ZARDOYA OTIS, S.A.

Annual Report 2019

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Connectivity at the service of people

Bernardo Calleja Fernández
Chairman

Dear Shareholders,

Welcome. On behalf of all the members of the Board of Directors, it is a pleasure to welcome you to this Ordinary General Shareholders' Meeting, which, on this occasion, we are also holding on-line due to the exceptional reasons of which you are all aware and which we will be discussing later.

For Zardoya Otis, holding this Meeting and passing resolutions is a necessity. In view of the present circumstances, we have recommended shareholders to participate in this General Meeting from a distance. This will allow it to be held without jeopardizing the health of shareholders, employees and other collaborators.

I remind the shareholders who are attending on-line that, as set out in the Notice of the meeting, they may cast their votes on the motions concerning items on the Agenda until the panel of the Meeting declares the time allowed for voting to have ended, which will take place when voting on the items on the Agenda has ended in this hall after the Secretary of the Board of Directors has read out the summaries of the motions. In the event that any motions are put forward on items that are not on the Agenda, those attending on-line may cast their votes as from the moment that said motions are read out.

At a time like the present, so complicated and full of uncertainty, I hope that you and your loved ones are well and I would like to send a message of encouragement and support to those who are suffering, either directly or indirectly, the consequences of the terrible pandemic caused by COVID-19.

Additionally, I would like us to spare a warm thought for all those people whose efforts have contributed to the development of Zardoya Otis and who cannot be with us today, as well as those who are still fighting this terrible disease.

I would like to make special mention of José María Loizaga Viguri, who, as you probably know, died on March 22, 2020. José María had always set an example and provided exceptional help to all of us who form part of Zardoya Otis.

José María Loizaga's personal and professional achievements and contributions over all these years have been innumerable. As the General Manager of Zardoya, he led the merger with Schneider Otis (the Spanish subsidiary of the United States multinational Otis) in 1972. The IPO of Zardoya Otis, S.A. was led by José María, who was the Deputy Chairman of our Board of Directors from February 1973 onwards. Throughout the years, he made a brilliant contribution to our Company's development and growth.

We will always remember him and he will hold a prominent place in our history.

I would now like to illustrate **the environment** in which we were operating during 2019 with some figures:

The GDPs of the three countries in which Zardoya Otis operates grew by slightly more than 2% and their inflation and unemployment rates dropped.

However, the prospects for 2020 have changed drastically due to COVID-19. The estimates of the International Monetary Fund (IMF) in April 2020 considered a sharp contraction of the GDP of between -4% and -8% in the geographical areas where Zardoya Otis has activity. On a positive note, the IMF projections for 2021 indicate a recovery of the interannual GDP of around 4-5% in the three countries where Zardoya Otis operates.

The forecasts include a heavy increase in the unemployment rate. In the case of Spain, according to the IMF, it will rise to over 20% in 2020, although it will begin to drop progressively from 2021 onwards.

Regarding the **real estate sector**, we ended 2019 with 83,862 homes completed in Spain and Portugal. At the beginning of 2020, expectations were moderately optimistic but, at this moment, there is great uncertainty regarding the manner and speed of the economic recovery, ranging from a swift, V-shaped recovery to slow, L-shaped recovery after a prolonged period of recession.

The final outcome will, to a great extent, depend on the decisions taken by national governments and 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. As we have said previously, Zardoya Otis has already made significant efforts in this respect with a view to positioning itself in the new environment.

For our Company, 2019 was a good year, with sales of over 800 million euros. We continued to grow in the sale of new installations (by 18.8% in comparison with the previous year, with double-digit growth in the preceding three years) and likewise grew in the service area, specifically by 1.7%, reaching a record figure of units under maintenance. The service activity accounted for 64.8% of the Group's total billing.

Exports dropped by 4.9% in comparison with the preceding year. To offset the decrease in markets such as Turkey and the Middle East, we are continuing to make a special effort to introduce our products in central and northern European countries and are increasing our exports to Africa.

In this environment, we are continuing to **seek and develop growth opportunities** in a number of areas:

In the door market, our subsidiary Portis continued to follow its upward path. We ended 2019 with almost 40 thousand doors in service, billing of 27.1 million euros and EBITDA of 4.5 million euros.

In the accessibility area, Spain has one of the highest life expectancies in the world. According to the National Institute of Statistics (INE), 20% of our population is aged over 65 and it is estimated that this percentage will reach 25% in 2029.

These figures unequivocally support the growing need to facilitate mobility and accessibility in our cities. The acquisition of LV3 in 2018 reinforced our position in this area.

In 2019, we doubled our sales in comparison with the preceding year, reaching 4 million euros. It is a market with sustainable growth prospects.

In the elevator sector, Zardoya Otis has, at this moment, the products and services necessary to maintain its leading position.

We continue to bet on providing solutions for buildings that do not have an elevator. According to the National Institute of Statistics (INE), there are still 300,000 buildings in Spain with four or more floors that do not have an elevator.

In 2019, we installed the first Gen2 Fit elevators, which are designed for minimal spaces, with cars that, although they can be for just one person, have all the advantages of the latest-generation Otis elevators: safety, comfort, respect for the environment and energy regeneration.

The age of the elevators currently installed is over 20 years. This represents a great opportunity to replace or modernize the existing equipment. The technological obsolescence level is high and most of them do not incorporate **the safety measures set out in EN81-20/50**, which are mandatory for new elevators installed since September 2017.

Activity in the **marine sector** continued to grow. In 2019, Otis Marine installed more than 90 units and firm orders have been placed until 2022.

We continued with our **acquisition policy**. In 2019, we acquired 4 companies, including Otis Andorra and Eleva.

In the year, we made significant progress in our **digitalization plan**. We are connecting our customers, users and elevators with our technical assistance network through our cloud. We are transforming the elevator maintenance service to enhance its performance and availability and the trip experience.

An analysis of the huge amount of data available allows us to know the patterns of use and operation of the equipment we service, establish individual maintenance programs in accordance with the customer’s technology and needs, and improve our products starting in the design phase. This technology makes it considerably easier for us to predict and prevent incidents and, in many cases, we are able to solve them remotely before they are detected by our customers.

We have a digital service division that manages the monitoring and remote intervention project for our units, with more than 90,000 elevators connected.

Our goal is to have 200,000 elevators connected by 2024. These units will have remote monitoring devices, communication with our 24-hour technical attention centre and the distribution of media content. The plan envisages total investment of 60 million until 2023.

In the **social area**, we were awarded the **Social Company Prize** for a further year, recognizing our involvement in corporate social responsibility projects. Added to this, we obtained the **Bequal Seal**, which certifies the degree of Corporate Social Responsibility commitment with Disability, for the second year running. Finally, continuing with our commitment to mobility, accessibility and the elimination of architectural barriers, as well as our adhesion to the Sustainable Development Goals, in 2019 we launched the first edition of the **"Zardoya Otis awards for a world without barriers"**, which recognized the extraordinary work of people and organizations that help to build a world without obstacles.

We have promoted and supported initiatives together with our employees. 2019 was the twenty-seventh year in which we cooperated with **Special Olympics** in organizing activities in which we acted as volunteers. For the fourth consecutive year, we organized the **charity race**, the proceeds of which were donated to the Fundación Bobath.

In a sector that is particularly complicated in respect of **gender diversity**, one of the great challenges we are tackling is to incorporate female talent into the Group, which is something Zardoya Otis strives for every day. In 2019, we continued to work on the parity indices at all levels in order to encourage the growth and development of female talent. More than 600 women now work in the Group, 12% of whom are engineers and other university graduates.

In addition, Zardoya Otis has adhered to the initiative "**More women, better companies"** promoted by the Secretary of State for Equality. Through this collaboration, the Group undertakes to encourage the balanced participation of women and men at all levels of the Company.

For the fifth consecutive year, we obtained the **"Top Employer"** certificate, which places us among the best companies in the country to work for because of the working conditions for our employees.

Regarding our "non-financial" performance, you can find detailed information in the **"Statement of Non-financial Information" (SNFI)**, which will also be submitted for the approval of this General Meeting. Through this document, the Zardoya Otis Group's goal is to report on environmental and social questions, as well as personnel- and human resource-related issues, that are important to the Company in carrying out the activities intrinsic to its business.

I would now like to talk to you about the results for the year, the stock market figures, the business evolution in the first quarter of 2020 and other matters of interest to you.

1. Key data at November 30, 2019

RESULTS

The EBITDA (operating profit plus amortization plus depreciation) 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.

Consolidated profit attributable to the shareholders (after tax and non-controlling interests) was 140.6 million euros, 3.6% lower than in 2018. We must remember that an extraordinary profit of 3.6 million euros was recorded in 2018 as a result of the sale of the land in Munguía.

Total consolidated sales in 2019 were 802.4 million euros, an increase of 2.3% on the 784.4 million euros of 2018.

New installations

Work completed. The amount was 113.7 million euros, 18.8% up on the 2018 figure. Attention should be drawn to the fact that this increase had been preceded by double-digit growth in the three previous years, meaning that the cumulative growth between 2016 and 2019 was 55.9%.

Service

Total service billing was 520.1 million euros in the year, 1.7% higher than the 2018 figure and the third consecutive of growth in this activity.

In 2019, we set a new historical record by reaching 293,746 units, representing an increase of 1.8% on 2018. The figure of 250,000 units was surpassed in Spain during the year.

Exports

Net consolidated export sales were 168.6 million euros, 4.9% lower than the 2018 figure. Exports accounted for 21% of the Group's consolidated sales in 2019.

ORDERS RECEIVED AND BACKLOG OF UNFILLED ORDERS

Orders received. In 2019, orders received for modernizations, new installations and exports, including new and existing buildings and marine, were 363.5 million euros, representing an increase of 6.8% on 2018.

Backlog of unfilled orders. The backlog of unfilled orders at the end of 2019 in relation to the activities mentioned previously was 185.6 million euros, 13.2% up on the 2018 figure.

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 personnel and ended the year with 180 assembly technicians, which will allow us to accelerate the execution of unfilled orders.

2. Securities market data at December 31, 2019

PROFIT PER SHARE

The profit per share in 2019 was 0.299 euros.

DIVIDENDS

In line with the profit obtained, we paid out 4 quarterly dividends, three of which were charged to the profit, while the other was charged to reserves. This meant a pay-out of 0.320 euros per share for a total amount of 150.5 million euros, practically the same amount as in 2018. We continued with the tradition of allocating virtually 100% of the profit to dividend payments.

QUOTED PRICE

As of December 31, 2019, the ZARDOYA OTIS share was quoted at 7.03 euros, an increase of 13.1% on the previous year's price. In the same period, the IBEX rose by 11.8%.

3. Business evolution in the first quarter of 2020

SALES

Total consolidated sales at the end of the first quarter of 2020 were 199.4 million euros, an increase of 2.6% on the first quarter of 2019.

Consolidated service sales totalled 132.4 million euros, 2.7% higher than those of the first quarter of 2019.

Net consolidated export sales for the first quarter of 2020 were 37.6 million euros, 7.3% down on the figure for the first quarter of 2019.

RESULTS

EBITDA (operating profit plus amortization and depreciation) at the end of the first quarter of 2020 was 48.4 million euros, 0.1% higher than in the same period of 2019. In the first quarter of 2020, the positive effects of the plans for growth and improvements initiated over recent years continued to be seen, allowing the EBITDA to be maintained and improve slightly in comparison with the same period of 2019.

Profit after tax was 32.5 million euros in the first quarter of 2020, in line with the 32.6 million euros obtained in the first quarter of 2019.

ORDERS RECEIVED AND BACKLOG OF UNFILLED ORDERS

In the first quarter of 2020, the amount of the orders received for modernizations, new installations and exports, including new and existing buildings and marine, was 98.7 million euros, representing an increase of 29.5% on the same period of 2019.

The backlog of unfilled orders for the activities mentioned was 195.8 million euros at the end of the first quarter of 2020, an increase of 15.2% on the same period of 2019.

This growth in orders received augurs subsequent growth in our units under maintenance and our future results.

UNITS UNDER MAINTENANCE

We ended the first quarter of 2020 with 293,636 units under maintenance.

DIVIDENDS

In March 2020, Zardoya Otis, S.A. declared the first interim dividend charged to the profit for 2020, which was paid out on April 9, 2020 for a gross amount of 0.080 euros per share. The resulting total amount was 37.6 million, the same as in April 2019.

In spite of the difficulties caused by the COVID-19 crisis of which all of you are aware, the Board of Directors, having analyzed the Company's situation in depth, proposes that this Meeting should approve the second of the four dividends planned for 2020, which will be for an amount of 0.060 euros per share, paid out on July 10, 2020.

4. COVID 19

This crisis and the scope of its consequences were totally unpredictable for us and have put the entire Company's capacity of reaction and adaptation to the test. The degree of collaboration on the part of our employees at all levels has been exceptional and I would like to take this opportunity to thank them for their effort and responsiveness in adapting to the measures necessary in each of the phases defined by the government.

