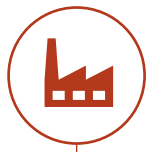


The economic impact of the Coca-Cola System's European operations in Hungary

Final report

Key findings on the System's impact in 2022

TCCS' operations within Europe add value to the economy of Hungary, and support quality employment opportunities



12 sites*

enable the production and sale of Coca-Cola beverages in Hungary



HUF 277 billion

Value-added supported in the economy across the value chain



1,004

people employed directly by the System in Hungary



576 million litres

produced in the country, equal to 101 m UCs



0.4%

contribution to Hungary's gross domestic product



16,000

employment opportunities supported indirectly in the value chain



HUF 95 billion

worth of goods and services purchased from Hungarian suppliers



HUF 151 billion

supported in tax payments across the value chain



1:16

For each direct job at the System, there are 16 others supported elsewhere along the value chain

*Includes both bottler's production plants and warehouses and TCCC's office



1. Introduction

2. Economic impact


3. Annex



1. Introduction

2. Economic impact

3. Annex



This study reports on the 2022 impact supported in Hungary by the Coca-Cola System's European operations

Introduction

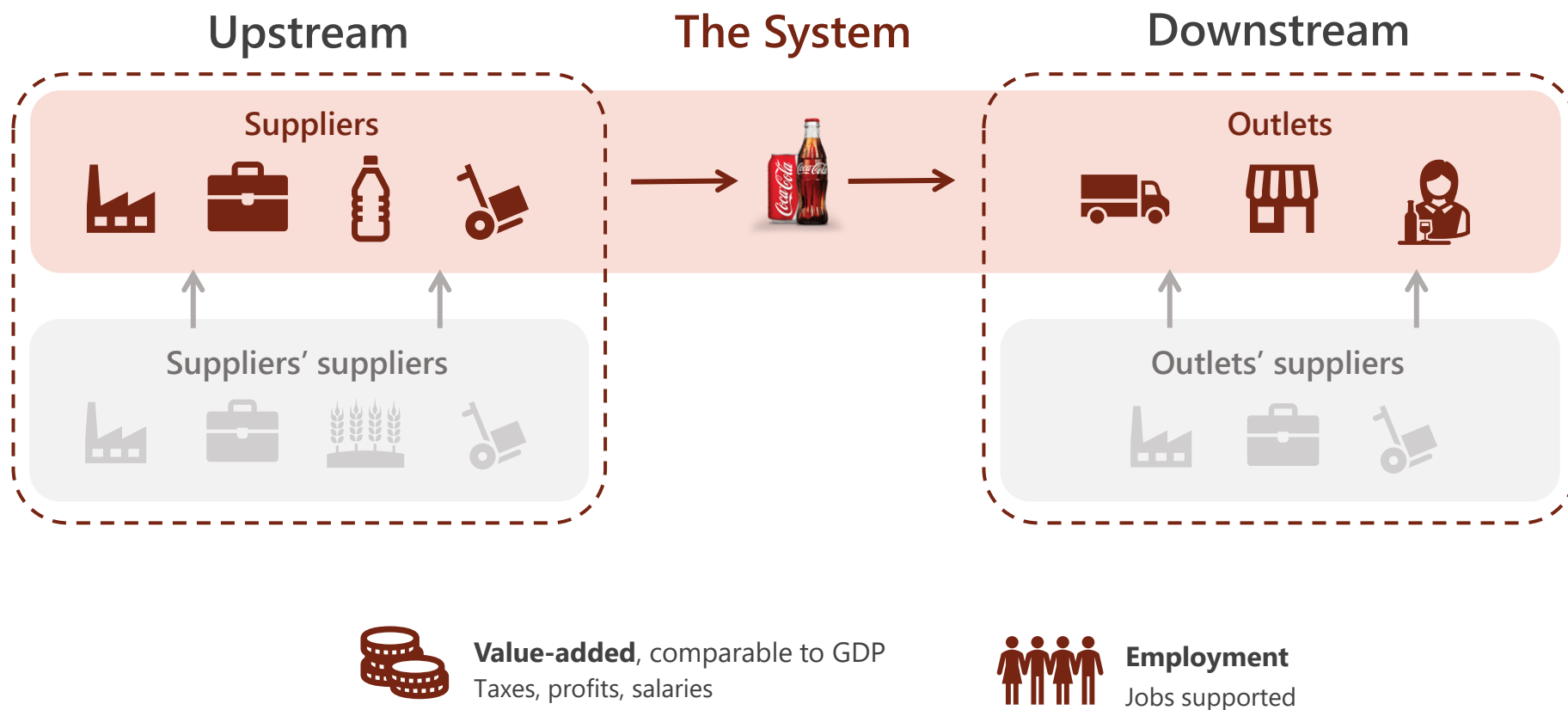
The Coca-Cola System (TCCS) commissioned this assessment to gain insights into the magnitude of its direct and indirect impact on incomes and employment in Hungary

This report captures the 2022 impacts supported in Hungary by the System's European* operations

