



2013

SUSTAINABILITY REPORT



VICINAY
CADENAS, S.A.



The future of mooring



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01

INTRODUCTION

CHALLENGE, LEADERSHIP, INNOVATION

“ We have spent many years manufacturing and supplying mooring lines: chains, shackles, cables, anchors ... to provide security for the devices floating in the seas around the world, challenging the changing motion of the ocean, the force of the waves and the winds, and the pulsating forces of nature always trying to regain control.

Over this time, our customers have relied on us and on our mooring lines, lines tailored to the circumstances, because no two seas are ever the same. There are seas of great depth and shallow seas, seas with different levels of salinity, temperatures and life. This is the environment for which we build the anchors that attach floating devices to the seabed, always thinking about the unique needs of each customer, both present and future.

We manage to overcome this challenge year after year thanks to the people who are part of Vicinay Cadenas. To move forward, in 2013 we will try to improve our management models, safety and the quality of life of our people, the service we provide to our customers, as well as the actions that allow us to treat the environment in which we operate with the respect it deserves. ”

02

INTERVIEW WITH JUAN IGNACIO VICINAY, CHAIRMAN OF VICINAY CADENAS



“THE WONDERFUL THING ABOUT THE HUMAN MIND IS THAT IDEAS ARE CREATED, IDEAS CHANGE AND SOMETIMES THEY TAKE YOU TO PLACES THAT JUST A MOMENT AGO YOU COULD NEVER HAVE IMAGINED”

Designing and manufacturing mooring lines is the mission that has defined Vicinay Cadenas for years, a mission that has gone way beyond just chains, accessories and fibre and steel cables. For Juan Ignacio Vicinay, what defines the company today is “a personal way of doing things.”

“One could say that every five years a major improvement occurs in our company, either in a product, work processes, service or design.”

A distinctive feature:

“We do not start with preconceived ideas, or look at how others do things. What we do is try to be flexible to the changing needs of the market and I believe that we have the capacity to meet these needs. There are many ideas, so we need to prioritise those that have more chance of success in the future.”

“Any movement generates change, but what does not change is our vision of the company: to create a meeting place in an environment in which people feel at ease when working.”

A value:

“We are moving in a world of total transparency. The Internet age means that everything can be known, something that is taking place in Australia can be known by the whole world in an instant. Transparency is very important within the company. Above all, because it helps everything go much faster.”

“Putting the figures on the table and analysing things objectively avoids the trouble of having to go digging for the truth, we invest a lot of energy in that. At Vicinay Cadenas we try to incorporate transparency as one of the core values of the company.”

A promise:

“We are handling very heavy loads of over 500 kilos, so any accident can be very serious and the safety of people is crucial for us. Also, with regard to the planet ,if one of our mooring lines breaks this could lead to an environmental disaster.” For us, taking care of quality and safety is absolutely necessary”.

“Every one of our links and accessories must be well made. We cannot have any doubts about any of them. Luckily, no such doubts exist. In fact, we are the only company in the world that is capable of manufacturing chains that offer this security, because our control systems assure us of this guarantee: if one of our links does not comply with this quality, it is immediately reported and changed”.

A defined path:

“Everyone is important at Vicinay Cadenas, everyone can express their ideas. However, it is important that everyone does their job well, because when someone fails to do their work, the others have to stop doing theirs to deal with what is not being done and that can be a disaster”.

“This can be illustrated if we think about sailing: if someone at the bow cannot successfully tie their rope, those at the back begin to drop theirs and in the end even the captain has to leave his post and help out. Sometimes this happens simply because somebody was poorly positioned. If they are in the right place everything is fine and this is the responsibility of the team leaders. In this sense I believe that we have a very well balanced company”.

A commitment:

“There is no age discrimination at Vicinay Cadenas, each employee moves within the company according to their personal and professional ability. We have a very young workforce; the people working on innovation processes are aged around 28 or 29 years on average. However, they have had the opportunity to acquire experience very quickly in their early years of work. They possess a very good theoretical background, have very specific industry knowledge and show great freshness in their approach”.

“There is also no gender discrimination. We now have automated machines which allow both men and women to work in the factory. This was impossible 10 years ago because factory jobs involved very strong and prolonged physical tasks. I believe that this change is good, because it generates an internal society within the company which is very similar to society in general”.

An achievement:

“We believe that our company has the best working team available in terms of innovation, and our customers are the source of research: we study the alternatives they present to us. Sometimes they are projects for very cold waters, such as those in the Arctic, for others we have to work at great depths. All this requires us to better understand the inner workings of our product, from the worlds of physics, mathematics, mechanics, etc.”

“In recent years we have made great progress in ergonomics and robotics. With the equipment we had ten years ago, doing what we do now would have been impossible.”

A challenge:

“We are continuously innovating to improve the service that we provide to our customers. We think such improvement is endless and is the way to ensure that our company does not stand still and continues to be sustainable in the future. One could say that every five years a major improvement occurs in our company, either in a product, work processes, service or design.”

“We now have the ability to make Grade 6 chains; the market is still using grade 5. On moving from one diameter to another, everything changes; new problems are generated that have to be resolved. This year we will produce more than ever, 30 thousand tons. The forecast for 2014 is to break all records for the company, in terms of tons, turnover, chain size...”

An effort:

“If we are leaders in the industry it is because we are in constant communication with our customers. We receive their *input* and launch the channels and sources of knowledge to meet their needs: through the Basque Technology Network, technological centres, universities and our own internal knowledge. We put all of this to work and try to move things one step further.”

“If you ask me what step we are going to take over the next five years, I would say that we have no idea. It will depend on the *input* from our customers, the knowledge capacity that the technological centres and universities have and, of course, that we have internally. The important thing is that the process works. In the end the objectives are not as important as the processes launched. We could say that there is a group of no less than 100 people who allow this leadership to exist, ultimately the company provides the means by which all of this can be financed.”

Juan Ignacio Vicinay
Chairman Vicinay Cadenas S.A.

A portrait of Jesús Navas, Director of Vicinay Cadenas, smiling and wearing a dark blazer over a light blue striped shirt. The background is a blurred outdoor scene with hills and buildings.

03

INTERVIEW WITH
JESÚS NAVAS,
DIRECTOR OF
VICINAY CADENAS

“WE ARE A FAMILY BUSINESS IN EVERY SENSE OF THE WORD, OFFERING EQUAL OPPORTUNITIES FOR EVERYONE”

A record sized chain, higher grades of steel, products that minimise corrosion, perfecting connectors, innovative projects to measure the quality of the chains, improvements in welding and mechanical properties, and new challenges to design and develop floating structures. These are some of the milestones that have marked the 2013 financial year.

“We offer solutions that do not exist in the market. Simply, we consider how steels, robotics and machines are going to evolve and in the end we discover how we can do something different.”

Can we talk about a good year?

We can say that today we are seeing the fruits of our labour over an entire decade, the effort of a team of people that have been linking up and turning into a reality something that was unthinkable a few years ago. Among other things, manufacturing a chain that had not been made before, not by us or by anyone else in the world. This year we have been able to deliver this chain with steel grades R4 and R5 for a project in Australia.

A long-term task.

In our business and in the market in which we operate, the long term is always a factor. To give you an idea, we have teams that are already working on what we will be doing in 10 or 15 years' time. In fact, we have spent a decade researching things that may take another 10 years to reach the market. This is not only for chains, but also for mooring systems, floating platforms, etc. Sometimes what happens is what you want to happen, or in other words, we react to the market.

Can it be said that Vicinay Cadenas is spearheading the offshore world?

Well, we try to anticipate what the customer will need. If we did the same as the others, there would probably be a competitor who could do it offering more favourable terms for the customer, in relation to deadlines and even production capacities. We are neither the biggest nor the fastest, nor are we the cheapest, but we are the ones doing something different. We offer solutions that do not exist on the market. Simply, we consider how steels, robotics and machines are going to evolve and in the end we discover how we can do something different. We like to be recognised, and for Bilbao and Bizkaia to be recognised, worldwide.

How do you manage to maintain the standard of quality that distinguishes you at a global level?

By being very flexible. For some years now the people who work at Vicinay Cadenas have entered into agreements that have allowed us, and still allow us, to adapt to the changing market situations. There is usually a lot of rigidity in the labour market but we have opted for flexibility. For example, looking at holidays, if it is necessary to change them, they are changed. As for the working calendar, we establish shift work. We are aware that we are part of a business group with factories in Brazil, Sweden, China and Bilbao. Our customer base is therefore international and this requires us to be available 24 hours a day in different shifts.

Does this permanent availability reconcile well with personal lives?

Although we are a company that works 24 hours a day, this does not mean that people have to work more hours. The employees at Vicinay Cadenas have a working day of 8 hours. We prefer to enter into new contracts, if necessary, to maintain the flexible structure that we have rather than working more hours. There are 300 of us, so there are 300 individual cases, all with our personal problems, and our need to balance the family with our professional lives. For us the most important thing is the people. We know that if we can rely on them and consider their needs, everything else becomes much easier. We also achieve this availability by informing the customers of when they will find the right people to deal with the issues that arise in their own company. Because we like to be in the customer's company.

