



**IRIZAR**

ANNUAL REPORT **2011**





## MESSAGE FROM THE CEO

### **STRENGTH AND GROWTH**

It is a great pleasure for me to be able to speak about the **"Strength and Growth"** of our Group in the economic environment in which we operate.

Although there is no doubt that other performance factors have had a positive influence on our development throughout 2011, I believe the most important factor is the degree of geographic and industrial diversification that the Group enjoys today.

The downward trend in financial markets from the middle of the year only took place in Europe, where it was particularly noted in the 'periphery' nations.

Unlike the events of 2008, the crisis that now affects us and puts pressure on activity, prices and margins, is not a global crisis. It is a fact that the consolidation of our business overseas and its growth, coupled with growing exports in our turnover, is giving us the ability to generate wealth and employment in our environments.

The Irizar Group grew 16% in 2011, mainly due to strong growth of 34% in plants abroad.

Once more I would like to express my gratitude to our clients for the trust they have in us and to thank all of the people at IRIZAR and our collaborators for always being there, available when we needed them.

Finally I would like to emphasise the importance of the strategic analysis carried out by everyone

at IRIZAR, and the review of strategic thinking, reinforcing the importance of clients and the idea of the Group.

Also becoming more and more relevant are such aspects as brand, communication, diversification and sustainable competitiveness.

*José Manuel Orcasitas*  
CEO of Irizar Group



# IRIZAR IN FIGURES

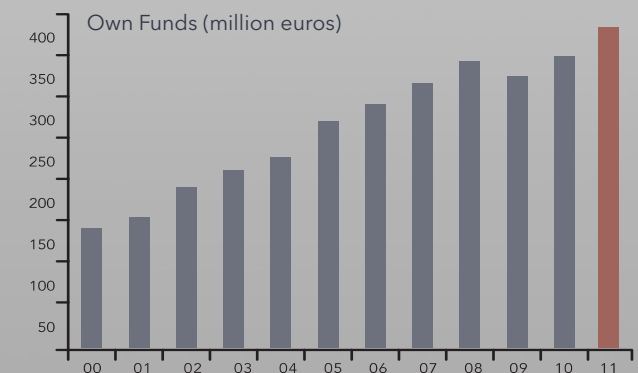
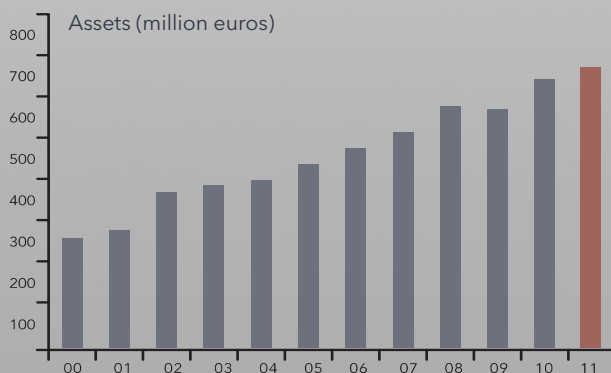
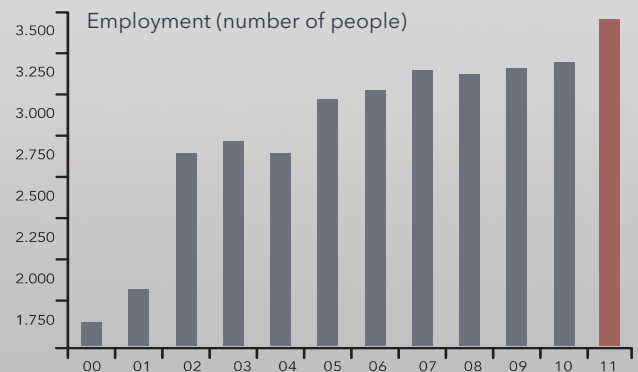
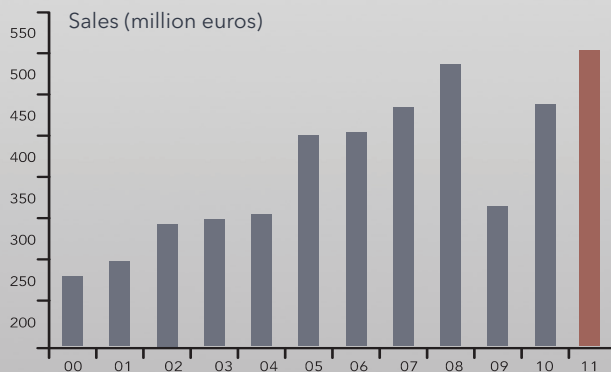
Irizar Group ended 2011 with a record turnover of 500 million euros, driven by its international presence and industrial diversification.

