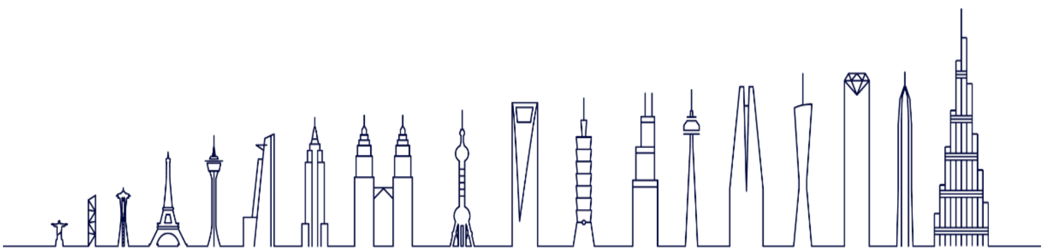
ZARDOYA OTIS, S.A

QUARTERLY REPORT FOR

SECOND QUARTER 2020

FISCAL YEAR: DECEMBER 1, 2019 – NOVEMBER 20, 2020



1. ENVIRONMENT AND PROSPECTS

The prospects for 2020 have changed drastically due to the situation created by COVID-19. According to the International Monetary Fund (IMF), the pandemic will provoke a contraction in consumption and tourism, two of Spain's most important economic drivers. The IMF's estimates in April 2020 considered a sharp contraction of between -4% and -8% in the GDP in the geographical areas where Zardoya Otis has its operations. As a positive aspect, the FMI outlook for 2021 envisages a recovery in the interannual GDP of around 4-5% for the three countries in which Zardoya Otis operates.

The FMI's projections for interannual CPI rates in said countries are moderate for 2020 (+/- 0.3%), although they will increase to 0.7% in 2021 in Spain, 1.4% in Portugal and 1.3% in Morocco.

As could be expected, the forecasts include a heavy rise in the unemployment rate. In the case of Spain, according to the IMF, it will be over 20% in 2020, although it will begin to decrease progressively from 2021 onwards. Likewise, a decrease of more than 5 points in the unemployment rate is forecast for Portugal for 2021.

Regarding the real estate sector, although expectations were moderately optimistic at the beginning of 2020, there is now a high degree of uncertainty in connection with the manner and speed of the economic recovery. There are widely differing forecasts, ranging from a swift V-shaped recovery to a slow L-shaped recovery, after a prolonged period of recession.

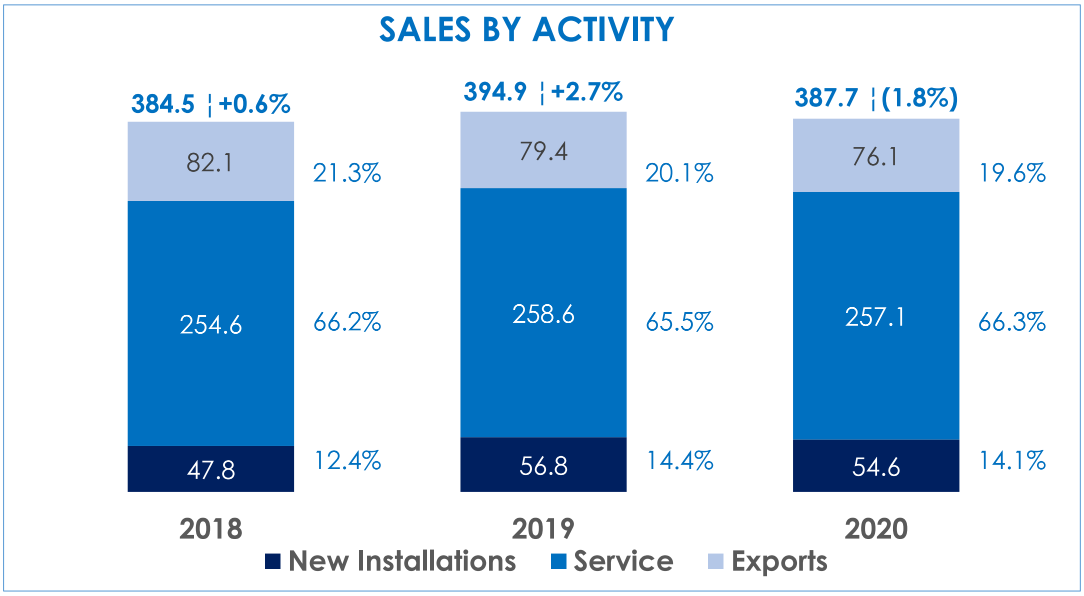
The final outcome will, to a large extent, depend on the decisions made by national governments and by the European Union.

