



The Coca-Cola System and Bambi's 2023 impact in Serbia

Final report

Key findings on The System's impact in 2023

TCCS and Bambi are local businesses, adding value to the Serbian economy and supporting employment opportunities



TCCS and Bambi

Make up the total operations of this study



701 million litres

of AFB produced more than 31 million kgs of confectionery in the country



€ 162 million

worth of goods and services purchased from Serbian suppliers



€ 633 million

Value-added supported in the economy across the value chain



0.9%

contribution to Serbia's gross domestic product



1.3% of tax income

Supported through tax payments across the value chain, amounting to € 343 million



1,788

people employed directly by The System in Serbia



20,800

employment opportunities supported in the value chain**



1:11

For each direct job at The System, there are 12 others supported elsewhere along the value chain



1. Introduction

2. Impact Drivers

3. Economic Impact

4. Comparison 2021- 2023



This study reports on the 2023 impact of the Coca-Cola System and Bambi in Serbia

Introduction

The impact of The Coca-Cola System (TCCS) and Bambi spans beyond its factories and offices, across its local value chain

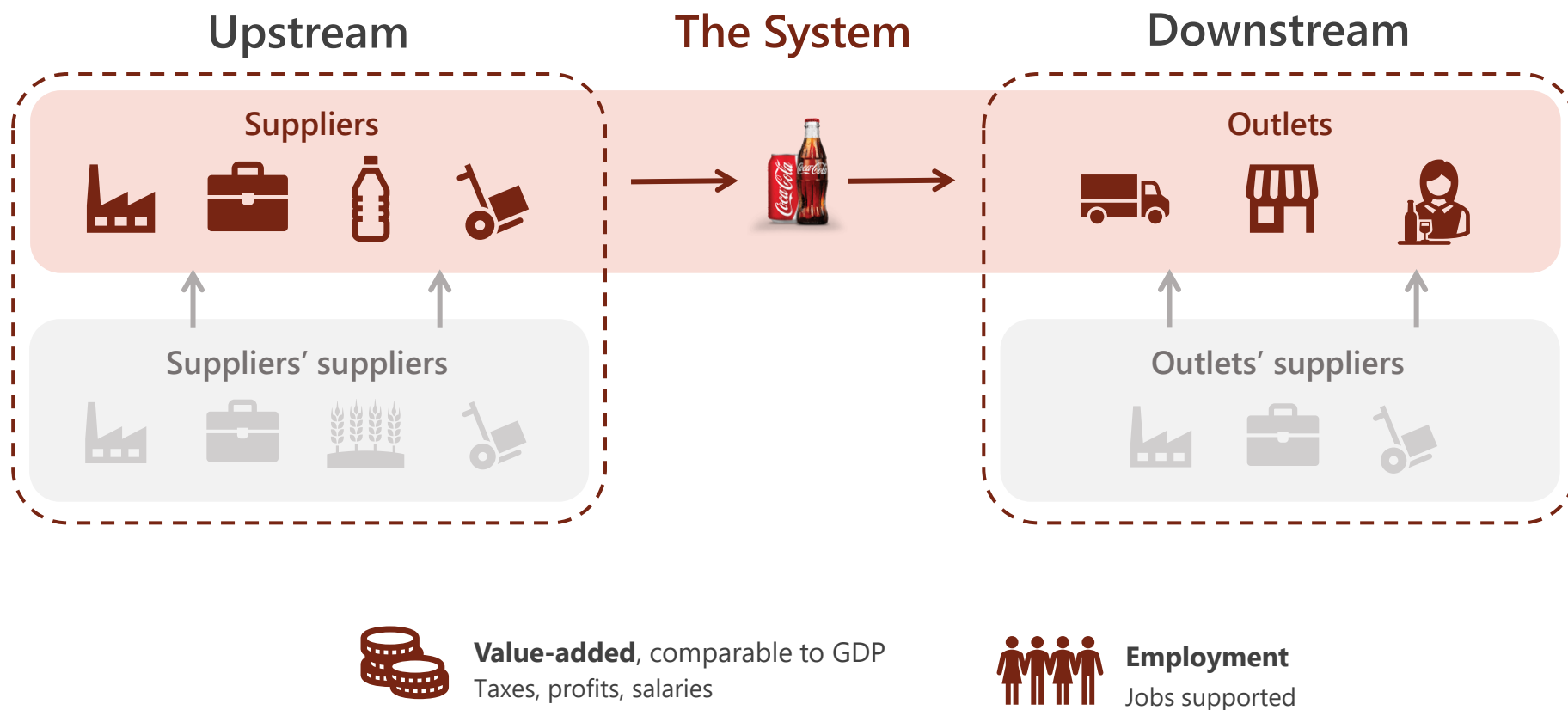
The Coca-Cola System and Bambi commissioned this assessment to gain insights into the magnitude of their direct and indirect impact on incomes and employment in Serbia