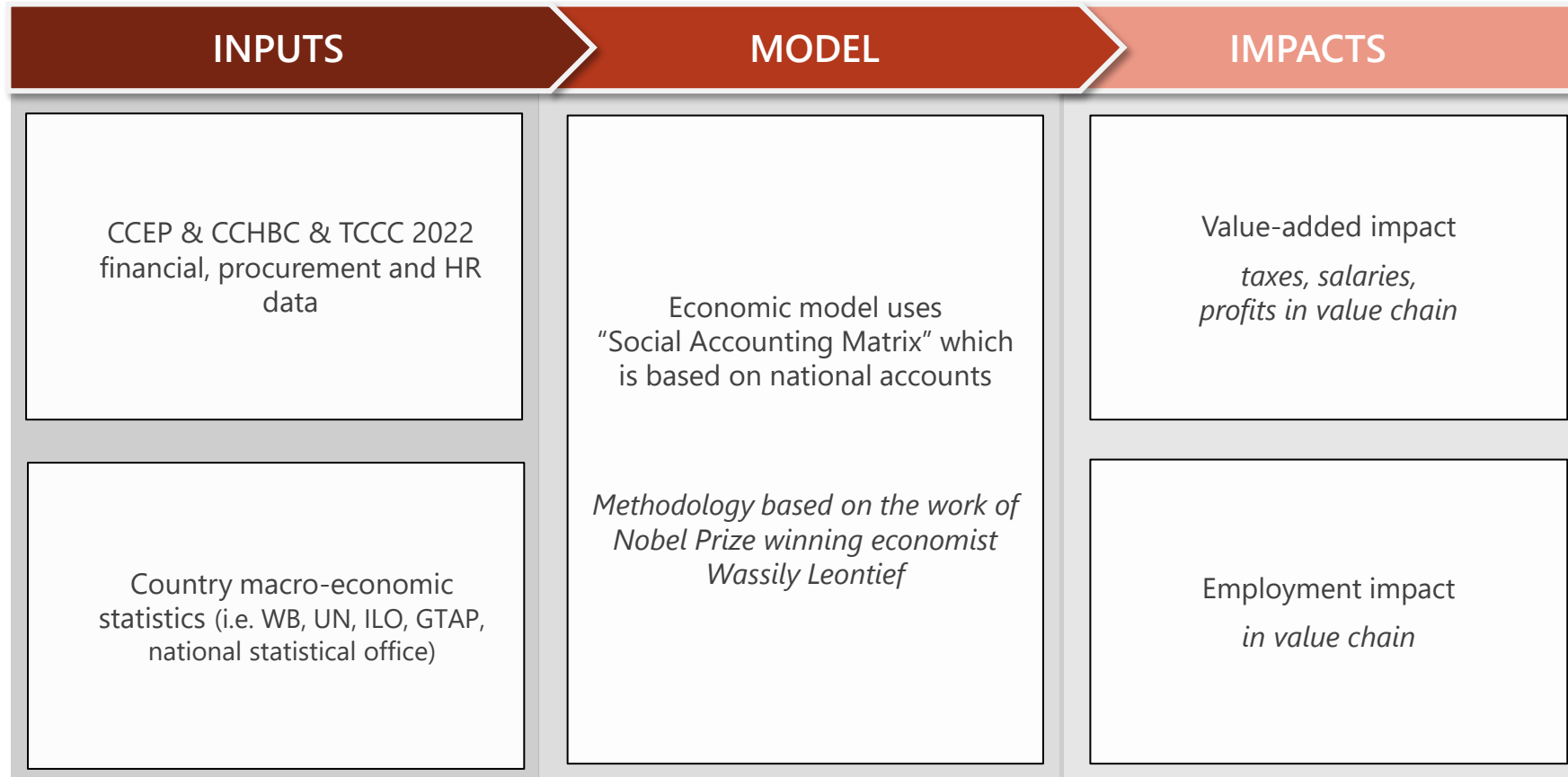
- The impact results presented in this study are part of a broader study on the impacts of the System in Europe
- While this is the fourth study for TCCS in Hungary (previous studies conducted in 2012, 2013 and 2019), results of this study are not directly comparable to previous ones due to differences in methodology and scope
- Results are driven by economic activity of Coca-Cola Europacific Partners (CCEP), Coca-Cola Hellenic Bottling Company (CCHBC), and The Coca-Cola Company (TCCC) throughout Europe
- The study's scope is not exhaustive; we do not quantify areas of the Systems indirect environmental and social impacts

The assessment is based on a multi-regional input-output (MRIO) methodology which was developed by the Nobel Prize winning economist Wassily Leontief and is commonly used by economists for this type of analysis

