

Annual Report **2012**



Irizar

lighting the road

Message from the CEO

Solidity and growth

For me, the greatest satisfaction comes from still being able to talk about the 'Solidity and growth' of our Group in the difficult economic situation in which we find ourselves.

Without forgetting other factors related to good performance, I believe the most relevant factor that positively affects our development is the degree of geographical and industrial diversity within our group.

In contrast with what happened in 2009, the economic crisis that is now affecting us and putting pressure on business activity, prices and margins is not a worldwide crisis. The downward trend of markets since mid 2011 has continued throughout 2012, but this has only occurred in Europe, and more sharply in outlying countries.

It is a fact that the consolidation and growth of our business overseas, linked to the increasing importance of exports to our turnover, is providing us with the possibility of generating wealth and employment in our areas of operation.

In this regard, launching the range of Irizar brand integral design coaches in the European market has been very important. This year we have sold more than 100 units that are circulating in seven countries.

Our group, which had a record turnover of 500 million euros in 2011, will be capable of maintaining this record this year, despite the crisis intensifying in Europe, particularly in the peripheral countries.

This will be possible for another year due to increased exports to Europe, increased volume in overseas factories and the incorporation of companies into the group in recent years, factors which have offset the decreased growth in Spain and other Mediterranean countries.

If there is a secret, it is simply our customer loyalty strategy; it is applied in all areas of the group, and is achieved through

increasingly close relationships and by offering clients the products and services they need. We want to continue in this way to carry on strengthening the group. This is why we continue to take steps forward to improve our capabilities.

Increasingly stronger efforts are being made in the area of knowledge and technology. The shift from operating as a bodywork manufacturer to producing complete coaches (integral coaches as well as electric buses), has marked a great leap in our technology needs.

For this reason, we have just opened the Group's R&D centre which is destined to play a key role in our future developments. 'Creatio', Irizar's Innovation Centre, has been created to boost the group's capacity for applied research and technological development. It will work on long-term innovation to improve the Group's sustainable competitiveness in the future and its growth, generating wealth and employment in those areas in which we operate.

I also want to highlight the importance the 100% electric bus project has for the group's future; we are currently immersed in this project and the results will be seen in 2014. This is another huge step in the group's plan to achieve sustainable competitiveness and solidity.

The new corporate image, presented at this year's FIAA, is intended to demonstrate this image of Irizar as a company that aims toward the future, technology and sustainability.

Lastly, and as always, I would like to once again thank our customers for the trust they have placed in us and all the people of Irizar, as well as our partners for always being available and by our side, whenever necessary.