The scope of this study is the 2023 economic impact of TCCS and Bambi combined

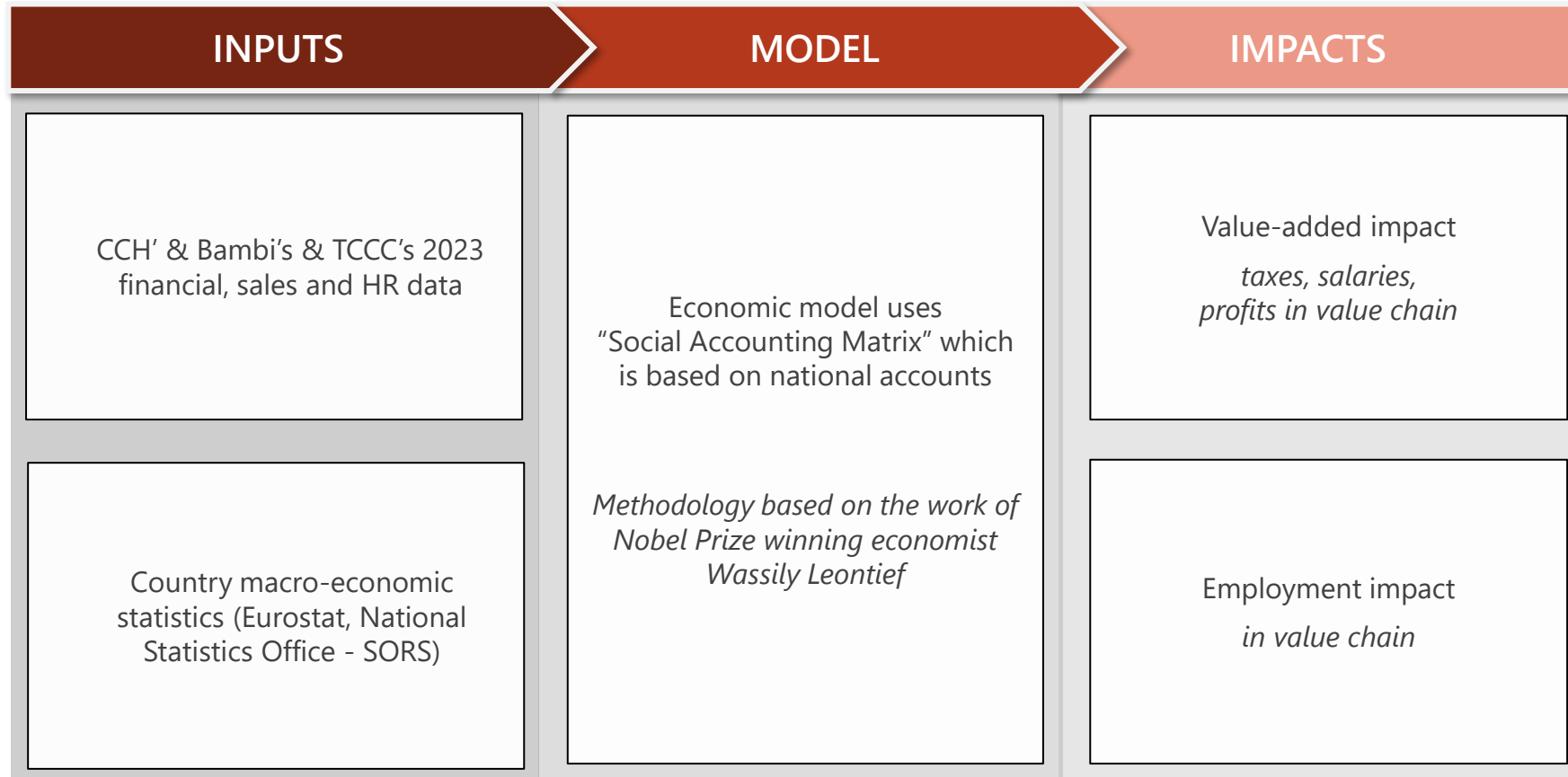
- This is the fifth study we execute for TCCS in the country
- The study covers the activities of the Coca-Cola Hellenic Bottling Company (CCHBC), Bambi and The Coca-Cola Company
- This study's scope is not exhaustive as it does not assess environmental or community impacts

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 and Bambi's impact along its value chain



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





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We estimate the retail value of TCCS' and Bambi's products to amount to € 912 million in 2023 in Serbia

In 2023, retail value amounted to

€ 912 million

for

701 million litres*

of TCCS' alcohol-free beverages,

31 million kg**

of Bambi confectionary,

127,700 UCs of premium spirits, and

174,000 kg of coffee



€ 143 m

Value added tax on final product price

€ 308 m

Markups for outlets and distributors

€ 410 m

TCCS and Bambi local sales revenues

+€ 51 m in expenses by TCCC, revenues from exports, beer sales and other revenues

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 DIRECT & UPSTREAM IMPACT

- TCCS and Bambi pay taxes and salaries, and hires people in Serbia
- 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

Note: Beer sales volumes are excluded from the scope of the study

*701 million liters of alcohol-free beverages were produced by CCH in Serbia, 609 million liters were sold locally while 92 million liters were exported

**31 million kgs of confectionery was produced by Bambi in Serbia, 22 million kgs were sold locally while 9 million kgs were exported

€ 141 million, equivalent to 49% of total procurement expenses, was spent on domestic suppliers, driving upstream impacts

Breakdown of procurement in Serbia
€ million



“Others” includes finance and insurance services, public services, real estate activities, construction, aluminium and water



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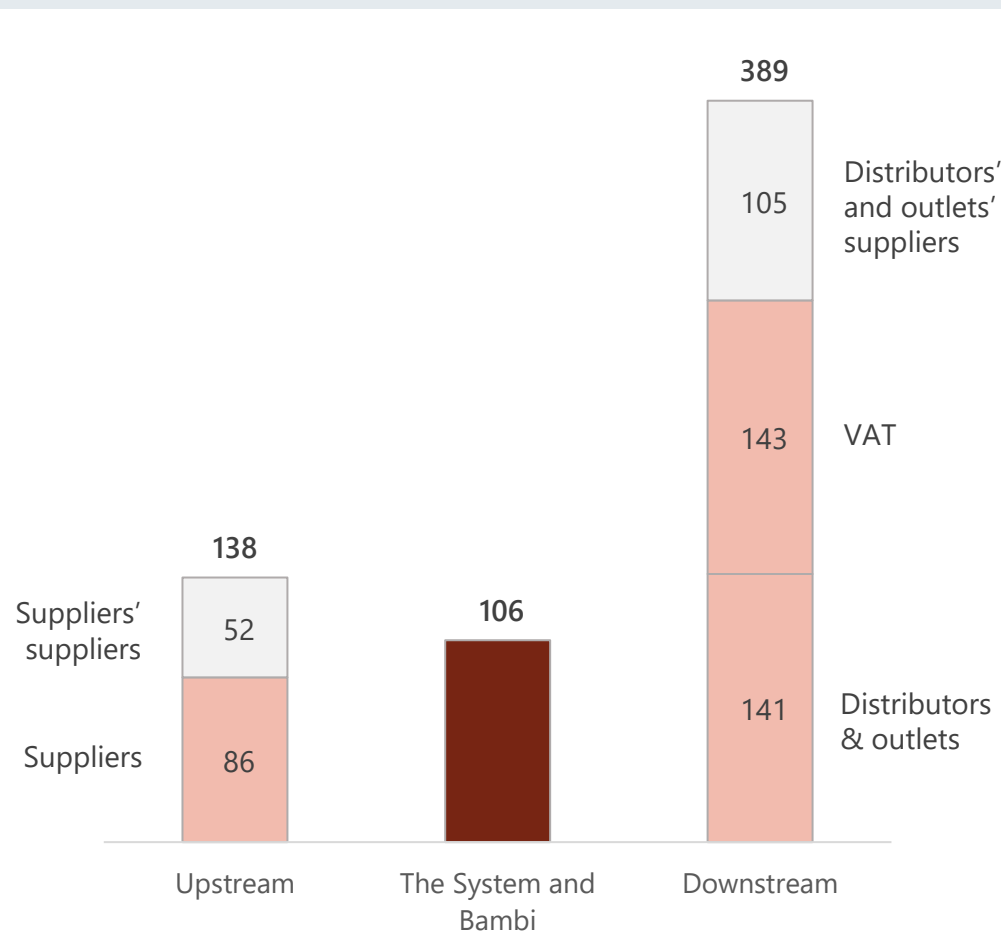
4. Comparison 2021- 2023

