or, on the second call, on June 16, 2020 at the same time in the same place (expected to be held on the second call).

In this respect, the following documents relating to this Ordinary General Meeting are attached hereto:

1. Notice of the Ordinary General Shareholders' Meeting.
2. Full text of the Board's motions to be passed, if appropriate, by the Ordinary General Shareholders' Meeting.
3. Individual and consolidated annual financial statements and management reports for the Company and its consolidated group for the reporting period ended November 30, 2019, which will be submitted for the approval of the Ordinary General Shareholders' Meeting, as well as the relevant audit reports.
4. Annual Corporate Governance Report for the reporting period ended November 30, 2019 (which, in accordance with the Capital Companies Law, article 538, has been included in a separate section of the management report).
5. Annual Director Compensation Report for the reporting period ended November 30, 2019.

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6. Statement of Non-financial Information (SNFI), in accordance with article 1 of Law 11/2018, for the reporting period ended November 30, 2019, with independent verification report from Ernst&Young, S.L.
7. Auditor Independence Report prepared by the Audit Committee for the reporting period ended November 30, 2019.
8. Report on the operation of the Audit Committee during the reporting period ended November 30, 2019.
9. Report on the operation of the Nominating and Compensation Commission during the reporting period ended November 30, 2019.
10. Director compensation policy for the periods 2021, 2022 and 2023.
11. Report from the Nominating and Compensation Commission on the director compensation policy proposed for the periods 2021, 2022 and 2023.
12. Report from the Board of Directors on the reduction in the number of directors.
13. Report from the Board of Directors in relation to the motions to (i) re-elect Mr Bernardo Calleja Fernández as an executive director, (ii) ratify Ms Stacy Petrosky, who was appointed as a proprietary director by co-option, (iii) acknowledge the appointment of Mr Richard Markus Eubanks as the new personal representative of the proprietary director Otis Elevator Company) and (iv) acknowledge the appointment of Mr Alberto Zardoya as the new personal representative of the proprietary director Euro-Syns, S.A.;
14. Report from the Nominating and Compensation Commission in relation to the motion to re-elect Mr Bernardo Calleja Fernández as an executive director.
15. Report from the Nominating and Compensation Commission in relation to the motion to acknowledge the appointment of Mr Alberto Zardoya as the new personal representative of the proprietary director Euro-Syns, S.A.
16. Report from the Nominating and Compensation Commission in relation to the motion to acknowledge the appointment of Mr Richard Markus Eubanks as the new personal representative of the proprietary director Otis Elevator Company
17. Report from the Nominating and Compensation Commission in relation to the motion to ratify Ms Stacy Lynn Petrosky, who was appointed as a proprietary director by co-option
18. Rules on distance voting and proxies and templates to use.
19. Rules on on-line attendance
20. Total number of shares and voting rights that exist at the date the notice is issued.
21. Model of attendance, proxy granting and distance voting card.

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We inform you that both the individual and consolidated annual financial statements and management reports for the reporting period ended November 30, 2019 (together with their respective audit reports) and the Statement of Non-financial Information (SNFI) for the reporting period ended November 30, 2019, that are to be submitted for the approval of the General Meeting, as well as the Annual Corporate Governance report for said period (which, in accordance with article 538 of the Capital Companies Law, has been attached to the management report as an exhibit), have been sent to the National Securities Market Commission (CNMV) and made available to shareholders on the Company's corporate website (<http://www.otis.com/es/es/accionistas-inversores/>).

The aforementioned documents relating to the Ordinary General Shareholders' Meeting and the rest of the information required under article 518 of the Capital Companies Law will be published on the Company's corporate website (<http://www.otis.com/es/es/accionistas-inversores/>) and will be available uninterruptedly until the Ordinary General Shareholders' Meeting is held.

On the other hand, taking into account the measures adopted by the authorities in relation to the containment of the expansion of COVID-19 (and which could continue in force in similar terms for holding events or meetings on the date scheduled for the holding of the Meeting General Ordinary), **the Company recommends its shareholders to attend the Meeting General Ordinary through authorized telematic means or the use of means provided for remote voting or its delegation.** This recommendation is intended principal of safeguarding the general interests and the health and safety of the shareholders, employees and other people involved in the preparation and holding of the Meeting Ordinary General. Also, for the reasons already indicated, **assistance is not recommended physical or face-to-face of the shareholders**, which in any case will be subject to compliance with the necessary security and distancing measures. On the other hand, it is recalled that the General Meeting will be broadcast live through the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>).

Finally, it should be noted that the notice of the Ordinary General Shareholders' Meeting will be published in the next few days with the legally-required notice period in the national newspaper *Expansión*.

We inform you of the foregoing and remain.

Yours faithfully,

Lorea García Jauregui
Secretary of the Board of Directors

General Shareholders' Meeting 2020

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Notice of the Ordinary General Shareholders' Meeting



ZARDOYA OTIS, S.A.**NOTICE OF THE GENERAL SHAREHOLDERS' MEETING**

Pursuant to the provisions of the Bylaws, the Regulations of the General Shareholders' Meeting, the Capital Companies Law and Royal Decree Law 8/2020 of March 17 on extraordinary urgent measures to combat the economic and social impact of COVID-19 (the "RDL"), the Board of Directors of Zardoya Otis, S.A. (the "**Company**"), at its meeting of May 8, 2020, passed a resolution to call the Ordinary General Shareholders' Meeting to be held, on the first call, on June 15, 2020 at 12:00 noon in the auditorium of Edificio Rodrigo Uría, Plaza de Rodrigo Uría, s/n, calle Príncipe de Vergara, 187 - 28002 Madrid, or (as expected) on the second call, on June 16, 2020 at the same time and in the same place, in order to deliberate and, if appropriate, adopt the motions contained on the following

AGENDA

- 1** Examination and, if appropriate, approval of the annual financial statements and management reports of both the Company and its consolidated group for the period running from December 1, 2018 to November 30, 2019.
- 2** Application of the profit for the period running from December 1, 2018 to November 30, 2019.
- 3** Approval of the performance of the Board of Directors and, in particular, of the distribution of interim dividends charged to the profit for the period running from December 1, 2018 and November 30, 2019.
- 4** Approval of the distribution of a dividend charged to reserves for a gross amount of 0.06 euros per share.
- 5** Approval of the statement of non-financial information (SNFI), in accordance with article 1 of Law 11/2018, for the period running from December 1, 2018 to November 30, 2019.
- 6** Re-election of the auditors of the Company and its consolidated group for the period running from December 1, 2019 to November 30, 2020.
- 7** Appointment of KPMG as the auditors of the Company and its consolidated group for the periods 2021, 2022 and 2023, in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements regarding statutory audit of public-interest entities.
- 8** Consultative ballot on the Annual Director Compensation Report for the period running from December 1, 2018 to November 30, 2019, in accordance with the provisions of the Capital Companies Law, article 541.
- 9** Approval of the Director Compensation Policy for the periods 2021, 2022 and 2023.

- 10 Determination of the applicable percentage in relation to compensation via profit-sharing for the period running from December 1, 2018 to November 30, 2019, in accordance with the Capital Companies law, article 218.
- 11 Reduction in the number of members of the Company's Board of Directors to 7.
- 12 Re-election, acknowledgement or ratification of] the following members of the Board of Directors:
 - 12.1 Re-election of Mr Bernardo Calleja Fernández as an executive director.
 - 12.2 Acknowledgement of the appointment of Mr Alberto Zardoya as the new personal representative of the director Euro-Syns, S.A.
 - 12.3 Acknowledgement of the appointment of Mr Richard Markus Eubanks as the new personal representative of the director Otis Elevator Company.
 - 12.4 Ratification of Ms Stacy Lynn Petrosky, who was appointed by co-option, as a proprietary director.
- 13 Delegation to the Board of Directors of the interpretation, rectification, execution, formalization and registration of the resolutions passed.
- 14 Requests and questions.
- 15 Approval of the minutes.

1. SUPPLEMENT TO THE NOTICE AND SUBMISSION OF MOTIONS

In accordance with article 519 of the revised text of the Capital Companies Law, approved by Royal Legislative Decree 1/2010 of July 2 and amended by Law 31/2014 of December 3, whereby the Capital Companies Law was amended to improve corporate governance ("**Capital Companies Law**"), shareholders representing at least three percent of the share capital may: (i) request that a supplement to this Notice be published including one or more items on the Agenda, provided that the new items are accompanied by an explanation or, where applicable, a reasoned motion; and (ii) submit reasoned motions on items that are already included on the Agenda or should be included thereon.

This right shall be exercised by a notification, sent by reliable means, received at the Company's registered office (Calle Golfo de Salónica, 73) within the five days following publication of this Notice. The notification shall state the identity of the shareholder or shareholders exercising the right and the number of shares they own and shall attach the relevant documentation –a copy of the attendance card or certificate of entitlement- that evidences their shareholder status, in order for this information to be checked against the information provided by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación, S.A.U. ("**Iberclear**"), together with the content of the item or items that the shareholder wishes to raise or the content of the motion or motions the shareholder proposes.

The Supplement to the Notice shall be published at least fifteen days prior to the date on which the Meeting is scheduled to be held.

The foregoing does not affect the right of any shareholder to put forward alternative proposals or proposals on items that are not required to appear on the Agenda in the course of the Ordinary General Meeting in the terms provided for in the Capital Companies Law.

2. RIGHT TO ATTEND

Shareholders may attend the Ordinary General Shareholders' Meeting in person or on-line, irrespective of the number of shares they own.

To attend the General Shareholders' Meeting, it shall be an essential requirement to prove share ownership by means of a certification of entitlement or equivalent document issued by Iberclear or the participating entities authorized to do so, issued five days prior to the date of the General Meeting, pursuant to article 15 of the Bylaws, article 5 of the Regulations of the General Shareholders' Meeting and article 179 of the Capital Companies Law.

Since it is likely that the General Shareholders' Meeting will be held on the second call, for the purposes of the provisions of article 517 of the Capital Companies Law, it should be noted that shareholders must have the shares recorded in their name no later than June 11, 2020.

In order to confirm the identity of the shareholders or the persons holding valid proxies from them, at the entrance to the premises where the General Shareholders' Meeting is held, those attending may, in addition to providing their attendance card, be requested to prove their identity by providing their national identity document or any other official document in force that the Company deems appropriate in this respect.

Notwithstanding the foregoing, taking account of the measures adopted by the authorities in relation to containing the expansion of COVID-19 (which may remain in force in similar terms for events or meetings held at the date scheduled for the Ordinary General Meeting), the Company recommends shareholders to attend the Ordinary General Meeting using the on-line means that will be enabled or the resources provided for distance voting or granting proxy (mechanisms that are described later). This recommendation is mainly intended to safeguard the health and safety of shareholders, employees and other persons involved in preparing and holding the Ordinary General Meeting. Likewise, for the reasons mentioned previously, the in-person or physical attendance of the shareholders or, where applicable, their proxy-holders is not advised and will, at any event, be subject to compliance with the necessary safety and distancing measures. In addition, to allow the meeting to be followed on-line, you are reminded that the General Meeting will be streamed on the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>).

3. PROXY AND VOTING RIGHTS

3.1. Right to grant proxy and proxy-granting from a distance

Any shareholder entitled to attend may be represented at the General Shareholders' Meeting by another person, who need not be a shareholder. Proxy shall be conferred in writing specifically for the General Meeting pursuant to article 15 of the Bylaws, article 6 of the Regulations of the General Shareholders' Meeting and articles 184 and 522 et seq. of the Capital Companies Law.

In particular, proxy may be granted from a distance, although only proxies conferred as follows shall be valid:

- (A) By written postal correspondence, sending to the Company (Zardoya Otis, S.A., -SHAREHOLDERS-, Calle Golfo de Salónica, 73, 28033 Madrid) the certificate of entitlement or equivalent document issued by Iberclear (or the participating entity thus authorized), together with the pertinent attendance, proxy and voting card, which may be downloaded from the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>), duly signed and completed by the shareholder. The shareholder must include the following information on the proxy-holder in the communication: name and surnames, number of national identity card or equivalent, and e-mail address. These data will be necessary to register him or her on the on-line attendance platform for the Ordinary General Meeting.
- (B) Using means of electronic distance communication (e-mail) that duly guarantee the proxy attributed and the identity of the principal. Proxy granted by these means shall be admitted when the electronic document whereby it is conferred includes the recognized electronic signature or the advanced electronic signature of the principal, in the terms set forth in Law 59/2003 of December 19 on Electronic Signatures, based on a recognized electronic certificate of which no revocation is recorded and which is issued by the Spanish Public Certification Authority (CERES), an entity that reports to the Fábrica Nacional de Moneda y Timbre (the Spanish Mint). The user certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when proxy is granted. Any shareholder who has an electronic signature and meets the above requirements and identifies him/herself with said electronic signature may grant proxy by means of an electronic communication in accordance with the instructions and procedures that are specified on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>), which include the forms to be used for this purpose. Likewise, the shareholder must include the following information on the proxy-holder in the communication: name and surnames, number of national identity card or equivalent, and e-mail address. These data will be necessary to register him or her on the on-line attendance platform for the Ordinary General Meeting.

To be valid, proxy granted by either of the means of distance communication mentioned above must be received by the Company before midnight on the day preceding the date on which the

Ordinary General Shareholders' Meeting is scheduled to be held on the first call. Otherwise, the proxy shall be deemed not to have been granted.

In the event that the shareholder is a legal person, it must (i) simultaneously provide a notary's certificate stating that the powers of attorney that support the authorization of the person to whom proxy has been granted by postal correspondence or electronic distance communication are sufficient; and (ii) notify the Company of any change or revocation of the powers held by its representative, the Company thus declining any liability until such notification has been made.

The shareholder granting proxy to a person other than one of the members of the Board of Directors or the Secretary of the Board must notify the proxy-holder appointed of the proxy granted in his or her favour and send him or her a copy of the card to be handed over at the entrance on the day the General Shareholders' Meeting is held.

Once the Company has verified the requirements set out previously, the proxy-holders appointed by shareholders will be authorized to access the on-line attendance platform of the Ordinary General Meeting in the event that they decide to attend the Ordinary General Meeting on-line, which they may do in the terms described in point 4 below.

Likewise, shareholders are informed that they may also grant proxy to the Chairman of the Board of Directors, or the person who substitutes him in the chair of the General Shareholders' Meeting, or to the Secretary of the Board, using the electronic platform enabled by the Company on its corporate website (<http://www.otis.com/es/es/accionistas-inversores/>) from 12:00 noon (CEST) on June 8, 2020 to 11:00 a.m. (CEST) on June 15, 2020. If the shareholder is a legal person and wishes to grant proxy in accordance with this paragraph, the natural person who acts as its legal representative must access the platform with a recognized electronic certificate as the entity's representative of which no revocation is recorded and which is issued by the Fábrica Nacional de Moneda y Timbre (the Spanish Mint) or an entity that reports thereto.

In the event that a shareholder grants proxy to the Company, the directors or the Secretary of the Board by postal correspondence or electronic means of distance communication (e-mail or electronic platform), but does not include therein instructions for casting the vote or there are doubts as to the recipient or scope of the proxy, it shall be considered that the proxy: (i) is granted in favour of the Chairman of the Board of Directors or, if applicable, the person who substitutes him in the chair of the General Shareholders' Meeting, or, in the event that the Chairman or his substitute has a conflict of interest, in favour of the Secretary of the Board of Directors, unless otherwise stated by the shareholder; (ii) refers to all the motions on the Agenda of the General Meeting; (iii) casts a vote in favour of said motions; and (iv) likewise includes any points that may be raised off the Agenda, in respect of which the proxy-holder will vote in the manner he/she considers most favourable to the principal's interests.

In the event that the proxy-holder has, from a legal standpoint, a conflict of interest when voting on any of the proposals that are submitted to the General Meeting on or off the Agenda and the shareholder has not given precise instructions on the direction of his or her vote, the proxy will be deemed to have been granted to the Chairman of the Meeting or, in the event that the

Chairman is likewise affected by the conflict of interest, to the Secretary of the Board of Directors, unless the shareholder granting the proxy states otherwise (in which case the shareholder will be deemed not to have authorized the substitution).

A proxy-holder may only vote on behalf of his/her principal by attending the General Meeting in person or on-line. For this purpose, on the day and in the place of the General Meeting, the designated proxy-holder must identify him/herself with his/her current national identity card or passport, so that the Company may verify the proxy granted in his/her favour, accompanied by a copy of said proxy and, if the shareholder is a legal person, a copy of the notary's certificate of the power of attorney. In the event that the proxy-holder decides to attend the Ordinary General Meeting on-line, the Company will enable his or her access to the on-line attendance platform of the Ordinary General Meeting and, to access it, he or she must identify him/herself through an electronic national identity card or a recognized electronic signature in the terms set out in Law 59/2003 of December 19 on Electronic Signatures, based on a recognized electronic signature of which no revocation is recorded and which is issued by the Spanish Public Certification Authority (CERES), an entity that reports to the Fábrica Nacional de Moneda y Timbre (the Spanish Mint).

Proxy granted by postal correspondence or using means of electronic distance communication (e-mail or electronic platform) may be declared null: (i) if it is expressly revoked by the shareholder, using the same means as employed to grant the proxy, within the term fixed for granting it; (ii) by the shareholder attending the General Meeting in person or on-line; or (iii) due to transfer of the shares ownership of which conferred the right to grant the proxy and the right to vote, when the Company is aware of said transfer at least five days before the General Meeting is held. At any event, proxies granted after a distance vote has been cast shall be deemed not to have been granted.

When a proxy-holder holds proxies from several shareholders, he/she may cast different votes in accordance with the instructions received from each one of the shareholders.

Likewise, entities that hold shareholder status according to the accounting register of shares but which act on behalf of different persons may divide their vote and cast it differently in accordance with the different voting instructions they have received, if applicable. These intermediary entities may grant proxy to each one of the indirect shareholders or to third parties designated by the latter and there is no limit on the number of proxies they may grant. To do this, they must, within the seven days preceding the date on which the General Meeting is scheduled to be held, provide the Company with a list stating the identity of each client, the number of shares in respect of which they are exercising voting rights on behalf of each client and the voting instructions received, if applicable, in order to determine how their vote will be cast.

3.2. Distance voting

Shareholders entitled to attend and vote may cast their vote on the motions on items included on the Agenda using the following means of distance communication:

- (A) By written postal correspondence, sending to the Company (Zardoya Otis, S.A., -SHAREHOLDERS-, Calle Golfo de Salónica, 73, 28033 Madrid) the certificate of entitlement or equivalent document issued by Iberclear (or the participating entity thus authorized), together with the pertinent attendance, proxy and voting card, which may be downloaded from the Company's website, duly signed and completed by the shareholder.
- (B) By electronic means of distance communication (e-mail), provided that the electronic document whereby the vote is cast includes the recognized electronic signature or the advanced electronic signature of the principal, in the terms set forth in Law 59/2003 of December 19 on Electronic Signatures, based on a recognized electronic certificate of which no revocation is recorded and which is issued by the Spanish Public Certification Authority (CERES), an entity that reports to the Fábrica Nacional de Moneda y Timbre (the Spanish Mint). The user certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when the vote is cast. Any shareholder who has an electronic signature that meets the above requirements and identifies him/herself with said electronic signature may send the Company an e-mail to cast his or her vote from a distance in accordance with the relevant instructions and procedures that are specified on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>), which include the forms to be used for this purpose.
- (C) Through the distance voting platform that the Company has enabled on its corporate website (<http://www.otis.com/es/es/accionistas-inversores/>), provided that the electronic document used to exercise the voting right includes the shareholder's recognized electronic signature or the advanced electronic signature, in the terms set out in Law 59/2003 of December 19 on Electronic Signatures, based on an electronic national identity card or a recognized electronic certificate of which no revocation is recorded and which is issued by the Spanish Public Certification Authority (CERES), an entity that reports to the Fábrica Nacional de Moneda y Timbre (the Spanish Mint). The user certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when the vote is cast. Any shareholder who has an electronic signature that meets the above requirements and identifies him/herself with said electronic signature may cast his or her vote on the items on the Agenda of the Ordinary General Shareholders' Meeting in accordance with the relevant instructions and procedures specified on the distance voting platform enabled on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>).

Votes cast by using the means mentioned previously in points (A) and (B) will not be valid if they are not received by the Company at least twenty-four hours before the date on which the Ordinary General Shareholders' Meeting is scheduled to be held on the first call. Votes received after said deadline will be deemed not to have been cast.

Votes cast using the means mentioned in point (C) must be cast by the shareholder through the electronic platform enabled by the Company on its corporate website (<http://www.otis.com/es/es/accionistas-inversores/>) from 12:00 noon (CEST) on June 8, 2020 to 11:00 a.m. (CEST) on June 15, 2020. Otherwise, the vote will be deemed not to have been cast.

In the event that the shareholder is a legal person, it must (i) simultaneously provide a notary's certificate stating that the powers of attorney that support the authorization of the person to whom proxy has been granted by postal correspondence or electronic distance communication are sufficient; and (ii) notify the Company of any change or revocation of the powers held by its representative, the Company thus declining any liability until such notification has been made. In the event that the shareholder is a legal person and wishes to vote from a distance through the voting platform enabled by the Company on its corporate website (<http://www.otis.com/es/es/accionistas-inversores/>), the natural person who acts as its legal representative must access the platform with a recognized electronic certificate as the entity's representative of which no revocation is recorded and which is issued by the Fábrica Nacional de Moneda y Timbre (the Spanish Mint) or an entity that reports thereto

A shareholder who casts his/her vote by postal correspondence or electronic means of distance communication and does not mark any of the boxes provided for indicating his/her vote on the items on the Agenda will be deemed to wish to vote in favour of the respective motions put forward by the Board of Directors.

Shareholders who cast a distance vote in the terms stated in the Bylaws and the Regulations of the General Meeting shall be deemed to be present at the General Meeting for quorum purposes. In consequence, proxies granted previously shall be deemed to have been revoked and those granted subsequently will be deemed not to have been granted

A distance vote can only be declared null (i) if it is subsequently expressly revoked by the same means as was employed to cast it within the term fixed for distance voting, (ii) by the attendance of either the shareholder who cast the distance vote or a proxy-holder of said shareholder at the meeting; or (iii) due to transfer of the shares ownership of which conferred the right to vote, when the Company is aware of said transfer at least five days before the date on which it is planned to hold the General Meeting.

To allow the General Meeting to be followed, you are reminded that it will be streamed on the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>).

3.3. Rules common to granting proxy and voting by means of distance communication

- (A)** The validity of the proxy granted and the vote cast by distance communication is subject to verification of the shareholder's status as such with the file provided by Iberclear, the entity responsible for the accounting register of the Company's shares. In the event of any discrepancy between the number of shares stated by the shareholder granting proxy or casting his/her vote by distance communication and the number stated in the account entry registers notified by Iberclear, the number of shares stated by the latter

shall be considered valid for quorum and voting purposes unless there is evidence to the contrary.

- (B)** The following rules on the order of priority of proxy voting, distance voting and presence at the General Meeting are established: (i) the attendance at the General Meeting in person or on-line by a shareholder who has previously granted proxy or cast a distance vote, irrespective of the manner in which the vote was cast, shall cause said proxy or vote to be null; (ii) physical in-person attendance will cause on-line personal attendance to be null; (iii) when the shareholder validly grants proxy or casts a vote through an electronic communication and, furthermore, performs the same action through a printed attendance card issued by Iberclear (or the participating entity thus authorized), the last proxy granted or vote cast received by the Company within the term allowed will prevail (irrespective of the means used to grant or cast it); and (iv) casting a vote using any means of distance communication will cause any proxies granted by the shareholder to be null, irrespective of whether they were granted before the vote was cast, in which case they will be deemed to have been revoked, or after, in which case they will be deemed not to have been granted. Likewise, both proxies and votes cast previously from a distance will be null in the event of disposal of the shares that confer the right to attend and vote and the Company is aware of this at least five days before the scheduled date of the Ordinary General Meeting.
- (C)** Custody of his/her electronic signature is solely the shareholder's responsibility.
- (D)** The Company reserves the right to change, suspend, cancel or restrict the mechanisms for electronic voting and granting proxy from a distance when technical or security reasons make it advisable or obligatory. If any event of this nature were to occur, it would be announced on the Company's corporate website. The foregoing is without prejudice to the validity of proxies already granted, votes already cast and the shareholders' right to attend and grant proxy.
- (E)** The Company shall in no case be liable for any damages that may be caused to the shareholder by breakdowns, overloads, lines down, connection failures, malfunctions of the postal service or any other contingencies of the same or a similar nature, beyond the Company's control, that hinder or prevent the use of the mechanisms for voting and granting proxy from a distance. Therefore, such circumstances will not constitute an unlawful deprivation of shareholder rights.
- (F)** Any of the co-owners of a share deposit may vote, grant proxy or attend and the rules on priority established above shall be applicable among them. For the purposes of article 126 of the Capital Companies Law, it is assumed that the co-owner who carries out an action (granting of proxy, voting or attendance) at any given moment has been designated by the rest of the co-owners to exercise the rights that correspond to him/her as a shareholder.

4. ON-LINE ATTENDANCE

In the light of the current situation caused by the expansion of COVID-19, including Royal Decree 463/2020 of March 14, whereby the state of alarm was declared in order to manage the health crisis situation caused by COVID-19 (together with its successive extensions) (the “**Alarm RD**”), articles 40 and 41 of the RDL, and the need to safeguard the health and safety of shareholders, employees and other persons involved in holding the Ordinary General Meeting, it has been decided that this meeting may also be attended using on-line resources that allow due identification of the shareholder (or his or her proxy-holder) and real-time connection with the venue where the Ordinary General Meeting is being held.

The mechanisms for attending the Ordinary General Meeting on-line will be made available to shareholders (or, where applicable, their proxy-holders) on the Company’s corporate website (<http://www.otis.com/es/es/accionistas-inversores/>).

On-line attendance at the Ordinary General Meeting will be subject to the legal provisions and the following basic rules, which will be supplemented and expanded by those published on the Company’s corporate website (<http://www.otis.com/es/es/accionistas-inversores/>):

(A) Identification and prior registration of shareholders

To guarantee the identity of those attending, the correct exercise of their rights, interactivity and the proper running of the meeting, shareholders who wish to use the on-line attendance mechanisms must register previously in the space allocated to the General Shareholders’ Meeting (“**on-line attendance**”) on the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>), **from 12:00 noon (CEST) on June 8, 2020 until 11:00 a.m. (CEST) on June 15 2020**. No prior registration of shareholders for exercising the right to attend on-line will be admitted after the latter date and time.

Said prior registration may be carried out in one of the following ways: (i) electronic national identity card, or (ii) recognized or advanced electronic signature based on a recognized electronic certificate currently in force, issued by the Spanish Public Certification Authority (CERES), an entity that reports to the Fábrica Nacional de Moneda y Timbre (the Spanish Mint). The Company may enable additional means of identification that duly guarantee the shareholder’s identity. In the case of proxy-holders, the content of point 3.1 will apply.

Once the shareholder has pre-registered using the means described within the term allowed, they may attend and vote at the Ordinary General Meeting on-line by connecting as required on the day the meeting is held.

The Company reserves the right to request shareholders to provide any additional means of identification it deems necessary in order to verify their status as a shareholder and guarantee the authenticity of the on-line attendance.

(B) Connection and attendance

In order to allow the on-line attendance systems to be managed properly, shareholders who have registered previously to attend the Ordinary General Meeting on-line in accordance with letter (A) above or their proxy-holders, **must connect to the Company's corporate website** (<http://www.otis.com/es/es/accionistas-inversores/>) **between 11:15 a.m. and 11:45 a.m. (CEST) on June 15, 2020 (if the Ordinary General Meeting is held on the first call) or on June 16, 2020 (if, as expected, the Ordinary General Meeting is held on the second call)** and identify themselves as described in the relevant instructions.

If applicable, on June 15, 2020, when it has been verified that the quorum required to hold the meeting has not been met, the Company will publish this situation on the electronic attendance platform, confirming that the Ordinary General Meeting will finally be held on the second call. In the event that the Ordinary General Meeting is held on the second call (as expected), on-line participants who connected on the first call must connect again in order to attend the Ordinary General Meeting on-line on the second call.

(C) Participation

Pursuant to the Capital Companies Law, interventions and motions or requests for information or clarification that, in accordance with said Law, on-line participants intend to formulate must be sent to the Company in writing, in the format, terms and conditions established on the Company's aforementioned website, **between 9:00 a.m. and 11:00 a.m. (CEST) on June 15, 2020 or, if applicable, June 16, 2020, depending on whether the Ordinary General Meeting is held on the first or second call, respectively.** The on-line participant who wishes for his/or intervention to be recorded in the minutes of the Ordinary General Meeting must state this expressly in the text of the intervention. Requests for information or clarification made by on-line participants will be answered in writing in the seven days following the meeting, in accordance with the Capital Companies Law.

On-line participants who, having connected to the meeting on the first call, sent interventions and motions or requests for information or clarification, will have to send them again, in the terms described, on the day on which the meeting is held. Otherwise, they will be deemed not to have been formulated.

(D) Voting

A vote on the motions concerning items on the Agenda may be cast from the moment the shareholder (or, where applicable, the proxy-holder) connects as an on-line participant) until the Chairman or, where applicable the Secretary, announces the end of the time allowed for voting on the motions concerning items on the Agenda. Regarding motions on matters that need not appear on the Agenda by law, on-line participants may cast their votes as from the moment at which said motions are read in order for a vote to be taken on them. For voting on the motions, the procedure set

out in the Bylaws and the Regulations of the General Shareholders' Meeting will be applied.

(E) Other issues

As stated previously, a shareholder's on-line attendance at the Ordinary General Shareholders' Meeting (provided that a quorum is reached) will cause any proxy granted or vote cast from a distance prior to the Ordinary General Meeting to be null.

Custody of the passwords or means of identification necessary to access and use the on-line attendance service is the sole responsibility of the shareholder (or proxy-holder). In the case of a legal person, it must notify the Company of any change or revocation of the powers held by its representative, the Company thus declining any liability until such notification has been made.

The Company reserves the right to change, suspend, cancel or restrict the mechanisms for on-line attendance at the Ordinary General Meeting when technical or security reasons make this advisable or obligatory. The Company will not be liable for any damages that may be caused to the shareholder by breakdowns, overloads, lines down, connection failures, or any other contingencies of the same or a similar nature, beyond the Company's control, that prevent the use of the mechanisms for on-line attendance at the Ordinary General Meeting. Therefore, such circumstances will not constitute an unlawful deprivation of shareholder rights.

In all aspects not expressly regulated in this notice, the same rules on voting and passing motions as those contained in the Regulations of the General Meeting for shareholders (or proxy-holders) who attend the Ordinary General Meeting in person will be applicable to the shareholders or proxy-holders who attend on-line.

5. MEASURES ADOPTED AS A CONSEQUENCE OF COVID-19

5.1. Other channels of participation

On-line attendance at the Ordinary General Meeting is an extraordinary measure, additional to the different channels already available for Company shareholders to take part in the Ordinary General Meeting. In this respect, you are reminded that, in the terms established, shareholders (or, where applicable, their proxy-holders) may grant proxy or vote from a distance before the Ordinary General Meeting is held using the means described in points 3.1 and 3.2.

Likewise, for the reasons mentioned previously, **physical or in-person presence of shareholders or, where applicable, their proxy-holders is not advised** and will, in any case, be subject to compliance with the necessary safety and distancing measures. In addition, to allow the meeting to be followed on-line, you are reminded that the General Meeting will be streamed on the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>).

5.2. Possibility of holding the Meeting without physical or in-person attendance

Taking account of the above provisions, in the event that, in the days leading up to the Ordinary General Meeting, it appears likely that the measures currently in force under the Alarm RD will remain in force on June 15 or 16, 2020 in similar terms, or that the possibilities of movement or meetings will be restricted, the Ordinary General Meeting will be held solely on-line, without any physical or in-person presence of shareholders, proxies or guests.

The Company will inform of any possible changes or measures adopted in relation to holding the Ordinary General Meeting at least five days in advance of the date on which the General Meeting is scheduled to be held through the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>) and the National Securities Market Commission.

5.3. Other considerations on the measures adopted

All these measures are compatible with meeting corporate obligations and fully guarantee the shareholders' political rights. The Company will continue to monitor the development of the current health crisis and the measures adopted by the authorities in relation thereto and will update the information contained in this notice if necessary, always seeking to comply with current legislation and provide the best protection to its shareholders, employees, customers and suppliers.

Additionally, notwithstanding the possibility of physical attendance at the meeting if deemed appropriate, the Company will, where applicable, enable the technical systems necessary to allow the attendance of the members of the Company's Board of Directors by audioconference or videoconference.

In addition, to allow the meeting to be followed on-line, you are reminded that the General Meeting will be streamed on the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>).

6. RIGHT TO INFORMATION

In compliance with articles 272 and 518 of the Capital Companies Law, article 13 of the Bylaws and article 5 of the Regulations of the General Shareholders' Meeting, shareholders who so wish may, as from publication of this notice, examine and obtain copies of the following documents, free of charge and immediately, at the registered office (Calle Golfo de Salónica, 73, 28033 Madrid), from 9:00 to 14:00 on working days, or request that said documents be sent to them by the Company:

1. Full text of all the motions that the Board of Directors proposes that the Ordinary General Shareholders' Meeting should, if appropriate, pass.
2. The annual financial statements and management reports of both the Company and its consolidated group for the reporting period ended November 30, 2019 that will be submitted for the approval of the Ordinary General Meeting, together with the respective audit reports.

3. Annual Corporate Governance Report for the reporting period ended November 30, 2019 (which, in accordance with the Capital Companies Law, article 538, has been included in a separate section of the management report).
4. Annual Director Compensation Report for the reporting period ended November 30, 2019.
5. Statement of Non-financial Information (SNFI), in accordance with article 1 of Law 11/2018, for the reporting period ended November 30, 2019, as well as the assurance report on the consolidated Statement of Non-financial Information issued by Ernst & Young, S.L.
6. Auditor Independence Report prepared by the Audit Committee for the reporting period ended November 30, 2019.
7. Report on the operation of the Audit Committee during the reporting period ended November 30, 2019.
8. Report on the operation of the Nominating and Compensation Commission during the reporting period ended November 30, 2019.
9. Director compensation policy for the periods 2021, 2022 and 2023.
10. Report from the Nominating and Compensation Commission on the director compensation policy proposed for the periods 2021, 2022 and 2023.
11. Report from the Board of Directors on the reduction in the number of directors.
12. Report from the Board of Directors in relation to the motions to (i) re-elect Mr Bernardo Calleja Fernández as an executive director, (ii) ratify Ms Stacy Petrosky, who was appointed by co-option, as a proprietary director; (iii) acknowledge the appointment of Mr Richard Markus Eubanks as the new personal representative of the proprietary director Otis Elevator Company, and (iv) acknowledge the appointment of Mr Alberto Zardoya Arana as the new personal representative of the proprietary director Euro-Syns, S.A.
13. Report from the Nominating and Compensation Commission in relation to the motion to re-elect Mr Bernardo Calleja Fernández as an executive director.
14. Report from the Nominating and Compensation Commission in relation to the motion to acknowledge the appointment of Alberto Zardoya Arana as the new personal representative of the proprietary director Euro-Syns, S.A.
15. Report from the Nominating and Compensation Commission in relation to the motion to acknowledge the appointment of Mr Richard Markus Eubanks as the new personal representative of the proprietary director Otis Elevator Company.
16. Report from the Nomination and Compensation Commission in relation to the motion to ratify Ms Stacy Lynn Petrosky, who was appointed by co-option, as a proprietary director.

17. Rules on distance voting and proxies.
18. Rules on on-line attendance
19. Total number of shares and voting rights that exist at the date the notice is issued.
20. Model of attendance, proxy granting and distance voting card.

In the light of the restrictions in force at any given moment as a result of the situation created by COVID-19, shareholders who wish to obtain copies of some or all of the aforementioned documents are advised to request them by e-mail addressed to info.accionista@otis.com, given that, while said restrictions continue, they may hinder attention to shareholders and the latter's access to the Company's head office.

Likewise, said documents will be displayed uninterruptedly on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>) as from publication of the notice of the Ordinary General Meeting until said meeting is held.

In accordance with articles 197 and 520 of the Capital Companies Law and article 5 of the Regulations of the General Shareholders' Meeting, until the fifth day before the date on which the Ordinary General Meeting is scheduled to be held or in the course of the Meeting itself, shareholders may request the Board of Directors (i) for any information or clarification they deem necessary on the items included on the Agenda, or ask any questions they consider relevant thereon in writing; (ii) for any clarification they deem necessary in relation to the publicly-available information that the Company has provided to the National Securities Market Commission since the last General Meeting was held and/or the audit report.

The directors are obliged to provide the information in writing up to the date on which the General Meeting is held.

In the course of the Ordinary General Meeting itself, shareholders may request orally -or, in the case of on-line attendance, in accordance with the rules set out in point 4 above- any information or clarification they see fit on the items included on the Agenda, in such a way that, if it is not possible to satisfy the shareholder's right at that moment, the directors will be obliged to provide the information in writing within the seven days following the conclusion of the Ordinary General Meeting.

The Board of Directors shall be obliged to provide the information requested in accordance with the preceding paragraphs except in cases where this information is unnecessary to protect the shareholders' rights, there are solid reasons for considering that it could be used for purposes outside the Company or making it public would damage the Company itself or its related companies.

When, before a specific question is asked, the information requested is clearly, explicitly and directly available to all shareholders on the Company's website in question-answer format, the Board of Directors may limit its reply to referring the shareholder to the information provided in

said format. Notwithstanding the foregoing, information shall not be refused when the request is supported by shareholders representing at least twenty-five percent of the share capital.

The provisions of this section should be deemed without prejudice to the rules established in section 4 for the participation of the persons attending the Ordinary General Meeting on-line.

7. ELECTRONIC SHAREHOLDERS' FORUM

Under the provisions of article 539 of the Capital Companies Law, the Board of Directors has decided that, as of publication of the notice of the Ordinary General Meeting, the rules of operation of the Electronic Shareholders' Meeting published on the Company's website and available to shareholders at the Company's head office will apply.

8. DATA PROTECTION

Zardoya Otis, S.A. is processing controller of all the personal data processed in order to organize the Ordinary General Meeting. The controller will process the personal data (including data concerning identity, means of contact, electronic signature, image and voice) collected directly from the shareholders or the entities with which they have deposited their shares through the entity legally authorised to keep the account entry register.

In particular, the aforementioned personal data will be processed for the following ends: (i) organizing the notice of the Ordinary General Meeting and the Meeting itself, and exercising and controlling the shareholders' rights of attendance and representation by proxy at the Ordinary General Meeting, which includes verification of identity and status as a shareholder or proxy-holder, administration of access registration on the on-line attendance platform or, where applicable, recording the telephone or video call; (ii) sending information to the shareholders strictly related to the shareholders' investment and the Company's evolution, including information sent electronically; (ii) allowing transparency and public broadcasting of the Ordinary General Meeting on the mentioned platform on the Company's corporate website; and (iv) complying with the rules to which the processing controller is subject. The processing of said data is necessary to meet the aforementioned purposes on the following legal bases: (i) execution of the relationship between the shareholder and the processing controller; (ii) compliance with the applicable legal obligations; and (iii) the lawful interest of the processing controller in recording and broadcasting the Ordinary General Meeting in accordance with the principles of transparency applicable to it.

Said personal data may be provided to duly-authorized third parties in the course of exercising the right to information provided for in the applicable legislation and accessible to the general public to the extent that the data subject participates in the process of the Ordinary General Meeting. The personal data will be stored while the relationship between the shareholder and the Company exists and, when it concludes, for 6 years, or a longer period when the statute of limitations for any legal or contractual actions that may be applicable is longer.

The rights of access, rectification, opposition, erasure, portability and restriction of processing, as well as any other legally-recognized rights, may be exercised by the data subject by postal correspondence or e-mail, accompanied by a copy of the national identity card, addressed to

either the registered office (Calle Golfo de Salónica, 73, 28033 Madrid), or info.acconista@otis.com for the attention of the Secretary of the Board of Directors. Data subjects are likewise informed of their right to submit a complaint to the Spanish Data Protection Agency (www.aepd.es) if they consider that their data protection rights have been violated. Shareholders may object to their image and voice being broadcast by the means mentioned above.

In the event that a shareholder includes personal data referring to other natural persons on the assistance, proxy and distance voting card or if a third party attends the Ordinary General Meeting as their proxy-holder, the shareholder must inform said persons of the points contained in the preceding paragraphs and meet any other requirements that may be applicable in order to furnish the personal data to Zardoya Otis, S.A. correctly, without the need for the latter to take any additional action.

9. EXPECTED DATE AND TIME OF THE GENERAL SHAREHOLDERS' MEETING

The Ordinary General Shareholders' Meeting is expected to be held on the **SECOND CALL**, i.e. on June 16, 2020, in the place and at the time mentioned above.

General Shareholders' Meeting 2020

* * * * *

Motions



MOTION 1

Examination and, if appropriate, approval of the annual financial statements and management reports of both the Company and its consolidated group for the period running from December 1, 2018 to November 30, 2019.

A motion is put to the Ordinary General Shareholders' Meeting for approval of the annual financial statements and management reports of the Company and its consolidated group, including the Annual Corporate Governance Report, in order to meet the requirements of: (i) the provisions of article 540 of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law (the "**Capital Companies Law**"), introduced by Law 31/2014 of December 3, whereby the Capital Companies Law was amended to improve corporate governance ("**Law 31/2014**"); and (ii) Order ECC (461/2013 of March 20, which determined the content and structure of the annual corporate governance report, the annual compensation report and other reporting tools of listed corporations, savings banks and other entities that issue securities that are traded on official securities markets ("**Order ECC/461/2013**"), reorganizing and completing the transparency requirements established in Law 4/2015 of October 23 approving the revised text of the Securities Market Law ("**LMV**").

The Annual Corporate Governance Report for the period 2019 has been prepared taking into account the provisions of the aforementioned article 540 of the Capital Companies Law and the aforementioned Order ECC/461/2013 and follows the applicable annual corporate governance report model approved by Circular 2/2018 of June 12 of the National Securities Market Commission ("**CNMV**"), which amended Circular 5/2013 of June 12 whereby models for corporate governance reports of listed corporations, savings banks and other entities that issue securities traded on official securities markets were established.

The annual financial statements have been approved by the Board of Directors, signed by all the directors, numbered correlatively and verified by the account auditor (who has issued the relevant audit reports).

The income statement of said annual financial statements includes the global compensation of the members of the Board of Directors (both in their capacity as such and for their executive functions) for the period in question, which was 1,985,799.97 thousand euros.

MOTION 2**Application, if appropriate, of the profit for the period running from December 1, 2018 to November 30, 2019.**

A motion is put to the Ordinary General Shareholders' Meeting for approval of the following application of the profit in accordance with the statement of financial position approved:

Distribution bases	Amount
Profit for the period	147,022,532.00 euros
Distribution	Amount
Legal reserve	376,371.45 euros
Dividend (*)	112,849,695.60 euros
Voluntary reserve	33,796,464.95 euros

(*) The whole of the proposed dividend has been paid to the shareholders, as stated in the following item on the Agenda.

MOTION 3**Approval of the performance of the Board of Directors and, in particular, of the distribution of interim dividends charged to the profit for the period running from December 1, 2018 and November 30, 2019.**

A motion is put to the Ordinary General Shareholders' Meeting for approval of the performance of the Board of Directors during the period running from December 1, 2018 to November 30, 2019 and ratification of the distribution of interim dividends charged to the profit for the period running from December 1, 2018 to November 30, 2019, i.e. three quarterly interim dividends, the total amount of which was 112,849,695.60 euros. For these purposes, the distribution of the dividend charged to reserves for the sum of 0.08 euros per share, which was approved by the Ordinary General Shareholders' Meeting held on May 22, 2019, is excluded.

No.	Date	Gross dividend per share	Charged to	Shares entitled to dividend	Total gross dividend
151	March 20, 2019	0,080 €/ share	First interim 2019	470,464,311 Treasury shares: 0	37,637,144.88 € 0 € 37,637,144.88 €
152	September 12, 2019	0,080 €/ share	Second interim 2019	470,464,311 Treasury shares: 0	37,637,144.88 € 0 € 37,637,144.88 €
153	December 1, 2019	0,080 €/ share	Third interim 2019	470,464,311 Treasury shares: 0	37,637,144.88 € 30,869.52 € 37,606,275.36 €
Total dividends paid in 2019 and charged to 2019					112,849,695.60 €

MOTION 4

Approval, if appropriate, of the distribution of a dividend charged to reserves for a gross amount of 0.06 euros per share.

A motion is put to the Ordinary General Shareholders' Meeting for the distribution of a dividend charged to reserves for gross amount of 0.06 euros per share, the withholdings and taxes established by law being payable by the recipient.

Thus, the Company will pay up to a maximum of 28,227,858.66 euros, which is the result of multiplying the gross amount of the cash distribution per share by 470,464,311, the total number of shares into which the Company's share capital is divided. The amount resulting from multiplying the sum of 0.06 euros by the number of any treasury shares that may exist at the time the shareholders become entitled to receive payment of the dividend will be deducted from this maximum amount. This dividend will be paid out on July 10, 2020.

MOTION 5

Approval, if appropriate of the statement of non-financial information (SNFI), in accordance with article 1 of Law 11/2018, for the period running from December 1, 2018 to November 30, 2019.

A motion is put to the Ordinary General Shareholders' Meeting for approval of the Company's statement of non-financial information for the period running from December 1, 2018 to November 30, 2019, in accordance with the provisions of Law 11/2018 of December, 28, which amended the Code of Commerce, the revised text of the Capital Companies Law approved by Royal Legislative Decree 1/2010 of July 2 and Law 22/2015 of July 20 on Account Auditing, in relation to non-financial information and diversity.

The Company's statement of non-financial information concerns the information contained in the Management Report of the Company and its consolidated group for the period ended November 30, 2019, approved by the Board of Directors at its meeting of February 27, 2020. The statement of non-financial information contained in the aforementioned Management Report has been verified by Ernst & Young, S.L., which, in this respect, issued an independent assurance report on the non-financial information, and is available on the Company's corporate website.

MOTION 6

Re-election of the auditors of the Company and its consolidated group for the period running from December 1, 2019 to November 30, 2020.

Subsequent to a proposal in favour by the Audit Committee at its meeting of February 27, 2020, a motion is put to the Ordinary General Shareholders' Meeting for the re-election of PricewaterhouseCoopers, S.L. ("PwC") as the account auditors for the Company and its

consolidated group for the financial year 2020, which commenced on December 1, 2019 and will end on November 30, 2020.

For the purposes of article 153 and related articles of Royal Decree 1784/1996 of July 19, whereby the Companies Register Regulations were approved, PwC is stated to be a Spanish company, with registered office at Paseo de la Castellana, 259 B, Torre PWC, 28046 Madrid, and tax identification number B-79031290, registered in the Madrid Companies Register on Sheet 87, Point 250-1, Folio 75, Volume 9267, Book 8054, Section 3, and in the Official Account Auditors Register (ROAC) with number S0242.

Likewise, it is proposed to authorize the Company's Board of Directors, expressly permitting it to be substituted by any of the members thereof or by the Board Secretary, to determine the account auditor's remuneration for the aforementioned period in accordance with the generally-applicable economic bases for said audit firm and, specifically, to execute the relevant service agreement, with the clauses and conditions deemed appropriate. The Board is likewise authorized to make any amendments to said agreement that may be appropriate in accordance with the legislation in force at any given moment; The foregoing is proposed by the Audit Committee in compliance with art 529 *quaterdecies* (d) of the Capital Companies Law.

It is expressly stated that the re-appointment of PwC is in accordance with Law 22/2015 of July 20 on Account Auditing and Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

MOTION 7

Appointment, if appropriate, of KPMG as the auditors of the Company and its consolidated group for the periods 2021, 2022 and 2023, in accordance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements regarding statutory audit of public-interest entities.

A motion is put to the Ordinary General Shareholders Meeting for the appointment of KPMG Auditores, S.L. ("**KPMG**") as the account auditor of the Company and its consolidated group for the financial years 2021, 2022 and 2023.

For the purposes of article 153 and related articles of Royal Decree 1784/1996 of July 19, whereby the Companies Register Regulations were approved, KPMG is stated to be a Spanish company, with registered office at Paseo de la Castellana, 259 C, 28046 Madrid, and tax identification number B-78510153, registered in the Madrid Companies Register in volume 11961, folio 90, sheet M-188007, section 8, and in the Official Account Auditors Register (ROAC) with number S0702.

Likewise, it is proposed to authorize the Company's Board of Directors, expressly permitting it to be substituted by any of the members thereof or by the Board Secretary, to determine the account auditor's remuneration for the aforementioned periods in accordance with the generally-applicable economic bases for said audit firm and, specifically, to execute the relevant service agreement, with the clauses and conditions deemed appropriate. The Board is likewise authorized to make any amendments to said agreement that may be appropriate in accordance

with the legislation in force at any given moment; The foregoing is proposed by the Audit Committee in compliance with art 529 *quaterdecies* 1 (d) of the Capital Companies Law.

This motion is submitted for the approval of the Ordinary General Shareholders' Meeting at the proposal of the Audit Committee, which, after conducting a selection procedure in accordance with the provisions of Regulation (EU) No 537/2014 of the European Parliament and of the Council and the rest of the applicable legislation, applying transparent and non-discriminatory criteria, recommended KPMG and Grant Thornton, S.L.P. as firm candidates to conduct the account audit of the Company and its consolidated group for the financial years 2021, 2022 and 2023, KPMG being the candidate preferred by the Audit Committee.

MOTION 8

Consultative ballot on the Annual Director Compensation Report for the period running from December 1, 2018 to November 30, 2019, in accordance with the provisions of the Capital Companies Law, article 541.

In order to comply with (i) the provisions of article 541 of the Capital Companies Law; and (ii) Order ECC/461/2013, which reorganizes and completes the transparency requirements established in the Securities Market Law, the 2019 Annual Director Compensation Report is submitted to the Ordinary General Shareholders' Meeting for a consultative ballot. The Company's Annual Director Compensation Report for the period running from December 1, 2018 to November 30, 2019 was approved by the Board of Directors at the meeting held on February 27, 2019, subsequent to a report in favour from the Nominating and Compensation Commission at its meeting of the same date.

The Company's 2018 Annual Director Compensation Report was drawn up taking into account the provisions of the aforementioned article 541 of the Capital Companies Law and Order EEC/461/2013, following the applicable annual director compensation report model approved by Circular 2/2018 of June 12 of the National Securities Market Commission (CNMV), amending Circular 4/2013 of June 12, which established the annual director compensation report models for directors of listed corporations and members of the boards of directors and control commissions of savings banks that issue securities traded on official securities markets.

This report was notified to the CNMV on March 20, 2020.

MOTION 9

Approval, if appropriate, of the Director Compensation Policy for the periods 2021, 2022 and 2023.

A motion is put to the Ordinary General Shareholders' Meeting for the approval, in accordance with the Capital Companies Law, article 529 *novodecies*, of the compensation policy for the Company's directors for the periods 2021, 2022 and 2023, the text of which has been made available to shareholders.

Likewise, a proposal is put to the Ordinary General Shareholders' Meeting for an exemption to allow the Chief Executive Officer to receive a long-term incentive package from Otis Worldwide Company (the Company's parent), consisting of various share-based financial instruments of Otis Worldwide Corporation, in the terms set out in the aforementioned director compensation policy. This exemption is authorized, if appropriate, to the extent that may be necessary under the Capital Companies Law, articles 229 and 230.

MOTION 10

Determination, if appropriate, of the applicable percentage in relation to compensation via profit-sharing for the period running from December 1, 2018 to November 30, 2019, in accordance with the Capital Companies law, article 218.

A motion is put to the Company's General Shareholders' Meeting to determine the percentage applicable in relation to the compensation of the directors in their capacity as such via profit-sharing, for the period running from December 1, 2019 to November 30, 2020 and for an amount of 1.5% of the consolidated profit after tax, up to a limit of 1% of the consolidated profit before tax.

This percentage falls within the upper limit fixed in the Bylaws and the Company's Compensation Policy and is agreed without prejudice to the Board of Directors' powers to fix the exact sum to be paid up to said limit, as set out in the Bylaws and the current Compensation Policy.

MOTION 11

Reduction, if appropriate, in the number of members of the Company's Board of Directors to 7.

A motion is put to the Ordinary General Shareholders' Meeting to reduce the number of members of the Board of Directors to seven (7), which is within the limits established in the Bylaws. Thus, the number of members of the Board of Directors would be reduced by four (4)

In line with the foregoing, it is proposed to the general meeting that the number of members should remain at seven (7), even if, for any reason, it is not possible to fill the vacancies on the Board in accordance with the proposals put to this General Meeting in items 12.1, 12.2, 12.3 and 12.4 of the Agenda, thus maintaining the pertinent vacancies until new directors are appointed, either through the co-option of another candidate by the Board of Directors itself after the General Meeting has been held or through the appointment of another candidate at a subsequent General Meeting.

MOTION 12

Re-election, acknowledgement and ratification, if appropriate, of the following members of the Board of Directors.

MOTION 12.1**Re-election of Mr Bernardo Calleja Fernández as an executive director.**

With a prior report in favour from the Nominating and Compensation Commission, a motion is put to the Ordinary General Shareholders' Meeting for the re-election of Mr Bernardo Calleja Fernández as an executive director of the Company for the Bylaw-stipulated period of 4 years. Mr Bernardo Calleja Fernández is of legal age, married, a Spanish national, and professionally domiciled at calle Golfo de Salónica 73, Madrid, Spain, with D.N.I. (national identity card) 10829694-Y, currently in force.

Taking the skills, professional track record and experience of Mr Bernardo Calleja Fernández into account, the Board of Directors (with the abstention of Mr Bernardo Calleja Fernández) passed a resolution to propose his re-election as a director at its meeting of May 8, 2020.

Express mention is made of the fact that Mr Bernardo Calleja Fernández meets the conditions required to perform his function and fulfils the requirements set out in the Capital Companies Law, article 529 *duodecies*, to be classified as an "executive director".

MOTION 12.2**Acknowledgement, if appropriate, of the appointment of Mr Alberto Zardoya Arana as the new personal representative of the director Euro-Syns, S.A.**

With a prior report in favour from the Nominating and Compensation Commission, a motion is put to the Ordinary General Shareholders' Meeting for the acknowledgement of Mr Alberto Zardoya Arana as the personal representative of the proprietary director Euro-Syns, S.A. for the period for which this director was appointed. Mr Alberto Zardoya Arana is of legal age, married, a Spanish national, and professionally domiciled at calle Golfo de Salónica 73, Madrid, Spain, with D.N.I. (national identity card) 15938250-D, currently in force.

Taking the skills, professional track record and experience of Mr Alberto Zardoya Arana into account, the Board of Directors (with the abstention of Mr Alberto Zardoya Arana) passed a resolution to propose his acknowledgement as the personal representative of the director Euro-Syns, S.A. at its meeting of May 8, 2020.

Express mention is made of the fact that Mr Alberto Zardoya Arana meets the conditions required to perform his function and that Euro-Syns, S.A. fulfils the requirements set out in the Capital Companies Law, article 529 *duodecies*, to be classified as a "proprietary director".

MOTION 12.3**Acknowledgement of the appointment of Mr Richard Markus Eubanks as the new personal representative of the director Euro-Syns, S.A.**

With a prior report in favour from the Nominating and Compensation Commission, a motion is put to the Ordinary General Shareholders' Meeting for the acknowledgement of Mr Richard Markus Eubanks as the personal representative of the proprietary director Otis Elevator Company for the period for which this director was appointed. Mr Richard Markus Eubanks is of legal age, married, a United States national, and professionally domiciled at calle Golfo de Salónica 73, Madrid, Spain, with foreigner identification number (NIE) Y5598460-K, currently in force.

Taking the skills, professional track record and experience of Mr Richard Markus Eubanks into account, the Board of Directors (with the abstention of Mr Richard Markus Eubanks) passed a resolution to propose his acknowledgement as the personal representative of the director Otis Elevator Company at its meeting of May 8, 2020.

Express mention is made of the fact that Mr Richard Markus Eubanks meets the conditions required to perform his function and that Otis Elevator Company fulfils the requirements set out in the Capital Companies Law, article 529 *duodecies*, to be classified as a "proprietary director".

MOTION 12.4

Ratification, if appropriate, of Ms Stacy Lynn Petrosky, who was appointed as a proprietary director by co-option.

With a prior report in favour from the Nominating and Compensation Commission, a motion is put to the Ordinary General Shareholders' Meeting for the ratification of the appointment by co-option of Ms Stacy Lynn Petrosky as a proprietary director for the Bylaw-stipulated period of four years. Ms Stacy Lynn Petrosky is of legal age, married, a United States national, and professionally domiciled at calle Golfo de Salónica 73, Madrid, Spain, with N.I.E. (foreigner identification No.) Y7702121-X], currently in force.

Ms Stacy Lynn Petrosky was co-opted as a director in a resolution of the Board of Directors dated July 26, 2019, with a prior report in favour from the Nominating and Compensation Commission, as a consequence of the resignation of the director Mr Mark George.

In the opinion of the Board of Directors, Ms Stacy Lynn Petrosky meets the conditions required to perform her function and fulfils the requirements set out in the Capital Companies Law, article 529 *duodecies*, to be classified as a "proprietary director", the motion for her ratification having been requested by the majority shareholder, United Technologies Holdings S.A.S.

MOTION 13

Delegation, if appropriate, to the Board of Directors of the interpretation, rectification, execution, formalization and registration of the resolutions passed.

A motion is put to the General Shareholders' Meeting to authorize the Chairman of the Board of Directors, Mr Bernardo Calleja Fernández, and the Secretary of the Board of Directors, Ms Lorea García Jáuregui, so that either one of them, without distinction, may, jointly and severally, execute compliance with and/or perform each and every one of the resolutions and/or decisions adopted at the present meeting, with sufficient capacity and power of attorney to enter them into public record, execute deeds of power of attorney and request any entries that might be applicable in the relevant registers, including the Companies Register, making any rectifications that may be appropriate in this respect in the light of the oral or written comments of the registrars until the deeds are fully registered.

REQUESTS AND QUESTIONS (14)

N/A

MOTION 15

Approval of the minutes of the General Shareholders' Meeting

To take note, as necessary, that, in accordance with article 202 of the Capital Companies Law, article 18 of the Bylaws and article 11 of the Regulations of the General Meeting, the minutes of the Ordinary General Meeting will be approved by the Chairman of the General Meeting and two scrutineers, one representing the majority and the other, the minority, who will be appointed by those attending the Ordinary General Meeting at the proposal of the chairman of the panel of the General Meeting.

General Shareholders' Meeting 2020

* * * * *

2019 Annual Financial Statements (individual and consolidated) and audit opinion
Non Financial Information and verification
2019 Annual Corporate Governance Report



Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

Zardoya Otis, S.A.

Independent auditor's report on the annual accounts
November 30, 2019



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 the annual accounts

To the shareholders of Zardoya Otis, S.A.

Report on the annual accounts

Opinion

We have audited the annual accounts of Zardoya Otis, S.A. (the Company), which comprise the balance sheet as at November 30, 2019, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at November 30, 2019, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the annual accounts), and, in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290



Zardoya Otis, S.A.

4.1

Key audit matter**Revenue recognition****How our audit addressed the key audit matter**

According to note 20 to the accompanying annual accounts, the Company basically has three types of revenue from: a) provision of services, mainly contracts for the maintenance of elevators; b) installation and assembly; and c) exports.

Note 3.12.b indicates that revenues from maintenance contracts are recognised on a straight-line basis as they accrue. Revenue may be billed monthly, quarterly, half-yearly or annually depending on the terms of the contracts, advance payment being recognised, as applicable, to reflect accrual correctly. This type represents the most significant portion of the Company's revenue.

According to note 3.12.a, elevator installation and assembly revenue is recognised based on the estimated percentage of completion of the work. This area requires judgements and estimates. Specifically, management periodically re-estimates the margin, estimating costs yet to be incurred such that the project's final margin does not differ substantially from the margin at contract inception.

Special attention is paid during the audit to the revenue recognition process to assure that the Company's revenue is duly supported. We consider the recognition of revenue as a result of transactions actually effected and within the period audited to be a key audit matter.

The relevance of the estimates used in the recognition of revenues and their quantitative significance means that revenue recognition is considered a key audit matter.

We describe, understand, assess and validate the relevant transactions and controls that support the revenue cycle, as well as the general IT controls and those of the Company's control environment.

Additionally, substantive tests of detail are carried out on revenue recognised during the year, using sampling techniques for different transaction types. Specifically, these referred to:

- Recognition of revenue from the installation and assembly of elevators for which we perform several tests, highlighting the periodic re-estimation of margins for a sample of projects, among other tests.
- Recognition of revenue from maintenance contracts, checking the contractual documentation, the proper recognition of revenue and invoice collection for a sample of transactions.

We checked a sample of transactions showing revenue not collected at the year end, through third-party confirmation or alternative audit procedures using the relevant documentary support. We also checked that the revenue has been accounted for in the correct period.

We performed a computer-assisted audit test designed to detect unusual items. For the items that affect revenue recognition, we have verified the supporting documents to verify that they are correctly recognised.

We checked the sufficiency of the information disclosed in the annual accounts.

On the basis of our tests, our audit objectives have been fulfilled for this key matter.

Recovery of investments in group companies

The Company has investments in Group companies in the amount of €338 million, as described in note 7 to the annual accounts.

The investments are measured at cost less any cumulative impairment adjustments. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, this being the asset's fair value less the higher of costs to sell and value in use.

When testing the analysis of the recovery of the value of investments in Group companies, we draw on our knowledge to conclude on whether the value and the assumptions employed by management are suitable. Specifically:

- We compared the cost of the investees with the results and reserves relating to each investment and their evolution with respect to the previous year.



Zardoya Otis, S.A.

4.1

Key audit matter	How our audit addressed the key audit matter
It is a key audit matter due to the size of the item and because it entails a high level of judgement and estimation on the part of management.	<p>We checked any latent capital gains existing at the year end, mainly on the maintenance portfolio, and the value of goodwill, against available evidence of the evolution of units, prices and profits for each investment.</p> <p>We check the arithmetic calculations.</p> <p>We checked the sufficiency of the information disclosed in the annual accounts.</p> <p>As a result of our tests, we consider that management's estimates sufficiently support the amount recognised under Investments in group companies.</p>

Other information: Management report

Other information comprises only the consolidated management report for the 2019 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated financial statements.

Our audit opinion on the financial statements does not cover the management report. Our responsibility regarding the information contained in the management report is defined in the regulation governing financial statement audit work, which establishes two distinct levels of responsibility:

- a) A specific level applicable to the non-financial statement and some of the information included in the Annual Corporate Governance Report, as defined in article 35.2.b) of Spanish Law 22/2015, the Audit Act, which consists of solely checking that the required information has been provided in the management report or, where appropriate, it has been included a reference to the separate report on non-financial information in the prescribed manner; otherwise, reporting that it has not.
- b) A general level applicable to the remaining information included in the management report, which consists on evaluating and reporting on the consistency between the aforesaid information and the financial statements as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, and does not include information different to that obtained as evidence during our audit. Likewise, our responsibility is to evaluate and report on whether the content and presentation of this part of the management report are in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exists, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in a) above is included in the consolidated management report and that the remaining information contained in the management report is consistent with that contained in the financial statements for the 2019 financial year, and its content and presentation are in accordance with the applicable regulations.



Zardoya Otis, S.A.

4.1

Responsibility of the directors and the audit committee for the annual accounts

The Company's directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of Zardoya Otis, S.A., in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Company's directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process of preparation and presentation of the annual accounts.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



Zardoya Otis, S.A.

4.1

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Company's audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Report to the audit committee

The opinion expressed in this report is consistent with the content of our additional report for the Company's audit committee dated 16 March 2020.

Appointment period

We were appointed auditors for a one-year period at the annual general meeting of shareholders held on 17 May 2019.

We were previously appointed under resolutions adopted by general shareholders' meetings for a period of three years and have been auditing the annual accounts uninterruptedly since the year ended 30 November 1990.

Services provided

Non-auditing services provided to the Company are disclosed in note 30 to the annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Rafael Pérez Guerra (20738)

March 16, 2020

CUENTAS ANUALES INDIVIDUALES

4.1

Zardoya Otis, S. A.

Annual Financial Statements
at November 30, 2019

CUENTAS ANUALES INDIVIDUALES

ZARDOYA OTIS, S.A.**STATEMENT OF FINANCIAL POSITION AT NOVEMBER 30, 2019 & 2018**
(Thousands of Euros - EThs)**4.1**

ASSETS	Note	2019	2018
NONCURRENT ASSETS		444,128	435,317
Intangible assets	5	21,857	25,246
Property, plant & equipment	6	55,928	56,597
Noncurrent investments in group and associated companies		338,061	323,648
Equity instruments	7	338,061	323,648
Noncurrent financial investments		5,182	4,418
Equity instruments	7	-	24
Other financial assets	7,18	5,182	4,394
Trade and other receivables	7,8	2,676	3,466
Deferred tax assets	19	20,424	21,942
CURRENT ASSETS		228,022	228,567
Inventories	9	91,546	89,324
Trade and other receivables	7,8	122,244	114,533
Trade receivables		94,366	93,219
Trade receivables, group and associated companies	8, 27	18,460	10,900
Sundry debtors		3,210	4,314
Employees		504	821
Other credits with the public authorities	21	5,704	5,279
Current financial investments	7	146	171
Other financial assets		146	171
Current accruals and prepayments		465	198
Cash and cash equivalents	7,10	13,621	24,341
TOTAL ASSETS		672,150	663,884

Notes 1 to 30 are an integral part of these Annual Financial Statements.

2

CUENTAS ANUALES INDIVIDUALES

ZARDOYA OTIS, S.A.**STATEMENT OF FINANCIAL POSITION AT NOVEMBER 30, 2019 & 2018**
(Thousands of Euros - EThs)**4.1**

EQUITY AND LIABILITIES	Note	2019	2018
EQUITY		344,533	349,598
Equity		314,679	320,715
Share capital	11	47,046	47,046
Share Premium		306	306
Reserves	13	198,119	199,763
Treasury stock	12	(2,572)	-
Profit/(loss) for period	14	147,023	148,874
(Interim dividends paid)	11, 14	(75,243)	(75,274)
Adjustments for changes in value	18	29,854	28,883
NONCURRENT LIABILITIES		45,760	46,728
Noncurrent provisions		8,554	9,388
Other provisions	17	8,554	9,388
Noncurrent debt	7, 15	198	326
Other financial liabilities		198	326
Noncurrent debt with group and associated companies	7, 15, 27	37,008	37,014
CURRENT LIABILITIES		281,857	267,558
Current provisions	17	10,388	9,968
Current debt		290	290
Borrowings from financial institutions	7	155	155
Other financial liabilities	7	135	135
Current debt with group and associated companies	7, 15	61,458	68,228
Trade and other payables	7	194,856	174,143
Trade payables	15	47,074	52,457
Sundry creditors	15	108,927	81,494
Employees (outstanding remuneration)	15	18,066	19,337
Current tax liabilities	21	5,593	6,343
Other debts with the public authorities	15, 21	15,196	14,512
Current accruals	16	14,865	14,929
TOTAL EQUITY AND LIABILITIES		672,150	663,884

Notes 1 to 30 are an integral part of these Annual Financial Statements.

3

CUENTAS ANUALES INDIVIDUALES

ZARDOYA OTIS, S.A.**INCOME STATEMENT FOR THE PERIODS ENDED NOVEMBER 30, 2019
AND 2018**

(Thousands of euros - EThs)

4.1

CONTINUING OPERATIONS	Note	2019	2018
Net revenue	20	583,528	583,880
Sales		325,027	325,483
Services rendered		258,501	258,397
Work carried out by the company on its own assets		1,645	1,645
Raw materials and consumables used	20	(217,866)	(217,572)
Goods consumed		(215,028)	(220,162)
Raw materials and other consumables used		(2,838)	2,590
Other operating revenue		482	498
Ancillary and other current management revenue		482	498
Personnel costs	20	(172,741)	(174,864)
Wages, salaries and similar		(125,607)	(126,713)
Employee welfare expenses		(45,437)	(46,555)
Provisions	18	(1,697)	(1,596)
Other operating expenses		(44,484)	(41,930)
External services	20	(45,339)	(42,218)
Taxes		(664)	(683)
Losses, impairment and changes in provisions for trading operations	8	1,519	971
Amortization, depreciation and impairment of fixed assets	5,6	(9,769)	(12,863)
Impairment and gains/(losses) on disposals of fixed assets		253	3,564
Gains on disposals and other		253	3,564
OPERATING PROFIT		141,048	142,358
Financial income		42,663	42,698
Financial expenses		(471)	(514)
Foreign exchange differences		(55)	(91)
FINANCIAL PROFIT/(LOSS)	22	42,137	42,093
PROFIT BEFORE TAX		183,185	184,451
Income tax	21	(36,162)	(35,577)
PROFIT FOR THE PERIOD ON CONTINUING OPERATIONS		147,023	148,874
PROFIT FOR THE PERIOD		147,023	148,874

Notes 1 to 30 are an integral part of these Annual Financial Statements.

4

CUENTAS ANUALES INDIVIDUALES

ZARDOYA OTIS, S.A.**STATEMENT OF CHANGES IN EQUITY AT NOVEMBER 30, 2019 & 2018****A) STATEMENT OF RECOGNIZED INCOME AND EXPENSES AT NOVEMBER 30, 2019 & 2018**

(Thousands of euros - EThs)

	Note	2019	2018
Income statement		147,023	148,874
Income and expenses recognized directly in equity	18	971	433
Actuarial gains and losses and other adjustments		971	433
Transfers to income statement		-	-
Measurement of financial instruments			
- Other income / expenses			
TOTAL RECOGNIZED INCOME AND EXPENSES		147,994	149,307

Notes 1 to 30 are an integral part of these Annual Financial Statements.

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CUENTAS ANUALES INDIVIDUALES

4.1

ZARDOYA OTIS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED
NOVEMBER 30, 2019 & 2018B) STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED NOVEMBER 30,
2019 & 2018
(Thousands of euros - EThs)

	Note	Share capital	Share premium	Reserves	(Treasury stock)	Profit for period	(Interim dividend)	Adjustments for changes in value	Total
Balance, end of 2017		47,046	306	198,022	-	152,289	(75,274)	28,450	350,839
Adjustments for changes in accounting policies 2018									
Adjustments for errors 2018									
Adjusted balance, beginning 2018		47,046	306	198,022	-	152,289	(75,274)	28,450	350,839
Total recognized income & expenses	14					148,874		433	149,307
Transactions with shareholders or owners									
- Capital increases	11								-
- Distribution of dividends	11			(37,637)			(112,911)		(150,548)
- Increase (reduction) in equity resulting from mergers	14								
Partial cash distribution of share premium	14								
- Other transactions with shareholders or owners									
- Other transactions with shareholders or owners	12								
Other changes in equity	11,13,14			39,378		(152,289)	112,911		-
Balance end of 2018		47,046	306	199,763	-	148,874	(75,274)	28,883	349,598
Adjustments for changes in accounting policies 2019									
Adjustments for errors 2019									
Adjusted balance, beginning 2019		47,046	306	199,763	-	148,874	(75,274)	28,883	349,598
Total recognized income & expenses	14					147,023		971	147,994
Transactions with shareholders or owners									
- Capital increases	11								
- Distribution of dividends	14			(37,607)			(112,880)		(150,487)
- Increase (reduction) in equity resulting from mergers, business combinations	14								
Partial cash distribution of share premium					3,634				3,634
Partial cash distribution of share premium	14								
- Other transactions with shareholders or owners	12				(6,206)				(6,206)
Other changes in equity	11,13,14			35,994		(148,874)	112,880		-
Balance, end of 2019		47,046	306	198,150	(2,572)	147,023	(75,274)	29,854	344,533

Notes 1 to 30 are an integral part of these Annual Financial Statements.

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CUENTAS ANUALES INDIVIDUALES

4.1

ZARDOYA OTIS, S.A.**STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED NOVEMBER 30, 2019 AND 2018**

(Thousands of Euros - EThs)

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the period		183,185	184,451
Adjustments to profit			
Amortization/depreciation	5,6	9,769	12,863
Result of the sale of fixed assets		(253)	(3,564)
Changes in working capital and other cash flows			
Inventories	9	(2,222)	(14,710)
Dividends received	22	42,466	42,446
Financial income received	22	230	252
Financial expenses paid	22	(448)	(514)
Receivables	8	(54,106)	(33,665)
Payables	15	19,556	10,444
Corporate income tax payments	21	(33,041)	(34,603)
		165,136	163,400
Cash flows from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments:			
Fixed assets	5,6	(5,711)	(5,349)
Cash from mergers	6	(13,452)	(7,300)
Asset disposal	6	-	4,000
		(19,163)	(8,649)
Cash flows from investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds and payments on financial liability instruments:			
Bank borrowings	7	-	(2)
Treasury stock acquisitions	12	(6,206)	-
Non-controlling share acquisitions	15	-	(378)
Dividends paid	14	(150,487)	(150,548)
		(156,693)	(150,928)
Cash flows from financing activities			
NET INCREASE / DECREASE IN CASH OR CASH EQUIVALENTS		(10,720)	3,823
Cash or cash equivalents at the beginning of the period	10	24,341	20,518
Cash or cash equivalents at the end of the period	10	13,621	24,341

Notes 1 to 30 are an integral part of these Annual Financial Statements.

7

ZARDOYA OTIS, S.A.**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD
ENDED NOVEMBER 30, 2019**
(Thousands of euros - EThs)**1. General information**

Zardoya Otis, S.A. (the "Company") was incorporated on May 9, 1934 as a corporation and has its registered office at Golfo de Salónica, 73, Madrid, where the effective centre of its administration and management is located.

Its corporate purpose, as described in article 4 of its Bylaws, consists of:

a) The manufacture, design and development, installation, repair, maintenance and sale of engines, elevators, goods elevators, platforms, escalators and moving walkways, vertical evacuation sleeves, cable cars, automatic doors and garage doors, irrespective of the use and characteristics thereof, the importation and exportation of machinery and equipment related to the foregoing, parts and components previously assembled or otherwise, and any equipment the purpose of which is to transport people or things. The construction and assembly of metallic structures, building works and other ancillary building items.

b) The administration, promotion and management of industrial, agricultural or service companies, together with the participation in already existing or newly-created companies, either through their governing bodies or by holding shares.

c) The activities that comprise the corporate purpose may be carried on by the Company indirectly, in full or in part, by means of holding interests in companies with an identical or analogous purpose.

United Technologies Holding S.A., incorporated in France, held a majority interest of 50.01% of the Company's shares at the end of the reporting period. Said company belongs to the UTC Group, incorporated in the United States of America (Notes 11 and 27). Zardoya Otis, S.A. is listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges.

These annual financial statements and the consolidated annual financial statements for the year ended November 30, 2019 were approved by the Board of Directors on February 27, 2020 and are pending the approval of the General Shareholders' Meeting. Nevertheless, Management considers that the aforementioned annual financial statements will be approved as presented. These annual financial statements will be filed at the Madrid Companies Registry.

2. Bases of presentation

The annual financial statements have been prepared on the basis of the Company's accounting records and are presented in accordance with current mercantile legislation and the standards contained in the General Chart of Accounts approved by Royal Decree 1514/2007, together with the amendments to the latter included in Royal Decree 1159/2010 and Royal Decree 602/2016, in order to show a true and fair view of the Company's equity, financial position and results, as well as the accuracy of the cash flows shown on the statement of cash flows. These financial statements show a true and fair view of the equity, the financial position at November 30, 2019, the results of the Company's operations, the changes in equity and the cash flows in the Company in the period ended at said date. Likewise, these annual financial statements were prepared under the going-concern principle.

On the same date, the Company's Board of Directors approved the consolidated annual financial statements separately. In comparison with these individual financial statements, the consolidated assets, equity and profit for the period are, applying the criteria of International Financial Reporting Standards, as follows:

EThs	2019	2018
Total assets	708,880	723,434
Equity	422,934	434,355
Profit for period	141,210	146,301

The preparation of annual financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The accounting estimates, in consequence, may be different to the final result of the circumstances assessed. These judgements and estimates are constantly reviewed and are based principally on historical experience and expectations of future events deemed reasonable.

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-estimations, 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.

Income tax and deferred tax assets

Calculating income tax requires interpretations of the tax legislation applicable to the Company. Furthermore, there are several factors, linked principally, but not exclusively, to changes in the tax laws and changes in the interpretations of the tax laws currently in force, that require company Management to make estimates. Likewise, the Company evaluates the recoverability of deferred tax assets on the basis of the existence of future taxable income against which it will be possible to offset said assets. Deferred taxes are calculated on the basis of the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts in the annual financial statements. Deferred taxes are determined using tax rates that have been or are about to be approved at the date of the statement of financial position 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 other circumstances that may affect their recoverability.

Employee benefits

The asset or liability recognized in the statement of financial position in relation to defined-benefit pension plans is the present value of the defined benefit obligations at the reporting date less the fair value of the assets attached to the plan, together with adjustments for unrecognized actuarial losses and gains and costs of past services. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Estimated impairment loss on goodwill and intangible assets

The Group tests the goodwill and the maintenance portfolios for impairment on an annual basis, to see whether there have been any losses, in accordance with the accounting policy described in Note 3 below. The recoverable amounts of the cash-generating units have been determined on the basis of calculations of their value in use. These calculations require the use of estimates.

Grouping of items

To facilitate an understanding of the statement of financial position, income statement, statement of changes in equity and statement of cash flows, these

statements are presented in groups, the required analysis being included in the Notes to the Financial Statements.

3. Accounting policies

3.1 Intangible assets

a) Goodwill

Goodwill represents the amount by which the cost of the business combination exceeds the fair value of the net identifiable assets acquired in the transaction at the acquisition date. Consequently, goodwill is only recognized when it has been acquired in return for a consideration and relates to the future economic profits on assets that it has not been possible to identify individually and recognize separately.

Goodwill recognized separately is amortized over a life of ten years on a straight-line basis. Additionally, it is subject to annual impairment testing, being measured at cost less accumulated impairment losses. When the carrying amount of an asset is higher than its estimated recoverable amount, its value is immediately reduced to the recoverable amount. Impairment losses recognized in the goodwill are not reversed in subsequent years.

The goodwill is allocated to the Cash-Generating Units (CGUs) in order to test for impairment. The allocation is made to the CGUs that are expected to benefit from the business combination on which the goodwill arose. In this regard, since Company business constitutes a single integrated production process, Zardoya Otis, S.A. is considered a cash-generating unit since it is the smallest identifiable group of assets that generates independent cash inflows.

b) Research and development costs

Research or development expenses incurred in a project are recognized as an expense when incurred. Development costs previously recognized as an expense are not recognized as an asset in a later period.

c) Maintenance contracts and other related intangible assets

This item includes principally the amounts relating to the cost of taking over elevator maintenance contracts that are acquired either directly as a contract portfolio or within an overall business combination. It is amortized on a straight-line basis over a term considered equivalent to an estimated useful life of between 10 and 20 years, depending on the

characteristics of the portfolio. Impairment testing is carried out regularly whenever there are factors that indicate a possible impairment loss.

Trademarks and other agreements derived from the acquisition of maintenance portfolios are presented at their historical cost. They have a defined useful life and their carrying amount is acquisition cost less accumulated amortization.

3.2 Property, plant and equipment

The items classified as property, plant and equipment are recognized at their acquisition price or production cost less the accumulated depreciation and the accumulated amount of any losses recognized.

The costs of expanding, modernizing or improving property, plant and equipment are capitalized when they represent an increase in capacity or productivity or a lengthening of the asset’s useful life.