All the experts do, however, appear to coincide in that companies that have placed a decided bet on technology and digitalization as an element that will transform the sector definitively will take the greatest advantage of post-COVID-19 opportunities for the real estate sector. In this respect, the Zardoya Otis Group has made significant efforts with a view to positioning itself in the new environment.

2. BUSINESS EVOLUTION

SALES:

Total consolidated sales for the first semester of 2020 were 387.7 million euros, in comparison with the 394.9 million euros of the first semester of 2019, representing a drop of 1.8%. We can consider this figure to be discreet, taking into account the economic consequences of the COVID-19 pandemic, which has affected most sectors and markets worldwide.



(Million euros – cumulative figures at the end of each 1st semester)

For comparative purposes, the New Sales and Service figures for the periods 2019 and 2018 include reclassifications between them for EThs 25,173 and EThs 20,447, respectively, relating to new elevators installed in buildings that did not originally have an elevator. For presentation purposes, the Zardoya Otis Group now considers this activity as New Sales while, in the past, it was considered part of the Service activity.

New installations

The value of new installations in the first semester of 2020 was 54.6 million euros, 3.9% down on the 56.8 million euros obtained in the same period of 2019.

In this first semester, new installations sales accounted for 14.1% of total sales (14.4% in the first semester of 2019).

Service

Consolidated service sales totalled 257.1 million euros (258.6 million euros in the first semester of 2019), showing an annual decrease of 0.6%.

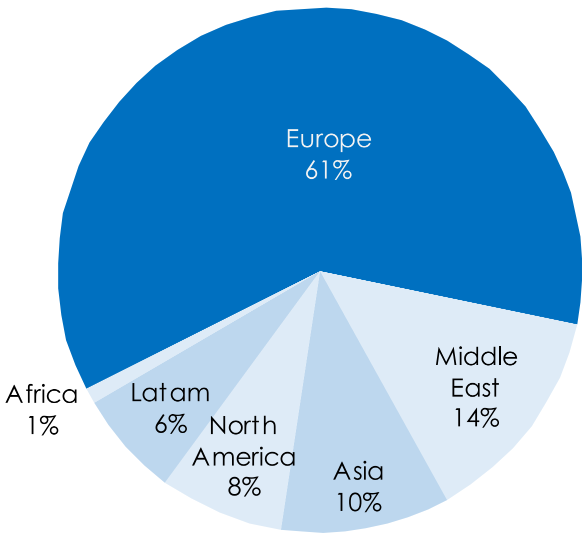
The service activity accounted for 66.3% of the Group's total billing in this period (65.5% in the first semester of 2019).

Exports

At the end of the first semester of 2020, the cumulative net export sales figure, after sales to our subsidiaries had been eliminated in the consolidation process, was 76.1 million euros, 4.2% lower than the 79.4 million euros obtained in the first semester of 2019.

In the first semester of 2020, exports represented 19.6% of Group consolidated sales (20.1% in the same period of 2019). To offset the drop in markets such as Turkey and the Middle East, we are continuing to make a special effort to introduce our products into central and northern European countries and are increasing our exports to Africa.

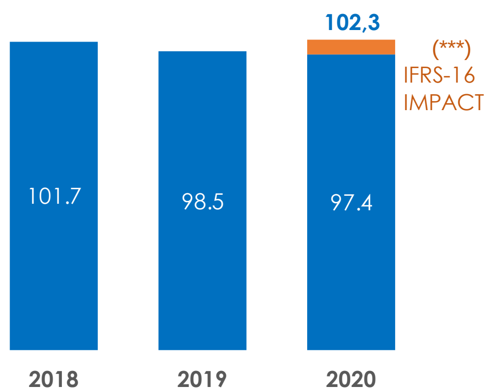
EXPORTS BY REGION



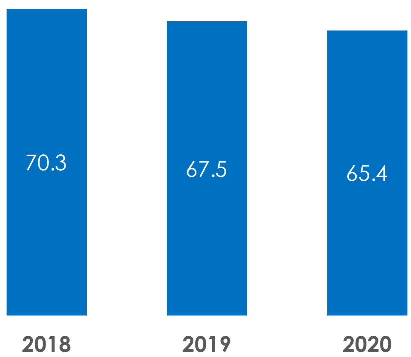
The graph shows the geographical destinations of the exports of 76.1 million euros in the first semester of 2020.

