ZARDOYA OTIS, S.A.
Alberto Fernández- Ibarburu
Secretario del Consejo de Administración

ZARDOYA OTIS, S.A.
Golfo de Salónica, 73
28033 Madrid - España
Teléfono 91 343 51 00
www.otis.com

Comisión Nacional del Mercado de Valores
Dirección General de Mercados
Edison, 4
28006 MADRID

Madrid, 28 de Julio de 2017

Acompañando esta carta, adjuntamos la siguiente información en inglés:

- Auditor Report
- Condensed Consolidated Interim Financial Statements for 1st Semester 2107
- Quarterly Report for 1st Semester 2107

NOTA: la citada información en inglés ha sido traducida por la propia entidad, bajo su exclusiva responsabilidad y no tiene la consideración de oficial

Atentamente,

Alberto Fernández-Ibarburu

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

REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Condensed Interim Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of Zardoya Otis, S.A. (hereinafter, "the parent company") and its subsidiaries (hereinafter, "the group"), which comprise the balance sheet as at May 31, 2017, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six months period then ended. The parent company´s directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six months period ended May 31, 2017 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

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

Emphasis of Matter

We draw attention to Note 2, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended November 30, 2016. This matter does not modify our conclusion.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' Report for the six months period ended May 31, 2017 contains the explanations which the parent company´s directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this directors' Report is in agreement with that of the interim financial statements for the six months period ended May 31, 2017. Our work is limited to checking the interim consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Zardoya Otis, S.A. and its subsidiaries´ accounting records.

Other Matter

This report has been prepared at the request of the Directors of Zardoya Otis, S.A. in relation to the publication of the half-yearly financial report required by Article 119 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by the Royal Decree 1362/2007, of 19 October.

PricewaterhouseCoopers Auditores, S.L.

Original Spanish version signed by Rafael Pérez Guerra

27 July 2017

ZARDOYA OTIS S.A.
AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2017

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Thousands of euros)

	May 2017	November 2016	May 2016
ASSETS			
Non-current assets			
Property, plant & equipment (Note 7)	59 917	60 601	59 355
Intangible assets (Note 8)	179 653	185 459	182 944
Goodwill (Note 8)	145 862	145 444	141 577
Financial investments	697	728	736
Deferred tax assets (Note 14)	24 568	23 205	23 360
Assets from wellfare commitments	1 697	2 673	3 626
Other non-current assets (Note 9)	4 380	4 706	4 484
Total non-current assets	**416 774**	**422 816**	**416 082**
Current assets			
Inventories	35 330	30 545	23 641
Financial receivables	286	1 409	822
Trade and other receivables (Note 9)	193 921	192 436	199 258
Cash & cash equivalents	72 421	62 344	73 566
Total current assets	**301 958**	**286 734**	**297 287**
Total assets	**718 732**	**709 550**	**713 369**

Notes 1 to 30 form an integral part of these Condensed Consolidated Interim Financial Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Thousands of euros)

	May 2017	November 2016	May 2016
Equity			
Share capital (Note 10)	47 046	47 046	45 236
Share Premium	306	37 472	37 426
Legal reserve	9 786	9 409	9 409
Reserves in subsidiaries & other reserves	276 290	250 838	237 635
Treasury stock (Note 11)	-	-	(92)
Retained earnings	128 230	152 626	124 061
Interim dividends paid (Note 25)	(75 274)	(73 819)	(72 378)
Exchange differences	(192)	(5)	(111)
Non-controlling interests	11 131	14 009	14 961
Total equity	**397 323**	**437 576**	**396 147**
Liabilities			
Non-current liabilities			
Other payables (Note 12)	3 739	3 850	4 080
Provisions for other liabilities & expenses (Note 17)	8 375	8 370	7 209
Deferred tax liabilities (Note 14)	26 458	26 792	25 282
Total non-current liabilities	38 572	39 012	36 571
Current liabilities			
Trade & other payables (Note 12)	268 424	216 429	256 369
Current tax liabilities (Nota 13)	4 135	3 072	9 656
Borrowings (Note 16)	21	324	676
Provisions for other liabilities & expenses (Note 17)	10 257	13 137	13 950
Total current liabilities	282 837	232 962	280 651
Total liabilities	**321 409**	**271 974**	**317 222**
Liabilities and equity	**718 732**	**709 550**	**713 369**

Notes 1 to 30 form an integral part of these Condensed Consolidated Interim Financial Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2017

CONSOLIDATED INCOME STATEMENT
(Thousands of euros)

		Six-month period ended May 31,	
		2017	**2016**
	Sales (Note 18)	382 187	372 170
	Other income	595	607
	Raw materials and consumables used (Note 20)	(123 825)	(113 855)
	Employee compensation and benefit expenses (Note 19)	(124 073)	(122 230)
	Depreciation, amortization and impairment charges	(9 284)	(9 923)
	Net other expenses (Note 21)	(27 153)	(26 718)
	Operating profit	**98 447**	**100 051**
	Finance income (Note 22)	273	270
	Finance cost (Note 22)	(168)	(113)
	Net exchange differences (Note 22)	76	49
	Other (losses) / gains	170	33
	Profit before tax	**98 798**	**100 290**
	Income tax (Note 23)	(23 901)	(28 032)
	Profit for the period	**74 897**	**72 258**
	Attributable to:		
	Owners of the Company	74 552	71 826
	Non-controlling interests	346	432
	Earnings per share for profit on continuing operations attributable to the equity shareholders of the company in the period (euros per share)		
	- Basic earnings per share (Note 24)	0,1585	0,1588
	- Diluted earnings per share		

Notes 1 to 30 form an integral part of these Condensed Consolidated Interim Financial Statements.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
(Thousands of euros)

		Six-month period ended May 31	
		2017	**2016**
	Profit for the period	74 897	72 258
	Other comprehensive income		
	Items that may subsequently be taken to P&L:		
	Exchange rate differences	(187)	(162)
	Other comprehensive income for the period, net of taxes		
	Total comprehensive income for the period, net of taxes	74 710	72 096
	Attributable to:		
	– Owners of the parent company	74 365	71 664
	– Non-controlling interests	345	432

Notes 1 to 30 form an integral part of these Condensed Consolidated Interim Financial Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (thousands of euros)

			Attributable to owners of the parent company					Non-controlling Interests	Total equity
	Share capital	Share premium	Legal reserve	Treasury stock	Accum. foreign exchange differences	Reserves in subsidiaries & other reserves	Retained earnings		
Balance at Nov. 30, 2015	**45 236**	**73 615**	**9 047**	**(91)**	**52**	**196 467**	**93 763**	**15 714**	**433 803**
Application of 2015 profit			362			41 167	(150 878)		(109 349)
Dividend for 2015							109 349		109 349
Capital increase									
Profit for the period					(162)		71 825	432	72 095
Interim dividend 2015							(36 189)		(36 189)
Dividend for 2016							(36 189)		(36 189)
Partial cash distribution of share premium		(36 188)							(36 188)
Transactions with non-controlling interests									
Other movements								(1 185)	(1 185)
Balance at May 31, 2016	**45 236**	**37 427**	**9 409**	**(91)**	**(110)**	**237 634**	**51 681**	**14 961**	**396 147**

Notes 1 to 30 form an integral part of these Condensed Consolidated Interim Financial Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (thousands of euros)

