



The Coca-Cola System's 2021 impact in Bulgaria

Final report



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1. Introduction

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This study reports on the 2021 impact of the Coca-Cola System in Bulgaria

Introduction

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

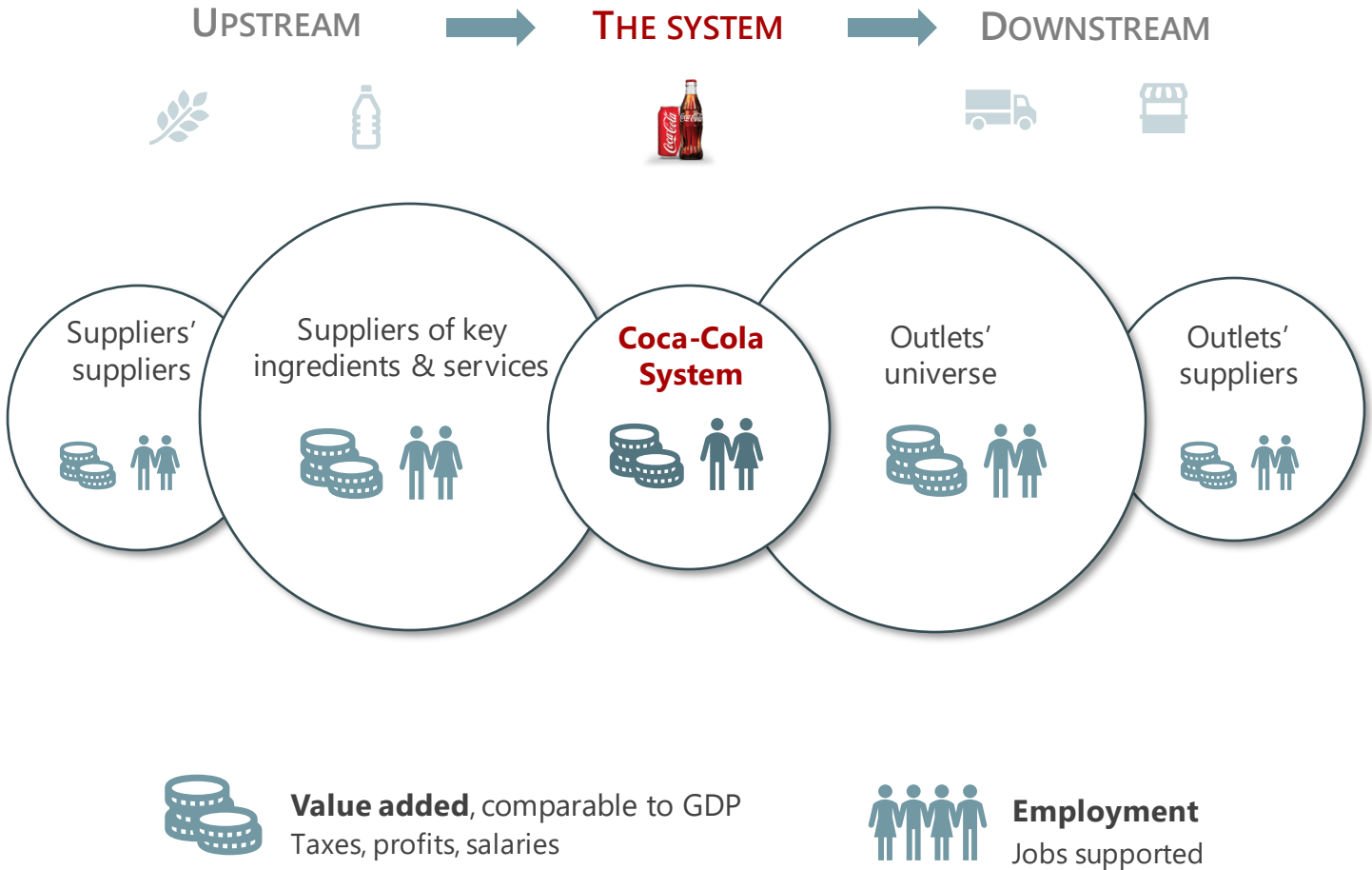
The Coca-Cola System (TCCS) commissioned this assessment to gain insights into the magnitude of its direct and indirect impact on incomes and employment in Bulgaria

The scope of this study is the 2021 economic impact of TCCS

- This is the fourth study we execute for TCCS in the country
- The study covers the activities of the Coca-Cola Hellenic Bottling Company (CCHBC), CCHBC Group IT Services, CCHBC Business Services Organization (BSO), The Coca-Cola Company, and the office of Coca-Cola Europacific Partners (CCEP)
- 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



Key findings

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



5 units

Make up the Coca-Cola System in Bulgaria



355 million litres

produced locally in Bulgaria in 1 plant and 1 water facility



€ 67 million

worth of goods and services purchased from Bulgarian suppliers



€327 million

value added supported in the economy across the value chain



0.5%

contribution to Bulgaria's gross domestic product



€142 million

supported in tax payments across the value chain



2,941

people employed directly by the System in Bulgaria



11,730

additional employment opportunities supported across the value chain



1:4

For each direct job at the system, there are 4 others supported elsewhere in Bulgaria



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In 2021 consumers spent EUR 468 million on TCCS's products

In 2021, consumers spent
EUR 438 million
on
355 million litres
of TCCS' beverages



