

PEOPLE, THE ENGINE OF MONDRAGON



ANNUAL REPORT
2016

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PEOPLE, THE ENGINE OF MONDRAGON

A connection of minds, emotions, responsibilities, visions, words and projects. A complicity that makes us stronger. A cooperative network that drives our progress. A commitment shared with society.

And a guide to the future.

BASIC FIGURES

In million euro €

BUSINESS DEVELOPMENT

	2015	2016	% Variation
Total Income	12.110	12.033	-0,6
Total sales (Industry and Distribution)	11.368	11.399	0,3
Total sales (Industry and Distribution)	317	457	44,2
EBITDA	1.122	1.031	-8,1
Intermediate Funds LABORAL Kutxa	18.753	19.619	4,6
Equity Fund LagunAro	5.798	6.325	9,1

EMPLOYMENT

	2015	2016	% Variation
Average jobs	74.335	73.635	-0,9
% of members in Industrial Area cooperative workforce	81	77,8	-3,8
% of female shareholders in cooperative workforce	43,0	42,9	-0,2
Rate of Industrial Area incidents or accidents	38,4	35,3	-8,1

SHAREHOLDING

	2015	2016	% Variation
Working members' capital stock	1.670	1.681	0,7
Number of members in governing bodies	810	810	0,0

SOLIDARITY

	2015	2016	% Variación
Funds for activities with a social content	22,7	22,6	-0,4
No. of students in educational centres	11.368	10.358	-8,9

ENVIRONMENTAL MANAGEMENT

	2015	2016	% Variación
No. of ISO 14000 certifications in force	72	73	1,4
Number of eco-design certifications	4	4	0,0

INVESTMENT IN THE FUTURE

	2015	2016	% Variación
% funds allocated to R&D from the added value of the Industrial Area	8,6	9,0	4,7
No. of Technology Centres and R&D units	15	15	0,0
Total no. of researchers	1.774	1.921	8,3

CURRENT CERTIFICATIONS

QUALITY

Over 90% of MONDRAGON sales with a certified quality management system.

INDUSTRIAL AREA

- 127 ISO 9001 certifications
- 33 ISO/TS 16949 certifications (automotive industry)
- 3 UNE-EN 9100 certifications (aerospace)

ENVIRONMENT

65% sales with an environmental management system.

INDUSTRIAL AREA

- 73 ISO 14001 certifications
- 4 ISO 14006 certifications
- 2 ISO 50001 certifications

SAFETY AND HEALTH

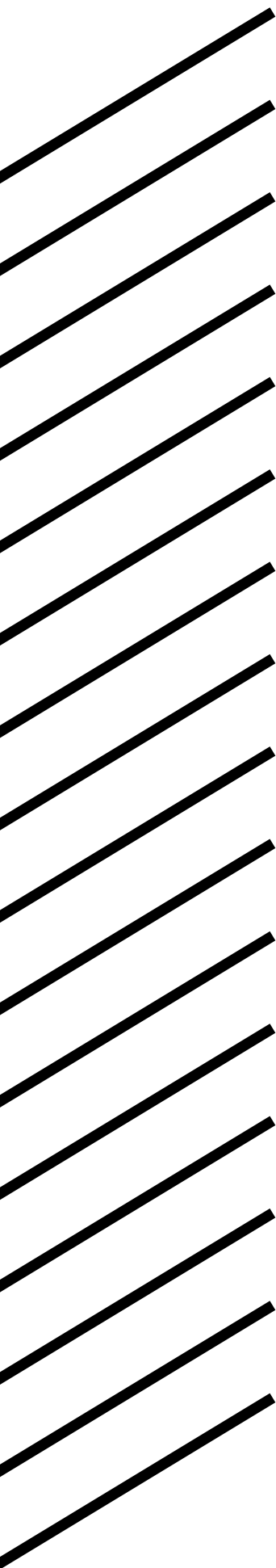
45% of workers with a certified occupational health and safety management system.

INDUSTRIAL AREA

- 43 OHSAS 18001 certifications
- 2 Healthy Company certifications de and 1 EFR certification

BASQUE

30 certification Bikain Basque certification



MONDRAGON

GENERAL COUNCIL

PRESIDENT:

Iñigo Ucin

VICE-PRESIDENTS:

Txomin Garcia, Finance Division

Agustín Markaide, Distribution Division

Iñaki Gabilondo, ULMA Group

Xabier Mutuberria, Lifting Division

Javier Oleaga, Components Division

Juan M^a Palencia, CHP Automotive Division

Pello Rodriguez, Machine Tool Division

Belen Kortabarria, Financial Management Division

Zigor Ezpeleta, Social Management Division

Arantza Laskurain, Secretary

STANDING COMMITTEE

PRESIDENT:

Javier Goienetxea, Distribution

VICE-PRESIDENT:

Lorea Barrutia, Components

SECRETARIA:

Arantza Laskurain, Corporate Centre

MEMBERS:

Lino Alberdi, Machine Tools

José Antonio Alustiza, Finance

Javier Amezaga, Distribution

Aitor Aspe, Automotive CHP

José María Azurmendi, Knowledge

Ander Bilbao, Tools and Systems

Mikel Del Rio, Construction

Ruben Gabilondo, Equipment

Julio Gallastegi, Finance

Raúl García, ULMA Group

Aitor Irure, Industrial Automation

Gotzon Juaristi, Automotive CM

Mikel Larrea, Distribution

Aitor Lejarzegi, Engineering and Services

Oier Lizarazu, Lifting

Leire Mugerza, Distribution

José Luis Pérez, Components



A NEW ERA FOR MONDRAGON, IN WHICH COMPETITIVENESS, THE ABILITY TO INNOVATE IN BUSINESS, AND INTELLIGENT INTERCOOPERATION BETWEEN OUR ACTIVITIES WILL BE KEY ELEMENTS FOR THE DEVELOPMENT OF PROJECTS THAT CAN GENERATE PROFITABILITY IN A SUSTAINED WAY.

MONDRAGON: A NEW ERA

2016 has been a turning point for MONDRAGON. During the fiscal year, the foundations of a new stage have been laid. The Conference, held in July 2016, established the new roadmap for the group. This new path pivots around the presentations “The MONDRAGON of the future” and “Social and Corporate Policy 2017/2020”, both documents having been unanimously approved at the Conference. The former aims to give a new momentum to the experience of cooperative values, migrating towards a new, more competitive organisational model and to restructuring financial intercooperation funds and instruments, while ***the challenge of the social and corporate policy for the new strategic cycle focuses on getting businesses to develop from sustainable competitive positions, based on five strategies: cooperative commitment and identity, financing, innovation and business promotion, intercooperation, and global presence.***

Thus, over the next few years, we will be adapting – in an experience of permanent adaptation – our Cooperative Experience to the agreements approved in the Conference.

Strictly in the corporate context, it should be noted that, in a global scenario marked by uncertainty, the Group as a whole has shown very positive figures. One highlight is the employment rate growth in the industrial area, with the generation of over 1,400 new jobs in 2016. This fact consolidates the evolution of the last triennium, in which more than 3000 new industrial positions have been created. The industrial area as a whole already employs a total of 34,329 people.

Another positive fact are the industrial investments made in 2016, reaching 326 million euro, with a significant increase of 56% over the previous year.

When taking into account the evolution of the main business variables, which we detail in this annual report, we must be optimistic for the future. The current world, a space in which our cooperatives operate, is a focus of uncertainty involving a certain amount of risk in our businesses, while representing an immense potential for new opportunities. Therefore, we must align our forces to optimise the synergistic effects of our activities and rely on our potential and experience to consolidate the positive evolution of recent years.

In summary, we have successfully overcome 2016 and are already immersed in a new fiscal year, and a ***new era for MONDRAGON, in which competitiveness, the ability to innovate in business, and intelligent intercooperation between our activities will be key elements for the development of projects that can generate profitability in a sustained way.*** This is based on the conviction that our cooperative model has to assume a competitive advantage that will translate into a greater generation of wealth in the environment.

IÑIGO UCIN
PRESIDENT





FINANCE

IN A CONTEXT OF HIGH COMPETITION AND ADAPTATION TO NEW REGULATORY REQUIREMENTS, LABORAL KUTXA REACHED 111.3 MILLION IN PROFITS THANKS TO THE CONTROL OF OPERATING EXPENSES AND THE HIGH CREDIT QUALITY OF ITS ASSETS.

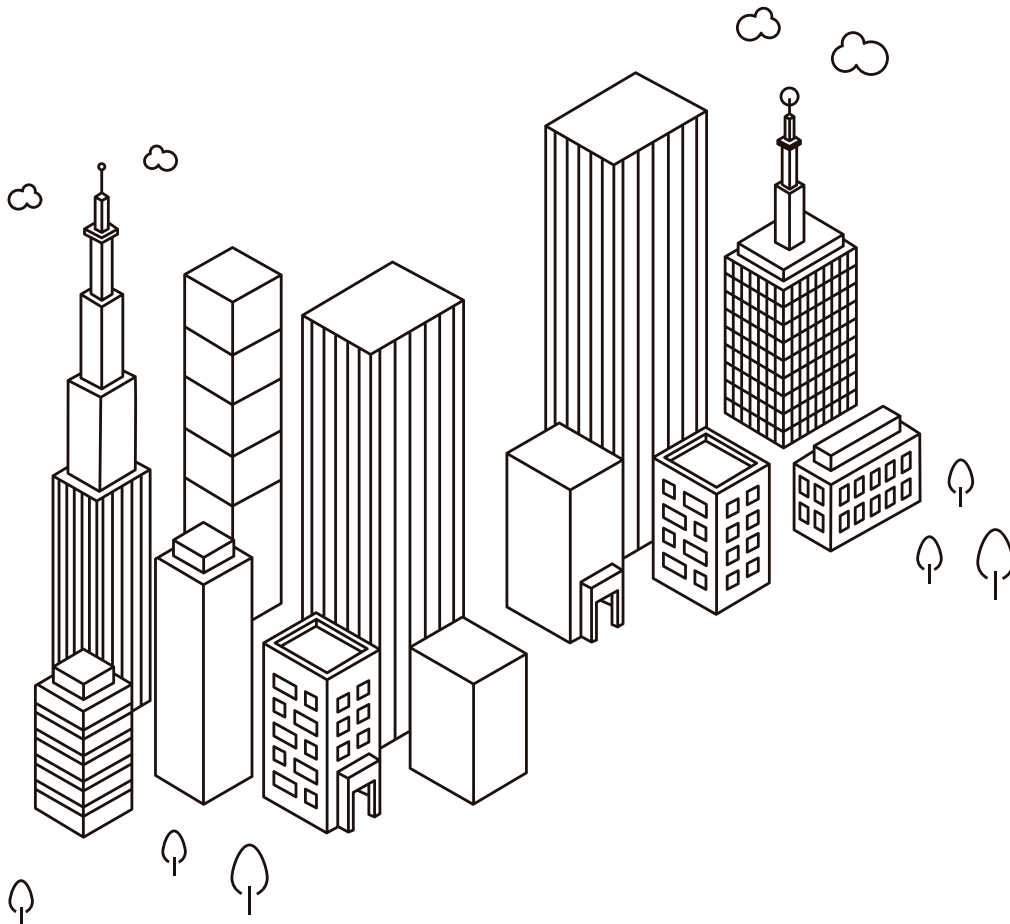
THE INSURANCE BUSINESS ALSO HAD A VERY POSITIVE EVOLUTION, ESTABLISHING A NEW MILESTONE.

TOGETHER, LABORAL KUTXA OFFERS A SPECIALISED BANKING AND INSURANCE SERVICE TO 1.2 MILLION CUSTOMERS THROUGH ITS 335 BRANCHES.