			Attributable to owners of the parent company					Non-controlling Interests	Total equity
	Share capital	Share premium	Legal reserve	Treasury stock	Accum. foreign exchange differences	Reserves in subsidiaries & other reserves	Retained earnings		
Balance at Nov. 30, 2016	**47 046**	**37 472**	**9 409**	**-**	**(5)**	**235 134**	**94 511**	**14 009**	**437 576**
Application of 2016 profit			377			40 452	(152 285)		(111 457)
Dividend for 2016							111 456		111 456
Capital increase									
Profit for the period					(187)		74 552	345	74 710
Interim dividend 2016							(37 637)		(37 637)
Dividend for 2017							(37 637)		(37 637)
Partial cash distribution of share premium		(37 166)							(37 166)
Transactions with non-controlling interests						704		(2 148)	(1 444)
Other movements							(4)	(1 075)	(1 079)
Balance at May 31, 2017	**47 046**	**306**	**9 786**	**-**	**(192)**	**276 290**	**52 956**	**11 131**	**397 323**

Notes 1 to 30 form an integral part of these Condensed Consolidated Interim Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
(Thousands of euros)

	Six-month period ended May 31	
	2017	**2016**
Net profit	**74 552**	**71 825**
Cash flows from operating activities		
Adjustments to profit		
Amortization/depreciation/provisions (Notes 7, 8 & 9)	8 008	8 440
Taxes (Note 23)	23 901	28 032
Net interest paid	(65)	(206)
Profit attributable to non-controlling interests	346	432
Tax payments	(24 880)	(28 019)
Changes in inventories	(4 786)	9
Changes in receivables and other assets	5 512	(15)
Changes in payables and other liabilities	10 775	4186
Net cash flow from operating activities	**93 363**	**84 340**
Cash flows from investing activities		
Investment in property, plant & equipment/intangible assets (Notes 7, 8)	(1 239)	(2 827)
Acquisition of subsidiaries (Note 26)	(4 641)	(1 811)
Amounts received for disposals of PPE & intang. assets	-	
Acquisition/disposal of other financial assets	62	348
Net cash flow from investing activities	**(5 818)**	**(4 290)**
Cash flows from financing activities		
Dividends paid (Note 25)	(75 274)	(72 378)
Bank borrowings (Note 16)	(303)	341
Acquisition of non-controlling interests	(1 891)	-
Net cash flows from financing activities	**(77 468)**	**(72 037)**
Net increase/(decrease) in cash and cash equivalents	10 077	**8 013**
Cash & cash equivalents at the beginning of the period	62 344	65 553
Cash & cash equivalents at the end of the period	**72 421**	73 566

Notes 1 to 30 form an integral part of these Condensed Consolidated Interim Financial Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES – Condensed Consolidated Interim Financial Statements for the six-month period ended May 31, 2017

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Thousands of euros)

1. General information

Zardoya Otis S.A. (hereinafter, the Company) and its subsidiaries (together, the Group) have the main business activity of the manufacture and installation of elevators, the provision of the related maintenance service and the export of equipment for installation abroad. The Group has manufacturing plants, in Madrid and San 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 Calle Golfo de Salonica, 73, Madrid. Zardoya Otis, S.A. is listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

United Technologies Holding S.A., incorporated in France, held an interest in the Group of 50.01% of the Company's shares at May 31, 2017. Said company belongs to the UTC Group, incorporated in the United States of America.

The annual consolidated financial statements for the year 2016 were approved by the Board of Directors on February 21, 2017, audited, and approved by the General Shareholders' Meeting held on May 24, 2017. These condensed consolidated interim financial statements were approved by the Board of Directors on July 26, 2017 and submitted to a limited review by the Group auditor at the request of the Board.

2. Bases of presentation

The condensed consolidated interim financial statements of the Group (Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and the Notes thereto for the six-month period ended May 31, 2017, all of which are condensed, consolidated and interim), expressed in thousands of euros, have been prepared in accordance with IAS 34 "Interim Financial Reporting" and must be read in conjunction with the consolidated annual financial statements for the year ended November 30, 2016, which were prepared in accordance with International Financial Reporting Standards adopted for use in the European Union (IFRS-EU) and approved by the European Commission Regulations currently in force.

3. Accounting policies

The accounting policies and consolidation processes applied in these condensed consolidated interim financial statements for the six-month period ended May 31, 2017 are the same as those used when preparing the consolidated annual financial statements for the annual period ended November 30, 2016, except in respect of the changes in accounting standards that have come into force in 2017, described in the Notes to the 2016 Consolidated Annual Financial Statements, which have had no material effect on the financial statements.

The accounting estimates used are the same as those used for the annual financial statements for the period that ended in November 2016. During the first six months of the year 2017, there were no value adjustments that had a significant effect on the items of the assets, liabilities, equity, results or cash flows presented. The corporate income tax calculated applies the tax rate that is expected to be applicable to the results for the full year.

Additionally, in the six-month period ended May 31, 2017, transition guidance was published on interpretations of international standards that have not yet come into force and which the Group has not adopted early.

4. Changes in the companies that form part of the Group and transactions with non-controlling interests

In the six-month period to which these condensed consolidated interim financial statements refer, the following transactions and changes in the consolidated group took place:

Six-month period ended May 31, 2017:

On December 14, 2016, Zardoya Otis, S.A. declared the third interim dividend charged to the profit for 2016, for a gross amount of 0.08 euros per share. The resulting amount is a total gross dividend of EThs 37 637. This dividend was paid out on January 10, 2017.

On May 19, 2016, the Board of Directors of Zardoya Otis, S.A. and the Administrator of Mototracciones Eléctrica Latierro, S.L.U. (Latierro) approved a merger project. On March 7, 2017, the company Mototracciones Eléctrica Latierro, S.L.U. was dissolved without liquidation and the entirety of its equity was transferred to Zardoya Otis, S.A., the absorbing company, which already held 100% of Latierro's shares.

On March 7, 2017, Zardoya Otis, S.A. acquired 7.23% of shares in the subsidiary Electromecánica Hemen Elevadores, S.L. from non-controlling interests. This transaction meant that the percentage held by Zardoya Otis, S.A. in Hemen Elevadores, S.L. changed, rising from 92.77% to 100%.

During the first six months of 2017, a company belonging to the CGU Zardoya Otis Group (Spain) acquired 100% of the shares of the company Servicios Automáticos de Elevación, S.L., (April 21, 2017) a company engaged in the maintenance and repair of elevators in Spain, (Note 26)

On May 16, 2017, Zardoya Otis, S.A. acquired 2.19% of the shares in the subsidiary Acresa Cardellach, S.L. from non-controlling interests. This transaction meant a change in Zardoya Otis, S.A.'s holding in Acresa Cardellach, S.L., which rose from 94.57% to 96.76%.

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

These transactions are included in the consolidated figures for the fiscal period commencing in December 2016 and will be treated in accordance with the policy on transactions with non-controlling interests, with no impact on the consolidated profit for the period.

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

Risk management is controlled by Group Management in accordance with policies approved by the Board of Directors of the parent company. Management assesses and hedges financial risks in 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 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 condensed consolidated financial statements as of May 31, 2017.

To hedge the foreign exchange risk on future commercial transactions for importing materials, Group companies use forward contracts negotiated with UTC Treasury Center.

The Group holds an investment in foreign currency in Otis Maroc S.A., the net assets of which are exposed to foreign exchange risk. However their value is not significant and the effect of a change in the exchange rate would not have a material effect on the Group's financial statements.

