



The Coca-Cola System's 2023 impact in Romania

Final report




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This study reports on the 2023 impact of the Coca-Cola System in Romania

Introduction

The Coca-Cola System's impact spans beyond its factories and offices, across its local value chain

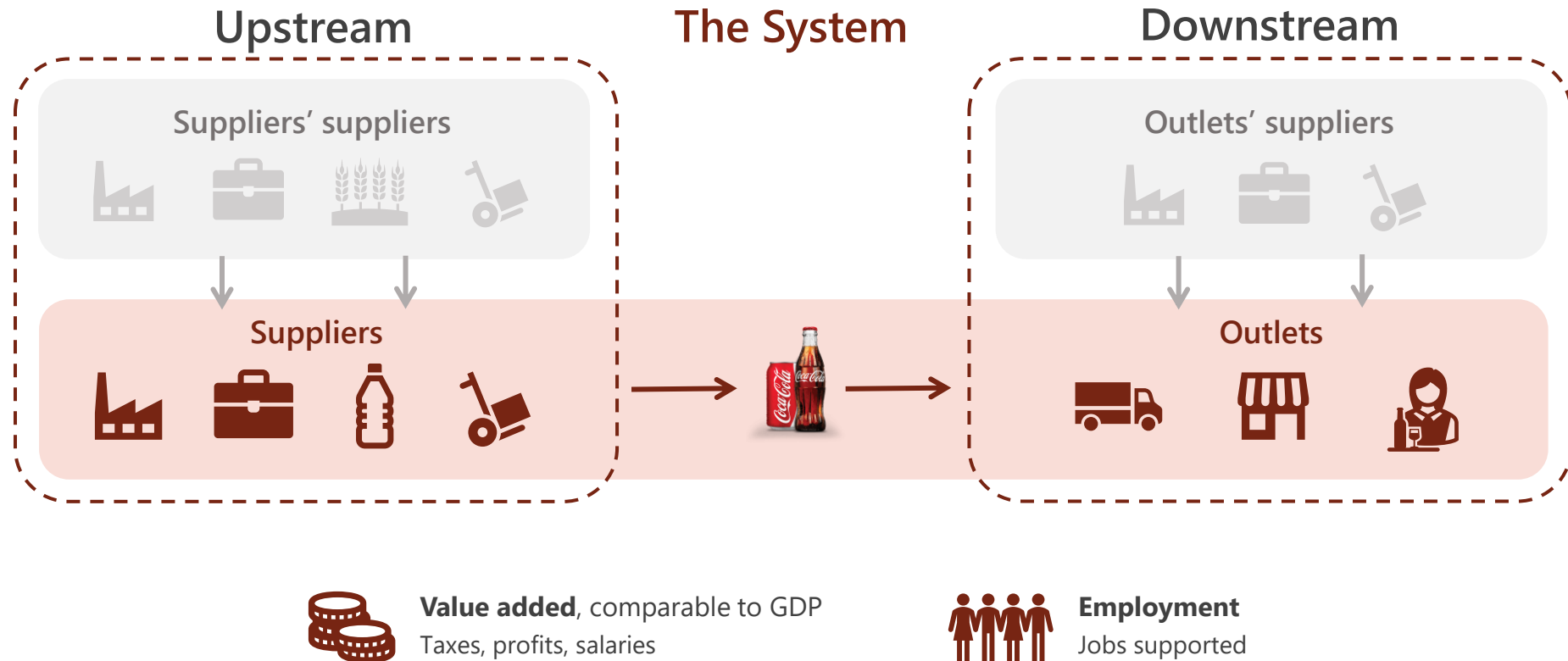
The Coca-Cola System (TCCS) commissioned this assessment to gain insights into the magnitude of its direct and indirect impact on incomes and employment in Romania

