

ANNUAL REPORT 2017



Message from the General Director of Irizar Group

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We are continuing to develop our strategy of seeking synergies among all Group companies. Every day there are closer relationships between all the companies and, in addition to developing the products and markets in the business areas of each company, we are achieving great technological advances in our entire range of coaches and electric buses with their main systems.

We continue to move forward with a focus on the development and strengthening of the brand based on our own products. The manufacture of Irizar brand coaches at our parent plant already accounts for a third of our output and we are convinced that this trend will continue and we will generate new growth in the coming years.

We have already started manufacturing our electric buses in the new electromobility plant for the Irizar e-mobility Group in Aduna, Gipuzkoa, Spain.

Because of our good position in the market and the good performance of our 100% zero emissions electric buses, we are already feeling the trust customers are putting in us with new orders we are currently planning for Bayonne, Amiens, Luxembourg, Barcelona (TMB and AMB) and Madrid, among others.

We are still involved in important R & D programs in electromobility, as we are convinced that this activity is key to the Group's growth. Our parent plant in Ormaiztegui has again surpassed 1400 production coaches and the manufacture of integral buses has grown 30%.

The plant in Mexico is still manufacturing more than 900 coaches a year, all for the Mexican market, and our efforts to increase exports from the Brazilian plant are bearing fruit.

"And in 2017, we received the news that our Irizar i8 coach was recognised as the Best Coach of the Year in Europe."

Of course, we continue our unshakeable commitment to the sustainability and well-being of our customers and citizens. After the technological breakthrough of the launch of the new Irizar product range in the last two years, with its two star products, the Irizar i8 and the Irizar i6S, in addition to the new range of hybrid products, the time has come to complete the range of electric buses.

At the last Busworld fair we presented our articulated 18 metre Irizar ie tram which extends the current supply of electric vehicles to articulated vehicles with opportunity charging; next to it will be the well-known, tried and tested sector benchmark, the Irizar ie bus.

The new Irizar ie tram is fully fitted with the Group's technology in electronics and communications as well as in its main systems: power train, batteries and charging systems.

We are starting to feel that we are already important in Europe; that our efforts of recent years in technology, sustainability and customer proximity, in short in strengthening our brand, are now starting to produce results.

We would like to give our heart felt thanks to our clients for getting us where we are. Thank you very much to everyone - we will do our best, we will do the impossible, not to disappoint you in the future.

We are therefore continuing along our path of solid growth with a commitment to our customers and to society, which we demonstrate by trying to offer more value added in key areas in the world today such as safety, comfort and sustainability.

Many thanks to all of you,

José Manuel Orcasitas
General Director of Irizar Group



2017, A year of great achievements

Recognition of a successful strategy

2017 was a year of great success and achievements for our group. It was a year when the Irizar i8 coach emerged as the international **Best Coach of the Year for 2018** and Irizar was awarded the Prize for the **Best European Coach Manufacturer**.

We have also been recognised as the Best Company in Gipuzkoa and we won the Basque Country Innovation Prize. Additionally, the Irizar i6S has been recognised as the Coach of the Year in Spain.

These results are a recognition the great strategic leap taken by Irizar in recent years, to position itself among the best independent European manufacturers (OEM).

We are continuing to develop our strategy of seeking synergies among all Group companies. Every day there is more integration between all the companies and, in addition to developing the products and markets in the business areas of each company, we are achieving great technological advances and synergies in the products and systems in our entire range of electric buses and coaches.

We are now a solid Group, a prestigious European and worldwide group and we have a presence in six business areas:

Business Areas



Passenger transport

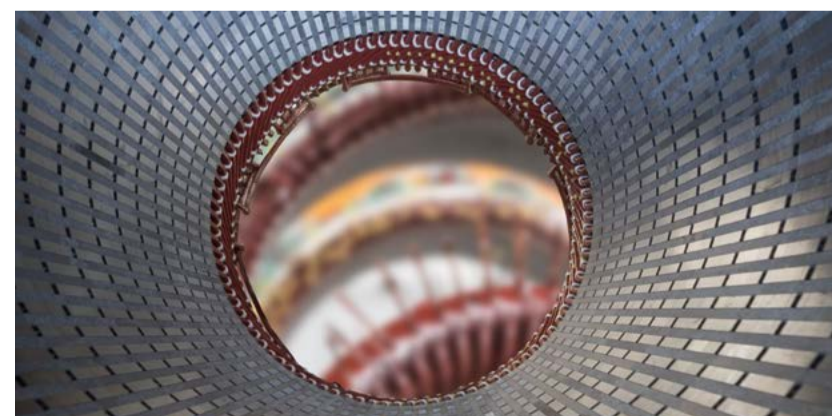
Irizar provides a wide range of coaches and buses ranging from integral coaches and 100% electric buses, to hybrid technologies in Class II vehicles for urban and intercity services, as well as conventional coaches.