EUR 73 m

Value added tax on final product price



EUR 163 m

Markups for outlets and distributors



EUR 202 m

HBC local sales revenues

+EUR 87m in expenses by TCCC, CCH IT, BSO, CCEP

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

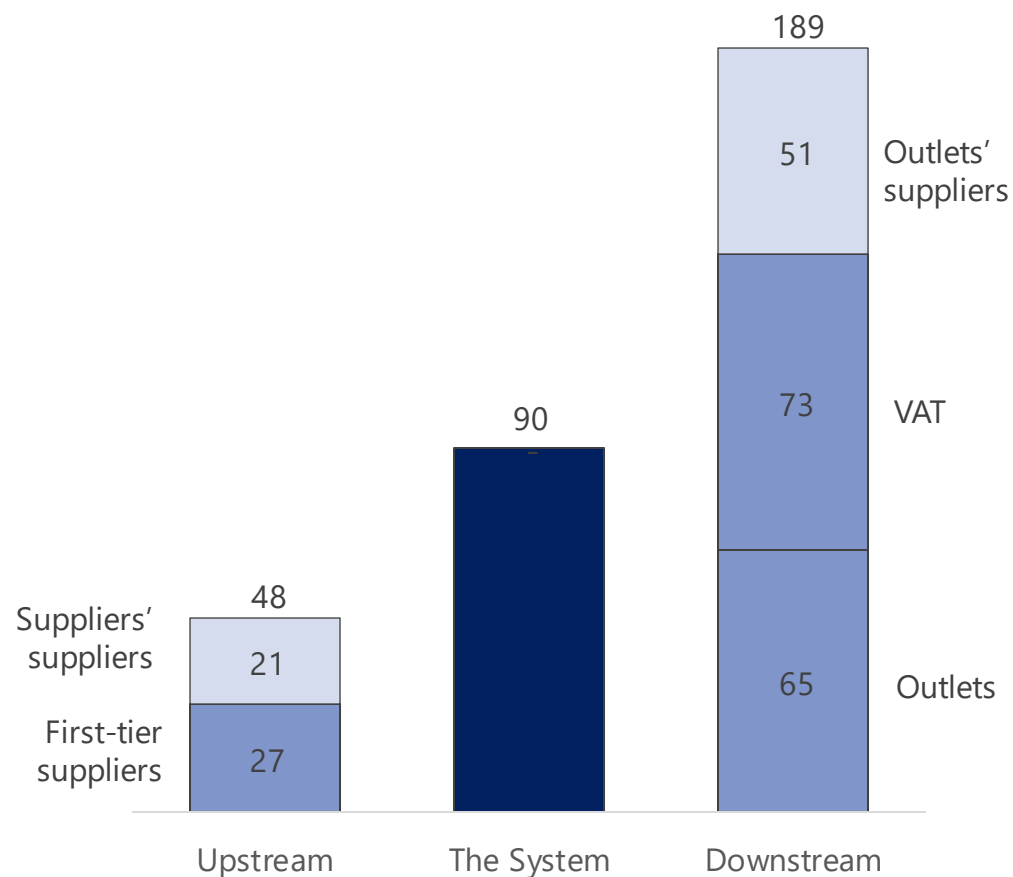
- TCCS pays taxes and salaries, and hires people in Bulgaria
- The money it spends on domestic vendors allow them to hire people, pay taxes and salaries, accumulate savings, and further purchase the goods and services required for their own production



TCCS supports €327 million in value added across its value chain

Value added supported

EUR million



Highlights

TCCS directly generated €90 million in incomes

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

Indirectly, TCCS supported €237 million

- The predominant impact is downstream (€189 million), where the System's sales enable VAT of €73 million, outlet partners benefit €65 million, and outlets' suppliers benefit another €51 million
- Another €48 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 0.5% of the country's GDP

Each € 1 spent by consumers on Coca-Cola beverages in Bulgaria contributes 75 cents in value to the economy

