

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

Final report

Key findings on the System's impact in 2022

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



2 sites*

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



573 million litres

produced in the country, equal to 101 m UCs



€ 8 billion

worth of goods and services purchased from Ukrainian suppliers



€ 12.1 billion

Value-added supported in the economy across the value chain



0.3%

contribution to Ukraine's gross domestic product



€ 5.5 billion

supported in tax payments across the value chain



1,185

people employed directly by the System in Ukraine



21,600

employment opportunities supported indirectly in the value chain



1:18

For each direct job at the System, there are 18 others supported elsewhere along the value chain

*Includes both bottler's and TCCC's sites (production plant, warehouse and office)



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

Introduction

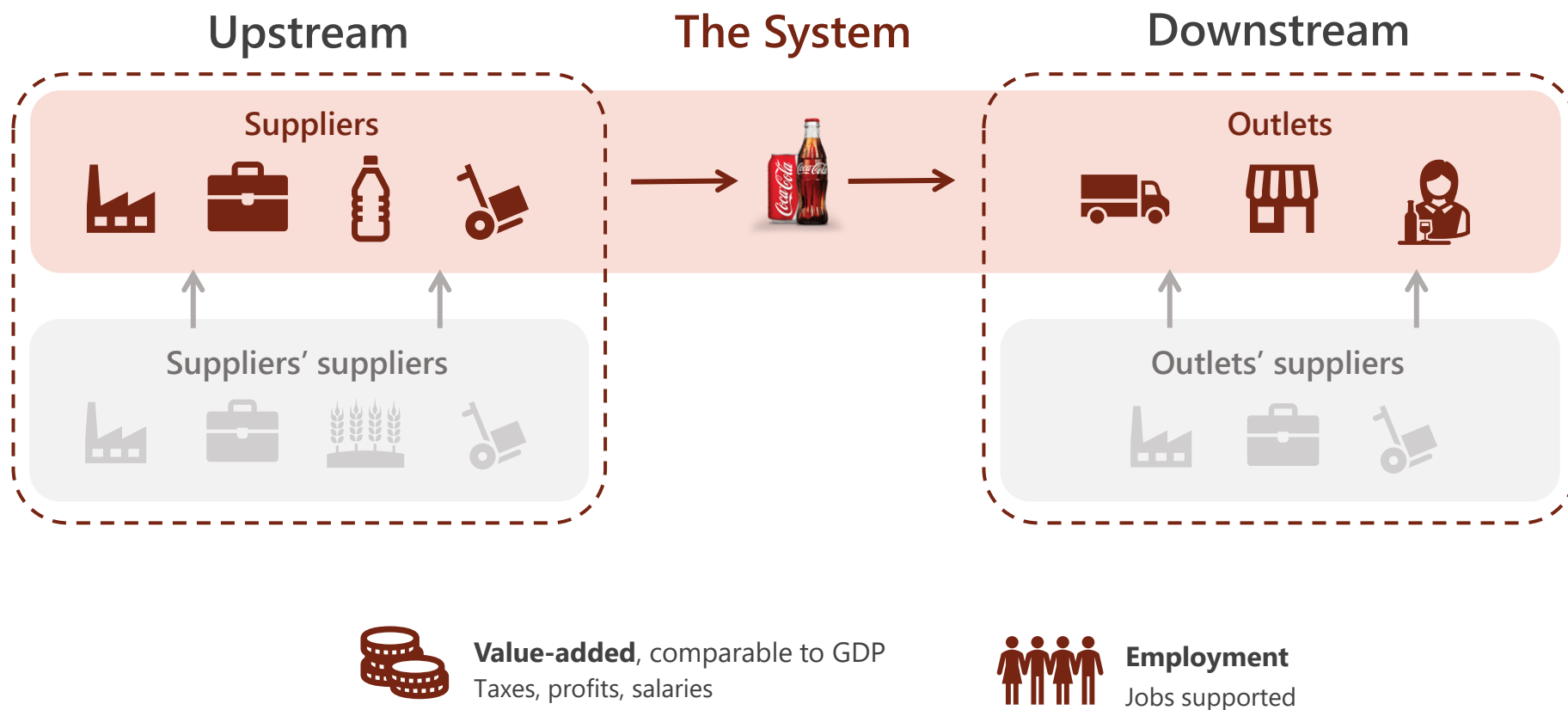
The Coca-Cola System (TCCS) commissioned this assessment to gain insights into the magnitude of its direct and indirect impact on incomes and employment in Ukraine

