

ANNUAL REPORT 2014





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The Group bets for the Brand, the technology and the sustainability



Message from the CEO of Irizar Group

125 years and stronger and younger than ever

In 2014, Irizar turned 125 years old. We have been able to enjoy our birthday with pride during a great moment of strength and growth.

Irizar embarked upon its journey in 1889 manufacturing coach wheels and taking steps to move on to constructing bodywork for coaches in the 1920s. After its first 74 years as a family business owned by the Irizar family, in 1963 it became a cooperative company and it has remained as such to date.

In the ten year period from 1995 to 2005, a process of internationalisation was carried out, and this has borne its greatest fruits in recent years due to the customer proximity strategy.

In 2009, a strategic revolution was carried out, and this led the Group to become industrially diversified, to grow strongly in the midst of the financial crisis, to strengthen the brand with its own products and greatly expand its technology, creating its own R&D centre.

Stronger and younger than ever, today Irizar is a solid Group boasting geographical and industrial diversification and continual growth; a Group that decidedly focuses on the brand, technology and sustainability, on its own products both in electric buses and coaches, and in the other products in the sectors in which it operates.

A Group with five coach plants located throughout the world, which also boasts a further five companies as a result of its industrial diversification. Furthermore, it has a Technology Centre focused on the long-term aspects of the applied research process and the technological development of proprietary systems and products.

The current Grupo Irizar is the result of countless experiences over these 125 years and of the hard work of the many people who, starting with the company's founder, created the foundation of what we have become. At this time, I would like to mention all those who have made a contribution to our project, and to thank them from the bottom of my heart for that contribution.

2014 has also proved a very intense year for industrial activity in coaches, particularly in the Ormaiztegui plant. In addition to producing 1,100 coaches, of which 50% are for European customers, we have manufactured the first series of the Irizar i3 Low Entry model, both in right- and left-hand drive, and we have produced the first coach prototype for the United States.

And, as a great milestone that will mark a before and after for the Group, we have delivered the first electric urban buses for the cities of San Sebastian and Barcelona.

Another aspect that should be highlighted is our R&D activity. We are working on the most ambitious projects ever completed within the Group with results that will be seen over the next three years.

As always, I do not want to forget the importance of the collaboration of our customers and partners, to whom we are grateful, particularly for the confidence they place in us.

