



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

Final report

Key findings on the System's impact in 2022

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



2 sites*

Make up the Coca-Cola System in Montenegro



46 million litres

sold in the country, equal to 8 m UCs



€ 20 million

worth of goods and services purchased by the System from Montenegrin suppliers



€ 63 million

Value-added supported in the economy across the value chain



1%

contribution to Montenegro gross domestic product



€ 39 million

supported in tax payments across the value chain



23

people employed directly by the System in Montenegro



2,190

employment opportunities supported in the value chain



1%

contribution to employment in Montenegro

*Considers CCHBC's warehouses in the country



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

Introduction

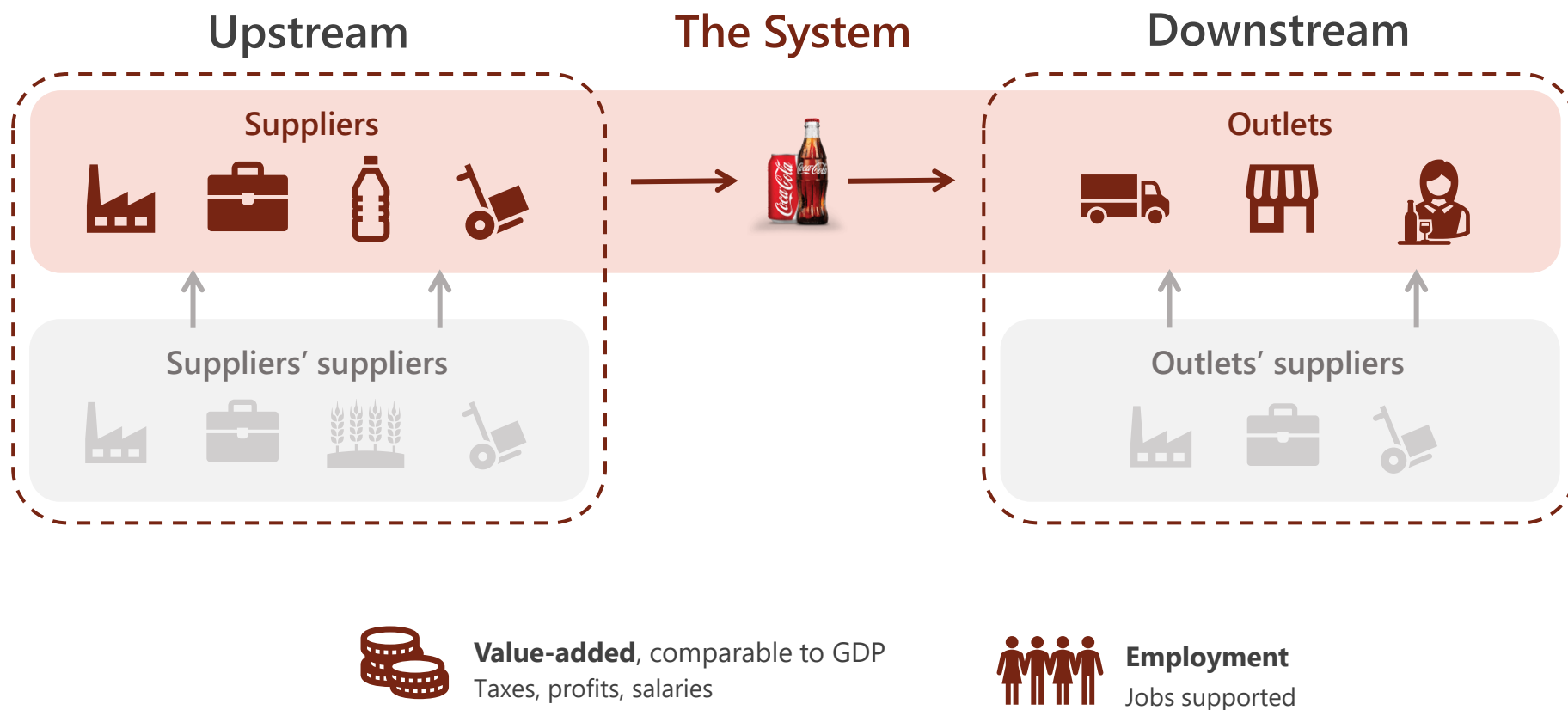
The Coca-Cola System (TCCS) commissioned this assessment to gain insights into the magnitude of its direct and indirect impact on incomes and employment in Montenegro