THE ASSETS OF LAGUNARO, EPSV REACHED 6.325 MILLION EURO.

FINANCE AREA

FOR THE FINANCIAL SECTOR, 2016 HAS BEEN EXPERIENCED AS A CONTINUATION OF 2015, IN AN ENVIRONMENT OF EXTREMELY LOW – AND EVEN NEGATIVE – RATES. FURTHERMORE, IT HAS BEEN A FISCAL YEAR MARKED BY DIFFICULTIES IN MAKING THE BUSINESS PROFITABLE, AS WELL AS NEED TO ADAPT TO THE NEW REGULATORY REQUIREMENTS. THESE REQUIREMENTS ARE CAUSED BY THE NEED TO PROVIDE THE BANKING SECTOR WITH GREATER CAPACITY TO OVERCOME POSSIBLE STRESS SITUATIONS WITHOUT CAUSING A DRAG ON THE ECONOMY AS A WHOLE, AS WELL AS THE NEED TO APPLY UNIQUE OPERATING RULES FOR THE ESTABLISHMENT OF THE UNION EUROPEAN BANK.



LABORAL KUTXA

IN THIS HIGHLY DEMANDING CONTEXT, LABORAL KUTXA CLOSED THE YEAR WITH A CONSOLIDATED PROFIT, AFTER TAXES, OF 111.3 MILLION EURO. IT HAS THUS OFFSET THE PRESSURE ON THE MARGINS OF THE FINANCIAL ACTIVITY THANKS TO THE CONTROL OF OPERATING EXPENSES AND THE HIGH CREDIT QUALITY OF ITS ASSETS. THE INSURANCE BUSINESS, WITH RESULTS OF 31.8 MILLION EURO, REPRESENTING A NEW HISTORICAL RECORD FOR THE COMPANY, HAS ALSO CONTRIBUTED SIGNIFICANTLY TO THE COMPANY'S RESULTS.

THE PROFITABILITY, SOLVENCY OR LIQUIDITY RATIOS REACHED ARE OUTSTANDING, THUS STRENGTHENING ITS BALANCE DESPITE THE DIFFICULT SITUATION. THE RETURN ON EQUITY (ROE) AMOUNTED TO 7.2% – ONE OF THE HIGHEST IN THE SECTOR. THE SOLVENCY IS EVEN MORE OUTSTANDING, REACHING 17.46% IN CET1 TERMS IN ITS FULLY LOADED FINAL VERSION, WHILE LIQUIDITY, AS MEASURED BY THE LTD RATIO (LOAN TO DEPOSIT), AMOUNTED TO 83%, REFLECTING A COMFORTABLE MARGIN IN THE GENERATION OF LIQUIDITY IN THE TYPICAL RETAIL BUSINESS.

Financing for companies and families. In commercial activity, the most relevant activity is the provision of new loans, which has had a notable upturn. The formalisations of mortgage loans, which have increased by 24% over the previous year, are a highlight. In the business field, a 10% growth has been reported in loans for financing the commercial activity.

One highlight is the InnovFin guarantee agreement signed between LABORAL Kutxa and the European Investment Fund (EIF), making, as of October 2016, 100 million euro available to innovative companies. Furthermore, there have been more than 1,500 independent contractors and small enterprises that have benefited from financing under highly favourable conditions, through another line of guarantees agreed with EIF for microcredit. The latter is the largest line of guarantees open at European level within the EaSI Programme for Employment and Social Innovation.

Results. Net interest income has decreased over the previous year, mainly due to the low interest rates. Therefore, the gross margin is also reduced to EUR 405 million.

Faced with lower revenues, the stress on operating expenses is an essential action, and the success in this management is reflected in the fact that expenses decreased by 1.3% in the year.

On the other hand, the high quality of its credit portfolio is reflected in a notable reduction of doubtful assets, so that

the delinquency rate had a 5.82% reduction – a highly favourable figure compared to the delinquency of the banking sector as a whole, which closed the year above 9%. Thus, since the level of coverage of doubtful accounts was very high, reaching 56.4%, the need in the year for provisions to cover risks and impairments has been significantly reduced, thus offsetting the lower revenues. Overall, the consolidated profit amounted to 111.3 million euro, as already mentioned.

Insurance Banking Business. In relation to the Insurance Business, the contribution of 31.8 million euro represents a 4.3% increase compared to 2015. These figures are supported by the good performance of the accident rate and improvements in efficiency and productivity, which have been emerging following the integration of the banking and insurance business, and are more relevant compared to the sector as a whole, in which the accident rate has increased due to the increased economic activity, as well as the increase in costs following the introduction of the new damage scale.

Currently, Laboral Kutxa offers a specialised banking and insurance service to 1.2 million customers through its 335 branches.

External support. The strength of LABORAL Kutxa is further endorsed by the rating agencies. Specifically, S&P has assigned it a BBB- rating in the long term, with a positive

outlook. The agency Fitch improved this rating, giving it BBB+, the highest possible rating for financial entities that operate exclusively at the state level. These external assessments position LABORAL Kutxa as the most solvent credit institution in the Basque Country, in recognition of its prudent, proactive management.

Hybrid omni-channel distribution model. Its balance sheet and income statement ratios show that the cooperative banking model remains a successful investment. Its corporate structure and corporate culture reinforce a quality differential in customer service, as those provide services and advice are partners of the bank itself. Comparative customer satisfaction and recommendation studies reflect the greater commitment of its people to providing care and service, and place them consistently in positions of excellence over their competitors.

However, the quality and specialisation in personal counselling is not enough in light of changes in consumer behaviour generated by the rapid emergence of technology, which requires the achievement of levels of excellence also in digital contact with customers. Thus, LABORAL Kutxa is immersed in an ambitious digitalisation and omni-channel development plan, with a logic of integration in contacts with the customer between different channels. It is a personal hybrid model – digital, efficient and always available to customers.

Specifically, the new mobile application launched in June has doubled the number of mobile banking users, from 90,000 to 170,000, and has enabled LABORAL Kutxa to report the highest penetration rates in C2C payments compared to the many banks that offer the Bizum app.

LAGUNARO, EPSV

THE FRIENDLY SOCIETY, LAGUNARO, IS FORMED, MOSTLY, BY THE MEMBERS OF THE COOPERATIVES THAT MAKE UP MONDRAGON. LAGUNARO FOCUSES ON THE SOCIAL WELFARE OF THIS GROUP AND THEIR FAMILY BENEFICIARIES, WITH A SIMILAR SCOPE TO THAT OF THE PUBLIC SOCIAL SECURITY SYSTEM.

IN GENERAL, 2016 CAN BE CONSIDERED POSITIVE IN TERMS OF THE MANAGEMENT OF THE DIFFERENT AREAS OF ACTIVITY OF THE ENTITY.

Contributors. At year-end, the group of active contributors of LagunAro, EPSV amounted to 28,413 policy holders, 146 less than the previous year. Of this group, the bulk (27,824 contributors) is composed of the active policy holders from the 131 cooperatives affiliated with LagunAro, EPSV. The benefits for Retirement, Widowhood and Permanent Disability, the coverage of which is guaranteed for long periods of time and for a large number of members, are financed through the arrangement of appropriate provisions that guarantee the corresponding pensions.

Pensioners. The group of pensioners (retirees and beneficiaries) experienced a net increase of 491 people during the year, reaching a total of 13,050 people at the end of 2016 (10,576 retirees and 2,474 beneficiaries). The total amount paid to them amounted to 170 million euro, 3.6% more than in the previous year.

Investments. In terms of investment management, which is crucial to guarantee the payment of pensions, 2016 was another difficult year for the financial markets, with high volatility as one of its main characteristics. In this context, portfolio management has focused on preserving the Entity's capital.

The net income generated in the income statement for the management of the investments of the Equity Fund amounted to 394 million euro.

In turn, portfolio investments have increased their market value by 206 million, and thus, total net investment management income reached 600 million euro, which means a return of 10.42%.

At the end of 2016, the Security or Solvency Margin, which measures the level of uncommitted assets, available to absorb deviations from Technical Provisions, reached 14.3% (10.9% in 2015) on said Technical Provisions with risk.

The **Equity Fund** increased over the year by 527 million to reach a total of 6,325 million euro at the end of 2016.

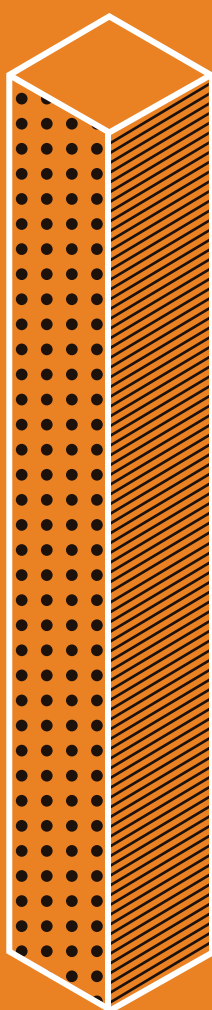
Distribution benefits. The amount of benefits paid in 2016, which are accessed by active policy holders and their beneficiaries, stood at 72 million euro, having decreased by 8.9% over the previous year.

Over the last years, **Employment Aid** has recorded an important volume of expenditure, becoming the distribution benefit with the highest level of expenditure. Nevertheless, in 2016, although the level of expenditure of this provision is still high (25.67 million euro), it has decreased considerably compared to the previous year (-21.1%). In this respect, 2016 can be considered a positive year, to the extent that the definitive solutions materialised (101 definitive relocations, 38 early retirements and 25 severances) have further reduced the number of partners declared in structural unemployment, which has changed from 979 at the end of 2015 to 855 at the end of 2015. Also, the high volume of temporary relocations has meant the number of people in effective unemployment has continued to fall throughout the year, from 120 to 82. As regards **Temporary Disability**, the expenditure amounted to 30.68 million euro, an increase of 2.3% over the previous year. In 2016, the Temporary Disability benefit has exceeded the level of expenditure of the Employment Aid. In turn, the rate of absenteeism in 2016 stood at 4.91%, which represented a 3.24% increase over the rate for the previous year (4.75%).

The cost of providing mutualised Healthcare, in its various forms, reached the figure of 11.81 million euro during the year, reflecting a reduction of 2.8% compared to the previous year.

Provisions known as **Family Benefits** (Maternity, Paternity, Risk during pregnancy, Risk during breastfeeding and Care of children affected by cancer or other serious illness) had a slight decrease in expenditure (-0.14%) as a whole, although there are differences from one performance to another. For example, the Maternity benefit showed a 1.9% increase over the previous year, while the Paternity benefit showed a 9.5% decrease.





INDUSTRY

THE MONDRAGON INDUSTRIAL AREA REACHED A TOTAL SALES FIGURE OF 5,132 MILLION EURO IN 2016, REPEATING THE FIGURE FOR THE PREVIOUS YEAR. INTERNATIONAL SALES EXCEEDED 3,500 MILLION EURO, ACCOUNTING FOR 70% OF THE TOTAL SALES.