José Manuel Orcasitas
Irizar Group CEO



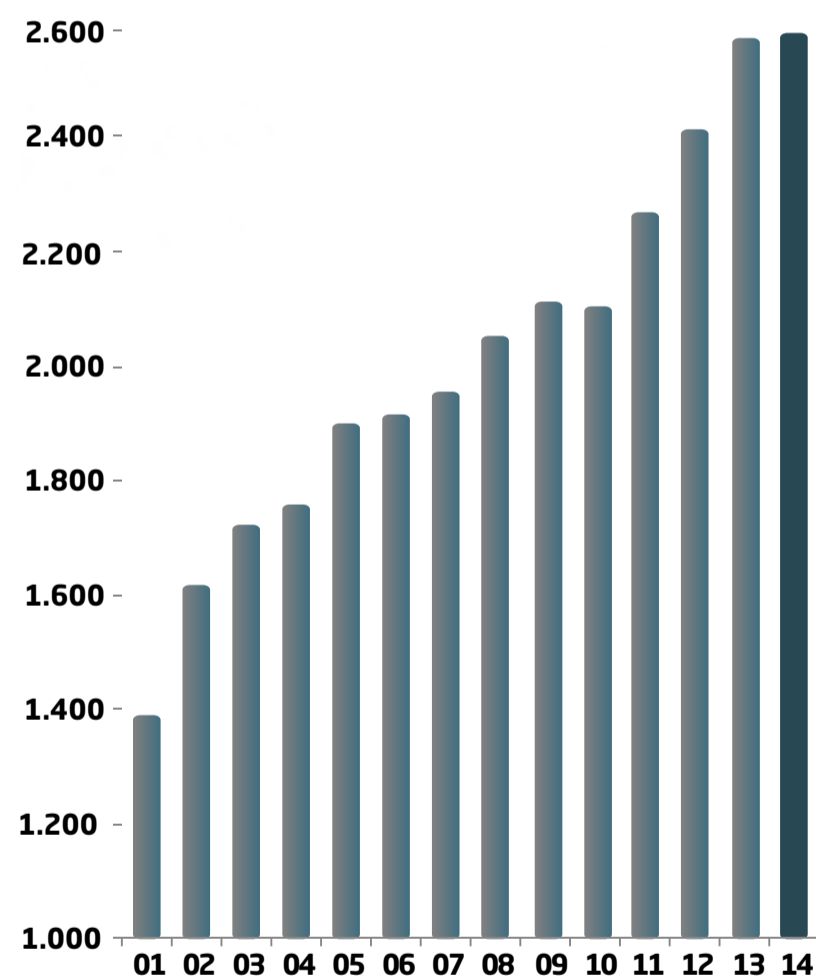
ANNUAL REPORT IN FIGURES - 2014

Wealth-employment creation

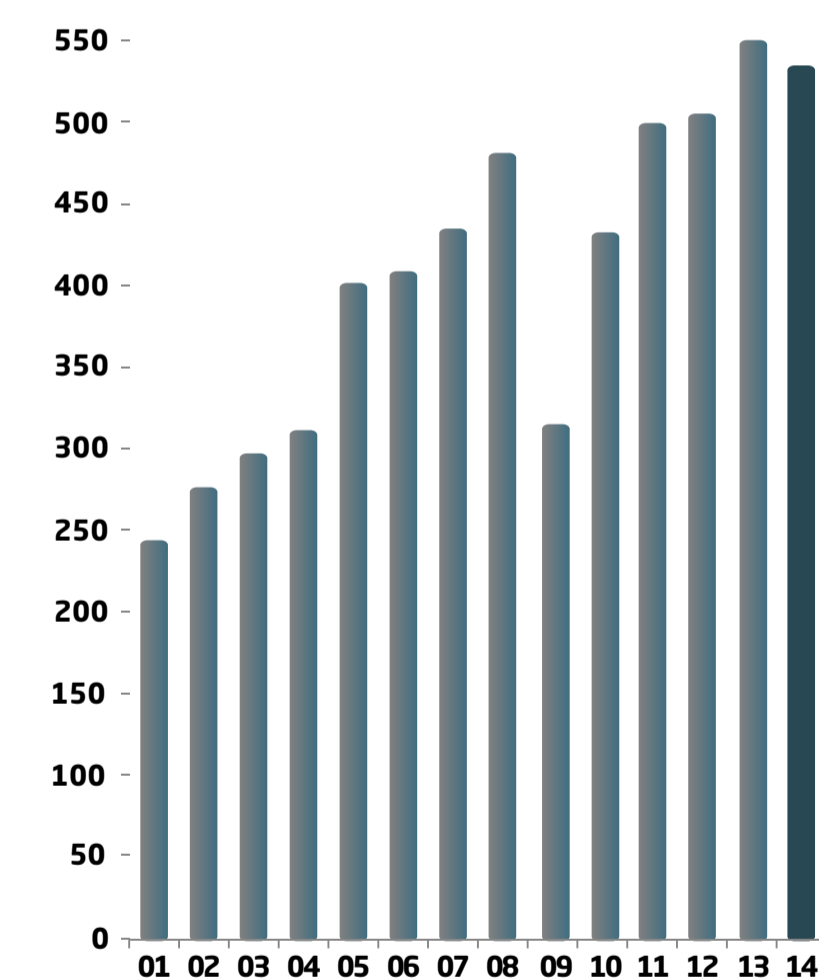


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Number of persons



Thousand euros



The Irizar Group closes the year with a total aggregate sales figure of 535 million Euros, of which 82% corresponds to the export market.