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

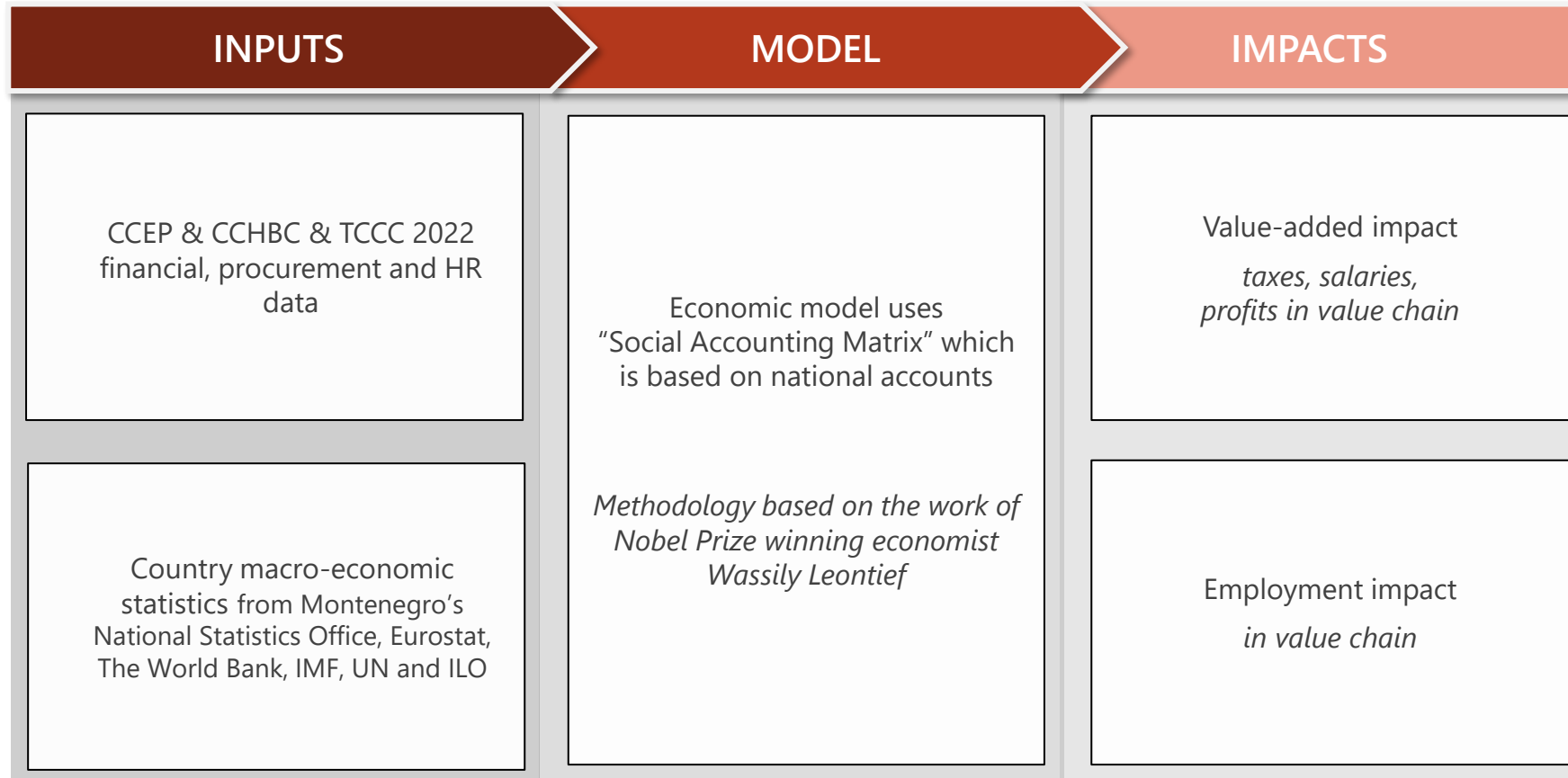
- The impact results presented in this study are part of a broader study on the impacts of the System in Europe
- Results are driven by economic activity of Coca-Cola Europacific Partners (CCEP), Coca-Cola Hellenic Bottling Company (CCHBC), and The Coca-Cola Company (TCCC) throughout Europe
- The study's 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