José Manuel Orcasitas
General Director of Irizar Group

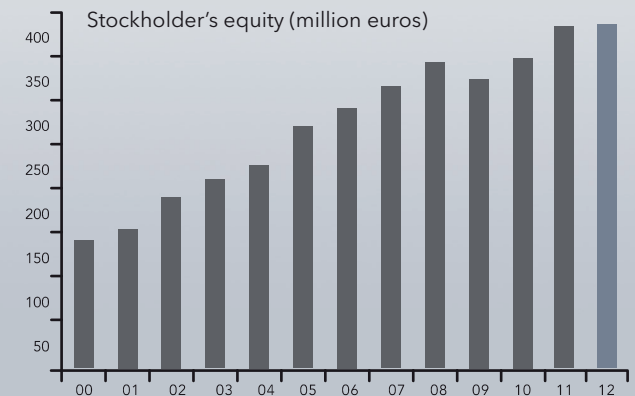
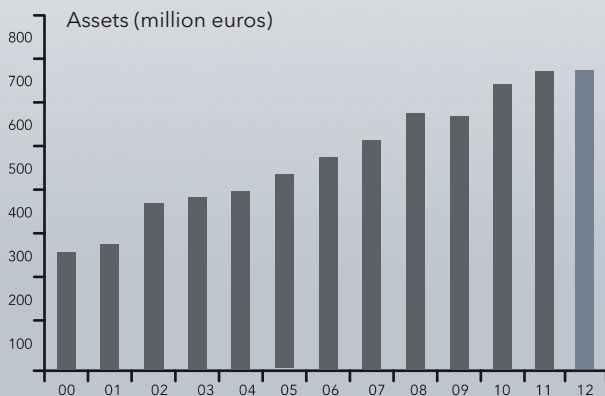
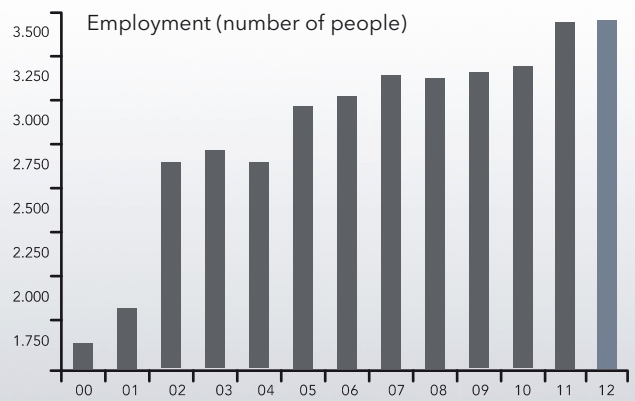
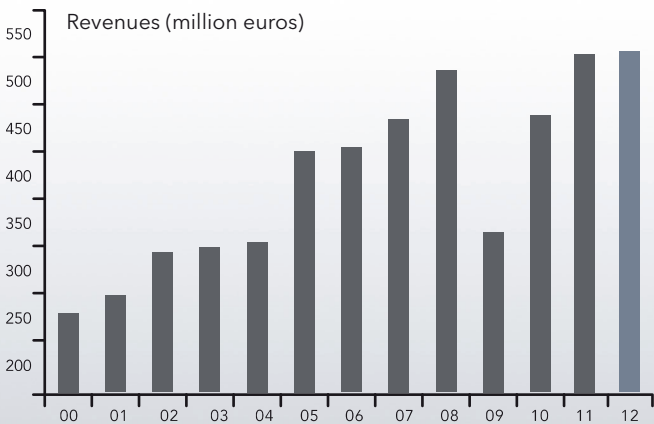
Irizar in numbers

The Irizar Group has once again closed 2012 with a turnover of more than €500 million. Again, we must highlight that this turnover has been possible thanks to our high degree of internationalisation and industrial diversification.

Only 18% of this turnover was from the domestic market. Export markets represent 82% with products manufactured in Spain or in our plants abroad.

We understand that in the current economic environment, the Group's growth is the result of the Irizar brand's solidity and the trust our customers place in us. As a result, Irizar continues to consolidate itself as one of the most important international references in the production of high-end buses and coaches.

In total, nearly 5,000 coaches have been built, of which one fifth correspond to the coaches manufactured in the Gipuzkoa (Spain) plant, primarily for Spain and Europe.



Global growth

Irizar throughout the world

In Europe, where the economic setting continues to be quite delicate, especially in outlying nations, more than 100 integral Irizar brand coaches have been sold. The main destinations have been the United Kingdom and France, with important sales in Poland as well.

Based on the customer feedback we have received and the tests performed by various European magazines, we believe that we can say that we have a high-level coach that is very reliable.

Nearly half of our Group's turnover, 48% to be precise, is from our plants abroad, primarily in Mexico, Brazil and Morocco, where we have attained growth of more than 30%.

In Irizar Brazil, where activity levels recovered in 2010 and a production rate of three luxury coaches per day was achieved in 2011, additional progress has been made in 2012 by consolidating a rate of 3.5 coaches each day, which represents the highest activity to date at this plant. Aside from the growth of the domestic market, exports primarily to Chile and Australia have played a very important role. The Brazil plant currently exports 75% of its production.

Irizar Mexico has once again increased its production levels, just like Brazil, attaining the same production rate of 3.5 coaches per day, bringing it closer to the production of 800 each year. This new record has been possible because the firm became the coach supplier for the nation's second leading operator.