Costs of major repairs are capitalized and are depreciated over their estimated useful lives, while recurring maintenance expenses are charged to the income statement in the year in which they are incurred.

The depreciation of property, plant and equipment, with the exception of land, which is not depreciated, is calculated using the straight-line method in accordance with the estimated useful lives, taking any impairment actually suffered as a result of operation, use and enjoyment into account. The estimated useful lives are:

	Years of estimated useful life
Buildings	33
Machinery and tools	8,10,13 & 4
Furniture, accessories and equipment	10, 4 & 13
Transport fleet	5 & 6

The residual value and useful life of the assets are reviewed at each reporting date and adjusted if necessary.

When the carrying amount of an asset is higher than its estimated recoverable amount, its value is immediately reduced to its recoverable amount.

Losses and gains on sales of property, plant and equipment are measured by comparing the proceeds from the sale with the carrying amount and are recorded in the income statement.

3.3 Impairment losses on non-financial assets

Assets that are amortized or depreciated are tested for impairment when any event or change in circumstances indicates that their carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, defined as the higher of the fair value of the asset or its value in use. To measure impairment losses, assets are grouped at the lowest level with identifiable separate cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment loss are reviewed at each reporting date to see whether the loss has reversed.

3.4 Financial assets

a) 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 are included in current assets, except for maturities longer than 12 months after the reporting date, which are classified as noncurrent assets. Loans and receivables are included in "Credits to group companies" and "Trade and other receivables" on the statement of financial position.

These financial assets are initially measured at their fair value, including any transaction costs that can be directly allocated to them, and subsequently at their amortized cost, recognizing the interest accrued in accordance with the effective interest rate, defined as the discount rate that makes the carrying value of the instrument equal to the totality of its estimated cash flows until maturity. Notwithstanding the foregoing, credits for trading operations maturing at no more than one year are measured, both when initially recognized and subsequently, at their face value, provided that the effect of discounting the flows is not significant.

At each reporting date, the necessary impairment losses are recognized if there is objective evidence that not all the amounts owing will be collected. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate at the time of initial recognition. Impairment losses and, if applicable, the reversal thereof, are recognized in the income statement.

Financial assets are removed from the statement of financial position when all the risks and rewards of ownership of the asset are

substantially transferred. In the specific case of receivables, this is deemed to take place, in general, when the risks of late or non-payment have been transferred and financial institution finances the amount directly to the customer.

b) Investments in the equity of group companies

These are measured at their cost less, if applicable, the accumulated amount of all the impairment adjustments. Notwithstanding, when there is an investment before the company is classified as a group company, the cost of the investment is considered to be its carrying amount before the classification as a group company. Previous impairment losses recognized directly in the equity remain there until they are de-recognized.

If there is objective evidence that the carrying amount is not recoverable, the relevant impairment loss is recognized for the difference between the carrying amount and the recoverable amount, defined as the higher of the fair value less selling costs and the present value of the cash flows derived from the investment. Unless there is other evidence of the recoverable amount, the equity of the company in which the investment is held, adjusted by any tacit capital gains that may exist at the measurement date, is used when estimating the impairment of these investments. The impairment loss and, if applicable, the reversal thereof, are recognized in the income statement of the period in which they take place.

3.5 Inventories

a) Inventories

These are measured at the lower of market value and average acquisition or manufacturing cost, which includes any costs directly allocable to the product and the relevant part of the indirect costs allocable to the products in question, to the extent that said costs relate to the manufacturing period.

When the net realizable value of the inventories is lower than their costs, the relevant adjustments to their value will be made and recognized as an expense 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.

b) Cost in progress

Cost in progress contracts are measured by adding the expected profit margin to the cost incurred. The former is obtained in accordance with the percentage of completion of the work in progress, in proportion to the estimated total cost and the selling price contractually agreed with the customers.

3.6 Advance billing

This relates to the billing issued to customers in accordance with their contractual conditions when the work has not yet been completed.

3.7 Equity

The share capital is represented by ordinary shares. The costs of share issuance are presented directly against equity as a decrease in the reserves.

The share premium reserve account corresponds to freely-available reserves.

As a general rule, unless there is a more reliable measurement, the fair value of the equity instruments or financial liabilities issued in consideration of a business combination will be their quoted price if said instruments are listed on an active market.

When treasury shares are acquired, the consideration paid, including any directly allocable incremental cost, is deducted from the equity until the shares are written off, reissued or sold. When these shares are sold or subsequently reissued, any amount received, net of any directly-allocable incremental transaction cost, is included in equity.

3.8 Financial liabilities

The debts and payables heading includes debits for trading operations and debits for non-trading operations. These debts are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the reporting date.

These debts are initially recognized at their fair value adjusted by directly-allocable transaction costs and subsequently recorded at their amortized cost using the effective interest rate method. Said effective interest rate is the discount rate that makes the carrying amount of the instrument equal to the flow of future payments expected until the liability matures.

Notwithstanding the foregoing, debits for trading operations that mature at no more than one year and that do not have a contractual interest rate are measured, both initially and subsequently, at their face value when the effect

of not discounting the cash flows is not significant.

3.9 Current and deferred taxes

The income tax expense is the amount that is accrued in the period for this item and includes both the current and deferred tax expense. It is recorded in the income statement. Notwithstanding, the tax effect relating to items that are recognized directly in equity is recorded in equity.

Current tax assets and liabilities are measured as the amounts it is expected to pay to or recover from the tax authorities under the current legislation or any legislation that has been approved but not yet published at the reporting date.

Deferred taxes are measured, in accordance with the liability method, on the temporary differences that arise between the tax bases of the assets and liabilities and their carrying amounts. However, if the deferred taxes arise from the initial recognition of an asset or liability in a transaction other than a business combination that, at the moment of the transaction, does not affect either the accounting profit or loss or the tax base, they are not recognized. Deferred tax is measured by applying the legislation and tax rates that are approved or about to be approved at the reporting date and that are expected to be applicable when the relevant deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is likely that there will be future tax profits against which the temporary differences may be offset.

3.10 Provisions and contingent liabilities

Provisions are recognized when the Company 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 Company'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.

3.11 Business combinations

In business combinations originating from the acquisition of shares in the capital of a company, the Company recognizes the investment as established for investments in the equity of group companies (Note 3.4.b).

In the case of business combinations arising from the acquisition of all the assets and liabilities of a company -or of a part thereof that forms one or more businesses- and operations of merger, spin-off and/or non-monetary contribution of a business, they are recorded in accordance with the acquisition method. If merger or spin-off transactions between group companies exist, they are recorded as established for transactions between related parties (Note 3.14).

3.12 Revenue recognition

a) Revenue from installation, elevator assembly and exports

Sales are recognized in accordance with the estimated percentage of completion of the work, making the necessary adjustments by means of regular re-estimations, so that the profit or loss margins that will exist when the contracts end do not differ substantially from the margins applied while the contracts are current.

b) Revenue from the rendering of maintenance service

Revenue from maintenance contracts is recognized on a straight-line basis as accrued. Billing may be monthly, quarterly, six-monthly or annually, depending on the conditions in the contracts signed with the customers, generating, if applicable, the accounting entries required to recognize advance billing.

c) Revenue from interest

Revenue from interest is recognized using the effective interest rate method. Revenue from interest on loans that have suffered impairment losses is recognized using the effective interest rate method.

d) Revenue from dividends

Revenue from dividends is recognized as revenue in the income statement when the right to receive the proceeds is established. Notwithstanding the foregoing, if the dividends paid come from profits generated prior to the acquisition date, they are not recognized as income and reduce the carrying amount of the investment.

3.13 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 are charged to the income statement in the period in which they accrue on a straight-line basis over the period of the lease.

3.14 Related-party transactions

In general, transactions between group companies are initially recognized at their fair value. When applicable, if the agreed price differs from the fair value, the difference is recognized in accordance with the true economic characteristics of the transaction. They are subsequently measured in accordance with the provisions of the applicable standards.

Notwithstanding the foregoing, in transactions of merger, spin-off or non-monetary contribution of a business, the Company applies the following criterion:

- a) In transactions between group companies in which the parent company and its subsidiary are involved directly or indirectly, the elements that form the business acquired are measured at the amount at which they are stated in the consolidated annual financial statements of the group or subgroup.
- b) When the parent company of the group or subgroup and its subsidiary are not involved, the annual financial statements to be used are those of the largest group or subgroup with a Spanish parent in which the elements that form the business are included.

Any difference that may arise in either of these cases is recognized in the reserves.

3.15 Welfare commitments

The welfare commitments acquired with current or retired employees are in all cases complementary to those provided by the Social Security.

According to Royal Decree 1588/1999, which approved the Implementing Regulation on Pension Commitments between companies and employees, pension commitments acquired by companies must be externalized through a group life insurance policy or an employment system pension plan or both. In accordance with the amendment introduced by Law 14/2000 concerning the transitional period for the formalization or adaptation of the aforementioned, 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 group life insurance policies to arrange the pension commitments acquired by the company with its current and retired employees. In December 2011, Zardoya Otis, SA made the last payment for the financing of the aforementioned framework agreement.

The net liability or asset recognized in the statement of financial position in respect of the future payment commitments acquired by the Company in relation to the payment of supplements, other retirement benefits and life insurance premiums in accordance with the benefits agreed by the Company is the present value of the obligations at the reporting date less the fair value of the assets attached to the plan, together with adjustments for unrecognized actuarial losses and gains and costs for past services. The defined benefit obligation is measured annually by independent actuaries using the projected unit credit method.

Any variation in the calculation of the present value of the remuneration commitments or, if applicable, the assets attached to the plan at the reporting date due to actuarial gains and losses is recognized directly in equity, as reserves, in the period in which it arises. For these purposes, the gains or losses are solely any variations that arise from changes in actuarial assumptions or experience adjustments.

At November 30, 2019, the actuarial calculations were updated using financial/actuarial assumptions that included an discount rate of between 0.00% and 0.92% per year (between 1.52% and 1.78% in 2018), mortality tables PERMF 2000P in both 2019 and 2018, and income growth tables in line with the normal practice in the environment. Likewise, in 2019 and 2018, the actuarial calculations considered an estimated retirement age of between 65 and 67 years for the commitments.

There is also a defined-contribution plan, the annual contributions to which form part of employee benefit expenses.

As stated in Note 27, 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).

3.16 Severance payments

The Company 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.

3.17 Foreign currency transactions

a) Functional and presentation currency

The Company's annual financial statements are presented in euros, which is the Company's presentation and functional currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency losses and gains resulting from settlement of these transactions and conversion of monetary assets and liabilities denominated in foreign currencies at year-end rates are recognized in the income statement, unless they are deferred in the equity, such as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items such as equity instruments held at fair value through profit and loss are presented as part of the gain or loss in the fair value. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets are included in equity.

3.18 Joint ventures

The Company recognizes the proportional part it holds in the jointly-controlled assets and jointly-incurred liabilities in accordance with its percentage interest, as well as the assets attached to the joint venture that are under its control and the liabilities incurred as a result of the joint venture.

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

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

4. Financial risk management

4.1 Financial risk factors

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

Risk management is controlled by Company Management in accordance with policies approved by the Board of Directors. Management assesses and hedges the 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 the risk management functions.
- Ensure that the risk exposure level accepted by the Company in its operations is in line with the risk profile.

a) Market risk

(i) Foreign exchange risk

The Company operates internationally and, therefore, is occasionally exposed to foreign exchange risk, principally on transactions in US Dollars. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. However, said transactions are not significant and the effect of a change in the interest rate would not have a material effect on the financial reporting at November 30, 2019.

To control the foreign exchange risk on significant future commercial transactions for the import of materials, the Company uses forward

contracts negotiated with the UTC Group Treasury Center.

As the parent company of Otis Maroc, S.A., whose registered office is in Morocco, the Company has considered the risk arising from possible future fluctuations in the euro/dirham exchange rate, which would affect future cash flows related to any dividends that said company might distribute.

In relation to commercial export and/or import transactions, the Company is exposed to an insignificant foreign exchange risk. At November 30, 2019, there were balances payable in foreign currencies other than the euro the equivalent value of which was euros was EThs 2,387 (EThs 986 in 2018). There were no receivable balances in currencies other than the euro.

(ii) Price risk

The Company has limited exposure to price risk for quoted commodities.

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

(iii) Cash flow interest rate risk and fair value interest rate risk

As the Company does not hold significant remunerated assets, the revenues and cash flows from its operating activities are fairly independent of market interest rate fluctuations.

The Company's interest rate risk arises on long-term borrowings at variable interest rates, the interest rates applied to the loans from financial institutions being subject to the fluctuations of the Euribor.

As stated in Note 7, at the 2019 and 2018 reporting dates, the Company did not hold any borrowings at a fixed interest rate.

b) Credit risk

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

The Company has 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 currently hold high credit ratings in the market.

The amounts of trade receivables are shown in the statement of financial position net of the provision for impairment. At November 30, 2019, said provision was EThs 32,744 (EThs 49,176 in 2018) (Note 8). The Company estimates the provisions required 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. According to said analysis, financial assets aged over six months but not deemed to be impaired at November 30, 2019 and 2018 were as follows:

	2019	2018
Between 6 months and 1 year	4,568	5,198
Between one and two years	1,289	1,437
More than two years	-	-
EThs	5,857	6,635

Amounts receivable for exports relate to balances with related companies (Otis Group) and the amounts shown as trade receivables, trade bills receivable and accounts with Zardoya Group companies relate principally to transactions carried out in national territory, for which the Company has assessed the credit capacity of each one of the debtors.

As stated in Note 10, at November 30, 2019 and 2018, the Company did not hold any current deposits with financial institutions.

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. In this respect, the group Treasury Department aims to maintain flexibility in funding by keeping committed credit lines available.

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4.1

The Company monitors the capital on the basis of the debt ratio. This ratio is calculated by dividing the net debt by the total capital. The net debt is calculated as total borrowings less cash and cash equivalents. The total capital is calculated as the equity on the statement of financial position plus the net debt.

At November 30, 2019, cash and cash equivalents represented EThs 13,621 (EThs 24,341 in 2018), including amounts held as cash and in banks.

The change in the Statement of Cash Flows in relation to operating, investing and financing activities is shown below:

	2019	2018
Cash at the beginning of the period	24,341	20,518
Cash flows from operating activities	165,136	163,400
Cash flows from investing activities	(19,163)	(8,649)
Cash flows from financing activities	(156,693)	(150,928)
Cash at the end of the period	13,621	24,341

d) Capital risk

The objective of the Company and its subsidiaries in relation to capital management is to ensure a financial structure that optimizes the cost of capital and maintains the financial position and to be able to make the creation of value for the shareholders compatible with the cost of covering financial needs.

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

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	2019	2018
Debt with financial institutions (current and noncurrent)	155	155
Other financial liabilities (current and noncurrent)	8,992	903
Cash and cash equivalents	(13,621)	(24,341)
Other current financial assets	(146)	(171)
Net financial debt	(4,620)	(23,454)
Equity	344,533	349,598
Leverage (*)	-1.32%	-6.7%

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

At November 30, 2019, this net financial debt represented -0.03 of EBITDA (-0.15 in 2018) (EBITDA: operating profit + amortization/depreciation + impairment of investments in Group companies).

4.2 Estimation of fair value

The carrying amounts of the credits and debits arising from commercial transactions are assumed to be similar to their fair values. The fair value of the financial liabilities is estimated, for the purposes of presenting financial information, by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

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5. Intangible assets

Details of the items included in "Intangible assets" and the movement on these items are as follows:

	Maintenance contracts	Goodwill	Other intangible assets	Total
Cost	52,073	36,110	7,918	96,101
Accumulated amortization	(27,598)	(32,499)	(3,745)	(63,842)
Balance at November 30, 2017	24,475	3,611	4,173	32,259
Other additions	-	-	1,645	1,645
Retirements	-	-	-	-
Provision for amortization	(2,806)	(3,611)	(2,241)	(8,658)
Net carrying amount	21,669	-	3,577	25,246
Cost	52,073	36,110	9,563	97,746
Accumulated amortization	(30,404)	(36,110)	(5,986)	(72,500)
Balance at November 30, 2018	21,669	-	3,577	25,246
Other additions	-	-	1,645	1,645
Retirements	-	-	-	0
Provision for amortization	(2,793)	-	(2,241)	(5,034)
Net carrying amount	18,876	-	2,981	21,857
Cost	52,073	36,110	11,208	99,391
Accumulated amortization	(33,197)	(36,110)	(8,227)	(77,534)
Balance at November 30, 2019	18,876	-	2,981	21,857

a) Goodwill

The value of goodwill at the 2019 and 2018 reporting dates was zero. Details of goodwill are as follows:

	Year	Cost	Net carrying amount 2019
Sadet y Huesca	2000	447	-
Elevamar	2001	366	-
Gonzalo	2002	312	-
Artzai	2002	229	-
Valenciana de Ascensores S.L.	2004	624	-
Manelso S.L.	2007	3,476	-
De Vega S.A.	2008	16,459	-
Ascensores Saez S.L.	2008	7,647	-
Jobensa S.L.	2009	1,270	-
Ascensores Vascos S.L.	2009	1,157	-
Técnicos de Ascensores Reunidos S.A.	2009	2,631	-
Ascensores González S.L.	2009	1,492	-
TOTAL		36,110	-

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4.1

The recoverable amount of an acquisition is determined by comparison with calculations of the value in use. These calculations use cash flow projections for a 5-year period.

b) Maintenance contracts

Details of maintenance contracts acquired are as follows:

	Period	Net carrying amount 2019	Net carrying amount 2018
Aspe – Las Palmas	2007	-	197
Omega Sur:	2008	256	425
Ascensores Vascos.	2009	3,121	3,497
Jobensa	2009	786	1,044
Grupo Lagi	2009	4,139	4,790
Técnicos de Ascensores Reunidos S.A.	2009	5,042	5,568
Ascensores González S.L.	2009	4,245	4,669
Aspe – Ibiza	2010	259	343
Arrazola / Jeysan / SLV3	2016	469	515
Hemen	2017	559	621
TOTAL		18.876	21,669

The useful lives of these contracts are estimated at between 10 and 20 years and their value is amortized on a straight-line basis over said period. The amortization charge in the period 2019 was EThs 2,793 (EThs 2,806 in 2018). As of November, 30, 2019, the original cost of these portfolios was 52,073 (EThs 52,073 in 2018).

c) Other intangible assets with indefinite useful lives

In 2015, the company Grupo Ascensores Enor, S.A. was merged by absorption. Said company was dissolved without liquidation and the totality of its equity was transferred en bloc to the absorbing company, Zardoya Otis, S.A. Other intangible assets include the market value of the trademark Enor for EThs 5,961 (EThs 5,961 in 2018) and its carrying amount of EThs 2,980 (EThs 3,576 in 2018).

6. Property, plant and equipment

Details of the items included in property, plant and equipment and movement on these items are as follows:

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	Land and buildings	Machinery	Furniture, accessories & equipment	Total
Cost	55,785	22,222	46,657	124,664
Accumulated depreciation	(10,510)	(15,232)	(41,416)	(67,158)
Balance at November 30, 2017	45,275	6,990	5,241	57,506
Additions	4	746	2,920	3,670
Merger (Note 25)	-	-	-	-
Retirements	(1,287)	(2,242)	(945)	(4,474)
Provision for depreciation	(1,141)	(1,061)	(2,003)	(4,205)
Derecognition of depreciation	953	2,229	925	4,107
Other movements	(7)	-	-	(7)
Cost	54,502	20,726	48,632	123,860
Accumulated depreciation	(10,705)	(14,064)	(42,494)	(67,264)
Balance at November 30, 2018	43,797	6,662	6,138	56,597
Additions	0	2,649	1,515	4,164
Retirements	-	-	(98)	(98)
Provision for depreciation	(1,119)	(1,265)	(2,351)	(4,735)
Derecognition of depreciation	-	-	-	-
Other movements	-	-	-	-
Cost	54,502	23,375	50,050	127,927
Accumulated depreciation	(11,824)	(15,329)	(44,846)	(71,999)
Balance at November 30, 2019	42,678	8,046	5,204	55,928

a) Impairment losses

In the years 2019 and 2018, no significant impairment losses were recognized or reversed for any individual item of property, plant and equipment.

b) Revaluations carried out under Royal Decree-Law 7/1996 of June 7

In its annual financial statements as of November 30, 1996, the Company restated its balances in accordance with Royal Decree-Law 7/1996, giving rise to a net value increase of EThs 4,056 in the Company's property, plant and equipment. The total amount of the restatement is 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, 2019, the aforementioned restatement had an impact of EThs 231 (2018: EThs 250) on the net carrying amount of property, plant and

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equipment. Consequently, the effect of this restatement on the provision for the year 2019 was EThs 19 (EThs 19 in 2018).

c) Fully-depreciated assets

At November 30, 2019 and 2018, the following items of property, plant of equipment had been fully depreciated but were still in use:

	2019	2018
Buildings	3,548	3,416
Plant and machinery	25,723	22,978
Other installation, tools and furniture	16,459	14,670
Other items of PPE	10,694	10,156
EThs	56,424	51,220

d) Insurance

It is the Company's policy to take out all the insurance policies deemed necessary to cover any possible risks which could affect, among other items, the property, plant and equipment.

e) Acquisition commitments

As of November 30, 2019, there were firm purchase commitments for the acquisition of property, plant and equipment for an amount of EThs 859 (EThs 2,062 in 2018), EThs 1,779 of which had been settled in advance (EThs 1,880 in 2018).

7. Analysis of financial instruments

7.1 Analysis by category

The carrying amount of each one of the categories of financial instruments established in the rules on recognizing and measuring "financial instruments", except for investments in the equity of group companies (Note 7.3) was as follows:

Financial assets	2019		2018	
EThs	Equity instruments	Credits, derivatives, other	Equity instruments	Credits, derivatives, other
Noncurrent:				
Loans & receivables (Note 8)		2,676		3,466
Other	-	567	24	558
TOTAL	-	3,243	24	4,024
Current				
Trade & other receivables (Note 8)	-	116,540	-	109,254
Credits to Group	-	-	-	-

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companies (Note 8)				
Cash & cash equivalents (Note 10)	-	13,621	-	24,341
Other	-	146	-	171
TOTAL	-	130,307	-	133,766

Financial liabilities	2019		2018	
EThs	Debt with financial institutions	Derivatives Other	Debt with financial institutions	Derivatives Other
Noncurrent				
Debits and payables (Note 15)	-	198	-	326
Borrowings from financial institutions (Note 7)	-	-	-	-
Loans from Group companies (Notes 15 & 27)	-	37,008	-	37,014
TOTAL	-	37,206	-	37,340
Current				
Debits & payables (Note 15)	-	174,069	-	153,288
Borrowings from financial institutions (Note 7)	155	-	155	-
Debt with Group companies (Notes 15 & 27)	-	61,458	-	68,228
Other	-	135	-	135
TOTAL	155	235,662	155	221,651

7.2 Analysis by maturity

The noncurrent financial assets include trade bills receivable maturing at more than one year, which total EThs 2,676 (EThs 3,446 in 2018). Details by year of maturity are as follows:

	2019	2018
At two years	2,632	2,755
At three years	33	583
At more than 3 years	11	128
EThs	2,676	3,466

Financial liabilities include current and noncurrent debt for business combination commitments with the following maturities:

2019	Current	Noncurrent		
		2021	2022	Total
Acquisitions prior to 2019	-	-	-	-
Acquisitions 2019	4,982	43	3,967	4,010
Total	4,982	43	3,967	4,010

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2018	Current	Noncurrent		
		2020	2021	Total
Acquisitions prior to 2018	903	-	-	-
Acquisitions 2018		-	-	-
Total	903	-	-	-

At November 30, 2019 and 2018, 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.

2019	Current	Noncurrent		
		2021	2022	Total
Borrowings from financial institutions	155	-	-	-
Total	155	-	-	-

2018	Current	Noncurrent		
		2020	2021	Total
Borrowings from financial institutions	155	-	-	-
Total	155	-	-	-

At November 30, 2019, there were financial assets (trade receivables) of EThs 51,383 (EThs 38,121 in 2018) that had been derecognized from the statement of financial position because the risks of late or non-payment had been transferred.

7.3 Holdings in Group companies

2019:

During the 2019 reporting period, the company acquired 100% of the shares of OTIS Lliset SLU in Andorra and Sige Ascensores SL in Spain.

Likewise, in 2019 the company acquired 80% of the shares of Ascensores Eleva SL for a value of EThs 9,126. This acquisition was executed principally through a share exchange, in which Zardoya Otis, S.A. transferred treasury shares held on its portfolio at the transaction date.

All the companies acquired in the period are engaged mainly in the sale, supply, installation and repair of elevators.

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2018:

In 2018, the Company acquired Soluciones de Accesibilidad LV3 SL, a company engaged mainly in the sale, supply, installation and repair of elevators in Spain.

On June 4, 2018, the subsidiary Electromecánica Elevadores SL carried out a capital increase of EThs 7 030. The new shares in the company were fully subscribed and paid up, together with the related share premium, by Zardoya Otis, S.A. in cash.

Holdings in group companies are represented by the Company's investments in the following companies:

November 30, 2019								
Company	Registered office	Percentage direct or indirect holding or voting rights	Carrying amount of holding	Provision for impairment	Capital	Reserves	Net profit/(loss) for period	Dividends received in period (Note 22)
Ascensores Ingar, S.A.	Granada	100	15,936	1,630	1,000	9,193	(479)	-
Crucent – Edelma - Aspe S.L.	Barcelona	100	36,739	-	120	10,398	1,848	3,989
Ascensores Serra, S.A.	Gerona	75	605	-	240	1,158	1,611	1,254
Otis Elevadores, Lda.	Portugal	100	31,658	-	21,241	31,221	15,751	17,695
Ascensores Pertor, S.L.	Valencia	94.13	17,393	-	51	12,392	1,834	3,238
Acresa Cardellach, S.L.	Barcelona	96.76	19,515	-	10,808	24,097	2,088	2,860
Puertas Automáticas Portis, S.L.	Madrid	100	18,977	-	336	12,315	1,644	4,521
Zardoya Otis (Gibraltar) Limited.	Gibraltar	100	-	-	1	-	220	-
Conservación de Aparatos Elevadores Express, S.L.	Madrid	100	1,771	-	1,771	8,934	2,763	522
Otis Maroc, S.A.	Morocco	100	21,949	1,983	330	6,224	1,723	1,629
Montes Tallón S.A.	Alicante	52	16,716	5,893	97	6,982	140	-
Ascensores Enor, S.A.	Pontevedra	100	117,100	-	2,661	14,056	5,602	6,077
Electromecánica del Noroeste, S.A.	Pontevedra	100	16,525	-	1,000	13,833	495	-
Electromecánica Hemen Elevadores, S.L.	Vitoria	100	17,820	-	10	9,884	381	331
Soluciones de Accesibilidad LV3 SL	Barcelona	80	450	-	160	221	144	-
Otis Lliset SLU	Andorra	100	4,280	-	3	125	246	350
Ascensores Eleva SL	Alicante	80	9,126	-	6	(549)	79	-
Sige Ascensores SL	Alicante	100	1,007	-	9	43	18	-
EThs			347,567	9,506				42,466

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November 30, 2018								
Company	Registered office	Percentage direct or indirect holding or voting rights	Carrying amount of holding	Provision for impairment	Capital	Reserves	Net profit/(loss) for period	Dividends received in period (Note 22)
Ascensores Ingar, S.A.	Granada	100	15,936	1,630	1,000	9,349	(217)	-
Cruxent – Edelma S.L.	Barcelona	100	26,505	-	120	11,028	1,489	2,591
Ascensores Serra, S.A.	Gerona	75	605	-	240	1,158	1,672	1,446
Otis Elevadores, Lda.	Portugal	100	31,658	-	21,241	34,109	15,619	19,729
Ascensores Pector, S.L.	Valencia	94.13	17,393	-	51	13,892	1,940	3,223
Acresa Cardellach, S.L.	Barcelona	96.76	19,515	-	10,808	25,097	1,956	2,104
Puertas Automáticas Portis, S.L.	Madrid	100	18,977	-	336	14,815	2,022	3,032
Zardoya Otis (Gibraltar) Limited.	Gibraltar	100	-	-	1	0	264	-
Conservación de Aparatos Elevadores Express, S.L.	Madrid	100	1,771	-	1,771	8,934	521	1,561
Otis Maroc, S.A.	Morocco	100	21,949	1,983	330	6,293	1,550	649
Montes Tallón S.A.	Alicante	52	16,716	5,893	97	6,959	- 1	-
Ascensores Enor, S.A.	Pontevedra	100	117,100	-	2,661	14,150	5,212	6,212
Electromecánica del Noroeste, S.A.	Pontevedra	100	16,525	-	1,000	13,547	1,353	-
Electromecánica Hemen Elevadores, S.L.	Vitoria	100	17,820	-	10	9,883	339	884
Ascensores Aspe, S.A.	Balearic Islands	100	10,234	-	205	1,212	453	1,013
Soluciones de Accesibilidad LV3 SL	Barcelona	80	450	-	160	199	90	-
EThs			333,154	9,506				42,445

The principal activity of the different companies that form the Group is the manufacture and installation of elevators and the maintenance thereof (Note 1), except for Puertas Automáticas Portis, S.L. (sale, installation, repair and maintenance of automatic doors).

8. Loans and receivables

	2019	2018
Noncurrent loans and receivables:		
Noncurrent trade bills receivable (Note 7)	2,676	3,466
Trade and other receivables		
Trade receivables	68,467	75,276
Current trade bills receivable	20,751	21,780
Provisions for impairment	(32,744)	(49,176)
Receivables from Group companies (Note 27)	18,460	10,900
Receivables from related companies (Note 27)	37,763	45,339
Other receivables	3,843	5,135
Public authorities	5,704	5,279
EThs	122,244	114,533

At November 30, 2019 and 2018, the Company had no customers whose sales concentrated 5% of the sales for the period.

Trade receivables that mature at less than six months ago are not deemed to be impaired, unless the customer is subject to insolvency proceedings or other litigation. At November 30, 2019, balances aged less than six months were

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EThs 37,765 (EThs 37,664 in 2018).

Ageing of trade receivables (other than doubtful debts with customers who are subject to insolvency proceedings or other litigation) was as follows:

	2019	2018
Between 6 months and 1 year	5,075	5,796
Between 1 and 2 years	2,458	3,087
More than 2 years	1,924	2,315
EThs	9,457	11,198

Movement on the provision for impairment losses on trade receivables was as follows:

	2019	2018
Starting balance	49,176	51,408
Provision made	1,586	984
Reversals	(3,105)	(1,955)
Write-offs	(14,913)	(1,261)
EThs	32,744	49,176

The recognition and reversal of the impairment losses on trade receivables is included in "Impairment losses and change in trade provisions" in the income statement. Usually, amounts charged to the impairment account are written off when there is no expectation of recovering more cash. The net reversal of the provision in 2019 was 0.26% of the Company's sales (2018: 0.16%).

To provide further details, the following is a summary of overdue receivables aged less and more than six months that are not impaired:

2019

Thousands of euros	Total	Impaired	Net	Not yet due	Due but not impaired
Less than 6 months	52,975	(318)	52,657	39,039	13,618
Between 6 months and 1 year	5,075	(1,578)	3,497	-	3,497
Between 1 and 2 years	2,458	(2,138)	320	-	320
More than 2 years	1,924	(1,924)	-	-	-
In litigation	26,786	(26,786)	-	-	-
Total	89,218	(32,744)	56,474	39,039	17,435

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2018

Thousands of euros	Total	Impaired	Net	Not yet due	Due but not impaired
Less than 6 months	44,870	(663)	44,207	36,525	7,682
Between 6 months and 1 year	3,914	(402)	3,510	0	3,510
Between 1 and 2 years	1,176	(1,015)	162	0	162
More than 2 years	20,126	(20,126)	0	0	0
In litigation	26,970	(26,970)	0	0	0
Total	97,055	(49,176)	47,879	36,525	11,354

The rest of the accounts included in “Loans and receivables” did not suffer any impairment.

The maximum credit risk exposure at the date of presentation of the information is the fair value of each one of the categories of receivables mentioned above. The Company does not hold any guarantees as security.

9. Cost in progress and advance billing

	2019	2018
Costs of contracts in progress	72,595	67,679
Total contracts in progress	72,595	67,679
Advance billing (Note 15)	(92,998)	(74,901)
EThs	(20,403)	(7,222)

Advance billing is included under the heading “Trade and other payables” in the statement of financial position.

Additionally, the inventories heading includes other materials for a value of EThs 18,952 (EThs 21,645 in 2018).

The cost of contracts in progress includes EThs 901 (EThs 899 in 2018) and advance billing includes EThs 1,251 (EThs 957 in 2018) for export contracts with companies related to the Otis Group.

10. Cash and cash equivalents

	2019	2018
Cash and banks	13,621	18,341
Current deposits with financial institutions	-	-
Cash deposits with related entities	-	6,000
EThs	13,621	24,341

The effective interest rate on current deposits with financial institutions was 0.01% (2018: 0.02%) and the average term of these deposits was less than one month.

As of November 30, 2019 and 2018, the Company did not hold any restricted amounts in banks.

As of November 30, 2018, the cash and cash equivalents heading included EThs 6,000 (2017: zero) for a cash deposit placed by Zardoya Otis, S.A. with United Technologies Intercompany Lending Ireland Designated Activity Company and United Technologies Corporation (parent of Otis Elevator Company). Deposits with group companies are cash placements maturing at 30 days, which have accrued an average interest rate of 0.01%, approximately 0.01 percentage points higher than the usual market rate.

11. Capital

The share capital is represented by 470,464,311 ordinary bearer shares with a par value of 0.10 euros each, fully paid up and distributed as follows:

Titular	Shares		% interest	
	2019	2018	2019	2018
United Technologies Holdings, S.A.	235,279,377	235,279,377	50.01	50.01
Euro-Syns, S.A.	53,373,751	55,015,423	11.35	11.69
Other non-controlling interests	181,425,314	180,169,511	38.56	38.30
Treasury stock	385,869	-	0.08	-
TOTAL	470,464,311	470,464,311	100.00	100.00

There is no other individual shareholder with a holding of more than 10%.

All the Company's shares are of the same class and have the same voting rights.

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

As of November 30, 2019, interim dividends of EThs 75,243 (EThs 75,637 in 2018) charged to the period ended on said date had been declared. These interim dividends were paid (Note 14) for shares 1 to 470,464,311. Additionally, a dividend charged to available reserves was paid on July 10, 2019 for shares 1 to 470,464,311 for a gross amount of EThs 37,607. Treasury shares held at said date were excluded.

12. Treasury stock

The Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on May 23, 2018 authorized the Board of Directors to acquire, directly or indirectly, treasury stock of Zardoya Otis, S.A., observing the limits and requirements set out in article 146 and related articles of the Capital Companies Law.

At its meeting of December 11, 2018, the Board of Directors agreed to acquire treasury stock to be used in company acquisition transactions.

As a consequence of one of the acquisition transactions mentioned in Note 7.3, Zardoya Otis, S.A. acquired shares for a value of EThs 6,206 euros and, on July 26, 2016, in payment, gave in exchange 536,925 treasury shares that it held on its portfolio, valued at EThs 3,557.

As of November 30, 2019, Zardoya Otis, S.A. held 385,869 treasury shares (zero at the end of 2018) for a value of EThs 2,572.

13. Reserves

a) Reserves

	2019	2018
- Legal reserve	10,538	10,162
- Voluntary reserves	174,747	176,736
- Reserve 1st implantation	188	188
- Merger reserve	12,677	12,677
EThs	198,150	199,763

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. It cannot be distributed and, if it is used to offset losses in the event that sufficient other available reserves do not exist for this purpose, it must be replenished with future profits.

14. Profit for the period**a) Proposed distribution of the profit**

The proposed distribution of the profit for 2019 to be put to the General Meeting of Shareholders is as follows:

	2019	2018
Available for distribution		
Profit for the period	147,023	148,874
EThs	147,023	148,874
Application		
Legal reserve	376	376
Reserve for goodwill	-	-
Voluntary reserves	33,797	35,587
Dividends	112,850	112,911
EThs	147,023	148,874

b) Dividend and partial cash distribution of share premium:

In 2019, three quarterly dividends and a dividend charged to reserves were paid, as follows:

<u>1st Dividend</u> 0.080 euros gross per share, charged to the period 2019. Declared on March 20, 2019 and paid out on April 10, 2019. Shares: 470,464,311 (Treasury stock: zero) Gross total = 37,637,144.88 euros	37,637
<u>Dividend charged to reserves:</u> 0.080 euros gross per share. Declared on May 22, 2019 and paid out on July 10, 2019. Shares: 470,464,311 (Treasury stock: 385,869) Gross total = 37,637,144.88 euros	37,607
<u>2nd Dividend</u> 0.080 euros gross per share, charged to the period 2019. Declared on September 12, 2019 and paid out on October 10, 2019. Shares: 470,464,311 (Treasury stock: 385,869) Gross total = 37,637,144.88 euros	37,606
Dividend at end of period	112,850
<u>3rd Dividend</u> 0.080 euros gross per share, charged to the period 2019. Declared on December 11, 2019 and paid out on January 10, 2020. Shares: 470,464,311 (Treasury stock: 385,869) Gross total = 37,637,144.88 euros	37,606
TOTAL 2019	150,456

In 2018, three quarterly dividends were paid and there was a partial cash distribution of the share premium, as follows:

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<u>1st Dividend</u> 0.080 euros gross per share, charged to the period 2018. Declared on March 20, 2018 and paid out on April 10, 2018. Shares: 470,464,311 (Treasury stock: zero) Gross total = 37,637,144.88 euros	37,637
<u>Dividend charged to reserves:</u> 0.080 euros gross per share. Declared on May 23, 2018 and paid out on July 10, 2018. Shares: 470,464,311 (Treasury stock: zero) Gross total = 37,637,144.88 euros	37,637
<u>2nd Dividend</u> 0.080 euros gross per share, charged to the period 2018. Declared on September 14, 2018 and paid out on October 10, 2018. Shares: 470,464,311 (Treasury stock: zero) Gross total = 37,637,144.88 euros	37,637
Dividend at end of period	112,911
<u>3rd Dividend</u> 0.080 euros gross per share, charged to the period 2018. Declared on December 11, 2018 and paid out on January 10, 2019. Shares: 470,464,311 (Treasury stock: zero) Gross total = 37,637,144.88 euros	37,637
TOTAL 2018	150,548

The following table shows the existence of sufficient profit in the period to allow the distribution of the interim dividends that took place on the aforementioned dates and the provisional statement of account supporting the existence of sufficient liquidity to allow the distribution of the aforementioned interim dividends.

	Dividend :		
	1st February	2nd August	3rd November
Gross profit since December 1, 2019	45,605	140,893	167,643
Estimate of corporate income tax payable	(7,904)	(25,692)	(31,368)
Available net profit	37,701	115,201	136,275
Amount distributed previously	-	37,637	75,243
Amount proposed and distributed	37,637	37,606	37,606
Liquidity in cash	13,430	33,564	13,561
Temporary financial investments	14,843	20,278	9,962
Current trade bills receivable	22,256	23,775	23,934
Payables	(12,742)	(24,172)	(7,914)
Current loans and other financial assets	153	557	195
Net liquidity	37,940	54,002	39,738

The amounts to be distributed did not exceed the profit obtained since the end of the preceding period after deducting the estimated corporate income tax payable on said profit, in accordance with the provisions of article 277 of the Capital Companies Law.

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15. Debits and payables

	2019	2018
Noncurrent debits and payables:		
Loans with Group companies (Note 27)	37,008	37,014
Other payables (Note 7)	198	326
EThs	37,206	37,340
Current debt with group and associated companies		
Payables to Group companies (Note 27)	61,458	68,228
Current debits and payables:		
Trade payables	25,596	26,702
Invoices not yet received	10,137	16,172
Other payables	15,929	6,593
Employees	18,066	19,337
Advance billing (Note 9)	92,998	74,901
Related-party payables (Nota 27)	11,341	9,583
Current tax liability	5,593	6,343
Other payables to public authorities (Note 21)	15,196	14,512
EThs	194,856	174,143

At the 2019 reporting date, the Company held a payable of EThs 37 008 (2018: EThs 37,014) with Otis Portugal for a long-term loan. The conditions of the loan are comparable to those the Company would obtain from a non-related party.

The carrying amount of noncurrent debt is approximately equal to its fair value, since the effect of discounting is not significant.

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

In compliance with Law 15/2010 of July 5, the Company reports that during the 2019 reporting period the total payments made to suppliers amounted to EThs 227,370 (2018: EThs 291,975), meeting the requirements of said legislation.

	2019	2018
	Days	Days
Average period of payments to suppliers	37	50
Ratio of transactions paid	38	51
Ratio of transactions outstanding	38	43
	Euros	Euros
Total payments made	246,637	291,975
Total payments outstanding	27,291	26,702

16. Accruals

The accrual heading in the liabilities includes principally the accounting accrual of the amounts billed in advance to maintenance customers.

	2019	2018
Advance maintenance billing	14,865	14,929
EThs	14,865	14,929

17. Provisions

The balances of the provisions recognized were as follows:

	2019	2018
Noncurrent:		
Welfare commitments (Notes 18 & 27)	8,554	9,388
	8,554	9,388
Current:		
Delayed sales costs	3,032	2,962
Provision for risks	6,831	6,425
Guarantees	172	231
Other	353	350
EThs	10,388	9,968

The provision for delayed sales costs relates to costs incurred in work that had already been completed but where the relevant charges from third parties had not yet been received. The risks provided for relate to litigations and other identified risks inherent to the Company's activity.

18. Welfare commitments

Post-employment commitments acquired with Group employees consisting of the payment of supplements to social security benefits, other retirement benefits and life insurance premiums are drawn up in group insurance policies and classified as defined-benefit plans.

The liability recognized in the statement of financial position in relation to defined-benefit pension plans is the present value of the defined benefit obligations at the reporting date less the fair value of the assets attached to the plan. The defined benefit obligation is calculated annually, after the wage adjustment process has been concluded in October, by independent actuaries using the projected unit credit method. The income statement shows an expense of EThs 1,697 (2018: EThs 1,596) for this item, included as an employee benefit cost.

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Obligations (Asset) in statement of financial position	2019	2018
Current employees	(4,615)	(3,836)
Retired employees	-	-
EThs	(4,615)	(3,836)

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

	2019	2018
Present value of obligations financed	42,783	38,447
Fair value of assets attached to the Plan	(47,398)	(42,283)
EThs	(4,615)	(3,836)

The evolution of the present value of the defined-benefit obligation and fair value of the assets attached to the plan in the period was as follows:

	Obligation recognized	Plan assets
As of November 30, 2017	38,920	(43,061)
Service cost	2,106	-
Interest cost	589	-
Return on assets	-	(690)
Benefits paid	(743)	743
Contributions	-	(857)
Actuarial losses / gains	(1,773)	1,338
Settlements	(652)	243
As of November 30, 2018	38,447	(42,284)

	Obligation recognized	Plan assets
As of November 30, 2018	38,447	(42,284)
Service cost	2,012	-
Interest cost	713	-
Return on assets	0	(740)
Benefits paid	(2,168)	2,168
Contributions	0	(1,505)
Actuarial losses / gains	5,587	(6,557)
Settlements	(1,808)	1,520
As of November 30, 2019	42,783	(47,398)

The main actuarial assumptions applied were as follows:

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	2019	2018
Discount rate varies depending on the term of the commitment between	0.00% - 0.92%	1.52% - 1.78%
Mortality tables	PERMF 2000P	PERMF 2000P
Wage increase	2.15%	2.15%
Estimated retirement age forecast	65 to 67 years	65 to 67 years

The amounts recognized in the income statement were as follows:

	2019	2018
Current service cost	2,012	2,106
Interest cost	713	589
Expected return on plan assets	(741)	(690)
Settlements/Curtailments	(287)	(409)
Total (included in employee costs)	1,697	1,596

The amounts of the present value of the defined benefits and fair value of assets attached to the plan for the 2019 period and the three preceding annual periods are:

	2019	2018	2017	2016
Current service cost	42,783	38,447	38,920	39,843
Interest cost	(47,398)	(42,284)	(43,061)	(42,516)

The Group's best estimate of the contributions to be paid in the period ending November 30, 2020 is EThs 2,362 (2018: 1,984).

The actuarial gains and losses shown in the statement of recognized income and expenses, recognized in equity for an actuarial gain of EThs 971 (actuarial gain of EThs 433 in 2018), relate principally to the effects of experience with the group on which the calculation was based and are the sum of an actuarial gain of EThs 1,259 (2018: actuarial gain of EThs 370); and an actuarial loss of 1,914 EThs (2018: actuarial gain of EThs 35), attributable to wage deviations and Social Security variables, which differed from expectations, and an actuarial gain of EThs 1,626 (2018: EThs 29) 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 717 (EThs 698 in 2018).

Obligations to employees include other commitments of EThs 8,554 (2018: 9,388).

19. Deferred taxes

Details of deferred taxes are as follows:

	2019	2018
to be recovered after more than 12 months	19,858	21,450
to be recovered within 12 months	566	492
EThs	20,424	21,942

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

EThs	Welfare commitments	Amortization/depreciation fixed assets	Other	Total
At November 30, 2017	8,813	9,102	3,535	21,450
Charged/credited to income statement:				
Deferred tax assets (Note 21)	(137)	634	(5)	492
Deferred tax liabilities				
Change in tax rates				
Business combinations				
At November 30, 2018	8,676	9,736	3,530	21,942
Charged/credited to income statement:				
Deferred tax assets (Note 21)	(385)	(343)	(790)	(1,518)
Deferred tax liabilities				
Change in tax rates				
Business combinations				
At November 30, 2019	8,291	9,393	2,740	20,424

All the deferred tax assets shown on the statement of financial position at November 30, 2019 and 2018 relate to temporary differences and other tax reductions.

20. Income and expenses**a) Net revenue**

The net revenue from the Company's ordinary activities was distributed as follows:

CUENTAS ANUALES INDIVIDUALES

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	2019	2018
New installations	42,476	39,500
Service	370,478	362,525
Exports	170,241	181,497
Other sales	333	358
EThs	583,528	583,880

The majority of export sales were made to Otis Elevator Group companies.

b) Goods, raw materials and other consumables used

	2019	2018
Purchases	215,028	220,162
Change in inventories	2,838	(2,590)
	217,866	217,572

c) Employee benefit expenses

	2019	2018
Wages, salaries and similar	125,607	126,713
Welfare charges and other	45,437	46,555
Pension contributions and provisions (Note 18)	1,697	1,596
	172,741	174,864

Since the 2011 reporting period, a long-term UTC incentive scheme has also been included for certain Zardoya Otis executives who are likewise considered as UTC Group executives. This scheme includes UTC share-based payments (Note 27). The expense recognized for this item in 2019 was EThs 495 (2018: EThs 601).

The item "Staff welfare expenses and other" included severance payments of EThs 1,884 in 2019 (2018: EThs 3,133).

The average number of employees during the period (reporting date), distributed by category and gender, was as follows:

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	2019			2018		
	Men	Women	Total	Men	Women	Total
Managers	37	6	43	37	6	43
Administration/workshop/field supervisors	323	26	349	324	23	347
Engineers, university graduates and other experts	104	33	137	102	31	133
Administrative and technical personnel	310	227	537	317	243	560
Other workers	2,071	14	2,085	2,090	17	2,107
	2,845	306	3,151	2,870	320	3,190

The average number of people with a disability rating of 33% or higher employed by Zardoya Otis, S.A. during 2019 and 2018 was 27 (26 men and 1 woman) in 2019 and 28 (27 men and 1 woman) in 2018.

d) External services

Details of external services are as follows:

	2019	2018
Leases	12,489	12,377
Repairs and maintenance	1,969	2,099
Insurance premiums	324	332
Advertising, publicity	1,938	1,926
Transport	11,855	11,924
Supplies and other services	5,981	5,657
Independent professionals	2,228	1,841
Other	8,555	6,061
EThs	45,339	42,218

At November 30, 2019, lease expenses included the costs incurred for royalties under the agreement signed with Otis Elevator Company for an amount of EThs 9,969 (EThs 9,831 in 2018), corresponding to 3.5% of the Service activity. In addition, in 2019, the amount of EThs 4,236 (EThs 3,764 in 2018), corresponding to 3.5% of the net billing on installation contracts, was recorded under the cost in progress heading, accounting for 3.5% of net installation contract billing.

21. Income tax and tax situation

The reconciliation between the net revenue and expenses for the period and the corporate income tax base is as follows:

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2019	Income statement		Revenue and expenses allocated directly to equity	
	Increases	Decreases	Increases	Decreases
Balance revenue & expenses for period	183,185			
Foreign source income		(19,293)		
Local source income		(23,172)		
Permanent differences	107			
Temporary differences				
-originating in the period	2,788			
-originating in previous periods		(5,556)		
Tax base (taxable profit)	186,080	(48,021)		

2018	Income statement		Revenue and expenses allocated directly to equity	
	Increases	Decreases	Increases	Decreases
Balance revenue & expenses for period	184,451			
Foreign source income		(20,379)		
Local source income		(22,067)		
Permanent differences	172			
Temporary differences				
-originating in the period	6,404			
-originating in previous periods		(4,432)		
Tax base (taxable profit)	191,027	(46,878)		

Current income tax expense is calculated as follows:

	2019	2018
Tax base (taxable profit)	138,059	144,149
Gross tax payable 25%	34,515	36,037
Other tax credits	(483)	(486)
Current tax	34,032	35,551

Corporate income tax expense is composed of:

	2019	2018
Current tax	34,032	35,551
Business combinations	-	-
Tax from previous periods	612	517
Deferred tax (Note 19)	1,518	(491)
EThs	36,162	35,577

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At the reporting date, EThs 28,319 (EThs 29,209 in 2018) had been paid on account of the final corporate income tax payable.

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 annual financial statements.

Balances with the Public Treasury

	2019	2018
Provision for corporate income tax	34,032	35,552
Payments on account of corporate income tax	(28,319)	(29,209)
Balances receivable		
Social Security	8	13
Withholding tax	120	183
Input VAT	5,576	5,083
Previous years' corporate income tax	-	-
EThs	5,704	5,279
Balances payable		
Public Treasury, withholding tax operated	2,067	2,606
Public Treasury, output VAT	4,629	3,397
Social Security	8,500	8,509
Public Treasury, VAT payable	-	-
EThs	15,196	14,512

22. Financial profit

	2019	2018
Financial income:		
Holdings in equity instruments		
- Group companies (Notes 7, 27)	42,466	42,445
- Third parties	-	-
Marketable securities and other financial instruments		
- Group companies		
- Third parties	197	252
	42,663	42,698
Financial expenses:		
Debt with Group companies	(377)	(332)
Debt with third parties	(94)	(182)
	(471)	(514)
Foreign exchange differences	(55)	(91)
Financial profit	42,137	42,093

23. Contingencies

Guarantees committed with third parties

The Company has contingent liabilities in respect of bank guarantees and other guarantees arising in the ordinary course of business. It is not foreseen that any material liabilities will arise from these contingent liabilities. The Company furnished guarantees amounting to EThs 5,734 in the ordinary course of business (EThs 5,955 in 2018).

As the result of a disciplinary procedure initiated by the National Commission on Competition (CNC), now the National Commission on Markets and Competition (CNMC), against several companies in the elevator industry, a fine of EThs 2 845 was imposed on Zardoya Otis, S.A. in September 2013. A bond was deposited in order to appeal against the administrative decision before the Contentious-Administrative Chamber of the National Court, which duly delivered judgment. An appeal against said judgment was filed before the Supreme Court

The Supreme Court dismissed the appeal filed by Zardoya Otis, confirming the National Court's judgment (which had confirmed the infringement but ruled that the fine was excessive and should be recalculated). The proceedings therefore returned to the CNMC so that they could be analyzed and the fine recalculated. The CNMC issued a resolution on the recalculation that fully confirmed the amount of the initial fine. An appeal is now in progress before the National Court.

32. Commitments

a) Purchase/sale commitments

At the reporting date, the Company had signed purchase contracts for the following items and amounts:

	2019	2018
Property, plant and equipment	859	2,062
Intangible assets	-	-
TOTAL	859	2,062

b) Lease commitments

The Group leases commercial premises, offices and warehouses under lease agreements, for which different conditions have been established. The estimated annual cost of all the lease payments committed under these lease agreements was EThs 2,556 (EThs 2,527 in 2018).

Likewise, there were other operating lease commitments, principally for vehicles. The annual estimated cost of these commitments was EThs 3,668 (EThs 3,392 in 2018).

The future minimum lease payments under non-cancellable operating leases amounts:

	Facility leases	Others
Within one year	2,556	3,668
In years two to five inclusive	4,815	4,973

25. Business combinations – mergers**2019:**

In the 2019 reporting period, the company acquired 100% of the shares of OTIS Lliset S.L.U. (December 4 2018) and Sige Ascensores S.L. and 80% of the shares of Ascensores Eleva S.L. All these companies are engaged principally sale, supply, installation and repair of elevators in Spain.

2018:

During the 2018 period, the Company acquired 80% of the shares in Soluciones de Accesibilidad LV3 S.L., a company engaged mainly in the sale, supply, installation and repair of elevators in Spain, for a value of EThs 450.

26. Board of Directors and Senior Management

a) Compensation of the members of the Board of Directors and Senior Management:

The global remuneration for all items accrued during the year by the members of the Board of Directors was EThs 1,985 (EThs 2,111 in 2018) and included the following items:

	2019	2018
Fixed compensation	297	290
Variable compensation	195	215
Bylaw-stipulated items	1,033	1,200

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Other long-term benefits	390	338
Pension plan contributions	70	68
TOTAL	1,985	2,111

In 2018, the compensation accrued by senior management was EThs 262 (EThs 246 in 2018).

At the 2019 and 2018 reporting dates, the Company had not granted any advances or credits to the members of the Board of Directors or Senior Management.

The members of the Company's Board of Directors or Senior Management did not receive any remuneration from profit sharing or premiums.

b) 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.

27. Other related-party transactions

United Technologies Holdings S.A. (incorporated in France) held 50.01% of the Company's shares at the reporting date. The ultimate group parent is United Technologies Corporation (incorporated in the United States), the parent company of Otis Elevator Company.

The following transactions were carried out with related parties:

(a) transactions with Zardoya Otis Group companies		
	2019	2018
Sales	36,414	28,172
Purchases	(24,767)	(26,505)
Dividend income (Note 22)	42,466	42,446
Receivables (Note 8)	18,460	10,900
Payables (Note 15)	(61,458)	(68,228)
Noncurrent loans	(37,008)	(37,014)

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4.1

(b) transactions with Otis Group companies		
	2019	2018
Royalties	(12,785)	(12,235)
Billing of costs of engineering development center to Otis	3,799	3,852
Sales and other revenue	158,292	168,961
Purchases and other costs	(42,859)	(43,639)
Receivables (Note 8)	37,763	45,339
Payables (Note 15)	(11,341)	(9,583)

The Company periodically requests the opinion of an expert of recognized prestige concerning the pricing policy established for the transactions with other Otis entities, in order for it to be reviewed by the Audit Committee.

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

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 scheme, 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 expense originated by this item is included under the employee benefit expense heading. For 2019, the expense was EThs 495 (EThs 601 in 2018), relating to the fair value of the assets to which it is indexed, which was EThs 5,427 (EThs 6,002 in 2018).

As of November 30, 2018, the cash and cash equivalents heading included EThs 6 000 for a cash deposit placed by Zardoya Otis, S.A. with United Technologies Intercompany Lending Ireland Designated Activity Company and United Technologies Corporation (parent of Otis Elevator Company). Deposits

with group companies are cash placements maturing at 30 days. Said deposit was cancelled in 2019.

28 Environmental information

At November 30, 2019, the Company was not aware of any contingency, risk or litigation in progress related to the protection and improvement of the environment. Therefore, the Company did not recognize any provision for environmental actions in the statement of financial position at November 30, 2019.

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 the effects of environmental pollution by:

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

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 (2018: 4,153), with accumulated depreciation of EThs 2,074 at the reporting date (2018: EThs 1,908).

In addition, in 2019, expenses for the removal or recycling of waste were recognized for a value of EThs 283 (2018: EThs 292).

29. Events after the reporting date

On December 11, 2019 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, 2020.

30. Fees of account auditors

The fees accrued during the year by PricewaterhouseCoopers Auditores, S.L. for account auditing services, including the process audit performed in accordance with the requirements for listed groups in the USA (Sarbanes

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Oxley), were EThs 202 (2018: EThs 202).

Likewise, the fees accrued in the year by PricewaterhouseCoopers Auditores, S.L. and other companies using the PwC brand name as a result of other services rendered to the Company were EThs 48 (2018: EThs 48).

4.1

MANAGEMENT REPORT OF ZARDOYA OTIS, S.A.

INDIVIDUAL FINANCIAL STATEMENTS – REPORTING PERIOD 2019

(Thousands of euros - EThs)

4.1

Presentation of the annual financial statements

The annual financial statements have been prepared on the basis of the Company's accounting records and are presented in accordance with current mercantile legislation and the standards contained in the General Chart of Accounts approved by Royal Decree 1514/2007, together with the amendments to the latter included in Royal Decree 1159/2010 and Royal Decree 602/2016, in order to show a true and fair view of the Company's equity, financial position and results, as well as the accuracy of the cash flows shown on the statement of cash flows. These annual financial statements show a true and fair view of the Company's equity and financial situation as of November 30, 2019, as well as the results of its transactions, changes in equity and cash flows that took place in the Company during the reporting period ended at said date. Likewise, these annual financial statements have been prepared under the going-concern principle.

Business evolution

Profit and loss

The profit before tax of Zardoya Otis, S.A. in 2019 was 183.2 million euros (184.5 million euros in 2018) and the EBITDA (operating profit + amortization/depreciation + impairment of investments in group companies + gains/losses on disposals of fixed assets) was 150.6 million euros (151.7 million euros in 2018).

Total sales

The total sales of Zardoya Otis S.A. were 583.5 million euros in 2019. New sales billing represented 7.34% of total billing in 2019, while the service activity accounted for 63.49% and exports for 29.17%.

The drop in export sales was offset by the increase in service sales and the growth in new installations.

Employee headcount

The headcount of Zardoya Otis, S.A. at the 2019 reporting date was 3,151 persons.

The average number of employees during the period (reporting date), distributed by category and gender, was as follows:

INFORME DE GESTION INDIVIDUAL

	2019			2018		
	Men	Women	Total	Men	Women	Total
Managers	37	6	43	37	6	43
Administration/workshop/field supervisors	323	26	349	324	23	347
Engineers, university graduates and other experts	104	33	137	102	31	133
Administrative and technical personnel	310	227	537	317	243	560
Other workers	2,071	14	2,085	2,090	17	2,107
	2,845	306	3,151	2,870	320	3,190

The average number of people with a disability rating of 33% or higher employed by Zardoya Otis, S.A. during 2019 and 2018 was 27 (26 men and 1 woman) in 2018 and 28 (27 men and 1 woman) in 2018.

Dividends

As of November 30, 2019, interim dividends of EThs 75,243 (EThs 75,274 in 2018) charged to the period ended on said date had been declared. These interim dividends were paid for shares 1 to 470,464,311. Additionally, a dividend charged to available reserves was paid on July 10, 2019 for shares 1 to 470,464,311 for a gross amount of EThs 37,637. Treasury shares held at said dates were excluded.

The total amount of the dividends (including the third interim dividend charged to the period, declared in December 2019 as an event after the reporting date, and the dividend charged to reserves in 2019) was 150.5 million euros, representing a pay-out of 107.11% of the consolidated profit attributed to the parent company, Zardoya Otis, S.A., thus continuing with the Company's policy of distributing a pay-out of around 100% (higher than 100% on this occasion).

Evolution of capital

Treasury stock

The Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on May 23, 2018 authorized the Board of Directors to acquire, directly or indirectly, treasury stock of Zardoya Otis, S.A., observing the limits and requirements set out in article 146 and related articles of the Capital Companies Law.

At its meeting of December 11, 2018, the Board of Directors agreed to acquire treasury stock to be used in company acquisition transactions.

As a consequence of one of the acquisition transactions mentioned in Note 7.3, Zardoya Otis, S.A. acquired shares for a value of EThs 6,206 euros and, on June 28, 2019, in payment, gave in exchange 536,925 treasury shares that it held on its portfolio, valued at EThs 3,557.

As of November 30, 2019, Zardoya Otis, S.A. held 385,869 treasury shares (zero at the end of 2018) for a value of EThs 2,572.

Evolution of Zardoya Otis in the securities markets

The quoted share price at the end of 2019 was 7.02 euros per share, representing a decrease in value of 13.1% in comparison with the adjusted value at the end of 2018.

General Description of the Company'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 as set out in the supplementary information to the Annual Corporate Governance Report at November 30, 2019. 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 risk management functions,
- Ensure that the risk exposure level accepted by the Group in its operations is in line with its risk profile.

Average payment period to suppliers

In relation to the provisions of Law 3/2004 and Law 15/2010 on Measures to Combat Payment Delays in Trading Operations, Law 31/2014 of December 3 amended Law 15/2010 in relation to the information to disclose in the notes to the annual financial statements to request the average annual payment period to suppliers. Thus, the average payment period to suppliers for 2019 was below 60 days. The Company has put in place measures to comply with the law, which include keeping the average payment period of its transactions with group and associated companies in line with current legislation and complying with the trading agreements it holds with external suppliers.

Research and Development expenses

The Group parent follows the policy of recognizing research costs in the income statement in the period in which they are incurred, as stated in its accounting policies and principles. As of November 30, 2019, the income statement included expenses of EThs 1,591 (2018: EThs 1,957) for this item.

Significant events at November 30, 2019

In 2019, the Company acquired 100% of the shares of OTIS Lliset SLU in Andorra and Sige Ascensores SL in Spain. Likewise in 2019, the Company acquired 80% of the shares of Ascensores Eleva SL. This acquisition was executed through an exchange of shares, in which Zardoya Otis, S.A. transferred treasury shares that it held on its portfolio at the transaction date.

Events after the reporting date

INFORME DE GESTION INDIVIDUAL

On December 11, Zardoya Otis, S.A. declared the fourth dividend in the calendar year 2019 –the third charged to the profit for the period– for a gross amount of 0.08 euros per share, resulting in a total gross dividend of EThs 37,637. This dividend was paid out on January 10, 2020.

Annual Corporate Governance Report

The Annual Corporate Governance Report for the 2019 reporting period forms part of this Management Report.

Statement of Non-financial Information

The Statement of Non-financial Information for the 2019 reporting period forms part of this Management Report.

4.1

HOJA DE FIRMAS Y DECLARACION DE RESPONSABILIDAD

4.1

Don Bernardo Calleja Fernández <i>Presidente /ConsejeroDelegado</i>	Don José María Loizaga Viguri <i>Vicepresidente</i>	Don José Miguel Andrés Torrecillas <i>Consejero</i>
Doña Eva Castillo Sanz <i>Consejera</i>	Don Alberto Zardoya Arana <i>Consejero</i>	Euro-Syns S.A. <i>Consejero</i> <i>representado por</i> <i>Don Eduardo Montes Pérez</i>
Otis Elevator Company <i>Consejero</i> <i>representado por</i> <i>Doña Nora LaFreniere</i>	Doña Robin Fiala <i>Consejero</i>	Doña Stacy Petrosky <i>Consejero</i>
Don Mark Eubanks <i>Consejero</i>	Don Patrick Martin <i>Consejero</i>	

Courtesy Translation of foot note:

In accordance with provision 253.2 of the Spanish Companies Act and provision 37 of the Spanish Commerce Code, all members of this Board of Directors approve with their signature the content of the Annual Accounts and Management Report of Zardoya Otis and the consolidated Group, related to the fiscal year closed on November 30, 2019.

Madrid, February 27, 2020

COURTESY TRANSLATION

2019 ANNUAL FINANCIAL INFORMATION LIABILITY STATEMENT

The members of the Board of Directors of ZARDOYA OTIS, S.A. state that, to the best of their knowledge, the individual annual financial statements of ZARDOYA OTIS, S.A. (balance sheet, profit and loss statement, statement of change in shareholders' equity, statement of cash flows and notes), as well as the consolidated financial statements of ZARDOYA OTIS, S.A. and its subsidiaries (balance sheet, profit and loss statement, statement of changes in shareholders' equity, statement of cash flows and notes) for the fiscal year ended on November 30, 2019, presented by the Board of Directors at its meeting of February 27, 2020, and prepared in accordance with applicable accounting standards, present a fair view of the assets, financial condition and results of operations of ZARDOYA OTIS, S.A. as well as of the subsidiaries included within its scope of consolidation, taken as a whole, and that the management reports supplementing the individual and consolidated annual financial statements contain a true assessment of the corporate performance and results and the position of ZARDOYA OTIS, S.A. and of the subsidiaries included within its scope of consolidation, taken as a whole, as well as a description of the principal risks and uncertainties facing them.

Madrid, February 27, 2020

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

Don Bernardo Calleja Fernández <i>Presidente /ConsejeroDelegado</i>	Don José María Loizaga Viguri <i>Vicepresidente</i>	Don José Miguel Andrés Torrecillas <i>Consejero</i>
Doña Eva Castillo Sanz <i>Consejera</i>	Don Alberto Zardoya Arana <i>Consejero</i>	Euro-Syns S.A. <i>Consejero</i> <i>representado por</i> <i>Don Eduardo Montes Pérez</i>
Otis Elevator Company <i>Consejero</i> <i>representado por</i> <i>Doña Nora LaFreniere</i>	Doña Robin Fiala <i>Consejero</i>	Doña Stacy Petrosky <i>Consejero</i>
Don Mark Eubanks <i>Consejero</i>	Don Patrick Martin <i>Consejero</i>	

Zardoya Otis, S.A. and subsidiaries

Independent auditor's report consolidated annual accounts
November 30, 2019



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 the consolidated annual accounts

To the shareholders of Zardoya Otis, S.A.

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Zardoya Otis, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at November 30, 2019, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at November 30, 2019, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Zardoya Otis, S.A. and subsidiaries

4.1

Key audit matters**How the matter was addressed in the audit****Revenue recognition**

According to note 22 to the accompanying consolidated annual accounts, the Group basically has three types of revenue from: a) provision of services, mainly contracts for the maintenance of elevators; b) installation and assembly; and c) exports.

Note 2.20. indicates that revenues from maintenance contracts are recognised on a straight-line basis as they accrue. Revenue may be billed monthly, quarterly, half-yearly or annually depending on the terms of the contracts, advance payment being recognised, as applicable, to reflect accrual correctly. This type represents the most significant portion of the Group's revenue.

According to note 2.20., elevator installation and assembly revenue is recognised based on the estimated percentage of completion of the work. This area requires judgements and estimates. Specifically, management periodically re-estimates the margin, estimating costs yet to be incurred such that the project's final margin does not differ substantially from the margin at contract inception.

Special attention is paid during the audit to the revenue recognition process to assure that the Group's consolidated revenue is duly supported. We consider the recognition of revenue as a result of transactions actually effected and within the period audited to be a key audit matter.

The relevance of the estimates used in the recognition of revenues and their quantitative significance means that revenue recognition is considered a key audit matter.

We describe, understand, assess and validate the relevant transactions and controls that support the revenue cycle, as well as the general IT controls and those of the entity's control environment.

Additionally, substantive tests of detail are carried out on revenue recognised during the year, using sampling techniques for different transaction types. Specifically, these referred to:

- Recognition of revenue from the installation and assembly of elevators for which we perform several tests, highlighting the periodic re-estimation of margins for a sample of projects, among other tests.
- Recognition of revenue from maintenance contracts, checking the contractual documentation, the proper recognition of revenue and invoice collection for a sample of transactions.

We checked a sample of transactions showing revenue not collected at the year end, through third-party confirmation or alternative audit procedures using the relevant documentary support. We also checked that the revenue has been accounted for in the correct period.

We performed a computer-assisted audit test designed to detect unusual items. For the items that affect revenue recognition, we have verified the supporting documents to verify that they are correctly recognised.

We also checked the sufficiency of the information disclosed in the consolidated annual accounts.

On the basis of our tests, our audit objectives have been fulfilled for this key matter.

Recovery of value of goodwill

The Group records goodwill totalling €161 million, as described in note 6 to the consolidated annual accounts. Management is required to assess goodwill impairment on an annual basis.

When testing the analysis of the recovery of the value of goodwill, we draw on our knowledge to conclude on whether the valuation method and the key assumptions employed by management are suitable. Specifically:

- We verified that short-term revenue growth rates are consistent with recent years.



Zardoya Otis, S.A. and subsidiaries

4.1

Key audit matters	How the matter was addressed in the audit
<p>The Group has identified three cash generating units (CGU) on a market and geographical basis to which goodwill is allocated. This goodwill is tested for impairment by means of a comparison between carrying value for consolidation purposes and recoverable value. Management uses the discounted cash flow valuation method for this purpose. Key assumptions include: the discount rate and the growth rate used for the projection subsequent to the envisaged period.</p> <p>Other sensitive aspects that are included in the projections are the growth of the portfolio of maintenance contracts in the period envisaged and the Group's expense and cost structure that affect its margin.</p> <p>It is a key audit matter due to the size of the item and because it entails judgement and estimation on the part of management, impacting forecast flows.</p>	<ul style="list-style-type: none"> • We confirm that long-term growth rates are consistent with long-term economic forecasts. • We check the reasonableness and consistency of future margins based on current and past performance. • We evaluate the reasonableness of the discount rate used to determine the present value of the CGUs considering, among other matters, the cost of capital for the Group and comparable organisations. • We verify the arithmetic calculations included in the valuation. • We verify the origin of the information used in the valuations, checking that the forecasts are approved by management. • We verify management's sensitivity analysis for discount rates and growth rates, evaluating in which other stress conditions impairment could arise. <p>We have also checked the sufficiency of the information disclosed in the annual accounts.</p> <p>As a result of our tests, we consider that management's estimates sufficiently cover the amount recognised under goodwill.</p>

Recovery of the value of intangible assets with finite useful lives

<p>The Company has intangible assets with a finite useful life amounting to €165 million, as described in note 6 to the consolidated annual accounts.</p> <p>This item basically includes amounts relating to the cost of elevator equipment maintenance contracts acquired as a portfolio of contracts or as part of a business combination. The item is made up of a variety of portfolios in terms of both geographic location and acquisition date. They are amortised on a straight-line basis over a period deemed to be equivalent to their estimated useful life (from 10 to 20 years, depending on the features of the maintenance contract portfolio).</p>	<p>For the acquisitions of maintenance contract portfolios, we checked the key supporting documents, such as contracts and purchase deeds, asset valuations at the time of purchase and other relevant documents.</p> <p>As regards amortisation, estimated useful lives and possible impairment of the intangible assets:</p> <ul style="list-style-type: none"> • We check that the evolution of net contract loss rates is consistent. • We verify the evolution of maintenance contract prices.
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Zardoya Otis, S.A. and subsidiaries

4.1

Key audit matters	How the matter was addressed in the audit
<p>Amortisation is assessed regularly by analysing the useful lives of these assets and, where warranted, impairment tests are performed whenever there are any indications of impairment. In this respect, management considers the rate of cancellations and churn.</p> <p>It is a key audit matter due to the size of the item and because it entails judgement and estimation on the part of management, impacting forecast flows.</p>	<ul style="list-style-type: none"> We assess the reasonableness of the relevant margins and profits. We carried out tests of detail on maintenance contract additions and cancellations. We also checked the sufficiency of the information disclosed in the consolidated annual accounts. <p>Our tests have revealed a solid basis supporting the assets' useful lives and that the assets' recoverable amounts are higher than their carrying amount.</p>

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2019 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility regarding the information contained in the consolidated management report is defined in the regulation governing financial statement audit work, which establishes two distinct levels of responsibility:

- A specific level applicable to the consolidated non-financial statement and some of the information included in the Annual Corporate Governance Report, as defined in article 35.2.b) of Spanish Law 22/2015, the Audit Act, which consists of solely checking that the required information has been provided in the management report or, where appropriate, it has been included a reference to the separate report on non-financial information in the prescribed manner; otherwise, reporting that it has not.
- A general level applicable to the remaining information included in the consolidated management report, which consists on evaluating and reporting on the consistency between the aforesaid information and the consolidated financial statements as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, and does not include information different to that obtained as evidence during our audit. Likewise, our responsibility is to evaluate and report on whether the content and presentation of this part of the consolidated management report are in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exists, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in a) above is included in the consolidated management report and that the remaining information contained in the consolidated management report is consistent with that contained in the consolidated financial statements for the 2019 financial year, and its content and presentation are in accordance with the applicable regulations.



Zardoya Otis, S.A. and subsidiaries

4.1

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, 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 the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.
- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5



Zardoya Otis, S.A. and subsidiaries

4.1

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Report to the Parent company's audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated 16 March 2020.

Appointment period

The General Shareholders' Meeting held on 17 May 2019 appointed us as auditors of the Group for a period of one year, as from the year ended 30 November 2019.

Previously, we were appointed by resolution of the General Shareholders' Meeting for a period of three years and we have audited the accounts continuously since the year ended 30 November 1990.

Services provided

Non-audit services provided to the Group are described in note 37.b to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Rafael Pérez Guerra (20738)

March 16, 2020

**ZARDOYA OTIS S.A.
AND SUBSIDIARIES**

Consolidated Annual Financial Statements
at November 30, 2019

ZARDOYA OTIS S.A. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT NOVEMBER 30, 2019 AND 2018**
(Thousands of euros - EThs)

		2019	2018
	ASSETS		
	Noncurrent assets		
	Property, plant & equipment (Note 5)	61,542	62,126
	Intangible assets (Note 6)	170,770	172,308
	Goodwill (Note 6)	161,208	153,077
	Financial investments (Note 7)	941	733
	Deferred tax assets (Note 18)	23,474	24,197
	Other noncurrent assets (Notes 7 & 19)	9,069	7,626
		427,004	420,067
	Current assets		
	Inventories (Note 9)	23,174	33,350
	Financial receivables (Note 7)	147	263
	Trade and other receivables (Notes 7 & 8)	207,966	213,309
	Cash and cash equivalents (Notes 7 & 10)	50,589	56,445
		281,876	303,367
	Total assets	708,880	723,434

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, 2019 AND 2018**
(Thousands of euros - EThs)**4.1**

		2019	2018
	EQUITY		
	Share capital (Note 11)	47,046	47,046
	Share Premium	306	306
	Legal reserve (Note 13)	10,538	10,162
	Reserves in subsidiaries & other reserves	290,395	295,748
	Treasury stock (Note 12)	(2,572)	-
	Retained earnings (Note 15)	140,550	145,731
	Interim dividends paid (Note 29)	(75,243)	(75,274)
	Foreign exchange differences	62	(10)
	Non-controlling interests (Note 14)	11,852	10,646
	Total equity	422,934	434,355
	LIABILITIES		
	Noncurrent liabilities		
	Other payables (Notes 7 & 16)	5,828	1,843
	Provisions for other liabilities and expenses (Note 21)	8,663	10,731
	Deferred tax liabilities (Note 18)	24,947	23,672
		39,438	36,246
	Current liabilities		
	Trade and other payables (Notes 7 & 16)	226,838	232,926
	Current tax liabilities	8,420	9,377
	Borrowings (Notes 7 & 20)	795	290
	Provisions for other liabilities and expenses (Note 21)	10,455	10,240
		246,508	252,833
	Total liabilities	285,946	289,079
	Total equity and liabilities	708,880	723,434

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

CUENTAS ANUALES CONSOLIDADAS

**CONSOLIDATED INCOME STATEMENTS FOR THE PERIODS ENDED NOVEMBER 30, 2019
AND 2018**
(Thousands of euros - EThs)

		2019	2018
	Sales (Note 22)	802,407	784,434
	Other revenue	1,294	1,542
	Raw materials and consumables used (Note 24)	(273,956)	(264,697)
	Employee benefit expense (Note 23)	(262,141)	(254,326)
	Amortization, depreciation and impairment losses (Note 5 & 6)	(21,861)	(20,523)
	Other net expenses (Note 25)	(58,785)	(58,301)
	Operating profit	186,958	188,129
	Financial income (Note 26)	315	162
	Financial costs (Note 26)	(208)	(378)
	Net foreign exchange differences (Note 26)	(124)	(66)
	Other gains and losses	283	3,581
	Profit before tax	187,224	191,428
	Income tax expense (Note 27)	(46,014)	(45,127)
	Profit for period	141,210	146,301
	Profit from continuing operations after tax (Note 15)	141,210	146,301
	Attributable to:		
	Shareholders of the Company (Note 15)	140,550	145,731
	Non-controlling interests (Note 15)	660	570
	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	0.30	0.31
	- Diluted	0.30	0.31

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, 2019 AND 2018
(Thousands of euros - EThs)****4.1**

	2019	2018
Profit for the period (Note 15)	141,210	146,301
Other comprehensive income:		
Items that can be transferred to profit and loss		
Exchange rate differences	72	480
Items that will not be reclassified to profit and loss		
Actuarial gain or (loss)	971	433
Other comprehensive income for the period, net of taxes		
Total comprehensive income for the year, net of taxes	142,253	147,214
Attributable to:		
– Shareholders of parent company	141,593	146,644
– Non-controlling interests	660	570

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, 2019 AND 2018
(Thousands of euros - EThs)

	Attributable to shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Legal reserve	Treasury stock	Accumulated foreign exchange differences	Reserves in consolidated companies and other reserves	Accumulated gains		
Balance at November 30, 2017	47,046	306	9,785	-	(490)	276,392	96,527	11,426	440,992
Application IFRS 15 (Note 2.25)	-	-	-	-	-	(165)	-	-	(165)
Balance at December 1, 2017	47,046	306	9,785	-	(490)	276,227	96,527	11,426	440,827
Comprehensive profit for the period (Note 15)					480		146,164	570	147,214
Distribution of profit 2017 (Note 15)			377			39,456	(152,744)		(112,911)
Dividend relating to 2017 (Note 29)							112,911		112,911
Dividend 2018 (Note 29)							(112,911)		(112,911)
Dividend charged to available reserves						(37,637)			(37,637)
Transactions with non-controlling interests (Notes 2 & 6)								113	113
Other movements						(1,788)		(1,463)	(3,251)
Balance at November 30, 2018	47,046	306	10,162	-	(10)	276,258	89,947	10,646	434,355
Comprehensive profit for the period (Note 15)					72		141,521	660	142,253
Distribution of profit 2018 (Note 15)			376			32,444	(145,731)		(112,911)
Dividend relating to 2018 (Note 29)							112,911		112,911
Dividend 2019 (Note 29)							(112,880)		(112,880)
Dividend charged to available reserves						(37,607)			(37,607)
Transactions with non-controlling interests (Notes 2 & 6)				3,634				2,281	5,915
Other movements				(6,206)		(1,160)		(1,735)	(9,101)
Balance at November 30, 2019	47,046	306	10,538	(2,572)	62	269,935	85,768	11,852	422,934

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 FOR THE PERIODS ENDED
NOVEMBER 30, 2019 AND 2018
(Thousands of euros - EThs)****4.1**

	2019	2018
Net profit	140,550	145,731
Adjustments to profit:		
Amortization/depreciation/provisions (Notes 5, 6 & 8)	19,967	18,938
Taxes (Note 27)	46,014	45,127
Other losses and gains (Note 26)	17	150
Gains/(losses) on sales of fixed assets	(283)	(3,581)
Tax payment for period (Note 30)	(48,570)	(46,004)
Change in working capital	14,033	971
Profit attributable to non-controlling interests (Note 15)	660	570
Cash flows from operating activities	172,388	161,902
Investment in property, plant & equipment/intangible assets (Notes 5 & 6)	(5,707)	(10,168)
Acquisition of subsidiaries (Notes 6 & 33)	(15,083)	(10,377)
Cash from business combinations (Note 33)	958	1,191
Cash receipts from asset disposal (Nota 5)	447	4,000
Cash flows from investing activities	(19,385)	(15,354)
Dividends paid (Note 29)	(150,487)	(150,548)
Bank borrowings (Received/Paid) (Note 20)	506	(31)
Acquisition of treasury stock	(6,205)	-
Payment for acquisition of non-controlling interests	(2,673)	(378)
Cash flow from financing activities	(158,859)	(150,957)
Variation in cash and cash equivalents	(5,856)	(4,409)
Cash and cash equivalents at the beginning of the period (Note 10)	56,445	60,854
Cash and cash equivalents at the end of the period (Note 10)	50,589	56,445

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 2019 AND 2018**

(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 Salónica, 73, Madrid.