The scope of this study is the 2023 economic impact of TCCS

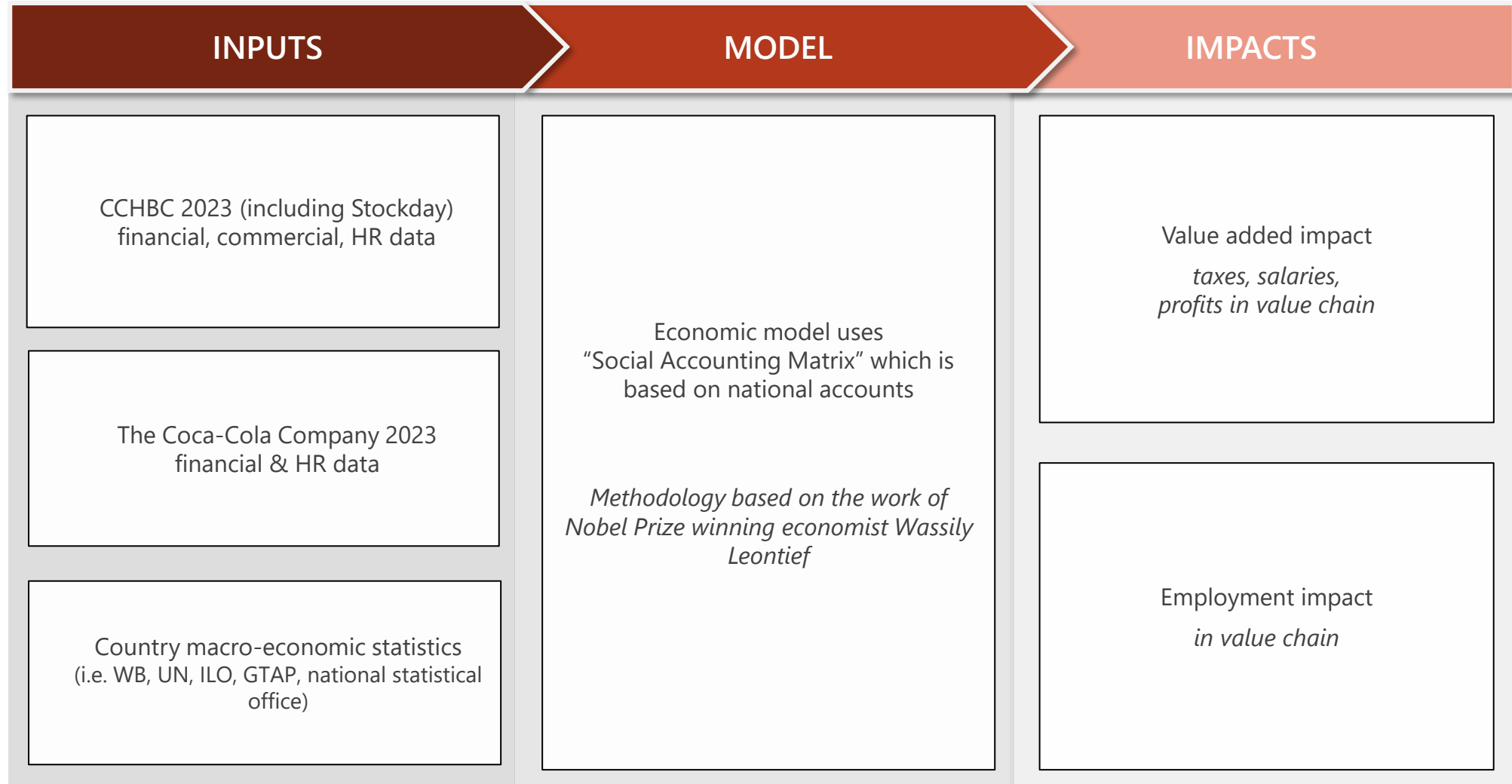
- The study covers the activities of the Coca-Cola Hellenic Bottling Company (CCHBC), including CCHBC's share in Stockday, and The Coca-Cola Company (TCCC)
- This study's scope is not exhaustive as it does not assess environmental or community impacts

The assessment is based on the 'input-output' methodology which was developed by the Nobel Prize winning economist Wassily Leontief and is commonly used by economists worldwide 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



Key findings

TCCS is a local business, which adds value to the Romanian economy and supports quality employment opportunities



3 plants

produce Coca-Cola beverages in Romania



1.1 billion litres

produced locally in Romania



€219 million

worth of goods and services purchased from Romanian suppliers



€793 million

value added supported in the economy across the value chain



0.24%

contribution to Romania's gross domestic product



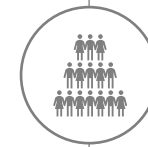
€399 million

supported in tax payments across the value chain



1,546

people employed directly by the System in Romania



18,800

additional employment opportunities supported indirectly across the chain



1:12

For each direct job at the system, there are 12 others supported elsewhere in Romania



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In 2023 consumers spent €1.3 billion on TCCS's products

In 2023, consumers spent
€1.3 billion
on
1.1 billion litres
of TCCS' beverages & 365.000 kg of coffee



