



MONDRAGON

HUMANITY
AT WORK

Finance
Industry
Retail
Knowledge



**ANNUAL
REPORT
2014**



01
Basic figures

p.04

02
Message from
the Chair

p.08

03
Finance

p.10



04
Industry
p.16

05
Distribution
p.28

06
Knowledge
p.32

103
COOPERATIVES

125
PRODUCTION
SUBSIDIARIES

8
FOUNDATIONS

1
MUTUAL
ASSISTANCE
ORGANISATION

13
COVERAGE
ORGANISATIONS

13
INTERNATIONAL
DEPARTMENTS

01
Basic figures



In millions of euros

BUSINESS DEVELOPMENT

| | 2013* | 2014 | Variation % |
|-----------------------------------------|--------|--------|-------------|
| Total income | 12,108 | 11,875 | -1.9 |
| Total sales (Industry and Distribution) | 11,138 | 10,985 | -1.4 |
| Net investments | 392 | 345 | -11.9 |
| EBITDA | 1,220 | 1,168 | -4.3 |
| Intermediated Funds LABORAL Kutxa | 1,160 | 18,063 | 5.3 |
| LagunAro equity fund | 5,205 | 5,566 | 6.9 |

EMPLOYMENT

| | 2013* | 2014 | Variation % |
|------------------------------------------------------------|--------|--------|-------------|
| Average jobs | 74,060 | 74,117 | 0.1 |
| % of shareholders in Industrial Area cooperative workforce | 84 | 83 | -1.2 |
| % of female shareholders in cooperative workforce | 43.1 | 43 | -0.2 |
| Rate of Industrial Area incidents or accidents | 31.0 | 29.3 | -5.5 |

SHAREHOLDING

| | 2013* | 2014 | Variation % |
|---------------------------------------|-------|-------|-------------|
| Working shareholders capital stock | 1,711 | 1,688 | -1.3 |
| Number of workers in governing bodies | 812 | 810 | -0.2 |

SOLIDARITY

| | 2013* | 2014 | Variation % |
|--------------------------------------------|--------|--------|-------------|
| Funds for activities with a SOCIAL CONTENT | 13.5 | 14.7 | 8.9 |
| No. of STUDENTS IN EDUCATIONAL centres | 11,404 | 11,439 | 0.3 |

ENVIRONMENTAL MANAGEMENT

| | 2013* | 2014 | Variation % |
|------------------------------------------|-------|------|-------------|
| No. of ISO 14000 certifications in force | 56 | 69 | 23.2 |
| Number of eco-design certifications | 4 | 4 | 0.0 |

INVESTMENT IN THE FUTURE

| | 2013* | 2014 | Variation % |
|---------------------------------------------------------|-------|-------|-------------|
| % funds allocated to R&D of Industrial Area value added | 8.5 | 8.9 | 4.7 |
| No. of Technology Centres and R&D units | 15 | 15 | 0.0 |
| Total no. of researchers | 1,679 | 1,676 | -0.2 |

* Standardised data

6

RECOGNITIONS OF EXCELLENCE IN MANAGEMENT

Information as at 31 December 2014.

Assessments using EFQM

Gold 8 Q: LABORAL Kutxa, Copreci, Fagor Industrial, Eroski's Fresh Produce Platform in Amorebieta, Mondragon Lingua, Politeknika Txorierni Ikastegia, Seguros Lagun Aro and Soralue.



Silver 16 Q: Auzo Lagun, Eroski in its Platforms in Amorebieta, Elorrio, Agurain y Zorroza, Enpresagintza, Fagor Electrónica, Lea Artibai Ikastetxea, Mondragon Goi Eskola Politeknikoa, Orkli, Soralue, Ulma Packaging, Ulma Piping, Ulma Handling, Viajes Eroski and Domusa.



Assessments using Corporate Management Model

154 self-evaluations conducted since 2007.



CURRENT CERTIFICATIONS:

90% of sales with certified quality management system in INDUSTRY Area cooperatives:

- 126 ISO 9001 certifications
- 33 ISO/TS 16949 certifications (automotive industry)
- 2 ISO 9100 certifications (aerospace)
- 1 ISO 13485 certification (biomedical)



80% of sales with certified environmental management system in INDUSTRY Area cooperatives:

- 69 ISO 14001 certifications
- 4 ISO 14006 certifications (eco-design)
- 2 ISO 50001 certifications (energy management)



60% of people with a certified health and safety at work management system in INDUSTRY Area cooperatives

- 42 OHSAS 18001 certifications



28% of people recognised at a certain level of Basque language use, presence and management in the Basque Autonomous Community:

- Bikain Urrea: Cikautxo (2014), Eika (2009, 2013), Enpresagintza (2009), Huhezi (2009), MONDRAGON (2013)



- Bikain Zilarra: Batz (2009), Copreci (2011), Danobat (2008), Edertek (2014), Eika (2008), Eroski (2008), Fagor Arrasate (2014), Fagor Ederlan Bulego Orokorrak (2013), Fagor Ederlan Powertrain (2014), Fagor Elektronika (2012), Fagor Industrial (2014), GSR (Segura, Markina-Xemein, Usurbil eta Zegama (2014), Ikerlan (2012), Maier (2008), Orkli (2008), Seguros Lagun Aro (2014), Ulma CyE (2014)



- Bikain Beltza: GSR – Legazpi and Aretxabaleta - (2013)



- Bai Euskarari: Batz (2007), Berriola (2008), Eroski (2010), LABORAL Kutxa (2010), Ulma Taldea (2007)



Other certificates:

- 2 technology centres with ISO 166002 certification
- 1 ISO 166006 technology centre
- 1 FFC (family-friendly companies) certification
- 1 SA 8000 certification (social responsibility)





02

**Message from
the Chair**



JAVIER SOTIL CHAIRMAN OF THE MONDRAGON GENERAL COUNCIL VIDEO

Looking ahead

The world once again experienced growth in 2014. And at the same rate as the previous year - 3.4%. However, the increases by geographic areas were uneven, with India and China exceeding 7%, while Brazil and Russia were below 0.6%. The USA exceeded its own expectations with a growth of 2.4% and in the Eurozone the growth was a tentative 0.9%. In Spain, the news was that in 2014 the recession had officially been left behind, with a growth of 1.4% of GDP, a figure that was still insufficient to decisively create jobs. And finally, the Basque Autonomous Community experienced an increase in the economy of 1.2% of GDP, with an improved performance in the last months of the year which has also been consolidated in the first months of this year. In short, a year that could prove to be a turning point in a new stage of economic recovery, especially for the European, Spanish and Basque economies.

Regarding the significant events of 2014, I would emphasise the efforts made by all the cooperatives in trying to relocate the members affected by the Fagor Electrodomesticos crisis. It was the largest exercise of putting solidarity into practice ever undertaken in the history of the cooperative group. An unprecedented exercise which required the determined involvement of all the cooperatives and the coordinated work of many people which has ultimately led to nearly 90% of the 1,900 members already having an employment solution. Moreover, work is continuing along these lines in an attempt to reach a global solution in the coming months, which means that in two years we will have resolved the problems of unemployment for all the members involved.

Javier Sotil

Chairman of the MONDRAGON General Council


Regarding the actual progress of the group in 2014, it should be noted that overall the year was satisfactory, with a slightly lower level of sales than the previous year but with a high level of investment and managing to maintain, and even create, a number of jobs throughout the group. The Finance Area considerably surpassed the 2014 financial year, with very positive capital and liquidity ratios and results. The Distribution area, meanwhile, experienced a year of transition towards improved positions, in view of the fact that it has cleared its financial horizon to restructure its debt and be able to concentrate on addressing the challenges identified in its Strategic Plan.

In Industry, internationalisation and innovation were once again the main drivers of the year, with international sales accounting for 71% and with a net investment close to 250 million euros and with the reward of having created about 1,000 new jobs. Lastly, the Knowledge Area continued with the increasingly difficult task of promoting new projects and trying to encourage innovation as a lever for developing existing businesses.

On a final note, I would like to point out that we are renewing and adapting our social-entrepreneurial project to the new sociological and market conditions in order that the cooperatives and the entire Corporation will have the prominence they need. I am firmly convinced that, once again, the ability of management and innovation to promote competitive businesses, collective commitment and inter-cooperative solidarity will drive us into the future. Therefore: increased competitiveness of our businesses and the development of a fair and caring distribution of wealth.



