



ANNUAL REPORT 2018



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Message from the General Director of Irizar Group

Dear friends and collaborators,

Once again, 2018 was a year marked by a number of significant milestones for the Irizar Group.

In terms of coaches, all year long we have enjoyed the fact that our Irizar i8 integral coach was recognised as the Best Coach of the Year in Europe, which has been both a pleasure and new sensation for all of us.

Insofar as electric buses, I'd like to highlight the opening of the Irizar e-mobility facilities in May, which was a transcendental event that defines a before and after in the history and future of the Irizar Group.

For us, this milestone is the maximum expression of our industrial diversification strategy whose ultimate goal is the creation of new local businesses, wealth and employment and to establish our brand as being firmly associated with sustainability.

Brand, technology and sustainability are the keywords of our group's strategy.

As we foresaw, electromobility has become a reality in many cities and is being implemented at a faster and faster pace.

We are prepared to meet the demand with the confidence we have gained by having electric vehicles in operation since 2014.

This means that we are currently proud of having one of the best product ranges on the bus and coach market that uses technology from our own group and has the option of turnkey solutions that lets customers have a single contact for all products and services, always with an eye towards improving the line and strengthening its focus on sustainability and the well-being of people.

And we keep working on R&D projects that so we can keep being competitive and being leaders in technologies of the future, including autonomous driving, energy storage and more.

We keep developing our strategy of seeking out synergies between all the companies in the Group so, in addition to developing products and markets in every company's business area, we can achieve significant improvements in our range of electric coaches and buses and their primary systems.

Manufacturing Irizar brand integral coaches at our parent plant already constitutes a third of our production, with an upward trend based in the growth of export markets and the variety of solutions we are going to provide for both integral coaches with conventional technology and coaches with hybrid technology that is more and more focused on integral electric solutions.

We have launched a new generation of coaches with impressive advantages in technology and consumption on the market. The coaches are more sustainable, consume less and produce lower emissions and they are connected, predictive, silent and use 6% less fuel.

We continue expanding the Irizar sales and service network.

We created two companies of our own in 2018 for distribution and after-sales in the United States and Benelux and we finalised distribution agreements in Sweden.

Our goal is to continue on our path of solidity and growth and provide our clients with the highest added value and the best technology and sustainability in the market from here in order to create wealth and employment in the areas where we operate.

I don't want to finish without giving thanks for the enormous effort made by a great many people in our Group during this time. And, especially, from the bottom of my heart, I'd like to thank all our clients for supporting us and standing by our side throughout this delightful voyage.

Put your trust in us and we will not let you down.

A deep thanks to everyone!!!

José Manuel Orcasitas
General Director of Irizar Group



2018, a great year

Growth in all business areas

This year one again, we are proud to be able to speak of growth within the Group. This time Irizar Ormaiztegui and Irizar Mexico consolidated the large volumes reached the previous year with production greater than 10 coaches a day between those two companies and Irizar Brazil, which had very strong 30% growth.

The rest of the companies in the Group also had strong growth. In particular, Jema Energy which doubled its billing from the previous year.

In total, the aggregated billing of the group grew 9.5% to surpass 750 million Euros and consolidated billing is now over 600 million euros.

At this time, Irizar Ormaiztegui billing accounts for 42% of the total, over 300 million. The rest of the plants is 34% and billing for rest has reached 180 M, which is 24% of the total.

We keep growing, for the most part in our own products - integrated coaches - which accounted for a third of our production in Ormaiztegui.

We have manufactured more than 3000 Premium coaches in the Group, out of which more than 1300 were manufactured in Spain for European markets.

