

DEFINITION OF THE MODEL

STRATEGY

VALUE CREATION: R&D + INNOVATION



Value creation: R&D and innovation

The Ebro Group has always been a step ahead of new consumer trends and an international benchmark in the research and development of products for the food sector. Aware that R+D+I is essential for developing its quality and differentiation strategy, the Group maintained its firm commitment in 2016.

The total expenditure in this area during the year was €4 million, between internal resources (€2.9 million) and external resources (€1.1 million).

Investment totalled €6.1 million, mostly in gluten-free products (\$2.2 million to complete an investment of \$21.6 million), the remainder corresponding to new manufacturing processes and/or processing methods.

The Group has built up its R+D+I activities at research centres in France, USA and Spain. These centres and the principal projects developed during the year are described briefly below:

1. CEREC, in St. Genis Laval (France), with 10 employees, focuses its activities within the pasta division, developing its range of fresh pasta, potato, fresh pre-cooked dishes and sauces. Its activities in 2015 were directed at broadening the range of sauces with a gourmet touch and high quality, repositioning of high quality fresh pasta *Triglioni* and collaborating in the expansion of the *Croque* (sandwich) concept with the integration of Roland Monterrat.
2. CRECERPAL, in Marseille, with 8 employees in the raw materials and analysis laboratory and one collaborating doctor, focuses its research on the development of the durum wheat category, with dry pasta, couscous and new food processing technologies applied to cereals. During 2015 it increased its work on new applications for durum wheat flour in batter, bread and pastries; enhanced productivity in milling; and launching and expansion of the range of dry pasta with fresh pasta quality and gluten-free pasta.
3. United States, with 5 employees engaged in developing new products, processes and technologies and adapting them for the US rice and pasta divisions. Its work has focused on completing the development and launching of the gluten-free range (linguini, lasagne), enhancing the efficiency and productivity of pasta for baking and pasta with fibre, with new or redesigned processes, endorsement by the US authorities (FDA) of different grain varieties and new formulations for the Ready-To-Serve cups and reformulation of multi-grain and gluten-free products.

4. Herba group centres in Moncada (Valencia) and the San José de la Rinconada plant, with 26 employees, engaged in the development of new and/or improved products and technologies and technical assistance in the areas of rice and rice-product technology for today's needs: fast-food and catering. The most important project in progress is the development of rice, cereal and pulse-based functional flour and ingredients, such as flour with a low glycaemic index or quick-cooking flour.

Product innovations

Thanks to this R&D and Innovation policy, the Group launches new products and concepts on the market every year that revitalize the categories in which it operates and meet and anticipate the needs of its customers and consumers.

130

**NO. LAUNCHINGS
IN 2016**

438

NO. LAUNCHINGS 2013-2016

30%

**OF THEM IN
2016**

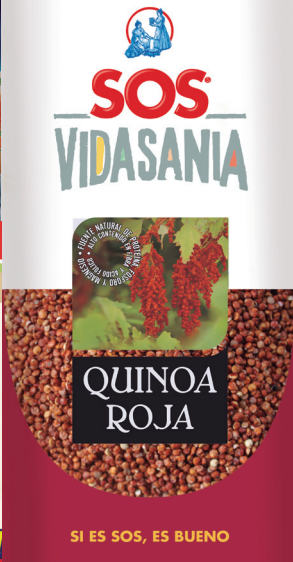
Number of product innovations by company during 2016

COMPANY	COUNTRY	NO. PRODUCTS LAUNCHED IN 2016
Herba Ricemills	Spain	8
Panzani	France	22
Lustucru	France	27
New World Pasta	USA	14
Riviana	USA	5
Boost Nutrition	Belgium	8
Catelli	Canada	7
Olivieri	Canada	4
Riso Scotti	Italy	9
Lassie	Netherlands	11
Euryza	Germany	3
Risella Oy	Finland	6
Arrozeiras	Portugal	6
TOTAL		130

R+D+I Principal Innovations 2016

130

NEW PRODUCTS



Evolution of product innovations 2013-2016

Over the period running from 2013 to 2016, the Ebro Group has launched 438 new products. 30% of them were launched in 2016.

COMPANY	COUNTRY	NO. PRODUCTS LAUNCHED SINCE 2013
Herba Ricemills ⁽²⁾	Spain	26
Panzani	France	71
Lustucru ⁽¹⁾	France	75
New World Pasta	USA	37
Riviana	USA	23
Boost Nutrition	Belgium	20
Catelli	Canada	23
Olivieri	Canada	18
Riso Scotti	Italy	66
Lassie	Netherlands	27
Euryza	Germany	14
Risella Oy	Finland	12
Arrozeiras ⁽²⁾	Portugal	13
Garofalo	Italy	13
TOTAL NEW LAUNCHINGS		438

* NB:

(1) 36 of the 75 products launched over the period 2013 - 2016 have been discontinued

(2) Certain extensions of Garofalo products to Spain and Portugal have not been included

Weight of the innovations in the brand business

The product innovations launched on the market between 2013 and 2016 accounted for 6.4% of the total sales of the Ebro Group's brand business.

	SALES NEW LAUNCHINGS 2013-2016	% SALES NEW LAUNCHINGS 2013-2016 / SALES OF COMPANY IN 2016
Herba Ricemills	11,730,016	10.1%
Panzani	34,109,000	10.2%
Lustucru Frais	14,911,000	13.0%
New World Pasta	14,421,935	5.0%
Riviana	11,553,922	1.8%
Boost Nutrition	2,010,126	18.0%
Catelli	7,512,460	7.6%
Olivieri	4,732,318	8.4%
Riso Scotti	13,633,573	7.9%
Lassie	4,494,059	16.2%
Euryza	2,915,551	6.6%
Risella Oy	558,285	13.2%
Arrozeiras	1,585,409	6.3%
Garofalo	3,080,613	4.3%