03
Finance



In a sensitive environment but pointing to hope, **2014 was the year in which the economy has officially left the recession behind.** The GDP of the Basque Autonomous Community grew by 1.2%, while that of the Community of Navarra equalled that of the State as a whole with 1.4%. Even in the domestic workplace an improvement has been noticed, although somewhat tentative, reflecting the effects of the crisis still persisting in our geographical perimeter.

The year 2014 has experienced two distinct phases in the financial arena. The first half of the year was characterised by the fall of interest rates to record lows, with the resulting reduction in income from loans and of the costs of liability acquisition. However, there was a change in the lending activity trend in the second half of the year which was also accompanied by an improvement in the NPL ratio for the first time in the last six years.

LABORAL Kutxa

In this scenario, LABORAL Kutxa ended the year with a **balanced balance sheet**, excellent liquidity levels, and a high level of capitalisation. Its income statement shows a **consolidated net profit 109.2 million euros, 26.4% more than the previous year** and a return on equity (ROE) of 7.56%, positioning the Basque credit cooperative as one of the most profitable organisations in the sector.

In order to position it on the financial map, suffice to say that the ratios of 13.56% solvency (CET1), 94.85% liquidity and 8.59% arrears, is a vast improvement on the average figures of the sector. Add to that the high level of specific hedging and a generic provision of 125.6 million euros and it can be concluded that LABORAL Kutxa ended the year with a clearly positive performance and in a strong position to face the challenges of the new year.

With respect to credit growth, the outlooks during the second half of the year were positive. The increases achieved in the last half of 2014 compared to the same period of the previous year, with **growth of 25% in new production of mortgage loans and 17% in consumption loans**, have led to a marked improvement. This has made it possible to close the year with a small decrease of 5.65% in total customer lending, below the industry average.

In addition, the increased demand and the greater commercial activity of businesses was reflected in an **increase of 29% in formalisations and 32% in recipients**. These results mark a trend that opens up exciting prospects for 2015. In the area of consumer finance, it should be noted **that the disPON loan, available via any channel** (Online Banking, Mobile Banking, ATM, telephone banking and branches), **has already exceeded half a million customers**. Of these, 75% used the various remote channels, where formalisations via mobile have taken off, having reached 7%.



Financial Area
video summary



The section on total savings of individuals, companies and institutions also had an excellent performance, with an increase over the year of 5.26%. The main growth areas appear in the figures on immediate availability and in investment funds and provision and pension plans.

On the subject of support for the self-employed and micro-enterprises, it is worth mentioning the line of guarantees for financing, underwritten by the European Investment Fund within the framework of the European Micro-finance Programme "PROGRESS" which, with 24 million euros, was the largest volume within the State and the second largest in Europe. The Gaztenpresa activity, the foundation for LABORAL Kutxa employment, has benefited from this programme and has channelled loans worth 11 million euros, which in practice means that all viable entrepreneurial ideas have been given an opportunity during the year.

Support for companies

The commitment of LABORAL Kutxa to the activation of the industrial fabric has been endorsed by the launch of the **Orain financing plan, with a provision of 1,000 million euros for supporting companies, the self-employed and professionals**, with a guaranteed response within 5 days to any request for funding.

Furthermore, **the renewal of the agreement signed with CEPES** (Spanish Social Economy Business Confederation) in September facilitated the access of social economy companies to more than 100 million euros in financing for entrepreneurs, working capital and investments via loans or leasing operations.

A special mention is required for the launch of an innovative line of pre-approved loans for businesses, a common practice in the private individual segments but new in the business sector.

The Banking-Insurance business

In 2013 LABORAL Kutxa integrated its financial and insurance businesses, in order to offer its 1.2 million customers a comprehensive service. Since then, the commercial branch network has provided a specialist insurance service which

is completely different from the rest of the financial sector, where the traditional strategy is based on policies being sold by bank operators.

Therefore, professionalism, adaptation to customer needs and quality of service are also the hallmarks of this comprehensive service which, in addition to the financial sector encompasses that of insurance. This first year after the integration of the insurance sales network already reflects some improvements in profitability. Thus, this business contributed **overall results of 28.5 million euros** to LABORAL Kutxa, **3.5% more than in 2013**.

The total premiums achieved in 2014 was 175 million euros, with growth higher than the average obtained by the insurance industry at the state level. This is due, in addition to the positive performance of new production, to the improvements achieved in the retention rates of the insurance portfolio and the excellent loss ratios that demonstrate the quality of this portfolio. The results also already reflect improvements in efficiency management, which is expected to continue to advance in the coming years.

If professional advice is important, so too is the quality of service offered to customers at the time of a claim. According to the annual survey of customers who suffered a loss in 2014, the index of satisfaction with the management of the claim was 8.16 out of ten. An excellent score which endorses the management efforts made in recent years in this area.

In summary, it must be concluded that the positive results obtained by LABORAL Kutxa in 2014 were the result of developing the ordinary activity, supported by containing spending, lower provisions and a business model that is increasingly settled in its commitment to specialisation and diversification.

It should also be emphasised that for yet another year, LABORAL Kutxa has played a significant part in a complicated financial market, providing a different and necessary product. And this has been possible thanks to the personification of its own approach to banking, meeting all the demands of customers and society without departing from the principles of cooperation and social responsibility.

Loans to clients



Intermediated funds



Total assets



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.

On 31 December 2014, the members of this friendly society included 28,402 people, integrated into 135 cooperatives, 784 members less than the previous year.

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.

At the end of 2014, the number of pensioners totalled 12,009 people, 561 more than at the end of 2013, with the total amount to be paid to them for these items having risen to 153 million euros, 4.20% more than the previous year.

These capitalisation benefits are underwritten by an Equity Fund which, at the close of 2014, amounted to 5,566 million euros after applying yields and value adjustments recorded at year end. Compared with the previous year, the Equity fund increased by 361 million euros, representing a percentage increase of 6.93%.

The financial markets, although with differences between one economy and another, continued to perform well throughout 2014, which was used to obtain greater returns on investment than those planned, thereby strengthening the solvency of our pension system. In this respect, the results obtained by LagunAro's investment management can be considered as very positive, to the extent that the year-end profitability was 7.95% and the Solvency Margin (10.5%) was maintained at well above the minimum legal requirement of 4.00%.

The amount of **the Distributed Benefits**, that cover short-term benefits, totalled 90.5 million euros during 2014, being Employment Aid which required the most resources. This amount was used primarily for:

- Temporary Disability: 29.7 million euros (33% of the total).
- Employment Aid: 43.5 million euros (48% of the total).
- Healthcare: 12.9 million euros (14% of the total).
- Others (Assistance and Family Benefits): 4.3 million euros (5% of the total).

The cost of **providing health care**, in its various forms, reached the figure of 12.9 million euros during the year, reflecting a reduction of 3.67% compared to the events of the previous year.

As regards **Temporary Disability**, the expenditure on the provision amounted to 29.8 million euros, an increase of 4.73% over the previous year. The rate of absenteeism in 2014 due to Temporary Disability stood at 4.66%, which represented an increase of 5.4% on the rate in the previous year (4.42%).

The cost of **providing Employment Aid**, in its various forms, reached the figure of 43.5 million euros during the year, an increase of 42.91% compared with the previous year. The impact generated by situations of liquidation due to insolvency of cooperatives has been a determining factor of the increase noted above. In these circumstances all the benefit headings, except for compensation, show significant increases, with an emphasis on Unemployment, Relocations and Early retirement.

Lastly, it is worth noting that 2014 was an intense year in the management of solutions for structural employment excess, especially given the crisis of Fagor Electrodomésticos.





04
Industry

In 2014 worldwide growth stood at 3.4%, achieving the same level of growth as in the previous year. The financial year has been mainly characterised by the different growth rates among the major economies.

With regard to the emerging economies, the growth rate was 4.6%, confirming the trend of deceleration of previous years. The geopolitical tensions in Russia and the weak activity in Brazil have driven these two economies to negligible growth, 0.6% and 0.1% respectively. Meanwhile, China and India achieved growth rates of 7.4% and 7.2% respectively.

Regarding the advanced economies, GDP growth was 1.8%, 0.4 pp above the increase achieved in 2013. The USA exceeded expectations with a growth rate of 2.4%. In the Eurozone and Spain activity was weaker, although it is worth noting that they managed to reach positive figures, with growth rates of 0.9% and 1.4% respectively.

In this environment, **the Industry Area of MONDRAGON achieved a total sales figure of 4,754 million euros**, slightly below the level of turnover achieved in 2013.