Combined, TCCS and Bambi, support € 633 million in value-added across their value chain, which represents 0.9% of Serbia's GDP



Value-added by value chain link

€ million



Highlights

The System directly generated € 106 million in incomes

- These include the salaries paid, taxes born. Profits are excluded since these do not end up in Serbia because of foreign shareholding

Indirectly, The System supported € 527 million across the value chain

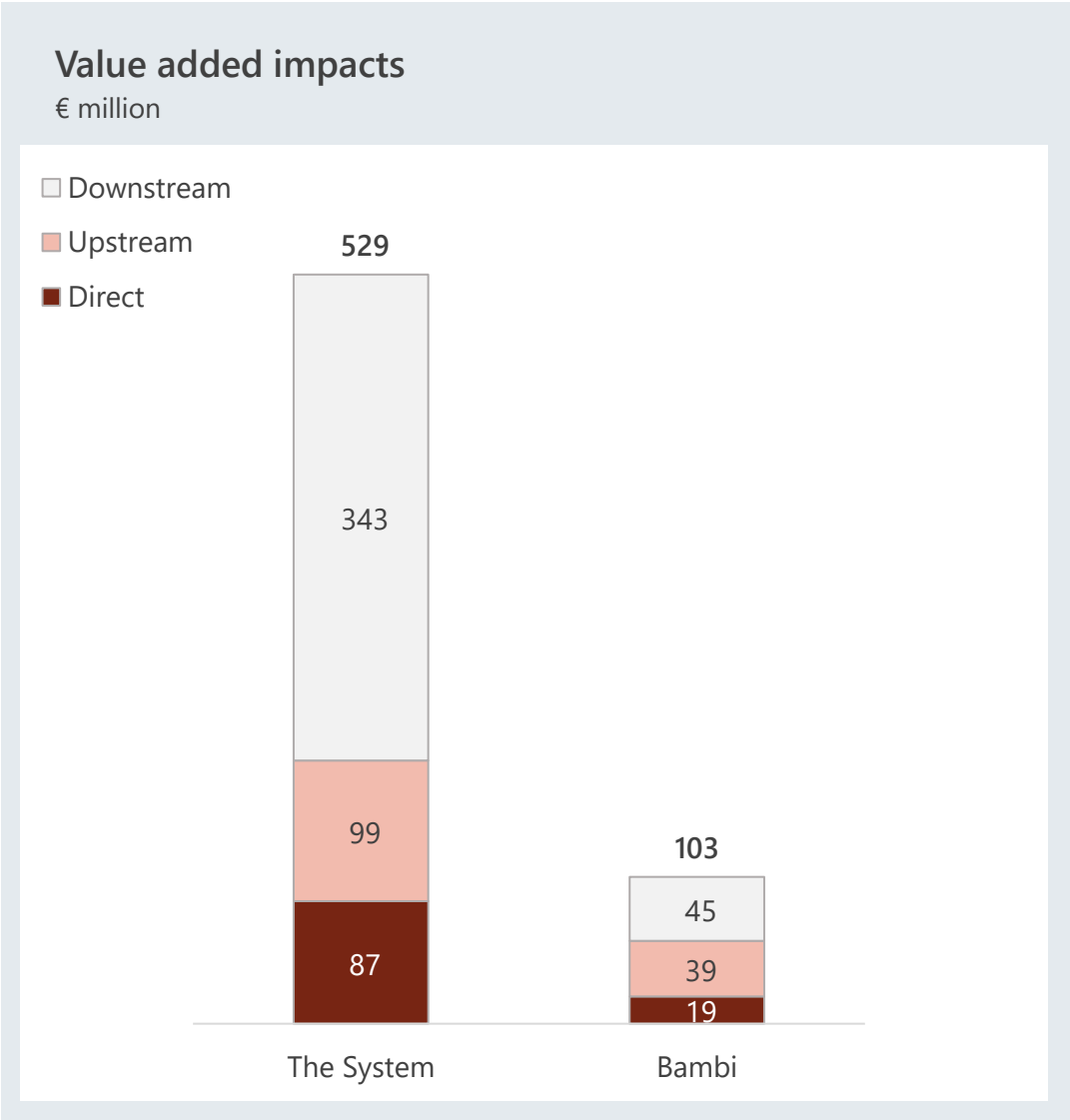
- The impact upstream is € 138 million, of which € 86 million can be attributed to suppliers and a further € 52 million to suppliers of suppliers
- The downstream value-added supported is € 389 million, of which € 143 million is VAT attributable to The System's sales; distributors and outlets benefited € 141 million and suppliers of distributors and outlets benefited € 105 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 of € 633 million is equivalent to 0.9% of the country's GDP in 2023*

*The total GDP for 2023 is EUR€ 69.5 billion (EUROSTAT)



The value-added impact of The System is much larger than that of Bambi, reflecting the size of their operations



TCCS supported almost 83% of total value-added impact

The Coca Cola System supported € 528 million in incomes

- The direct value generated was € 86 million
- The indirect value supported was € 442 million, of which € 99 million upstream via production, and € 343 million downstream via sales
- For each € 1 of direct value added generated, TCCS supported another € 5 of value across the Serbian economy