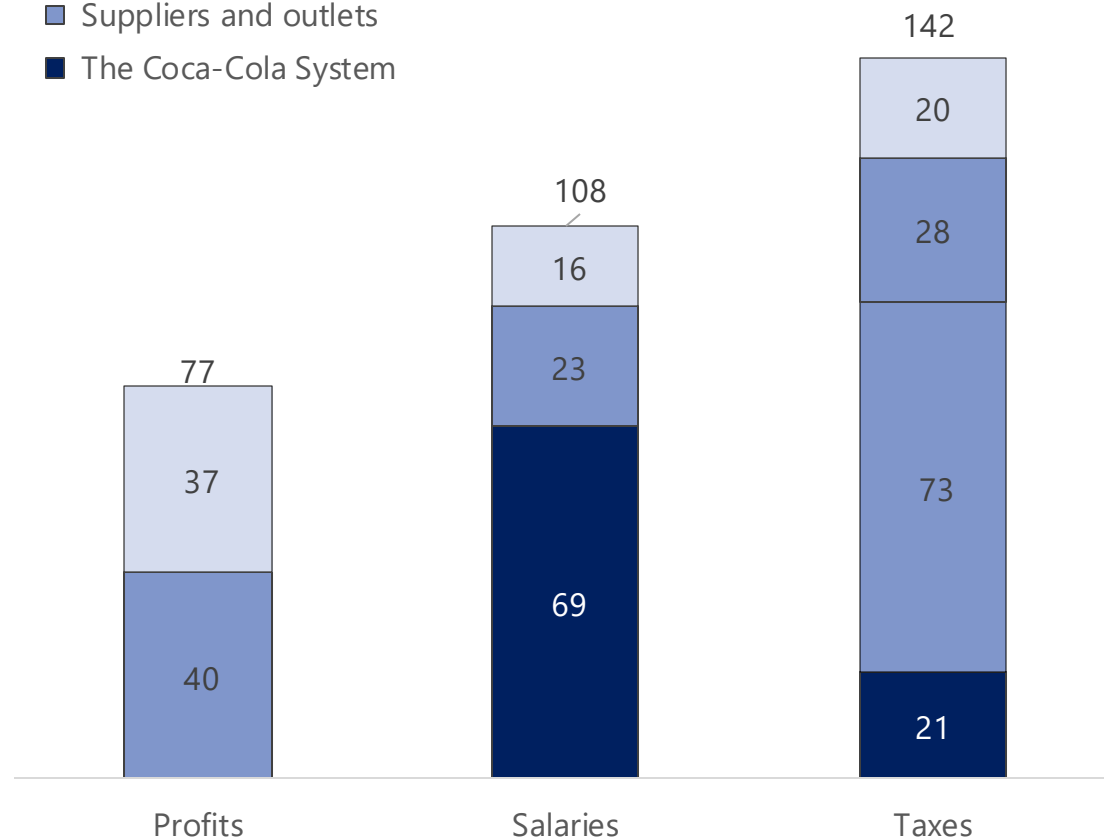


The biggest share of the value added is taxes for the state

Value added supported

EUR million

- Suppliers of suppliers and outlets
- Suppliers and outlets
- The Coca-Cola System



Highlights

The total value added of €327 million can also be broken down by beneficiary

Tax payments supported by the Coca-Cola System throughout the value chains equal €142 million, making the Bulgarian state the biggest beneficiary from TCCS' activities in the country

- Taxes paid by the System (€21) include corporate income tax, payroll taxes, sugar taxes, customs duties, withholding taxes, property tax, water tax and environmental tax
- From the €103 million first round taxes, €73 million is VAT related to the sales of TCCS' beverages; the other €28 million is taxes paid by TCCS' vendors and partner outlets
- The total value chain tax amount equals 0.8% of Bulgarian tax revenue

Domestic companies across TCCS' value chain made an estimated €77 million in profits from their cooperation with the System

Households across the value chain benefited €108 million, of which €69 million was earned by the System's own employees

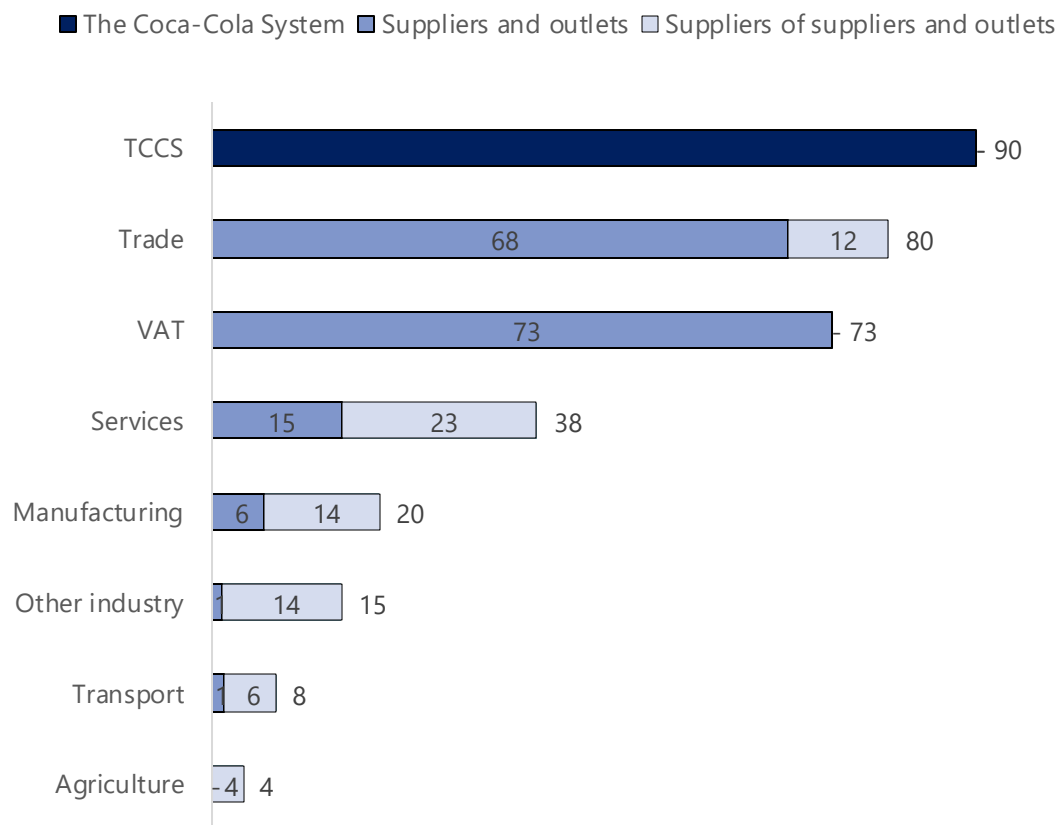
- The reported direct salaries include net salaries, bonuses, social security and any other employee benefits



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

Value added supported

EUR million



Highlights

The trade sector is one of the biggest beneficiaries of the Coca-Cola System's activities, with nearly €80 million in value added

The services sector benefited €38 million; of this €15 million was at the level of the System's domestic vendors in the areas of marketing, advertising, and other professional services

The manufacturing sector benefited €20 million, of which €6 million for the Coca-Cola System's first order suppliers of goods such as sweeteners, packaging materials, machinery parts

The agriculture sector benefited €4 million 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 of The System