€203 million

Value added tax on final product price



€416 million

Mark-ups for outlets and distributors



€653 million

CCHBC local sales revenues

+ €23 million in expenses by TCCC

DRIVERS OF DOWNSTREAM IMPACT

- VAT on the final consumer price is collected by the government
- The money trade partners make allow them to hire people, pay taxes and salaries, and accumulate savings, and further purchase the goods and services required for their own operations

DRIVERS OF UPSTREAM IMPACT

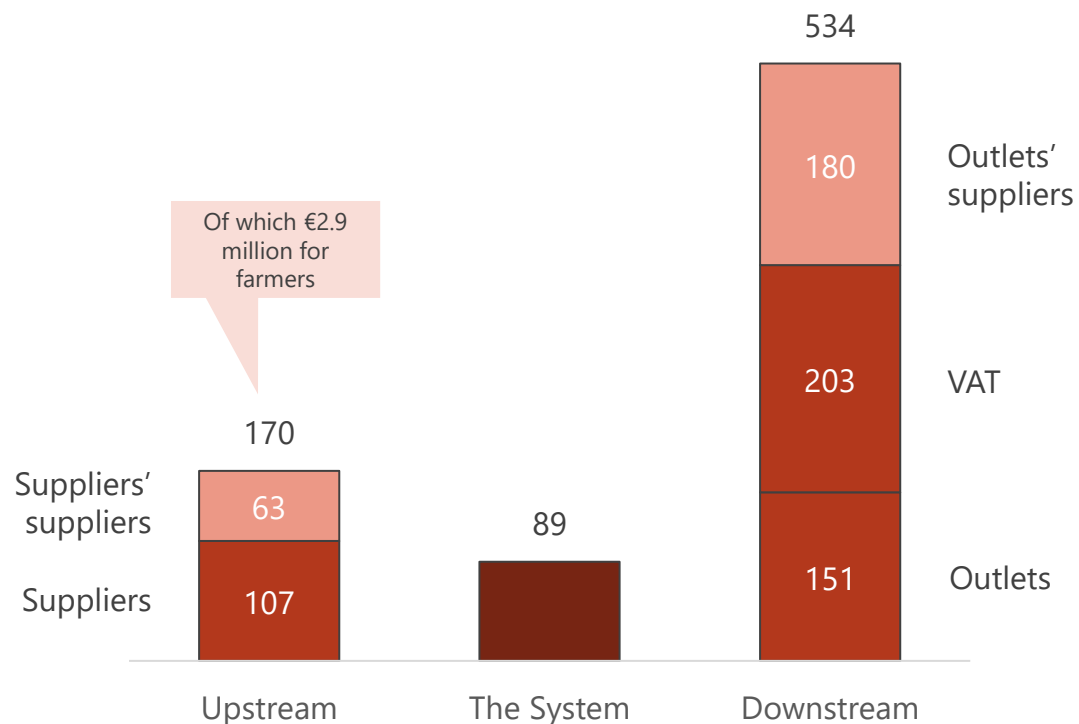
- TCCS pays taxes and salaries, and hires people in Romania
- The money it spends on domestic vendors allow them to hire people, pay taxes and salaries, accumulate savings, and further purchase the goods and services required for their own production



TCCS supports €793 million in value added across its value chain

Value added supported

EUR million



Highlights

TCCS directly generated €89 million in incomes

- These include the salaries paid and the taxes born by TCCS
- Profits are not included

Indirectly, TCCS supported €704 million in value added

- The predominant impact is downstream (€534 million), where the System's sales enable VAT of €203 million, outlets benefit €151 million, and outlets' suppliers benefit another €180 million
- Another €170 million in value is supported upstream, at the level of its first-tier suppliers and at the level of their suppliers
- 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)

The total value added is equivalent to 0.24% of the country's GDP, compared to 0.21% in 2022