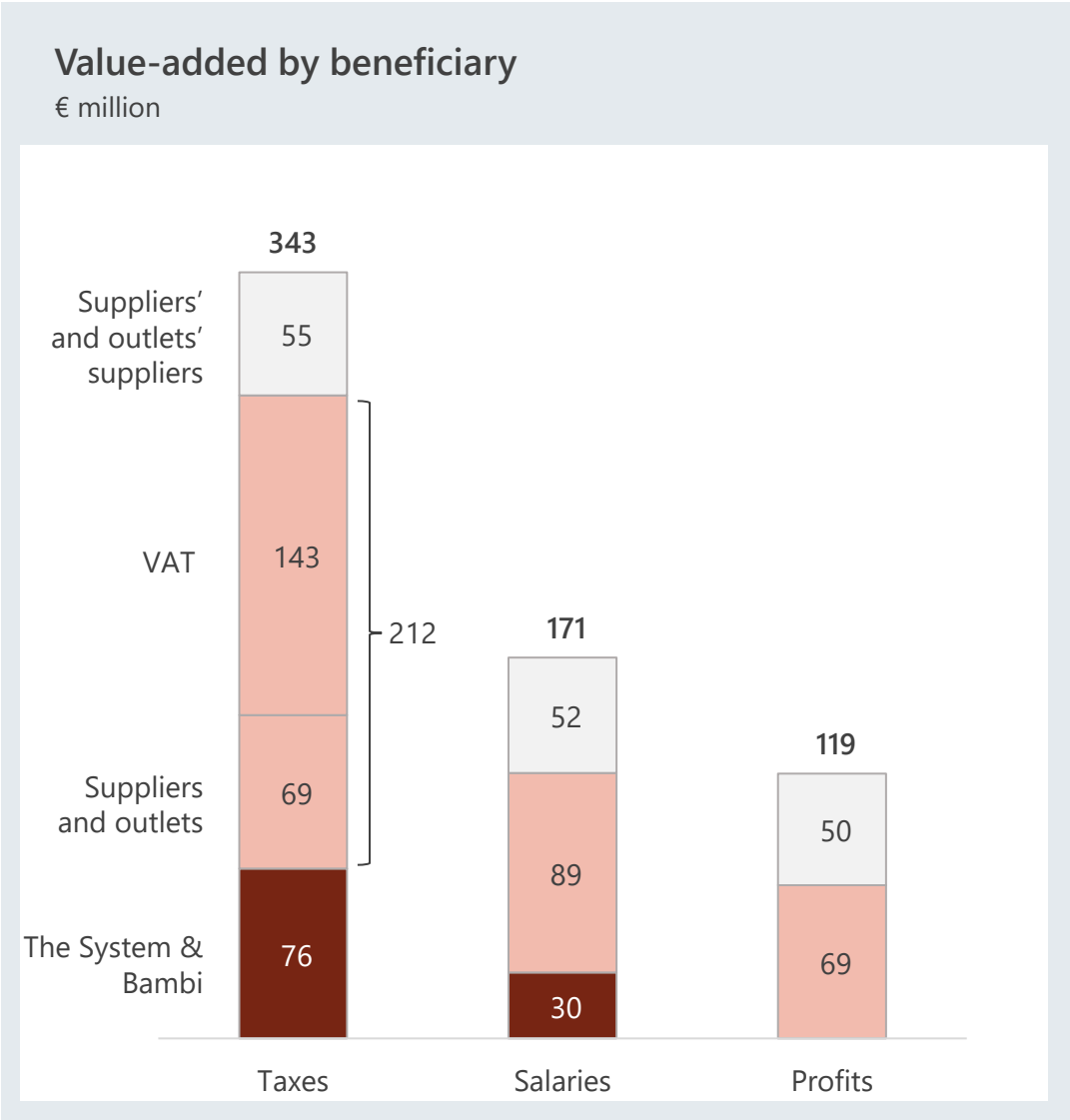
Bambi, now included for the total operations over 2023, supported another € 103 million

- The direct value generated was € 19 million
- The indirect value supported was € 84 million, of which € 39 million upstream via production, and € 45 million downstream via sales
- For each € 1 of direct value added generated, Bambi supported another € 4 of value across the Serbian economy
- The System shows higher downstream impacts relative to Bambi. This is because; 1) Bambi has a higher share of local procurement than TCCS (68% vs 49%), which drives upstream impacts and; 2) Bambi sells through sales channels with lower downstream margins

*The total GDP for 2023 is EUR€ 69.5 billion (EUROSTAT)



The value-added results can also be broken down per beneficiary, which clearly shows the government benefits most of the System's activities in Serbia



Highlights

The total value-added of € 633 million can also be broken down by beneficiary

Tax payments supported by the Coca-Cola System throughout the value chain equal € 343 million, contributing 1.3% of total tax revenues of the government*. Of these taxes, € 76 million is paid directly by The System. This makes the government the biggest beneficiary from The System' activities in the country. Taxes paid by The System include direct and indirect taxes

- From the € 212 million taxes at the suppliers and outlets of The System, € 143 million is VAT related to the sales of The System' beverages; the other € 69 million is taxes paid by The System' suppliers, distributors and outlets

Households across the value chain benefited € 171 million, of which € 30 million was earned by The System's own employees

Serbian companies across the value chain made an estimated € 119 million in profits from their cooperation with The System**

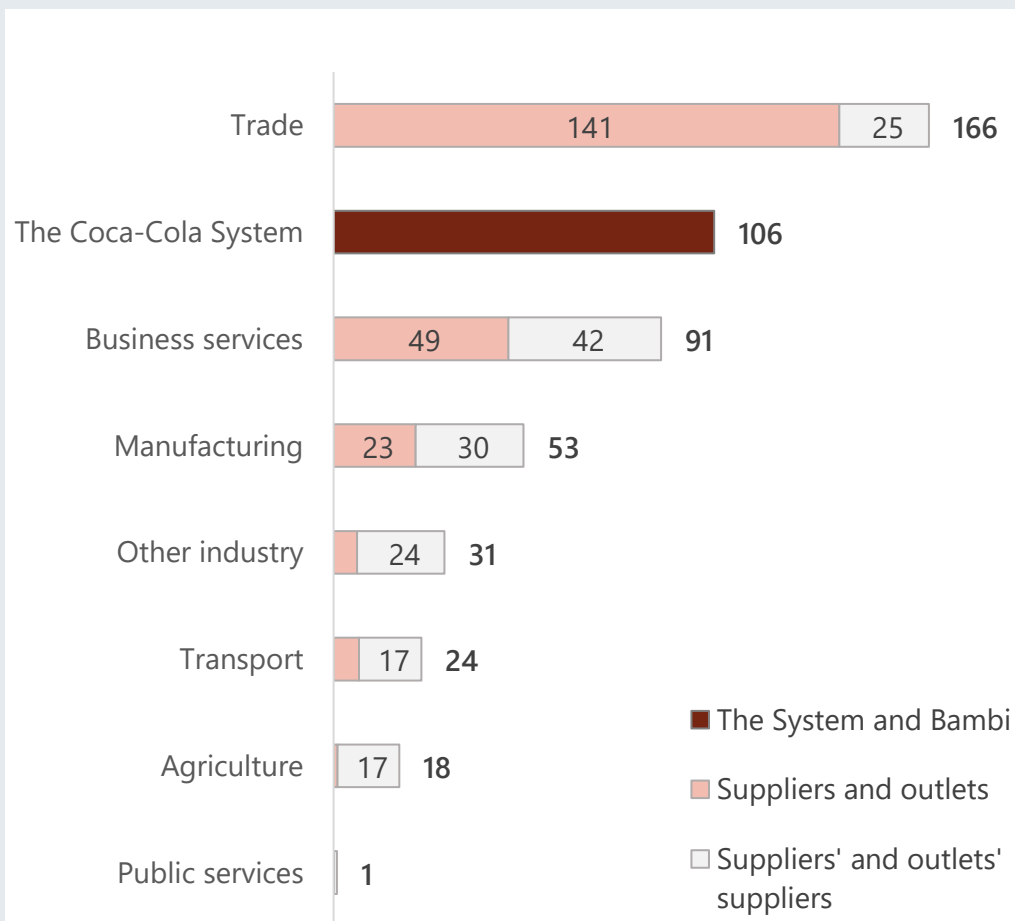
*Using tax revenues from 2023 and converting to euros for Serbia, it was estimated to be EUR 27.1 billion in 2023 (SORS)
** This figure excludes the direct profits made by the The System itself