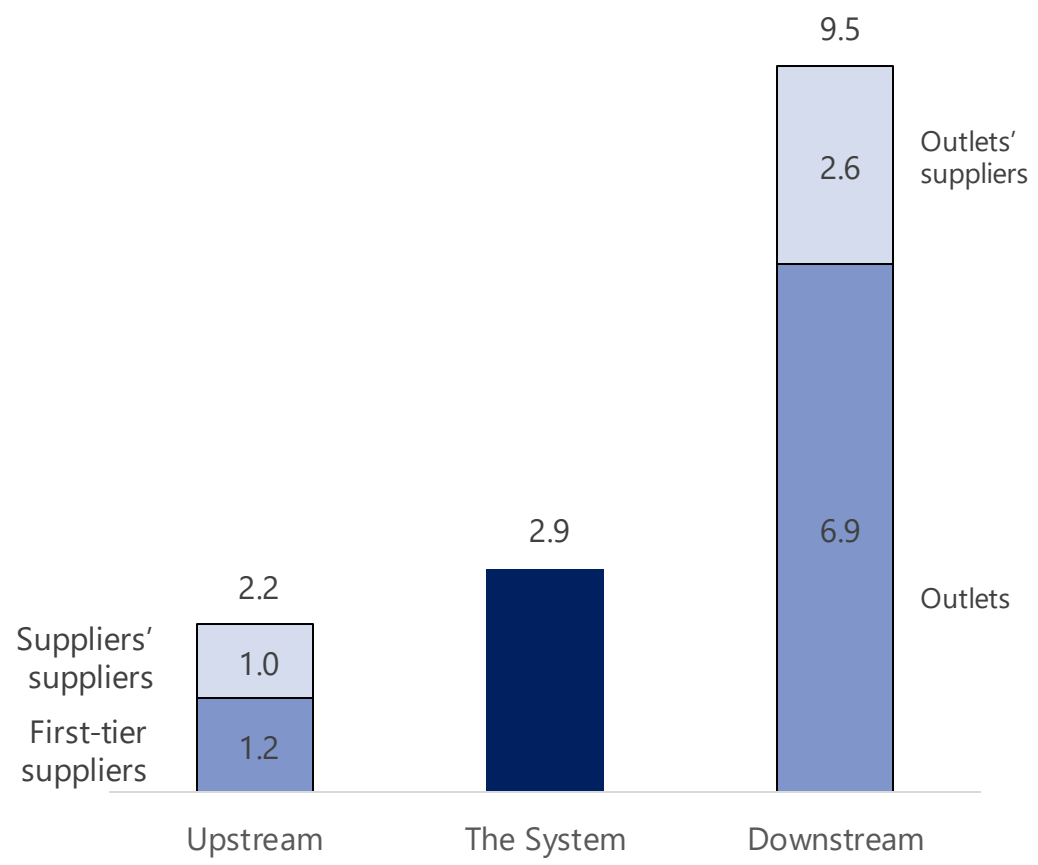
*Total Coca-Cola System itself does not procure agriculture products directly, therefore the results are in the 2nd level indirect effects, related to the procurement of the System's suppliers



TCCS supported 14,700 employment opportunities throughout its value chain

Employment

of people



Highlights

The value chain employment of TCCS is estimated at 14,700, representing 0.4% of total employment in Bulgaria

The Coca-Cola System generated 2,940 direct jobs

Indirectly, the it supported additional estimated 11,730 employment opportunities, of which

- 2,200 upstream (1,200 across its own domestic suppliers, and 1,000 at the level of the suppliers of its suppliers)
- 9,500 downstream (6,900 across the outlets selling its beverages, and 2,600 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 4 jobs supported elsewhere across the Bulgarian economy, of which 1 upstream via local procurement, and 3 downstream via sales