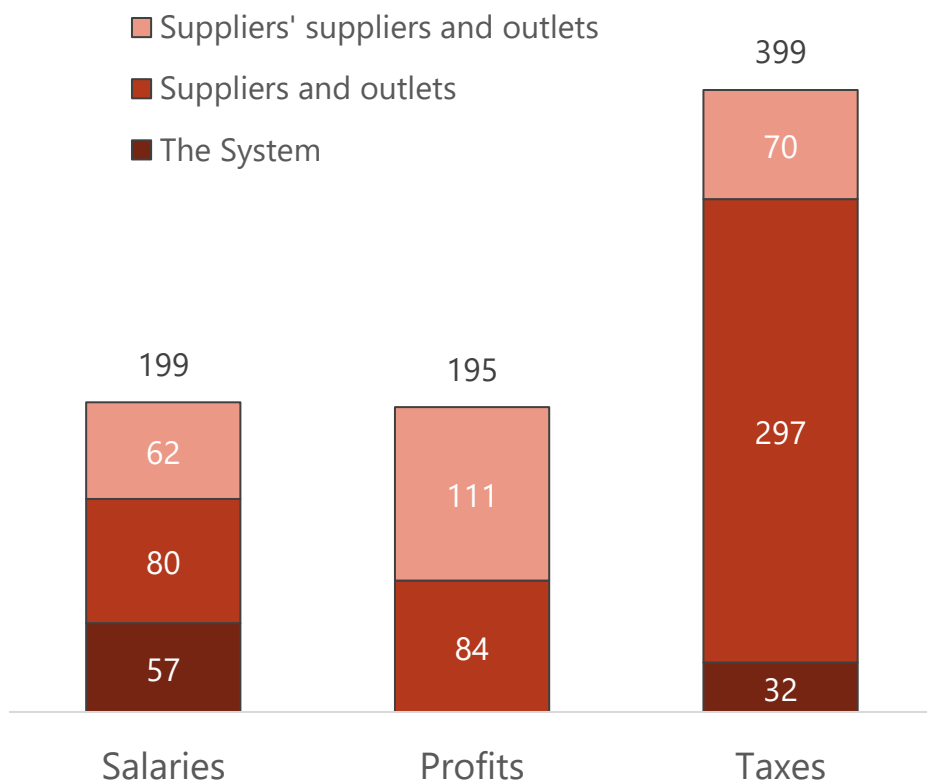
Each €1 spent by consumers on Coca-Cola beverages in Romania contributes 61 cents in value to the economy, compared to 58 cents in 2022



The biggest share of the value added are taxes for the state

Value added supported

EUR million



Highlights

The total value added of €793 million can also be broken down by beneficiary

Tax payments supported by the Coca-Cola System throughout the value chains equal €399 million, making the Romanian state the biggest beneficiary from TCCS' activities in the country

- Taxes directly paid by the System (€32 million) include corporate income tax, payroll taxes, property tax and other taxes
- From the €297 million first round taxes, €203 million is VAT related to the sales of TCCS' beverages; the other €94 million is taxes paid by TCCS' vendors and partner outlets

Households across the value chain benefited €199 million, of which €57 million was earned by the System's own employees

- The reported direct salaries include net salaries, bonuses, social security and any other employee benefits

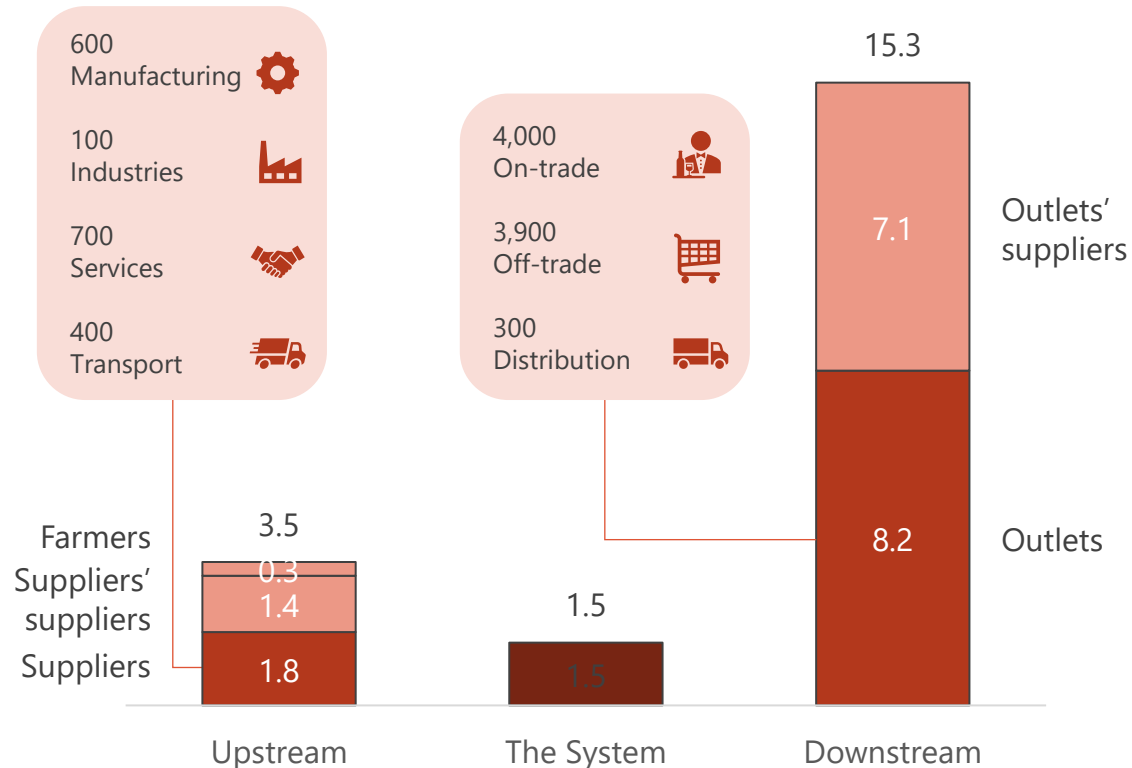
Domestic companies across TCCS' value chain made an estimated €195 million in profits from their cooperation with the System



