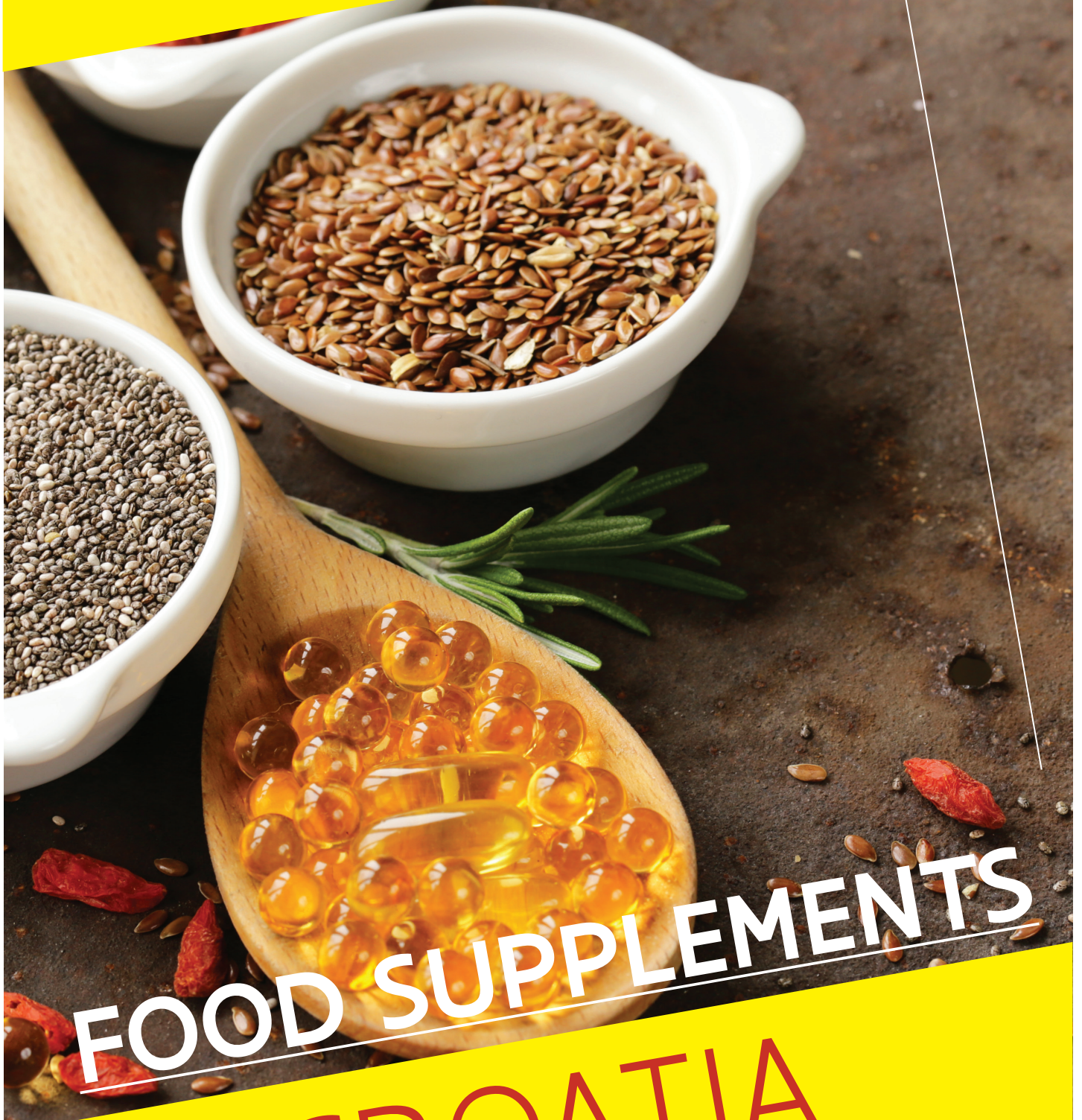




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FOOD SUPPLEMENTS

IN CROATIA

FLANDERS INVESTMENT & TRADE MARKET SURVEY

2018

Food supplements in Croatia



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1. SUMMARY

This paper aims to give an overview of the food supplement sector in Croatia.

