WE ARE MONDRAGON

COOPERATION AND SHARED PROGRESS
The focus on people is one of the values of MONDRAGON, people who come together to achieve extraordinary feats and grow together.

WE ARE COMMITTED TO SUSTAINABLE DEVELOPMENT
Of our businesses, our society and our planet.

WE HAVE OUR OWN MODEL
Different, inclusive, responsible, fair and solidary: COOPERATIVE.

AND WE LOOK TOWARDS THE FUTURE
Proactively, exploring new opportunities that take our experience to the next level.

HUMANITY AT WORK
### BASIC FIGURES

#### BUSINESS DEVELOPMENT

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Income</td>
<td>11,936</td>
<td>12,215</td>
<td>2.3</td>
</tr>
<tr>
<td>Total sales (Industry &amp; Retail)</td>
<td>11,280</td>
<td>11,581</td>
<td>2.7</td>
</tr>
<tr>
<td>Net investments</td>
<td>451</td>
<td>420</td>
<td>-6.9</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,021</td>
<td>1,037</td>
<td>1.6</td>
</tr>
<tr>
<td>LABORAL Kutxa Intermediate Resources</td>
<td>21,014</td>
<td>21,841</td>
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</tr>
<tr>
<td>LagunAro Equity Fund</td>
<td>6,477</td>
<td>6,169</td>
<td>-4.8</td>
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</table>

#### EMPLOYMENT

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average No. of jobs</td>
<td>80,818</td>
<td>81,837</td>
<td>1.3</td>
</tr>
<tr>
<td>% of shareholders in Industrial Area cooperative workforce</td>
<td>73.8</td>
<td>73.6</td>
<td>-0.4</td>
</tr>
<tr>
<td>% of female shareholders in the cooperative workforce</td>
<td>42.9</td>
<td>42.8</td>
<td>-0.2</td>
</tr>
<tr>
<td>Rate of Industrial Area incidents or accidents</td>
<td>34.4</td>
<td>34.7</td>
<td>0.9</td>
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</table>

#### PARTICIPATION

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working shareholders, share capital</td>
<td>1,733</td>
<td>1,795</td>
<td>3.6</td>
</tr>
<tr>
<td>Number of workers in governing bodies</td>
<td>825</td>
<td>835</td>
<td>1.0</td>
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#### SOLIDARITY

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds for activities with a social content</td>
<td>25,1</td>
<td>28,0</td>
<td>11.6</td>
</tr>
<tr>
<td>No. of students in educational centres</td>
<td>11,010</td>
<td>11,248</td>
<td>2.2</td>
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</table>

#### ENVIRONMENTAL MANAGEMENT

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of ISO 14000 certifications in force</td>
<td>73</td>
<td>75</td>
<td>2.7</td>
</tr>
<tr>
<td>Number of eco-design certifications</td>
<td>4</td>
<td>4</td>
<td>0.0</td>
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#### INVESTMENT IN THE FUTURE

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% funds allocated to R&amp;D from the added value of the Industrial Area</td>
<td>8.6</td>
<td>8.9</td>
<td>3.5</td>
</tr>
<tr>
<td>No. of Technology Centres and R&amp;D units</td>
<td>15</td>
<td>15</td>
<td>0.0</td>
</tr>
<tr>
<td>Total No. of researchers</td>
<td>1,928</td>
<td>2,018</td>
<td>4.7</td>
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</table>
OBJECTIVE: SUSTAINABLE BUSINESSES

“OUR INDUSTRY HAS GENERATED OVER 8,000 JOBS IN THE LAST FIVE YEARS, OF WHICH 57% (4,589) WERE CREATED LOCALLY. THIS IS, WITHOUT A DOUBT, THE BEST CONTRIBUTION THAT COOPERATIVES CAN MAKE TO SOCIETY”.

A MESSAGE FROM THE CHAIR

The year 2018 has been, in general terms, a good year for the member cooperatives of MUNDARING. An overview of the main figures of the year leads to the conclusion that the outcomes of the year have been positive: last year’s sales have been improved, we have created jobs and we have increased the sustainability of the businesses.

One of the most noteworthy aspects has been industrial employment, whose upward trend confirms, once more, the capacity to create new jobs in this field. Our industry has generated over 8,000 jobs in the last five years, of which 57% (4,589) were created locally. This is, without a doubt, the best contribution that cooperatives can make to society.

Moreover, industrial investment is progressing steadily; over 1,400 million euros have been invested during the last five years. The main purpose of these investments have been new implementations —we already have 141 subsidiaries abroad with a workforce of over 14,400 people— and improvement of facilities, without mentioning the development of new products and services.

Despite the adverse conditions for the industry, the financial area has experienced positive growth once again, with remarkable solvency and default ratios. The uncertainty of the financial market resulted in a brief slump in the investment portfolio of LagunAro at the close of the year, but this scenario subsided during the first months of the current year.

In the retail area, our businesses ended the year with overall positive results —for the second consecutive year in the case of the Eroski Group. Worthy of mention is the new boost to the transformation of Eroski’s “Contigo” commercial network plan that is being applied to new stores.

Another significant aspect the enhancement of inter-cooperation to share experiences and projects and improve the competitiveness of the cooperatives, while promoting financial inter-cooperation funding.

And lastly, in order to improve the future sustainability of businesses, an extra effort has been made during the year to strengthen the permanent resources of the cooperatives. The concept behind these actions is quite simple: only sustainable and competitive businesses are going to yield better cooperatives for us and a better legacy for future generations.

IÑIGO UCIN
CHAIR
IN A VERY DEMANDING SCENARIO, LABORAL KUTXA HAS OBTAINED A CONSOLIDATED PROFIT OF 133.7 MILLION EUROS AFTER TAXES, A 10.06% INCREASE FROM 2017.