United Technologies Holding S.A., incorporated in France, holds 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 27, 2020 and are pending the approval of the Annual General Shareholders' Meeting. Nevertheless, Management considers that said 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 annual financial statements of the Group as of November 30, 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) endorsed for application in the European Union and in force at that date.

The Group's Consolidated Annual Financial Statements at November 30, 2019 include the figures for the preceding year to allow a comparison to be made. Likewise, they have been prepared under the going concern principle. They will be approved by the Board of Directors on February 27, 2020. The Consolidated Annual Financial Statements for 2018 were approved at the General Shareholders' Meeting of May 22, 2019.

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 derivatives) 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 subsidiary 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 global consolidation 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 income statement 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 acquisition-date carrying amount 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 acquiree exceeds the acquisition-date net amounts of the identifiable assets acquired and the identifiable liabilities

CUENTAS ANUALES CONSOLIDADAS

assumed. If this amount is lower than the fair value of the net assets of the acquiree in the event of a bargain purchase, 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:

Company and registered office	Activity	2019		2018		Parent company
		%	Carrying amount (EThs)	%	Carrying amount (EThs)	
(+) Ascensores Ingar, S.A. (Granada)	Installation of elevators	100%	14,306	100%	14,306	Zardoya Otis S.A.
(+) Cruxent-Edelma Aspe, S.L. (Barcelona)	Installation & Service of Elevators	100%	36,739	100%	26,505	Zardoya Otis S.A.
(+) Ascensores Serra, S.A. (Gerona)	Installation & Service of Elevators	75%	605	75%	605	Zardoya Otis S.A.
(+) Puertas Automáticas Portis, S.L. (Madrid)	Installation & Service of Automatic Doors	100%	18,977	100%	18,977	Zardoya Otis S.A.
(+) Otis Elevadores, Lda. (Portugal)	Installation & Service of Elevators	100%	31,658	100%	31,658	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.
(+) Acresca Cardellach, S.L. (Barcelona)	Installation & Service of Elevators	96.76%	19,515	96.76%	19,515	Zardoya Otis S.A.
Zardoya Otis (Gibraltar) Limited. (Gibraltar)	Installation & Service of Elevators	100%	-	100%	-	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.
(+) Otis Maroc, S.A. (Morocco)	Installation & Service of Elevators	100%	19,966	100%	19,966	Zardoya Otis S.A.
Ascensores Aspe S.A (Balearic Islands) (*)	Installation & Service of Elevators	-	-	100%	9,122	Zardoya Otis, 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 Elevators & Automatic Doors	100%	117,100	100%	117,100	Zardoya Otis, S.A.
(+) Electromecanica del Noroeste S.A (Pontevedra)	Installation & Service of Elevators	100%	16,525	100%	16,525	Zardoya Otis, S.A.
(+) Enor Elevacao e	Installation &	100%	19,916	100%	19,916	Otis Elevadores, Lda.

CUENTAS ANUALES CONSOLIDADAS

Equipamentos Industriais Lda (Portugal)	Service of Elevators					(Portugal)
Electromecánica Hemen Elevadores, S.L. (Vitoria)	Installation & Service of Elevators	100%	17,820	100%	17,820	Zardoya Otis, S.A.
Soluciones de Accesibilidad LV3 SL (Barcelona)	Installation and Service of Accessibility Solutions Equipment	80%	450	80%	450	Zardoya Otis, S.A.
Companies acquired by the CGU Spain (Zaragoza, Madrid & Alicante)	Installation & Service of Elevators	100%	18,502	100%	14,352	Companies included in the Spain CGU (**)
Otis Lliset SLU (Andorra)	Installation & Service of Elevators	100%	4,280	-	-	Zardoya Otis, S.A.
Ascensores Eleva SL (Alicante)	Installation & Service of Elevators	80%	9,126	-	-	Zardoya Otis, S.A.

(+) Companies audited by PwC in 2018.

(*) Merged with Cruxent-Edelma, S.L. (2019).

(**) Companies acquired by Group entities belonging to the CGU Spain which are expected to be merged in forthcoming years.

Note: the carrying amount corresponds to the carrying amount of the investment in the company holding the interest.

The following transactions and changes to the Group took place in 2019:

In 2019, companies belonging to the CGU Zardoya Otis Group (Spain) acquired 100% of the shares of the companies Otis Lliset S.L.U. (December 4, 2018), Sige Ascensores S.L. (May 27, 2019) and Elevadores Tormes S.L. (October 10, 2019). Likewise, 80% of Ascensores Eleva S.L. was acquired (June 28, 2019). All these companies are engaged in the maintenance and repair of elevators in Spain, the total acquisition value being €19,598.

In March 2018, the merger project for the companies Cruxent Edelma S.L.U. and Ascensores Aspe S.A.U. was executed, resulting in a single company with the new name Cruxent Edelma Aspe S.L.U.

If this transactions had been carried out at the beginning of the period, the effect on the main figures of the consolidated income statement and statement of financial position would not have been significant.

The following transactions and changes to the Group took place in 2018:

In 2018, companies belonging to the Zardoya Otis Group (Spain) CGU acquired 100% of the shares of the companies Ascensores Limarlift S.L. (April 5, 2018), Integra Ascensores SL (June 26, 2018), Elko sistemas d'elevacion sl (September 11, 2018) and Euroascensores Alcaraz SL (November 26, 2018), all of which are engaged in the elevator maintenance and repair activity. Likewise, 80% of Soluciones de accesibilidad LV3 S.L. was acquired (April 16, 2018). This company is engaged in the elimination of architectural barriers and providing accessibility solutions using stair lifts and platforms.

On June 4, 2018, the subsidiary Electromecánica Elevadores SL carried out a capital increase of EThs 7 030. The new shares in the company were fully subscribed and paid up in cash, together with the related share premium, by Zardoya Otis, S.A.

In December 2017, the merger project for the merger of the company M. Casas S.A. into Conservación A.E. Express, S.L. was carried out. Likewise, in March and May 2018, respectively, Sistemas Automáticos de Elevación S.L. and Liftsur Elevadores S.L. were merged into Ascensores Ingar S.A. Similarly, in April 2018, the company Elevadores Castalia S.A. was merged into Ascensores Pertor, S.L. All these companies were merged into Group companies and, in the course of the period, they were dissolved without liquidation and the entirety of their respective equities was transferred en bloc to the absorbing companies.

If these transactions had been carried out at the beginning of the period, the effect on the main figures of the consolidated income statement and 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 recorded in equity. The disposal of non-controlling interests and the difference between the consideration received and the related proportion of non-controlling 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 segments identified has its own functional structure. Common or shared costs are allocated based on the time or degree of 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 reporting 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 companies' 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, 2018 included 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, 2019, the aforementioned restatement had an impact of EThs 231 (EThs 250 in 2018) on the net carrying amount of property, plant and equipment. Consequently, the effect of this restatement on the provision for the year 2019 is EThs 19 (EThs 19 in 2018).

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 (10 to 20 years depending on the characteristics of the portfolio). Impairment tests are conducted regularly whenever factors that indicate any possible impairment exist.

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 allocated 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 indefinite 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 (CGU). 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 in 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 occurs, in general, when the insolvency and default risks have been transferred and the amount is financed directly to the customer by the financial institution.

c) Activos financieros disponibles para la venta

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 and if, in a future period, the amount of the impairment loss decreases and the decrease can be objectively attributed to an event that has occurred after the impairment was recognized, the reversal of the previously-recognized impairment loss will be recognized in consolidated profit and loss.

2.11 Derivative financial instruments and hedging activity

The Group occasionally maintains commitments of insignificant value in foreign currency 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 profit and loss. If the circumstances that caused the value adjustment cease to exist, the adjustment is reversed and recognized as revenue in profit and loss.

2.13 Trade 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 (less recognized losses). Progress billings not yet paid by customers and amounts withheld are included within trade and other receivables.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term, highly-liquid investments with original maturities of three months or less and cash placements maturing at 30 days, in accordance with the contract for the provision of financial services signed with United Technologies Treasury Center and United Technologies Corporation (the parent company of Otis Elevator Company) for the provision of services and optimization of the placement of cash surpluses, forward contracts and other services. In the statement of financial position, bank overdrafts are classified as borrowings in the current liabilities.

2.15 Share capital, share premium and treasury stock**(a) 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, 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.

(b) 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 period 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. These 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.

The liability or asset 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, assembly and export 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 income 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 numbers 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 interpretations that came into force in the reporting period:

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

IFRS 9 “Financial Instruments” addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new hedge accounting rules and a new financial asset impairment model.

The Group has checked and validated that the new guidance has no significant impact on the classification and measurement of its financial assets for the following reasons:

- The Group does not currently hold any debt instruments classified as available for sale.
- Equity investments currently held at fair value through profit and loss will continue to be measured on the same basis under IFRS 9.
- Debt instruments currently classified as held to maturity and measured at amortized cost meet the conditions to be classified at amortized cost under IFRS 9.

As explained in Note 3b, the Group has estimated the expected credit loss and credit risk in accordance with the ageing of the debt and experience in previous years, in accordance with prior segregation of the customer portfolio and the current economic environment, in order to calculate the provisions necessary.

Note 8 shows details of receivables by age. The Group had set aside provisions of EThs 795 (EThs 663 in 2018) as of November 30, 2019 for debt aged less than 6 months, representing 0.7% of the balance of said bracket, in line with the credit experience with our customers.

IFRIC 22 “Foreign Currency Transactions and Advance Considerations”: This IFRIC addresses how to determine the transaction date when the standard on foreign currency transactions, IAS 21, is applied. The Interpretation applies when a company pays or receives an advance consideration for contracts denominated in foreign currency. As explained in Note 3a), the Group’s transactions in foreign currency are not significant, although the Group made an analysis of the regulations, determining that they had no impact on its transactions.

b.- Standards, amendments and interpretations mandatory for all periods commencing on or after January 1, 2019 that the Group has not adopted early:

IFRS 10 “Leases” was issued in January 2016. It will mean that almost all leases are recognized in the statement of financial position, since the distinction between operating leases and finance leases is removed. Under the new Standard, an asset (the right to use the leased item) is recognized, with a financial liability for the lease payments. The only exceptions are short-term, low-value leases.

The Standard will affect principally the accounting of the Group’s operating leases. At the end of 2019, the Group held operating lease commitments for the following five years amounting EThs 21,056. This change in regulations will mean that, regarding the operating lease expenses currently recognized by the Group as “Other net expenses”, the Group will, as from the period commencing December 1, 2019, recognize the asset and the liability for future payments related to these commitments. It has been

determined that this will have no significant effect on the Group's profit but, however, the related amortization will be recognized and will have an impact on the Group's EBITDA (operating profit plus amortization plus depreciation).

Some of the aforementioned commitments may be covered by the exception for short-term, low-value leases, while other commitments may be related to agreements that would not classify as leases under IFRS 16.

IFRIC 23, "Uncertainty over Income Tax Treatments": the Interpretation provides requirements that will be added to those of IAS 12 "Income Tax", specifying how they reflect the effects of uncertainty on accounting for income tax. Note 21 of these annual financial statements provides a breakdown of the provisions which shows that any impact of this Interpretation will not be significant for the financial reporting of the period commencing December 1, 2019.

Additionally, in 2019, transitional guidance was published on the interpretation of international standards that have not yet come into force and have not been adopted early by the Group.

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 of a change in the interest rate would not have a material effect on the Group's financial statements at November 30, 2019.

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 are exposed to the risk of foreign exchange differences. Although their value is approximately eight million euros, a change in the exchange rate would not be expected to have a material effect on the Group's financial statements.

In addition to the aforementioned exposure concerning the investment in Otis Maroc, S.A., in relation to export and import trading transactions, the Group is exposed to exchange rate risk, which is not significant. At November 30, 2018, there were balances payable in foreign currencies other than the euro for a value equivalent to EThs 2,477 (EThs 1,030 in 2018).

(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, 2019, said provision was EThs 69,090 (EThs 85,184 in 2018) (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 totally impaired at November 30, 2019 and 2018 is as follows:

	2019	2018
Between 6 months & 1 year	11,880	8,525
Between 1 & 2 years	3,787	8,799
More than 2 years		
EThs	15,667	17,324

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

As stated in Note 10, at November 30, 2019 and 2018, the Group held short-term deposits with financial institutions of EThs 13,492 and EThs 11,726, 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, 2019, cash and cash equivalents represented EThs 50,589 (EThs 56,445 in 2018), 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:

	2019	2018
Cash at beginning of period	56,445	60,854
Cash flows from operating activities	172,388	161,902
Cash flows from investing activities	(19,385)	(15,354)
Cash flows from financial activities	(158,859)	(150,957)
Cash at end of period	50,589	56,445

(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.

At the 2019 and 2018 reporting dates, the Group did not hold any borrowings at a fixed interest rate.

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4.1

(e) Capital risk management

The Group's objectives in relation to capital management are to safeguard its capacity to continue as a going concern, to have the capacity to fund its internal 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 reporting period 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.

	2019	2018
Borrowings (current and noncurrent)	795	290
Other current & noncurrent financial liabilities	16,450	10,471
Cash and cash equivalents	(50,589)	(56,445)
Net financial debt	(33,344)	(45,684)
Equity	422,934	434,355
Leverage (*)	(0.09)	(0.11)

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

At November 30, 2019, this net debt represented -0.2076 of EBITDA (-0.2192 at the end of 2018). (EBITDA: operating profit + amortization + depreciation + impairment of fixed assets).

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 market leaders, 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 single 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 set out 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.

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4.1

2019	Assets					
	Operating		Total	Amortization/ depreciation	Noncurrent investments in	Liabilities
	Sales	profit		charge	assets	
Spain Otis Group	733,864	164,247	596,462	21,028	29,578	247,891
Portugal Otis Group	62,480	21,557	72,176	539	276	21,770
Morocco Otis Group	21,084	2,788	40,242	294	290	16,285
Eliminations - intra-group transactions	(15,021)	(1,634)	-	-	-	-
Consolidated	802,407	186,958	708,880	21,861	30,144	285,946

2018	Assets					
	Operating		Total	Amortization/ depreciation	Noncurrent investments in	Liabilities
	Sales	profit		charge	assets	
Spain Otis Group	717,573	165,799	608,366	19,675	22,943	236,434
Portugal Otis Group	60,354	21,252	68,527	485	276	26,478
Morocco Otis Group	20,206	2,279	46,541	363	2,688	26,167
Eliminations- intra-group transactions	(13,699)	(1,201)	-	-	-	-
Consolidated	784,434	188,129	723,434	20,523	25,907	289,079

Additionally separate information on the parent company and subsidiaries is shown below:

2019	Sales	Operating profit	%	Noncurrent asset investments
Zardoya Otis S.A. (Spain)	583,528	138,807	23,79	6,815
Other Spanish Group companies - (17 companies)	197,297	25,440	12,89	22,763
Portugal Otis Group	62,480	21,557	34,50	276
Morocco Otis Group	21,084	2,788	13,22	290
Group total	864,389	188,592	21,82	30,144
Eliminations – intra-group transactions	(61,982)	(1,634)	-	-
Consolidated	802,407	186,958	23,30	30,144

2018	Sales	Operating profit	%	Noncurrent asset investments
Zardoya Otis S.A. (Spain)	590,032	133,804	22,92	5,315
Other Spanish Group companies - (16 companies)	169,293	31,666	18,70	17,628
Portugal Otis Group	60,354	21,581	35,76	276
Morocco Otis Group	20,206	2,279	11,28	2,688
Group total	839,885	189,330	22,71	25,907
Eliminations – intra-group transactions	(55,451)	(1,201)	-	-
Consolidated	784,434	188,129	24,17	25,907

CUENTAS ANUALES CONSOLIDADAS

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, 2017				
Cost	61,867	30,187	68,248	160,302
Accumulated depreciation	(15,909)	(24,543)	(59,757)	(100,209)
Net carrying amount	45,958	5,644	8,491	60,093
2018				
Business combinations (Note 33)	-	-	120	120
Increases	3,078	773	3,681	7,532
Decreases	(1,287)	(2,242)	(1,061)	(4,590)
Depreciation charge	(1,504)	(1,681)	(2,133)	(5,318)
Eliminations from depreciation	958	2,279	1,059	4,296
Other movements	(7)	-	-	(7)
	1,238	(871)	1,666	2,033
As of November 30, 2018				
Cost	63,658	28,718	70,988	163,364
Accumulated depreciation	(16,462)	(23,945)	(60,831)	(101,238)
Net carrying amount	47,196	4,773	10,157	62,126
2019				
Business combinations (Note 33)	-	-	590	590
Increases	-	2,649	2,668	5,317
Decreases	(458)	-	(124)	(582)
Depreciation charge	(1,120)	(1,265)	(3,659)	(6,044)
Eliminations from depreciation	-	-	135	135
	(1,578)	1,384	(390)	(584)
As of November 30, 2019				
Cost	63,200	31,367	74,122	168,689
Accumulated depreciation	(17,582)	(25,210)	(64,355)	(107,147)
Net carrying amount	45,618	6,157	9,767	61,542

The property, plant and equipment figures include assets in progress for a total value of EThs 2,430 in 2019 and EThs 2,511 in 2018.

The principal property, plant and equipment consists of buildings and installations related to the Leganés plant and production facility in Vigo. At the reporting date, their carrying amount was EThs 12,508 (EThs 12,613 in 2018).

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At November 30, 2019 and 2018, the following items of property, plant and equipment had been fully depreciated:

	Thousands of euros	
	2019	2018
Land and buildings	4,672	4,691
Vehicles and machinery	39,120	35,305
Furniture, fittings and equipment	18,765	18,958
EThs	62,557	58,954

Of the total property, plant and equipment net of depreciation, the value of which is EThs 61,542, a total of EThs 554 is in Portugal and a total of EThs 2,778 in Morocco (EThs 519 and EThs 2,873, respectively, in 2018). 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, 2019 and 2018 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.

6. Intangible assets

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

EThs	Maintenance contracts	Goodwill	Other	Total
As of November 30, 2017				
Cost	321,571	154,605	17,685	493,861
Accumulated amortization	(149,836)	-	(11,672)	(161,507)
Impairment loss	-	(8,054)	-	(8,054)
Net carrying amount	171,735	146,551	6,013	324,300
2018				
Increases	511	-	1,894	2,405
Business combinations (Note 33)	9,211	6,526	-	15,737
Decreases	(167)	-	-	(167)
Amortization charge	(13,311)	-	(1,894)	(15,205)
Eliminations from amortization	167	-	-	167
Other	(1,825)	-	(26)	(1,851)
	(5,414)	6,526	(26)	1,086
As of November 30, 2018				
Cost	329,301	161,131	19,553	509,985
Accumulated amortization	(162,980)	-	(13,566)	(176,546)
Impairment loss	-	(8,054)	-	(8,054)
Net carrying amount	166,321	153,077	5,987	325,385
2019				
Increases	390	-	1,670	2,060
Business combinations (Note 33)	14,070	8,131	-	22,201
Decreases	(161)	-	-	(161)
Amortization charge	(14,126)	-	(1,691)	(15,817)
Eliminations from amortization	161	-	-	161
Other	(1,851)	-	-	(1,851)
	(1,517)	8,131	(21)	6,593

CUENTAS ANUALES CONSOLIDADAS

4.1

As of November 30, 2019

Cost	341,749	169,262	21,223	532,234
Accumulated amortization	(176,945)	-	(15,257)	(192,202)
Impairment loss	-	(8,054)	-	(8,054)
Net carrying amount	164,804	161,208	5,966	331,978

It is a common Group practice, when there are operating reasons that justify it, to take advantage of business combination 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, it is considered a CGU inasmuch as it is the smallest identifiable group of assets that generates independent cash inflows.

As may be seen in Note 2.2, in 2019 and 2018, several transactions with non-controlling interests and mergers between Group companies took place, 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. The CGUs 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, 2019 and 2018, goodwill with an indefinite useful life was allocated to the Group's cash generating units (CGUs) as follows:

	2019	2018
Grupo Zardoya Otis (Spain)	132,421	124,290
Grupo Zardoya Otis (Portugal)	13,168	13,168
Grupo Zardoya Otis (Morocco)	15,619	15,619
EThs	161,208	153,077

At November 30, 2019 and 2018, maintenance contracts with defined useful lives were allocated to the Group's cash generating units (CGUs) as follows:

	2019	2018
Grupo Zardoya Otis (Spain)	158,695	159,650
Grupo Zardoya Otis (Portugal)	6,1109	6,671
Grupo Zardoya Otis (Morocco)	-	-
EThs	164,804	166,321

In 2019 and 2018, the Group carried out the business combinations described in Note 33.

For significant business combinations, the Group requests 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 by Group Management and on the basis of the verification of the existence and current validity of the contracts.

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4.1

To calculate the discount rate, the Group uses the long-term bond rate, growth expectations, the CGU's effective tax rate and the Group's cost of debt. The perpetuity rate is in line with the rate 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 is as follows:

	Period of years budgeted	Perpetuity rate	Discount rate (acquisition date)
Zardoya Otis Group (Spain)	5 to 15	2.0 %	From 7.5% to 9.7%
Zardoya Otis Group (Portugal)	5 to 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 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 2019, a maximum annual growth rate of 2.9% (2.9% in 2018) was used and the perpetuity rate was 2% (2% in 2018). The discount rate applied was 5.09% (2018: 6.12%) for the Spain CGU, 8.74% (2017: 8.59%) for the Portugal CGU and 7.78% (2018: 8.59%) 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 2019 and 2018, 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. 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 sensitivity analysis, the following table shows the analysis of the CGU Otis Group Morocco:

Period 2019: (millions of euros)					
	Growth				
Discount rate	1.00%	1.50%	2.00%	2.50%	3.00%
10.50%	25.8	26.8	28.0	29.2	30.6
9.00%	30.7	32.2	33.9	35.9	38.2
8.00%	35.1	37.1	39.6	42.4	45.8
5.00%	61.5	69.0	79.0	93.1	114.2

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4.1

Regarding CGUs Zardoya Otis Spain Group and Portugal, their values in use significantly exceed the consolidated carrying amount of each one of them. Even if the assumptions considered (discount rate, projected period growth and perpetuity growth rate) were to change significantly, the value in use would still be higher than their respective consolidated carrying amounts.

In 2019, the trade and other payables heading included an obligation of EThs 12,982 (2018: 12,696) 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 non-controlling interests. To determine the price of these shares, the same criteria as applied in the initial purchase will be used, basically, maintenance contracts and equity value. In this respect, in 2019, the change in liabilities was recognized in the consolidated income statement as financial income and expenses of EThs 92 (EThs 161 in 2018).

As stated in the accounting policies in the Notes to the consolidated annual financial statements for 2019 and 2018 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 allocated are as follows:

<u>EThs period 2018</u>	<u>Zardoya Otis Group Spain</u>	<u>Zardoya Otis Group Portugal</u>	<u>Zardoya Otis Group Morocco</u>	<u>Total</u>
Maintenance contracts	158,695	6,109	-	164,804
Goodwill	132,421	13,168	15,619	161,208
Other intangible assets	5,966	-	-	5,966
Property, plant & equipment	58,210	554	2,778	61,542
Other noncurrent assets	29,623	2,972	889	33,484
Current assets	211,547	49,373	20,956	281,876
Total assets	596,462	72,176	40,242	708,880
Noncurrent liabilities	39,438	-	-	39,438
Current liabilities	208,453	21,770	16,285	246,508
Total liabilities	247,891	21,770	16,285	285,946
Net assets	348,571	50,426	23,957	422,934

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4.1

EThs period 2018	Zardoya Otis Group Spain	Zardoya Otis Group Portugal	Zardoya Otis Group Morocco	Total
Maintenance contracts	159,650	6,671	-	166,321
Goodwill	124,290	13,168	15,619	153,077
Other intangible assets	5,987	-	-	5,987
Property, plant & equipment	58,734	519	2,873	62,126
Other noncurrent assets	31,761	795	-	32,556
Current assets	227,944	47,374	28,049	303,367
Total assets	608,366	68,527	46,541	723,434
Noncurrent liabilities	34,940	1,306	-	36,246
Current liabilities	201,494	25,172	26,167	252,833
Total liabilities	236,434	26,478	26,167	289,079
Net assets	371,932	42,049	20,374	434,355

7. Financial assets and liabilities by category

	Loans & receivables & other
November 30, 2019	
Noncurrent assets in statement of financial position	
Loans and receivables (Note 8)	9,069
Other	941
Total	10,010
November 30, 2019	
Current assets in statement of financial position	
Trade and other receivables (Note 8)	199,715
Other	147
Cash and cash equivalents (Note 10)	50,589
Total	250,451

	Loans & receivables & other
November 30, 2018	
Noncurrent assets in statement of financial position	
Loans and receivables (Note 8)	7,626

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4.1

Other	733
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Total	8,359
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November 30, 2018**Current assets in statement of financial position**

Trade and other receivables (Note 8)	205,922
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Other	263
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Cash and cash equivalents (Note 10)	56,445
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Total	262,630
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Other financial liabilities at amortized cost

November 30, 2019**Noncurrent liabilities in statement of financial position**

Borrowings from financial institutions (Note 20)	-
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Trade and other payables	-
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Other debts through acquisitions (Note 16)	5,828
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Total	5,828
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November 30, 2019**Current liabilities in statement of financial position**

Borrowings from financial institutions (Note 20)	795
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Trade and other payables (Note 16)	189,259
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Other debts through acquisitions (Note 16)	10,622
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Total	200,676
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Other financial liabilities at amortized cost

November 30, 2018**Noncurrent liabilities in statement of financial position**

Borrowings from financial institutions (Note 20)	-
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Trade and other payables	-
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Other debts through acquisitions (Note 16)	1,843
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Total	1,843
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November 30, 2018**Current liabilities in statement of financial position**

Borrowings from financial institutions (Note 20)	290
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Trade and other payables (Note 16)	197,637
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Other debts through acquisitions (Note 16)	8,965
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Total	206,892
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4.1

8. Trade and other receivables

	2019	2018
Trade receivables	186,667	194,855
Less: Provision for impairment of receivables	(69,090)	(85,184)
Trade receivables– Net	117,577	109,671
Amount due from customers for contract work	38,873	41,552
Other receivables	4,378	8,839
Public authorities (Note 17)	8,251	7,387
Prepayments	741	521
Receivables from related parties (Note 34)	38,146	45,339
Total	EThs 207,966	213,309

The total amount of the costs incurred at the reporting date was EThs 161,792 (2018: EThs 128,582). This amount includes recognized profits (less recognized losses) on all contracts in progress for EThs 2,313 (2018: EThs 2,038). 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 122,919 (EThs 87,030 in 2018). At November 30, 2019, the trade receivables balance showed an amount of EThs 3,402 (2018: EThs 3,398) relating 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:

	2019	2018
Beginning of period	85,184	89,040
Provision made	1,268	1,791
Reversals	(3,162)	(3,167)
Write-offs	(14,200)	(2,480)
EThs	69,090	85,184

The provisions and reversals are included on the income statement under the heading "Other expenses, net". The net provision made in the period 2019 was -0.24% of Group sales (2018: -0.18%).

The Group makes estimates based on the age of the debt and experience in previous years, in line with a prior segregation of the customer portfolio and the current economic environment, in order to calculate the provisions necessary. In 2019 the Group wrote off provisions of EThs 14,200 (EThs 2,480 in 2018) with no effect on profit and loss. This amount was written off against the related customer accounts since it related to uncollectible balances.

To provide further details, the following is a summary of overdue receivables aged less and more than six months that are not impaired:

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4.1

2019

Thousands of euros	Total	Impaired	Net	Not yet due	Due but not impaired
Less than 6 months	102,704	(795)	101,909	60,848	41,061
Between 6 months and 1 year	13,673	(1,792)	11,880	0	11,880
Between 1 and 2 years	21,462	(17,675)	3,787	0	3,787
More than 2 years	6,429	(6,429)	0	0	0
In litigation	42,399	(42,399)	0	0	0
Total	186,667	(69,090)	117,576	60,848	56,728

2018

Thousands of euros	Total	Impaired	Net	Not yet due	Due but not impaired
Less than 6 months	94,452	(663)	93,789	55,104	38,685
Between 6 months and 1 year	10,034	(1,491)	8,543	-	8,543
Between 1 and 2 years	23,019	(15,680)	7,339	-	7,339
More than 2 years	27,371	(27,371)	0	-	0
In litigation	39,979	(39,979)	-	-	-
Total	194,855	(85,184)	109,671	55,104	54,567

For 2019 and 2018, 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 at more than one year for a total amount of EThs 4,454 (EThs 3,790 in 2018). The breakdown by years until maturity is as follows:

	2019	2018
Two years	4,410	3,079
Three years	33	583
More than three years	11	128
EThs	4,454	3,790

9. Inventories

	2019	2018
Raw materials and consumables for production	18,110	27,657
Work in progress	5,064	5,693
EThs	23,174	33,350

CUENTAS ANUALES CONSOLIDADAS

4.1

10. Cash and cash equivalents

	2019	2018
Cash and banks	37,097	38,719
Current deposits with financial institutions	13,492	11,726
Cash deposits with related entities	-	6,000
EThs	50,589	56,445

The effective interest rate on current deposits with financial institutions was 0.01% (2018: 0.02% and 0.05%) and the average term of these deposits was less than one month.

As of November 30, 2019 and 2018, the Company did not hold any restricted amounts in banks.

As of November 30, 2018, the cash and cash equivalents heading included EThs 6 000 (2017: zero) for a cash deposit placed by Zardoya Otis, S.A. with United Technologies Intercompany Lending Ireland Designated Activity Company and United Technologies Corporation (parent of Otis Elevator Company). Deposits with group companies are cash placements maturing at 30 days, which have accrued an average interest rate of 0.01%, approximately 0.01 percentage points higher than the usual market rate.

Cash and borrowings include:

	2019	2018
Cash and cash equivalents	50,589	56,445
Borrowings: utilization of bank credit (Note 20)	795	290

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, the total current borrowings balance included EThs 290 (2018: EThs 208) relating to other non-bank credits granted to the Group and to the interest calculated on acquisitions.

11. Capital

	No. Shares	Ordinary shares	Total
As of November 30, 2017	470,464,311	470,464,311	470,464,311
As of November 30, 2018	470,464,311	470,464,311	470,464,311
As of November 30, 2019	470,464,311	470,464,311	470,464,311

Holder	Shares		% interest	
	2019	2018	2019	2018
United Technologies Holdings, S.A.	235,279,377	235,279,377	50.01	50.01
Euro-Syns, S.A.	53,373,751	55,015,423	11.35	11.69
Other non-controlling interests	181,425,314	180,169,511	38.56	38.30
Treasury stock	385,869	-	0.08	-
TOTAL	470,464,311	470,464,311	100.00	100.00

CUENTAS ANUALES CONSOLIDADAS

4.1

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.

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

12. Treasury stock

The Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on May 23, 2018 authorized the Board of Directors to acquire, directly or indirectly, treasury stock of Zardoya Otis, S.A., observing the limits and requirements set out in article 146 and related articles of the Capital Companies Law.

At its meeting of December 11, 2018, the Board of Directors agreed to acquire treasury stock to be used in company acquisition transactions.

As a consequence of one of the acquisition transactions mentioned in Note 33, Zardoya Otis, S.A. acquired shares for a value of EThs 6,206 euros and, on June 28, 2019, in payment, gave in exchange 536,925 treasury shares that it held on its portfolio, valued at EThs 3,557.

As of November 30, 2019, Zardoya Otis, S.A. held 385,869 treasury shares (zero at the end of 2018) for a value of EThs 2,572.

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.

Unless it exceeds the aforementioned threshold, the legal reserve can only be used to offset losses, in the event that there are not sufficient other reserves available for this purpose.

		2019	2018
<u>Parent company of Group</u>			
Zardoya Otis S.A.	EThs	10.538	10.162

CUENTAS ANUALES CONSOLIDADAS

4.1

Details of the legal reserve held by Group subsidiaries at November 30, 2019 and 2018, are as follows:

Subsidiaries

Ascensores Ingar, S.A.	13	13
Ascensores Serra, S.A.	48	48
Cruxent-Edelma, S.L.	24	24
Mototracción Eléctrica Latierro, S.A.	-	-
Grupo Otis Elevadores (Portugal)	554	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	-	-
Otis Maroc, S.A.	10	10
Ascensores Aspe S.A.	-	41
Montes Tallón, S.A.	19	19
Ascensores Enor S.A.	601	601
Electromecánica del Noroeste S.A.	204	204
Enor Elevacao e Equipamentos Industriais Lda	50	50
Electromecánica Hemen Elevadores, S.L.	1	1
Companies acquired in 2018 (in process of merger)	5	5
Companies acquired in 2019 (in process of merger)	389	-

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

EThs	Consolidated companies	Other reserves	Total
As of November 30, 2017	85,796	190,596	276,392
Profit 2017	43,641	39,001	82,642
Dividends paid in the period	(43,186)	(37,637)	(80,823)
Application IFRS 15	-	(165)	(165)
Other movements	(1,788)	-	(1,788)
As of November 30, 2018	84,463	191,795	276,258
Profit 2018	39,485	35,994	75,479
Dividends paid in the period	(43,035)	(37,607)	(80,642)
Other movements	(1,161)	-	(1,161)
As of November 30, 2019	79,752	190,182	269,935

CUENTAS ANUALES CONSOLIDADAS

4.1

Details by company of reserves in consolidated companies and other reserves as of November 30, 2018 and 2017 are as follows:

	<u>2019</u>	<u>2018</u>
<u>Sociedad</u>		
Zardoya Otis S.A.	212,842	215,413
Ascensores Ingar, S.A.	(5,125)	(5,837)
Ascensores Serra, S.A.	2,023	1,166
Cruxent-Edelma-Aspe, S.L.	(18,091)	(13,077)
Grupo Otis Elevadores (Portugal)	30,392	31,376
Puertas Automáticas Portis, S.L.	3,575	6,452
Zardoya Otis (Gibraltar) Limited	279	59
Ascensores Pertor, S.L.	4,462	5,453
Conservación de Aparatos Elevadores Express, S.L.	21,417	19,175
Acrea Cardellach, S.L.	26,063	26,835
Ascensores Aspe S.A. (merged in 2019)	-	(3,488)
Otis Maroc, S.A.	5,351	5,257
Montes Tallón S.L.	(3,980)	(3,553)
Electromecánica Hemen Elevadores, S.L.	220	524
Companies acquired in 2018	450	451
Enor companies	16	11
IFRS adjustments	(9,959)	(9,959)
	269,935	276,258

Details of non-controlling interests by company as of November 30, 2019 and 2018 are as follows:

	<u>Non-controlling interests</u>		<u>Dividends paid</u>	
<u>Sociedad</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Ascensores Serra, S.A.	753	768	418	482
Ascensores Pertor, S.L.	838	932	202	201
Acrea Cardellach, S.L.	1,199	1,227	96	71
Montes Tallón S.L.	5,677	6,653	-	-
Ascensores Eleva SL	2,282	-	-	-
Masel Otis Elevadores de Madeira, Lda	978	939	1,019	709
Soluciones de Accesibilidad LV3 SL	125	127	-	-
EThs	11,852	10,646	1,735	1,463

CUENTAS ANUALES CONSOLIDADAS

4.1

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:

<u>Company</u>	<u>2019</u>		<u>2018</u>	
	<u>Consolidated profit</u>	<u>Attributed to non-controlling interests</u>	<u>Consolidated profit</u>	<u>Attributed to non-controlling interests</u>
EThs				
Zardoya Otis S.A.	105,549	-	109,208	-
Ascensores Ingar, S.A.	712	-	265	-
Ascensores Serra, S.A.	1,611	402	1,672	418
Cruxent-Edelma-Aspe, S.L.	1,848	-	2,026	-
Grupo Otis Elevadores (Portugal)	16,146	266	15,619	355
Puertas Automáticas Portis, S.L.	1,644	-	3,641	-
Zardoya Otis (Gibraltar) Limited	220	-	264	-
Ascensores Pertor, S.L.	2,247	108	2,523	113
Conservación de Aparatos Elevadores Express, S.L.	2,763	-	2,033	-
Acresa Cardellach, S.L.	2,088	68	2,739	63
Otis Maroc, S.A.	1,723	-	1,550	-
Ascensores Aspe S.A. (merged)	-	-	453	-
Montes Tallón, S.A.	(214)	(197)	(427)	(393)
Enor	4,009	-	3,935	-
Electromecánica y Ascensores Hemen	182	-	145	-
Acquisitions 2019 & 2018	22	13	85	14
EThs	140,550	660	145,731	570

The proposed distribution of 2019 profit of the parent company that will be submitted for approval at the Annual General Shareholders' Meeting, together with the 2018 profit distribution approved, is as follows:

	<u>2019</u>	<u>2018(*)</u>
<u>Available for distribution</u>		
Profit for the period	147,023	148,874
EThs	147,023	148,874
<u>Distribution</u>		
Legal reserve	376	376
Reserve for goodwill	-	-
Other reserves	33,797	35,587
Dividends	112,850	112,911
EThs	147,023	148,874

(*) Distribution of the 2018 profit approved by the General Shareholders' Meeting of Zardoya Otis, S.A. on May 22, 2019.

CUENTAS ANUALES CONSOLIDADAS

4.1

16. Trade and other payables

	2019	2018
Trade payables	37,801	42,333
Payables to related parties (Note 34)	11,601	9,689
Other payables	4,369	4,251
Goods received but not invoiced	12,640	16,799
Notes payable	122	144
Amounts due to customers on work in progress	58,908	55,871
Maintenance billing in advance	22,010	21,514
Acquisition commitments (Note 7)	10,622	8,965
Other payables to public authorities (Note 17)	26,957	26,324
Outstanding employee remuneration	26,954	29,291
Other	14,854	17,745
EThs	226,838	232,926

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 2,477 (2018: EThs 986).

At November 30, 2019 and 2018, 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 above for a value of EThs 12,982 (2018: EThs 12,696).

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

2019

	Current	2021	2022/23	Noncurrent
Acquisitions 2018 & earlier	753	680	410	1,090
Acquisitions 2019	9,869	3,287	1,451	4,738
EThs	10,622	3,967	1,861	5,828

2018

	Current	2020	2021/22	Noncurrent
Acquisitions 2017 & earlier	2,139	254	255	509
Acquisitions 2018	6,826	499	835	1,334
EThs	8,965	753	1,090	1,843

CUENTAS ANUALES CONSOLIDADAS

4.1

Summary of the 2019 debt

	Current	Noncurrent
<u>Acquisitions until 2019</u>		
Acquisitions CGU Spain	10,622	5,828
Acquisitions CGU Portugal	-	-
Acquisitions CGU Morocco	-	-
	10,622	5,828

Summary of the 2018 debt

	Current	Noncurrent
<u>Acquisitions until 2018</u>		
Acquisitions CGU Spain	8,538	1,843
Acquisitions CGU Portugal	427	-
Acquisitions CGU Morocco	-	-
	8,965	1,843

Company acquisition agreements in force at November 30, 2019 and 2018 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.

In accordance with Law 15/2010 of July 5, the Group reports that, in the 2019 reporting period, total payments of EThs 299,781 were made to suppliers (2018: EThs 353,289), complying with the aforementioned legislation.

	2019	2018
	Days	Days
Average payment period to suppliers	37	50
Ratio of transactions paid	38	51
Ratio of transactions outstanding	38	43
	Euros	Euros
Total payments made	323,602	353,289
Total payments outstanding	33,794	42,333

CUENTAS ANUALES CONSOLIDADAS

4.1

17. Public Treasury

	2019	2018
Debit balances		
Withholding tax on investment income	129	617
Public Treasury, VAT payable	423	410
Public Treasury, input VAT	6,813	5,746
Prior years taxes	886	614
EThs	8,251	7,387
Credit balances		
Provision for corporate income tax	46,979	48,150
Payments on account of corporate income tax	(38,559)	(38,773)
EThs	8,420	9,377
Public Treasury, withholdings operated	2,810	2,924
Public Treasury, VAT due	7,010	6,524
Public Treasury, output VAT	6,439	6,039
Social Security	10,698	10,837
EThs	26,957	26,324

18. Deferred taxes

	2019	2018
Deferred tax assets		
to be recovered after more than 12 months	22,949	23,517
to be recovered within 12 months	525	680
EThs	23,474	24,197
Deferred tax liabilities		
to be recovered after more than 12 months	23,489	22,105
to be recovered within 12 months	1,458	1,567
EThs	24,947	23,672

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

	Welfare commitments	Amortization intangible assets	Other	Total
Deferred tax assets				
As of November 30, 2017	11,037	6,226	6,731	23,994
P&L impact	(138)	274	67	203
Change in statutory rate	-	-	-	-
Business combinations (Note 33)	-	-	-	-
As of November 30, 2018	10,899	6,500	6,798	24,197
P&L impact	(186)	331	(868)	(723)
Change in statutory rate	-	-	-	-
Business combinations (Note 33)	-	-	-	-
As of November 30, 2019	10,713	6,831	5,930	23,474

CUENTAS ANUALES CONSOLIDADAS

4.1

	Welfare commitments	Amortization intangible assets	Other	Total
Deferred tax liabilities				
As of November 30, 2017	-	24,263	-	24,263
P&L impact	-	(2,894)	-	(2,894)
Change in statutory rate	-	-	-	-
Business combinations (Note 33)	-	2,303	-	2,303
As of November 30, 2018	-	23,672	-	23,672
P&L impact	-	(2,323)	-	(2,323)
Change in statutory rate	-	-	-	-
Business combinations (Note 33)	-	3,598	-	3,598
As of November 30, 2019	-	24,947	-	24,947

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 EThs 1,697 (2018: EThs 1,596) 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.

	2019	2018
Obligations (Asset) on consolidated statement of financial position		
Current employees	(4,615)	(3,836)
	(4,615)	(3,836)

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

	2019	2018
Present value of the obligations financed	42,783	38,447
Fair value of plan assets	(47,398)	(42,283)
Liability (Asset) in statement of financial position	(4,615)	(3,836)

CUENTAS ANUALES CONSOLIDADAS

4.1

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, 2017	38.920	(43.061)
Service cost	2.106	-
Interest cost	589	-
Return on plan assets	-	(690)
Payments to beneficiaries	(743)	743
Contributions	-	(857)
Actuarial losses / gains	(1.773)	1.338
Settlements	(652)	243
As of November 30, 2018	38.447	(42.284)
Service cost	2.012	-
Interest cost	713	-
Return on plan assets	-	(740)
Payments to beneficiaries	(2.168)	2.168
Contributions	-	(1.505)
Actuarial losses / gains	5.587	(6.557)
Settlements	(1.808)	1.520
As of November 30, 2019	42.783	(47.398)

The principal actuarial assumptions used were as follows:

	2019	2018
The discount rate varies, depending on the length of the obligation, between	0.00%-0.92%	1.52%-1.58%
Mortality tables	PERMF 2000P	PERMF 2000P
Wage increase	2.15%	2.15%
Estimated average retirement age forecast	65 to 67 years	65 to 67 years

The amounts recognized in profit and loss were as follows:

	2019	2018
Current service cost	2,012	2,106
Interest cost	713	589
Expected return on plan assets	(741)	(690)
Settlements	(287)	(409)
Actuarial (gains) / losses	-	-
Total included in employee benefit expenses (income)		
(Note 23)	1,697	1,596

CUENTAS ANUALES CONSOLIDADAS

4.1

The fair value of plan assets (matched insurance policies) is measured in accordance with IAS 19R, which allows the equalization of the value of these policies with that of the obligations. These policies were subject to a financing plan with the insurance company itself that ended in 2012.

The amounts of the present value of obligations for defined benefits and the fair value of plan assets for the 2019 reporting period and the preceding three annual periods are as follows:

	2019	2018	2017
Present value of obligations financed	42,783	38,447	38,920
Fair value of plan assets	(47,398)	(42,284)	(43,061)

The Group's best estimate of the contributions to be paid in the year ending November 30, 2020 is EThs 2,362 (2019: EThs 1,984).

The actuarial gains and losses shown in the statement of recognized income and expenses, recognized in equity for an actuarial gain of EThs 971 (actuarial gain of EThs 433 in 2018), relate principally to the effects of experience with the group on which the calculation was based and are the sum of an actuarial gain of EThs 1,259 (2018: actuarial gain of EThs 370); and an actuarial loss of 1,914 EThs (2018: actuarial gain of EThs 35), attributable to wage deviations and Social Security variables, which differed from expectations, and an actuarial gain of EThs 1,626 (2018: EThs 29) 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 717 (EThs 698 in 2018).

20. Borrowings

At November 30, 2019 and 2018, 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. Interest accrued on these loans in the period was EThs 104 (2018: EThs 104).

At November 30, 2019

	Current	2019	2020	Noncurrent
Borrowings from financial institutions	795	-	-	-
EThs	795	-	-	-

CUENTAS ANUALES CONSOLIDADAS

4.1

At November 30, 2018

	Current	2019	2020	Noncurrent
Borrowings from financial institutions	155	-	-	-
Other	135	-	-	-
EThs	290	-	-	-

At November 30, 2019, there were financial assets (trade receivables) of EThs 54,830 (EThs 41,964 in 2018) that had been derecognized because the risks of default and delinquency had been transferred.

21. Provision for other liabilities and expenses

	2019	2018
Noncurrent		
Other commitments with employees	8,663	10,731
Current		
Litigations: customer transactions	172	201
Guarantees	7,481	7,938
Chamber of Commerce and other taxes	2,802	2,101
EThs	10,455	10,240

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 noncurrent commitments with employees and other	Litigations: customer transactions	Guarantees	Other
As of November 30, 2017	10,084	133	9,127	1,401
Provisions/(reversals) in income statement	647	68	(1,189)	700
Amounts used	-	-	-	-
Other	-	-	-	-
As of November 30, 2018	10,731	201	7,938	2,101
Provisions/(reversals) in income statement	(690)	(29)	(457)	701
Amounts used	(1,378)	-	-	-
Other	-	-	-	-
As of November 30, 2019	8,663	172	7,481	2,802

CUENTAS ANUALES CONSOLIDADAS

4.1

22. Revenue

		2019	2018
Services provided		569,654	550,024
Revenue from construction contracts		63,492	56,535
Exports		168,560	177,239
Other sales		701	636
Total revenue	EThs	802,407	784,434

23. Employee benefit expenses

		2019	2018
Wages and salaries		191,342	185,283
Social security and other		69,102	67,447
Employee benefit commitments (Note 19)		1,697	1,596
	EThs	262,141	254,326

Social security and other includes severance payments to employees of EThs 2,539 in 2019 (2018: EThs 3,391).

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 2019 was EThs 495 (2018: EThs 601).

24. Raw materials and consumables used

		2019	2018
Materials and subcomponents for installations and services		325,762	317,089
Elimination of intra-group transactions		(61,982)	(53,860)
Change in inventories		10,176	1,468
	EThs	273,956	264,697

25. Other net expenses

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

		2019	2018
Leases		17,173	16,685
Repairs and maintenance		2,581	2,736
Insurance premiums		414	382
Advertising and publicity		2,476	2,271
Transport		13,401	13,236
Supplies and other services		17,257	18,040
Independent professionals		2,770	2,271
Subcontracting		3,751	3,239
Other		856	817
Impairment of receivables (Note 8)		(1,894)	(1,376)
	EThs	58,785	58,301

CUENTAS ANUALES CONSOLIDADAS

4.1

26. Net financial expenses and income

	2019	2018
Interest expense and bank charges	(208)	(378)
Interest income from bank deposits	315	162
Net foreign exchange gains / (losses)	(124)	(66)
EThs	(17)	(282)

27. Income tax

	2019	2018
Profit before tax	187,224	191,428
Permanent differences:	607	(815)
Profit from foreign companies	(24,815)	(23,861)
Other differences		
Prior period temporary differences in respect of which the relevant deferred tax asset was not recognized	(3,991)	(9,592)
Adjusted profit before tax	159,025	157,160
Temporary differences arising in the period in respect of which the relevant deferred tax asset is recognized	(2,409)	(2,796)
Taxable income	156,616	154,364
Gross tax payable	39,154	38,591
Tax credits	(483)	(486)
Other differences and tax assessment raised	635	700
Net corporate income tax expense, foreign companies	6,708	6,322
Change in statutory rate		
Corporate income tax expense	46,014	45,127
EThs		

The deferred tax asset accumulated at November 30, 2019 was EThs 23,474 (EThs 24,263 in 2018). 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 24,947 (EThs 23,697 in 2018) relating to differences generated by goodwill.

CUENTAS ANUALES CONSOLIDADAS

4.1

Deductible temporary differences relate principally to welfare commitments of EThs 10,712 (2018: 10,899), which are expected to be offset as follows:

- Period 2020: EThs 525
- Period 2021: EThs 508
- Period 2022: EThs 552
- Period 2023: EThs 474
- Period 2024: EThs 433
- Rest of periods: EThs 8,220.

At the reporting date, EThs 38,559 (EThs 38,774 in 2018) had been paid on account of the final corporate income tax payable. Corporate income tax expense included EThs 1,600 of revenue from deferred taxes (EThs 3,097 of revenue from deferred taxes in 2018) (Note 18).

The effective tax rate for Otis Elevadores, Lda. (Portugal) is 26.42% and that of Otis Maroc, S.A., 30.00% (26.15% and 23.00%, respectively, in 2018), while corporate income tax expense for 2019 was EThs 5 5,797 and EThs 911, respectively (EThs 5,658 and 664 in 2018).

For Zardoya Otis, S.A. and the rest of the Spanish subsidiaries and for Otis Maroc, S.A., the Otis Elevadores (Portugal) Group and Enor Portugal, the last four tax periods are still open to inspection.

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.

	2019	2018
Profit attributable to equity holders of the Company	140.555	145.731
Weighted average number of ordinary shares in issue during the year	470,464,311	470,464,311
Weighted average number of treasury shares	(177,100)	-
Basic earnings per share	0.30	0.31

CUENTAS ANUALES CONSOLIDADAS

4.1

29. Dividends and partial cash distribution of share premium

In 2018, three quarterly dividends were paid and there was a partial cash distribution of the share premium, as follows:

<u>1st Dividend</u> 0.080 euros gross per share, charged to the period 2018. Declared on March 20, 2018 and paid out on April 10, 2018. Shares: 470,464,311 (Treasury stock: zero) Gross total = 37,637,144.88 euros	37,637
<u>Dividend charged to reserves:</u> 0.080 euros gross per share. Declared on May 23, 2018 and paid out on July 10, 2018. Shares: 470,464,311 (Treasury stock: zero) Gross total = 36,637,144.88 euros	37,637
<u>2nd Dividend</u> 0.080 euros gross per share, charged to the period 2018. Declared on September 14, 2018 and paid out on October 10, 2018. Shares: 470,464,311 (Treasury stock: zero) Gross total = 37,637,144.88 euros	37,637
Dividend at end of period	112,911
<u>3rd Dividend</u> 0.080 euros gross per share, charged to the period 2018. Declared on December 11, 2018 and paid out on January 10, 2019. Shares: 470,464,311 (Treasury stock: zero) Gross total = 37,637,144.88 euros	37,637
TOTAL 2018	150,548

In 2019, three quarterly dividends and a dividend charged to reserves were distributed, as follows:

<u>1st Dividend</u> 0.080 euros gross per share, charged to the period 2019. Declared on March 20, 2019 and paid out on April 10, 2019. Shares: 470,464,311 (Treasury stock: zero) Gross total = 37,637,144.88 euros	37,637
<u>Dividend charged to reserves:</u> 0.080 euros gross per share. Declared on May 22, 2019 and paid out on July 10, 2019. Shares: 470,464,311 (Treasury stock: 385,869) Gross total = 37,637,144.88 euros	37,607
<u>2nd Dividend</u> 0.080 euros gross per share, charged to the period 2019. Declared on September 12, 2019 and paid out on October 10, 2019. Shares: 470,464,311 (Treasury stock: 385,869) Gross total = 37,637,144.88 euros	37,606
Dividend at end of period	112,850
<u>3rd Dividend</u> 0.080 euros gross per share, charged to the period 2019. Declared on December 11, 2019 and paid out on January 10, 2020. Shares: 470,464,311 (Treasury stock: 385,869) Gross total = 37,637,144.88 euros	37,606
TOTAL 2019	150,456

CUENTAS ANUALES CONSOLIDADAS

In relation to the interim dividends distributed by Zardoya Otis, S.A. in the period 2019, the existence of sufficient liquidity for their distribution was verified, in accordance with the Capital Companies Law, art. 277:

4.1

	Dividend:		
	1st February	2nd August	3rd November
Gross profit since December 1, 2019	45,605	140,893	167,643
Estimate of corporate income tax payable	(7,904)	(25,692)	(31,368)
Available net profit	37,701	115,201	136,275
Amount distributed previously	-	37,637	75,243
Amount proposed and distributed	37,637	37,606	37,606
Liquidity in cash	13,430	33,564	13,561
Temporary financial investments	14,843	20,278	9,962
Current trade bills receivable	22,256	23,775	23,934
Receivables	(12,742)	(24,172)	(7,914)
Current loans and other financial assets	153	557	195
Net liquidity	37,940	54,002	39,738

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:

	2019	2018
Profit before tax	187,224	191,428
– Depreciation of property, plant and equipment (Note 5)	6,044	5,317
– Amortization and impairment of intangible assets (Note 6)	15,817	15,205
– (Profit)/loss on disposals of property, plant and equipment	(283)	(3,581)
– Increase/(reduction) in retirement benefit obligations	(779)	(304)
– Interest paid (Note 26)	(208)	(378)
– Interest received (Note 26)	315	162
– Losses/(gains) on foreign currency conversion in operating activities (Note 26)	(124)	(66)
Changes in working capital (excluding the effects of the acquisition and foreign exchange differences upon consolidation):		
– Inventories	10,176	308
– Trade and other receivables	(5,852)	(17,456)
– Trade and other payables	8,628	(3,132)
Tax payment for the period	(48,570)	(46,004)
Cash generated by operations	172,388	161,902

31. Contingencies

The Group has contingent liabilities in respect of bank and other guarantees 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 10,980 (2018: EThs 11,418).

As the result of a disciplinary procedure initiated by the National Commission on Competition (CNC), now the National Commission on Markets and Competition (CNMC), against several companies in the elevator industry, a fine of EThs 2,845 was imposed on Zardoya Otis, S.A. in September 2013. A bond was deposited in order to appeal against the administrative decision before the Contentious-Administrative Chamber of the National Court, which duly delivered judgment. An appeal against said judgment was filed before the Supreme Court.

The Supreme Court dismissed the appeal filed by Zardoya Otis, confirming the National Court's judgment (which had confirmed the infringement but ruled that the fine was excessive and should be recalculated). The proceedings therefore returned to the CNMC so that they could be analyzed and the fine recalculated. The CNMC issued a resolution on the recalculation that fully confirmed the amount of the initial fine. An appeal is now in progress before the National Court.

32. Commitments***Asset purchase commitments***

Investments committed at the end of the reporting period but not made at said date were as follows:

EThs	2019	2018
Property, plant and equipment	858	2,062

At the reporting date, there were purchase commitments for property, plant and equipment of EThs 858 (EThs 2,062 in 2018), EThs 46 of which (EThs 1,880 in 2018) had been 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:

	2019	2018
Premises leased	3,936	3,716
Other	5,620	6,202

CUENTAS ANUALES CONSOLIDADAS

4.1

The future minimum lease payments under non-cancellable operating leases amounts:

	Facilities	
	leases	Others
Within one year	2,556	3,668
In years two to five inclusive	4,815	4,973

33. Business combinations

2019:

In 2019, companies belonging to the CGU Zardoya Otis Group (Spain) acquired 100% of the shares of the companies Otis Lliset S.L.U (December 4, 2018), Sige Ascensores S.L. (May 27, 2019) and Elevadores Tormes S.L. (October 10, 2019). Likewise, 80% of Ascensores Eleva S.L. was acquired (June 28, 2019). All these companies are engaged in the maintenance and repair of elevators in Spain.

Details of the assets and liabilities that were included are as follows:

Premises leased	958
Other	590
	14,070
Cash and cash equivalents	3,946
Property, plant & equipment	754
Intangible assets	-
Receivables	904
Inventories	3,598

A difference of EThs 8,131 arose as goodwill.

2018:

In 2018, companies belonging to the Zardoya Otis Group (Spain) CGU acquired 100% of the shares of the companies Ascensores Limarlift S.L (April 5, 2018), Integra Ascensores SL (June 26, 2018), Elko sistemas d'elevacion sl (September 11, 2018) and Euroascensores Alcaraz SL (November 26, 2018), all of which are engaged in the elevator maintenance and repair activity. Likewise, 80% of Soluciones de accesibilidad LV3 S.L. was acquired (April 16, 2018). This company is engaged in the elimination of architectural barriers and providing accessibility solutions using stair lifts and platforms. The total acquisition value of all the aforementioned companies was EThs 14,802.

CUENTAS ANUALES CONSOLIDADAS

4.1

Details of the assets and liabilities that were included are as follows:

Cash and cash equivalents	1,191
Property, plant & equipment	120
Intangible assets	9,211
Receivables	1,121
Inventories	413
Deferred tax assets	-
Payables	1,478
Deferred tax liabilities	2,303

A difference of EThs 6,526 arose as goodwill.

34. Related-party transactions

At November 30, 2019, 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:

<i>EThs</i>	2019	2018
<i>Transactions with Otis Elevator Co</i>		
Royalties	(20,334)	(19,388)
Charge-back of costs relating to the R&D Center	3,799	3,852
<i>Transactions with Otis Group company, sales and purchases of goods and services</i>		
Sales and expenses invoiced	159,289	169,667
Purchases and expenses borne	(46,352)	(48,014)
Receivables (Note 8)	38,146	45,339
Payables (Note 16)	(11,601)	(9,689)

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 Company periodically requests the opinion of an expert of recognized prestige concerning the pricing policy established for the transactions with other Otis Group entities, in order for it to be reviewed by the Audit Committee.

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 customers, excluding intra-group sales.

CUENTAS ANUALES CONSOLIDADAS

4.1

Additionally, in September 2010, a "Recharge Agreement" was signed with United Technologies Corporation (UTC), which concerned the possibility that certain Zardoya Otis, S.A. executives who were also considered to be UTC Group executives, since they held important management responsibilities, should benefit, depending on their performance and the attainment of joint objectives of Zardoya Otis, Otis and United Technologies Corporation (UTC), from the UTC long-term incentive plan, which includes UTC share-based compensation schemes. The Agreement is applicable to incentives assigned as from December 1, 2010. The cost, approved by the Audit Committee, is included in employee benefit expenses, generating a credit account with UTC Group companies (shown as other provisions in the statement of financial position). For 2019, the expense was EThs 495 (EThs 601 in 2018), relating to the fair value of the accumulated assets to which it is indexed, which was EThs 5,427 (EThs 6,002 in 2018).

As of November 30, 2018, the cash and cash equivalents heading included EThs 6,000 (2017: zero) relating to a cash deposit held by Zardoya Otis, S.A. with United Technologies Intercompany Lending Ireland Designated Activity Company and United Technologies Corporation (parent company of Otis Elevator Company). Deposits with group companies are cash placements maturing at 30 days. This deposit was cancelled in 2019.

The global remuneration for all items accrued during the year by the members of the Board of Directors was EThs 1,985 (2,111 in 2018) and consisted of the following items:

	2019	2018
Fixed compensation	297	290
Variable compensation	195	215
Bylaw stipulated items	1,033	1,200
Other long-term benefits	390	338
Pension plan contributions	70	68
TOTAL	1,985	2,111

At the 2019 and 2018 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 870 (EThs 805 in 2018), as reported in Sections C.1.15 and C.1.16 of the 2019 Annual Corporate Governance Report.

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 2019, 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, 2019 for environmental actions.

CUENTAS ANUALES CONSOLIDADAS

4.1

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 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 (2018: 4,153), with accumulated depreciation of EThs 2,074 at the reporting date (2018: 1,908).

In addition, in 2019, expenses for the removal or recycling of waste were recognized for a value of EThs 348 (2018: EThs 348).

36. Events after the reporting date

On December 11, 2019, Zardoya Otis, S.A. declared the third dividend charged to the profit for the period, for a gross amount of 0.080 euros per share. The resulting gross dividend was EThs 37,637 and it was paid out on January 10, 2020.

37. Other information

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

	Men	Women	2019
Managers	67	10	77
Administration/workshop/field supervisors	507	40	547
Engineers, university graduates and other experts	239	76	315
Administrative and technical personnel	529	451	980
Other workers	3,654	27	3,681
	4,996	604	5,600

	Men	Women	2018
Managers	68	10	78
Administration/workshop/field supervisors	504	35	539
Engineers, university graduates and other experts	241	70	311
Administrative and technical personnel	496	463	959
Other workers	3,559	30	3,589
	4,868	608	5,476

CUENTAS ANUALES CONSOLIDADAS

The average number of persons with a disability rating of 33% or more employed by the Group in the 2019 and 2018 reporting periods was 49 (43 men and 6 women) in 2019 and 41 (37 men and 4 women) in 2018.

(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 audited the Zardoya Otis Group, for the year 2019, was EThs 327 (EThs 315 in 2018), including the fees paid for the process audit required to comply with the requirements of the main shareholder. Likewise, fees accrued during the year by other companies in the PwC network as a result of audit services to foreign subsidiaries were EThs 43 (EThs 43 in 2018).

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 59 (EThs 47 in 2018).

4.1

MANAGEMENT REPORT OF ZARDOYA OTIS

CONSOLIDATED FINANCIAL STATEMENTS 2019

(Thousands of euros - -EThs)

Presentation of the annual financial statements

The Group's consolidated annual financial statements at November 30, 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations (IFRIC) endorsed by the European Union and in force at said date.

Business evolution

Profit and loss

The EBITDA (operating profit plus amortization plus depreciation and gains/losses on disposals of fixed assets) at the 2019 reporting date was 208.8 million euros, 0.1% higher than the figure obtained in 2018. For the first time since 2010, the EBITDA exceeded the preceding year's figure.

In the second half of 2019, the positive effects of the plan for productivity growth and improvement initiated over recent years could be observed, allowing the EBITDA to grow by 3.9% in comparison with the same period of 2018.

Consolidated profit before tax at the end of 2019 was 187.2 million euros, 2.2% down on the figure obtained in 2018.

Profit after tax was 140.6 million euros, 3.6% lower than the 145.7 million euros obtained in 2018.

In the second half of 2019, the positive effects of the plan for productivity growth and improvement initiated over recent years could be observed, allowing the EBITDA to grow by 3.9% in comparison with the same period of 2018.

We continue to advance with the digitalization process. In 2019, we accelerated the implementation of the plan. Our goal is to connect our customers and users to our technical assistance network and to the elevators we have in service. We have provided all our technical staff with latest-generation mobile devices, which has allowed us to progress in the digital transformation project. We have a digital service division that is leading the project to monitor our units and carry out remote interventions on them, with 70,000 elevators being monitored. In 2019, we successfully connected a further 20,000 elevators.

Exceptional events in the fourth quarter

The result for the fourth quarter of 2018 included a positive effect of 3.6 million euros from the sale of a property in Munguía.

The exceptional positive impact of 4.0 million euros reported in the report on the previous quarter was neutralized in the fourth quarter, as mentioned in the preceding quarterly report.

Sales

Zardoya Otis, S.A.

Total consolidated sales in 2019 were 802.4 million euros, in comparison with the 784.4 million euros of 2018, representing an increase of 2.3%.

New installations

Work completed

The value of new installations at the end of 2019 was 113.7 million euros, 18.8% up on the 2018 figure. Attention should be drawn to the fact that this increase took place on top of the increases, likewise in the two-digit range, in both 2017 (+18.3%) and 2018 (+10.9%), meaning that the cumulative growth between the fourth quarter of 2016 and that of 2019 was 55.9% (31.8% since 2017).

At the end of 2019, new installations sales accounted for 14.2% of total sales (12.2% in 2018).

Orders received and backlog of unfilled orders

Orders received for modernizations, new installations and exports, including new and existing buildings and marine, was 363.5 million euros, representing an increase of 6.8% on 2018.

The backlog of unfilled orders at the end of 2019 was 185.6 million euros, an increase of 13.2% on 2018.

These two variables continue to grow, which will provide us with future growth in both our domestic and export markets.

In 2019, we increased our assembly capacity by recruiting and training technical personnel, which will allow us to accelerate the execution of works in 2020.

Service

Sales

Consolidated service sales totalled 520.1 million euros (511.5 million euros in 2018), accounting for 64.8% of the Group's total billing (62.5% in 2018).

Growth in this activity continues, the year ending with an increase of 1.7% on the preceding year's sales.

Units under maintenance

There were 293,746 units under maintenance at the end of 2019, representing growth of 1.8% on the units under maintenance at the end of 2018.

We would like to highlight the fact that the figure of 250,000 units was surpassed in Spain during the year.

Exports

Net consolidated export sales were 168.6 million euros (177.2 million euros in 2018), 4.9% lower than the 2018 figure.

At the 2019 reporting date, exports accounted for 21% of the Group's consolidated sales (22.6% in 2018).

Zardoya Otis, S.A.

INFORME DE GESTION CONSOLIDADO

Employees

The Group had 5,600 employees at the end of the 2019 period, showing an increase of 2.3% on the end of 2018.

The average number of employees at the reporting date, distributed by category and gender, was as follows:

	2019			2018		
	Men	Women	Total	Men	Women	Total
Managers	67	10	77	68	10	78
Administrative/workshop/field supervisors	507	40	547	504	35	539
Engineers, university graduates and other experts	239	76	315	241	70	311
Administrative and technical personnel	529	451	980	496	463	959
Other workers	3,654	27	3,681	3,559	30	3,589
	4,996	604	5,600	4,868	608	5,476

The average number of persons with a disability rating of 33% or more employed by the Group in the 2019 and 2018 reporting periods was 49 (43 men and 6 women) in 2019 and 41 (37 men and 4 women) in 2018.

Dividends

At November 30, 2019, interim dividends had been declared for the period ended on said date for an amount of EThs 75,243 (EThs 75,274 in 2018). These interim dividends were paid for shares 1 to 470,464,311. Additionally, a dividend charged to reserves was distributed to shares 1 to 470,464,311 on July 10, 2018, for a gross amount of EThs 37,637. Treasury shares held at said dates were excluded.

The total amount of the dividends (including the third interim dividend charged to the period, declared in December 2018 as an event after the reporting date, and the dividend charged to reserves in 2019) was 150.5 million euros, representing a pay-out of 107.11% of the consolidated profit attributed to the parent company, Zardoya Otis, S.A., thus continuing with the Company's policy of distributing a pay-out of around 100% (higher than 100% on this occasion).

Evolution of capitalTreasury stock

The Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on May 23, 2018 authorized the Board of Directors to acquire, directly or indirectly, treasury stock of Zardoya Otis, S.A., observing the limits and requirements set out in article 146 and related articles of the Capital Companies Law.

At its meeting of December 11, 2018, the Board of Directors agreed to acquire treasury stock to be used in company acquisition transactions.

As a consequence of one of the acquisition transactions mentioned in Note 33, Zardoya Otis, S.A. acquired shares for a value of EThs 6,206 euros and, on June 28, 2019, in payment, gave in exchange 536,925 treasury shares that it held on its portfolio, valued at EThs 3,557.

As of November 30, 2019, Zardoya Otis, S.A. held 385,869 treasury shares (zero at the end of 2018) for a value of EThs 2,572.

Evolution of Zardoya Otis on the securities markets

The quoted share price at the end of 2019 was 7.02 euros per share, representing a decrease in value of 13.1% in comparison with the adjusted value at the end of 2018.

Forecast evolution

The year 2019 was marked by an increase in global uncertainty, propitiated not only by the possible outcome of Brexit and the intensity of the trade war between the U.S.A. and China (and, to a lesser extent, the EU), but also by the increase in political and social instability in many countries all over the world. This scenario is harming trade and global economic activity and has meant continual downward revisions of their growth prospects.

According to the IMF projections, growth expectations for 2020 place the GDP for Spain at 1.8%, at 1.6% for Portugal and at 3.7% for Morocco. Regarding inflation in 2020, the IMF predicts rates of 1% for Spain, 1.2% for Portugal and 1.1% for Morocco. In relation to the unemployment rate, even though it dropped in Spain, we ended 2019 with 13.9%, a long way behind Portugal, which ended 2019 with 6.1%, and the European Union average, which was 6.7% at the end of the year. The 2020 FMI projections reduce the unemployment rate in Spain to 13.2%, to 5.6% for Portugal and 8.9% for Morocco. Unemployment continues to be one of Spain's greatest challenges.

According to the Ministry of Development, the construction sector had been showing stable growth until 2018. Our New Sales and order figures clearly reflect this trend. We are still optimistic that this upward trend will continue but, however, in 2019, several analyses of the construction sector mentioned symptoms of a deceleration in the activity. The indicators relating to construction investment (new constructions approved, official calls for tenders, homes purchased and sold, etc.) showed signs of deterioration throughout 2019, in respect of both residential buildings and civil works.

In 2019, total sales increased by 2.3%. New equipment sales rose by 18.8%, while, in the service area, they rose by 1.7%. We expect this growth to continue in both new equipment sales and sales in the service area.

At the end of 2019, new installations sales accounted for 14.2% of total sales and we expect their relative weight to continue to rise in 2019. The construction sector had been showing stable growth until 2018. Our New Sales and order figures clearly reflect this trend. We are still optimistic that this upward trend will continue but, however, in 2019, several analyses of the construction sector mentioned symptoms of a deceleration in the activity.

General Description of the Group's Risk Policy

The Group' 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 tries to minimize any potential adverse effects on the Group's financial profitability.

Risk management is controlled by Group Management in accordance with policies set out in the supplementary information accompanying the annual corporate governance report at November 30, 2019. 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.

Average payment period to suppliers

In relation to the provisions of Law 3/2004 and Law 15/2010 on Measures to Combat Payment Delays in Trading Operations, Law 31/2014 of December 3 amended Law 15/2010 in relation to the information to disclose in the notes to the annual financial statements, in order to request disclosure of the average annual payment period to suppliers. Thus, the average payment period to suppliers for 2019 was less than 60 days. The Group has put in place measures to comply with the law, which include keeping the average payment period of its transactions with group and associated companies in line with current legislation and complying with the trading agreements it holds with external suppliers.

Research and Development expenses

The Group parent follows the policy of recognizing research costs in the income statement in the period in which they are incurred, as stated in its accounting policies and principles. As of November 30, 2019, the income statement included expenses of EThs 1,591 (2018: EThs 1,957) for this item.

Significant events at November 30, 2019

In 2019, companies belonging to the Zardoya Otis Group (Spain) CGU had acquired 100% of the shares of the companies:

- Otis Lliset SLU, S.L. on December 4, 2018
- Sige Ascensores S.L. on March 27, 2019
- Elevadores Tormes. S.L. on October 28, 2019

Likewise, 80% of Ascensores Eleva S.L. was acquired (June 28, 2019). This acquisition was executed through an exchange of shares, in which Zardoya Otis, S.A. transferred treasury shares that it held on its portfolio at the transaction date.

The corporate purpose of all these companies is elevator maintenance and repair in Spain.

In March 2019, the merger project for the companies Cruxent Edelma S.L.U. and Ascensores Aspe S.A.U. was executed, resulting in a single company with the new name of Cruxent Edelma Aspe S.L.U.

Events after the reporting date

On December 11, Zardoya Otis, S.A. declared the fourth dividend in the calendar year 2019 –the third charged to the profit for the period– for a gross amount of 0.08 euros per share, resulting in a total gross dividend of EThs 37,637. This dividend was paid out on January 10, 2020.

4.1**Annual Corporate Governance Report**

The Annual Corporate Governance Report for the 2019 reporting period forms part of this Management Report.

Statement of Non-financial Information

The Statement of Non-financial Information for the 2019 reporting period forms part of this Management Report.

ESTADO DE INFORMACION NO FINANCIERA (EINF) - INFORME DE VERIFICACIÓN - E&Y

ZARDOYA OTIS S.A. AND SUBSIDIARIES

**Independent Assurance Report of the Consolidated Non-Financial
Information Statement for the year ended November 30, 2019**

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ESTADO DE INFORMACION NO FINANCIERA (EINF) - INFORME DE VERIFICACIÓN - E&Y



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Translation of a report originally issued in Spanish. In the event of discrepancy,
the Spanish-language version prevails

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INDEPENDENT LIMITED ASSURANCE REPORT OF THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

To the Shareholders of ZARDOYA OTIS S.A.:

Pursuant to article 49 of the Code of Commerce we have performed a verification, with a limited assurance scope, of the Consolidated Non-Financial Information Statement (hereinafter NFS) for the year ended November 30, 2019, of ZARDOYA OTIS S.A. and Subsidiaries (hereinafter, the Group), which is part of the accompanying Consolidated Management Report of the Group.

The content of the NFS Report includes additional information to that required by prevailing mercantile regulations in relation to non-financial information statement that has not been subject to our verification. In this regard, our review has been exclusively limited to the verification of the information shown in the Annex "Table of contents as required by Law 11/2018" of the accompanying NFS Report.

Responsibility of the Board of Directors

The preparation of the NFS included in the Consolidated Management Report of the Group and its content is the responsibility of the Board of Directors of ZARDOYA OTIS S.A. The NFS was prepared in accordance with the content required by prevailing company law and in conformity with the criteria outlined in the *Global Reporting Initiative Sustainability Reporting Standards* (GRI standards) selected, as well as other criteria described in accordance with that indicated for each subject in the Annex "Table of contents as required by Law 11/2018" of the accompanying NFS Report.

The Board of Directors are also responsible for the design, implementation and maintenance of such internal control as they determine is necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

They are further responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFS is obtained.

Our independence and quality control

We have complied with the independence and other Code of Ethics requirements for accounting professionals issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence, diligence, confidentiality and professionalism.

Our Firm complies with the International Standard on Quality Control No. 1 and thus maintains a global quality control system that includes documented policies and procedures related to compliance with ethical requirements, professional standards, as well as applicable legal provisions and regulations.

The engagement team consisted of experts in the review of Non-Financial Information Statement and, specifically, in information about economic, social and environmental performance.



Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed, which refers exclusively to the 2019 financial year. Prior year data were not reviewed in compliance with prevailing company law. Our review has been performed in accordance with the requirements established in prevailing International Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and the guidelines for verifying Non-Financial Statement, issued by the Spanish Official Register of Auditors of Accounts (ICJCE).

The procedures carried out in a limited assurance engagement vary in nature and timing and are smaller in scope than reasonable assurance engagements, and therefore, the level of assurance provided is likewise lower.

Our work consisted in requesting information from Management and the various Group units of the Group participating in the preparation of the NFS, reviewing the process for gathering and validating the information included in the NFS, and applying certain analytical procedures and sampling review tests as described below:

- ▶ Meeting with the Group personnel to know the business model, policies and management approaches applied, the main risks related to these matters and obtain the necessary information for our external review.
- ▶ Analyzing the scope, relevance and integrity of the content included in the NFS based on the materiality analysis made by the Group and described in chapter 1, considering the content required by prevailing mercantile regulations.
- ▶ Analyzing the processes for gathering and validating the data included in the 2019 NFS.
- ▶ Reviewing the information on the risks, policies and management approaches applied in relation to the material aspects included in the NFS.
- ▶ Checking, through tests, based on a selection of a sample, the information related to the content of the 2019 NFS and its correct compilation from the data provided.
- ▶ Obtaining a representation letter from the Board of Directors and Management.

Conclusions

Based on the limited assurance procedures conducted and the evidence obtained, no matter has come to our attention that would cause us to believe that the Group NFS for the year ended November 30, 2019 has not been prepared, in all material respects, in accordance with the contents required by prevailing company law and the criteria of the selected GRI standards, as well as other criteria, described as explained for each subject matter in the Annex "Table of contents as required by Law 11/2018" of the NFS Report.



Use and distribution

This report was prepared in response to the requirement established by prevailing company law in Spain and may not be appropriate for other uses and jurisdictions.

ERNST & YOUNG, S.L.

(Signature on the original in Spanish, signed
by Alberto Castilla Vida)

28 de febrero de 2020



STATEMENT OF NON-FINANCIAL INFORMATION 2019

FEBRUARY 2020

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1. ABOUT THIS CHAPTER

This statement of non-financial information has been prepared in line with the requirements of Law 11/2018 of December 28, 2018 on non-financial information and diversity, approved on December 13, 2018 by the Congress of Deputies, which amended the Code of Commerce, the revised text of the Capital Companies Law approved by Royal Legislative Decree 1/2010 of July 2, and Law 22/2015 of July 20 on Account Auditing in relation to non-financial information and diversity (proceeding from Royal Decree-Law 18/2017 of November 24).

In preparing it, the guidelines on non-financial reporting of the European Commission (2017/C 215/01) under Directive 2014/95/EU were also considered.

In this context, through the statement of non-financial information, Zardoya Otis, SA aims to report on environmental and social matters, and matters relating to employees and human rights that are relevant to the company in carrying on its business activities.

In preparing this report and selecting its contents, account has also been taken of the results of the materiality analysis conducted in early 2020. This analysis took various sources of information into account, including internal audits, company data and information recorded by the company, in accordance with their degree of importance to Zardoya Otis and its stakeholders. The result of this analysis is shown in the following table:

Very important aspects	Important aspects	Unimportant aspects
Health and security Company commitments to sustainable development Environmental management Circular economy and waste prevention and management Sustainable use of resources Universal accessibility for people with disabilities Respect for human rights	Pollution Social relations Training Equality Fight against corruption and bribery Climate change Consumers Subcontracting and suppliers Employment	Protection of biodiversity Organization of work

This statement of non-financial information has been submitted to an independent external review process, having been verified by Ernst & Young (EY), one of the major and most prestigious audit firms worldwide. The independent assurance report, which includes the targets and scope of the process, as well as the review procedures used and its findings, appear at the end of this document.

2. BUSINESS MODEL

Environment

This business analysis is performed in response to the requirements of the standard ISO9001 2015 to deepen the understanding of the environment / context of the organization.

The purpose of the analysis is to acknowledge all those general factors (national and international) that delimit the framework in which the company operates and affect its specific environment: industry, market, customers, competitors, suppliers, etc. They refer to both the micro and macro-environment, provided that both of them can be reflected in the business. It also takes account of the current situation and a short- or medium-term forecast (1-5 years) to obtain an idea of the evolution in the different aspects: graphic representation, cumulative growth and average annual growth.

Such analysis includes six factors: Political, Economic, Socio-cultural, Technological, Environmental / Ecological and Legal, which we assess below:

POLITICAL FACTORS

Included in this section are those internal and external political factors that are considered relevant to the activity carried on by the Company. This analysis of the political environment will be considered as a useful reference for the design and development of the policies and strategies of Zardoya Otis.