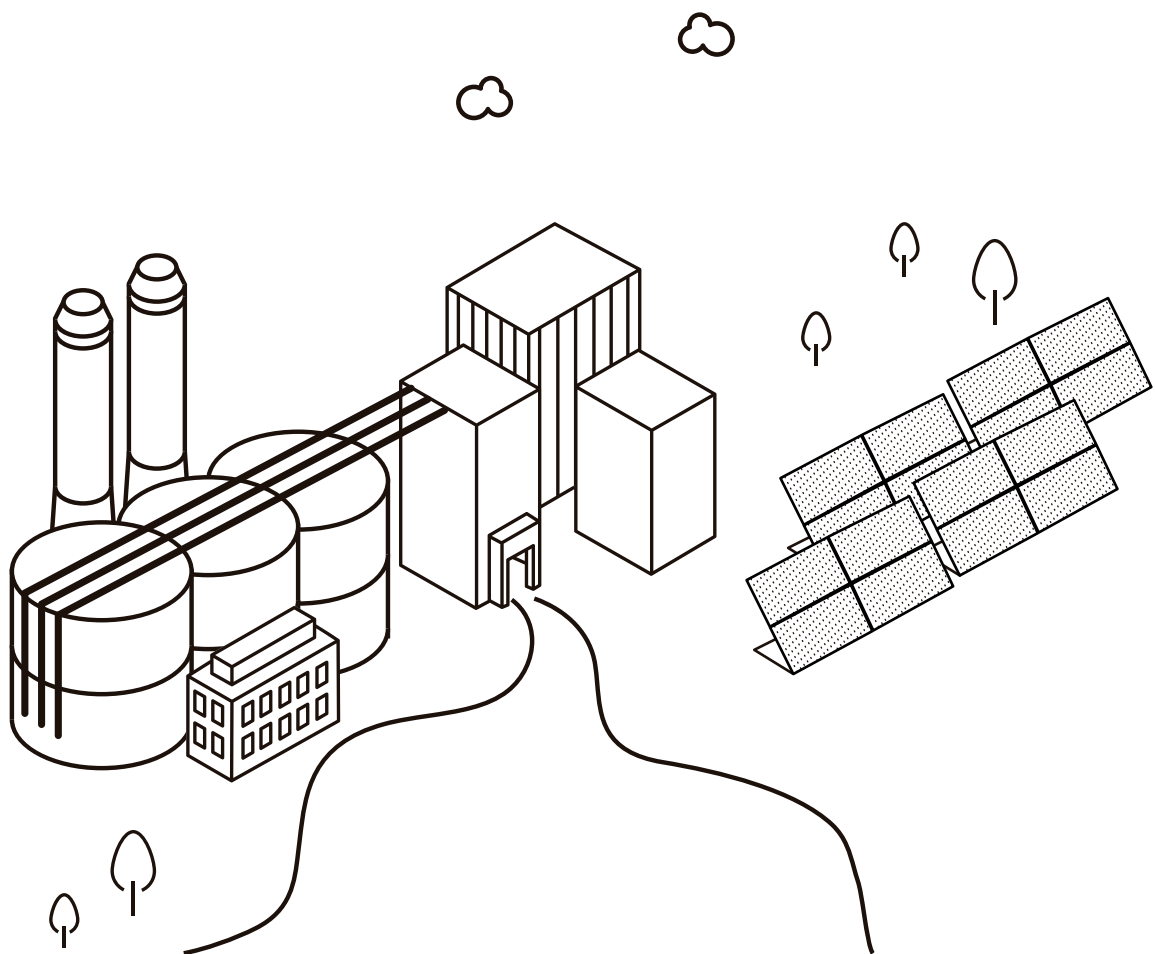
ANOTHER NOTABLE FIGURE HAS BEEN THE CREATION OF 1,404 NEW JOBS, BRINGING THE TOTAL WORKFORCE TO 34,329 PEOPLE.

INVESTMENTS FOR STARTING UP NEW PRODUCTION PLANTS AND IMPROVING THE EFFICIENCY OF THE PROCESSES TOTALLED 326 MILLION.

IN 2016, THE NEW PROMOTION MODEL WAS LAUNCHED, WITH THE AIM OF BOOSTING AND STIMULATING AN OPEN AND INTERCOOPERATIVE ENTREPRENEURIAL ECOSYSTEM TO RENEW AND UPDATE EXISTING BUSINESSES AND GENERATE NEW ONES.

INDUSTRIAL AREA

DESPITE ALL THE FACTORS OF UNCERTAINTY OCCURRING IN THE GLOBAL CONTEXT, ECONOMIC GROWTH IN 2016 WAS 3.1%, SLIGHTLY BELOW THAT OF THE PREVIOUS YEAR (3.4%). ONCE AGAIN, DIVERGENCES BETWEEN THE MAJOR ECONOMIES ARE NOTEWORTHY.

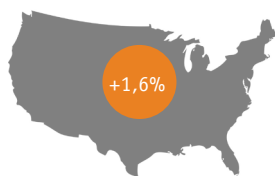


ADVANCED ECONOMIES

GROWTH IS STILL WEAK IN THE ADVANCED ECONOMIES, REACHING 1.7% IN 2016, 0.4 P.P. LESS THAN THE PREVIOUS YEAR.

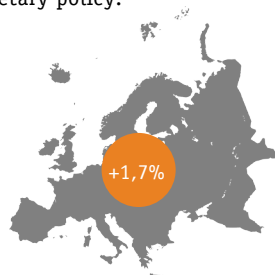
UNITED STATES

The United States grew by 1.6%, slightly below the increase achieved in 2015 (1.7%). Nevertheless, it is possible to mention certain consolidation in its growth, which has impelled the Federal Reserve to increase again interest rates.



EUROPE

The Eurozone achieved a 1.7% growth, compared to 2.0% in the previous year. This has meant that the European Central Bank maintains a commitment to its expansionary monetary policy.



SPAIN

Spain, in turn, has managed to match the level of growth of the previous year (3.2%), thanks to a significant boost in domestic demand.

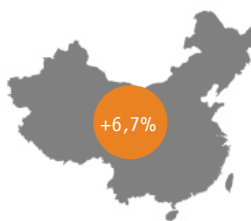


EMERGING ECONOMIES

AS FOR THE EMERGING ECONOMIES, THE GROWTH RATE WAS 4.1%, WITH UNEQUAL PERFORMANCES BY COUNTRY.

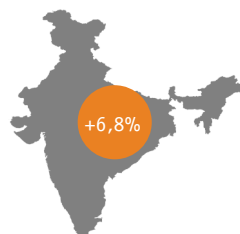
CHINA

China's growth has not lost its strength (6.7%), as a result of its ongoing stimulus policies.



INDIA

India has reported a 6.8% growth, above other Asian countries.



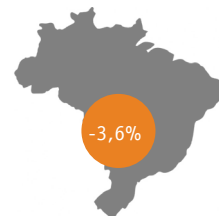
RUSSIA

Russia, on the other hand, aided by the effect of rising oil prices, appears to have hit bottom (-0.2%).



BRAZIL

Finally, Brazil is still plunged into a deep recession (-3.6%).



In this context, the MONDRAGON Industrial area as a whole has reached a total sales level of 5,132 million euro, a figure similar to that achieved in the previous year.

THE RECOVERY OF THE NATIONAL MARKET CONTINUES TO BE REFLECTED IN DOMESTIC SALES, WHICH HAVE INCREASED FOR THE THIRD CONSECUTIVE YEAR (5.0% MORE THAN PREVIOUS YEAR), REACHING A FIGURE OF 1,476 MILLION EURO.

IN RELATION TO INTERNATIONAL SALES, THEY REFLECT THE STRATEGIC COMMITMENT OF THE CORPORATION'S INDUSTRIAL COMPANIES IN TERMS OF INTERNATIONALISATION, REACHING 3,573 MILLION EURO IN SALES, WHICH ACCOUNT FOR 70% OF TOTAL SALES. THE HIGHLIGHT OF THIS AREA IS THE LAUNCH OF NEW PRODUCTION PLANTS AND MAJOR CONTRACTS IN INTERNATIONAL MARKETS.

PROFITABILITY

Regarding profitability, the net result for the previous year stood at 254.7 million euro, which confirms the path of profitability of all industrial businesses in recent years.

EMPLOYMENT

Regarding employment, the total average staff in the Industry Area during the year was 34,329, with 12,887 corresponding to jobs in production settlements of cooperatives abroad. This has meant a generation of 1,404 jobs, 307 of which correspond to the local scope and the remaining 1,030, to the employment generated in external establishments.

INVESTMENTS

Industrial investments made in 2016, aimed mainly at the start-up of new production plants and improving the efficiency of processes to gain competitiveness, have reached 326 million euro, exceeding by 56% those made in the previous year.

Another notable aspect is related to the commitment to innovation of the industrial companies of MONDRAGON. 1,921 people dedicated exclusively to R&D in all 15 centres specialising in various technologies, as well as Mondragon University and the industrial cooperatives. The aggregate R&D expenditure amounted to 160 million euro, with new product sales accounting for 6% of the Industrial Area sales.

TRAINING

On the subject of training, 8.1 million euro have been allocated over the past year for this purpose, divided into various programmes of both a technical and social-corporate nature. It is worth noting the Cooperative Training received by 1,641 people, and the Leadership and Teamwork Training received by 396 managers.

OCCUPATIONAL HEALTH AND SAFETY

In occupational health and safety, reducing the accident rate remains a fundamental objective, in which we reached an indicator of 27.48 accidents per 1,000 workers, with an increase of 2.4 points over the previous year. In this field, it is also worth mentioning that 27 industrial cooperatives hold the certificate for Occupational Hazard Prevention Systems in accordance with the OSHAS benchmark.

SOCIAL RESPONSIBILITY

Lastly, it remains to comment that in relation to the social responsibility of the cooperatives and the concern for the correct conservation of our environment, there are already 73 cooperatives which are ISO-14000 certified for environmental quality. In addition, standards related to social responsibility such as SR10 or SA8000 already have some certifications in cooperatives.

NEW PROMOTION MODEL

FOR APPROACH OF PROJECTS LINKED TO ADVANCED MANUFACTURING, SMART CITIES, HEALTH, ECOLOGY, NEW MATERIALS, AND THE ADVANCES OF THE DIGITAL REVOLUTION.

With regard to the promotion of new businesses, a New Promotion Model has been designed, with the aim of boosting and stimulating an open and intercooperative entrepreneurial ecosystem in order to renew and update existing businesses and generate new ones, with a strategy of growth and greater added value.

The preferred areas of interest are linked to those that, from a broad perspective, have an impact on the industrial environment of influence. This will address the approach of projects linked to advanced manufacturing, smart cities, health, ecology, new materials, and the advances of the digital revolution.

With this objective, the **MONDRAGON Promotion Centre** has been established as an instrument for this purpose, in order to fulfil the following objectives and functions:

COORDINATION OF THE RELEVANT AGENTS	Coordination of the relevant agents in promotion within the Industrial Area.
KNOWLEDGE OF EXISTING CAPACITIES	Knowledge of existing capacities and promotion strategies designed from a corporate overview, with the cross-referencing of recurrent trends and needs identified.
BOOSTING THE COORDINATION	Boosting the coordination of the existing initiatives and impetus for the generation of new businesses.
BOOSTING INTERCOOPERATION	Boosting intercooperation in the promotion.

In 2016, sixteen (16) projects were accelerated in the Feasibility Study phase, with 8 young companies already constituted, which are being tutored until they can reach their expansion phase.

MACHINE TOOLS

IN GENERAL, 2016 WAS ANOTHER POSITIVE YEAR FOR DANOBATGROUP, WITH A TURNOVER SIMILAR TO THAT ACHIEVED IN THE PREVIOUS YEAR, AT AROUND 264 MILLION EURO.

As for notable aspects relating to markets, the rise of European countries, in light of powers such as the United States and the low demand of China, should be mentioned. Regarding products, the major effort has been continued in recent years with regard to R&D and with the focus on specific solutions for parts in the selected sectors. This approach has enabled it to position itself as a world leader in certain applications for the aeronautical, railway, oil & gas, capital goods and automotive industries.

Noteworthy milestones include the start-up of the wagon and wheelhouse maintenance plant for one of the world's largest mining companies, based in

Australia, by Danobat. Also noteworthy is the construction of the largest milling machine ever built in the state by Soraluze, as well as the celebration of the 25th anniversary of its subsidiary in Germany.