Components and systems are also being developed within the Group for road and rail passenger transport. Masats specialises in accessibility and infrastructures. Hispacold develops climate technologies, air purifiers and defrosters. Datik develops devices that capture and manage information generated by vehicles that facilitates driving, diagnostics and preventive maintenance



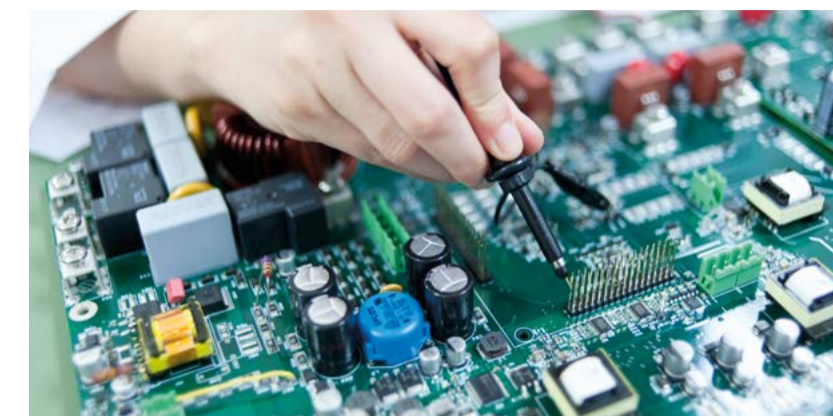
Electromobility

With Irizar e-mobility, the Group provides comprehensive mobility solutions to cities and citizens, including both 100% electric buses and the main infrastructure systems needed for charging, traction and energy storage.



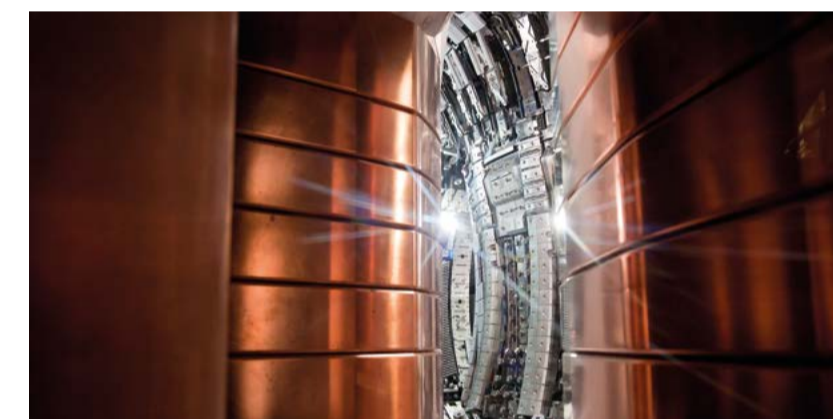
Motors and generators

Development and manufacture of drive or power generation systems for the marine, hydraulic and industrial sectors.



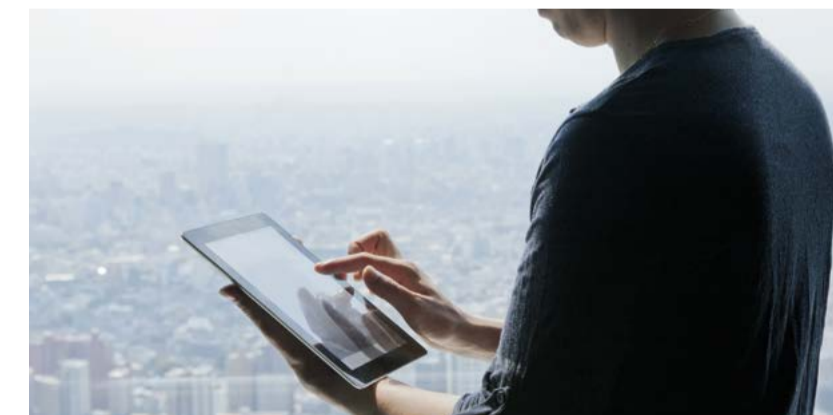
Electronics

Jema takes care of the 100% multiplexed electronics architecture that makes systems smart so they can provide new functions, reduce the quality of cabling and facilitate vehicle diagnostics. Also of note are the AEB-LDW driving assistance systems and the HMI control and console.