The study starts with some general figures about Croatia and its economy. After that, we look more specifically into the food supplement sector. First, there is a general overview of the food supplement sector in Croatia including legislation in Europe and in Croatia, as well as the general market situation.

2. GENERAL OVERVIEW OF CROATIA

Croatia is a country located in Southeast Europe. It covers a land area of 56,691 km² and has a population of about 4,29 million people (July 2017 est.). The largest cities in Croatia are its capital Zagreb as well as Rijeka, Split, Dubrovnik, Zadar and Osijek.

Croatia is still one of the wealthiest republics of former Yugoslavia. Croatia experienced an abrupt economic slowdown in 2008 and is slowly recovering; economic growth was stagnant or negative from 2009 onwards, but picked up again in 2015-16. Difficult problems still remain including a stubbornly high unemployment rate (10,9%, August of 2017), uneven regional development, and a challenging investment climate. In 2016 Croatia demonstrated a commitment to improving the business climate, simplifying its tax code to stimulate growth from domestic consumption and foreign investment.

Estimated Croatian GDP in 2016 was about \$50.73 billion and the GDP per capita was about \$14.370.

The national currency is the Croatian kuna (HRK). The average salary in Croatia in 2017 was 6.025 kuna (about 800 euro), which was an increase of 4,5% compared to 2016.

Croatia is a member of the United Nations, the Council of Europe, NATO, the World Trade Organization (WTO) and CEFTA since 2001. Croatia became the 28th member state of the European Union on 1 July 2013.

Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/hr.html>

3. GENERAL FIGURES

GENERAL DATA

Population: 4,292,000 (2017)

Main cities: Zagreb (Capital), Split, Rijeka, Osijek

National currency: Kuna

GDP: 50,43 billion USD (2016, source: Croatian National Bank)

GDP per capita: 14,372.07 USD (2016.)

GDP - composition, by sector of origin:

agriculture: 4.1%

industry: 26.5%

services: 69.4% (2016 est.)

VAT: 25%

Unemployment rate: 10,9%

Major export countries: Bosnia and Herzegovina, Slovenia, Italy, Serbia.

PEOPLE

Population: 4,292,095 (July 2017 est.)

Ethnic groups: Croat 90,4%, Serb 4.4%, other 4.4% (including Bosniak, Hungarian, Slovene, Czech, and Roma) - (2011 census).

Religions: Roman Catholic 87.8%, Orthodox 4.4%, other Christian 0.4%, Muslim 1.3%, other and unspecified 0.9%, none 5.2%

Languages: Croatian 96%, other 4% (including Italian, Hungarian, Czech, Slovak, and German)

Literacy: age 15 and over can read and write. Total population: 98.1%. Male: 99.3%. Female: 97.1%

POLITICAL PROFILE

Government: Parliamentary Democracy

Membership in International Organisations: United Nations, Organisation for Security and Co-operation in Europe, Council of Europe, Regional Cooperation Council, International Monetary Fund, World Bank, World Trade Organisation, European Bank for Reconstruction and Development, Partnership for Peace, NATO

Accession to the European Union: 1st July 2013 – 28th Member State

GEOGRAPHY

Area: 56,542 sq. km (22,830 sq. mi)

Border countries: Bosnia and Herzegovina 932 km, Hungary 329 km, Serbia 241 km, Montenegro 25 km, Slovenia 455 km.

Climate: Mediterranean and continental; continental climate predominant with hot summers and cold winters; mild winters, dry summers along coast

Terrain: geographically diverse; flat plains along Hungarian border, low mountains and highlands near Adriatic coastline and islands.

Natural resources: oil, some coal, bauxite, low-grade iron ore, calcium, gypsum, natural asphalt, silica, mica, clays, salt, hydropower.

Source: [www.heritage.org/index/croatia](http://www.heritage.org/index/country/croatia)

4. FOOD SUPPLEMENTS

After joining the European Union in July 2013, fast changes in regulations, particularly those in response to unsubstantiated health claims, took some manufacturers by surprise when they found out they had to change their entire packaging. For this reason, the marketing of vitamins and dietary supplements has changed significantly.