THE COMPANY CONTINUES TO MAKE PROGRESS IN ITS DIGITAL TRANSFORMATION AND OMNI-CHANNEL DEVELOPMENT PLAN TO IMPROVE CUSTOMER EXPERIENCE, PROVIDE MORE DIGITAL CONTRACTING METHODS AND THUS IMPROVE EFFICIENCY.

GLOBAL ORDINARY INCOME OF THE INSURANCE BUSINESS WAS 38.94 MILLION EUROS BEFORE TAXES.

LAGUNARO EPSV: THE EQUITY FUND FOR PENSIONS REACHED 6,169 MILLION EUROS.
FINANCE AREA

The 2018 fiscal year ended without an upturn in the interest rates in the Eurozone, which has severely conditioned income statements and, therefore, the profitability of financial entities.

LABORAL KUTXA

In a very demanding scenario, LABORAL Kutxa obtained a consolidated profit of 133.7 million euros after taxes, a 10.06% increase from 2017. Its ROE - Return on Equity - was 7.97%, much higher than the 6.1% estimated for the banking sector of the country.

SAVINGS

The resources processed by LABORAL Kutxa at the end of 2018 rose to 21,841 million euros, a 3.9% increase from January to December 31st.

Resources included in the balance sheet, such as demand deposits, savings accounts or time deposits increased by 4.3%. And regarding non-balance-sheet resources, the customers of the company have shown a preference for investment funds, which continue the upward trend of the last few years and increased by 5.8% from 2017.

CREDIT INVESTMENT

There has been a significant increase in the execution of credit, already observed in the previous year, but the increase in loans and credit registered during the year has managed to compensate for the significant rate of depreciations.

The overall credit investment of LABORAL Kutxa was 13,196 million euros at 31 December 2018, 0.9% lower than the balance registered in December 2017. Therefore, the deleveraging process continues, albeit very slightly and at a lower rate than the national average, where the general evolution of credit stock in the private sector has decreased by 4.1%.

All client segments have shown higher financing demand. Thus, mortgage credits granted to families during the year have increased by 18.7% from 2017.

The financing demand for domestic consumption has increased significantly during the year. The annual volume of personal loans granted between January and December increased by 6% over 2017 and the total net balance of these types of loans increased by 7.3%.

Noteworthy in this type of financing for private consumption is our DIPSON product, through which instant pre-approved loans have been granted to approximately half a million customers by LABORAL Kutxa. Overall volume of executions increased by 8.8% over the previous year. It must be noted as well that more than half of the DIPSON loans granted were managed exclusively from online platforms and 36% from mobile devices.

In the business sectors, new structural financing requests demanded by small and medium enterprises with invoicing volumes below 100 million euros increased by 18.8% from the previous year and new executions for small businesses and self-employed customers increased by 14.5% year-on-year.

This boost in the business area has contributed to a 2% increase of the net balance of credit investment in business compared to December 2017.

LABORAL Kutxa and the European Investment Fund (EIF) maintain several financing lines within the various programs headed by the European Union. Currently there are 3 types of agreements with the EIF in force: EAsI Microcredits, EAsI Social and Innovfin. All in all, over 1,600 companies have benefited from these preferential lines of financing, 29% more than 2017.

SOLVENCY AND LIQUIDITY

LABORAL Kutxa is in a very solvent position compared to the rest of the sector, while simultaneously, exceeding the supervisory agency’s demands by far.

LABORAL Kutxa has a CET1 capital ratio of 18.76%, comprised entirely of own, high-quality resources that matches the Total Solvency ratio, also 18.76%. The solvency levels of the entity rank as one of the highest over the supervisor’s demands, more than 10 points in CET1 and 7 points in Total Solvency.

In 2018, the company maintained a good structural liquidity position to tackle its business plans safely and without having to resort to issuances in wholesale markets. Thus, the ratio between the financing granted to customers and the deposits acquired, expressed as LTD (Loans To Deposits) ratio, is 73.75%. Similarly, the short-term liquidity coverage ratio (LCR) has increased to 541%, while the demand starting on 1 January 2018 was 100%.

DEFAULT

During the 2018 fiscal year, the default rate over the total amount of financing decreased to 4.51%, a positive development given the overall default rate of the sector, which was 5.82% at the end of the year.

This figure is particularly significant considering that LABORAL Kutxa has maintained a constant analysis perimeter the entire year, without having to carry out sales of problematic asset packages.

DIGITAL TRANSFORMATION

LABORAL Kutxa is still advancing in the development of its digital transformation and omni-channel development plan. The credit cooperative has set three goals in this area: improving customer experience, increasing digital sale methods and increasing efficiency.

As confirmed in the recent comparative study on Global Satisfaction with Financial Entities carried out by the third-party consultancy firm STIGA, LABORAL Kutxa has achieved third place in the general ranking. The entity has also focused its efforts on establishing one of the best online banking platforms in the market. According to that same report, LABORAL Kutxa is already third in the national ranking on global satisfaction regarding internet usage and fourth in the specific mobile banking section.

LABORAL Kutxa’s customers who interact on a regular basis with the entity on digital platforms have increased by 21%. This growth has been favoured by continuous implementation of new features, particularly for mobile devices, which is the most prominent digital platform. At LABORAL Kutxa, 69% of online banking users operate with their mobile phone or tablet.

Since last December, LABORAL Kutxa customers can pay for their purchases with their iPhone or Apple Watch, thanks to the collaboration agreement signed with Apple to provide their Apple Pay mobile payment system. The service allows iPhone users to pay for their purchases with the NFC (Near Field Communication) technology in combination with Touch ID and Face ID. It can also be used to perform in-app purchases (payments through applications subscribed to the service). With this, the entity completes its mobile payment offer, which had already implemented Android since 2017.