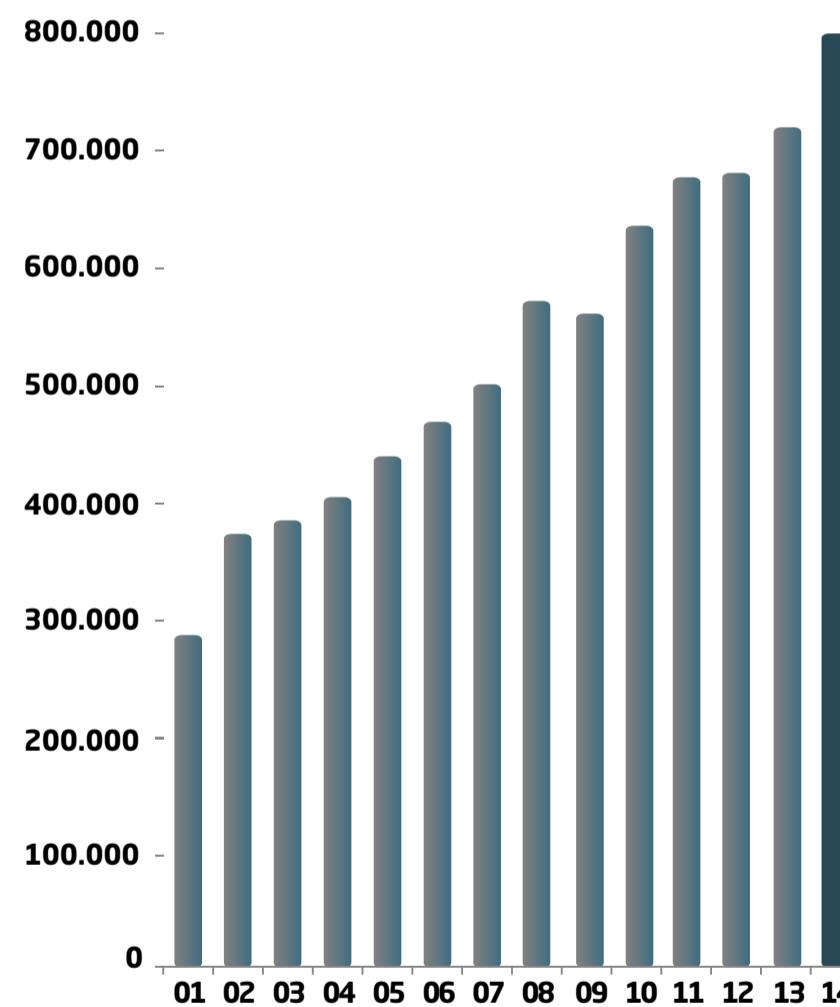
2014 has been a great year in which the growth parameters of the previous years were reduced mainly due to the scarce economic growth of emerging countries.

Although during the financial crisis our foreign plants, particularly Brazil and Mexico, were those which drove the growth of the Group, this year has seen a role reversal, and it has been Irizar Ormaiztegui that has presented the highest growth and compensated for the deteriorating situation in these emerging countries.