In relation to commercial export and import transactions, the Group is exposed to exchange rate risk that is not significant. At May 31, 2017, there were outstanding balances in currencies other than the euro equivalent to EThs 1 289 (EThs 614 at May 31, 2016).

(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, they are 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 9). 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 receivables. The banks and financial institutions with which the Group works are of recognized prestige and have high credit ratings.

The amounts of trade receivables are shown in the statement of financial position net of the provision for impairment. At May 31, 2017, said provision was EThs 89 643 (EThs 96 853 at May 31, 2016). The Group 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.

As of May 31, 2017, the Group held current deposits with financial institutions of EThs 17 993 (EThs 19 504 as of May 31, 2016). 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. For this purpose, Group treasury aims to maintain flexibility in funding by keeping committed credit lines available.

At May 31, 2017, cash and cash equivalents represented EThs 72 421 (EThs 73 566 at May 31, 2016), 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:

	05.31.17	05.31.16
Cash at beginning of period	**62 344**	**65 553**
Cash flow from operating activities	93 363	84 340
Cash flow from investing activities	(5 818)	(4 290)
Cash flow from financing activities	(77 468)	(72 037)
Cash at end of period	**72 421**	**73 566**

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 interest rate risks derived from its activity.

The Group’s interest rate risk arises on non-current borrowings tied to variable indexes. The variable interest rate applied to the loans from financial institutions is subject to fluctuations in the Euribor.

As stated in Note 16, the Group did not hold any borrowings at fixed rates at May 31, 2017.

e) Capital risk management

The Group’s objectives in relation to capital management are to safeguard its capacity to maintain sustained long-term profitability; to have the capacity to fund both its internal growth and its external growth through acquisitions; to obtain adequate yields for the shareholders and to maintain an optimal capital structure that includes equity, the generation of its own cash from the business in each year and, as far as necessary, borrowings at the lowest cost possible.

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

	05.31.17	05.31.16
Borrowings (current and non-current)	21	676
Other current and non-current financial liabilities	8 729	10 125
Cash and cash equivalents	(72 421)	(73 566)
Net financial debt	(63 671)	(62 765)
Equity	397 323	396 147
Leverage (*)	**-0,19**	**-0,19**

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

At May 31, 2017, the net financial debt represented -0.5910 of EBITDA (-0.5707 at May 31, 2016). (EBITDA = Operating profit plus amortization plus depreciation).

6. Segment reporting

The 2016 consolidated annual financial statements explain the criteria applied to identify and define the Group's operating segments. In the period ended May 31, 2017, there were no changes in these criteria.

Zardoya Otis's main goal is service excellence. From this standpoint, the Company is determined to attend to vertical transport customers in all the phases of our product's life, covering elevator design and manufacture, integrating the technological advances that have made us industry leaders, not only for new buildings, but also for existing ones, and including maintenance services and substitutions. Therefore, new sales (and substitutions) and elevator maintenance ae not considered separate segments, since they are products and services that complement each other and have the same nature, with an integrated production process, aimed at the same type of customers, and a single distribution network where no distinction is made between them. For the Group, they are a single branch of business that is managed as such, having similar risks and opportunities. Consequently, the segments identified are the geographical differentiation between markets of Spain, Portugal and Morocco, since they are under independent supervision, as stipulated in IFRS 8.

The differentiation between the segments corresponds to the structure of the management information that is produced on a monthly basis and revised regularly and is used as a basis for decision-making by Management and the Board of Directors.

May 2017	Sales	Operating profit	Assets: Totals	Assets: Amortization/ depreciation	Assets: Non-current investments in assets	Liabilities
Zardoya Otis Group – Spain	349 276	88 027	612 352	9 119	2 547	275 297
Otis Group– Portugal	29 780	10 222	64 567	115	143	25 534
Otis Maroc – Morocco	8 031	883	41 813	50	351	20 578
Eliminations – intra-group transactions	(4 900)	(685)	-	-	-	-
Consolidated	382 187	98 447	718 732	9 284	3 041	321 409

May 2016	Sales	Operating profit	Assets: Total	Assets: Amortization/ depreciation	Assets: Non-current investments in assets	Liabilities
Zardoya Otis Group – Spain	341 141	91 628	599 832	9 751	7 783	260 125
Otis Group– Portugal	27 980	10 812	63 827	128	70	31 758
Otis Maroc – Morocco	7 671	312	49 710	44	-	25 339
Eliminations – intra-group transactions	(4 622)	(2 701)	-	-	-	-
Consolidated	372 170	100 051	713 369	9 923	7 853	317 222

Additionally, separate information of the parent company of the Group and its subsidiaries is shown:

May 2017	Sales	Operating profit	%	PPE & intangible assets acquired
Zardoya Otis S.A. (aggregate of 99 branches)	288 411	76 786	26.62	584
Spanish Group companies - Elevators (15 companies)	75 427	11 241	14.90	1 963
Otis Group – Portugal	29 780	10 222	34.32	143
Otis Maroc – Morocco	8 031	883	10.99	351
Group total	401 649	99 132	24.68	3 041
Eliminations – intra-group transactions	(19 462)	(685)	-	-
Consolidated	382 187	98 447	25.75	3 041

May 2016	Sales	Operating profit	%	PPE & intangible assets acquired
Zardoya Otis S.A. (aggregate of 99 branches)	286 906	77 112	26.88	2 113
Spanish Group companies - Elevators (18 companies)	87 038	14 516	16.68	5 670
Otis Group – Portugal	27 980	10 812	38.64	70
Otis Maroc – Morocco	7 671	312	4.07	-
Group total	409 595	102 752	25.09	7 853
Eliminations – intra-group transactions	(37 425)	(2 701)	-	-
Consolidated	372 170	100 051	26.88	7 853

7. Property, plant and equipment

Details of and movement on the different categories of property, plant and equipment are shown in the following table:

	Land & buildings	Machinery	Furniture, accessories & equipment	Total
At November 30, 2015				
Cost	59 549	43 400	73 734	176 683
Accumulated depreciation	(15 452)	(36 011)	(64 384)	(115 846)
Impairment losses				
Net carrying amount	**44 097**	**7 389**	**9 350**	**60 837**
2016				
Business combinations (Note 26)	-	-	1	1
Increases	199	1 098	816	2 113
Decreases	-	(1 240)	(232)	(1 472)
Depreciation charge	(653)	(1 455)	(1 176)	(3 284)
Derecognition of accumulated depreciation	-	979	182	1 161
Impairment losses	-	-	-	-
Other movements	-	-	-	-
	(454)	(618)	(409)	(1 481)
At May 31, 2016				
Cost	59 748	43 258	74 319	177 325
Accumulated depreciation	(16 105)	(36 487)	(64 378)	(117 969)
Impairment losses	-	-	-	-
Net carrying amount	**44 643**	**6 771**	**8 941**	**59 355**
At November 30, 2016				
Cost	63 145	42 952	73 408	179 505
Accumulated depreciation	(17 043)	(36 982)	(64 880)	(118 904)
Impairment losses				
Net carrying amount	**46 102**	**5 970**	**8 528**	**60 601**
2017				
Business combinations (Note 26)	-	-	24	24
Increases	401	534	258	1 193
Decreases	(2 071)	(4 981)	(203)	(7 255)
Depreciation charge	(548)	(818)	(710)	(2 076)
Derecognition of accumulated depreciation	2 071	5 157	202	7 430
Impairment losses	-	-	-	-
Other movements	-	-	-	-
	(147)	(108)	(429)	(684)
At May 31, 2017				
Cost	61 475	38 505	73 487	173 467
Accumulated depreciation	(15 520)	(32 643)	(65 388)	(113 551)
Impairment losses	-	-	-	-
Net carrying amount	**45 955**	**5 862**	**8 099**	**59 917**

The property, plant and equipment figures include property, plant and equipment in the course of construction for a value of ETHs 350 (EThs 292 in 2016). Of the total property, plant and equipment, net of depreciation, of EThs 59 917 (EThs 59 355 in 2016) a total of EThs 373 is located in Portugal and a total of EThs 599 in Morocco. (EThs 283 in Portugal and EThs 261 in Morocco in 2016). There is no other property, plant and equipment outside Spanish territory.