The study quantifies the Coca-Cola System's impact along its value chain

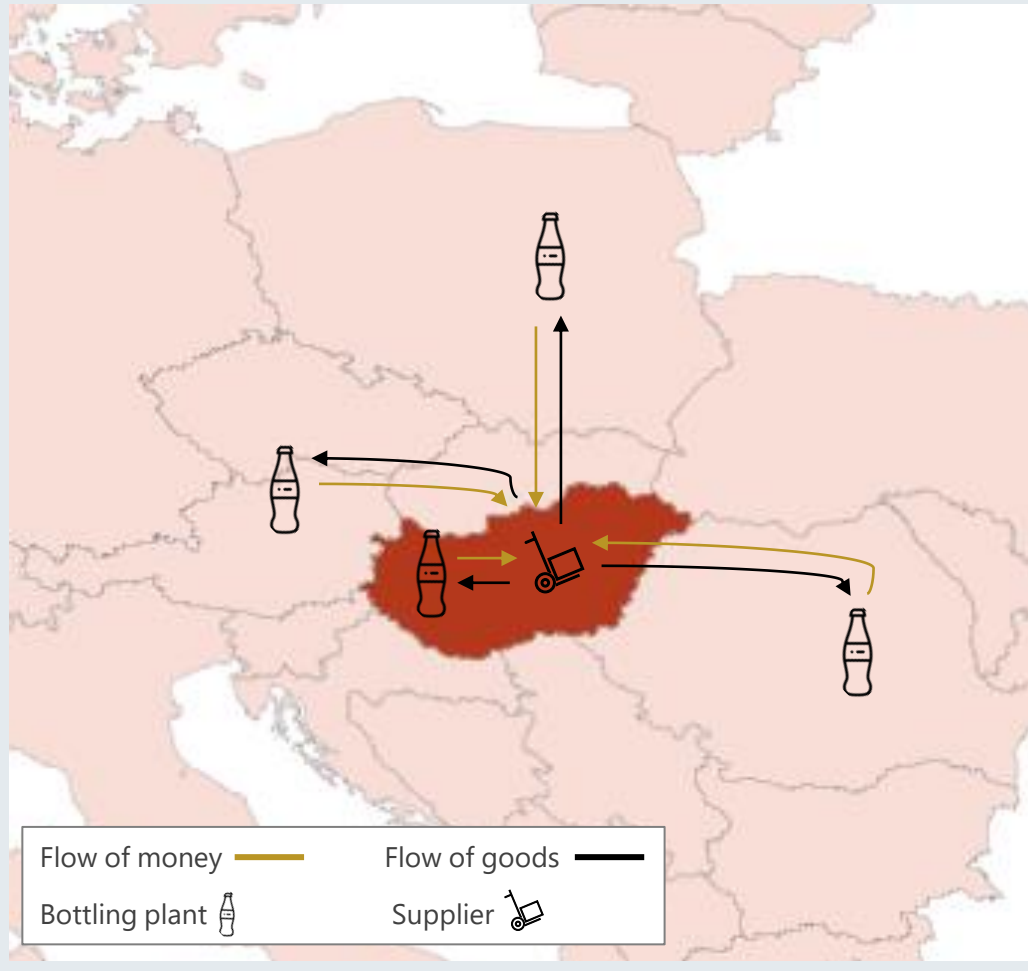


The model combines Coca-Cola System financials and official statistical data to quantify impacts



The new methodology recognizes the interconnected nature of economies, resulting in more comprehensive and robust impact estimations

Example of flows captured by the MRIO*



Methodology

The multi-regional input-output (MRIO) methodology expands upon a traditional input-output model:

- A traditional model captures the impact of the System in one country without considering interlinkages and effects in another country
- A MRIO incorporates economic inter-linkages between markets, capturing effects of cross-country purchasing not only by the System, but by its suppliers as well

The methodology considers the System's operations across Europe and examines how these contribute to impact domestically and in other European countries

The impacts captured by the MRIO in Hungary and outlined in this report are driven by

- The System's domestic economic activity in Hungary, as captured by other studies
- The System's activity in other European countries which supports economic activity in Hungary (ie. sourcing of goods and services produced in Hungary by bottlers operating in other countries)

*This visualization is an exemplification of the methodology and does not capture all intra-country linkages included in the model