Regarding innovation and new developments, we must highlight the new graphical environment for personal finance management, “Argitu”, which provides a personalised analysis to LABORAL Kutxa customers based on type of expense, trends in savings, etc.
Since its conception, LagunAro has always had two goals that are the pillars of its existence. First, its role as a supporting and protective element for social welfare needs of cooperative partners (illness, unemployment, retirement, etc.) is essential. Second, effective, responsible and professional economic-financial management of results is necessary to provide adequate social protection to its members.

This economic-financial perspective is particularly important regarding long-term retirement plans, funded through the capitalisation system, as correct management of resources is key to obtaining financial-asset balance. Today, LagunAro plays a very important role in our environment due to the number of people covered by the entity and the assets fund it maintains for retirement plans (6,169 million euros), requiring very strict management requirements.

Most of the beneficiaries covered by LagunAro are partners of the cooperatives that make up MON-DRAGON. 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 terms, the results obtained by LagunAro during 2018 cannot be considered positive, particularly regarding management of its investments, which has affected the solvency of its pension system. Since 2008, when the Entity reached its highest number of members ever, 31,393, this figure has decreased for eight consecutive years. However, the amount of assets has increased these last two years. Thus, the year 2018 ended with a total of 28,401 active members, distributed among 123 Cooperatives, for a net increase of 415 compared to the end of 2017.

The group of Pensioners and Beneficiaries, in their different modalities (Retirement, Widowhood, and Permanent Incapacity), amounts to 14,022, with a net increase of 516 persons in the year.

Regarding investment management, it must be noted that the macroeconomic context of 2018 has been more complicated than initially expected, as there has been a certain degree of deceleration in global economic growth, which has caused significant drops of the international stock exchange indices, particularly towards the end of the year.

Thus, return on investment has been negative (-3.43% profitability), which has caused a decrease in the assets involved in pension coverage and the Safety or Solvency Margin, which has fallen from 15.25% to 9.25%, although it is still far above the mandatory legal minimum (4.00%).

On the other hand, the distribution benefits accessed by active members and their beneficiaries paid in 2018 was 71 million euros, a decrease of 1.4% from the previous year.

The cost of providing Employment Aid, in its various forms, reached the figure of 22.27 million euros during the year.

Although the expenses for the service are still high, as the effects of the financial crisis that started a decade ago continue, they have decreased by 3.82% from last year’s amount (23.15 million euros).

In this regard, it must be highlighted that the Special Plan approved by the Board of Directors in November, aimed at providing an additional boost to definitive solutions, will be in force until the end of the current strategy cycle in 2020.

As regards distribution of benefits, Temporary Disability has once again demanded the most resources (35.2 million euros), a 10.0% increase in cost from last year. This growth is due to the increase in the absenteeism rate, which was 5.28% this year compared to 4.06% in 2017.

The cost of providing Healthcare, in its various forms, amounted to 12.5 million euros for the year, an increase of 7.3% compared to 2017.

Lastly, Assistance Benefits (for Disability and Death) and Family Benefits (Maternity, Paternity, Risk during pregnancy, Risk during breastfeeding, Care for minors living with cancer or other serious illness) amount to 0.7 and 3.2 million euros respectively, a combined decrease of 1.9% from 2017.
The positive trend of the last few years in the industrial area continues, with an increase in sales (6.8%) and job generation (1,702 jobs).
Global economic growth in 2018 was 3.6%, 0.2 points lower than the previous year. The year 2018 has been characterised by the implementation of protectionist measures by the United States and the subsequent trade war with China.

**DEVELOPED ECONOMIES**

Regarding advanced economies, the increase was 2.2%, 0.2 points lower than the previous year.

**UNITED STATES**
The United States’ economy has increased by 2.9%, 0.7 points higher than the growth in 2017, and is the only advanced economy that has experienced higher growth than the previous year.

**EUROPE**
In the Eurozone, growth of 1.8% was achieved, 0.6 points lower than that achieved in 2017.

**SPAIN**
As for Spain, its economy has had an increase of 2.5%, 0.5 points less than last year. However, it is still the eurozone economy that has grown the most.

**DEVELOPING ECONOMIES**

As for emerging economies, the growth rate was 4.5%, 0.3% lower than the previous year.

**CHINA**
China’s economy grew by 6.6%, 0.2 points less than the previous year, mainly because of its trade war with the United States and the measures taken since 2017 by the authorities to contain its high national debt.

**INDIA**
India registered a 7.1% increase (0.1% less than the previous year).

**RUSSIA**
The Russian economy grew once more, thanks to the increase in oil prices (2.3%).

**BRAZIL**
Brazil’s economy increased by 1.1%, the same figure as the previous year.

The positive behaviour of national sales over the last few years continues, with a 11% increase from the previous year, reaching 1,881 million euros.

Regarding international sales, they amounted to 4,041 million euros, that is, a 4.9% increase from 2017. The significant investment in foreign production subsidiaries of the last few years are starting to show results.

Regarding profitability, the net result for the previous year stood at 230 million euros, the same as the previous year, which confirms the path of profitability of all industrial businesses in recent years.

As for employment, the Industrial Area has shown its capacity to generate employment in 2018, as the total average staff of the industrial divisions reached 38,722 jobs, of which 14,455 correspond to production positions in cooperatives abroad. All of this has entailed generating 1,702 jobs, 772 locally and 930 abroad.