4.1. COMPETITIVE LANDSCAPE

Vitamins and dietary supplements is one of the few consumer health categories where Croatian companies dominate. Two domestic companies led sales in 2016, Atlantic Grupa dd (15% market share) and Encian d.o.o. (11%), and there was not much change in respect to the previous year's results. Both companies did not start primarily as vitamins and dietary supplements suppliers: Atlantic Grupa acquired its consumer health business together with companies Fidifarm doo and Dietpharm, while Encian's products are manufactured by a third party company.

Source: <http://www.mvep.hr/zakoni/pdf/597.pdf>

4.2. WHAT ARE FOOD SUPPLEMENTS

Food supplements are concentrated sources of vitamins, minerals, and other substances (e.g. amino acids, essential fatty acids, fibres, herbal extracts, microorganisms, fungi, algae, bee products) with a physiological or nutritional effect.

Food supplement forms include: dosage forms such as capsules, pastilles, tablets, as well as powders, granules, liquids, and other forms which are ready for consumption in measured quantities or with specific mode of administration. Their purpose is to enrich normal diet and maintain a healthy lifestyle.

4.3. THE CHARACTERISTICS OF FOOD SUPPLEMENTS

Specific category of foodstuffs:

- concentrated sources of nutrients and others substances with nutritional or physiological effect
- supplement the normal diet
- marketed in dose form
- authorized health claims: support normal functions of the body, reduction of disease risks, development and health of children

4.4. HOW A FOOD SUPPLEMENT ENTERS THE MARKET:

Food business operators must notify national authorities when a food supplement is first placed on the market. In certain EU member states, prior marketing approval is necessary, in other countries the notification is done at the latest on the day the product is placed on the market. The notification has to be sent to the competent authority: i.e. the Ministry of Health Notification procedure:

- The notification and registration procedures could be more or less different as approach, but the criteria of food safety evaluation are similar in European countries.
- According to Directive 2002/46/EC, a particular reference to composition (ingredients and levels) and compliance to European regulation regarding food safety, novel food ingredients, food additives and specific requirements for labelling, nutrition and health claims have to be taken into account.

Safety assessment (from a public health and nutritional point of view) and risk management measures are based on the examination of data provided by the food business operator:

- type and amounts of active ingredients
- chemical forms of minerals and vitamins
- recommended daily dose
- plant species and their parts used
- conditions of use of botanicals
- botanical preparation (drug or plant extract: ratio, active substance, maximum levels)
- specific warning statements, etc.

http://good-herbs.eu/intranet/pluginfile.php/261/mod_resource/content/1/Tema%209%20Ppt-%20Legal%20trade.pdf

5. LEGAL FRAMEWORK:

In the context of the legal framework for food supplements, it is extremely important to underscore that Croatia had established a national one before becoming a EU member state in July 2013. When it officially entered the European Union, it became mandatory to transpose the current EU legislation into the existing national framework as part of the undertaken international commitments.

5.1. CROATIAN / EU LEGISLATION ON FOOD SUPPLEMENTS

Food supplements belong to one category of food products and all horizontal (general) food regulations apply to it (e.g. general labeling, food additives, contaminants, new food, nutrition and health claims...). The composition, labeling and placing on the market of food supplements in the Republic of Croatia is regulated by the law on Food and Health Claims and Foods Enriched with Nutrients.

The ordinance on the condition of admission into the monitoring program and the implementation of the program for the monitoring of dietary supplements, food to which vitamins, minerals and other substances whose use in food is prohibited or restricted. The rules on food additives have been transported into provision of directive 2002/46/EC of the European

Parliament and of the Council of 10 June 2002 on the harmonization of the laws of the member States with regard to food supplements.

As an addition to a normal diet, food business operators market food supplements, which are concentrated sources of nutrients (or other substances) with a nutritional or physiological effect. Such food supplements can be marketed in “dose” form, such as pills, tablets, capsules, liquids in measured doses, etc.