Think global, act local.

When we open our companies in other parts of the world, most of the employees are local. This has allowed us to get to know different cultures, different markets, and also different needs in relation to our competitors.

A question of vision.

Or to put it another way, the implementation of a management model that allows us to follow this successfully. The EFQM Excellence and Quality Model is used as a pathway for self-assessment and determining the continuous improvement processes. One of the key features of this model is structuring the organisation by processes, based on participation and mainstreaming. In other words, our working teams contain people from different areas. For example, someone who usually works on a machine manufacturing links spends part of their working hours with 15 other people from other areas in one of these teams, debating, setting strategies and giving their point of view on different aspects of the company. This is because we believe that the person best placed to define certain strategies is the person who is manufacturing the product directly. We also have temporary *ad hoc* teams designed to perform specific tasks.

What is the employee profile at Vicinay Cadenas?

We have all types of staff, including people trained as engineers, philosophers, journalists, lawyers, economists, translators, and young people fresh out of training in industry, mechanics, electricity and electronics, and even people without much education who have excellent practical skills. We have a wide variety of profiles. What we ensure is that everyone shares our vision; this is more important to us

than having specific training. We know that our product and market are not very common, so we make sure we give our employees the specific training they require.

Achieving a shared vision of a business such as yours requires leadership ability.

Most of our promotions are internal and we believe this is a form of recognition and motivation for the employees. We are a family business in every sense of the word, offering equal opportunities for everyone; but of course people must comply with certain criteria. We also have a generational handover programme, through which people aged 61 who want to leave the organisation have the option to pass on their knowledge to the people in our “squad”, who are employees starting with temporary contracts and hired permanently as they learn how to perform their specific tasks. We have also opted to allow very young people to take up managerial positions. Given the issues that could arise in terms of a lack of experience, we offer them coaching and mentoring carried out by external people with many years behind them.

What challenges await you in 2014?

Among the priorities we have set out are: the safety of the employees, to continue focussing on innovation, and to maintain and promote employment. We are aware of the social circumstances in which we live in and we want to contribute what we can to improve the situation. In robotics, for example, a policy that we have followed for years and that has allowed us to take a big technological leap is to ensure that the people we hire have a higher level of professional training. Working with machines used to be very manual and you could have one person doing the same thing for 40 years. Now there is a robot that, in addition to helping us make more and higher quality links, allows us to gain in terms of ergonomics, or in other words, to optimise the work with the machines without endangering the health of the employees. In addition, the people who work in robotics will be able to develop their own prototypes, their own machines, handle the maintenance of these, etc. They will have a much more varied job.

Jesús Navas
CEO Vicinay Cadenas SA



04

MILESTONES THAT
MAKE HISTORY



"WE ALL COME INTO THE WORLD
EMPTY HANDED. WHATEVER WE
GET AFTER THAT IS PURE PROFIT"

- Sam Ewing -

At the end of the 1980s, companies with a vision of the future were aware of the need to implement international management standards in their organisations to guarantee the quality of their products and services. Vicinay Cadenas was one of the pioneers in its area in starting to implement these models, obtaining the **first ISO 9001 certification** in **1990**.

Eleven years later, in **2001**, reflecting its sensitivity towards the ecosystem in which it operates, the organisation decided to improve its environmental management, and achieved the **ISO 14001** certification.

In **2004**, the challenge was to become a safe company. Progress in this area was demonstrated by obtaining the **OSHAS 18001** certification.

In later years, the philosophy of the company has followed the trend of considering management systems as a whole, leading to the launch of a new process that integrated the management systems (**IMS**).

So, due to Vicinay Cadenas' desire to be a benchmark in terms of managing a company as a whole, in **2007** it implemented a global excellence management model that combined the organisation's most relevant areas, the **EFQM** (European Foundation for Quality Management).

In **2011**, Euskalit, the Basque Agency for quality, recognised all the advances made over recent years by the company Vicinay Cadenas, awarding it the **Silver Q for Business Excellence**.

With all eyes on the years ahead, our organisation is now focussed on using technologies and work systems, such as robotics and artificial vision, to improve the quality of our services and products, as well as the safety and working life of the employees.



iso 9001

1990



Studless chains

1993



M9 - Start of the
Megachain

1997



iso 14001

2001



First R5 order

2003



ohsas 18001

2004



EFQM

2007



EPD for chains

2010



Silver Q

2011



Consolidation of
robotics

2013



05

A SOLID CHAIN



“ Each thought is a link in an endless chain of causes and effects, each effect becoming a cause and each cause having been an effect; and each link in the endless chain is welded out of three components: desire, thought, activity. A desire stimulates a thought; a thought embodies itself as an act. Act constitutes the web of destiny. ”

- Swami Sivananda -

Just as a floating device is sustained by a set of mooring lines, our organisation is sustained thanks to a number of strategic areas that, as is the case with chains, draw their strength from the sum of their links. Among these are: creating safety, manufacturing high quality products, responding to the needs of our customers, establishing good partnerships with our suppliers, innovating, promoting excellence in leadership, creating social value, caring for the employees and their families, encouraging communication and respecting the environment.

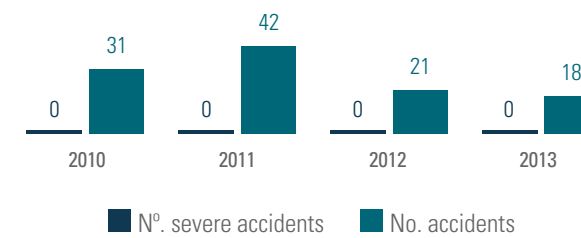


05.1

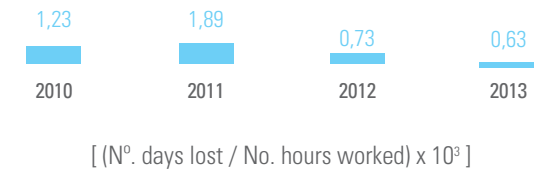
INVOLVED IN SAFETY

With the strategic objective of having Zero Severe Accidents, during the 2013 financial year Vicinay Cadenas has made a joint effort across the different areas to search for actions aimed at improving Occupational Health and Safety, which has generated greater awareness. This effort has materialised as training activities, investments in machinery, robotics and ergonomics, as well as into making people aware of their own safety.

NUMBER OF SEVERE ACCIDENTS / ACCIDENTS



SEVERITY INDEX



FREQUENCY INDEX



INCIDENCE INDEX





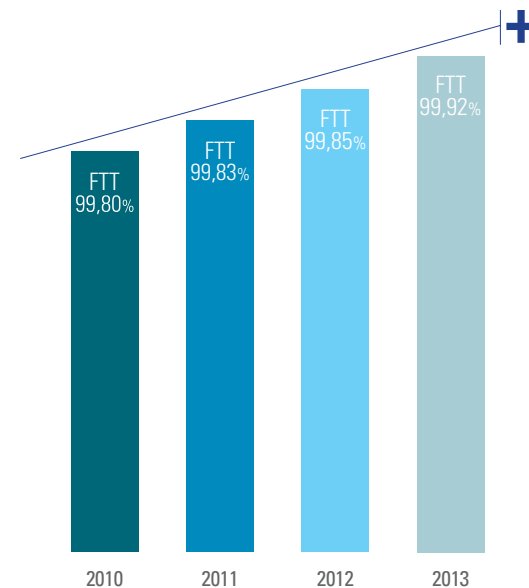
05.2

COMMITTED TO QUALITY

Quality is one of the pillars on which Vicinay Cadenas supports itself to build a sustainable future. The quality management system that we use is based on the ISO 9001 standard and is certified by the Classification Organisations DNV, LRQA, ABS and API.

To achieve excellence in quality we work in collaboration with specialised technology centres, as well as with our customers and suppliers. This spirit of continuous improvement in quality has led us in 2013 to undertake the following actions:

- The implementation of the **Phased Array Technique** as a method of NDT (Non-Destructive Testing), which replaces the conventional PE (Pulse Echo) technique.
- The **automation and expansion of the capacity of the welding machines** to manufacture chains of diameters that were unthinkable until very recently.
- The **improvement in the FTT** (First Time Through) indicator, which is the percentage of units processed correctly without needing to be repaired or retested.