Its customers already include two of the nation's three top operators, allowing Irizar to position itself as the undisputed leader of the Mexican market with over 60% of the market share.

Irizar Morocco continues to be the undisputed leader of the nation's luxury market, with a market share of nearly 100%.

The Maghribian facility is one of the plants with the most growth potential for the Group.

The remaining companies within the Group--Hispacold, Masats, Jema and Datik--have contributed to the Group this year with 16% of the total turnover.

In 2012, Jema Electrónica, a Jema subsidiary, has started to supply high-tech electronics components to the other Group companies.

Datik is penetrating the Mexican market through our main customers.

As far as Hispacold and Masats, the drop in their natural markets has been primarily compensated through diversification into the railway sector.



Important milestones

Irizar, leading brand in the UK

Irizar has become a leading brand of the coach segment in the United Kingdom and it has attained a market share of more than 20% through conventional coaches with Scania chassis and its new line of integral coaches.

The total number of units registered shows 200% sales growth compared to the same period last year.

This success is the result of Irizar's clear commitment to adapting to the demands and characteristics of the English market. The innovations and developments carried out exclusively for this market are worth mentioning. These include: the handicapped platform for the front door of the Irizar i6, the two-axle Irizar i4 for school transport with a capacity for 70 children (3+2 seat layout), a new 10.8 metre Irizar i6, and important weight improvements in order to offer a maximum number of seats with minimum diesel consumption.

Baltic Countries and Russia

Last June, eighteen coaches were delivered to Grupo Sebe and Lux Express, companies belonging to Mootors Grupp AS, that offer transport services to passengers in the Baltic states. They cover the daily connection services for the Tartu-Talín line, known as the Täistunni Ekspress, and the main cities of the Baltic countries and St. Petersburg.

Africa cup of nations in Gabon

By delivering 20 coaches to the Gabonese government for use by the country's President, as well as FIFA guests and the participating football teams.

Two of the twenty luxury coaches were for the President's exclusive use, and in order to fulfill his strict and highly demanding requirements, customization was fundamental to their manufacture.

When the competition finished, the vehicles were incorporated into the mobile fleet of a Gabonese operator in Libreville to provide transport services in the city.

International roll-out of innovations

Irizar continues to present important new products at international trade fairs; Kielce, Bordeaux, Rimini, Sao Paulo, Madrid and Birmingham are the perfect settings for Irizar to present its future strategic lines and to consolidate and strengthen its brand image.

Expoibús - Rio de Janeiro (Brasil)

This biannual fair focused on the bus and coach sector took place in October at the Rio de Janeiro Convention Centre. Irizar Brazil will take advantage of this setting to officially launch the new Irizar i6 coach to clients, the specialist press and collaborators in the Brazilian and South American market.

TransExpo - Kielce (Polonia)

Held in the Polish city of Kielce. IRIZAR will be represented by Wanicky with its own stand for the second year running. The 400 m² stand will have two DAF powered coaches, the Irizar i6 and an integral design Irizar i4.



Important milestones

Autocar Expo - Bordeaux (France)

Irizar will be present among the biggest brands in the sector through its distributor, Irizar Autocars. Besides boosting the great icons of the Irizar brand, it will exhibit the full range of integral design coaches that are currently part of the Irizar Autocars catalogue.

Bus & Turismo - Rimini (Italy)

Bus & Turismo Rimini is the main tourism fair in the Italian market and has become essential for coach companies that operate in the tourism sector. At its 1,000 m2 stand, Irizar Italia will present a full range of coaches.

Fiaa - Madrid (Spain)

Irizar will have over 2,000 m2 at FIAA and will present a spectacular brand experience its new brand image and new Irizar i3 coach, an addition which will complement the existing range. The stand will become a space where coaches will live in perfect harmony with technology, electronics, telecommunications, diversity, mobility and environmental and social sustainability.