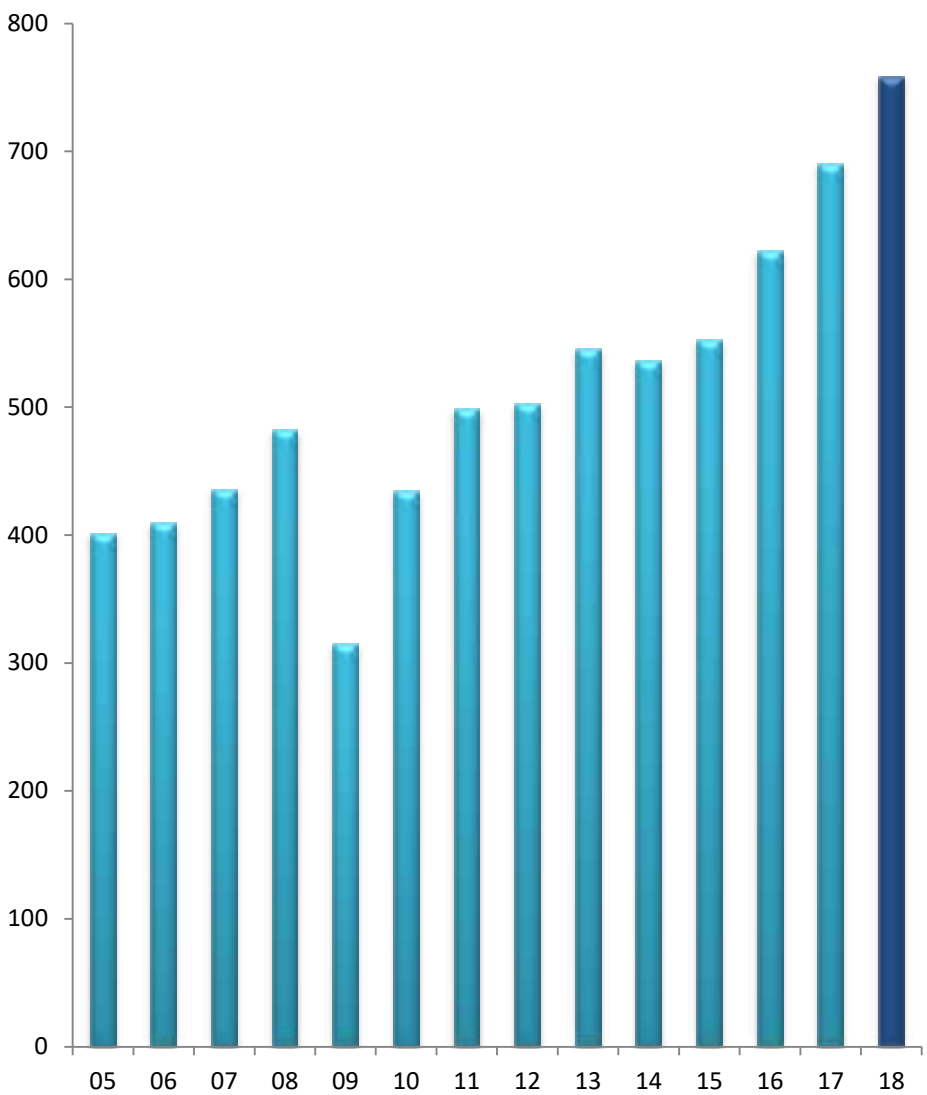
Out of the total, 500 coaches were Irizar brand integral or electric vehicles.