Energy

Jema principally dedicates itself to the design and manufacture of power supplies and Smart Grid solutions for the conversion of renewable, solar, wind and hydroelectric power into energy that is suitable for storage and subsequent injection into the grid.



Connectivity

Datik unites intelligent driver assistance systems with a range of optional equipment to offer the driver and passengers an optimal form of mobility. Extensive experience in machine vision and deep-learning makes it possible to provide fleet management, preventive and predictive maintenance and autonomous driving systems

Annual report in figures - 2017

One more year, we are proud that we can speak of growth within the Group. And especially at Irizar Ormaiztegui that along with Mexico are once again driving growth.

The Irizar group has once again grown to 620 million euros.

Our valuation is excellent and it could not be otherwise given that we have increased our domestic market share to above 40%.

In Spain, we beat the production record again in 2017 with 800 units.

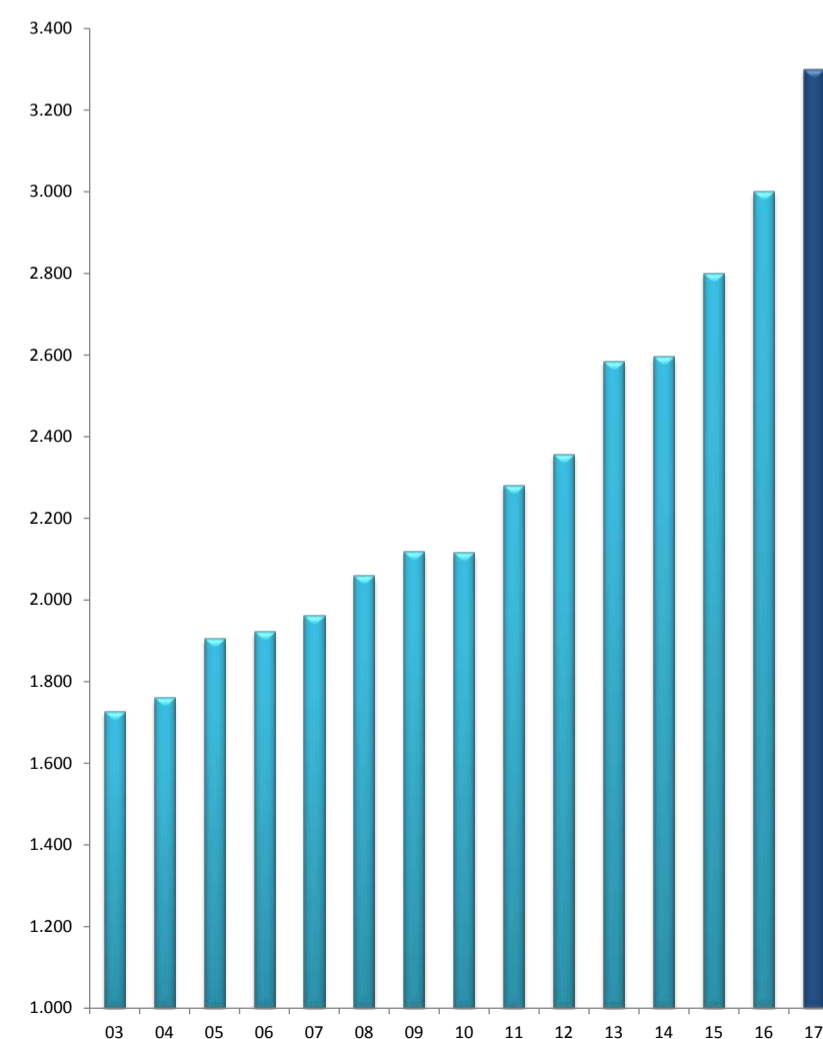
Irizar Ormaiztegui's turnover is again 50% of the Group's, supported by a growth in unit volume united with the added value of its products. We keep growing, to a greater degree, in our own products, integral coaches, which accounted for almost 30% of coach production in the parent company.

We manufactured 2950 Premium coaches in the Group, of which 1320 were manufactured in Spain for European markets.

Out of that total, 500 coaches were Irizar brand integral vehicles.