The Group follows the policy of taking out all the insurance policies deemed necessary to cover any possible risks that could affect, among other items, the property, plant and equipment. At May 31, 2017 and 2016, none of the Group's financial liabilities was secured by property, plant and equipment and, therefore, all the property, plant and equipment was free of any encumbrances.

8. Intangible assets

Details of and movement on the principal types of intangible assets are shown below:

	Maintenance contracts	Goodwill	Other	Total
At November 30, 2015				
Cost	303 771	147 150	13 968	464 889
Accumulated amortization	(123 436)	-	(7 972)	(131 408)
Impairment losses	-	(8 054)	-	(8 054)
Net carrying amount	**180 335**	**139 096**	**5 996**	**325 427**
2016				
Increases	714	-	-	714
Business combinations (Note 26)	2 544	2 481	-	5 025
Decreases	(71)	-	-	(71)
Amortization charge	(6 614)	-	(25)	(6 639)
Impairment losses recognized in period	-	-	-	-
Derecognition of accumulated amortization	64	-	-	64
Other movements	-	-	-	-
	(3 363)	2 481	(25)	(907)
At May 31, 2016				
Cost	306 959	149 631	13 968	470 558
Accumulated amortization	(129 986)	-	(7 997)	(137 983)
Impairment losses	-	(8 054)	-	(8 054)
Net carrying amount	**176 973**	**141 577**	**5 971**	**324 521**

	Maintenance contracts	Goodwill	Other	Total
At November 30, 2016				
Cost	316 070	153 498	15 706	485 274
Accumulated amortization	(136 619)	-	(9 698)	(146 317)
Impairment losses	-	(8 054)	-	(8 054)
Net carrying amount	**179 451**	**145 444**	**6 008**	**330 903**
2017				
Increases	-	-	22	22
Business combinations (Note 26)	1 384	418	-	1 802
Decreases	(76)	-	-	(76)
Amortization charge	(7 191)	-	(15)	(7 206)
Impairment losses recognized in period	-	-	-	-
Derecognition of accumulated amortization	69	-	-	69
Other movements	-	-	-	-
	(5 814)	418	7	(5 389)
At May 31, 2017				
Cost	317 378	153 916	15 729	487 023
Accumulated amortization	(143 741)	-	(9 713)	(153 454)
Impairment losses	-	(8 054)	-	(8 054)
Net carrying amount	**173 637**	**145 862**	**6 016**	**325 515**

In the six-month period ended May 31, 2017, the Group carried out the business combinations described in Note 26.

In 2017, increases relate to purchases of maintenance contracts, which were not significant.

At May 31, 2017 there are no indications of a change in the assumptions used for impairment tests in 2016, so that the recoverable amount (value in use) of each CGU exceeds the carrying amount of its net assets for consolidated purposes.

9. Trade and other receivables

	At May 31		
	2017	**2016**	**30.11.2016**
Trade receivables	208 362	214 623	210 747
Less: provision for impairment of receivables	(89 643)	(96 853)	(94 659)
Trade receivables - net	118 719	117 770	116 088
Amounts due from customers for contract work	21 482	22 690	14 678
Other receivables	8 143	13 403	7 407
Public authorities (Note 13)	6 035	9 148	11 569
Prepayments	1 837	1 088	2 043
Receivables from related parties (Note 27)	37 705	35 159	40 651
Total	193 921	199 258	192 436

The amounts due from customers for contract work are shown net, considering the cost incurred at the date of the statement of financial position of the current contracts of EThs 66 602 (EThs 64 693 in 2016), plus recognized benefit (less recognized losses) of EThs 5 714 (EThs 4 235 in 2016) and the prepayments received from customers amounting to EThs 50 834 (EThs 46 238 in 2016).

Movement on the provision for impairment of receivables was as follows:

	At May 31		
	2017	**2016**	**30.11.2016**
Balance at beginning of period	94 659	98 295	98 295
Provision made (Note 21)	1 154	644	857
Business combinations	-	41	288
Reversal of unused provisions (Note 21)	(2 428)	(2 127)	(3 488)
Applications	(3 742)	-	(1 293)
Balance at end of period	89 643	96 853	94 659

Provisions and reversals of provisions appear on the income statement under the “Net other expenses” heading. The net provision recognized in 2017 is -0.33% of Group sales (first six months of 2016: -0.39%).

As an additional breakdown, a summary of receivables which have matured but are not impaired, including those aged both less and more than 6 months, is set forth below:

At May 31, 2017

Thousands of euros	Total	Impaired	Net	Not matured	Matured but not impaired
Less than 6 months	120 507	(22 776)	97 731	57 289	40 442
Between 6 months and 1 year	13 494	(1 870)	11 623	-	11 623
Between 1 and 2 years	29 485	(20 121)	9 364	-	9 364
More than 2 years	4 533	(4 553)	-	-	-
Under litigation	40 342	(40 432)	-	-	-
Total	208 361	(89 643)	**118 719**	57 289	61 430

At May 31, 2016

Thousands of euros	Total	Impaired	Net	Not matured	Matured but not impaired
Less than 6 months	110 414	(14 300)	96 114	63 390	32 724
Between 6 months and 1 year	13 483	(2 305)	11 178	-	11 178
Between 1 and 2 years	36 760	(26 282)	10 478	-	10 478
More than 2 years	14 063	(14 063)	-	-	-
Under litigation	39 903	(39 903)	-	-	-
Total	214 623	(96 853)	**117 770**	63 390	54 380

Additionally, non-current assets include notes to be collected from clients maturing at more than one year for an amount of EThs 4 380 (EThs 4 484 in 2016).

10. Share capital

	No. Shares	Ordinary shares	Total
At November 30, 2015	**452,369,530**	**452,369,530**	**452,369,530**
Capital increase	-	-	-
At May 31, 2016	**452,369,530**	**452,369,530**	**452,369,530**
Capital increase	18,094,781	18,094,781	18,094,781
At November 30, 2016	**470,464,311**	**470,464,311**	**470,464,311**

	No. Shares	Ordinary shares	Total
At November 30, 2016	**470,464,311**	**470,464,311**	**470,464,311**
Capital increase	-	-	-
At May 31, 2017	**470,464,311**	**470,464,311**	**470,464,311**

All the shares of the Group parent belong to the same class and have the same voting rights.

The total number of authorized ordinary shares is 470,464,311, with a par value of 0.10 euros per share (2016: 0.10 euros per share).