€ 750 million euros

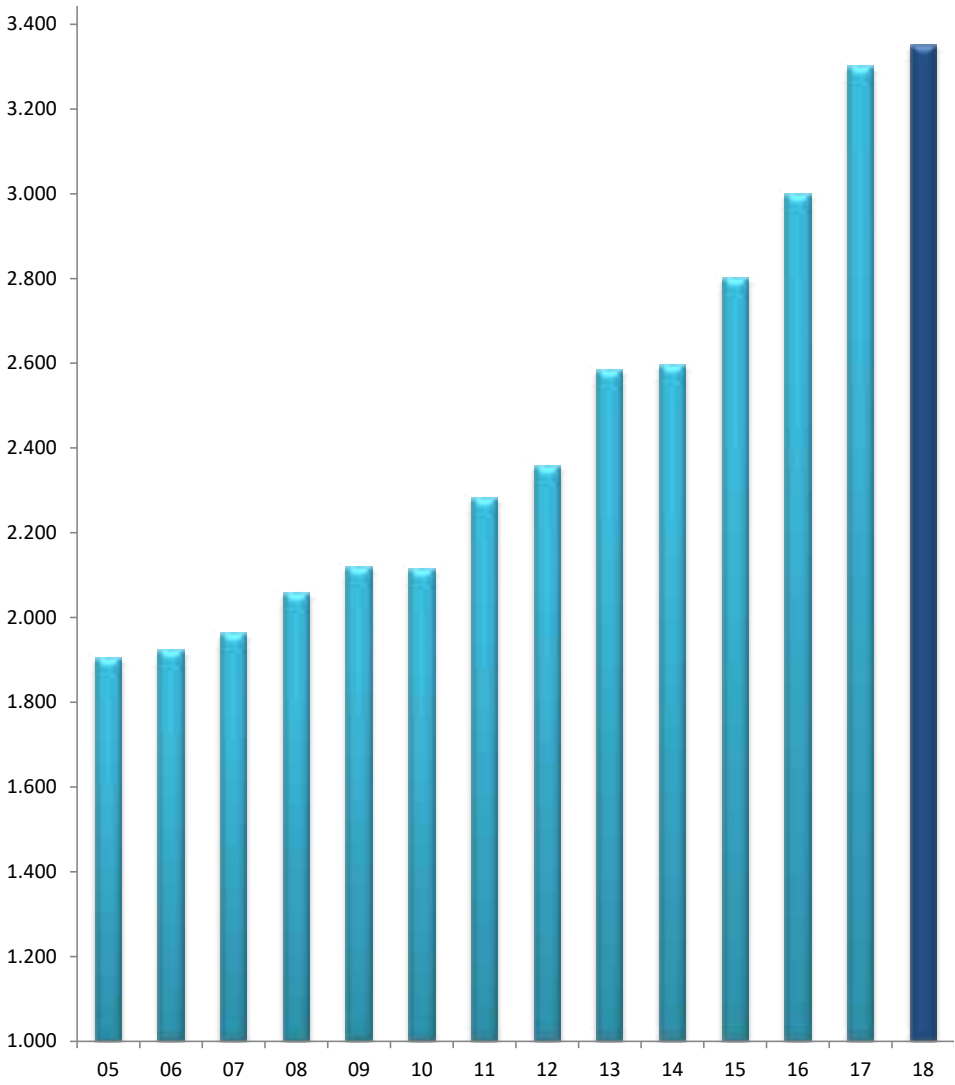
Growth in our own products

More than 3.000 coaches in the Group

Evolution of aggregate billing (million euros)



Job creation



Irizar Mexico still the leader

The warm welcome bestowed upon the Irizar i8 model by the Mexican market and the perfect positioning of the Irizar i6 and Irizar i5 underline the consolidation of the most profitable product range developed to cover the transport needs of passengers in the Aztec country.

Those models are aligned with the values of the Irizar brand, which include safety, comfort, reliability and profitability for clients.

The leadership of Irizar Mexico that is expressed in its brand values models like safety, comfort, reliability and profitability for purchasers is nothing other than a reflection of its closeness to its clients, quality, competitiveness and product profitability.

Sales during the first quarter of the year indicate that Irizar Mexico will continue being the market leader with production of four coaches a day, which is around 900 units. That figure, which is similar to 2017, means market share can be kept above 60% and confirms that clients prefer the Irizar brand.

“Sales during the first quarter of the year indicate that Irizar Mexico will continue being the market leader with production of 4 coaches a day, which is around 900 units.”

Investments that improve production facilities

The outcome of the investments in the new painting facilities and re-designing the process is that Irizar Mexico now has latest generation painting booths that without a doubt contribute to an improvement in quality and customer service, a more sustainable process with better energy efficiency and emissions that meet the levels required by European standards.

Likewise, a new 3500 square metre plant has been built that includes a space exclusively for the process of finishing units and doing quality checks. It includes a new tunnel for leak checks, two painting booths and spaces for cleaning and doing finishing touches on coaches before they are delivered to the client.

These investments show the importance Mexico has for Irizar that, in line with the Group’s primary strategy of being close to clients and having a direct relationship with them, makes it possible to gain client’s loyalty and trust.



Irizar Brasil

Strong Growth

In this case, it has been shown that sometimes crises are good for renewing strategies and making companies reinvent their way of thinking and change products in order to survive in a competitive environment.