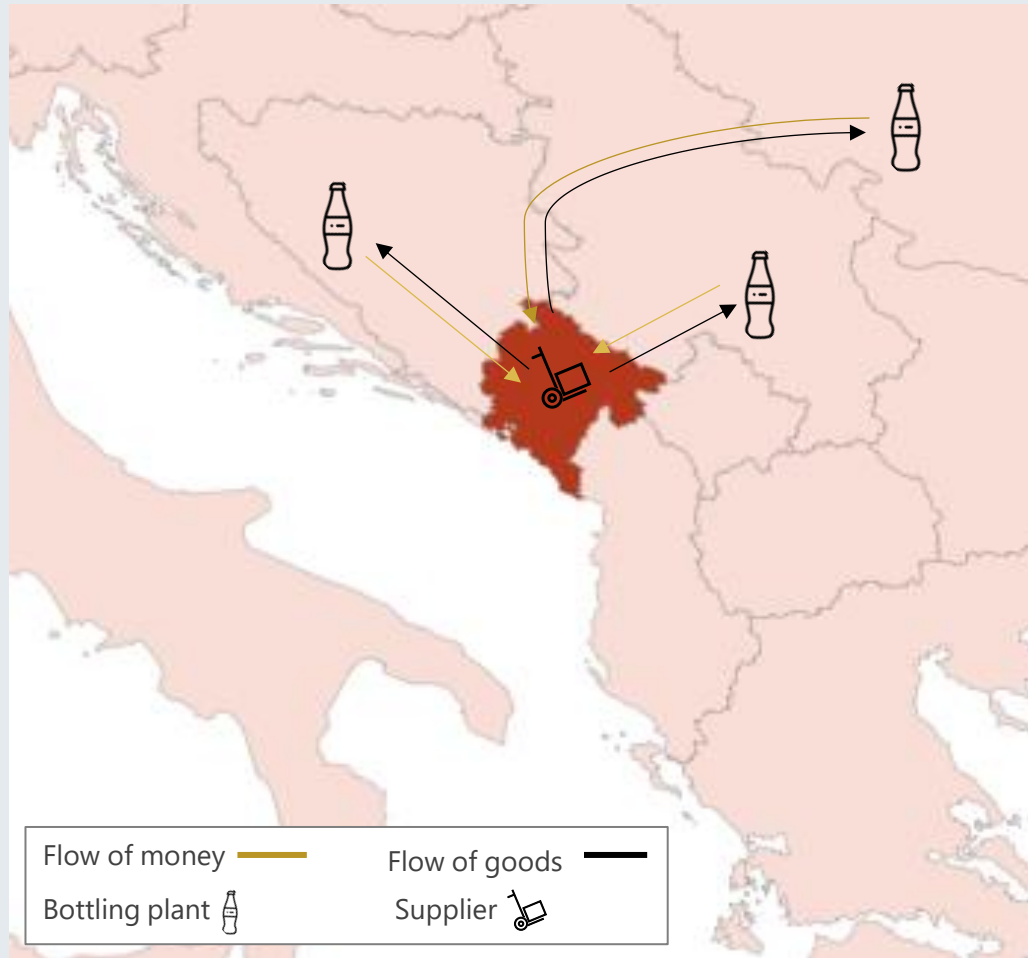


The model combines Coca-Cola System financials and official statistical data to quantify impacts



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 captures economic impacts supported in Montenegro by the System's operations across Europe

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 impacts captured by the MRIO in Montenegro are driven by

- The System's domestic economic activity in Montenegro. The System's two warehouses in the country procure goods and services from Montenegrin companies and facilitate the sale of beverages throughout the country. In addition, the System's Montenegrin suppliers and outlets also procure goods and services from other local companies
- The System's activity in other European countries which supports economic activity in Montenegro. The System's production plants, warehouses and offices around Europe import goods and services from Montenegrin suppliers. In addition, the System's suppliers and outlets around Europe also import goods and services from companies in Montenegro