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

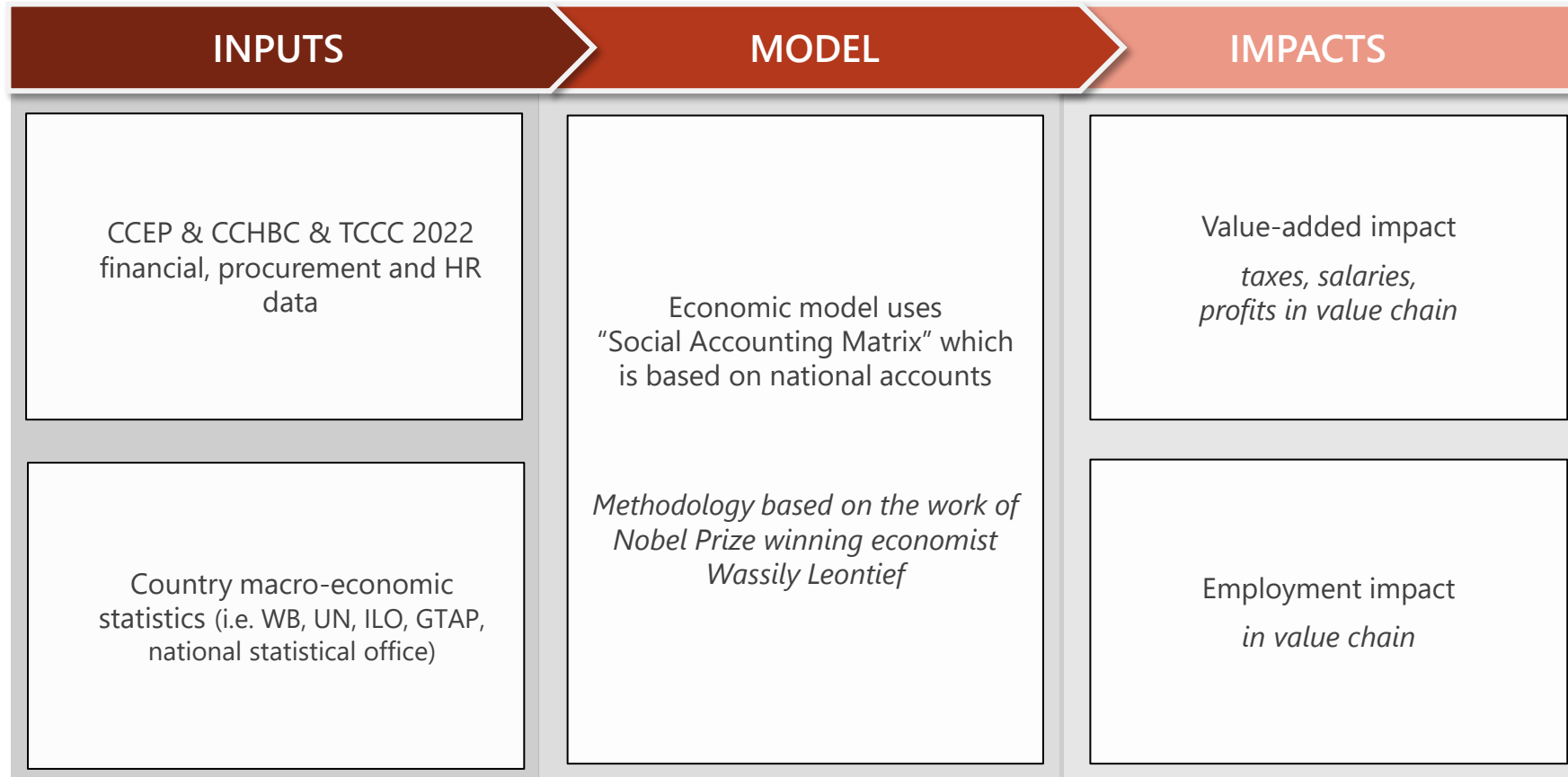
- The impact results presented in this study are part of a broader study on the impacts of the System in Europe
- This is the first study for TCCS in Ukraine
- Results are driven by economic activity of Coca-Cola Europacific Partners (CCEP), Coca-Cola Hellenic Bottling Company (CCHBC), and The Coca-Cola 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