TCCS supported 20,300 employment opportunities in its value chain

Employment

thousand people



Highlights

The value chain employment of TCCS is estimated at 20,300, representing 0.24% of total employment in Romania, compared to 0.23% in 2022

The Coca-Cola System employed 1,546 people*

Indirectly, it supported an estimated 18,800 employment opportunities, of which

- 3,500 upstream (1,800 across its own domestic suppliers, and 1,700 at the level of the suppliers of its suppliers)
- 15,300 downstream (8,200 across the outlets selling its beverages, and 7,100 across 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 outlets)

For each direct job at the System, there were 12 jobs supported elsewhere across the Romanian economy, similar to 2022



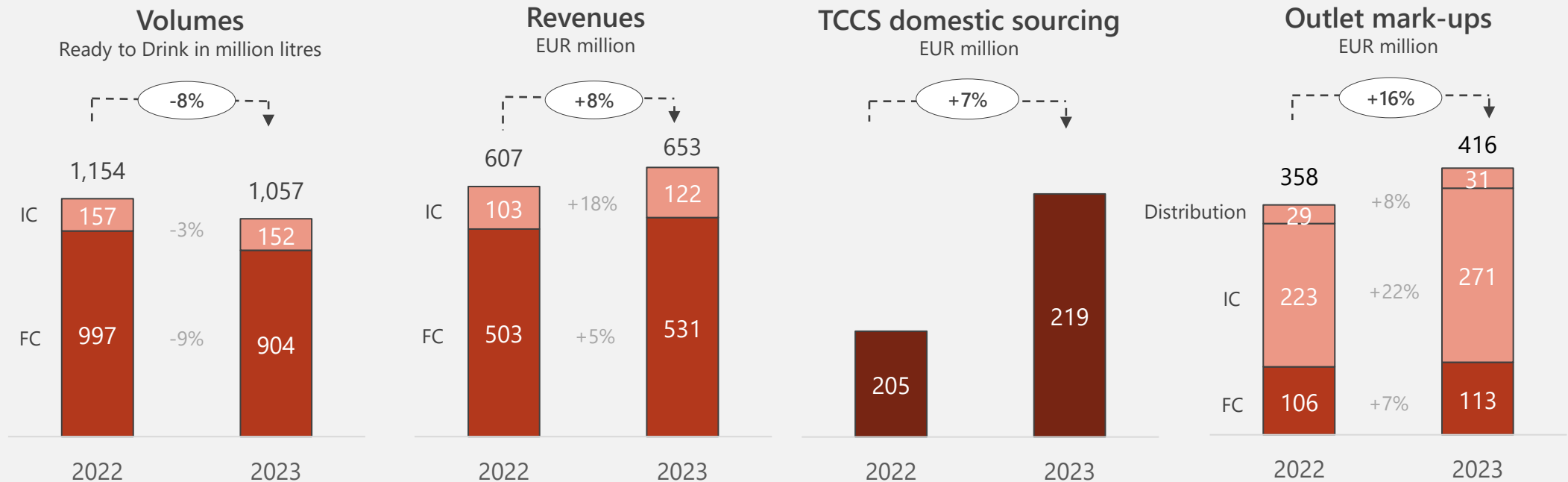
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Although there was a decrease in volumes from 2022 to 2023, revenues, domestic sourcing, and mark-ups increased