All the shares issued have been subscribed and fully paid up as follows:

Shareholder	Shares			% shareholding		
	05/31/2017	**11/30/2016**	**05/31/2016**	**05/31/2017**	**11/30/ 2016**	**05/31/2016**
United Technologies Holdings, S.A.	235,279,377	235,279,377	226,230,171	50.01	50.01	50.01
Euro-Sins, S.A.	53,802,775	53,802,775	51,181,014	11.44	11.44	11.31
Other non-controlling interests	181,382,159	181,382,159	174,946,798	38.55	38.55	38.68
Treasury shares	-	-	11,547	0.00	0.00	0.00
	470,464,311	470,464,311	452,369,530	100.00	100.00	100.00

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

11. Treasury shares

At May 31, 2017 and at November 30, 2016, Zardoya Otis, S.A. did not hold any treasury shares

12. Trade and other payables

	At May 31	
	2017	**2016**
Suppliers	27 013	31 129
Amounts payable to related parties (Note 27)	31 393	29 305
Other payables	24 372	22 145
Invoices not yet received	11 574	8 771
Notes payable	886	1 381
Amounts due to customers on contract work	50 660	36 081
Prepayments received for maintenance contract work	30 763	33 251
Acquisition commitments	5 553	6 046
Other amounts payable to the Public Treasury (Note 13)	21 020	23 135
Outstanding employee remuneration	31 322	32 823
Other	33 868	32 301
Total	268 424	256 369

Balances payable to related companies are partly denominated in foreign currency. No other significant amounts are payable in foreign currency. The heading “Amounts payable to related parties” includes balances in currencies other than the euro for an amount in euros equivalent to EThs 1 289 (EThs 614 in 2016). It also includes the amount of the partial cash distribution of the share premium corresponding to United Technologies Group (Note 27).

In 2017 and 2016, the heading “Other” includes the obligation to shareholders other than United Technologies Group, as stated above, arising from the 4th resolution on the Agenda of the General Shareholders’ Meetings of May 24, 2017 and May 19, 2016, respectively, which approved a partial cash distribution of the share premium for a gross amount of 0.079 euros per share, except for the portion corresponding to related companies.

In this respect, the parent company of the Group will pay up to a maximum amount of 37,166,680.57 euros, which is the result of multiplying the gross amount of the cash distribution per share by 470,464,311, which is the total number of shares into which the Company’s share capital is divided. From this maximum amount, the amount resulting from multiplying the aforementioned amount of 0.079 euros by the number of treasury shares that exist at the moment at which the shareholders become entitled to receive the payment will be deducted. This partial cash distribution of the share premium will take place on July 10, 2017.

Additionally, at May 31, 2017 and 2016, the “Other” heading contained the value of the commitment of EThs 12 855 (2016: EThs 14 213) relating to the application of IAS 32 and the agreement signed for the purchase of companies in preceding reporting periods.

Likewise, there are non-current acquisition commitments under the heading “Other payables” for EThs 3 739 (EThs 4 080 in 2016) with the following maturities:

At May, 31, 2017	Current	Non-current 2018	2019/20	Total
Acquisitions 2017	1 281	-	142	142
Acquisitions until 2016	4 273	2 404	1 193	3 597
	5 553	2 404	1 335	3 739

At May, 31, 2016	Current	Non-current 2017	2018/19	Total
Acquisitions 2016	-	1 211	1 711	2 922
Acquisitions until 2015	6 046	765	393	1 158
	6 046	1 976	2 104	4 080

13. Public Treasury

	At May 31 2017	2016
Receivable balances		
Social Security	35	2 065
Withholdings on investment income	348	408
VAT deductible	420	652
Input VAT	5 232	6 023
Total	6 035	9 148
Payable balances		
Provision for corporate income tax	82 396	86 311
Payments on account of corporate income tax	(78 261)	(76 655)
Total	4 135	9 656
Public Treasury, withholdings operated	2 095	2 609
Public Treasury, VAT	124	1 057
Public Treasury, output VAT	9 735	10 200
Social Security	9 066	9 269
Total (Note 12)	21 020	23 135

14. Deferred taxes

	At May 31 2017	2016
Deferred tax assets		
to be recovered after more than 12 months	23 942	22 810
to be recovered within 12 months	625	550
	24 567	23 360
Deferred tax liabilities		
to be recovered after more than 12 months	24 955	23 779
to be recovered within 12 months	1 503	1 503
	26 458	25 282

Gross movement on the deferred tax account was as follows:

	At May 31	
Deferred tax assets	**2017**	**2016**
At November 30	23 205	22 578
Business combinations	-	-
P&L impact	1 362	782
At May 31	24 567	23 360
Deferred tax liabilities		
At November 30	26 792	25 416
Business combinations	346	636
P&L impact	(680)	(770)
At May 31	26 458	25 282

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

Deferred tax assets	Welfare commitments	Amortization/ depreciation assets	Other	Total
At November 30, 2015	**11 579**	**6 165**	**4 834**	**22 578**
P&L impact	335	312	135	782
Business combinations	-	-	-	-
At May 31, 2016	**11 914**	**6 477**	**4 969**	**23 360**
At November 30, 2016	**11 032**	**5 443**	**6 730**	**23 205**
P&L impact	340	849	173	1 362
Business combinations	-	-	-	-
At May 31, 2017	**11 372**	**6 292**	**6 903**	**24 567**

Deferred tax liabilities	Welfare commitments	Amortization/ depreciation assets	Other	Total
At November 30, 2015	**-**	**25 416**	**-**	**25 416**
P&L impact	-	(770)	-	(770)
Business combinations	-	636	-	636
At May 31, 2016	**-**	**25 282**	**-**	**25 282**

Deferred tax liabilities	Welfare commitments	Amortization/ depreciation assets	Other	Total
At November 30, 2016	**-**	**26 792**	**-**	**26 792**
P&L impact	-	(680)	-	(680)
Business combinations	-	346	-	346
At May 31, 2017	**-**	**26 458**	**-**	**26 458**

Deferred taxes are calculated on the temporary differences that arise between the tax bases of the assets and liabilities and their carrying amounts in the consolidated annual financial statements. In order to determine their amounts, tax rates enacted or substantially enacted at the date of the statement of financial position and expected to apply when the deferred tax asset is realized or the deferred tax liability is settled are used.

15. 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 on the statement of financial position for the defined benefit plans is the present value of the obligation at the date of the statement of financial position 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 in these condensed financial statements shows an expense of EThs 1 062 (2016: EThs 946) for this item, shown as employee benefit expenses.

At the end of the six-month period, the Company's best estimate of the contributions to be paid in 2017 is EThs 2 232 (EThs 1 975 in 2016).

16. Borrowings

At May 31, 2017 and 2016, the carrying amount of current borrowings from financial institutions was equal to its fair value, since the impact of discounting was not significant. Interest accrued in the six-month period was EThs 89 (2016: EThs 113).

The non-current portion of borrowings, which was EThs 0.00 (2016: EThs 0.00) is shown at amortized cost in accordance with the effective interest rate method.

Maturities are as follows:

At May 31, 2017:

	Current	2018	2019	Non-current
Borrowings from financial institutions	21	-	-	-
Other	-	-	-	-
	21	-	-	-

At May 31, 2016:

	Current	2017	2018	Non-current
Borrowings from financial institutions	155	-	-	-
Other	521	-	-	-
	676	-	-	-

17. Provision for other liabilities and expenses

	At May 31	
	2017	**2016**
Non-current		
Other commitments with employees	8 375	7 209
Current		
Litigations, customer transactions	607	1 319
Guarantees for services and contracts	8 976	11 974
Chamber of Commerce and other taxes	674	657
	10 257	13 950

The provision for guarantees covers principally service commitments free of charge 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.