05.3

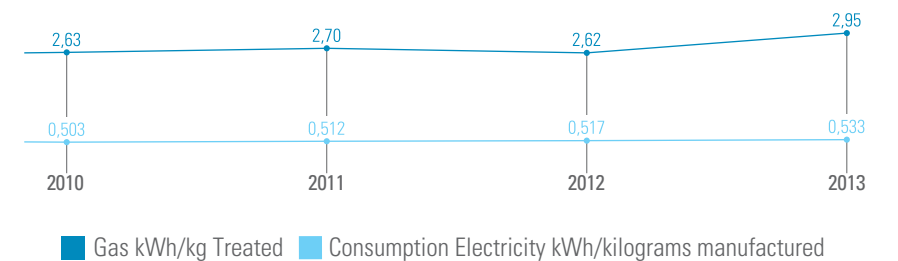
RESPONSIBLE ABOUT THE ENVIRONMENT

Vicinay Cadenas bases its strategy for reducing its environmental impact on the Life Cycle Analysis (LCA) of its full range of products, as well as on transparency in communicating such impact through Type III Environmental Product Declarations (EPD) developed by the Swedish organisation Environdec.

During the 2013 financial year, we have studied how to establish international standards for the analysis and communication of the environmental impact generated by any element (chains, accessories, etc.) of *offshore* mooring.

We have also invited our suppliers (micro and small businesses) to work in collaboration with Vicinay Cadenas to promote the use of environmental management tools that reduce the indirect impact generated by our activity.

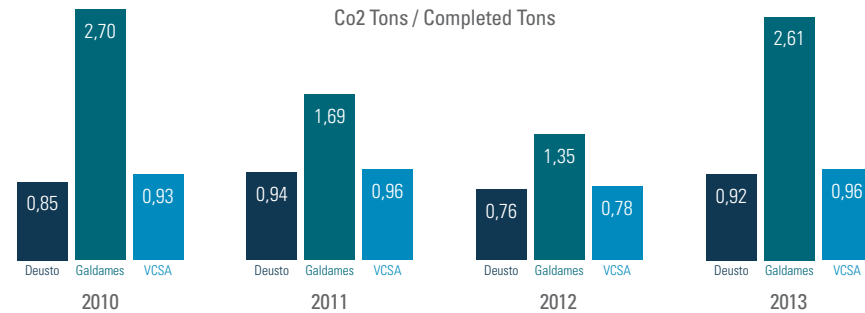
DEVELOPMENT OF THE SPECIFIC ENERGY CONSUMPTION 2010-2013



DEVELOPMENT OF SPECIFIC HAZARDOUS WASTE 2010-2013



DEVELOPMENT OF SPECIFIC CO2 GENERATED 2010-2013



Continuing in the spirit of ongoing improvement, Vicinay Cadenas has set off on the path to energy efficiency by hiring an Energy Manager who will have the following responsibilities:

- Development of a consumption pattern for each of the facilities.
- Daily control of energy consumption.
- Implementation of a weekly operational control aimed at reducing consumption.
- Installing meters on those elements that lacked them.



05.4

LINKED TO INNOVATION

Innovation is not just essential for the good performance of the company, but is also needed for the recovery of the markets and for the well-being of society as a whole. The latest RIS (Regional Innovation Scoreboard) report classifies the Basque Country (Euskadi) in the area of "Notable innovators". The Vicinay Innovation Agenda for the 2013 financial year shows that we have been working on **25 research projects, of which 7 are related to new products, 10 to improvements in the production process and 8 to research and development into new fields and applications.**

05.4.1

HIGH-PERFORMANCE CHAINS AND CONNECTORS

The effort and talent dedicated to researching new compositions for steel have allowed us in 2013 to **manufacture and classify new grades of chains and accessories.** As a result, in 2014 our customers will have access to chains that will offer them a wider range of options when it comes to meeting the needs of their mooring lines.

Another open area of research in our push for innovation is to find out more about the behaviour of our products when they are deployed at sea. At Vicinay, we understand that the wear and corrosion of a mooring line located in the Gulf of Mexico is the not the same as that of one located in Australia, in Africa, or in the North Sea. As a result, our research into the product is focussed on studying the different geographic locations, the type of mooring line and the applications these require. This is the purpose of the **Fondeoadhoc** project, which we have continued working on in 2013 as part of a consortium involving **Gerdau Industrial, Azterlan, Tekniker** and the **CSI**. The aim is to look in more depth at the behaviour of chains and accessories in terms of corrosion, wear, fatigue, embrittlement by hydrogen and other agents.

To **minimise the corrosion** of chains and accessories in service in the different mooring lines, Vicinay has differentiated itself from the competition through the application of an **aluminium coating,**

the **Thermal Sprayed Aluminium (TSA)**. In order to research in detail how this type of coating behaves we have the **Floatsolutions** project. This year, after various tests carried out in very severe and standardised conditions, we have discovered that the resistance to corrosion of the coated samples is much greater than that of the non-coated samples, which proves the value added by our product.

However, a high-performance chain needs high quality connectors to join the links, and the same is true for the rest of the elements involved in mooring lines. This is something that the customers also appreciate. As a result, once again this year, we have worked on the design of **new connectors**, managing to make progress in the development of a chain connector without studs that can support 100% of the MBL and of a connector capable of being operated by remote control.

Lastly, this year we have also been working on a project for the localisation of the different chains. The objective is to design a **technological system for the identification and traceability of chains** (with or without studs) that makes it easier for us to identify our customers' chains remotely.



05.4.2

IMMERSED IN IMPROVING THE PRODUCTION PROCESS

It is difficult to innovate and create a new product without modifying and adapting the production process to that new development. As a result, in 2013 we have continued working to improve the welding and mechanical properties. We have **adapted the welding process and the heat treatment** of the chains to the new grades and diameters the customers require.

We have also made great strides in finding **algorithms** for optimising the definition of the appropriate welding and heat treatment parameters. In this way, Vicinay is ready to manufacture chains with diameters of over 200 mm in ultra-resistant grades. In addition, we continue working on the **Chainmatic** concept, not only researching those parameters in relation to the links that we manufacture, but also studying the performance parameters of the machinery installation where they are produced.

05.4.3

EXPLORATION IN THE FIELD OF RENEWABLE ENERGY

We have spent a decade researching the use of our chains for floating devices in the area of renewable wind and tidal energy. 2013 has seen the culmination of our most innovative projects, some of which will see the light of day in 2014 and 2015.

Hiprwind is a project that Vicinay has been working on in collaboration with other European companies, whose aim is the installation of an *offshore* wind turbine in the near future.

Inflow, also a European project and led by **Technip**, plans to install in Marseilles a wind turbine with a vertical turbine and 6 mooring lines in late 2015.

The installation of the double turbine **Vertiwind** will increase the number of units in the field of wind turbines.

The **production process for accessories** includes controlling the forging parameters. This year we have made progress with the system for full automated traceability, **iForja**. We have also been involved in work and research to analyse the various options for heat treatment so that we can **improve the mechanical properties of the materials** in large accessories of various designs.

We have also innovated in the **design and manufacture of studs** in chains of small diameters (70, 76 and 84 mm) through changes to the production parameters, in terms of both different materials and different designs, with the goal being for these chains to have a longer fatigue life.

The **Nautilus** project, in which Vicinay has joined forces with **Tecnalia**, **Velatia**, **Astilleros Murueta** and **Tamoin**, is working on the design and development of a floating structure for a high-power (5 MW) *offshore* wind turbine.

In the area of tidal energy, Vicinay is immersed in the **Uhindar** project, designing mooring lines with a technological system called Oscillating Water Column, which will be installed in late 2014.

This year, 2013, has been the last for the **Moorinspect** project, which under the lead of the British TWI (Welding Technology Institute) has developed a guided wave inspection system capable of inspecting mooring lines while in service.

05.4.4

R&D+i INVESTMENTS



Vicinay Cadenas has continued in 2013 to provide the market with high value added solutions resulting from the investments in product and process innovation carried out over the last few years and which provide the company with a competitive advantage in the *offshore* market.

Our company has also continued its investment policy for the improvement of the industrial processes. These investments include improvements in safety and ergonomics, among others, that have helped us to decrease accident rates by 20% compared to the previous year.

In 2013 there have also been large investments in research, development and innovation, for a gross figure of €6.6 million. These investments have resulted in R&D+i projects, run by the company itself and in collaboration with other organisations, in the areas of products, processes and the market. Many of these projects have been supported by the regional, national and European governments.



The efficient functioning of an organisation is measured largely by the ability it has to combine all its forces to pull together in the same direction. The task of combining efforts falls to the team leaders.

During this year, 2013, we have conducted a review of the concept of leadership and the skills a leader should have. To this end, several working sessions were held in which 80 people from the company participated. The aim was to generate a common and shared vision of the role and profile of our Process and Area leaders. This work has

included an assessment, as part of which we have had the support of the ASLE consultancy firm.

Each leader has been rated by their team and has received a report assessing their strengths and opportunities. We have obtained a score in leadership of 7.19 out of 10. This information will allow us to draw up leadership improvement plans during 2014.



05.6

GENERATING VALUE

Vicinay Cadenas is a family company whose financial policy is mainly based on stable, long-term investments that give sustainable continuity to our business. The results obtained in 2013 can be seen from the charts below.