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

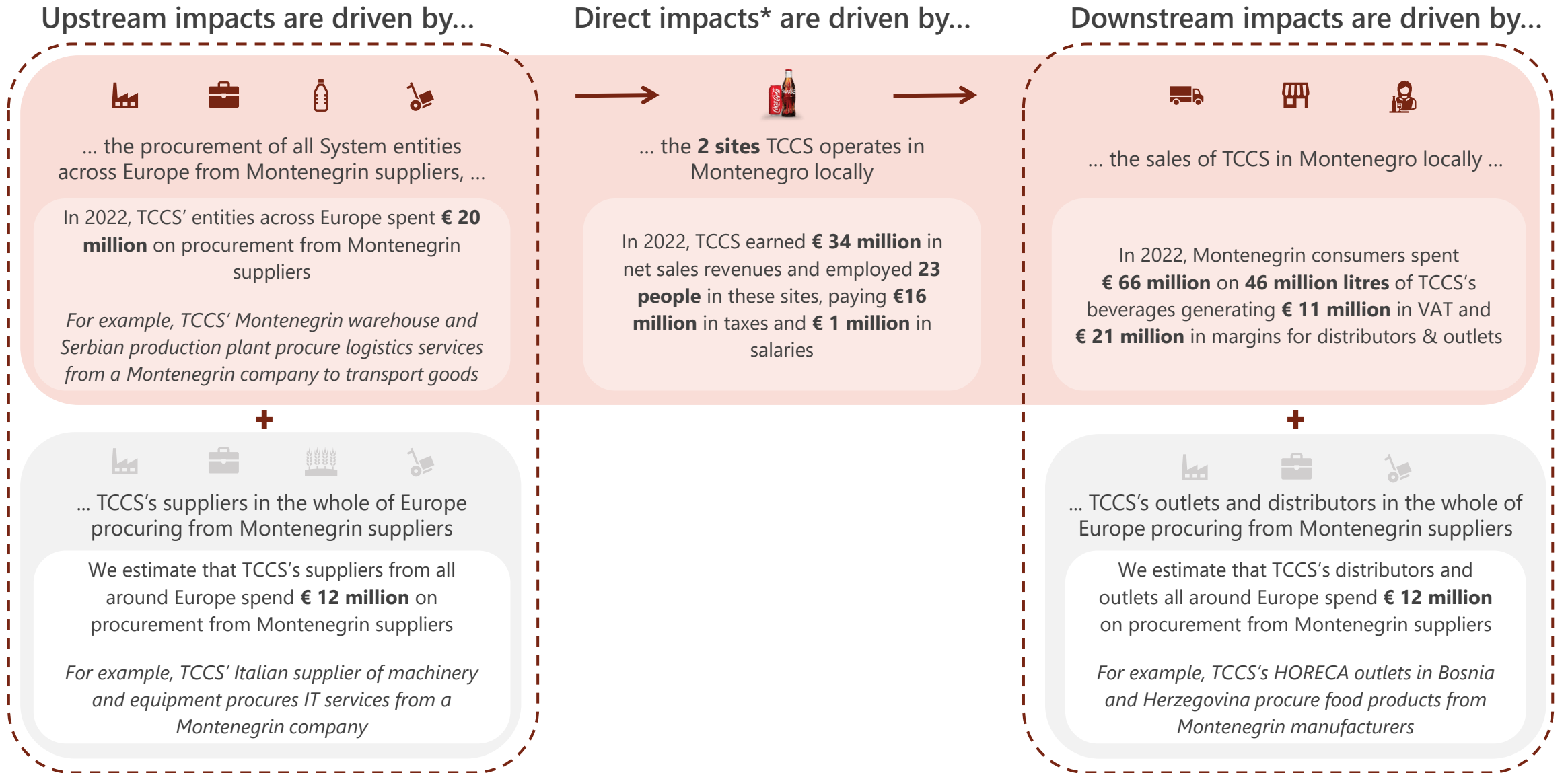


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Upstream impacts are driven by the operations of the local and European sites, while direct and downstream impacts are driven by the local sales activities

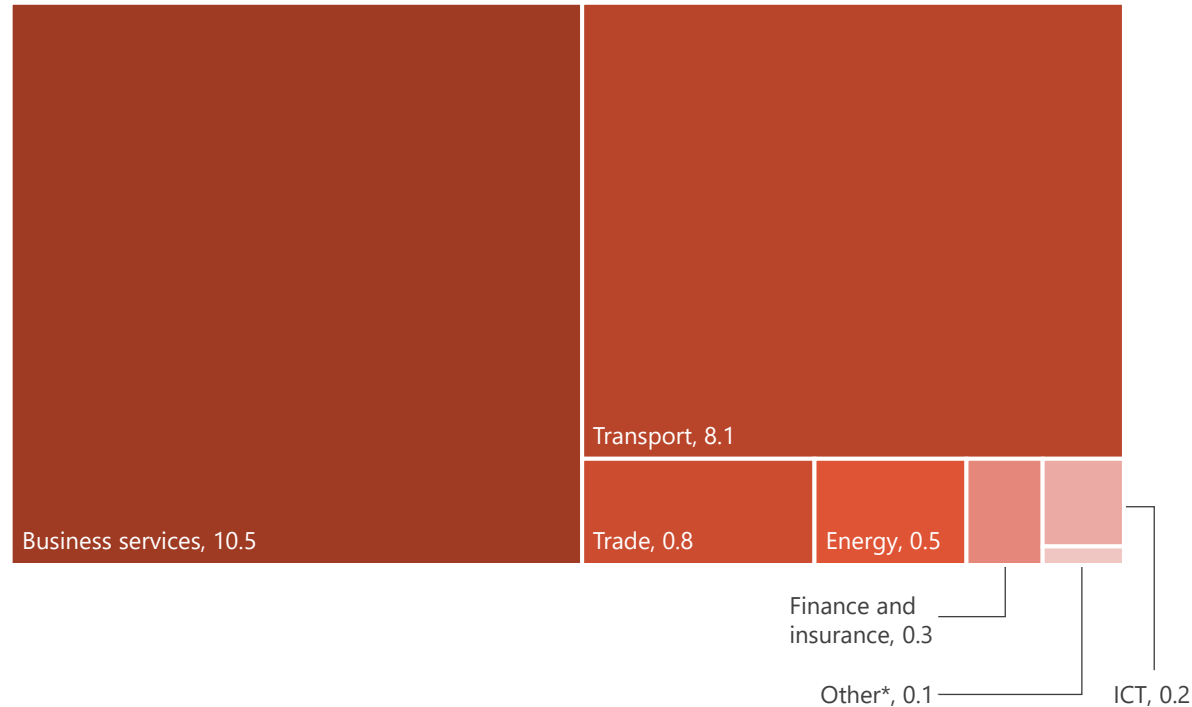


*Direct impacts only include salaries and taxes, excluding direct profits.