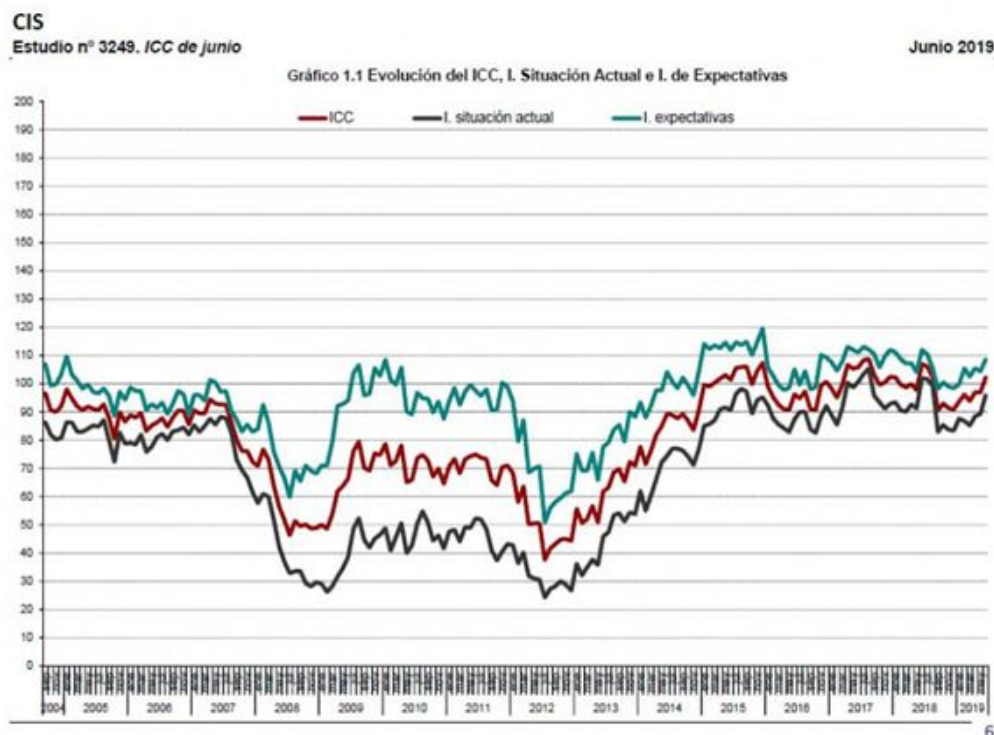
Since the General Elections of 2015, Spain has been 402 days with provisional governments. In the same period, there has been a government at full capacity for 908 days. And none of those governments, of either the Partido Popular or the PSOE, have had solid parliamentary majorities. The amount of electoral processes in recent years has also paralyzed parliamentary activity. Since the 2015 elections were called, Parliament has been dissolved for almost eight months.

As reported by the CIS (Centro de Investigaciones Sociológicas) through the main indicators shown by the Barometer of June 2019 (Study No. 3252), 67% of the population felt that the political situation in Spain was fair or poor, and most thought it was the same as a year earlier (55.6%) and would remain the same in a year's time (42.7%).

The study also showed that, according to the Spanish people, the main problem in our country was unemployment.

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In relation to the Consumer Confidence Indicator, this is the evolution shown by the CIS (Study No. 3249):



Foreign policy shows a context which includes the following:

- Provisions of the European Union to be transposed into national law (data protection GDPR, environment, Internet banking PSD2, etc.)
- Brexit and its impact on Spain.
- The rise in nationalism as a potential seed of Euroscepticism (in Spain, the judgment on the trial on the Catalan "process").
- The Europe-US-China relations in the light of a rethinking of existing trade relations.
- Spain and management of the immigration problem in the environment of the European Union.
- Generally, a more interconnected world in a VUCA environment (Volatile, Uncertain, Complex and Ambiguous).

At regional and local levels, actions with a certain degree of business impact can be expected (urban planning, environmental regulations, taxes, etc.).

Therefore, possible new developments and political prospects, both internal and external, that might influence the company's activity will be monitored and assessed regularly.

ECONOMIC FACTORS

These are the factors affecting the purchasing power and spending pattern of consumers and anticipate the evolution of key macroeconomic variables.

- Growth rate of the world economy: according to the International Monetary Fund, the growth rate of the world economy in 2019 stood at 2.9%, while growth of 3.3% is expected for 2020.
- In the year 2019, the 2018 General State Budget was extended and it has now been extended to 2020. The public deficit has continued to rise in these accounts.

Attention should be drawn to the increase of 5 thousand million euros in pensions in comparison with previous Budgets.

According to the Ministry of Finance. 144,834 million euros are spent on pensions, 49,519 million on transfers to other administrations, 31,547 million on public debt, 24,788 million on general services, 17,702 million on unemployment, 8,418 million on public safety, 8,087 million on defence and 14,388 million on other economic services, while revenues come from personal income tax (82,056 million euros), VAT (71,575 million), corporate tax (24,258 million) and special taxes (21,612 million), plus 10,515 million from other revenues.

- Referring to the most significant macroeconomic variables, we highlight the fact that, in the year 2019, the GDP grew by 2%, with Spain placed number 13 in the world ranking, 4 tenths lower than the GDP of the previous year.

Regarding the CPI in December it stood at 0.8% and the variation in the leading HCPI indicator for January 2020 was estimated at 1.1%.

The unemployment rate continued to decrease, dropping to 13.8% in 2019.

- For the installation or renewal of elevators, the general rule is to apply the general VAT rate (21%).

If a lifting apparatus is installed on a staircase for use by a person with a disability, the applicable rate will be 10% (reduced rate).

However, if an industrially standardized elevator not specially designed for people with disabilities or reduced mobility is installed, even though its installation is obligatory for the Owners' Association in accordance with the Horizontal Property Law because there are people with disabilities, the rate will be 21%.

These rules have exceptions, which must be taken into account by the New Equipment, Financial, Legal and Regulatory Departments.

Regarding construction, we obtain the following report from the *Fundación Laboral de la Construcción*, based on Euroconstruct data.

Residential building will grow by over 5% in the next two years

As regards the housing market, the summary for our country highlights the importance of the fact that the new mortgage law has ended an episode of regulatory uncertainty.

It warns of the concentration of the demand for land in big cities, which will generate a land deficit at specific points of the country. However, according to the report, the existence of areas in our country that are still unaffected by the new growth experienced by the sector in recent years may boost the housing market over the next two years, with forecast growth of 6% in 2020.

Furthermore, as regards non-residential building, the ITeC (Institute of Construction Technology) forecasts sustained development for forthcoming years, with increases of around 4% for 2020 and 2021.

Civil works in Spain, awaiting new governments

The text also warns of the weakness of civil works in our country, after the stoppage suffered as a result of the recent elections. The Euroconstruct report forecasts that it will begin to take off after new governments have been formed, with increases of 2.5% for 2020 and 5.5% for 2021.

Economic aspects resulting from purchases

The company should consider the influence of raw material prices and procurement strategies to try to anticipate and mitigate their impact on the cost of the product.

The international markets (copper, aluminium, steel, oil) are factors that exert an influence as are geopolitical impacts (EU-China tariff war, Brexit, tension in the Middle East, etc.).

They also affect national and European labour markets (e.g. availability of skilled labour for assembly, self-employed workers, etc.)

Competition

Risk analyses(ERM and SWOT) take competitors into account and their initiatives, business strategies and positioning are analyzed, both locally and nationally. In addition, at monthly management meetings the results of the maintenance portfolio are evaluated and a comparison between different competitors is made regarding global data on units under maintenance captured from and lost to the competition. These metrics can be shown by work centre.

SOCIOCULTURAL FACTORS

These are the values, customs and norms that have influence in the place where the company is located. It is important to analyze the social values, behaviour and preferences of a society or its lifestyle and how they evolve. We can analyze factors such as language, religion, lifestyle, level of education or income level.

- The population pyramid in shows that Spain's population is ageing.

This situation translates into business opportunities that should be taken into account by, among others, the new installations sales management.

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- Another important business factor arises from the need to adapt infrastructure to people with disabilities by law.
- In general, major demographic changes will be conditioning factors worldwide in years to come:
 - Geopolitical unrest.
 - Global economy: a new balance inclined towards the Pacific.
 - Omnipresence of innovation.
 - Social structure: more autonomous individuals.
 - Increase in life expectancy and in the urban population.
 - Sustainability: fewer and more expensive resources.

(Study conducted by PWC / ICEMD).

- New forms (or not so new) of business development: ecommerce, a multichannel, multi-device way to develop business fluidly, where the digital layer facilitates the integration of channels and devices. Above all, it facilitates and enhances the whole purchasing experience of new customers.
- Challenges of the new digital customer: understanding how the relationship with them should be, winning their confidence and ensuring competitiveness in the market are necessarily inter-related.
 - Real-time management.
 - Process efficiency.
 - Omni-channelling.
 - Transparency.
 - Communication management.
 - The price is not the determining factor : what matters is what you offer.
- "Millennial" and "Digital" generations. This is the name given to those born after 1984 (approx.). New generation characterized by:
 - Critical personality.
 - Politically and religiously independent.
 - Digital natives: continual use of smartphones and social networks, a consumption pattern very much based on word of mouth and an attachment to technology, which has given rise to studies on the fear of being offline or FOBO.

TECHNOLOGICAL FACTORS

Technological changes are occurring at breakneck speed. We are interested in reflecting on how technologies that are emerging today can change society in the near future. It is especially interesting to study those factors that most affect us. We should think about issues such as:

- Agents that promote innovation in Information Technology and Communication. We should focus on studying and influencing the Company's stakeholders: customers, suppliers, shareholders, etc. Senior Management, and the Sales, Marketing, Communication and Human Resources Departments are working on this aspect.
- Investment in R & D of countries or continents. In our scope, Spain dropped two places in the European ranking of investment in R & D as a percentage of GDP, with a value

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of 1.2% and stood on 18th place. This point is being developed by the company's senior management.

- The emergence of new technologies related to the company's activity that may cause some kind of innovation. In this regard, the transformation of the company's service through new smart devices has to be one of the main points to develop. This point is being developed by the Company's senior management, in collaboration with the Sales Departments and the Safety and Works Department.
- The emergence of disruptive technologies that change the rules of the game in many sectors. In our immediate surroundings, the new generation of intelligent elevators which allow a simpler technical development and a less risky operation must be the main point to develop. This point is being promoted by the Company's senior management and developed by the Manufacturing and Development Engineering Departments.
- Promoting technological development will lead the company to integrate these variables into its competitive strategy, both to improve productivity and reduce administrative tasks, and because of their effectiveness in retaining customers through new, differentiated services and products. The company's senior management is working on this point and it is being developed by the Manufacturing and Development Engineering Departments.
- Changes in energy use and consequences. The Company's main energy consumption (61% of the total), is in the use of vehicles for maintenance routes. Optimization thereof (use of the General Route Manager Program) and the feasibility study on changing vehicles to cleaner and more economical technologies are points to develop, with the support of the company's senior management in collaboration with the Sales Departments and Safety and Works Department.
- New forms of production and distribution. Lean Transformation technology should be the main milestone to develop by the company's senior management and Manufacturing Department.
- Speed of the changes, and shortening of the periods before obsolescence. Senior management.

ENVIRONMENTAL FACTORS

We must be alert not only to the possible regulatory changes related to ecology, but also to social awareness of this movement:

- Environmental protection laws.
- Regulation of energy consumption and waste recycling.
- Concern about global warming.
- Present and future social awareness of ecology.
- Concern about pollution and climate change.
- Agenda 2030: Sustainable development goals (UN).

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The company Zardoya Otis, SA has different Management Systems, which are certified by Notified Bodies and accredited in accordance with ISO / OHSAS rules applicable to this point:

Environment Management System (ISO 14001): this Management System is certified by AENOR for the Zardoya Otis, SA plants. The part of the business relating to the sales network and central offices (Staff) is certified by DNV.

Energy Efficiency Management System (ISO 50001): this Management System is certified by AENOR for all Zardoya Otis, SA plants, the sales network and central offices (Staff).

The Safety, Health and Environment Management System integrates occupational risk prevention (OHSAS 18001), the environment (ISO 14001) and Energy Efficiency Management (ISO 50001) as a complement to the environmental part, in order to take advantage of obvious synergies in internal monitoring and deployment.

LEGAL FACTORS

These factors refer to those changes in legal regulations related to the company that may affect its business model and strategy and we take the following into account:

- New regulations concerning the sector. The entry into force of the new ITC AEM1 (Complementary Technical Instruction), Elevators, now under review and expected to be published in late 2020, is a good example. This point must be driven by the Company's senior management and the Regulatory Department, in collaboration with the Manufacturing and Development Engineering Departments and the Safety and Works Department.
- Legislation is a changing reality and new initiatives and changes that may have some direct or indirect impact on our sector are common, including those that are only the draft stage, and we must be prepared for them. The Legal Department and the Legislation and Regulations Department are connected to this situation through various channels (briefings, publications, projects, doctrine) to anticipate the changes as far as possible. Thus, they can make the necessary decisions in advance and, once the rule is adopted, adapt to it quickly (adaptation of templates, contracts, internal or external communications, etc.).
- Other Departments are also involved in policy and legislative issues that may affect the Company:
 - Employment laws. Laws of the metal sector, Workers' Statute, Labour Reform Law, etc. (Human Resources Department).
 - Intellectual Property Rights. Product development patents. (Manufacturing and Development Engineering Department).
 - Occupational health and safety laws. Zardoya Otis, SA has different Management Systems certified by Notified Bodies and accredited in accordance with ISO / OHSAS rules, as appropriate. For this point, the Company has the Occupational Risk Prevention System (OHSAS 18001): this Management System is certified by AUDELCO for the entire company Zardoya Otis SA (Safety and Works Department).
 - Protected or regulated sectors. (Senior Management).
 - Competition (I). In the management and delivery of spare parts to competitors, which is carried from the Vigo Service Centre (situation in which the competition may become either a supplier or a customer). the Company must preserve free and

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healthy market competition. The Legal Department has developed an initiative to ensure that the sale of spare parts service complies with legal provisions.

- Competition (II). Company relations with competitors is a subject discussed in the Code of Ethics, emphasizing the importance of respecting and ensuring respect for the Competition Law at all times. Action guidelines have been prepared for employees who may come into contact with competitors to remind them of the right way to act in defence of the antitrust rules and to limit the use of competitive or sensitive information about the business.

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Description of the business model

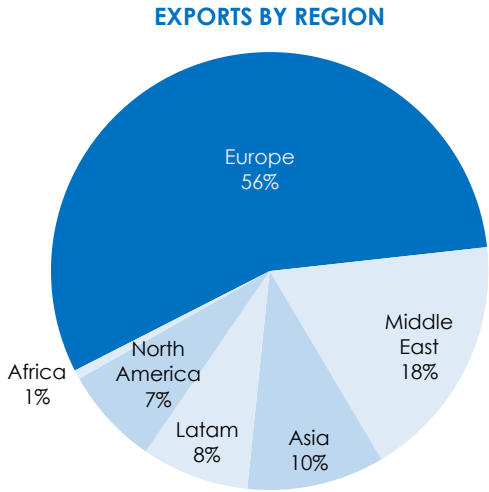
Zardoya Otis emerged from the merger between Schneider and Zardoya Otis SA in 1972 and its organic and inorganic growth has established it in a leading position in its sector, in terms of both volume and profitability. Currently, its business segments operate in Spain (90% of sales and 87% of operating profit in 2019), Portugal (8% and 12%) and Morocco (3% and 1%). The Spain business unit manages and integrates the figures for Andorra and Gibraltar, areas in which Zardoya Otis, SA has subsidiaries.

The Zardoya Otis Group is the leading vertical transport business group in the Spanish, Portuguese and Moroccan markets. It has the largest maintenance portfolio in Spain, Portugal and Morocco for elevators, escalators and moving walkways. It has three plants located in Madrid, San Sebastian and Vigo and an extensive sales and technical assistance network that allows it to be very close to its customers. It also has an R&D&i centre in Leganés (Madrid).

The Group's goal is to offer its customers service excellence. To this end, the company considers and includes within its activity all the phases that comprise safe and comfortable vertical transport for people and goods, starting with design and manufacturing, continuing with assembly and ending with the provision of preventive and corrective maintenance that meets the requirements of the market and its customers.

The Group offers a wide range of elevators, escalators, moving walkways and platforms, as well as automatic doors and stairlifts (among other devices that facilitate accessibility), which combine existing technological advances in order to offer this equipment to both new and existing buildings. In addition, in recent years, the elevator modernization and replacement activities, which seek to improve the operating conditions in terms of comfort and consumption, along with the installation of equipment for the removal of architectural barriers, have entered into the Group's day-to-day work and teams of professionals specializing in these activities have been created.

The Group operates in three business lines: New installations (14.2% of 2019 sales), Service (64.8%) and Exports. This tradition in exports translates into in selling elevators to the other Otis companies around the world. Exports accounted for 21% of Group consolidated sales in 2019.



The graph shows the geographical destinations of export sales in 2019

The Zardoya Otis Group offers a wide and diversified product portfolio. In addition to elevators, it produces escalators and automatic doors, as well as elevating equipment for cruise ships, accessibility devices, etc.

The company is vertically integrated, which means that it produces, installs, maintains and modernizes elevators. The product portfolio includes, among others, the Gen2 family, characterized by its elevator solutions for limited spaces and moderate loads, preferably adapted to residential buildings, or the high-performance line for high-rise buildings, where maximum power and height are the most appreciated features.

Innovation has always been a constant in Zardoya Otis and our latest systems are proof of this. We develop elevators that change the way people move. Among our systems, the revolutionary Gen2® and the innovative SkyRise®, are two of the latest examples. We thus continue to expand our range. Our goal is to meet the different needs of each customer group; examples of this are the following models:

- Gen2 Home: versatile, quiet and comfortable, it is the perfect solution in buildings with moderate traffic to move more comfortably and / or overcome architectural barriers. It is an ideal solution for homes, offices or schools.
- Gen2 Switch: Easy to install, safe and generates energy. It plugs in like a household appliance. The Gen2 Switch is a highly efficient elevator, specially created for buildings without an elevator, with aesthetics adapted to any environment.
- Gen2 Fit: This equipment is designed for minimal gaps and there are even cars for a single person. It has all the advantages of the latest-generation Otis elevators: extreme safety, comfort, respect for the environment and energy regeneration.

Organization and Structure

THE BOARD OF DIRECTORS

Except for matters reserved for the competence of the General Meeting, the Board of Directors is the highest decision making body of the Company and the powers authorized by law and the Bylaws are assigned to it.

The operating principles of the Board of Directors of Zardoya Otis SA, as well as the basic rules on its organization and operation and the rules of conduct of its members, are determined by the Regulations of the Board of Directors.

The directors of the Company have an obligation to know, understand, comply with and enforce said Regulations. The Board of Directors must take appropriate measures for the Regulations to be distributed among the shareholders and the investor public in general.

The Board of Directors has the number of members determined by the General Meeting within the limits set by the Bylaws of the Company and may establish such committees or commissions as it deems appropriate in order to perform its work, determining their composition, appointing their members and establishing the duties to be assumed by each one of them. In particular, the Board of Directors has created an Audit Committee and a Nominating and Compensation Commission.

At the end of the year, the composition of the Board was as follows:

- Mr Bernardo Fernández Calleja, Chairman and CEO
- Mr José María Loizaga Viguri, Deputy Chairman
- Mr José Miguel Andrés Torrecillas, Member
- Ms. Eva Castillo Sanz, Member
- Mr Alberto Zardoya Arana, Member
- Euro-Syns SA (represented by Mr Eduardo Montes Pérez), Member
- Otis Elevator Company (represented by Ms Nora LaFreniere), Member
- Ms. Robin Fiala, Member
- Mr Patrick Martin, Member
- Mr Mark Eubanks, Member
- Ms Stacy Petrosky, Member

The Audit Committee consists of the following directors:

- Ms Eva Castillo Sanz, Chairperson
- Mr José Miguel Andrés Torrecillas, Deputy Chairperson
- Ms Stacy Petrosky, Member

The Nominating and Compensation Commission consists of the following directors:

- Mr José Miguel Andrés Torrecillas, Chairperson
- Otis Elevator Company (Ms. Nora LaFreniere), Deputy Chairperson
- Ms Eva Castillo Sanz, Member
- Mr Patrick Martin, Member
- Ms Robin Fiala, Member

ORGANIZATIONAL STRUCTURE

The organizational structure of the group is built around the Spanish parent Zardoya Otis, SA

The Group is structured around the areas of manufacturing, on the one hand, and operations on the other, with the assistance of various departments of general or support services and a high degree of integration of the activities, functioning as a single unit in each of the countries where it operates.

Manufacturing area: the Group's manufacturing area assumes the functions of production and logistics for components and elevators. At Group level it includes both the plants owned by Zardoya Otis (San Sebastián, Leganés and Vigo) and spare part distribution centre (Service Center), which addresses the needs of the entire network of installation and maintenance entities, engineering centres and subsidiaries, as well as exports.

Operations area: the operations area includes equipment sales, installation and maintenance, performed by both Zardoya Otis and its subsidiaries.

General and support services: Zardoya Otis has departments that provide support functions (Finance, HR, IT, Quality, etc.) throughout the organization.

OPERATING STRUCTURE

Regarding the supply chain, the parent company of the Zardoya Otis, SA Group simultaneously performs all the functions within the value chain of the product: SSI (Systems and Subsystems Integrators), CLC (Contract Logistic Centers) and SSE (Sales and Services Entities).

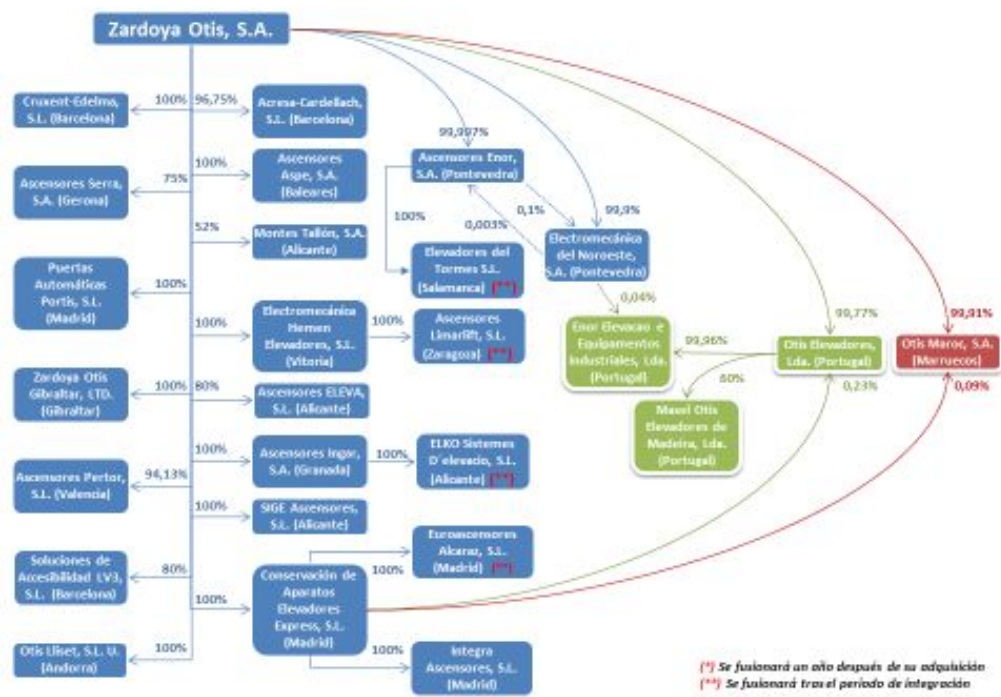
Production of components (SSI): the San Sebastián and Leganés plants produce subsystems and components to be incorporated into elevators or used as spare parts in maintenance and repair services. Supplies of the materials or components necessary for these facilities come from both external suppliers and other Otis companies around the world.

Production of elevators (CLC): the Leganés and Vigo plants centralize orders for elevators and special models, respectively. These models may be installed in Spain by Zardoya Otis itself, or in other countries by the SSE of other Otis companies or authorized distributors. The Service Centre in Vigo also has the function of supplying spare parts for these models for both Spanish and foreign installers. Therefore, the elevator models produced by Zardoya Otis and their spare parts may be installed in Spain by Zardoya Otis itself and its subsidiaries or may be installed in other countries by other Otis companies ("exports of elevators and spare parts").

Installation and maintenance of elevators (SSE): Finally, the product supply chain concludes with the installation and maintenance of the elevators. Generally, elevators sold and installed by Zardoya Otis have been manufactured by the company itself. However, it has access to the entire catalogue of elevators and escalators produced by Otis Group plants, which are available to Spanish customers according to their needs. Consequently, Zardoya Otis elevators installed in Spain may have been manufactured by Zardoya Otis itself or have been acquired from other entities of the Otis Group (CLC) ("imports of elevators and spare parts").

CORPORATE STRUCTURE

The legal structure of the Zardoya Otis, S.A. Group is described below:



BUSINESS ENVIRONMENT

Companies operating in the elevator sector can do so with an international, national and/or regional scope and, at the same time, can participate in one or more activities of the value chain, ranging from the manufacture of components and elevators to the repair thereof. According to industry sources, the vast majority of companies operating in this area are highly integrated, either totally or partially.

In Spain, the sector is formed by around four hundred companies, three quarters of which are engaged in the manufacture, sale, installation, maintenance and repair of equipment, while the rest are principally engaged in the manufacture of components. The sector is led by a group of large companies, most of them with foreign capital, which are present in all the activities of the cycle described above. Furthermore, there are manufacturing companies that operate without any installation activity and many small and medium-sized companies, mostly of national origin, focusing on installation and, especially, repair and maintenance.

In order to gain in-depth knowledge of the business environment in which it operates, the Zardoya Otis Group uses **market data and sector analyses from various sources**, among which we can mention the Federación Empresaria Española de Ascensores, the Plataforma Informa, the Euroconstruct Report issued by the European Construction Business Research

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and Forecasting Group, the Plimsoll Sector Report, studies from Santander Equity Research, the Alimarket Report on the Elevator Sector, periodic reports on the state of the Spanish economy, FUNCAS economic forecasts, etc., to name but a few.

In addition, the Group continues to strengthen those aspects that made it the leader in its sector, while carefully monitoring any opportunities or threats that might arise in the sector through systematic monitoring and updating of SWOT analysis at different levels.

To meet the requirements of ISO 9001: 2015, at the suggestion of AENOR, the company is in the process of updating the SWOT analyses of the Central Departments and Regional Management Departments, taking into account the improvements proposed by the external audit: to systemize and interrelate more solidly the various tools to determine the context and requirements of the stakeholders existing in the Company: PESTEL / SWOT, ERM /CAME, and for these to be as adjusted as possible to the reality of the business. Likewise, the relevant CAME (Correct, Adapt, Maintain, Explore) actions are requested to handle possible opportunities and risks. The PESTEL (Political, Economic, Social, Technological, Ecological and Legal factors) and ERM (Enterprise Risk Management) analyses are also applied.

At management meetings, monthly monitoring that includes the analysis of key business indicators (Annual Plan) and a review of the company's strategies is performed. There is also a local deployment at branches through the EMC (Quality Improvement Equipment) meetings.

Group activities fall within the framework of the **regulations and legislation applicable to elevator maintenance and inspection**. As a recent example, in June, the Ministry of Industry published the prior public consultation on the draft Royal Decree amending the ITC AEM1(*Complementary Technical Instruction*) "Elevators" in 2013. The Ministry's intention is to adapt the national regulations to the European ones and establish the applicable national technical requirements for elevator maintenance in line with technological developments in safety.

Other significant applicable regulations and legislation are as follows:

- Order of March 31, 1981 laying down the minimum conditions required of elevators and setting rules for periodic general overhauls.
- Royal Decree 203/2016 of May 20, which issued the applicable rules from Directive 2014/33/EU of the European Parliament and of the Council, the Lift Directive. This Royal Decree stipulates the minimum safety conditions that elevators must meet at the time of installation.
- Royal Decree 57/2005 of January 21, laying down requirements for increased safety for existing elevators. Given the evolution of legally required safety measures in new elevators, this Royal Decree makes it obligatory to implement the same safety measures in existing elevators, since it wishes to furnish all the elevators installed up to said date with the same safety level.

Objectives and strategies of the company

The Group has been focusing its operations on the following strategies:



We are convinced that our activity must be focused on people. It is the people who form this group who enable customers to feel satisfied and also help millions of users to feel safe and comfortable when they use Otis equipment. This form of carrying on our activity, taking people as the main focus, explains and sustains Zardoya Otis's investment and research efforts to attain a more accessible world, constantly introducing innovations and supported by digitalized processes.

Architectural barriers are present in all towns and cities and there are groups of people who face physical, sensorial and intellectual disabilities, elderly people who find it difficult to move, etc. Zardoya Otis is aware of this situation, so part of the research and investment efforts have, for many years, been intended to create solutions and devices to eliminate this type of barriers. Elevators for single-family homes, stairlifts, automated access doors or moving walkways are some of the solutions we propose that seek to change the lives of many people, since they make it possible for them to move independently and freely.

The clear demographic trend (with a rising dependency ratio, defined as people over 65 as a percentage of the working age population) should boost demand for accessibility solutions long term. The poor accessibility of many buildings should also contribute to this, as well as the existence of a very high number of buildings with four or more floors and no elevator. In short, the accessibility market (automatic doors, wheelchair platforms, stairlifts) is a market that is possibly fragmented, with higher risk and lower margins than the elevator maintenance segment, as well as some regulations that have not yet been implemented, but it has a significant growth potential for the reasons explained above.

Proof of our efforts to consolidate our position in this market is our company Portis SL, focused primarily on the production and maintenance of automatic doors (over 35,000 at present) or the recent acquisition of a stake of 80% in the company LV3,a mainly engaged in the production of stair lifts and wheelchair platforms.

In line with the above is our unequivocal commitment to **digitalizing service**. This technological breakthrough allows our customers and users enjoy a more efficient and faster maintenance service, providing unprecedented quality standards and increased uptime of the elevator.

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Connectivity means more loyal and satisfied customers and innovation thinking of people. The complex, demanding and extremely competitive world in which we work, requires us to make very considerable efforts in constant processes of innovation, research and personalized service to meet the demands of a time when the technological vanguard prevails. Our R&D&I in Leganés (Madrid) is where this vector of activity, which will allow us to continue to respond to the challenges of increasingly demanding customers, is concentrated.

The digitalization plan which Zardoya Otis has been implementing since 2017 thus seeks to increase connectivity (key of the digitalization strategy) among the main participants in its field: elevator, user and service technician. The perception of good service depends mainly on the number of failures that the elevator suffers during the maintenance contract and the interaction with the technical support service. The increased connectivity between users, elevators and technical staff enhances customer satisfaction due to the increased uptime of the elevator and the improved service provided by technicians. The significant increase in customer satisfaction indicators in the last 3 years is proof of this (e.g. experience and relationship with OTIS: 94.83% satisfaction in 2019).

As part of the strategy of digitalization the following measures have been implemented:

- All technicians have been equipped with smartphones so they can have access to all data from the device, allowing a faster and more personalized service.
- Remote monitoring. The hardware installed in the elevator, big data applications and advanced analytical techniques allow the behaviour of the elevator to be monitored in real time, anticipating possible failures and programming interventions in advance (predictive maintenance). The digital services division manages the project for remote monitoring and intervention of our units. During 2019 we successfully connected a further 20,000 elevators.

Technologically more sophisticated services provide an important element of differentiation in our industry, while increasing the loyalty of the customer and the efficiency of maintenance activities.

In short, our way of doing things is based on people working for people and moving safely and comfortably in spaces free of architectural barriers as a result of new vertical transport elements, which are, moreover, connected to each other and provide precise information to employees and users, increasing Zardoya Otis's service efficiency and quality with a personalized service.

Our three absolutes are:

- Ethics
- Safety
- Quality

ESTADO DE INFORMACION NO FINANCIERA (EINF)

The Group has also grown partly due to successful mergers and acquisitions, most of them in the area of maintenance services, although, as mentioned above, they include businesses covering accessibility, automatic doors, special elevators, installation activities and elevators for cruise vessels. However, as we say above, maintenance services are still our main business area.

Finally, we highlight the fact that one of the Group's hallmarks has been shareholder remuneration. On average, over the last 15 years, the pay-out has been close to 100%, backed by strong cash generation and a solid operating margin.

4.1

3. MANAGEMENT OF NON-FINANCIAL ASPECTS

Existence of policies pursued by the company with respect to the issues raised

3.1. NON- FINANCIAL RISK MANAGEMENT

Brief description of the risk management model of the issues raised in this report

Zardoya Otis has explicit policies concerning the fight against corruption and bribery, with an internal control system, and a Code of Ethics, compliance audits, confidential communication channels and follow-up meetings.

As regards respect for human rights, the Code of Ethics is distributed among all company employees, who must receive training courses on it.

In its relationship with stakeholders, traditional and online channels are used, the degree of customer satisfaction is monitored, and complaint management systems are in place. Likewise, it promotes an inclusive culture and non-discrimination, and contributes to improving its social environment through various initiatives.

In environmental issues, it carries out preventive measures in accordance with current rules, recording and monitoring different indicators, including the generation of waste or CO2 emissions. Zardoya Otis has pioneered the development, manufacture and marketing of energy-efficient elevators through its Gen2 technology. It has also recently introduced into the market elevators that do not require a specific three-phase electrical installation, making it easier to install elevators in existing buildings, thus improving their accessibility. It also markets a solar elevator model, capable of operating with 100% clean and renewable energy.

Main risks inherent to our business

The main risks arise from the ageing of the population and the challenges in terms of accessibility. These risks have been understood by the company as an opportunity, which is why it has acquired a company specializing in accessibility, LV3, based in Barcelona, and has developed an elevator that can be adapted to fit into minimal spaces and can even have a capacity of just one person, to facilitate accessibility for people with reduced mobility living in an environment where, until now, it was impossible to install an elevator.

Another challenge identified is the application to the elevator field of the technology of the Internet of Things (IoT) and digital services in general. For this reason, the company has launched a digitalization process ranging from the supply of devices and applications to technical staff, to the installation of systems that monitor the operation of the elevators.

3.2. FIGHT AGAINST CORRUPTION AND BRIBERY

Zardoya Otis has corporate policies for the entire group, including the policies CPM 48 A, B, C, D, E on anti-corruption, CPM17 for suppliers and CPM 11 for donations.

To prevent corruption we have a crime prevention plan, an annual training plan, where all employees take courses on anti-corruption policies and other ethical issues, controls over gifts to customers in accordance with CPM48A, internal audits and an ethics and compliance plan, which includes reviewing the anti-corruption and anti-bribery actions.

The company has a Compliance Council which convenes quarterly, as well as a disciplinary committee that reviews possible cases of irregularities. It has also established an anonymous external communication channel (Ombudsman), so that any employee, customer or partner can report any irregularities while protecting the identity of the source. Likewise, there is a policy to prevent retaliation when an irregularity is reported in good faith.

Specifically to combat money laundering, company employees took the "Anti-Money Laundering" course in 2018, as part of the ethics and compliance training.

Internal control, information and transparency

One of the main Group's main goals is to promote transparency to markets and shareholders. Thus, it is committed to:

- Working to ensure that the financial statements are complete and accurate.
- Striving for the assets, liabilities, revenues, expenses, and business transactions to be recorded fully and accurately in the books and records of the Group, in accordance with the applicable law, generally-accepted accounting principles and the financial policies and procedures established.
- Refraining from establishing or maintaining unposted assets or liabilities.
- Distributing relevant information about the group.
- Complying with the disclosures required by the regulations applicable in each country where it operates.
- Protecting the rights of investors and shareholders in accordance with the Bylaws and the Regulations of the Shareholders' Meeting, offering tools and channels to facilitate engagement and communication with these stakeholders.
- Complying with securities market legislation, in particular, market abuse legislation.

The Board's mission, as set out in the Regulations of the Board of Directors, is to determine the risk control and management policy, including tax compliance risk, and supervise the internal information and control systems.

In addition, the Audit Committee monitors the effectiveness of the group's internal control, internal audit and risk management systems, including tax compliance risks, and ensures the independence and effectiveness of the internal audit function. Among other functions, the Audit Committee discusses with the auditor any significant weaknesses in the internal control system detected during the audit. It also has the mission of overseeing the process of preparing and presenting the required financial information, including compliance with regulatory requirements and the correct application of accounting principles. Likewise, it

regularly obtains information from the external auditor on the audit plan and its execution, while preserving its independence in the exercise of its functions.

Additionally, it approved a Crime Prevention Model and Risk Map that is reviewed and updated regularly. As discussed above, it has created a Compliance Committee made up of managers, whose specific obligations are to review and approve any changes in the Crime Prevention Model and Risk Map and submit them for a prior report from the Audit Committee. It likewise follows up any internal complaint received or investigation underway in criminal matters, regularly reporting its activities to the Audit Committee.

TheGgroup has an Internal Audit Department that reports directly to the Audit Committee and which, on an independent basis, annually ensures that the business practices and processes are complete, effective and efficient.

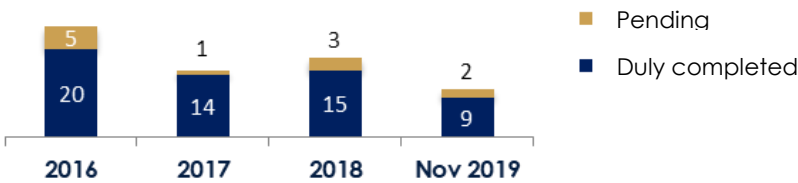
The internal audit department reviews the audit program annually to include those risks identified in (i) the ERM, (ii) discussions with company management and (iii) internal audits. The program is accessible to all employees on the company intranet.

After each audit, a summary report is issued with the incidents detected. This report is sent to company management and the relevant points are highlighted at an Audit Committee meeting

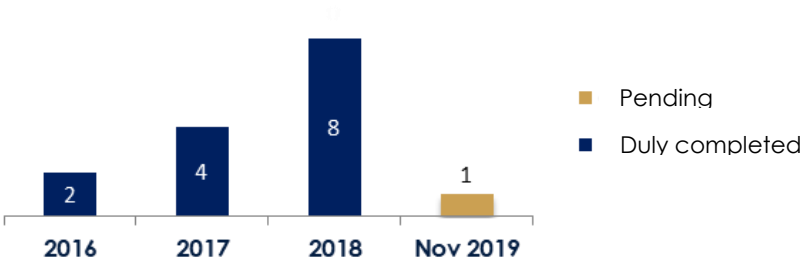
Points for improvement that have been identified in the reviews of both the Internal Audit Department and after the external auditors' review are reported on the tracking tool until we are certain that they have been corrected permanently.

The evolution of the points for improvement over the last 4 years is shown below.

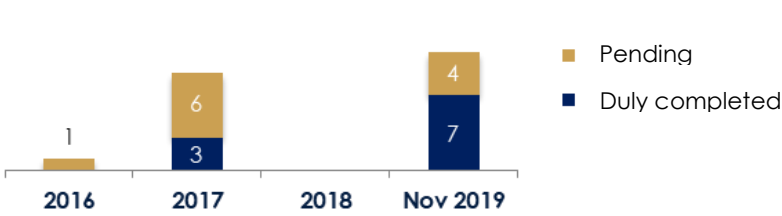
Points for improvement (Spain)



Points for improvement (Portugal)



Points for improvement (Morocco)



The group also has an Internal Code of Conduct aimed at protecting the interests of investors and the trust it enjoys in the market. These Regulations have a set of guidelines and rules applicable to the Group and its directors, managers and employees concerning the management and control of inside and material information, the implementation of treasury stock transactions, and the detection and treatment of conflicts of interest, all of which is intended to avoid any situation where market abuse exists.

Contributions to foundations and other non-profit entities

During fiscal year 2019, in what is known as the Charitable Giving Business Unit, a number of non-profit entities were chosen in order to improve the environment of the communities in which Zardoya Otis operates, both in the present, with immediate effect, and to guarantee the future, improving the functioning of society.

Thus, entities that provide support to people with disabilities, helping them to join the labour market, were chosen, as well as others that provide scholarships or conduct training programs for young people or children at risk of social exclusion, or promote sports activities, especially among people with disabilities.

The total amount contributed during 2019 was €91,481.

3.3. RESPECT FOR HUMAN RIGHTS

To ensure respect for human rights, set out in our Code of Ethics, we have the following tools and processes:

- Distribution of the Code of Ethics to all employees.
- Due diligence process for new companies acquired.
- Questionnaire on ethics and compliance.
- Ethics training plan (online courses).
- Internal control audits according to an annual plan.
- ECO + Legal audits every four months.
- Encouragement of use of the confidential and/or anonymous Ombudsman reporting channel.
- Quarterly meetings of the Compliance Council.
- Review of the Crime Prevention Plan
- Meetings of the disciplinary committee (DPC – Disciplinary Prevention Committee) to establish corrective and preventive actions for verified cases of irregularities or non-compliance in the company.
- Development of a protocol for action against harassment
- Commitment to compliance with the Code of Conduct by suppliers with their signature.

Ethics is one of our three absolutes, along with safety and quality. The distribution of the Code of Ethics and its values (respect, integrity, trust, excellence and innovation) is a fundamental pillar on which to consolidate an ethical culture of commitment to good governance towards all our stakeholders.

The Ethics and Compliance Plan 2019 has been developed into five lines of action:

1. Management leadership
2. Risk Policies and Prevention (Audit and Assessment)
3. Education and Training
4. Communication
5. Case investigation - disciplinary and corrective actions

Management leadership

- Commitment to Ethics and Compliance by the entire management team.
- quarterly meetings of the Compliance Council.
- Seven persons + one team have been recognized for good ethical practices.

The management commitment to the Code of Ethics ("Tone at the top") provides a foundation for the support and deployment - at all levels of the company - of an ethical culture based on good business practices and transparency. Ethics as an "absolute" reinforces the management commitment obtained through the signatures of all the managers who have signed both the Code of Ethics and the Internal Code of Conduct.

4.1

The campaign #DoTheRightThing, promoted by management during 2019, demonstrates the commitment to encouraging good business practices, setting an example by acting responsibly and recognizing employees who show exemplary behaviour. In 2018, ten recognitions for good practices were awarded and there were a further eight examples of employees and teams recognized in 2019.



- Development of the 2019 Risk Map: ERM (Enterprise Risk Management), including compliance risks, with a quarterly review of the mitigation and control actions.
- Four ECO-LEGAL audits, where the ECO and the Manager of the Legal Department two Area Managements, a plant and an associated company (Pertor). During these visits, employee commitment to ethics is evaluated through personal interviews, the work environment is evaluated, legal aspects and legal advice are reviewed and a training presentation on ethics and legal aspects is also given.
- "Annual Certification" of all employees who declare they know and understand the Code of Ethics its policies, identifying any potential conflicts of interest to be controlled. Similarly, with each new recruitment, a conflict of interest questionnaire is completed. This questionnaire is also completed by employees of new acquisitions that are integrated into the Zardoya Otis group, who receive training on "Introduction to the Code of Ethics" from the ECO. In 2019, this course was imparted in LV3, Eleva and Ascensores del Tormes.

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- Conflicts of interest identified in 2019, most of which were due to having relatives in the company, while some concerned relatives in the competition or in public office (no influence) and a few cases concerned employees with properties leased to the company.
- The ECO has focused his activity on reviewing compliance with anti-corruption policies (CPM 48 family), control of business gifts to customers, including invitations to sporting events and sponsored trips for third parties.
- During 2019, specific training was given on "Antitrust and Competition" to all employees, especially focused on those who have relations with customers and may, on occasions, coincide with other competitors.. Training "in cascade", initiated from the General Management Department and scheduled for completion in December 2019.
- A review of the Crime Prevention Model for updating and proposal to the Board of Directors for its approval in 2020.
- Purchasing policies have been implemented for including and registering suppliers, applying CPM 17 to service suppliers, ensuring that all suppliers have signed the Purchasing Conditions and the UTC Code of Conduct for Suppliers, where, among other items, they make a commitment to respect Human Rights and competition law, as well as full compliance with all the laws and regulations applicable to the business operations.

Education and training

- The 2019 training plan of online courses for all employees was 100% completed in November 2019. Each employee had taken at least four courses in the year; eight in the case of those who joined the company in 2018 and, in the case of new arrivals, seven defined modules that had to be completed within ninety days from the date of joining the company. In addition, people with employees reporting to them have given two classroom courses to their employees.
- Technicians and workers without electronic access were given three courses of classroom training (Q1, Q2 and Q3) through "Learn and Comply" documents with real cases: asset protection, "At Otis, do the right thing" campaign, and the importance of acting honestly without deception or falsification, also providing information on the communication channels (including the Ombudsman) to resolve doubts or report irregularities without fear of retaliation.
- Training courses in ethics at the Spanish company in 2019 totalled 14,112 hours, with 20,478 courses completed and the participation of all employees and technicians. In Portugal in 2019, they reached a total of 1,586 hours of training over the 1,913 courses imparted to 232 participants. In Morocco in 2019, the total was 500 hours of training over 594 courses given to 68 participants.

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Communication

- 17 "ECO INFORMA" releases were issued.
- 147 consultations with the ECO were recorded, mainly focused on decisions on potential COIs, events where the competition was present and clarification of policy CPM 48A on gifts.
- Use and consultation of the Ethics and Compliance intranet, which includes news, communications, various documents on ethics and compliance, with content and links to the Code of Ethics and corporate policies, together with the Guide to Knowledge, where links and references to access posters, videos and presentations are included.
- E-mail messages to all employees with real ethics cases, explained simply as short tweet-type messages through "tweethics".
- In December 2018 and October 2019, the Group has sent all employees (translated into Spanish) messages from Bernardo Calleja, on the importance of ethics as an absolute and encouraging good business practices in all company activities.



- Distribution of information continued on the use of the Ombudsman / Dialogue program as a confidential and anonymous communication channel, so that employees and third parties can raise any ethics issue (SPEAK UP). To ensure and promote confidence in this channel, the no-retaliation policy is of vital importance.

Case investigation - disciplinary and corrective actions

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The use of Ombudsman / Dialogue as a channel for anonymous communication, allegations or reports concerning irregularities addressed to the ECO (Ethics and Compliance Officer), as well as anything detected in the company's audits and internal controls during 2019, have been the main sources of the cases investigated (and reported in a tracking tool for corrective actions - C360), the resolution of which has led to disciplinary measures, including dismissal in some situations.

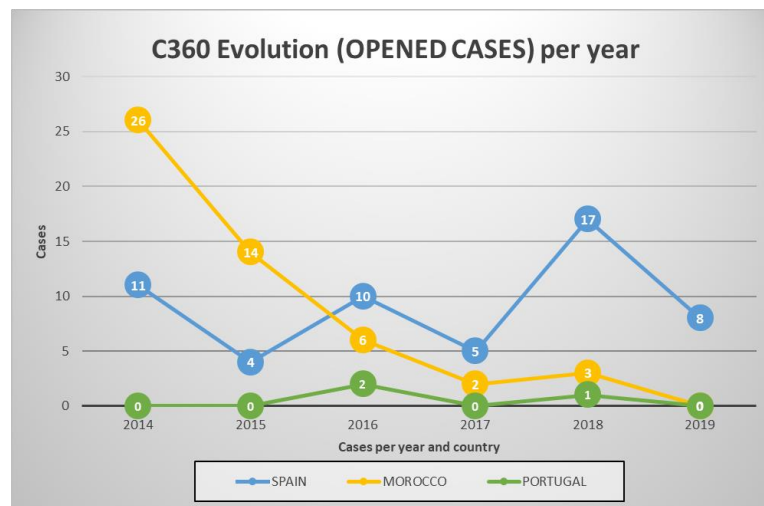
SUMMARY C360 - 2019

2 cases (opened in 2018) that were closed (verified) in 2019

8 Open cases in 2019 - of which:

- 6 cases closed: 2 verified and 4 unverified.
- 2 cases under investigation

In all four cases closed and verified in 2019, there were no material implications for the company and the applicable disciplinary measures were taken in accordance with our policies and Code of Ethics.



3.4. RELATIONS WITH STAKEHOLDERS

Zardoya Otis offers its customers and the general public traditional and digital communication channels. In addition to fax, phone and e-mail, the following channels are available:

- separate line for complaints and claims through the Customer Ombudsman (telephone and mail)
- Through the website www.otis.com/es/es/
- GeraRec application
- Online chat
- Social networks Twitter, LinkedIn, Facebook, Instagram and YouTube.

Likewise, there is a special phone number and e-mail address for attention to the shareholder.

During the year, the Marketing and Communication Department organizes various activities addressed to the most influential groups related to its activity, mainly professional associations of technical architects and architects and property administrators.

Within the framework of the SDG (Sustainable Development Goals) 11, in 2019, the first edition of the "Zardoya Otis awards for a world without barriers" was convened. 21 nominations were received and information was provided by e-mail, press and the use of social networks. The jury was composed of leading figures from the worlds of architecture, the Paralympics, universities and associations representing groups with disabilities.



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Six awards were granted, three for each of the categories:

- ASCENTIA category, addressed to individuals and / or companies that have developed products, services, projects, studies or research aimed at improving people's quality of life by removing any barrier that prevents or hinders universal accessibility.
- ÁUREA category, aimed at individuals or groups of persons who are examples to follow because of their commitment to promoting and helping to create a society and a world without barriers through a specific initiative.

4.1



Relations with the media have also been strengthened by offering interviews with key executives. Among these, we can highlight the lunch with both the general and specialized media held by our General Manager on September 15, which had an excellent impact.

In addition, an advertising plan was implemented in both the traditional media -magazines and publications- and through on-line campaigns. Press releases and articles were also sent to various industry media.

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4.1

There were also sponsorships and co-operation with entities representing the company's target public, such as:

- Architects
- Builders
- Property Administrators
- University students

The amount of sponsorships implemented during the year 2019 amounted to €23,430.

3.5. SOCIAL AND EMPLOYEE MATTERS

Culture

The group has put in place a series of policies and programs that focus on people, creating a work environment that fosters Respect, Health, Safety, Well-being in the Workplace, and Equal Opportunities. The Human Resources Department is responsible for developing and promoting the respective policies on training, internal communications, corporate social responsibility, selection, development, acceptance and integration, labour relations, remuneration and benefits, etc. These policies are regularly reviewed, updated and adapted to the needs of the business.

The Zardoya Otis group promotes a culture of Commitment and Teamwork, under the global program called "Culture U". The pride of belonging of all employees is reinforced and, in the parent company, there is a shared vision that unites and commits as a group.

Our principles, leadership conduct, strategy and absolutes that define the new Otis Culture have been established:

- **Our culture:**
 - We encourage imagination: we encourage the creation of new ideas and take controlled risks to keep innovating.
 - We believe in the team: together we are stronger and we inspire each other through collaboration, autonomy and trust among all of us.
 - We respect all opinions: the best ideas come from diverse teams with people who think differently from us.
 - We are better working together: we work as one team and collaborate with each other to provide the best service to our customers.
 - We strive to be the best: we set ourselves ambitious goals, we grow in order to meet them and we meet them as a team.
- **Our conduct:**
 - Imagination: innovate through new forms of work and taking risks intelligently to construct competitive edges.
 - Collaboration: we understand how, through our individual goals, the overall objectives are achieved and how we help maximize the results of Otis
 - Empathy: we put ourselves in the place of the customer, we think globally and make decisions to improve our delivery times
 - Inclusion: we actively seek ideas and opinions of others who are different to us or think differently
 - To empower: we develop talent through autonomy, trust and resources - we allow room for error
 - Rhythm: we lead with energy and speed; We set high expectations and assume responsibilities

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4.1

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Employment

Of the total group employees in the three countries, totaling 5,616, 51.7% are under the Zardoya Otis Collective Agreement, the rest of the employees are under provincial or national agreements of the sector.

TOTAL GROUP EMPLOYEES BY GENDER

	Men	Women	Total
Spain	4,366	476	4,842
Portugal	523	102	625
Morocco	124	25	149
Total	5,013	603	5,616

Given that the number of employees in Morocco represents a low percentage with respect to the Group's total, disaggregated data from this country have been excluded.

Data for SPAIN**EMPLOYEES BY GENDER**

	Total
Men	4,366
Women	476
Grand Total	4,842

EMPLOYEES BY AGE

	Total
Under 25 years	44
25-40 years	1,563
41-55 years	2,681
Over 55 years	554
Grand Total	4,842

WORKFORCE BY PROFESSIONAL CATEGORY

	Total
Full graduates	185
Lower degree	211
Managers, Administration	1,194
Mechanics	3,252
Grand Total	4,842

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The distribution of positions by professional category are as follows:

- Managers, Administration, Shop and Field: employees in positions without university degree requirement (includes Heads of Department, Supervisors, Commercial, Administrative)
- Mechanics: employees in positions without university degree requirement (Assembly, Maintenance and Manufacturing)
- Lower degree: employees with medium-level academic qualifications (includes technicians, deputy directors, branch managers, engineering....)
- Full graduates: employees with a higher academic degree and engineers (includes positions of directors, deputy directors, branch managers....)

4.1

EMPLOYEES BY COUNTRY

	Total
Andorra	15
Spain	4,822
United Kingdom	5
Grand Total	4,842

EMPLOYEES BY CONTRACT TYPE

	Total
Permanent full-time	4,374
Permanent part-time	172
Temporary full-time	294
Temporary part-time	2
Grand Total	4,842

AVERAGE WORKFORCE CONTRACT-GENDER

	Men	Women	Grand Total
Permanent full-time	3,860	410	4,270
Permanent part-time	149	29	178
Temporary full-time	291	42	333
Temporary part time	1	1	2
Grand Total	4,301	482	4,783

AVERAGE WORKFORCE CONTRACT-AGE

	Under 25 years	25-40 years	41-55 years	Over 55 years	Grand Total
Permanent full-time	13	1,395	2,491	371	4,270
Permanent part-time	0	3	11	164	178
Temporary full-time	25	215	91	2	333
Temporary part time	0	1	0	1	2
Grand Total	38	1,614	2,593	538	4,783

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AVERAGE WORKFORCE CONTRACT-PROFESSIONAL CATEGORY

	Managers, Administration, Shop and Field	Mechanics	Lower degree	Full graduates	Grand Total
Permanent full-time	1,054	2,838	201	177	4,270
Permanent part-time	70	99	7	3	179
Temporary full-time	75	252	4	1	332
Temporary part time	0	0	1	1	2
Grand Total	1,199	3,189	213	182	4,783

DISMISSALS BY AGE, GENDER AND PROFESSIONAL CATEGORY

	Men			Total Men	Women			Total Women	Grand Total
	25-40 years	41-55 years	Over 55 years		25-40 years	41-55 years	Mayor 55 years		
Graduates			1	1					1
Lower degree			1	1					1
Managers, Administration	1	7	4	12	5	3	4	12	24
Mechanics	12	21	5	38					38
Grand Total	13	28	11	52	5	3	4	12	64

AVERAGE REMUNERATION BY GENDER (€)

	Men	Women	Wage gap
Grand Total	38,171.89	34,072.85	10.74%

WAGE GAP FORMULA:

$(\text{Average remuneration men} - \text{Average remuneration women}) / \text{Average remuneration men}$

The average remuneration includes fixed and variable concepts such as incentives, bonuses, availability, 24-hour service, etc.

Being an industrial sector company, with a workforce mostly of men with high seniority, are factors that affect the wage gap.

AVERAGE REMUNERATION BY PROFESSIONAL CATEGORY (€)

Categories	Average Remuneration
Managers, Administration, Shop & Field	38,082.24
Mechanics	34,922.45
Lower degree	54,210.80
Full graduates	67,030.53
Grand Total	37,768.93

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AVERAGE REMUNERATION BY AGE (€)

Group	Under 25 years	25-40 years	41-55 years	Over 55 years	Grand Total
Managers, Administration, Shop & Field	27,118.07	33,105.97	39,223.38	43,999.77	38,082.24
Mechanics	22,681.54	32,547.36	36,464.55	36,470.24	34,922.45
Lower degree		40,015.71	56,155.42	64,695.17	54,210.80
Full graduates		55,067.45	65,079.44	90,843.16	67,030.53
Grand Total	23,286.52	33,400.80	39,417.61	43,264.39	37,768.93

The total compensation for all items accrued during the year by the CEO and Chairman of the Board of Directors, who is the only executive director who receives compensation other than that stipulated in the Bylaws, was 952 thousand euros at the end of 2019 and consisted of fixed and variable items, other long-term benefits and pension plan contributions.

The senior management of the Group (non-directors, all of them men, therefore does not apply a wage gap calculation) is composed of the three General Directors of the cash generating units (Spain, Portugal and Morocco). The average remuneration of these managers, for all concepts (including variable, allowances, compensation and contribution to long-term savings systems), is 290 thousand euros at the end of the 2019 financial year.

As for the organization of working time, we follow the hours indicated in Collective Agreement, in accordance with the schedule agreed with the workers' representatives at each workplace.

We do not have disconnection from work policy as such. However, we ensure compliance with the working hours agreed with the workers' representatives and have implemented a working day very favourable to the work/life balance.

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HOURS OF ABSENCE

Absenteeism hours			
2019	TOTAL	Women	Men
	311,090	25,580	285,509

HOURS OF ABSENCE	Number of accidents			Number of occupational diseases			Hours of absence due to accidents		
	TOTAL	Women	Men	TOTAL	Women	Men			
	49	1	48	-	-	-			
	Accident frequency rate			Accident severity index					
	TOTAL	Women	Men	TOTAL	Women	Men	TOTAL	Women	Men
	6.2	1.27	6.76	0.12	0.003	0.12	7,592	24	7,568

Source: Cumulative accident statistics as of December 2019

Accident rates given are calculated according to statistical formulas established by the National Institute for Safety and Hygiene at Work:

- Frequency rate (FR) = (number of accidents at work with sick leave x 106) / number of hours worked
- Severity Index (SI) = (number of working days lost due to accidents at work with sick leave x 103) / number of hours worked

In the risk assessment of the activities carried on by employees of the Otis Group, no risk of occupational disease has been detected and neither has there been any case in any worker, irrespective of gender.

EMPLOYEES WITH DISABILITIES

Disability rating	Number of employees
> = 33% and <65%	35
> = 33% and <65% with help	1
> = 65%	4
Grand Total	40

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Data for PORTUGAL**EMPLOYEES BY GENDER**

	Total
Men	522
Women	102
Grand Total	624

EMPLOYEES BY AGE

	Total
Under 25 years	23
25-40 years	197
41-55 years	321
Over 55 years	83
Grand Total	624

EMPLOYEES BY PROFESSIONAL CATEGORY

	Total
Full graduates	35
Lower degree	161
Managers, Administration	50
Mechanics	378
Grand Total	624

EMPLOYEES BY CONTRACT TYPE

	Grand Total
Permanent full-time	565
Permanent part-time	0
Temporary full-time	59
Temporary part time	0
Grand Total	624

AVERAGE WORKFORCE CONTRACT-GENDER

	Men	Women	Total
Permanent full-time	470	89	559
Permanent part-time	0	0	0
Temporary full-time	40	11	51
Temporary part time	0	0	0
Grand Total	510	100	610

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AVERAGE WORKFORCE CONTRACT-AGE

	Under 25 years	25-40 years	41-55 years	Over 55 years	Grand Total
Permanent full-time	5	159	310	85	559
Permanent part-time	0	0	0	0	0
Temporary full-time	13	31	6	1	51
Temporary part time	0	0	0	0	0
Grand Total	18	190	316	86	610

AVERAGE WORKFORCE CONTRACT-PROFESSIONAL CATEGORY

	Managers, Administration	Mechanics	Lower degree	Full graduates	Grand Total
Permanent full-time	152	337	35	35	559
Permanent part-time	0	0	0	0	0
Temporary full-time	18	33	0	0	51
Temporary part time	0	0	0	0	0
Grand Total	170	370	35	35	610

DISMISSALS by AGE, GENDER AND PROFESSIONAL CATEGORY

Groups	Men			Total Men	Women			Total Women	Grand Total
	25-40 years	41-55 years	Over 55 years		25-40 years	41-55 years	Over 55 years		
Full graduates				0				0	0
Lower degree			1	1				0	1
Managers, Administration	2	3	2	7	2		1	3	10
Mechanics	8	4	9	21				0	21
Grand Total	10	7	12	29	2	0	1	3	32

AVERAGE REMUNERATION BY GENDER (€)

	Men Average	Women Average	Total	Wage gap
Grand Total	27,036	25,711	26,820	4.94%

WAGE GAP FORMULA:

$$(\text{Average remuneration men} - \text{Average remuneration women}) / \text{Average remuneration men}$$

The average remuneration includes fixed and variable concepts such as incentives, bonuses, availability, 24-hour service, etc.

Being an industrial sector company, with a workforce mostly of men with high seniority, are factors that affect the wage gap.

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AVERAGE REMUNERATION BY PROFESSIONAL CATEGORY (€)

Categories	Average Remuneration
Managers, Administration, Shop & Field	26,202
Mechanics	21,536
Lower degree	38,226
Full graduates	75,364
Grand Total	26,820

AVERAGE REMUNERATION BY AGE (€)

Group	Under 25 years	25-40 years	41-55 years	Over 55 years	Grand Total
Managers, Administration, Shop & Field	12,717	23,355	26,641	30,007	26,202
Mechanics	9,612	20,786	23,064	22,886	21,536
Lower degree	13,980	30,048	41,864	41,250	38,226
Full graduates	0	41,888	67,068	107,198	75,364
Grand Total	10,017	22,457	27,688	38,467	26,820

As for the organization of working time, we follow the hours indicated in Collective Agreement, in accordance with the schedule agreed with the workers' representatives at each workplace.

We do not have disconnection from work policy as such. However, we ensure compliance with the working hours agreed with the workers' representatives and have implemented a working day very favourable to the work/life balance.

HOURS OF ABSENCE

	Hours of absence		
2019	TOTAL	Women	Men
	96,385	20,782	75,603

In the risk assessment of the activities carried on by employees of the Otis Group in Portugal, no risk of occupational disease has been detected and neither has there been any case in any worker, irrespective of gender.

EMPLOYEES WITH DISABILITIES

Disability rating	Number of employees
>= 60% and < 80%	8

Equality

In a sector that is particularly complicated in terms of gender diversity one of the great challenges on which we are working is the incorporation of female talent to the group, something for which Zardoya Otis is striving every day. In 2019, we continued working on parity indices at all levels to promote the growth and development of female talent within the group.

Zardoya Otis is particularly proud of its Equality Plan and its Diversity and Inclusion Plan entitled "Todos somos Todos". Social commitment also includes integration into the group of people with disabilities and at risk of social exclusion, an aspect that is always present in all selection processes. The group collaborates and works with special employment centres that help integrate professionals with disabilities, who perform an excellent job within the organization.

In other aspects, various charitable projects and activities with employee participation are established. Corporate volunteering is particularly important in programs mainstreaming disability through sport (26-year partnership with Special Olympics) and child protection programs (annual charity race and collaboration in a number of activities with various foundations).

Recognitions in relation to Equality, Diversity and Inclusion

Zardoya Otis has adhered to the "Más mujeres, mejores empresas" ("More women, better companies") initiative issued by the Ministry of Health, Social Services and Equality. Through this cooperation, the Group undertakes to foster a balanced participation of women and men in pre-managerial and managerial positions and management committees.

In the Workplace Diversity and Inclusion area, the company has been recognized as one of the 10 most innovative and committed enterprises in Spain in the sixth edition of the Intrama awards. This prize was due to the "Todos somos todos" program, which includes most of the initiatives implemented over the last two years in respect of gender diversity and people with disabilities or at risk of social exclusion.

The award of the Social Company Prize, recognizes the "Best Responsible Project in Accessibility and CSR in the Industrial Sector" for the MPD - eView ONE system.

Finally, also for the second year running, the Bequal Seal, which certifies the degree of Corporate Social Responsibility commitment with Disability, was obtained.

Training

The Group's main asset is its people and training is one of the keys to success. The ratios of training hours per employee is the highest in the industry and also of other business groups of the same size. All group employees have the opportunity and the right to access training, a key element that helps to facilitate the personal and professional growth and development of the employees. The training and development plans are monitored and discussed at management committee meetings.

An average of over 35 hours of annual training per employee are imparted regularly in safety, ethics, technical training, quality, sales, leadership, office automation, languages, etc. through internal coaches or external consultants using different methodologies (classroom,

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online or mixed training). The professional growth of employees is encouraged with individualized development programs (first or master's degrees) at any public university.

Data on training imparted in Spain during 2019:

AREA	No. Hours	No. Participants	No. Courses
HUMAN RESOURCES	32,071	1,158	413
WORKS	43,953	3,729	873
SAFETY	70,375	8,393	8,914
ACE / QUALITY	226	33	116
Total	146,624	13,313	10,316
ETHICS	714,112	4,383	20,478
TOTAL	160,736	17,696	30,794

We can classify this training by professional category in the areas of Human Resources, Works, Safety and ACE/Quality:

Professional category	Total hours
Managers, Administration, Shop and Field	29,144
Mechanics	103,794
Lower degree	7,412
Full graduates	6,274
Grand Total	146,624

4.1

In Portugal, the training provided during 2019 was as follows:

Category	Hours
Administration and Sales	4,601
Managers	104
Branch managers, supervisors and managers	1,186
Technicians	11,953
Grand Total	17,844

For a total of 625 employees, there was an average of 28.5 hours of training per employee.

Performance management

The group has a performance management system, as well as career and succession plans, mentoring, coaching, internationalization programs, etc., defined to encourage the personal and professional development of all the people that form part of it and their alignment with the business's culture and strategic goals. 90% of managers (middle management, management and senior management) come from internal promotion.

Work environment surveys (called Pulse) are conducted four times a year, where employees can share actions to improve the working environment with the company. After completion of the survey, the results are grouped and presented by department, agreeing on improvement actions based on an analysis of the results.

Compensation and benefits

Employees enjoy a comprehensive benefits package, including a flexible remuneration system, insurance and special discounts on various leisure and culture items.

As an example, a wage review is conducted annually and includes the rises agreed under the Collective Agreement as well as rises for individual results.

Furthermore, employees have access to private medical insurance for their family unit as flexible remuneration.

3.6. CONSUMERS / CUSTOMERS

Measures for the health and safety of consumers:

- Maintenance programs.
- Audits of units prior to including them on the portfolio.
- Test protocols prior to commissioning (Act of delivery).
- Liability policy.

The Company offers the Ombudsman channel to address and deal with any complaints and claims. The management system defined allows registration, monitoring and closure in collaboration with the functional Department / Branch to which the complaint refers. Likewise, if necessary, the Legal Department may take part in this process.

In 2019, 426 complaints were received in Spain, representing 0.44% of the maintenance portfolio. The average response time was 0.81 days and the average solution time was 32.38 days.

In Portugal in 2019, 140 complaints, representing 0.37% of the maintenance portfolio, were received, with an average solution time of 3.5 days.

As it regards Morocco, a total of 134 complaints were received during 2019, with an average solution time of 68.82 days and 84% of total complaints resolved during the year.

In Portugal, for the handling of complaints, the online application GeraRec, where all incidents received are recorded, is used.

In Morocco, as in Spain, there is a person engaged solely in recording and handling claims and complaints.

3.7. SOCIETY

Digital transformation

The current Digital Transformation process is a key challenge because of the cultural change it entails. Group companies have adapted to this new situation. Technical staff and supervisors are currently working with advanced digital mobility tools that integrate smartphone technology and make communication, management and service technology available to customers. These tools allow administrative tasks to be reduced and generate greater productivity and efficiency to provide the customer with a personalized, swift and effective service.

The goal is to continue to consolidate the position as sector leader, transforming service and incorporating technologies for connectivity and efficient management, furnishing reliability, productivity, flexibility and transparency in order to continue to provide Service Excellence to the customer.

Innovation

For the group it is essential to promote innovation to maximize value creation. The Madrid Engineering Centre is a worldwide benchmark for Otis, where many patent applications are initiated for the products and processes developed. Since 2001, from Spain, more than 500 patent applications have been filed worldwide and close to 300 patents have been granted.

Similarly, there is a Suggestion Program, which encourages and rewards the generation of new ideas on improvements to products, services or processes.

Accessibility

Regarding accessibility, the entity is aware of the situation of millions of people struggling to overcome the numerous architectural barriers that exist in cities. In Spain, for example, there are more than one million buildings in which measures should be implemented to facilitate accessibility.

The group, along with organizations of persons with disabilities and the authorities, has always been active in developing legislation on standards that improve elevator accessibility for people. The group is committed to the development of technical solutions, technological advances and social initiatives intended to make a decisive contribution to eliminating accessibility barriers. An example of this is the standard inclusion of devices that make the elevators easier to use for people with some kind of disability: Braille on the buttons, improved signage, audible messages regarding the elevator's movements, improvement in stopping accuracy, systems for the early detection of door closure, interactive information systems in the car and a long list of capabilities that may be enjoyed today as a result of the standard achieved.

As noted earlier in this Report, in April 2018, 80% of Soluciones de accesibilidad LV3, SL, a company engaged in the elimination of architectural barriers and providing accessibility solutions with stair lifts and platforms, was acquired.

Sustainable development: corporate responsibility

During 2019, the company has developed a Corporate Responsibility Plan aligned with the Sustainable Development Goals (SDGs), in accordance with the business targets and strategy established. This plan will be implemented through actions integrated into the entity's activity.



Likewise, the company works with educational centres to provide training and professional development opportunities to students with potential and talent who lack the resources necessary to access them. Furthermore, through cooperation with professional training centres, young, recently-qualified people are recruited. Both these actions contribute to reducing unemployment, mainly among young people.

Social action policies are communicated to all employees through the different internal communication channels.

All the foregoing has allowed a number of awards to be obtained as a socially responsible entity and the "Top Employers Institute" international certificate to be awarded for the fourth year running. This is one of the most highly valued and important certificates worldwide and recognizes the Group's main company as one of the best companies to work for in Spain.

Many solidarity actions are carried out:

- 5 charity races
- 25 years with Special Olympics
- 3 Oncobike races
- 3 years of collaboration with Fundación Adecco
- 4 acknowledgments as Top Employers since 2015
- 2 Awards "Best Responsible Project in Accessibility and CSR in the Industrial Sector" for the MPD - eView system granted by Social Enterprise Awards and World City Foundation
- Collaboration with Fundación Prodis.

Finally, we mention some programs related to promoting gender equality:

- Program "No le pongas género, ponle talento" in collaboration with Fundación Adecco, aimed at improving the employability of women with disabilities, victims of gender violence, women with unshared family responsibilities and other women at risk of social exclusion.
43 workshops, in which 528 women participated, have been held.
- "Por fin tengo trabajo" program with Fundación Randstad, aimed at women with disabilities.
- "We go" program: recently created national program aimed to attract the best female talent to fill technical positions. The new recruits receive integral training in all areas of the business for 18 months. At present, four women are participating.
- "Forward" program, an international program created to increase the presence of women in technical positions and foster gender equality. It has a national committee formed by a multidisciplinary team and was launched in April 2018.

Tax information

The Zardoya Otis Group has tax strategy policy approved by the Board of Directors. This policy is based on identification of special tax risk transactions that must necessarily approved by the Board of Directors.

According to Article 529 ter of the revised text of the Capital Companies Law, approved by Royal Legislative Decree 1/2010 of July 2, powers of the Board of Directors that may not be delegated include, among others, the approval of:

- Investments or transactions of all kinds that, because of their high amount or special characteristics, are strategic or entail a special tax risk, unless they must be approved by the General Meeting; and
- the creation or acquisition of shares in special-purpose entities or entities domiciled in countries or territories that are considered tax havens, as well as any other transactions or operations of a comparable nature whose complexity might impair the transparency of the company and its group.

Pursuant to these regulations, the company has included these duties in Article 3 of the Regulations of the Board of Directors, which regulate the functions of that body.

For the purposes of Article 529 ter and related provisions of the Capital Companies Law and Article 3 of the Regulations of the Board of Directors, transactions with special tax risk are defined as follows:

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1. Any investment, divestiture or transaction of any nature the amount of which exceeds the lower of the following two amounts:
 - 5% of the net revenue of the previous year;
 - 20 million euros, except in the case of transactions in the ordinary course of business.
2. Intra-group financing or capitalization transactions, excluding renewals or extensions, the amount of which exceeds 20 million euros, unless such transactions are carried out between entities included in a consolidated tax group.
3. Operations of any nature protected by a preferential tax regime or to which a tax incentive or benefit may be applicable, if they involve an amount of over 5 million euros.
4. Setting up branches or subsidiaries abroad.
5. Creation of special-purpose entities.
6. Investments or any other transactions involving entities resident in countries or territories considered tax havens or with low or no taxation, except for normal business operations of the company.
7. Restructuring and structural modifications in which ZARDOYA OTIS, SA or other entities within its consolidated tax group are involved, if applicable, such as a mergers, demergers, global assignments of assets and liabilities, changes of registered office internationally, splits or non-monetary contributions of branches of activity.
Restructuring operations among other group members will also be subject to approval when the amount exceeds 15 million euros.
8. Acquisition of or engagement in new activities or a substantial modification of existing ones, provided they are outside the ordinary course of business of the Otis Group and investment or expected annual billing exceeds 10 million euros.
9. Transactions and investments that are outside of the ordinary course of business of the Otis Group in which companies resident in more than two different jurisdictions are involved
10. Any other transactions or investments that the Board of Directors may, at its election, consider to entail a special tax risk.

Any operation falling into any of the above categories must be submitted for the approval of the Board of Directors, accompanied by an internal or external report on its taxation, which may be provided by the staff of the company's Financial Department or the Audit Committee, depending on the type of transaction to be performed.

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Brief introduction to the quantitative indicators provided

Profit/(loss) after tax: An entity recognizes all items of revenue and expenses for the year in the profit or loss. This indicator relates to the Group's post-tax profit without deducting the profit allocable to non-controlling interests, which, in 2019, was 660 million euros (394 thousand relate to the profit on non-controlling interests in subsidiaries located in Portugal and 266 thousand to Spain).

Income tax: calculating the corporate income tax expense includes the corporate income tax accrued in the period, the effect of the deferral of differences arising between the tax base and the accounting profit before applying the tax which revert in subsequent periods, as well as tax allowances and tax credits applied by Group companies.

Public grants received: amount that has been awarded to Group companies by an entity or institution as financial support for a project or expense, especially when received from the State or a government entity. In 2019, the Group received approval of a grant that is conditional to completing the work on the new San Sebastián plant. The resolution awarding the grant is dated January 16, 2019 and it allows a term of execution of the construction work until January 16, 2021.

	Profit after tax (thousands of euros)		Public grants received (thousands of euros)
Spain	123,341	Spain	325
Portugal	16,146	Portugal	-
Morocco	1,723	Morocco	-
TOTAL	141,210	TOTAL	325

	Income taxes (in thousands of euros)	Income taxes (%)
Spain	39,306	31.9
Portugal	5,797	35.9
Morocco	911	52.9
TOTAL	46,014	32.6

3.8. OUTSOURCING AND SUPPLIERS

In the Zardoya Otis Group, we are committed to providing the best products and services to our customers.

The quality of our products and services depends on the quality of our supply chain, and to ensure that quality, we work in collaboration with our suppliers in order to achieve improvements for our customers in terms of quality and prices.

Code of Conduct for suppliers

Otis Elevator Company is firmly committed to its Code of Ethics and ethical conduct in all areas of activity. Our Code of Ethics and the exhibit thereto entitled "Gifts from our suppliers" are available to our suppliers. Our gift policy is based on remaining impartial and maintaining mutual respect. Our goal is to avoid even the appearance that Otis's business decisions might be based on any factor other than merit, in our trade relations. Likewise, we inform our suppliers of how to act when reporting any possible breach of our ethics policy.

Reporting a breach

If the supplier is aware of any act that might involve a breach related to the activity of Otis by an Otis employee, by its own employees or by any employee of its trading partners, they must notify UTC as soon as possible. They can contact the Legal and Ethics Department at the following address: bpo@corphq.utc.com, or if preferred, they can contact UTC anonymously through the [Ombudsman program](#).

Supplier performance

Supplier performance is an essential element in order to have a comprehensive supply chain in constant development and of the highest level. Otis suppliers must meet expectations of results. The UTC Supplier Gold program helps our suppliers to improve their performance and, hence, improve overall activity.

This supplier policy applies to Spain, Portugal and Morocco.

3.9. ENVIRONMENTAL ISSUES

The Company has established a "Policy on Safety, Health, Environment and Energy Efficiency", which provides support to the UTC/OTIS policy. It describes the philosophy, commitments and expectations on these issues, providing guidance to the entire organization.

Vision:

Otis looks after all those who work in our teams, including both employees and subcontractors, and the people who use them.

Otis believe it is necessary to protect our planet in the present and for future generations.

Otis will continue to set the highest standards, meeting the most demanding requirements, and developing the most ambitious strategies to achieve these goals in accordance with our values.

Commitment:

The commitment of Group management to the goal of achieving the best results in environmental production and efficient energy usage is included in the updated policy document visible at all the company's centres, signed by the Chairman and the General Manager.

We look after our environment by:

- Developing products with the least environmental impact possible
- Implementing the standard ISO14001 to reduce our environmental footprint in all manufacturing and business activities.
- Implementing the standard ISO50001 to reduce energy consumption at our plants and facilities.
- Properly managing waste to help to reduce the environmental impact of our activity.
- Optimizing our vehicles and driving to reduce air pollution
- Improving manufacturing processes to reduce resource consumption and waste generation in our production.

The preventive measures to eliminate or minimize the risks to environment are put in place through:

- The standard on Prevention and Control of Air Pollution
- ISO 14001 in the Regions and associates and at the Madrid, San Sebastián and Vigo plants (see certifications obtained)
- The standard on Prevention and Control of Water Pollution. See M.P. Chap 5. SP009.
- Putting in place plans to control water and energy consumption
- Waste management at plants
- Container and packaging management at plants
- Waste Management in the regions.
- Management of mercury in electrical switches.
- Electrical and electronic waste management

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Described below are various indicators:

- Water emissions, air pollution (at plants).
- Waste generated in Regions and plants.
- Energy efficiency.

At the plants, actions are put in place to control and reduce energy consumption and the emission of greenhouse gases according to the SP017.

- Each plant must develop and maintain a list of all points of energy consumption (work area, equipment, processes, etc.) and sources of direct greenhouse gas emissions.

Performance standards are in place to improve energy efficiency at company level in the sales network offices and Central Services, with the indicators defined in the policy SE017-2.

- Electricity consumption in offices and the vehicle fleet's fuel consumption are regularly monitored and checked to analyze their evolution in comparison with the consumptions planned
- CO2 emissions (emissions) of company vehicles are measured and checked to analyze and consider the possibility of environmental improvement

A SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) was conducted to identify risks and opportunities related to the environmental area and establish the necessary actions to manage them.

Among the most significant threats (risks) detected are the following:

- Many of the improvements are directly related to the personal commitment of workers.
- The pressure due to constantly shrinking results and business margins may limit investments in improvements in the short term.
- increasing restrictions on the use of vehicles in certain areas of large cities.
- The San Sebastián plant is located in a residential area, with problems of inconvenience to nearby residents due to noise and night lighting.
- At the San Sebastián plant, there are works in an adjoining area – building works on adjacent land, with a continual passage of vehicles, right of way to access the land.
- At the San Sebastián plant, there is a water deposit in an adjacent area that is likely to burst and flood our facilities.

In the light of this situation the following opportunities for improvement are established:

- Grants, saving projects and energy efficiency projects, existence of grants for saving and energy efficiency projects for new machines
- Incorporate energy efficiency criteria in the rental of premises, choice of air-conditioning equipment, vehicle fleet, etc.
- Incorporating electric or hybrid vehicles in the industrial and/or management fleet.
- Forthcoming new facilities for the San Sebastián plant, sustainable building, no gas, efficient lighting, etc.
- Periodic optimization of routes and fleets.

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Depending on the importance of the risks and opportunities identified, actions are put in place to manage those with the greatest value, which are included in the company's Annual Safety Plan.