Furthermore, in 2016, significant progress was reached in new solutions in the "Industry 4.0" environment, both with specific market-oriented solutions and in the large machining factory Goimek, adding new services that ensure greater competitiveness to the offer of **DANOBATGROUP**.

LIFTING

IN A GLOBALISED AND EXTREMELY COMPLEX CONTEXT, ORONA HAS CLOSED A GREAT FISCAL YEAR IN 2016.

The social and corporate project ORONA, thanks to its participation and personal and collective involvement, has been able to successfully manage a scenario full of uncertainties, which has come to stay.

ORONA continues its consolidation process in the global context and had a very positive performance in 2016, increasing its presence by reaching 652 million euro in revenue.

ORONA is a social-corporate reality, which stands out thanks to its already long-standing commitment to innovation and leadership in the world of services in the Lifting Sector.

Orona Ideo Factory is a long-term commitment and an open look at the world, which configures its space of collaborative innovation. This new ecosystem of innovation leveraged in the university, scientific, business and social agents allows it to provide its customers with the best products and services in the lifting market.

CONSTRUCTION

THE GROUP OF COOPERATIVES THAT MAKE UP THE DIVISION ACHIEVED SALES OF 411 MILLION EURO, REPRESENTING AN INCREASE OF 3% COMPARED TO SALES LAST YEAR. AT 263 MILLION EURO, INTERNATIONAL SALES HAD A 3% GROWTH IN RELATION TO THE INTERNATIONAL SALES FOR THE PREVIOUS YEAR, ACCOUNTING FOR 64% OF THE TOTAL SALES OF THE DIVISION.

On the other hand, in 2016, appropriate steps were taken for the integration of the *Domusa* cooperative in the Construction Division.

With regard to the intercooperation between the Division's cooperatives, synergies have been optimally exploited in the fields of joint purchases and trade.

Moreover, strategic planning of the division's cooperatives for the period 2017-2020 was carried out, with the identification of the strategies of each business and strategic objectives and actions to be developed in each business during this period.

MONDRAGON INDUSTRIAL AUTOMATION

WITH A SALES FIGURE EXCEEDING THAT OF THE PREVIOUS YEAR, AT NEARLY 329 MILLION, 2016 WAS A POSITIVE YEAR FOR THE DIVISION AS A WHOLE, WITH A GOOD RETURN, ABOVE EXPECTATIONS. THE THREE COOPERATIVES OF THE DIVISION HAD A GOOD PERFORMANCE, DESPITE THE LOW DEMAND IN THE ASIAN MARKET.

Fagor Arrasate highlighted for the year record figures in deposits obtained in its division of automobile presses, heavily investing in innovative solutions in servo presses. Fagor Automation has been able to overcome the low demand of China, also covering this low demand with the consolidation of

German acquisition customers and new innovative measurement solutions. *Mondragon Assembly* had a record year in fundraising and sales, driven mainly by the subsidiaries, as well as special solutions developed mainly for the solar and automotive sectors.

MONDRAGON AUTOMOCIÓN

THE GLOBAL BALANCE, WITH 93.3 MILLION VEHICLES SOLD, REPRESENTS A GROWTH OF 4.6% OVER THE PREVIOUS YEAR, SLIGHTLY HIGHER THAN EXPECTED, AS SALES IN CHINA INCREASED IN THE FOURTH QUARTER.

THE YEAR 2016 WAS MARKED A STRONG US MARKET, SUSTAINED GROWTH IN WESTERN EUROPE, AND AN UPWARD MARKET IN CHINA. ON THE OTHER HAND, IT CAN BE SAID THAT BRAZIL AND RUSSIA HAVE BOTTOMED OUT FOLLOWING THEIR DROPS IN SALES.

IN EUROPE, THE DEMAND HAS RECOVERED MOST OF THE VOLUME LOST DURING THE PERIOD 2009-2013. ALTHOUGH SALES WERE BELOW A FULL RECOVERY LEVEL, GROWTH TOWARDS THAT POINT IS LIKELY TO SLOW DOWN, PARTICULARLY FOLLOWING A LIKELY POST-BREXIT STAGNATION OF THE UK CAR MARKET. IN ADDITION, THERE ARE RISKS ASSOCIATED WITH THE POLITICAL INSTABILITY IN SEVERAL EUROPEAN COUNTRIES.

RUSSIA'S RECOVERY HAS YET TO MAKE HEADWAY, ALTHOUGH THE MARKET MAY BEGIN TO GAIN TRACTION THIS YEAR, BUT THE CURRENT VOLUME OF THIS MARKET IS AT HALF THE MARK OF FOUR YEARS AGO, SO RECOVERY MAY BE SLOW.

THE US MARKET HIT ANOTHER RECORD, ALBEIT WITH MINIMAL GROWTH IN 2016. THE TOTAL OF 17.5 MILLION VEHICLES SOLD KEEPS IT IN THE 2ND PLACE IN THE WORLD SALES RANKINGS.

IN CHINA, THE 5% TAX CUT IN LATE 2015 BOOSTED SALES FOR THE YEAR 2016. THE APPROXIMATION OF THE END OF THE REDUCTION OF THIS TAX, WHICH WOULD THEN RETURN TO 10%, CAUSED A PEAK IN DEMAND IN LATE 2016.

MONDRAGON Automoción CHP. Chassis & Powertrain (CHP) achieved the quantitative objectives of its 2016 Management Plan, with 678 million euro in sales and improved results. During 2016, significant progress was made in attracting both future projects and consolidating medium-term activity in local plants, as well as in international establishments.

Specifically, **Fagor Ederlan** raised over 100 million euro in 2016, which represents a 14% growth in components in Europe in the next years, with a greater impact of aluminium casting technologies. In the overseas locations, the focus has been on the development of global platforms for BMW and Daimler in China, as well as the creation of a new low-pressure aluminium plant in Mexico. **Mapsa**, with 75% of the portfolio in the year, reached the milestone of 2.6 million tires, increasing its customer base with Ford, Kia, VW, and Suzuki. **Ecenarro**, in its first year in Mexico, obtained 2.1 million in sales,

with a 6% growth. Its funding focused on special stamped parts for steering, transmission, and wheels.

The commitment to innovation in lightening and aesthetic components has made possible the development of new products in collaboration with customers. In the case of Fagor Ederlan, this includes bimetallic products, structural parts in aluminium, lightened designs, and hollow pieces. At Mapsa, this has been made possible thanks to the lightweight designs and investment in diamond finishing and more complex finishes. Finally, at Ecenarro, this includes the development of products in cold stamping of non-asymmetric geometry, elimination of machining, and lightening operations.

MONDRAGON Automoción CM. The year ended with an 8% sales growth compared to the previous year's turnover, reaching 550 million euro. The results obtained were very good at both cooperatives.

Maier and Cikautxo achieved a good acquisition figure, which will ensure the workload in the medium term, provided that the trend in the models and brands is as expected.

A highlight is the investment effort made both in productive means in existing plants, to adapt and increase capacities and facilities, and in new implementations.

Over 2016, Maier achieved an important milestone towards reaching a global presence, with the joint venture in China, which places it in this market with two new plants. Similarly, the expansion of the chrome-plating capacity in the Czech Republic and India will substantially increase its turnover.

2016 was also an important year for Cikautxo in its international deployment, with the implementation of the mixing room in China, a new production plant in Romania and the start of production of volumes in Mexico, thus consolidating its global presence in the relevant automotive markets.

MONDRAGON Tools and Systems. The Division has achieved a sales level of 389 million euro, a slightly higher turnover than the previous year.

Aurrenak closed 2016 with consolidated sales close to 27 million euro, 95% of what was foreseen for the management plan and for previous year.

Nevertheless, the decrease in funding was somewhat more pronounced, remaining at 86% of what was expected.

This reduction has been only partially offset by the good performance of other markets such as China and the significant takeovers in joint projects with Loramendi for inorganic technology.

In Mexico, a very positive year was closed in terms of growth and results, which have been greatly devalued by the strong depreciation of the peso in the final months of the year.

Batz. In 2016, the consolidated sales figures of the Batz Group continued to grow compared to previous years, with a good rate of return. **Batz Tooling** continued to position itself among the leading European die-stamping companies. With a level of investment of over 10 million euro in 2016, it has the professionals and productive means that its customers demand. After the acquisition of Batz Araluce, the business integrates more than 420 people and has raised its annual production to over 70 million euro. **Batz Automotive Systems** reached a sales figure of 174 million euro, despite the threats to the plant in Mexico, the crisis in Brazil, and the uncertainty of the Chinese market. At the European level, the highlight is the great year of the Zamudio plant. In the **Energy** business, solar thermal projects have materialised, allowing the continuity of the activity. Progresses have also been made in diversification following the approval of a prototype for photovoltaic solar energy with its own tracker, with the aim of capturing a project in 2017.

MB Systems. In 2016, the production forecast was fulfilled, with a 18% growth over the one reached in 2015. At the plant in Mexico, a first order with a large volume was achieved. This should serve both to strengthen the business project and for use as a sales argument for various new customers in the automotive sector in the Naphtha business.

Matrici. 2016 was a year of change for the Biscay-based cooperative, with the development of a solid model of strategic planning, dimensioning and structuring of the technical and management teams, increased production, funding, investment, and presence in the market.

Loramendi. The year has ended with good results in an environment of low demand in the market, culminating in the achievement of major projects for the year 2017.

MONDRAGON COMPONENTS

2016 WAS A YEAR OF CONSOLIDATION OF THE GROWTH EXPERIENCED IN 2015, WITH 627 MILLION EURO IN SALES, AGAIN EXCEEDING THE MILESTONE OF 600 MILLION. THIS OCCURRED DESPITE THE DISAPPEARANCE OF THE DIGITAL DIVIDEND AND THE "EFFICIENT COOKING PROJECT" OF ECUADOR, BOTH BEING VERY IMPORTANT PROJECTS IN 2015, WHICH FAILED TO YIELD SIGNIFICANT SALES IN 2016.

The consolidation of this turnover was achieved thanks to the growth derived from the improvement in positioning of the White Goods and Home Comfort line, the increase in activity in auxiliary businesses such as plastic injection, and sensor solutions for sectors such as wind power and others.

Globalisation and the concentration of supply and demand are boosting new forms of relationship with the market in which size and notoriety are key factors. In this scenario, in which dimension is a key factor, the idea is to compete based on the intercooperation between the cooperatives of the division.

In that sense, the relationship with the large groups of the White Goods with long-term agreements is being intensified, retaining the global position of the businesses and the market share in all the regions and particularly in the United States and Asia, with solutions of greater added value through the relevant international presence of the cooperatives. This section highlights the growth in solutions related to both home and professional cooking, through gas, electrical, and electronic technologies. Similarly, significant progress was made at Lavado, following the introduction of innovative engine solutions that open new horizons for business development.

EQUIPMENT

THE YEAR 2016 WAS MARKED BY THE DIVISION IN THE SALES LEVELS PROVIDED IN THE MANAGEMENT PLAN FOR THE YEAR AND A 3% GROWTH OVER THE PREVIOUS YEAR, AS WELL AS THE CONSOLIDATION OF ITS DEGREE OF INTERNATIONALISATION, WITH INTERNATIONAL SALES OF 75%. THE RESULTS ALSO EXCEEDED THE FORECASTS.

Osatu and **Urola** had a positive evolution, with an impact on the positive results of both cooperatives. **Dikar** reached a major growth in sales and results thanks to the positive evolution of the Bergara brand products. The growth path of **Orbea** was resumed thanks to the increase in the proprietary network market and the evolution of the E-Bike segment. Hertell had a sales level similar to that of the previous year, despite ostensibly improving results. Another positive, albeit more moderate, evolution was reached by Eredu, with the growth and internationalisation of designer furniture products under the Enea brand. Oiarso and **Ederfil** reached sales levels similar to previous years, yet with stable profitability levels.