Link: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32002L0046>

It is to protect consumers against potential health risks from those products and to ensure that they are not provided with misleading information. With respect to the safety of food supplements, the Directive lays down a harmonised list of vitamins and minerals that may be added for nutritional purposes in food supplements (in Annex I to the Directive). Annex II of the Directive contains a list of permitted sources (vitamin and mineral substances) from which those vitamins and minerals may be manufactured.

This list has been amended by the following Regulations and Directive to include additional substances:

- <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017R1203>
- <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R0119>
- <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32011R1161>
- <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32009R1170>
- <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32006L0037>

The trade of products containing vitamins and minerals not listed in Annex II has been prohibited from the 1st of August 2005.

Directive 2002/46/EC has been aligned with the new Regulatory Procedure: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32008R1137>

5.2. FOOD SUPPLEMENTS – OVERVIEW OF THE EUROPEAN AND CROATIAN LEGISLATION

From the very beginning, food supplements have been under the jurisdiction and supervision of the Ministry of Health of the Republic of Croatia (<https://zdravlje.gov.hr/>). This is in conformity with the Croatian Food Act. However, food supplements are also subject to special regulations on

labelling, advertising and presenting food to costumers, which is the jurisdiction of the Ministry of Agricultural.

The European Commission has established a legal framework for food, fortified food, novel food and food supplements. The Directive 2002/46/EC concerns food supplements, vitamins and minerals. It prescribes that chemical substances used, as sources of vitamins and minerals in the manufacture of food supplements, should be safe. All chemical forms of vitamins and minerals, which may be added to food supplements, are regulated by the Regulation (EC) No 1170/2009, Annex XIII. Regulation (EU) No 1169/2011 regulates the daily references intake of vitamins and minerals and their nutrient reference values. Labelling of food supplements is specific. Besides general labelling requirements listed the Regulation (EU) No1169/2011, the Directive 2002/46/EC adds some specific ones particular for food supplements.

Labelling, presentations and advertising must not attribute to food supplements the property of preventing, treating or curing a human disease, or refer to such properties. Food supplements are meant to benefit health. Their label can bear approved health and/or nutrition claims. In order to harmonise these claims, the European Union published Regulations 1924/2006 on nutrition and health claims on foods. Health claims imply that there is a relationship between a product and a health condition whereas nutrition claims state, suggest or imply that a food has particular nutritional properties. The latter state that the content of a nutrient (e.g. vitamin,mineral or other substance) is „source“ or „high“ or „low“ in it (e.g. sugar, fat, salt).

The European Food Safety Authority (EFSA)- <https://www.efsa.europa.eu/en/press/news/180124> evaluates scientific data on claims provided by the applicants. Afterwards it puts these forward to the European Commission for approval and authorisation. More than 60% of the Regulation (EU) No 432/2012 refers to the approval claims related to vitamins and minerals.

Some other nutrients and foods are also on the positive list of that Regulation. However, if one is looking for a specific nutrient which is not on that list, then its status has to be checked in the EU register. The status can be either authorised or non-authorised and, for botanical in the EFSA Register of Questions, „on hold“. There is a wide range of nutrients and other ingredients that might be present in food supplements including but not limited to vitamins, minerals, amino acids, essential fatty acids, fibers and various plants and herbal extracts. Propolis and royal jelly belong to this group.

NEW EU LAW ON FOOD SUPPLEMENTS

The new Regulation (EU) No 1169/2011 on the provision of food information to consumers entered into application on 13 December 2014. The obligation to provide nutrition information will apply from 13 December 2016.

The new law combines 2 Directives into one legislation:

- 2000/13/EC - Labelling, presentation and advertising of foodstuffs (applicable until 12 December 2014)
- 90/496/EEC - Nutrition labelling for foodstuffs.

Key Changes:

1. Improved legibility of information (minimum font size for mandatory information)
2. Clearer and harmonised presentation of allergens (e.g. soy, nuts, gluten, lactose) for prepacked foods (emphasis by font, style or background colour) in the list of ingredients
3. Mandatory allergen information for non-prepacked food, including in restaurants and cafes
4. Requirement of certain nutrition information for majority of prepacked processed foods
5. Mandatory origin information for fresh meat from pigs, sheep, goats and poultry
6. Same labelling requirements for online, distance-selling or buying in a shop
7. List of engineered nanomaterials in the ingredients
8. Specific information on the vegetable origin of refined oils and fats
9. Strengthened rules to prevent misleading practices
10. Indication of substitute ingredient for 'imitation' foods
11. Clear indication of "formed meat" or "formed fish"
12. Clear indication of defrosted products.