RESULTS

EBITDA (*)



CONSOLIDATED PROFIT AFTER TAX (**)



(*) EBITDA in million euros – cumulative figures at the end of each first semester.
(**) Consolidated profit after tax on continuing operations attributable to the Company's shareholders for each semester (expressed in million euros).
(***) Shows the impact of higher depreciation of 4.6 million euros and an increase of 223 thousand euros in finance costs, derived from application of "IFRS 16. Leases".

EBITDA (operating profit plus amortization and depreciation) at the end of the first semester of 2020 was 102.3 million euros, 3.8% up on the figure for the first semester of 2019. The EBITDA for this first semester includes the positive effect of higher depreciation of 4.6 million euros, derived from application of "IFRS 16. Leases", which introduces the requirement for companies to report leased assets attached to their activity on their balance sheets (as mentioned in Note 26 of the Condensed Consolidated Interim Financial Statements, the Group has been applying this Standard since December 1, 2019, although it has not restated the comparative figures for the fiscal year ended November 30, 2019, as permitted by the Standard's specific transitional rules). If the aforementioned effect of IFRS 16 is not included, the resulting EBITDA would have been 97.4 million euros, representing a 1.1% decrease on the figure obtained in the same period of 2019.

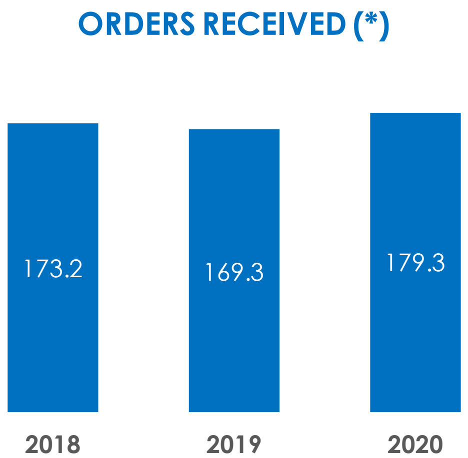
Likewise, when considering the impact of IFRS 16 on the *second quarter* of the year, the EBITDA totalled 51.4 million euros, 2.5% higher than the 50.2 million euros obtained in the same period of 2019. Once again, if we do not include the impact of IFRS 16, the EBITDA in the second quarter would have been 49 million euros, 2.3% lower than the figure for the same period of 2019.

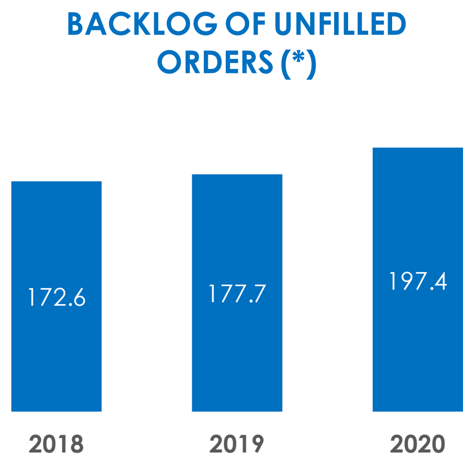
Consolidated profit before tax was 87.1 million euros in the first semester, 1.7% down on the same period of 2019.

Profit after tax was 65.4 million euros in the first semester of 2020, 3.1% lower than the 67.5 million euros obtained in the first semester of 2019.

As mentioned in Note 8 of this half-yearly report, the Group applied numerous operating, commercial and cost containment measures in the second quarter of 2020, which allowed it to partially offset the effects of the pandemic that the whole world is suffering. At the same time, we are placing priority on the safety of our employees and customers, while striving to maintain the high-quality service to which the passengers are accustomed.

3. OTHER KEY DATA





(*) Includes cumulative figures for New installations, Modernizations and Exports at the end of the semester (expressed in million euros).

For comparative purposes, the orders received figures for 2019 and 2018 include sums of EThs 62,151 and EThs 74,288, respectively, relating to exports to distributors, other Otis companies and end customers in the Marine sector. Similarly, the backlog of unfilled orders for the first semesters of 2019 and 2018 contains sums of EThs 23,933 and EThs 22,971 for the same items. For presentation purposes, the Zardoya Otis Group now includes the transactions described in their Exports figures.