05.6.1

BALANCE SHEET

	31.12.2013	31.12.2012
NON-CURRENT ASSETS	68.743	71.700
Intangible fixed assets	16.120	15.320
Tangible fixed assets	24.160	38.807
Long-term investments in group and associated companies	9.374	460
Long-term financial investments	60	60
Deferred tax assets	19.029	17.053
CURRENT ASSETS	55.502	71.237
Inventory	13.900	14.721
Trade and other receivables	37.546	47.576
Short-term investments in group and associated companies	3.581	5.192
Short-term financial investments	74	252
Accruals	71	185
Cash and other equivalent liquid assets	330	3.311
TOTAL ASSETS	124.245	142.937
	31.12.2013	31.12.2012
NET WORTH	49.753	45.174
Equity	-----	44.709
Capital	9.165	9.165
Reserves	35.544	29.957
Profit/Loss for the financial year	4.542	5.587
Subsidies, donations and legacies received	502	465
NON-CURRENT LIABILITIES	25.752	18.401
Long-term debts	16.634	9.361
Deferred tax liabilities	9.118	9.040
CURRENT LIABILITIES	48.740	79.362
Short-term debts	5.579	18.295
Short-term debts with group and associated companies	283	658
Trade and other payables	42.878	60.409
TOTAL LIABILITIES	124.245	142.937

* Figures expressed in thousands of Euros.

05.6.2

INCOME STATEMENT

	31.12.2013	31.12.2012
ONGOING OPERATIONS		
Turnover	109.261	106.027
Change in stocks of finished products and work-in-progress	(2.062)	2.320
Work performed by the company for fixed assets	1.938	1.651
Supplies	(60.314)	(63.239)
Other operating income	226	585
Personnel costs	(13.786)	(13.727)
Other operating costs	(21.902)	(20.038)
Amortisation/depreciation of fixed assets	(9.051)	(8.134)
Allocation of non-financial and other fixed-asset subsidies	228	257
Impairment and loss on disposal of fixed assets	(973)	0
OPERATING PROFIT/LOSS		
	3.565	5.702
Financial income	6	36
Financial costs	(1.664)	(1.292)
Change in fair value of financial instruments	440	211
Exchange rate differences	(9)	(244)
Impairment and loss on disposal of financial instruments	(973)	0
FINANCIAL PROFIT/LOSS		
	(1.104)	(1.289)
PRE-TAX PROFIT/LOSS		
	2.461	4.413
Corporation tax	2.081	1.174
PROFIT/LOSS FOR THE FINANCIAL YEAR		
	4.542	5.587

* Figures expressed in thousands of Euros.

05.6.3

ECONOMIC VALUE GENERATED AND DISTRIBUTED

The table shows the relationship between the value created by Vicinay Cadenas, S.A. in 2013 and the distribution of this value among its stakeholders, as well as the part that the company has retained to pay for future investments.

DIRECT ECONOMIC VALUE CREATED (EVC)	112.013
ECONOMIC VALUE DISTRIBUTED (EVD)	
	98.420
Suppliers	81.885
Employees	13.786
Public Administration	108
Society	75
ECONOMIC VALUE RETAINED (EVR)	
	13.593

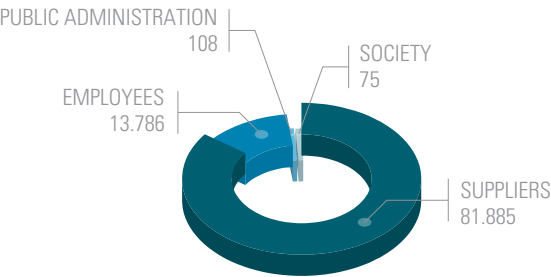
* Figures expressed in thousands of Euros.

During the 2013 financial year, with its business activity of selling *offshore* chains and accessories, the company has generated a direct economic value of €112 million. Of this value, 87.5 % has been distributed among the stakeholders, leaving the remainder (12.5%) retained for future reinvestment in the company. 83% of the distributed value has gone to the suppliers and 14% to pay the employees.

In terms of the public administrations, a total of €108,000 has been paid in tax, but in turn VCSA has benefited from tax deductions that reward investments in R&D and the environment, largely.

In particular, the distribution of the value generated among the stakeholders has been in accordance with the following chart:

DISTRIBUTION OF THE VALUE GENERATED AMONGST THE STAKEHOLDERS





06

A CHAIN OF ALLIANCES



“ No man is an Island, entire of itself; every man is a piece of the Continent, a part of the main; if a clod be washed away by the sea, Europe is the less, as well as if a promontory were, as well as if a manor of thy friends or of thine own were; any man's death diminishes me, because I am involved in Mankind; And therefore never send to know for whom the bell tolls; It tolls for thee. ”

- John Donne -



06.1

WORKING WITH OUR SUPPLIERS

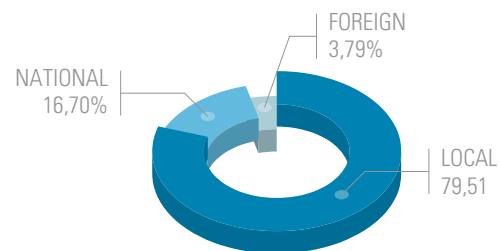
Vicinay Cadenas believes it is imperative that our most important regular suppliers become allied suppliers, so we build a sustainable relationship based on trust, mutual respect and transparency. We differentiate between the two in terms of the commitment to us, both in the supply of materials and services and in the development of products and the procurement of solutions and technologies that generate wealth.

The selection criteria for our suppliers are based on requirements such as compliance with certificates for quality, safety and the environment,

transparency, the commitment to delivery times, development of the technology needed for collaboration in the manufacture of our products, and achieving economic competitiveness that makes the viability of our relationships possible. In short, everything that our customers demand.

In addition, it is important for us to work with companies whose concerns go beyond the supply of materials and/or services. In 2013 we have obtained a satisfaction rate for our suppliers of 4.94 out of 5.

ORIGIN OF OUR SUPPLIERS



CERTIFICATIONS OF OUR SUPPLIERS

ISO 9001	ISO 14.000	OSHAS 18.000	Others
75%	29%	25%	42%

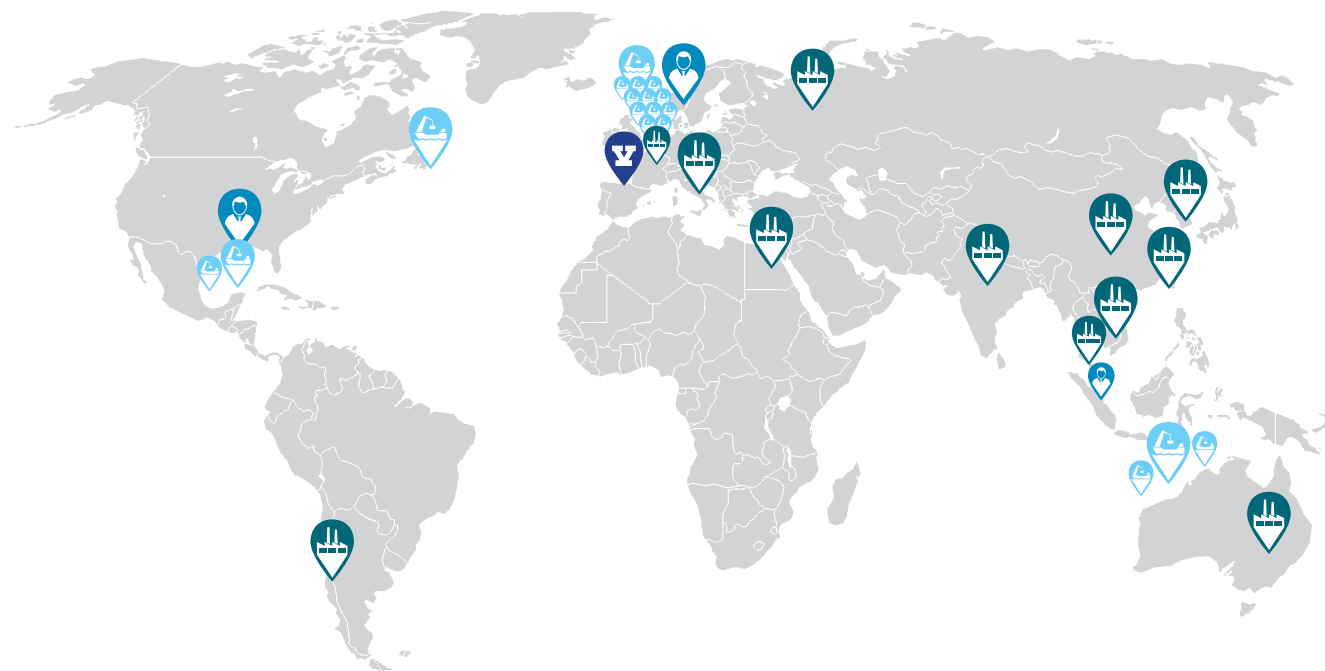


06.2

COMMITTED TO OUR CUSTOMERS

The year 2013 has been characterised by work starting on projects of large tonnage, size and quality. These have also led to significant entry into markets far less consolidated to date. This is the first time that orders have been received for chains of such magnitude that will be used to anchor floating devices in the *offshore* industry, and it poses the formidable challenge of making these chains over the coming years.