The recovery of the domestic market was reflected in domestic sales which, for the first time in recent years, increased over the previous year (1.7%), reaching a figure of 1,400 million euros.

The commitment to internationalisation has been rewarded by sales of 3,354 million euros in overseas markets, with a fall of 1.6% over the previous year, despite which they still account for 71% of total sales.

With regard to international expansion, the continuing establishment in overseas markets is notable, with the launch of **new production plants in China, India, USA, Brazil, Mexico, Colombia and Europe; the number of locations abroad having risen to 125**. In this regard it is worth mentioning:



Industrial Area
video summary



CHINA:

- Fagor Ederlan and the Infun Group sealed an agreement for the establishment of a new plant.
- Award of the “Honorary Citizen of Kunshan” prize by the local authorities to MONDRAGON.
- The Chinese restoration company, Old Uncle, awarded Kide the distinguished supplier award.
- The communications company, Global Asia, awarded Danobat the prize for “Best Spanish Company in China 2014”.
- The establishments started up in previous years by the automotive division have made a marked progress, significantly expanding their market share.

INDIA:

- Danobat signed a contract with GHH-Bonatrans India to design, manufacture and supply a turnkey production line of axles for the railway. Danobat has also reached an agreement with the Indian company, Ircon, for the supply of an automatic production line of assembled axles for passenger trains.
- LKS expansion in its opening in the Indian market.

USA:

- Joint project by LKS Engineering and Alecop to develop projects with multilateral organisations, mainly the IDB (International Development Bank) and the World Bank.
- Copreci received the award for innovation at the HPBA 2014 (USA) exhibition.

ECUADOR:

- As a result of the national programme to replace gas cookers with induction ones, Copreci began supplying induction modules to the major local manufacturers with a significant impact as well in other activities of the Corporation.

PERU:

- URSSA and the Peruvian company, Fiansa, join together to enhance their capabilities, allowing URSSA access to new projects in this country and to neighbouring markets.

MEXICO:

- Ecenarro launched a new production plant.

EUROPE:

- ORONA signed the purchase for the Polish company, Techlift, an installation and maintenance company for lifts and lifting systems. ORONA was also awarded the sole contract, for 20 million, for the supply of lifts in the Brussels metro during the next four years.

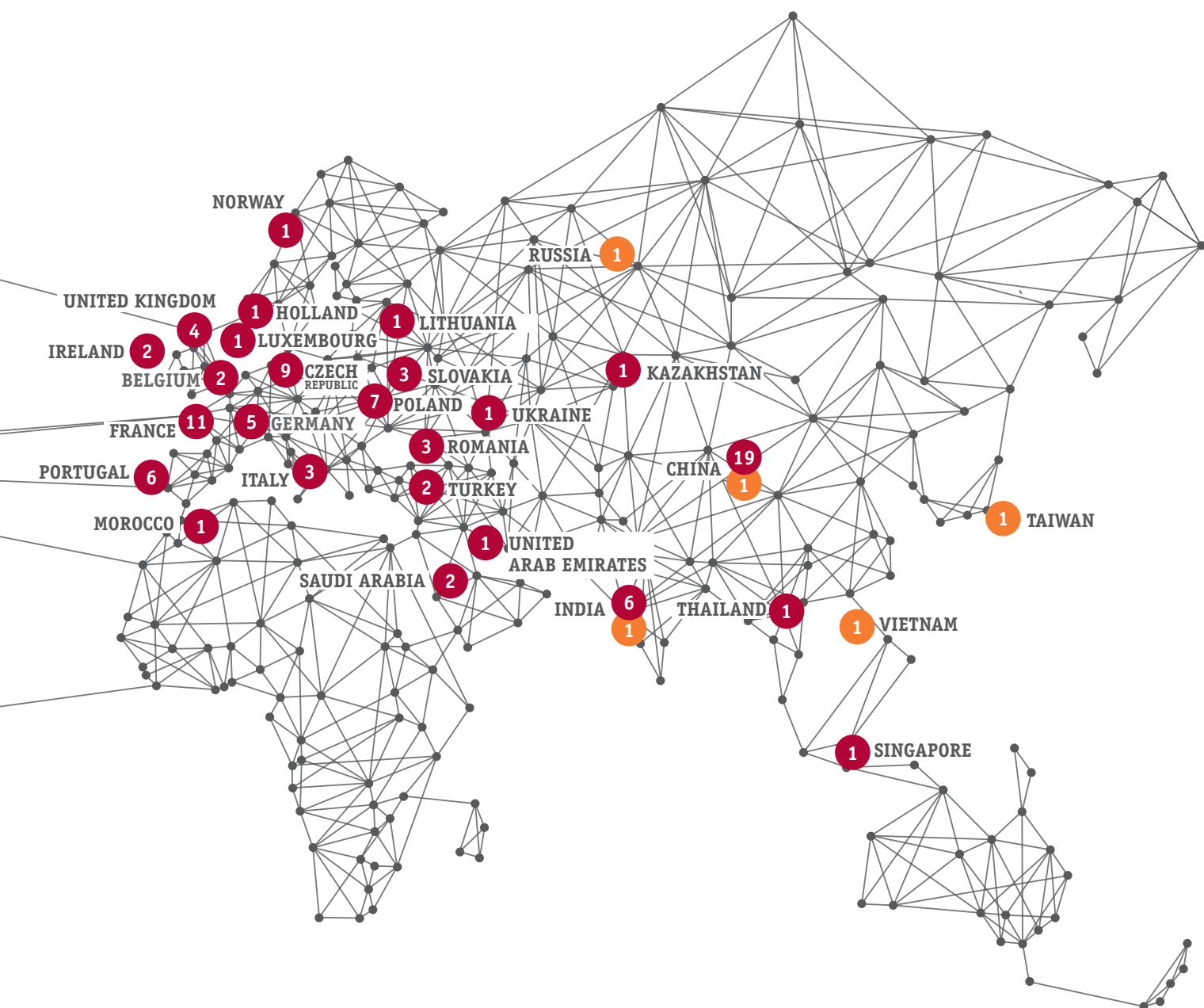
**Investments undertaken
for the whole Industry Area
amounted to 247 million
euros.**

INTERNATIONAL PRESENCE



125
PRODUCTION SUBSIDIARIES

9
CORPORATE OFFICES



Yet another year that MONDRAGON has remained committed to innovation, and as proof of this:

- **1,676 people dedicated exclusively to research** in the fifteen centres specialising in diverse technologies, as well as in Mondragon University and the industrial cooperatives.
- **145 million euros devoted to R&D.**
- **620 million euros of the sales in the Industry Area during 2014 were products and services that did not exist five years ago.**

ORONA continues to promote Orona IDe0 to bring together, in the same physical environment, all those involved in its network of innovation: business, university and research. In addition, advanced technologies will be applied in vertical transport, sustainability and efficient management of energy, making ORONA a European benchmark for energy eco-efficiency.

With regard to the promotion of new business, **MONDRAGON Eko** has carried out an intense marketing campaign for industrial opportunities in the field of renewable energies focused mainly on the solar PV and Wind sectors. This initiative has led to the configuration of the **MONDRAGON Wind** offer, which groups together the abilities of 7 cooperatives and which has fuelled the generation of business for the cooperatives already operating in the wind sector and opportunities have been identified for those which have not participated but have a product or service which applies.

Analysis of the Solar PV industry has allowed the Corporation to anticipate opportunities for equipment to improve the operation and maintenance of the solar farm, as well as solutions to optimise the assembly work.

An inter-entrepreneurship network at a European and international level has also been established, which has enabled the analysis and channelling of more than 65 opportunities to the various Green cooperatives (electric vehicles, smart grids, wind energy, energy efficiency, etc.).

With regard to **MONDRAGON Health**, it continues with its strategy to support cooperative enterprises for the development of new activities in the health sector.

Regarding ongoing projects:

- **GSR**, a cooperative offering services to the elderly and home telecare, has doubled its size in five years employing, at present, nearly 600 people.
- **Bexen Cardio (Osatu)** has experienced a very significant improvement in its turnover, forming a strong commitment to international trade and continuing its commitment to R&D.
- **Bexen Medical (Oiarso)** continues its international expansion strategy and is working closely with hospital R&D centres for the production of new developments.
- **Cikautxo Medical** continues its strategy of specialising in silicone materials for medical use.
- **Fagor Healthcare** continues with the deployment of sales in Spain and has made the leap to the international arena, selling its Medical Dispenser in Portugal, France and the UK.
- **Kiro Robotics** consolidates and confirms the success of the Kiro Oncology technical project, hospital equipment for the automatic preparation of medication for the treatment of cancer patients, signing a joint venture with the Catalan company, Grifols, specialist in the pharmaceutical and hospital sector, which acquired 50% of the company. They have established the team necessary to launch the product and have carried out successful installations in Vall d'Hebron hospital and Barcelona Clinic.