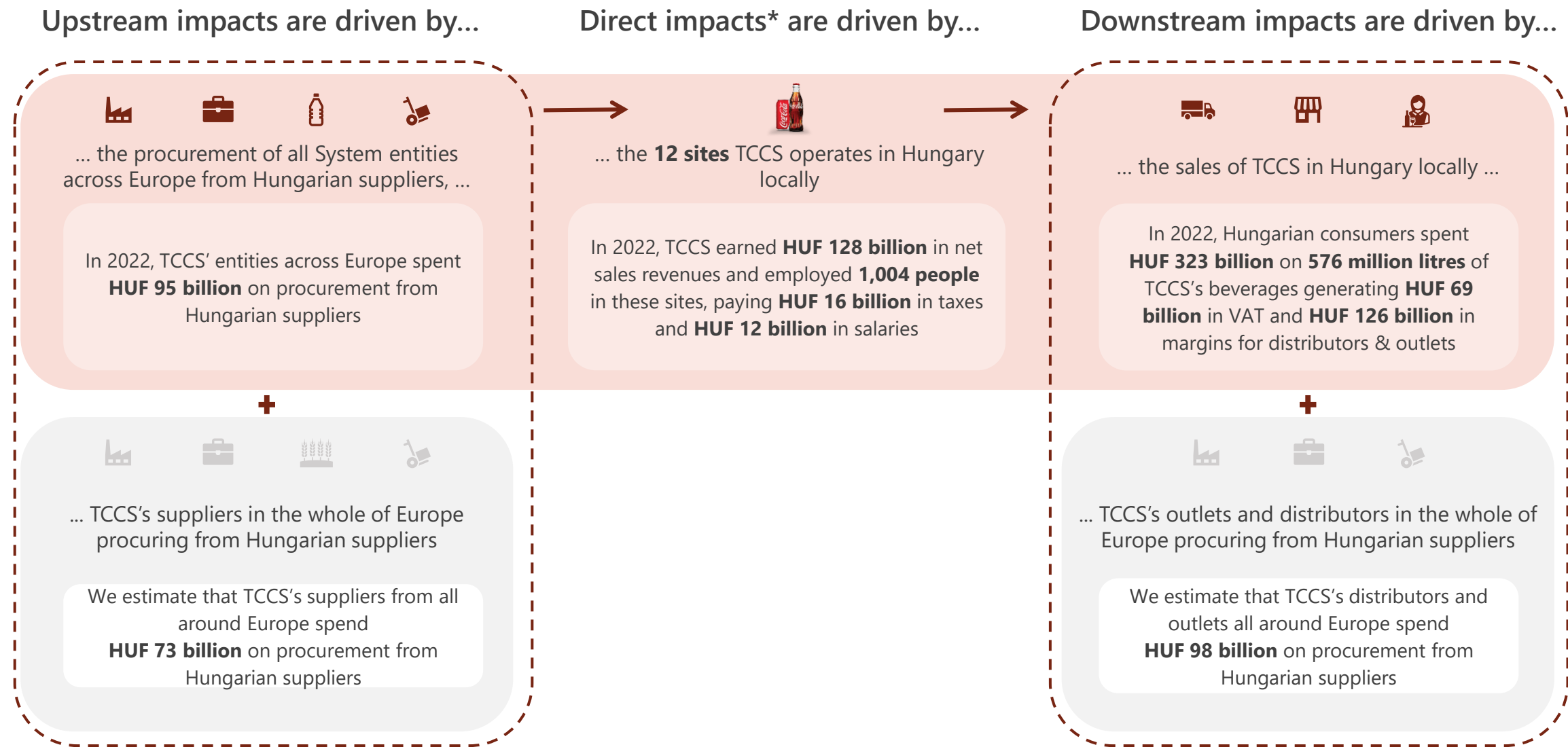


1. Introduction

2. Economic impact

3. Annex

Upstream impacts are driven by local and European entities, while direct and downstream impacts are driven by local entities

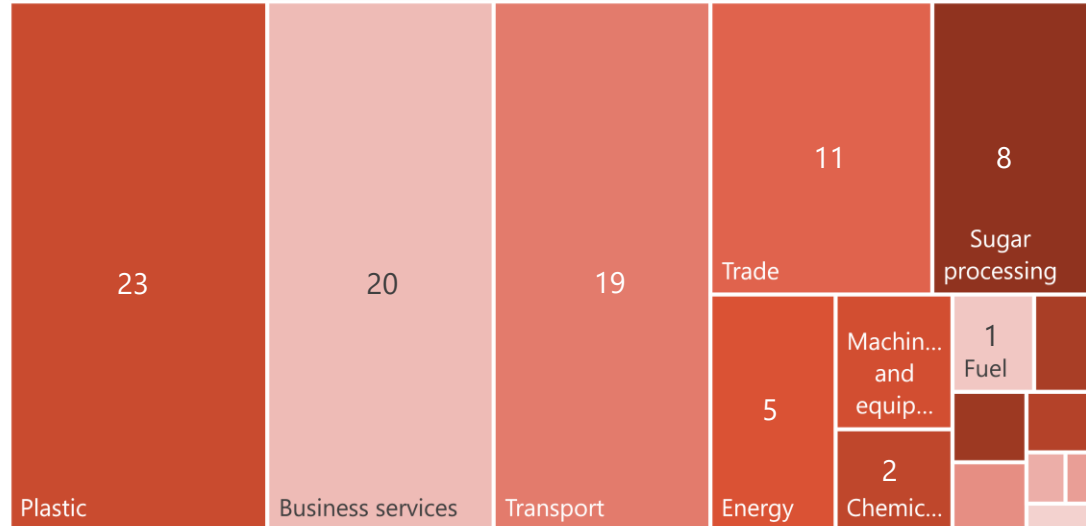


*Direct impacts only include salaries and taxes, excluding direct profits.

Procurement and sales activities of the System reach various sectors of the economy

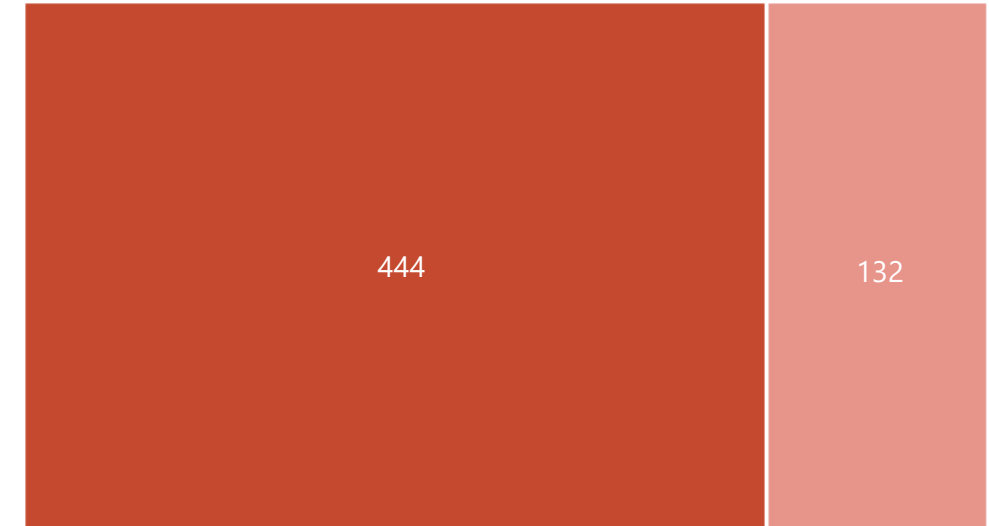
Breakdown of procurement in Hungary

HUF billion



Breakdown of volume

Million litres



Future Consumption
(Supermarkets, Mom-and-pop shops)