Brazil is going through one of the worst economic and political crises of the last 20 years. Uncertainty has cast a shadow over the future of the country, which has been identified as the eighth world power.

This is the backdrop for Irizar's decision to make a radical change of direction in its strategy and switch to exclusively manufacturing for export markets. And make a significant investment in its commercial presence, strengthen after-sales services and innovate in every aspect of the transport sector.

Today we can proudly say we are reaping the fruits of the new strategy because we are in a situation of growth and we are reaching levels of production similar to times before the crisis.



Peru

After nearly a decade of very small figures for Irizar in the country, Peru has consolidated itself as one of the three primary export markets for Irizar Brazil.

As a result of a business and after-sales and customer proximity strategy, Irizar's share has grown from less than 5% to 30% in 2017. Innovative solutions such as the first Business class seat with electric reclining were key to conquering new territory and consolidating Irizar as the preferred supplier for the Tourism Sector.

The safety and comfort features of the Irizar i6 are key factors for increasing Irizar's presence in mining transportation, the fastest growing transportation sector in Peru. The high costs associated with double-decker operations have helped Irizar to win new customers with the i6S, which is designed for freight transport.

Australia

In Australia, Irizar Asia Pacific, which is 100% owned by Irizar after starting in the country with a distributor, has made a strong bond of communication with

Irizar Brazil focusing work on improving reliability and new options for local personalisation. The outcome, alongside a new after-sales strategy, is that for the first time in 10 years Irizar has this year become the market leader with a 20% market share, beating out the main local manufacturer. The launch of the Irizar i6S in July was a success and it will surely contribute to new growth.



South Africa and western Africa

South Africa and western Africa have been the site of a lot of effort and a lot of satisfaction for the Irizar team.

Changes in South Africa's regulations consolidate 15m single-decker coaches, so operators have decided to abandon costly double-decker operations and are adopting the Irizar i6 as an innovative solution for fleet renewal. The strong commercial presence in South Africa has led Irizar to become the market leader in 2017, doubling the volume of units in regards to the previous year.

In July of this year, the Irizar i6S broke into this market with very positive acceptance and, consequently, the situation looks hard to beat.

In difficult times and competitive environments, the Irizar Group has shown itself able to find opportunities and grow, which confirms that a strong commercial presence and after-sales service are essential for keeping current clients and capturing new fleets.

Chile

After two years of a basic product price crisis in Chile, Irizar has consolidated its participation in the tourism and long distance segments. The change in legislation, authorizing 15m vehicles, was a major turnaround for the single-floor coach market. Consequently, there was a gain in market share for double-deck sales that increased Irizar's sales in Chile. Irizar's market share grew to 20% in 2017 in comparison with 10% in 2016. The launch of the Irizar i6S also contributed to that growth.

Irizar Maroc

It has once again been a record year for production in **Morocco**, which is the outcome of meeting the demands of the country's luxury market as well as Irizar Ormaiztegi's collaboration with manufacturing Irizar i6 units for European markets.

The Irizar i6S model was launched in this quarter for the luxury units of our largest local client and both models are now offered in this market, where Irizar is the leader with more than 90% market share in the Premium segment.



Irizar e-mobility

This is the first year of mass production for our electromobility company that was officially opened in May of this year.

Production for this first year surpassed 100 units and the activity of manufacturing zero emissions electric buses for France and Spain stood out in terms of volume.

The first two prototypes were built of the Irizar ie truck electric truck that was presented in Barcelona at the Smart Cities fair at the end of the year.



The Irizar Group grows significantly in all its areas

Our electronics and energy company, **Jema Energy SL**, has experienced the highest volume growth among the Irizar Group's companies, doubling its turnover from the previous year.

This growth has occurred in all its business units, most notably secure power sources for its advanced systems area.

The supply of components and electronic integration software for electric coaches and buses also contributed to its growth.

Datik has been the second-fastest growing Group company, thanks to its strong presence in the Spanish market and especially in the Mexican market. The **rest of the Group's companies** have experienced strong growth, partly as a result of growth due to new markets and increased market share, and partly due to the strong inter-group billings that are taking place in the development of electromobility programmes.