We have had to take complex decisions, anticipating the course of events, respecting the rules decreed by the authorities and cooperating to comply with them, and applying the health and safety recommendations received from OTIS Corporation.

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.

We have applied numerous measures to reduce our costs, including a voluntary temporary reduction of 10% in the fixed compensation of our key management during this quarter.

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 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.

I would now like to mention some figures to illustrate the impact on our activity:

- The number of employees with a confirmed diagnosis of COVID-19 in the three countries up to May 31, 2020 was 14, ten 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 have 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.

And, lastly, we should remember that the quoted price of or share fell by 5.5% between March 1 and May 31, in comparison with a fall of 18.6% in the Ibex-35.

5. Corporate governance

Regarding the Company's internal regulations and operating procedures, I highlight the effort made by Zardoya Otis and its team to ensure that the Company incorporates the best corporate governance rules and practices at any given moment, both nationally and internationally. An example of this is the definitive consolidation of the recent Regulations of the Audit Committee, approved by the Board of Directors in 2018 and strictly applied by the Audit Committee throughout 2019, thus incorporating the recommendations included in Technical Guide 3/2017 on Audit Committees published by the National Securities Market Commission into its normal rules and procedures.

In line with the foregoing, as we have said previously, Zardoya Otis is making a detailed analysis of the methodology, responsibilities and functions assigned to the Nominating and Compensation Commission. This study focuses mainly on evaluating the degree to which the Commission's current regulations are adapted to the recommendations made by the National Securities Market Commission in its Technical Guide 1/2019 on Nominating and Compensation Commissions. We think this process will probably be completed during the current year.

Likewise, the Zardoya Otis team will pay close attention to the evolution and development of, first, the project to amend some of the recommendations of the Good Governance Code of Listed Companies and, second, the current preliminary bill published in Spain to transpose Directive 2017/828, which amends European legislation as regards the encouragement of long-term shareholder engagement in listed companies. As always, we will constantly monitor any new developments there may be in this field.

For further information on the Company's corporate governance, I remind you that you may consult the Annual Corporate Governance Report, which is available on the Company's corporate website.

6. Other information of interest

As you know, a reduction in the number of directors from the eleven (11) that exist at present to seven (7) will be submitted for the approval of this Meeting. The proposed size will help the Board to function efficiently and favour the active participation of all the directors, which will lead to swifter and more flexible decision-making. Likewise, it allows for an improvement in the balance between the total number of directors and those that hold the status of "independent", whose representation will rise to 28.57%, as well as in the proportion of female directors, which will rise to 42.86% of the total number of Board members.

We are convinced that the extensive experience and brilliant professional track record of each one of them will continue to strengthen our Board of Directors.

Turning to a different subject, as the Company reported on April 3, 2020 through the National Securities Market Commission, United Technologies Corporation (UTC), which was, indirectly, our previous majority shareholder, has completed the process of dividing its group into three independent companies: Raytheon Technologies Corporation (RTX), Carrier Global Corporation (CARR) and Otis Worldwide Corporation (OTIS). As a result of this operation, Otis Worldwide Corporation is now the head of the elevator and mobility group at international level and, as I have mentioned previously, its shares began to be quoted on the New York Stock Exchange when the split was completed.

And I conclude by expressing the deep gratitude of the Board and myself to our customers, our employees and everyone who works or collaborates with the Group, and, of course, to our shareholders.

Kind regards,

Bernardo Calleja

Composition of the Board of Directors

MR JOSÉ MIGUEL ANDRÉS TORRECILLAS
DIRECTOR

MR MARK EUBANKS
DIRECTOR

MS EVA CASTILLO SANZ
DIRECTOR

EURO-SYNS, S.A.
DIRECTOR
Represented by
Mr Eduardo Montes Pérez

MR PATRICK MARTIN
DIRECTOR

Audit Committee

- **Ms Eva Castillo Sanz,** Chairperson
- **Mr José Miguel Andrés Torrecillas,** Deputy Chairperson
- **Ms Stacy Petrosky,** Member

Nominating and Compensation Commission

- **Mr José Miguel Andrés Torrecillas**, Chairperson
- **Otis Elevator Company (Dña. Nora La Freniere)**, Deputy Chairperson
- **Ms Eva Castillo Sanz**, Member
- **Mr Patrick Martin**, Member
- **Ms Robin Fiala**, Member

MR BERNARDO CALLEJA FERNÁNDEZ
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

MR JOSÉ MARÍA LOIZAGA VIGURI
DEPUTY CHAIRMAN

MR ALBERTO ZARDOYA ARANA
DIRECTOR

OTIS ELEVATOR COMPANY
Represented by Ms Nora La Freniere
DIRECTOR

MS ROBIN FIALA
DIRECTOR

MS. STACY PETROSKY
DIRECTOR

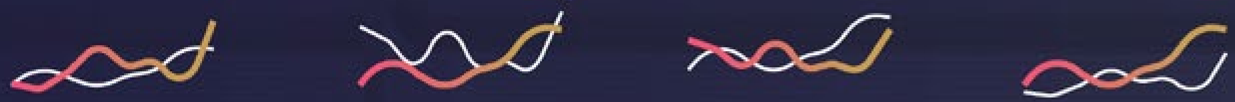
The composition of the Board of Directors and its committees is shown at the end of the 2019 period (November 30, 2019). Notwithstanding, at the date of preparation/printing of this document, the Board of Directors is formed by: Bernardo Calleja Fernández (Chairman and CEO), José Miguel Andrés Torrecillas, Eva Castillo, Euro Syns, S.A. (represented by Alberto Zardoya Arana), Otis Elevator Company (represented by Mark Eubanks), Stacy Petrosky and Robin Fiala.

OBITUARY: Mr José María Loizaga Viguri, Deputy Chairman of the Board of Directors of Zardoya Otis, passed away on March 22, 2020.

Mr Loizaga was born in Bilbao and commenced his professional career in Banco Vizcaya. In 1968, he was appointed as the General Manager of Zardoya and, in 1972, he led the merger with Schneider Otis and made an indisputable contribution to our Company's development and growth.

At the time of his death, he was Deputy Chairman of the Board of Directors of Zardoya Otis, of which he had been a member since February 1973. Both the Board of Directors and all the people who form the Zardoya Otis Group express their gratitude for the support and professional services provided by Mr Loizaga throughout his career. May he rest in peace.

Results



802.4 M€
Sales

140.6 M€
Profit

293,746
Units under maintenance

150.5 M€
Dividends

Human team

5,600
Number of employees

17,696
Training actions

16.35
Years of service with the Company

160,736
Hours of training

R&D&i

5
Patents

10,473
Elevators shipped

49,044
Machines shipped

Awards

top EMPLOYER ESPAÑA 2019 CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

bequal

PREMIOS INTRAMA

Premios Empresas Social

Customer service

3.3 M
Calls attended

94.8%
Satisfied customers

103
Contact Center employees

96.8%
Service level

Communication

202,805
Website visits

861
Subscribers

4.4 M
Customer impacts

7,385
Followers

6,944
Followers

1,250
Followers

1,006
Publication in social networks

898
Followers

02/ Strategy

02/ Strategy

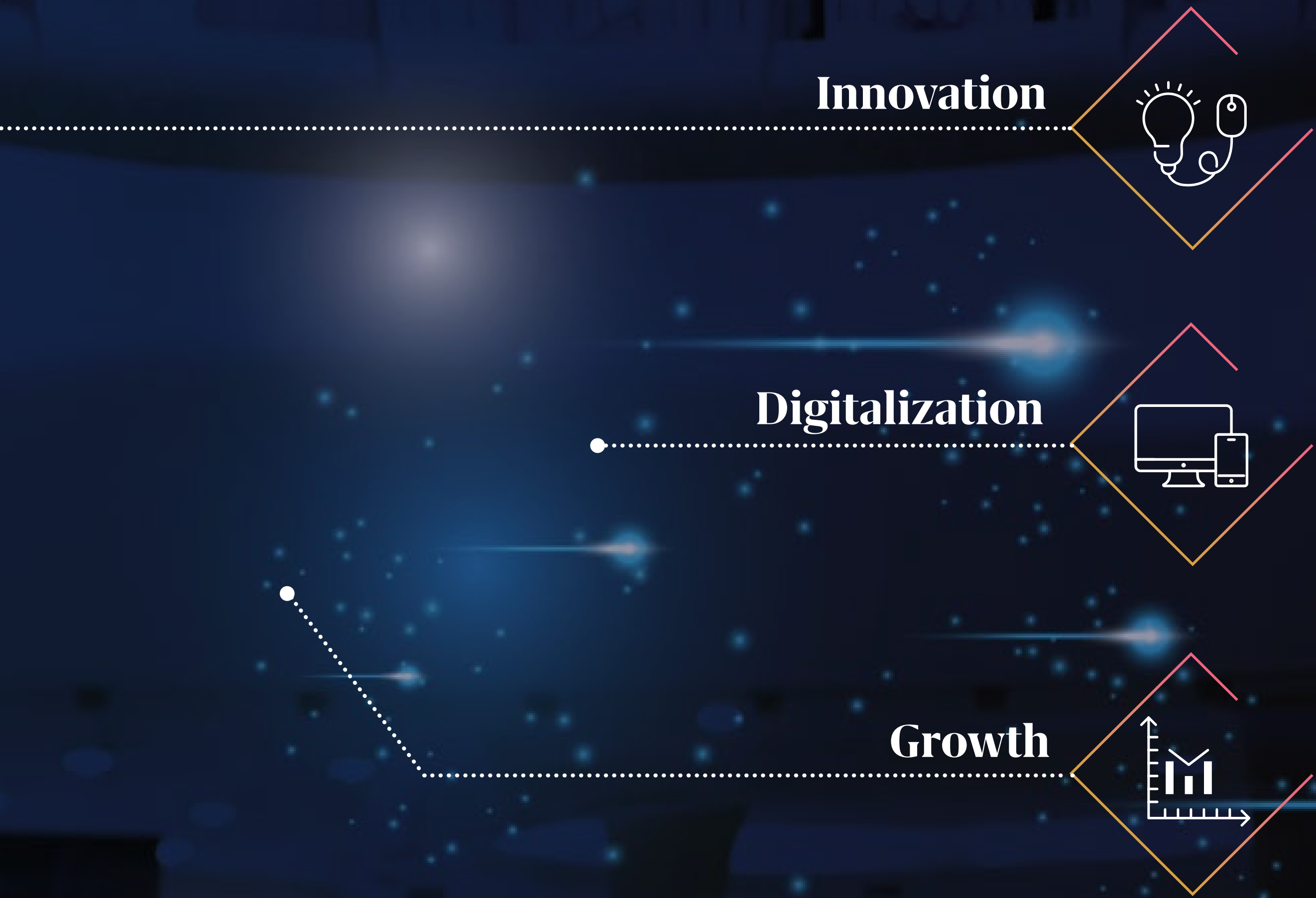
People first

Safety

Accessibility

Zardoya Otis's strategic concept is defined as an exercise in analyzing the values, behaviour and preferences of society, as well as its lifestyle and its evolution over time.

We are convinced that our activity should focus on enhancing people's quality of life, surpassing their expectations. Only in this way, placing people as the main focus point, can we continue to lead the sector and improve the society of which we form part.