The identification of environmental aspects is performed by the Safety, Health and Environment Department through an analysis of the processes of the assembly and maintenance activities carried on by the Otis Group. This identification will be completed with those arising from the identification of hazards due to emergencies.

The aspects identified, the criteria for determining their degree of importance and the level of impact associated to them are reviewed when there are changes in the activities or processes or new requirements appear.

The actions in place to achieve these goals are:

Product optimization for greater energy efficiency (Engineering).

Safety and Environment is integrated into the planning and design of products as well as the modification of processes through:

- Safety and environmental standards defined internationally in the company's action policies.
- Verification by Engineering that the products designed and specified meet Otis's worldwide safety standards (WWJSSS) and the Elevator Regulations.
- Verification by the plants that the materials used and the production process meet Otis safety standards (Standard Practices - SPs)
- Conducting Safety and Environmental risk assessments of new products before they are launched, in accordance with the document "Design for Safety and Environment Standard (DfS & E)".
- Prohibiting the use of products that adversely affect health and the environment.
- Replacing pollutant components by less pollutant ones, such as:
 - Gear machines with oils by gearless machines,
 - Steel cables (oil and grease) by flat plastic belts that do not pollute.
 - Fluorescent tubes by LEDs
 - Hydraulic elevators by electricity-generating electric elevators. (Gen2 regenerative)
 - Electric elevators with 220v. single-phase power. (Gen2 Switch)
 - Elevators powered by solar panels. (Gen 2 Switch solar).

Equipment that, in general, reduces energy by 40-70% in comparison with previous models

Route optimization, to reduce travel and therefore emissions:

Based on the geographical location of the units and technicians available, the company has its own software that allows the allocation of resources to be optimized to ensure the work is carried out in accordance with legal and contractual requirements, always using the the technical best suited for each activity to be performed on the installations.

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By optimizing the travel time, the waiting time for the customer is reduced and the kilometres covered by the vehicle are also reduced, which is an advantage for the environment in relation to CO2 emissions per vehicle.

We have an Environmental Management System certified according to ISO 14001 with the following scope:

- Assembly, maintenance and modernization of escalators.
- Design and production of standard elevator models and components at the Madrid plant.
- Production of components and parts for standard elevator models and special elevators.

We have an **Environmental Management System certified** according to ISO 14001 with the following scope:

- Assembly, maintenance and modernization of escalators.
- Design and production of standard elevator models and components at the Madrid plant
- Production of components and parts for standard elevator models and special elevators.
- We have an **energy management system** in accordance with UNE-EN ISO 50001: 2011 for energy management activities at the head offices, branches and plants, for the following activities:
 - A) The design and development of elevators for passengers, passenger and goods or any kind of loads, and their components and any elements used in them.
 - B) Production of standard elevator models, special and residential elevators, and their components and the elements used in them.
 - C) The sale, installation, maintenance and after-sale service (repairs, modifications and improvements, replacements or first installations in existing buildings, etc.) of the elevators defined in A) and B), plus lifting platforms, escalators and moving walkways.

The implementation of the Management System that includes Environment and Energy Efficiency is led by company management and is implemented with the support of the Prevention Service (Safety and Works Department).

The roles and responsibilities of the different levels of the organization in the implementation are integrated with those corresponding to the Safety, Health and Environment Management System.

Safety coordinators of regional management departments and associated companies are responsible for monitoring the actions included in the annual plans to ensure a correct implementation of the system and attainment of the goals established.

The monitoring of plans and goals is carried out, at a first level, by local managers and, at company level, by the Central Safety Body, formed by the General Manager and the managers who report to him, which meets on a monthly basis.

The Zardoya Otis Group's liability policy, according to the conditions and limits fixed therein, provides cover guaranteeing claims against the insuree for personal injury and property damage caused by pollutant or contaminant events occurring accidentally, suddenly and

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unexpectedly. This cover includes the costs for which the insuree is liable for work to clean, remove, contain, treat, detoxify or neutralize said irritants, contaminants or pollutants.

As regards emissions of substances that deplete the ozone layer, they are not used in the activities that take place in the Regions and neither do the plants use substances of this nature.

Regarding measures to prevent, reduce or repair noise emissions, the three plants take measurements if there has been any significant change, or at least every 5 years. The Madrid and Vigo plants are on industrial estates with no houses nearby. Both are within the legal limits. The San Sebastián plant is located in an urban area: currently, housing is being built in the area and the noise of the building works exceeds the noise produced by the plant, making it difficult to determine current values. In the years when it has been possible to determine this aspect, the values were adequate. None of the three plants have received complaints or been reported for this.

To prevent light pollution at the facilities, assessments included in the "Risk assessments of plant positions, hygiene measurements" are conducted. This is only for the outdoor areas not covered by our Risk Assessment. Existing outdoor lighting is assessed and specified in the design tasks of the building itself. The Madrid and Vigo plants have outdoor lighting only in the parking area and around the plant.

Guidelines for action to manage waste properly in the Regions are described in Sp011-3 policy.

This is done through an authorized Manager and registration as a small producer of hazardous waste.

Monitoring and control of the amounts generated are reported through the safety data web and published monthly in the statistics.

	Regions & associates	Madrid plant	San Sebastián plant	Vigo plant	Consolidated
Hazardous waste	KG	KG	KG	KG	KG
Used oil	19,459	292			19,751
Metal containers	464			60	524
Plastic bottles	2,357			100	2,457
Cloths and absorbents	3,718	166	5,101	95	9,080
Aerosol sprays	482				482
Fluorescents	1,534	2		10	1,546
Solid glue remains		127			127
Sepiolite		148			148
Oily emulsion			5,389		5,389
Cardboard impregnated with HC			1,590		1,590

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The necessary preventive measures are established to eliminate or minimize risks to the environment through:

- Waste management at plants
- Certification ISO 14001 at plants and work centres.
- Container and packaging management at plants.
- Waste management in Regions through authorized local waste managers.
- Management of mercury from electric switches for reuse
- Electrical and electronic waste management (control panel boards, etc.).

Water consumption

The Vigo and Madrid centres do not have processes in which water is used. The San Sebastian plant does. Controls over possible leaks are in place. Awareness courses are given on the proper use of water and there are signs in bathrooms, toilets and fountains.

	Madrid plant	San Sebastián plant	Vigo plant	Consolidated
Source extraction	m3 water consumed	m3 water consumed	m3 water consumed	m3 water consumed
Water supply network	1,147	2,730	1,400	5,277

Consumption of raw materials

	Madrid plant	Vigo Plant	San Sebastián plant	Consolidated
Steel type 1 (kgs)	770,144	0	2,579,210	3,349,354
Steel type 2 (pcs)	209,795	30,873	0	240,668
Steel type 3 (pcs)	0	0	138,000	138,000
Cooper (kgs)	0	0	384,120	384,120
Wrought (pcs)	0	0	105,013	105,013
Foundry (pcs)	0	0	57,364	57,364

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There is a plan for minimizing containers and packaging and continuous optimization of adjusting boxes in relation to their content.

	Madrid plant		San Sebastián plant		Vigo plant		Consolidated	
Raw material	Quantity	Units	Quantity	Units	Quantity	Units	Quantity	Units
CARDBOARD	277,475	kg	73,406	kg	149,532	kg	500,413	kg
WOOD	928,446	kg	873,340	kg	377,040	kg	2,178,826	kg
PLASTIC	11,692	kg	8,753	kg	11,500	kg	31,945	kg
POLYSTYRENE	14,661	kg		kg		kg	14,661	kg

Data for 2018. Data for the year ended (2019) will be available in March of the current year.

Energy consumption

	Fuel	Central and Regions			Madrid plant		
		Quantity	Units	Quantity	Units	Quantity	Units
Vehicles	Diesel oil	2,179,875	L	Vehicle fleet			
Stationary combustion equipment	Natural Gas				120,575	Nm3	Heating & hot water
	Oil C						

	Fuel	San Sebastián plant			Vigo plant			Consolidated	
		Quantity	Units	Comments	Quantity	Units	Comments	Quantity	Units
Vehicles	Diesel oil							2,179,875	L
Stationary combustion equipment	Natural Gas	82,774	Nm3	Heating & hot water				203,349	Nm3
	Oil C				72,009	L	Heating	72,009	L

	Central and Regions		Madrid Plant		San Sebastián Plant		Vigo Plant		Consolidated	
	Quantity	Units	Quantity	Units	Quantity	Units	Quantity	Units	Quantity	Units
Electricity	1,686,186	Kwh	2,258,610	Kwh	2,260,351	Kwh	577,242	Kwh	6,782,389	Kwh

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At the plants, actions are established to control and reduce energy consumption and greenhouse gas emissions as follows:

- Each plant must develop and maintain a list of all points of energy consumption (work area, equipment, processes, etc.) and sources of direct GHG emissions.
- Rules are in place to improve energy efficiency at company level at the sales network offices and Central Services.
- Electricity consumption in offices and the vehicle fleet's fuel consumption is regularly monitored and checked to analyze their evolution in comparison with the consumptions planned.
- CO2 emissions (emissions) of company vehicles are measured and checked to analyse and look at the possibility of improving the environment.
- The Madrid plant has a solar energy production installation on the roof. All the electricity generated is uploaded to the grid and is not consumed. Production until November 2019: 856,000 Kwh.

The company holds energy efficiency certificate ISO50001 for Otis centres.

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Group carbon footprint:

Greenhouse gas emissions	Central and Regions		Madrid plant	
	Tn CO2 equivalent	Comments	Tn CO2 equivalent	Comments
Scope 1	5,434	Derived from fuel consumption of vehicles, with MITECO emission factors, Versión 12 Factor Diesel oil A or B 2018"	284	Heating and domestic hot water "MITECO Version 12 emission factors Natural Gas Factor 2018. Conversion factor from m3 to kwh source: ENAGAS.es published in BOE, according to invoice"
Scope 2	691	Derived from electricity consumption Kwh in offices, with MITECO conversion factor Version 12 Factor Mix 2018	926	Derived from electricity consumption Kwh, with MITECO conversion factor Version 12 Factor Mix 2018
Total GHG emissions	6,126		1,210	

San Sebastián plant		Vigo plant		Consolidated
Tn CO2 equivalent	Comments	Tn CO2 equivalent	Comments	Tn CO2 equivalent
195	Heating and domestic hot water "MITECO Version 12 emission factors Natural Gas Factor 2018. Conversion factor from m3 to kwh source: ENAGAS.es published in BOE, according to invoice"	207	Heating	6,119
927	Derived from electricity consumption Kwh, with the conversion factor MITECO Version 12 Factor Mix 2018	237	Derived from electricity consumption Kwh, with Miteco conversion factor 0.41 (Kg CO2 / kwh)	2,781
1,122		443		8,900

The Madrid plant generates green energy with its solar panels. The 2019 production was 0.9 Gwh.

The target for reducing CO2 emissions resulting from fuel consumption has been established based on the improvements made by the route optimization project.

The estimate of use and consumption for 2019 has been estimated at relative value in respect of the number of vehicles existing in the company's fleet.

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This, coupled with the projects for optimizing the fleet itself (replacement by more efficient vehicles) and the sensitization campaigns, allows a target of 2% annually to be maintained.

Based on the materiality of the Zardoya Otis Group the following indicators are not relevant due to the Group's activity:

"Actions to combat food waste"

"Measures taken to preserve or restore biodiversity"

"Impacts caused by activities or operations in protected areas"

Measurements:

Some examples of actions are:

- Air conditioning temperature set for comfort, eliminating leaks, etc.

Pursuant to current regulations (Technical Instruction 3.8.2 of Royal Decree 1027/2007, Regulations on Thermal Installations in Buildings, as amended by Royal Decree 1826/2009) in centres that have air conditioning systems, they must be adjusted at least within the following limits:

- Summer: minimum temperature 26 ° C.
- Winter: maximum temperature 21 ° C.

Furthermore, a sign with the above information must be placed visibly. (Exhibit 6. Model)

- Improvements to solar factor of glass facades: blinds, treatments, thermal break, etc.
- Lighting: analysis of the use incandescent lighting and consider replacing it with low-power devices, installation of auto-on devices, etc.
- Studying the use of auxiliary equipment such as individual heaters, etc., and evaluate alternatives such as rationalization of use, improved installations, reordering spaces, replacement by more efficient equipment, etc.
- Buildings: improved closures and insulation. In the event of a change of premises, include evaluation of the level of energy efficiency according to the certificate that the owner should provide among the selection criteria.
- Vehicles: route optimization, fleet reduction, proper maintenance, etc.

4. TABLE OF CONTENTS

General information

Sub-category		Reporting framework	Reference	Comments / Reason for omission
Business Model	Brief description of the group's business model: - Business environment - Organization and structure - Market presence - Objectives and strategies - Main factors and trends that affect the company's future evolution	GRI 102-2 GRI 102-3 GRI 102-4 GRI 102-15	3-19	
	Risk management Risk and impact analysis related issues key	Internal reporting framework: quantitative description of the materiality and risk and impact analysis	2-3	

Environment

Sub-category		Reporting framework	Reference	Comments / Reason for omission
Environmental management	Information on the current and foreseeable impact of the company's activities on the environment	Internal reporting framework: qualitative description of the main current and foreseeable effects	52-53	
	Environmental assessment and certification procedures	Internal reporting framework: qualitative description of evaluations and certifications	54-55	
	Resources devoted to environmental risk prevention	Internal reporting framework: Quantitative and qualitative description of resources dedicated to the prevention of environmental risks	55	
	Implementation of the precautionary principle	GRI 102-11	55	
	Amount of provisions and warranties for environmental risks	Internal reporting framework: qualitative description of the Group's obligations	54-55	
Pollution	Measures to prevent, reduce or repair emissions that seriously affect the environment, including any form air, noise and light pollution	Internal reporting framework: qualitative description of the main measures and actions	56	

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Circular economy and waste prevention and management	Measures related to prevention, recycling, reuse and other form of waste recovery and disposal	Internal reporting framework: quantitative and qualitative description of measures related to waste management	54	
	Actions to avoid food waste	Non-Material	-	Food waste is not considered a material KPI for Zardoya Otis' activity
Sustainable use of resources	Water consumption and water supply in accordance with local limitations	GRI 303-1	57	
	Raw materials consumption	Internal reporting framework: quantitative description of the raw material consumption	57-58	
	Measures to improve use efficiency	Internal reporting framework: qualitative description of the measures taken	58	
	Direct and indirect energy consumption	GRI 302-1 GRI 302-2	58-59	
	Measures to improve energy efficiency	Internal reporting framework: qualitative description of the measures taken	59	
	Use of renewable energy	Internal reporting framework: qualitative description of the use of renewable energy	59-60	
Climate change	Relevant aspects regarding greenhouse gas emissions as a result of the company's activity, including goods and services produced by the company	GRI 305-1 GRI 305-2	60	
	Measures to adapt to climate change	Internal reporting framework: Qualitative description of the measures taken to adapt to the consequences of climate change.	61	
	Targets of reduction established voluntarily	GRI 305-5	61	
Biodiversity	Measures to preserve or restore biodiversity	Internal reporting framework: qualitative description of measurements	61	There are no significant impacts on biodiversity therefore it is not considered a material KPI for Zardoya Otis' activity
	Business impact on protected areas	Internal reporting framework: qualitative description of impacts	61	

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Social and employee-related matters

	Sub-category	Reporting framework	Reference	Comments / Reason for omission
Employment	Total number of employees and distribution by country, gender, age and occupational classification	GRI 102-8 GRI 405-1	34-35, 39	
	Total number and distribution of the conditions of the work contract	GRI 102-8	35, 39-40	
	Annual average of permanent, temporary and part-time contracts by sex, age and professional category	Internal reporting framework: quantitative description of the annual average of permanent, temporary and part-time contracts by sex, age and professional category	35-36, 39-40	
	Number of dismissals by sex, age and professional category	Internal reporting framework: quantitative information on layoffs	36, 40	
	Gender pay gap	Internal reporting framework: quantitative information on gender pay gap	36, 40	
	Average remuneration by sex, age and professional category	Internal reporting framework: quantitative description of the average salary of employees by gender, age and professional category	37, 41	
	Average remuneration of counselors by sex	Internal reporting framework: quantitative description of the average remuneration of counselors by sex	37	
	Average compensation of managers by sex	Internal reporting framework: quantitative description of the average compensation of managers by sex	37	
	Implementation of policies to allow employees to disconnect from work	Internal reporting framework: quantitative description of the implementation of policies to allow employees to disconnect from work	37, 41	No work disconnection policies have been established.
	Number of employees with disabilities	Internal reporting framework: quantitative description of the number of employees with disabilities	38, 41	

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Work organization	Working hours organization	Internal reporting framework: qualitative description of the organization of working time	37, 41	
	Number of hours of absenteeism	Internal reporting framework: quantitative description of the number of total hours of absenteeism	38, 41	
	Measures to promote work-life balance and co-parenting responsibilities	Internal reporting framework: qualitative description of the measures	44	
Health and safety	Occupational health and safety conditions	GRI 403-2	38-41	
	Number of work accidents and occupational diseases by sex, frequency and severity rate by sex			
Labor relations	Social dialogue organization, including procedures to inform and consult with employees and to negotiate with them	Internal reporting framework: qualitative description of the organization of social dialogue	37	
	Percentage of employees covered by collective agreements, by country	GRI 102-41		
	Results of collective agreements, especially in the field of health and safety	Internal reporting framework: qualitative description of the results of collective agreements		
Training	Training policies implemented	GRI 404-2	42-44	
	Number of hours of training by professional category	GRI 404-1		
Universal accessibility of people with disabilities		Internal reporting framework: qualitative description of the universal accessibility of people with disabilities	46	
Equality	Measures taken to promote equal treatment and equal opportunities for women and men	Internal reporting framework: qualitative description of the measures	42	
	Equality plans measures adopted to promote employment, protocols against sexual and gender-based harassment	Reporting framework: qualitative description of current procedures		
	Integration and universal accessibility for people with disabilities	Reporting framework: qualitative description of integration measures		
	Policy against all types of discrimination and, where appropriate, management of diversity	Reporting framework: qualitative description of diversity management		

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Human Rights

Sub-category	Reporting framework	Reference	Comments / Reason for omission
Application of due diligence procedures in the field of human rights	GRI 102-16 GRI 102-17 GRI 412-2	24, 25	
Prevention of the risks of violation of human rights and, where appropriate, measures to mitigate, manage and repair possible abuses committed	GRI 102-16 GRI 102-17 GRI 412-2	25-28	
Complaints about cases of violation of human rights	Internal reporting framework: quantitative description of the Complaints about cases of violation of human rights	24	Zardoya Otis did not detect complaints related to the violation of the Human rights
Promotion and compliance with ILO's provisions related to freedom of association and collective bargaining; the elimination of work discrimination, forced or compulsory labor and the effective abolition of child labor	Internal reporting framework: qualitative description of the done	24-25	

Corruption and bribery

Sub-category	Reporting framework	Reference	Comments / Reason for omission
Measures taken to prevent corruption and bribery	GRI 102-16 GRI 102-17	21-22	
Measures to combat money laundering	GRI 102-16 GRI 102-17	21-23	
Contributions to non-for-profit organizations	Internal reporting framework: quantitative description of contributions to foundations and non-profit entities	23	

Society

Sub-category	Reporting framework	Reference	Comments / Reason for omission
Commitment with sustainable development	Impact of the company's activity on employment and local development	29, 47-48	
	Impact of the company's activity on local populations and territories		
	Company's relations with local communities' agents and dialogue channels	29-30	
	Partnerships and sponsorship actions	31	
Sustainable supply chain	Inclusion of social, gender equality and environmental matters in the company's purchasing policy	51	

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		management carried out on inclusion		
	Attention given to the social and environmental responsibility of subcontractors and suppliers	Internal reporting framework: qualitative description of the management carried out	51	
	Supervision and audit systems and their results	Internal reporting framework: qualitative description and quantitative monitoring systems and audits and results thereof	51	
Consumer relationship management	Measures to protect consumers' health and safety	GRI 416-1	45	
	Claims systems	Internal reporting framework: qualitative description of claim systems	45	
	Complaints received and resolution of them	Internal reporting framework: number of claims and breakdown by state	45	
Tax information	Profits obtained per country	Internal reporting framework: quantitative description of the profits obtained per country	48-50	
	Taxes paid on profits	Internal reporting framework: quantitative description taxes paid on profits		
	Public subsidies received	Internal reporting framework: quantitative description of public subsidies received		

HOJA DE FIRMAS Y DECLARACION DE RESPONSABILIDAD

4.1

Don Bernardo Calleja Fernández <i>Presidente /ConsejeroDelegado</i>	Don José María Loizaga Viguri <i>Vicepresidente</i>	Don José Miguel Andrés Torrecillas <i>Consejero</i>
Doña Eva Castillo Sanz <i>Consejera</i>	Don Alberto Zardoya Arana <i>Consejero</i>	Euro-Syns S.A. <i>Consejero</i> <i>representado por</i> <i>Don Eduardo Montes Pérez</i>
Otis Elevator Company <i>Consejero</i> <i>representado por</i> <i>Doña Nora LaFreniere</i>	Doña Robin Fiala <i>Consejero</i>	Doña Stacy Petrosky <i>Consejero</i>
Don Mark Eubanks <i>Consejero</i>	Don Patrick Martin <i>Consejero</i>	

Courtesy Translation of foot note:

In accordance with provision 253.2 of the Spanish Companies Act and provision 37 of the Spanish Commerce Code, all members of this Board of Directors approve with their signature the content of the Annual Accounts and Management Report of Zardoya Otis and the consolidated Group, related to the fiscal year closed on November 30, 2019.

Madrid, February 27, 2020

COURTESY TRANSLATION

2019 ANNUAL FINANCIAL INFORMATION LIABILITY STATEMENT

The members of the Board of Directors of ZARDOYA OTIS, S.A. state that, to the best of their knowledge, the individual annual financial statements of ZARDOYA OTIS, S.A. (balance sheet, profit and loss statement, statement of change in shareholders' equity, statement of cash flows and notes), as well as the consolidated financial statements of ZARDOYA OTIS, S.A. and its subsidiaries (balance sheet, profit and loss statement, statement of changes in shareholders' equity, statement of cash flows and notes) for the fiscal year ended on November 30, 2019, presented by the Board of Directors at its meeting of February 27, 2020, and prepared in accordance with applicable accounting standards, present a fair view of the assets, financial condition and results of operations of ZARDOYA OTIS, S.A. as well as of the subsidiaries included within its scope of consolidation, taken as a whole, and that the management reports supplementing the individual and consolidated annual financial statements contain a true assessment of the corporate performance and results and the position of ZARDOYA OTIS, S.A. and of the subsidiaries included within its scope of consolidation, taken as a whole, as well as a description of the principal risks and uncertainties facing them.

Madrid, February 27, 2020

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

Don Bernardo Calleja Fernández <i>Presidente /ConsejeroDelegado</i>	Don José María Loizaga Viguri <i>Vicepresidente</i>	Don José Miguel Andrés Torrecillas <i>Consejero</i>
Doña Eva Castillo Sanz <i>Consejera</i>	Don Alberto Zardoya Arana <i>Consejero</i>	Euro-Syns S.A. <i>Consejero</i> <i>representado por</i> <i>Don Eduardo Montes Pérez</i>
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Don Mark Eubanks <i>Consejero</i>	Don Patrick Martin <i>Consejero</i>	



ISSUER IDENTIFICATION	
YEAR-END DATE	11/30/2019
TAX IDENTIFICATION NO. [C.I.F.]	A28011153
COMPANY NAME	ZARDOYA OTIS, S.A.
REGISTERED OFFICE	CALLE GOLFO DE SALÓNICA, 73 MADRID

Courtesy Translation. In case of discrepancies, the Spanish version shall prevail.

A. CAPITAL STRUCTURE**A.1 Complete the table below with details of the share capital of the company:**

Date of last change	Share capital (€)	Number of shares	Number of voting rights
07/14/2016	47,046,431.10	470,464,311	470,464,311

Remarks
N/A

Please state whether there are different classes of shares with different associated rights:

Yes ☐ No ☒

Class	Number of shares	Par value	Number of votes	Associated rights
N/A				

Remarks
N/A

A.2 Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
UNITED TECHNOLOGIES CORPORATION (UTC)		50.01%			50.01%
AKO MASTER FUND LIMITED (*)			2.978%		2.978%

Remarks

(*)Holder of voting rights through financial instruments for the percentage shown in the table. AKO MASTER FUND LIMITED is managed by the management company AKO CAPITAL LLP (indirectly controlled by Mr Nicolai Tengen), as set out in the notification on the website of the National Securities Market Commission (CNMV)

Breakdown of the indirect holding:

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
UNITED TECHNOLOGIES CORPORATION (UTC)	UNITED TECHNOLOGIES HOLDINGS, S.A.S.	50.01%		50.01%

Remarks
N/A

State the most significant shareholder structure changes during the year:

Name of shareholder	Transaction date	Description of transaction
AKO MASTER FUND LIMITED	26/04/2019	Notification made to CNMV on 30/04/2019, whereas the % decreased from 3,014% to 2,978%

Most significant movements
It seems the notification may have a mistake as the operation states it's the 26/06/2019 but it seems the correct one should be 26/04/2019

A.3 In the following tables, list the members of the Board of Directors (hereinafter "directors") with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% of voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR BERNARDO	0.007%	0.004%			0.012%		

CALLEJA FERNANDEZ*							
EURO-SYNS, S.A.	11.345%				11.345%		
DON ALBERTO ZARDOYA	0,00%				0,00%		

Total percentage of voting rights held by the Board of Directors	11.36%
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Remarks
N/A

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% of voting rights that <u>can be transmitted</u> through financial instruments
Mr Bernardo Calleja Fernández	Ms Piedad García Díaz	0.004%		0.004%	

Remarks
N/A

A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name of related party	Nature of relationship	Brief description
EURO-SYNS, S.A.	Family	This director is a company controlled by members of the Zardoya family.

A.5 If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related party		Nature of relationship	Brief description
UNITED TECHNOLOGIES HOLDINGS, S.A.S.	OTIS ELEVATOR COMPANY	Commercial	As of November 30, 2019, Zardoya Otis, S.A. (the " Company ") has commercial and contractual relations with Otis Elevator Company and United Technologies Corporation (UTC).
		Contractual	
		Corporate	As of November 30, 2019, United Technologies Corporation (UTC) held 100% of the shares of Otis Elevator Company and 50.01% of the Company's shares through United Technologies Holdings, S.A.S.

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
Nora LaFreniere	UNITED TECHNOLOGIES CORPORATION	OTIS ELEVATOR COMPANY	Personal representative of proprietary director
Stacy Petrosky	UNITED TECHNOLOGIES CORPORATION	OTIS ELEVATOR COMPANY	Proprietary director
Robin Fiala	UNITED TECHNOLOGIES CORPORATION	OTIS ELEVATOR COMPANY	Proprietary director

Mark Eubanks	UNITED TECHNOLOGIES CORPORATION	OTIS ELEVATOR COMPANY	Proprietary director
Patrick Martin	UNITED TECHNOLOGIES CORPORATION	OTIS ELEVATOR COMPANY	Proprietary director
Eduardo Montes Pérez	EUROSYNS, S.A.	EURO-SYNS, S.A.	Personal representative of proprietary director
Alberto Zardoya Arana	EUROSYNS, S.A.	EURO-SYNS, S.A.	Proprietary director

Remarks
See detail in C.1.10

A.7 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes ☐ No ☒

Parties to the shareholders' agreement	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable
N/A	N/A	N/A	N/A

Remarks
There are no shareholders' agreements

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes ☐ No ☒

Parties to the concerted action	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable
N/A	N/A	N/A	N/A

Remarks
N/A

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

There were no shareholders' agreements and, therefore, there was no change or breach of them during the period ended November 30, 2019.

A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

Yes ☒ No ☐

Name of individual or company
UNITED TECHNOLOGIES CORPORATION (UTC)
Remarks
As of November 30, 2019, United Technologies Corporation (UTC) was the indirect owner (through the French company United Technologies Holdings S.A.S.) of 50.01% of the voting rights in the Company.

A.9 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
385,869		0,082%

Remarks
<p>At its meeting of May 23, 2018, the Company's Ordinary General Shareholders' Meeting authorized the Board of Directors to acquire, directly or indirectly, treasury shares up to a maximum percentage of 10% of the share capital, observing the limits and requirements established in article 146 and related articles of the Capital Companies Law.</p> <p>Exercising these powers, on December 14, 2018 the Company's Board of Directors, at its meeting of December 11, 2018, decided to acquire treasury shares so that they could be used in company acquisition transactions (or in executing already-existing acquisition agreements) of the type that the Company habitually carries out and which entail a share exchange. Such decision was communicated on December 14, 2018 (CNMV Relevant fact ref 272541)</p> <p>The acquisition of treasury shares was notified in a timely manner, in accordance with current legislation, to the CNMV on a weekly basis as part of a "Purchase Program" executed between June 7 and July 8, 2019.</p>

The entire Program was executed taking account of the recommendations published by the CNMV on July 18, 2013.

At present, the Company holds the treasury shares mentioned in the preceding paragraphs to be used in transactions to acquire other companies or to complete already-existing acquisition agreements, as authorized by the General Shareholders' Meeting.

4.1

(*) through:

Name of direct shareholder	Number of direct shares
ZARDOYA OTIS, S.A.	385,869
Total:	385,869

Remarks

Explain any significant changes during the year:

Explain significant changes																																												
<p>"Purchase Program" executed between June 7 and July 8, 2019</p> <table> <tr> <th>Date</th><th>Number of direct</th><th>Average price</th></tr> <tr><td>COMPRA 07-JUN</td><td>32.000</td><td>6,80 €</td></tr> <tr><td>COMPRA 10-JUN</td><td>15.744</td><td>6,86 €</td></tr> <tr><td>COMPRA 11-JUN</td><td>40.300</td><td>6,82 €</td></tr> <tr><td>COMPRA 12-JUN</td><td>39.000</td><td>6,79 €</td></tr> <tr><td>COMPRA 13-JUN</td><td>42.000</td><td>6,88 €</td></tr> <tr><td>COMPRA 14-JUN</td><td>33.203</td><td>6,76 €</td></tr> <tr><td>COMPRA 17-JUN</td><td>45.000</td><td>6,76 €</td></tr> <tr><td>COMPRA 18-JUN</td><td>49.000</td><td>6,69 €</td></tr> <tr><td>COMPRA 19-JUN</td><td>56.000</td><td>6,71 €</td></tr> <tr><td>COMPRA 20-JUN</td><td>41.859</td><td>6,80 €</td></tr> <tr><td>COMPRA 21-JUN</td><td>37.000</td><td>6,84 €</td></tr> <tr><td>COMPRA 24-JUN</td><td>49.811</td><td>6,75 €</td></tr> <tr><td>COMPRA 25-JUN</td><td>24.878</td><td>6,68 €</td></tr> </table>			Date	Number of direct	Average price	COMPRA 07-JUN	32.000	6,80 €	COMPRA 10-JUN	15.744	6,86 €	COMPRA 11-JUN	40.300	6,82 €	COMPRA 12-JUN	39.000	6,79 €	COMPRA 13-JUN	42.000	6,88 €	COMPRA 14-JUN	33.203	6,76 €	COMPRA 17-JUN	45.000	6,76 €	COMPRA 18-JUN	49.000	6,69 €	COMPRA 19-JUN	56.000	6,71 €	COMPRA 20-JUN	41.859	6,80 €	COMPRA 21-JUN	37.000	6,84 €	COMPRA 24-JUN	49.811	6,75 €	COMPRA 25-JUN	24.878	6,68 €
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COMPRA 25-JUN	24.878	6,68 €																																										

Explain significant changes			
	COMPRA 26-JUN	31.130	6,67 €
	COMPRA 27-JUN	59.000	6,66 €
	COMPRA 28-JUN	52.000	6,61 €
	COMPRA 01-jul	60.481	6,72 €
	COMPRA 02-jul	62.000	6,69 €
	COMPRA 03-jul	60.500	6,69 €
	COMPRA 04-jul	26.000	6,71 €
	COMPRA 05-jul	51.775	6,61 €
	COMPRA 08-jul	14.113	6,55 €
		922.794	6,73 €

A.10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

The Company's Ordinary General Shareholders' Meeting held on May 23, 2018 approved the proposal to authorize the Board of Directors to, without consulting the General Shareholders' Meeting beforehand, acquire, directly or indirectly, shares in the Company up to a maximum percentage of 10% of the share capital during a maximum period of five years as from the date of the aforementioned Ordinary General Shareholders' Meeting.

The acquisition price of said shares could not be lower than 2 euros per share or higher than 25 euros per share and the Board was expressly authorized to set aside the reserves required under article 148 of the Capital Companies Law.

Furthermore, the same Ordinary General Shareholders' Meeting held on May 23, 2018 unanimously agreed to authorize the Board of Directors to, pursuant to the provisions of article 149 of the current Capital Companies Law, either directly or through any group companies, accept its own shares as a pledge or any other type of guarantee, observing the same limits and requirements as are applicable to the acquisition thereof. Specifically: (i) the maximum number of shares to be accepted as pledges must not exceed 10% of the Company's share capital; (ii) the shares accepted as pledges must be free from all charges and encumbrances, fully paid up and not attached to compliance with any obligation the beneficiary of which is not the Company; (iii) the authorization will remain in force for the maximum period allowed by Law at any given moment (five years) as from the date of the aforementioned Ordinary General Shareholders' Meeting (i.e. until May 23, 2023); and (iv) in the course of these transactions, the rules on the subject contained in the Company's Internal Code of Conduct will be observed. This authorization supplements the authorization granted as per the preceding paragraphs but does not change it.

In carrying out these transactions, the rules contained in the Company's Internal Code of Conduct and the Securities Market Law will also be observed.

A.11 Estimated floating capital:

	%
Estimated floating capital	38.65%

Remarks

N/A

- A.12 State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.**

Yes ☐ No ☒

Description of restrictions

N/A

- A.13 State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.**

Yes ☐ No ☒

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

Explain the measures approved and the terms under which such limitations would cease to apply

N/A

- A.14 State if the company has issued shares that are not traded on a regulated EU market.**

Yes ☐ No ☒

If so, please list each type of share and the rights and obligations conferred on each.

List each type of share

N/A

B. GENERAL SHAREHOLDERS' MEETING

B.1 State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

 Yes ☒ No ☐

	% quorum different from that contained in Article 193 LSC for general matters	% quorum different from that contained in Article 194 LSC for special resolutions
Quorum required at 1st call	60.00%	66.66%
Quorum required at 2nd call	50.00%	50.00%

Description of differences

For general decisions, a quorum of 60% is required on the first call (the Capital Companies Law establishes 25%) and 50% on the second call (the Capital Companies Law does not fix a minimum).

For the decisions mentioned in article 194 of the Capital Companies Law (capital increase or reduction and any other amendment to the Bylaws, debenture issues, the elimination or limitation of pre-emption rights over new shares, a change in the type of company, merger, spin-off or the global assignment of assets and liabilities, and moving the registered office abroad), a quorum of two thirds of the subscribed capital (66.66%) is required on the first call (the Capital Companies Law establishes 50%) and 50% on the second call (the Capital Companies Law establishes 25%).

B.2 State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

 Yes ☐ No ☒

Describe how it is different from that contained in the LSC.

	Qualified majority different from that established in Article 201.2 LSC for Article 194.1 LSC matters	Other matters requiring a qualified majority
% established by the company for adoption of resolutions	N/A	N/A

Describe the differences

N/A

B.3 State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

To amend the Bylaws of Zardoya Otis, S.A. (the "**Company's Bylaws**"), the system set forth in article 285 et seq. of the Capital Companies Law and in the Company's Bylaws themselves will be applied.

According to article 14 of the Company's Bylaws, in order for a General Meeting (Ordinary or Extraordinary) to validly resolve to increase or decrease the capital or make any other amendment to the Bylaws, issue debentures, eliminate or limit pre-emption rights on new shares, change the type of Company, merge or spin off the Company or globally transfer its assets and liabilities, move its registered office abroad, or make any other amendment for which a qualified majority is legally required, it will be necessary, on the first call, for shareholders owning at least two thirds of the subscribed capital with voting rights to be present or represented. On the second call, it will be sufficient for fifty percent of said capital to be present or represented.

Additionally, in accordance with article 16 of the Company's Bylaws, a separate vote will be taken on each one of the items on the agenda and on those matters which, although they form part of the same item on the agenda, are substantially independent, in order for the shareholders to exercise their voting preferences separately. In particular, separate votes will be taken on the appointment, ratification, re-election or removal of each director and, in the event of amendments to the Company's Bylaws, separate votes will be taken on each article or group of articles that is substantially independent.

Resolutions concerning amendment of the Company's Bylaws will be adopted by a majority of the capital present or represented at the General Shareholders' Meeting, in such a way that a resolution will be deemed to be passed when it obtains more votes in favour than against from the capital present or represented.

In order to adopt the resolutions to which article 194 of the Capital Companies Law refers, however, the vote in favour of two thirds of the capital present or represented at the General Shareholders' Meeting will be required when, on the second call, shareholders are present representing twenty-five percent or more of the subscribed capital with voting rights but not reaching fifty percent. If the capital present or represented exceeds fifty percent, approval by absolute majority will be sufficient.

Finally, in accordance with article 286 of the Capital Companies Law, the Board of Directors will prepare a written report explaining any proposal to amend the Company's Bylaws.

B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:

Date of General Meeting	Attendance data				
	% physically present	% present by proxy	% distance voting		Total
			Electronic voting	Other	
05/24/2017	64.09%	14.66%	0.00%	0.00%	78.75%
05/23/2018	13.36%	58.79%	0.00%	0.00%	72.15%
05/22/2019	13.38%	59.96%	0.00%	0.00%	73.34%

Of which, free float	2.04%	9.95%			11.99%
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Remarks
On 22/05/2019 the free float was approximately 38,65%, as the rest was owned by Eurosins S.A. (aprox 11,35%) and United Technologies (50,01%). Eurosins attended personally and UTC represented by proxy. To calculate the floating capital, the % held by EURO-SYNS was eliminated from among those physically present and the % held by UTC was eliminated from among those present by proxy.

B.5 State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason:

Yes ☐ No ☒

Points on agenda not approved	% votes against (*)
N/A	N/A

(*) If the non-approval of the point is for a reason other than the votes against, this will be explained in the text part and "N/A" will be placed in the "% votes against" column.

B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes ☐ No ☒

Number of shares required to attend General Meetings	N/A
Number of shares required for distance voting	N/A

Remarks
N/A

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

Yes ☐ No ☒



Explain the decisions that must be subject to the General Shareholders' Meeting, other than those established by law
N/A

4.1

B.8 State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

The address of the Company's website for access to corporate governance content as of November 30, 2019 is: <http://www.otis.com/es/es/accionistas-inversores/>

This site contains a "Corporate Governance" section, where notice of general meetings, proposed resolutions, rules for granting proxy and distance voting, the reports that are to be presented and any other documentation required by the Capital Companies Law, the Company's Bylaws or the Regulations of the General Shareholders' Meeting are published. Among other documents, the 2018, Annual Corporate Governance Report, which was published in March 2019, is included.

The Annual Corporate Governance Report for 2019 will be duly published on the website in March 2020.

C. COMPANY ADMINISTRATIVE STRUCTURE

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	3
Number of directors set by the general meeting	11

Remarks
N/A

C.1.2 Please complete the following table on directors:

Name of director	Natural person representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board	Date of birth
MR BERNARDO CALLEJA FERNANDEZ	N/A	EXECUTIVE	CHAIRMAN & CEO	02/28/2012 (co-option)	05/19/2016	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	02/23/1962
MR JOSÉ MARÍA LOIZAGA VIGURI	N/A	OTHER EXTERNAL	DEPUTY CHAIRMAN	02/23/1973	05/22/2019	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	01/09/1936
MS EVA CASTILLO SANZ	N/A	INDEPENDENT	DIRECTOR	05/22/2019	05/22/2019	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	11/23/1962
MR JOSÉ MIGUEL ANDRÉS TORRECILLAS	N/A	INDEPENDENT	DIRECTOR & LEAD DIRECTOR	05/26/2015	05/22/2019	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	06/26/1955
MR ALBERTO ZARDOYA ARANA	N/A	PROPRIETARY	DIRECTOR	02/26/2013 (co-option)	05/22/2019	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	05/25/1961

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Name of director	Natural person representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board	Date of birth
EURO-SYNS S.A.	MR EDUARDO MONTES PEREZ	PROPRIETARY	DIRECTOR	05/31/1996	05/22/2019	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	10/02/1951
OTIS ELEVATOR COMPANY	MS NORA LAFRENIERE	PROPRIETARY	DIRECTOR	05/30/1984	05/22/2019	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	04/08/1971
MS ROBIN FIALA	N/A	PROPRIETARY	DIRECTOR	10/05/2017 (co-option)	05/23/2018	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	09/20/1968
MS STACY PETROSKY	N/A	PROPRIETARY	DIRECTOR	07/26/2019 (co-option)	07/26//2019	CO-OPTION UNTIL NEXT GENERAL SHARE-HOLDERS' MEETING	08/22/1973
MR MARK EUBANKS	N/A	PROPRIETARY	DIRECTOR	07/26/2019 (co-option)	07/26//2019	CO-OPTION UNTIL NEXT GENERAL SHARE-HOLDERS' MEETING	05/30/1972
MR PATRICK MARTIN	N/A	PROPRIETARY	DIRECTOR	07/27/2018 (co-option)	05/22/2019	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	07/28/1968
Total number of directors						11	

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Data of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
MR MARIO ABAJO GARCIA	OTHER EXTERNAL	05/26/2015	03/20/2019	N/A	Yes
MR PATRICK BLETHON	PROPRIETARY	05/22//2019	07/26/2019	N/A	Yes
MR MARK GEORGE	PROPRIETARY	05/23/2018	07/26/2019	Audit Committee	Yes

Reason for leaving and other remarks
<p>The directors left for personal reasons.</p> <p>Mr Mario Abajo was Chairman of the Board.</p>

C.1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name or company name of director	Post in organisational chart of the company
MR BERNARDO CALLEJA FERNANDEZ	CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Profile
<p>Engineering degree from the <i>Escuela Técnica Superior de Ingenieros Industriales de Gijón</i>. PADE (<i>Programa de Alta Dirección de Empresas</i>) at the IESE Business School. "Breakthrough Program for Senior Executives (BPSE)" at IMD, November 2018.</p> <p>He commenced his career with Otis in 1989 as an engineer at the Otis plant in San Sebastián. Subsequently, he moved to Barcelona as branch manager. Three years later, he returned to San Sebastián as Area Manager.</p> <p>From 2001 to 2005, he was the manager of Pertor, a Zardoya Otis Group company in Spain. He then became general manager of Rolltore-Portis, another Group company.</p> <p>In 2007, he was appointed Service and Operations Manager of Otis Italy and, a year later, became Chief Executive Officer of Otis in Italy.</p> <p>In February 2012, he was appointed Chief Executive Officer of Zardoya Otis and President of Otis South Europe and Near East (SEMA).</p> <p>In December of the same year, he became President of South Europe of UTC Building & Industrial Systems, a division encompassing the brands: OTIS in elevators, Carrier in air-conditioning, Chubb and Marioff in fire protection and Portis in automatic doors, among others..</p> <p>He is currently Chief Executive Officer and Chairman of Zardoya Otis, S.A. and President of OTIS South Europe and Africa. He is likewise an Executive Manager of the United Technologies Corporation (UTC) group.</p>

Total number of executive directors	1
Percentage of Board	9.09%

Remarks
N/A

PROPRIETARY DIRECTORS

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
MR ALBERTO ZARDOYA ARANA	EURO-SYNS, S.A.

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4.1

Profile
<p>BA Manufacturing Engineering, Boston University, Boston MA, U.S.A. Master's in the Stock Exchange from <i>IEB, Instituto de Estudios Bursátiles</i>, Madrid. During his professional career, he has held various positions in companies such as Saveria, Elevator Guide Rails (Vera de Bidasoa, Navarra, Spain), Otis Elevator Company (Gien, France), Andersen Consulting (Madrid, Spain), UTC Research Center (San Sebastián, Spain), Sikorsky Helicopters (Stratford, CT, U.S.A.), Sikorsky Helicopters (Gamesa, Vitoria, Spain), UTC Aerospace (San Sebastián, Spain). He is currently a member of the Board of Directors of Mecalux, SA (Barcelona, Spain) and administrator of Euro-Syns, SA (Madrid, Spain)</p>

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
EURO-SYNS, S.A.	EURO-SYNS, S.A.

Profile
<p>Euro-Syns, S.A. is the financial investment holding company of the Zardoya family group.</p> <p>Its personal representative, Mr Eduardo Montes, is an Industrial Engineer (<i>Universidad Politécnica de Madrid</i>). He began his professional career with Siemens in 1995 as a design and process engineer, remaining until 1981. After working for companies such as PA Technology, Alcatel and the Eureka Program, he held senior positions as President of companies such as Alstom España and Siemens España, S.A., Vice President and member of the Executive Committee of Siemens AG, President of FerroAtlántica of the Villar Group, and President of UNESA.</p> <p>Since 2018, he has held seats on several Boards of Directors, including Mecalux, Catenon and Alameda Capital; he is Executive Chairman of the SGEL Group and Executive Chairman of the WAMOS Group. He is also a member of the Social Council of the <i>Universidad Politécnica de Madrid</i> and Chairman of the Economic Commission, Chairman of the Social Board of the <i>Universidad Politécnica de Madrid</i> and Chairman of its Economic Commission, as well as Chairman of the Advisory Board of the <i>Escuela de Ingenieros Industriales de Madrid</i> (Madrid School of Industrial Engineering) and a member of the board of several cultural entities.</p>

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
OTIS ELEVATOR COMPANY	UNITED TECHNOLOGIES HOLDINGS, S.A.S.

Profile

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Otis (100% held directly or indirectly by the parent company of the United Technologies Corporation Group -UTC- in the U.S.A.) is the largest elevator and escalator company in the world. Otis designs, manufactures, sells and installs a full range of passenger and goods elevators, escalators and moving walkways. In addition to new installations, Otis modernizes existing installations to improve their safety and performance and provides maintenance services for both its own products and those of other manufacturers. Otis is present throughout the world.

Its personal representative, Ms Nora LaFreniere, holds a Law degree from the University of Notre Dame and a degree in Philosophy and Political Science from the University of California-San Diego. Nora LaFreniere has more than 20 years' experience in the legal field. After working for the law firms Morgan Lewis and Bingham McCutchen, she joined United Technologies in 2000. In the 15 years she has been with UTC, Nora began as an Assistant Counsel at the head offices of Otis North and South America. In 2002, she was appointed Executive Assistant to the Worldwide President at the Otis head offices. Nora moved to the UTC head office in 2004 as Assistant General Counsel. From 2005 to 2011, she was Deputy General Counsel and then Vice President, General Counsel at UTC Fire & Security. In 2013, she was appointed Vice President and General Counsel of UTC Building & Industrial Systems. Nora LaFreniere is currently Vice President and General Counsel of Otis Elevator Company. In this position, she has a leadership function and provides strategic management to the global legal function. a general de Otis Elevator Company. She also leads Otis's Business Development function.

4.1

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
MS ROBIN FIALA	UNITED TECHNOLOGIES HOLDINGS, S.A.S.

Profile
<p>Bachelor's degree in mechanical engineering from Union College in Schenectady, New York. Master of Business Administration from Fordham University in New York City. Robin Fiala has more than 25 years of experience with Otis. She started at the Otis New York City branch where she held positions of increasing responsibility including Account Representative, Territory Manager and General Manager. She then joined Otis World Headquarters as Senior Manager of Modernization Products and later joined Otis North America Headquarters as Senior Product Manager, New Equipment and then Director, Service Marketing. In 2013, she was named Vice President of Service and Marketing responsible for Marketing and Communications for Otis Americas as well as Otis North America's service business, national account sales and OTISLINE® call center. In 2014, she was named Vice President, Worldwide Marketing and Field Support responsible for global marketing strategies, service transformation and the development and implementation of key field operations initiatives across Otis worldwide. Currently, Robin Fiala is Vice President, Sales and Marketing for New Equipment. In this position, she leads worldwide strategic marketing initiatives that combine competitive and market intelligence with capturing customer expectations. Robin is also responsible for developing new products for the global business and, additionally, responsible for the EH&S function.</p>

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
STACY PETROSKY	UNITED TECHNOLOGIES HOLDINGS, S.A.S.

Profile
<p>Graduate in company management (specialized in accounting). Executive leadership programs at the Darden School of Business Administration (University of Virginia, U.S.A.) During her professional career, after a number of positions with growing responsibility in the firm PricewaterhouseCoopers (PwC), she joined Otis Elevator Co. as Manager of the Financial Planning & Analysis area, where she became Senior Director in 2015, subsequently becoming Senior Director, Finance Transformation and then Assistant Controller and Executive Director, Finance Transformation. She is currently Chief Audit Executive, Otis Elevator.</p>

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4.1

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
MARK EUBANKS	UNITED TECHNOLOGIES HOLDINGS, S.A.S.

Profile
<p>Bachelor of Science in Electrical Engineering from the University of Florida. Master of Business Administration from Emory University. During his professional career, he has been President of the Electrical Products Group (Eaton Corporation) and held a series of executive roles (Cooper Industries). He has also worked in project management, engineering consulting (Southern Company) He is currently President, Otis EMEA.</p>

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
PATRICK MARTIN	UNITED TECHNOLOGIES HOLDINGS, S.A.S.

Profile
<p>Bachelor and Master of Economics and Finance from the University of Hartford (U.S.A.). INSEAD Global Leadership Development Program. Patrick Martin has more than 27 years' experience with UTC. During this time, Patrick has held various position with growing responsibility at OTIS and BIS and has worked in a number of countries (Belgium, Germany, Russia, France, Ukraine, United States). His roles include, for example, (i) CFO for part of Otis France; (ii) CFO of Otis Ukraine; (iii) Area Controller for a large region of Europe; (iv) CFO for Eastern Europe; and (v) Director of P&A and CFO Manufacturing for a large region of Europe. In the 18 months preceding such position, Patrick was Vice President, Finance, for UTC Building & Industrial Systems EMEA, a group formed in October 2013 from the combination of Otis Elevator and UTC Climate, Controls & Security. Previously, from August 2009 to 2014, he was Finance Manager of Otis Southern Europe and Middle East. Currently, Patrick Martin has been Vice President, Finance, for Otis EMEA since 2016. In his present role, Patrick is responsible for directing the activities of planning, analysis, accounting and business control for Otis EMEA and ensuring that Otis EMEA meets its financial commitments.</p>

Total number of proprietary directors	7
Percentage of the Board	63.63%

Remarks
N/A

INDEPENDENT DIRECTORS

Name of director	Profile
MR JOSÉ MIGUEL ANDRÉS TORRECILLAS	<p>Mr Andrés Torrecillas holds a degree in Economics and Business Studies from the <i>Universidad Complutense de Madrid</i>. He has postgraduate studies in Management Programs from IESE in Madrid, Harvard and IMD.</p> <p>He has spent most of his professional career with Ernst & Young, where he was Partner/Director General of the Audit and Advisory practices and Chairman of Ernst & Young Spain until 2014.</p> <p>In March 2015, José Miguel Andrés Torrecillas was appointed as an independent director by the General Shareholders' Meeting of Banco Bilbao Vizcaya Argentaria, S.A.</p> <p>He has been a member of the <i>Registro Oficial de Auditores de Cuentas</i> (ROAC – Official Account Auditors Register); the <i>Registro de Economistas Auditores</i> (REA – Economist/Auditor Register); the Board of Directors of <i>Instituto Español de Analistas Financieros</i> (Spanish Institute of Financial Analysts); the <i>Fundación Empresa y Sociedad</i> (Company and Society Foundation); the <i>Instituto de Censores Jurados de Cuentas de España</i> (Institute of Chartered Accountants of Spain); the Advisory Board to the <i>Instituto de Auditores Internos</i> (Internal Auditors Institute), the Institute of Chartered Accounts in England & Wales (the ICAEW); the Board of Deusto Business School (DBS); and a patron of the SERES Foundation.</p> <p>He is classified as an “independent director” and holds the positions of Lead Director, Chairman of the Nominating and Compensation Commission of Zardoya Otis, S.A., and Deputy Chairman of its Audit Committee.</p>
MS EVA CASTILLO SANZ	<p>Ms Castillo Sans Graduated in Law and Business Studies from the Universidad Pontificia de Comillas, ICADE (E-3), Madrid.</p> <p>She was a member of the Board of Directors of Telefónica, S.A. from January 2008 until May 2018, Chairperson of the Supervisory Board of Telefónica Deutschland Holding, AG from its IPO in 2012 until May 2018, and a member of the Board of <i>Fundación Telefónica</i>.</p> <p>From November 2014 until January 2017, she was an independent director of Visa Europe Limited.</p> <p>From September 2012 until February 2014, she was President and CEO of Telefónica Europa and a member of the Executive Committee of Telefónica S.A.</p> <p>From February 2011 until February 2013, she was a director of Old Mutual, Plc. and from May 2010 to January 2014, Chairperson of the Supervisory Board of Telefónica Czech Republic, a.s. Until December 2009, she was head of Merrill Lynch Private Banking for Europe, Middle East and Africa (EMEA), forming part of Merrill Lynch's EMEA Executive Committee and the Executive and Global Operations Committees of Merrill Lynch Private Banking.</p> <p>Previously, she held the dual position of head of the Capital Markets and Investment Bank Division of Merrill Lynch in the Iberian peninsula and Chairperson of Merrill Lynch España (October 2003). Likewise, she had formerly been Chief Operating Officer (COO) for Equity for Europe, Middle East and Africa. She joined Merrill Lynch in 1997 as head of Equity Markets for Spain and Portugal. In 1999, she was promoted to Country Head for Spain and Portugal and, in 2000, she was appointed Chief Executive Officer of Merrill Lynch Capital Markets España.</p> <p>Before joining Merrill Lynch, she had worked for five years in the International Equity Department of Goldman Sachs in London and, prior to that, a further five years in the Equity Sales and Analysis Department of the Spanish broker Beta Capital.</p> <p>She is currently a member of the Board of Directors of Bankia and of the Boards of <i>Fundación Comillas-ICAI</i> and <i>Fundación Entreculturas</i>.</p> <p>She is classified as an “independent director” and holds the positions of Chairperson of the Audit Committee of Zardoya Otis, S.A. and member of its Nominating and Compensation Commission.</p>

Number of independent directors	2
Percentage of the Board	18.18%

Remarks
N/A

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

No.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name of the director	Description of the relationship	Statement of the Board
N/A		

OTHER EXTERNAL DIRECTORS

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name of director	Reason	Company, director or shareholder to whom the director is related
MR JOSÉ MARÍA LOIZAGA	<p>Mr Loizaga cannot be classified as an independent director because, in addition to other managerial roles during his professional career with the Company, he has been a director of the Company since 1973, for a continuous period of more than 12 years.</p> <p>Neither can he be classified as a proprietary director, since he does not hold shares in the Company and was not appointed at the request of a significant shareholders.</p> <p>As clarification, it is expressly stated that Mr Loizaga holds the status of "other external director" in accordance with the Capital Companies Law.</p>	The Company (Zardoya Otis, S.A.)

Profile

He commenced his career in the financial sector in 1956 with Banco Vizcaya, where he held various executive positions. In 1968, he joined Zardoya S.A. as General Manager and was responsible for merging Zardoya and Schneider Otis (a subsidiary of United Technologies Corporation). From 1968 to 1980, he held a number of senior executive roles at Otis Elevator International Group, where he was Country Manager for Spain, Area Manager for Southern Europe and a member of the Board of Directors of Otis International. He was responsible for the Group's acquisition of various companies throughout Europe.

In 1980, he joined the Banco Hispano Americano Group, where he created a new investment bank, Banco Hispano Industrial. In 1982, he was appointed Vice President and CEO of Banco Unión the second-ranking industrial bank in Spain in terms of importance (a bank in crisis acquired by the Hispano Group). He was responsible for merging it with Banco Urquijo, which was the main industrial bank in Spain at that time, and was appointed Chairman and CEO of the merged entity, Unión de Banco Urquijo, in 1984. In 1985, he founded Mercápolis, S.A.

He has been Chairman of the Mercápolis Group, Cartera Industrial Rea, Bodegas Barón de Ley and Bodegas Lan, Deputy Chairman and CEO of Banco Urquijo and a director of various financial and industrial companies, among which we can mention: Banque Privée Edmond de Rothschild, SA (Switzerland), Banque Indosuez España, Suez International (France), Otis International Inc. (U.S.A.), Electricidad Cobra, SA (Spain), Amorim Investimentos y Participações (Oporto / Portugal), Lácteas García Baquero, Unión Fenosa, Mecalux (Spain), etc.

Total number of other external directors	1
Percentage of the Board	9.09 %

Remarks
N/A

State any changes in status that has occurred during the period for each director:

Name of Director	Date of change	Previous status	Current status
Mr José María Loizaga	05/22/2019	Independent	Other external

Remarks
Mr Loizaga's term of office expired in 2019 and, at the General Shareholders' Meeting of 05/22/2019 he was re-elected, according to the capital Companies Law, as "Other external" director.

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Year 201	Year 2018	Year 2017	Year 2016	Year 2019	Year 2018	Year 2017	Year 2016
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	3 (*)	2 (*)	2(*)	1	27.27%	18.18%	18.18%	9.09%
Independent	1	0	0	0	9.09%	0.00%	0.00%	0.00%

Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	4	2	2	1	36.36%	18.18%	18.18%	9.09%

Remarks
<p>(*) The above information refers to Ms Nora LaFreniere, as the personal representative of the director Otis Elevator Company.</p> <p>Female Directors at 11/30/2019 are: (i) Ms Nora Lafreniere (personal representative of the director Otis Elevator Company), (ii) Ms Robin Fiala, appointed as a director on October 5, 2017, (iii) Ms Stacy Petrosky, appointed on July 26, 2019, and (iv) Ms Eva Castillo was appointed on May 22, 2019.</p>

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

Yes ☐ No ☐ Partial policies ☒

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved
<p>The Board of Directors and the Nominating and Compensation Commission are aware of the importance of promoting gender diversity on the Board of Directors and are working to increase the presence of women on the Board. Article 5 of the Regulations of the Board of Directors states that the Board of Directors must ensure that the procedures for selecting its members favour diversity of gender, experience and knowledge and are not affected by any implicit bias that might suggest some kind of discrimination and, in particular, should not hinder the selection of women directors.</p> <p>Likewise, article 12 B) 2 i) of the Regulations of the Board of Directors states that one of the duties of the Nominating and Compensation Commission Committee is to ensure that, when filling new vacancies or new directors are appointed, the selection procedures do not contain any implicit bias that might suggest some kind of discrimination and to report to the Board on gender diversity issues.</p> <p>At the end of the 2019 period (November 30, 2019), seven of the eleven members of the Board of Directors were proprietary directors, two were independent, one was executive and one was an "other external director".</p> <p>At its meeting of December 13, 2016, the Nominating and Compensation Commission decided that, when new vacancies on the Board of Directors arise, they would try to fill them with people who meet the requirements of competence, experience and merits, promoting, as far as possible, an increase in</p>

the presence of women on the Board of Directors in order to progress towards a Board with a more balanced composition.

To do this, the Commission itself will ensure that the policies for selecting Board members apply exclusively criteria of merit and capacity, avoiding any bias that might imply gender discrimination that hinders the selection of women directors.

This decision was notified to the Board of Directors by the Chairperson of the Nominating and Compensation Commission at the Board meeting on the same day.

In the last two years, four vacancies have arisen on the Board of Directors as the result of the resignations of the directors Mr Pierre Dejoux, Mr Mario Abajo, Mr Patrick Blethon and Mr Mark George, which were officially noted by the Board on, respectively, July 27, 2018, April 20, 2019 and, for the last two, July 26, 2019. In the light of these vacancies, the Nominating and Compensation Commission decided to report in favour of: (i) the co-option of Mr Patrick Martin as a director at its meeting of July 27, 2018 (his appointment by co-option was approved by the Board on the same date and ratified by the Ordinary General Meeting held on May 22, 2019); (ii) the appointment of the director Ms Eva Castilla Sanz as an independent director by the General Shareholders' Meeting held on May 22, 2019; (iii) the co-option of Ms Stacy Petrosky at the Board meeting of July 26, 2019 (her appointment by co-option was approved by the Board on the same day and is pending ratification by the General Shareholders' Meeting to be held in 2020); and (iv) the co-option of Mr Mark Eubanks at the Board meeting of July 26, 2019 (his appointment by co-option was approved by the Board on the same day and is pending ratification by the General Shareholders' Meeting to be held in 2020)

These appointments are consistent with the goal of both the Company and the Board of Directors to increase the presence of women on the Board and for the director selection policies to consider solely criteria related to merit and capacity, avoiding any bias that might imply discrimination on the grounds of gender, origin, race or religion in the selection of directors. Specifically, for the four vacancies that there have been on the Board in the last two years, the new appointments of directors of the gender with less Board representation have increased to 50% of the appointments made in said period. At the end of financial year 2019 (November 30, 2019), 36.36% of the Board of Directors were women.

The Board of Directors and the Nominating and Compensations Commission are aware of the importance of having diversity at the Board, and consider the Board has diversity in nationalities, age, studies, experience and skills of different directors.

C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of means

At its meeting of December 13, 2016, the Nominating and Compensation Commission decided that, when new vacancies on the Board of Directors arose, they would try to fill them with people who met the requirements of competence, experience and merits, promoting, as far as possible, an increase in the presence of women on the Board of Directors in order to progress towards a Board with a more balanced composition.

To do this, the Commission itself will ensure that the policies for selecting Board members apply exclusively criteria of merit and capacity, avoiding any bias that might imply gender discrimination that hinders the selection of women directors.

This decision was notified to the Board of Directors by the Chairperson of the Nominating and Compensation Commission at the Board meeting held on the same day.

As explained in the preceding section, all the processes carried out in 2019 were executed with complete objectivity, based on the criteria decided by the Nominating and Compensation Commission, fomenting, in each of the cases, the election of the best candidate based on the criteria of experience and merits, and always striving for the processes to include both male and female profiles that demonstrated the skills, capabilities, requirements, knowledge and experience that the Board requires, in accordance with the applicable legislation. Therefore, the Nominating and Compensation Commission and the Board of Directors have worked to attain a greater balance among the members of the Board of Directors, striving for gender parity on the Board. As of today's date, the percentage of female Board members attained is 36.36%, which clearly favours a greater gender balance on the Board.

With the 2019 appointments, the percentage of women on the Board rose from 9% in 2016 to 18% in 2017 and 2018 and to 36.36% in 2019.

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

Explanation of the reasons
N/A

C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020..

The Nominating and Compensation Commission is aware of the importance of promoting gender diversity on the Board of Directors and is working to increase the presence of women among its members.

As mentioned previously, the director selection process to fill vacancies over recent years has striven to appoint people of the gender with less Board representation to the extent possible, provided that the requirements for the necessary competence, experience and merits are met. In 2019, the target for at least 30% of the total Board members to be female in 2020 was met one year early.

C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

No proprietary directors were appointed at the proposal of shareholders whose shareholding interest was less than 3% in the period ended November 30, 2019.

Name of shareholder	Reason
N/A	

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose

request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes ☐ No ☒

Name of shareholder	Explanation
N/A	

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director	Brief description
MR BERNARDO CALLEJA FERNANDEZ	The CEO holds all the powers that can be delegated in accordance with the law or Bylaws, with the exception of the purchase/sale of real estate (article 7 of the Regulations of the Board of Directors) as well as the financial disbursement faculty, limited to joint powers for 50 million euros per transaction

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Position	Does the director have executive powers?
MR BERNARDO CALLEJA FERNANDEZ	OTIS ELEVADORES LDA. (PORTUGAL)	CHAIRMAN	NO
MR BERNARDO CALLEJA FERNANDEZ	OTIS MAROC S.A.	CHAIRMAN	NO
DON BERNARDO CALLEJA FERNANDEZ	OTIS SERVIZI S.R.L.	PRESIDENTE	NO
DON BERNARDO CALLEJA FERNANDEZ	BUGA OTIS ASANSOR SANAYI VE TICARET AS	CONSEJERO	NO
MR BERNARDO CALLEJA FERNANDEZ	MONTES TALLON, S.A.	DIRECTOR	NO
MR BERNARDO CALLEJA FERNANDEZ	ASCENSORES ENOR S.A.	PERSONAL REPRESENTATIVE OF SOLE DIRECTOR (ZARDOYA OTIS S.A.)	NO
MR BERNARDO CALLEJA FERNANDEZ	ELECTROMECAÁNICA DEL NOROESTE	PERSONAL REPRESENTATIVE OF SOLE DIRECTOR (ZARDOYA OTIS S.A.)	NO

Name of director	Name of group member	Position	Does the director have executive powers?
MR JOSÉ MARÍA LOIZAGA VIGURI	OTIS ELEVADORES LDA. (PORTUGAL)	DIRECTOR	NO
MR ALBERTO ZARDOYA ARANA	OTIS ELEVADORES LDA. (PORTUGAL)	DIRECTOR	NO
DOÑA NORA LAFRENIERE	OTIS ELEVATOR COMPANY	DIRECTOR	NO
DON R. MARK EUBANKS	OTIS L.L.C.	CHAIRMAN	NO
DON R. MARK EUBANKS	OTIS ELEVATOR COMPANY SAUDI ARABIA LIMITED	DIRECTOR	NO
DON R. MARK EUBANKS	United Technologies Building & Industrial Systems W.L.L.	DIRECTOR	NO
DON R. MARK EUBANKS	United Technologies Holdings SAS	DIRECTOR	NO
DON R. MARK EUBANKS	Zayani Otis Elevator Company W.L.L.	DIRECTOR	NO
DON PATRICK JEAN ROLAND MARTIN	AO MOS OTIS	DIRECTOR	NO
DON PATRICK JEAN ROLAND MARTIN	Otis Elevator Company Saudi Arabia Limited	DIRECTOR	NO
DON PATRICK JEAN ROLAND MARTIN	Otis Elevator Overseas Limited	DIRECTOR	NO
DON PATRICK JEAN ROLAND MARTIN	Otis Pacific Holdings B.V.	DIRECTOR	NO
DON PATRICK JEAN ROLAND MARTIN	UTCL Investments B.V.	DIRECTOR	NO

C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
MR JOSÉ MARÍA LOIZAGA VIGURI	ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. (ACS)	DIRECTOR / DEPUTY CHAIRMAN

MR JOSÉ MARÍA LOIZAGA VIGURI	CARTERA INDUSTRIAL REA. S.A.	DIRECTOR
MR JOSÉ MIGUEL ANDRÉS TORRECILLAS	BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	DIRECTOR / DEPUTY CHAIRMAN
MS EVA CASTILLO SANZ	BANKIA, S.A.	DIRECTOR

Remarks
N/A

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes ☐ No ☒

Explanation of the rules and identification of the document where this is regulated
<p>Article 19.1 of the Regulations of the Board of Directors expressly establishes the directors' obligation to devote sufficient time to their work as a Board member and adopt the measures necessary for proper management and control of the Company.</p> <p>Notwithstanding, it has not been seen fit to limit the number of Boards of Directors of which the directors may form party, since a large number of the proprietary directors are executives of the parent group, United Technologies Corporation, and, therefore, are members of Boards of Directors of other group companies.</p>

C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	1,915
Amount of vested pension interests for current members (thousand euros)	70
Amount of vested pension interests for former members (thousand euros)	-

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name	Position
MR FRANCISCO JAVIER BARQUIN	GENERAL MANAGER

MR DOMINGOS EDMUNDO DA ASCENÇÃO OLIVEIRA	GENERAL MANAGER
MR MAURIZIO GENTILE	GENERAL MANAGER

Total senior management remuneration (thousand euros)	870
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C.1.15 State whether the Board rules were amended during the year:

 Yes ☐ No ☒

Description of amendment
N/A

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.
1. SELECTION, APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

It is not necessary to be a shareholder in order to be appointed as a director, even in the event of provisional appointment (co-option) made by the Board of Directors itself, as stated in respect of listed companies in the Capital Companies Law, article 529 decies 2 a).

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

Likewise, article 5 of the Board of Directors Regulations states that the Board of Directors must ensure that procedures to select its members favour diversity of gender, experience and knowledge and are not affected by any implicit bias that might suggest some kind of discrimination and, in particular, that they do not hinder the selection of women directors.

The Nominating and Compensation Commission is responsible for proposing the appointment or re-election of independent Directors. The appointment or re-election proposal must, in all cases, be accompanied by an explanatory report from the Board of Directors in which the competences, experience and merits of the proposed candidate are evaluated and which will be attached to the minutes of either the General Shareholders' Meeting or the meeting of the Board of Directors itself. The proposal to appoint or re-elect any non-independent director must, furthermore, be preceded by a report from the Nominating and Compensation Commission. The foregoing will likewise be applicable to the natural persons who are designated as personal representatives of a legal person. The Nominating and Compensation Commission must report on the proposal of a personal representative.

Article 13 of the Regulations of the Board of Directors states that the Board of Directors (i) will endeavour to ensure that the candidates elected are persons with recognized competence and experience; (ii) will establish a guidance program for new directors to provide them swiftly with sufficient knowledge of the Company and its corporate governance rules; and (iii) will likewise have programs to update knowledge when the circumstances make this advisable.

Article 14 of the Board of Directors Regulations states the Directors will hold office for an initial term of four years, in accordance with the Bylaws, and may be renewed, on one or more occasions, for successive periods of up to a maximum of four years. Directors appointed by co-option will hold office until the date of the first General Meeting held after they are appointed.

2. EVALUATION OF DIRECTORS

According to article 12 bis of the Regulations of the Board of Directors, the Board of Directors must conduct an annual evaluation of its own performance and of that of its commissions and, on the basis of the result, prepare an action plan to correct the deficiencies noted in accordance with the Law.

See aswell point C.1.17

3. REMOVAL OF DIRECTORS

Article 15 of the Regulations of the Board of Directors states that directors will leave office when the term for which they were appointed has expired or when the General Shareholders' Meeting so decides using the attributions conferred on it by law or the Bylaws.

The Board of Directors will not propose the removal of independent directors before the term for which they were appointed has expired, except where the Board finds just cause, based on a report from the Nominating and Compensation Commission. Just cause will be deemed to exist when directors take up new posts or responsibilities that prevent them from devoting sufficient time to their work as Board member, or are in breach of their fiduciary duties or are disqualified from acting as an independent according to the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar transaction alters the Company's capital structure, applying the proportionality principle.

Directors must place their position at the disposal of the Board of Directors and, if the latter sees fit, resign in the following cases:

(a) When they are affected by any of the circumstances of incompatibility or prohibition legally provided for.

(b) When they may harm the Company's good name or reputation.

(c) When they are investigated or prosecuted, in the process of trial in ordinary proceedings, or found guilty in summary criminal proceedings in relation to any serious crime, in particular, any of the crimes stated in article 213 of the Capital Companies Law. In these cases, the Board of Directors will investigate the case as soon as possible and, in the light of the specific circumstances, will decide whether or not the director should remain in office. The Board of Directors will inform of any such decisions in the Annual Corporate Governance Report.

(d) When they have been seriously admonished by the Audit Committee or because they have breached their duties as directors.

(e) When an external proprietary director transfers his or her shareholding in the Company or when the shareholder which proposed his appointment to the Company sells its entire shareholding interest or reduces it to a level that requires the reduction or removal of its proprietary directors.

Members of any Committees or Commissions that may exist will automatically resign when they cease to be directors.

The Nominating and Compensation Commission will report to the Board of Directors on any proposals to remove directors, in accordance with article 12 (B) 2 (c) of the Regulations of the Board of Directors.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

The Board of Directors evaluated the performance of both the Board itself and its commissions very favourably in the 2019 self-evaluation process, an improvement in the processes being perceived by all the directors, although possibilities of improvement were identified in certain aspects. To date, none of these issues has required important changes in the Board's internal organization or in the procedures applicable to its activities, although many internal processes are gradually improving as a result of these evaluations.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

In accordance with article 529 nonies of the Capital Companies Law and article 12 bis of the Regulations of the Board of Directors, at its meeting of April 11, 2019, the Board of Directors evaluated the results of the annual evaluation of its own performance and that of its commissions during 2019, analysing the directors' replies to a questionnaire with almost a hundred questions.

This questionnaire included questions on the operation and composition of the Board of Directors and the work and performance of the Chairman of the Board of Directors, the Secretary of the Board of Directors and the Legal Advisor. The questionnaire also asked about the operation of the Audit Committee and Nominating and Compensation Commission.

Likewise, the Audit Committee and Nominating and Compensation Commission prepared reports on their own evaluations as well as an action plan to overcome the deficiencies detected in said evaluations and, in the case of the Nominating and Compensation Commission, on the operation of the Board of Directors, all of which was in compliance with Recommendation 36 of the Good Governance Code.

Subsequently, the Board of Directors reviewed the status of compliance with said plan, the objectives attained during 2019 and the issues that could be improved in the following period.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

The Board of Directors of the Company has decided not to engage any consultant or external advisor for this purpose.

C.1.19 State the situations in which directors are required to resign.

Article 15 of the Regulations of the Board of Directors states that directors must place their position at the disposal of the Board of Directors and, if the latter sees fit, resign in the following cases:

(a) When they are affected by any of the circumstances of incompatibility or prohibition legally provided for.

(b) When they may harm the Company's good name or reputation.

(c) When they are investigated, prosecuted, in the process of trial in ordinary proceedings or found guilty in summary criminal proceedings in relation to any serious crime, in particular, any of the crimes stated in article 213 of the Capital Companies Law. In these cases, the Board of Directors will investigate the case as soon as possible and, in the light of the specific circumstances, will decide whether or not the director should remain in office. The Board of Directors will inform of any such decisions in the Annual Corporate Governance Report.

(d) When they have been seriously admonished by the Audit Committee or because they have infringed their duties as directors.

(e) When a proprietary director transfers his or her shareholding in the Company or when the shareholder which proposed his appointment to the Company sells its entire shareholding interest or reduces it to a level that requires the reduction or removal of its proprietary directors.

Members of any Committees or Commissions that may exist will automatically resign when they cease to be directors.

C.1.20 Are qualified majorities other than those established by law required for any specific decision?:

Yes ☐ No ☒

If so, please describe the differences.

Description of differences
No, both the company Bylaws (art. 22) and the Regulations of the Board of Directors (art. 11) follow the criteria of articles 247, 248 and 249 of the Capital Companies Law.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

Yes ☐ No ☒

Description of requirements
N/A

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

Yes ☐ No ☒

	Age limit
Chairman	N/A
CEO	N/A
Directors	N/A

Remarks
N/A

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:
Yes ☐ No ☒

Additional requirements and/or maximum number of term limits	N/A
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C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.

Article 22 of the Bylaws states that any director may grant written proxy to any other director. However, non-executive directors may only grant proxy to another non-executive director.

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

These rules are the same as in Capital Companies Law.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	9
Number of Board meetings without the chairman	0

Remarks
N/A

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0
--------------------	---

Remarks
N/A

Please specify the number of meetings held by each committee of the Board during the year:

Number of meetings held by the Executive Committee	N/A
Number of meetings held by the Audit Committee	8
Number of Meetings held by the Appointments and Remuneration Committee	6
Number of meetings held by the Appointments Committee	N/A
Number of meetings held by the Remuneration Committee	N/A
Number of meetings held by the ____ Committee	N/A

Remarks
N/A

C.1.26 State the number of meetings held by the Board of Directors during the year in which all of its directors were present.

Number of meetings when all directors attended	6
% of attendance over total votes during the year	84%
Number of meetings in situ or representations made with specific instructions of all directors	9
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	100

Remarks
N/A

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes ☒ No ☐

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position
Mr Bernardo Calleja Fernández	Chief Executive Officer
Mr Joao Penedo Marqués	Chief Financial Officer

Remarks
N/A

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

The Board of Directors controls, through the Audit Committee, the whole process of drawing up and formulating the annual financial statements of the Company S.A. and its Group.

The last paragraph of article 12 A) 3 of the Regulations of the Board of Directors states that the Audit Committee will strive to ensure that the Board of Directors seeks to present the annual statements to the General Shareholders' Meeting without reservations or qualifications in the audit report, and in the exceptional case that these may be included, the Chairperson of the Audit Committee and the auditors will give a clear explanation to the shareholders on the content and extent of said reservations and qualifications.

Likewise, article 11.1.g) of the Regulations of the Audit Committee, approved by the Board of Directors on October 9, 2018, entrusts the Audit Committee with the task of ensuring that the Board of Directors endeavours to submit the financial statements to the General Meeting without any reservations or qualifications in the audit report and, in the exceptional cases where these exist, the Chairperson of the Audit Committee and the auditors will give a clear explanation to the shareholders on the content and extent of said reservations or qualifications.

C.1.29 Is the secretary of the Board also a director?

Yes ☐ No ☒

If the secretary is not a director, please complete the following table:

Name of secretary	Representative
Ms Lorea García Jauregui	N/A

Remarks
N/A

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

1. INDEPENDENCE OF THE EXTERNAL AUDITORS

Firstly, article 12 A) 2 f) of the Regulations of the Board of Directors states that the Audit Committee must receive information on any other questions that might jeopardize the Independence of the external account auditor in order to examine them.

Likewise, the Regulations of the Board of Directors state, among other items, that the Audit Committee must propose to the Board of Directors, for submission to the General Shareholders' Meeting, the selection, appointment, reappointment and replacement of the external account auditor, in accordance with the applicable legislation, being responsible for the selection process, and must also propose its engagement conditions. Furthermore, the Audit Committee must regularly obtain from the external auditor information on the audit plan and its execution, preserving its independence in the performance of its duties.

Secondly, article 14 of the Regulations of the Audit Committee establishes, among others, the following duties for the Audit Committee in relation to the statutory audit:

- (i) To propose to the Board of Directors, for submission to the General Shareholders' Meeting, the recommendations for the selection, appointment, reappointment and replacement of the statutory auditor in accordance with the provisions set out below and in the applicable law, being responsible for the selection process, and engagement conditions.

In the selection of the auditor, the Committee must take account of the scope of the audit, the capabilities, experience and resources of the auditor or audit firm, the fees, the auditor's independence and the effectiveness and quality of the auditing services to be provided, as well as any criteria set out in the Capital Companies Law, the Account Auditing Law and Regulation (EU) 537/2014 of April 16.

- (ii) To protect the independence of the statutory auditor in the course of its functions. For this purpose, the Committee must:
 - a) request and receive from the statutory auditor, on an annual basis, written confirmation of its independence in relation to the Company or any companies that may be related directly or indirectly thereto, together with detailed and specific information on the additional services of any nature rendered to said companies and the corresponding fees received from these entities by the auditors or by persons or entities related to the auditors in accordance with the provisions of the Account Auditing Law;
 - b) issue an annual report, prior to the issue of the statutory audit report, expressing an opinion on whether the independence of the account auditors is compromised. Said report must also always make a reasoned pronouncement on the additional services to which the preceding point refers, considered individually and as a whole, other than the statutory audit, in relation to the system of independence or the legislation regulating account auditing
 - c) establish appropriate contacts with the statutory auditor to receive information on any questions which might be a threat to the latter's independence, which will be examined by the Committee.
 - d) ensure that the Company and the statutory auditor respect the current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, the other requirements designed to safeguard auditor independence.

For this purpose, the Committee must:

- i. review and approve the Company's internal policies on personal situations and on prohibition on the provision of certain services by the auditor and approve the provision of non-audit services. In addition, the Audit Committee must ensure that the policies are known to the relevant officers of the Company so that they are correctly applied.