Important Milestones

Irizar e-mobility facilities are opened The first European electromobility plant

The new Irizar e-mobility production plant was opened in May 2018. The plant will be used for manufacturing electric buses in addition to other kinds of industrial vehicles that complement the electromobility needs of cities.

The inauguration had more than 500 attendees from around the world and included top authorities from the Basque Country and other institutions, clients, the press and collaborators.

The staging of the event included the stage appearance of the three models of vehicles from the Irizar e-mobility line, the Irizar ie tram, el Irizar ie bus and the Irizar ie truck, from which José Manuel Orcasitas, the CEO of the Irizar Group, Hector Olabe, General Director of Irizar e-mobi-

lity and two young engineers Teresa and Josu descended to give visibility to the team of people who make up the Irizar e-mobility company and who are making this reality possible through their effort, passion and dedication.

They are young people who also represent commitment, talent and knowledge, which are very important values for our future.

And the large LED screen for the event showed all the secrets and strengths of the Irizar Group and Irizar e-mobility brand. It was a presentation of images and resources that communicated strength and energy, the future, nature, life, freshness and technology, which are values intrinsic to Irizar e-mobility and its principal claim "for a better life".



Important Information

- The plant is 37,000 m2 and has an initial production capacity of 1000 vehicles a year.
- Innovative elements and cutting edge solutions were used in its construction and special emphasis was placed on concepts that define eco-sustainability.
- A green energy plant we generate all the electrical energy consumed in a solar energy plant.
- The facilities have their own test tracks and test benches in an effort to guarantee the reliability and efficiency of the units and check the technology used in the vehicles, components and systems.
- It is a cutting edge plan that has generated wealth and employment (initially 200 employees with an average age of 28) and it is open to knowledge and talent, which is a high priority for developing our capacity for technological innovation and creation to face the challenges of the future.
- The average age of the company's technicians, who are dedicated and passionate and have projects with a broad scope that are called upon to transform mobility, is around 28.

Irizar ie truck

The first industrial vehicle by the Irizar Group

The global vision of the electrification of cities and the search for synergies with freight infrastructures together with the technological capability created in the Group has allowed us to extend our range of products to industrial vehicles for cities.

This led to the birth of the Irizar ie truck, a truck designed for different industrial uses in cities moving towards electromobility. Its first application is for urban rubbish collection.

This unprecedented technological innovation was presented within the framework of the opening of the Irizar e-mobility plant as proof of the Irizar Group's great technological capacity.

The Irizar ie truck is not a conventional truck. It has a look that breaks with contemporary truck design and is reminiscent of the lines of Irizar brand products. The main attributes of this product designed for operating in an urban environment are its smooth and innovative visual design in addition to safety and ergonomics for the operators, technology and flexibility to adapt to the needs of the market.

“A truck designed for different industrial uses in cities moving towards electromobility”



We are still electrifying European cities

At Irizar e-mobility, we are fully prepared for electrifying public transport services in European cities with a wide range of global mobility solutions that are adaptable for every client. And we have products and services with cutting edge technology developed entirely within the Irizar Group and a production plant dedicated exclusively for it and dedicated people.

It should also be noted that we have decided to implement an exclusive after-sales and quality service that provides personalised R&M packages in all the cities that have lines with Irizar zero emissions buses. The service will be run by people hired in each location where we have a presence and in this way we will be making a contribution to local employment and wealth generation.