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

Breakdown of procurement in Montenegro

EUR million

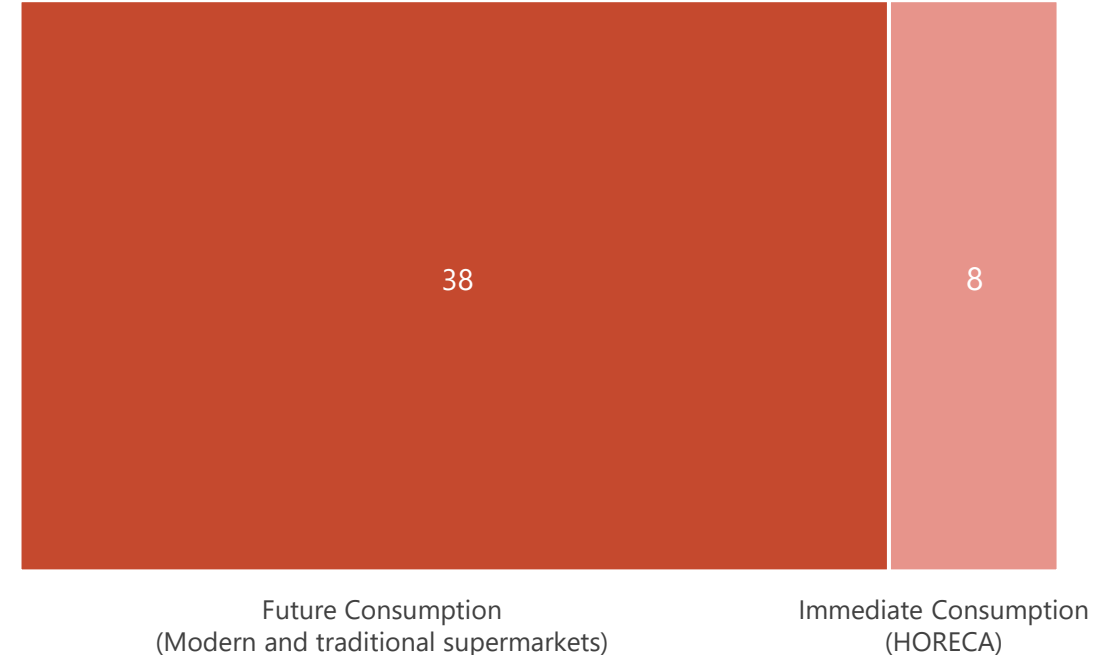


By sourcing goods and services from suppliers in Montenegro, TCCS supports impact upstream in its value chain

In 2022, TCCS spent € 20 million to purchase goods and services from Montenegrin suppliers

Breakdown of volume

Million litres



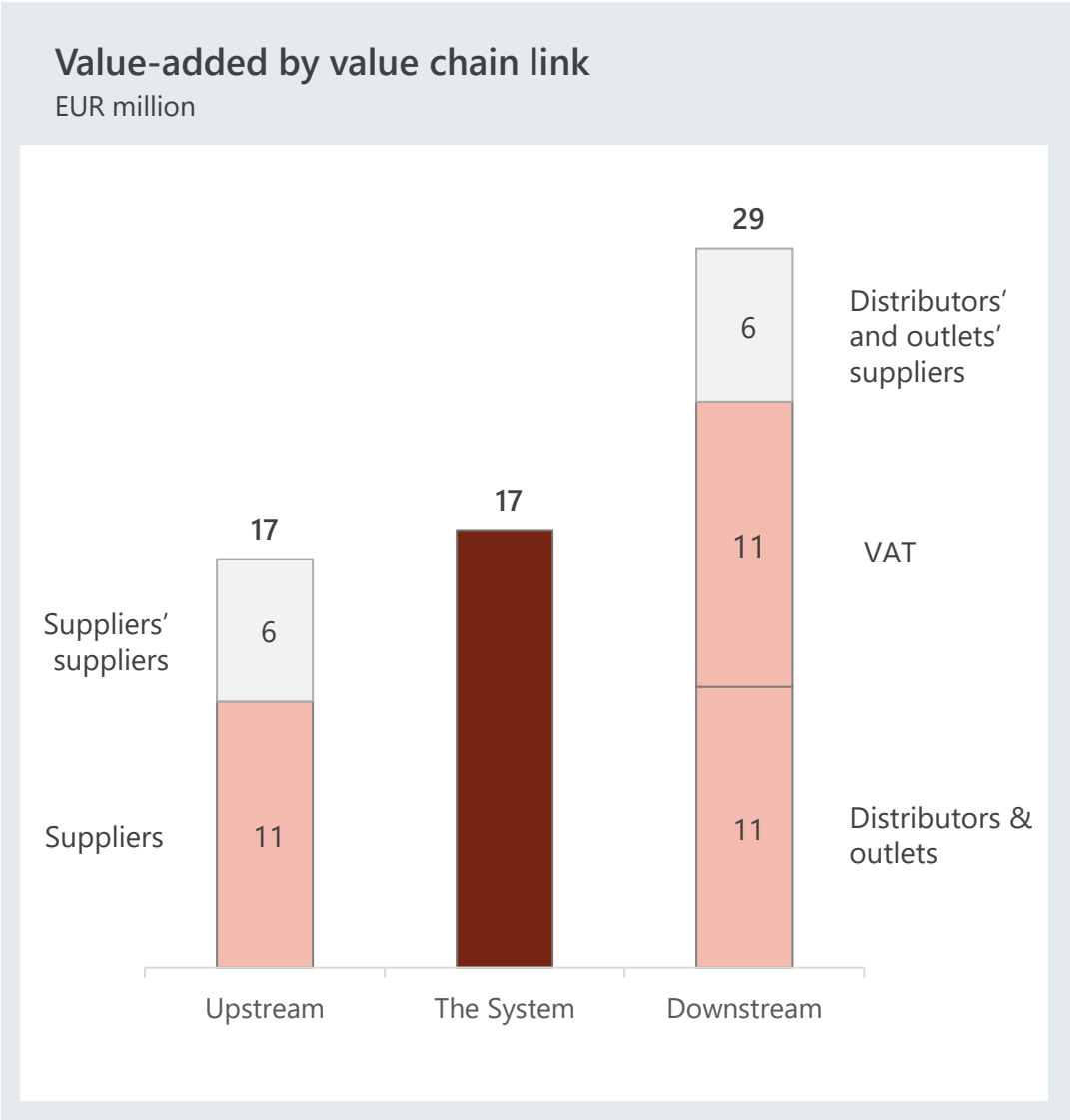
Sales of beverages support impacts downstream in the value chain

In 2022, TCCS sold 46 million litres of beverages in Montenegro, of which 84% via FC channels and 16% via the IC channels.