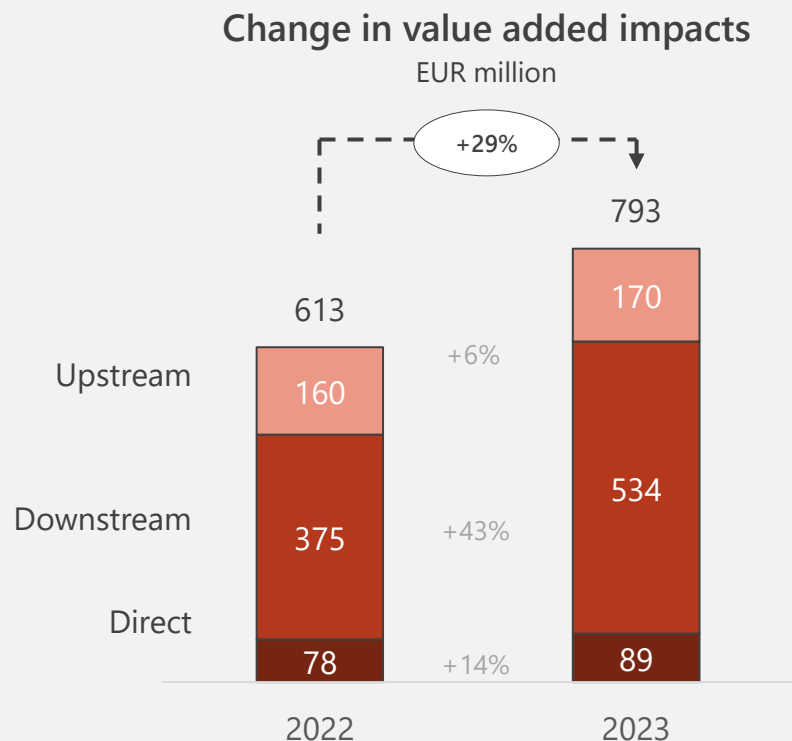


Compared to 2022, the overall volume of beverages sold decreased by 8%. This was mainly driven by a decrease in FC volumes (-9%). Although volumes decreased, revenues grew by 8%. The increase in revenues is predominantly caused by a higher average sales price per liter (+17%)

Data submitted by TCCS shows that expenses on domestic vendors increased by 7%. Spending categories with substantial domestic growth includes PET bottles (+212%), warehousing (+23%), and glass bottles, where EUR 2.8 million worth of glass bottles is now procured from local suppliers

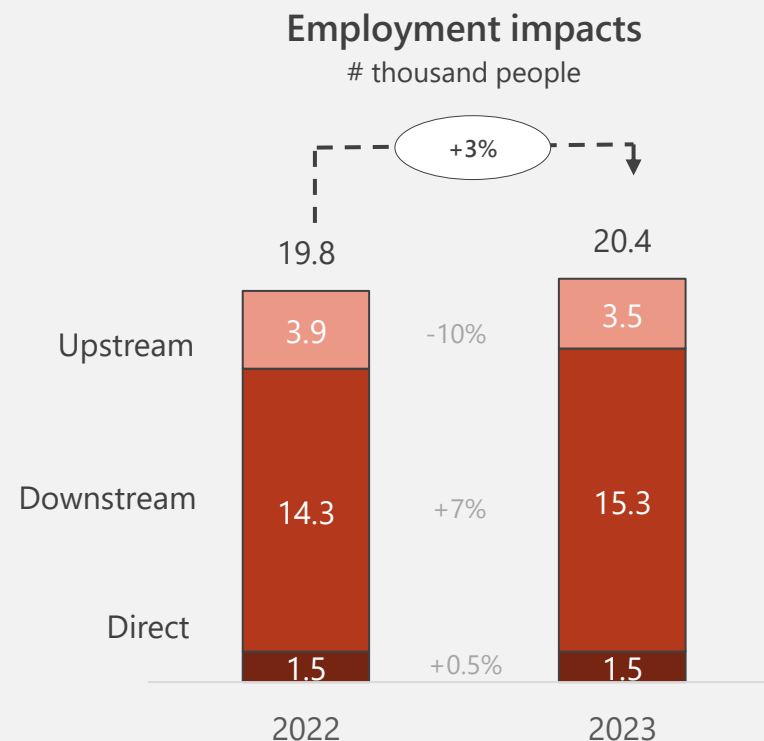
Finally, the money outlets made from selling Coca-Cola beverages went up by 16%. This increase was driven by an increase in sales revenues in both the FC and IC channel, as well as an increase in margins (300% to 400%) charged by IC HORECA outlets