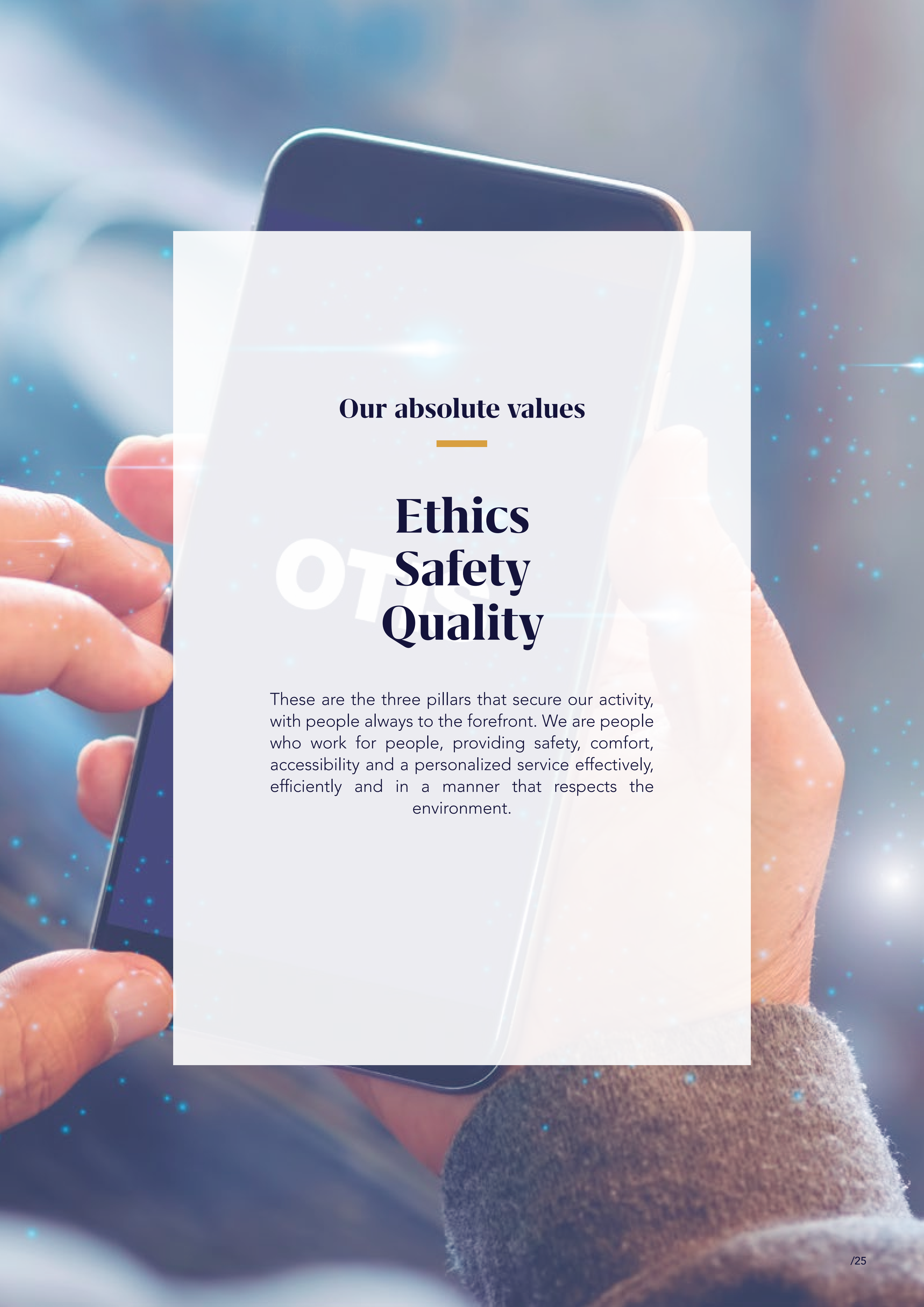


A factor that directly affects our business and our activity is the ageing of the population, specifically in Spain, but also in the developed countries in general. This situation, together with the legal necessity to adapt infrastructures to accommodate people with disabilities, reaffirms our commitment to people and universal accessibility. Zardoya Otis's positioning in the accessibility sector and the recent commercial launch of products intended to meet this need, together with initiatives concerning disability within the corporate social responsibility program, are the result of this strategic concept.

We live in an increasingly demanding and well-informed society that is constantly calling for new solutions

The digital world has been a reality for a number of years and is now becoming consolidated in our society, forming part of our culture. What is known as a "digital customer", the person who is a habitual user of social networks and expects the companies with which he or she communicates to integrate the new technologies into their operations, is now the majority customer in all our fields of action. Real time management, process efficiency and transparency are concepts that must form the essence of the way we do things. Our digitalization process in the product, manufacturing and maintenance areas are giving excellent results, increasing efficiency while, at the same time, raising the quality standards.

We live in an increasingly demanding and well-informed society that is constantly calling for new solutions. This fact forces companies to maintain permanent research, innovation and development efforts, without which they will be unable to remain in the market. Zardoya Otis has inherited innovation in its DNA. We do not understand our activity without constant innovation, which is why our R&D&i centre is permanently developing new solutions that have revolutionized the market, such as the Swift technology, solar elevators, the eView communication and monitoring system and elevators that need hardly any space to be installed, thus providing mobility to thousands of people, however difficult it may be to install an elevator in their buildings.



Our absolute values

Ethics
Safety
Quality

These are the three pillars that secure our activity, with people always to the forefront. We are people who work for people, providing safety, comfort, accessibility and a personalized service effectively, efficiently and in a manner that respects the environment.

03/ Business model

Our brands

The Zardoya Otis Group reaches all corners of Spain, Portugal, Morocco, Andorra and Gibraltar through its different brands.


OTIS
ANDORRA
ASCENSORS
SERRA
LV3
CRUXENT
EDELMA
acresa
PERTOR
Ideal Boid
ASPE
ASCENSORES
ELEVA
AMT
MONTES TALLON

03/

Business model

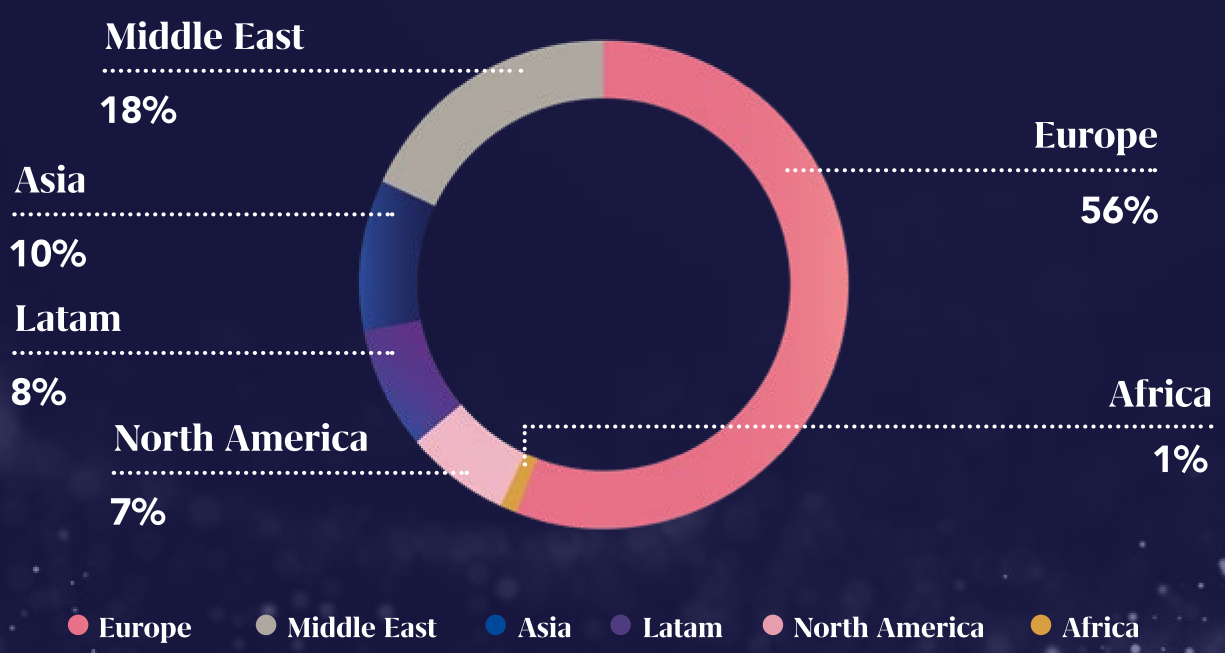
The Zardoya Otis Group is vertically integrated, meaning that it designs, develops, produces, installs, maintains, repairs, modernizes and substitutes elevators. In other words, it encompasses the entire process of the sector's activity.

We are the leading vertical transport business group, not only in the Spanish market, but also in the Portuguese and Moroccan markets. We have the largest maintenance portfolio of elevators, escalators and moving walkways in Spain, Portugal and Morocco. We have three plants located in Leganés (Madrid), San Sebastián and Vigo and the most extensive sales and technical assistance network in the sector, which allows us to be very close to our customers. Furthermore, the Madrid plant houses our R&D&i centre, which is a worldwide benchmark.

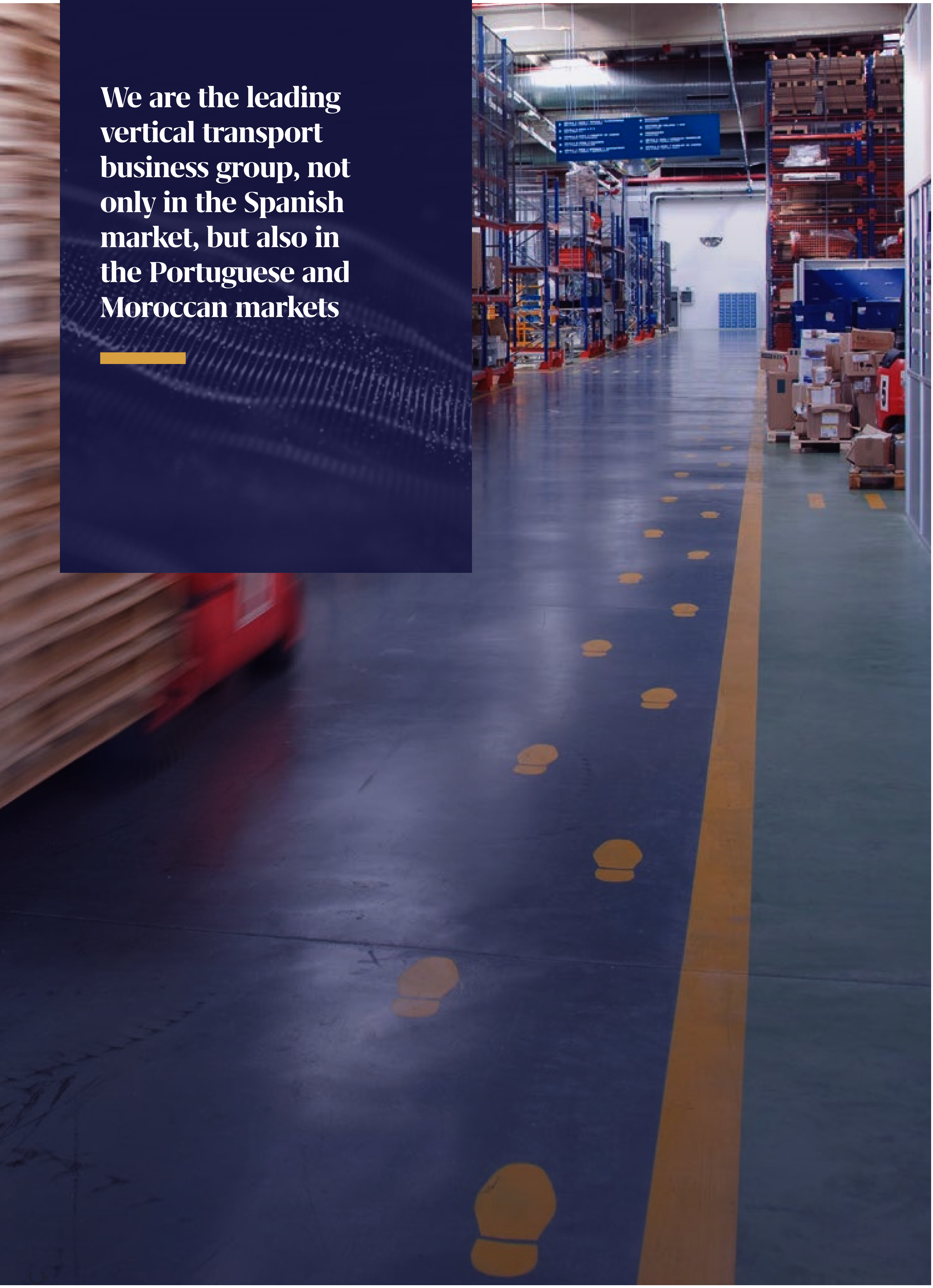
The Group carries on its activities in three business lines: New Installations, with a figure that totalled 14.2% of the 2019 sales, Service, which represented 64.8% of sales, and Exports, which accounted for 21% of the Group's consolidated sales.

The graph shows the geographical destination of export sales in 2019.

Exports by region



We are the leading vertical transport business group, not only in the Spanish market, but also in the Portuguese and Moroccan markets




CASTE
LLANA
10:23
0
OTIS
15 PERS
¿Sabías que el sistema de iluminación de Castel
consume un 50% menos que el de un edificio com

Products

Zardoya Otis focuses product development on the needs of the people who are going to use the products. Innovation and use of the latest technologies are the base for designing products and services with an unprecedented operating performance and capabilities.

5 essential attributes of our products and services

Our products

Safety

"Your safety comes first" is our motto.