With regard to **profitability** in the Industry Area in 2014, the results of last year, before discounting the interest paid on Share Capital, stood at 191 million euros, an improvement of 80% compared to those obtained in the previous year.

With regard to **employment**, the **average total staff in the Industrial Area during the year was 31,736** (957 more jobs than the previous year), **of which 11,312 people were working in factories and offices located abroad.**

On the subject of **training**, 8 million euros have been allocated over the past year for this purpose, divided into various programmes of both a technical and socio-business nature. It is worth noting the Cooperative Training received by 2,028 people, and the Leadership and Teamwork Training received by 520 managers.

In **occupational health and safety**, reducing the accident rate remains a fundamental objective, having achieved 29.31 accidents per 1,000 workers, with a significant decrease of more than 1.5 points over the previous year. In this field, it is also worth mentioning that 42 industrial cooperatives hold the certificate for Occupational Hazard Prevention Systems in accordance with the OHSAS benchmark.

Lastly, it remains to comment that in relation to the social responsibility of the cooperatives and concern for the correct conservation of our environment, there are already 69 cooperatives which are ISO-14000 certified for environmental quality.

Below we review the evolution of the various divisions included in the Corporation.

Machine Tools

Overall, 2014 was another positive year for the DANOBATGROUP, with sales of 248 million euros and a growth of 12.9% over the previous year. Regarding notable aspects of the market, it is worth noting the success in the United States where, thanks to the acquisition of a local company, it has become the group's largest market, followed by Germany and China.

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 of selected sectors and large lines. 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.

Also, there has been significant progress in the environment known as "Industry 4.0", an ambitious project for the adaptation of products in order to enable them so they can work in a networked environment, offering new services that make the DANOBATGROUP package more competitive.

Elevation

2014 has been a very special year for ORONA, celebrating the first 50 years of its project. Regarding the business evolution, it should be noted that the management in 2014 has been conducted in a complex scenario at the national level and a diverse and changing international situation. In this environment, with the participation and personal and collective involvement of all individuals, **a good year has been achieved in which sales have reached 578 million euros.**



This year ORONA continued opening up to new countries, increasing its international presence, which has allowed it to continue to make strides in maintaining ORONA as a benchmark in the sector. ORONA is a consolidated international reality, through its own organisation in 11 countries within Europe and South America and with a worldwide presence via its extensive network of over 100 partners.

In addition, it continues strengthening its commitment to innovation, based on the conviction that this is the only valid strategy to secure a commitment to the future. Orona IDEO has already become a reality as a place to work, research, learn and create opportunities for permanent exchange with the closest social environment. Orona Fundazioa is one of the most innovative and ambitious projects that aims to contribute to the generation of environments open to the business world, academia, universities, research, institutions and society in general, via the people included within it, both individually and collectively (sports and cultural associations, etc.).

Construction

In an environment that remains difficult for the industry, the group of cooperatives included in the division have achieved sales of 334 million euros, representing an increase of 7% over the previous year. There has also been a major effort to boost the foreign presence, which has resulted in a growth of 10% in international sales, which now account for 61% of the total sales figure.

There has been a continuation at division level of the process of optimisation of synergies between the businesses and some positive results have been obtained in the satisfaction surveys.

On another matter, we must record the signing of a joint venture between URSSA and the Peruvian Fiansa, a business alliance that is allowing an enhancement of the capabilities of both companies, both in managing complex projects and in access to new markets. Also noteworthy is the implementation in Fagor Industrial of the system for evaluating the Technical Assistance Service (TAS) and end-customer satisfaction.

MONDRAGON Industrial Automation

In 2014 the slowdown in orders continued due to excess capacity and investment in productive resources in companies supplying components to the automotive industry. Nonetheless, it was a year in which the number of sales forecast in the management plan were obtained (99%) and when we managed to triple the figure of the expected results. The staff of the division consists of 1,600 people.

Therefore, a year of good management of the internal variables in all the cooperatives, but especially highlighting the excellent performance in sales and results of **Fagor Arrasate** and, for the latter variable, in **Fagor Automation**.

Despite the incidence and weight of the Asian markets in the cooperatives and the instability that has affected



these markets, the good performance, in general, of all the subsidiaries of the cooperatives should be noted. In addition, special mention must be made of **Mondragon Assembly** for its efforts in the consolidation of new subsidiaries in China and Brazil and the success in strengthening the **KIRO** project in its alliance with Grifols.

MONDRAGON Automoción

Vehicle production worldwide has grown by 3.5% in 2014 but with a different performance by region. North America and Asia grew significantly (6% and 5% respectively), Europe grew more moderately, while Brazil and Argentina showed a sharp drop of -11.3%.

In this setting, the businesses integrated in MONDRAGON Automoción ended the year satisfactorily. This is the breakdown of the activities of the three divisions that make up MONDRAGON Automoción.

MONDRAGON Automoción CHP. The Chassis & Powertrain automotive division (CHP) has almost reached its quantitative targets from its 2014 Management Plan, with sales of 708 million euros and an increase of 1.2% over the previous year.

Throughout 2014 there have been important advances in attracting both future projects for local plants and international development. The latter strategy has been developed primarily by two of the three cooperatives that make up the division: **Ecenarro**, which throughout the year was launched in Mexico and **Fagor Ederlan**, which signed a strategic alliance with Infun for the commissioning of a plant for machining iron products in Wuhu (China).

The internationalisation with aluminium products will take place in coming years, mainly from the acquisition of steering knuckles for BMW and Mercedes that will lead to the expansion of production capacities both in Euskadi and in Nafta and later also in China.

Meanwhile, **Mapsa** continues to explore ways for internationalisation, this time executing a strategy at divisional level jointly with Fagor Ederlan.

The commitment to innovation has made it possible for Fagor Ederlan to acquire a new product in structural parts (Rolls Royce) and has enabled the development of other new products which will be finally launched on the market the next year, such as the bi-metal discs.

MONDRAGON Automoción CM. The businesses of the division have evolved favourably, achieving sales of 458 million euros, 9.1% more than in the previous year. Both the interior and exterior decorative components area and the area of plastic and rubber, have increased their sales by 10% over the previous year. Qualitatively, throughout 2014 there have been important advances in internationalisation and business results have been good, given the efficiency of operations and the success of new launches.

In the case of **Maier**, the commitment to innovation and differentiation has made it possible for it to achieve good business acquisition figures which resulted in an increase of capabilities and technologies in the subsidiaries in the UK, Czech Republic and India. Also, its progressive introduction in foreign markets, which will soon be extended to Nafta and Chinese markets, guarantees its global presence in the most important automotive markets.

Cikautxo continues successfully completing the aim of serving customers globally in all markets. Throughout 2014 it has consolidated its presence in India and Nafta, opening new spaces and increasing its current supply capacity in Eastern Europe with a new installation in Romania. Innovative solutions in the field of component materials for both chassis and fluid conduction, have culminated in a high business acquisition figure.

MONDRAGON Tools and Systems. The division has achieved a level of sales of 394 million euros, exceeding the turnover of the previous year.

Aurrenak achieved record sales, close to 29 million euros. The Mexico subsidiary played a very important role in the fine tuning and final modifications of the major projects delivered in the country. In addition, the good level of business captivation in China continued.

Batz had a good evolution of sales and results, partially offset by the negative impact of Brazil. In Die-making there

were good rates of attracting business and good results. In Systems, it is worth mentioning the integration of **BLT/FPK** and the final positioning of the subsidiaries and, in Energy, the progress in the process of business development.

Loramendi made significant strides in its position in BMW, VW and GM and in the consolidation of global leadership in the new technologies of sand core blowing (inorganic process).

Nonetheless, a significant drop in investments in the sector worldwide is found, breaking the upward trend of the past four years, with the consequent impact on business acquisition.

Good acquisition level for **Matrici** in 2014, which advanced its positioning with new customers like Tata and Volvo and expanded its Opel portfolio. Throughout the year an industrial reorganisation was conducted aimed at improving operating results. Also, **MB Systems** ended the year with a good production volume and with excellent results, consolidating its position in Opel.