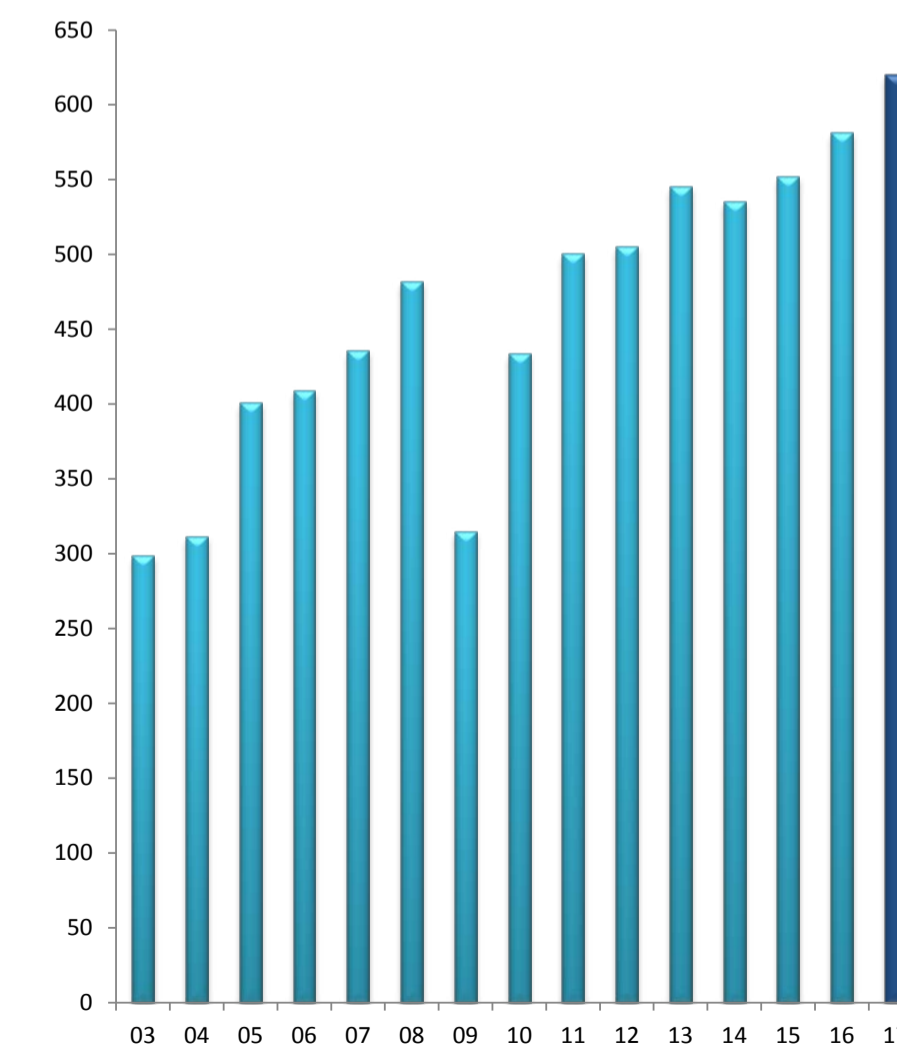
Job creation

No. of people



Sales

Million euros



Global growth

Coach companies



Irizar Mexico

The effort involved in manufacturing 4 coaches a day, totalling 900 in all, should be noted. Once again, Mexico is the group's largest market in the world.

The start of manufacturing of the i8, our top-of-the-range model, and the great reception it has received, have made this jump in sales volume possible in this country.

Irizar Brazil

Our industry in Brazil is still in the midst of a deep crisis and, although we are still committed to the country, until the internal situation changes, we will continue with our strategy of increasing exports to South American countries, Australia and South Africa.

Australia, Chile and Peru continue to be the main destinations for exports



Other group companies

The other Group companies have performed similarly to the coach companies, which is why they continue to account for a similar share of the Group's total turnover.

The highlight of 2017 was the creation of the new company, **Irizar e-mobility**, which is dedicated to offering integral electromobility solutions for vehicles as well as their main components and systems for cities. Located in Aduna (Gipuzkoa, Spain), its plant has a covered surface area of 18,000 m² and sits on a 37,000 m² plot.

The Group is now made up of twelve companies that carry out their production activities in Spain, Morocco, Brazil, Mexico, South Africa and the USA, in addition to an R&D Centre which is focused on applied research and technological development of the Group's products and systems.

In Morocco, this year we again reach a record turnover from covering the country's luxury market demand and from assisting Irizar Ormaiztegui with the manufacture of units of the Century model for European markets.

Irizar Maroc continues to build on its growth in the Moroccan market where it is the undisputed leader in the luxury coach segment, with a market share close to 100%.