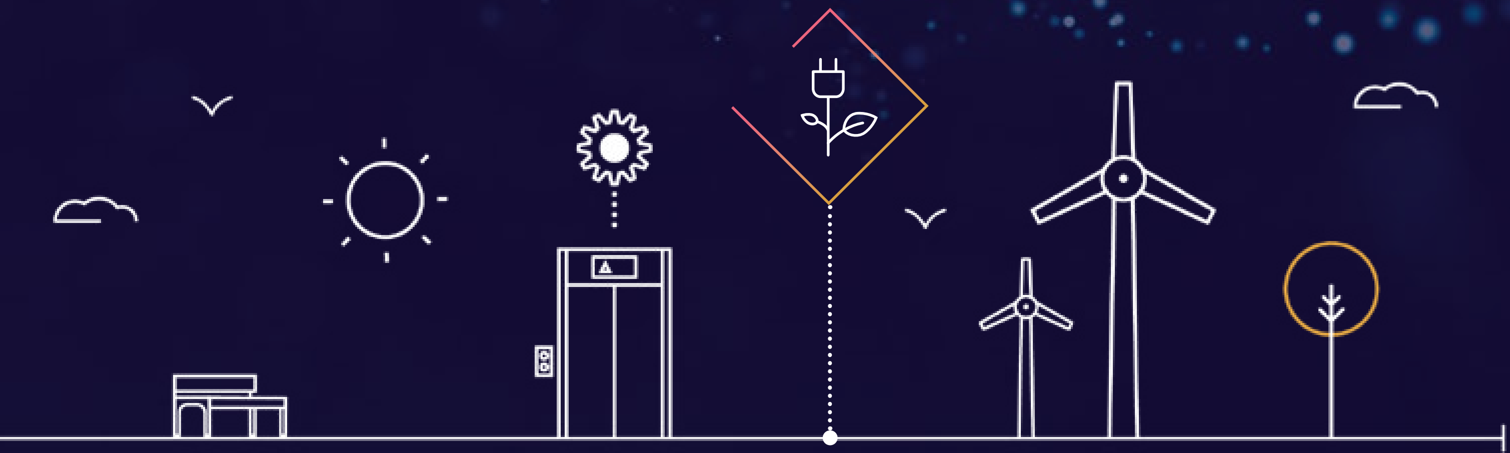
The second generation of elevators invented by Otis, which we call Gen2, is based on belts instead of cables and allows their status to be monitored 24 hours a day, 7 days a week, thanks to the Pulse device This element, which is a standard feature of all the elevators in the Gen2 family, guarantees that the steel wires that form the belts are in good condition.

Comfort

Silence, smoothness, accuracy.

Trip comfort is of fundamental importance to the user. Zardoya Otis strives for perfection in the elevators that it designs, manufactures, assembles and maintains, in order to achieve a matchless trip experience.

The stopping accuracy between the floor level of the building and the elevator floor is indispensable for all travellers, but especially for people with mobility difficulties and wheelchair users, in addition to people with children's strollers, shopping carts and trolleys, suitcases, etc.



Energy efficiency

ZERO energy consumption.

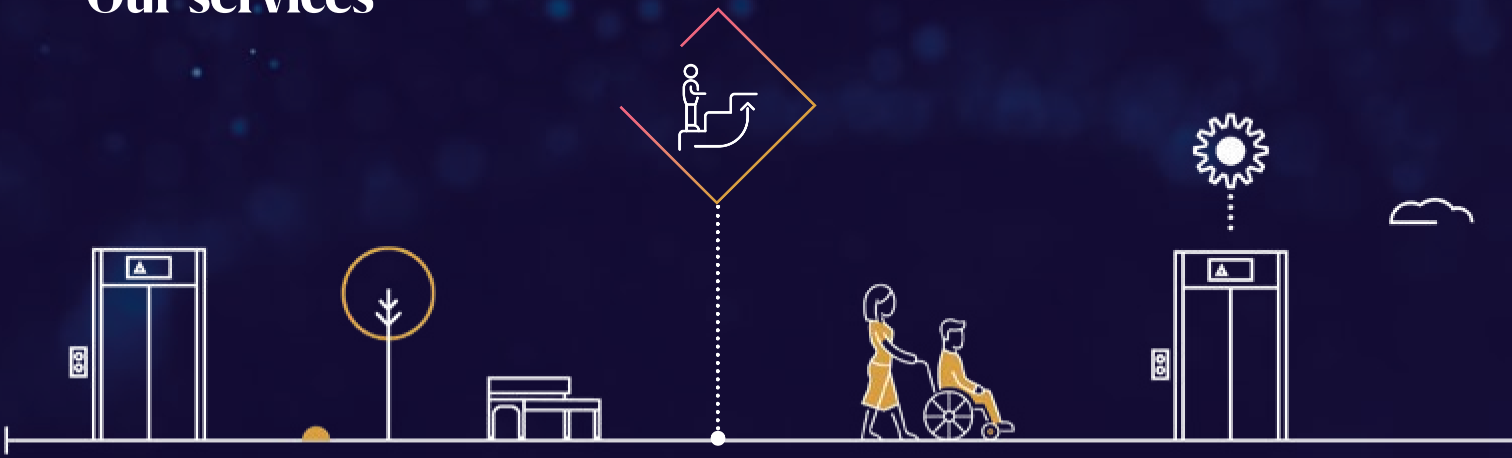
The protection of the environment is a concern for everyone and Zardoya Otis adds its efforts for the protection of the planet.

Taking the Gen2 system as a basis, the Company has developed low-consumption elevators which require power of only 500 watts to operate. This is the Switch technology, which can save up to 90% of the electricity bill.

Anticipating the future, the entity developed the first solar-powered elevator on the market to attain ZERO energy consumption, several hundred units of which have already been sold.

5 essential attributes of our products and services

Our services



Accessibility

Universal accessibility is one of the goals of Agenda 2030 and we have already been working for several years to achieve it. The Company has not forgotten the more than 3.5 million people with some kind of disability who have to overcome barriers every day: architectural, sensory and cognitive barriers that exist in more than a million buildings in Spain that are not fully accessible.

The Group is committed to the development of technical solutions, technological advancements and social initiatives aimed to contribute decisively to the elimination of architectural barriers. An example of this is the standard inclusion in the elevators of devices that make them easier to use for people with some kind of disability: Braille on the buttons, better 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.

The eView system, developed entirely in Spain, allows connection with the outside through a videoconferencing system. The passenger receives visual and auditory information through a high-resolution screen, thus eliminating sensory barriers.

In this connection, in 2018, the entity acquired the company LV3, specialized in accessibility, which allowed us to update our accessibility product portfolio by including models that are more technologically advanced.

Aware of the social problem represented by the ageing of the population and the existence of a large number of residential building with several storeys but no elevator, we have developed the Otis Gen2 Fit, an elevator that can be installed in practically any space, however small it may be, since it may have a capacity of one person only. This model is changing the lives of many people with reduced mobility who, until an elevator is installed in their buildings, cannot even leave their homes.

Digitalization

Terms like "Big Data" or "IoT" are present in almost all texts. However, at Zardoya Otis, they are a reality, since both of them, together with the new communication channels, are transforming the elevator maintenance service to enhance the passengers' trip experience.

Zardoya Otis has been furnishing its elevators with sensors for many years, thus connecting and monitoring them 24 hours a day. Studying the data collected has provided great insight into the behaviour of operating parameters and conclusions drawn from analyzing them have been used to establish more efficient maintenance programs and improve the products starting in the design phase.

Furthermore, an essential phase of this project, today a reality, concerns the prediction and prevention of incidents, as well as solving them through the remote intervention of experts.

Zardoya Otis has a Digital Services team formed by engineers specialized in IoT and elevators. Their training in the two areas allows them to establish patterns of conduct that make it possible to create preventive maintenance routines to avoid elevator malfunctions. At the same time, permanent monitoring of the elevators makes it easier to detect any anomaly before it becomes perceptible to the user and program the technical team's visit to the installation. Furthermore, on many occasions, a remote or on-line solution is possible.

In the end, the goal is to provide a personalized service in accordance with the equipment user's profile. Any incidents that an elevator may experience in a shopping mall, for example, are very different to those of a residential building or those of an elevator in an office building. Therefore, the alerts that Otis technicians receive on their smartphones refer to specific units on their maintenance route, enabling them to know exactly what must be done to each one of them.

Our concept of service is to provide each customer with what they really need, which, in the end, leads to the maximization of the equipment's uptime and a correct performance at all times.

All our technicians have latest-generation smartphones and applications that help them to provide a much swifter and effective maintenance service, likewise enabling them to be in contact with the customers.

Operating EXCEL

Zardoya Otis reached a figure of

250,000

units under maintenance

LENCE

Sales, service and corporate development

Zardoya Otis's sales continued to grow in 2019, exceeding 800 million euros, 2.3% up on the previous year. In new buildings, growth accelerated in comparison with the previous year, reaching almost 19% (18.8%). Service sales also experienced growth of 1.7%. These good growth figures were partly due to the market recovery, which became consolidated in 2019, and the digitalization process that is improving the quality of our products and customer service every day. In fact, in the second half of 2019, EBITDA was almost 4% (3.9%) higher than in the same period of 2018.

In new installations, special attention should be drawn to the signature of contracts to install elevators in projects such as Torre Rioja, with five high-speed elevators, Monte Burgos, with 10 elevators, or the Madrid Metro stations Tribunal, Bilbao and Gran Vía, with a total of 18 units, in addition to the hotel Six Senses in Ibiza, with 23 elevators, and the Villa Erques Hotel Resort in Tenerife, with 44 units under contract. Also during 2019, the equipment for the Torre Riverside in Madrid, the Tropicana shopping mall in Tenerife and the Ocean Spa in Gibraltar was completed and delivered.

In 2019, Otis Marine installed more than 90 units and firm orders have been placed until 2022. Thus, the good performance of this business segment became consolidated.

The good sales rate allowed our plants to maintain their production level. Our Madrid plant shipped 9,471 units in 2019, more than 6,000 of which were exported, while our Vigo plant shipped over 1,000 units, 558 of which were exports. A total of almost 10,500 units shipped, 6,600 of which were exported to other countries. Regarding the San Sebastián plant, it shipped more than 49,000 machines during 2019.

Another business segment in which, through Portis, we have consolidated our leadership is automatic doors. In 2019, we reached a figure of 37,173 automatic doors under maintenance and experienced a 9.3% sales increase. In the year, automatic door maintenance contracts were signed with large customers such as the Thermomix Spain centres, Media Markt, the Euromaster repair garage network, ID Logistics the Bankia branch network, Lidl Spain and the Marineda City shopping mall

But our core business is still the servicing and maintenance of elevators and elevating equipment. In the year, we achieved a record figure of 193,746 units under maintenance, 1.8% up on 2018. Specifically, the Spanish company was the first elevator company in the world to reach 250,000 units under maintenance, a milestone that merited the recognition and congratulations of the President of Otis EMEA, Mark Eubanks, who visited Spain to celebrate this great success with us.

In Spain, we modernized over 2,400 elevators, 814 of them with Gen2 Mod technologies. This meant that, in the year, we passed the cumulative figure of 5,000 units modernized with this technology. We also substituted more than 1,000 elevators and were the first Otis company to exceed this figure in a single year. In fact, Zardoya Otis was awarded the prize for the best Otis company at European level in BEX substitutions and in portfolio defence.

The most important substitution projects for which orders were received during 2019 were to substitute 13 elevators in 8 stations of the Madrid Metro, 8 elevators at the hotel Princesa, also in Madrid, 4 escalators and 5 elevators at the La Maquinista shopping mall in Barcelona, and 6 units in the Edificio Oikos in Sagunto (Valencia).

During the year, we also broke the record for the number of public tenders, which totalled 435, with a net result of 1,405 more units under maintenance. In terms of important maintenance contracts signed in 2019, we can highlight Instituto Catalán de la Salud (Catalan Health Institute), Carrefour, Merlin Properties, Mapfre and the IFEMA (Madrid trade fair complex).

In new buildings, growth accelerated in comparison with the previous year, reaching almost

19%

We continued with our policy of purchasing other companies, always focusing on growth. In 2019, four transactions were completed, three in Spain and one in Andorra.

Customer relations

Zardoya Otis makes both traditional and digital communication channels available to its customers and the general public.

- www.otis.com/es/es/
- On-line chat
- Social networks:
- Customer Ombudsman

Likewise, there is a special telephone number and e-mail address for attention to the shareholder.

Our efforts are still focused on listening to our customers' needs and opinions. For this reason, in 2019 we carried out more than 40,000 satisfaction surveys and 94.8% of the customers expressed their satisfaction with the service received.

We also established a closer relationship with the media, offering interviews with key executives.

In addition to the foregoing, an advertising plan was put into operation, both in traditional media –magazines and publications- and through on-line campaigns. Press releases and articles were also sent to a series of sector media.