*Other includes expenses towards manufacturing companies, including plastic, paper, machinery and equipment and chemicals manufacturing, and public services



TCCS supports € 63 million in value-added across its value chain



Highlights

TCCS directly generated € 17 million in incomes

- These include the salaries paid and the taxes born by TCCS
- This equals 20% of the food, beverage and tobacco manufacturing industry value-added in Montenegro

Indirectly, TCCS supported € 46 million

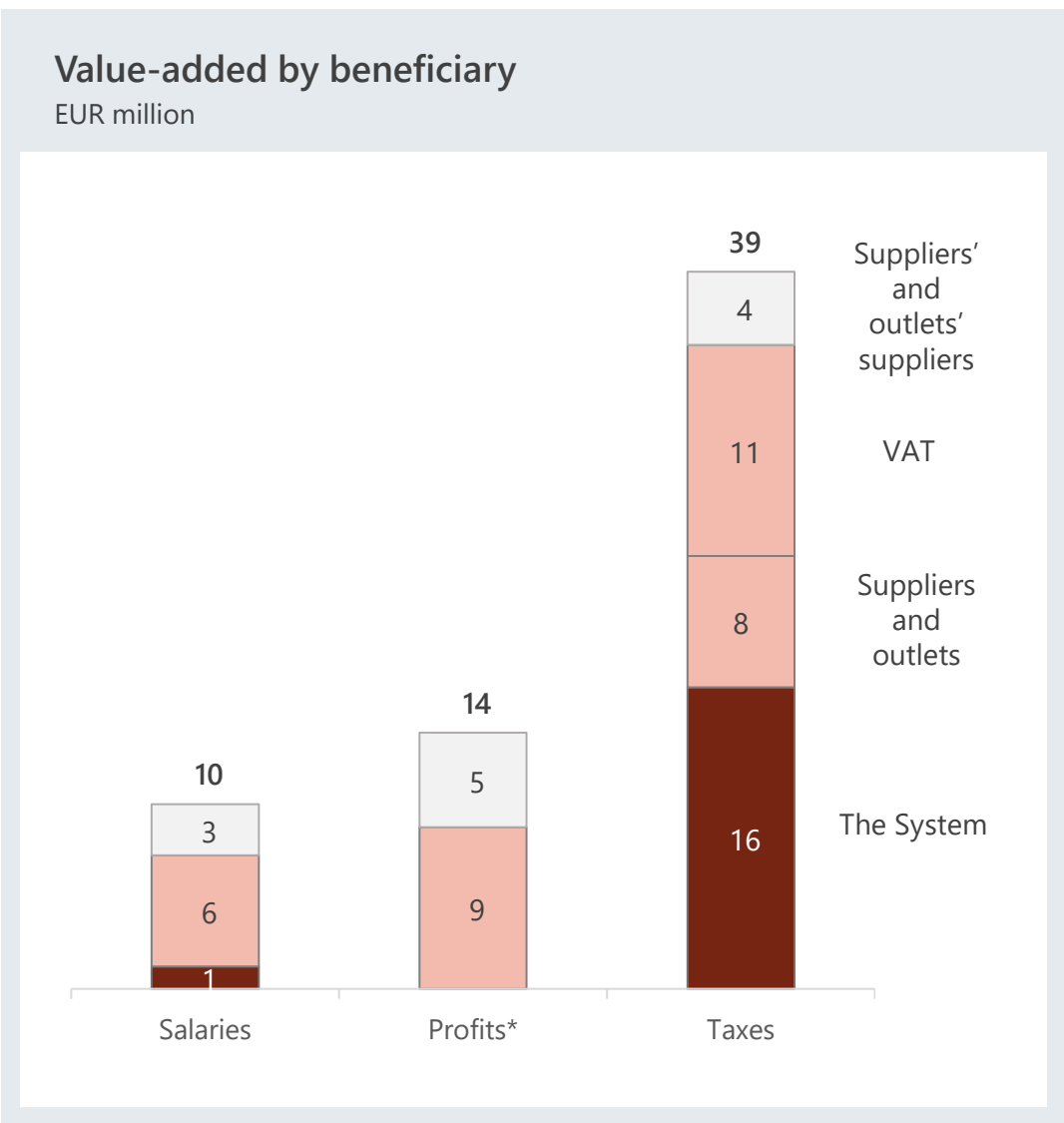
- The impact upstream is € 17 million, of which € 11 million can be attributed to suppliers & € 6 million to suppliers of suppliers
- The downstream value-added supported is € 29 million, of which € 11 million is VAT attributable to the System's sales; distributors and outlets benefited € 11 million and suppliers of distributors and outlets benefited € 6 million
- These figures only capture the incomes attributable to the Coca-Cola System (and not all the incomes at the System's suppliers and partnering outlets and distributors)