Of this turnover, 20% comes from the domestic market and 80% from export markets for products manufactured both in Spain and in our overseas plants.

This turnover is an increase of 16% compared to the previous year and growth occurred in almost

all of IRIZAR's production plants. This is a result of the solidity of the IRIZAR brand and the confidence our clients have in us. In this way, IRIZAR continues to grow and to consolidate its position as one of the most important references, worldwide, in the manufacture of top of the range buses and coaches.

In total, 4,850 coaches have been manufactured of which 1,100 were manufactured in the Spanish plant (HQ), destined primarily for Spain and Europe.







## GLOBAL GROWTH

In **Europe**, where the economic situation remains fragile especially in the periphery countries, we have taken a step forward with the launch and the initial sales of the IRIZAR brand integral coach in the countries that require it. The first units were manufactured in the second half of the year so the amounts are not yet significant. What is significant, however, is the positive impression the integral coaches have made on these first clients.

Almost half of the Group's turnover, **48%** to be precise, came from plants abroad, mainly from Mexico, Brazil and Morocco where growth is **34%**.

**Irizar Brazil**, where activity levels were already recovering during 2010, achieved a consistent production rate of 3 luxury coaches a day in 2011, which is the maximum output so far at this plant. As well as growth in the domestic market, exports, mainly to Chile, Australia and South Africa, have been extremely important. It should be noted that the Brazilian plant exports 75% of its production.

Similarly, at **Irizar Mexico**, the average production rate has been 3 coaches a day, which leads to the manufacture of more than 700 coaches a year. This is also a record and has been possible thanks to the firm becoming a supplier of coaches to the second biggest operator in the country, of the three that currently exist. IRIZAR has positioned itself as the undisputed leader of the Mexican market, achieving a market share of 50%.

**Irizar Morocco** has seen a noticeable increase in 2011 as a result, primarily, of the growth of the luxury coach market, of which IRIZAR remains leader with

a 100% share, and also through the manufacture of urban buses for Morocco.

The North African plant has increased its turnover by 10% compared with the previous year and has become one of the plants with the most growth potential for the Group.

The other **companies in the Group, Hispacold, Masats, Jema and Datik** have contributed **16%** of the total turnover of the group this year.

**Jema and Datik**, which are the latest additions to the Group, belong to sectors with strong growth potential, such as power electronics and software creation for intelligent information management, respectively. With these companies, synergies have been established for the Group with the start-up of Jema Electronics and the incorporation and development of Datik products for the coach market.

With respect to **Hispacold and Masats**, the growth comes from diversification which is moving towards the railway sector.





## MAJOR MILESTONES

### PRESENT AT MAJOR TRADE FAIRS

**IRIZAR has strengthened its international presence by exhibiting at the most important trade events for the sector. The fairs in the cities of Katowice, Kielce, Birmingham, Rimini and Kortrijk provided the settings for the introduction of significant innovation.**

IRIZAR took part in the **international fair of Busworld - Kortrijk (Belgium)** with a stand of more than 1,000 square metres, which was open, innovative and futuristic, in line with the company's image and the safety, reliability and service values that the company wishes to communicate. IRIZAR participated in the inauguration ceremonies of the event and held a press conference that showcased the brand distinctiveness and presented the entire range of coaches.

On display were an example of the new model Irizar i6, a new Irizar PB and an Irizar i4, all in their integral version and with DAF engines. Furthermore, in the main entrance to the exhibition site, an Irizar i6 with a Volvo chassis and an Irizar PB with a Scania chassis were on display. This is proof of IRIZAR's strategy to continue working hand in hand with the different chassis manufacturers as well as offering the range of coaches in their integral version, as a complementary alternative to satisfy the requirements of clients in different markets.