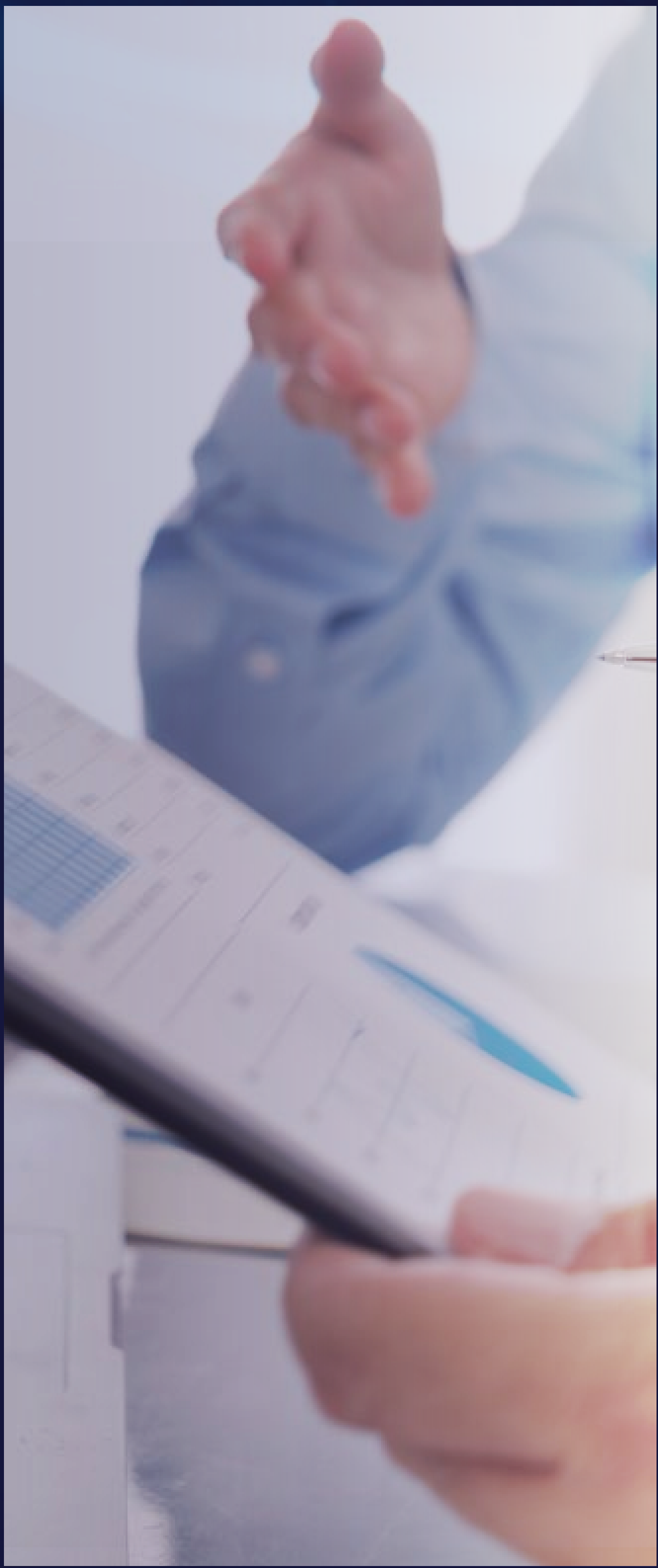
The quality of our products and services depends on the quality of our supply chain and, to assure said quality, we work in collaboration with our suppliers to achieve enhanced quality and prices for our customers.

In summary, Zardoya Otis has programs and policies in place intended to provide its customers, users and society in general with the best products and service.

Zardoya Otis has been awarded the prize for the best Otis company at European level in BEX substitution and in portfolio defence

Among these, the lunch hosted by our General Manager with both general media and the specialized press, which gave an excellent result, may be highlighted

In the course of the year, the Marketing and Communication Department organized a series of activities aimed at the most influential groups of people related to our activity. Sponsorships and collaborations took place with entities that represent the Company's target public, such as architects, builders, property administrators, university engineering and architecture students, etc.



Safety

In 2019, we again had a low accident rate. For Zardoya Otis, safety is the basic pillar on which our activities rest and, therefore, it forms part of us and of our DNA.

We should remember that we are still by far the safest company in the sector. Our accident rates are seven times lower than the industrial sector average and ten times lower than the construction sector average.

Even so, we are not satisfied and continue working every day to reach the zero accident goal. Although it seems utopic, it is possible and we are sure that we will get there.

In order to continue improving these figures until we reach our target of zero accidents, more than 8,900 safety courses were imparted in 2019, representing a total of 70,375 hours of training in this subject

Talent and teamwork

The Zardoya Otis Group establishes a series of policies and programs focused on people, creating a work environment that fosters Respect, Health, Well-being in the Workplace and Equal Opportunities. The Human Resources Department draws up and promotes policies for training, selection, development, onboarding and integration, labour relations, compensation and benefits. These policies are reviewed regularly and updated and adapted to the needs of the business.

We promote a culture of commitment and teamwork under the worldwide program entitled "Culture U". Thus, the "pride of belonging" of all our employees is reinforced and, in the parent company, we have a vision in common that unites and commits us as a group.

The principles, leadership conduct, strategy and absolute values the form the culture of Otis have been defined:

We drive the imagination: we encourage the creation of new ideas and assume controlled risks to continue innovating.

We believe in the team: we are stronger together and we inspire each other mutually through collaboration, autonomy and mutual trust.

We respect all opinions: the best ideas come from diverse teams with people who think differently to us.

We are better working together: we work as a single team and everyone collaborates to provide the best service to our customers.

We strive to be the leaders: we set ourselves ambitious goals, we grow to attain them, and we reach them as a team.

We put ourselves in the customer's shoes and collaborate to achieve the Company's goals through innovation, thus creating competitive advantages. This is our work philosophy, which is portrayed in our culture.

In a sector that is particularly complicated in respect of gender diversity, one of the great challenges we are tackling is to incorporate female talent into the Group, which is something Zardoya Otis continually strives for. In 2019, we continued to work on the parity indices at all levels in order to encourage the growth and development of female talent. More than 600 women now work in the Group.

We have adhered to the initiative "More women, better companies", which was promoted by the Ministry of Health, Social Services and Equality. Through this collaboration, the Group undertakes to encourage the balanced participation of women and men in management and pre-management positions and on management committees.

In 2019, we continued to work on the parity indices at all levels in order to encourage the growth and development of female talent

MÁS
MUJERES
MEJORES
EMPRESAS

We have adhered to the Initiative "More women, better companies", which was promoted by the Ministry of Health, Social Services and Equality

For the fifth consecutive year, we obtained the "Top Employer" certificate, which places us among the best companies in the country to work for because of the working conditions for our employees

Since the Group's main asset is the people, training is one of the keys to success. The ratios of hours of training per employee are the highest in the sector and also among other business groups of the same size. All the employees have the opportunity and the right to receive training, a key element that helps personal and professional growth and development.

An average of more than 35 hours of training per employee is imparted regularly on subjects such as safety, ethics, technical training, quality, sales, leadership, IT, languages, etc. through internal trainers or external consultants, using different methodologies (classroom, on-line or mixed). The professional growth of employees is also encouraged with individual development programs (first degree or master's) at any public university.

Data of the training carried out in Spain in 2019:

Total hours

160,736

Total participants

17,696

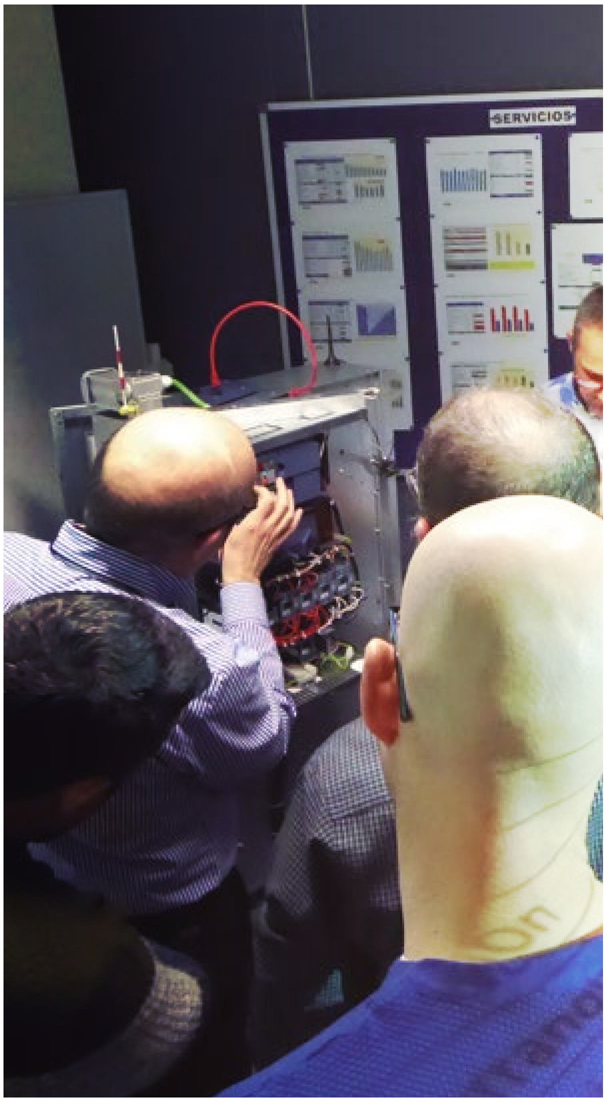
Total courses

30,794

The Group has a performance management system, as well as career and succession plans, mentoring, coaching, internationalization schemes, etc., defined to foster the personal and professional development of all the people who work in the Group and their alignment with the business's culture and strategic goals. 90% of the managers (middle management, management and senior management) come from internal promotion.

Workplace climate surveys (called Pulse) are conducted four times a year, allowing employees to share actions aimed to improve the work environment with the Company.

When the survey has been conducted, the results are divided into groups and presented by department. Decisions on actions for improvement are made on the basis thereof.



04/ Ethics and Compliance

04/

Ethics and Compliance

Management commitment to the Code of Ethics provides the foundation upon which an ethics culture based on good business practices and transparency is based and implemented at all levels of the Company. Ethics as an "absolute value" reinforces the management commitment expressed through the signature of both the Code of Ethics and the Internal Code of Conduct by all the managers.

Combined with the foregoing, managers and employees sign an annual certification in order to refresh, improve and ensure compliance with the Code of Ethics and support its fundamental values: trust, integrity, excellence and innovation, and to identify any possible conflicts of interest, which are analysed and, when necessary, controlled, in order to prevent their effects.

Compliance with the Company's Code of Ethics implies the existence of an Internal Audit Department, independent of Management, that reports directly to the Audit Committee of the Board of Directors, as well as anonymous and independent tools to report any possible unethical conduct.

"At Otis, we do the right thing"

The *#DoTheRightThing* campaign, launched by management in 2019 shows the commitment to promote good business practices, setting an example by acting responsibly and recognizing those employees who display exemplary conduct. In 2018, ten awards were given for good practices and, in 2019, eight awards were given

05/ CSR and Sustainable Business

05/

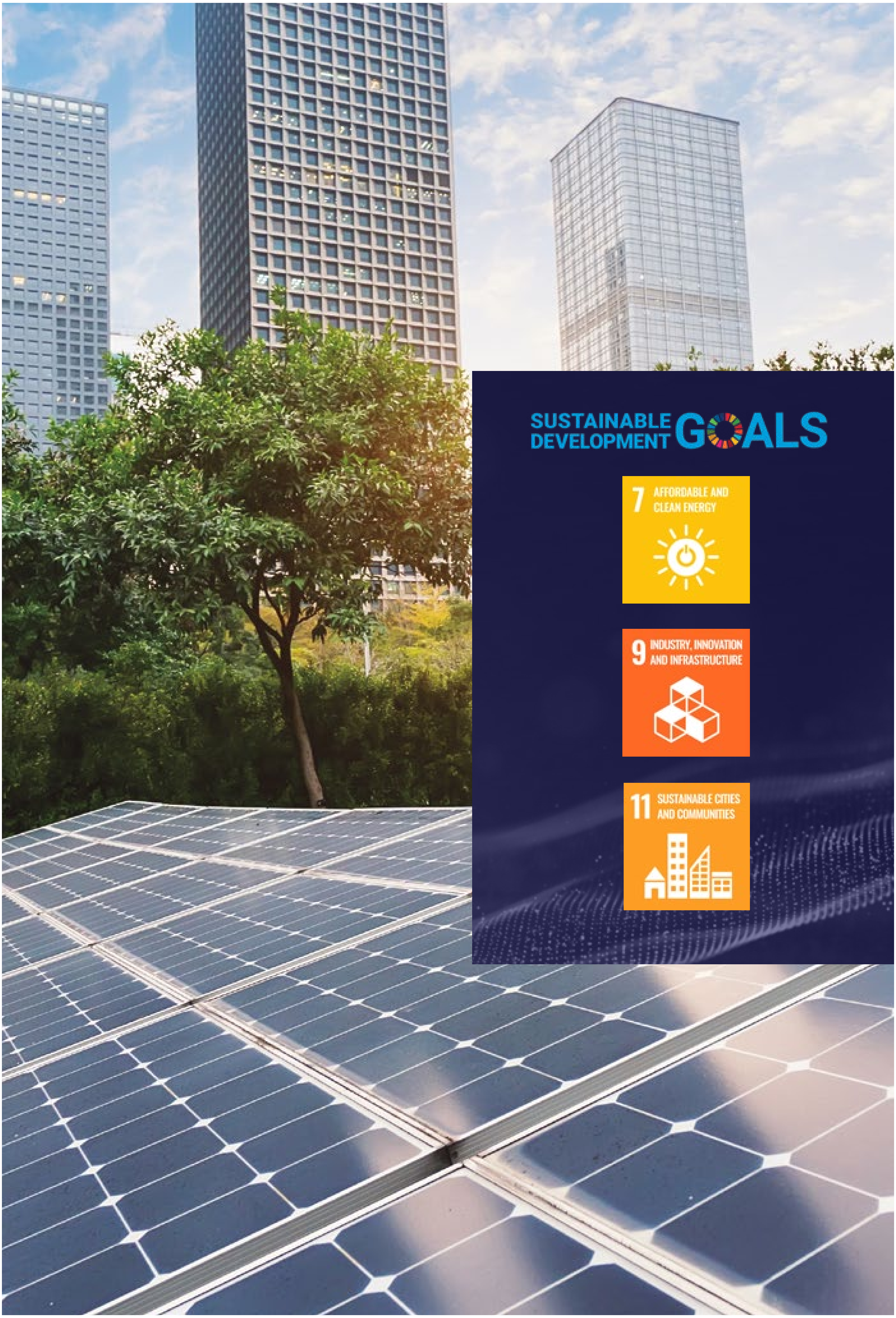
CSR and Sustainable Business

In 2019, the Company developed a Corporate Responsibility Plan aligned with the Sustainable Development Goals (SDGs) defined by the Unite Nations Organization, in accordance with the business objectives and strategy established. This Plan will be implemented through actions integrated into the entity's activity.