Industrial investment in 2018, aimed mainly at the start-up of new production plants and improving the efficiency of processes to gain competitiveness, was 304 million euros.

Another notable aspect is related to the commitment to innovation of Mondragon industrial companies. Their primary data confirms this fact: 2018 people dedicated exclusively to R&D in all 15 centres specializing in various technologies, as well as Mondragon University and the industrial cooperatives. R&D expenditure amounted to 175 million euros, with new product sales accounting for 11% of Industrial Area sales.

On the subject of training, 8.6 million euros were allocated over the past year for this purpose, divided into various programs of both a technical and social-business nature. Noteworthy among this effort are the Cooperative Training received by 1,482 people, and the Leadership and Teamwork Training received by 700 managers.

Lastly, regarding the Social Responsibility of the cooperatives and taking care of the environment, the cooperatives already hold 75 ISO 14001 certifications on environmental management, representing more than 65% of the total sales of the industry cooperatives. Moreover, social responsibility standards such as SR10 are already being upheld by some cooperatives, which indicates their efforts to comply with the Sustainable Development Goals (SDG).
THE RETAIL DIVISION ENDED 2018 WITH 5,659 MILLION EUROS IN SALES AND A TOTAL WORKFORCE OF 39,723 PEOPLE.

THE RENEWAL OF THE STORE NETWORK OF THE EROSKI GROUP IS STILL ONGOING, WITH SIGNIFICANT RESULTS IN COMMERCIAL ACTIVITY AND APPEAL.

ERKOP: ALL THE COOPERATIVES OF THE GROUP HAVE ACHIEVED POSITIVE RESULTS.
RENEWAL OF THE NETWORK
The renewal of the store network has continued in 2018 through the extension of the hypermarket and supermarket models tested during recent years. In 2018, 42 stores were converted to the new model, with noticeable improvements in commercial activity and appeal. We must highlight the transformation performed in the Balearic Islands, which still shows highly positive results. Moreover, Caprabo stores have also begun a transformation process with positive results.

OWN BRAND
Within the context of the development of our own brand, the health axis has been greatly improved, with the following milestones: Launch of the 10 Health and Sustainability commitments, the new Eroski Natúr “Responsible Flavour” proposal, implementation of the NutriScore nutritional labelling model to add it to hazardous products and the design of the “Healthy Plan” to be started in 2019. Regarding the evolution of the Fresh Food section models, the new section models have been redesigned conceptually, but they have only been implemented in the new proximity supermarket model in the first quarter of 2019.

SOCIAL RESPONSIBILITY
During 2018, the Eroski Group and Eroski Foundation also continued their social responsibility activities, from the Corporate Social Responsibility perspective, exemplified in a variety of lines of action. For instance, they continued food charity actions with the participation of customers, resulting in the donation of over 6,500 tonnes of food to over one hundred social organisations in 2018. They also conducted the Estrella Solidaria Christmas campaign, which raised 63,000 euros through UNICEF and the EROSKI Foundation to help children in need, as chosen by the consumers themselves. A campaign has also been conducted with WWF to raise money for the preservation of nature through the “solidary shopping bag”, which already combines solidarity and care for the environment. Support for people with various disabilities and illnesses was also continued through 2018, with over 173,000 euros allocated to organisations that represent them and work to improve their welfare and quality of life. Moreover, two emergency campaigns were launched to help victims of the tsunami in Indonesia and the floods in Mallorca, which raised 170,000 euros thanks to the generosity of EROSKI and its customers.

Several innovative solidarity projects were implemented in 2018:
- LIFE CITRUSPACK, beginning in July 2017 and scheduled to end in June 2020, to find revaluation strategies within the context of a circular economy for the use of citric residues in green packages and cosmetics;
- ELIKA-PEF, with the participation of AZTI and local S&MEs, which develops an advanced model to calculate, obtain information about and verify the environmental footprint of food products in the Basque Country. This project is financed by the European Regional Development Fund (ERDF) and Ihobe as part of their contribution to eco-innovation projects, which will improve the Basque food industry, particularly Small and Medium Businesses, with the aim of obtaining a more sustainable production model and a more transparent environmental communication policy.

SALES
Sales this year amount to 5,393 million euros, 2% lower than the previous year, due to the reduction of the perimeter. The food industry has increased slightly in 2018, with a slight growth due to volume as well as inflation. Constant surface activity was similar to that of the previous year, with a virtually identical figure (99%).

PROFITABILITY
Ordinary operating profit amounted to 163.6 million euros, a significant 19.1% increase from the previous year, accounting for 3.48% of the sales volume, a 0.61% increase in the ratio. This upward trend in profit is a consequence of the goals reached in various projects to improve efficiency and productivity, of both the value chain and logistics. The high level of internal commitment of the workers to the collective social-business project must also be noted.

As for employment, the workforce increased to 30,903 people, including cooperative members and workers, along with the 3,300 employees of the franchise network.
Ausolan once again improved the previous year’s results and expectations in sales, employment and results. The main milestones of the year were:

- Ausolan started its international activity in Latin America, initially implemented in Chile by acquiring 60% of the capital of a Chilean company (Génova Servicios Gastronómicos, S.A.) and invoicing over 13 million euros annually.

- A 10% increase in the total number of Auzo Lagun S. Coop. associates thanks to the incorporation of the Navarran subsidiary (Jangarria).

- The incorporation of one of the major catering companies in Madrid (Cocinas Centrales), with nearly 800 workers, producing around 10,000 menus per day and invoicing over 12 million euros annually.

- A full year in the new event planning business (Staff Eventos) along with the new “Premium” activity of catering for events (Sharma), which has met its annual sales expectations.