Sales

Assets

Thousand euros

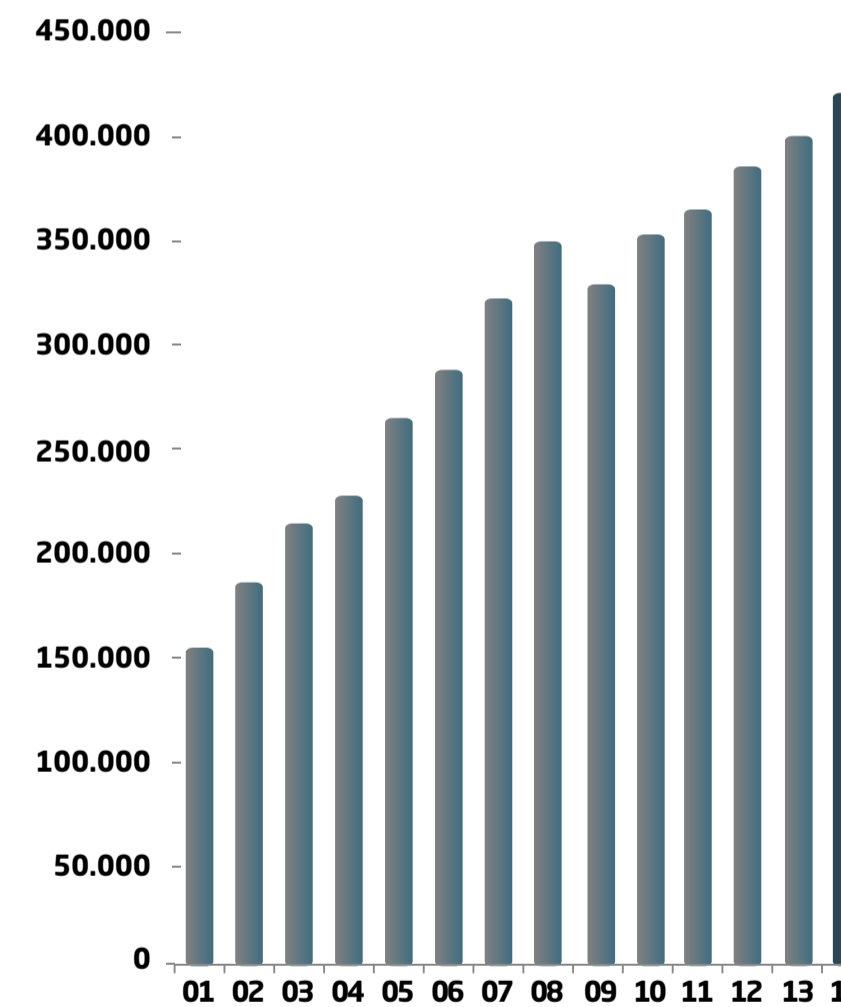


Of all, in 2014 the foreign plants have represented 42% of all the sales of the Group compared to 47% of the previous year and those of Ormaiztegui were 38% compared to 33% of the previous year. The remaining companies of the Group have reported the 20% remaining sales.

With respect to coach production, as a whole, the Group has produced 3,000 units of "Premium" coaches, with 1,100 - or 36% of the total - corresponding to the production in Ormaiztegui.

Equity

Thousand euros



It has also been an intense year in investments, which have reached 20 million euros for investments in both assets and R&D projects.



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Global growth

Coach companies



Irizar Ormaiztegi

This year we will once again talk of growth in bus production at Irizar Ormaiztegi, with a 15% increase with respect to the previous year, which in turn presented a 15% increase over 2012. And we have attained a 47% market share in Spain, the highest ever in the history of Irizar. The main reasons for this respond to on one hand, the increase of production units in both our own buses and the conventional ones and on the other hand, to the better fitting of these to attend to demand of European markets.



In addition, and coinciding with the 125th anniversary of Irizar the new production and service installations of our Gipuzkoa headquarters were inaugurated, the design centre, corporate area, R&D centre and coach delivery building, which together with the great effort made at the level of external communications, has meant the tremendous growth of the Group image with the intention of positioning ourselves among the best.

This image improvement, together with the improvements of quality and service, is making it possible to reinforce our brand and once again seeing the coming year with optimism thinking about duplicating the manufacturing of complete coaches and starting to deliver the first units for the United States.

As a consequence of this consolidation of growth in the headquarters in Ormaiztegi, we have steadily increased our workforce by almost 10% following the integration of 63 people, 46 with a university degree and 17 with a higher degree.

Irizar Mexico



The market has contracted by around 20%, mainly because of the reforms carried out by the new government.

Despite this, the Irizar brand is very strong in that market and the coaches are considered the most profitable and advanced in the country. Irizar continues its path as indisputable leader of the Mexican market with a share well above 50%.

Irizar Brazil

In Brazil, where the local market has dropped by 40% in units, Irizar's strategy has been to maintain its position in the Premium segment and to strengthen exports to its main markets.

This year, the success of the Irizar i6 has given a strong boost to sales in Brazil and in the countries that Irizar serves from its plant in the state of São Paulo.

In the domestic market it has enabled Irizar to initiate a relationship with some of the main operators in the country, which have appreciated the differentiation of this product with respect to those of our main competitors.

Irizar's share in the mining sector in Chile, the most demanding in terms of quality and safety, is above 50%, and the acceptance obtained by the Irizar i6 bodes very well in terms of the shares to be attained in the not-so-distant future.

Chile absorbs 25% of the coach production at the Brazil plant.

Irizar Morocco



The year has been a very good one. We have continued to manufacture coaches to cover the luxury market of the country, where we maintain virtually a 100% market share, and the Group's strategy to manufacture bodywork for the Century model for Europe has been consolidated.