Immediate Consumption
(On premise, petroleum)

By sourcing goods and services from Hungarian suppliers, TCCS supports impact upstream in its value chain

In 2022, TCCS spent HUF 95 billion to purchase goods and services from Hungarian suppliers

This is equal to 2% of total procurement expenses carried out by the System in Europe

Sales of beverages support impacts downstream in the value chain

In 2022, TCCS sold 576 million litres of beverages in Hungary, of which 77% via FC channels and 23% via the IC channels

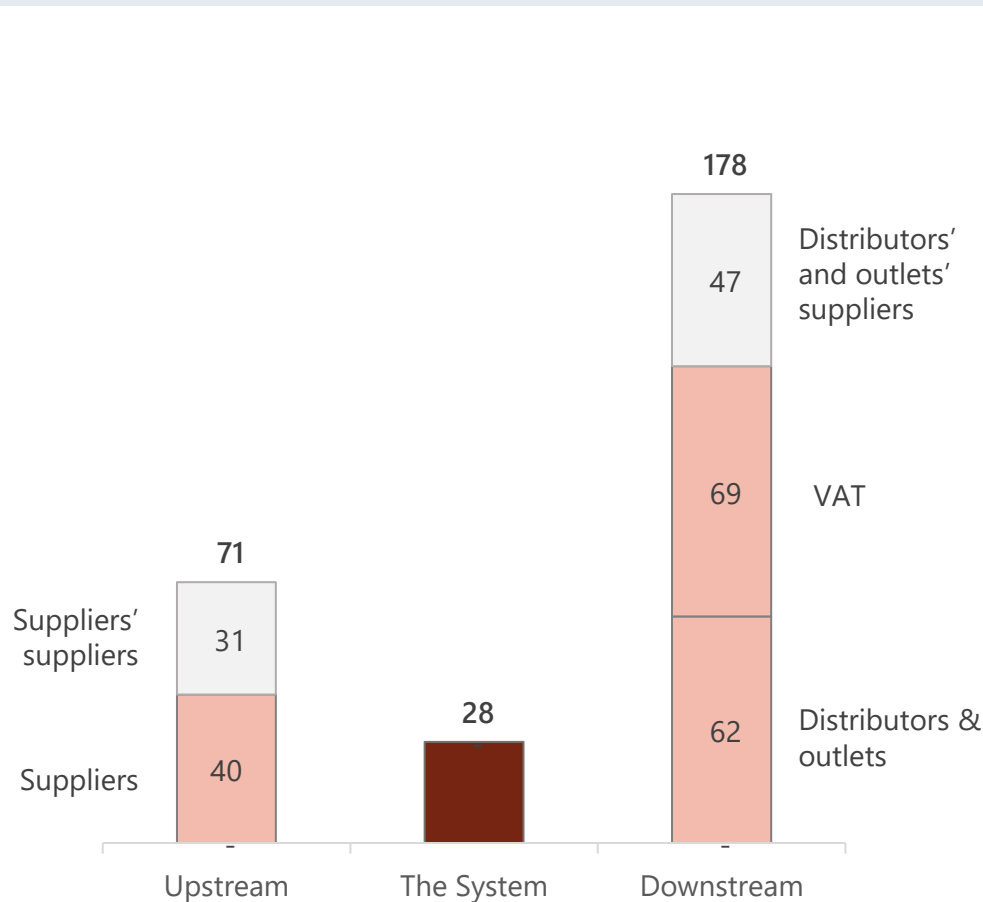
This is equal to 2% of total litres of beverages sold by the System throughout Europe



TCCS supports HUF 277 billion in value-added across its value chain

Value-added by value chain link

HUF billion



Highlights

TCCS directly generated HUF 28 billion in incomes

- These include the salaries paid and the taxes born by TCCS
- This equals 1% of the food, beverage and tobacco manufacturing industry value-added in Hungary*

Indirectly, TCCS supported HUF 249 billion of value across its value chain

- The impact upstream is HUF 71 billion, of which HUF 40 billion can be attributed to suppliers & HUF 31 billion to suppliers of suppliers
- The downstream value-added supported is HUF 178 billion, of which HUF 69 billion in VAT attributable to TCCS's sales; distributors and outlets benefited HUF 62 billion & suppliers of distributors and outlets HUF 47 billion
- These figures only capture the incomes attributable to the Coca-Cola System (and not all the incomes at the System's suppliers and partnering distributors and outlets)

The total value-added is equivalent to 0.4% of the country's GDP in 2022**

*The manufacture of food, beverages and tobacco products sector in 2022 consisted of HUF 1,114 billion value-added in Hungary (Eurostat with an average 2022 ECB exchange rate from EUR to HUF of 391.29)