On 13 July 2017, the Commission adopted a Notice on the provision of information on substances or products causing allergies or intolerances. This document updates the previous guidance document on allergen labelling issued under Directive 2000/13/EC. Its purpose is to assist consumers, businesses and national authorities in understanding the new requirements of Regulation (EU) No 1169/2011 related to the indication of the presence of certain substances or products causing allergies or intolerances.

This Notice was drafted in collaboration with Member States and was subject to Public Consultation.

Notice:

https://ec.europa.eu/food/sites/food/files/safety/docs/labelling_legislation_guidance_allegens-2017-4864_en.pdf

On 20 November 2017, the Commission adopted a Commission Notice on the application of the principle of quantitative ingredients declaration (QUID). This document aligns the 1998 guidelines to Regulation (EU) No 1169/2011 on the provision of food information to consumers, updating the relevant legal references.

The purpose of the Commission Notice is to provide guidelines for businesses and national authorities on the application of the principle of quantitative ingredients declaration (QUID) in the context of Regulation (EU) No 1169/2011.

LIST OF MAIN EU LEGISLATION APPLICABLE TO FOOD SUPPLEMENTS:

Specific Legislation:

Directive 2002/46 Relating to food supplements: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02002L0046-20150402&from=EN>

Labeling and advertising:

Provision of food information to consumers: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02011R1169-20140219&from=EN>

Nutrition and health claims made on foods: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02006R1924-20141213&from=EN>

Composition:

Food intended for infants and young children, food for special medical purposes, and total diet replacement for weight control: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0609&from=EN>

General food law:

Laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02002R0178-20140630&from=EN>

Novel foods:

On novel foods and novel food ingredients: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R2283&from=EN>

Hygiene and quality control:

Hygiene of foodstuffs: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02004R0852-20090420&from=EN>

Specific hygiene rules for food of animal origin: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02004R0853-20141117&from=EN>

Maximum levels for certain contaminants: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02006R1881-20160311&from=EN>

Microbiological criteria for foodstuffs: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02005R2073-20140601&from=EN>

Certification:

Laying down requirements for the certification for imports into and transit through the Union of certain composite products: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02012R0028-20130701&from=EN>

GMOS:

Genetically modified food and feed: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02003R1829-20070112&from=EN>

Tariff rate quotas:

Opening and providing for the administration of Community tariff quotas bound in GATT and certain other Community tariff quotas and establishing detailed rules for adjusting the quotas and repealing Council Regulation (EC) No 1808/95: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02000R0032-20140101>

Veterinary certification and inspection:

Laying down procedures for veterinary checks at Community border inspection posts on products imported from third countries: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02004R0136-20140603&qid=1474279673400&from=EN>

Concerning list of animals and products to be subject to controls at border inspection posts under Council Directives 91/496/EEC and 97/78/EC: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02007D0275-20120301&from=EN>

Amending the Annexes to Decision 2007/275/EC concerning the lists of animal and products to be subject to controls at border inspection posts under Council Directives 91/496/EEC and 97/78/EC: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016D1196&from=EN>

Laying down requirements for the certification for imports into and transit through the Union of certain composite products and amending Decision 2007/275/EC and Regulation (EC) No 1162/2009: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02012R0028-20130701>

Authorized vitamins and minerals in food supplements:

Established by Annex I/1 to Food Supplements

https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporting%20Food%20Supplements%20to%20the%20European%20Union_Brussels%20USEU_EU-28_1-11-2017.pdf Tables for approved substances.

5.3.GENERAL PROCEDURE ON NEW NUTRITIONAL SUBSTANCES

Requests for the inclusion of a new nutritional substance in the Annexes of the Directives on foods for particular nutritional substances or food supplements and of the Regulation on fortified foods should be submitted to the European Commission, Health and Consumers Directorate-General, Unit E4, nutrition, food composition and information. The requests must not concern nutritional substances falling under the field of application of Regulation (EC) 258/97 on novel foods and novel foods ingredient.