IRIZAR chose the **Targi Glob Fair**, held in April in the Polish city of Katowice, to officially present the new Irizar i6 coach in its integral version.

The stand became the stage for the presentation of the distribution agreement which had been signed

with the Wanicki Company for the sale and after-sales of IRIZAR's coaches in the Polish market.

Also in Poland, the first of the autumn dates was the **Kielce TransExpo 2011 fair**, which was held between the 20th and 22nd of September and in which IRIZAR was present for the first time. The IRIZAR-Wanicki stand won first prize for best design and staging in the show.

Following the fair in Poland, the **Coach & Bus Live in Birmingham (United Kingdom)** was held in October. It is one of the most important trade fairs in the United Kingdom and brings together clients, suppliers and trade press. As a novelty, the new 13 metre long Irizar PB was on display and included the improvements brought to the range in the last year.

At the same time, the **Bus & Tourism fair in Rimini (Italy)** took place, which held its fourth edition within the TTG, a business to business fair dedicated to tourism and a main reference in the Italian market. IRIZAR presented its full range at the fair.



**IN  
EUROPE**

## **THE IRIZAR BRAND INTEGRAL COACH**

**2011 was a key year in the positioning strategy of the Group in Europe as to the opening of the assembly plant of the integral IRIZAR coaches and the implementation of its new support network in Europe: 24 hours a day, 365 days a year, were added significant partnership agreements with companies in the United Kingdom, France, Holland and Poland to distribute coaches.**

### **IRIZAR UK**

In August, Irizar UK facilities were opened in Worksop, with an event which drew a large and important representation of operators in the United Kingdom, many of them IRIZAR clients, as well as authorities, associations and the press.

### **IRIZAR AUTOCARS**

In France, in the town of Tours, Irizar Autocars was created which focuses on the distribution and service of IRIZAR integral coaches, with motors by DAF, in France.

### **COSMO COACH&BUS**

In May, meanwhile, the company Cosmo Coach & Bus was established in Holland as a result of the distribution agreement between COSMO TRUCKS and IRIZAR. Its activity focuses on sales and after-sales service of IRIZAR'S integral coaches in Holland. Located in Bolsward it has decades of experience in offering the after-sales service of buses and coaches, especially with DAF technology.

### **WANICKI COMPANY**

Finally, in Poland, a distribution agreement with Wanicki was established to offer the sales and after-sales service of IRIZAR'S integral coaches in that country. Wanicki Company was founded in 1991 and, eight years later in 1999, it became the authorised representative of the company DAF Trucks. Today it is the sole distributor of DAF in Poland with 100% Polish capital.





## **DIVERSIFICATION**

### **KEY STRATEGY OF IRIZAR**

The industrial diversion strategy that began in 2009 is key to the growth of IRIZAR. It has the aim of strengthening the group and minimising the concentration of risk. It gives priority to entering into other sectors with high potential for development and allows the development of new capacities and the fostering of synergies within the Group, creating new business, wealth and employment in coherence with the mission.

### **INCORPORATION OF DATIK**

In May 2011, IRIZAR took on board the company Datik, located in the Miramon Technology Park (San Sebastian).

Datik designs and installs systems or ITS (Intelligent Transport Systems) solutions to manage both rail and road transport.

Its main product is the iSAE which provides intelligent and sophisticated transport management, to improve people's quality of life. A simple, flexible and reliable system which can be integrated with other systems.

### **CREATION OF JEMA ELECTRONICS**

The creation of JEMA Electronics is the result of the search for synergies between the Irizar Group companies. JEMA, a company acquired by the Group Irizar in December 2009, and with 58 years of experience, is the leader in the field of power electronics.

Its activity is structured in three business areas, making sure the attention paid to each sector is the most appropriate to its characteristics:

- Critical Power Systems: extremely robust and reliable solutions for the chemical, petrol, gas and power generation industries.
- Advanced Power Systems for those highly innovative applications which require the maximum level of technology, such as particle research and nuclear fusion laboratories.
- Reliable Renewable Energy Systems capable of getting the most out of the energy that nature gives us.