In August last year, an extension of more than 3,000 m² was completed - 20,000 m² of covered space is now available to accommodate Irizar's latest generation of forming machinery production tools.



Important milestones

The Irizar i8 coach, the Best Coach Of The Year 2018 in Europe

A jury of specialist journalists from the most prestigious magazines in the sector in 22 European countries has decided to award the prize to Irizar i8 for its countless attributes and the high added value it offers.

The exceptional performance and response of the vehicle during the Euro Coach braking and acceleration tests and the open road driving tests on a mixed 30 km route between dual carriageway and secondary road have given Irizar i8 a victory.

The award recognises the great strategic leap taken by Irizar in recent years, to position itself among the best independent European manufacturers (OEM).

The Irizar i8, together with the other coaches of its range, is the pillar on which this brand is building its future prospects in the long-distance and occasional service sector. It can be affirmed therefore, that Irizar currently has the best range of coaches in Europe as affirmed by the numerous customers who have new generation Irizar vehicles.



The Irizar i6S coach, awarded 2017 Coach of the Year in Spain

The Irizar i6S, released to the market last year, follows in the footsteps of the Irizar i8, with successes wherever it goes. Like the Irizar i8 in 2016, the Irizar i6S has been named "2017 Coach of the Year in Spain".

The Irizar i6S is a coach designed for medium and long distance and discretionary lines and is the best-selling coach in the Irizar range. In just ten months more than one thousand units have been sold.

New operators and operators loyal to the Irizar brand have chosen this coach model for incorporation into their fleet. The main reason why this new coach model is selected by our customers is because they wish to be at the cutting edge of technology, to be benchmarks in their image and offer passengers a service that is unique, safe, modern, personalized and comfortable.



Irizar company awards

In addition to awards for its products, Irizar received 4 awards in 2017.

2017 Gipuzkoa Company

Irizar's capacity to adapt to a changing market and reinvent its business, going from manufacturing bodywork to manufacturing buses and coaches, its industrial diversification strategy and its commitment to electromobility have made it deserving of the award for best company in Gipuzkoa in 2017, given by the Gipuzkoa Chamber of Commerce on its 25th anniversary.



Award for the Best European Coach Manufacturer in 2017

Irizar received the award for best manufacturer of the year by the Busworld Academy Award.



2017 ACICAE Automotive Award

Irizar has received an award from the Automotive Cluster of the Basque Country in the category of top level builder or manufacturer for its "global career and its evolution towards integral manufacturing and its commitment to electric buses".

Innobasque Award 2017

Irizar received this award for making innovation a constant part of its organisation. The awards recognised 10 people representing the diversity of the 1053 member companies of Innobasque and the innovative capacity of their network which, in collaboration, is building a better future for Euskadi. Pa ventiore deliquat archill



Irizar ie tram bus launch

The e-mobility range of buses is being expanded. The existing 12 metre long models are now joined by 10.8 and 18 metre models. At the Coach & Bus fair held in Birmingham in October, we made the world premier presentation of the Irizar ie tram and its technology and the new pantograph charging system.

The Irizar ie tram is a new urban mobility solution for transporting a greater number of passengers. The vehicles are 18 m long with a 100% electric motor and zero emissions. They provide a solution for fast, connected, high capacity transport with a pantograph charging system. And they include all the main infrastructures systems necessary for charging, drive systems and energy storage developed and created within the Irizar Group.

The Irizar ie tram is an articulated 18 metre bus. It is a vehicle with the aesthetic attributes of a tram, developed based on the idea that the

design participates in the attractiveness of the service and in the development of comfort for the citizen. Its innovative design breaks with the classic transport codes and enhances the charm of the city.

This 18-metre vehicle has capacity for 155 people, making it unique among electric buses. It can accommodate two areas for wheelchairs, one area for a folded pushchair and four seats for people with reduced mobility. The fitting of these areas consists of a stop request button in Braille, signs for the reserved seats (size and colour of the seats), a buzzer indicating the stop request and approved signs in the wheelchair space. In summary, it is a vehicle that is accessible for all.



Irizar e-mobility, mass production of complete electromobility solutions

With Irizar e-mobility, the Group provides complete mobility solutions to cities and citizens, including both 100% electric buses and the main infrastructure systems needed for charging, traction and energy storage.

The current portfolio of orders and the high demand for zero emissions products that is shortly expected to materialize has spurred the Irizar Group to begin mass production at the new Aduna plant which is geared exclusively towards the development and manufacture of electromobility solutions for cities.