Among the orders that we have received from our customers, the highest volume were: **PRELUDE**, **ICHTHYS** and **HEIDELBERG**. These are large dimension chains (diameters of 175, 161 and 157 respectively), of high quality (R4) and great length (over 1,000 m).



VICINAY CADENAS



AGENCIES



VICINAY CADENAS
SALES OFFICES



PROJECTS 2013

ICHTHYS Project (Australia)

This order involves the manufacture of around 40,000 tons of chain and shackles of Ø161R4, to be delivered in late 2014. Never before has a platform been anchored using that amount of chain and accessories which, in addition, are designed to be able to withstand extreme weather conditions for 40 years. This project has required the design and manufacture of a new custom connector (a made-to-measure item with which our customers are happy) as well as the largest *offshore* shackles made so far, of Ø161R4.

PRELUDE Project (Australia)

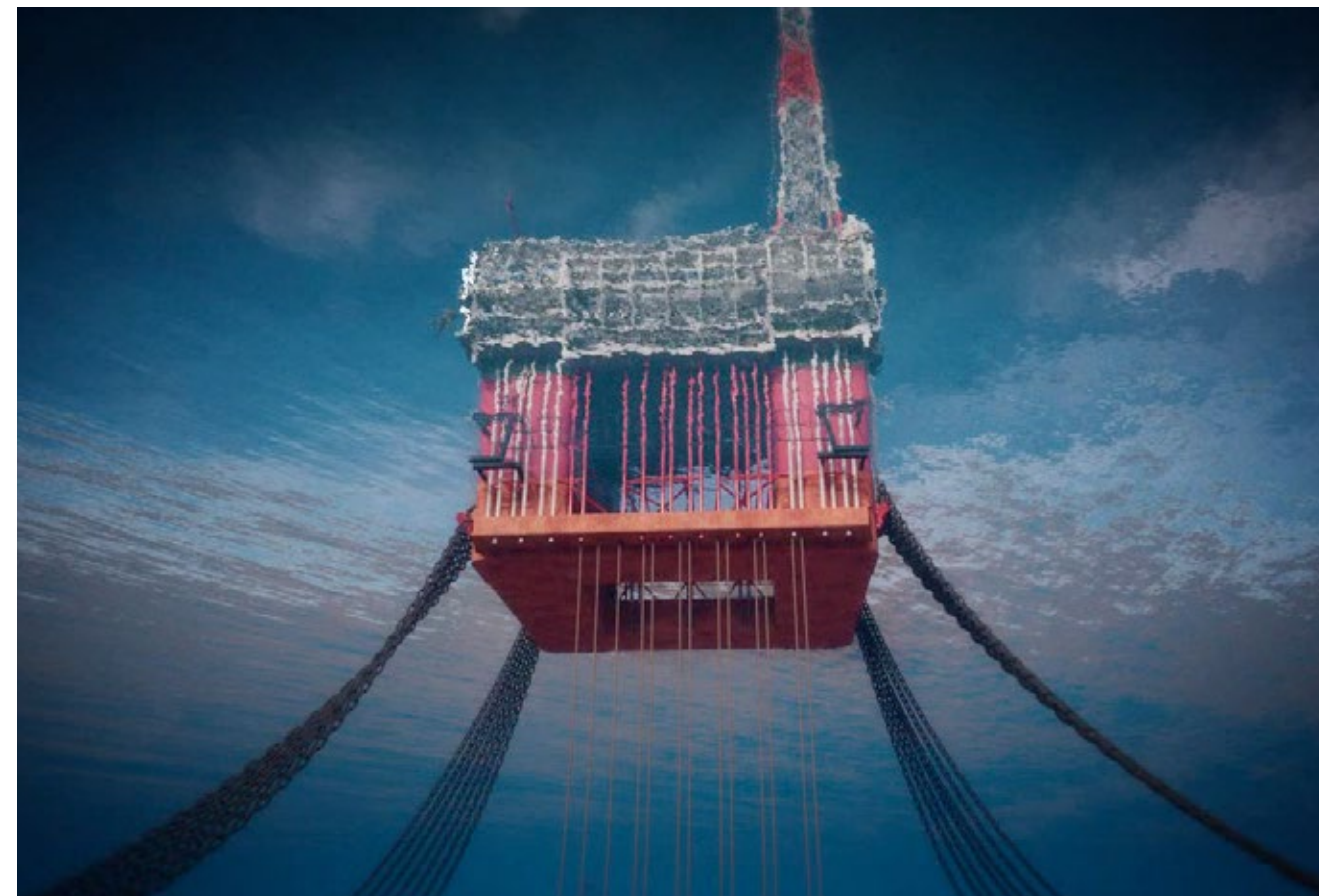
The quality requirements of our SBM, TECHNIP and SHELL customers who have placed this order are the highest seen to date. This project involves the production of 10,000 tons of chain of Ø175 mm in R4 grade, a framework that will be part of the mooring system of the world's largest floating device.

HEIDELBERG Project (Gulf of Mexico)

For this order, consisting of the design and manufacture of some 2,000 tons of Ø157 mm R4 chain that the customer requires to be highly resistant, we have used the most advanced technology. In other words, we have applied an aluminium coating (TSA) that will extend the life of the mooring line. This shows that our customers are increasingly making use of the added value provided by the R&D+i that Vicinay makes available to the *offshore* market.

CHINGUETTI Project (Mauritania)

With regard to the manufacture of accessories, this project has required very precise machining tolerance and adjustments, and the right combination of different materials: steel, copper and stainless steel. Thanks to our *know-how* we have managed to successfully tackle this project, obtaining a high degree of customer satisfaction.



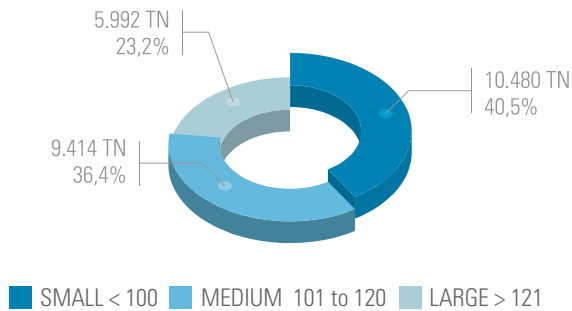
Carrying out these projects has required serious investments in the production process:

- ▶ A new welder in machine No. 9, that has allowed us to increase the range of chain and ensure the welding quality.
- ▶ The automation of machine No. 9 to improve the ergonomics in the handling of the links on the welder.
- ▶ Modifying the preheating oven for machine No. 8 to increase its productive capacity.
- ▶ A new manipulator in welding machine No.8 for handling chain more ergonomically.
- ▶ The design and construction of a new tower for the application of aluminium coating (TSA).
- ▶ A vertical saw capable of cutting sections of 1,500 x 1,000 mm, which has led to us saving more than €180,000, thanks to increasing the use of so-called "eco-tyres" by more than 30%.

DEVELOPMENTS IN MANUFACTURING 2010-2013

VCSA PRODUCTION	2010	2011	2012	2013
Kg chains manufactured	19.998.310	21.669.082	26.737.658	29.371.757
Kg accessories manufactured	808.000	561.000	1.039.400	552.400

SEGMENTATION OF THE FINISHED CHAIN BY CHAIN SIZE 2013



Finally, as shown in the table below, we should mention the increasing demand in the market for accessories called *offshore* shackles and the prevalence of R4 as the most used grade in the manufacture of accessories.

CUSTOMER SATISFACTION SURVEY

After delivering each order, Vicinay passes on to its customers a survey in which we ask about their degree of satisfaction with each of the stages of the manufacturing process for their orders. It is a good opportunity to find out even more about our customers, their preferences and concerns, and for Vicinay Cadenas it is an important element of continuous improvement.

In the 2013 financial year, we have obtained a customer satisfaction rating of **3.7** out of 5.





06.3

INVOLVED WITH PEOPLE

Meeting the needs of everyone forming part of Vicinay Cadenas is one of the maxims of our company philosophy. We will only achieve professional development for each of us if we work in a safe environment and in an atmosphere of harmony, respect and trust.

06.3.1

A GOOD WORKPLACE ENVIRONMENT

To promote harmony and understanding between everyone forming part of the business, we have once again this year complied with the **Economic Agreement 2012-2015**, which ensures our long-term stability.

This agreement provides an incentive to achieve one of the strategic goals of the organisation: sharing successes through variable pay linked to meeting targets.