The total value-added is equivalent to 1% of the country's GDP in 2022

*The gross value added in the manufacturing sector is given as €231 million in 2022 (National Statistics Office) with the food, beverages and tobacco sector making up 37% of the manufacturing value added (World Bank) in Montenegro
**The total GDP for 2022 is €5.9 billion (Eurostat)



The total value-added of € 63 million can also be broken down by beneficiary



Highlights

Households across the value chain benefited € 10 million, of which € 1 million was earned by the System's own employees

Montenegrin companies across TCCS' value chain made an estimated € 14 million in profits from their cooperation with the System

Tax payments supported by the Coca-Cola System throughout the value chain equal € 39 million; € 16 million 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.
- Of the € 16 million taxes paid by the System, € 7 million relate to excise taxes. This accounts for 3% of total excise taxes paid in Montenegro in 2022**
- From the € 19 million first round taxes, € 11 million is VAT related to the sales of TCCS' beverages; the other € 8 million is taxes paid by TCCS' suppliers, distributors and outlets
- The estimated tax for 2022 is 3% of Montenegro's tax revenue***

*Results disregard direct profits of the System

**Excise taxes paid in Montenegro for 2022 were €246 million (IMF)

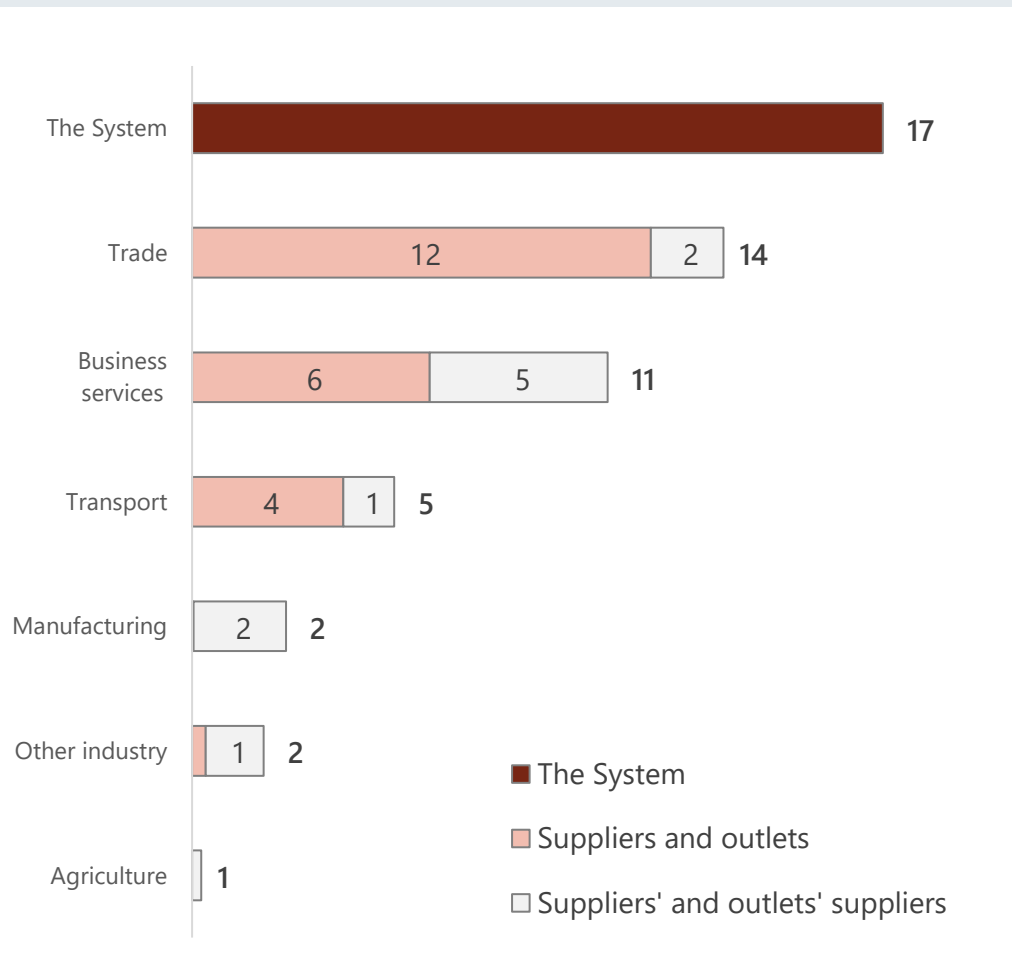
***Tax revenue in Montenegro for 2022 was on average 24% of GDP (CEIC) with a GDP of €5.9 billion (Eurostat)



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

Value-added by sector*

EUR million



Highlights

The System is the primary beneficiary of value-added, followed by the trade sector with € 14 million in value-added

- Of the € 12 million value-added at the level of suppliers and outlets, € 6 million were estimated for FC channels (e.g. modern and traditional supermarkets), and € 5 million for IC channels (e.g. HORECA)