Orders received and backlog of unfilled orders

Regarding the figures for the *second quarter* of 2020, orders received for modernizations, new installations and exports, in both new and existing buildings and Marine, totalled 80.5 million euros, a decrease of 13.5% on the 93.1 million euros obtained in the *second quarter* of 2019.

Notwithstanding the foregoing, in the *first semester* of 2020, orders received for modernizations, new installations and exports, in both new and existing buildings and

Marine, totalled 179.3 million euros, representing an increase of 5.9% on the 169.3 million euros obtained in the same period of 2019.

The backlog of unfilled orders at the end of the *first semester* of 2020 was 197.4 million euros, an increase of 11.1% in comparison with the 177.7 million euros of the same period of 2019.

Units under maintenance

We ended the first semester of 2020 with 293,446 units, representing growth of 0.9% on the units under maintenance in the first quarter of 2019.

4. CONDENSED CONSOLIDATED INCOME STATEMENT

(Cumulative figures at the end of the first semester expressed in millions of euros)

	2020	**2019**
SALES	**387.7**	**394.9**
OTHER REVENUE	0.9	0.6
RAW MATERIALS AND CONSUMABLES USED	(123.7)	(134.3)
EMPLOYEE BENEFIT EXPENSE	(136.3)	(133.2)
OTHER EXPENSES	(26.3)	(29.5)
EBITDA (*)	**102.3**	**98.5**
AMORTIZATION. IMPAIRMENT AND GAINS/(LOSSES) ON DISPOSALS OF FIXED ASSETS (*)	(14.6)	(9.8)
OPERATING PROFIT	**87.7**	**88.7**
REVENUE FROM FINANCING ACTIVITIES	0.1	0.2
COST OF FINANCING ACTIVITIES (*)	(0.6)	(0.2)
NET FOREIGN EXCHANGE DIFFERENCES	(0.1)	(0.2)
OTHER GAIN/LOSS	**(0.0)**	**0.0**
PROFIT BEFORE TAX	**87.1**	**88.6**
INCOME TAX EXPENSE	(21.2)	(20.7)
PROFIT FOR THE YEAR	**65.9**	**67.9**
ATTRIBUTABLE TO:		
ATTRIBUTABLE SHAREHOLDERS	**65.4**	**67.5**
NCI	**0.5**	**0.4**

(*) Shows the impact of higher depreciation of 4.6 million euros and an increase of 223 thousand euros in finance costs, derived from application of "IFRS 16. Leases".

5. DIVIDENDS

The Board of Directors, at its meetings held in December 2019 and March 2020, respectively, approved the third interim dividend charged to the 2019 profit and the first interim dividend charged to the 2020 profit, which were paid out on January 10 and April 9, 2020, as follows:

Date	Gross per share	Charged to	Shares entitled to dividend	Gross total
January 10	0.080 euros	3rd interim 2019	470,464,311	37,637,144.88 €
April 09	0.080 euros	1st interim 2020	470,464,311	37,637,144.88 €
Treasury shares			(385,869)	(61,739.04) €
Total			**470,078,442**	**75,212,550,72 €**

Subsequently:

Date	Gross per share	Charged to	Shares entitled to dividend	Gross total
July 10	0.060 euros	Reserves	470,464,311	28,227,858.66 €

This maximum amount was reduced by the sum resulting from multiplying the aforementioned amount of 0.60 euros by the number of treasury shares held.

6. TREASURY SHARES

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 shares 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 shares so that they could be used in company acquisition transactions.

At the end of the first semester of 2020, Zardoya Otis, S.A. held 385,869 treasury shares (zero at the end of the same period of 2019) for a value of EThs 2,572.

7. FINANCIAL RISK MANAGEMENT FIRST SEMESTER 2020

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 any potential adverse effects on the Group's financial profitability.

Risk management is controlled by Group Management in accordance with the supplementary information to the annual corporate governance report as of 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 the risk management functions,
- Ensure that the risk exposure level accepted by the Group in its operations is in line with its risk profile.

8. SIGNIFICANT EVENTS IN THE FIRST SEMESTER OF 2020 AND AFTER THE REPORTING DATE

2020 ORDINARY GENERAL SHAREHOLDERS' MEETING

On June 16, 2020, Zardoya Otis, S.A. held its Ordinary General Shareholders' Meeting on the second call. At the meeting, a series of resolutions were passed and were notified to the National Securities Market Commission (CNMV), including the approval of the second of the four dividends planned for 2020 (charged to reserves). The gross amount of this dividend was 0.60 euros per share, the withholdings and taxes established by law being payable by the recipient. After it had been approved, it was paid on July 10, 2020, as set out in point 5 above.