- ii. introduce a guideline ceiling on fees receivable by the statutory auditor for non-audit services, having regard to the provisions of the applicable legislation.
 - iii. approve and review the Company's internal policies for compliance with the applicable legislation on prohibitions subsequent to the completion of the audit work.
- e) where applicable, authorize the services other than those prohibited in the terms set out in the applicable legislation.
- f) in the event of the resignation of the statutory auditor, investigate the issues giving rise thereto.
- g) ensure that the remuneration of the external Account Auditor does not compromise its efficiency or independence.
- h) ensure that the Company notifies any change of auditor to the CNMV as a relevant event, accompanied by a statement of any disagreements that may have arisen with the outgoing auditor and, if such disagreements exist, the contents thereof.
- (iii) Regularly seek information from the auditor on issues related to the performance of the statutory audit, such as the audit plan, the results of its implementation and any other issue relating to the statutory auditing process, as set out in point 3 of article 14 of the Regulations of the Audit Committee. in particular, the Committee will seek information on any disagreement that may arise between the statutory auditor and company management
- (iv) To encourage the statutory auditor of the Group to take on the auditing of all the Group companies.
- (v) Upon completion of the audit, to review in conjunction with the statutory auditor the main findings of the audit work and the content of the audit report and of the additional report submitted to the Audit Committee.
- (vi) If the Committee believes that there are causes for concern or unresolved issues as to the quality of the audit, the possibility should be considered of informing the Board of Directors and, if it is thought appropriate by the Board, supervisory authorities should likewise be informed on a timely basis.

Likewise, the Regulations of the Audit Committee provide that the Committee will maintain the communications with the statutory auditor required by accounting auditing legislation and technical audit rules, without undermining the auditor's Independence or the effectiveness of the audit, and will check that the Company's senior management is taking its recommendations into account. Communications with the auditor will be fluid and ongoing and must be planned in a timetable of activities and an annual schedule of meetings, most of which should be held without company management being present, to address all matters that might influence the audit opinion or the independence of the statutory auditor. In particular, the Committee must seek information on or discuss the following with the auditor:

- (i) the audit plan and its implementation, checking that senior management is taking its recommendations into account;
- (ii) the annual meetings that the statutory auditor holds with the Board of Directors in full to inform it of the work undertaken and developments in the Company's risk and accounting positions.
- (iii) fulfilment of the audit contract, endeavouring to ensure that the opinion on the annual financial statements and the main contents of the audit report are worded clearly and precisely in accordance with accounting standards, applying the highest international standards, establishing joint strategies, an appropriate methodology and work programs, all of which must be consistent with the appropriate materiality limits.

2. INDEPENDENCE OF FINANCIAL ANALYSTS, INVESTMENT BANKS AND RATING AGENCIES

With regard to relations with financial analysts, the Company applies the principle of transparency, no discrimination and reliability of the information provided to the market. The Company has several communication channels, always complying with securities market legislation:

- E-mail on the corporate website (info.accionista@otis.com).

- Contact person for information to shareholders:

Joao Penedo
Zardoya Otis, S.A.
C/ Golfo de Salónica, 73
28033-Madrid
Tel.: 91 343 51 05
Fax: 91 343 51 89

Said information is available on the website in the section "Channels of Communication with the Company".

In addition, the Company has an internal Code of Conduct that establishes the guidelines that the Company and the **"Obligated Persons"** (directors, managers, employees, advisors, etc.) must follow in the treatment of inside and relevant information, thus protecting the interests of those who invest in the Company's securities (the **"Internal Code of Conduct"**). This Internal Code of Conduct was amended by the Board of Directors on February 21, 2017 in order to adapt its contents to Royal Legislative Decree 4/2015 of October 23, whereby the revised text of the Securities Market Law was approved, and Regulation (EU) No. 596/2014 of the European Parliament and of the Council, of April 16 (the Market Abuse Regulation) and their implementing legislation. The amendment was intended to improve protection of those who invest in the Company's security by avoiding any market abuse situation, establishing the set of rules applicable to the management and control of inside information by the Company and Obligated Persons in their actions related to the treatment of inside information, the securities, markets, transactions with the Company's own shares and detecting and handling conflicts of interest, among other items.

The Internal Code of Conduct may be consulted on the Company's website: (<http://www.otis.com/es/es/accionistas-inversores/>).

Any investment banks or rating agencies that advise the Company and have access to inside information are considered as "External Advisors" and, therefore, "Obligated Persons". Consequently, the Secretary of the Board will warn the persons who must be included on the "Obligated Persons" Register as "Obligated Persons" that the information is inside information and of their duty of confidentiality and the prohibition on the use of said information, as well as the infringements and penalties derived from the improper use thereof. "Obligated Persons" must provide a declaration stating that they undertake to comply with the obligations contained in the Internal Code of Conduct.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes ☐ No ☒

At the General Shareholders' Meeting of May 22, 2019, a resolution was passed to reappoint the Company's account auditor (PricewaterhouseCoopers Auditores, S.L.).

Outgoing auditor	Incoming auditor
N/A	

Remarks
N/A

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes ☐ No ☒

Explanation of disagreements
N/A

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

Yes ☒ No ☐

	Company	Group companies	Total
Amount invoiced for non-audit services (thousand euros)	48	0	48
Amount invoiced for non-audit services/Amount for audit work (in %)	21,73%	0	11,20%

Remarks
N/A

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes ☐ No ☒

Explanation of reasons
N/A

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	32	32
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	71.11%	100.00%

Remarks
N/A

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes ☒ No ☐

Explanation of procedure

In accordance with article 10 of the Regulations of the Board of Directors, Board meetings are called by sending a letter, e-mail, telegram or fax to each one of the directors, at the address he/she has previously provided for this purpose, at least ten days before the date fixed for the meeting, attaching the agenda for the meeting.

Thus, unless a Board meeting is held or called under exceptional circumstances for urgent reasons, the directors should previously have the information necessary for deliberations and the passing of resolutions on the matters to be discussed sufficient time in advance. The Chairman of the Board of Directors, with the assistance of the Secretary, must ensure compliance with this right.

When, under exceptional circumstances, for urgent reasons, the Chairman wishes to submit decisions or resolutions of items that are not included on the agenda to the approval of the Board, the express prior consent of a majority of the directors present will be required, which will be duly recorded in the minutes.

Article 6 of the Regulations of the Board of Directors expressly states that the Chairman of the Board of Directors is responsible for ensuring that all the directors receive sufficient information in advance to allow deliberations on the items on the agenda.

Finally, article 17 of the Regulations of the Board of Directors states that any director has the duty to require and the right to obtain, with the broadest authorization, any information or advice they he/she requires on any aspect of the Company, whenever this is required in order to perform his/her duties. The right to information covers subsidiaries, both national and foreign, and will be channelled through the Chairman of the Board of Directors, who will handle the requests of any director and provide the information directly, offering the appropriate contacts or taking any measures necessary for the examination requested.

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes ☒ No ☐

Explain the rules

Article 15 of the Regulations of the Board of Directors states that directors must place their position at the disposal of the Board of Directors and, if the latter sees fit, resign in the following cases:

- (i) When they are affected by any of the circumstances of incompatibility or prohibition legally provided for;
- (ii) When they may harm the Company's good name or reputation;
- (iii) When they are investigated, prosecuted, in the process of trial in ordinary proceedings, or found guilty in summary criminal proceedings in relation to any serious crime, in particular, any of the crimes stated in article 213 of the Capital Companies Law. In these cases, the Board of Directors will investigate the case as soon as possible and, in the light of the specific circumstances, will decide whether or not the director should remain in office. The Board of Directors will inform of any such decisions in the Annual Corporate Governance Report;
- (iv) When they have been seriously admonished by the Audit Committee or because they have infringed their duties as directors; or
- (v) When an external proprietary director transfers his or her shareholding in the Company or when the shareholder which proposed his/her appointment to the Company sells its entire shareholding interest or reduces it to a level that requires the reduction or removal of its proprietary directors.

Article 19.5 (f) of the Regulations of the Board of Directors states that directors must notify the Board of Directors as soon as possible and, if appropriate, resign if any circumstances affect them that might damage the good name and reputation of the Company, in particular when they are investigated in relation to criminal offences.

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes ☐ No ☒

Name of director	Criminal charge	Remarks
N/A		

State whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the director in question should continue in his or her post or, if applicable, describe any actions taken by the Board up to the date of this report, or which it intends to take.

Yes ☐ No ☒

Decision/Action taken	Explanation
N/A	

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

There are no agreements of this nature.

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	1
Beneficiary	Chief Executive Officer
Description of agreement	<p>The only director entitled to an indemnity in the event of termination of his/her contract is the CEO. The indemnity consists of 45 days' remuneration per year as from his appointment as the Company's CEO (i.e. February 14, 2012) until the contract termination date. This termination indemnity is the same as was initially stipulated in his employment relationship.</p> <p>Likewise, he has a non-competition clause with a term of 24 months as from finalization of his contract, receiving a sum equivalent to 12 monthly salary payments during that period.</p>
Number of beneficiaries	1
Beneficiary	Patrick Martin
Description of agreement	<p>Patrick Martin (a proprietary director of the Company since July 27, 2018) is a manager of the company Otis Elevator Worldwide Sprl (belonging to the group of the Company's majority shareholder). Notwithstanding, his remuneration as a manager of Otis Elevator Worldwide Sprl is paid directly by the Company, although the amount is reimbursed to the Company by Otis Elevator Worldwide Sprl.</p> <p>In his capacity of manager of Otis Elevator Worldwide Sprl, Patrick Martin has a non-competition clause with a term of 24 months as from finalization of his contract, receiving a sum equivalent to 12 monthly salary payments during that period.</p>

Number of beneficiaries	1
Beneficiary	Manager

Description of agreement	One of the Company's managers is entitled, in the event of unfair dismissal that generates an indemnity, to a length of service -for the purposes of the indemnity- that dates from 10 years before he joined the Company.
Number of beneficiaries	2
Beneficiary	Managers
Description of agreement	<p>The Company pays the remuneration of several managers of Otis Elevator Company who are former employees of the Company, although the amount is reimbursed to the Company by Otis Elevator Worldwide Sprl.</p> <p>One of them is entitled, in the event of unfair dismissal that generates an indemnity, to a length of service -for the purposes of the indemnity- that dates from 4 years before he joined the Company.</p> <p>The other manager has an additional indemnity clause whereby, in the event of a dismissal found to be unfair, the Company guarantees a minimum indemnity equivalent to one year of the manager's salary.</p>

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	Yes	No

	YES	NO
Are these clauses notified to the General Shareholders' Meeting?	NO	

Remarks
N/A

C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

EXECUTIVE COMMITTEE

N/A

AUDIT COMMITTEE

Name	Post	Category
MS EVA CASTILLO	CHAIRPERSON	Independent
MR JOSÉ MIGUEL ANDRÉS TORRECILLAS	DEPUTY CHAIRPERSON	Independent
MS STACY PETROSKY	MEMBER	Proprietary
% of proprietary directors	33.33%	
% of independent directors	66.66%	
% of other external directors	0.00%	

Remarks
Ms Eva Castillo and Ms Stacy Petrosky were appointed as members of the Audit Committee by the Board on its meetings on 20 June 2019 and 26 July 2019

Explain the duties exercised by this committee, other than those that have already been described in Section C.1.10, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

Without prejudice to the Law or the Company's Bylaws, the Regulations of the Audit Committee and article 12, section A, of the Regulations of the Board of Directors contains all the information and regulations on the composition, operation and duties of the Audit Committee, as summarized below:

1. Composition

The Board of Directors will form a permanent Audit Committee.

The Audit Committee will be formed by three directors, appointed by the Board of Directors from among the non-executive directors. Its members must include a majority of independent directors. The Audit Committee, taken as a whole, must have the relevant technical expertise in relation to the sector in which the Company operates.

The Board of Directors will likewise appoint a Chairperson from among its members and a Secretary, who need not be a director, at the proposal of the Nominating and Compensation

Commission. The Chairperson of the Audit Committee will be appointed by the Board of Directors from among its independent members and will be changed every four years, although the same Chairperson may be reappointed one year after his/her removal.

The members of the Audit Committee, especially its Chairperson, must have knowledge and experience in accounting, auditing or risk management.

The directors who sit on the Audit Committee will hold office while they remain in office as directors of the Company and maintain the status of external directors, unless the Board of Directors decides otherwise.

The appointment, re-election and removal from office of the directors who form the Committee will be governed by the decisions of the Board of Directors. Likewise, in order to promote scepticism, a critical approach and differing points of view, diversity should be sought, especially as to gender, career experience, skills, sector-specific knowledge and geographical origin. At least one of the Committee members should have experience in information technology (IT)

Directors forming part of the Audit Committee who are re-elected as directors of the Company in a resolution adopted by the General Shareholders' Meeting will continue to hold office on the Committee without the need to be re-elected thereto, unless the Board of Directors decides otherwise.

2. Duties

The Audit Committee will have the following functions:

- (a) To report, through its Chairperson, to the General Shareholders' Meeting with respect to matters relating to its functions raised thereat by the shareholders and, in particular, on the result of the audit process, explaining how the audit has contributed to the integrity of the financial information and the Audit Committee's role in the process.
- (b) To propose to the Board of Directors, for submission to the General Shareholders' Meeting, the recommendations for the selection, appointment, reappointment and removal of the external account auditor, in accordance with the applicable legislation, being responsible for the selection process and also proposing its engagement conditions. Furthermore, the Audit Committee must regularly obtain from the external auditor information on the audit plan and its execution, preserving its independence in the performance of its duties. In particular, the Audit Committee issued a report on the appointment of auditors for fiscal year 2019 as well as the conditions economic aspects of its hiring, which was reflected in the minutes of the meeting of the Audit Committee dated February 21, 2019.
- (c) To regularly supervise the efficacy of the Company's internal control, internal audit and risk control systems, including tax risks, and, in particular: i) to ensure the independence and efficacy in its functions of the internal audit service and, in particular, monitor the independence of the unit responsible for the internal audit function; (ii) to propose the selection, appointment, reappointment and removal of the head of the internal audit service; (iii) to propose the budget for said service; (iv) to approve its priorities and work programs, ensuring that it focuses primarily on the main risks the Company is exposed to; (v) to receive regular report-backs on its activities; (vi) to review the annual work program and the yearly activities report of the internal audit service; (vii) to be informed of any incidents arising during the implementation of the internal audit service's yearly work program; (viii) to verify that senior management acts in accordance with the conclusions and recommendations contained in its reports; and (ix) to discuss any significant weaknesses detected in the

internal control system in the course of the audit with the account auditors, all of which must not diminish its impartiality. For this purpose, the Audit Committee may submit recommendations or suggestions to the Board of Directors and the corresponding deadline for the follow-up. In particular, the Audit Committee, at its meeting on December 11, 2018, issued a report on the internal auditor, supervised the proposals and approved the 2019 plan and budget of the internal audit function.

- (d) To be informed of and oversee the process of preparing and presenting the mandatory financial reporting of the Company and, where appropriate, the Group, checking for compliance with legal requirements, the accurate demarcation of the consolidated group and the correct application of accounting policies and ensuring the integrity of said financial reporting, and to submit recommendations or proposals aimed at ensuring its integrity to the Board of Directors. If, after the review conducted by the Audit Committee in the course of its oversight of the financial and non-financial reporting, it is dissatisfied with any aspect, it must express its opinion to the Board of Directors. In particular, at its meeting held on February 21, 2019, the Audit Committee reviewed the annual accounts (balance sheet, profit and loss account and report) and management reports, both of the Company and its consolidated group. A report was also issued on the third quarterly payment of dividends on account of the result of the year 2018 at its meeting of December 11, 2018, and regarding the payment of the first quarterly dividend on account of the results of the year 2019, at the meeting of the Audit Committee held on March 20, 2019. Finally, at the Audit Committee meeting held on September 12, 2019, a report on the payment of the second quarterly dividend was issued, on account of the results of the 2019 financial year.
- (e) To review internal control and risk management systems on a regular basis, so that main risks are properly identified, managed and disclosed. In particular, control and risk management policy must identify, at least:
 - (i) the different types of risk (operational, technological, financial, legal, reputational, social, environmental, political, etc.) the Company is exposed to, including contingent liabilities and other off-balance sheet risks among the financial and economic risks;
 - (ii) the determination of the risk level the Company sees as acceptable;
 - (iii) the measures in place to mitigate the impact of the risks identified, should they materialize; and
 - (iv) the internal reporting and control systems which will be used to control and manage said risks, including the aforementioned contingent liabilities and off-balance sheet risks. In this sense, on the meeting held on October 11, 2019 the Audit Committee informed about tasks to develop regarding privacy.
- (f) To hold a meeting at least annually with the officers heading up business units, at which those officers can explain business trends and the related risks. The Audit Committee, at its meeting of December 11, 2018, received a presentation by the Director of the Systems Department on the risks identified and present in relation to said department.
- (g) To be in contact with the external account auditor in order to receive information on any matters related to the process of performing the account audit, such as the progress and findings of the audit program, to maintain with the external account auditor any other communications required by the account auditing legislation and technical audit rules and check that the Company's senior management is acting in accordance with its recommendations. Likewise, to receive information on any issues

which may place the external account auditor's independence at risk for review by the Committee. To this effect:

- (i) the Company will notify any change of external auditor to the Spanish National Securities Market Commission (CNMV) as a material event, accompanied by a statement of any disagreements that may have arisen with the outgoing auditor and, if such disagreements exist, the contents thereof;
- (ii) the Audit Committee will ensure that the Company and the external account auditor respect current rules on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditor independence. To do so, the Audit Committee must:
 - i. review and approve the Company's internal policies on personal situations and on prohibition on the provision of certain services by the auditor and approve the provision of non-audit services. In addition, the Audit Committee must ensure that the policies are known to the relevant officers of the Company so that they are correctly applied.
 - ii. introduce a guideline ceiling on fees receivable by the statutory auditor for non-audit services, having regard to the provisions of the applicable legislation (in line with the content of point (g) (vi) below. Fees on other services (non audit) were approved on July 26 2019
 - iii. approve and review the Company's internal policies for compliance with the applicable legislation on prohibitions subsequent to the completion of the audit work.
- (iii) the Company must establish appropriate contacts with the account auditor to receive information on any questions which might place the latter's Independence at risk, which will be examined by the Audit Committee, and when authorization of non-audit services other than those prohibited is required, in the terms contained in account auditing legislation, as well as any other matters provided for in account auditing legislation and audit rules. In particular, the Audit Committee will receive from the account auditors, on an annual basis, written confirmation of their independence in relation to the Company or any companies that may be directly or indirectly related thereto, as well as detailed information on the individual additional services of any kind provided to said companies and the fees received from these entities by the auditors or by persons or entities related to the auditors, in accordance with the provisions of the Account Auditing Law. In relation to the provisions of this section, the Audit Committee recorded the independence of the external auditor through the report and written confirmation of the latter that was reflected in the minutes of the meeting held on February 21, 2019. Likewise, The external auditors attended that meeting. These auditors also appeared at the Audit Committee meeting dated July 26, 2019
- (iv) if the external account auditor resigns, the Audit Committee will investigate the issues that gave rise to said resignation;
- (v) prior to issuance of the audit report, the Audit Committee must issue an annual report expressing an opinion as to whether the independence of the account auditors has been compromised. Said report must express an opinion on the provision of additional services to which point (iii) above refers, considered individually and overall, other than the statutory audit, in relation to the system



of independence or the legislation that regulates the activity of account auditing. The Audit Committee informed on February 21, 2019 about PricewaterhouseCoopers Auditores, S.L. regarding their independence.

- (vi) the Audit Committee must ensure that the remuneration of the external auditor does not compromise its quality or independence; and
- (vii) the Audit Committee must ensure that that external auditor has a yearly meeting with the Board of Directors in full to inform it of the work undertaken and developments in the Company's risk and accounting positions.
- (h) Encourage the group auditor to take on the auditing of all the Group companies.
- (i) To establish and supervise a mechanism whereby employees can report, confidentially and, if seen fit, anonymously, any potentially serious irregularities that they note within the Company, especially financial and accounting irregularities. The Chairperson of the Audit Committee will inform the Board of Directors on any reports received on the first Board meeting following receipt thereof.
- (j) To supervise compliance with the internal codes of conduct and corporate governance rules and recommendations in force at any given moment. The Audit Committee informed on February 21, 2019.
- (k) To inform the Board of Directors, before the decision-making, on all the issues provided for in the Law, the Company's Bylaws and these Regulations and, in particular, on the following issues:
 - (i) the financial information that the Company must periodically disclose. The Committee will ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review; The Audit Committee, at its meeting held on January 25, 2019, approved the financial information related to the fourth quarter of the 2018 fiscal year, which in turn was sent to the CNMV. Likewise, at its meeting held on April 11, 2019, the Audit Committee reviewed the information corresponding to the first quarter of fiscal year 2019, which was sent to the CNMV after approval of the Board of Directors. The same was done at the meeting held on July 26, 2019 in relation to the first half of the year 2019. Finally, the Audit Committee, at its meeting on September 12, 2019, reviewed the information corresponding to the third quarter of 2019, submitted to the CNMV after approval of the Board of Directors
 - (ii) the creation or acquisition of shares in special-purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of an analogous nature whose complexity may detract from the transparency of the Group;
 - (iii) any structural changes or corporate transactions the company is planning and, in particular, on their economic conditions and accounting impact and, when applicable, the exchange ratio proposed; and
 - (iv) related-party transactions. The Audit Committee, in its meetings held on February 21, 2019 and July 26, 2019, studied the related transactions, analyzing in detail the most relevant ones. In the same way, it analyzed related operations and became aware of the new wording of the treasury investment policy at its meeting held on July 26, 2019.

- (l) Any others that may be attributed to them by the Bylaws, these Regulations, the Board of Directors or the law.

The Audit Committee reviewed the compliance status of the action plan to establish improvements as a result of its previous evaluation, during its meeting of December 11, 2018. Also, at its meeting held on January 25, 2019, the Audit Committee reviewed and evaluated the actions carried out in compliance with corporate policies, including corporate social policy, fiscal policy, investment and financing policy, derivative policy, risk and control policy and crime prevention policy. In particular, the Audit Committee, in its meeting of December 11, 2018, issued a report on the purchase of treasury stock as well as on the payment of the third quarterly dividend. A report was also issued on the payment of the first quarterly dividend on account of the results of the 2019 financial year, at the Audit Committee meeting held on March 20, 2019. Finally, at the Audit Committee meeting held on 12 September 2019, a report on the payment of the second quarterly dividend was issued, on account of the results for the year 2019

3. Rules of operation

In the performance of its activities, the Audit Committee will be governed by the following rules of operation:

- (a) The Audit Committee will meet at least quarterly and whenever the Chairperson considers convenient or at least two members of the Committee so request. At least part of these meetings with the internal auditor or the statutory auditor should take place without the presence of the Company's management team, so that the specific issues emerging from the reviews carried out can be discussed.
- (b) Meetings of the Audit Committee will reach a quorum when a majority of the members are present or represented. Its decisions will likewise be adopted by a majority of the members.
- (c) The Chief Executive Officer will provide the Audit Committee with the information it requires to perform its duties in relation to the directors and senior management of the principal companies in which interests are held.
- (d) The Audit Committee will have free access to any kind of information or documentation held by or available to the Company that it considers necessary in order to perform its duties.
- (e) The Committee may require the presence at any of its meetings of any employee or officer (and may order them to appear without the presence of any other officer, in which case, their attendance will be requested through the General Manager), any executive director, the external account auditor and/or the legal advisor to the Board of Directors, who should be invited to attend through the Chairperson of the Committee and whose presence should be circumscribed to those items of the agenda for the purpose of which they were called to attend and should not be a regular practice.
- (f) Minutes of Audit Committee meetings will be taken and a copy will be sent to all the members of the Board and to the Board of Directors, sending the full contents of the minutes of the Committee meetings. Furthermore, the Chairperson of the Audit Committee will, if applicable, report on any decisions and/or significant events that may have occurred at the Committee meetings at the first Board meeting to take place after the Committee meeting in question.

- (g) The Committee will review the financial information that is sent on a quarterly basis to the CNMV.
- (h) The Board of Directors will discuss the proposals and/or reports presented by the Audit Committee and the Chairperson of the Audit Committee will act as its spokesperson at meetings of the Board of Directors and, as applicable, at the Company's General Shareholders' Meeting.

In the absence of any specific rule or in the absence of any provision in the Regulations of the Audit Committee, the Regulations of the Board of Directors will be applicable to the Audit Committee to the extent that they are not incompatible with the nature thereof, in particular, the rules on calling the meetings, granting proxy to another director, universal meetings, written ballots without holding a meeting, the persons acting as chairperson and secretary of the meetings and the approval of the minutes.

The Audit Committee will strive to ensure that the Board of Directors seeks to present the annual statements to the General Shareholders' Meeting without reservations or qualifications in the audit report, and in the exceptional case that these may be included, the Chairperson of the Audit Committee and the auditors will give a clear explanation to the shareholders on the content and extent of said reservations and qualifications.

4. Internal audit

The Company will set up, under the supervision of the Audit Committee, a unit to carry out internal audit function to monitor the effectiveness of reporting and control systems.

The head of this unit will present an annual work program to the Audit Committee, will inform it directly of any incidents arising during its implementation and will submit an activities report at the end of each reporting period.

5. Risk control and management function

Under the supervision of the Audit Committee or of a specialized committee of the Board of Directors, there will be an internal department of the Company in charge of the risk control and management function which will have the following duties:

- (a) To ensure that risk control and management systems are functioning correctly and, specifically, that major risks the Company is exposed to are correctly identified, managed and quantified.
- (b) To participate actively in the preparation of risk strategies and in key decisions about their management.
- (c) To ensure that risk control and management systems are mitigating risks effectively in the framework of the policy drawn up by the Board of Directors.

The Audit Committee met on 8 occasions in the 2019 reporting period.

Likewise, in compliance with the functions set out in the Regulations of the Board of Directors and the Regulations of the Audit Committee, in 2019, the Audit Committee performed the functions assigned to it, which, among others, were as follows: supervise the financial information, supervise the efficacy of the Company's internal control, report on the different corporate and strategic policies approved in 2019, review the management objectives, meet with the Company's external auditor, report on the external auditor's independence, report on the distribution of dividends.



When the 2019 Ordinary General Shareholders' Meeting is called, a report on the operation of the Audit Committee during the period ended November 30, 2019 will be placed at the shareholders' disposal.

Identify the member of the audit commission who has been appointed due to his/her knowledge and experience in accounting, auditing or both and state the number of years for which the chairperson of this commission has been in said position.

4.1

Names of directors with experience	MS EVA CASTILLO PEREZ (Chairperson) MR JOSÉ MIGUEL ANDRÉS TORRECILLAS MS STACY PETROSKY
Date of appointment of chairperson	20 June 2019

Remarks
The three members of the Audit Committee have extensive experience and knowledge in the accounting and auditing fields and are professionals of recognized prestige in their specific sectors of activity.

NOMINATING AND COMPENSATION COMMISSION

Name	Post	Category
MR JOSÉ MIGUEL ANDRÉS TORRECILLAS	CHAIRPERSON	Independent
OTIS ELEVATOR COMPANY (represented by Ms Nora LaFreniere)	DEPUTY CHAIRPERSON	Proprietary
MS EVA CASTILLO PEREZ	MEMBER	Independent
MR PATRICK MARTIN	MEMBER	Proprietary
MS ROBIN FIALA	MEMBER	Proprietary
% of proprietary directors	60,00%	
% of independent directors	40,00%	
% of other external directors	0,00%	

Remarks

Ms Eva Castillo was appointed as member of the Nominating and Compensations Commission ON 20 June 2019

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

Without prejudice to the Law or the Company's Bylaws, the Regulations of the Audit Committee and article 12, section B, of the Regulations of the Board of Directors regulates the composition, operation and duties of the Nominating and Compensation Commission, as summarized below:

1. Composition

The Board of Directors will create a permanent Nominating and Compensation Commission.

The Nominating and Compensation Commission will be formed by five directors, appointed by the Board of Directors from among the non-executive directors. At least two of its members must be independent. The Board of Directors will likewise appoint a Chairperson from among the members, who must be independent, and a Secretary, who need not be a director, at the proposal of the Nominating and Compensation Commission itself.

The Board of Directors will strive to ensure that the directors who form part of the Nominating and Compensation Commission have appropriate knowledge, capacities and experience for the functions they are to perform.

The directors who form part of the Nominating and Compensation Commission will hold office while they remain in office as directors of the Company and maintain the status of external directors, unless the Board of Directors decides otherwise.

The appointment, re-election and removal from office of the directors who form the Commission will be governed by the decisions of the Board of Directors.

Directors forming part of the Nominating and Compensation Commission who are re-elected as directors of the Company in a resolution adopted by the General Shareholders' Meeting will continue to hold office on the Commission without the need to be re-elected thereto, unless the Board of Directors decides otherwise.

2. Duties

The Nominating and Compensation Commission will have the following functions:

- (a) To assess the competence, knowledge and experience necessary on the Board and, in consequence, to define the functions and capacities necessary in the candidates who are to fill any vacancies and assess the time and effort required for them to carry out their duties properly.
- (b) To establish a representation target for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach such target.
- (c) To report to the Board of Directors on the proposals for appointment of independent directors in order for them to be appointed by co-option or for their appointment to be submitted to the decision of the General Meeting, as well as proposals for the re-



election or removal of said directors by the General Meeting. In particular, the Appointments and Remuneration Committee at its meeting held on March 4, 2019, proposed the appointment, ratification and / or remission of the following members of the Board of Directors: (i) appointment by co-optation of Ms. Eva Castillo as an independent director; and (ii) re-election of Mr. José Miguel Andrés Torrecillas as an independent director.

- (d) To report on the proposals for appointment of other directors in order for them to be appointed by co-option or for their appointment to be submitted to the decision of the General Meeting, as well as proposals for the re-election or removal of said directors by the General Meeting. In particular, the Nominating and Compensations Commission at its meeting held on March 4, 2019, proposed the ratification of Mr. Patrick Martin as proprietary director, as well as the re-election of Mr. José María Loizaga Viguri as Other External Director, and the re-election as proprietary directors of Mr. Patrick Blethon, Mr. Alberto Zardoya Arana, Eurosyns, SA (and the maintenance of Mr. Pedro Sainz de Baranda as his natural person representative) and Otis Elevator Company (and Mrs. Nora Lafreniere as his natural person representative).

At the meeting of the NCC held on July 26, 2019, a report on the proposal for the appointment of Ms. Stacy Petrosky and D. Mark Eubanks as new directors and Ms. Stacy Petrosky as a new member of the Audit Committee.

In addition, at the meeting of the NCC held on October 11, 2019, a report on the nomination proposal by Euro-Syns, S.A. was issued. (as proprietary advisor) of Mr. Eduardo Montes Pérez as his natural person representative.

- (e) To report on proposals for filling the internal positions on the Board of Directors. Specifically, at its meeting dated March 4, 2019, he reported on the proposal for the appointment of Mr. Bernardo Calleja as Chairman of the Board of Directors, and Mr. José Miguel Andrés Torrecillas as Coordinating Director.
- (f) To propose the members of each committee to the Board of Directors. In particular, the Appointments and Remuneration Committee at its meeting held on March 4, 2019, proposed the following appointments, ratifications and / or remissions of the members of the Audit Committee and the Appointments and Remuneration Committee: (i) D^a . Eva Castillo as a new member and chairman of the Audit Committee; (ii) Mr. José Miguel Andrés Torrecillas as Vice Chairman of the Audit Committee; (iii) Mr. José Miguel Andrés Torrecillas as Chairman of the Appointments and Remuneration Committee; and (iv) Ms. Eva Castillo as a member of the Appointments and Remuneration Committee.
- (g) To report to the Board of Directors on the appointments and removals of members of senior management and propose and report to the Board of Directors on the basic conditions of their contracts.
- (h) To examine or organize, in the manner seen fit, the succession of the Chairman and the CEO and, if applicable, make proposals to the Board so that said succession takes place in an orderly and well-planned manner. In particular, on 4 March the Nominating and Compensations Commission issued a report about the appointment of the President and Lead Director.
- (i) To ensure that, when filling new vacancies or appointing new directors, the selection processes are not marred by any implicit bias that could imply any kind of discrimination and to report to the Board on gender diversity issues.

- (j) To propose to the Board of Directors the compensation policy for directors and general managers or persons who perform senior management duties and report directly to the Board, executive commissions or the CEO, as well as the individual compensation and other conditions of the contracts of executive directors, ensuring that they are respected. This policy will be reviewed periodically, including the systems of compensation with shares and the application thereof.

The Nominating and Compensation Commission will ensure that the individual compensation of directors and members of senior management is proportionate to the amounts paid to other directors and managers in the Company.

- (k) To ensure that any potential conflicts of interest do not undermine the independence of any external advice provided to the Commission.
- (l) To verify the information on the compensation of directors and members of senior management contained in the various corporate documents, including the Annual Director Compensation Report. This was reviewed on the meeting held on February 21, 2019.
- (m) To ensure that non-executive directors have sufficient time available to perform their duties properly.
- (n) Any others that may be attributed to it in the Bylaws, the Regulations of the Board of Directors or, if applicable, the law.

The Nominating and Compensation Commission will consult the Chairman and the Company's CEO, especially in relation to issues concerning the executive directors and members of senior management.

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

3. Rules of operation

In performing its activities, the Nominating and Compensation Commission will operate independently and will be governed by the following rules of operation:

- (a) The Nominating and Compensation Commission will meet before any Board of Directors meeting at which a proposal is to be put to the General Shareholders' Meeting for the appointment, removal from office, re-election or ratification of a director and before any Board of Directors meeting at which it is planned to co-opt a director to fill a vacancy. The Nominating and Compensation Commission will likewise meet whenever the Chairperson considers it necessary or when at least two members of the Commission so request.
- (b) Meetings of the Nominating and Compensation Commission will reach a quorum when a majority of the members are present or represented. Its decisions will likewise be adopted by a majority of the members.
- (c) The CEO will provide the Nominating and Compensation Commission with the information it requires to perform its duties in relation to the directors and senior management of the principal companies in which interests are held.
- (d) The Commission will have free access to any kind of information or documentation held by or available to the Company that it considers necessary in order to perform its duties.

- (e) The Commission may require the collaboration of any director, member of senior management or employee of the Company and/or its group to enable it to better perform its functions.
- (f) Minutes of Nominating and Compensation Commission meetings will be taken and a copy will be sent to all the members of the Board and to the Board of Directors itself, sending the full contents of the minutes of the Commission meetings. Furthermore, the Chairperson of the Nominating and Compensation Commission will, if applicable, report on any decisions and/or significant events that may have occurred at the Commission meetings at the first Board meeting to take place after the Commission meeting in question.

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

The Nominating and Compensation Commission met on 5 occasions in 2019.

In compliance with the functions set out in the Regulations of the Board of Directors, in 2019, the Nominating and Compensation Commission performed the functions assigned to it, which, among others, were as follows: manage the succession plan for the chairman of the Board of Directors, propose the appointment of independent directors and report on the proposals to appoint directors in order for them to be submitted to the decision of the General Meeting, and prepare gender diversity guidance, etc.

When the 2020 Ordinary General Shareholders' Meeting is called, a report on the operation of the Nominating and Compensation Commission during the period ended November 30, 2019 will be placed at the shareholders' disposal.

APPOINTMENTS COMMITTEE

N/A

REMUNERATION COMMITTEE

N/A

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	Year 2019		Year 2018		Year 2017		Year 2016	
	No.	%	No.	%	No.	%	No.	%
AUDIT COMMITTEE	2	66.66%	0	0.00%	0	0.00%	0	0.00%
NOMINATING & COMPENSATION COMMISSION	3 (***)	60%	2 (**)	40.00%	2 (**)	40.00%	1 (*)	20.00%

Remarks
(*)The information refers to the personal representative of the director Otis Elevator Company. (**)The information refers to the personal representative of the director Otis Elevator Company and Ms Robin Fiala. (***)The information refers to the personal representative of the director Otis Elevator Company, Ms Robin Fiala and Ms Eva Castillo Sanz.

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

- a) The rules on the organization, operation and duties of the two committees (Audit Commission and Nominating and Compensation Commission) are included in the Regulations of the Board of Directors, which may be consulted on the Company's website: (<http://www.otis.com/es/es/accionistas-inversores/>) and did not change in the 2019 reporting period.
- b) Likewise, at its meeting of October 9, 2019, the Board of Directors approved the new Regulations of the Company's Audit Committee, which received a favourable report from the Audit Committee on the same date. These new Regulations of the Audit Committee were approved by the Board of Directors after a thorough analysis of Technical Guide 3/2017 on Audit Committees in Public-Interest Entities (published by the CNMV on its website on June 27, 2017), subsequent to several months' work on the part of the Audit Committee on drawing up a proposal for the Regulations of the Audit Committee.

The purpose of the new Regulations of the Audit Committee is to describe the recommendations included in Technical Guide 3/2017 and include them in the Company's practices, giving details of the functions and responsibilities already described in the Regulations of the Board of Directors in relation to the Audit Committee with the various recommendations provided by the CNMV through Technical Guide 3/2017.

- c) When the General Shareholders' Meeting is called, reports on the activities conducted by the Audit Committee and the Nominating and Compensation Commission in the preceding reporting period are published. It is planned to prepare annual reports on their activities in 2019 to be published when the 2020 General Shareholders' Meeting is called.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

According to article 12 (A) 2 (j) of the Board of Directors Regulations and article 15.2(c) of the Regulations of the Audit Committee, the Audit Committee will provide a report to the Board of Directors prior to the latter's adoption of decisions on related transactions.

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

Pursuant to the foregoing, the Audit Committee reviews all the Company's related transactions with its related parties each time it is applicable or necessary and, in any event, it generally reviews them at least twice a year and reports to the Board of Directors on the most important related-party transactions performed.

During 2019, in particular at its meeting of February 21, 2019, it reported to the Board of Directors on the review it had carried out on all the related transactions and, in particular, on the performance status and balance of two contracts with the majority shareholder (the Recharge Agreement and the Technical Assistance Agreement). At its meeting of July 26, 2019, it again reviewed related transactions in general and, in particular, analysed and reported favourably to the Board on the approval and updating of the Investment, Treasury and Finance Policy. On October 11, 2019, it reviewed and reported favourably on intragroup POA and transfers of personal data. All the transactions were subsequently approved unanimously by the Board of Directors.

Likewise, the directors' obligation to abstain in the event of a conflict of interest should be taken into account (see section D.6).

D.2 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
UNITED TECHNOLOGIES CORPORATION (UTC)	OTIS ELEVATOR COMPANY	Contractual	Licence agreements	20,334
UNITED TECHNOLOGIES CORPORATION	ZARDOYA OTIS, S.A.	Contractual	Long-term incentive of UTC shares	494

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
UNITED TECHNOLOGIES CORPORATION (UTC)	OTIS ELEVATOR WORLDWIDE SPRL	Corporate Services Agreement	Service agreement under which Otis Elevator Worldwide Spri provides certain financial, management, human resources, legal, marketing, communication, operational, compliance, technological and business development services to certain companies, including the Company (service receiver).	484
UNITED TECHNOLOGIES CORPORATION (UTC)	OTIS ELEVATOR WORLDWIDE SPRL	Corporate Services Agreement	Service agreement under which certain companies (including the Company) provide certain financial, management, human resources, legal, marketing, communication, operational, compliance, technological and business development services to Otis Elevator Worldwide Spri	2,882

Remarks
N/A

D.3 Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)
OTIS ELEVATOR COMPANY		Director	Imports (from) Otis Elevator Company	46,352
OTIS ELEVATOR COMPANY		Director	Exports (to) Otis Elevator Company	159,289
OTIS ELEVATOR COMPANY		Director	ID charge back of the Company (to) Otis Elevator Company	3,799

Remarks
N/A

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand €)
Otis Elevator Company	Imports (from) Otis Elevator Company	46.352
Otis Elevator Company	Exports (to) Otis Elevator Company	159.289
Otis Elevator Company	ID charge back of the Company (to) Otis Elevator Company	3.799
Zardoya Otis (Gibraltar) Limited.	Exports and services (to) Zardoya Otis (Gibraltar) Limited	1.215
Otis Elevator Worldwide Sprl	Exports and services (from) Otis Elevator Worldwide Sprl	484
Otis Elevator Worldwide Sprl	Service agreement contract (to) Otis Elevator Worldwide Sprl	2.882

Remarks
N/A

D.5 State the amount of any transactions conducted with other related parties that have not been reported in the previous sections.

Name of related party	Brief description of the transaction	Amount (thousand €)
N/A		

Remarks
N/A

D.6 Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

In accordance with article 229 of the Capital Companies Act, directors affected by a conflict of interest must refrain from participating in resolutions or decisions that concern the transaction to which the conflict refers.

Article 19 of the Board of Directors Regulations formally establishes the obligation for the directors to refrain from participating in the deliberations or voting on resolutions or decisions in which he/she or a related person have a direct or indirect conflict of interest. The aforementioned obligation to refrain from participating will exclude any resolutions or decisions that affect him/her in his capacity as a director, such as his designation for positions on the Board of Directors, or the revocation thereof, or any others of a similar nature.

Likewise, article 19 of the Board of Directors Regulations states that the duty to avoid situations of conflict of interest obliges the director (without prejudice to the dispensation system provided for in the Capital Companies Law) to refrain from:

- (a) Performing transactions with the Company, except ordinary transactions carried out under standard conditions for customers and of little significance, defined as those on which information is not necessary in order to give a true and fair view of the Company's equity, financial situation and results.
- (b) Using the name of the Company or mentioning his/her status as a director to unduly influence the performance of private transactions.
- (c) Using the Company's assets, including the Company's confidential information, for private purposes.
- (d) Taking advantage of the Company's business opportunities.
- (e) Obtaining benefit or remuneration from third parties other than the Company and its group associated to holding office, except when they are matters of mere courtesy.
- (f) Carrying on activities, for his/her own account or for the account of third parties, that involve effective real or potential competition with the Company or that, in any other way, place him/her in permanent conflict with the Company's interests.

The above prohibitions will also be applicable in the event that the beneficiary of the prohibited actions or activities is a person related to the director.

At any event, directors must notify the other directors and the Board of Directors of any situation of direct or indirect conflict with the Company's interests that they or persons related to them may have.

Conflicts of interests affecting directors must be disclosed in the annual report.

Additionally, article 9 of the Internal Code of Conduct on issues relating to the securities markets states that Obligated Persons are obliged to inform the Secretary of the Board of Directors on any possible conflicts of interest to which they are subject. Any doubt on the possibility of a conflict of interest must be consulted with the Secretary of the Board of Directors before any decision that may be affected by said conflict is adopted.

The Secretary is responsible for keeping an updated register of conflicts of interests. The Secretary may periodically request the persons subject to the Internal Code of Conduct on issues relating to the securities markets to provide written confirmation that no conflicts of interest exist or that no new conflicts have arisen.

According to article 9.4 of the Internal Code of Conduct, in the event of a conflict of interest that the Secretary has been unable to solve and that requires an authorized decision to be made, it will be submitted to the Board of Directors, which will take the following rules into account in order to decide: (i) in the event of conflict between directors, members of management or significant shareholders and the Company, the interests of the Company will prevail; and (ii) in the event of conflict between the Company and a shareholder or customer or between the a shareholder and a customer, the fair criterion of the Board will be applicable.

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

D.7 Is there more than one company in the group listed in Spain?

Yes ☐ No ☒

Identify the other companies that are listed in Spain and their relationship to the company:

Identity and relationship with other listed group companies
N/A

State if the respective areas of activity and business relationships between the listed companies have been defined publicly and precisely, as well as between the subsidiary and other members of the group:

Yes ☐ No ☒

Describe the business relationship between the parent and subsidiary listed companies as well as between the subsidiary and other members of the group
N/A

Identify measures taken to resolve potential conflicts of interest between the listed subsidiary and the other group companies:

Measures taken to resolve potential conflicts of interest
There's no such specific process. See point D.6 in order to resolve potential conflicts.

E RISK MANAGEMENT AND CONTROL SYSTEMS.

E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

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

In the Company, the Risk Management System works in an integral, continuous manner, consolidating said management by activity, subsidiaries, geographical areas and support areas.

The risk control and management policy contains:

- a) The different types of risk (operating, technological, financial, legal, reputational, etc.) to which the Company is exposed, including financial or economic risk, contingent liabilities and other off-balance-sheet risks;
- b) Fixing the level of risk that the Company considers acceptable;
- c) The measures in place to mitigate the impact of the risks identified, in the event that they materialize; and
- d) The internal reporting and control systems that are used to control and manage the aforementioned risks, including the contingent liabilities and off-balance-sheet risks mentioned above.

On December 13, 2016, the Company's Board of Directors formally approved a risk control and management system (including tax risks). This policy is reviewed annually and an assessment is made as to whether the actions taken during the year comply with it.

E.2 Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

Article 3 of the Regulations of the Board of Directors states that the Board of Directors is competent to approve the risk control and management system, including tax risks, and supervise the internal information and control systems.

Likewise, the Company has a unit that carries out the internal audit function and ensures the proper operation of the information and internal control systems under the supervision of the Audit Committee.

According to article 13 of the Regulations of the Audit Committee, the person responsible for said unit will submit its annual work program to the Audit Committee, report directly on any incidents that arise that arise in the course of its work and submit report on its activities at the end of each reporting period.

Article 13 of the Regulations of the Audit Committee and article 12 (A) 2 (c) of the Regulations of the Board of Directors entrust the Audit Committee with the function of supervising the efficacy of the Company internal control, internal audit and risk control systems, including tax risks, and, in particular:

- a) ensuring the independence and efficacy of the internal audit service and, in particular, monitoring the independence of the unit handling the internal audit;

- b) proposing the selection, appointment, reappointment and removal of the head of the internal audit service;
- c) proposing the budget for this service;
- d) approving the priorities and work programs, ensuring that its focuses principally on the main risks the Company is exposed to;
- e) receiving regular report-backs on its activities;
- f) ensuring that the profiles of internal audit personnel are appropriate and that they are capable of performing their work objectively and independently.
- g) reviewing the internal audit service's annual work program and yearly activities report; and
- h) being informed of any incidents arising during the implementation of the internal audit service's yearly work program.

Likewise, article 12.1 of the Regulations of the Audit Committee and article 12 (A) 2 (e) of the Regulations of the Board of Directors state that the Audit Committee must regularly review the internal control and risk management systems, so that the main risks are properly identified, managed and disclosed.

Risk management is controlled by company Management and the Internal Audit Department in accordance with policies approved by the Board of Directors. Management and the internal audit service assess and hedge financial risks, in close co-operation with the operating units of the rest of the Group, in order to:

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

Likewise, from a tax standpoint, there is a series of special transactions that must be approved specifically by the Company's Board of Directors.

E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

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

- a) Operational and technological,
- b) Legal and tax compliance,
- c) Reputational and financial, and
- d) Crime risks.

From the financial point of view, the activities of the Company and the Group are exposed to a number of financial risks: market risk (including exchange rate risk, fair value interest rate

risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's global risk management program concentrates on the uncertainty in the financial markets and tries to minimize any potential adverse effects on the Company's financial profitability. In the Notes to the Individual Annual Financial Statements and the Notes to the Consolidated Annual Financial Statements, management of each one of the financial risks is explained.

E.4 State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

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

To this end, a Risk Management Committee has been defined where the risks existing in the Company are identified, assessed and reviewed.

The assessment of the main risks is carried out by the Committee mentioned above and is based on two criteria: a) by their probability of occurrence (using a scale from 1 to 5, where 1 is the lowest probability and 5 is the maximum probability) and b) for the impact that this risk would generate (also on a scale of 1 to 5, where 1 is the least impact and 5 is the maximum impact).

The Committee is formed by the Company's Management and the Internal Audit Department.

E.5 State which risks, including tax compliance risks, have materialised during the year.

As in the preceding reporting periods, the risks that materialized in the period referred to trade receivables.

Both the Company and the Group have customer credit analysis policies and regular debt monitoring procedures performed by the departments involved in collection management.

E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

As mentioned in section E2 above, the Company has an Internal Audit Department, with systems and processes that are intended to assess, monitor, mitigate or reduce the main risks of the Company and its consolidated group by preventive measures and alert of possible situations of risk. The Company has the risks that affect assets and liability covered by the appropriate insurance policies. Likewise, the Company and its consolidated group have processes that ensure control of any risk that may stem from trading operations.

Annually, this risk policy is reviewed by the Board and the Audit Committee, in collaboration with the internal audit department, to assess the inclusion of new risks and mechanisms to prevent and address them.

Section F of this Annual Corporate Governance Report describes the internal control and risk management systems in greater detail.

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F INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1. The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

Article 3 of the Board of Directors Regulations states that the Board of Directors is competent to approve the risk control and management policy, including tax risks, as well as to regularly monitor the internal reporting and control systems.

According to articles 12 and 13 of the Regulations of the Audit Committee and article 12 (A) 2 (c) of the Regulations of the Board of Directors, the Audit Committee is competent to supervise the efficacy of the Company's internal control, internal audit and risk control systems, including tax risks, and, in particular: i) to ensure the independence and efficacy in its functions of the internal audit service and, in particular, monitor the independence of the unit handling the internal audit function; (ii) to propose the selection, appointment, reappointment and removal of the head of the internal audit service; (iii) to propose the budget for said service; (iv) to approve its priorities and work programs, ensuring that it focuses primarily on the main risks the Company is exposed to; (v) to receive regular report-backs on its activities; (vi) to review the annual work program and the yearly activities report of the internal audit service; (vii) to be informed of any incidents arising during the implementation of the internal audit service's yearly work program; (viii) to verify that senior management acts in accordance with the conclusions and recommendations contained in its reports; and (ix) to discuss any significant weaknesses detected in the internal control system (the "Internal Control System") in the course of the audit with the account auditors, all of which must not diminish its impartiality.

In addition, the Audit Committee has the function of receiving information on and supervising the process of preparation of the mandatory financial reporting of the Company and the Group, checking compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting policies, and submitting recommendations or proposals to the Board of Directors aimed at safeguarding their integrity. In relation to the foregoing, the Audit Committee will analyse the relevant reports from the heads of the internal control and internal audit areas. In this respect, the Audit Committee also has the function of reviewing the clarity and integrity of all the financial reporting that the Company discloses, assessing in which cases it would be reasonable and possible to involve the statutory auditors in the review of some of the reports issued in addition to the financial statements.

Likewise, the Audit Committee will verify that the financial reporting published on the Company's website is permanently kept up to date and coincides with the reporting approved by the Company's directors and published on the website of the CNMV.

Lastly, article 12 of the Regulations of the Audit Committee and article 12 (A) 2. (e) of the Regulations of the Board of Directors states that the Audit Committee must periodically review the internal control and management systems in order for the principal risks to be properly identified, managed and disclosed (including financial and non-financial risks). In particular, the risk control and management policy must identify at least:

- a) the different types of risk (operating, technological, financial, legal, reputational, tax etc.) to which the Company is exposed, including the aforementioned financial or economic risk, contingent liabilities and other off-balance-sheet risks;
- b) fixing the level of risk that the Company considers acceptable;
- c) the measures in place to mitigate the impact of the risks identified, in the event that they materialize; and
- d) the internal reporting and control systems that are used to control and manage the aforementioned risks, including the contingent liabilities and off-balance-sheet risks mentioned above.

The Company's Audit Committee is formed by three directors: (i) Ms Eva Castillo Sanz (independent director), who is also the Chairperson of the Audit Committee; (ii) Mr José Miguel Andrés Torrecillas (independent director), who is also the Deputy Chairperson of the Audit Committee; and (iii) Ms Stacy Petrosky (proprietary director).

F.1.2.State whether the following are present, especially if they relate to the creation of financial information

Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.

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

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

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

In relation to sufficient procedures for the information to be correctly known, all the information on the organization chart and organizational structure is in the Group intranet (the "Intranet"), to which all employees have access.

In addition, the Group Financial Department (the "Financial Department"), responsible for preparing the financial reporting, has a system of responsibilities and segregation of functions that fixes the different levels for approval for each one of the activities and processes of the financial and operating departments.

Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.

The Company and the Group have an Internal Code of Conduct on issues relating to the securities markets, approved by the Board of Directors, and a Code of Ethics (the "Code of Ethics"), notified to all the members of the organization through the intranet and compulsory to comply with (but not compulsory to sign). Likewise, courses are held in this respect. They must be completed by new recruits and include annual updates for all Company and Group employees.



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

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

The Group has an Ethics and Compliance Officer -ECO-, responsible for implementing the Code of Ethics and ensuring compliance therewith.

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

As stated in article 15 of the Regulations of the Audit Committee and article 12 (A) 2. (i) of the Regulations of the Board of Directors (the latter of which is mentioned in article 11 of the Internal Code of Conduct), the Audit Committee is responsible for supervising effective compliance with the obligations established in the Internal Code of Conduct.

In particular, as provided in article 10 of the Internal Code of Conduct, the Audit Committee must:

- a) Comply and ensure compliance with the securities market rules on conduct and the rules contained in the Internal Code of Conduct, the procedures thereof and any other present or future supplementary rules.
- b) Promote knowledge of the Internal Code of Conduct and other securities market rules on conduct on the part of the obliged persons, insiders and the Group.
- c) Develop, if applicable, the procedures and implementing rules deemed appropriate in order to apply the Internal Code of Conduct.
- d) Interpret the rules contained in the Internal Code of Conduct and solve any queries or issues raised by those subject to it and/or insiders.
- e) Conduct disciplinary procedures against obliged persons and insiders due to failure to comply with the rules of the Code of Conduct.
- f) Propose to the Company's Board of Directors any revisions or improvements to the Internal Code of Conduct..

Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature..

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

The program provides:

- a) Confidentiality: the identity of the person making a communication is protected.
- b) Neutrality: support is given neither to Management nor to the employee.
- c) Independence: there is no hierarchical relationship between the person responsible for the program and Management.
- d) Quality: the system operates as an intermediary between the employees and Management, while ensuring that communication is clear and comprehensible.

Thus, employees may make communications as follows:

- a) Through a free telephone call.
- b) By completing a form and sending it to the relevant centre by mail or fax.
- c) Using the program application from anywhere with Internet access.

Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.

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

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

F.2 Assessment of financial information risks

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including error and fraud risk, as regards:

Whether the process exists and is documented.

The Group has a risk management system (the "Risk Map"), which is conducted by the Group's different operating and functional units and submitted for review by the Audit Committee and Board of Directors. The Risk Map is based on integrated management of each and every one of the business processes and an appropriate segregation of the levels of risk, in order to achieve compliance with the strategic objectives fixed by the Group.

If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.

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

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

The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.

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

Likewise, following the best corporate governance practices, article 15.2.a) of the Regulations of the Audit Committee and article 12 (A) 2. (j). (ii) of the Regulations of the Board of Directors include, among the duties of the Audit Committee, the need to provide a report to the Board of Directors before the latter adopts any decisions on the creation or acquisition of shares or interests in special-purpose vehicles or entities resident in countries or territories considered tax havens, as well as any other similar transactions or operations that, given their complexity, could impair the Group's transparency.

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

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

- a) Operational.
- b) Technological.
- c) Financial.
- d) Legal and tax.
- e) Reputational.

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

The governing body within the company that supervises the process.

In relation to the ICFR System, the Audit Committee is responsible for periodically reviewing the internal control and risk management systems, in order to identify and manage the principal risks that could affect the Group's financial reporting. In particular, it is responsible for: (i) ensuring the independence and efficacy of the internal audit service; (ii) proposing the selection, re-election and removal of the head of the internal audit service; (iii) proposing the budget for this service; (iv) receiving periodic information on its activities; (v) reviewing the annual internal audit work program; (vi) being informed of any incidents that arise in the course of the annual internal audit work program; (vii) verifying that senior management take the findings and recommendations of its reports into account; and (viii) discussing any

significant weaknesses in the internal control system noted in the course of the audit with the account auditors.

F.3 Control activities

Report on whether the company has at least the following, describing their main characteristics:

F.3.1. Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

The Financial Department consolidates and reviews all the financial information of the Company and its subsidiaries, including, in this respect, the companies resident in Spain, Portugal and Morocco. Once said information is known, it prepares monthly, quarterly and six-monthly reports and annual financial statements, among other items.

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

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

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

F.3.2. Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

Systems management acts directly in accordance with the regulations on information security and, in addition, the group Internal Audit department authorizes all accesses to sensitive systems that may affect the financial information.

The regulations are based on establishing controls over access security, control of changes, operations, operational continuity and segregation of functions. All these rules are published in the intranet to enable all employees to access them.

The Group has a series of actions that guarantee that operations run correctly when an incident arises, in order to mitigate any possible materialization of an incident or reduce it to a minimum.

The Internal Audit Department's annual work program includes the review of the proper running of Internal Systems Control, both technologically and in relation to maintenance processes.

F.3.3. Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of

assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

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

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

If valuations are contracted out to independent experts, this will be done through the Financial Department and the Audit Committee, since they relate to valuations included in the Group's financial information. The Group Financial Department ensures that the supplier is independent and has experience and prestige both nationally and internationally.

F.4 Information and communication

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

F.4.1.A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

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

All the Group's manuals and procedures are available through the intranet and are reviewed annually on a need basis.

F.4.2.Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

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

F.5 Supervision of system performance

Describe at least the following:

F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

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

The Audit Committee, among its ICFR supervision activities, reviews the financial reporting that is sent to the National Securities Market Commission on a quarterly basis.

Additionally, the Audit Committee supervises and monitors the annual audit program. The head of the Internal Audit Department presents the findings of the work plan and the tasks performed by said Department during the reporting period to the Audit Committee. Furthermore, the Audit Committee will evaluate whether the functions of the Internal Audit area are appropriate to the Company's real needs and will confirm that the activity of said area is mainly focused on the Company's principal risks.

The Group's Internal Audit Department has *five members*, who have extensive knowledge in the areas of internal and external auditing and management control, as well as experience in the operational part of the Group's units. The Audit Department has a work manual that fixes the procedures and duties that each of its members must perform. In addition, the Audit Committee has the function of selecting, appointing, re-electing and removing the head of the Internal Audit area, likewise verifying that the profiles of the Internal Audit Department's personnel are appropriate and that they are capable of performing their work objectively and independently.

The main functions of the Internal Audit Department are:

- a) To evaluate the appropriateness, sufficiency and efficacy of the Group's Internal Control System.
- b) To evaluate compliance with the Risk Management System.

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

F.5.2. If there is a procedure by which the account auditor (in accordance with the contents of the Normas Técnicas de Auditoría (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.



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

At the beginning of the period, the account auditor presents its audit program to the Financial Department, containing the visit dates, objectives, companies to be audited and a list of audit fees, so that the Audit Committee can review it.

During the whole audit process, the account auditor holds regular meetings with key employees responsible for preparing the financial information, establishing preliminary findings in each one of the phases of the process. Throughout the reporting or in any phase of the external audit process, the Account Auditor may meet with the Audit Committee.

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

F.6 Other relevant information

N/A

F.7 External auditor's report

Report from:

F.7.1.If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

Report attached to this 2019 Corporate Governance Report on the Company.

G EXTENT OF COMPLIANCE WITH GOOD GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

See sections: A.12, A. 13, B.1, B.2, B.6, C.1.20.

Complies ☒ Explanation ☐

2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:

- a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.

- b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

- a) Changes that have occurred since the last General Shareholders' Meeting.

- b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies ☒ Complies partially ☐ Explanation ☐

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies ☐ Complies partially ☐ Explanation ☒

The Company fully respects the anti-market abuse regulations and those on the equitable treatment of shareholders (in the same position), analysts and other third parties.

Given the Company's shareholder structure, where the number of institutional investors is very low, the Company has not, to date, prepared a formal policy of communication but, rather, employs general channels of communication, with practices and interlocutors appropriate to the specific case. Specifically, dates and meetings have been enabled along 2019 for all those investors and shareholders who have shown interest in attending such meetings with the Company, being in any case the information shared with them public information and accessible on the website page of the Company and in CNMV.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

- 5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.**

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies ☒ Complies partially ☐ Explanation ☐

- 6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:**
- a) Report regarding the auditor's independence.**
 - b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.**
 - c) Report by the audit committee regarding related-party transactions**
 - d) Report on the corporate social responsibility policy.**

Complies ☒ Complies partially ☐ Explanation ☐

- 7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.**

Complies ☐ Explanation ☒

The Company has not considered it necessary to broadcast the General Shareholders' Meeting live on its corporate website, because the attendance at general meetings, in person or by proxy, is over 70% (73.34% at the General Meeting held on May 22, 2019). Likewise, the Company feels that complying with this recommendation would involve a large amount of work but would not be of a great deal of use in practice, particularly in view of the little or non-existent use that shareholders have made of the electronic shareholders' forum that has been available to them over recent years.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

See section: C.1.33

Complies ☒ Complies partially ☐ Explanation ☐

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies ☒ Complies partially ☐ Explanation ☐

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

- a) Immediately distributes the additions and new proposals.
- b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
- c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

The Company has adopted the above mentioned mechanisms in its internal rules. However, at the General Meetings held in preceding periods, no shareholder has exercised the right to supplement the agenda or submit new resolution proposals.

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is

guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies ☒ Complies partially ☐ Explanation ☐

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies ☒ Explanation ☐

14. The Board of Directors should approve a director selection policy that:

- a) Is concrete and verifiable.
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
- c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

See sections: C.1.5, C.1.6 & C.1.7

Complies ☐ Complies partially ☐ Explanation ☒

The Board of Directors has decided not to formally approve a director selection policy at present. The criteria for selecting directors for the Board and Nominating and Compensation Commission included in the Regulations of the Board of Directors are deemed sufficient for this purpose.

Likewise, the Nominating and Compensation Commission has decided to establish, as one of its main objectives, an increase in the presence of women on the Board of Directors and to favour and improve the possibilities of women acceding to management positions, fomenting a diversity of knowledge, experience and gender at Board level. An example of this line of action is that currently, as of 2019, the percentage of female directors is 36.36%, since female candidates have been selected to fill 50% of the vacancies arising in the last two years.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

- 15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.**

Complies ☒ Explanation ☐

- 16. That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.**

This criterion may be relaxed:

- a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.**
- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.**

Complies ☐ Explanation ☒

The Company's Board of Directors has eleven members, ten of whom are external directors: (i) five proprietary directors appointed at the proposal of UNITED TECHNOLOGIES HOLDINGS, S.A.S., which holds 50.01% of the Company's capital, (ii) two proprietary directors appointed at the proposal of EURO-SYNS, S.A., which holds 11.34% of the Company's capital, (iii) one director classified as "other external" and (iv) two independent directors.

Proprietary directors represent 70% of the external directors, while the percentage of the share capital represented by proprietary directors is 61.35%. Consequently, the ratio between the number of proprietary directors and the remainder of the non-executive directors is somewhat higher than the ratio between the share capital represented by proprietary directors and the remainder of the capital. Notwithstanding, as the Good Governance Code says, "*this (proportional principle) is not intended as a mathematical equation, but rather as a rule of thumb to ensure that independents are sufficiently present and that no significant shareholders can exert an influence on the Board's decisions that is disproportionate to their capital ownership*".

The deviation is due to several factors. First, we should remember that the Company's shareholders are very concentrated (two shareholders hold 61.35% of the share capital). Likewise, it has been seen fit for the Zardoya family (through EURO-SYNS, S.A.) to propose two directors. Lastly, there is a director classified as "other external", who, for various reasons, cannot be classified as either independent or proprietary.

In 2014, the Company decided to increase the number of directors in order to increase the ratio of independent directors to proprietary directors. Until then, the percentage of proprietary directors was 66.67% of the total Board, while in 2015, it dropped to 63.64%. In addition, the percentage of independent directors rose from 11.11% in 2014 to 18.18% from 2015 onwards.

Finally, the Company has rules and procedures in place to ensure the independence and abstention of all the directors in the event that they are affected by a conflict of interest.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies ☐ Explanation ☒

The percentage of the full Board represented by independent directors is 18.18%. In addition, there is a director classified as "other external" who, although he cannot be considered independent, is neither executive nor proprietary. Therefore, the Company considers it has sufficient independent directors to ensure that the interests of the floating capital are protected appropriately and make independent judgements on tasks where a potential conflict of interest may exist.

As mentioned in the preceding explanation, we must remember that the Company's shareholders are very concentrated (two shareholders hold 61.35% of the share capital). The intention has been to provide the two main proprietary shareholders with representation, with the majority shareholder (UTC Group) keeping control, while, at the same time, not further increasing the size of the Board. The result of this balance is the Board's current composition.

Likewise, in spite of the foregoing, the percentage of independent directors rose from 11.11% in 2014 to 18.18% from 2015 onwards.

Finally, the Company has rules and procedures in place to ensure the independence and abstention of all the directors in the event that they are affected by a conflict of interest.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

18. That companies publish and update the following information regarding directors on the company website:

- a) **Professional profile and biography.**
- b) **Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.**
- c) **Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.**
- d) **The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.**
- e) **The shares and options they own.**

Complies ☒ Complies partially ☐ Explanation ☐

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from

shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

See section: C.1.8

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

- 20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.**

See sections: C.1.2 & C.1.9

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

- 21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.**

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

See section: C.1.21

Complies ☒ Explanation ☐

- 22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.**

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies ☒ Complies partially ☐ Explanation ☐

- 23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.**

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

- 24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.**

See section: C.1.9

Complies ☐ Complies partially ☐ Explanation ☒ Not applicable ☐

The Company has preferred not to oblige directors who leave the Board before their tenure expires, due to resignation or any other reason, to explain the reasons in a letter to be sent to all Board members.

The Company does not deem it appropriate to oblige directors to explain the reasons for their removal or resignation and for said reasons to be aired publicly, notwithstanding the right of each one of them to make the reasons for the removal or resignation public.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

- 25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.**

And that the Board rules establish the maximum number of company Boards on which directors may sit.

See sections: C.1.13 & C.1.19

Complies ☐ Complies partially ☒ Explanation ☐

The Company has not fixed a maximum number of company Boards on which its directors may serve.

This is because some of the directors are also members of the senior management of UNITED TECHNOLOGIES HOLDINGS and sit on a number of Boards of the different societies that comprise said Group. Consequently, compliance with this recommendation would be too burdensome for the UNITED TECHNOLOGIES HOLDINGS Group, since it would force it to modify a large part of its corporate structure.



The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

- 26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.**

Complies ☒ Complies partially ☐ Explanation ☐

- 27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.**

Complies ☒ Complies partially ☐ Explanation ☐

- 28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.**

Complies ☒ Complies partially ☐ Explanation ☐

- 29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.**

Complies ☒ Complies partially ☐ Explanation ☐

- 30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require**

Complies ☒ Complies partially ☐ Explanation ☐

- 31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.**

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies ☒ Complies partially ☐ Explanation ☐

- 32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.**

Complies ☐ Complies partially ☐ Explanation ☒



No specific mechanism or department has been established for this purpose, taking into account the Company's shareholder structure, where there are scarcely any institutional investors and most of the shareholders with significant shareholdings are represented on the Board.

Directors have access to the same information as the rest of the market (for example, significant shareholdings are notified to the CNMV as a material event).

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

- 33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.**

Complies ☒ Complies partially ☐ Explanation ☐

- 34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.**

Complies ☐ Complies partially ☒ Explanation ☐ Not applicable ☐

When the Bylaws and Regulations of the Board of Directors were drawn up, the need to specifically include this function did not arise.

Although there is no specific text that regulates this situation, when the need arose, we ensured that all this requirements were met. Specifically, at the Board of Directors meeting of March 20, 2019, in accordance with article 529 septies of the Capital Companies Law, the Board unanimously passed a resolution (with a prior report in favour from the Nominating and Compensation Commission and the pertinent abstention by the Chairman) to appoint Mr José Miguel Andrés Torrecillas as the Lead Director.

Likewise, the meeting approved a decision for the Lead Director to hold special authorization to request a Board meeting be called or include new items on the agenda of a meeting that had already been called, coordinate and meet with the non-executive directors and, where applicable, direct the periodic evaluation of the Chairman of the Board of Directors.

Likewise, it approved a decision that, in accordance with the Good Governance Code of Listed Companies, the Lead Director would have the following duties:

- a) to chair Board of Directors meetings in the absence of the Chairman and Deputy Chairman;
- b) to reflect the concerns of non-executive directors
- c) to hold contacts with investors and shareholders to find out their points of view in order to form an opinion on their concerns, in particular in relation to the Company's corporate governance; and

d) to coordinate the chairman's succession plan

When new wording for the Bylaws is applicable, it will be evaluated to include such provisions.

- 35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.**

Complies ☒ Explanation ☐

- 36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:**

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity of membership and competence of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

See sections: C.1.20, C.1.20 bis y C.1.20 ter

Complies ☐ Complies partially ☒ Explanation ☐

The Board of Directors has implemented an annual self-evaluation process for the Board and its committees, which is described in section C.1.20 bis. As a consequence of this self-evaluation, an action plan to correct the weaknesses detected is prepared annually.

The Board considers that its annual self-evaluation is sufficient, without the need to engage external consultants. According to the 2015 Good Governance Code, the objective of using said consultants is for the evaluation to be "*enriched with objective opinions*" and the Board considers this contribution to be made by the Company's independent directors.

The decision not to engage an external consultant every three years was made by the Board of Directors on January 25, 2016, when the 2015 Good Governance Code recommendations were examined.



- 37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.**

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

- 38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.**

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

- 39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.**

See section: C.2.1

Complies ☒ Complies partially ☐ Explanation ☐

- 40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.**

Complies ☒ Complies partially ☐ Explanation ☐

- 41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.**

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

- 42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:**

- 1. With regard to information systems and internal control:**

a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.

b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re- election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2. With regard to the external auditor:

a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.

b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.

e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies ☒ Complies partially ☐ Explanation ☐

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies ☒ Complies partially ☐ Explanation ☐

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

45. That the risk management and control policy identify, as a minimum:

a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.

b) Fixing of the level of risk the company considers acceptable.

c) Means identified in order to minimise identified risks in the event they transpire.

d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.

Complies ☒ Complies partially ☐ Explanation ☐

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) **Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.**
- b) **Actively participate in the creation of the risk strategy and in important decisions regarding risk management.**
- c) **Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.**

Complies ☒ Complies partially ☐ Explanation ☐

47. That members of the appointment and remuneration committee -- or of the appointments committee and the remuneration committee if they are separate -- are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

See section: C.2.1

Complies ☐ Complies partially ☐ Explanation ☒

The Nominating and Compensation Commission has five members, including two independent members, one of whom is the committee Chairperson.

The reason why the Commission does not have more independent members is that the Company does not have any more independent directors. In this respect, in 2014, the Company decided to increase the number of directors in order to increase the proportion of independents, which rose from 11.11% in 2014 to 18.18% from 2015 onwards

The Company has decided to keep the number of members of the Nominating and Compensation Commission at five, in spite of the fact that it could have reduced it to three members in order to have a majority of independents, as has been done with the Audit Committee because it is legally obligatory. There is a dual reason for deciding to keep the number of members of the Nominating and Compensation Commission at five: first, the Company feels that 40% of independent directors is sufficient to guarantee the independence of the Commission's function and, second, the Company feels it is more useful for the Commission and its functions to have the opinion and experience of five members.

Finally, article 12 (B) of the Regulations of the Board of Directors states that the Board of Directors will ensure that the directors who sit on the Nominating and Compensation Commission have the knowledge, capacities and experience appropriate to the duties they are to perform.

48. That high market capitalisation companies have formed separate appointments and remuneration committees.

Complies ☐ Explanation ☐ Not applicable ☒

High market capitalization companies are understood to be those that are listed on the Ibex-35, in accordance with the criteria of the CNMV and the Good Governance Code.

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies ☒ Complies partially ☐ Explanation ☐

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Propose basic conditions of employment for senior management.
- b) Verify compliance with company remuneration policy.
- c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
- d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
- e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies ☒ Complies partially ☐ Explanation ☐

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies ☒ Complies partially ☐ Explanation ☐

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

- a) That they are comprised exclusively of non-executive directors, with a majority of them independent.
- b) That their chairmen be independent directors.
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.



- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and the minutes be made available to all directors.

See: C.2.1

Complies ☐ Complies partially ☒ Explanation ☐ Not applicable ☐

The Company complies with all the above points except a).

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.
- b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
- c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.
- d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
- e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.
- f) Supervision and evaluation of the way relations with various stakeholders are handled.
- g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.
- h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

Complies ☐ Complies partially ☒ Explanation ☐

Currently, in accordance with article 8 of the Regulations of the Board of Directors, the Secretary of the Board of Directors will strive to ensure that the Board of Directors' actions take into account the good governance rules or recommendations in force at any given moment.

Likewise, the duties entrusted to the Audit Committee include:

- (i) Regularly reviewing the internal control and risk management systems, so that the main risks are properly identified, managed and disclosed.
- (ii) Receiving information on and monitoring the process of preparing and presenting the Company's financial information and, where appropriate, reviewing compliance with legal provisions, the accurate demarcation of the consolidated group and the correct application of accounting policies, ensuring the integrity thereof.
- (iii) Monitoring compliance with internal codes of conduct and the good corporate governance rules and recommendations in force at any given moment.

Lastly, the Board of Directors is responsible for approving the corporate social responsibility policy.

The Company has not yet approved a strategy for communication and relations with shareholders and investors or asked any commission to review the corporate social responsibility policy or monitor the corporate social responsibility strategy and practices and evaluate the extent of compliance therewith. However, both the policy and the activity in this area is evaluated annually by both the Audit Committee and the Board of Directors itself.

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

- a) **The objectives of the corporate social responsibility policy and the development of tools to support it.**
- b) **Corporate strategy related to sustainability, the natural environment and social issues.**
- c) **Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.**
- d) **Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.**
- e) **Means of supervising non-financial risk, ethics, and business conduct.**
- f) **Communication channels, participation and dialogue with stakeholders.**
- g) **Responsible communication practices that impede the manipulation of data and protect integrity and honour.**

Complies ☒ Complies partially ☐ Explanation ☐

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies ☒ Complies partially ☐ Explanation ☐

The Management Report for the reporting period ended November 30, 2019 will include information on the Company's corporate social responsibility program and the implementation thereof.

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies ☒ Explanation ☐

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies ☒ Complies partially ☐ Explanation ☐

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.
- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.



Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

- 61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.**

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

- 62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.**

The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

- 63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.**

Complies ☐ Complies partially ☐ Explanation ☒ Not applicable ☐

The Company has not seen fit to include this clause in the contract signed with its present CEO.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

- 64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.**

Complies ☐ Complies partially ☐ Explanation ☒ Not applicable ☐

The termination payment agreed in the contract with the CEO is the same as was initially included in his employment relationship with the Company. Therefore, the Board considers it should be maintained.

H. FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010.

The Company is not adhered to the Code of Good Tax Practices of July 20, 2010.

Shares of Otis Worldwide Corporation in the New York Stock Exchange: In relation to the news that appeared, we inform you that, as a result of the announced splitting process of several business units of United Technologies Corporation (UTC), among which is the elevator, escalator and travolator business that Otis develops, UTC shareholders will receive shares from Otis Worldwide Corporation, the parent company of this business. The shares of Otis Worldwide Corporation are expected to be listed soon on the New York Stock Exchange (NYSE). We refer to the information available at any time on this subject in the following link https://www.otis.com/en/us/about/news-and-media/press-releases/otis_presents_growth_and_value_creation_strategy_at_investor_day.aspx.

In compliance with current regulations, Zardoya Otis will inform the markets as soon as it has confirmation of the closing of the aforementioned operation, scheduled for the beginning of the second quarter of the current year.



This annual corporate government report was approved by the Board of Directors of the Company at its meeting held on February 27, 2020.

State whether any directors voted against or abstained from voting on this report.

Yes ☐ No ☒

Name of director who has not voted for the approval of this report	Reasons (against, abstention, non-attendance)	Explain the reasons



Zardoya Otis, S.A.

Auditor's Report on "Information regarding the Internal Control System over Financial Reporting (ICSFR)" of Zardoya Otis, S.A. for the 2019 Financial Year



Auditor's report on "information regarding the Internal Control System Over Financial Reporting (ICSFR)" of Zardoya Otis, S.A For the financial year 2019

To the Board of Directors of Zardoya Otis, S.A.:

In accordance with the request of the Board of Directors of Zardoya Otis, S.A. (hereinafter, the Company) and our engagement letter dated 6 March 2020, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in section "F" of the Annual Corporate Governance Report (hereinafter, the ACGR) of Zardoya Otis, S.A. for the 2019 financial year, which includes a summary of the Company's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Company in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Company's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Company's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the "Guidelines concerning the Auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities" published by the National Securities Market Commission on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Company's annual financial information for the 2019 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.

In addition, as this special engagement is not an audit of financial statements and is not subject to the Auditing Act, we do not express an audit opinion under the terms of the aforementioned legislation.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
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The procedures applied were as follows:

1. Reading and understanding the information prepared by the Company in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in the Circular N° 5/2013 of the National Securities Market Commission dated June 12, 2013 which was subsequently amended by the Circular N° 7/2015 of the National Securities Market Commission dated December 22, 2015 and the Circular N° 2/2018 of the National Securities Market Commission dated June 12, 2018.
2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the Company.
3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the audit committee.
4. Comparison of the information described in point 1 above with our knowledge of the Company's ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the annual accounts.
5. Reading the minutes of meetings of the board of directors, audit committee and other committees of the Company, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.
6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and Circular n° 5/2013 of the National Securities Market Commission, dated June 12, 2013, as modified by Circular n° 7/2015 of the National Securities Market Commission, dated December 22, 2015, and Circular n° 2/2018 of the National Securities Market Commission, dated June 12, 2018, for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original Spanish version signed by
Rafael Pérez Guerra

March 16, 2020

General Shareholders' Meeting 2020

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Annual Report on Directors Remuneration



Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED COMPANIES



ISSUER IDENTIFICATION

YEAR-END DATE		11/30//2019
Tax identification No. (C.I.F.)		A28011153
COMPANY NAME	ZARDOYA OTIS, S.A.	
REGISTERED OFFICE	CALLE GOLFO DE SALÓNICA, 73. MADRID	

**ANNUAL REPORT ON COMPENSATION OF DIRECTORS
IN LISTED COMPANIES**

A. COMPENSATION POLICY OF THE COMPANY FOR THE CURRENT FINANCIAL YEAR

A.1. *Explain the current director compensation policy applicable to the year in progress. To the extent that it is relevant, certain information may be included in relation to the compensation policy approved by the General Shareholders' Meeting, provided that these references are clear, specific and concrete.*

The specific determinations for the year in progress should be described, both the compensation of directors in their status as such and as a result of their executive functions carried out for the Board pursuant to the contracts signed with executive directors and to the compensation policy approved by the General Shareholders' Meeting

At any event, the following aspects should be reported:

- *Description of the procedures and company bodies involved in determining and approving the compensation policy and its terms and conditions.*
- *Indicate and, where applicable, explain whether comparable companies have been taken into account in order to establish the company's compensation policy.*
- *Information on whether any external advisors took part in this process and, if so, their identity.*

Explanation

According to article 24 of the By-Laws and article 18 of the Regulations of the Board of Directors, the position of director of Zardoya Otis, S.A. (the "**Company**") will be remunerated.

In the financial year ended November 30, 2019, the Compensation Policy approved by the General Shareholders Meeting on May 24, 2017 for the financial years 2018, 2019 and 2020 in accordance with article 529 novodecies of Royal Legislative Decree 1/2010 of July 2, whereby the revised text of the Capital Companies Law was approved, was applied for the second time (the "**Compensation Policy**"). The current year (in which the vote on this Compensation Annual Report of the company directors will take place) will be the third year in which it is applied.

Before being approved by the Annual General Shareholders Meeting and submitted to it by the Board of Directors, the Compensation Policy was proposed by the Nominating and Compensation Commission as per its meeting of April 4, 2017, confirming its compliance with the applicable regulations and its adaptation to the economic context, company results and the most consolidated market practices.