In the second half of 2016, a restructuring plan for **mccgraphics** was implemented, allowing for the containment of accumulated losses until that moment and favouring a timid but positive return to the path of profitability.

In the high degree of internationalisation of the division, the main highlights include the launch of the new Urola plants in Russia and China, the new Dikar plant in the United States, and the start of the Osatu joint venture in China.

ULMA GROUP

IN GENERAL, 2016 WAS A GOOD FISCAL YEAR FOR ALL THE COOPERATIVES OF THE ULMA GROUP. THIS HAS BEEN POSSIBLE DESPITE THE UNFAVOURABLE EVOLUTION OF SOME GEOGRAPHIC MARKETS OR THE CRISIS THAT IS AFFECTING THE MARKETS FOR RAW MATERIALS AND, IN PARTICULAR, OIL, IN WHICH THE ULMA GROUP HAS A RELEVANT POSITION.

In the fiscal year 2016, the ULMA Group achieved 700 million euro in consolidated sales, with 503 million in international sales, representing 75% of total sales of products and services. This has been achieved due to the significant efforts made to improve international positioning, as well as the commitment to new products and services with higher added value.

At year-end, the total average employment in the ULMA Group amounted to 4,418 people, of which 2,471 correspond to the employment generated in the parent companies of the business and the rest in the international subsidiaries. The percentage of

cooperative members of the total employment in the cooperatives in 2016 stood at around 80%. For 2017, the ULMA Group business maintains its development plans based on international expansion, innovation, and new activities.

The ULMA Group has projected sales levels for the year 2017 at 725 million euro, the main highlight being the 547 million in international sales, which should account for more than 75% of the total Group sales.

ENGINEERING AND SERVICES DIVISION

THE YEAR 2016, HAVING BEEN GOOD IN GENERAL TERMS, HAS SHOWN TWO OPPOSITE RESULTS IN THE ENGINEERING AND SERVICES DIVISION. THUS, A GOOD PORTION OF THE COOPERATIVES HAVE APPROACHED THE FORECASTS AND EVEN REACHED IMPROVEMENTS OVER THE PREVIOUS FISCAL YEAR. IN CONTRAST, THE YEAR WAS NEGATIVE FOR THREE COOPERATIVES, WHICH HAD PROBLEMS IN RECRUITMENT AND ACTIVITY.

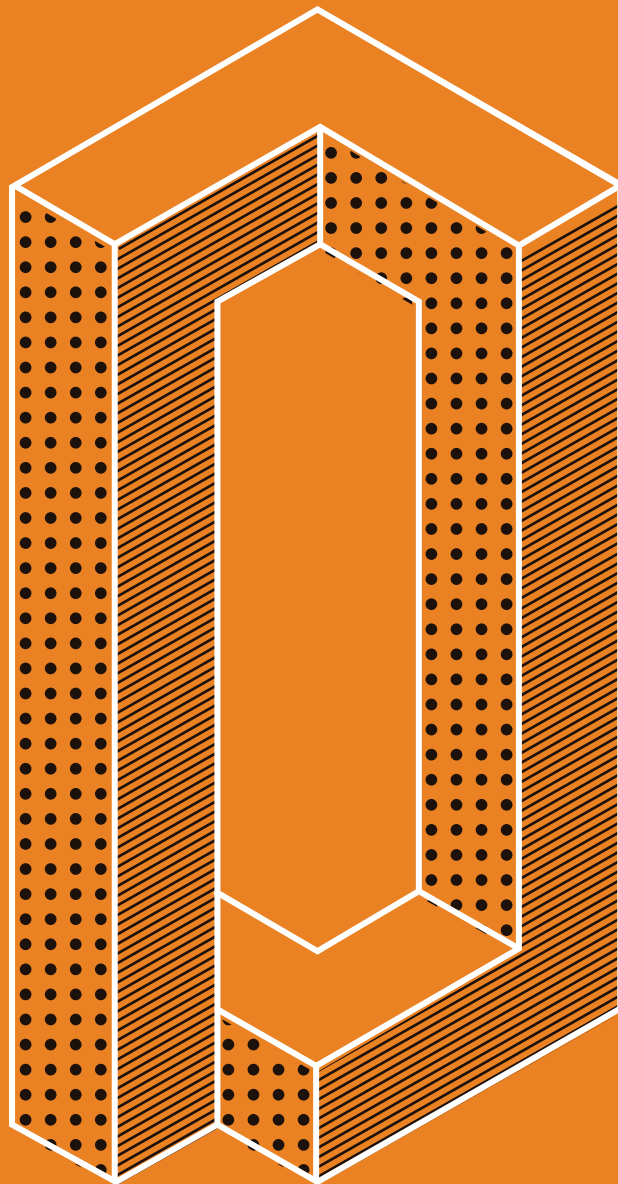
The divisional project has focused on the alliance signed with Bascotecnia, materialised in January 2016, in the search for turnkey projects in the metallurgical, health, education, and waste sectors. Progress was also made in the project for the possible integration of *mcctelecom* into *LKS* and *Ondoan*. The integration of *Sareteknika* into the Division was also completed.

Two new intercooperation projects were financed by the Divisional Promotion Fund: *Smart Cities*, with the participation of four cooperatives, and *MISE Energy Services*, a new company specialising in energy efficiency and services, materialised in

February this year through the collaboration between *LKS Ingeniería, MSI, Ondoan and Ategi*.

In the international scope, the focus has been particularly significant in Mexico, where *LKS, LKS Ingeniería, Ondoan, MSI and Alecop* were especially active (the latter through *MEi*), thus making the country a good place to experiment and develop intercooperation processes in this area.

The Division as a whole achieved 174 million euro in sales, an increase of 11% over the previous fiscal year. It has also grown in employment, reaching 2,033 average jobs, 130 more than in 2015.



DISTRIBUTION

IN 2016, CONSUMER CONFIDENCE CONTINUED TO REFLECT SOME IMPROVEMENT, ALTHOUGH IT DID NOT TRANSLATE INTO A SIGNIFICANT INCREASE IN CONSUMPTION IN THE IN-HOUSE FOOD SECTOR.

OVERALL, THE EROSKI GROUP RECORDED TOTAL SALES OF 6,051 MILLION EURO IN 2016, WHICH REPRESENTS A SLIGHT INCREASE IN RELATION TO THE PREVIOUS YEAR.

THE ERKOP CLUSTER HAD A POSITIVE EVOLUTION. ALL ITS COOPERATIVES ACHIEVED POSITIVE RESULTS, HIGHER THAN EXPECTED AND HIGHER THAN THOSE OF 2015.

DISTRIBUTION AREA

THIS AREA CONSISTS OF THE EROSKI GROUP, THE CORE BUSINESS OF WHICH IS RETAIL, WITH THE MAIN COMPANY BEING EROSKI, S. COOP. AND WITH ERKOP, A SECOND-DEGREE COOPERATIVE INTEGRATED WITH FIVE COOPERATIVES IN THE FOOD INDUSTRY, TOGETHER WITH ITS INVESTEE COMPANIES.

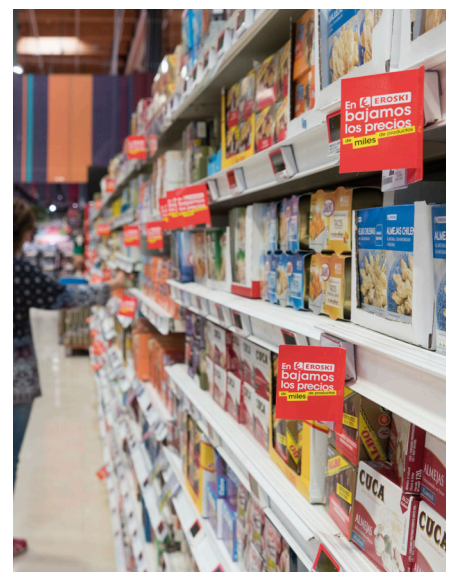
Consumer confidence continues to reflect some improvement, although it has not translated into a significant increase in consumption in the household food sector.

To **boost the market**, we are continuing to focus on the development of customer relationship programmes, reaching up to 260 million euro in 2016 in the transfer of savings to consumers through EROSKI Club savings platform and linking partner customers with the brand.

Healthcare and consumer well-being are consolidated the main axes of Eroski. Therefore, during last year, in addition to continuing to deepen its proposal for healthier products, new modules were incorporated into the Education Plan in Food and Healthy Habits (PEAHS). This initiative, launched in 2013, aims to offer specific contents on balanced nutrition and active leisure in the school curriculum of primary school

students who choose to join the initiative. The plan witnessed its target audience (the field of education) continue to welcome it with an extraordinary receptivity, exceeding the already excellent figures of the previous school year. In this school year, more than 120,000 students and over 1,000 schools were enrolled.

Innovation remains a constant in Eroski, present in all its activities, from the distribution platforms, passing through the products and work teams, to the stores. In 2016, the European Horizon 2020 project was approved for the development of a 100% biodegradable refrigerated juice bottle. The project, led by AMC and in which Eroski will have an active participation, making the final product available on the market and gathering opinions from final consumers, will have a duration of three years.



INNOVATION

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biodegradable refrigerated juice bottle. The project, led by AMC and in which Eroski will have an active participation, making the final product available on the market and gathering opinions from final consumers, will have a duration of three years.

THROUGHOUT 2016, THE EROSKI GROUP ALSO CONTINUED ITS SOCIAL INVOLVEMENT WORK FROM THE PERSPECTIVE OF THE SOCIAL RESPONSIBILITY OF THE COMPANY, WHICH IS DIVIDED BETWEEN SEVERAL CONCEPTS.

SOLIDARITY AND SOCIAL ACTION

The initiative has continued to promote solidarity with social projects of different entities through the sale of the Solidarity Bag, a reusable shopping bag that is sold at a symbolic price (one euro) and whose total benefits are fully channelled to various projects. So far, the Red Cross, Action Against Hunger, Oxfam-Intermón, Unicef and Food Bank projects have been strengthened thanks to the solidarity sponsored by Eroski. The sales of bags have reached a figure of over 675,000 units since its launch.

In the concept of solidarity, the Eroski Group has continued the Zero Waste Project. It consists of a sustainable development and solidarity project that ensures that all products that are fit for human consumption but have not been marketed for any commercial reason (a dent in the packaging, commitment to freshness, etc.), can reach, in a charitable, free and safe way, groups that are disadvantaged and at risk of social exclusion. This programme has been extended to the entire sales network. During the fiscal year, the programme resulted in the charitable delivery of roughly 5,000,000

euro in products to several dozen social institutions.

Overall, the Eroski Group recorded total sales of 6,051 million euro in 2016, which represents a slight increase in relation to the previous year, mainly due to the increase in sales of the stores transformed according to the new Contigo model.

With regard to profitability, the EROSKI Group closed its accounts with an operating result of 129 million euro, which represents a 20% improvement over last year's result. This result comes after the achievement of all commitments made with the bank, raising the total amount of the amortised debt to 500 million euro.

The final result of the Eroski Group improved by 63%, reaching 22.8 million euro, as a result of the deactivation of tax credits and EBITDA, which improved by 4 million euro, reaching to 244 million euro, which confirms the success of the "Contigo" business model and improved efficiency of the value chain.

INNOVATION REMAINS A CONSTANT IN EROSKI, PRESENT IN ALL ITS ACTIVITIES, FROM THE DISTRIBUTION PLATFORMS, PASSING THROUGH THE PRODUCTS AND WORK TEAMS, TO THE STORES.