MONDRAGON Components

2014 was a year marked by significant movements in the configuration of the white goods sector. Tumultuous in Spain and with major mergers and acquisitions both in Europe (Whirlpool/Indesit) and in America (Electrolux/GE).

The behaviour of the cooperatives included in MONDRAGON Components has been outstanding, with sales of 536 million euros, exceeding the previous year's sales by 5.1% and an average business growth of 6% which, in turn, has led to the creation of new jobs.

The objectives achieved in 2014 have primarily been based on improving the international positioning with the major players in sectors such as white goods, components, home comfort and vehicles. In fact, international deployment continued to occupy a key space in the businesses of the division. In this respect, the implementation in Eastern European countries has clearly strengthened, with significant progress in Asia and a continued position in the Americas.

Also, important projects have been tackled in the field of signal processing in Spain and electronic cooking in Europe and America.

Innovative activity was also of considerable importance and, in that respect, new product initiatives are numerous in the field of ceramic burners, the electronics associated with induction cooking and capacitive and regulatory interface solutions, micro-cogeneration or sensorisation of fixing element initiatives.

Equipment

Overall, the division had sales of 298 million euros, experiencing a slight decline over the previous year (2%), caused mainly by the **Alkargo** trend which continued to suffer the contraction of its traditional market - the Spanish electricity companies.

However, international sales increased by 2%, due to increases in natural markets of the various cooperatives. As a general trend of the division, an improvement in the profitability of the companies is also seen.

Regarding the evolution of the businesses, it is worth mentioning the significant growth in sales of **Eredu** and **Osatu**, 20% and 68% respectively, expressing an important period of change in their respective businesses. In both cases, it is the result of years of development work beginning to pay off in the markets.

From the point of view of market development, the introduction by **Dikar** of its new brand, "Bergara", was also significant in such an important market as the USA.

Also, it can be seen that **Orbea** maintained its turnover, having completed the reorganisation of its subsidiary in the USA, pointing to a good 2015.

Industrial systems - ULMA Group

Despite all the difficulties, overall, 2014 was a successful year. The ULMA Group achieved consolidated sales of 684 million euros; the group's international sales were 509 million and now account for 74.3% of total sales of products and services.

It has made and is making a major effort to improve its international position and risk diversification, which has slowed the negative effect which falling sales have had in recent years on its activity.

At the year end, average total employment in the ULMA Group was 4,324 people, of which 2,116 were jobs created in the international subsidiaries of the Group. The percentage of cooperative members of the total employment in the cooperatives in 2014 stood at above 80%.

For 2015, the ULMA Group businesses maintain their development plans based on international expansion, innovation and new activities. The ULMA Group increased the sales levels for the year, reaching 719 million euros, with the international sales of 565 million being notable, experiencing an increase of 10% over last year's figures and now reaching almost 80% of total Group sales.

Business Services

The division combined had sales of 151 million euros, a slight decrease over the previous year (7.3%). One of the characteristics of the division's businesses, which was also accentuated in 2014, is their greater presence in international markets, with projects in over 15 countries. The workforce totalled 1,850 jobs, nearly 100 more than the year before.

Also in 2014, Phase I of the "Divisional Project" began, which seeks to multiply, by inter-cooperation, the capabilities of the companies of the division in two areas: new markets and internationalisation on the one hand, and, on the other hand, new proposals for tackling more complex projects with greater potential profitability. These proposals will be created based on the integration of the abilities that each of the cooperatives

have today. Four sectors are prioritised: Education, Water and Environment, Industry and Infrastructure.

Lastly, it must be noted that 2014 was a year of major changes within the division which resulted in five Management renewals and the replacement of the Directorate General.



05
Retail

This Area is made up of the **Eroski Group**, whose parent company is **Eroski, S. Coop.** dedicated primarily to retail trade, and **Erkop**, a second level cooperative consisting of five cooperatives in the food industry, along with their subsidiaries.

Overall, **the Distribution Area recorded total gross sales of 6,231 million euros in 2014**, 1.9% less than the preceding year. It finished 2014 with a total workforce of 38,686, a reduction of 869 jobs over the previous year.

Eroski Group

The economic situation and its enormous influence on consumer habits set the pattern of 2014 for Eroski, which focused its work on being close to consumers to make their life easier and to contribute to their savings, trying to alleviate the containment of consumption and the trend to purchase products with lower added value.

To achieve this, they have made major efforts to optimise the value proposal to customers, improving product prices and offering new promotions to help them save. Thus, one of the main commitments of Eroski in 2014 was the reduction in prices. For this it invested over 110 million euros which were allocated to generate offers and promotions on all kinds of products.

Health care and welfare of consumers is another of the main concepts of Eroski, therefore, during the past year, it continued to expand its proposal for healthier products. In 2014 Eroski continued to develop products with reduced amounts of salt, fat, sugar... thereby contributing to a more balanced and healthier diet.

Innovation remains a constant in Eroski, present in all its activities, from the distribution platforms to the stores, and passing through the products and work teams. Important events in 2014 were the launch of the automatism of the Elorrio Logistics Platform, a pioneering project in Europe for the comprehensive handling of boxes of different shapes and materials and, in the commercial sphere, the continuation with the transformation of its stores to the new model "contigo" (with you), awarded a prize by the Basque Government.



Retail Area
video summary



Throughout 2014, 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. It continued with the initiative of the Solidarity Purchase Bag, a reusable bag sold at the symbolic price of one euro, the benefits from which are used to sponsor several social projects supported by various NGOs. The number of bags sold since its launch have exceeded 600,000 units, 209,000 during 2014.

Another important milestone in the area of sustainable development and solidarity is the Zero Waste project, by which Eroski is the first distribution company that ensures that no product suitable for human consumption is wasted. Everything is donated to various social organisations and consumed free of charge under conditions of solidarity and food safety for thousands of citizens. The amount provided by this program during 2014 amounted to over 2 million euros, equivalent to over 8,000,000 food portions, enough to support about 5,000 people throughout the year.

This effort has earned the recognition of Food Banks, whose Federation has awarded Eroski the Golden Ear of Wheat for being the most outstanding company in its action in support of Food Banks.

Within its collaboration with the community, its support for regional economies is notable. In 2014 Eroski continued to support local produce. To do this, they increased their agreements with administrations, Associations, Appellations of Origin and other institutions.

Erkop

In 2014 the Erkop cooperatives, with Ausolan at the head, achieved a turnover of 207 million euros, with a combined staff of 7,434 workers and a 17 million euro profit.

However, 2014 was the first year of the century that it did not achieve target sales, virtually repeating the activity of last year. Ausolan has suffered from the lack of new sales, not having completed the planned acquisition of a company

in Madrid. And Erkop farming businesses, without having substantially improved their indicators have not worsened over the previous year.

In the **restaurant business**, the three companies acquired in 2013 were consolidated and the new company was formed for the development of the cleaning business. The business plan was designed for multi field customers and progress made in establishing its own style of leadership based on the "Leader" programme in collaboration with LKS.

Barrenetxe increased sales once again in Madrid due to the incorporation of a new high sales capacity distributor (Ahorramas) as a customer. And the plantations and sales of new local references were consolidated: leeks, flat beans, courgettes... which have already led to 9% of total turnover.

Behi-Alde closed an excellent year, with a moderation in prices of raw materials for animal feed and the sale price of milk higher than in recent years.


The possible **Miba-Piensos del Norte** merger was delayed due to the Basque Government conducting a general analysis of the Basque feed industry and promotion of a plan of integration of production plants. In 2015 the project will be continued, with the assistance of an external consultant.





06

Knowledge



During 2014 **6 areas or vectors of inter-cooperative innovation** were defined, to complement the innovation directly managed by cooperatives. These are summarised as: **Manufacturing, Smart Cities - Energy Efficiency, Raw Materials, Big Data - Internet of Things, Health** (led by MONDRAGON Health) and Sustainability (led by MONDRAGON Eko).

The development of new content continued within the framework of the **M4FUTURE Corporate Innovation Model**, in the following areas: open innovation, talent management, strategy and culture of innovation, criteria and tools for diversification, entrepreneurship, portfolio management of R&D&I projects, creativity in the processes of innovation and industrial property.