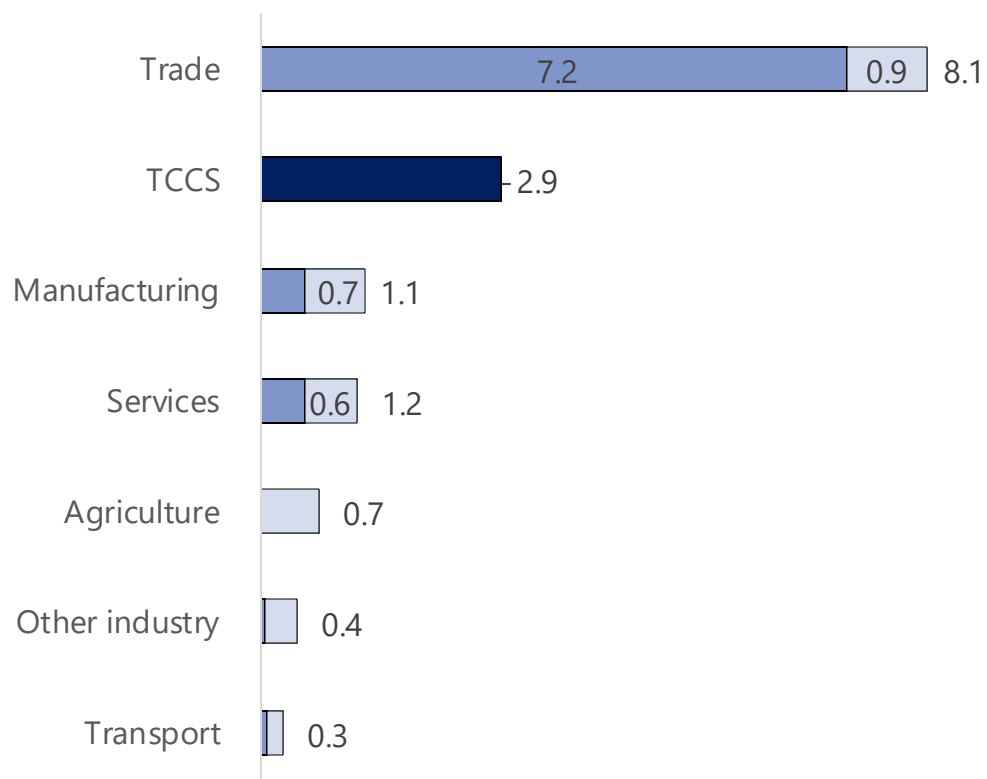


Most jobs are supported in the trade sector

Employment

of people

■ The Coca-Cola System ■ Suppliers and outlets □ Suppliers of suppliers and outlets



Highlights

Unsurprisingly, the largest impact in terms of employees is in the trade sector

- In total, some 8,100 jobs were supported in the sector, or 1% of the total people employed in the trade sector in the country
- 7,000 jobs were spread across distributors, and employees of outlets selling Coca-Cola beverages; some 700 of these were at distributors, 1,500 at wholesalers and FC outlets (e.g. mom & pop stores, supermarkets), and 4,800 were in IC outlets (e.g. bars, hotels, restaurants)

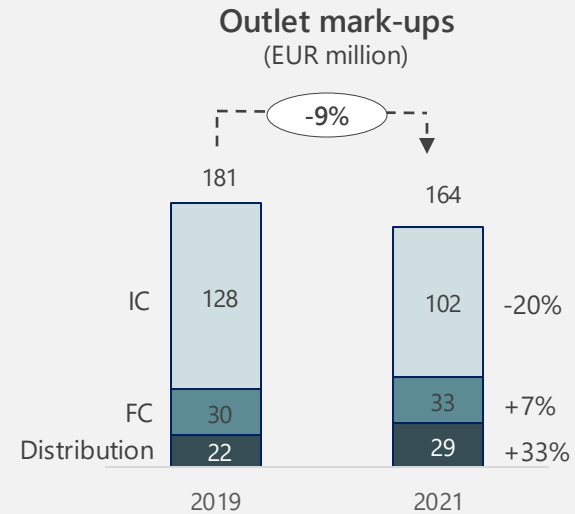
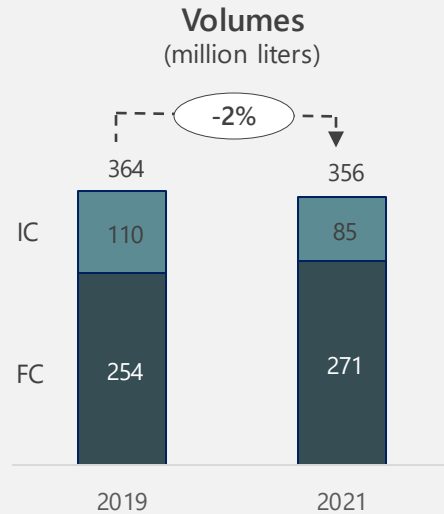
At the manufacturing and services sectors, some 1,100 and 1,200 employment opportunities were related to the System's value chain

The Coca-Cola System supported 700 jobs in the agriculture sector; as for the value added results, these are all at the level of the suppliers of the Coca-Cola System's direct domestic vendors and partnering outlets



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Between 2019 and 2021, sales volumes and retail mark-ups decreased

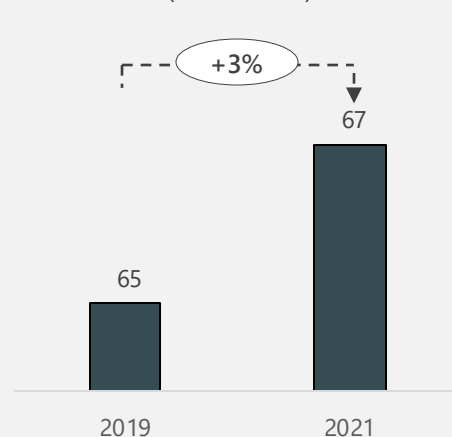


Decrease in volumes and outlet mark-ups indicates decreasing trend in downstream impacts

During the pandemic period, the overall volume of beverages sold dropped by 2%. This was largely caused by the decrease of IC volumes (23%), which negated the growth of FC volumes (7%)

The mark-ups generated by outlets on sales of TCCS beverages drive downstream value chain impacts. The changes in the absolute FC and IC retail mark-ups are related to the changes in the volumes. The growth in the distribution mark-ups is driven by better data availability (the 13% relative mark-up used in the previous study was revised to 21%).

TCCS domestic sourcing



Growth in domestic sourcing indicates increase in upstream impacts

Despite a volume and revenue drops, data submitted by TCCS shows that expenses on domestic vendors have significantly increased.