Petitioners are invited to consider the exchange of views concerning the “Status of Food Supplements under Regulation (EC) N° 258/97 concerning novel foods and novel food ingredients” which took place during the meeting of 14 February 2005 of the Standing Committee on the Food Chain and Animal Health Section on Toxicological Safety & Section on General Food Law.

Moreover, it should be taken into account that the novel food working group noted that if a substance was used exclusively as an additive prior to 15 May 1997, it would be considered that other uses would require authorisation under Regulation (EC) No. 258/97 concerning novel foods and novel food ingredients.

Requests for inclusion in the Directive on food supplements and in the Regulation on the addition of vitamins and minerals and certain other substances to foods shall be made only for vitamins and minerals and their sources. On the other hand, requests concerning the other Directives/Regulation noted above can also include additional categories of nutrients, such as: amino acids, nucleotides, taurine, carnitine, choline and inositol.

An application for the authorisation of a nutritional substance should consist of the following separate elements:

A letter clearly specifying the request with regard to nutrient(s) categories and, if appropriate, the specific nutrient(s) that the nutritional substance is intended to be used as a source of. In addition, the specific Community legislation that the petitioner would like the substance to be included in should be specified, namely:

- Commission Directive 2006/141/EC on infant formula and follow-on formula;
- Commission Directive 2006/125/EC on processed cereal-based foods and other baby foods intended for infants and young children;
- Commission Regulation (EC) No 953/2009 on either foods for particular nutritional purposes in general or dietary foods for special medical uses only;
- Directive 2002/46/EC of the European Parliament and of the Council on food supplements;
- Regulation (EC) No 1925/2006 of the European Parliament and of the Council on the addition of vitamins and minerals and of certain other substances to foods.

After that comes a period in which the request is evaluated and then approved or rejected.

6. MARKET STATISTICS

The European dietary supplements market:

According to Euromonitor's data, the overall European dietary supplement market is projected to grow by around 9.5% in the next few years – rising from € 7.2 bn in 2015 to an estimated € 7.9 bn in market value by 2020. While the Western European countries are still leading the table with Italy and Germany at the top, it is the Eastern part of Europe that shows the biggest promise. The most rapid growth was noticed in Belarus, where the supplement market value has risen by a whopping 15% year-on-year. Russia, which has made it into the top 3 this year is forecast to supersede Germany, where the market has actually shrunk in the last few years.

The saturation of the Western European markets starts to be visible, while the Eastern markets are predicted to continue to expand - with a 60% increase in market value between 2010 and 2015, and further growth of 18.9% predicted by 2020. This compares to just over 11.3% growth in the Western European marketplace between 2010 and 2015, and a forecasted rise of around 6.3% by 2020. Eastern European countries dominate the projected fastest growing marketplaces up to 2020 – with Romania, Turkey, Bosnia-Herzegovina, Russia, and the Former Yugoslav Republic of Macedonia making up five of the top six fastest growing markets according to Euromonitor's forecast data.