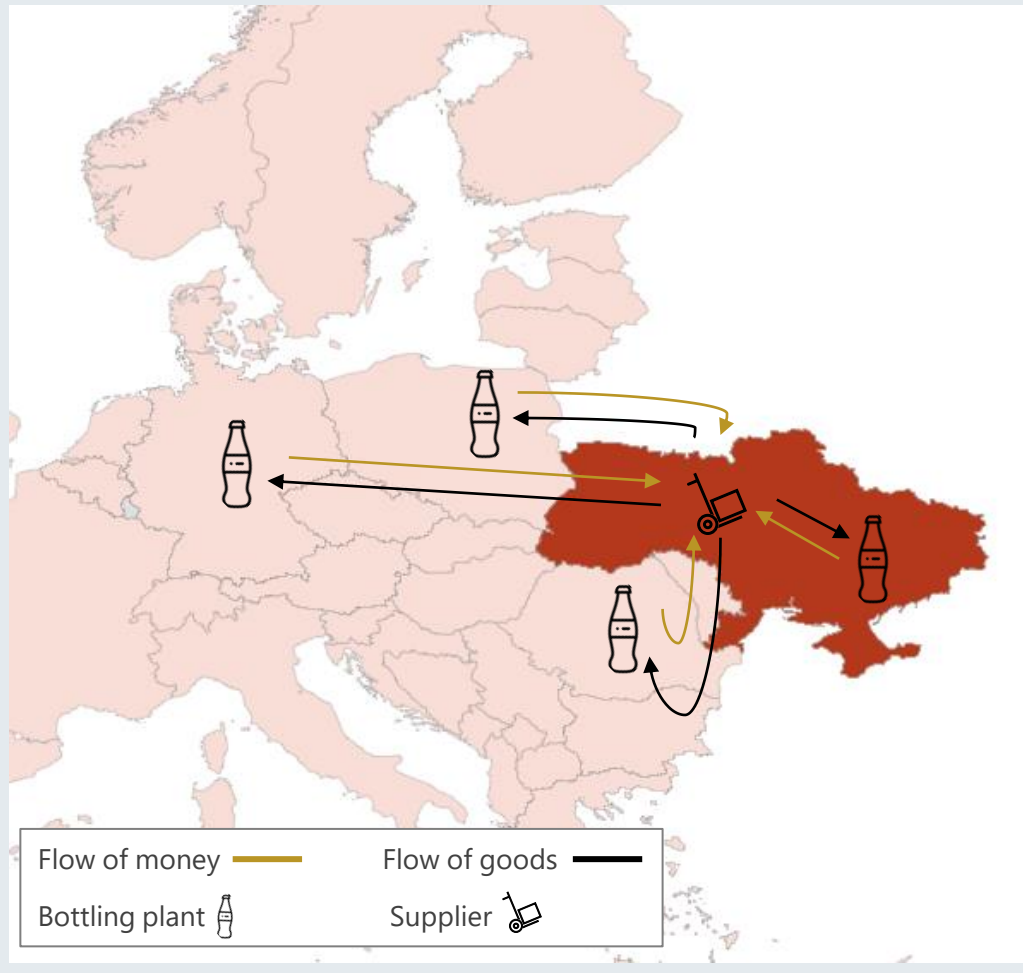


The model combines Coca-Cola System financials and official statistical data to quantify impacts



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 Ukraine and outlined in this report are driven by