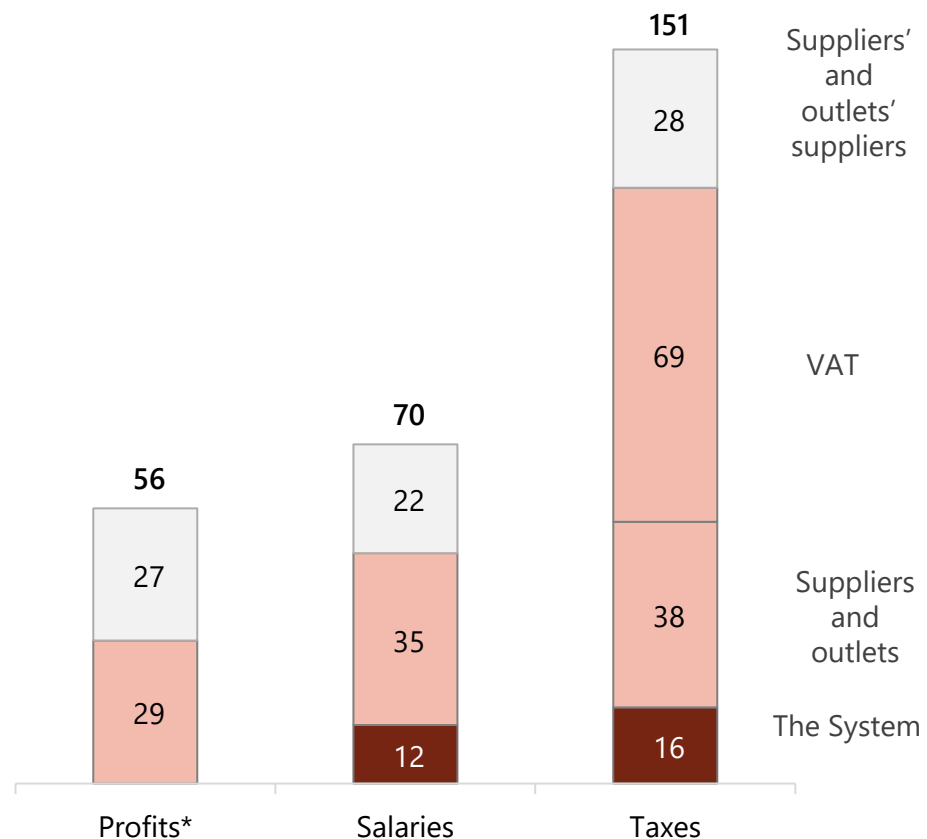
**The total GDP for 2022 is HUF 66,076 billion with an average 2022 exchange rate from USD to HUF of 372.6 (World Bank)



The value-added results can be broken down in different ways

Value-added by beneficiary

HUF billion



Highlights

The total value-added of HUF 277 billion can also be broken down by beneficiary

Hungarian companies across TCCS' value chain made an estimated HUF 56 billion in profits from their cooperation with the System

Households across the value chain benefited HUF 70 billion, of which HUF 12 billion was earned by the System's own employees

Tax payments supported by the Coca-Cola System throughout the value chain equal HUF 151 billion, of which HUF 16 billion was paid by the System. This makes the government the biggest beneficiary from TCCS' activities in the country

- Taxes paid by the System include direct and indirect taxes
- From the HUF 107 billion first round taxes, HUF 69 billion is VAT related to the sales of TCCS' beverages; the other HUF 38 billion is taxes paid by TCCS' suppliers, distributors and outlets
- The estimated tax revenue for 2022 is 0.6% of Hungary's tax revenue**

*Results disregard direct profits of the System

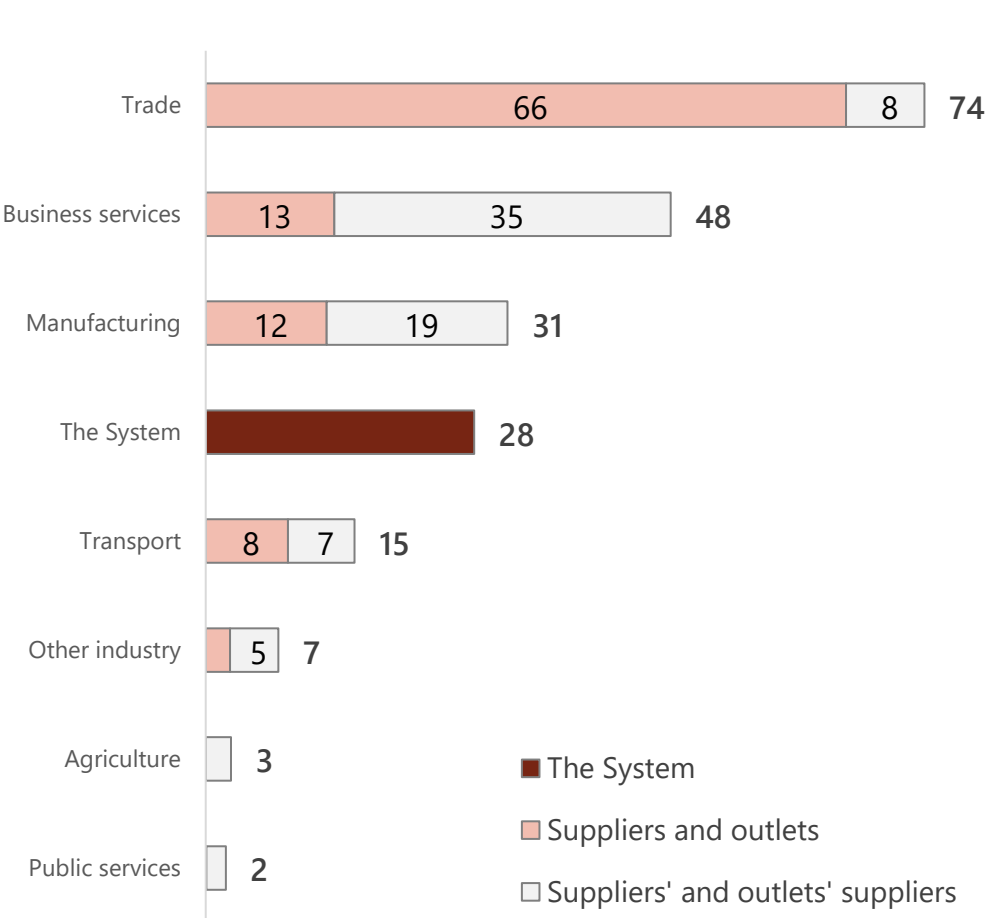
**Tax revenue in Hungary for 2022 was HUF 23,215 billion (Eurostat with an ECB average 2022 exchange rate from EUR to HUF of 391.29)