Trickling down its value chain, the impact of The System and Bambi spreads throughout many sectors of the economy



Value-added by sector*

€ million



Highlights

The trade sector was the primary beneficiary with € 166 million in value-added

- Of the € 141 million value-added at the level of suppliers and outlets, € 55 million were estimated for FC channel (traditional and modern supermarkets), and EUR € 85 million for IC channels (HORECA)

The business services sector benefited € 91 million; with € 49 million of that resulting from The System's own procurement

The manufacturing sector benefited € 53 million, with € 23 million for direct suppliers of goods like sugar or packaging material

The transport sector benefited € 24 million; this consists of € 7 million value-added through The System's suppliers like logistic companies

The agriculture sector benefited € 18 million indirectly, mostly 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 (e.g. hotels, supermarkets) or other value chain partners

* Value-added by sector excluding VAT

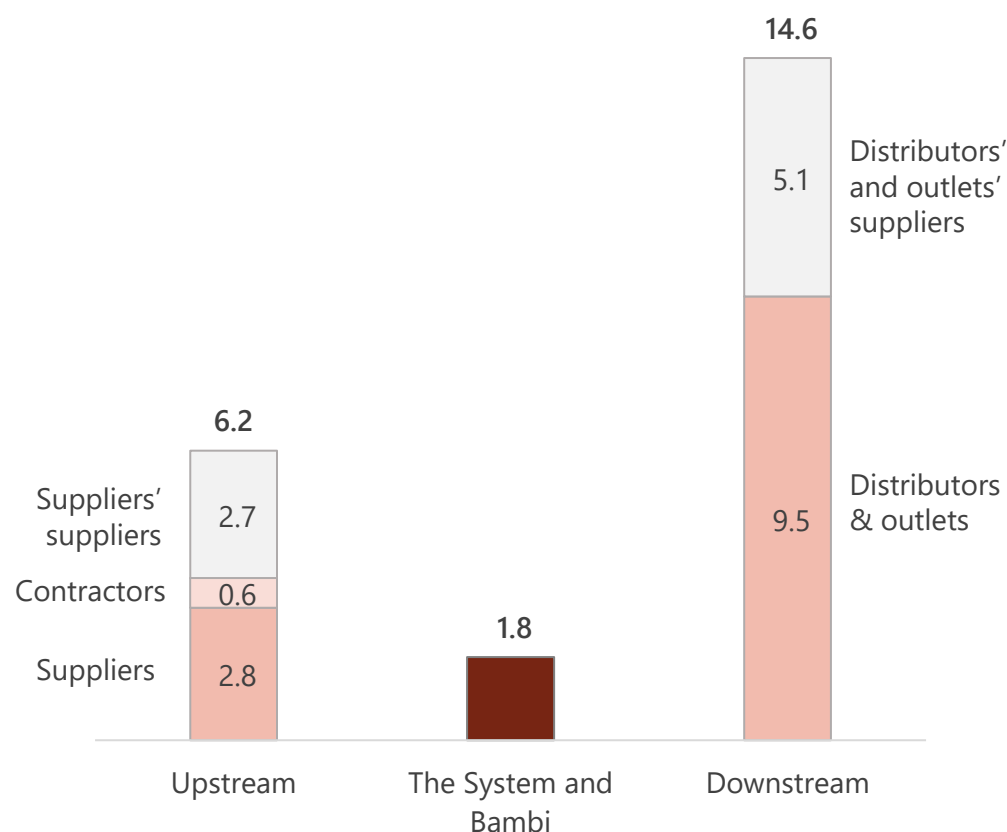
**The Coca-Cola System itself does not procure agriculture products directly, therefore these results relate to The System's suppliers and trade outlets procuring their own agricultural products



TCCS and Bambi supported 22,600 employment opportunities throughout their combined value chains

Employment

Thousands of people



Highlights

The value chain employment of The System is estimated at 22,600 representing 0.75%* of total employment in Serbia

The Coca-Cola System generated 1,788 direct jobs. Indirectly, it supported additional estimated 20,800 employment opportunities, of which

- 6,200 were upstream (3,500 across its own Serbian suppliers, and 2,700 at the level of the suppliers of its suppliers)
- 14,600 were downstream (9,500 across the distributors and outlets selling its beverages, and 5,100 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)

For each direct job at the Coca-Cola System, there were 11 jobs supported elsewhere along the value chain, of which 3 were upstream via local procurement, and 8 were downstream via sales

*Total employment was estimated at 3.02 million people in 2023 (EUROSTAT)

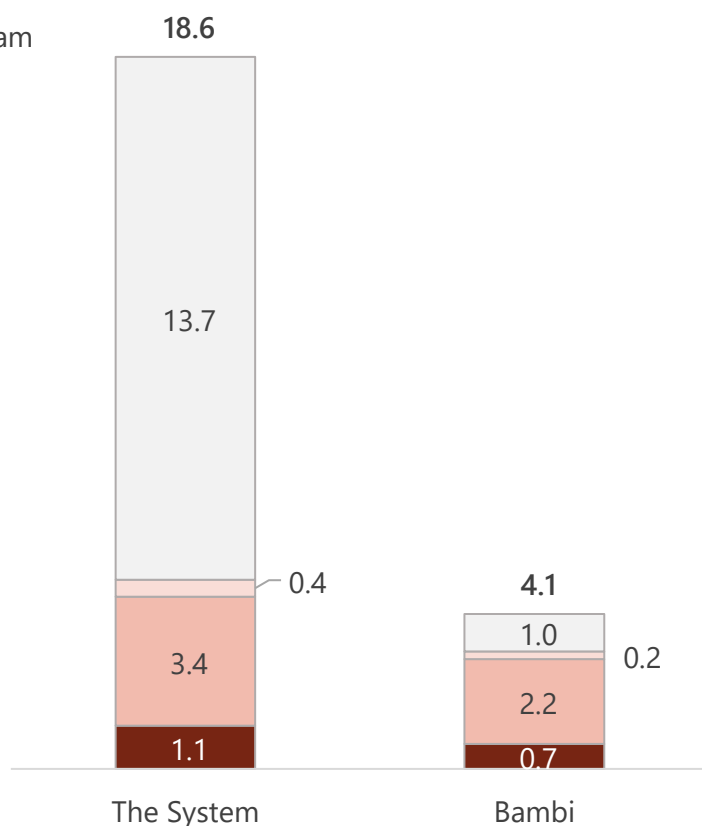


The employment impact of the System's business is much larger than the impact of Bambi, reflecting the size of both operations