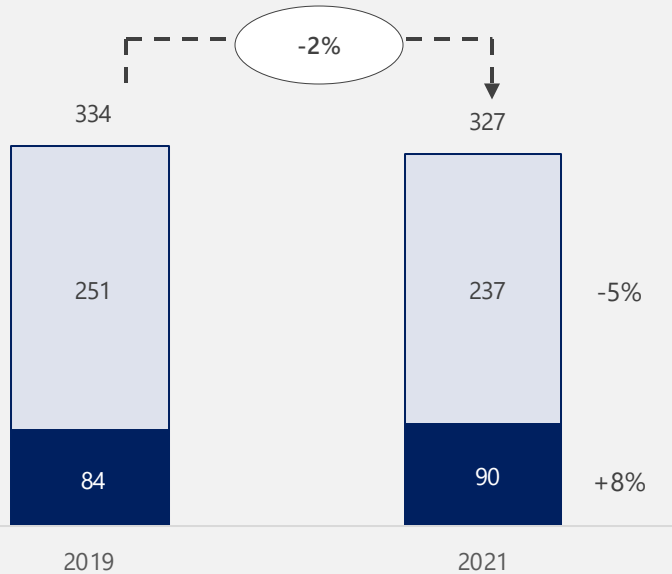
This is largely driven by higher domestic reported spending by TCCC in Bulgaria. This constitutes a difference of reporting rather than in actual spending patterns. Even though most of the vendors of TCCC are situated in Bulgaria, in previous study TCCC had provided the split of domestic/foreign sourcing not based on location, but based on brand (Bankia costs was marked as local and all the rest as imported).

This mistake has now been corrected in our model.

Both the value added and employment contributions of the System decreased

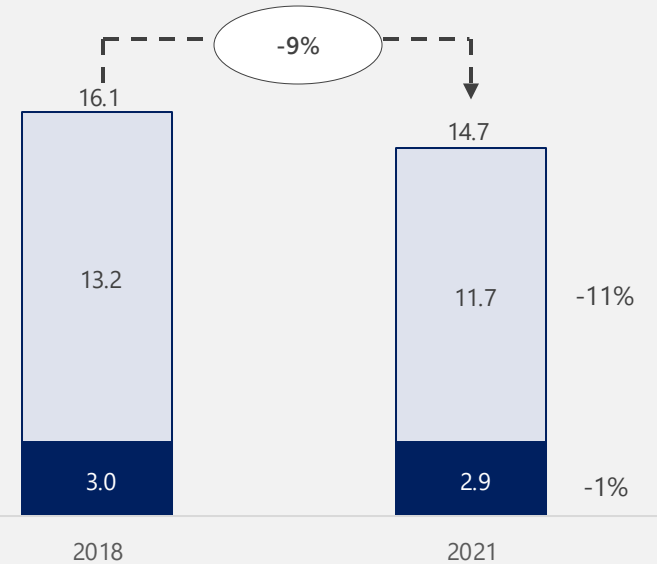
Value added impacts

EUR million



Employment impacts

of people



The direct value added increased by 8% while employment decrease by 1%

In terms of value added, tax payments went down due to lower reported corporate and import taxes paid by CCHBC; higher salaries were reported by BSO and CCEP

In terms of jobs, CCHBC and TCCC experienced job losses, while more people were employed by CCH IT, CSO and CCEP

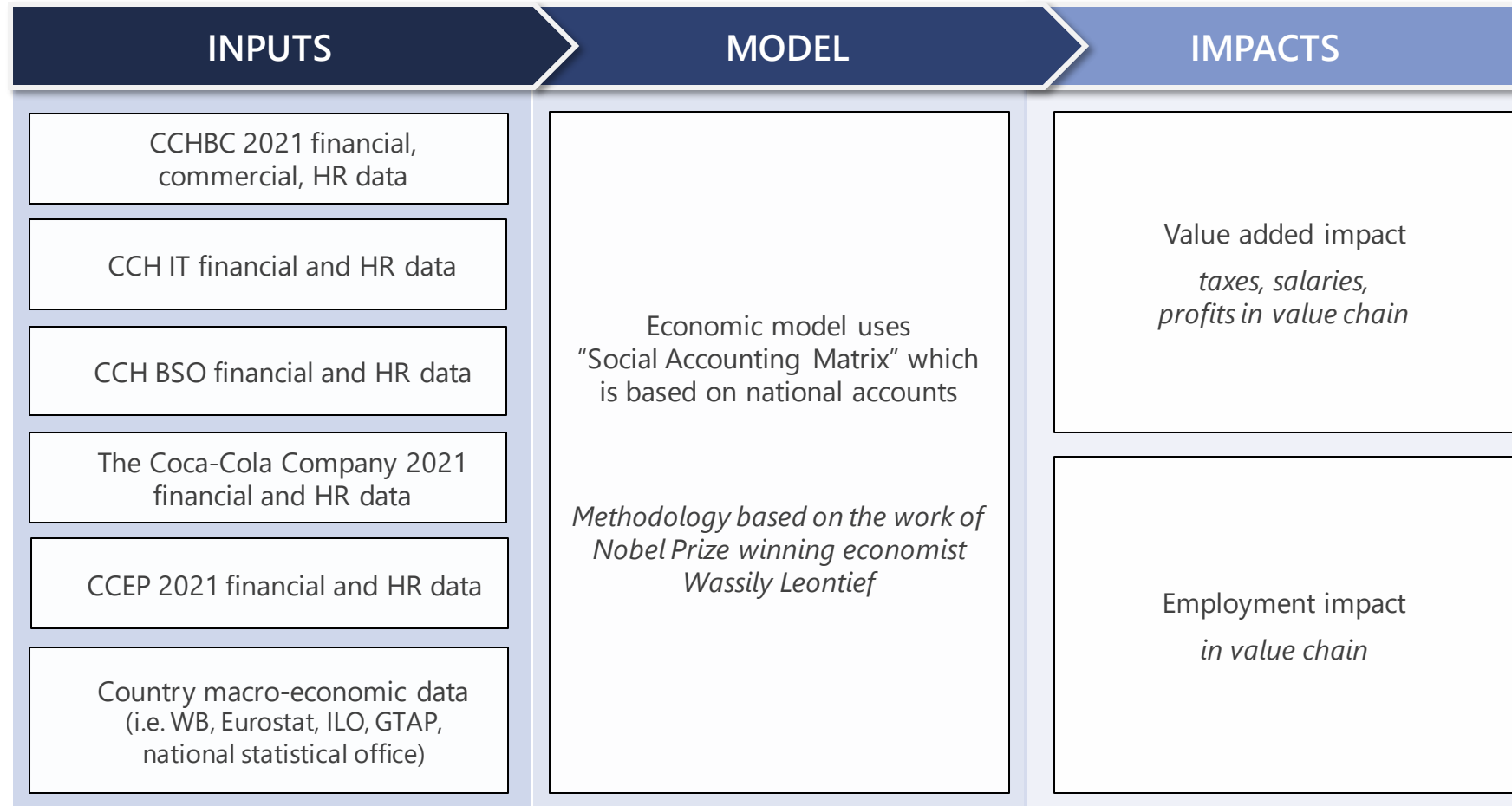
Indirectly supported value added decreases by 5%, while indirect employment goes down by 11%