18. Sales

	At May 31	
	2017	**2016**
Service	269 636	266 470
New installations	22 896	19 034
Exports	89 334	86 312
Other sales	321	354
Total sales	382 187	372 170

19. Employee benefit expenses

	At May 31	
	2017	**2016**
Wages and salaries	91 396	88 043
Social security and other	31 615	33 241
Welfare commitments (Note 15)	1 062	946
	124 073	122 230

Social security and other includes severance payments to employees of EThs 1 090 in 2017 (2016: EThs 2 992).

As from December 1, 2010, the UTC long-term incentive plan for certain Zardoya Otis executives who are also considered as UTC Group executives was also included. This includes UTC share-based compensation (Note 27). The expense recognized for this item in the period ended May 31, 2017 was EThs 330 (EThs 250 in 2016).

20. Raw materials and consumables used

	At May 31	
	2017	**2016**
Materials and subcomponents for installations and services	143 325	151 283
Elimination of intra-group transactions	(19 462)	(37 425)
Purchase discounts	(38)	(3)
	123 825	113 855

21. Other net expenses

The breakdown of other net expenses in accordance with their nature is:

	At May 31	
	2017	**2016**
Rentals	8 801	9 213
Repairs and maintenance	1 158	1 088
Insurance premiums	41	230
Advertising and publicity	1 303	1 361
Transport	5 870	4 768
Supplies and other services	6 159	6 373
Independent professionals	1 628	1 625
Subcontracting	1 237	777
Other	2 230	2 766
Impairment of receivables (Note 9)	(1 274)	(1 483)
	27 153	26 718

22. Net finance cost

	At May 31	
	2017	**2016**
Financial expenses	(89)	(113)
Financial income	194	270
Foreign exchange transaction gains/ (losses)	76	49
	181	206

23. Income tax

The tax expense calculated in the interim period applies the tax rate that is estimated to be applicable to the profit for the full year. The amounts thus estimated may require subsequent adjustments in accordance with the Group's evolution.

	At May 31	
	2017	**2016**
Current tax expense	25 943	29 584
Deferred taxes	(2 042)	(1 552)
Tax expense	23 901	28 032

	At May 31	
	2017	**2016**
Profit before tax	98 758	100 289
Tax expense	23 901	28 032
Profit before tax	24.20%	27.95%

At May 31, 2017, tax rate for spanish companies is 25% (2016: 28%).

During 2015, the Group parent and certain subsidiaries were notified that the Tax Agency was commencing inspections of corporate income tax, value-added tax and personal income tax for the accounting periods 2011, 2012, 2013 and 2014. These inspections have been completed in 2017 and have had no material effect on the profit and loss for the six-month period ended May 31, 2017.

24. Earnings per share

Basic earnings per share are calculated, in accordance with IAS 33, by dividing the profit attributable to the owners of the company by the weighted average number of ordinary shares in issue in the period, excluding shares purchased by the Company and held as treasury shares.

No event that could dilute the earnings per share has occurred.

	At May 31 (ETHs)	
	2017	**2016**
Profit attributed to the owners of the Company	74 552	71 826
Weighted average number of ordinary shares in issue during the period	470 464 311	452 369 530
Weighted average number of treasury shares	-	(11 547)
Basic earnings per share	0.1585	0.1588

25. Dividends and partial cash distribution of the share premium

In the 2017 period, the following dividend distributions took place, as well as a partial cash distribution of the share premium:

	EThs
1. Interim dividend charged to the profit for 2016 paid by Zardoya Otis, S.A.	
3rd dividend 0.080 euros gross per share. Declared on December 13, 2016 and paid out on January 10, 2017. Shares: 470,464,311 (no treasury shares held). Maximum total: 37,637,144.88 euros	37,637
2.. Interim dividend charged to the 2017 profit paid by Zardoya Otis, S.A.:	
1st dividend 0.080 euros gross per share. Declared on March 21, 2017 and paid out on April 10, 2017. Shares: 470,464,311 (no treasury shares held). Maximum total: 37,637,144.88 euros	37,637
3. The General Shareholders' Meeting held on May 24, 2017 approved a partial cash distribution of the share premium to be carried out after the date of these financial statements.	
Distribution of premium: 0.079 euros per share. Approved on May 24, 2017 and paid out on July 10, 2017. Shares 470,464,311 (no treasury shares held). Maximum total = 37,166,680.57 Euros	37,167

During the same period of 2016, the following dividend distributions took place, as well as a partial cash distribution of the share premium:

	EThs
2.. Interim dividend charged to the 2015 profit paid by Zardoya Otis, S.A.:	
3rd dividend 0.080 euros gross per share. Declared on December 10, 2015 and paid out on January 11, 2016. Shares: 452,369,530 (treasury shares: 11,547) Maximum total = 36,188,638.64 euros	36,189
2.. Interim dividend charged to the 2016 profit paid by Zardoya Otis, S.A.:	
1st dividend 0.080 euros gross per share. Declared on March 22, 2016 and paid out on April 11, 2016. Shares: 452,369,530 (treasury shares 11,547) Maximum total = 36,188,638.64 euros	36,189
3. The General Shareholders' Meeting held on May 19, 2016 approved a partial cash distribution of the share premium to be carried out after the date of these financial statements.	
Distribution of premium: 0.08 euros per share. Approved on May 19, 2016 and paid on July 11, 2016. Shares: 452,369,530 (treasury shares: 587,874) Maximum total = 36,142,532.48 euros	36,143

26. Business combinations

In the first six months of 2017, a company belonging to the cash-generating unit Zardoya Otis Group (Spain) acquired 100% of the shares of Servicios Automáticos de Elevación, S.L. (April 21, 2017), a company engaged in the maintenance and repair of elevators in Spain.

The total cost of the aforementioned business combination has been determined provisionally and most of it relates to acquisition of the maintenance portfolio. The only costs attributable to the business combination are those derived from auditing and the legal expenses arising on the transfer. These expenses are not significant and were taken to profit and loss in the period.

The amounts recognized on the business combination do not differ from the carrying amounts immediately before the combination, measured in accordance with IFRS.

27. Related-party transactions

United Technologies Holdings S.A. (incorporated in France) holds 50.01% of the shares of Zardoya Otis, S.A. The Group's ultimate parent is United Technologies Corporation (incorporated in the United States),the parent company of United Technologies Holdings, S.A.

Transactions and balances with related parties were as follows:

EThs	05.31.17	05.31.16
Transactions with Otis Elevator Co		
Royalties	9 131	9 129
Charge to Otis for development engineering centre costs	1 973	928
Payables	530	531
Transactions and balances with Otis Group companies from sales and purchases of goods and services		
Sales and recharged expenses (Note 18)	86 339	84 042
Purchases and incurred expenses	25 984	19 970
Receivables (Note 9)	37 705	35 159
Payables (Note 12)	12 276	10 676

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 between 2.1% and 3.5% of sales to end customers.

Additionally, in September 2010, a "Recharge Agreement" was signed with United Technologies Corporation (UTC), which concerned the possibility that certain Zardoya Otis, S.A. executives who were also considered to be UTC group executives, since they held important management responsibilities, should benefit, depending on their performance and the attainment of common objectives of Zardoya Otis, Otis and United Technologies Corporation (UTC), from the UTC long-term incentive plan, which includes UTC share-based compensation schemes. The Agreement is applicable to incentives assigned as from December 1, 2010. The cost, approved by the Audit Committee, is included under the employee benefit expense heading, generating a credit account with Group companies (presented as other provisions in the statement of financial position). At May 31, 2017, the expense for this item was EThs 330 (2016: Eths 250), with an obligation of EThs 4 109 recognized in the statement of financial position at May 31, 2017 (2016: EThs 3 187).