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

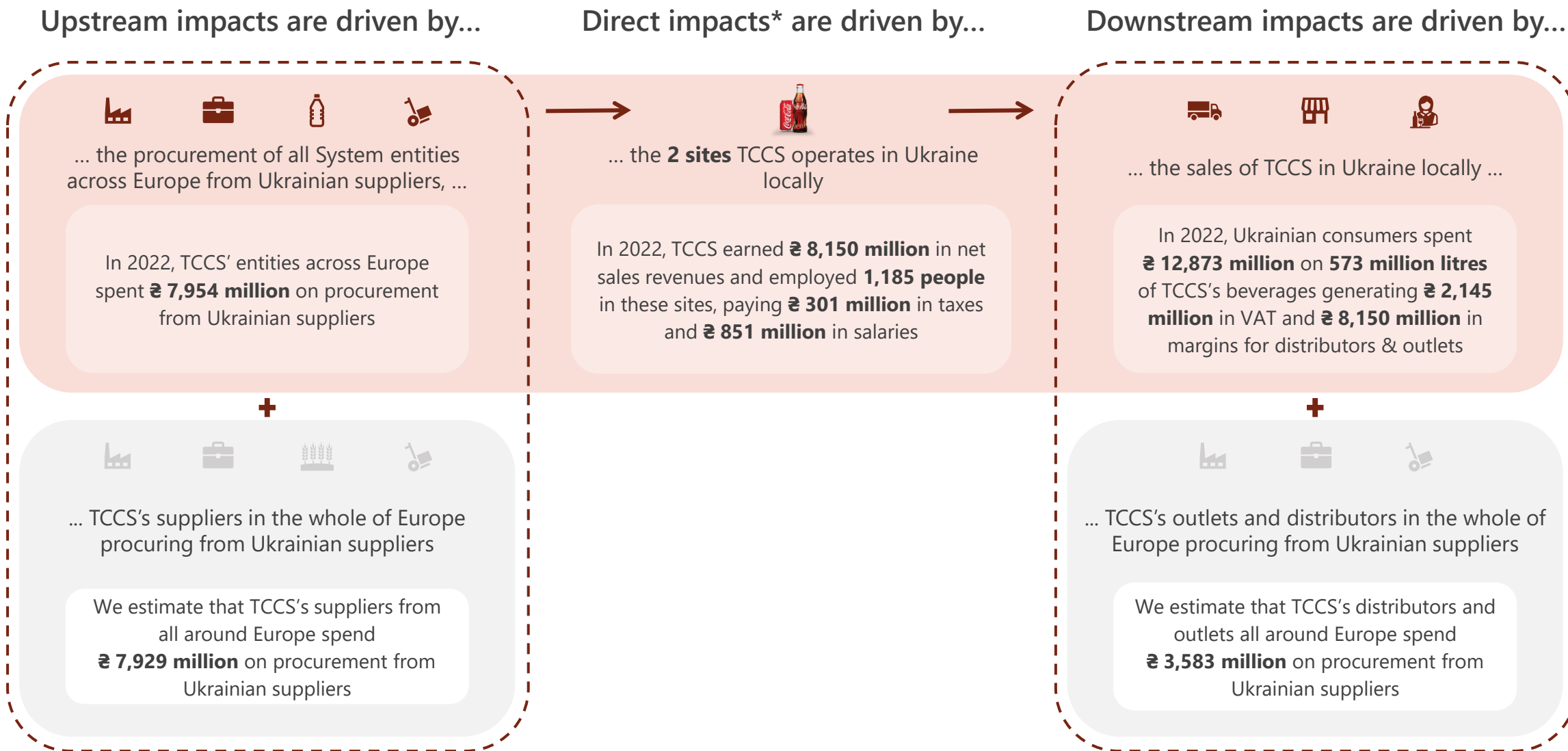


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Upstream impacts are driven by local and European entities, while direct and downstream impacts are driven by local entities