Both the value added and employment contributions of the System increased



Total value added impact increased by 29%. This is predominantly driven by an increase in **downstream value added** (+43%), caused by higher sales revenues, an increase in IC HORECA mark-ups, and a higher VAT rate (19% vs. 9%). Next to that, **upstream value added** increased by 6%, driven by increased procurement from local Romanian suppliers by the System (+7%)

The increase in **direct value added** is caused by higher tax payments to the state (+15%), such as corporate taxes (+19%) and payroll taxes (+14%), and by higher salary payments to own employees (+13%)



Direct employment at the System remained stable between 2022 and 2023

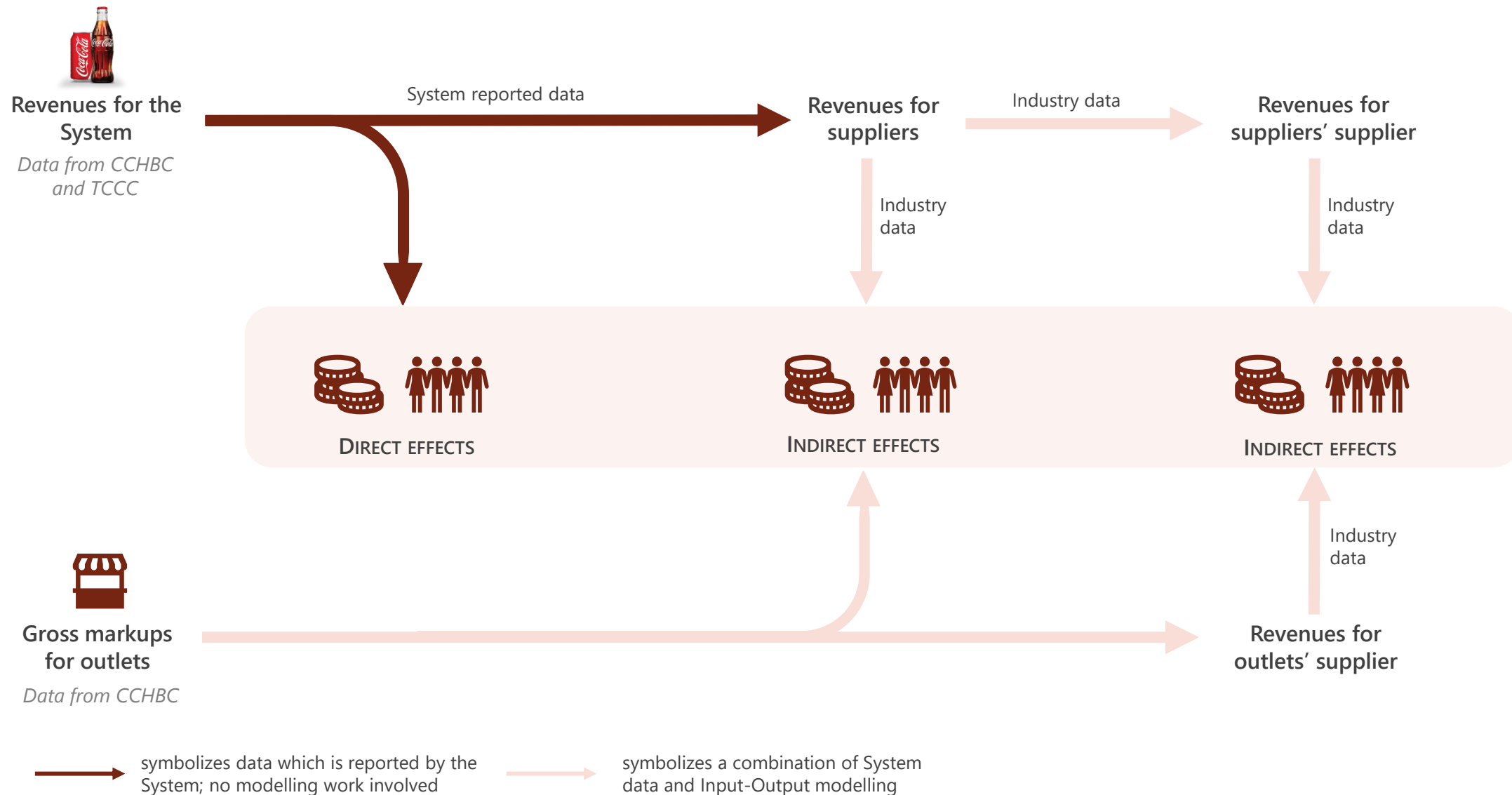
Despite higher domestic sourcing, **upstream effects** at suppliers decreased (-10%) due to higher labour productivity in sectors of key suppliers, such as the sugar sector (+33%), trade sector (+18%), and business services sector (+17%)