The overall compensation accrued in the period by the members of the Board of Directors was EThs 1 150 (EThs 1 034 in 2016). The amount accrued by members of Group senior management was EThs 423 (EThs 280 in 2016).

	2017	2016
Fixed compensation	138	121
Variable compensation	230	117
Bylaw-stipulated compensation	600	600
Other non-current benefits.	153	35
Pension plan contributions	29	28
TOTAL	**1 150**	**901**

28. Average number of employees in the period

The Group's average number of employees at the end of the six-month period was 5,156 people (4,596 men and 560 women), on the same period of the preceding reporting period was 5 118 people (4 570 men y 558 wowen).

29. Seasonality

The Group has no sales subject to significant variations over the year. In this respect, maintenance revenue is recognized on a straight-line basis when accrued. Consequently, seasonality is not considered significant for the purposes of these condensed consolidated interim financial statements.

30. Events after the end of the reporting period

The General Shareholders' Meeting approved the partial cash distribution of the share premium, paid on July 10, 2017, at a ratio of 0.079 euros per share (Note 25).

ZARDOYA OTIS, S.A

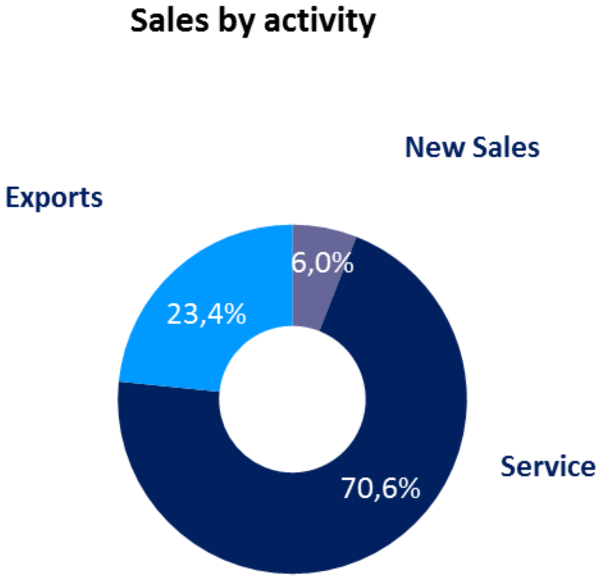
QUARTERLY REPORT FOR

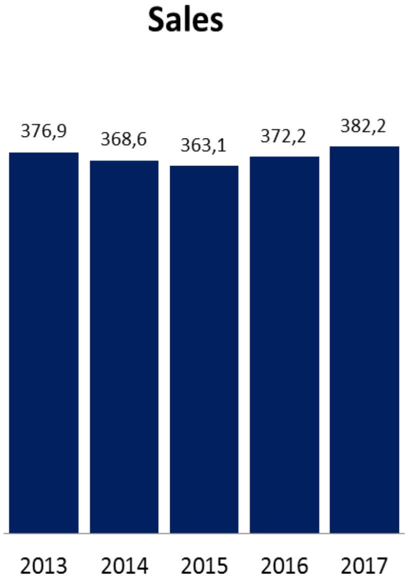
1ST SEMESTER 2017

FISCAL YEAR: DECEMBER 1, 2016 – NOVEMBER 30, 2017

1. **BUSINESS EVOLUTION**

SALES:





(Millions of euros – information 1st semester)

Total consolidated sales for the first semester of 2017 were 382.2 million euros, in comparison with the 372.2 million euros of the first semester of 2016, representing an increase of 2.7%.

New Installations

The value of the new installations in the first semester of 2017 was 22.9 million euros, 20.3% up on the work completed in the first semester of 2016.

As in the first quarter of 2017, the recovery of the construction segment in Morocco and the Iberian market continued.

In the first semester of 2017, new installations sales accounted for 6.0% of total sales (5.1% in the first semester of 2016).

Service

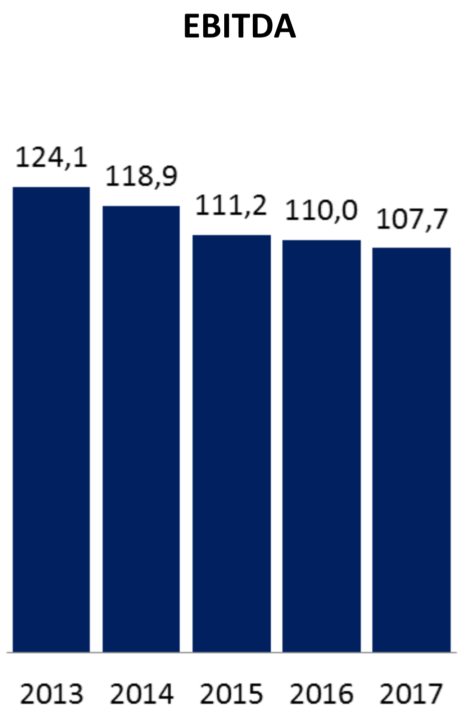
Consolidated service sales totalled 270.0 million euros (135.4 million euros in the first quarter), showing a 1.2% increase on the figure obtained in the first semester of 2016.

Service activity accounted for 70.6% of the Group’s total billing in the first semester of 2017 (71.8% in the first semester of 2016).

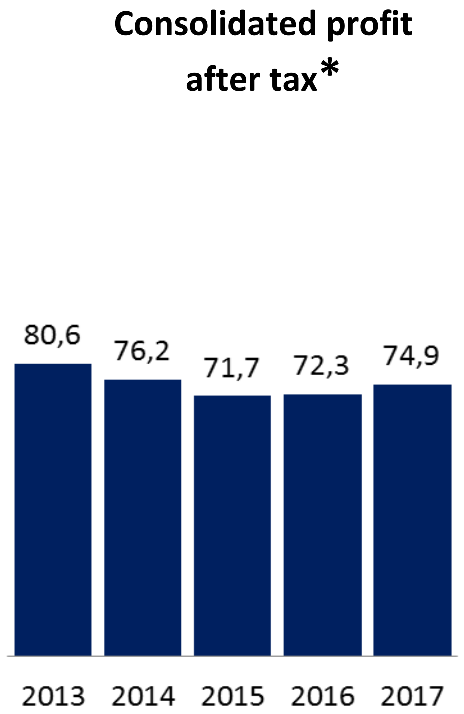
Exports. Net consolidated export sales were 89.3 million euros (42.6 million euros in the first quarter), 3.5% higher than the figure obtained in the first semester of 2016.
Due to the reprogramming of some international projects, the number of exports is lower than the same quarter of the previous year. It is expected to recover the volume of exports in the second half of the year.

In the first semester of 2017, exports represented 23.4% of Group consolidated sales (23.2% in the first semester of 2016).

RESULTS:



(Millions of euros – information 1st semester)



(Millions of euros - information 1st semester)

EBITDA (operating profit plus amortization and depreciation) for the first semester of 2017 was 107.7 million euros, similar to the 2016 figure.

In the second quarter of 2017, our activity was affected due to the reprogramming of international projects indicated above.