As regards Barrenetxe, it has launched the Duranguesado vegetables plan for Eroski, while Vega Mayor (Florette) has acquired capital in Artandi (IV Gama). Behi Alde has continued increasing the surface for fodder production for own consumption.

In Miba, the new poultry production company for genetics has been established in collaboration with the French company Orvia.

Earnings for all Erkop cooperatives were again positive before income restructuring in 2018, with acceptable cash-flow levels. Sales amounted to 266 million euros and its employees number 8,820 people, a significant increase over the previous year.
NEW BOOST TO INNOVATION TO IMPROVE COMPETITIVENESS AND THE TRANSFORMATION OF THE BUSINESS FABRIC OF MONDRAGON CORPORATION.

THE COOPERATIVES INTEGRATED IN THE CORPORATION HAVE 496 PATENT LINES IN FORCE, WITH 656 MILLION EUROS INVOICED LAST YEAR IN NEW PRODUCTS AND SERVICES.

CURRENTLY, THERE ARE MORE THAN 50 PROJECTS BY MONDRAGON CORPORATION APPROVED AND FINANCED BY THE EUROPEAN COMMISSION AND ALREADY IN OPERATION.

THE MONDRAGON EDUCATIONAL CENTRES RECEIVE MORE THAN 9,000 STUDENTS
Active development of innovation, both technological and otherwise, has continued to increase competitiveness and transformation of the business fabric of the MONDRAGON Corporation. The priority areas have been: Advanced manufacturing, smart cities, Big Data and raw materials.

**INNOVATION, PROMOTION AND KNOWLEDGE**

**Science and Technology Plan**

In 2018, 6 collaborative technology development plans were supported by the Science and Technology Plan. Moreover, support was provided to twenty cooperatives to structure and optimise their internal innovation processes. Additionally, a series of events have been scheduled to share the good practices applied at cooperatives regarding innovation.

**Industry 4.0 Observatory**

To date, 22 diagnoses have been conducted on the degree of digital transformation in the cooperatives. The process, conducted by a group of five experts, has served to prioritise the most important aspects for cooperatives, including: IT Security, IIoT Platforms, Servitization, Human-Machine Interface, Traceability, Additive Manufacturing, Maintenance Program Optimisation, etc.

**Commitment to Standardisation**

MONDRAGON has actively participated in the International Strategic Group for Standardisation IEC SEG7 Smart Manufacturing and the Spanish Standardisation 4.0 Work Group.

**Internationalisation of R&D**

MONDRAGON has continued to promote the internationalisation of R&D through its Corporate Office in Brussels and participation in strategic international forums. Similarly, it has promoted the participation of cooperatives in European collaborative projects, submitting over 120 proposals to various European programs (ECSEL, EIC RawMaterials, H2020, etc.). Currently, there are more than 50 projects by MONDRAGON Corporation approved and financed by the European Commission and already in operation.

**Knowledge and Innovation Communities**

In 2018, the support to cooperatives for submitting proposals to the EIT RawMaterials has continued. Moreover, the new EIT Manufacturing initiative, to which MONDRAGON Corporation belongs along with 49 other companies from 17 European countries, was approved at the end of the year.

**Open Innovation for Advanced Manufacturing**

Within the context of its first call, Eureka SMART has approved 29 projects, with a total budget of €36.2 M and the participation of 104 companies from 10 different countries. Corporate entities have participated in 9 of the proposals that have received the certification from the cluster.

Moreover, MONDRAGON is still leading the Spanish Technological Platform for Advanced Manufacturing MA-NKET. In the last year, the platform has represented its members in numerous forums and conferences on the digital transformation of the industry and circular economy and industrial symbiosis solutions.
### BUSINESS

<table>
<thead>
<tr>
<th>Total expenditure in R&amp;D</th>
<th>% total R&amp;D expenditure over total sales</th>
<th>% total R&amp;D expenses over added value</th>
<th>Current patents in effect</th>
<th>New products and services</th>
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<tbody>
<tr>
<td>175M€</td>
<td>2.96%</td>
<td>8.76%</td>
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<td>656M€</td>
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### RESEARCH & TECHNOLOGY

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### HIGHER EDUCATION

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<thead>
<tr>
<th>Mondragon University Schools</th>
<th>Degrees</th>
<th>Master's degrees</th>
<th>Students enrolled</th>
<th>Research projects and transfer activities</th>
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</thead>
<tbody>
<tr>
<td>4</td>
<td>15</td>
<td>16</td>
<td>4,804</td>
<td>549</td>
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</table>
TECHNOLOGY CENTRES AND R&D UNITS

"The R&D corporate offer, mainly expressed in its 14 technology centres and R&D units, has a budget of over 73 million euros and over 1,000 employees."

CIRATEK is an R&D business unit specialising in research, development and innovation of materials, technologies and polymer products (rubber, thermoplastics and TPEs) for anti-vibration, sealing and fluid conduction functions.

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.

EDERTEX is a technology centre whose mission is to share resources and solutions with its end customers of products, processes and materials for the automotive industry, seeking opportunities to constantly improve their products.

ETIC is an innovation centre specialising in ITC technologies in the fields of Smart Cities and Industry 4.0.

FAGOR ACTIEK, 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.

DEKO is a technology centre specialising in manufacturing technologies and industrial production.

IDEPLAN is an investigation centre specialised in electronics, information and communication technologies, energy and power electronics, and advanced manufacturing.

IORTEX is a technology centre specialised in “Advanced Manufacturing” techniques, Materials and Processes applied to Union Technologies, Additive Manufacturing of Metals and Industry 4.0 Technologies.

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

KONIKER is an enterprise R&D unit dedicated to research, development and innovation in the field of forming and assembly.