The areas on which we will be focusing are accessibility, sustainability, environment and innovation. Accessibility is the essence of our activity, particularly because, in our case, we are focused on people. Energy efficiency, sustainability and environmental policies are concepts on which we have been working for over 20 years, which positions us with a competitive edge as a result of our products, our technology, our facilities and our operating process. Regarding innovation, it is inherent to us. We cannot conceive our work if it does not come under the umbrella of innovation.

In 2019, within what is called Business Unit Charitable Giving, a series of non-profit organizations were chosen in order to improve the environment in the communities where Zardoya Otis carries on its activity, both now, with immediate effect, and to guarantee the future, thus helping to improve how society functions. Accordingly, 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 training programs for young people or children at risk of social exclusion or promote sport, particularly for people with disabilities.

We also collaborate with educational centres to offer training and professional development opportunities to students with potential and talent who do not otherwise have the necessary resources to access them. Furthermore, by collaborating with professional training centres, recently qualified young people are hired. Both these actions help to reduce unemployment levels, mainly among your people.


SUSTAINABLE DEVELOPMENT GOALS
7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES

The Company's CSR policy over recent years has materialized in:

All the foregoing has allowed the Company to obtain several awards as a socially responsible company, such as the Social Company Prize and the Bequal Seal, which certifies the degree of Corporate Social Responsibility commitment to Disability.

3 Oncobike races

27 years with Special Olympics

3 years co-operating with Fundación Adecco

Co-operation with Fundación Prodis

5 charity races

Universal accessibility

In line with our strategic positioning and the new focus of our Corporate Social Responsibility policy, we have decided to take the Sustainable Development Goals (SDGs) established and promoted by the UNO as a reference.

Within this framework, taking SDG No. 11, the first edition of the "Zardoya Otis Awards for a World without Barriers" was held in 2019, attracting 21 candidates and publicized by e-mail, in the press and through social networks.

The jury was formed by distinguished personalities from the worlds of architecture, Paralympic sports, the university and associations that represent differently-abled groups.

I Edition "Zardoya Otis Awards for a World without Barriers" was held in 2019, attracting 21 candidates and publicized by e-mail, in the press and through social networks

Six awards were given, three in each category:

ASCENTIA category

Aimed at individuals or entities that have developed products, services, projects, studies or research intended to enhance people's quality of life by eliminating any kind of barrier that prevents or hinders universal accessibility.

ÁUREA category

Aimed at people or groups of people who set an example through their commitment to fomenting and helping to create a society and world without barriers through a specific initiative.

In another area, different solidarity projects and activities with employee participation were established. Corporate volunteering has acquired special importance with programs for mainstreaming disability through sport (27 years of co-operation with Special Olympics) and child protection (annual charity race and co-operation with several foundations in a series of activities).

Sustainability and environment

Zardoya Otis has pioneered the development, manufacture and marketing of elevators with high energy efficiency through its Gen2 technology. Recently, it has also introduced into the market elevators that do not need a specific three-phase electricity installation, making it easier to install them in existing buildings, thus improving their accessibility. A solar-powered elevator model, able to run 100% on clean, renewable energy is also marketed.

We have preventive measures in place in accordance with current regulations and we record and control a series of indicators, including waste generation and CO2 emissions.

Vision

Zardoya Otis S.A. takes care of all those who work in our team, whether they be employees or subcontractors, as well as our passengers.

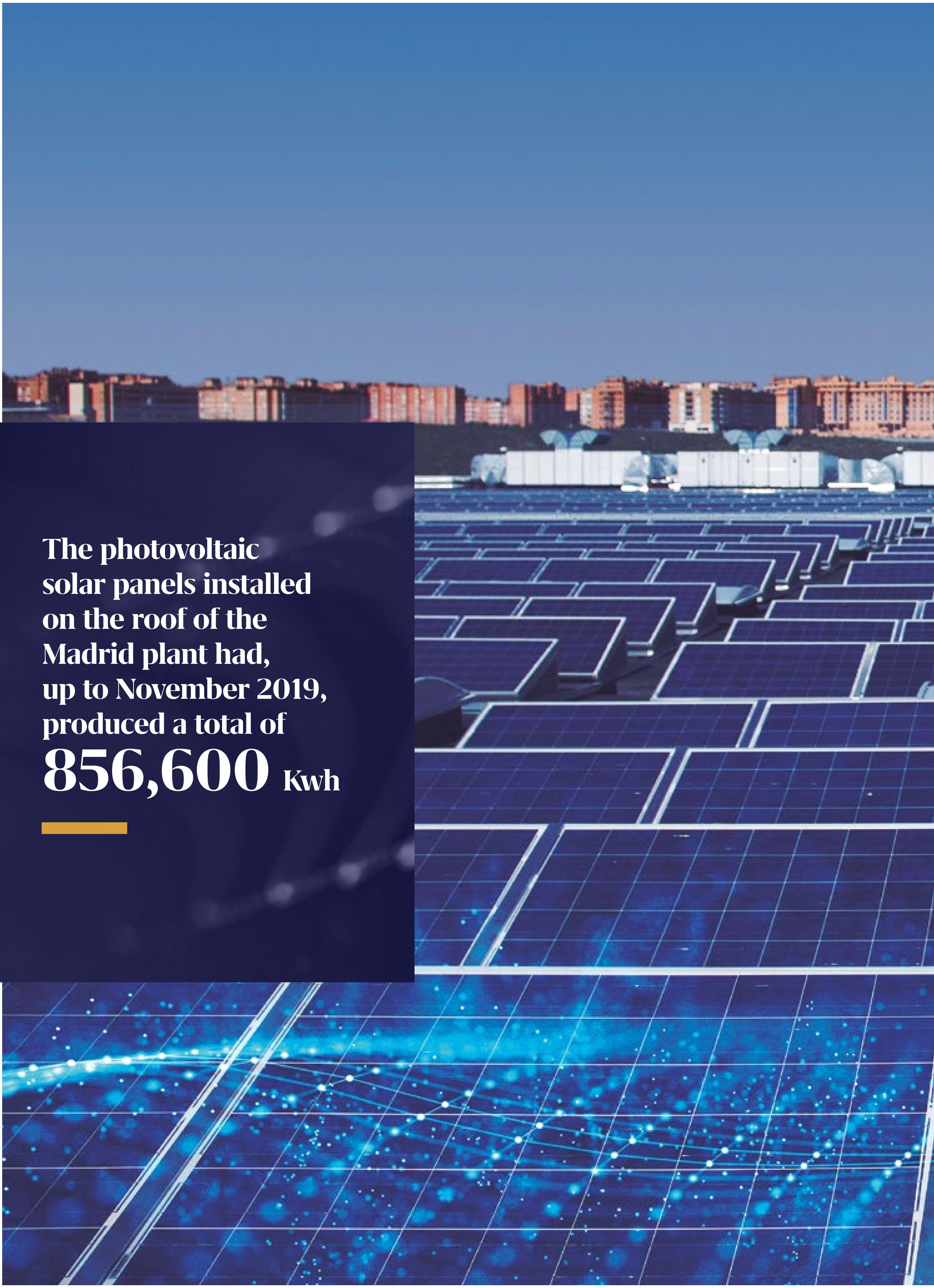
We believe it is necessary to protect our planet now and for future generations and, therefore, we will continue to set the highest standards, meeting the most demanding requirements and developing the most ambitious strategies to attain these goals in accordance with our values.

Commitment

The commitment of all members of Management to attaining the best results in environmental protection and efficient energy use materializes in the signature of a supporting document that is visible at all the Company's work centres and forms part of the environmental policy ratified by the Chairman and the General Manager.

We look after the environment and, to do so, optimize our products for greater energy efficiency. We likewise optimize the maintenance routes to reduce trips and, consequently, emissions.

Lastly, we highlight the fact that the Madrid plant has, on its roof, one of the largest solar energy production installations in industrial centres in Spain.



The photovoltaic solar panels installed on the roof of the Madrid plant had, up to November 2019, produced a total of

856,600 Kwh


OTIS

Innovation and Industry 4.0

Promoting Innovation to maximize value creation is of vital importance to the Group. The Madrid Engineering Centre is a worldwide benchmark for Otis, where many patent applications for the products and processes developed commence. Since 2001, Spain has filed over 500 patent applications all over the world and almost 300 have been granted.

There is a Suggestion Program that encourages and rewards the generation of new ideas for enhancements to products, services or processes

In accordance with the Industry 4.0 concept, the Madrid, San Sebastián and Vigo plants employ automated processes that inter-communicate, in order to adapt the production capacity to the existing demand, swiftly reacting to the needs of the market and thus attaining maximum operating efficiency.

Smart factories, that communicate much better with each other and with the real needs of the market in order to attain the maximum operating efficiency

06/ Management report


/Legal
/Accounting
/Finance
/Marketing
/Publicity
/Administration
/Human Resources
/Legal
/Accounting
/Finance
/Marketing
/Publicity
/Promotion
/Research
/Business
/Development
/Engineering
/Manufacturing
/Planning

06/

Management report of Zardoya OTIS

Consolidated financial statements 2019
(Thousands of euros - ETHs)

Key Data at November 30

(fiscal year end)
(Consolidated figures in millions of euros)

Annual results	2019	2018	2017	2016	2015	% variance over prior year 19/18	18/17	17/16	16/15
Profit before tax	**187.2**	191.4	201.3	207.8	201.0	**(2.2)**	(4.9)	(3.1)	(1.0)
Profit after tax	**140.6**	145.7	152.7	152.6	148.7	**(3.6)**	(4.6)	0.1	2.6
EBITDA	**208.8**	208.7	220.8	227.8	234.0	**0.1**	(5.5)	(3.1)	(2.7)
Cash-Flow	**172.4**	161.9	163.9	163.3	163.8	**6.5**	(1.2)	0.3	(0.3)
Dividends paid	**150.5**	150.5	150.1	147.7	144.1	**0.0**	0.3	1.6	2.4

Shareholders' Equity	2019	2018	2017	2016	2015	% variance over prior year 19/18	18/17	17/16	16/15
Capital and Reserves (*)	**411.0**	423.7	430.1	423.6	419.6	**(3.0)**	(1.5)	1.5	0.9

(*) Includes Treasury Stock

Sales Data	2019	2018	2017	2016	2015	% variance over prior year 19/18	18/17	17/16	16/15
New Installations	**113.7**	95.7	86.3	73.0	63.0	**18.8**	10.9	18.3	15.8
Service	**520.1**	511.5	507.8	503.2	513.9	**1.7**	0.7	0.9	(2.1)
Total Exports	**183.6**	190.9	196.3	179.2	163.3	**(3.9)**	(2.7)	9.5	9.7
Exports to Portugal (*)	**(15.0)**	(13.7)	(12.1)	(9.4)	(8.1)	**9.7**	13.3	29.2	15.9
Net Exports (without Portugal)	**168.6**	177.2	184.2	169.9	155.3	**(4.9)**	(3.8)	8.4	9.4
Total	**802.4**	**784.4**	**778.3**	**746.0**	**732.2**	**2.3**	**0.8**	**4.3**	**1.9**

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

New Installations	2019	2018	2017	2016	2015	% variance over prior year 19/18	18/17	17/16	16/15
Orders received	**363.5**	340.2	362.6	338.7	284.2	**6.8**	(6.2)	7.0	19.2
Backlog of unfilled orders	**185.6**	164.0	163.8	136.0	118.6	**13.2**	0.1	20.4	14.6

(*) Includes New Installations, Modernizations and Exports

Service Data	2019	2018	2017	2016	2015	% variance over prior year 19/18	18/17	17/16	16/15
Units under maintenance	**293,746**	288,467	285,840	285,586	283,626	**1.8**	0.9	0.1	0.7
Maintenance centers	**403**	385	375	374	371	**4.7**	2.7	0.3	0.8

Manpower	2019	2018	2017	2016	2015	% variance over prior year 19/18	18/17	17/16	16/15
Total manpower	**5,600**	5,476	5,233	5,145	5,086	**2.3**	4.6	1.7	1.2

Stock Market Data at December 31 (euros)