It was the last production plant to incorporate the Irizar i6 in its product line. This launch coincides with the opportunity for some customers to distinguish themselves from their competitors in terms of quality, both in the main lines of the country, many of which go to central Europe, and in international tourism operators.

Irizar South Africa

Irizar South Africa has had a good year with the sale of more than 70 coaches in the Premium segment and we continue to foresee good prospects for the coming years.

Irizar Asia Pacific

Given the importance that the Australian market holds for the Group, Irizar has officially established itself in the country under the name Irizar Asia Pacific, seven years after the first Century model coach arrived in Australia (2008) through its former distributor.

Irizar's sales in this market are in the range of 100 coaches per year.

Irizar TVS India

This year we saw the definitive exit of the Group from India where it was present through a joint venture with two local partners. The reason behind this decision is owing to the total lack of alignment of the business with the current strategy of strengthening the brand which is being implemented by the Group.



Irizar Group

Companies born out of industrial diversification



A year of stability for Hispacold with an improvement of shares in its natural markets and focus on railway development projects, the portfolio of which is increasing consistently in view of the coming years.



Strong growth provoked by increases in the European market share plus exports to South-East Asia. It remains the benchmark in Singapore with a thousand urban buses equipped with its systems.

A year in which strong focus was placed on R&D projects in order to consolidate its presence in the railway sector with accessibility systems and passenger doors.



2014 has been a great year for the investor division for large-scale photovoltaic solar installations, an area that should provide strong growth for Jema over the coming years.

Our presence in Brazil, Mexico and the USA is providing new opportunities for Jema both in the renewable energy and advanced power sources sectors.

Today, Jema is a worldwide reference for highly technical unique "projects".

Jema Electronic continues to present growth through Irizar, as it supplies it with systems of cutting-edge technology for its coaches and electric buses.



Datik has secured its first major contracts in intelligent information and transport security systems, mainly in Mexico and Spain.

Those in Mexico are with large-scale operators which are regular Irizar customers in the country.



Another good year for Alconza due to the activity in motors and generators for the off-shore marine market.

Despite the drop in oil prices, which is stalling the decisions regarding investment in large vessels, we maintain good expectations for the coming years in this sector.

A new taller building with capacity for manufacturing larger-diameter and -tonnage motors has been built .

Alconza is also making efforts in R&D for the development of medium-voltage converters and marine application equipment. The objective is to investigate and test mechanical power transmission components and elements for marine propulsion to support greater durability, quality and sustainability.

Hydro-power sector:

In the hydro-power plants sector, the island of El Hierro joins the renewable energies market and, thanks to its new hydro-power plant, it is now the first island to derive 100% of its energy supply from natural resources (water and air). The four generators at the plant were supplied by Alconza.

Important milestones

Irizar reaches 125 years



The celebration of Irizar's 125th birthday was the main focus of all the activities carried out during 2014. At a time of great strength and robust growth, we have been able to celebrate this milestone across the globe with our customers, suppliers, collaborators, representatives from foreign plants, as well as those of Grupo Irizar, various brands, distributors, the town of Ormaiztegui, national and international press within the sector and the current and retired staff of Irizar.

The main venues were Irizar's installations in Ormaiztegui (central headquarters), as well as the exhibitions that we have attended throughout the year across the length and breadth of the world: Russia, Australia, France, Poland, Italy, Denmark, the UK, Brazil and Ireland.

The FIAA (Feria Internacional de Autobuses y Autocares - International Exhibition of Buses and Coaches) and the Cibeles Palace (Madrid), as well as a modern office building in Sandton (South Africa) recognised this important occasion, which en-

ded on the last working day of the year with the Irizar general assembly in the Kursaal Auditorium in San Sebastián.

All the functions were full of emotive symbolism, including a parade of historic Irizar coaches accompanied by the live singing of a soprano.

There was no shortage of tributes to the people who have led the Group throughout its history, particularly the Irizar family, who attended the local event in memory of the founder and entrepreneur.

The release of balloons and various opera performances, as well as traditional and acrobatic dances contributed to ensuring that this year will go down in history and will live long in the memories of many.