The impact of the System is spread throughout many sectors of the economy

Value-added by sector*

HUF billion



Highlights

The trade sector was the primary beneficiary with HUF 74 billion in value-added

- Of the HUF 66 million value-added at the level of suppliers and outlets, HUF 57 million were estimated for off-trade channels (e.g. mom & pop stores, supermarkets), and HUF 5 million for on-trade channels (e.g. bars, hotels)

The business services sector benefited HUF 48 billion; with HUF 13 billion of that resulting from the System's own procurement

The manufacturing sector benefited HUF 31 billion, of which HUF 12 billion for the Coca-Cola System's suppliers of goods such as sugar, packaging materials, machinery parts

The transport sector benefited HUF 15 billion; these can be split up in HUF 8 billion value-added through the System's suppliers such as trucking or logistic companies

The agriculture sector benefited HUF 3 billion indirectly, due to the sourcing of agriculture products from the Coca-Cola System's supply chain partners**; these are, for example, farmers supported by the procurement of agri-goods by outlets or other value chain partners

*Value-added by sector excluding VAT

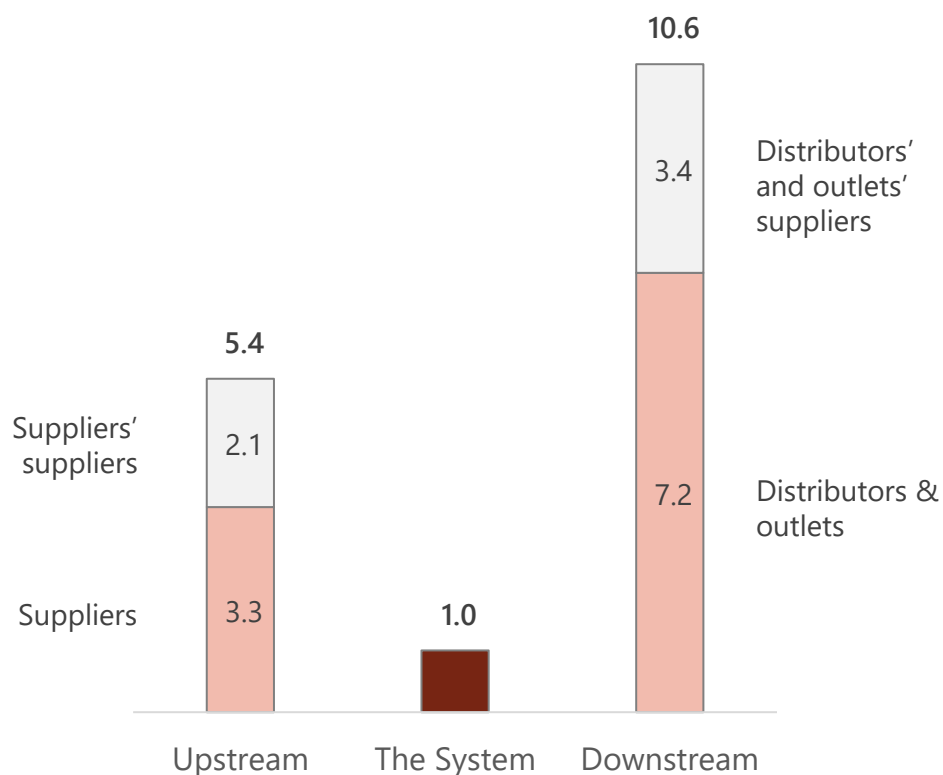
**The Coca-Cola System itself does not procure agriculture products directly, therefore the results are in the 2nd level indirect effects, related to the procurement of the System's suppliers, distributors and outlets



TCCS supported 17,000 employment opportunities throughout its value chain

Employment

Thousands of people



Highlights

The value chain employment of TCCS is estimated at 17,000, representing 0.4%* of total employment in Hungary

The Coca-Cola System generated 1,004 direct jobs. Indirectly, it supported additional estimated 16,000 employment opportunities, of which