MONDRAGON Corporation continued to promote the internationalisation of R&D&I, with the following initiatives being notable:

- The **Corporate Office in Brussels**, from which a new activity was launched for monitoring the European directives under development that could impact on the cooperatives, with the aim of influencing them if deemed appropriate.
- Support and participation in the development of **European collaborative projects**, having presented more than 110 proposals to various European programmes (H2020, ECSEL, ERASMUS +, EUROSTARS, etc.) with a success rate of approximately 26%.

- Entry into the **KIC Raw Materials**, this being a community for excellence and innovation aimed at providing solutions to major social and economic challenges that the European Union faces, regarding the sustainability and supply of raw materials, generating relevant R&D projects and new business initiatives that generate new highly skilled jobs.

For its part, the **BAC** (Business Acceleration Centre) programme, part of the Promotion Centre, has worked hard in promoting new business development based on inter-cooperation.

Lastly, MONDRAGON continued to lead the **Spanish Technological Platform for Advanced Manufacturing MANU-KET** whose mission is to respond to the technological needs generated by future products and services, in which the incorporation of advanced materials, micro-electronics, photonics and nano-technologies require new process, equipment and manufacturing system developments.



Knowledge Area
video summary



R&D&I FIGURES

BUSINESS

| | |
|-----------------------------------------------------------|----------|
| Industrial Area Cooperatives | 75 |
| Workers (average jobs) | 31,736 |
| Turnover | 4,754 M€ |
| Total R&D expenses | 145 M€ |
| % total R&D expenses of total sales | 3.07% |
| % total R&D expenses of added value | 8.93% |
| Total families of patents in force at year end | 479 |
| Sales in new products/services (non-existent 5 years ago) | 620 M€ |

HIGHER EDUCATION (COURSE 2012/2013)

- 4 faculties (Polytechnic School, Business Sciences, Humanities and Education Sciences, Gastronomic Sciences)
- 13 Degrees
- 11 Master's degree programmes (3 of them double diplomas)
- 3 PhD areas
- 4,567 students enrolled

RESEARCH AND TECHNOLOGY

- 15 technology centres
- 12 R&D units
- 1,676 full-time researchers

OTHERS

- MONDRAGON Science and Technology Plan: 5 areas of strategic activity
- Opening of corporate office in Brussels
- Presence in the major international forums
- SIS-Strategic Information Service: 500 users
- Elkarbide social network for collaborative business venture: 426 users
- BAC-Business Acceleration Centre. Inter-divisional centre for entrepreneurship
- Launch of new corporate website "Innovative Thinking"
- MONDRAGON: technical secretariat of the Spanish technological platform for Advanced Manufacturing MANU-KET

Technology Centres and R&D units

CIKATEK is an R&D business unit included in the Basque Science and Technology Network, 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.

In 2014 Cikatek developed 20 R&D projects and collaborated in projects, in a national and international environment, working closely with world leading companies in the development of new polymeric materials. Its main lines of research are aimed at lightening and researching “smart materials” and the hybridisation of applications by combining different materials.

CS CENTRO STIRLING, specialised in the generation and efficient use of energy in the home environment, is the R&D&I unit of the Components Division. It is an active member of the Basque Science and Technology Network and has an extensive network of national and international partners to complement the local resources.

It collaborates with companies in a dynamic manner in the design, simulation and testing of various components, mainly for the appliance industry, and is at the technological edge regarding new activities and businesses within its division.

In 2014 it organised The International Conference on Stirling engines, with great success, which has earned it international recognition and it forms part of the European forums, being especially active in the sustainable energy environment.

EDERTEK is the R&D&I unit sponsored by Fagor Ederlan Taldea. It was founded in 2003 and currently employs 35 people, with a turnover in 2014 of 4.4 million euros. Its three areas of technological activity are innovation in materials, in processes and the development of new products.

During 2014 there was significant progress in a number of strategic projects which could result in new business for its user members, such as structural parts, engine blocks in aluminium and bi-metal discs, in which major customers in the automotive industry such as BMW, Rolls Royce and

Renault have already shown their interest via nominations or development agreements.

It has also been more involved in projects aimed at improving processes and materials: development of high-performance alloys and improved machinability of brake discs.



The system for the health and safety of workers has been certified with the OHSAS 18001 certification. It has also obtained the Bikain certification that certifies its commitment to the use of the Basque language in the centre. In the Technology Watch area it has launched the Technology Watch Newsletter.

ETIC, is an innovation centre specialising in ICT technologies that enable the creation of new solutions, products and services in the broad areas of Smart Cities and Industry 4.0. ETIC is a business R&D Unit which is not attached to a specific company and its mission is to promote economic growth by developing new solutions using ICT in virtually all areas of everyday life.

During 2014 ETIC participated in 4 projects from the Gaitek Programme, an Innpacto project and 3 European projects. ETIC develops ICT solutions in domains such as Intelligent Systems, Cloud Computing, Business Intelligence and Big Data.

In 2014 it held the second Start-ups Acceleration Programme where ETIC promotes the creation of new technology-based companies providing training and technical support free of charge.

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 2014 Fagor AOTEK participated, among others, in research projects in collaboration with Power-OM, a European project pertaining to FP7 that seeks to achieve optimisation based on energy consumption, reliability, operation and maintenance of machine tools; HHDMM, a CDTI integrated project for the development of a hybrid high dynamic milling machine; INMAQUENER project, from the RETOS-MINECO Collaboration programme, for monitoring machine tools; INPRORET, INPRORET II (MEDCON line) and ESTRATEUS (INSPECSOL line) projects, within the ETORTEK programme and in collaboration with the CIC MARGUNE, for the development of non-conventional, portable, precision machine tools, that adapt to the geometry of the work-piece to be machined and measurement solutions for big work-pieces in machining;

ECOFAB projects, EUSK-ADDI and MACHINE 4.0 on the rational use of energy, additive manufacturing and the incorporation of intelligent modules, following the latest trends of Manufacture 4.0.

IK4-IDEKO is a technology centre specialising in manufacturing technologies and industrial production. In 2014 it achieved 7.8 million euros in revenues and its collaboration with companies rose by 7%, which now accounts for 65% of its income. The research of the technology centre yielded two new patents in 2014, bringing the number of active patents of the technology centre to 20. 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 96, of which 25 are doctors. It divides its activity between two buildings which include, besides a prototype workshop of over 2,000 square metres, the laboratories for metrology and ultra-precision processes, dynamics of high-performance measurement systems, composite materials, laser processing and advanced components. This year, it will complete its facilities with some new laboratories dedicated to verification and inspection and non-destructive testing (NDT). Its specialisation in "Advance Manufacturing" materialises in both research projects and those demanded by industry on the themes included in its 7 research areas: strategic innovation, machining and production systems, intelligent software, manufacturing processes, dynamics and control, inspection and measurement, and precision engineering and design.

IK4-IKERLAN, a benchmark technology centre that celebrated 40 years of existence in 2014, specialises in innovating products and processes by incorporating its expertise in mechatronics, energy and advanced manufacturing systems. In 2014 the centre received a revenue of 17.8 million euros, 58% corresponding to activities contracted by companies and 36% from its own research activities.

With its headquarters in Olandixo-Arrasate, IK4-Ikerlan has a staff of 195, of which 26% are doctors, and it houses its laboratories and research groups in four locations: Arrasate (Olandixo and GARAIA Innovation Centre), Miñano (Alava Technology Park) and Hernani (Gipuzkoa Technology Park-IDeO Innovation City).

The customer base of IK4-Ikerlan extends to more than 90 companies, from transportation, equipment and energy, among others. In 2014 the centre collaborated with its customers in more than 120 R&D projects, with a significant presence in the various government programmes to boost R&D in companies.

With regard to own research, the centre works in 6 areas of research: embedded systems, electrical and electronic power systems, structural reliability and mechatronics, micro-technology for industrial environments, intelligent maintenance and electrical storage systems and thermal management.

Under the heading of scientific production, 27 CIS articles and 46 conference papers were published. There were 42 active doctoral theses and 2 new partnerships were signed.

Lastly, last year IK4-Ikerlan applied for two new patents.

IK4-LORTEK, “Advanced Manufacturing” technology centre located in Ordizia (Gipuzkoa), focuses its specialised strategic lines on Virtual Engineering, Friction Stir Welding, Joining technologies, recharging and laser-based additive manufacturing of metals and intelligent manufacturing and process automation.

Collaboration with companies is still key to IK4-Lortek and proof of this is that in 2014 the revenues from contracted projects accounted for 76% of total revenue. The remaining 24% related to research projects for the various public administrations.