Euro Bus Expo - Birmingham (United Kingdom)

This is one of the most important fairs in the sector in the UK and is attended by clients, suppliers and the specialist press. This year, the 400 m2 Irizar UK stand will be dominated by two Irizar i6 coaches with DAF motors.



Expansion in Europa

The integral design of Irizar

Denmark, Germany, Switzerland and Austria have been the priority markets for continuing to roll-out the sales and after-sales service network in Europe.

We have already manufactured more than 100 vehicles that are currently used in 7 countries, with great results in terms of both client satisfaction and in the product and service possibly due to the technical advantages and service they provide. Good examples are ease of maintenance, optimum location of parts, lighter weight and the capacity to diagnose the majority of systems and parts in the kinematics and bodywork chain through Irizar-specific software.

We have been able to design and manufacture coaches that provide the latest advances in active and passive safety. Reliable coaches that minimize fuel consumption and CO2 emissions; lighter coaches that optimize weight and its distribution and can offer greater seat and luggage compartment capacity.

Irizar's commitment is clear: to expand in central and northern European countries, to strengthen the brand and to obtain as much knowledge about the products, the powertrain and the systems in order to build quality vehicles that are increasingly competitive and differentiated.



Irizar



Industrial diversification

Jema



Jema opens its first subsidiary in the United States

JEMA Energy USA is now based near its clients and can provide tailor-made solutions to meet their needs for various renewable energy generation plants. One outstanding area of activity is photovoltaic energy which transforms the inexhaustible and clean energy produced by the sun into electrical energy.

The products developed by Jema for the US market comply with the country's strict technical and safety standards.

Launch of solar inverters for residential installations

Jema has developed solar inverters for home installations. These systems are monophasic and triphasic and have an innovative, exclusive design at the input stage. They are small, reliable and have a higher energy output than those systems currently available in the market. The systems are specially designed to optimize the performance of photovoltaic panels. Installation is straight-forward and they are also ultra-silent.

Brazil

In May, Jema signed its first contract with the engineering company Duro Felguera Brasil to supply Critical Feed Systems to the Parnaíba power station. This is an open installation and will operate with a gas turbine and nominal power of 170 MW.

Industrial diversification

Datik



Development of systems for passenger safety

Datik is a pioneer in the development and introduction of advanced technological assistance, information and driving control systems, such as MagicEye and EcoAssist, that help save on fuel and minimize the risk of distraction and collision, thereby helping to promote more reliable, safe and efficient driving.

Active safety as a service or solution:

- Customized active security, incorporating the features required by a client.
- Turnkey projects that adapt technology to the client's specific needs.
- Possibility of remote management of active security devices, as an added vehicle feature with this service.
- Information provided when the driver deactivates the system.
- The system can also give warnings (including correctly signalled lane changes) in specific areas determined by GPS coordinates.

The system includes features such as obstacle and road sign detection, safe distance calculation, involuntary lane changes, speed limit warnings and driver fatigue alerts.



Technological development: committed to the future

Creatio - Research and Development Centre

The strategic commitment to technology and long-term innovation has resulted in the creation of Creatio - Irizar's Research and Development Centre that has been established to promote the Irizar Group's applied research capabilities and technological development for the brand's integral products as well as for the main bodywork components.

This technological centre was inaugurated this past October by Irizar and the following joint ventures: Jema, aimed at power electronics, and Datik, a technological firm that develops Intelligent Transport Solutions (ITS) aimed at managing transport. All of this is the result of the industrial diversification policy undertaken by the Irizar Group in 2009, with the dual objective of strengthening its operations and minimising the concentration of risk by entering sectors with a high potential for development, such as the energy, electronics and communications industries.

Creatio combines the synergies and the technological capabilities of these companies to establish the following lines of research: propulsion, electromobility, energy generation and storage, vehicle cargo systems, ITS systems, as well as more traditional areas such as systems integration. It will also firmly support the Group in its new developments for integral and electric coaches.