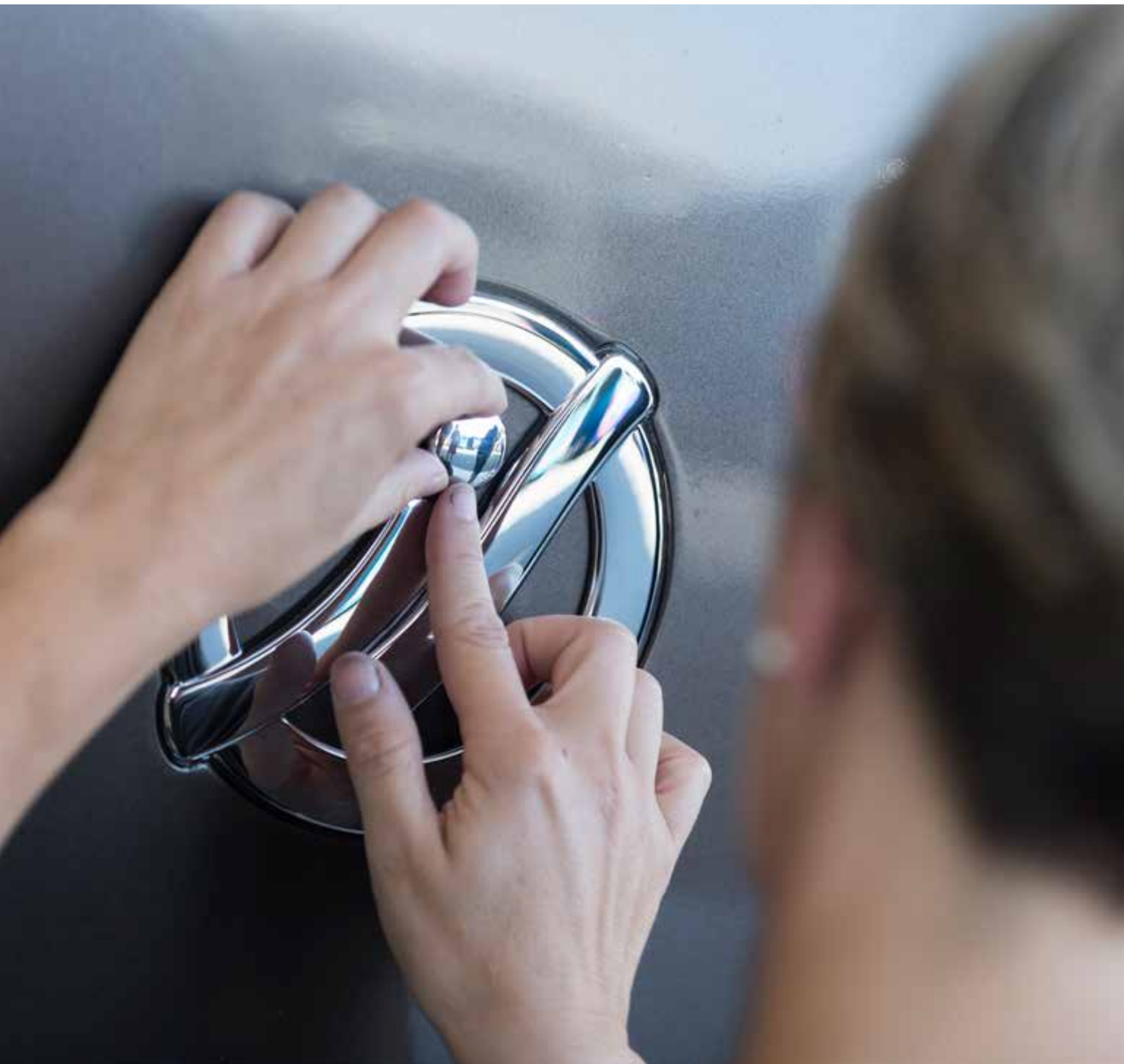
For further information access Irizar e-mobility:
www.irizar-emobility.com



The Irizar brand

Advancing towards the future

In 2018, the sales and service network has maintained the process of expansion and it is currently possible to localise exclusive, high quality after-sales services with a guarantee that provide personalised R&M packages in every location where the buses operate. The service is also run by people hired locally so it contributes to the creation of wealth and employment in the countries where we are implementing operation.



New implementations of the brand in markets

Irizar in Sweden

Irizar now has a Swedish presence after the agreement with powerful Swedish group Lecab. It is doing this with a large product catalogue that includes Irizar brand integral coaches, HVO (hydrotreated vegetable oil) hybrid coaches, conventional coaches on Scania chassis and personalised integral electromobility solutions for cities with both zero emissions electric buses and the installation of the main charging, drive and energy storage systems.

In addition, as a result of the Irizar Group's commitment to this market, Irizar Italia's current range of products and services has been expanded to incorporate the entire line of Irizar electromobility products and services.

In the USA

In response to the interest and reception of the Latin American market, Irizar has taken another step and they have created their own company in the United States under the name IRIZAR USA LLC. The company has its headquarters in Las Vegas, Nevada and has a team of qualified people, some of whom had already been working for the company.