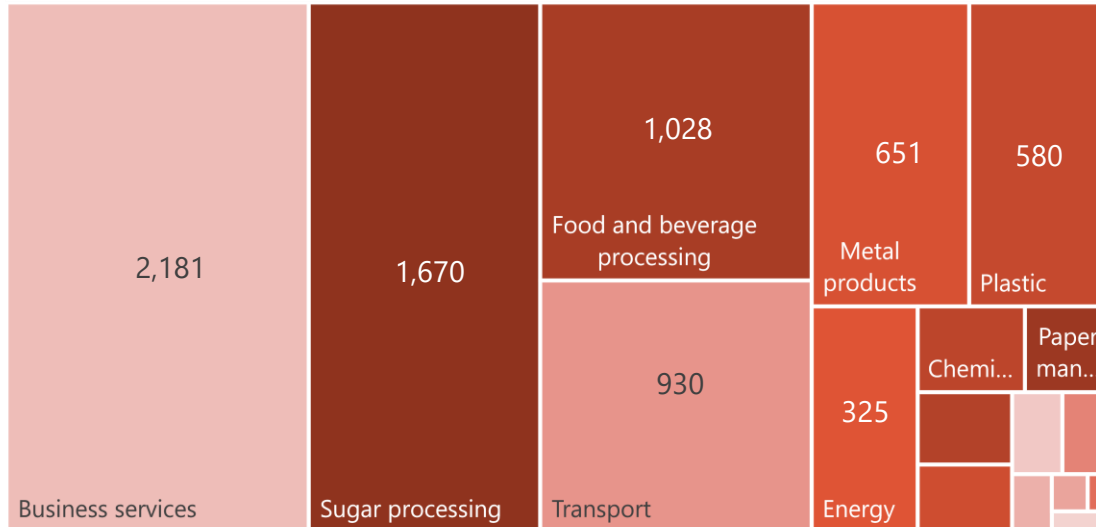


*Direct impacts only include salaries and taxes, excluding direct profits.

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

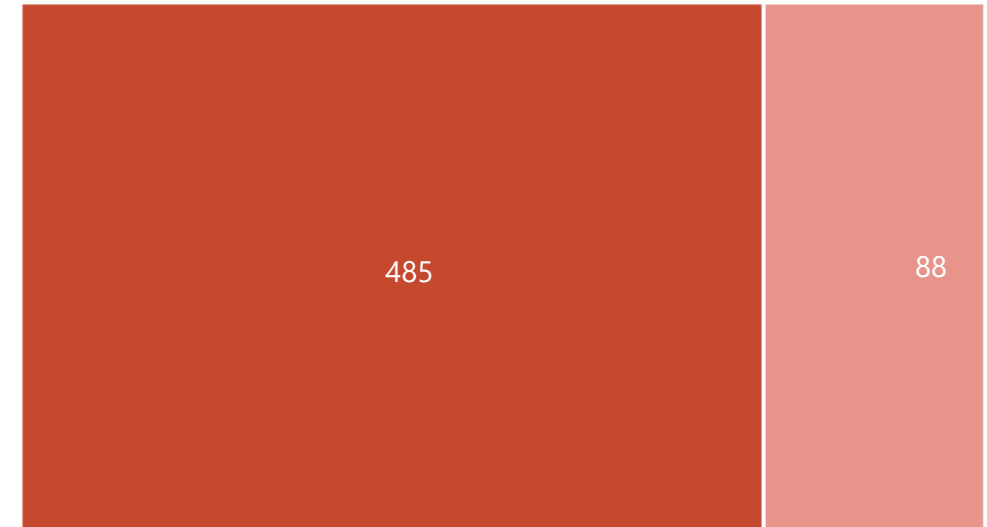
Breakdown of procurement in Ukraine

UAH million



Breakdown of volume

Million litres



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

Immediate Consumption
(On premise, petroleum)

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

In 2022, TCCS spent € 7,954 million to purchase goods and services from Ukrainian 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 573 million litres of beverages in Ukraine, of which 85% via FC channels and 15% via the IC channels