In the section on important projects during 2014 it is worth mentioning the COMBILASER projects from the H2020 programme “FoF1-2014 Research and Innovation Actions”, and the ADDITIVE project from the “Etorgai 2014” programme, which promotes the introduction of Additive Manufacturing of metals in different strategic industries (automotive, aerospace and medical).

IK4-Lortek maintained the strong growth in its strategic plan and its workforce at the end of 2014 reached 60 people, of which 20% were doctors.

ISEA, Innovation in Advanced Business Services is a centre for technological development, innovation and expertise in the business venture services sector sponsored by the engineering and business services division of MONDRAGON Corporation.

ISEA aims to conduct applied-type research, with market impact and which is relevant to the interests of their user companies. Thus, for 2014, in the field of scientific technology, it is worth highlighting the SME 2025 projects in collaboration with MIK, Orkestra and IK4-Ikerlan, and the conceptual design of an EcoDistrict in the San Josepe quarry of Mondragon (Gipuzkoa).

In addition, ISEA energises the MONDRAGON Business Acceleration Centre - BAC, an initiative to enhance the processes of launching entrepreneurship initiatives by fostering new business generated through inter-cooperation.

It also collaborates in the development of the KIMU BERRI initiative to promote youth entrepreneurship in Debagoiena by developing a specific approach based on technological domains and in markets associated with youth, leisure and sports.

KONIKER is an enterprise R&D unit dedicated to research, development and innovation in the field of forming and assembly. In 2014 the revenue of the centre amounted to 2 million euros, of which more than 85% related to projects at the request of industrial companies.

In 2014 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.

Koniker is a member of the Basque Science, Technology and Innovation Network and a total of 23 researchers work at its premises located in Arrasate (Gipuzkoa).

Its expertise in advanced manufacturing materialises in industrial research projects applied to the forming of composite materials, the development of manipulative and transferring elements, the ecological cleaning of steel, the development of advanced functionality for the production

and energy optimisation of machines, advanced maintenance via the integration of physical cyber systems, and the manufacturing of panels from thin film amorphous silicon, among others.

Koniker is a member of EFFRA (European Factories of the Future Research Association) and EuRobotics (European Robotics Association).

It currently has the quality accreditations UNE-EN ISO 9001, UNE 166002 in R&D&I Management and UNE 166006 in Technology Watch.

LEARTIKER is a research, development and innovation centre specialising in polymer technology and food technology.

Leartiker Polymer R&D, through its main business units (Compounding, Health, Testing & Simulation and Lightweight) offers a comprehensive service, from the generation of the idea to the final product development.

Leartiker Food Technology guides food companies in finding new business opportunities, as well as in the improvement and diversification of its products. It specialises in the meat, dairy, fish products and ready meals industry.

In 2014, Leartiker participated in 51 R&D projects with companies and in collaborative programmes in national and international environments.



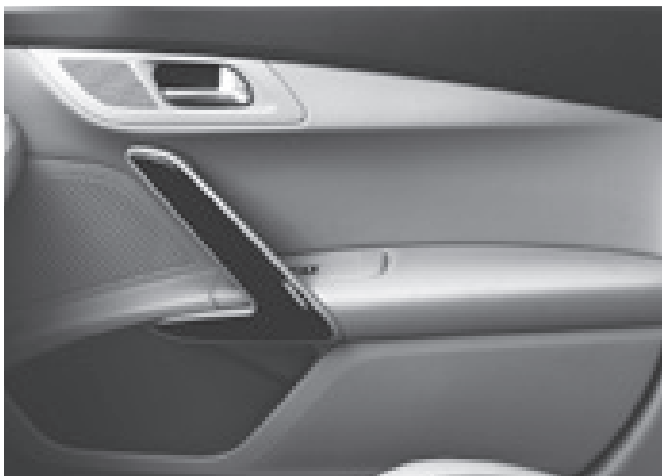
MTC, included in the Basque Technology Network, is a centre specialising in the research and development of thermoplastic parts and assemblies, primarily for the automotive industry.

Progress was made during 2014 in the third Technology Plan 2013-2016, focused on "Aesthetics" and new product development. Innovation, as a means of profitable growth for Maier, was consolidated with the acquisition of major projects based on new technologies developed in previous years.

At a relational level, its customer rating has grown regarding the degree of innovation achieved as witnessed in the design centres of most OEMs.

MTC has a special interest in developing partnerships, collaborations and agreements at a national level and especially at a 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.

After the opening in 2011 of the new MTC, more customer and R&D oriented and with a unique ability to develop projects to TLR6 phase (pre-industrial phase with representative means) it has continued the regular investment in upgrading the available facilities and laboratories, initiating a new in-mould decoration laboratory.



It is also worth mentioning the development of R&D&I projects in accordance with UNE 166002:2009, for which MTC was the first business unit to be certified and for which it passed the audit without any "non-conformity" for the sixth consecutive year.

MIK (Mondragon Innovation & Knowledge) is a research centre in organisational and social innovation management.

Currently its main areas of expertise are: the participation of people in business management, entrepreneurial ecosystems, internationalisation, open innovation and financial diversification.

It is worth mentioning the diagnosis of the advanced management capabilities of the Basque SMEs, carried out in 2014 under the project "SME 2025: Towards an SME with dynamics of innovation and international collaborative business venture based on the participation of individuals" and the identification of intervention projects in these SMEs based on the diagnosis made.

ORONA EIC (Elevation Innovation Centre) - more than 100 professionals work in collaboration with Orona and Electra Vitoria as well as research centres and both national and international cutting edge universities. Orona EIC looks for ways to optimise all aspects of eco-efficiency, safety and comfort in lift systems. In this area, Orona is the first company in the lift industry, at a global level, to be accredited with a certificate in Ecodesign.

UPTC is a centre specialising in the research and development of technology for the packaging industry. In 2014 it developed a range of sealing machines covering a broad spectrum of solutions, incorporating the latest technology to meet the most stringent requirements of the food industry. Progress was made in the development of advanced machine features and connectivity-communications of the equipment for its remote control and monitoring.

GARAIA innovation hub

Mondragon Technology Park continues to consolidate as a community of knowledge and innovation forming 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.

In 2014 it housed 25 technology-based companies with a turnover of 76M € and 1,056 people of whom 526 were engaged in R&D.



Also during 2014 it welcomed more than 8,500 people at its facilities, participating in different types of events, using different spaces and infrastructures that Garaia offers within its environment.

SAIOLAN, is a Business and Innovation Centre specialising in the promotion and development of new business activities, with its headquarters in Arrasate - Mondragón (Gipuzkoa). Since its foundation in 1985 until now, 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 high added value.

Regarding the important aspects of its management during 2014, it is worth mentioning the actions aimed at the dissemination of entrepreneurship (with 16 actions and 600 people involved) and the training for entrepreneurs (13 courses for 300 participants were conducted).

Also, 27 market research studies, 10 technological development projects and 34 feasibility studies were conducted.

As for new activities, 7 new companies were established and 6 diversification projects and 6 institutional financing plans were launched.

Also during 2014 it finalised the Eraikin Programme which developed a method of creating innovative companies adapted to the peculiarities of Debagoiena, under the European Poctefa Programme and in collaboration with other European regions.

Furthermore, using its International Antena tool it carried out 7 in-depth studies on innovative technologies identified in countries leading in technology, that were presented to 60 business organisations as part of an innovative technology transfer in the European market and likely to generate new business activities.

Lastly, Saiolan currently has 8 companies and 15 entrepreneurs in its incubator.

TRAINING CENTRES

Politeknika Ikastegia Txorierrri. 386 students for Professional Training and 398 students for Employment Training, both active workers and unemployed people, attended Politeknika Ikastegia Txorierrri during the 2013-2014 course. It is worth mentioning the organisation and development of a 280 hour Tool and Die Maker-Adjuster course, co-financed by the European Globalisation Adjustment Fund (EGF), aimed at the redundant workers of the companies associated with the Vizcaya Metal Federation.

In the international area, 18 students had placements in European companies (Germany, UK, Italy, Ireland, Poland and the Czech Republic). The centre also participated in 4



projects for the Transfer of Innovation (TOI) funded through the Erasmus+ programme. It is also worth mentioning its participation in the GLOBAL TRAINING Scholarship Programme, sponsored by the Basque Government's Department of Economic Development and Competitiveness.

Politeknika Ikastegia Txorierrri increased the management of the number of scholarships through a partnership with the association of the FP-HETEL and CONFEBASK centres. As a result, for the 2013 programme, it was the only centre of reference throughout the Community which managed 50 scholarships, aimed at young people who had completed their higher level Professional Training.