The **downstream effects** grew by 7%. Although labour productivity in the trade and accommodation and food sector increased, this was partly offset by the growth in overall sales revenues generated by the System and the higher mark-ups charged by outlets

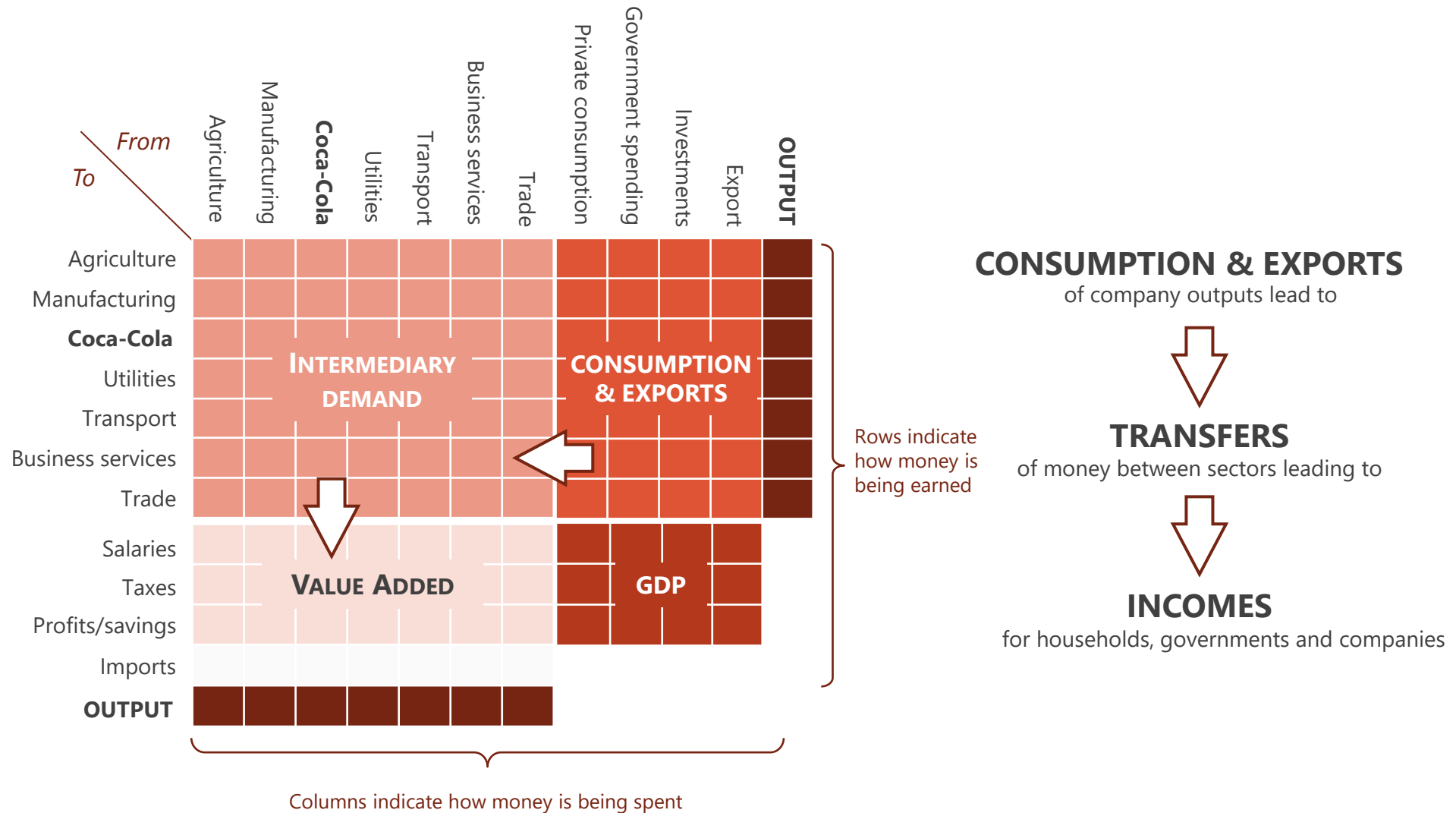


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The methodology follows the revenues stream of the System and the outlets in the economy to trace direct and indirect effects



The Social Accounting Matrix is the heart of the methodology



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