The business services sector benefited € 11 million; with € 6 million of that resulting from the System's own procurement, such as IT or media and advertising services

The transport sector benefited € 5 million; the majority of which through the System's suppliers like logistic companies

The manufacturing sector benefited € 2 million. This is fully driven by the System's suppliers' and outlets' procurement of goods and services from Montenegrin manufacturing companies

* 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 2,200 employment opportunities throughout its value chain

Employment

Number of people



Highlights

The value chain employment of TCCS is estimated at 2,200, representing 1%* of total employment in Montenegro

The Coca-Cola System generated 23 direct jobs. Indirectly, it supported additional estimated 2,190 employment opportunities, of which

- 870 upstream (570 across its own Montenegrin suppliers, and 300 at the level of the suppliers of its suppliers)
- 1,320 downstream (1,010 across the distributors and outlets selling its beverages, and 310 across their respective 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 outlets)

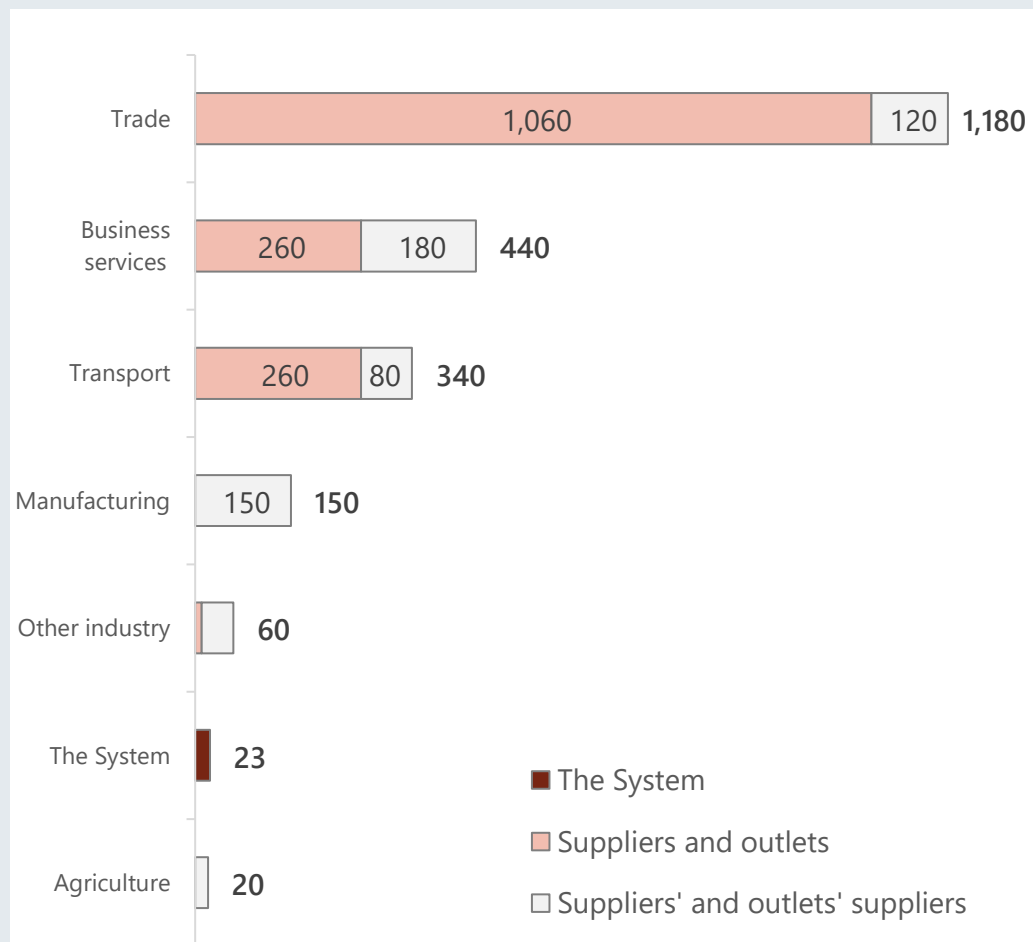
*Total employment was estimated at 224 thousand people in 2022 (National statistics)



Most supported jobs are in the trade sector

Employment

Number of people



Highlights

TCCS contribution to direct jobs is 23 but due to their procurement and sales activities it's contribution to employment supported in most economic sectors exceeds number of direct jobs

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

- In total, some 1,180 jobs were supported in the sector, or 1.8% of the total people employed in the trade sector in the country*
- 1,060 jobs were mostly spread across distributors, and employees of outlets selling Coca-Cola beverages; 350 of these were estimated at FC outlets (e.g. traditional stores and modern supermarkets), and 640 at IC outlets (e.g. HORECA)

At the business services and transportations sectors some 440 and 340 employment opportunities respectively were related to the System. 150 jobs were supported in the manufacturing sector

The Coca-Cola System supported 20 jobs in the agriculture sector. These are all at the level of the suppliers of TCCS's direct suppliers and partnering outlets which source from Montenegro's agriculture sector products such as fruit

* Total number of people employed in the wholesale & retail trade and the accommodation and food services sector in 2022 are 65,469 according to the National Statistics Office

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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
- Montenegro
- 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