The rules on director compensation in the Company are structured as follows:

1. Director compensation in the Bylaws

Article 24 of the Bylaws fixes global compensation for all the members of the Board of Directors in their status as such consisting of a maximum share of 1.5% of the consolidated profit after tax up to a limit of 1% of the consolidated profit before tax. This amount can only be taken from the liquid profit (after tax) after the legal reserves and the reserves provided for in the Bylaws have been covered and a dividend of at least 10% of the paid-up share capital has been recognized in the shareholders' favour ("**Bylaw-stipulated Compensation**"). Likewise, the Bylaws state that taking out liability insurance for the directors will form part of the aforementioned upper limit on the compensation.

Furthermore, article 24 states that directors compensation will follow the compensation policy that the General Shareholders Meeting will approve at least every three years as a separate item on the Agenda. In particular, the compensation policy proposal put to the General Shareholders Meeting will be accompanied by a specific report from the Nominating and Compensation Commission.

Likewise, the compensation policy approved by the General Shareholders Meeting will be in force for the following three financial years and any amendment thereto or replacement thereof during this period will require prior approval from the General Shareholders Meeting.

2. The Compensation Policy

a) Principles of the Compensation Policy

The Compensation Policy is based on the following general principles:

- (i) Creating value in the long term.
- (ii) Reinforcing the attainment of results and strategic objectives.
- (iii) Rewarding dedication, responsibility and professional track record.
- (iv) Not compromising director independence.
- (v) Ensuring transparency and competitiveness.
- (vi) Attracting, retaining and motivating the best professionals.

b) Compensation of directors in their status as such in the Compensation Policy

The Compensation Policy follows the profit-sharing scheme established in the Bylaw-stipulated compensation and fixes an upper annual limit of €2,000,000 for the global compensation of the directors in their status as such.

In particular, the Compensation Policy states that the compensation will be the sum deemed necessary to remunerate the dedication, qualifications and responsibility



that the position entails, without being so high as to compromise the directors' independence (in accordance with article 18 of the Regulation of the Board of Directors).

Likewise, the Compensation Policy does not establish any attendance bonuses, per diem allowances or any additional compensation other than as described in this section b).

c) Compensation of the Chief Executive Officer in the Compensation Policy

The compensation of the Chief Executive Officer (Mr Bernardo Calleja Fernández) for his executive duties in the Company is regulated in his contract with the Company and was expressly approved by the General Shareholders Meeting in the Compensation Policy. This contract was approved by at least two thirds of the Board of Directors (with the abstention of the Chief Executive Officer) and received a favourable report from the Nominating and Compensation Commission, in accordance with articles 249 and 529 quincecies 3(e) of the Capital Companies Law.

This compensation has:

- (i) A fixed component of €285,000, which may vary by a maximum amount of €25,000 per year during the term of the Compensation Policy.
- (ii) A variable component based on an annual incentive (cash payment) with a target of 60% of his gross annual salary, as well as a long-term incentive package in his status as a UTC group executive (UTC share-based compensation scheme).

Payment of the variable compensation considers whether the executive has complied with the Company's good performance in management, risk control and people safety at the workplace. In the event that any incident were to occur in the Company in the areas of safety, regulatory control or ethics, the Company reserves the right to reduce the executive's variable compensation or, in very serious cases, eliminate it.

- (iii) Contributions to welfare and insurance systems in accordance with the following:

Item	Upper limits for 2018, 2019 & 2020 ⁽¹⁾
Contribution to a defined-contribution pension insurance policy	7% of €62,871.28, plus 28% of the difference between his gross fixed annual compensation and €62,871.28

Insurance premiums (death and disability, life insurance, accident insurance, health insurance, etc.)	€7,100
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(1) Compensation for executive duties in the preceding 12 months refers to the whole of the compensation for the preceding year for said duties not including the contributions and insurance premiums to which the table refers.

In addition, the Compensation Policy also regulates the basic conditions of the contract with the Chief Executive Officer (term, minimum employment period, indemnity for early termination, exclusivity and post-contractual non-competition) in accordance with the Capital Companies Law, article 529 octodecies.

3. Distribution by the Board of Directors

Within the limits established by the Corporate Bylaws, the Compensation Policy, article 18 of the Board of Directors Regulations and each Ordinary General Shareholders Meeting (the latter under the legal protection of article 218 of the Corporation Law), this compensation for the directors in their status as such will be distributed among its members in the manner freely determined by the Board of Directors in each financial year, depending on the duties and responsibilities attributed to each director, whether they are members of any Board committees and any other objective circumstances deemed relevant.

Likewise, the Board also distributes and approves the variable components of the compensation of the Chief Executive Officer and members of senior management (subsequent to a prior proposal from the Nominating and Compensation Commission and within the limits fixed by law, the Bylaws and the Compensation Policy).

4. Summary of items of compensation

The items of compensation applicable for the different types of director in the Company are summarized in the following table:

Type	Number	Fixed compensation	Variable compensation	Other concepts (Statutory compensation)	UTC long-term incentive scheme
Executive director	1	YES	YES	NO	YES
Proprietary directors	7	NO	NO	YES ⁽¹⁾	NO
Independent directors	2	NO	NO	YES ⁽¹⁾	NO



Other external directors	1	NO	NO	YES ⁽¹⁾	NO
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(1) Compensation of directors in their status as such regulated in the Statutory Compensation and Compensation Policy (i.e 1.5% participation of the consolidated profit after taxes with the maximum limit of 1% of the consolidated benefit) cannot be considered with the "variable remuneration" section. CNMV criteria states that variable remuneration should be restricted to remuneration concepts linked to the individual performance of the director. Consequently, this remuneration is included as "other concepts"

- ***Relative importance of variable compensation items vis-à-vis fixed compensation (compensation mix) and the criteria and objectives taken into consideration in their determination and to guarantee a suitable balance between the fixed and variable components of the compensation. In particular, state the actions adopted by the company in relation to the compensation system to reduce exposure to excessive risks and adapt this to the long-term objectives, values and interests of the company, which will include, as the case may be, mention of the measures to guarantee that the long-term results of the company are taken into account in the compensation policy, the measures adopted in relation to those categories of staff whose professional activities have a material impact on the risk profile of the company and measures to avoid conflict of interest, as the case may be.***

Furthermore, state whether the company has established any period for the accrual or consolidation of certain variable compensation items, in cash, shares or other financial instruments, any deferral period in the payment of amounts or the handover of accrued and consolidated financial instruments, or if any clause exists reducing the deferred compensation or that obliges the director to return compensation received, when such compensation has been based on certain figures that have clearly been shown to be inaccurate has been agreed.

Explanation

The Variable Compensation Policy it is only limited to the Executive Director of the Company and Senior Executives. The final structure of the Executive Director's compensation mix depends on the final decision that the Board of Directors, at the proposal of the Nominating and Compensation Commission, adopts respecting the limits established in the Compensation Policy. This decision of the Board of Directors is not only based on financial parameters, but also takes into account that the Executive Director has complied with regulations and ethical company procedures and has had a good performance in management, risk control and people safety at the workplace. N 2019, the variable component of Executive Director Compensation represented 61.45% of the total remuneration received (60.70% in 2018).



In relation to the accrual period, the variable compensation of the Executive Director is based on annual incentive (cash payment includes a variable component based on an annual incentive (cash payment) that is accrued throughout the year to which it is associated and whose final amount-and subsequent payment- it is agreed by the Board of Directors (at the proposal of the Nominating and Compensation Commission) in the following year.

Additionally, the Executive Director has a package of long-term incentives for his status as an executive of UTC group (based on a compensation scheme through UTC actions at the end of the year 2019) that is mainly based on the Executive Director performance evaluation over several years and his ability to create a sustainable long-term value for the Corporation.

- ***Amount and nature of fixed components that are due to be accrued during the year by directors in their status as such.***

Prior proposal of the Nominating and Compensation Commission, the Board of Directors has approved the final amount of its compensation respecting the limits established in the Statutory compensation, the compensation policy and the agreements of the Ordinary Shareholders General Shareholders Meeting under the article 218 of the Corporate Law. In particular, the Board of Directors approved the directors compensation in their status as such, of € 1,033,333.33 for the year 2019, broadly respecting the percentage limits indicated above and well below the quantitative limit of € 2,000,000 .

Likewise, the Board of Directors delegated to its Chairman the power to distribute the amount referred in the previous section among the members of the Board of Directors, taking into consideration roles and responsibilities attributed to each director, their membership of the Board of Directors committees and other relevant objective circumstances.

To conclude, there is no additional fixed compensation for the performance of the role of Chairman of the Board of Directors. Diets are not received for meetings attending.

- ***Amount and nature of fixed components that are due to be accrued during the year for the performance of senior management functions of executive directors.***



The executive director received a total fixed compensation of € 367,487.15 in 2019.

This figure is broken down as follows:

- Fixed compensation as CEO of the Company: € 297,142.83.
- Savings policies contributions: € 70,344.32.

- ***Amount and nature of any component of compensation in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour of the director.***

The Company has not awarded any compensation in kind to the directors in their status as such. The Executive Director has accrued in this favour savings policies contributions of € 70,344.32 in 2019

- ***Amount and nature of variable components, differentiating between those established in the short and long term. Financial and non-financial, including social, environmental and climate change parameters selected to determine variable compensation in the year in progress, explaining the extent to which these parameters are related to performance, both of the director and of the company, together with their risk profile, and the methodology, deadline necessary and techniques established to determine the degree of compliance with the parameters used in the design of the variable compensation at the end of the year.***
- ***State the range, in monetary terms, of the different variable components according to the degree of compliance with the objectives and parameters established, and whether any maximum monetary amounts exist in absolute terms.***

Pursuant to the Compensation Policy, the contract signed with the Company and the agreement of the Board of Directors (at the proposal of the Nominating and Compensation Commission) , Mr Bernardo Calleja Fernández, as CEO and sole company executive director, has received the following amounts as variable compensation.

- a) Annual incentive with a target of 60% of his gross fixed annual salary. The calculation of the annual incentive, it is based on an equivalent amount of 60% of the fixed compensation received by the executive director in the previous closed year (in this case, the fixed gross compensation received by the executive director in 2018)

Subsequently, multiplying factor (which may be higher or lower than 1) is established, depending on the results of the business unit, and calculated in accordance with the profit plan and cash flow generated. For the calculation of this multiplying factor, not only the financial parameters described above are taken into account, but it is also valued that the executive director has complied with the rules and ethical procedures of the Company throughout the year

In particular, the annual incentive paid to the executive director in 2019 was €195,000 (€215,000 in 2018), calculated on his gross fixed compensation at December 31, 2018 (equivalent to €292,000), (€230,000 at December 31,



2017), being a variable incentive of 66.8% in 2019 and 75.4% in 2018, representing a coefficient of 1,11 in 2019 (1.26 in 2018) of the target amount. This variable compensation is payable the following year, once the annual accounts have been formulated by the Board of Directors.

- b) Long-term incentives package. Mr Bernardo Calleja Fernández, since he is a UTC Group executive, may receive an annual long-term incentive package (share-based compensation scheme) from the UTC Group, as described in section A.1 above. The purpose of this scheme is to reward executives holding positions with important management responsibilities who, through their effort and the attainment of the planned objectives, contribute to the long-term success of the UTC group and its subsidiaries, such as, for example, the Company in the present case. This scheme includes awarding different financial instruments (stock appreciation rights, performance share units and restricted stock units) to the beneficiaries. The share-based schemes are awarded annually and depend on individual performance and the attainment of objectives of the Company, Otis and United Technologies Corporation. This incentive scheme is subject to the Recharge Agreement signed in September 2010 between United Technologies Corporation (UTC) and the Company.

The shares/stock options awarded must be held for at least three years (vesting) and, furthermore, certain previously-established business objectives must be attained in order for them to be exercised.

In this respect, the valuation of the options awarded to Mr Bernardo Calleja Fernández in 2019 was €389,979.49 (€337,769.00 in 2018), applying the following measurement criteria:

- (i) the shares are valued when they are given to the director, in as much as they are not subject to any subsequent condition (they are vested from the beginning); and
- (ii) options are valued when the director exercises them.

For the totality of the Company's directors, the long-term UTC incentive scheme represented a sum of €389,979.49 in 2019 and €337,769.00 in 2018 for all the Company's directors (since the only director benefiting from said scheme was Mr Bernardo Calleja Fernández).

Payment of the variable compensation takes into account that the executive director has complies with the rules and ethical procedures of the corporation, good performance in management, risk control and people safety at the workplace. In the event that an incident occurs in the areas of security, regulations or ethical control of the company, the company (through the Board of Directors) reserves the right to reduce the variable compensation of the executive director and, in very serious cases, to eliminate it.

- ***Main characteristics of long-term savings systems. Among other information, state the contingencies covered by the system, whether through defined contributions or benefits, the annual contribution that needs to be made to the defined contribution system, the benefits directors are entitled to in the event of defined benefit systems, the conditions under which economic rights are consolidated for directors and their***



compatibility with any other type of payment or severance pay as a result of the early termination or dismissal of the director, or deriving from the termination of the contractual relation, in the terms provided, between the company and the director.

State if the accrual or consolidation of any of the long-term savings plans is linked to achieving certain objectives or parameters related to the short- or long-term performance of the director.

As detailed above, the Company makes a contribution to the defined-contribution pension plan (savings policy) in favour of the executive director Mr Bernardo Calleja Fernández, the amount of which was €70,344.31 in 2019 and 68,332.58 in 2018.

In this respect, the contribution for the pension commitment is drawn up in a defined-contribution pension insurance policy, where the Company makes an annual contribution in November, that for 2019 it was calculated in two portions: a first portion of €4,551.89, equivalent to 7% of €65,027.07, plus a second portion of €65,792.42, calculated by applying 28% to the difference between Mr Bernardo Calleja Fernández's gross fixed annual compensation at the contribution date and €65,027.07. (amount updated by the insurance company at the date of payment of the contribution policy)

The consolidation of the contributions and the respective allocation or time of accrual are based on the gross annual compensation and it is not linked with the performance of short and long term objectives.

- ***Any type of payment or severance pay for early termination or dismissal of the director, or deriving from the termination of the contractual relation, in the terms provided, between the company and the director, whether voluntary resignation by the director or dismissal of the director by the company, as well as any type of agreement reached, such as exclusivity, post-contractual non-competition, permanence or loyalty, which entitle the director to any type of compensation.***

The Company has not made any payments for the items mentioned in this section in 2019

- ***State the conditions that contracts should respect for those exercising senior management functions as executive directors. Among others, information should be provided on the duration, limits on amounts of severance pay, minimum contract term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to hiring bonuses, compensation and golden parachute clauses for early termination of the contractual relationship between the company and the executive director. Include, among others, the pacts or agreement on non-competition, exclusivity, permanence and loyalty, and post-contractual non-competition, unless these have been explained in the previous section.***

The particular conditions contained in the contract of the Chief Executive Officer have not changed in respect of those set out in the 2018 Compensation Report. They are as follows and duly submitted to the Nominating and Compensation Commission and were approved by at least two thirds of the Board of Directors, in accordance with articles 249 and 529 quindicies of the Capital Companies Law. Likewise, his basic conditions were approved by the General Shareholders' Meeting in the Compensation Policy.



- (a) Term: indefinite.
 - (b) Indemnity for early dismissal or termination by the Company: 45 days' compensation per year from the time he was appointed as the Company's Chief Executive Officer (i.e. February 14, 2012) until the date of termination of the contract, up to a maximum equivalent to 42 monthly payments.
 - (c) Exclusivity agreement: during the time the contract is in force, unless he has the express prior authorization of the Board of Directors, Mr Bernardo Calleja Fernández will work exclusively for the Company and, if necessary, for any other UTC Group company.
 - (d) Non-competition agreement: non-competition obligation for the Chief Executive Officer for two years after finalization of his contract with the Company. Compensation for this agreement consists of a gross sum equivalent to 12 monthly payments of the fixed compensation that the Chief Executive Officer had been receiving before finalization of his contract with the Company.
 - (e) Continuity or loyalty agreement: none.
- ***The nature and estimated amount of any other supplementary compensation accrued by directors in the year in progress in consideration for services rendered other than those inherent in the post.***

With the exception of the Chief Executive Officer –the Company's only executive director–, none of the other members of the Board of Directors have rendered services other than those inherent to their positions. Please see the preceding sections regarding the specific characteristics of this supplementary compensation received by the Chief Executive Officer for this reason.

- ***Other remunerative items or by-products, as the case may be, of the company granting the director advance payments, loans, guarantees or any other compensation.***

The Board of Directors agreed to pay as compensation of the directors in their status as such, €533,000 on account of its compensation at the end of the first six months of 2019 as part of the total compensation for 2019 (€1,033,333.33 in total)

Before it was approved, in accordance with the Compensation Policy, the Audit Committee reported in favour of said advance payment to the Board of Directors, confirming in their report that:

- (a) The agreed-upon compensation figure was less than 1.5% of the consolidated profit after taxes and 1% of the consolidated profit before taxes corresponding to the first half of 2019, existing on that date sufficient funds to meet this payment
- (b) In the latest statement of financial position, dated November 30, 2018, the needs of the legal reserve and the Bylaw-stipulated reserve were fully covered; and.

- (c) At the meeting of the Board of Directors held on March 20, 2019 payment of the first interim dividend charged to the 2018 profit was approved for a gross amount of 0.080 euros per share with a par value of 0.10 euros, which was paid on April 10, 2019.

Besides, The Company has not granted any compensation to the directors in the form of credits, guarantees or equivalent compensation.

- ***The nature and estimated amount of any other planned supplementary compensation accrued by directors in the year in progress that are not included in the previous sections, whether payment is satisfied by the company or another group company.***

Mr Patrick Martin (proprietary director of the Company since 2018) provides management services to the company Otis Elevator Worldwide Sprl. (a company belonging to the group of the Company's majority shareholder). The sums paid to Mr Patrick Martin by the Company are then reimbursed by Otis Elevator Worldwide Sprl. to the company through a contract signed with both companies.

A.2. Explain any significant change in the compensation policy applicable in the current year resulting from::

- ***A new policy or a modification of the policy already approved by the General Shareholders Meeting.***
- ***Significant changes in the specific determinations established by the board for the current year regarding the compensation policy in force with respect to those applied in the previous year.***
- ***Proposals that the board of directors has agreed to submit to the general shareholders' meeting to which this annual report will be submitted and which are proposed to be applicable to the current year.***

There were no significant changes in the compensation policy in 2019.

A.3. Identify the direct link to the document where the current company compensation policy is posted, which must be available on the web page of the company.

<https://www.otis.com/es/es/accionistas-inversores/>

A.4. Explain, taking into account the data provided in Section B.4, the outcome of voting, of a consultative nature, by shareholders at the General Shareholders' Meeting on the annual report on compensation for the previous year.

At the General Shareholders' Meeting of 2019, the percentage of votes in favor of the agreement regarding voting on an advisory basis of the Annual Directors' Compensation Report was 94.37%. Therefore, taking into account the high percentage of votes in favor, the Company has maintained the path marked by the principles of the Compensation Policy approved in 2017 and has continued to strictly comply with all the requirements and limits (legal, statutory or internal) applicable to the directors compensation.



B. OVERALL SUMMARY OF HOW THE COMPENSATION POLICY HAS BEEN APPLIED DURING THE YEAR ENDED

B.1. Explain the process followed to apply the compensation policy and determine the individual compensation contained in Section C of this report. This information will include the role played by the compensation committee, the decisions taken by the Board of Directors and, as the case may be, the identity and the role of the external advisors whose services have been used in the process to apply the compensation policy in the year ended..

(A) The Ordinary General Shareholders Meeting approves each year the maximum participation percentage in the framework of the Statutory Compensation. In fiscal year 2019, this maximum participation percentage consisted of 1.5% of the consolidated profit after taxes with a maximum limit of 1% of the consolidated profit before taxes. This maximum percentage is within the maximum limit established in the Bylaws and in the Compensation Policy, and was agreed by the Ordinary Shareholders General Shareholders Meeting without prejudice to the powers of the Board of Directors to set the exact amount to be paid within this limit under the Bylaws and Compensation Policy protection.

In addition, respecting the limits established by the Ordinary General Shareholders Meeting, the Statutory Compensation and the Compensation Policy, the Board of Director (at the proposal of the Nominating and Compensation Commission) decided at its meeting in July 2019 to limit the total amount of its compensation to € 1,033,333.33 for the year 2019, thereby reducing the amount agreed by the Board of Directors at its March 2019 meeting (equivalent to an amount of € 1,200,000) due to the changes made to throughout the year in the structure of the Board of Directors.

The Board of Directors decided at the same meeting to delegate to its Chairman the compensation distribution of this compensation among the Company's directors, depending on the duties and responsibilities allocated to each one of them, as well as their membership of any Board committees, and any other objective circumstances deemed relevant.

(B) Additionally, at its meeting of July, 2019, the Board decided to pay €533,000 on account of the Directors compensation for 2019 (upon completion of the first six months of the 2019 period) in accordance with the Compensation Policy.

Prior to the Board of Directors meeting, as regulated by the Compensation Policy, the Audit Committee confirmed and favourably informed the Board of Directors about the compliance with the requirements set in the Compensation Policy in order to make payments on account of the directors compensation in their status as such.

Compensation of the Executive Director:

(A) Mr Bernardo Calleja Fernández, the Company's Chief Executive Officer and only executive director in 2019, received fixed compensation for carrying out executive duties.



This fixed compensation was €297,142.83 in 2019. Likewise, in 2019, the Company contributed €70,344.32 to the defined-contribution pension plan taken out for Mr Bernardo Calleja Fernández.

These fixed compensation components observe the provisions of the Compensation Policy. The amounts were expressly approved by Board of Directors as per the proposal of the Nominating and Compensation Commission.

(B) The variable compensation of the Chief Executive Officer was approved by the Board of Directors as per the proposal of the Nominating and Compensation Commission. As explained above, the amount for 2019 was €195,000 and €70,344.32 to the defined-contribution pension plan.

Besides, the CEO can also beneficiary of a long-term incentive package (€ 389,979.49 in 2019). This plan is annually granted depending on the individual performance and the achievement of company objectives, Otis and United Technologies Corporation and it is subject to the "Recharge Agreement" signed in September 2010 between United Technologies Corporation (UTC) and the Company. This plan application is annually approved annually by the Board of Directors (with the abstention of the executive director) and the entity responsible for determining the final amount of the variable compensation for this concept is the United Technologies Corporation in accordance with the criteria of the "Recharge Agreement"

B.2. Explain the different actions taken by the company in relation to the compensation system and how they have contributed to reducing exposure to excessive risks and adapting them to the long-term objectives, values and interests of the company, including a reference to the measures that have been adopted to guarantee that the long-term results of the company have been taken into consideration in the compensation accrued and that a suitable balance has been attained between the fixed and variable components of the compensation, the measures that have been adopted in relation to those categories of staff whose professional activities have a material repercussion on the company's risk profile and the measures that have been adopted to avoid conflicts of interest, if appropriate.

The current composition of the Board of Directors (63.64% of its members were proprietary directors in 2019) guarantees that the director compensation policy takes the results that should be obtained by the Company in the long term into account.

Thus, with the sole exception of the Chief Executive Officer, who receives part of his compensation as variable compensation), directors compensation in their status as such it has been maintained these recent years in a linear manner as € 1,200,000 (quite below the quantitative limit established in the Compensation Policy). As detailed above, the Board of Directors has even reduces that amount to to € 1,033,333.33 in fiscal year 2019 as a result of the changes made to the Board of Directors during the past year. This practice established by the Board of Directors has contributed, and contributes, to necessarily bind the directors compensation with the best interest of the Company in the long term.



B.3. Explain how the compensation accrued over the year meets the provisions contained in the current compensation policy.

Furthermore, report on the relationship between the compensation obtained by the directors and the results or other performance measures of the company in the short and long term, explaining, as the case may be, how the variations in the performance of the company have influenced changes in the compensation of directors and how the latter contribute to the short- and long-term results of the company.

In 2019, director compensation for both, their status as such and their executive tasks performance, it was structured in accordance with the framework contained in the Company's Byelaws, Compensation Policy and the Ordinary General Shareholders Meeting agreement under Article 218 of the Capital Companies Law.

Total compensation accrued by directors in their status as such did not exceed the upper limit of 2,000,000 euros fixed in the Compensation Policy approved in the Compensation Policy.

The individual fixed compensation of the Chief Executive Office for his executive duties accrued in 2019 was calculated by applying the amounts approved by the Board of Directors at its meeting of March, 2019 (as per the proposal of the Nominating and Compensation Commission). All this within the regulatory framework established by the Bylaws, the Compensation Policy and the contract signed by the CEO and the Company (which, as detailed above, was approved in accordance with the requirements established in the Companies Law of Capital). Additionally, the Board of Directors, together with the Nomination and Compensation Commission, has analysed and verified the objectives fulfilment (both financial and non-financial) in order to determine the final amount for the executive director variable compensation, including, without any limitation, compliance with regulations and ethical company procedures and has had a good performance in management, risk control and people safety at the workplace



B.4. Report on the result of the consultative vote at the General Shareholders' Meeting on compensation in the previous year, indicating the number of votes against that may have been cast.

	Number	% of total
Votes cast	345,026,516	73.34%

	Number	% of total
Votes against	18,529,231	5.37%
Votes in favour	325,601,444	94.37%
Abstentions	895,841	0.26%

B.5. Explain how the fixed components accrued during the year by the directors in their capacity as such have been determined and how they have changed with respect to the previous year.

As previously detailed, directors compensation in their status as such is €1,033,333.33 in 2019 as per the concept of Statutory Compensation (€ 1,200,000 in 2018)

B.6. Explain how the salaries accrued by each one of the executive directors over the past financial year for the performance of management duties were determined, and how they have changed with respect to the previous year.

As stated in preceding sections, there are no other delegate bodies (apart from the Chief Executive Officer), neither other directors (apart from Mr. Bernardo Calleja Fernández, CEO) that have assigned executive managements roles.

The salary accrued by the Chief Executive Officer was approved by the Board of Directors at its meeting of March , 2019. Said amount is in line with the compensation policy , as detailed above, and did not vary substantially in comparison with the preceding year.

B.7. Explain the nature and the main characteristics of the variable components of the compensation systems accrued in the year ended.

In particular:

– Identify each one of the compensation plans that have determined the different types of variable compensation accrued by each of the directors in the year ended, including information on their scope, their date of approval, their date of incorporation, the periods of accrual and validity, the criteria used to evaluate performance and how this has affected the



establishment of the variable amount accrued, as well as the measurement criteria used and the period necessary to be in a position to suitably measure all the conditions and criteria stipulated.

In the case of share options and other financial instruments, the general characteristics of each plan will include information on both the conditions to acquire unconditional ownership (consolidation) and to exercise these options or financial instruments, including the price and term to exercise them.

– Each one of the directors, together with their category (executive directors, proprietary external directors, independent external directors and other external directors), that are beneficiaries of compensation systems or plans that include variable compensation.

– As the case may be, information is to be provided on periods for the accrual or deferment of payment applied and/or the periods for withholding/unavailability of shares or other financial instruments, if they should exist.

See response to the section “State the range, in monetary terms, of the different variable components according to the degree of compliance with the objectives and parameters established, and whether any maximum monetary amounts exist in absolute terms” of Section A.

B.8. Indicate whether certain variable components have been reduced or clawed back when, in the case of the former, payment has been consolidated and deferred or, in the case of the latter, consolidated and paid, on the basis of data that have subsequently proved to be inaccurate. Describe the amounts reduced or clawed back through the application of the reduction or clawback clauses, why they were implemented and the years to which they refer..

None of the situations mentioned in this section arose in 2019.

B.9. Explain the main characteristics of the long-term savings systems where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefit that are financed, totally or partially, by the company, whether through internal or external contributions, indicating the type of plan, whether it is a defined contribution or benefit, the contingencies covered, the conditions to consolidate economic rights for directors and their compatibility with any type of severance pay for early termination or termination of the contractual relationship between the company and the director.

See response to the section “Main characteristics of long-term savings systems” of Section A

B.10. Explain, where appropriate, the severance pay or any other type of payment deriving from early dismissal or early resignation, or from the termination of the contract in the terms provided for therein, accrued and/or received by directors during the year ended.

The Company did not make any payments for the items mentioned in this section in 2019.

B.11. Indicate whether there have been any significant changes in the contracts of persons exercising senior management functions, such as executive directors, and, where appropriate, explain such changes. In addition, explain the main conditions of the new contracts signed with executive directors during the year, unless these have already been explained in Section A.1.



No significant changes in the contracts of persons exercising senior management functions (i.e Mr Bernardo Calleja Fernández, Chief Executive Officer) took place in the year 2019.

B.12. Explain any supplementary compensation accrued by directors as consideration for services rendered outside of their post.

The directors did not accrue any supplementary compensation as consideration for services rendered outside of their post during the year 2019.

B.13. Explain any compensation deriving from advance payments, loans or guarantees granted, indicating the interest rate, their key characteristics and the amounts eventually returned, as well as the obligations taken on by way of guarantee or collateral.

See response to the section “Other remunerative items or by-products, as the case may be, of the company granting the director advance payments, loans, guarantees or any other compensation.” of Section A for further detail of the payment on account of the directors compensation in their status as such.

The Company has not granted any compensation to the directors in the form of credits or guarantees.

B.14. Itemise the compensation in kind accrued by the directors over the year, briefly explaining the nature of the different salary components.

Executive directors have not accrued any kind of compensation with the exception (i) of the contribution to the savings policy (defined in the contribution pension plan) in favor of the CEO described in this report whose contribution in the year 2019 was 70,344.31 euros, and (ii) of the CEO's long-term incentive package as an executive within the UTC group that, in 2019, received stock options as per an amount of € 389,979.49.

B.15. Explain the compensation accrued by directors by virtue of payments settled by the listed company to a third company at which the director renders services when these payments seek to remunerate the director's services to the company.

The proprietary directors appointed at the proposal of United Technologies Holdings, S.A.S. (“UTC”) (i.e., Mr Mark George (replaced by Ms Stacy Petrosky), Mr Patrick Blethon (replaced by Mr Mark Eubanks) and Ms Robin Fiala)) did not receive any compensation as their status of executive directors, receiving it on their behalf the proprietary director Otis Elevator Company (a UTC Group company). It has received € 517.000 in 2019. (€ 600.000 in 2018).

This is because it is United Technologies Corporation (corporation to which Otis Elevator Company and United Technologies Holdings, S.A.S. belong) has group policy for directors appointed at the proposal of UTC based on not receiving any compensation for holding the status of director in group companies. Furthermore, no United Technologies Corporation group company pays said compensation to the proprietary directors subsequently, although their compensation is in line with their post and responsibilities.



B.16. Explain any other items of compensation other than those mentioned in the previous sections, whatever their nature or the group company that settles the payment, particularly when this is a related operation or its settlement distorts the true image of the total compensation accrued by the director.

As an exception to what is detailed in the previous section, Mr. Patrick Martin, proprietary director appointed at the proposal of United Technologies Holdings, S.A.S., did receive compensation by the Company. However, this compensation will be reimbursed to the Company by Otis Elevator Worldwide Sprl. (company also belonging to the UTC group) in accordance with the agreement signed by the Company and Otis Elevator Worldwide Sprl.(to the extent that this compensation is satisfied to Mr. Patrick Martin for his executive work in Otis Elevator Worldwide Sprl.). This reimbursable compensation received by Mr. Patrick Martin is € 422,000 (taking into account only cash compensation paid by the Company) in 2019.

C. ITEMISED INDIVIDUAL COMPENSATION ACCRUED BY EACH DIRECTOR

Name	Type	Period of accrual in year 2019
MR MARIO ABAJO GARCIA (*)	Other external	From 12/01/2018 to 03/20/2019.
OTIS ELEVATOR COMPANY	Proprietary	From 12/01/2018 to 11/30/2019.
EURO-SYNS S.A.(****)	Proprietary	From 12/01/2018 to 11/30/2019.
MR ALBERTO ZARDOYA ARANA	Proprietary	From 12/01/2018 to 11/30/2019.
MR JOSE MARIA LOIZAGA VIGURI	Other external (Deputy Chairman)	From 12/01/2018 to 11/30/2019.
MR BERNARDO CALLEJA FERNANDEZ(*)	Executive	From 12/01/2018 to 11/30/2019.
MR MARK GEORGE (**)	Proprietary	From 12/01/2018 to 07/26/2019.
MS ROBIN FIALA	Proprietary	From 12/01/2018 to 11/30/2019.
MR PATRICK MARTIN	Proprietary	From 12/01/2018 to 11/30/2019.
MR PATRICK BLETHON (**)	Proprietary	From 12/01/2018 to 07/26/2019.
MR JOSE MIGUEL ANDRES TORRECILLAS	Independent	From 12/01/2018 to 11/30/2019.
MS EVA CASTILLO SANZ	Independent	From 05/22/2019 to 11/30/2019
MR MARK EUBANKS (**)	Proprietary	From 07/26/2019 to 11/30/2019.
MS STACY PETROSKY (***)	Proprietary	From 07/26/2019 to 11/30/2019.

(*) On March 20, 2019, Mr Bernardo Calleja Fernández replaced Mr Mario Abajo as Chairman of the Board of Directors. On that same date, Mr. Mario Abajo García ceased to be a member of the Company Board of Directors.

(**) On July 26, 2019 Mr Mark Eubanks replaced Mr Patrick Blethon as a member of the Board of Directors.

(***) On July 26, 2019 Ms Stacy Petrosky replaced Mr Mark George as a member of the Board of Directors.

(****) On October 11, 2019, the Board of Directors noted the appointment of Mr Eduardo Montes Pérez as the new personal representative of EURO-SYNS, S.A.

C.1 Complete the following tables regarding the individual compensation of each director (including the salary received for performing executive duties) accrued during the year.

- a) Compensation from the reporting company::
 (i) Compensation in cash (thousand euros):

Name	Fixed compensation	Per diem allowances	Short-term variable compensation	Long-term variable compensation	Compensation for membership of board committees	Severance pay	Other grounds	Total 2019	Total 2018
EURO-SYNS S.A.	0	0	0	0	0	0	50	50	50
MR MARIO ABAJO GARCIA	0	0	0	0	0	0	67	67	200
MR JOSE MARIA LOIZAGA VIGURI	0	0	0	0	0	0	200	200	200
OTIS ELEVATOR COMPANY	0	0	0	0	0	0	517	517	600
MR ALBERTO ZARDOYA ARANA	0	0	0	0	0	0	50	50	50
MR JOSE MIGUEL ANDRES TORRECILLAS	0	0	0	0	0	0	100	100	100
MS EVA CASTILLO SANZ	0	0	0	0	0	0	50	50	0
MR BERNARDO CALLEJA FERNANDEZ	297	0	195	0	0	0	70	562	573
MR PATRICK MARTIN	0	0	0	0	0	0	0	0	0
MR MARK GEORGE / DOÑA STACY PETROSKY	0	0	0	0	0	0	0	0	0
MS ROBIN FIALA	0	0	0	0	0	0	0	0	0
MR PATRICK BLETHON / DON MARK EUBANKS	0	0	0	0	0	0	0	0	0

Remarks

When preparing this table, account was taken of the following:

- (i) Compensation of directors in their status as such, regulated in the Bylaw-stipulated Compensation and the Compensation Policy (i.e. a share of 1.5% of the consolidated profit after tax with an upper limit of 1% of the consolidated profit) cannot be considered “short-term variable compensation”. The CNMV’s criterion is that variable compensation should be restricted to compensation items linked to the director’s individual performance. Consequently, this compensation is included as “other items”.
- (ii) The proprietary directors appointed at the proposal of United Technologies Holdings, S.A.S. (“UTC”) (i.e., Mr Mark George (replaced by Ms Stacy Petrosky), Mr Patrick Blethon (replaced by Mr Mark Eubanks) and Ms Robin Fiala)) did not receive any compensation. Otis Elevator Company (a United Technologies Corporation Group company) received it on their behalf.

Mr Patrick Martin, as detailed above, received compensation from the company that will be reimbursed to it by Otis Elevator Worldwide Sprl.

(ii) Share-based compensation systems:

Name/Type/Period of accrual 2019	Ownership of options at the beginning of F.Y. 2019				Options allocated during F.Y. 2019					Shares handed over during F.Y. 2019
	No. of options	No. of shares affected	Exercise price (€)	Exercise period	No. of options	No. of shares affected	Exercise price (€)	Exercise period	Exercise requirements	No./ Price/Amount
MR BERNARDO CALLEJA FERNANDEZ										
Plan A 2016	11,900	11,900	85,8	10	N/A	N/A	N/A	N/A	N/A	N/A
Plan B 2016	2,390	2,390	0	3	N/A	N/A	N/A	N/A	N/A	N/A
Plan A 2017	5,200	5,200	98,6	10	N/A	N/A	N/A	N/A	N/A	N/A
Plan B 2017	3,116	3,116	0	3	N/A	N/A	N/A	N/A	N/A	N/A
Plan A 2018	5,050	5,050	106,28	10	N/A	N/A	N/A	N/A	N/A	N/A
Plan B 2018	2,752	2,752	0	3	N/A	N/A	N/A	N/A	N/A	N/A
Plan A 2019	N/A	N/A	N/A	N/A	11,100	11,100	105,80	10	Hold for at least 3 years	N/A
Plan B 2019	N/A	N/A	N/A	N/A	N/A	2,029	0	3	Hold for at least 3 years	2,029

Name/Type/Period of accrual 2019	Options exercised during F.Y. 2019				Options matured but not exercised	Options at end of F.Y. 2019				
MR BERNARDO CALLEJA FERNANDEZ	No. of options	No. of shares affected	Exercise price (€)	Gross profit (Thousand €)	No. of options	No. of options	No. of shares affected	Exercise price (€)	Exercise period	Other exercise requirements
Plan A 2016	11,900	11,900	98,6	119,5	-	N/A	N/A	N/A	N/A	N/A
Plan B 2016	2,390	2,390	103	270,5	1,080	N/A	N/A	N/A	N/A	N/A
Plan A 2017	N/A	N/A	N/A	N/A	N/A	5,200	5,200	98,6	10	Hold for at least 3 years
Plan B 2017	N/A	N/A	N/A	N/A	N/A	3,116	3,116	0	3	Hold for at least 3 years
Plan A 2018	N/A	N/A	N/A	N/A	N/A	5,200	5,200	98,6	10	Hold for at least 3 years
Plan B 2018	N/A	N/A	N/A	N/A	N/A	3,116	3,116	0	3	Hold for at least 3 years
Plan A 2019	N/A	N/A	N/A	N/A	N/A	11,100	11,100	105,80	10	Hold for at least 3 years
Plan B 2019	N/A	N/A	N/A	N/A	N/A	2,029	2,029	0	3	Hold for at least 3 years

(iii) Long-term saving systems:

Name	Compensation from consolidation of rights to savings system (€ thousands)	
	F.Y. 2019	F.Y. 2018
MR BERNARDO CALLEJA FERNANDEZ	70	68

Name	Contribution over the year from the company (thousand €) with consolidated economic rights		Amount of accumulated funds (thousand €) with consolidated economic rights	
	F.Y. 2019	F.Y. 2018	F.Y. 2019	F.Y. 2018
MR BERNARDO CALLEJA FERNANDEZ	0	0	0	0

Name	Contribution over the year from the company (thousand €) with unconsolidated economic rights		Amount of accumulated funds (thousand €) with unconsolidated economic rights	
	F.Y. 2019	F.Y. 2018	F.Y. 2019	F.Y. 2018
MR BERNARDO CALLEJA FERNANDEZ	70	68	680	593

(iv) Details of other items

N/A

b) Compensation of the company directors for seats on the boards of other group companies:

(i) Compensation in cash (thousand €)

Name	Salary	Fixed compensation	Per diem allowances	Short-term variable compensation	Long-term variable compensation	Compensation for seats on board committees	Severance pay	Other grounds	Total 2019	Total 2018
EURO-SYNS S.A.	0	0	0	0	0	0	0	0	0	0
MR BERNARDO CALLEJA FERNANDEZ	0	0	0	0	0	0	0	0	0	0
MR JOSE MARIA LOIZAGA VIGURI	0	0	0	0	0	0	0	0	0	0
MR ALBERTO ZARDOYA ARANA	0	0	0	0	0	0	0	0	0	0
OTIS ELEVATOR COMPANY	0	0	0	0	0	0	0	0	0	0
MR JOSE MIGUEL ANDRES TORRECILLAS	0	0	0	0	0	0	0	0	0	0
MS EVA CASTILLO SANZ	0	0	0	0	0	0	0	0	0	0

(ii) Table of changes in share-based compensation schemes and gross profit from consolidated shares or financial instruments

N/A

(iii) Long-term saving systems

N/A

(iv) Details of other items

N/A

c) Summary of compensation (thousand €):

The summary should include the amounts corresponding to all the items of compensation included in this report that have been accrued by the director, in thousand euros.

Name	Compensation accrued in the company				Compensation accrued in group companies				Total		
	Total cash compensation	Amount of shares allocated	Gross profit from options exercised	Total 2019 company	Total cash compensation	Amount of shares allocated	Gross profit from options exercised	Total 2019 group	Total F.Y. 2019	Total F.Y. 2018	Contribution to saving systems in F.Y.
MR BERNARDO CALLEJA FERNANDEZ	562	0	390	952	0	0	0	0	952	911	70
MR JOSE MARIA LOIZAGA VIGURI	200	0	0	200	0	0	0	0	200	200	0
MR ALBERTO ZARDOYA ARANA	50	0	0	50	0	0	0	0	50	50	0
EURO-SYNS S.A.	50	0	0	50	0	0	0	0	50	50	0
MR MARIO ABAJO GARCIA	67	0	0	67	0	0	0	0	67	200	0
OTIS ELEVATOR COMPANY	517	0	0	517	0	0	0	0	517	600	0
MR ANDRES TORRECILLAS, JOSE MIGUEL	100	0	0	100	0	0	0	0	100	100	0
MS EVA CASTILLO SANZ	50	0	0	50	0	0	0	0	50	0	0
MR PATRICK MARTIN (*)	422	0	169	591	0	0	0	0	591	569	0
TOTAL	2,018	0	559	2,577	0	0	0	0	2,577	2,680	70

(*) This compensation relates to compensation as an executive of the company Otis Elevator Worldwide SpI (a company belonging to the group of the Company's majority shareholder). The amounts paid by the Company are reimbursed to the Company by Otis Elevator Worldwide SpI through a contract signed with said company.

This annual compensation report was approved by the Company's Board of Directors at its meeting of February 27, 2020.

Yes []

No [X]

Name or company name of members of the Board of Directors who did not vote in favour of the approval of this report	Reasons (against, abstention, not present)	Explain the reasons
N/A	N/A	N/A

General Shareholders' Meeting 2020

* * * * *

Audit Committee Report on the Independence of the external auditor



Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

AUDIT COMMITTEE'S REPORT **ON THE INDEPENDENCE OF THE EXTERNAL AUDITOR**

FEBRUARY 27TH, 2020

Purpose of the report

The Audit Committee of Zardoya Otis, S.A. (the “**Company**”) issues this report, prior to the audit report on the annual financial statements for the period ended November 30, 2019, in order to express its opinion on the independence of the Company’s account auditor, in accordance with article 529 *quaterdecies*, 4.f) of Royal Legislative Decree 1/2010 of July 2, whereby the Revised Text of the Capital Companies Law was approved (the “**Capital Companies Law**”), the Regulations of the Company’s Board of Directors, article 12 A) 2 (f) (v) and paragraph 1 b) (ii) of Article 14 of the Audit Committee Regulations.

The auditor to which this report refers is PricewaterhouseCoopers Auditores S.L., with registered office in Madrid, Paseo de la Castellana 259B, Torre PwC, and tax identification No. B-790312909 (the “**Auditor**”). It has been the Company’s external account auditor for more than 30 years, as stated in the Company’s 2019 Annual Corporate Governance Report.

In order to properly assess whether the Auditor meets the conditions for independence, the Committee will apply its internal regulations, as well as the Independence guidelines and rules on incompatibility set out in Law 22/2015 of July 20 on account auditing (the “**Account Auditing Law**”), and Royal Decree 1517/2011 of October 31, whereby the Implementing Regulations of the Account Auditing Law (amended by Royal Decree 877/2015 of October 2) were approved (the “**Account Auditing Regulations**”).

Information obtained on the Auditor’s independence

Written communication from the Auditor

Prior to issuing this report, in accordance with the Capital Companies Law, article 529 *quindecies*, 4.e), the Regulations of the Board of Directors, article 12 A) 2 (f), and the Regulations of the Audit Committee, article 14, the Committee has had the appropriate contacts with the external auditor in order to receive information on any questions that might place its independence at risk and any other matters related to the audit process.

With the framework of these contacts, the Audit Committee has received a written statement in which the Auditor states its independence in relation to the Company or companies that are directly or indirectly related to the latter. Furthermore, the statement provides details of additional services of any nature provided by the Auditor to the Company and its Group. Said statement is attached hereto as Exhibit 1.

Services rendered

Details of additional services of any nature provided by the Auditor to the Company and its Group in 2019 are set forth below:

- Report on the limited review of the condensed consolidated interim financial statements for the six-month period ended May 31, 2019.
- Auditor’s report on the information relating to the Internal Control System (SCIIF) for 2019.
- Limited review of individual financial statements of Otis Andorra.

Apart from said services, neither the Company nor its Group engaged entities belonging to the

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Auditor's group to perform any legal, accounting, outsourcing, consulting, transaction management or financial advisory services or services of any other nature

The Audit Committee states that the additional services provided by the Auditor are not included in the services prohibited under the Accounting Auditing Law and, therefore, they are not services that mean that the Auditor is affected by any of the causes for incompatibility set forth in the Account Auditing Law, articles 16 et seq.

Auditor's fees

The Auditor has billed the Group of which the Company is the parent the total sum of 428,860 euros for auditing and other services, 58,048 euros of which related to other services. Said sum was fixed before the Auditor commenced its activity and covered the entire period for which said activity was to be performed. Furthermore, said fees are not influenced or determined by the provision of additional services and are not based on any contingencies or conditions other than changes in the circumstances that served as a basis for fixing the fees, all of which is in accordance with the Account Auditing Law, article 24.

The billing for the entirety of the services provided to the Company and its Group does not account for more than 15 percent of the Auditor's annual revenue, based on the average for the last three years. Therefore, the fees received by the Auditor cannot be deemed to be significant for the purposes of the Account Auditing Law, articles 25 and 41, or the Account Auditing Regulations, article 46.8.

Engagement conditions

Regarding the engagement conditions set forth in the Account Auditing Law, article 40, given that the Company's net revenue is higher than 50 million euros, the Audit Committee has verified that the obligation for the audit partner signing the financial statements to rotate has been met.

Opinion on the Independence of the Company's Auditor

From the information obtained through the aforementioned actions and communication channels, we have not identified any aspects that place in doubt compliance with current account auditing legislation in Spain in respect of the rules on Auditor independence and, in particular, we confirm the Auditor's independence because the following factors exist:

- The Auditor has provided written confirmation of its Independence in relation to the Company and/or companies directly or indirectly related to the latter.
- Additional services provided by the Auditor to the Company are not included among the services prohibited under the Account Auditing Law and, therefore, are not services that mean that the Auditor is affected by any cause for incompatibility.
- The fees for the audit services are fixed by the Auditor before it begins its duties and are fixed for the whole period for which said duties will be performed. Furthermore, the fees are not influenced or determined by the provision of additional services and neither are they based on contingencies or conditions other than changes in the circumstances that served as a basis for fixing the fees.
- The fees for the services provided do not account for more than 15 percent of the Auditor's total annual revenue and, therefore, cannot be deemed to be significant fees for the purposes of the Account Auditing Law.
- Compliance with the obligation for the audit partner signing the financial statements to rotate has been verified.

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EXHIBIT 1

Written declaration from External Auditor

4.3

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27 February 2020

Zardoya Otis, S.A.
Golfo de Salónica, 73
Madrid

Addressed to the Audit Committee

To whom it may concern:

As of 27 November 2019 we were appointed as the financial statement auditors of Zardoya Otis, S.A. and subsidiaries for the consolidated and individual financial statement year ending 30 November 2019.

Considering our appointment as auditors, and in accordance to the requirement stated in the Spanish Technical Audit Standard (Norma Técnica de Auditoría (NIA-ES)) no. 260 (Reviewed) "Communication to the Head Management Team of the Company" ("Comunicación con los responsables del gobierno de la entidad") for Public Interest Entities (PIE), the provision on the standards of auditing as defined in Article 15 of the Royal Decree 1517/2011, of 31 October, (modified by the Royal Decree 877/2015, of 2 October) approved by the Regulation derived from the Consolidated Text of the Spanish Auditing Law, and considering the terms established in Article 529 quaterdeciesm.4.e of the Consolidated Text of the Law on Corporations (TRLSC) approved by the Royal Legislative Decree 1/2010, of 2 July, modified by fourth final provision of Law 22/2015, of 20 July, on Audit Law (LAC) we confirm that:

- The audit engagement team, the audit firm, as well as other personnel of the audit firm and, when applicable, other firms within the network with any relevant extensions, has complied with the applicable independence requirements established in the Spanish Audit Law (LAC) and Regulation (EU) 537/2014, of 16 April.
- Hereafter, we include the details of the fees charged to the entity and the components that it controls, broken down by concept, such as audit services and other types of services, during the fiscal year ending 30 November 2019 of the audit firm and, if necessary, other firms in the network, in order to facilitate your evaluation of our independence framework:

Audit services in Spain

Audit of individual financial statements of Zardoya Otis, S.A.	59,258
Audit of individual financial statements of subsidiaries	124,300
Audit of consolidated financial statements	143,000

Total audit services in Spain

326,558

Audit services in Portugal

32,200

Audit services in Morocco

12,054

Total audit services

370,812

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

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R. M. Madrid, hoja 87 250-1, folio 75, tomo 9 267, libro 8 054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

**Other audit related services:**

Limited review of individual financial statements of Andorra	10,000
Interim consolidated financial statements report	38,973
Internal Control and Risk Management Systems report	9,075

Total audit services and related	428,860
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Other services	-
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Total professional services	428,860
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- Audit firm has implemented policies and designed internal procedures to guarantee a reasonable certainty that the auditors, audit firm and its personnel, as well as other people subject to independence requirements (including those working in other network firms), maintain their independence when required by the current normative. These procedures are also aimed at identifying and evaluating possible threats in relation to the audit entities, including those circumstances that may cause an incompatibility and/or those that might require the application of necessary and acceptable low-level safeguards.

In this case, in accordance to our professional judgment, and in relation to the mentioned audit, we haven't identified any circumstance, individually or as a whole, that can pose a significant threat to our independence or that may cause any incompatibility. No safeguards are required.

This confirmation has been exclusively prepared only for the addressees of this letter and as a result it should not be distributed or used for any other purpose.

Sincerely yours,

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Rafael Pérez Guerra

General Shareholders' Meeting 2020

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Report on the operation of the Audit Committee on the reporting period ended November 30, 2019



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ZARDOYA OTIS S.A.**REPORT ON THE OPERATION OF THE AUDIT COMMITTEE
IN THE REPORTING PERIOD ENDED NOVEMBER 30, 2019****1. Introduction**

The purpose of this report is to review the evolution of the Audit Committee of Zardoya Otis, S.A. (the "**Company**") and the composition, duties and operation thereof, as well as to provide a summary of its actions in the 2019 reporting period.

2. Formation and evolution of the Audit Committee

The Audit Committee was created by means of a resolution passed by the Board of Directors at its meeting held on March 26, 2003 and its first meeting was held on May 27, 2003.

Law 12/2010 of June 30, on Account Auditing, introduced, among other changes that were relevant to the Company, a reform of points 2 and 4 of the Nineteenth Additional Provision of Law 24/1988 of July 28, the Securities Market Law. This amendment established that at least one of the members of the Audit Committee should be an independent and defined the functions to be performed by the Audit Committee with greater precision, especially in order to ensure the independence of the external account auditors.

As a consequence of the foregoing, at its meeting of July 28, 2010, the Board of Directors unanimously passed a resolution to amend the Regulations of the Board of Directors, in particular, article 12. At the General Shareholders' Meeting held on May 23, 2011, the scope of the reform of the Regulations of the Company's Board of Directors was explained.

The General Shareholders' Meeting held on May 24, 2012 approved a new revised text of the Bylaws, which sought to update and make technical improvements to how the Company operated and its organizational structure, including the regulations of the Audit Committee.

Likewise, as a consequence of the new developments in the legislation introduced by Law 31/2014 of December 3, which amended the Capital Companies Law in order to improve corporate governance, the Ordinary General Shareholders' Meeting held on May 26, 2015 approved the amendment of certain articles of the Bylaws. Furthermore, in the same year,

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the Board of Directors passed a resolution to amend the Regulations of the Board of Directors.

The new regulations stated that at least two members of the Audit Committee should be independents and at least one of them should be appointed taking his/her knowledge and experience in accounting, audit or both into account. In consequence, taking into account the fact that there was only one independent director on the Audit Committee at that time, subsequent to a proposal and report in favour from the Nominating and Compensation Commission, the Board of Directors unanimously passed a resolution to appoint the independent director Mr José Miguel Andrés Torrecillas as a new member of the Audit Committee and the new Chairman of said Committee. Thus, the number of independent directors on the Audit Committee increased to two.

As a consequence of the National Securities Market Commission's publication of the Good Governance Code of Listed Companies on February 18, 2015, the Ordinary General Shareholders' Meeting held on May 19, 2016 passed a resolution to amend several articles of the Bylaws, the Regulations of the General Shareholders' Meeting and the Regulations of the Board of Directors, in order to introduce some of the recommendations contained in said Good Governance Code. An example of these recommendations was that the members of the Audit Committee should be designated taking their knowledge and experience in accounting, auditing or both into account (included as article 12 (A) 1 of the Regulations of the Board of Directors and article 7 of the new Audit Committee Regulations).

The fourth final provision of the new Account Auditing Law contained the amendment of the Capital Companies Law and affected, among other questions, article 529 quaterdecies of the Capital Companies Law, which refers to the Audit Committee. So, consequently, the General Shareholders' Meeting amended article 24 (bis) of the Bylaws regarding the composition of the Audit Committee to state that: (i) the Audit Committee will be formed by three members; (ii) a majority of its members must be independent; and (iii) the members, overall, must have the relevant technical knowledge in relation to the sector of activity in which the Company operates.

Likewise, at its meeting held on October 9, 2018, the Board of Directors approved the new Regulations of the Company's Audit Committee, with the previous favourable report by the Audit Committee on the same date. This new Regulation of the Audit Committee was approved by the Board of Directors after an in-depth analysis of the Technical Guide 3/2017 on Audit Commissions in Public Interest Entities (published by the CNMV on its website on June 27, 2017) and after several months of work by the Audit Committee in the preparation of a proposal. The Regulations of the Audit Committee include the recommendations included in Technical Guide 3/2017, detailing the functions and responsibilities already included in the Regulations of the Board of Directors with respect to the Audit Committee.

3. Composition of the Audit Committee

The composition of the Committee as of November 30, 2019 was as follows:

Chair

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Ms Eva Castillo (Independent)

Deputy Chairman

Mr José Miguel Andrés Torrecillas (Independent)

Member

Ms Stacy Petrosky (Proprietary)

Secretary (non-member)

Ms Lorea Garcia Jauregui (non-director)

4. Operation and duties

The internal operation of the Audit Committee and its duties are governed by article 24 (bis) of the revised text of the Bylaws and by the provisions of article 12 A) of the Regulations of the Board of Directors and the Regulations of the Audit Committee. Bylaws, Regulations of the Board of Directors and Regulations of the Audit Committee are available on the Company's website.

5. Summary of the activities carried out in the 2019 reporting period

In 2019, the Audit Committee performed the functions entrusted to it and had the information and documentation it deemed necessary in this respect at its disposal.

Furthermore, the person/s the Committee Chairman saw fit attended and participated in the meetings, among them: the head of Internal Audit and Internal Control (who reports directly to the Committee Chairman); the Chief Financial Officer, the Safety Manager, the Systems Manager and the Ethics and Compliance Officer (ECO). Likewise, the Committee Chairman requested the presence of the Partner and Manager of the external auditor, PricewaterhouseCoopers, at several meetings (at least when the half-yearly accounts were prepared and when the annual accounts were closed).

The Company's Audit Committee considers that it has sufficient means to comply with the requirements of the legislation currently in force and enjoys the support of the Secretary of the Audit Committee and Board of Directors, as well as the legal counsel to the Board, both of whom are responsible for ensuring the legality of the resolutions, decisions and deliberations that are adopted or take place at Audit Committee meetings.

In 2019, the Audit Committee held eight (8) meetings, and they deliberated on and reported in favour of the following items -among others- to the Board of Directors:

1. Report on the payment of quarterly interim dividends charged to the profit for the period.
2. Internal control
- Monitoring of the effectiveness of internal audit and risk control management.

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The Audit Committee must review the work and activities of the internal audit service and risk control systems. For this purpose, the head of Internal Audit and Internal Control, the CFO and the Controller attended the Audit Committee meetings and presented the compliance status of the 2019 Internal Control Plan and the results of the internal audits conducted, the areas of special emphasis, the risks noted and the corrective measures adopted, as well as the proposal for the 2020 Internal Control Plan.

Likewise, the Audit Committee approved the 2020 budget for the Internal Audit Department.

– Process audit:

The Audit Committee also considered it advisable to conduct a process audit for 2019, a practice that commenced in the Zardoya Otis Group in 2004. This rule is very demanding in assessing the Group's internal control system using documentation on the processes and repetitive evidence of how they operate, in such a way as to ensure that the Company's assets, liabilities and commitments are measured correctly.

– Review of IT security controls in the Company's information systems and cybersecurity measures.

3. Corporate policies

The Audit Committee examined and studied the Company's corporate policies (i.e. corporate social responsibility policy, fiscal and investment, as well as financial among others). In particular, the Audit Committee also reviewed along the year all the activities held during the year in order to communicate, train and be compliant with the Internal Code of Conduct as well as within the Criminal Prevention Policy.

4. Evaluation of the Audit Committee

5. Report on the operation of the audit committee in the reporting period ended November 30, 2018.

6. Evaluation and report on treasury stock operations.

7. Regular information to the National Securities Market Commission (CNMV).

8. Annual closure of accounts, review of the financial statements, the Annual Corporate Governance Report, review of the internal control system for financial information (SCIIF).

9. Report on the management objectives, 2020 annual budget and strategic plan.

10. External audit

– Monitoring of the audit work in relation to the individual and consolidated annual accounts for 2019.

– Review, with the external auditor (PriceWaterhouseCoopers), of the report that was requested from the latter for various years in relation to the requirements for Internal

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Controls and Risk Management Systems, as set out in the contents of the Annual Corporate Governance Report.

- Meeting between the Committee members and the Partner and Manager of the external auditor, PwC.
- Review of the transactions for all items that took place between the external auditor and the Otis/UTC Group.
- Review, with the account auditors, of the possible significant weaknesses noted in the internal control system in the course of the audit, ensuring that the auditors' independence was not impaired. The SCIIF review report was issued with no exceptions.
- Proposal for appointment and report on external audit firm independence for 2019 and review of fees proposal.

11. Related transactions

Related transactions and situations where a potential conflict of interest might exist were reviewed.

Approved by the Audit Committee in Madrid on February 27, 2020

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General Shareholders' Meeting 2020

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**Report on the operation of the Nominating and Compensations Commission
on the reporting period ended November 30, 2019**



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ZARDOYA OTIS S.A.

**REPORT ON THE OPERATION OF THE NOMINATING AND
COMPENSATION COMMISSION IN THE REPORTING PERIOD ENDED
NOVEMBER 30, 2019**

1. Introduction

The purpose of this report is to review the evolution of the Nominating and Compensation Commission of Zardoya Otis, S.A. (the "**Company**") and the composition, duties and operation thereof, as well as to provide a summary of its actions in the 2019 reporting period.

2. Formation and evolution of the Nominating and Compensation Commission

At its meeting of July 28, 2010, the Board of Directors was informed of the changes contained in the new Law 12/2010 of June 30 on Account Auditing. This amendment introduced a new feature that had to be included in the Regulations of the Company's Board of Directors, which was that at least one of the members of the Audit Committee had to be an independent.

In addition, the Unified Good Governance Code expressly stated that companies could not classify a director who did not meet the minimum conditions established by said Unified Code as "independent", i.e. directors who *"had not been proposed for either appointment or renewal by the Nominating Commission"* could not be classified as independents. Although none of the provisions of the Law expressly made the Nominating Commission mandatory (unlike the Audit Committee), the need to have a Nominating Commission derived indirectly from the new legal requirement for at least one independent director to form part of it.

As a consequence of the foregoing, the Board of Directors decided to create the Nominating and Compensation Commission, which held its first meeting on September 8, 2010.

The General Shareholders' Meeting held on May 24, 2012 approved a new revised text of the Bylaws, which sought to update and make technical improvements to how the Company operated and its organizational structure.

Likewise, as a consequence of the new developments in the legislation introduced by Law 31/2014 of December 3, which amended the Capital Companies Law in order to improve corporate governance, the Ordinary General Shareholders' Meeting held on May 26, 2015 approved the amendment of certain articles of the Bylaws, including the new article 24 (ter)

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which regulated the composition, competences and performance of the Nominating and Compensations Commission. Furthermore, in the same year, the Board of Directors passed a resolution to amend the Regulations of the Board of Directors accordingly.

Article 529 quaterdecies of Royal Legislative Decree 1/2010 of July 2, whereby the revised text of the Capital Companies Law (the “Capital Companies Law”) was approved, article 24 bis of the Company’s Bylaws and article 12 of the Regulations of the Company’s Board of Directors establish that *“the Nominating and Compensation Commission will be formed solely by non-executive directors appointed by the Board of Directors, at least two of whom must be independent directors. The chairman of the Nominating and Compensation Commission will be appointed from among the independent directors who form part of the Commission”*.

In consequence, taking into account the fact that there was only one independent director on the Nominating and Compensation Commission at that time, subsequent to a proposal and report in favour from the Nominating and Compensation Commission, the Board of Directors unanimously passed a resolution to appoint the independent director Mr José Miguel Andrés Torrecillas as a new member of the Nominating and Compensation Commission thus, the number of independent directors on the Nominating and Compensation Commission increased to two, one of which was its Chairman (Mr Jose Maria Loizaga Viguri).

As a consequence of the National Securities Market Commission’s (CMNV) publication of the Good Governance Code of Listed Companies on February 18, 2015, the Ordinary General Shareholders’ Meeting held on May 19, 2016 passed a resolution to amend several articles of the Bylaws, the Regulations of the General Shareholders’ Meeting and the Board of Directors decided to amend the Regulations of the Board of Directors, in order to introduce some of the recommendations contained in said Good Governance Code.

Nowadays, the Nominating and Compensation Commission is formed by 5 members, being the number of independent directors increased to two, one of which is its Chairman. The Company decided to maintain the number of members in 5 though the decision could have been to decrease the number of members to 3 in order to have majority of independents (as it is legally mandatory in the case of the Audit Committee), but the reason to maintain the number in 5 is double: (i) the Company considers that 40% of independents should be enough to warrant the independency of the goals of the commission, and (ii) the Company considers it worth to be able to have the experience and opinions of 5 members.

3. Composition of the Nominating and Compensation Commission

The composition of the Nominating and Compensation Commission as of November 30, 2019 was as follows:

Chairman

Mr José Miguel Andrés Torrecillas (independent director)

Deputy Chairman

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Otis Elevator Company (proprietary director) represented by Ms Nora Lafreniere

Members

Ms Eva Castillo (independent director)

Ms Robin Fiala (proprietary director)

Mr Patrick Martin (proprietary director).

Secretary (non-member)

Ms Lorea García Jauregui (non-director).

4. Operation and duties

The internal operation of the Nominating and Compensation Commission and its duties are governed by article 24 (ter) of the revised text of the Bylaws and by the provisions of article 12 B) of the Regulations of the Board of Directors. Both documents are available on the Company's website.

5. Summary of activities carried out in the 2019 reporting period

In 2019, the Nominating and Compensation Commission performed the functions entrusted to it and had the information and documentation it deemed necessary in this respect at its disposal. Furthermore, the person/s the Committee Chairman saw fit attended and participated in the meetings, such as the Group Human Resources Manager and the Chief Financial Officer.

The Nominating and Compensation Commission considers that it has sufficient means to comply with the requirements of the legislation currently in force and enjoys the support of the Secretary of the Commission and Board of Directors, as well as the legal counsel to the Board, both of whom are responsible for ensuring the legality of the resolutions, decisions and deliberations that are adopted or take place at meetings of the Nominating and Compensation Commission

In 2019, the Nominating and Compensation Commission held six (6) meetings, with participation by all its members. All the meetings were chaired by the Commission Chairman Mr Jose Miguel Andrés Torrecillas, and all the members deliberated on and reported favourably or proposed to the Board of Directors on -among others- the following items:

1. Evaluation of the Nominating and Compensation Commission and the Board of Directors 2019.

In this regard, the Nominating and Compensation Committee prepares a report on the performance of the Board of Directors and the Commission itself, based on the responses given by the directors to the annual self-evaluation questionnaire of the Board and its Commissions. On the basis of these reports prepared by the Nominating and Compensation Commission (in addition to the report prepared by the

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Audit Committee on its operation and performance), the Board of Directors evaluates and analyzes its content in order to establish an action plan for the areas or activities to improve as a result of these reports.

2. Review of the status of compliance with the action plan approved for the 2019 fiscal year to improve the activity as a result of the evaluation of the Board of Directors and the Nominating and Compensation Commission.
3. Review of the 2019 Director Compensation Report
4. Review of the 2019 Annual Corporate Governance Report, in respect of matter's within the Commission's scope.
5. Director compensation policy
 - Proposal to the Board of Directors for the directors and senior management compensation policy for 2020 (within the frameworks established by law, the Bylaws and the Remuneration Policy approved by the General Meeting for the years 2018, 2019 and 2020)
 - Proposal for long-term UTC share-based incentive plan.
5. Appointments. Reports in favour of the following appointments:
 - Management and monitoring of the succession process of the Chairman of the Board of Directors and proposal for the appointment of Mr. Bernardo Calleja Fernandez as the new Chairman of the Company, and proposal and report on the appointment of Coordinating Director.
 - Ratification of favorable report on Mr. Patrick Martin issued on the occasion of his appointment by co-option by the Board of Directors.
 - Proposal for the re-election of Mr. José Miguel Andrés Torrecillas as a member of the Board of Directors, as well as Chairman of the Nominating and Compensations Commission and vice chair of the Audit Committee.
 - Report on the proposal of reelection of Mr. José María Loizaga as a member of the Board of Directors.
 - Report on the proposal of re-election of Mr. Alberto Zardoya as a member of the Board of Directors.
 - Report on the proposal for re-election of Eurosyns, S.A. as a member of the Board of Directors, and of the maintenance of Mr. Pedro Sainz de Baranda as its representative.
 - Report on the proposal for the re-election of OTIS ELEVATOR COMPANY as a member of the Board of Directors, and the maintenance of Mrs. Nora Lafreniere as its representative.

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- Report on the proposal for the re-election of Mr. Patrick Blethon as a member of the Board of Directors.
- Proposal of appointment of Mrs. Eva Castillo Sanz as a member of the Board of Directors, as well as Chair of the Audit Committee and vocal member of the Nominating and Compensations Commission.
- Report on the proposal for the appointment of Mr. Mark Eubanks as a member of the Board of Directors.
- Report on the proposed appointment by co-option of Mr. Mark Eubanks as a member of the Board of Directors.
- Report on the proposed appointment by co-optation of Mrs. Stacy Petrosky as a member of the Board of Directors and as a member of the Audit Committee.
- Report on the proposal for the appointment of Mr. Eduardo Montes Pérez as natural person representative of the Director EUROSINS, S.A.

Approved by the Nominating and Compensation Commission
in Madrid on February 27, 2020

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

General Shareholders' Meeting 2020

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Director Compensation Policy for years 2021-2022-2023



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DRAFT
PROPOSAL FOR GENERAL SHAREHOLDERS' MEETING IN 2020

DIRECTOR COMPENSATION POLICY OF ZARDOYA OTIS, S.A.

The Capital Companies Law ("**LSC**"), article 529 novodecies, and article 24 of the Bylaws of Zardoya Otis, S.A. (the "**Company**") state that the Director Compensation Policy must be approved by the General Shareholders' Meeting as a separate item on the Agenda at least once every three years.

The Board of Directors of the Company, at the proposal of the Nominating and Compensation Commission, has decided to submit the update of the Director Compensation Policy in force to date (approved at the General Shareholders' Meeting of May 25, 2017), for this Director Compensation Policy for the 2021, 2022 and 2023 reporting periods (the "**Compensation Policy**"), for the approval of the 2020 General Shareholders' Meeting.

This Compensation Policy proposal is accompanied by an explanatory report by the Nominating and Compensation Commission. The two documents will be made available to shareholders on the Company's website as of the time at which the 2020 Ordinary General Shareholders' Meeting is called, and shareholders may request they be given or sent to them free of charge.

1. STRUCTURE, PURPOSE AND PRINCIPLES

The compensation of the Company's Board of Directors is determined in accordance with the provisions of the LSC, the Bylaws, the Regulations of the Board of Directors and the resolutions passed by the General Shareholders' Meeting in this respect.

Following the structure set out in the LSC and the Bylaws, the Compensation Policy distinguishes between (i) the compensation to be received by directors in their capacity as such and (ii) the compensation of directors for performing executive functions.

In addition, in line with the provisions of the LSC and the Regulations of the Board of Directors, the Compensation Policy will be reviewed from time to time by the Nominating and Compensation Commission –which will report to the Board of Directors on the subject–, in order to strive to ensure that director compensation meets its guiding principles and is in reasonable proportion to the Company's size and financial situation and market practices in comparable companies.

The Compensation Policy is based on the following principles:

(A) Guiding principles of director compensation in their capacity as such

- (i) To be sufficient to reward the dedication, responsibility and professional track record of the directors, without jeopardizing the independence of each one of them.
- (ii) To be competitive and enable the Company to attract talent, incorporating the elements needed to motivate this talent and, thus, retain it.
- (iii) To take the economic context and market practices in comparable companies into account.

(B) Guiding principles of director compensation for executive functions

- (i) To align the compensation of the CEO with the long-term interests of the Company and its shareholders.
- (ii) To reinforce attainment of the results and the Company's strategic objectives.
- (iii) To systematically evaluate performance and the extent of adaptation to the abilities required at any given moment.
- (iv) To favour commitment to the Company.
- (v) To compensate on a fair and competitive basis, recognizing the responsibilities involved in the executive functions performed.

DRAFT
PROPOSAL FOR GENERAL SHAREHOLDERS' MEETING IN 2020

4.6

- (v) To apply competitive compensation in line with market practices, flexible in accordance with the results obtained and adapted where necessary to attract and retain the best professionals.

2. COMPENSATION OF DIRECTORS IN THEIR CAPACITY AS SUCH

A) Bylaw-stipulated compensation

Article 24 of the Bylaws fixes the global compensation of directors in their capacity as such at a maximum share of 1.5% of the consolidated profit after tax, with an upper limit of 1% of the consolidated profit before tax ("**Bylaw-stipulated Compensation**").

The Bylaw-stipulated Compensation will consist of a percentage share of 1.5% of the consolidated profit after tax limited, in turn, to 1% of the consolidated profit before tax. This amount may only be taken out of the Company's liquid profit (after tax) after the requirements of the legal and Bylaw-stipulated reserves have been covered and a dividend of at least 10% of the paid-up share capital has been recognized in the shareholders' favour. This share will remain in force until the General Shareholders' Meeting passes a resolution to change it.

The maximum annual quantitative limit on the Bylaw-stipulated Compensation will be €2,000,000.

In addition, the Company will take out liability insurance for the directors in their capacity as such, the cost of which will be taken into account when calculating the upper limit on the compensation.

(B) Distribution criteria for the Bylaw-stipulated Compensation

The Bylaw-stipulated Compensation will be distributed among the directors in the manner that, at the proposal of the Nominating and Compensation Commission, the Board of Directors determines in each reporting period, depending on the responsibilities held by each director, whether or not he/she sits on Board committees, and other objective circumstances deemed relevant.

Proprietary directors appointed at the proposal of Otis Worldwide Corporation (OWC) will not receive said Bylaw-stipulated Compensation, but Otis Elevator Company (an OWC Group company) will receive it on their behalf. This is because OWC Group policy is for directors appointed at the proposal of OWC not to receive compensation for holding directorships in Group companies. Furthermore, no OWC Group company subsequently pays such compensation to the proprietary directors, although they are remunerated in accordance with their positions and responsibilities.

- (C) Making use of its powers, while always respecting the limits fixed by the Bylaws and the Compensation Policy, the Board of Directors has, in recent years, decided to establish a payment calendar that allows two six-monthly payments of Bylaw-stipulated Compensation to be made (one of which is paid in advance). The payment on account of this compensation may be decided by the Board of Directors subsequent to a favourable report from the Audit Committee, in which the latter must confirm that the following requirements have been met:

- (i) The agreed compensation must be lower than the Bylaw-stipulated Compensation and there must be sufficient funds available to cover the payment at the appropriate date.
- (ii) The requirements of the legal and Bylaw-stipulated reserves must have been fully covered in the last statement of financial position.
- (iii) Payment of the dividends to be charged to the reporting period must be taken into account.

(D) Further clarification

No forms of compensation are established for directors in their capacity as such other than those set out in section 2(A) of this Compensation Policy. In particular, directors, in their capacity as such, will not receive any bonuses for attending meetings of the Board or its commissions or any per diem allowances.

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PROPOSAL FOR GENERAL SHAREHOLDERS' MEETING IN 2020

Likewise, the Company will not grant any credits, advance payments or guarantees in favour of directors in their capacity as such, other than the advance payment of Bylaw-stipulated Compensation described in section 2(C) above.

4.6

3. COMPENSATION OF DIRECTORS FOR PERFORMING EXECUTIVE FUNCTIONS

The compensation of the Chief Executive Officer will have fixed and variable components.

The Chief Executive Officer is the only director who receives variable compensation linked to his own and the Company's performance. Payment of the variable compensation takes into account whether the executive has complied with the Company's regulatory and ethical rules and procedures. If any breach were to occur, the Company will be entitled to reduce the Chief Executive Officer's variable compensation or, in very serious cases, eliminate it.

The compensation mix of the Chief Executive Officer breaks down as follows:

(A) Fixed compensation

(i) Fixed assignment

The Chief Executive Officer will receive fixed compensation in cash of €324,000 per year. This fixed annual assignment may vary in each one of the years 2021, 2022 and 2023 up to a maximum limit of €30,000 per year.

(ii) Contributions to pension and insurance systems

The Company will make the following contributions to pension and insurance systems in favour of the Chief Executive Officer:

Item	Amount for 2020	Upper limit for 2021, 2022 and 2023 ¹
Contribution to a defined-contribution pension scheme	7% of 65,287.18 euros, plus 28% of the difference between the gross fixed annual compensation and 65,287.18 euros	7% of 65,287.18 euros, plus 28% of the difference between the gross fixed annual compensation and 65,287.18 euros
Death and disability insurance premiums	1,182.86€	2,000€
Life insurance premiums	400.52€	550€
Accident insurance premiums	423.13€	550€
Health insurance premiums	3,000€	4,000€

(iii) Liability insurance

The Company will take out liability insurance in favour of the Chief Executive Officer.

¹ The reference to compensation for executive functions in the preceding 12 months includes the whole compensation for the preceding year for said functions, not including the insurance contributions and premiums mentioned in the table.

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PROPOSAL FOR GENERAL SHAREHOLDERS' MEETING IN 2020

4.6

(B) Variable compensation**(i) Annual incentive**

The Company may pay the Chief Executive Officer an annual incentive with a target of 60% of the gross annual salary. To calculate this incentive, a multiplier, which may be lower or higher than 1, is established, depending on the results of the business unit, the profit plan and the cash flow generated. The final multiplier (coefficient) also takes into account the CEO's performance in relation to financial and non-financial objectives during the year.

Payment is made in the following reporting period, after the Board of Directors has approved the annual financial statements.

(ii) Long-term incentive package – OWC shares

Since the Chief Executive Officer is an Otis Worldwide Corporation ("OWC") executive, he may receive an annual long-term incentive package consisting of an OWC share-based compensation plan). The purpose of this plan is to reward OWC Group executives holding positions with important management responsibilities who, through their effort and the attainment of the planned objectives, contribute to the long-term success of the corporation and its subsidiaries, among which the Company is included.

The share-based compensation plans may be awarded from time to time and may depend on the individual performance of the Chief Executive Officer and the attainment of the objectives of the Company, Otis Elevator Company, OWC and other group companies.

Compensation may include awarding the Chief Executive Officer different financial instruments (Stock Appreciation Rights, Performance Share Units, Restricted Stock Units and similar instruments) based on OWC shares. These instruments must generally be held for a minimum period of 3 years as from the date on which they are awarded (vesting). Generally, they may not be executed, transferred or similar until at least 3 years have elapsed. The entity responsible for determining the amount and settling what is due to the CEO under this plan is OWC.

4. BASIC CONDITIONS OF THE CONTRACT WITH THE CHIEF EXECUTIVE OFFICER

The remuneration, rights, obligations and financial compensation of the Chief Executive Officer, the only director who performs executive duties in the Company, will be determined in a contract that must be approved by the Board of Directors in accordance with article 249 of the Capital Companies Law.

Notwithstanding the foregoing, the Chief Executive Officer's contract with the Company will observe the following basic terms:

(A) Term

The contract with the CEO will have an indefinite term and there are no minimum employment period or loyalty clauses.

(B) Notice of termination

The CEO may terminate the contract signed with the Company at any time by giving written notice to the Company at least 3 months in advance.

(C) Indemnity clauses

In the event that the contract with the CEO is terminated by the Company, the CEO will be entitled to a gross indemnity equivalent to 45 days' compensation per year of service from

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PROPOSAL FOR GENERAL SHAREHOLDERS' MEETING IN 2020

the date he was appointed as the Company's CEO until the date the Contract terminates. This gross indemnity will be limited to 42 monthly payments of said compensation.

(D) Exclusivity

The Contract with the CEO will contain the latter's obligation to provide his services exclusively to the Company and, if necessary, any other OWC Group Company. The CEO may not work, either directly or indirectly, for anyone other than the Company or other OWC Group companies or for his own account, even if the activities he carries on do not coincide with those of the Company or any other OWC Group company.

(E) Non-competition

The Contract with the CEO will contain the obligation for him not to compete for two years after his contract ends. As compensation for the non-competition obligation, the CEO will receive a gross amount equivalent to 12 monthly payments of the fixed compensation he has been receiving at the time the Contract terminates.

5. VALIDITY

This Compensation Policy will remain in force for the three reporting periods following the period in which it is approved by the General Shareholders' Meeting (i.e. the reporting periods 2021, 2022 and 2023) and replaces any compensation policy of the Company approved previously. Any change or replacement of the Compensation Policy will require the prior approval of the General Shareholders' Meeting, in accordance with current legislation.

The compensation system and basic contract conditions will likewise be applicable to any new executive director who joins the Company while this Compensation Policy is in force.

This Compensation Policy will in no way affect any deferred payments to be made to the Chief Executive officer of sums accrued before approval of this Policy for items covered by either this Compensation Policy or the system that existed when they accrued.

General Shareholders' Meeting 2020

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**Nominating and Compensations Commission report on
Director Compensation Policy for years 2021-2022-2023**



Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

REPORT BY THE NOMINATING AND COMPENSATION COMMISSION ON THE DIRECTOR COMPENSATION POLICY OF ZARDOYA OTIS, S.A.