LEARTIKER is a technology centre specialising in Polymer Technology and Food Technology.

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

MIE (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, primarily dedicated to knowledge transfer in subjects such as talent management, entrepreneurship, and market development.

ORONA EIC (Elevation Innovation Centre). ORONA EIC creates advanced solutions for the lifts industry and its main goal is research and development of smart and safe transportation systems, with greater energy and social efficiency and better integration in buildings.

UPTC is a centre specialising in research projects and development of technologies for the packaging sector.

MONDRAGON PROMOTION CENTRE

This corporate platform is aimed at promoting entrepreneurship and generating new business activities, preferably in inter-cooperation and areas with industrial and strategic value.

It is led by a team of developers that manages launching of new business projects, and supports cooperatives and divisions in the identification of in-house entrepreneurship projects or similar activities.

It offers a range of SERVICES at several stages of the process:

- Entrepreneurship awareness dynamics to raise awareness about the importance of generating open innovation environments to detect challenges and areas for improvement.
- Support to diversification strategies to tackle long-term business development, renovation and transformation projects.
- It has a Trends and Opportunities Department, present in a variety of platforms and forums, from which it works on Alliances and Relations to identify, compare and promote new opportunities. Moreover, it acts as a Corporate and Inter-Division Node in the interaction between Cooperatives/Divisions and third parties.
- Support during the incubation process of new businesses to define minimally viable products, provide a business model and build the Feasibility Plan.
- It establishes relationships with Cooperatives and Divisions to identify, compare and promote new opportunities. Moreover, it acts as a Corporate and Inter-Division Node in the interaction between Cooperatives/Divisions and third parties.
- Support to diversification strategies to tackle long-term business development, renovation and transformation projects.
- Submission of 20 business projects to the Corporate Promotion Committee.
- Launch of 5 incubation projects and follow-up of 5 ongoing projects.
- Launch of 2 startups and follow-up of 3 startups already in operation.
- Open Entrepreneurship and Innovation Events in 4 different regions.
- 2 DreamWorks workshops about different topics and 1 Investor Forum.

Several initiatives have been carried out in 2018:

- Updated map of the degree of Diversification in industrial cooperatives.
- Opportunity Diagnosis and Umbrella built for 25 cooperatives.
- Submission of 20 business projects to the Corporate Promotion Committee.
- Launch of 5 incubation projects and follow-up of 5 ongoing projects.
- Launch of 2 startups and follow-up of 3 startups already in operation.
- Open Entrepreneurship and Innovation Events in 4 different regions.
- 2 DreamWorks workshops about different topics and 1 Investor Forum.
New scenarios.

GARAIA continues to be a community of knowledge and innovation that serves as a meeting point between companies, research centres, universities and other parties. It is an optimal and unique opportunity 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, processes, 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 to identify and define projects, in the search for partners and allies, managing infrastructures and offering support services for innovation, channelling entrepreneurial projects and offering differential spaces to potential companies interested in locating in GARAIA.

During 2018, Garaia Parke Tecnologikoa consolidated projects and collaborations with various local players, such as Town Halls, the Municipal Association, Saiolan and major companies in the region. Projects have been launched with different perspectives and intentions, aimed at developing knowledge and the current base of production, promoting economic and social sustainability of the region and enhancing constant adaptation to new scenarios.

Additionally, the seminars and events held at the common facilities of the main building have paved the way for the influx of a greater number of individuals and companies to their facilities and the surroundings of Arrasate. This, in turn, has provided higher visibility and receptivity of the projects being developed, thereby generating a rewarding and dynamic environment that is fully connected to all the trends taking place in the immediate surroundings, as well as those further apart, to continue improving connections between companies, technologies and markets.

In 2018, GARAIA already encompassed 46 companies with joint invoicing amounting to 169 million euros and a workforce of 1,424 people, of which 674 work in R&D. Moreover, 238 events were held in 2018 (Technology Breakfasts, Garaia Empresa Digitala, Training Hills, Business Meetings, Open Doors Days, Assemblies, etc.), attended by 10,500 people at the various buildings and facilities offered by GARAIA.

SAIOLAN

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

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 supporting and promoting the entrepreneurial culture in the region.

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

Note-worthy management highlights during 2018, include actions aimed at awareness-raising and training of entrepreneurs (10 courses for 266 participants were conducted). In 2018, a total of 101 individual entrepreneurial and inter-entrepreneurial projects were conducted. Moreover, 4 technological development projects and 15 feasibility studies were conducted (19 of which were new projects financed with the aid of the Ekinzale-Txekintek Program). As for new activities, 9 new companies were established and 8 diversification projects were launched.

Similarly, in 2018, Saiolan continued its work as the industrial arm of the Debaogiena Development Agency, 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. Since 2018, it has invigorated the DEE-CED business community (Debaogienak Erresum Ekarategia – Business Community of Debaogiena) comprised of 22 industrial companies.

As a member of RVCTI and its role as Intermediate Innovation Agent, its activities include initiatives aimed at promoting entrepreneurship in Universities (Mondragon University) and Technology Centres (Ikerlan) as well as developing Guideline Projects to seek business opportunities in Clean Technologies and Advanced Manufacturing.

During 2018, it developed the IDIT project aimed at improving the capacity of Mondragon Goi Eskuola Politeknikoa and Ikerlan to create spin-offs and transfer new knowledge to companies based on the technological developments of its R&D activities, mainly those related to Industry 4.0-IDIT. The project was approved at the ELKARTEK meeting.

It has also started development of the European project DFKI, approved by a meeting of the members of Interreg PuCheTa and promoted by a consortium of organisations from the France-Spain border region. Saiolan heads this three-year project aimed at contributing to the advancement of the agrofood industry towards a Circular Economy, promoting synergies between companies, identifying innovative solutions and supporting implementation in the region.