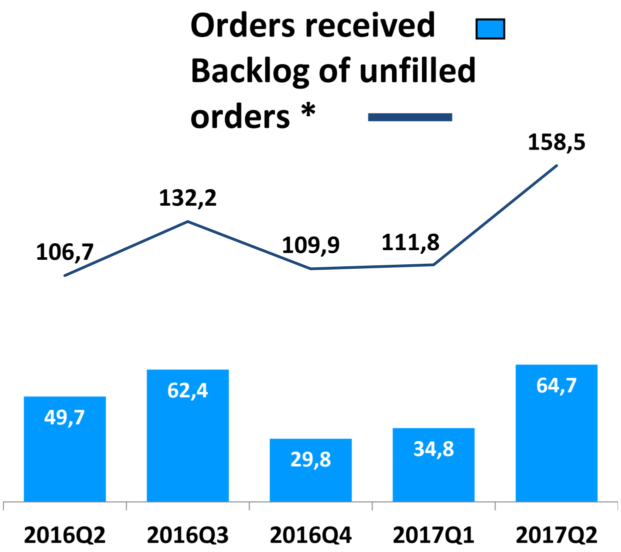
Consolidated profit before tax for the first semester of 2017 was 98.6 million euros, likewise similar to the profit before tax for the first semester of 2016.

Profit after tax was 74.9 million euros, 3.7% up on the 72.3 million euros obtained in the same period of 2016.

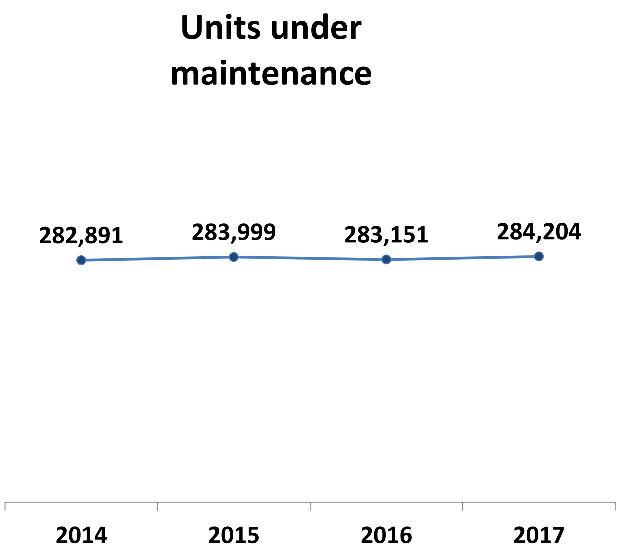
In 2017, we are benefiting from the reduction in the tax rate from 28% to 25%, which has had a favourable impact on our results.

** Consolidated profit after tax on continuing operations attributable to the Company's shareholders for the first semester of each fiscal period.*

2. OTHER SIGNIFICANT DATA:



(Millions of euros – information 1st semester)



(Units – information 1st semester)

Orders received and backlog of unfilled orders

The amount of the orders received for Installations in the first semester, including both new and existing buildings, was 99.5 million euros, showing an increase of 31.0% on the same period of 2016, thus consolidating the upward trend already seen in 2016.

The backlog of unfilled orders in the first semester of 2017 is 158.5 million euros, an increase of 48.6% on the same period of 2016.

Units under maintenance

We ended the first semester of 2017 with 284,204 units under maintenance, showing 0.4% growth on the first semester of 2016. Excellence in our service quality has allowed us to maintain the trust our customers have placed in us.

** Includes the figures for New Sales and Modernizations.*

3. DIVIDENDS

In the first semester, one quarterly dividend was paid out and a partial distribution of the share premium also took place, as follows:

On March 21, 2017, Zardoya Otis, S.A. declared the first interim dividend charged to the 2017 profit, which was paid out on April 10, 2017 for a gross amount of 0.080 euros per share. The total amount was Eths 37,637.

Date	Gross per share	Charged to	Shares entitled to dividend	Gross total
Dividends:				
Jan. 11	0.080 euros	3rd interim 2016	470,464,311	37,637,144.88 €
Treasury shares (*)			-	-
Total			470,464,311	37,637,144.88 €
April 10	0.080 euros	1st interim 2017	470,464,311	37,637,144.88 €
Treasury shares (*)			-	-
Total			470,464,311	37,637,144.88 €
Partial cash distribution of share premium:				
July 10	0,079 euros	Share premium	470,464,311	37,166,680.57 €
Treasury shares (*)			-	-
Total			470,464,311	37,166,680.57 €
Total received by owners				112,440,970.33 €

4. TREASURY SHARES

At May 31, 2017, Zardoya Otis, S.A. did not hold any treasury shares.

(*) Treasury share position at the payment date of the dividend or partial cash distribution of the share premium.

5. FINANCIAL RISK MANAGEMENT FIRST SEMESTER 2017

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 the supplementary information to the annual corporate governance report as of November 30, 2016. Management assesses and hedges financial risks in 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.

Note 5 of the condensed consolidated interim financial statements includes an analysis of the Group's exposure to said risks in the six-month period ended May 31, 2017, which Management does not consider to have changed significantly in comparison with that described in the consolidated annual financial statements for 2016. For the second semester, no significant changes in financial risks are forecast in comparison to the analysis for the first six months of the year.

6. SIGNIFICANT EVENTS IN THE FIRST SEMESTER OF 2016 AND AFTER THE END OF THE REPORTING PERIOD

On December 14, 2016, Zardoya Otis, S.A. declared the third interim dividend charged to the profit for the period, for a gross amount of 0.08 euros per share. The resulting amount is a total gross dividend of EThs 37,637. This dividend was paid out on January 10, 2017.

On March 7, 2017, Zardoya Otis, S.A. acquired 7.23% of shares in the subsidiary Electromecánica Hemen Elevadores, S.L. from non-controlling interests. This transaction meant that the percentage held by Zardoya Otis, S.A. in Hemen Elevadores, S.L. changed, rising from 92.77% to 100%.

In the first semester of 2017, a company belonging to the CGU Zardoya Otis Group (Spain) acquired 100% of the shares of the company Servicios Automáticos de Elevación, S.L., a company engaged in the maintenance and repair of elevators in Spain (April 21, 2017).

On May 16, 2017, Zardoya Otis, S.A. acquired 2.19% of the shares in the subsidiary Acresa Cardellach, S.L. from non-controlling interests. This transaction meant a change in Zardoya Otis, S.A.'s holding in Acresa Cardellach, S.L., which rose from 94.57% to 96.76%.

7. EXHIBIT – KEY FIGURES:

At the end of the first semester of 2017 (December 1, 2016 to May 31, 2017), the total consolidated figures and the comparison thereof with those for the same period of 2016 were as follows:

Key Data, 1st Semester 2017

Consolidated figures in millions of euros

Results	*2017*	*2016*	*% variance 17/16*
EBITDA	107,7	110,0	(2,0)
Profit before tax	98,6	100,3	(1,7)
Profit after tax	74,9	72,3	3,7

Sales	*2017*	*2016*	*% variance 17/16*
New Installations	22,9	19,0	20,3
Service	270,0	266,8	1,2
Exports	89,3	86,3	3,5
Total	382,2	372,2	2,7

Orders received and backlog of unfilled orders (*)	*2017*	*2016*	*% variance 17/16*
Orders received	99,5	76,0	31,0
Backlog	158,5	106,7	48,6

Units under maintenance	*2017*	*2016*	*% variance 17/16*
Units under maintenance	284.204	283.151	0,4

(*) Includes New Installations and Modernizations