With a consolidated product that is well adapted to the US market this new stage is beginning in which, with renewed enthusiasm, Irizar's presence will be strengthened with greater involvement in the project.

Irizar Benelux

Irizar has also created Irizar Benelux with headquarters in Luxembourg which will be its base for sales and after-sales for both its integral coaches and electric buses and the complete electromobility solutions that it is already delivering in the country's capital.

Germany, Austria and Switzerland

In Germany, Austria and Switzerland, the Irizar brand electromobility solutions will be provided through Ferrostaal Equipment Solutions whose cooperation agreement has just been signed. That agreement includes coach sales, project management and after-sales services.

Irizar and Ferrostaal Equipment Solutions will provide their clients with a holistic approach that includes analysis, study and selection of the best solution adapted to their needs.

In Italy

In Italy, where Irizar has been a market leader in coaches for 25 years under the name Irizar Italia, the range of coaches has been expanded to include integral coaches after taking majority control of the company. 75% of total sales in Italy were Irizar brand coaches.

Mature markets: Spain, France and the UK

In addition to the above, we should add the positive evolution of the Spanish, French and UK markets where Irizar is growing and gaining in reputation because its clients appreciate the reliability, design and service the brand provides. There is no doubt that Irizar has become a leader for both long distance and discretionary service operators with the Irizar i6S and for tour and VIP coach operators with the Irizar i8.

Latest generation Irizar coaches

Major improvements in technology and consumption

We presented the latest generation of Irizar coaches in Europe that is the outcome of major improvements made to the integral coaches and by including the new Paccar-DAF engines and the new range of ZF gearboxes. It is a generation of more sustainable coaches with lower consumption and emissions; connected, predictive, reliable, silent with a 6% reduction in fuel consumption and a more than 5% reduction in Total Operating Costs.

Among the new technologies included the PreVision GPS, which makes a predictive driving strategy possible that adapts the gear changing

sequence to the topography of the route is notable. Irizar has focused on the concept of "power on demand" exploring systems that only consume power when the service demands it.

Another innovation incorporated into the coaches is the new virtual cockpit by Irizar. The cockpit provides innovative functions in terms of both technology and quality. The high resolution 12.32" display has a colourful, dynamic and intuitive design and displays comprehensive information in flexible form that can be adapted to any needs arising at any time.

 [Video "New generation of Irizar coaches"](#)



The Irizar i8

Coach of the Year

All year long we have enjoyed the prize awarded to the Irizar i8 as THE 2018 BEST COACH OF THE YEAR in Europe.

The award is a recognition of the strategic leap made by Irizar in recent years to position itself among the best independent European (OEM) manufacturers in the sector.

The exceptional performance and behaviour of the vehicle during braking and acceleration tests of the Euro Coach and the open road driving tests over a mixed 30km motorway and secondary roads course awarded victory to the Irizar i8.

 [Video Irizar i8-Coach of the Year](#)



Sustainability

Brand, technology and sustainability are the three pillars upon which the future strategy of the Irizar Group rests. Accordingly, sustainability is a fundamental corporate principle for us and a significant and indispensable differential value for the future of Irizar.

We orient all our efforts towards searching for long term sustainable excellence (sustainable success) economically and in human and environmental terms. To those ends, we operate in a sustainable way so we can be more competitive every day, generate wealth and employment in the long term and meet the needs of all our stake holders, our people, our clients, collaborators and society. We have likewise set out to protect the environment and preserve our environment for generations to come. Because the decisions made today can change the course of history in the future.

We have been committed to the 10 principles of the United Nations Global Compact on Human Rights, Labour Rights, the Environment and the Fight Against Corruption since 2013. And starting now the 2030 agenda Sustainable Development Goals of the UN (SDG) are the framework for our future development and day to day operations.

We are pursuing a strategy of integrated sustainability throughout the Irizar Group and we have set long term goals through the entire value chain.

The scope of the goals include a culture of sustainability in our organisation, in terms of product, process, suppliers and working people. Accordingly, this year we have started to strengthen and deepen our approaches to sustainability issues.

For more information see the
Irizar Sustainability Report