In the words of José Manuel Orcasitas, "the current Grupo Irizar is the result of countless experiences over 125 years and of the hard work of the many people who, starting with the company's founder, created the foundation of what we have become. It is time to remember and thank them all, and all those who today make up Irizar, for their commitment and contribution. Thank you, from the heart."

Irizar Asia Pacific - Irizar's establishment in Australia



Irizar officially established itself in Australia under the name of Irizar Asia Pacific. The decision entailed both the establishment of its own commercial network and the assumption of the sales and post-sales service at some new facilities that the Group has acquired in the country. From these headquarters, Irizar will attend to the needs of customers throughout the region, particularly in Australia and New Zealand.

Despite the fact that the coach market in Australia is highly demanding and restrictive both in terms of the quality and service demanded by customers and the applicable regulations, Irizar's vast experience in the more than ninety countries in which it operates has enabled it to develop the products and services that are best adapted to this market.

The specifications of these markets have some special features such as the 2.50 metre width of the vehicles and right-hand drive requirements.

Our first exhibition in Russia

Irizar participated in the Expo Bus exhibition, held in Kolomna, Russia, from 23 to 25 April, for the very first time through Scania. This presence opens doors to the Russian market and enables us to begin to display all our values based on customer orientation and the development of the latest technologies to offer greater profitability and reliability with the best service.



The award for Business Innovation



The annual awards ceremony - this year the 13th edition - of La Noche de la Empresa Vasca (Basque Business Night) organised by the Fundación Empresa Vasca y Sociedad and the Euskal Enpresa Fundazioa, sponsored by Sabadell Guipuzcoano was held in the Guggenheim Museum in Bilbao and was attended by more than 300 representatives from the economic and institutional world, who showed their recognition to the award winners. The award for business innovation went to Irizar.

The good health of the Group, in business terms, has been aided by the appearance in recent years of a powerful business innovation policy that has been extended to management, technology and the product, resulting in the strengthening of the Irizar brand.



The Brand

Strengthening the brand image

Taking advantage of the presence of the Basque institutions at our birthday celebrations, in July we opened the new and modern installations of our central headquarters in Ormaiztegui (Spain), created by and for the customer, thus strengthening the image of the Ormaiztegui facilities. The creation of Creatio, the showroom and space for the delivery of coaches, constitutes an improvement for the brand, which puts the facilities in harmony with the strength of the brand and the product.

At the function, the sculptural work exclusively designed for Irizar by sculptor Javier Muro, and which will be maintained as a commemorative institutional symbol of the Group's 125th birthday and the opening of the new facilities, was unveiled. In the words of the sculptor: "With its simple shapes, the sculpture incorporates three curved elements that give it the sensation of movement, of rhythm. This movement is strengthened by the slight inclination of the sculpture, which gives a feeling of direction, of a path, always moving forward, looking to the future. The piece is clean and precise in its conception, accentuating the idea of modernity, of technology. At the same time, it has a gentle reference to the rear-view characteristic of the brand and a categorical semi-circular shape that provides not only a conceptual reference to the road but also an enveloping and synchronised rhythm".



Irizar brand comprehensive coaches

Three years after its launch in Europe, the Irizar brand is beginning to show itself as a benchmark in comprehensive coaches. This year we have continued with the European growth strategy based on the expansion of the sales and post-sales network.

In parallel to the commercial agreements, it continues expanding the post-sales network in Europe. Recently, rapid-assistance vans have been added to it both in the UK and on the continent in order to attend in situ to customers' demands.

We continue to double our efforts in the optimisation of our products in fundamental aspects such as security, consumption, reliability and weight reduction.

With the Euro VI we gave managed to optimise the total weight and improve its distribution, maintaining the levels of the Euro V after compensating the weight increases of the powertrain elements. These improvements have been validated in durability tests like those which the brand usually carries out.

In addition to Irizar UK and Irizar Autocars, to cover the needs of the markets of France and the UK and of the agreements signed with Waniki in Poland, DV Bus and Coach in Benelux and Rindell in Finland, the brand has continued its expansion in Germany and Sweden, where it has signed distribution agreements.