Creatio is key for our future development and for addressing innovation with a long-term vision, focusing on improving the Group's sustainable competitiveness and its growth that generates wealth and employment in the regions where we operate.



The Irizar brand

New Irizar brand image

The new image responds to the great evolution that has occurred in recent years. During this time, Irizar has transformed into an international referente.

The logo continues to be the central element, and it has been given a far more modern look in accordance with the design lines characteristic to Irizar product. It retains its main features and all of its characteristics.

The internal elements have a double meaning; on one hand, they represent the 'i' of Irizar and, on the other, a person travelling by coach, reclining in a seat, an item that embraces, protects and holds. The circle surrounds the two inside elements and represents the environment formed by people, clients, passengers, in short, the world around us.

The new unique and customized "Irizar Type" font is based on the Neo Sans Family font, a simple, clear and approachable font with the force of IRIZAR designs.

Irizar has chosen new shades in its colour palette: steel blue, a colour that transmits technology, stability, knowledge, integrity, seriousness, robustness, solidity, elegance and freshness. And green, which besides meaning balance, harmony, growth, exuberance and freshness, is also linked to nature and ecology and represents our commitment to the environment: the electric coach.

The Irizar that has vision, its eyes set on the future, always creating and offering new advances. A future where technology, electronics, telecommunications, innovation, environmental and social sustainability, diversity and mobility live alongside one another. In short, this new image will accompany us into the future, on the path to always moving forward, advancing step-by-step, hand-in-hand with our employees and collaborators.

The new logo has captured the essence of the brand. Aiming towards the future is in our genes and now it has also become part of our brand image; "Irizar's new logo is the conceptualization of all our values, its origin is rooted in constant evolution, in close client relationships, in our customized products and the perseverance of all of the people who make up the Irizar family.



Innovation

Launch of the Irizar i3

At the FIAA Fair, Irizar presented its new Irizar i3 coach, a model that completes its current range and covers the niche that the i4 could not, being designed from a coach.

This model was created with our customers' needs in mind, and that we, until now, could not fully satisfy. It is the true result of joint reflection with our clients on how to create a more functional product to cover the Low Entry range, with a 100% guarantee.

This is the first coach offered by Irizar in Spain with the possibility of receiving the Class I certification.



Innovation

Launch of the Irizar i6 internationally

Australia

The official Australian presentation took place in July 2010 in Melbourne with prototypes of the 13.4 metre and 14.5 metre versions that complied with demanding Australian ADR certification norms.

South Africa

The celebration, held on August 29th at the Copperleaf Golf & Country Estate in the city of Centurion and organized by Irizar Southern Africa in collaboration with Irizar Brazil.

Brazil and South American countries

The product's adaptation to the specifications of Brazil and other South American countries has also required strong efforts. The official presentation to clients, specialized media and collaborators in the Brazilian and South American markets was made at the Expo Onibus Fair held October 3rd to 5th at the "Riocentro" Expo Center in Rio de Janeiro, with the unveiling of 4 new Irizar i6 coaches in their various versions.

Mexico

In the case of Mexico, the official launch of the new i6 took place on 8th November at the Polyforum Siqueiros in Mexico City, where executives from the most important passenger transport and tourism companies also attended.

Innovation

Passenger accessibility

Passenger accessibility and the width of available spaces have become hugely important aspects of coach design. These aspects have been the focus of innovations introduced in recent years, which aim to offer passengers maximum comfort and ease of accessibility.

Platform for front access door

Irizar now has a platform designed for use with the front access door of coach model Irizar i6 which allows people with reduced mobility to enter the coach through the same door as other passengers, thereby avoiding any kind of discrimination.

Platform at rear overhang

This solution provides wheelchair access to the inside of the coach at its rear through an emergency door, thereby achieving maximum luggage capacity in the main compartments.

Platform on central step

This option is exclusively for Irizar i4 vehicles used for local, regular routes. It allows an intensive use of the platform with optimum access at the service area.

Platform at central luggage compartment

This is a next generation lift for individuals with disabilities situated by the central luggage compartment. It includes an upper door for exclusive access by passengers with reduced mobility.