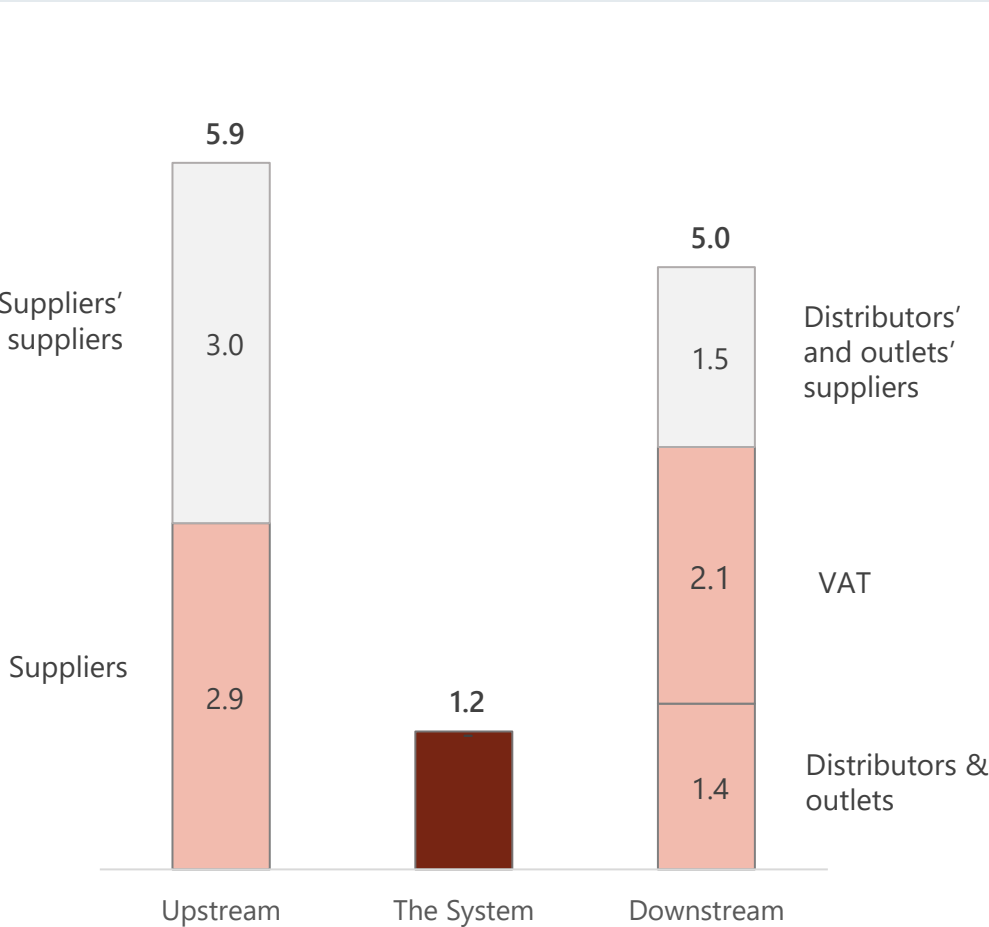
This is equal to 2% of total litres of beverages sold by the System throughout Europe



TCCS supports ₴ 12.1 billion in value-added across its value chain

Value-added by value chain link

UAH billion



Highlights

TCCS directly generated ₴ 1.2 billion in incomes

- These include the salaries paid and the taxes born by TCCS
- This equals 0.9% of the food, beverage and tobacco manufacturing industry value-added in Ukraine*

Indirectly, TCCS supported ₴ 10.9 billion of value across its value chain

- The impact upstream is ₴ 5.9 billion, of which ₴ 2.9 billion can be attributed to suppliers & ₴ 3 billion to suppliers of suppliers
- The downstream value-added supported is ₴ 5 billion, of which ₴ 2.1 billion in VAT attributable to TCCS's sales; distributors and outlets benefited ₴ 1.4 billion & suppliers of distributors and outlets ₴ 1.5 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 0.2% of the country's GDP in 2022**

*The manufacture of food, beverages and tobacco products sector in 2021 made up 29% of the ₴ 560,530 million manufacturing value-added in the Ukraine (World Bank)

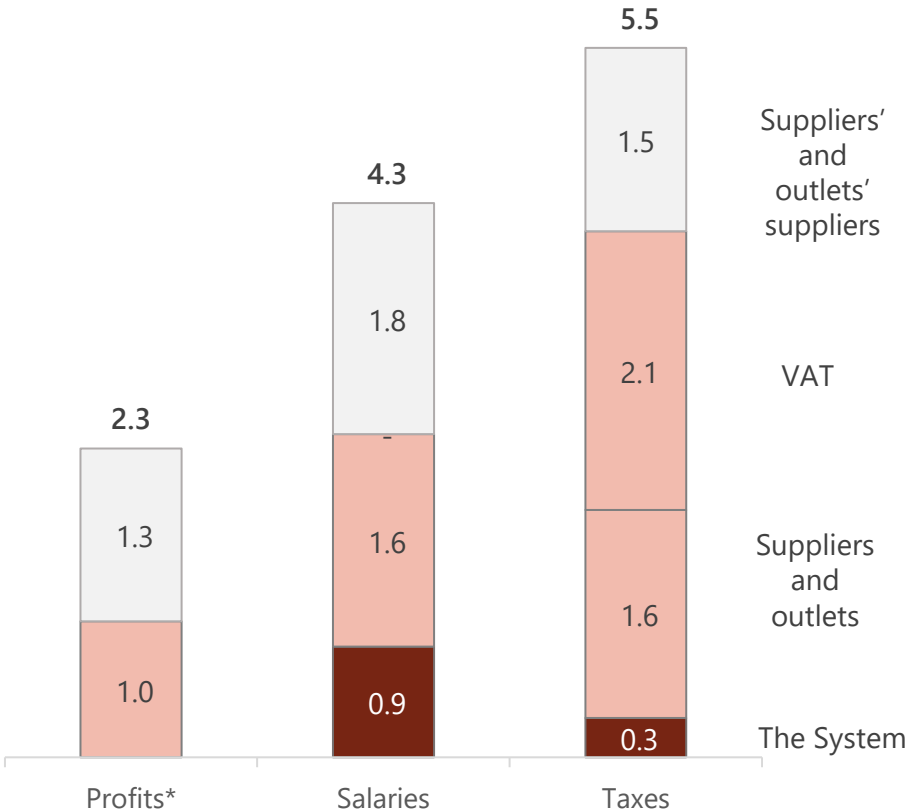
**The total GDP for 2022 is ₴ 5,191 billion with an exchange rate of 32.34 from \$ to ₴ (World Bank)