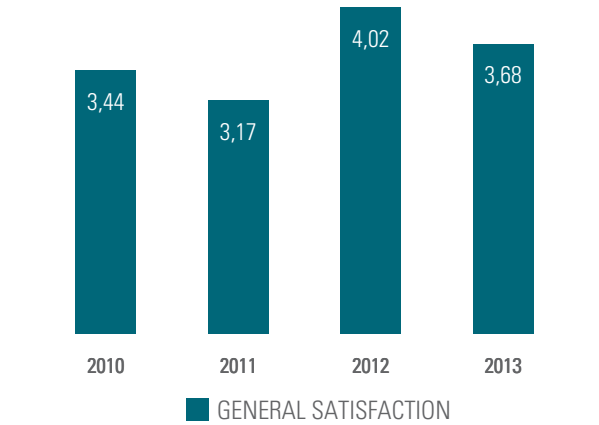
This commitment also affects some social aspects that are fundamental to the organisation: investment in internal training, professional development, greater allowances during periods of sick leave for common illnesses and accidents, and the policy of continuing with replacement contracts, which has led to the gradual rejuvenation of the workforce.

06.3.2

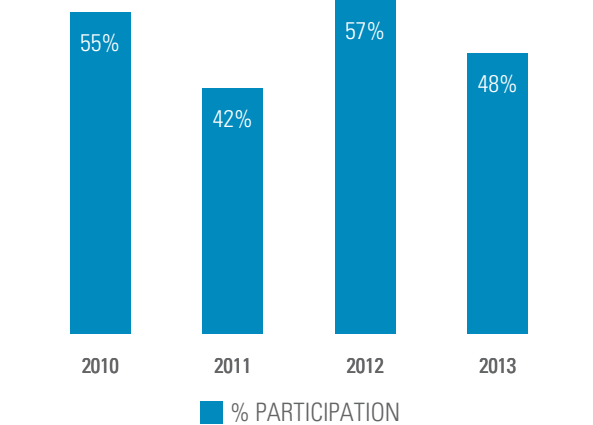
LOOKING FOR SATISFACTION

Since 2007 we have been conducting biennial surveys to determine the degree of satisfaction of the people who work at Vicinay Cadenas. The fourth survey was carried out in November 2013, with a 48% participation rate and a **score of 3.68 out of 5 in terms of overall satisfaction with the business.**

DEVELOPMENT OF SATISFACTION 2010-2013



DEVELOPMENT OF THE PARTICIPATION RATE 2010-2013



Among the aspects most valued by those interviewed are Respect for people, Safety, Learning and Commitment. As for the areas to be improved, those highlighted are Safety, Recognition, Learning and Commitment.

06.3.3

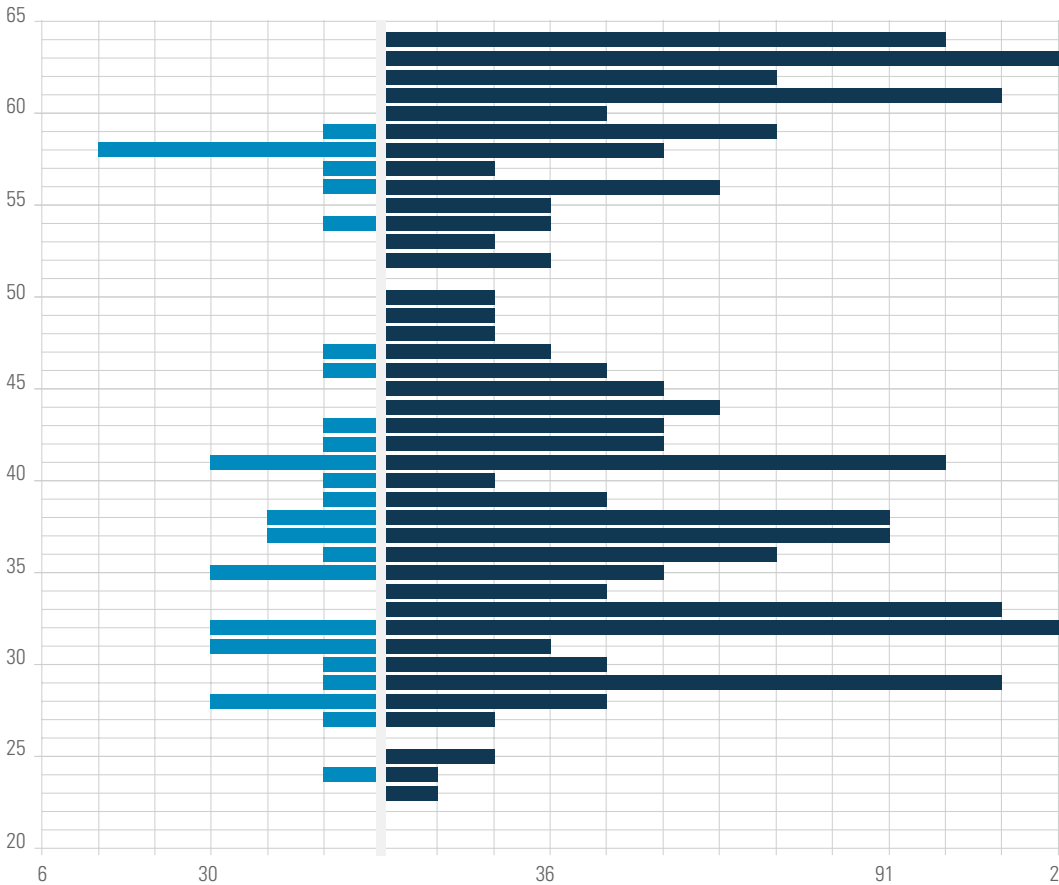
EQUAL OPPORTUNITIES

Vicinay Cadenas' vocation is to continue working to become an organisation where there is equality of opportunity between men and women. During the year 2013 the first **Equality Plan** was drawn up, thanks to the support of ADO2 which has worked with the Equality Committee to present an objective assessment in this regard.

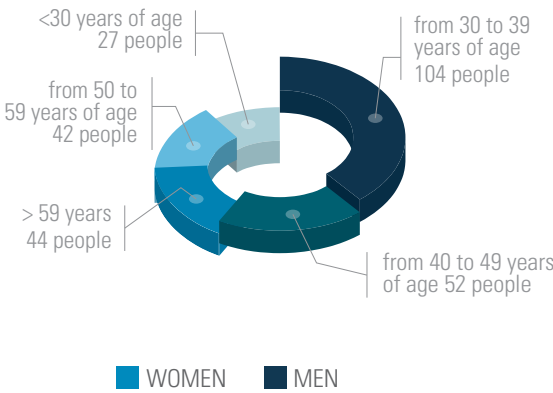
The document shows that things have gone a long way, with women being present in technical and management positions for the last

decade. However, there is still work to be done in the coming years to further strengthen the presence of women in the factory.

The Equality Plan has allowed us to established priorities for action based on four areas: educating and training people in equality, communicating objectives through team leaders, carrying out its implementation in the organisation, and making progress in policies to reconcile family, professional and personal life.



AGE DISTRIBUTION



In 2013, the average age of employees was 44.



06.3.4

WORK-LIFE BALANCE

One of the key areas we need to work on when thinking about what makes people happy in our current society is finding a good work-life balance. Everyone in our organisation is unique and we all have different needs.

As a result, our policy in 2013 has continued to be that of individually studying each of the needs arising so that we can respond to each case with personalised solutions. These solutions include changing working hours or reducing them, or more generally providing flexibility about the start and end time for the working day.

In order to improve the work-life balance of people in the hugely important phase of maternity/paternity, since 2009 we have been improving maternity leave, which has been extended to 20 weeks, while paternity leave has reached 17 days.



06.3.5

CONSTANTLY DEVELOPING

The company is not a static reality, but is constantly evolving, both in its human dimension and in the development of the core skills that allow it to grow and in the allocation of training resources to remain competitive in the current market.

HUMAN DIMENSION

In 2013, 12 people joined Vicinay Cadenas in different areas and of different genders, as shown in the table.

	FACTORY	HSEQ*	IT	ENGINEERING	TOTAL
MEN	5	1	-	1	7
WOMEN	2	2	1	-	5
TOTAL	7	3	1	1	12

*Health, Safety, Environment, Quality.

EXPANDING KNOWLEDGE

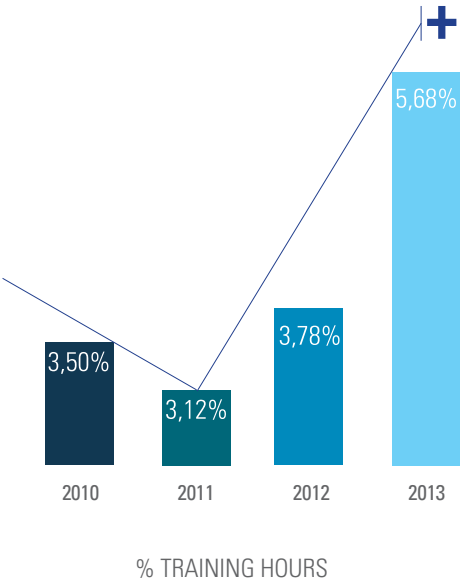
Vicinay Cadenas maintains an ongoing commitment to the training and education of its employees, one of its maxims being not to scrimp on the resources needed for training, either internal or external. In the 2013 financial year we have given **275** courses, representing **25,448** hours (including on-the-job training).