JEMA Electronics was born from JEMA, with the objective of providing solutions to the needs of the group in multiplexed systems and electronic system management of coaches and their main components.

The projects in the division for the near future include the provision of different systems such as lighting and climate or access controls.



**THE  
BRAND**

## **EXTERNAL COMMUNICATION**

**Owing to the enormous importance that the brand has to IRIZAR, external communication has been reinforced considerably with the philosophy defined in the strategic thinking of the company.**

*"The Brand is our greatest asset and our objective is to strengthen it by offering our clients the best products and services in order to earn their trust and loyalty based on a good business strategy accompanied by an appropriate communication strategy.*

*For this, appropriate positioning of the products is essential, as is the corresponding satisfaction of customer expectations.*

*In this way we will strengthen the Group and encourage clients to have more trust in us and we can achieve profitability in our business enabling the generation of wealth and employment in accordance with our mission ".*





## **INNOVATION**

### **IRIZAR 100% ELECTRIC URBAN BUS PROJECT FOR EUROPE**

Convinced that the 100% electric bus is the future of transport in cities, IRIZAR leads a strategic project that will bring about its position as leader in this segment.

The objective of the IEB (Irizar Electric Bus) project is to develop a new electric bus, overcoming current technological challenges in structure, drive system, power generation and storage, communications, control and operation. It is hoped that the first prototype will be on the streets of San Sebastian in 2014.

A consortium of companies, led by IRIZAR, has been created in which JEMA and DATIK, both belonging to the Irizar Group, San Sebastian transport company (DBUS) and technology centres CEIT, TECNALIA and VICOMTECH are involved.



## **SUSTAINABLE COMPETITIVENESS**

### **INTERNAL COMMUNICATION**

Internal communication is promoted to improve information and communication through appropriate physical and technological means in order to engage our people and involve them in the actions and decisions that affect them.

#### **Involvement of everyone in IRIZAR's strategic analysis.**

At the end of the year we undertook a strategic analysis involving everyone at IRIZAR.

The process of this analysis was carried out in different workshops. 80 people belonging to the Management Team, Board of Governors and direct and indirect personnel participated in the first phase, which looked at external aspects that influence IRIZAR's activity such as the macroeconomic situation and analysis of the sector, market and competitors.

Building from the ideas in the first analysis, we carried out a series of reflections on IRIZAR's internal situation, as well as SWOT (Strengths, Weaknesses, Opportunities and Threats) to reach general conclusions that were, in turn, passed on to everyone at IRIZAR, who had the opportunity to participate in the process by giving suggestions and proposals that were later reflected in subsequent actions to improve IRIZAR's competitive position.

### **CREATION OF WEALTH AND EMPLOYMENT**

Despite the crisis, IRIZAR is not only maintaining jobs in the production plants most affected by the crisis, but also added 180 people to the workforce in 2011.





## **SUSTAINABLE COMPETITIVENESS**

### **ENVIRONMENT AND SUSTAINABILITY**

There is no doubt that the development and future production of the 100% electric bus, with zero emissions, is the greatest indicator of IRIZAR's commitment to the environment and competitive sustainability.

Also during 2011, there were significant investments in manufacturing processes and activities, such as environmental awareness, housekeeping and cleaning campaigns targeting individuals and framed in an integral image project.

All this is in the context of the main principals of IRIZAR's competitive sustainability policies which include the following:

- The application of environmental criteria in product design (eco-design).
- The incorporation of Best Available Technologies (BAT) in their manufacturing processes.
- Involvement of eco-efficiency measures for the progressive reduction of waste generation.
- Responsible energy consumption.
- Encouraging the commitment of all our people to environmental, social and economic sustainability.

### **ENVIRONMENT**

***"We believe a better world is possible".***

We have continued collaborating with different universities in order that students, especially in their final year, have a better knowledge of IRIZAR.

We have also increased the offer for final year projects, scholarships or internships for students who complete their university studies and for students of nearby education centres (Goierry, Ugle, Tolosaldea, Elgoibar, etc) so that they develop their final practices with us.





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