Employment

Thousands of people

- Downstream
- Contractors
- Upstream
- Direct



TCCS supported nearly 82% of total employment impact

The Coca Cola System supported 18,600 employees

- CCHBC and TCCC combined employed 1,131 people
- Indirect jobs supported amount to 17,500, of which 3,800 upstream via production (incl. ~440 contractors), and 13,700 downstream via sales
- For each direct employee, TCCS supported another 16 employees in Serbia

Bambi supported another 4,100 jobs

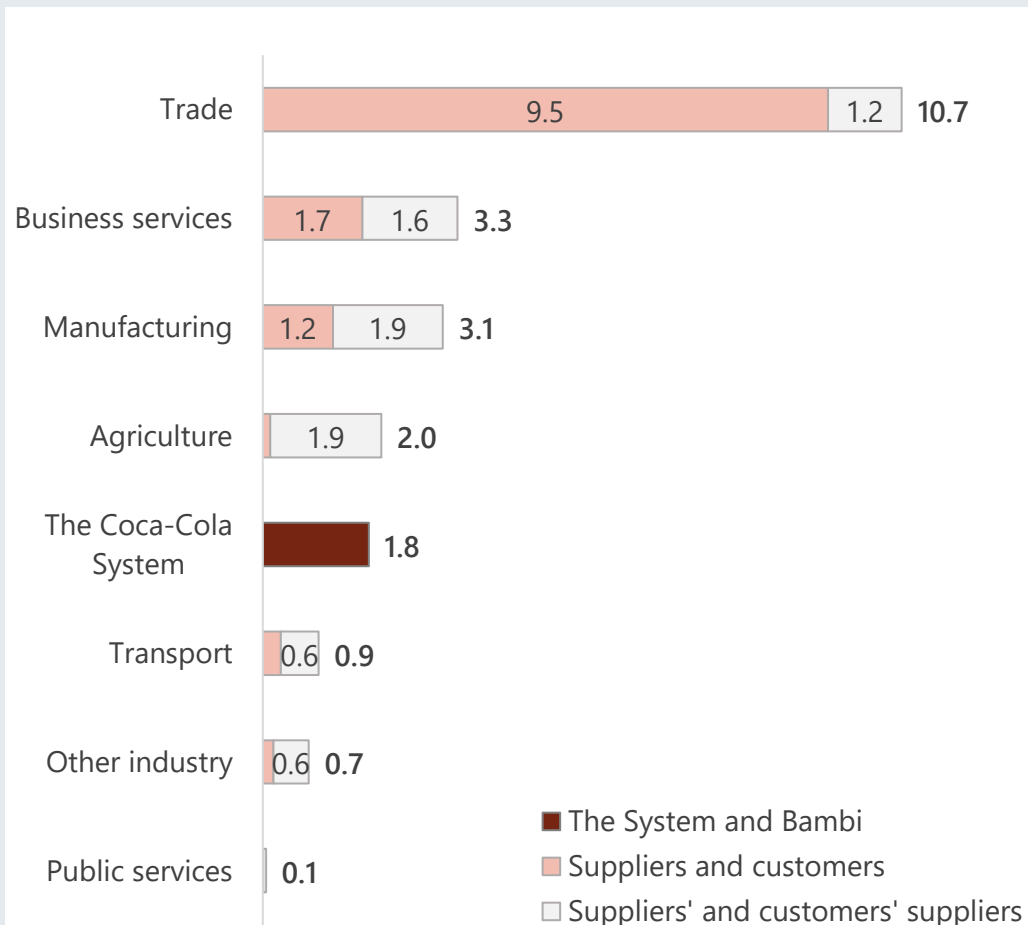
- Bambi employed 657 people directly
- The indirect jobs supported were 3,400 of which 2,400 upstream via production (incl. ~201 contractors), and 1,000 downstream via sales
- For each direct employee, Bambi supported another 5 jobs across Serbia. This is lower than TCCS and is mainly driven by the difference in downstream impacts
 - Bambi sells primarily through FC channels which generally have lower margins for the retailers (absolute downstream markup Bambi vs TCCS is 22% vs 84%)
 - The FC sector is also less labour intensive than IC (e.g. fewer people needed to produce the same economic output)



Most supported jobs are in the trade sector, through the sales of its products

Employment

Thousands of people



Highlights

The System's contribution to direct jobs is 1,788 but due to their procurement and sales activities its contribution to employment supported in the trade, business services, manufacturing and agriculture exceeds number of direct jobs

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

- In total, 10,700 jobs were supported in the sector
- 9,500 jobs were mostly spread across distributors, and employees of outlets selling Coca-Cola beverages; 2,400 of these were estimated at FC outlets (traditional and modern supermarkets), and 7,000 at IC outlets (e.g. on premise, such as bars, hotels, restaurants)