IMPROVING SKILLS

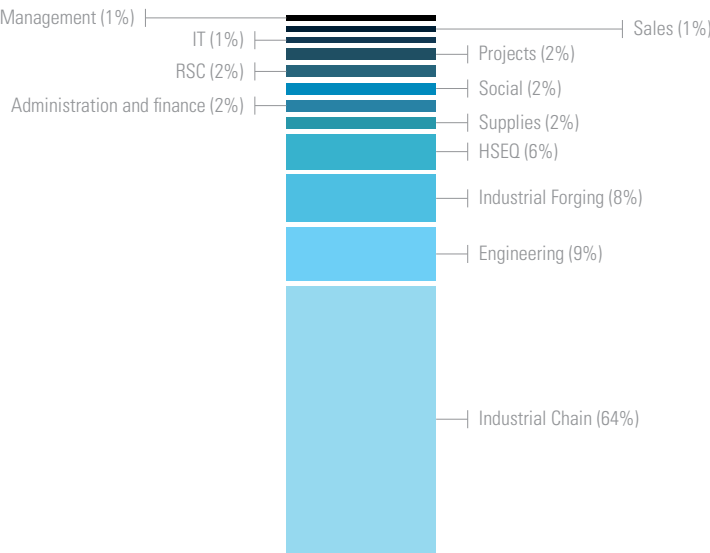
Following the philosophy of R&D+i, during 2013 Vicinay Cadenas drew up a professional development plan based on improving skills such as: initiative, time management, team work, problem solving, leadership and communication.

To do this, we have launched Mentoring and Coaching programmes with the help of Jose Miguel Martinez de Urquijo and Noelia San Emeterio, professional experts in business management, and Susana Santolaria, an expert in Communication and Public Speaking, who with a theoretical and practical approach has worked with people from different areas to improve the effectiveness of communication in presentations with visual aids.

DEVELOPMENT IN % OF TRAINING 2010-2013



DISTRIBUTION OF TRAINING BY THEME IN 2013

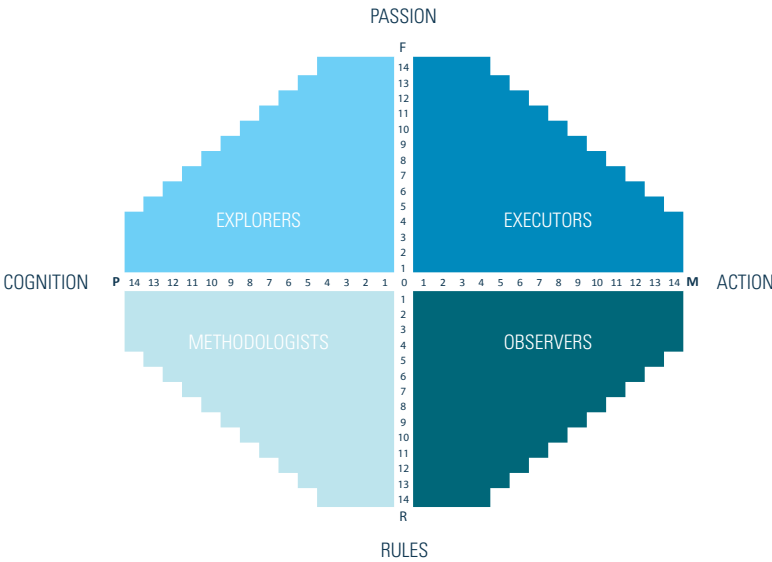


06.3.6

TALENT MANAGEMENT

Vicinay Cadenas considers it vital to together construct an organisation where the diversity of talent is valued, something we believe is vital for successful teamwork. To this end, in 2013 we needed to acquire information and tools. Among these are the Professional Center of Gravity (CGP), MBTI and Belbin Team Roles. **80 people in our organisation are now aware of these tools.**

This new initiative aims to be the starting point for the " **Talent Factory** " project, which is designed to promote professional self-awareness, and the recognition of talent and contributions among everyone making up the various area teams.





06.4

LINKED TO SOCIETY

As we mentioned, we are not an island, we are linked to the socio-economic environment in which we operate, and this means that we have a responsibility in terms of values, social relations and charitable actions.

06.4.1

A CHAIN OF PRINCIPLES

Once again this year we continue to sign up to the United Nations Global Compact, through which we commit ourselves, as members of the Spanish Global Compact Network, to comply with the 10 principles that businesses should follow:

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights, within their sphere of influence.

Principle 2: Businesses should make sure that they are not complicit in human rights abuses.

Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5: Businesses should uphold the effective abolition of child labour.

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

As a result of this commitment, this year we have again published a progress report which makes evident the progress made. In October we went to the Leaders Summit 2013 where we shared these best practices with other companies.



06.4.2

CHARITY

To help build a sustainable society, we are committed to sharing part of the value we generate in our company with people who suffer from the consequences of the unequal distribution of wealth on the planet. In 2013 we have each quarter undertaken a series of charity and awareness campaigns in which food, clothing, toys, computer equipment and other materials have been collected.



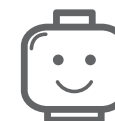
Collection of food

506
kg



Collection of computer
equipment

350
kg



Collection of toys

220
kg



Collection of clothes

150
kg

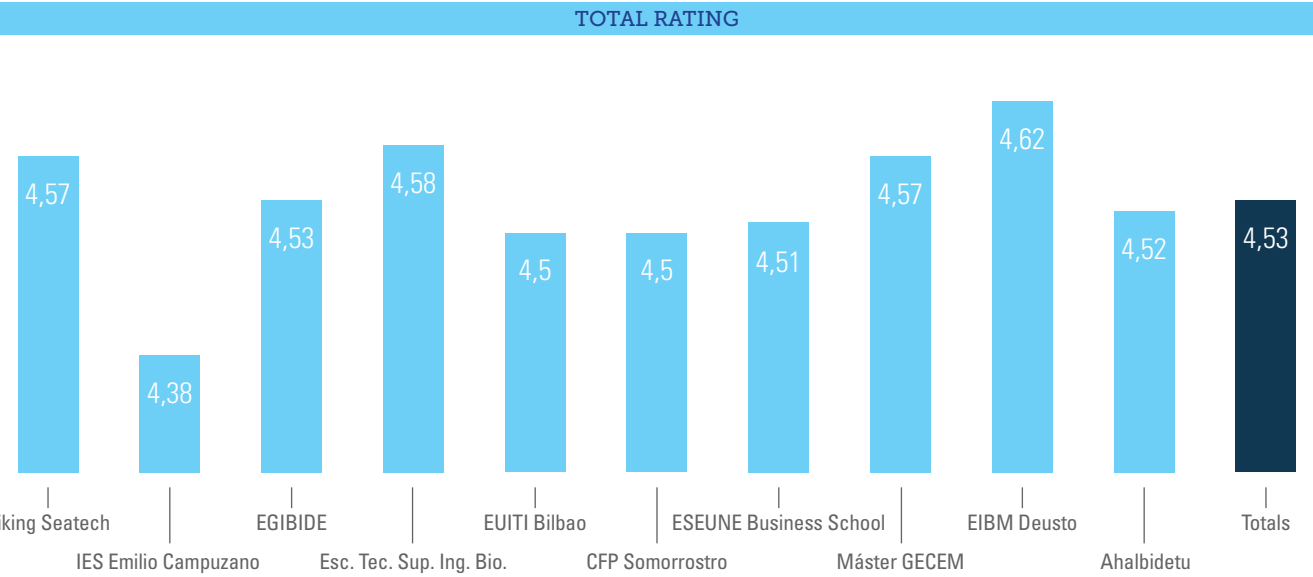


06.4.3

OPEN DAYS

As is the case every year, in 2013 we opened our doors to various social groups to show our philosophy and way of working. It is a way to share experiences and strengthen our ties.

The surveys completed by the **186** people who visited us in 2013, show a **level of satisfaction of 4.53 out of 5**, which is a consistent with the trend in this regard.



06.4.4

SPONSORSHIP AND PATRONAGE

In order to promote growth in other areas of social activity, Vicinay Cadenas has established various partnerships and sponsorships in Sport, Technology and Innovation, Culture, and Education and Youth.

- **Sport.** We work to provide support for local Basque sports such as rowing, synchronised swimming and pelota, with a preference for those sports associations located close to our production facilities and those that promote minority sports.
- **Culture.** We believe that culture is one of the pillars of sustainability. We have therefore launched initiatives to support the cultural and social life in the neighbourhoods where we operate. Among these is the holding of our courses, meetings and events in the facilities of the Zwap group.
- **Technology and Innovation.** We belong to different foundations and associations that promote creativity and innovation at both regional and national levels.
- **Youth.** The entry of young people into the labour market is another of our social commitments, which is manifested through active collaboration with the **Novia Salcedo Foundation** and the **Ahalbidetu Association**, which includes mentoring and recruiting young people for work experience. As a new development, in 2013 we have taken part in the **Lanaldi** pilot project, where high school pupils were able to spend a day with Vicinay Cadenas to learn about the different roles they could have within a company.