In the area for encouraging self-employment, and as promoting partners, 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 Txorierrri participated in the incubation of three company projects (transfer of establishments and generation of 11 jobs).

It began to structure its relationship with the business sector through the development of various activities as collaborating partners of the Bizkaia Science and Technology Park and of the Cluster-Group of automotive companies (ACICAE). It also joined, as a collaborating partner, the centre of the Fagor Arrasate company, replacing Onapres S.Coop. Notable events in this area were the participation of the companies Ondoan S.Coop. and ESS S.Coop. in the development of both projects of Dual training in Alternation, collaborating in the training of two students at the centre.

In the quality area, with the aim of structuring the Monitoring of the Innovation Process, the centre was selected to participate in a pilot project called "Competitive intelligence" sponsored by the Deputy Ministry of FP of the Basque Government. It also implemented an iNet application for preparing the Reports for each Process and successfully passed the complete renewal by AENOR of the ISO 14001:2004 certificate.

Arizmendi ikastola. The seasonal scope of the activity of Arizmendi Ikastola is the school year. Following the appointment of a new management team, the project that this team began managing, from September 2013, is characterised by its strategic profile and a vision of 2020. The challenge for this scenario is the development of the ikastola model in the Léniz valley, which has a goal to "educate the person from the Arizmendi cooperative and with the demands, curriculum and social agents of the valley". In short, to educate the Basque person and the cooperative of the valley, open to a globalised world.

In the first year, 2013-14, management was focused on giving a pedagogical corpus to the challenge, in defining the economic, architectural, digital and human resource supports and, in turn, affecting some improvement in the daily activity, especially in the area of the internal and external communication of the cooperative. Regarding the income statement, it is worth noting the following outstanding achievements:

- An audiovisual product which identifies, in an informative manner and with a clearly educational intention, the basis of educational change which is intended with that known as Pedagogy of Trust adopted by Ikastola Arizmendi.
- An inter-centre meeting that shares or wants to share educational innovation, led by ikastolas Azkue (Lekeitio), Aranzadi (Bergara) and Arizmendi.
- The creation of educational tools that will help research and action within Arizmendi.
- The reorientation of non-formal education.
- The increase in newly registered students.
- The identification of architectural priorities in the Arizmendi Ikastola buildings.
- The proposal for a debate on the management of human resources in line with the pedagogical innovation initiated.
- The implementation of a management model for the digital resources in Secondary school.

- The authorisation of a higher training cycle for Professional Training in 3D.
- Correction of the deficit of the previous year by adjusting and balancing the financial accounts.
- The implementation of a communication plan to be displayed on buildings, vehicles, in the media, etc. in order to strengthen the corporate image and the ikastola presidency.
- The organisation of a relocating operation for some Fagor Electrodomesticos cooperative members.

Lea Artibai Ikastetxea. During the 2013-14 academic year, Lea Artibai Ikastetxea had 18 groups in baccalaureate and training courses, and 66 students had placements in companies, 9 of them in Europe under the Erasmus programme. In addition, 12 of these students took part in the Dual Professional Training programme in which students combine training at school with work in a company.

The centre also promoted an educational innovation project with the Deputy Ministry of Professional Training which helped to launch what was called Lean eskola, a special educational space for training in Lean manufacturing using a novel methodology of learning by doing.

In the area of Training for Employment, training was provided to unemployed and employed workers (approx. 7,000 hours) and a wide variety of courses on request (1,400 hours). In this activity it is worth mentioning the high number of business placements managed (160). The combination of the Training for Employment, the close relationship that Lea Artibai maintains with businesses and the work of the career guidance department as a collaborating centre of Lanbide contributed to the employment of over 40 people.

The collaboration with the Chilean government for the programme called "Technicians for Chile" is also worth mentioning, aimed at Chilean professionals who will be trained in Lea Artibai in the Food Industry area. Within this collaboration, the teaching of other specialities has been agreed for future courses.

Mondragon University. During the 2013-14 course, Mondragon offered 15 degrees in its 6 subject areas: engineering, business management, entrepreneurship, communication, education and gastronomy. As well as 13 master's degrees, 3 of them as double diplomas, in collaboration with French universities and in the field of engineering.

It also offered 8 courses adapted for online degrees, plus a wide range of continuing education and postgraduate courses for professionals.

Quality is one of the main objectives in all the activities of Mondragon University. Each year a firm commitment is made to keep improving the quality of its courses, research, management and, in general, the university as a whole. For the 2013-14 year it is worth noting the following achievements:

- The Polytechnic School and the Faculty of Humanities and Educational Sciences achieved the AUDIT certificate, which assesses and certifies the internal system which both implemented to guarantee the quality of teaching.
- Three awards, two degrees and one master's degree, have passed the accreditation test to renew their official level.
- One of these, the Mechanical Engineering degree, also won the EUR-ACE seal, a certification granted by the Association of European engineers, which guarantees that the degree fulfils the principles of quality, transparency, recognition and mobility in the European Space of Higher Education.

Total **enrolment was 4,567** (3,451 in undergraduate studies, 774 in official post-graduate studies and 342 in post-graduate studies for private diplomas). Among these, 575 were enrolled in the online module.

The number of students who completed company placements, both undergraduate and master's, was 1,410.

In the field of **internationalisation**, 488 students travelled to foreign universities - 13% more than the previous year, of which 48% had placements or did final projects at foreign universities and/or companies. Also, Mondragon had 116 foreign students, an increase of 33%.

The development of the **MEI-Mondragon International Education** project should also be emphasised. It involves direct participation in the methodological design and management of several international higher education institutions. MEI is currently present in Colombia, Mexico and Saudi Arabia, participating in the management of two universities and four vocational training centres.

Regarding **research**, the university continues to increasingly develop this activity, especially promoting **collaborative research**, consisting of developing the research and transference activity with certain related companies and

organisations, transcending from a sporadic partnership in specific projects to a steady relationship, turning the university into a structural extension of the R&D capabilities of these.

Despite the tightening and reduction of government investment in research programmes, the research activities of Mondragon have continued to strengthen. Proof of this is its participation in over 425 research projects and also the transfer activities undertaken.



It also published 106 articles in professional journals and presented 148 papers at conferences both at a state and international level. For its part, the University organised 58 conferences and seminars on various fields of knowledge.

In the field of **entrepreneurship**, it organised the 8th Entrepreneurial Meeting, involving a total of 213 students from Mondragon University. And this year, for the first time, the students from the Unipanamericana University of Colombia and the UCO-Mondragon University of Mexico also participated in the contest. In total, 87 projects were presented.

During the 2013-14 course **other strategic projects** were also addressed such as:

- The start of the **MENDEBERRI 2020** reflection process, a profound reflection on their future educational model.
- The **redesign of the Degree in Business Administration and Management** converting it into an alternating degree with a strong company placement component throughout the university process.
- The launch of **3 new engineering courses**, two of them in the field of energy and environmental technology at the Polytechnic campus in Donostialdea and the Biomedical Engineering Degree introduced at Arrasate.



OTALORA. In 2014 in Otalora, centre for management and cooperative development of MONDRAGON, significant activity took place.

In the area of Cooperative Education it undertook the programmes for the Governing Board with 8 groups, the programmes for the Social Council with 10 groups and the programme for members with 124 groups. Introductory welcome sessions were also held for a total of 12 groups of new members.

In the area of Management Training, it completed the Executive MBA 2013-14, started up a new edition of IKAS and launched two editions on 'Multiculturalism' for people moving in international environments.

Furthermore, in the area of Cultural Development, it carried out the survey on organisational culture with 14 cooperatives, the qualitative cultural diagnosis with 4 cooperatives, the definition of the culture desired with 1 cooperative, the leader profile assessment with 2 cooperatives and the entire cultural development project with 1 cooperative.

In the area of 'Leadership and Teamwork', there were a total of 9 groups participating in the Cooperative Leadership programme, 18 groups in programmes on developing leadership skills, emphasising the skills of Positivity and Achievement orientation, as well as 23 groups that developed teamwork skills.

In the area of Cooperative Dissemination, 28 groups of visitors were welcomed to a day of getting to know MONDRAGON, a total of 22, two to five day seminars about MONDRAGON were delivered and there were 8 conferences at different national and international events.

Lastly, and as in previous years, the latest People Management Forum was organised, aimed at the personnel managers of the cooperatives of the Corporation, with 115 people taking part.