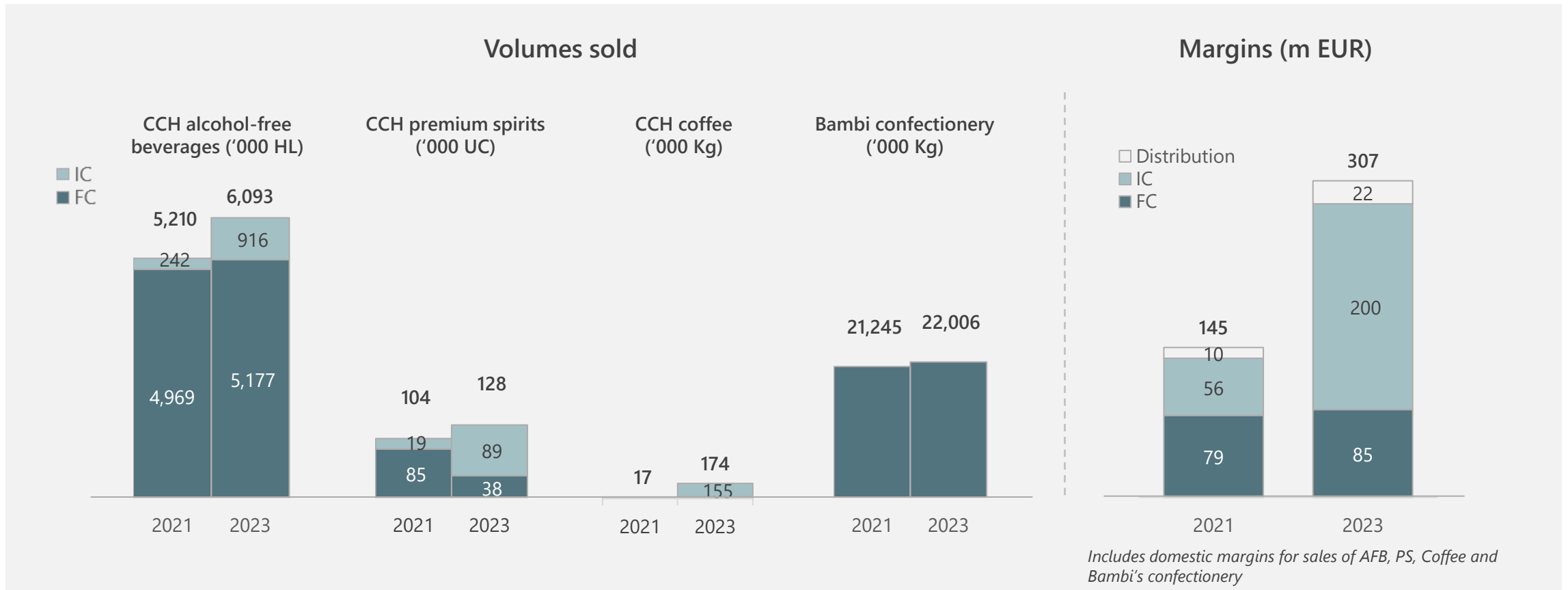
At the business services and manufacturing sectors 3,300 and 1,800 employment opportunities respectively were related to The System. 900 jobs were supported in the transport sector.

The Coca-Cola System indirectly supported 2,000 jobs in the agriculture sector. As for the value-added results, these are mostly at the level of the suppliers of The System's direct suppliers and partnering outlets



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Compared to 2021, sales in IC increased more than in FC, driving the increase in downstream impacts

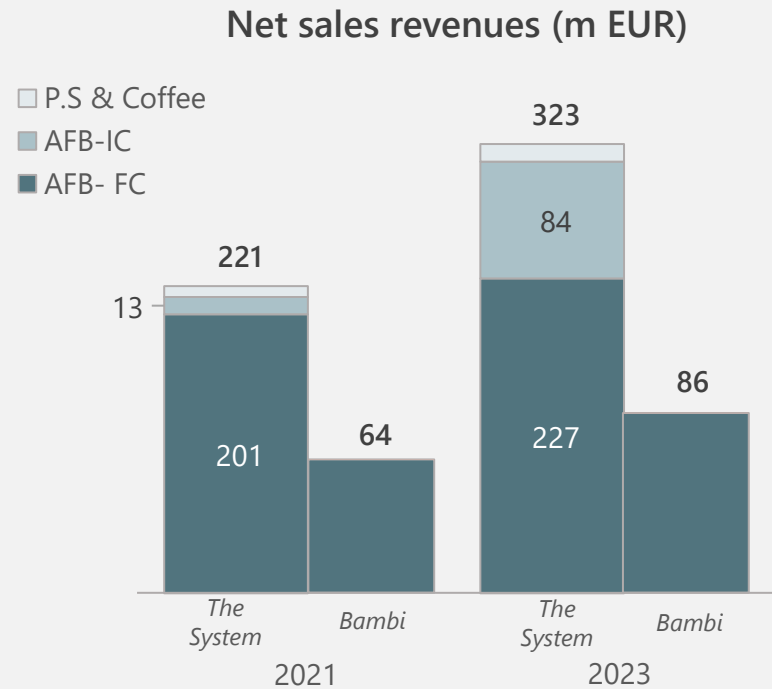


Changes in impact results are driven by production and its associated procurement and sales channels (FC/IC). Compared to 2021, beverage sales increased mainly in the IC channel as a post-COVID effect. In terms of volumes the most significant category, AFB's, increased for IC from 242k HL to 916k HL (+279.2%), and for FC from 4.9m HL to 5.2m HL (+4.2%)

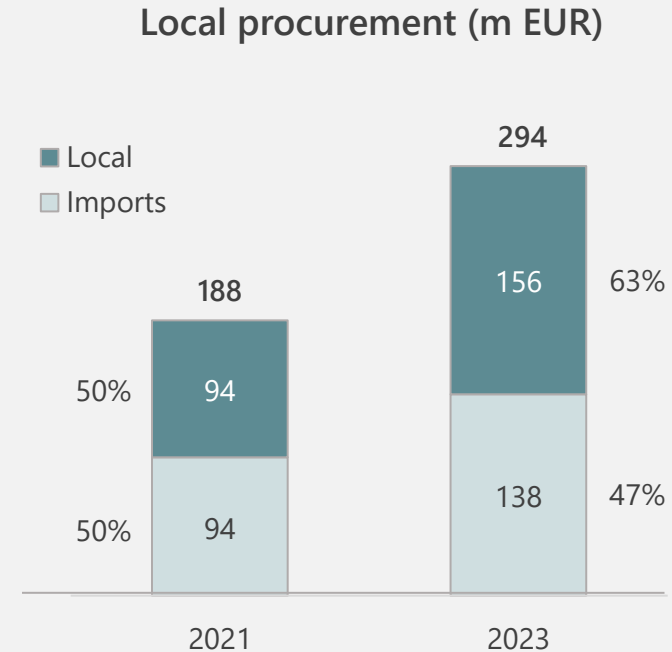
Total downstream markups increased from 145m to 307m (+111%)

- This is mainly driven by the shift in sales towards IC (for the beverage categories) and its associated higher margins in IC (e.g. for AFB, average IC margins are 171% and FC margins are 20%)
- An average increase in distributor and retail margins. For instance, for AFB, the average margins for both IC and FC have slightly increased compared for IC compared to 2021 (from 162% to 171%)
- Distributor margins increased for all product categories; IC margins increased for AFB and Coffee, while they decreased for PS; FC margins decreased due to lower markups for AFB and PS

Revenues, and specifically expenses on domestic vendors, drive the changes in upstream value chain impacts of TCCS and Bambi