06.4.5

PAST, PRESENT AND FUTURE

VULCANO DAY

Once again, on Vulcano Day, our traditional celebration, we wanted to pay tribute to the people who for many years have been part of our organisation and who are now enjoying a well deserved rest. After the usual lunch, the Silver and Gold Insignias were presented to those retiring in 2013.



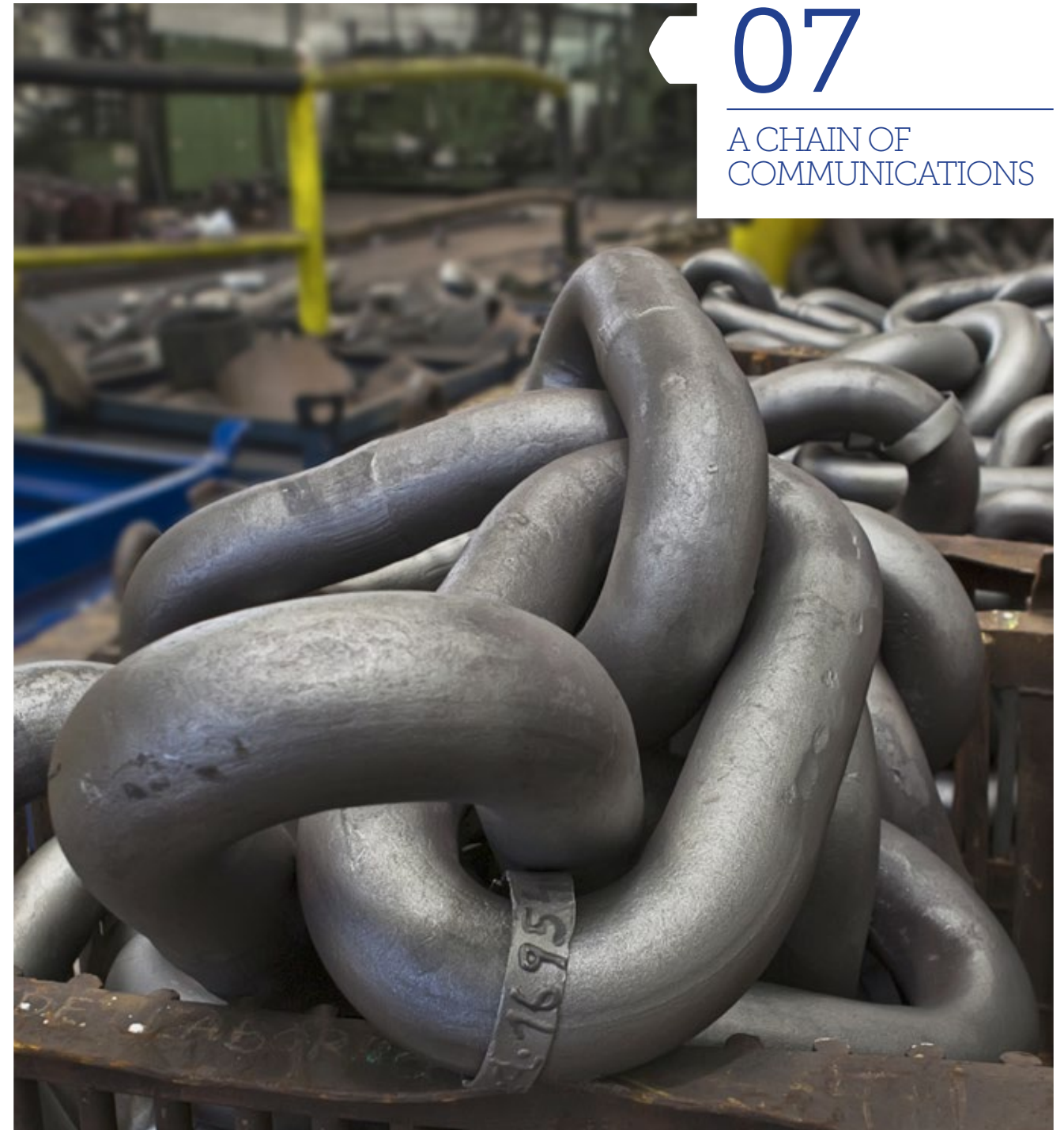
CHRISTMAS CARD CONTEST

As usual, in December we organised the Christmas Card Competition involving the companies in the group. In 2013 the children took part with their customary enthusiasm and it was a nice opportunity to involve the families in the development of the culture of the company. The prizes were handed out at the children's party, and it was a very happy occasion.



07

A CHAIN OF COMMUNICATIONS





“ You suffer one of the most normal ailments of mankind: the need to communicate with others. ”

- Augusto Monterroso -

Communication is one of the keys to defining and maintaining the shared direction of a company. At Vicinay Cadenas we use different ways and tools to facilitate communication between the people who form part of the company and the stakeholders with whom we interact. Proof of this are the actions and events that have taken place throughout the financial year 2013.

EL CADENERO

For over 20 years this newspaper is where we have published the most important news stories of the day, the visits we receive, the events we organise, the forums we attend, together with the daily manufacturing information.

SYMBIOSIS

Every three months, in morning, afternoon and evening sessions, there is a meeting with all the people in the company that tracks the strategic objectives set for the current financial year. Among the most important information we have shared in 2013 are the issues relating to safety, quality and finances, as well as those concerning the clarification of doubts and concerns.

VICINAY MEETING DAY 2013

In February, as is traditional, we held the Vicinay Meetings day, where we took stock of the year 2013. The event took place at the premises of the ZAWP group in Zorrozaure.



SHARE TO GROW

In order to receive proposals and initiatives that can enrich us, we organise occasional talks and conferences lasting one and a half hours with guests from different disciplines. In 2013 we had the pleasure of learning about the world of nanotechnology and *business intelligence*.

OTC 2013 FAIR

As it does each year, in 2013 Vicinay Cadenas took part in the most important trade fair in the sector, the Offshore Technical Conference, with the other companies in the group, and in collaboration with Vicinay Marine.

HOUSTON AND SINGAPORE SEMINARS

During 2013 two technical seminars were held by the Vicinay Marine Group, and Vicinay Cadenas took part as a speaker in the Houston and Singapore Seminars attended by various stakeholders for our organisation.

MY PROJECT

To improve communication with our customers and maintain a continuous flow of information we have a computer application called My Project, where customers can check the status of their order when they want: what manufacturing steps have been completed and which are yet to be completed.

LOTUS NOTES

In order to exchange full, shared and flowing information, at Vicinay Cadenas we keep nurturing the good relations by using the document management tool Lotus Notes which allows us to maintain internal communication. This also includes information on important visits and other news about the company and the sector.

BOOK OF IMPROVEMENTS 2013

In 2013 we published, as we do every year, our book of improvements, the result of contributions from different people in the company, where the improvements made in terms of products, systems and processes are collected.

SUSTAINABILITY REPORT 2013

And finally, at the end of the year we take stock of the overall position of the organisational, financial, social and environmental aspects of our business, and acquire the commitment to report on them. We hope that this 2013 Report, in keeping with those completed in previous years, lets us summarise and communicate our performance in our work, to set new goals and manage the necessary changes that make us continually improve.



08
AWARDS

In December 2013 Juan Ignacio Vicinay received from the mayor of Bilbao Iñaki Azkuna, who died in March 2014, the title of Distinguished Citizen, "for leading a company that represents values that make it different: solidarity, sincerity, transparency and social progress."

On mentioning in this 2013 report the Distinguished Citizens of Bilbao Award, received at the end of that year from Iñaki Azkuna, we feel it is only right to posthumously express our appreciation of a mayor who always showed concern for Bilbao businesses and entrepreneurs and especially for Vicinay Cadenas, S.A. In his career he was our ally, providing ongoing support to ensure that today we remain present as an organisation in this beloved Bilbao society and have a promising future in it.

Eskerrik asko Alkate Lagun

SCOPE AND CONTACT

Company: Vicinay Cadenas S.A.

Geographic scope: Global.

Time period: 2013.

Activities: supply of chains, mooring lines and accessories for the *offshore* industry.

Frequency of the report: annual.

Business Address: Particular de Sagardui, 5. 48015 Bilbao, Spain.

Telephone number: +34 944 891 130

Fax: +34 944 891 140

Vicinay Cadena's commitment to sustainable development in its three dimensions — economic, social and environmental — is reflected in this 2013 report, where it has shown its desire to make reliable and accurate information available to all.

More information is available about the company or any aspect of this report at:

www.vicinaycadenas.com

rsc@vicinaycadenas.com