The first hundred direct and indirect jobs have already been created and we are starting our journey in this area by producing and offering advanced technology products that mean that we can be competitive from Europe.

In addition, the new Irizar e-mobility factory has been designed to host its own test tracks and test benches in order to guarantee the reliability and efficiency of the equipment and test the technology incorporated into the vehicles, as well as their components and systems.

The Irizar hybrid - exceptional consumption

After more than a year of operations and more than one million km, it's been shown that our hybrid coaches have 20% lower consumption than a conventional diesel coach.

In 2017, Irizar broadened the market penetration of its hybrid class II with the i4 and i3LE models, which are being offered in all European markets.





The Irizar Brand

Support Throughout the Process, Maximum Efficiency

The development of Irizar's brand strategy based on technology, sustainability and customer focus, which has been developed in recent years, is proving very fruitful.

The service network is still in the process of expansion and it is currently possible to locate an approved Irizar warranty workshop in all places where its coaches operate. Moreover, R&M services are increasingly being offered so that the customer has Irizar as its sole contact.

We offer close support and guidance to our customers which translates into maximisation of a vehicle's reliability and availability, a very competitive TCO, below-average CO2 emissions and an after-sales service which is a benchmark in the sector.

We provide customised solutions, designed and created to offer you the best: (financing, repair and maintenance contracts plus collection

of your used vehicle). The availability of a fully guaranteed comprehensive repair, tune-up and maintenance service 24 hours a day, 365 days a year remains a feature that sets us apart. We have a help desk in each European country and a central help desk with 24hr support, 365 days of the year.

The residual value of our vehicles is very high, which also reduces their financing cost.

We also provide integrated electronic management and Irizar connectivity, as well as fleet management solutions and remote diagnosis that result in a considerable reduction in consumption and emissions.

Technological Innovations

At Irizar we provide customers and society with high added value, state-of-the-art products and services that incorporate multiple pioneering technological solutions produced by the knowledge of the entire Irizar Group. Technologies designed to solve the great challenges of the present and the future. As a result of this strategy and this knowledge, we have unveiled the new generation of Irizar engines to the market, along with a new Irizar virtual dashboard.

The new generation of coaches offers the minimum TCO (total cost of ownership), with the following basic elements: minimum fuel consumption, long oil and filter change intervals (up to 150,000 km), particle filter with automatic regeneration and without maintenance up to

700,000 km, very competitive spare parts pricing and a large number of service points throughout Europe.

The new Irizar virtual cockpit is the virtual dashboard that offers innovative functions both in terms of technology and quality.

This new Irizar technological commitment means that the driver can interact with the vehicle and constantly quickly obtain all the information needed for safe, comfortable driving.



The Irizar i6S

Our Best Seller in the UK and Peru

The new generation of Irizar coaches is reaping a harvest of new successes. Major operators worldwide remain loyal to the Irizar brand given the attractiveness of Irizar vehicles for implementing their different service strategies. Because it is very easy to find the vehicle that best suits their needs at Irizar.

The Irizar i6S, which was introduced onto the market in 2016, continues to reap success wherever it is launched and is becoming Irizar's best seller.

The right-hand drive version of this model of coach, which is adapted to the needs of the operator, was introduced to the UK market at the Coach & Bus 2017 trade fair, held in Birmingham on 4th and 5th October.

Peru has also been using this model since November 2017.



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Profiling the future of electromobility

The various companies that form part of the Irizar Group actively participate, hand-in-hand with major European brands, in key European projects for the future of electrification of cities and public passenger transport.

Self-driving vehicles

The AUTOMOST project (Dual Transport System Automatic Guidance) financed by the CDTI (Centre for Industrial Technological Development) of the Ministry of Economy of Spain.

The AUTODRIVE project, financed by the European Commission with the participation of a consortium of more than 40 companies from the automotive sector.

Energy efficiency

The EBSF2 project (European Bus System Of The Future 2), financed by the H2020 program of the European Commission.

Energy storage

The SADE project (Safe Storage Systems) co-financed by the Ministry of Energy, Tourism and Digital Agenda as part of the National Plan for Scientific Research, Development and Technological Innovation.

Fast and smart charging infrastructure

The ASSURED project (smart and fast large vehicle charging infrastructure), with a consortium of 40 participants from 12 EU member countries.

Connectivity - Big Data

Because we believe the goals for electrifying bus transport cannot be reached with current technology, the Irizar Group proposes the eFLEET project.



Corporate Social Responsibility
Contributing to the improvement of society

For more information see the
Irizar sustainability report