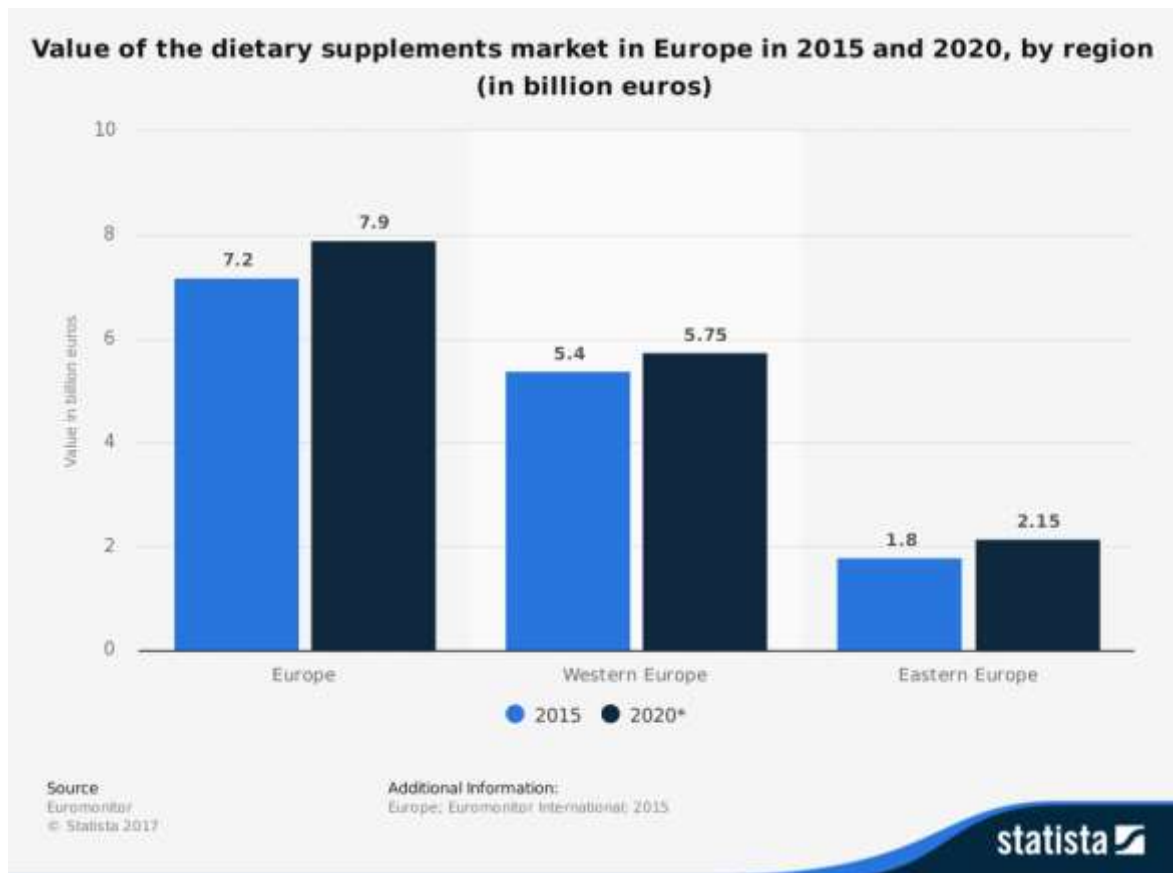
Top European markets:

- Italy
- Russian Federation
- Germany
- United Kingdom

Value of the dietary supplements market in Europe 2015/2020:

This statistic displays the value of the dietary supplements market in Europe in 2015 and 2020, by country. Italy is the leading country in terms of the dietary supplements market with a value of 1.4 billion euros in 2015, which is expected to increase to 1.6 billion euros by 2020. Dietary supplements are a lucrative market, with increasing sales values forecasted across Europe.

Similarly, the vitamin and dietary supplements industry as a whole is predicted to increase in retail



value.

Dietary supplements are often plant-based and appeal to the consumer's desire for natural products, particularly when it comes to functional medicinal properties. The plant-food supplements industry is consequently thriving alongside increased consumer awareness of health-related behavior.

The Croatian market value amounted to € 11,3 million in 2015. A 3,3% increase to € 11,7 million is predicted by 2020.

Value of the dietary supplements market in Europe in 2015 and 2020, by region (in billion euros):

This statistic displays the value of the dietary supplements market in Europe in 2015 and 2020. The dietary supplement market in Western Europe was valued at 5.4 billion euros in 2015 and is expected to grow by 6.3 percent by 2020.

7. COMPETITION

The biggest and most significant food supplement distributor in Croatia is Atlantic Grupa.

Overview of Atlantic Grupa

Atlantic Grupa is a Croatian multinational company with firms and representative offices in 12 countries. It exports its products to more than 40 markets worldwide. After Croatia, the most important markets are Germany, the UK, Italy, Slovenia, Bosnia and Herzegovina, Serbia, Montenegro and the former Yugoslav Republic of Macedonia. Atlantic Grupa has developed partnerships with regional and national distributors.