Introduction: Legal Framework

The Nominating and Compensation Commission of Zardoya Otis, S.A. (the “**Company**”) issues this report in accordance with article 529 novodecies, 2, of Royal Legislative Decree 1/2010 of July 2, whereby the revised text of the Capital Companies Law was approved (“**Capital Companies Law**”). According to said article, the director compensation policy for years 2021, 2022 and 2023 (the “**Compensation Policy**”) that is submitted for the approval of the General Meeting must be accompanied by a specific report of the Nominating and Compensations Commission (hereinafter, the “**Report**”).

In compliance with the foregoing, having verified that the Compensation Policy meets the requirements of the remuneration system included in the Bylaws of the Company and the Capital Companies law, articles 529 septdecies, octodecies and novodecies, the Nominating and Compensation Commission has decided to submit this report to the Board of Directors. The report will be made available to shareholders on the Company's website as from the date on which notice of the General Meeting is given and shareholders may likewise request that it be given or sent to them free of charge.

Director Compensation Policy

Structure, Objective and Principles

The objective of the Compensation Policy is to compensate the directors in such a way that their remuneration is appropriate to the directors' responsibilities and the time they dedicate to the Company, taking the economic context, the Company's results and market practices into account.

The Remuneration Policy essentially differentiates directors in their capacity as such (non-executive external directors) of those who perform functions executive in the Company (currently applicable only to the CEO).

On the one hand, the reporting principles of the directors' remuneration system in their capacity as such consist mainly in the fact that their remuneration (i) is sufficient to reward the dedication, responsibility and professional career of the directors, without therefore compromise the independence of each one of them, (ii) be competitive and allow the Society attracting talent, integrating the necessary elements to promote motivation that allows their retention, and (iii) takes into account the economic context and practices of comparable companies.

On the other hand, the remuneration of directors for the performance of executive functions (in the case of the Company, only applicable to the CEO) is based on the following principles: (i) align the remuneration of the CEO with the long-term interests of the Company and its shareholders, (ii) enhance the achievement of results and objectives of the Company, (iii) systematically evaluate its performance and the degree of adaptation to the competences required at all times, (iv) encourage commitment to Society, (v) remunerate in an equitable and competitive way, recognizing the responsibilities of the executive functions performed, and (vi) apply a competitive remuneration accordingly with market practices, flexible depending on the results obtained and adapted in necessary to be able to attract and retain the best professionals.

To attain this, the compensation system is intended to create value in the long term, i.e. promote the Company's long-term profitability and sustainability, while including the precautions necessary to avoid assuming excessive risks or rewarding unfavourable results.

It is sought to reinforce the attainment of results and strategic objectives, which implies that, in the case of directors who carry out executive duties, the compensation will, in part, be linked to results over an appropriate period of time, aligning with the interests, values and strategy of the Company.

In order to ensure its transparency and competitiveness, the Compensation Policy will be established, fixed and applied in accordance with current legislation, the Company's internal regulations and best corporate practices, thus ensuring transparency.

In short, the Compensation Policy is intended to attract, retain and motivate the best professionals and to remunerate their professional merits, the responsibility they assume and their dedication, all taking into account the creation of long-term value for the Company.

Remuneration system for Directors in their capacity as such

Article 24 of the Company Bylaws states that the compensation of directors in their capacity as such consists of a fixed annual assignation of a maximum share of 1.5% of the consolidated profit after tax, with an upper limit of 1% of the consolidated profit before tax. Also, in accordance with the provided for in article 218.1 of the Capital Companies Act, the participation is fixed at 1.5% of the consolidated profit after taxes with the maximum limit of 1% of consolidated profit before taxes and this amount can only be deducted from the liquid (after tax) benefits of the Company and after the attentions of the legal and statutory reserve and after having been recognized to the shareholders a minimum dividend of 10% of the paid-up share capital.

The upper annual quantitative limit on the global compensation of the directors in their capacity as such is €2,000,000.

This compensation may be distributed among its members in the manner that the Board of Directors freely determines, depending on the responsibilities attributed to each director and any other objective circumstances that are deemed relevant in accordance with article 217.3 of the Capital Companies Law.

Likewise, the Company will take out civil liability insurance in favor of the directors in their capacity as such, the cost of which will be computed for the purposes of calculating the maximum limit of remuneration.

Remuneration system for performance of executive functions.

The CEO is the only director who performs executive functions and who, therefore, receives variable remuneration linked to the Company's performance and personal performance. The payment of the variable remuneration takes into account that the executive has complied with the rules and regulatory and ethical procedures of the Company, as well as the rules on management, control of the risk and safety of people in work processes.

The remuneration mix of the CEO is broken down as follows:

- Fixed compensation, which is received in cash and in 2020 FY is €324,000 per year. This compensation may vary in the period 2021, 2022 and 2023, although the total amount of said variation may not exceed €30,000 per year.

The fixed compensation will be based principally on a market approach and considers the size, nature and scope of the Company's activities; and (ii) will be duly aligned with the compensation established in comparable companies in the sector both nationally and internationally.

Contributions to pension systems in favor of the CEO (policy of defined contribution pension insurance, death and disability coverage insurance, life, accidents and health insurance), establishing a maximum upper limit for the years 2021, 2022 and 2023.

The Company will take out civil liability insurance in favor of the directors with executive functions.

- Variable compensation linked to the Company's and his own performance, that may consist on two parts:
 1. Variable annual compensation linked to short-term objectives, consisting of an annual incentive with a target of 60% of the gross annual salary, which will be received in cash.
 2. Variable annual or from time to time compensation consisting of a long-term incentive based on shares of Otis Worldwide Corporation (OWC) package that may be awarded on the basis of his individual performance and attainment of the objectives of Zardoya Otis, Otis and OWC. The package is included in the current Chief Executive Officer's compensation because he is a OWC Group executive. The variable compensation -share-based compensation- may be received in the form of different financial instruments (Stock Appreciation Rights, Performance Share Units and Restricted Stock Units and similar instruments) based on OWC shares.

Payment of the variable compensation depends on the executive's compliance with the Company's rules and regulatory and ethical procedures. In the event that any breach were to occur in these areas, this compensation could be reduced or, in very serious cases, eliminated.

Basic Conditions of the Contract with the Chief Executive Officer

The Compensation Policy fixes the following basic conditions to which the contract with the Chief Executive Officer shall be adapted in accordance with the article 249 of the Capital Companies Law. In particular: (i) the term (indefinite); (ii) the advance notice required to terminate the contract at the Chief Executive Officer's request (3 months in writing); (iii) indemnity clauses for termination of the contract by the Company (gross indemnity equivalent to 45 days' compensation per year of service since his appointment, up to a maximum equivalent to 42 monthly payments of said compensation); (iv) provision of his services exclusively to the Company; (v) no competition for a two-year period after termination of the contract, with gross compensation equivalent to 12 monthly payments of the fixed compensation he has been receiving at the time the contract terminates.

Validity

The Compensation policy will remain in force for the years 2021, 2022 and 2023 and will be applicable to all the directors who hold office during this period, including those who become directors after the Ordinary General Shareholders' Meeting has approved the Policy.

Conclusion

The Nominating and Compensations Commission concludes that the Compensation Policy contains a clear description of the compensation systems applicable to directors, considering the nature and amount of their compensation and the parameters for fixing the variable components, the "target" ratios between fixed and variable compensation, and the main terms and conditions of their contracts, including a description of their welfare system and any payments for termination of the contractual relationship, all of which is in accordance with article 529 octodecies of the Capital Companies Law.

Pursuant to the foregoing, the Commission deems the Compensation Policy to be appropriate to meet its objectives, i.e. it seeks to ensure that director compensation is appropriate to the directors' responsibilities and the time they dedicate to the Company, taking the economic context, the Company's results and market practices into account, all of which complies with the legislation set out in the first section of this Report.

By virtue of the foregoing, the Commission has concluded that the Compensation Policy, which it is planned for the Board of Directors to submit to the General meeting for approval, is in accordance with current legislation and best practices, applying the criteria of prudent risk assumption, good governance and transparency.

In short, it provides the Company with an appropriate compensation policy, aligned with shareholder interests and prudent risk management.

This Report was approved by the Nominating and Compensation Commission on April 14, 2020.

General Shareholders' Meeting 2020

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Board of Directors' Report

Proposal to reduce the number of members of the Board of Directors of Zardoya Otis, S.A.



Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

COURTESY / FREE TRANSLATION

BOARD OF DIRECTORS' REPORT ON THE PROPOSAL TO REDUCE THE NUMBER OF MEMBERS OF THE BOARD OF DIRECTORS OF ZARDOYA OTIS, S.A.

1. Subject of the report

This report is drawn up by the Board of Directors of Zardoya Otis, S.A. (the “**Company**”) in order to examine the motion to be put to the Ordinary General Shareholders’ Meeting concerning a reduction of seven (7) in the number of members of the Board of Directors. This is within the range established in the Company’s Bylaws and in recommendation 13 of the Good Governance Code of Listed Companies published by the National Securities Market Commission (“**CNMV**”).

2. Reduction in the number of members of the Company’s Board of Directors

The Company’s General Shareholders’ Meeting held on May 26, 2015 fixed (within the range established in the Bylaws) the number of members of the Board of Directors at 11 and the General Meeting has not changed said number to date.

The Board of Directors, due to the vacancy produced in the Board of Directors recently (as reported to the CNMV on March 23, 2020), and following the proposal made by the Nominating and Compensations Commission in the meeting held today, has analysed the convenience of proposing to reduce the number of directors who sit on the Company’s Board to seven (7).

As a consequence of this, and in order to permit a better adaptation to this situation, in case the reduction is approved, directors Richard Markus Eubanks, Patrick Martin and Alberto Zardoya Arana have announced their purpose to resign as directors of the Company to the other members of the Board of Directors at their meeting today. The aforementioned directors have stated in the same way that the only reason for their resignation as members of the Board of Directors is exclusively related to the proposal of the Nominating and Compensations Commission on the reduction of the number of directors for its approval by the Board of Directors itself (for submission to the Ordinary General Meeting). The Board of Directors has accepted the aforementioned resignations and thanked each of them for the services provided to the Company during the exercise of their positions.

In this sense, in the Board’s opinion, fixing the number of directors at seven (7) would help the Board to operate with greater flexibility and efficacy, maintaining the level of capabilities, skills, knowledge, participation and experience required of the members of the Company’s Board of Directors. Likewise, the proposed size allows the Board to function efficiently and permits the active participation of all the directors (facilitating dialogue and interaction between them), which leads to swifter and more flexible decision-making. Additionally, the reduction allows for an improvement in the balance between the total number of directors and those that hold the status of “independent”, as well as in the proportion of female directors in relation to the total number.

For these reasons, the Board of Directors considers that seven (7) is an appropriate number of directors for the Company under current circumstances, which entails the definitive elimination of the final vacancies occurred and unfilled.

In consequence of the foregoing, the Company’s General Meeting considers it convenient to propose to the General Shareholders’ Meeting a reduction in the number of members of the Board of Directors to seven (7).

Board of Directors, Madrid, May 8, 2020

General Shareholders' Meeting 2020

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Board of Directors' Report

Proposal to re-elect, acknowledge and ratify directors (including their ID, category and CV)



Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

**REPORT OF THE BOARD OF DIRECTORS IN RELATION TO THE PROPOSAL TO
RE-ELECT AND RATIFY DIRECTORS (INCLUDING THEIR IDENTITY,
CURRICULUM AND CATEGORY)**

1. Purpose of the report

The Board of Directors of Zardoya Otis, S.A. (the “Company”) has prepared this report in accordance with article 529 *decies* 5 and article 529 *quindecies* 3.d) of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law, according to which proposals for the appointment and re-election of directors should always be accompanied by a supporting report from the Board of Directors, in which the skills, experience and merits of the proposed candidate are evaluated.

Likewise, this report was issued in accordance with article 518.e) of the Capital Companies Law, containing information on the identity and curriculum vitae of each one of the proposed directors and the category to which they belong. Moreover, when the director is a legal entity, the information regarding its personal representative is also included.

2. Report on the re-election of Mr Bernardo Calleja Fernández as an executive director

Mr Bernardo Calleja was appointed as a director at the General Shareholders’ Meeting held on May 19, 2016.

Mr Bernardo Calleja Fernandez holds a degree in Industrial Engineering from *the Escuela Técnica Superior de Ingenieros Industriales de Gijón* and an MBA from the IESE Business School of the University of Navarra. He joined Zardoya Otis in 1989 as an engineer at the Otis plant in San Sebastián and subsequently held multiple positions of responsibility, including branch manager in Barcelona, Area Manager in the Basque Country, Manager of Pertor and General Manager of Rolltore-Portis (both of which are subsidiaries of Zardoya Otis, S.A.). In 2007, he was transferred to Otis Italy as Service and Installations Manager and, in 2008, was appointed CEO of the same entity. He returned to Spain in 2012 and joined the Board of Directors of Zardoya Otis, S.A. as CEO. Subsequently, in March 2019, he was appointed as Chairman of the Board.

In the light of the curriculum vitae of Mr Bernardo Calleja (**Exhibit A**), the Board of Directors considers him to have the skills, experience and merits required to propose to the Company’s General Shareholders’ Meeting his re-election as an executive director for the bylaw-stipulated period of four years as from the time the resolution is passed.

It is stated that Mr Bernardo Calleja should be considered an executive director in accordance with the definitions contained in article 529 *duodecies* of the Capital Companies Law, since he has been performing the functions of the Chief Executive Officer of the Company since 2012.

3. Report on the ratification of the appointment of Ms Stacy Petrosky as a proprietary director

Ms Stacy Petrosky was co-opted as a director in a resolution of the Board of Directors dated July 26, 2019.

With a prior report in favour from the Nominating and Compensation Commission and having evaluated the skills, experience and merits of Ms Stacy Petrosky, the Board of

Directors has decided (with the abstention of Ms Stacy Petrosky) to propose the ratification of her appointment as a proprietary director to the Ordinary General Shareholders' Meeting.

This ratification is consistent with the Company's goal of progressively renewing the Board of Directors in accordance with the recommendations published on February 20, 2019 by the National Securities Market Commission (CNMV) in its Technical Guide 1/2019 on Nomination and Compensation Commissions, as well as to attain a greater representation of the less represented gender on the Board.

Ms Stacy L. Petrosky is a graduate in Company Management (specialized in accounting) and has undertaken executive leadership programs at the Darden School of Business Administration (University of Virginia, U.S.A.). With 25 years professional experience, Ms Stacy L. Petrosky has held positions with different executive responsibilities, both in the Otis Group (for the last 6 years) and with the prestigious audit firm PwC (for almost 20 years). At present, Ms Stacy L. Petrosky is Chief Audit Officer, carrying out management functions in the Otis Group's Finance Department.

In the light of the curriculum vitae of Ms Stacy Petrosky (**Exhibit B**), the Board of Directors considers her to have the skills, experience and merits required to propose the ratification of her appointment to the Company's General Shareholders' Meeting.

It is stated that Ms Stacy Petrosky should be considered a proprietary director in accordance with the definitions contained in article 529 *duodecies* of the Capital Companies Law, since the ratification of her appointment is proposed at the request of the majority shareholder, United Technologies Holdings S.A.S.

4. Report on the appointment of Mr Mark Eubanks as the personal representative of Otis Elevator Company on the Board of Directors

In the light of the curriculum vitae of Mr Mark Eubanks (**Exhibit C**), the Board of Directors considers him to have the skills, experience and merits required to perform his functions on the Company's Board of Directors as the personal representative of Otis Elevator Company. Mr Mark Eubanks stands out because of his in-depth technical knowledge, which he combines with his executive and management experience.

Mr Mark Eubanks holds a degree in Electrical Engineering from the University of Florida and has completed a Master of Business Administration from Emory University. With extensive professional experience related to technological innovation in the industrial sector, Mr Mark Eubanks has held a series of roles related to strategic consulting in the construction and engineering sector. At present, Mr Mark Eubanks is President of Otis Europe, Middle East and Africa (EMEA) and a member of Otis's executive committee, with multiple responsibilities in Otis's business in the EMEA region. Likewise, Mr Mark Eubanks was co-opted as a director in his own right in a resolution of the Board of Directors dated July 26, 2019 and his status is now changing to personal representative of Otis Elevator Company.

Otis Elevator Company should be considered a proprietary director in accordance with the definitions contained in article 529 *duodecies* of the Capital Companies Law, since the ratification of its appointment is proposed at the request of the majority shareholder, United Technologies Holdings S.A.S.

5. Report on the appointment of Mr Alberto Zardoya Arana as the personal representative of Euro-Syns, S.A. on the Board of Directors

In the light of the curriculum vitae of Mr Alberto Zardoya Arana (**Exhibit D**), the Board of Directors considers him to have the skills, experience, merits, knowledge and capabilities

required to perform his functions on the Company's Board of Directors as the personal representative of Euro-Syns, S.A.. Mr Alberto Zardoya Arana stands out because of his in-depth technical knowledge, which he combines with his executive and management experience.

Additionally, Mr Alberto Zardoya Arana holds a degree in Manufacturing Engineering from the University of Boston and has obtained a Master in the Stock Exchange at *Instituto de Estudios Bursátiles*. The first few years of his career were closely linked to the industrial sector as an engineer and consultant in several companies and projects and he collaborated with the UTC Group in some of the later stages of his career. He has been a director of ZARDOYA OTIS, S.A. since 2013 and was re-elected at the Ordinary General Shareholders' Meeting held on May 22, 2019.

Euro-Syns, S.A. should be considered a proprietary director in accordance with the definitions contained in article 529 *duodecies* of the Capital Companies Law, since the ratification of its appointment is proposed at the request of the company itself, which owns a significant shareholding in Zardoya Otis, S.A.

Exhibit A**CURRICULUM VITAE OF MR BERNARDO CALLEJA FERNÁNDEZ**

Name and surnames	Bernardo Calleja Fernández
Higher education	Engineering degree from <i>Escuela Técnica Superior de Ingenieros Industriales de Gijón</i> .
Additional or postgraduate studies	PADE (Senior Management Program) at the IESE Business School. "Breakthrough Program for Senior Executives (BPSE)" at IMD, November 2018.
Summary of professional experience	<p>He commenced his career with Otis in 1989 as an engineer at the Otis plant in San Sebastián.</p> <p>Subsequently, he moved to Barcelona as branch manager. Three years later, he returned to San Sebastián as Area Manager.</p> <p>From 2001 to 2005, he was the manager of Pertor, a Zardoya Otis Group company in Spain.</p> <p>He then become general manager of Rolltore-Portis, another Group company.</p> <p>In 2007, he was appointed Service and Operations Manager of Otis Italy and, a year later, become Chief Executive Officer of Otis in Italy.</p> <p>In February 2012, he was appointed Chief Executive Officer of Zardoya Otis and President of Otis South Europe and Near East (SEMA).</p> <p>In December of the same year, he became President of South Europe of UTC Building & Industrial Systems, a division encompassing the brands: OTIS in elevators, Carrier in air-conditioning, Chubb and Marioff in fire protection and Portis in automatic doors, among others..</p> <p>He is currently Chief Executive Officer and director of Zardoya Otis, S.A. and President of OTIS South Europe and Africa. He is likewise an executive of the Otis Worldwide Corporation group.</p>

Exhibit B
CURRICULUM VITAE OF MS STACY L. PETROSKY

Name and surname	Stacy L. Petrosky
Higher education	Degree in Company Management (specialized in accounting)
Additional or postgraduate studies	Executive leadership programs at the Darden School of Business Administration (University of Virginia, U.S.A.)
Summary of professional experience	<p>1994 – 2001: Several positions with growing responsibility (PwC)</p> <p>2001 – 2013: Senior Audit Manager (PwC)</p> <p>2013 – 2015: Manager, Financial Planning & Analysis (Otis)</p> <p>2015 – 2016: Senior Director, Financial Planning & Analysis (Otis)</p> <p>2016 – 2018: Senior Director, Finance Transformation (Otis)</p> <p>She is currently Chief Audit Officer (Otis)</p>

Exhibit C
CURRICULUM VITAE OF MR MARK EUBANKS

Name and surname	Mark Eubanks
Higher education	Bachelor of Science in Electrical Engineering from the University of Florida
Additional or postgraduate studies	Master of Business Administration from Emory University
Summary of professional experience	<p>President of the Electrical Products Group (Eaton Corporation)</p> <p>Series of executive roles (Cooper Industries)</p> <p>Project management, engineering consulting (Southern Company)</p> <p>Current President of Otis EMEA (Otis)</p> <p>Member of Executive Committee (Otis)</p>

Exhibit D

CURRICULUM VITAE OF MR ALBERTO ZARDOYA ARANA

Name and surnames	Alberto Zardoya Arana
Higher education	BA Manufacturing Engineering, Boston University de Boston MA, U.S.A.
Additional or postgraduate studies	Master in the Stock Exchange at <i>IEB, Instituto de Estudios Bursátiles</i> , Madrid Savera, Elevator Guide Rails (Vera de Bidasoa, Navarra, Spain)
Summary of professional experience	Otis Elevador Company (Gien, France). Andersen Consulting (Madrid, Spain) UTC Research Center (San Sebastián, Spain) Sikorsky Helicopters (Stratford, CT, U.S.A.) Sikorsky Helicopters (Gamesa, Vitoria, Spain) UTC Aerospace (San Sebastián, Spain) He is currently a member of the Board of Directors of Mecalux, S.A. (Barcelona, Spain) and Euro-Syns, S.A. (Madrid, Spain)

General Shareholders' Meeting 2020

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Nominating and Compensations Commission Report

Re-election of Mr Bernardo Calleja Fernández as a member of the Company's Board of Directors



Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

REPORT OF THE NOMINATING AND COMPENSATION COMMISSION ON THE RE-ELECTION OF MR BERNARDO CALLEJA FERNÁNDEZ AS A MEMBER OF THE COMPANY'S BOARD OF DIRECTORS

1. Purpose of the Report

The Nominating and Compensation Commission of Zardoya Otis, S.A. (the “**Company**”) has prepared this report in accordance with article 529 *decies* (point 6) and article 529 *quindecies* (point 3.d) of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law, according to which proposals for the appointment and re-election of non-independent directors should be preceded by a report from the Nominating and Compensation Commission, in which the skills, experience and merits of the proposed candidate are evaluated.

This report is issued in accordance with article 518.e) of the Capital Companies Law, containing information on the identity and curriculum vitae of each one of the proposed directors and the category to which they belong.

2. Report on the re-election of Mr Bernardo Calleja Fernandez as an executive director

In the opinion of the Nominating and Compensation Commission, Mr Bernardo Calleja Fernández, whose curriculum vitae has been reviewed and is attached hereto as **Exhibit A**, has the skills, merits, knowledge, experience and capabilities required to perform his functions on the Company's Board of Directors and is, therefore, fully capable of managing the Company prudently. No factors have been observed that could determine a conflict with the Company's interests or that would prevent an appropriate degree of dedication to his functions as a member of the Company's Board. In view of the foregoing, Mr Bernardo Calleja Fernández is fully capacitated to be re-elected and ratified as a director of the company for the bylaw-stipulated term of four years.

The Nominating and Compensation Commission has valued his extensive track record, experience in the sector, knowledge of the market in which the Company operates and all the requirements concerning professional and commercial honesty necessary to perform the duties of a director, as well as his willingness to carry out his functions efficiently. Likewise, the Nominating and Compensation Commission has taken into account the proven experience and merits of Mr Bernardo Calleja Fernández, since he has held a series of executive positions in the Zardoya Otis Group since the year 1989. In addition, the Nominating and Compensation Commission has also valued positively his performance as the Company's Chief Executive Officer over recent years and his additional contributions as Chairman of the Board of Directors.

Mr Bernardo Calleja Fernandez holds a degree in Industrial Engineering from *the Escuela Técnica Superior de Ingenieros Industriales de Gijón* and an MBA from the IESE Business School of the University of Navarra. He joined Zardoya Otis in 1989 as an engineer at the Otis plant in San Sebastián and subsequently held multiple positions of responsibility, including branch manager in Barcelona, Area Manager in the Basque Country, Manager of Pertor and General Manager of Rolltore-Portis (both of which are subsidiaries of Zardoya Otis, S.A.). In 2007, he was transferred to Otis Italy as Service and Installations Manager and, in 2008, was appointed CEO of the same entity. He returned to Spain in 2012 and joined the Board of Directors of Zardoya Otis, S.A. as CEO. Subsequently, in March 2019, he was appointed as Chairman of the Board.

It is expressly stated that Mr Bernardo Calleja Fernández meets the requirements of article 5 of the Regulations of the Board of Directors and article 529 *duodecies* of the Capital Companies Law to be considered an “executive director”.

4.10

Exhibit A

CURRICULUM VITAE OF MR BERNARDO CALLEJA FERNÁNDEZ

Name and surnames	Bernardo Calleja Fernández
Higher education	Engineering degree from <i>Escuela Técnica Superior de Ingenieros Industriales de Gijón</i> .
Additional or postgraduate studies	PADE (Senior Management Program) at the IESE Business School. “Breakthrough Program for Senior Executives (BPSE)” at IMD, November 2018.
Summary of professional experience	<p>He commenced his career with Otis in 1989 as an engineer at the Otis plant in San Sebastián.</p> <p>Subsequently, he moved to Barcelona as branch manager. Three years later, he returned to San Sebastián as Area Manager.</p> <p>From 2001 to 2005, he was the manager of Pertor, a Zardoya Otis Group company in Spain.</p> <p>He then become general manager of Rolltore-Portis, another Group company.</p> <p>In 2007, he was appointed Service and Operations Manager of Otis Italy and, a year later, become Chief Executive Officer of Otis in Italy.</p> <p>In February 2012, he was appointed Chief Executive Officer of Zardoya Otis and President of Otis South Europe and Near East (SEMA).</p> <p>In December of the same year, he became President of South Europe of UTC Building & Industrial Systems, a division encompassing the brands: OTIS in elevators, Carrier in air-conditioning, Chubb and Marioff in fire protection and Portis in automatic doors, among others..</p> <p>He is currently Chief Executive Officer and director of Zardoya Otis, S.A. and President of OTIS South Europe and Africa. He is likewise an executive of the Otis Worldwide Corporation group.</p>

General Shareholders' Meeting 2020

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Nominating and Compensations Commission Report

Appointment by EURO-SYNS, S.A. of Mr Alberto Zardoya Arana as its personal representative



**REPORT OF THE NOMINATING AND COMPENSATION COMMISSION ON THE
APPOINTMENT BY EURO-SYNS, S.A. OF MR ALBERTO ZARDOYA ARANA AS ITS
PERSONAL REPRESENTATIVE**

1. Purpose of the report

The Nominating and Compensation Commission of Zardoya Otis, S.A. (the “Company”) has prepared this report in accordance with, inter alia, article 529 *decies* (points 6 and 7) of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law, according to which proposals for the appointment of the personal representative of a director must always be preceded by an explanatory report from the Nominating and Compensation Commission in which the skills, experience and merits of the proposed candidate are evaluated.

Likewise, this report is issued in accordance with article 518.e) of the Capital Companies Law, containing information on the identity and curriculum vitae of the proposed personal representative and the category to which the director Euro-Syns, S.A. belongs.

1. Report in favour of the appointment of Mr Alberto Zardoya Arana as the personal representative of EURO-SYNS, S.A. on the Board of Directors

In the opinion of the Nominating and Compensation Commission, Mr Alberto Zardoya Arana, whose curriculum vitae has been reviewed and is attached hereto as **Exhibit A**, has the skills, merits, knowledge, experience and capabilities required to perform his functions on the Company’s Board of Directors as the personal representative of Euro-Syns, S.A. and is, therefore, fully capable of managing the Company prudently. No factors have been observed that could determine a conflict with the Company’s interests or that would prevent an appropriate degree of dedication to his functions as the personal representative Euro-Syns, S.A.. Mr Alberto Zardoya Arana has been a director of the Company in his own right since the year 2013 and was most recently re-elected at the Ordinary General Shareholders’ Meeting held on May 22, 2019. The Nominating and Compensation Commission issued a favourable report on March 4, 2019, considering Mr Alberto Zardoya to be fully capacitated to be appointed as a director of the Company.

The Nominating and Compensation Commission has valued his extensive track record, technical knowledge, proven experience in innovative projects and all the requirements concerning professional and commercial honesty necessary to perform the duties of a director, as well as his willingness to carry out his functions efficiently.

Mr Alberto Zardoya Arana holds a degree in Manufacturing Engineering from the University of Boston and has obtained a Master in the Stock Exchange at *Instituto de Estudios Bursátiles*. The first few years of his career were closely linked to the industrial sector as an engineer and consultant in a series of companies and projects and he collaborated with the UTC Group in some of the later stages of his career.

Likewise, it is expressly stated that Euro-Syns, S.A., represented by Mr Alberto Zardoya Arana, meets the requirements of article 5 of the Regulations of the Board of Directors and article 529 *duodecies* of the Capital Companies Law to be considered a “proprietary director”, its appointment having been proposed to the Board of Directors by the company itself, since it owns a significant shareholding in Zardoya Otis, S.A.

4.11

Exhibit A
CURRICULUM VITAE OF MR ALBERTO ZARDOYA ARANA

Name and surnames	Alberto Zardoya Arana
Higher education	BA Manufacturing Engineering, Boston University de Boston MA, U.S.A.
Additional or postgraduate studies	Master in the Stock Exchange at <i>IEB, Instituto de Estudios Bursátiles</i> , Madrid Savera, Elevator Guide Rails (Vera de Bidasoa, Navarra, Spain)
Summary of professional experience	Otis Elevador Company (Gien, France). Andersen Consulting (Madrid, Spain) UTC Research Center (San Sebastián, Spain) Sikorsky Helicopters (Stratford, CT, U.S.A.) Sikorsky Helicopters (Gamesa, Vitoria, Spain) UTC Aerospace (San Sebastián, Spain) He is currently a member of the Board of Directors of Mecalux, S.A. (Barcelona, Spain) and Euro-Syns, S.A. (Madrid, Spain)

General Shareholders' Meeting 2020

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**Nominating and Compensations Commission Report
Appointment by Otis Elevator Company of Mr Richard Markus Eubanks
as its personal representative**



Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

**REPORT OF THE NOMINATING AND COMPENSATION COMMISSION ON THE
APPOINTMENT BY OTIS ELEVATOR COMPANY OF MR MARK EUBANKS AS ITS
PERSONAL REPRESENTATIVE**

1. Purpose of the Report

The Nominating and Compensation Commission of Zardoya Otis, S.A. (the “**Company**”) has prepared this report in accordance with, *inter alia*, article 529 *decies* (points 6 and 7) of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law, according to which proposals for the appointment of the personal representative of a director must always be preceded by an explanatory report from the Nominating and Compensation Commission in which the skills, experience and merits of the proposed candidate are evaluated.

Likewise, this report is issued in accordance with article 518.e) of the Capital Companies Law, containing information on the identity and curriculum vitae of the proposed personal representative and the category to which the director OTIS ELEVATOR COMPANY belongs.

1. Report in favour of the appointment of Mr Mark Eubanks as the personal representative of OTIS ELEVATOR COMPANY on the Board of Directors

In the opinion of the Nominating and Compensation Commission, Mr Mark Eubanks, whose curriculum vitae has been reviewed and is attached hereto as **Exhibit A**, has the skills, merits, knowledge, experience and capabilities required to perform his functions on the Company's Board of Directors and is, therefore, fully capable of managing the Company prudently. No factors have been observed that could determine a conflict with the Company's interests or that would prevent an appropriate degree of dedication to his functions as the personal representative of OTIS ELEVATOR COMPANY. Mr Mark Eubanks was appointed by co-option by the Board of Directors at its meeting of July 27, 2019 with a prior report in favour from the Nominating and Compensation Commission, considering that Mr Mark Eubanks was fully capacitated to be appointed as a director, and this Commission now ratifies his capacity to also act as the personal representative of one of the Company's directors, specifically Otis Elevator Company.

The Nominating and Compensation Commission has valued his extensive track record, experience in the sector, knowledge of the industry in which the Company operates and of the new technologies and all the requirements concerning professional and commercial honesty necessary to perform the duties of a director, as well as his willingness to carry out his functions efficiently.

Mr Mark Eubanks holds a degree in Electrical Engineering from the University of Florida and has completed a Master of Business Administration from Emory University. With extensive professional experience related to technological innovation in the industrial sector, Mr Mark Eubanks has held a series of roles related to strategic consulting in the construction and engineering sector. At present, Mr Mark Eubanks is President of Otis Europe, Middle East and Africa (EMEA) and a member of Otis's executive committee, with multiple responsibilities in Otis's business in the EMEA region.

Likewise, it is expressly stated that OTIS ELEVATOR COMPANY, represented by Mr Mark Eubanks, meets the requirements of article 5 of the Regulations of the Board of Directors and article 529 *duodecies* of the Capital Companies Law to be considered a “proprietary director”, its appointment having been proposed by the Board of Directors at the request of the majority shareholder, United Technologies Holding S.A.S.

Exhibit A
CURRICULUM VITAE OF MR MARK EUBANKS

Name and surname	Mark Eubanks
Higher education	Bachelor of Science in Electrical Engineering from the University of Florida
Additional or postgraduate studies	Master of Business Administration from Emory University
Summary of professional experience	<p>President of the Electrical Products Group (Eaton Corporation)</p> <p>Series of executive roles (Cooper Industries)</p> <p>Project management, engineering consulting (Southern Company)</p> <p>Current President of Otis EMEA (Otis)</p> <p>Member of Executive Committee (Otis)</p>

General Shareholders' Meeting 2020

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Nominating and Compensations Commission Report

Ratification of Ms Stacy Lynn Petrosky as a member of the Company's Board of Directors



REPORT OF THE NOMINATING AND COMPENSATION COMMISSION ON THE RE-ELECTION OF MS STACY L. PETROSKY AS A MEMBER OF THE COMPANY'S BOARD OF DIRECTORS

1. Purpose of the Report

The Nominating and Compensation Commission of Zardoya Otis, S.A. (the “**Company**”) has prepared this report in accordance with article 529 *decies* (point 6) and article 529 *quindecies* (point 3.d) of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law, according to which proposals for the appointment and re-election of non-independent directors should be preceded by a report from the Nominating and Compensation Commission, in which the skills, experience and merits of the proposed candidate are evaluated.

This report is issued in accordance with article 518.e) of the Capital Companies Law, containing information on the identity and curriculum vitae of each one of the proposed directors and the category to which they belong.

2. Report issued by the Nominating and Compensation Commission in favour of the appointment of Ms Stacy L. Petrosky by co-option

In the opinion of the Nominating and Compensation Commission, Ms Stacy L. Petrosky, whose curriculum vitae has been reviewed and is attached hereto as **Exhibit A**, has the skills, merits, knowledge, experience and capabilities required to perform her functions on the Company's Board of Directors and is, therefore, fully capable of managing the Company prudently. No factors have been observed that could determine a conflict with the Company's interests or that would prevent an appropriate degree of dedication to her functions as a member of the Company's Board. Ms Stacy L. Petrosky was appointed by co-option by the Board of Directors at its meeting of July 27, 2019 and is fully capacitated to be ratified as a director by the General Shareholders' Meeting.

The Nominating and Compensation Commission has valued her extensive track record, experience in the sector, knowledge of the finance area and all the requirements concerning professional and commercial honesty necessary to perform the duties of a director, as well as her willingness to carry out her functions efficiently. Likewise, this appointment is consistent with the Company's goal of increasing the presence of female directors and ensuring that the selection policies for Board members consider solely criteria concerning merits and capacity, avoiding any implicit bias that might suggest gender discrimination in the selection of directors.

Ms Stacy L. Petrosky is a graduate in Company Management (specialized in accounting) and has undertaken executive leadership programs at the Darden School of Business Administration (University of Virginia, U.S.A.). With 25 years professional experience, Ms Stacy L. Petrosky has held positions with different executive responsibilities, both in the Otis Group (for the last 6 years) and with the prestigious audit firm PwC (for almost 20 years). At present, Ms Stacy L. Petrosky is Chief Audit Officer and Executive Director, carrying out management functions in the Otis Group's Finance Department.

In addition, it is expressly stated that Ms Stacy L. Petrosky meets the requirements of article 5 of the Regulations of the Board of Directors and article 529 *duodecies* of the Capital Companies Law to be considered a “proprietary director”, her appointment having been proposed by the Board of Directors at the request of the majority shareholder, United Technologies Holding S.A.S.

4.13

Exhibit A**CURRICULUM VITAE OF MS STACY L. PETROSKY**

Name and surname	Stacy L. Petrosky
Higher education	Degree in Company Management (specialized in accounting)
Additional or postgraduate studies	Executive leadership programs at the Darden School of Business Administration (University of Virginia, U.S.A.)
Summary of professional experience	<p>1994 – 2001: Several positions with growing responsibility (PwC)</p> <p>2001 – 2013: Senior Audit Manager (PwC)</p> <p>2013 – 2015: Manager, Financial Planning & Analysis (Otis)</p> <p>2015 – 2016: Senior Director, Financial Planning & Analysis (Otis)</p> <p>2016 – 2018: Senior Director, Finance Transformation (Otis)</p> <p>She is currently Chief Audit Officer & Executive Director (Otis).</p>

4.13

General Shareholders' Meeting 2020

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Rules on granting proxy and voting using means of distance communication and forms to use to
vote by proxy or from a distance by e-mail



The Board of Directors of Zardoya Otis, S.A. (the “**Company**”) has decided to apply the following rules on distance voting and proxy-granting as of publication of notice of the forthcoming Ordinary General Shareholders’ Meeting, which is scheduled to be held, on the first call, June 15, 2020 at 12:00 noon in the auditorium of Edificio Rodrigo Uría, Plaza de Rodrigo Uría, s/n, calle Príncipe de Vergara, 187 - 28002 Madrid, or, on the second call, on June 16, 2020, at the same time and in the same place, until said meeting (expected to be held on the second call) is held:

1. Right to grant proxy and proxy-granting from a distance

Any shareholder entitled to attend may be represented at the General Shareholders’ Meeting by another person, who need not be a shareholder. Proxy shall be conferred in writing specifically for the General Meeting pursuant to article 15 of the Bylaws, article 6 of the Regulations of the General Shareholders’ Meeting and articles 184 and 522 et seq. of the Capital Companies Law.

In particular, proxy may be granted from a distance, although only proxies conferred as follows shall be valid:

- (A) By written postal correspondence, sending to the Company (Zardoya Otis, S.A., -SHAREHOLDERS-, Calle Golfo de Salónica, 73, 28033 Madrid) the certificate of entitlement or equivalent document issued by Iberclear (or the participating entity thus authorized), together with the pertinent attendance, proxy and voting card, which may be downloaded from the Company’s website (<http://www.otis.com/es/es/accionistas-inversores/>), duly signed and completed by the shareholder. The shareholder must include the following information on the proxy-holder in the communication: name and surnames, number of national identity card or equivalent, and e-mail address. These data will be necessary to register him or her on the on-line attendance platform for the Ordinary General Meeting.
- (B) Using means of electronic distance communication (e-mail) that duly guarantee the proxy attributed and the identity of the principal. Proxy granted by these means shall be admitted when the electronic document whereby it is conferred includes the recognized electronic signature or the advanced electronic signature of the principal, in the terms set forth in Law 59/2003 of December 19 on Electronic Signatures, based on a recognized electronic certificate of which no revocation is recorded and which is issued by the Spanish Public Certification Authority (CERES), an entity that reports to the Fábrica Nacional de Moneda y Timbre (the Spanish Mint). The user certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when proxy is granted. Any shareholder who has an electronic signature and meets the above requirements and identifies him/herself with said electronic signature may grant proxy by means of an electronic communication in accordance with the instructions and procedures that are specified on the Company’s website (<http://www.otis.com/es/es/accionistas-inversores/>), which include the forms to be used for this purpose. Likewise, the shareholder must include the following information on the proxy-holder in the communication: name and surnames, number of national identity

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

card or equivalent, and e-mail address. These data will be necessary to register him or her on the on-line attendance platform for the Ordinary General Meeting.

Exhibit A attached hereto contains some clarifications regarding identification of the shareholder and the form that shareholders should use to grant proxy from a distance.

To be valid, proxy granted by either of the means of distance communication mentioned above must be received by the Company before midnight on the day preceding the date on which the Ordinary General Shareholders' Meeting is scheduled to be held on the first call. Otherwise, the proxy shall be deemed not to have been granted.

In the event that the shareholder is a legal person, it must (i) simultaneously provide a notary's certificate stating that the powers of attorney that support the authorization of the person to whom proxy has been granted by postal correspondence or electronic distance communication are sufficient; and (ii) notify the Company of any change or revocation of the powers held by its representative, the Company thus declining any liability until such notification has been made.

The shareholder granting proxy to a person other than one of the members of the Board of Directors or the Secretary of the Board must notify the proxy-holder appointed of the proxy granted in his or her favour and send him or her a copy of the card to be handed over at the entrance on the day the General Shareholders' Meeting is held.

Once the Company has verified the requirements set out previously, the proxy-holders appointed by shareholders will be authorized to access the on-line attendance platform of the Ordinary General Meeting in the event that they decide to attend the Ordinary General Meeting on-line, which they may do in the terms described in point 4 below.

Likewise, shareholders are informed that they may also grant proxy to the Chairman of the Board of Directors, or the person who substitutes him in the chair of the General Shareholders' Meeting, or to the Secretary of the Board, using the electronic platform enabled by the Company on its corporate website (<http://www.otis.com/es/es/accionistas-inversores/>) from 12:00 noon (CEST) on June 8, 2020 to 11:00 a.m. (CEST) on June 15, 2020. If the shareholder is a legal person and wishes to grant proxy in accordance with this paragraph, the natural person who acts as its legal representative must access the platform with a recognized electronic certificate as the entity's representative of which no revocation is recorded and which is issued by the Fábrica Nacional de Moneda y Timbre (the Spanish Mint) or an entity that reports thereto.

In the event that a shareholder grants proxy to the Company, the directors or the Secretary of the Board by postal correspondence or electronic means of distance communication (e-mail or electronic platform), but does not include therein instructions for casting the vote or there are doubts as to the recipient or scope of the proxy, it shall be considered that the proxy: (i) is granted in favour of the Chairman of the Board of Directors or, if applicable, the person who substitutes him in the chair of the General Shareholders' Meeting, or, in the event that the Chairman or his substitute has a conflict of interest, in favour of the Secretary of the Board of Directors, unless otherwise stated by the shareholder; (ii) refers to all the motions on the Agenda of the General Meeting; (iii) casts a vote is in favour of said motions; and (iv) likewise

includes any points that may be raised off the Agenda, in respect of which the proxy-holder will vote in the manner he/she considers most favourable to the principal's interests.

In the event that the proxy-holder has, from a legal standpoint, a conflict of interest when voting on any of the proposals that are submitted to the General Meeting on or off the Agenda and the shareholder has not given precise instructions on the direction of his or her vote, the proxy will be deemed to have been granted to the Chairman of the Meeting or, in the event that the Chairman is likewise affected by the conflict of interest, to the Secretary of the Board of Directors, unless the shareholder granting the proxy states otherwise (in which case the shareholder will be deemed not to have authorized the substitution).

A proxy-holder may only vote on behalf of his/her principal by attending the General Meeting in person or on-line. For this purpose, on the day and in the place of the General Meeting, the designated proxy-holder must identify him/herself with his/her current national identity card or passport, so that the Company may verify the proxy granted in his/her favour, accompanied by a copy of said proxy and, if the shareholder is a legal person, a copy of the notary's certificate of the power of attorney. In the event that the proxy-holder decides to attend the Ordinary General Meeting on-line, the Company will enable his or her access to the on-line attendance platform of the Ordinary General Meeting and, to access it, he or she must identify him/herself through an electronic national identity card or a recognized electronic signature in the terms set out in Law 59/2003 of December 19 on Electronic Signatures, based on a recognized electronic signature of which no revocation is recorded and which is issued by the Spanish Public Certification Authority (CERES), an entity that reports to the Fábrica Nacional de Moneda y Timbre (the Spanish Mint).

Proxy granted by postal correspondence or using means of electronic distance communication (e-mail or electronic platform) may be declared null: (i) if it is expressly revoked by the shareholder, using the same means as employed to grant the proxy, within the term fixed for granting it; (ii) by the shareholder attending the General Meeting in person or on-line; or (iii) due to transfer of the shares ownership of which conferred the right to grant the proxy and the right to vote, when the Company is aware of said transfer at least five days before the General Meeting is held. At any event, proxies granted after a distance vote has been cast shall be deemed not to have been granted.

When a proxy-holder holds proxies from several shareholders, he/she may cast different votes in accordance with the instructions received from each one of the shareholders.

Likewise, entities that hold shareholder status according to the accounting register of shares but which act on behalf of different persons may divide their vote and cast it differently in accordance with the different voting instructions they have received, if applicable. These intermediary entities may grant proxy to each one of the indirect shareholders or to third parties designated by the latter and there is no limit on the number of proxies they may grant. To do this, they must, within the seven days preceding the date on which the General Meeting is scheduled to be held, provide the Company with a list stating the identity of each client, the number of shares in respect of which they are exercising voting rights on behalf of each client and the voting instructions received, if applicable, in order to determine how their vote will be cast.

2. Distance voting

Shareholders entitled to attend and vote may cast their vote on the motions on items included on the Agenda using the following means of distance communication:

- (A) By written postal correspondence, sending to the Company (Zardoya Otis, S.A., -SHAREHOLDERS-, Calle Golfo de Salónica, 73, 28033 Madrid) the certificate of entitlement or equivalent document issued by Iberclear (or the participating entity thus authorized), together with the pertinent attendance, proxy and voting card, which may be downloaded from the Company's website, duly signed and completed by the shareholder.
- (B) By electronic means of distance communication (e-mail), provided that the electronic document whereby the vote is cast includes the recognized electronic signature or the advanced electronic signature of the principal, in the terms set forth in Law 59/2003 of December 19 on Electronic Signatures, based on a recognized electronic certificate of which no revocation is recorded and which is issued by the Spanish Public Certification Authority (CERES), an entity that reports to the Fábrica Nacional de Moneda y Timbre (the Spanish Mint). The user certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when the vote is cast. Any shareholder who has an electronic signature that meets the above requirements and identifies him/herself with said electronic signature may send the Company an e-mail to cast his or her vote from a distance in accordance with the relevant instructions and procedures that are specified on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>), which include the forms to be used for this purpose.
- (C) Through the distance voting platform that the Company has enabled on its corporate website (<http://www.otis.com/es/es/accionistas-inversores/>), provided that the electronic document used to exercise the voting right includes the shareholder's recognized electronic signature or the advanced electronic signature, in the terms set out in Law 59/2003 of December 19 on Electronic Signatures, based on an electronic national identity card or a recognized electronic certificate of which no revocation is recorded and which is issued by the Spanish Public Certification Authority (CERES), an entity that reports to the Fábrica Nacional de Moneda y Timbre (the Spanish Mint). The user certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when the vote is cast. Any shareholder who has an electronic signature that meets the above requirements and identifies him/herself with said electronic signature may cast his or her vote on the items on the Agenda of the Ordinary General Shareholders' Meeting in accordance with the relevant instructions and procedures specified on the distance voting platform enabled on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>).

Exhibit B attached hereto contains some clarifications regarding identification of the shareholder and the form that shareholders should use to cast their vote from a distance.

Votes cast by using the means mentioned previously in points (A) and (B) will not be valid if they are not received by the Company at least twenty-four hours before the date on which the

Ordinary General Shareholders' Meeting is scheduled to be held on the first call. Votes received after said deadline will be deemed not to have been cast.

Votes cast using the means mentioned in point (C) must be cast by the shareholder through the electronic platform enabled by the Company on its corporate website (<http://www.otis.com/es/es/accionistas-inversores/>) from 12:00 noon (CEST) on June 8, 2020 to 11:00 a.m. (CEST) on June 15, 2020. Otherwise, the vote will be deemed not to have been cast.

In the event that the shareholder is a legal person, it must (i) simultaneously provide a notary's certificate stating that the powers of attorney that support the authorization of the person to whom proxy has been granted by postal correspondence or electronic distance communication are sufficient; and (ii) notify the Company of any change or revocation of the powers held by its representative, the Company thus declining any liability until such notification has been made. In the event that the shareholder is a legal person and wishes to vote from a distance through the voting platform enabled by the Company on its corporate website (<http://www.otis.com/es/es/accionistas-inversores/>), the natural person who acts as its legal representative must access the platform with a recognized electronic certificate as the entity's representative of which no revocation is recorded and which is issued by the Fábrica Nacional de Moneda y Timbre (the Spanish Mint) or an entity that reports thereto

A shareholder who casts his/her vote by postal correspondence or electronic means of distance communication and does not mark any of the boxes provided for indicating his/her vote on the items on the Agenda will be deemed to wish to vote in favour of the respective motions put forward by the Board of Directors.

Shareholders who cast a distance vote in the terms stated in the Bylaws and the Regulations of the General Meeting shall be deemed to be present at the General Meeting for quorum purposes. In consequence, proxies granted previously shall be deemed to have been revoked and those granted subsequently will be deemed not to have been granted

A distance vote can only be declared null (i) if it is subsequently expressly revoked by the same means as was employed to cast it within the term fixed for distance voting, (ii) by the attendance of either the shareholder who cast the distance vote or a proxy-holder of said shareholder at the meeting; or (iii) due to transfer of the shares ownership of which conferred the right to vote, when the Company is aware of said transfer at least five days before the date on which it is planned to hold the General Meeting.

To allow the General Meeting to be followed on-line, you are reminded that it will be streamed on the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>).

3. Rules common to granting proxy and voting by means of distance communication

- (A)** The validity of the proxy granted and the vote cast by distance communication is subject to verification of the shareholder's status as such with the file provided by Iberclear, the entity responsible for the accounting register of the Company's shares. In the event of any discrepancy between the number of shares stated by the shareholder granting

proxy or casting his/her vote by distance communication and the number stated in the account entry registers notified by Iberclear, the number of shares stated by the latter shall be considered valid for quorum and voting purposes unless there is evidence to the contrary.

- (B) The following rules on the order of priority of proxy voting, distance voting and presence at the General Meeting are established: (i) the attendance at the General Meeting in person or on-line by a shareholder who has previously granted proxy or cast a distance vote, irrespective of the manner in which the vote was cast, shall cause said proxy or vote to be null; (ii) physical in-person attendance will cause on-line personal attendance to be null; (iii) when the shareholder validly grants proxy or casts a vote through an electronic communication and, furthermore, performs the same action through a printed attendance card issued by Iberclear (or the participating entity thus authorized), the last proxy granted or vote cast received by the Company within the term allowed will prevail (irrespective of the means used to grant or cast it); and (iv) casting a vote using any means of distance communication will cause any proxies granted by the shareholder to be null, irrespective of whether they were granted before the vote was cast, in which case they will be deemed to have been revoked, or after, in which case they will be deemed not to have been granted. Likewise, both proxies and votes cast previously from a distance will be null in the event of disposal of the shares that confer the right to attend and vote and the Company is aware of this at least five days before the scheduled date of the Ordinary General Meeting.
- (C) Custody of his/her electronic signature is solely the shareholder's responsibility.
- (D) The Company reserves the right to change, suspend, cancel or restrict the mechanisms for electronic voting and granting proxy from a distance when technical or security reasons make it advisable or obligatory. If any event of this nature were to occur, it would be announced on the Company's corporate website. The foregoing is without prejudice to the validity of proxies already granted, votes already cast and the shareholders' right to attend and grant proxy.
- (E) The Company shall in no case be liable for any damages that may be caused to the shareholder by breakdowns, overloads, lines down, connection failures, malfunctions of the postal service or any other contingencies of the same or a similar nature, beyond the Company's control, that hinder or prevent the use of the mechanisms for voting and granting proxy from a distance. Therefore, such circumstances will not constitute an unlawful deprivation of shareholder rights.
- (F) Any of the co-owners of a share deposit may vote, grant proxy or attend and the rules on priority established above shall be applicable among them. For the purposes of article 126 of the Capital Companies Law, it is assumed that the co-owner who carries out an action (granting of proxy, voting or attendance) at any given moment has been designated by the rest of the co-owners to exercise the rights that correspond to him/her as a shareholder.

Exhibit A

4.14

To guarantee the security of your proxy, you must have an electronic user certificate. Links to the electronic certificate providers who issue valid Certificates for this Meeting appear below. In these links, you will find information on how to obtain the certificate.

<http://www.cert.fnmt.es/>

Once you have obtained the Electronic User Certificate, you should send an e-mail to info.accionista@otis.com, stating if you wish to grant proxy, in accordance with the following instructions:

Content of the e-mail to grant proxy:

The e-mail you send to the Company to grant proxy by means of distance communication must include:

- (a) The following **particulars** in your capacity as the shareholder granting proxy:
 - Name, surnames and national identity card (D.N.I.) / tax identification number (N.I.F.).
 - Name and code of the Depositary Entity with which you have deposited the Company shares.
 - Securities account number: Code (Branch + control digit + acc. No.)
 - Number of shares you own.
- (b) Your recognized or advanced **electronic signature**, based on a recognized electronic certificate of which no revocation is recorded;
- (c) If the shareholder is a legal person, a **notary's certificate** stating that the powers of attorney of the person granting proxy are sufficient;
- (d) **The person to whom proxy is granted** for the General Meeting, specifying whether it is:
 - (i) The Chairman of the Board of Directors.
 - (ii) Any other person [Mr//Ms] [*insert name and surnames*] and his/her [D.N.I. / N.I.F] and [e-mail address].

Any granting of proxy that does not state the name of the person to whom it is granted will be deemed to be granted to the Chairman of the Board of Directors;
- (e) **Voting instructions** for the separate items on the Agenda of the General Meeting, stating whether the vote is:
 - **IN FAVOUR** (stating the word **YES** next to the relevant item on the Agenda).
 - **AGAINST** (stating the word **NO** next to the relevant item on the Agenda).
 - **ABSTENTION** (stating the word **BLANK** next to the relevant item on the Agenda).

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

4.14

Likewise, the shareholder granting proxy may leave the direction of the vote to the discretion of the proxy-holder, giving no instructions in this respect, in which case the e-mail sent to the Company must expressly state that the proxy-holder will vote on the proposals in the direction he/she sees fit.

In the event that no instructions are given and it is not expressly stated that the proxy-holder will vote on the proposals in the direction he/she sees fit, the person granting proxy will be deemed to vote in favour of the proposals of the Board of Directors.

Unless stated otherwise, the proxy will cover any items not included on the Agenda. In this case, the proxy-holder will vote in the direction he/she sees fit.

- (f) The person granting proxy must state that he/she undertakes to **inform the designated proxy-holder** of the proxy.
- (g) In the event that the proxy-holder has, **from a legal standpoint, a conflict of interest** in the vote on any of the proposals that are submitted to the Meeting, on or off the Agenda, **the proxy will be deemed to have been granted to the Chairman of the Meeting or, if the latter is also affected by the conflict of interest, to the Secretary of the Board of Directors**, unless the shareholder granting the proxy states otherwise, in which case the shareholder will be deemed not to have authorized the substitution.

An example of an e-mail granting proxy by means of distance communication is shown below:

To: *info.accionista@otis.com*

Re: Granting proxy from a distance

I, [Mr / Ms.] [insert name], with [D.N.I. / N.I.F.] No. [insert number], currently in force, as the holder of [insert number] shares in Zardoya Otis, S.A., which are deposited with the entity [insert name of entity], in securities account No. [insert number], grant proxy for the 2020 Ordinary General Shareholders' Meeting of the Company to be held on June 15, 2020, on the first call, and June 16, 2020, on the second call, to:

[Option 1] [The Chairman of the Board of Directors or the person acting as such] [Option 2] [[Mr / Ms.] [insert name and surnames], with [D.N.I. / N.I.F.] No. [insert number], currently in force] and [e-mail address], in order for them to represent me and vote on the following items on the Agenda of the General Meeting [alternative 1: in accordance with the following instructions:

Item 1	[YES] [NO] [BLANK]
Item 2	[YES] [NO] [BLANK]
Item 3	[YES] [NO] [BLANK]
Item 4	[YES] [NO] [BLANK]

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

Item 5	[YES] [NO] [BLANK]
Item 6	[YES] [NO] [BLANK]
Item 7	[YES] [NO] [BLANK]
Item 8	[YES] [NO] [BLANK]
Item 9	[YES] [NO] [BLANK]
Item 10	[YES] [NO] [BLANK]
Item 11	[YES] [NO] [BLANK]
Item 12.1	[YES] [NO] [BLANK]
Item 12.2	[YES] [NO] [BLANK]
Item 12.3	[YES] [NO] [BLANK]
Item 12.4	[YES] [NO] [BLANK]
Item 13	[YES] [NO] [BLANK]
Item 14	N/A
Item 15	[YES] [NO] [BLANK]

I undertake to inform my proxy-holder of the proxy conferred upon him/her.

[If a legal person, attach a notary's certificate of the power of attorney.]

[The e-mail must include the shareholder's electronic signature based on a recognized electronic certificate of which there is no record of revocation.]"

Exhibit B

To guarantee the security of your distance vote, you must have an electronic user certificate. Links to the electronic certificate providers who issue valid Certificates for this Meeting appear below. In these links, you will find information on how to obtain the certificate.

<http://www.cert.fnmt.es/>

Once you have obtained the Electronic User Certificate, you should send an e-mail to info.accionista@otis.com, stating if you wish to cast a distance vote, in accordance with the following instructions:

Content of the e-mail for distance voting:

- (a) The following **particulars** in your capacity as the shareholder casting the vote:
 - Name, surnames and D.N.I. / N.I.F.
 - Name and code of the Depositary Entity with which you have deposited the Company shares..
 - Securities account number: Code (Branch + control digit + acc. No.).
 - Number of shares you own.
- (b) Your recognized or advanced **electronic signature**, based on a recognized electronic certificate of which no revocation is recorded;
- (c) If the shareholder is a legal person, a **notary's certificate** stating that the powers of attorney of the person casting the vote on its behalf are sufficient;
- (d) Vote on the proposals of the Board of Directors included on the Agenda of the General Meeting, stating whether the vote is:
 - **IN FAVOUR** (stating the word **YES** next to the relevant item on the Agenda).
 - **AGAINST** (stating the word **NO** next to the relevant item on the Agenda).
 - **ABSTENTION** (stating the word **BLANK** next to the relevant item on the Agenda).

In the event that no instructions are given on any item on the Agenda, the vote will be deemed to be cast in favour of the proposal of the Board of Directors included in said item.

The shareholder casting a vote by means of distance communication will be deemed to be present for the purposes of constituting the General Meeting.

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

Se adjunta a continuación, un ejemplo de correo electrónico para emitir el voto a distancia:

An example of an e-mail casting a distance vote is shown below:

To: *info.accionista@otis.com*

Re: Voting from a distance

I, [Mr / Ms.] [insert name], with [D.N.I. / N.I.F.] No. [insert number], currently in force, as the holder of [insert number] shares in Zardoya Otis, S.A., which are deposited with the entity [insert name of entity], in securities account No. [insert number], in relation to the 2020 Ordinary General Shareholders' Meeting of the Company to be held on June 15, 2020, on the first call, and June 16, 2020, on the second call, cast my vote on the different items on the Agenda as stated below:

Item 1	[YES] [NO] [BLANK]
Item 2	[YES] [NO] [BLANK]
Item 3	[YES] [NO] [BLANK]
Item 4	[YES] [NO] [BLANK]
Item 5	[YES] [NO] [BLANK]
Item 6	[YES] [NO] [BLANK]
Item 7	[YES] [NO] [BLANK]
Item 8	[YES] [NO] [BLANK]
Item 9	[YES] [NO] [BLANK]
Item 10	[YES] [NO] [BLANK]
Item 11	[YES] [NO] [BLANK]
Item 12.1	[YES] [NO] [BLANK]
Item 12.2	[YES] [NO] [BLANK]
Item 12.3	[YES] [NO] [BLANK]
Item 12.4	[YES] [NO] [BLANK]
Item 13	[YES] [NO] [BLANK]
Item 14	N/A

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

Item 15 [YES] [NO] [BLANK]

[If a legal person, attach a notary's certificate of the power of attorney.]

[The e-mail must include the shareholder's electronic signature based on a recognized electronic certificate of which there is no record of revocation]."

4.14

General Shareholders' Meeting 2020

* * * * *

Rules on on-line attendance at the General Shareholders' Meeting



In the light of the current situation caused by the expansion of COVID-19, including Royal Decree 463/2020 of March 14, whereby the state of alarm was declared in order to manage the health crisis situation caused by COVID-19 (together with its successive extensions) (the “**Alarm RD**”), articles 40 and 41 of Royal Decree Law 8/2020 of March 17, on urgent extraordinary measures to tackle the economic and social impact of COVID-19 (the “**RDL**”), and the need to safeguard the health and safety of shareholders, employees and other persons involved in holding the Ordinary General Meeting, it has been decided that this meeting may also be attended using on-line resources that allow due identification of the shareholder and real-time connection with the venue where the Ordinary General Meeting is being held.

In line with the foregoing, the Board of Directors of Zardoya Otis, S.A. (the “**Company**”) has decided to apply the following rules for the on-line attendance of shareholders at the forthcoming Ordinary General Meeting of Shareholders, scheduled to be held, on the first call, on June 15, 2020 at 12:00 noon in the auditorium of Edificio Rodrigo Uría, located at Plaza de Rodrigo Uría, s/n, calle Príncipe de Vergara, 187 - 28002 Madrid, or (as is expected) on the second call, on June 16, 2020 at the same time and in the same place:

1. System planned for on-line attendance

The mechanisms for attending the Ordinary General Meeting on-line will be made available to shareholders (or their proxy-holders) on the Company's corporate website (<http://www.otis.com/es/es/accionistas-inversores/>).

On-line attendance at the Ordinary General Meeting will be subject to the legal provisions and the following basic rules, which will be supplemented and expanded by those published on the Company's corporate website (<http://www.otis.com/es/es/accionistas-inversores/>):

(A) Identification and prior registration of shareholders

To guarantee the identity of those attending, the correct exercise of their rights, interactivity and the proper running of the meeting, shareholders who wish to use the on-line attendance mechanisms must register previously in the space allocated to the General Shareholders' Meeting (“**on-line attendance**”) on the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>), **from 12:00 noon (CEST) on June 8, 2020 until 11:00 a.m. (CEST) on June 15 2020**. No prior registration of shareholders for exercising the right to attend on-line will be admitted after the latter date and time.

Said prior registration may be carried out in one of the following ways: (i) electronic national identity card, or (ii) recognized or advanced electronic signature based on a recognized electronic certificate currently in force, issued by the Spanish Public Certification Authority (CERES), an entity that reports to the Fábrica Nacional de Moneda y Timbre (the Spanish Mint). The Company may enable additional means of identification that duly guarantee the shareholder's identity. In the case of proxy-holders, the content of point 3.1 of the Notice of the meeting will apply.

Once the shareholder has pre-registered using the means described within the term allowed, they may attend and vote at the Ordinary General Meeting on-line by connecting as required on the day the meeting is held.

The Company reserves the right to request shareholders to provide any additional means of identification it deems necessary in order to verify their status as a shareholder and guarantee the authenticity of the on-line attendance.

(B) Connection and attendance

In order to allow the on-line attendance systems to be managed properly, shareholders who have registered previously to attend the Ordinary General Meeting on-line in accordance with letter (A) above or their proxy-holders, **must connect to the Company's corporate website (<http://www.otis.com/es/es/accionistas-inversores/>) between 11:15 a.m. and 11:45 a.m. (CEST) on June 15, 2020 (if the Ordinary General Meeting is held on the first call) or on June 16, 2020 (if, as expected, the Ordinary General Meeting is held on the second call)** and identify themselves as described in the relevant instructions.

If applicable, on June 15, 2020, when it has been verified that the quorum required to hold the meeting has not been met, the Company will publish this situation on the electronic attendance platform, confirming that the Ordinary General Meeting will finally be held on the second call. In the event that the Ordinary General Meeting is held on the second call (as expected), on-line participants who connected on the first call must connect again in order to attend the Ordinary General Meeting on-line on the second call.

(C) Participation

Pursuant to the Capital Companies Law, interventions and motions or requests for information or clarification that, in accordance with said Law, on-line participants intend to formulate must be sent to the Company in writing, in the format, terms and conditions established on the Company's aforementioned website, **between 9:00 a.m. and 11:00 a.m. (CEST) on June 15, 2020 or, if applicable, June 16, 2020, depending on whether the Ordinary General Meeting is held on the first or second call, respectively.** The on-line participant who wishes for his/or intervention to be recorded in the minutes of the Ordinary General Meeting must state this expressly in the text of the intervention. Requests for information or clarification made by on-line participants will be answered in writing in the seven days following the meeting, in accordance with the Capital Companies Law.

On-line participants who, having connected to the meeting on the first call, sent interventions and motions or requests for information or clarification, will have to send them again, in the terms described, on the day on which the meeting is held. Otherwise, they will be deemed not to have been formulated.

(D) Voting

A vote on the motions concerning items on the Agenda may be cast from the moment the shareholder (or, where applicable, the proxy-holder) connects as an on-line participant) until the Chairman or, where applicable the Secretary, announces the end of the time allowed for voting on the motions concerning items on the Agenda. Regarding motions on matters that need not appear on the Agenda by law, on-line participants may cast their votes as from the moment at which said motions are read in order for a vote to be taken on them. For voting on the motions, the procedure set out in the Bylaws and the Regulations of the General Shareholders' Meeting will be applied.

(E) Other issues

As stated previously, a shareholder's on-line attendance at the Ordinary General Shareholders' Meeting (provided that a quorum is reached) will cause any proxy granted or vote cast from a distance prior to the Ordinary General Meeting to be null.

Custody of the passwords or means of identification necessary to access and use the on-line attendance service is the sole responsibility of the shareholder (or proxy-holder). In the case of a legal person, it must notify the Company of any change or revocation of the powers held by its representative, the Company thus declining any liability until such notification has been made.

The Company reserves the right to change, suspend, cancel or restrict the mechanisms for on-line attendance at the Ordinary General Meeting when technical or security reasons make this advisable or obligatory. The Company will not be liable for any damages that may be caused to the shareholder by breakdowns, overloads, lines down, connection failures, or any other contingencies of the same or a similar nature, beyond the Company's control, that prevent the use of the mechanisms for on-line attendance at the Ordinary General Meeting. Therefore, such circumstances will not constitute an unlawful deprivation of shareholder rights.

In all aspects not expressly regulated in this notice, the same rules on voting and passing motions as those contained in the Regulations of the General Meeting for shareholders (or proxy-holders) who attend the Ordinary General Meeting in person will be applicable to the shareholders or proxy-holders who attend on-line.

2. Other channels of participation

On-line attendance at the Ordinary General Meeting is an extraordinary measure, additional to the different channels already available for Company shareholders to take part in the Ordinary General Meeting. In this respect, you are reminded that, in the terms established, shareholders (or, where applicable, their proxy-holders) may grant proxy or vote from a distance before the Ordinary General Meeting is held using the means described in points 3.1 and 3.2 of the Notice of the General Meeting.

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

Likewise, for the reasons mentioned previously, **physical or in-person presence of shareholders or, where applicable, their proxy-holders is not advised** and will, in any case, be subject to compliance with the necessary safety and distancing measures. In addition, to allow the meeting to be followed on-line, you are reminded that the General Meeting will be streamed on the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>).

3. Possibility of holding the Meeting without physical or in-person attendance

Taking account of the above provisions, in the event that, in the days leading up to the Ordinary General Meeting, it appears likely that the measures currently in force under the Alarm RD will remain in force on June 15 or 16, 2020 in similar terms, or that the possibilities of movement or meetings will be restricted, the Ordinary General Meeting will be held solely on-line, without any physical or in-person presence of shareholders, proxies or guests.

The Company will inform of any possible changes or measures adopted in relation to holding the Ordinary General Meeting at least five days in advance of the date on which the General Meeting is scheduled to be held through the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>) and the National Securities Market Commission.

4.15

General Shareholders' Meeting

2020

* * * * *

Total number of shares and voting rights at the date of the call
for the General Shareholders meeting 2020



The social capital of Zardoya Otis, S.A. is represented by a total of:

- **470.464.311 shares; and**
- **470.464.311 voting rights.**

The Company has 385,869 treasury shares that, in accordance with the provisions of article 148 of the Capital Companies Act, will be computed in the capital for the purposes of calculating the percentages necessary for the constitution and adoption of resolutions at the Ordinary General Meeting. The exercise of the vote and other political rights incorporated into the aforementioned shares are on hold.

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

General Shareholders' Meeting 2020

4.17

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Attendance, Proxy and Distance Voting Card





TARJETA DE ASISTENCIA, REPRESENTACIÓN Y VOTO A DISTANCIA

Attendance, Proxy and Distance Voting Card for the Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. (the "**Company**"), to be held, on the first call, on June 15, 2020 at 12:00 noon in the auditorium of Edificio Rodrigo Uría, Plaza de Rodrigo Uría, s/n, calle Príncipe de Vergara, 187 - 28002 Madrid, or, if applicable, on the second call on June 16, 2020 at the same time in the same place.

Shareholders may grant proxy or vote electronically as stated on the back of this card and on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>).

ATTENDANCE OF THE 2020 ORDINARY GENERAL SHAREHOLDERS' MEETING

Shareholders wishing to attend the General Meeting in person

Shareholders who wish to attend the Ordinary General Meeting in person must sign this card in the space below and submit in on the day and in the place the Meeting is held.

Signature of the attending shareholder

....., 2020

Number of shares:

Securities Account Code:

The holder of the card may delegate his/her right to attend or vote via distance communication by marking the pertinent boxes on the table of the items on the Agenda and signing the section on proxy granting or distance voting communication, as applicable. In the event that both sections are signed, the distance vote will prevail and the proxy granted will be null and void.

PROXY FOR THE 2020 ORDINARY GENERAL SHAREHOLDERS' MEETING

Shareholders who wish to grant proxy for the General Meeting

The shareholder to whom this card has been issued grants proxy for this General Meeting to:

(Mark only one of the following boxes and, if applicable, designate the proxy-holder. In order for this proxy to be valid, the shareholder granting it must sign in the space provided for this purpose.)

1. ☐ Chairman of the Board of Directors
2. ☐ (include name and surnames, national identity card No. and e-mail address)
3. If a shareholder grants proxy to the Company, the directors or the Secretary of the Board by post or electronically from a distance but does not include voting instructions or there is any doubt as to the recipient or scope of the proxy, the proxy will be deemed to: (i) be granted to the Chairman of the Board of Directors or, if applicable, the person who substitutes him in the chair of the General Shareholders' Meeting, or, in the event that the Chairman or his substitute has a conflict of interest, in favour of the Secretary of the Board of Directors, unless otherwise expressly stated by the shareholder; (ii) refers to all the motions on the Agenda of the General Meeting; (iii) is a vote in favour of said motions; and (iv) likewise covers any items that may arise off the Agenda, regarding which the proxy-holder will vote in the direction he/she deems most favourable to the interests of his/her principal.

To give precise voting instructions, mark the pertinent box in the following table with a cross. If there is no cross in any or all of the boxes provided to indicate the vote on the items on the Agenda, the shareholder will be deemed to wish to vote in favour of the respective motions submitted by the Board of Directors.

Voting instructions on the motions of the Board of Directors

Item on Agenda	1	2	3	4	5	6	7	8	9	10	11	12.1	12.2	12.3	12.4	13	14	15
In favour																		
Against																		
Blank																		

You are informed that the Chairman and other directors have a conflict of interest regarding items 8 (Consultative ballot on the 2019 Annual Director Compensation Report in accordance with the provisions of the Capital Companies Law, article 541), 9 (Approval of the Director Compensation Policy for the periods 2021, 2022 and 2023), 10 (Determination of the applicable percentage in relation to compensation via profit-sharing for the period running from December 1, 2018 to November 30, 2019), 11 (Reduction in the number of members of the Company's Board of Directors to 7), 12.1 (Re-election of Mr Bernardo Calleja Fernández as an executive director), 12.2 (Acknowledgement of the appointment of Mr Alberto Zardoya as the new personal representative of the director Euro-Syns, S.A.), 12.3 (Acknowledgement of the appointment of Mr Richard Markus Eubanks as the new personal representative of the director Otis Elevator Company), and 12.4 (Ratification of Ms Stacy Lynn Petrosky, who was appointed by co-option, as a proprietary director)].

Substitution of proxy-holder in the event of conflict of interest

In the event that the proxy-holder has, from a legal standpoint, a conflict of interest in the vote on any of the proposals that are submitted to the Meeting, on or off the Agenda, the proxy will be deemed to have been granted to the Chairman of the Meeting or, if the latter is also affected by the conflict of interest, to the Secretary of the Board of Directors, unless the shareholder granting the proxy states otherwise by marking the box NO below (in which case the shareholder will be deemed not to have authorized the substitution).

☐ NO

Proposals on items not included in the Agenda specified in the Notice of the Meeting

Unless otherwise stated, by marking the box NO below (in which case the shareholder will be deemed to specifically instruct the proxy-holder to abstain), the proxy will also cover any proposals on items not included on the Agenda.

☐ NO

If the proxy covers such proposals, the precise instruction to the proxy-holder is to vote against them, unless stated otherwise here:
.....

A conflict of interest will exist in the event that matters that are not on the Agenda are submitted to the General Meeting referring to the removal of the proxy-holder or filing of a corporate action for liability thereagainst, in the event that the proxy-holder is also a director of the Company.

Signature of the shareholder granting proxy

....., 2020

Signature of the proxy-holder attending

....., 2020

Number of shares:

Securities Account Code:

4.17

RIGHT OF ATTENDANCE

To attend the Company's General Shareholders' Meeting in person, it will be an essential requirement to prove share ownership by means of a certification of entitlement or equivalent document issued by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. ("Iberclear") or the participating entities authorized to do so, issued five days prior to the date of the General Meeting, pursuant to article 15 of the Bylaws, article 5 of the Regulations of the General Shareholders' Meeting and article 179 of the Capital Companies Law.

SHAREHOLDERS WISHING TO GRANT PROXY USING THIS CARD

If the shareholder does not intend to attend the General Meeting, he/she may grant proxy to any other natural or legal person. To do this, he/she should complete the proxy form on the other side of this page and sign it in the space provided. The person holding proxy at the General Meeting must also sign said proxy form. The rules included in the Notice of the Meeting and on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>) must be observed in this respect.

SHAREHOLDERS WISHING TO CAST A DISTANCE VOTE USING THIS CARD PRIOR TO THE GENERAL MEETING

If the shareholder does not intend to attend and does not wish to grant proxy, he/she may cast a distance vote on the items on the Agenda. To do this, he/she must complete the section on distance voting below and sign it in the space provided. Shareholders issuing a distance vote will be deemed to be present for the purposes of constituting the General meeting. Distance votes may be delivered to the Company by hand or sent by post, in accordance with the rules included in the Notice of the Meeting and on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>). In the event that both the proxy and distance voting sections are completed, the distance vote will prevail and the proxy will be null and void.

ELECTRONIC PROXY-GRANTING AND DISTANCE VOTING PRIOR TO THE MEETING

Shareholders may also grant proxy and vote on the items on the Agenda of the Meeting using electronic means, in accordance with the rules included in the Notice of the Meeting and on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>).

DISTANCE VOTE FOR THE 2020 ORDINARY GENERAL SHAREHOLDERS' MEETING**Shareholders wishing to cast a distance vote in relation to the motions on the Agenda**

If, prior to the General Meeting, the shareholder in whose favour this card has been issued wishes to cast a distance vote in relation to the motions on the Agenda of this General Meeting, he/she must mark the pertinent box with a cross, showing either the direction of his/her vote or his/her abstention. It is not possible to cast a distance vote on any proposals not included on the Agenda. If, in relation to any of the items on the Agenda, no box is marked, the shareholder will be deemed to vote in favour of the motion of the Board of Directors. At any event, in addition to the provisions of the Law, the Bylaws and the Regulations of the General Shareholders' Meeting, the rules included in the Notice of the Meeting and on the Company's website must be observed.

Vote on the motions submitted by the Board of Directors

Item on Agenda	1	2	3	4	5	6	7	8	9	10	11	12.1	12.2	12.3	12.4	13	14	15
In favour																		
Against																		
Blank																		

The shareholder casting a distance vote will be deemed to be present for the purposes of constituting the General Meeting.

Signature of the shareholder casting a distance vote

....., 2020

Number of shares:

Securities Account Code:

PERSONAL DATA PROTECTION

Personal data that shareholders send to the Company in order to exercise their rights to attend or be represented at the General Meeting or that are provided for this purpose by the entities with which said shareholders' shares are deposited through the entity legally authorized to keep the register of book entries, Iberclear, will be processed by the Company in order to manage the conducting, compliance and control of the shareholder relationship that exists, together with attendance at and running of the General Meeting and, if applicable, in order to comply with rules to which Zardoya Otis, S.A. is subject. In order to manage the shareholder relationship that exists, Zardoya Otis, S.A. will send information to the shareholders strictly related to the shareholders' investments and the Company's evolution. This information may be sent electronically. The rights of access, rectification, objection and cancellation may be exercised by means of a letter, accompanied by a copy of the national identity document (DNI), addressed to the registered office (Calle Golfo de Salónica, 73, 28033 Madrid) for the attention of the Secretary of the Board of Directors. In the event that the shareholder includes personal data regarding other natural persons on the attendance, proxy and distance voting card, the shareholder must inform said persons of the contents of the preceding paragraphs and comply with any other requirements that may be applicable in order to provide said data correctly to Zardoya Otis, S.A. without the need for the latter to take any additional action regarding information or consent.



Agenda

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- 1 Examination and, if appropriate, approval of the annual financial statements and management reports of both the Company and its consolidated group for the period running from December 1, 2018 to November 30, 2019.
- 2 Application of the profit for the period running from December 1, 2018 to November 30, 2019.
- 3 Approval of the performance of the Board of Directors and, in particular, of the distribution of interim dividends charged to the profit for the period running from December 1, 2018 and November 30, 2019.
- 4 Approval of the distribution of a dividend charged to reserves for a gross amount of 0.06 euros per share.
- 5 Approval of the statement of non-financial information (SNFI), in accordance with article 1 of Law 11/2018, for the period running from December 1, 2018 to November 30, 2019.
- 6 Re-election of the auditors of the Company and its consolidated group for the period running from December 1, 2019 to November 30, 2020.
- 7 Appointment of KPMG as the auditors of the Company and its consolidated group for the periods 2021, 2022 and 2023, in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements regarding statutory audit of public-interest entities.
- 8 Consultative ballot on the Annual Director Compensation Report for the period running from December 1, 2018 to November 30, 2019, in accordance with the provisions of the Capital Companies Law, article 541.
- 9 Approval of the Director Compensation Policy for the periods 2021, 2022 and 2023.
- 10 Determination of the applicable percentage in relation to compensation via profit-sharing for the period running from December 1, 2018 to November 30, 2019, in accordance with the Capital Companies law, article 218.
- 11 Reduction in the number of members of the Company's Board of Directors to 7.
- 12 Re-election, acknowledgement or ratification of] the following members of the Board of Directors:
 - 12.1 Re-election of Mr Bernardo Calleja Fernández as an executive director.
 - 12.2 Acknowledgement of the appointment of Mr Alberto Zardoya as the new personal representative of the director Euro-Syns, S.A.
 - 12.3 Acknowledgement of the appointment of Mr Richard Markus Eubanks as the new personal representative of the director Otis Elevator Company.
 - 12.4 Ratification of Ms Stacy Lynn Petrosky, who was appointed by co-option, as a proprietary director.

- 13** Delegation to the Board of Directors of the interpretation, rectification, execution, formalization and registration of the resolutions passed.
- 14** Requests and questions.
- 15** Approval of the minutes.

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