ERKOP

2016 HAS BEEN ANOTHER GOOD FISCAL YEAR FOR ERKOP'S COOPERATIVES. OVERALL, SALES OF 216 MILLION EURO WERE ACHIEVED, WITH A SLIGHT INCREASE OVER 2015 FIGURES, SURPASSING FORECASTS BY 2 POINTS. THE YEAR ENDED WITH 9,643 JOBS, 607 MORE THAN EXPECTED, WITH AN INCREASE OF 520 PEOPLE OVER THE PREVIOUS YEAR. ALL COOPERATIVES ACHIEVED POSITIVE RESULTS, HIGHER THAN EXPECTED AND HIGHER THAN THOSE OF 2015.

In relation to **Ausolan**, 2016 was marked by a good evolution of commercial acquisition through large accounts (customers with multiple geographic locations). 42% of the sales were archived outside the Basque Country and Navarre. The Strategic Internationalisation Plan was also implemented, with visits conducted and contacts maintained with companies in the restoration sector in Mexico and Chile.

Meanwhile, **Barrenetxe** managed to achieve 15% of total sales in the "diversification" heading, with new local products. In addition, growth was ensured in the fiscal year through the diversification of local products for Eroski.

At **Behi Alde**, the area of fodder production has been increased to reduce the dependence of forages acquired, with the cultivation of 48 hectares of maize and transformation of 7 hectares of forest to meadows.

At **Miba** the agreement on the merger with Northern Feeds was implemented satisfactorily. Commercial agreements were with Ineko and Kaiku. Finally, transformation of the **Uneke** farm was initiated, with a reduction in rabbit farming activity and the introduction of a new poultry production for genetics.



KNOWLEDGE

THE OBJECTIVES AND FRAMEWORKS FOR THE PERIOD 2016-2019 WERE DEFINED AROUND FOUR INTERCOOPERATIVE VECTORS: ADVANCED MANUFACTURING, SMART CITIES, BIG DATA, AND RAW MATERIALS. FURTHERMORE, THE SCIENCE AND TECHNOLOGY PLAN FOR THIS QUADRENNIUM WAS ALSO APPROVED.

THE COOPERATIVES INTEGRATED IN THE CORPORATION HAVE 461 PATENT LINES IN FORCE, WITH 327 MILLION INVOICED LAST YEAR IN NEW PRODUCTS AND SERVICES.

THE MONDRAGON EDUCATIONAL CENTRES RECEIVE MORE THAN 8,000 STUDENTS.

KNOWLEDGE AREA

ITS HIGHLIGHT IS THE PROCESS OF PARTICIPATORY REFLECTION, CARRIED OUT WITH THE ULTIMATE AIM OF DEFINING THE CORPORATE STRATEGY OF TECHNOLOGICAL DEVELOPMENT IS PARTICULARLY NOTEWORTHY. IN THIS PROCESS, WHICH INVOLVED OVER 100 PEOPLE FROM DIFFERENT CORPORATE ENTITIES, THE OBJECTIVES AND FRAMEWORKS FOR ACTION FOR THE PERIOD 2016-2019 WERE DEFINED AROUND THE FOLLOWING INTERCOOPERATIVE VECTORS: ADVANCED MANUFACTURING, SMART CITIES, BIG DATA, AND RAW MATERIALS.

ONE OF THE INSTRUMENTS TO SUPPORT THIS STRATEGY WAS THE NEW 2016-2019 SCIENCE AND TECHNOLOGY PLAN, WITHIN WHICH TWO TYPOLOGIES OF PROJECTS HAVE BEEN ARTICULATED: SUPPORT AND PROMOTION TO R&D DEVELOPMENT AND PROJECTS AIMED AT TECHNOLOGICAL DEVELOPMENT.

SUPPORT AND PROMOTION

In terms of support and promotion to R&D development, the following lines of action have been carried out:

- ◆ Diagnosis, customised advice, and exchange of good practices around the **implementation and deployment of innovation models** in cooperatives.
- ◆ In support of the previous initiative, a financing line was launched for **the implementation of methodologies and/or processes that help structure innovation** at the company.
- ◆ A third line of work was the diagnosis and customised advice regarding the potential **implementation of technologies** included under the concept of **Manufacturing 4.0**, in the business of our cooperatives.
- ◆ Additionally, the development of **collaborative networks with relevant international universities** has been promoted to support innovation and technological development processes of the MONDRAGON cooperatives. Work has been developed mainly around advanced manufacturing and big data.
- ◆ In order to generate **multi-sector ideas and joint projects based on raw materials**, several working seminars were developed with the participation of relevant agents such as "Material Connexion".

TECHNOLOGICAL DEVELOPMENT PROJECTS

With regard to technological development projects, these covered various areas, such as:

- ◆ Modelling and optimisation of manufacturing processes.
- ◆ Reduction of energy consumption in production.
- ◆ Proactive maintenance.
- ◆ Solutions for lightening components.
- ◆ Zero defects.

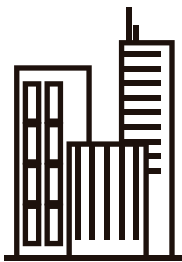
INTERNATIONALISATION OF R&D

Additionally, MONDRAGON Corporation has continued to promote the internationalisation of R&D through the following:

- ◆ The **Corporate Office in Brussels**, from which it has continued to support cooperatives by monitoring and contributing to strategic documents, legislative deeds, and funding opportunities.
- ◆ Support and participation in the development of **European collaborative projects**, with more than 100 proposals submitted to various European programmes (H2020, ECSEL, EIT RawMaterials, CLEAN SKY, ERASMUS+, INTERREG, LIFE +, etc.).

THE FIGURES OF KNOWLEDGE

BUSINESS



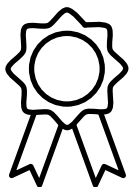
Total R&D expenses	€160 M
% total R&D expenses on total sales	2,80%
% total R&D expenses on added value	8,00%
Total families of patents in force at year-end	461
Sales in new products/services (non-existent 5 years ago)	€327 M

RESEARCH AND TECHNOLOGY



Technology centres	3
R&D units	12
Full-time researchers	1.921

HIGHER EDUCATION



Mondragon University Schools	4
Degrees	15
Master's degrees	13
Students enrolled	4.226
Research projects and transfer activities	427
MOOC (Massive Online Open Courses)	3
PhD programmes	11

TECHNOLOGY CENTRES AND R&D UNITS

CIKATEK

CIKATEK is an R&D business unit specialising in research, development and innovation of materials, technologies and polymer products (rubber, thermoplastics and TPEs) for the functions of anti-vibration, sealing and fluid conduction. It focuses on three sectors: automotive, appliances and medical. Its main areas of research were directed at the new polymeric materials and manufacturing processes with high added value, as well as the design of new products, mostly quick connectors and elements to reduce noise in the engine intake.

Among the achievements of 2016, three projects stand out: the launch of the first “full plastic” tube for the hot side of the air intake circuit between the turbo and the intercooler; the development of proprietary formulations in rubber and plastic for high temperatures and pressures; and the plastification of exhaust brackets.

CS CENTRO STIRLING

CS CENTRO STIRLING is the R&D unit of the Components Division, specialising in the design, simulation, manufacture and testing of various components and systems for the generation and efficient use of energy in the home environment. It is the divisional technological arm for the analysis and evaluation of products and technologies to be included in the divisional portfolio within the scope of diversification.

Throughout 2016, several projects were implemented in collaboration with other entities, mainly from the Basque Science, Technology and Innovation Network, including MU, UPV, ISEA, Leartiker, Lortek, and Gaiker.

Similarly, a doctoral thesis is being co-ordinated, and another has been defended, with 30% of the staff already having this degree, which enables the approach to research and innovation projects with high initial uncertainty rates.

EDERTEK

EDERTEK is the technology centre that responds to the research, innovation and development demands of 3 companies that, in turn, are its partner users: Mapsa, Fagor Ederlan, and Ecenarro. Innovation and generation of new businesses is a critical factor for these companies. The goal of Edertek is to share resources and solutions with the customers of its products, processes and materials while pursuing

opportunities to improve their products on an ongoing basis.

Highlights from the fiscal year 2016 include the launch of a new line of structural parts at Fagor Ederlan, in collaboration with BMW, in addition to the design and development of new products for major OEMs such as Renault, BMW, Jaguar Land Rover, and Ford.

ETIC

ETIC is an innovation centre specialising in ICT technologies in the fields of Smart Cities and Industry 4.0. In the last years, the ETIC team achieved a high degree of specialisation in IoT (Internet of Things), Data Analytics, Business Intelligence, Machine Learning, and Big Data. The ETIC team is composed of

Data Scientists – experts with extensive experience in the development of data analysis and interpretation solutions. By means of the data analysis, ETIC extracts models of behaviour of the systems, which enable the generation of models for prediction and evolution of these systems.

FAGOR AOTEK

FAGOR AOTEK, dedicated to Automation and Optics, aims to achieve a level of excellence in integrated technologies in the products developed and manufactured by Fagor Automation: numerical controls, regulators, motors and display systems, and position feedback.

In 2016, Fagor AOTEK participated in several research projects: incorporation of smart modules and artificial intelligence techniques in the field of machine tools, following the latest tendencies of Manufacturing 4.0;

development of a smart controller for additive manufacturing processes; development of key technologies for the ultra-precision sector; diffraction/polarisation networks and other optical elements based on femtosecond lasers for use in very-high-resolution linear encoders; machine tools with high volumetric precision and traceable measurement integrated in the machine; and connected smart machines and factories to provide services with a high added value.

IK4-IDEKO

IK4-IDEKO is a technology centre specialising in manufacturing technologies and industrial production for over 30 years. Thanks to the research work, the technology centre has 20 patent lines. Regarding publications, IK4-IDEKO has published seven articles in indexed journals and 11 articles at conferences, as well as numerous dispersal articles. IK4-IDEKO has a staff of 102, of which 27% are doctors.

In 2016, it will complete its equipment with a new CNC laboratory and advanced factory to meet the new

demands that technologies 4.0 have introduced in the manufacturing industry.

Its specialisation in Advance Manufacturing is materialised in research projects, as well as the industrial demand around the topics covered by its four research groups: manufacturing processes, dynamics and control, design and precision engineering, and ICT and automation.

IK4-IKERLAN

IK4-IKERLAN, as part of the IK4 Research Alliance, has an important network of collaboration integrated by prestigious European centres and universities, with which it conducts research and researcher training activities. Currently, it is structured in three units of technology specialisation: electronics, information and communication technologies; power and power electronic; and advanced manufacturing.

In 2016, we were able to increase the R&D activity with companies, which shows that the effort for technological expertise is yielding results in solving

real-life challenges of companies. On the other hand, we should highlight the increase in turnover from European projects that have allowed the centre to advance in its technological specialisation and collaborate with the reference entities at the European level. In 2016, 2.9 million euro were obtained through this route – a figure that exceeds 19.3% over the previous year. Furthermore, IK4-Ikerlan leads three of these European projects. In one of them, ANGELAB was awarded by the European Union for its “excellence in research”.

IK4-LORTEK

IK4-LORTEK is a technology centre that is a partner of the IK4 Alliance, specialising in Advanced Manufacturing technologies.

It currently has a workforce of 68 people, 24% of which are PhDs. The centre works on three main lines of research: Materials and Processes applied to Joining Technologies, Metal Additive Manufacturing, and Industry 4.0 Technologies. Furthermore, it has 4 active patents, as well as 3 new patents submitted in 2016. Regarding scientific and technological publications, 21

articles were produced in the SCI documentary database, with participation in 8 presentations in international congresses, as well as 6 in national congresses. It was present as an exhibitor in two relevant trade shows in the Additive Manufacturing sector: ADDIT 3D, at the Bilbao Exhibition Centre (BEC); and FORMNEXT, in Frankfurt.