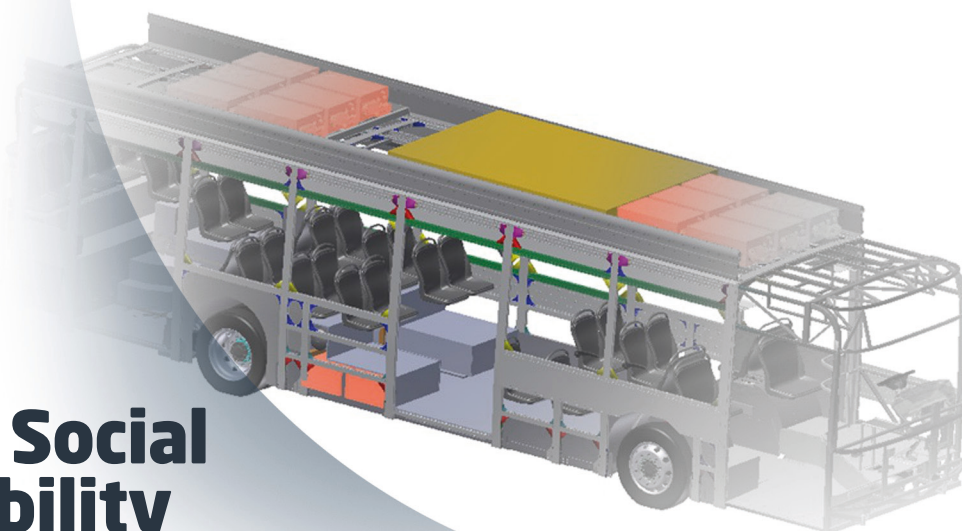


Corporate Social Responsibility

Committed to customers

Our main strategy is to meet the needs of our customers and to build their loyalty so as to generate maximum trust in the Irizar brand. In this regard, once again we have analysed and studied the trends and assessments of our customers in the area of the Irizar brand and service with the aim of continuous improvement.





Corporate Social Responsibility

Sustainable competitiveness

A 100% electric urban bus

The project to develop a 100% electric urban bus with zero emissions has currently become the strongest pillar of our commitment to sustainable competitiveness.

With this milestone in innovation, our aim is to promote, in a definitive manner, mobility in cities through the use of buses as the best alternative for public transportation in urban settings, as well as to position Irizar in Europe's technological cutting-edge with a 100% electric urban bus with zero emissions.

The main challenge of the Irizar Electric Bus (IEB) project is to develop an electric bus that is capable of being competitive in light of the existing conventional and hybrid coaches, and also to surpass the technological challenges in terms of the self-supporting structure, the traction system, energy generation and storage, the multiplexed control systems, communications and the operations support systems.



Corporate Social Responsibility

Committed to our surroundings

Project to build a school in Benin

Together with Herriak Elkarlanean, we have completed a building for a boarding school in Boukombé (Benin) that will provide housing during the school year for students who must travel long distances each day in order to go to school. The school can house up to 300 children between the ages of three and 13. Created at the request of many parents concerned about the future of their children, this school is for children from all the surrounding villages within a 15 km radius.

This has allowed us to address their basic needs in the area of education, food, health and hygiene.

Agreement between Irizar and Tecnun (University of Navarre)

Irizar has signed a year-long collaboration agreement with SEED Group stating that, during this period of time, the cooperative will sponsor and pay for part of the expenses related to the manufacture and development of a single-seater vehicle that students from the school will build to compete in the yearly Formula Student Electric competition.

Irizar will provide a boost to the training of these future engineers by promoting related capabilities and supporting technological projects that are environmentally-friendly.



Zumarraga Bidea, 8. 20216 Ormaiztegi (Gipuzkoa), ESPAÑA. Tel.: (+34) 943 80 91 00 / Fax: (+34) 943 88 91 01
irizar@irizar.com / www.irizar.com