Share capital	2019	2018	2017	2016	2015
Shares written off					
Number of shares before share capital increase	**470,464,311**	470,464,311	470,464,311	452,369,530	434,970,702
"Number of shares capital increase (Non-monetary contribution)"	**-**	-	-	-	-
Splits	**-**	-	-	-	-
Capital increases (Bonus issues)	**-**	-	-	1x25	1x25
Number of shares at December 31	**470,464,311**	470,464,311	470,464,311	470,464,311	452,369,530
Par value	**0.10**	0.10	0.10	0.10	0.10
Share capital (millions)	**47.0**	47.0	47.0	47.0	45.2
Profit per share	**2019**	**2018**	**2017**	**2016**	**2015**
Profit after Tax	**0.299**	0.310	0.325	0.324	0.329
P.A.T. adjusted by capital increase	**0.299**	0.310	0.325	0.324	0.316
Adjusted P.A.T. variance (%)	**(3.6%)**	(4.6%)	0.1%	2.6%	(3.4%)
EBITDA per share	**0.444**	0.444	0.469	0.484	0.517
EBITDA adjusted by capital increase	**0.444**	0.444	0.469	0.484	0.497
Adjusted EBITDA variance (%)	**0.1%**	(5.5%)	(3.1%)	(2.7%)	(3.5%)
Dividend per share	**2019**	**2018**	**2017**	**2016**	**2015**
Dividend per share	**0.320**	0.320	0.319	0.320	0.3205
Dividend adjusted by capital increase and treasure stock	**0.320**	0.320	0.319	0.314	0.307
% variance adjusted dividend	**(0.1%)**	0.3%	1.7%	2.4%	(2.1%)
Paid in calendar year	**0.320**	0.320	0.319	0.314	0.319

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

Price per share	2019	2018	2017	2016	2015
Price of 1 share	**7.03**	6.21	9.12	8.03	10.78
Price adjusted by share capital increase	**7.03**	6.21	9.12	8.03	10.37
% adjusted price variance	**13.1%**	(31.9%)	13.6%	(22.5%)	21.9%
Annual yield of one share (%) (*)	**2019**	**2018**	**2017**	**2016**	**2015**
Dividend	**5.2**	3.5	4.0	3.0	3.6
Market value	**13.1**	(31.9)	13.6	(22.5)	21.9
Total	**18.3**	**(28.4)**	**17.5**	**(19.5)**	**25.5**

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

Trading	2019	2018	2017	2016	2015
Market capitalization (millions)	**3,305**	2,922	4,291	3,778	4,877
Trading fequency (%)	**100.0**	100.0	100.0	100.0	100.0
Effective value traded (millions)	**611**	905	939	818	1,094
Stock market ratios	**2019**	**2018**	**2017**	**2016**	**2015**
PER (price/net profit: number of times)	**23.5**	20.0	28.1	24.8	32.8
Pay-out % (dividends paid / net profit)	**107.0**	103.3	98.3	96.7	96.9
Variance of stock market indices	**2019**	**2018**	**2017**	**2016**	**2015**
Zardoya Otis, S.A.					
Market capitalization at 12/31 (Mill.€)	**3,305**	2,922	4,291	3,778	4,877
"Market capitalization at 1/1/1990 (Mill.€) (Start of IBEX 35)"	**331**	331	331	331	331
"Variance market capitalization since 1/1/1990"	**2,974**	2,590	3,959	3,446	4,545
"% variance market capitalization since 1/1/1990"	**897.3%**	781.6%	1194.7%	1040.0%	1371.6%
"% inter-annual variance market capitalization"	**13.1%**	(31.9%)	13.6%	(22.5%)	21.9%
IBEX 35					
IBEX 35 at 12/31	**9,549**	8,540	10,044	9,352	9,544
IBEX 35 at start (1/1/1990)	**3,000**	3,000	3,000	3,000	3,000
Variance IBEX-35 since 1/1/1990	**6,549**	5,540	7,044	6,352	6,544
% variance IBEX 35 since 1/1/1990	**218.3%**	184.7%	234.8%	211.7%	218.1%
% inter-annual variance IBEX 35	**11.8%**	(15.0%)	7.4%	(2.0%)	(7.2%)

Presentation of the annual financial statements

The Group's consolidated annual financial statements at November 30, 2019 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

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

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%.

Total consolidated sales in 2019

802.4 million

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.

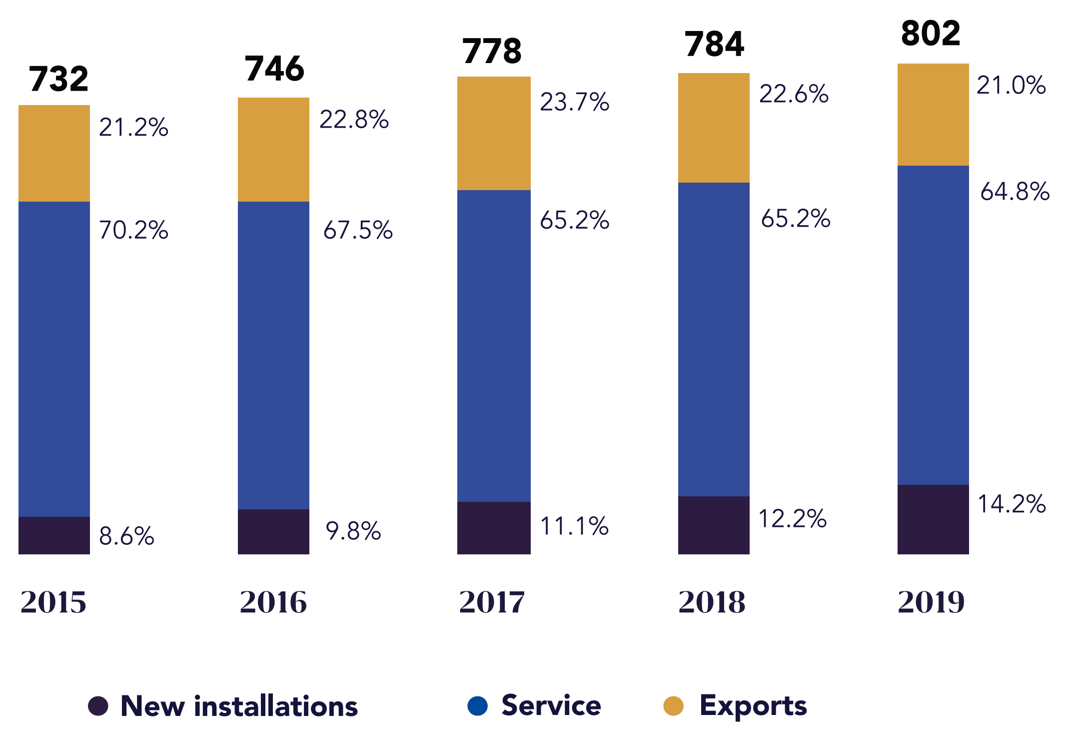
We would like to highlight the fact that the figure of 250,000 units was surpassed in Spain during the year.

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).

Sales (million euros)



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:

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.

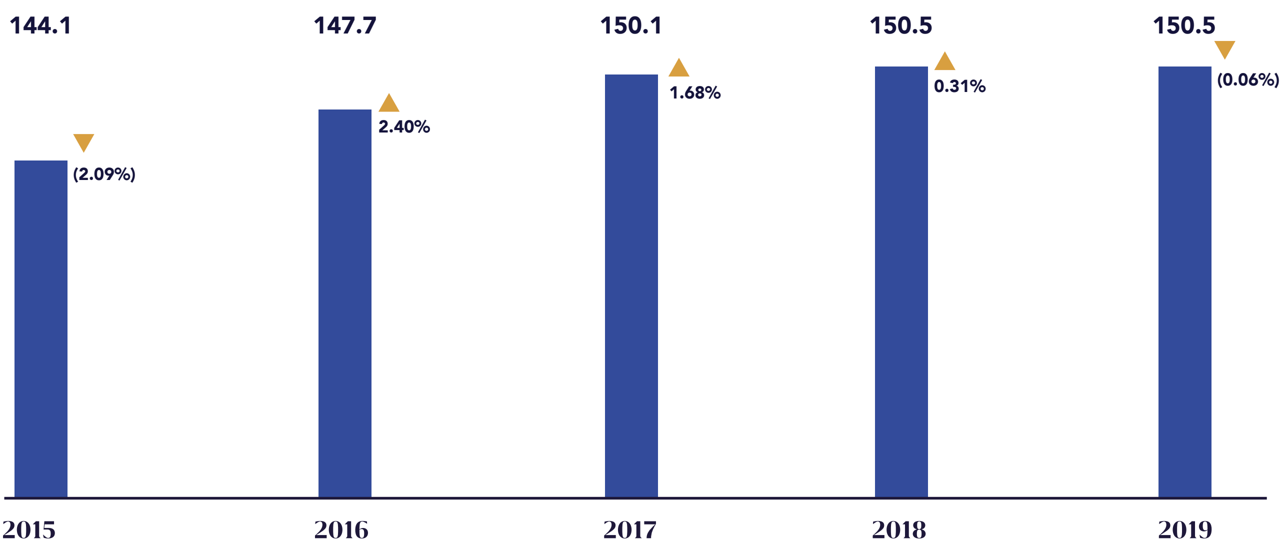
	2019			2018		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Managers	67	10	77	68	10	78
Administrative/workshop/field supervisors	507	40	547	504	35	539
Engineers, university graduates and other expert	239	76	315	241	70	311
Administrative and technical personnel	529	451	980	496	463	959
Other workers	3,654	27	3,681	3,559	30	3,589
	4,996	604	5,600	4,868	608	5,476

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, 2019, 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).100% de pay-out (en este caso superior al 100%).

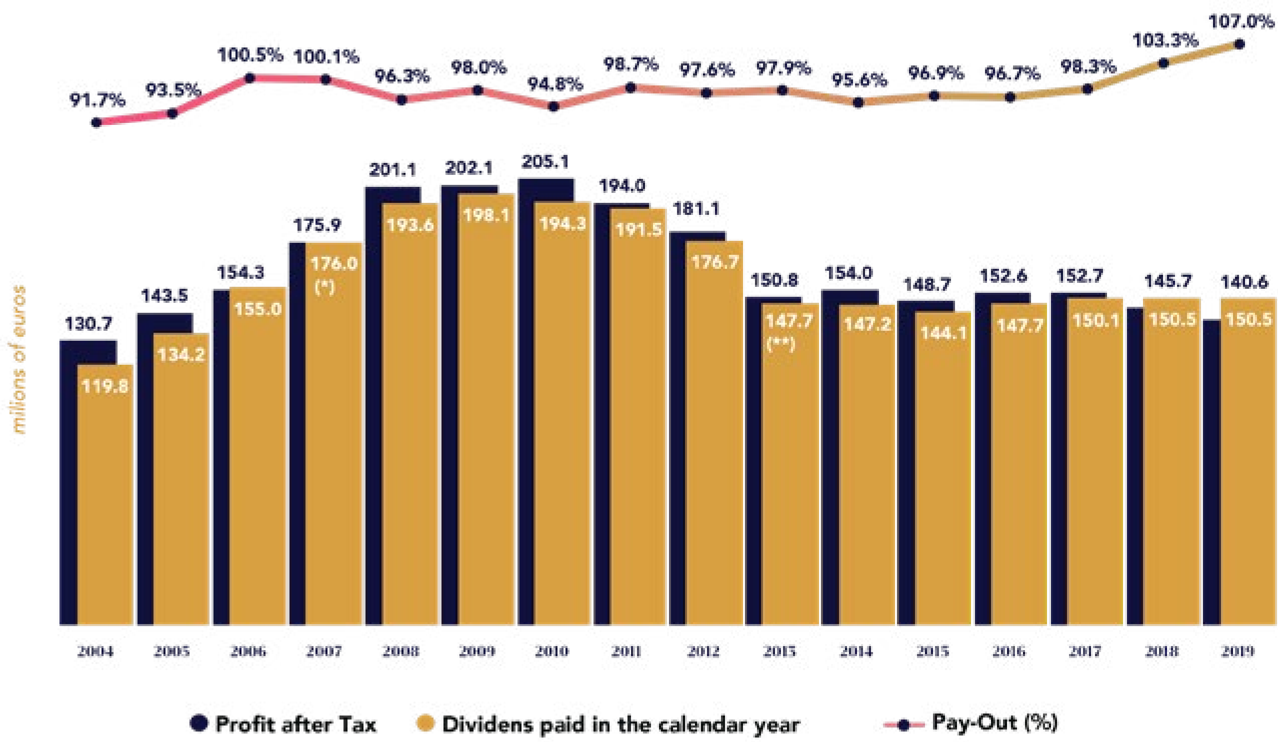
Dividends (million euros)



Dividens

Date	Gross per share	Charged to	Share entitled to dividend	Total paid
April 10	0.080€	1st interim, 2019	470,464,311	37,637,144.88€
July 10	0.080€	Charged to Reserves	470,092,555	37,607,404.40€
October 10	0.080€	2nd interim, 2019	470,078,442	37,606,275.36€
January 10	0.080€	3rd interim, 2019	470,078,442	37,606,275.36€
TOTAL SHAREHOLDERS´ REMUNERATION IN 2019				**150,457,100.00€**

Profit after Tax vs. Dividens Paid in the calendar year (Pay-out%)



* Before Extraordinary Results
** Restated figures in application of NIC 19-R

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 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.