It also participated in 6 international projects and 3 national projects.

ISEA

ISEA is a Technology and Entrepreneurship Development Centre specialising in the Business Services Sector and promoted by the Engineering and Business Services Division of MONDRAGON Corporation.

Among the most outstanding achievements of the fiscal year 2016, we include the second edition of Etorkizuna Elkarrekin Eraikiz (E3!), aiming at the generation of business opportunities for unemployed youth. In the field of training, the Business Launching Platform was applied to 12 entrepreneurship projects, while the sixth edition of SAIOKA was organised.

In the scope of the diffusion, we emphasise the seminars “Perspectives on the Transformation of the Basque Company” and “MONDRAGON Services 4.0”. Moreover, ISEA led, alongside the Regional Economic Development Agency of Debagoiena, the seventh annual edition of the KIMU BERRI initiative, whose goal is to promote youth entrepreneurship in Debagoiena.

KONIKER

KONIKER is a business R&D unit dedicated to research, development and innovation in the field of forming and assembly, with 26 researchers working in its facilities located in Arrasate (Gipuzkoa). Its expertise in advanced manufacturing is materialised in industrial research projects applied to the forming of materials (steel, aluminium, and composite materials), development of handling and transfer components, advanced robotics, development of advanced features for machine production and energy optimisation, advanced maintenance via the integration of

cyber-physical systems and data analysis, and manufacturing of panels from thin-film amorphous silicon, among others. It is a member of EFFRA (European Factories of the Future Research Association) and EuRobotics (European Robotics Association).

In 2016 Koniker participated in more than 20 R&D projects at a national and international level, working closely with leading companies and centres in the automotive, steel, appliances, energy and health sectors.

LEARTIKER

LEARTIKER is a technology centre specialising in Polymer Technology and Food Technology. In 2016, Leartiker developed 65 R&D projects with companies, which amounts to 65% of its revenues. Leartiker participated in collaborative projects at the national and international level (participation in 10 international projects, in which it leads three). In the period ended, it published 3 articles in indexed journals, 6 articles in congresses, and submitted one patent for approval. Leartiker organised in July the "Materialen Zientzia eta Teknologia Kongresua", in which 30 oral presentations and 40 posters were presented.

Leartiker Polymer R&D focused its knowledge on the following specialisations: Fatigue, Additive Manufacturing, Health-Medical Devices, Lightweight, Biopolymers, and TPE.

Leartiker Food Technology focuses its activity on the dairy, meat and prepared dishes sectors. It implemented 29 projects, with 27 companies from the agriculture and food sector.

It participated as an exhibitor at the K trade, in Dusseldorf, and in the TCT SHOW, in Birmingham.

MTC

MTC is a centre specialising in the research and development of thermoplastic parts and assemblies, as well as the development and new products associated with the functions they perform, for the automotive sector.

In 2016, the third Technology Plan (2013-2016), with an emphasis on Aesthetics and the development of new products, was closed, followed by the launch of the fourth Technology Plan (2017-2020). This new plan will reinforce the incorporation of the value proposition around innovating in the concept of function: an activity in the current functions, as well as the new functions associated with the products of its Business area (lighting, pedestrian impact, aesthetics, air, etc.).

Innovation, as a means of profitable growth for Maier, was consolidated with the acquisition of major projects

based on new technologies developed in previous fiscal years, reaching the 12 million euro of the annual innovation acquisition plan of 2016.

At the relational level, it has grown in customer ratings in terms of innovation and reached a presence in the design centres of most OEMs, in addition to the presence in European decision centres and the progressive entry in customer centres in Asai And Naphtha.

MTC has a special interest in developing partnerships, collaborations and agreements at a national level and, especially, at the European level, seeking relationship with world leaders within the fields of interest of the Maier business, significantly increasing its presence in European projects of the Horizon 2020 programme.

MIK

MIK (Mondragon Innovation & Knowledge) is a Centre for Research in Advanced Management and Entrepreneurship. Its objective is to generate applied knowledge in the field of innovation in management, emphasising its dedication to transference in subjects such as talent management, entrepreneurship, and

market development.

One highlight in 2016 was the implementation of the AS FABRIK project, whose main objective is the development of the advanced industrial services sector in the city of Bilbao.

ORONA EIC

ORONA EIC (Elevation Innovation Centre) proposes advanced solutions for the lift sector, with more than 150 engineers.

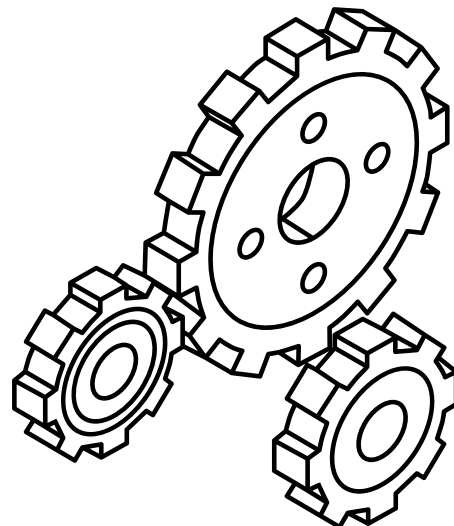
Its main objective is the research and development of smart and safe transport systems, with greater energy and social efficiency and better integration into the buildings.

It works on projects related to the minimisation of energy consumption, smart solutions for lift traffic, more efficient controllers, new excellent lift maintenance services, advanced electrical storage applications, and improved lift drives.

UPTC

UPTC is a centre specialising in research projects and development of technologies for the packaging sector. The centre's research areas focus on issues related to control systems in real-time, motion control, data capture, robotics, artificial vision and hygienic design.

In 2016, efforts were directed to making significant progress in locating innovation projects in the field of Industry 4.0.



MONDRAGON PROMOTION CENTER

IT IS A PRIVATE CORPORATE PLATFORM SPECIALISING IN THE PROMOTION OF NEW BUSINESS ACTIVITIES, AS WELL AS BOOSTING AND SUPPORTING THE EXISTING PROMOTION IN THE COOPERATIVES THEMSELVES.

IT IS COMPOSED OF A TEAM OF PROMOTERS WHO, ACCORDING TO THE PROJECTS, LEAD AND MANAGE THE START-UP OF NEW BUSINESS PROJECTS OR PROVIDES SUPPORT, TECHNOLOGY AND MARKET CONTRAST, AS WELL AS MARKET PROSPECTS. IT ALSO MODELS THE VALUE PROPOSITION AND INCORPORATES PROPOSALS FOR FINANCING AND CORPORATE FORMATION, ALWAYS WITH A PREFERENTIAL FOCUS ON COMBINING EXISTING CAPACITIES AND SUPPORTING INTERCOOPERATION BETWEEN COOPERATIVES AND WITH THIRD PARTIES.

ITS NEW VISION IS CHANNELLED TOWARDS THE AREAS OF INDUSTRIAL INTEREST AND THOSE OF STRATEGIC INTEREST.

IN 2016, THE FOLLOWING ACTIONS WERE CARRIED OUT:

A transition was made, moving the focus on 2 strategic areas of interest (Health and Ecology) to 6 new areas of interest: advanced manufacturing, smart cities, health, ecology, new materials, and advances of the digital revolution.

Work was done on modelling the architecture of the Promotion Process in 5 differentiated phases:

1. Opportunity Entry (DEAL FLOW).
2. Selection of Projects.
3. Identification of the Promoter.
4. Incubation / Corporate Acceleration (STAND-UP).
5. Constitution of the Company (START-UP).

It has interacted with different Corporate Agents to establish more effective coordination channels (Corporate Promotion Committee, Corporate Funds, Knowledge Agents, innovation, promotion, etc.)

A Venture Capital Fund was formed in collaboration with Fondico to assist projects in the early stages of development.

A Framework Agreement was established with a consulting firm specialising in business modelling and extraction of cooperative capabilities. It pursues the goal of setting up a Corporate Knowledge Bank to focus on diversification and intercooperation strategies in a more efficient manner.

IN 2016, THE MOST NOTEWORTHY INDICATORS IN TERMS OF PROJECTS WORKED WERE THE FOLLOWING:

Approximately 300 projects were analysed, with 139 projects undergoing a second review.

ADVANCED MANUFACTURING: 16
BIG DATA: 28
MATERIALS: 4
SMART CITIES: 23
HEALTH: 36
ECOLOGY: 21
MISCELLANEOUS: 11

Follow-up of projects in the Stand-up phase (Feasibility phase): 16 projects

STAND UP
16 PROJECTS

Follow-up of projects in Start-up phase: 8 projects.

START UP
8 PROJECTS

SPACES OF INNOVATION AND ENTREPRENEURSHIP:

GARAIA INNOVATION HUB

The Mondragon Technology Park continues to consolidate itself as a **community of knowledge and innovation** that comprises a meeting point between companies, research centres, universities and other parties, in an optimal and different space for the generation and exchange of knowledge and its transformation into new products and/or businesses, with the ultimate aim of creating wealth and skilled jobs.

It pursues specialisation, building on the areas of knowledge that are mastered today (mechatronics, power electronics, process, manufacturing, and embedded systems) and evolving into new applications (energy efficiency, electricity storage, health, environment, mobility, etc.). Among its main activities, it acts as an observatory in the identification

and definition of projects, in the search for partners and allies, managing infrastructures and offering support services for innovation, it channels entrepreneurial projects and offers differential spaces to potential technology-based companies interested in locating in Garaia.

As of 2016, it accommodates 36 technology-based companies with an aggregate turnover of 133 million euro and 985 staff, 519 of which are dedicated to R&D. Moreover, in 2016, 246 events were held, with the participation of **over 11,000 people** in the different types of events (Technological Breakfasts, Garaia Enpresa Digitala, Training Pills, Business Meetings, Open Seminars, etc.) using the different spaces and infrastructures that Garaia offers to its surroundings.

SAIOLAN

It is a centre specialising in the “promotion and development of business activities”, a member of the Basque Science, Technology and Innovation Network (RVCTI), whose head office is located in Arrasate, Mondragon, at the GARAIA Innovation Centre.

In addition, SAIOLAN is one of the head offices of BIC GIPUZKOA and acts as a facilitator in the process of creating new innovative companies, as well as an active agent in the process of support and promotion of the entrepreneurial culture in Gipuzkoa.

Since its foundation in 1985, the challenge addressed by Saiolan is that of contributing to the development of new business activities, profitable and sustainable over time, in order to create jobs with a high added value.

Some of the main aspects of its management in 2016 include the actions aimed at the **dissemination of entrepreneurship** (with 178 actions and 444 people involved) and the training **for entrepreneurs** (8 courses taught for 124 participants). Moreover, 10 technological development projects and 34 feasibility studies were conducted, 21 of which were from the Ekintzaile-Txekintek Programme.

As for **new activities**, 10 new companies were established, 6 diversification projects and 6 institutional financing plans launched.

Similarly, in 2016, it remained as the industrial arm of the Development Agency of Debagoiena, promoting the creation of spaces for collaboration between industrial companies and favouring their diversification with the dual objective of working towards the transformation of the region and the improvement of its competitive position.

On the other hand, it has supported the creation and revitalisation of the Aurrera Debagoiena initiative, which has consolidated itself as a managing body for initiatives related to youth, entrepreneurship, and industry.

Another important component is its firm commitment to supporting the introduction of new business into the business network, preferably using its international antenna tool, which seeks, based on the transfer of businesses from already consolidated countries, to accelerate the creation of the business activity.

Lastly, Saiolan currently has 8 companies and 14 entrepreneurs in its incubator.