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

Value-added by beneficiary

UAH billion



Highlights

The total value-added of ₴ 12.1 billion can also be broken down by beneficiary

Ukrainian companies across TCCS' value chain made an estimated ₴ 2.3 billion in profits from their cooperation with the System

Households across the value chain benefited ₴ 4.3 billion, of which ₴ 0.9 billion was earned by the System's own employees

Tax payments supported by the Coca-Cola System throughout the value chain equal ₴ 5.5 billion, of which ₴ 0.3 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 ₴ 3.7 billion first round taxes, ₴ 2.1 billion is VAT related to the sales of TCCS' beverages; the other ₴ 1.6 billion is taxes paid by TCCS' suppliers, distributors and outlets
- The estimated tax revenue for 2022 is 0.7% of Ukraine's tax revenue**

*Results disregard direct profits of the System

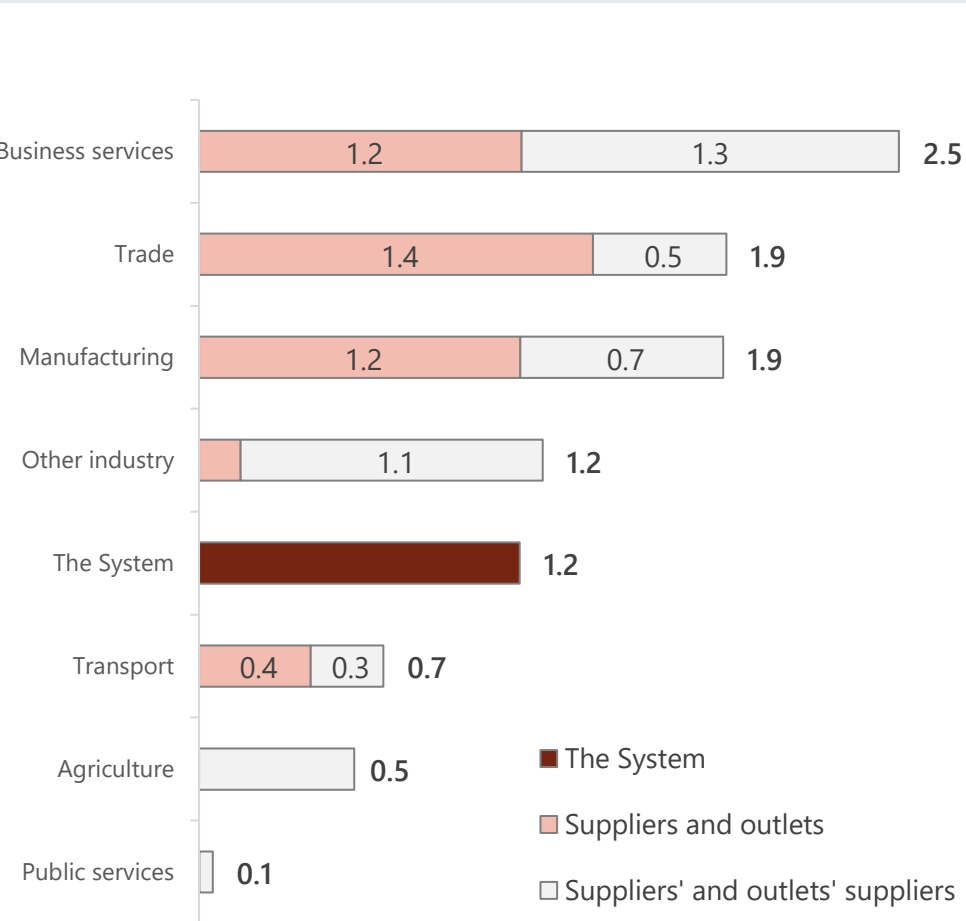
**Tax revenue in Ukraine for 2022 was ₴ 874.5 billion (World Bank)