MEASURES TO COMBAT THE HAZARDOUS SITUATION CAUSED BY COVID-19

This crisis and the scope of its consequences were unexpected and have put the Group's capacity of reaction and adaptation to the test.

Our priority has been to look after the health and safety of our customers and employees. We have made a special effort to keep all the elevators and automatic doors whose maintenance is our responsibility in service in optimal conditions, particularly in those buildings that our customers consider critical.

Numerous measures have been applied to contain our costs and maintain our business activity. The measures taken by the Zardoya Otis Group in this situation started with the creation of a crisis committee at the beginning of March. A specific Risk Assessment and a Preventive Plan were prepared and have been being updated in accordance with the rules issued by the health authorities to control the pandemic.

Action plans were put in place to ensure the continuity of operations, within the limitations imposed by the regulations in force in each phase of the process.

Some figures that illustrate the impact on our activity are as follows:

- The number of employees with a confirmed diagnosis of COVID-19 in the three countries up to May 31, 2020 was 14, eleven of whom have now recovered. At that date, we had a workforce of 5,600 employees.

- Calls notifying failures dropped by up to 75% in comparison with the same dates in previous years, due to the closure of numerous buildings, such as hotels and shopping malls, and also to the mobility restrictions applied to the entire population.

- Managing the plants has been especially complicated, with difficulties in the supply chains and in the shipping logistics for finished products. Even so, the plants have remained in operation, except during the first fortnight of April, partially coinciding with the Easter vacation.

- Obtaining PPE (personal protection equipment) has been complex and we have spent almost 1 million euros on protecting our workers.

- We have been present in hazardous facilities, such as the IFEMA and a number of hospitals and medicalized hotels.

- We have had almost 100% of our office personnel working from home. During the period, we imparted 54 on-line training courses with a total of over 12,000 hours of training.

- Assembly activities had to be suspended for two weeks in new buildings while, in inhabited buildings, the suspension lasted for eight weeks.

- The Zardoya Otis Group has implemented a cost reduction plan in the three countries in which it operates, the goal of which for 2020 is to save 7 million euros.

To comply with and support the measures adopted by the government in Royal Decree-Law 10/2020 of March 29, the Zardoya Otis Group has kept its technical assistance service in operation throughout Spain. The Group’s target has been to keep all the elevators and automatic doors whose maintenance is its responsibility in working order. Attention to calls and emergencies is of vital importance to ensure the mobility of people and objects and ensure the continuity of both service and industrial activities deemed essential during the State of Alarm.

In addition to technical assistance, Zardoya Otis is currently remotely monitoring the operation of more than 80,000 elevators on a permanent basis using predictive analysis, thus avoiding incidents before they occur and also solving failures through remote intervention.

9. EXHIBIT – KEY DATA:

At the end of the first semester of fiscal year 2020 (December 1, 2019 – May 31, 2020), the total consolidated figures and the comparison thereof with those for the same period of 2019 were as follows:

Key Data, 1st Semester 2020			
Consolidated figures in millions of euros			
Results	***2020***	***2019***	***% variance 20/19***
EBITDA (*)	102.3	98.5	3.8
EBITDA (w/o IFRS-16 impact)	97.4	98.5	(1.1)
Profit before tax	87.1	88.6	(1.7)
Profit after tax	65.4	67.5	(3.1)

Sales	***2020***	***2019***	***% variance 20/19***
New Installations	54.6	56.8	(3.9)
Service	257.1	258.6	(0.6)
Exports	76.1	79.4	(4.2)
Total	387.7	394.9	(1.8)

Orders received (**) and Backlog of unfilled orders (**)	***2020***	***2019***	***% variance 20/19***
Orders received	179.3	169.3	5.9
Backlog of unfilled orders	197.4	177.7	11.1

Units under maintenance	***2020***	***2019***	***% variance 20/19***
Units under maintenance	293.446	290.802	0.9

(*)Shows the impact of higher depreciation of 4.6 million euros and an increase of 223 thousand euros in finance costs, derived from application of “IFRS 16. Leases”.

(**) Includes the New Installations, Modernizations and Exports figures.