While the slightly higher local spending drives the upstream effects upwards (due to increase revenues to vendors, which can then generate more employment and incomes), the drop in sales and revenues at the outlet level drives the total indirect impact downwards. The reduction of IC sales plays a particularly strong role in the drop of employment results, as the IC channel is typically labour intensive and accounts for a large part of the System's value chain employment contribution [due to its labour intensity, the IC sector accounts for 50% of the downstream jobs related to the system. Since it is not the most value-additional sector in the economy relative to other ones related to the System (such as professional/ marketing/ advertising services) it only accounts for 25% of the value added impact of the System.]

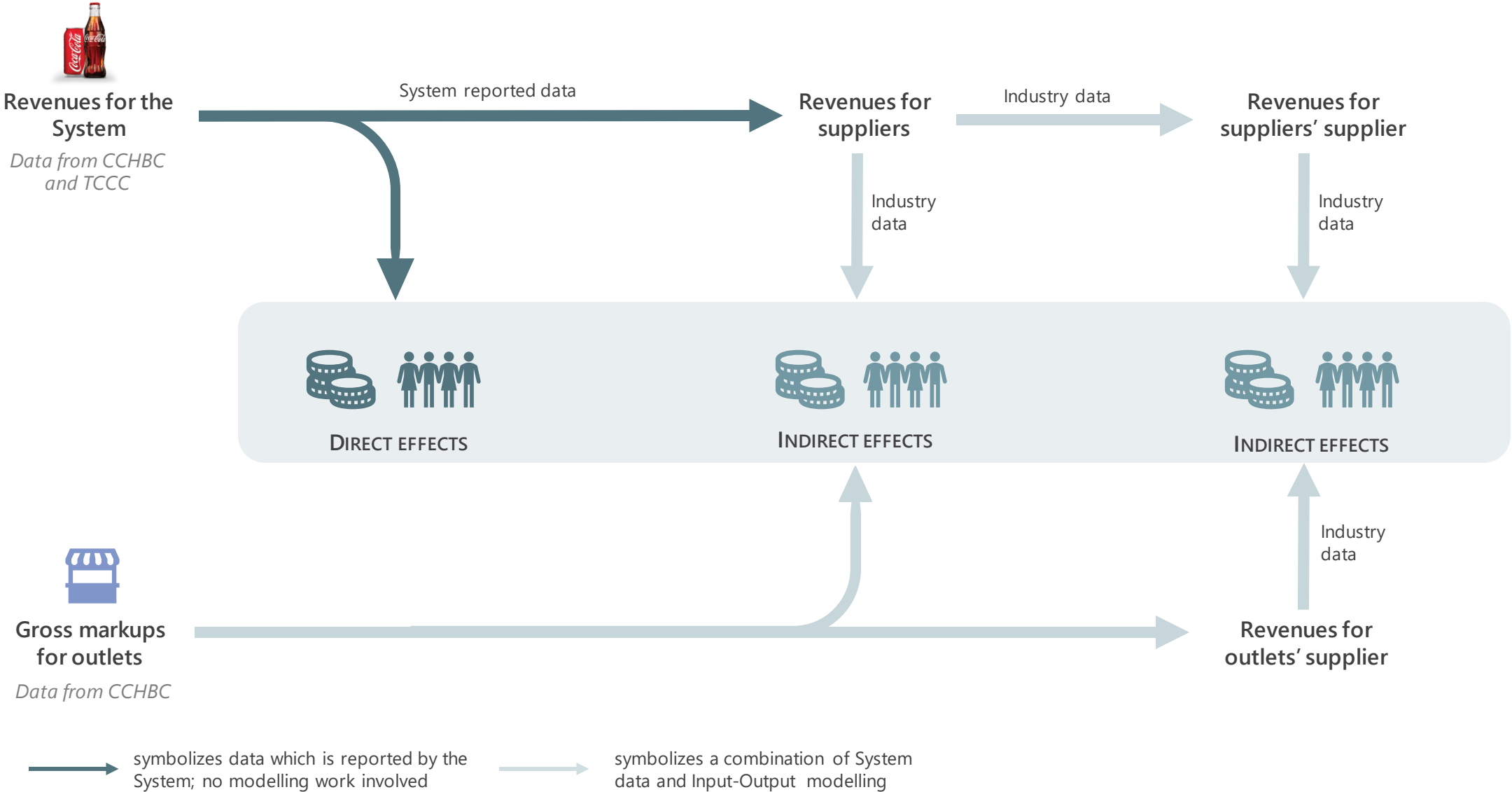


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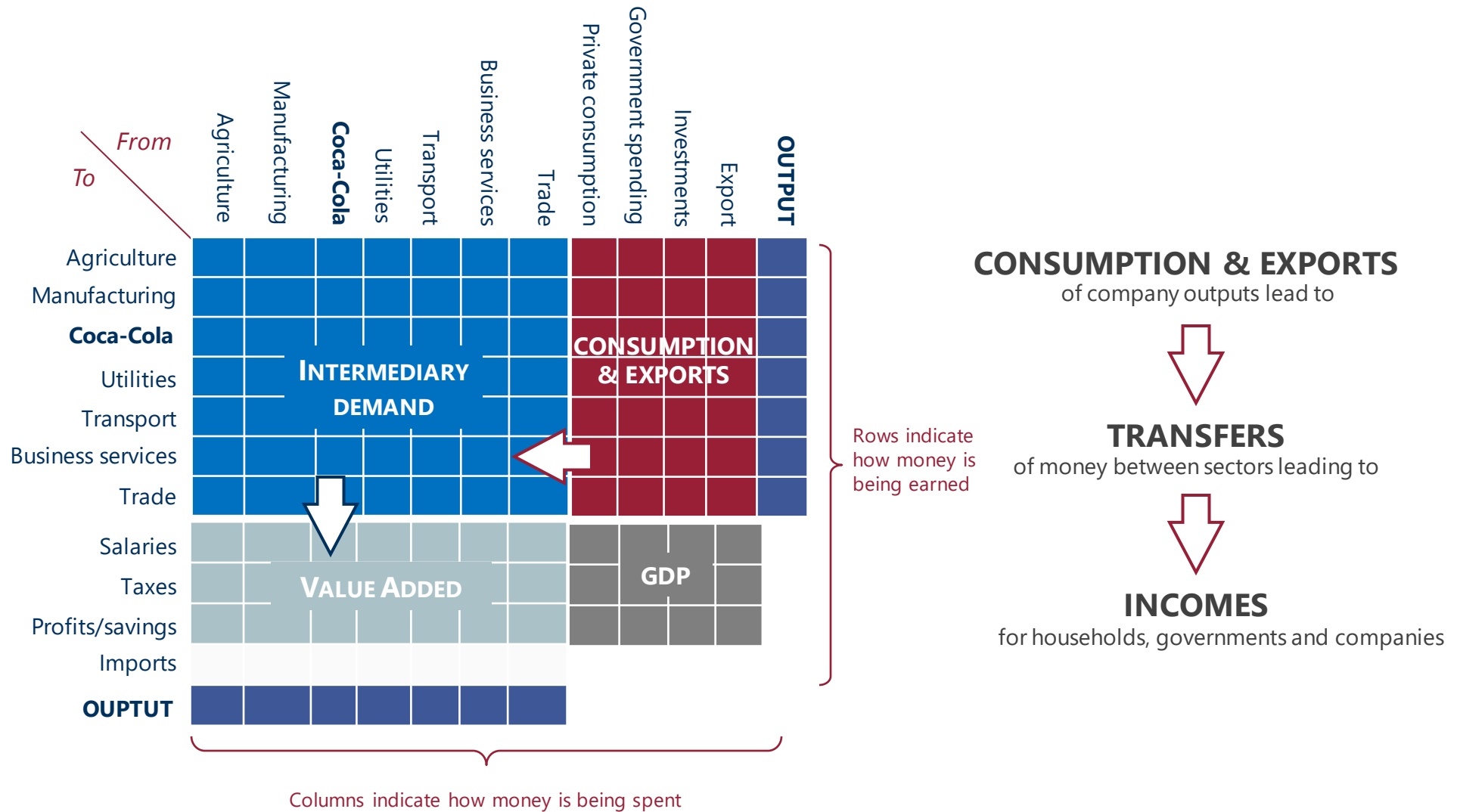
The model combines Coca-Cola System financials and official statistical data to quantify impacts



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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Impact of TCCS in Bulgaria in 2021 in a nutshell

Coca-Cola is a **local business**

- Coca-Cola is a local business, producing **355 m liters** in one plant and one water facility in Bulgaria
- The Coca-Cola System in Bulgaria consists of **5 different units**
- The System buys goods and services worth **€67 m** from domestic suppliers



€327 million total income contribution

- The System generates **€90 m** incomes directly
- Indirectly, it supports **€48 m** in incomes upstream and is associated with **€189 m** downstream
- The total contribution equals **0.5%** of Bulgaria's GDP
- For every **€1** spent on Coca-Cola beverages leads to **€0.75** of incomes in Bulgaria



Of the total incomes, **€142 m** is taxes

- The System pays **€21 m** in taxes and supports **€121 m** indirectly (of which **€73 m** in VAT)
- The amount equals nearly **1%** of Bulgaria's tax income; this is equal to **1/2** of the government's spending on cultural services, or to the amount needed to fund the annual educational expenses of nearly **94,500** students



14,700 jobs across the value chain

- The System employs nearly **3,000** people in its production plants and offices
- The System supports **2,200** jobs upstream and is associated with **9,500** downstream
- Every job in the System supports **4** jobs elsewhere, of which **1** due to local production, and **3** from local sales



* Government spending on cultural services in 2020 (latest reported) : €284 million (Eurostat);

** Based on government spending on early, primary and secondary education and pupils enrolled at these levels in 2018 (€ 1.5million spent and 973,222 pupils respectively, Eurostat)