Beer sales fees and other revenues are excluded



Procurement covers combined The System and Bambi procurement

Total NSR increased 44%

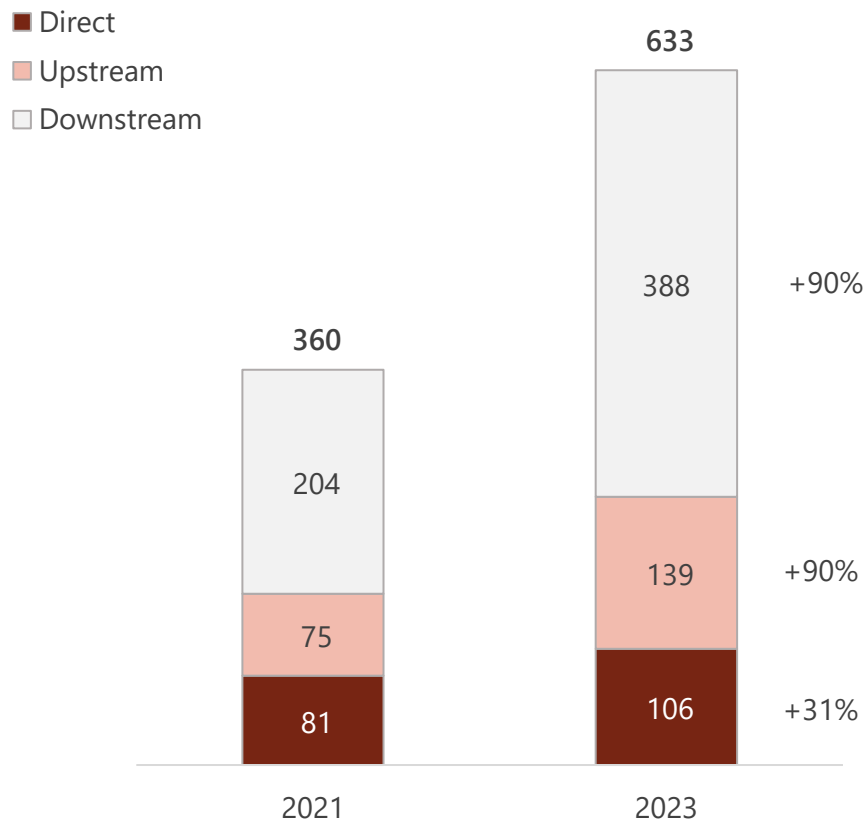
- For Bambi, NSR increased by 35% while sales volumes increased by 4%, indicating cost increases and higher average retail selling prices
- For CCH, AFB and PS categories experienced a higher NSR increase compared to the volume increase, signaling an increase in average selling price; coffee experienced a lower NSR increase than the volume increase, resulting in a lower average selling price

Total System and Bambi procurement spending went up by 56%, indicating cost increases. Further, the share of local procurement out of total procurement increased from 50% to 54%. In absolute terms, the local spending increased from EUR 96 million to EUR 163 million (+69%)

Total value added increased by 77%, mainly driven by a growth in upstream and downstream impacts

Value added

EUR million



Highlights

Direct value added increased by 31%

- Taxes paid increased by 38%
- Salaries paid increased by 14%, in line with growth of headcount

Upstream value added increased by 90%

- The main driver in upstream impacts is local procurement, which increased by 69%
- Around 20% of local procurement expenses go towards the business services sector. Compared to 2021, the updated macroeconomic statistics of Serbia show higher value-added in this sector, therefore further increasing upstream value added
- In addition, the update data shows that Serbian companies are procuring more from the local economy and are importing less. This drives up upstream impacts at the level of suppliers' suppliers

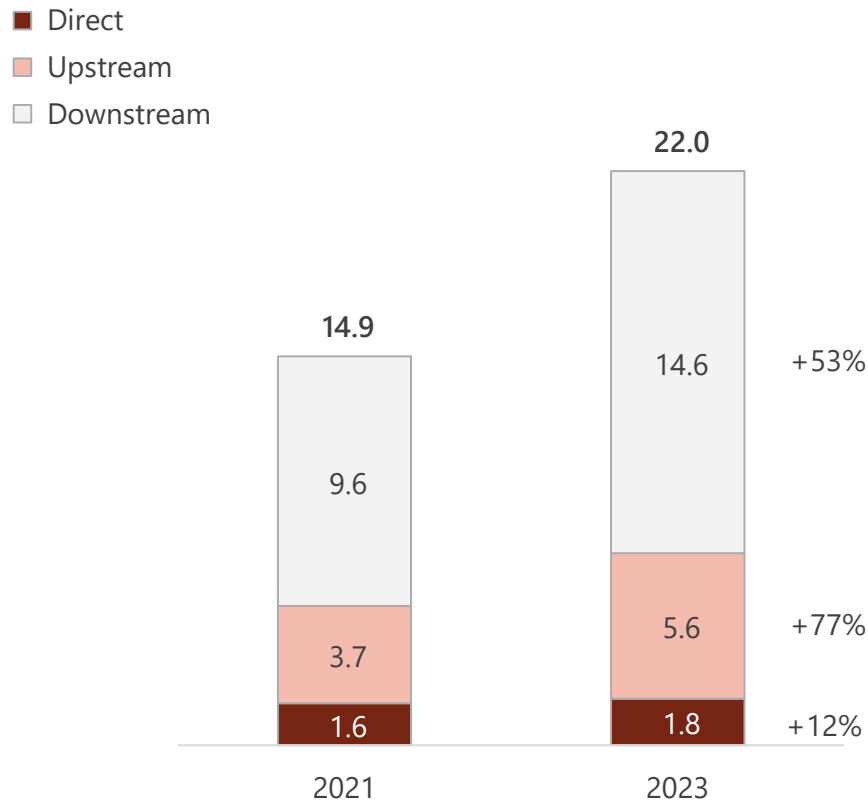
Downstream value added increased by 90%

- Absolute margins for distributors and selling partners increased by 111%, due to a combination of increased sales, more sales towards IC and an overall increase in distributor and retail margins
- Yet, the updated macroeconomic statistics of Serbia show relatively lower value-added ends up in the trade sectors compared to 2021, therefore slightly offsetting the value added increase downstream at the level of outlets

Total employment increased by 54%, mainly driven by a growth in upstream and downstream impacts

Employment

Thousands of people



Highlights

Direct employees increased by 12%

- Employees on the company payroll increased from 1,614 to 1,788

Upstream employees increased by 75%

- This is largely in line with the main driver in upstream impacts, local procurement, which increased by 69%
- Compared to 2021, there has been a shift in procurement expenses from business services to manufacturing sectors which are less labour intensive. This drives down the number of jobs supported at the level of the System's suppliers
- In addition, the update data shows that Serbian companies are procuring more from the local economy and are importing less. This drives up upstream impacts at the level of suppliers' suppliers

Downstream employment increased by 53%

- Margins for distributors and selling partners increased by 111%
- Compared to 2021, the trade sector in Serbia became more labour productive, meaning that fewer jobs are required to support the same economic activity. This leads to relatively lower downstream impacts at the level of the System's outlets, compared to the increase markups

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