Another noteworthy aspect of its commitment to the promotion of new businesses is its “international antenna”, a tool conceived to streamline the transfer of businesses already consolidated in foreign countries to our business environment.

Lastly, it must be noted that in 2018 the Saiolan incubator took in and worked with 12 companies and 24 entrepreneurs.
Politeknika Ikastegia Txorierri S. Coop. provided education to 433 high school and Vocational Training students and 259 Employment Training Students during the 2017-2018 course, both employed and unemployed. Along with the collaboration of the Department of Education of the Basque Government and the Basque Employment Service (Lanbide), 29 courses were carried out, with a total of 4,134 hours of training in a wide variety of courses (Design and Manufacture of Dies, Adjuster-Die Operator, etc.) for several companies, such as Gestamp, Matrici and Batz, among others.

The collaboration with the Basque Institute for Vocational Training (Tiknika) in the development of Innovation and Technological Development projects has continued. Specifically, and in collaboration with other centres, five projects were carried out in the fields of Photogrammetry, Materials for 3D printing, Hot-stamping tools and laser cutting, Machining and artificial vision simulation projects, all based on the strategies derived from the “Basque Industry 4.0” plan, led by the Regional Ministry of Technology and Innovation of the Basque Government.

In the international sphere, 16 students participated in the European Erasmus+ (Mobility) program, undergoing practical training for 10 weeks at companies in the Netherlands, Italy, United Kingdom, Ireland, Czech Republic and Denmark.

Another highlight is its involvement in the GLO-BAL TRAINING Scholarship Program, sponsored by the Department of Economic Development and Infrastructure of the Basque Government, managing 43 scholarships aimed at young people who have completed their higher Vocational Training Studies or University Degree. Also worthy of mention is the participation of the faculty in nine international transfer projects: in collaboration with teachers from various countries they tackled issues such as entrepreneurship, management of dual training in companies, development of cross-cutting competencies, women's participation in technical studies or aspects more closely related to the specialties taught at the centre, such as safety in electrical installations or the use of open hardware systems in automation applications.

As a development partner, Politeknika continued its mission of promoting self-employment in collaboration with the WORK-LAN Bizkaia Association, the purpose of which is to foster social economy enterprises. Additionally, six business projects were started at the initiative of Txorierriin to promote Entrepreneurship Culture, and the company participated in the Urrats-bat network of centres and the Ikasenpresa Project (Basque Government).

Lastly, it must be noted that the total number of students in the 2017/2018 school year was 3,203. Moreover, nearly 3,500 people took part in extracurricular activities (workshops, camps, field trips, etc.).
During the 2017-2018 period, Lea Artibai Ikastetxea had 20 groups in high school studies and vocational training. Twenty of the Vocational Training students chose the dual mode and 93% were employed at the end of their studies. In the training area, the main challenge continues to be training the teachers in collaborative methodologies and practical application of knowledge based on challenges through several training cycles.

Moreover, Lea Artibai Ikastetxea took part in five educational innovation projects (Plastic Injection, 3D Printing, Hot-stamping UISS steel, Lightweight and Business 4.0 on advanced mechanical manufacturing). Participation in these projects has resulted in improving teacher competences, as well as generating materials that can be used in training activities.

As regards "Training for Employment", 9,635 hours of training were conducted, of which 2,500 were on-demand courses. In the "Training for Employment" area, the main challenge continues to be employment (in relation to the training received) in 2020; that figure is currently 83.9%.

Moreover, in the context of the collaboration with the Chilean government for the program known as "Technicians for Chile", two courses were taught to a total of 15 Chilean scholarship recipients this year. Supply Chain Management and Food Science and Biotechnology. The two projects co-financed by the European Social Fund are still under development: TEP (Technology Entrepreneurship Program) aimed at training engineers in polymer technology and entrepreneurship with Leartiker S. Coop.; and Lehen Job Lab, aimed at improving the employability of young people aged 16 to 29.

The 2017-2018 school year was the midpoint of the strategic plan of Mondragon University, a plan whereby the university aims to lead university education innovation, open up to new national and international markets and maximise the impact of its research on companies and society as a whole.

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

In post-graduate education, 16 Master's Degrees were offered, after the launch of the new degrees in Biomedical Technology and Strategic Management of Talent. Moreover, the University provided 3 Doctorate programs.

It should be noted that during the 2017-2018 school year Mondragon University received the DUAL award and seal from the Basque Government for 16 of its courses: 11 Graduate Degrees and 5 Master’s Degrees.

In all, 4,804 students - 9% more than the previous school year - enrolled in the aforementioned official studies, 4,087 in bachelor's degrees and 717 in post-graduate programs. Moreover, there were 2,252 students enrolled in post-graduate degrees.

This year, 912 students presented their final projects and 1,583 worked as interns in companies and centres.

Regarding international expansion, 1,042 students have worked as interns in other countries, an increase of 27% over the previous year. On the other hand, 399 foreign students attended Mondragon University courses.

Mondragon University also trained 6,670 professionals in graduate courses, proprietary degrees and other continuing education courses.

Research and knowledge transfer. The effort in this field continues to yield positive results. This fact is clearly shown in the results obtained in both the U-Multirank International Ranking and the Ranking created by Cyd and U-Ranking, in which Mondragon University is ranked optimally in knowledge transfer and teaching performance.

Research projects and transfer activities carried out in the 2017-2018 school year totalled 549, 25% more than the previous year. In addition, 98 articles were published in domestic and international specialised publications, while 107 presentations and 84 seminars and conferences were organised on various fields of knowledge.