POLITEKNIKA IKASTEGIA TXORIERRI

During the 2015-2016 academic year, 397 Professional Training students and 221 Employment Training students, including both active workers and unemployed people, attended Politeknika Ikastegia Txorierri. In the latter section, Politeknika Txorierri participated in several dual training courses: “Design and Manufacture of Dies”, for the company Gestamp; “Die Design” (260 hours) and “Die Setting” (340 hours), for Matrici; and “Training for Die Cutting Operators” (380 hours), also for Gestamp. These last three courses included the contracting commitment after the end of 150 hours of practices in the abovementioned companies.

At the *international level*, one highlight is the participation of 8 students in the Erasmus+ (Mobility) Community programme, who have completed their 10-week practical training in companies from the Netherlands, Italy, and Poland. It also continues to participate in European Innovation Transfer projects. Another highlight is its involvement in the GLOBAL TRAINING Scholarship Programme, sponsored by the Department of Economic Development and Competitiveness of the Basque Government, managing 43 scholarships aimed at young people who have completed their higher education studies.

The *Innovation and Technological Development* was carried out in collaboration with the Basque Institute for Professional Training (Tknika).

In the field of support for *self-employment*, and in its capacity as a promoting partner, it continued its collaboration with the WORK-LAN Bizkaia Association, the purpose of which is based on the promotion of social economy enterprises. In support of the objectives of this association and with the aim of contributing to the promotion of an Entrepreneurial Culture, Politeknika Txorierri proceeded to the incubation of three company projects (transfer of establishments and generation of 17 jobs).

Within the framework of the Basque Government’s strategy called “TKgunes Strategic Environments”, it has continued to offer Technology Advisory Services to Companies in the field of Manufacturing, its area of expertise being the die-cutting and die-making sector.

Finally, it should be noted that Politeknika Txorierri has been invited to join the Advanced Manufacturing node promoted by the Deputy Ministry of Vocational Training.

ARIZMENDI IKASTOLA

In the field of “Collaborations and Intercooperation”, relations with the primary and secondary Basque schools (ikastolas) of the region (Bergara and Oñati) were consolidated through stable projects; the 2016-2021 planning, key to the financial stability of the ikastolas, was entered into with the Basque Government; 22 ikastolas were trained in the “Pedagogy of Trust”, with the development of an intercooperation plan with five ikastolas; and a study on “Iparra: Arizmendi 2020” and the start of HEZIKOOP (new model of “cooperative education”) was conducted alongside MU-Huhezi.

It has also consolidated the action with parents and employees, who have been actively involved in the “Iparra: Arizmendi 2020” study.

Furthermore, the academic field was fully digitised, with the action of the “Alexia Families” module and the implementation of EKI 3.

As regards the pedagogical remodelling of the buildings, remodelling work was undertaken in Jose

Arana, Basabeazpi, Umezaintza, Arimazubi, Almen, and Gazteluondo.

The Basque and Spanish versions of the general framework of the “Pedagogy of Trust” were published, and the conception of the Baccalaureate was initiated based on this pedagogical approach.

Other highlights include the creation of the “Arizmendi pedagogical forum”; the start-up of the “Pedagogy of Trust” workshop; various trips and relationships established with innovative centres; the care to ikastolas who requested training in the “Pedagogy of Trust”; and specific plans for Early Childhood Education, Primary Education, ESO, Baccalaureate, and Professional Training.

In the field of economic activities, the year closed with a positive balance, consolidating the trajectory of the two previous years.

LEA ARTIBAI IKASTETXEA

During the 2015-16 academic year, Lea Artibai Ikastetxea had 19 groups in baccalaureate and vocational training, one highlight being the volume of students who chose the Dual Professional Training programme, which combines school learning with work in a company. This course had 15 participants, while four students completed their Training in Work Centres abroad.

Moreover, we participated in three educational innovation projects alongside the Deputy Ministry of Vocational Training in the fields of *lean manufacturing and lean service* in education, the field of food in innovation in *food* industry products, and the field of *mechanical design* in a project in Collaboration with Politeknika Ikastegia Txorierrri on the design of tools for manipulation of ultra-high-strength sheet steel for the automotive and aeronautics sectors. The participation in these projects allows us to improve the competences of the teachers, as well as creating materials that can be used in training activities.

In the field of Training for Employment, 9,000 hours of training were undertaken, of which nearly 2,600 hours consisted of courses on demand, the highlights being the lean area and personal skills and abilities. In training for unemployed, we gave 16 courses in various specialties, with highlights including the high number of internships managed for the unemployed, 230 in total, of which 111 people found employment after its conclusion. Furthermore, the combination of the Training for Employment, the close relationship that we maintain with companies in the region, and the orientation of our management as a collaborating

centre of Lanbide have contributed to the insertion of another 136 people into the labour market. This activity is part of the strategic challenge of reaching 80% qualitative labour insertion (employment related to the training received).

We also continued our collaboration with the Chilean government for the programme called "Técnicos para Chile" (Technicians for Chile). aimed at Chilean professionals in the food sector. The agreement involves the inclusion of three new specialties in the following academic year. On the other hand, the second edition of the TEP (Technology Entrepreneurship Programme) project was completed alongside Leartiker S Coop, which aims to train engineers in polymer technology and entrepreneurship, working in a group with people from different cultures to share their knowledge and ways of doing things, participating in the development of projects in various companies. We have also started the Lehen Job Lab programme co-financed by the European Social Fund, which aims to improve the employability of young people aged 16-29.

The 2015-2016 academic year was a year of reflection, and the plan for the period 2016-2020 was defined. In it, we highlight the challenge of defining and implementing a teaching-learning methodology according to the new profiles demanded by the market, as well as strengthening the skills of the professionals of Lea Artibai Ikastetxea to adapt our offer to the changing needs of the market.



MONDRAGON UNIVERSITY

The academic year 2015-16 was a year of reflection, in which we defined the Strategic Plan that will guide the university for the next 4 years.

Regarding *training*, Mondragon University offered 15 degrees in addition to the dual degree in Computer Engineering and Engineering in Telecommunication Systems.

In graduate courses, 13 Master's degrees were offered, one of which was new: Master's Degree in Internationalisation of Organisations.

In the 2015-2016 academic year, 4 undergraduate degrees and 6 graduate programmes surpassed the accreditation process, and two of the engineering degrees obtained the EUR-ACE seal.

In the third cycle of the last academic year, three doctoral programmes were offered to 148 students.

In total, in the official studies mentioned, 4,226 students were enrolled, 3,598 of which were undergraduate students and 628 were graduate students.

In the last academic year, 680 students who had completed their final projects; 474 in graduate studies and 206 in postgraduate studies. In addition, 1,620 students who did internships in companies and centres.

At the international level, more and more students are going abroad. Last year, they were 688 – a 13% increase over the previous year. On the other hand, the foreign students who were among us were 236.

The field of *Training for Professionals* is a space being developed by the university year after year to offer a comprehensive service to professionals through a face-to-face, online and blended offer, in addition to in-company training.

In the 2015-2016 academic year, Mondragon University trained 5,550 professionals with its offer of graduate courses, proprietary degrees, and other continuing education courses. In addition, a new Online Master's Degree in Computer Security was offered for professionals.

The effort made in the field of *research and transfer* also yielded result. This is evidenced by the results obtained in the U-Multirank Ranking, which, in its 2016 edition, rated Mondragon University as excellent

in several parameters, ranking it among the top 3 Spanish universities in the category of knowledge transfer and granting it the maximum rating in the dimension related to the link with the environment.

Research projects and transfer activities carried out in the 2015-2016 academic year totalled 427. In addition, 102 articles were published at domestic and international specialised publications, and 78 seminars and conferences were organised on various fields of knowledge.

Regarding specific projects in the *industrial field*, one highlight is the participation of the Polytechnical Higher School, alongside MONDRAGON, in SMARTENCITY. The School of Humanities and Educational Sciences, in collaboration with Arizmendi, worked on a cooperative education project. The Management Research Centre (MIK) of the School of Business worked with ULMA and GSR in the development of an instrument for measuring people's participation. On the other hand, during the academic year 2015-16, the activity of research and generation of knowledge of the Technological Centre of the Basque Culinary Centre, BCC INNOVATION, was marked by the granting of the Accreditation within the Basque Science and Technology Network – as well as the other schools, which have also obtained accreditation as scientific-technological agents of the Network – and the definition of its 2020 Strategic Plan.

Innovation and entrepreneurship have always been two bets that have influenced the development of Mondragon University, with several projects worked in this field. One example is the progress that has taken place in the Mendeberry 2025 reflection process, deepening the future educational model for Mondragon University. In this context of educational innovation, two experiences should be mentioned. On the one hand, the redesign of the Degree in Business Administration and Management was followed by its implementation at the School of Business, allowing students to combine training in the classroom for three days a week with two days in the company. And on the other hand, the School of Humanities and Education Sciences reorganised the Degree in Audiovisual Communication, moving from a subject-based training to a project-based training.

In terms of *entrepreneurship*, numerous activities and projects were developed by Mondragon University.

Among the most outstanding results, and more specifically in the context of the LEINN Degree in Entrepreneurship and Innovation, students created 13 companies in the 2015-2016 academic year. Moreover, the School of Business continued to expand its network of entrepreneurship environments and laboratories at both the domestic and international context. With three entrepreneurial laboratories in the Basque Country, specifically in Irún, Oñati and Bilbo, a new location was added to the Mondragon University – the University of Querétaro (UCO), which is added to the existing 9 laboratories of the network. In addition to those, Madrid, Barcelona, Valencia, Amsterdam, Pune, and Shanghai are included.

Mondragon University has also made great progress in the *digitisation* of the university. These include the 3 MOOCs (massive open online courses) offered in the academic year 2015-2016, with a participation of more than 8,300 people and good satisfaction results. The

courses given are those of Computer Security and Cooperativism.

On the other hand, the first steps were taken for the implementation of the digital ecosystem of the University. This project aims to provide access from a single portal to different services of the University to the entire university community – teachers, workers, students, alumni, and collaborating companies.

Actions were also implemented that reflect the University's commitment to society. One of these actions is the European project PLOTINA, to be developed over a period of 4 years by Mondragon University and 9 other European universities, with the aim of promoting gender equity in higher education, as well as in the fields of research and innovation.

OTALORA

The activity of Otalora, the management and cooperative development centre of MONDRAGON, maintained the dynamics of previous years throughout 2016.

In the field of *Cooperative Education*, Governing Council programmes were given to 16 groups, Social Council to 9 groups, and member Collectives to 30 groups.

In the field of *Management Development*, a new edition of IKAS was introduced, with 1 group organised on Multiculturalism and the implementation of the M4Future Corporate Innovation Model programme to 1 group.

Furthermore, in the field of *Cultural Development*, it carried out the survey on organisational culture in 18 cooperatives, with qualitative cultural diagnosis in 1 cooperative, leader profile assessment in 15 cases, and the entire cultural development project in 10 cooperatives.

Regarding the field of *Leadership and Teamwork*, a total of 11 groups carried out programmes to deepen Cooperative Leadership competencies and 20 groups participated in the programme for development of conversational skills and teamwork.

In the field of *Cooperative Dissemination*, 39 groups of visitors were welcomed to a day of getting to know MONDRAGON, a total of 19, two to five day seminars about MONDRAGON were delivered and there were 3 conferences at various international events.

In the area of Cooperative Dissemination, 39 groups of 1-day visitors were approached to MONDRAGON, a total of 19 seminars of 2 to 5 days were given on MONDRAGON and 3 conferences in different international events.

Finally, it is worth mentioning the new edition of the *People Management Forum*, directed at People Directors of the Corporation's cooperatives, with the participation of 110 attendees.

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