Irizar Group's 100% electric city bus, a reality

Special mention should be made of the delivery of the first electric buses with Grupo Irizar technology, as well as the acquisition in Aduna, Gipuzkoa, of the land where the future electro-mobility activity will be located.



This year, Irizar has fulfilled the major challenge of delivering three 100% electric buses, two in Barcelona and the first in the city of San Sebastián. This milestone is part of our first strategic innovation focus on sustainability and our positioning at the technological cutting edge of the European market.

The Irizar i2e has become a reference in sustainability and eco-efficiency aimed at urban mobility, and addresses the current and future needs of city transport. It is the first city bus that has been fully developed with proprietary technology, in line with the company's strategy, which focuses on close customer relationships and strengthening the brand by building complete Irizar buses. Following the endurance tests performed on the product, the Irizar i2e is presented as a reliable bus with European technology that is ready to circulate in our cities with the bonus of zero emissions. Furthermore, its attributes of great autonomy, security and profitability improve the operational cost.

In July of this year Irizar delivered the first unit in San Sebastián, taking a new step in the development of its brand strategy by presenting its first 100% electric city bus to customers.

In August and October the next two units were delivered to the city of Barcelona, that way we became the first European company to deliver buses in the ZeEUS project.



Corporate Social Responsibility

Innovation in sustainability

The Group's strategic focus on innovation in sustainable mobility comes with the intention of being positioned as leader in urban mobility with the firm commitment to contributing to sustainability and environmental improvement in cities.

Since 60% of the population in the European Union live in cities, the elimination of contamination is one of the great challenges facing urban centres. Circulation of fuel vehicles is the cause of 40% of the emissions of CO2 and of 70% of other contaminants. Each electric bus reduces CO2 emissions by 318.28 t throughout its useful life, in comparison with a conventional bus that runs on fossil fuels, while also providing independence from the soaring prices of these fossil fuels.



There are increasing levels of acoustic contamination: today more than ever, we need efficient means of transportation that are ecological, silent, environmentally friendly, and help improve the quality of life of people in cities. The Group understands that the no-contamination decision of cities cannot be reversed and, therefore, four years ago it decided to enter the world of urban buses directly, with zero-emission electric buses. For this reason, and because it does not contribute to acoustic contamination, we are certain that the Irizar i2e is the ideal transportation alternative for cities and their residents.

Another feature is the recyclability of its components. Another feature is the recyclability of its components. Its batteries are also 99% recyclable.

Social projects



The social projects of Irizar Group are growing across the world.

Irizar provides more than two million euros in support of its social environment each year in charity and humanitarian activities, with a clear commitment on the part of its people, or through NGOs.

In addition to what the parent company contributes to its environment, a review of some of the projects in which Irizar actively participates takes us to settings as diverse as Mexico, South Africa and Tanzania.

In Mexico there are five projects in which Irizar has an active presence.

- "Puente a la salud comunitaria" ("Bridge to community health"), a project that seeks the preparation of a pilot plan with the necessary equipment for the training and incubation of community groups for the development, innovation, creation and continual improvement of food products such as amaranth and organic eggs.
- "ChildFund México", which contributes to generating infrastructure and training for native women to make handicrafts, promoting the creation of sources of self-employment.
- "Fundación Haciendas del Mundo Maya", whose objective is to equip, train and prepare for the production of Melipona honey and to establish a hammock production workshop.
- "DIF Municipal El Marqués", where economic support and cash donations are offered for a population dependent on social welfare, in the form of wheelchairs, toys, furniture, a van, food, blankets.
- "Feed a child", with the purpose of contributing to childhood development in rural towns in Mexico through social, economic and environmental activities.



In South Africa, Irizar collaborates on projects for the supply of food to centres for the elderly. In addition to the distribution of food by Irizar personnel, cleaning materials as well as any other vital element are delivered.

This year Irizar has also donated school material to the Dove's Nest Foster Home in order to guarantee that the children in this orphanage have the material and books they need to ensure their education.

Irizar's participation in Tanzania comes through the Doctors of the World organisation, which focuses its efforts on the improvement of the health services that patients receive in the health centres, particularly women and children under 5, and works directly with the communities on issues such as family planning, HIV prevention and human rights, mainly regarding women (gender violence, forced marriages, etc.).