In the Higher Education Polytechnic School, total income from R&D activities increased by 20%, mostly thanks to long-term collaborative research programs with companies. Training of young talent who end up employed by the company is also a part of these collaborative research programs. Thus, most doctoral dissertations are financed within this context.

On the other hand, multi-year European projects have increased by 29%. All these projects continue generating knowledge and training of R&D groups in scientific and technological fields in line with the needs of the company. The projects cover fields such as Transportation, Advanced Manufacturing and Industry 4.0, key for the Smart Specialisation Strategy of Euskadi, RIS3. Regarding education, there has been a firm commitment to multidisciplinary research projects. Moreover, work is still ongoing on projects related to innovative learning methodologies, cooperative educational methods, etc. A series of actions have been carried out in collaboration with several MONDRAGOB member cooperatives to boost cooperative training and thinking.
As for business management, specifically servitization, over 10 knowledge transfer projects with companies have been launched. In the field of Talent Management, new methodologies have been developed aimed at improving planning, recruitment, development and retention of Talent, with the launch of experimental projects in the machine tool industry. Moreover, knowledge transfer projects have been developed aimed at designing learning ecosystems with the goal of retaining company talent, among other purposes.

Research activity at BCC is focused on two general lines of action: to align “gastronomy and health” with “gastronomy and sustainability”, which encompasses the 13 research projects developed last year. The BCulinary Lab is still under development; it was launched in 2016 with the purpose of identifying and generating knowledge on new gastronomic applications for restaurants and the food industry.

Additionally, the University has continued its Mendeberti 2020 educational innovation process by designing and developing educational processes and prototypes for Graduate and Master’s Degrees focused, among other things, on the skills that future students will require.

Moreover, the Business Management school continues to expand its entrepreneurship laboratories in both Spain and other countries. Currently, it has 9 laboratories, three in the Basque Country -Irun, Oñati and Bilbao-, and the rest in Madrid, Barcelona, Valencia, Pune, Shanghai and Mexico.

Regarding digital transformation, there has been a significant boost to the digital ecosystem project, aimed at providing an App to universities with a diverse set of digital services. The App, known as Kollet, was released in the 2016-2017 school year and has continued development during the 2017-2018 period to improve both user functions and services.

Lastly, the projects to highlight in the field of social responsibility are the European project PLOTINA, aimed at boosting equality in education, research and innovation in higher education, and the “Education for peace and coexistence in Basque Universities” project, developed in collaboration with the Basque Government, Deusto and UPV.

As for entrepreneurship, specifically within the context of LEINN, worthy of note are the companies created by first-year students as part of their teaching-learning process, along with 6 more companies created by alumni during the 2017-2018 school year. To date, 22 companies with a total of 90 employees have been created.

OTALORA

The Directive and Cooperative Development Centre has maintained the dynamic activity of previous years during 2018.

As for Executive Learning, 38 groups took part in programs related to Relational Competencies, Emotion Management and Leadership, 2 groups took the “Learning How to Learn” course and 18 people participated in the personalised support program for the design and development of their own Individual Development Plans (PDI):

Within the field of Cooperative Education, 15 basic Board of Directors and Social Council programs were held, mainly aimed at new Management members, in which 183 people participated. The program has improved with the combination of performance-based goals and learning proposals based on “learning by doing”.

Regarding advanced programs for the Board of Directors and the Social Council, 9 courses were conducted -with 144 attendees- focused on a discussion about good corporate governance. Moreover, 66 programs were offered to all members and 1,155 people took part.

Support services in Cultural Analysis and Development processes are still one of the main concerns of the cooperatives. In this regard, 28 cooperatives were supported in the different stages of the development process: measurement, design of action lines and specific interventions.

In the field of Cooperative Dissemination interest in becoming familiar with MONDRAGON’s cooperative experience is still strong. 136 groups of one-day visitors were welcomed, 20 seminars, lasting 2 to 5 days, were held and we participated in 12 conferences at various international events.

Inter-cooperation is a cross-cutting element of Otalora’s activities and is mainly developed by launching practical communities in which concerns, knowledge and experiences are shared. Practical communities were established last year for Talent Management, Culture and Principles, Governance and Social Transformation.

Finally, the Eleventh Edition of the People Management Forum took place, directed at People Directors of the Corporation’s cooperatives, with the participation of 130 attendees.
"THE COOPERATIVE MUST BE RECONSTITUTED AND RENEWED EVERY DAY".

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CURRENT CERTIFICATIONS.

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

INDUSTRIAL AREA
- 128 ISO 9001 certifications
- 33 IATF certifications (automotive industry)
- 3 UNE-EN 9100 certifications (aerospace)

ENVIRONMENT
65% sales with an environmental management system.

INDUSTRIAL AREA
- 75 ISO 14001 certifications
- 4 ISO 14006 certifications
- 2 ISO 50001 certifications

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

INDUSTRIAL AREA
- 44 OHSAS 18001-ISO 45001 certifications
- 2 Healthy Company certifications
- 1 EFR certification

BASQUE
- 30 Bikain Basque certifications

MONDRAGON
WE ARE INSPIRED BY NATURE...

...THE FOUNDATION OF OUR COMMITMENT. THAT IS WHY WE TAKE CARE OF OUR PLANET. AND THAT IS WHY WE MANAGE DIVERSITY WITH OUR OWN COOPERATIVE MODEL. TO FOSTER RESPECTFUL DEVELOPMENT AND SHARED PROGRESS. THEREFORE, WE ENRICH ALL OUR PROJECTS SO THEY CAN GROW HEALTHY AND FLOURISH.

“Look deep into nature and then you will understand everything better”

-Albert Einstein