The strategic business unit Sports and Functional Food (SBU Sports and Functional Food) specialises in the development, production and marketing of sports nutrition and weight-management products. In 2017, it will celebrate its 40th anniversary. Tradition and constant innovation in the sports food segment have resulted in being one of the leading producers of sports and functional food in Germany.

The headquarters of SBU Sports and Functional Food are in Hamburg and the products are sold on the European market under the three brands: Multipower, Champ and Multaben. The SBU Sports and Functional Food's production processes are ISO 9001:2000 and IFS certified. The production plant for powder products and supplements is located in Bleckede near Hamburg, where some of the first protein powders in Europe were produced.

The plant is employing 70 people, producing protein powders and meal replacement products for three of their own brands as well as for private label customers. In 2016, the production facility was certified with the environmental certificate ISO 14000 and can produce Halal certified products. The plant for production of protein and a variety of other bars opened in 2015 in Nova Gradiška, Croatia. The facility is equipped with top technology capable of producing around 100 million protein bars a year. This new plant enabled SBU Sports and Functional Food to transfer the production of this segment from external producers to its own manufacturing.

Following constant innovation on the market, additional technological investments were performed in 2016 in order to improve production efficiency and safety. The plant in Nova Gradiška at the end of 2016 employed a team of 87 people. In 2016 SBU Sports and Functional Food continued its restructuring process with focus on business simplification, cost reduction and

preparation for sustainable business growth. Within the restructuring process, the product portfolio was optimized and simplified, and the number of raw ingredients was significantly reduced. A sales markets focus was defined and a new sales policy for all other markets was implemented.

Key processes in the supply chain, such as the planning process and production cycles, were reset, including inventory management. This led to the reduction of raw materials and finished goods inventory, improved operational efficiency and reduced out of stock situations. Overall costs were levelled to the size of the business, most of it coming from the headcount reduction in company headquarters and the Bleckede production plant. In line with the new strategy, SBU focused on the branded part of the business, strengthening both major brands, Multipower and Champ.

Historically, Multipower was positioned in the sports channel, but the focus shifted to the two strongest growing channels in sports nutrition: mass market and online. Most of the Multipower portfolio was renovated in 2016, with a clear focus on protein bars development and entering the mass market. The biggest success of 2016 was the launch of Multipower 53% protein bars with the highest protein content on the market. Multipower premium powder range was supported by all year engaging online campaign "Join the power", which reached more than 14 million viewers via online media.

Champ, the first brand ever present in the sports nutrition German mass market, was renovated and re-launched in order to regain its former strong position and profitability. The re-launch was supported with a marketing campaign "Gratis testen", which invited consumers to try the new and better Champ. Private label business is historically an important pillar of sports and functional food. In order to improve its profitability and bring volumes to both of its plants, the strategic business approach shifted from small volumes and complex customers to high volumes and profitable customers. This resulted in the first successful contract in 2016 for bars manufacturing and the opening of more than 20 new projects for 2017. The termination of the contract with its largest private label customer in the bars segment in early 2016 caused a big drop in private label sales, affecting the overall business situation.

Private label will continue its aggressive growth in powders and bars to support SFF branded business on its way to quick return to profitability.

During 2016, Multipower as the focus brand kept its highest sales share within the SBU's portfolio, with stable sales on the domestic market. Highest growth was achieved on the Austrian market. The United Kingdom's exit from the European Union and the pound-to-euro exchange rate had a negative effect on the UK market, which experienced a decline compared to 2015. In the next three

years, the SFF plans to stay focused on the domestic German market and further develop opportunity markets of Austria, UK, Italy and Croatia.

Mass market and online channels will be in focus, supported by stable sales in the sports channel. SFF will keep investing in its three brands through innovation, brand building and sales support:

- Multipower: a top line sport food for active and professional sportsmen with the highest quality of ingredients and recipes within all major segments of the sports food category;
- Champ: a mainstream entry-level brand for active people and health conscious individuals, offering easy intake of proteins every day;
- Multaben: moving from weight loss to meal replacement and healthy lifestyle categories, targeting women who would like to feel good in their body and enjoy tasty meal replacement products during their busy day.