- 5,400 upstream (3,300 across its own Hungarian suppliers, and 2,100 at the level of the suppliers of its suppliers)
- 10,600 downstream (7,200 across the distributors and outlets selling its beverages, and 3,400 across distributors' and outlets' suppliers)
- These figures only capture the value chain jobs attributable to the Coca-Cola System (and not all the jobs at the Coca-Cola System's suppliers and partnering distributors and outlets)

For each direct job at the Coca-Cola System, there were 16 jobs supported elsewhere along the value chain, of which 5 upstream via local procurement, and 11 downstream via sales

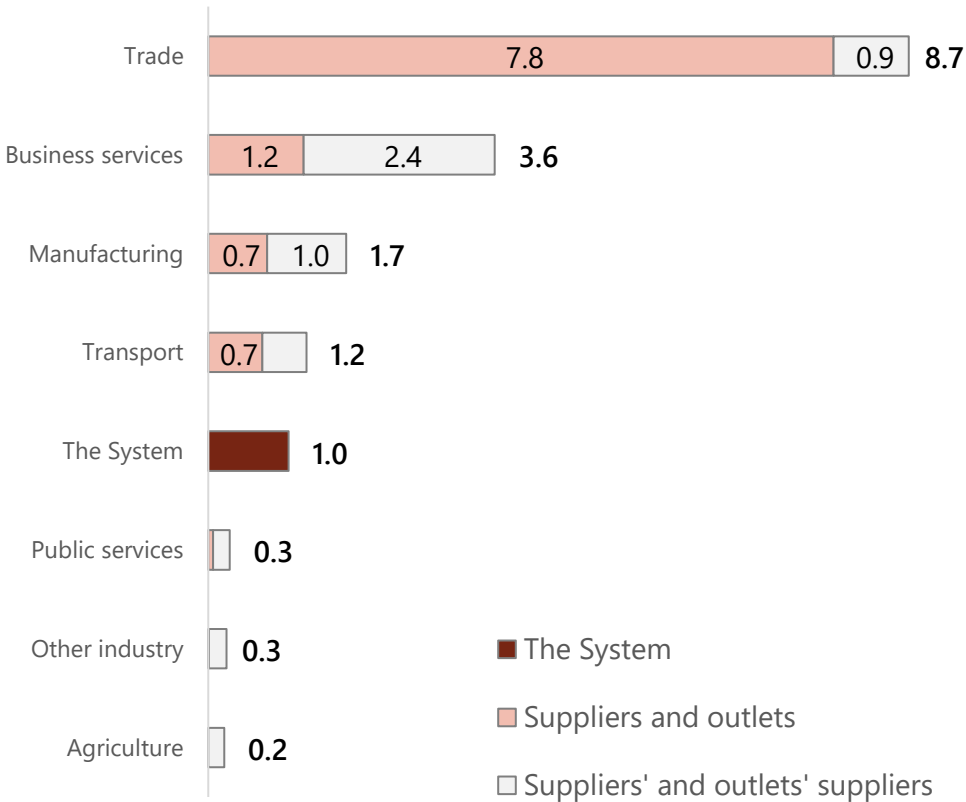
*Total employment was estimated at 4.8 million people in 2022 (ILO)



Most supported jobs are in the trade sector

Employment

Thousands of people



Highlights

TCCS contribution to direct jobs is 1,004 but due to their procurement and sales activities it's contribution to employment supported in the trade, business services, manufacturing and transport sectors exceeds number of direct jobs

The largest impact in terms of employees is in the trade sector

- In total, some 8,700 jobs were supported in the sector, or 1.3% of the total people employed in the trade sector in the country*
- 7,800 jobs were spread mostly across distributors, and employees of outlets selling Coca-Cola beverages; 6,200 of these were estimated at FC outlets (e.g. mom & pop stores, supermarkets), and 900 at IC outlets (e.g. on premise, such as bars, hotels, restaurants)

At the business services and manufacturing sectors some 3,600 and 1,700 employment opportunities respectively were related to the System. 1,200 jobs were supported in the transport sector

The Coca-Cola System supported 200 jobs in the agriculture sector. As for the value-added results, these are all at the level of the suppliers of TCCS's direct suppliers and partnering outlets

* Total number of people employed in the wholesale and retail trade sector in 2022 are 664,770 according to Eurostat (2022)

steward redqueen

Teerketelsteeg 1
1012 TB Amsterdam, the Netherlands
Tel: +31.(0)23.553.0400

www.stewardredqueen.com
info@stewardredqueen.com

Follow us





1. Introduction
2. Economic impact
- 3. Annex**

Annex A: notes on the scope of the study

List of countries where production and/or sales activities of the System were taken into account

- Austria
- Belgium
- Bosnia and Herzegovina
- Bulgaria
- Croatia
- Cyprus
- Czech Republic
- Estonia
- France
- Germany
- Greece
- Hungary
- Iceland
- Ireland
- Italy
- Kosovo
- Latvia
- Lithuania
- Luxembourg
- Moldova
- Montenegro
- Netherlands
- North Macedonia
- Italy
- Norway
- Poland
- Portugal
- Romania
- Serbia
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- Ukraine
- United Kingdom

Annex B: The Social Accounting Matrix is the heart of the methodology