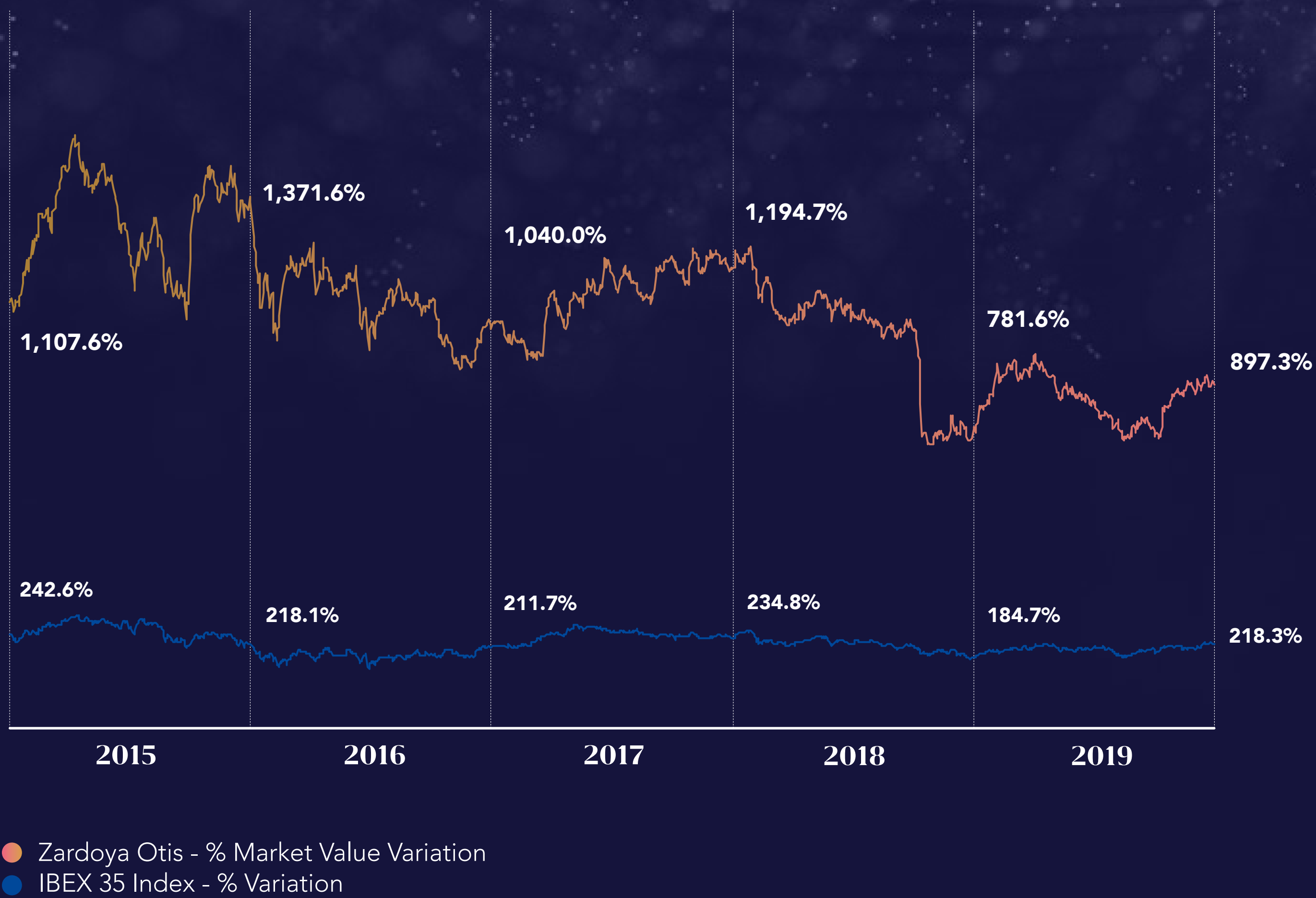
As of November 30, 2019, Zardoya Otis, S.A. held 385,869 treasury shares (zero at the end of 2018) for a value of ETHs 2,572.

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.

Stock Indexes - % of Variation

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



Historical stock market data (euros)

Year	Capital Increase and Splits	Shares price Last Price	Adjusted Price	Variance %	P.E.R.	Pay-Out %	Market. Capitalizat. (Mill.)
dec-74		37.68	0.03		14.3		13.3
dec-90		63.71	0.74	5.7	13.8	80.1	350.2
dec-91	1 x 5	61.30	0.86	15.5	14.0	75.5	404.4
dec-92		52.23	0.73	(14.8)	11.0	79.8	344.6
dec-93	1 x 10	81.74	1.26	72.2	17.0	80.8	593.1
dec-94	1 x 10	82.28	1.40	10.7	17.4	57.4	656.8
dec-95	1 x 10	79.63	1.49	6.5	17.0	98.4	699.2
dec-96	1 x 10	90.75	1.86	25.4	19.5	100.8	876.5
dec-97	1 x 10	106.68	2.41	29.3	22.0	80.8	1,133.4
dec-98	split 5 x 1 and 1 x 6	26.62	3.51	45.6	28.9	84.7	1,649.8
dec-99	split 2 x 1 and 1 x 10	9.77	2.83	(19.3)	21.2	89.9	1,332.1
dec-00	1 x 10	9.35	2.98	5.3	19.7	94.0	1,402.3
dec-01	1 x 10	10.42	3.62	21.5	20.7	90.8	1,703.6
dec-02	1 x 10	12.55	4.77	31.8	22.9	88.9	2,245.2
dec-03	1 x 10	16.50	6.90	44.6	28.0	87.4	3,247.1
dec-04	1 x 10	18.87	8.68	25.8	31.2	91.7	4,084.9
dec-05	1 x 10	21.40	10.83	24.7	35.5	93.5	5,095.8
dec-06	1 x 10	22.98	12.79	18.1	39.0	100.5	6,019.2
dec-07	1 x 10	19.37	11.86	(7.3)	31.7 (*)	100.1 (*)	5,581.0
dec-08	1 x 10	12.69	8.55	(27.9)	20.0	96.3	4,022.0
dec-09	1 x 20	13.61	9.63	12.6	22.4	98.0	4,529.2
dec-10	1 x 20	10.54	7.83	(18.7)	18.0	94.8	3,682.9
dec-11	1 x 20	10.60	8.27	5.6	20.0	98.7	3,889.1
dec-12	1 x 20	10.80	8.84	7.0	23.0	97.6	4,160.6
dec-13	1 x 25	13.15	11.69	32.2	36.5	97.9	5,499.9
dec-14	1 x 25	9.20	8.51	(27.2)	26.0	95.6	4,001.7
dec-15	1 x 25	10.78	10.37	21.9	32.8	96.9	4,876.5
dec-16	1 x 25	8.03	8.03	(22.5)	24.8	96.7	3,777.8
dec-17	-	9.12	9.12	13.6	28.1	98.3	4,290.6
dec-18	-	6.21	6.21	(31.9)	20.0	103.3	2,921.6
dec-19	-	7.03	7.03	13.1	23.5	107.0	3,305.0

(*) Without Extraordinary Result

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.

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.

07/ Consolidated Annual Financial Statements

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This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor´s report on 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

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.

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Zardoya Otis, S.A. and subsidiaries

Key audit matters	How the matter was addressed in the audit
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. 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. 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.	• 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. We have also checked the sufficiency of the information disclosed in the annual accounts. As a result of our tests, we consider that management's estimates sufficiently cover the amount recognised under goodwill.
Recovery of the value of intangible assets with finite useful lives The Company has intangible assets with a finite useful life amounting to €165 million, as described in note 6 to the consolidated annual accounts. 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).	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. As regards amortisation, estimated useful lives and possible impairment of the intangible assets: • 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

Key audit matters	How the matter was addressed in the audit
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. 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.	• 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. Our tests have revealed a solid basis supporting the assets' useful lives and that the assets' recoverable amounts are higher than their carrying amount.

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) 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.

b) 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.

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Zardoya Otis, S.A. and subsidiaries

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.

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Zardoya Otis, S.A. and subsidiaries

- 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)

	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.

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)

	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)

	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 Salonica, 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 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:

		2019		2018		
Company and registered office	**Activity**	%	Carrying amount (EThs)	%	Carrying amount (EThs)	**Parent company**
(+) 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.
(+) Acresa 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.

Equipamentos Industriales 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, 219). 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 ETHs 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 sistemtes 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 accessibilidad 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 ETħs 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 ETħs 3,934.

At November 30, 2019, the aforementioned restatement had an impact of ETħs 231 (ETħs 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 ETħs 19 (ETħs 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 the 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

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.

(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.

2019	Sales	Operating profit	Assets: Total	Assets: Amortization/ depreciation charge	Assets: Noncurrent investments in assets	Liabilities
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	Sales	Operating profit	Assets: Total	Assets: Amortization/ depreciation charge	Assets: Noncurrent investments in assets	Liabilities
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

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 facilitiy in Vigo At the reporting date, their carrying amount was EThs 12,508 (EThs 12,613 in 2018).

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

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.

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

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 no-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:

ETHs period 2018	Zardoya Otis Group Spain	Zardoya Otis Group Portugal	Zardoya Otis Group Morocco	Total
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**

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

Other	733
Total	**8,359**
November 30, 2018	
Current assets in statement of financial position	
Trade and other receivables (Note 8)	205,922
Other	263
Cash and cash equivalents (Note 10)	56,445
Total	**262,630**

	Other financial liabilities at amortized cost
November 30, 2019	
Noncurrent liabilities in statement of financial position	
Borrowings from financial institutions (Note 20)	-
Trade and other payables	-
Other debts through acquisitions (Note 16)	5,828
Total	**5,828**
November 30, 2019	
Current liabilities in statement of financial position	
Borrowings from financial institutions (Note 20)	795
Trade and other payables (Note 16)	189,259
Other debts through acquisitions (Note 16)	10,622
Total	**200,676**

	Other financial liabilities at amortized cost
November 30, 2018	
Noncurrent liabilities in statement of financial position	
Borrowings from financial institutions (Note 20)	-
Trade and other payables	-
Other debts through acquisitions (Note 16)	1,843
Total	**1,843**
November 30, 2018	
Current liabilities in statement of financial position	
Borrowings from financial institutions (Note 20)	290
Trade and other payables (Note 16)	197,637
Other debts through acquisitions (Note 16)	8,965
Total	**206,892**

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:

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

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

	Shares		% interest	
Holder	**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

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
Parent company of Group			
Zardoya Otis S.A.	EThs	10.538	10.162

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 Industriales 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**

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

Sociedad	**2019**	**2018**
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
Acresa 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:

	Non-controlling interests		**Dividends paid**	
Sociedad	**2019**	**2018**	**2019**	**2018**
Ascensores Serra, S.A.	753	768	418	482
Ascensores Pertor, S.L.	838	932	202	201
Acresa 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

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:

	2019		2018	
Company ETHs	**Consolidated profit**	**Attributed to non-controlling interests**	**Consolidated profit**	**Attributed to non-controlling interests**
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:

		2019	2018(*)
Available for distribution			
Profit for the period		147,023	148,874
	EThs	147,023	148,874
Distribution			
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.

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

Summary of the 2019 debt

	Current	Noncurrent
Acquisitions until 2019		
Acquisitions CGU Spain	10,622	5,828
Acquisitions CGU Portugal	-	-
Acquisitions CGU Morocco	-	-
	10,622	**5,828**

Summary of the 2018 debt

	Current	Noncurrent
Acquisitions until 2018		
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

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:

Deferred tax assets	Welfare commitments	Amortization intangible assets	Other	Total
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

Deferred tax liabilities	Welfare commitments	Amortization intangible assets	Other	Total
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)

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**

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	-	-	-

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 wiith 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**

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

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	EThs	**46,014**	**45,127**

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.

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

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:

1st Dividend 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
Dividend charged to reserves: 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
2nd Dividend 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
3rd Dividend 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 dsitributed, as follows:

1st Dividend 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
Dividend charged to reserves: 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
2nd Dividend 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
3rd Dividend 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 relation to the interim dividends distributed by Zardoya Otis, S.A. in the period 2019, the existence of sufficient liquidty for their distribution was verified, in accordance with the Capital Companies Law, art. 277:

	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

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, 219). 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 sistemtes 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 accessibilidad 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.

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:

EThs	**2019**	**2018**
Transactions with Otis Elevator Co		
Royalties	(20,334)	(19,388)
Charge-back of costs relating to the R&D Center	3,799	3,852
Transactions with Otis Group company, sales and purchases of goods and services		
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.

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.

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

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).

ZARDOYA OTIS, S.A.