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

Value-added by sector*

UAH billion



Highlights

The business services sector was the primary beneficiary with ₾ 2.5 billion in value-added, with ₾ 1.2 billion at the level of TCCS's suppliers and outlets

The trade sector benefited ₾ 1.9 billion

- Of the ₾ 1.4 billion value-added at the level of suppliers and outlets, ₾ 919 million were estimated for FC channel (e.g. mom & pop stores, supermarkets), and ₾ 466 million for IC channels (e.g. bars, hotels)

The manufacturing sector benefited ₾ 1.9 billion, of which ₾ 1.2 billion for the Coca-Cola System's suppliers of goods such as sugar, packaging materials, machinery parts

The transport sector benefited ₾ 0.7 billion; these can be split up in ₾ 0.4 billion value-added through the System's suppliers such as trucking or logistic companies

The agriculture sector benefited ₾ 0.5 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

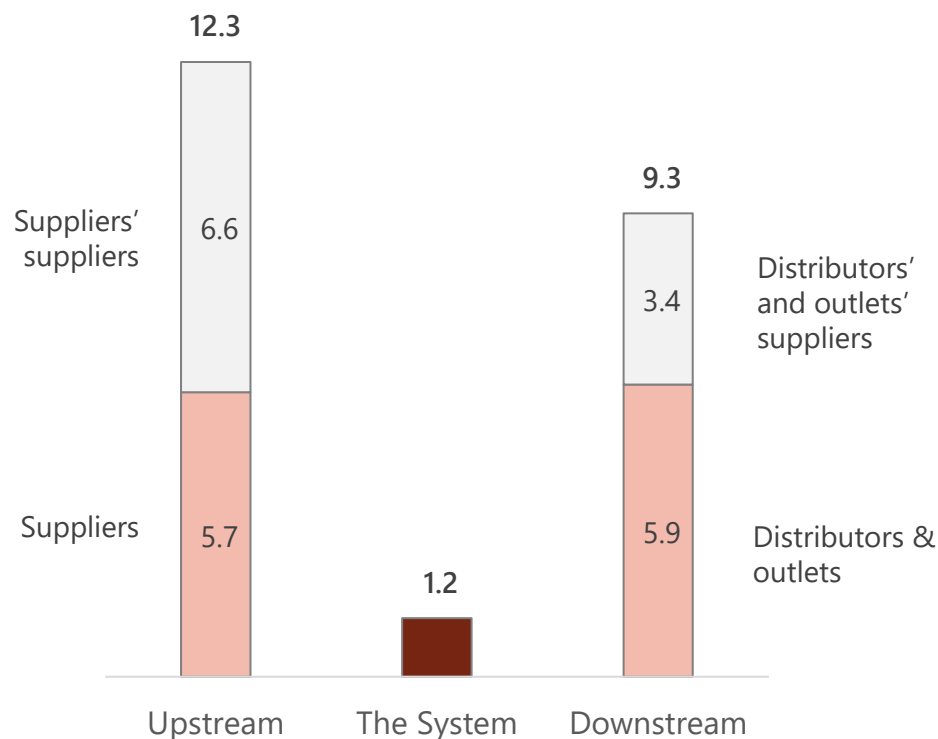
**The Coca-Cola System itself does not procure agriculture products directly, therefore the results are in the 2nd level indirect effects, related to the procurement of the System's suppliers, distributors and outlets



TCCS supported 22,800 employment opportunities throughout its value chain

Employment

Thousands of people



Highlights

The value chain employment of TCCS is estimated at 22,800, representing 0.1% of total employment in Ukraine*

The Coca-Cola System generated 1,185 direct jobs. Indirectly, it supported additional estimated 21,600 employment opportunities, of which

- 12,300 upstream (5,700 across its own Ukrainian suppliers, and 6,100 at the level of the suppliers of its suppliers)
- 9,300 downstream (5,900 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 18 jobs supported elsewhere along the value chain, of which 10 upstream via local procurement, and 8 downstream via sales

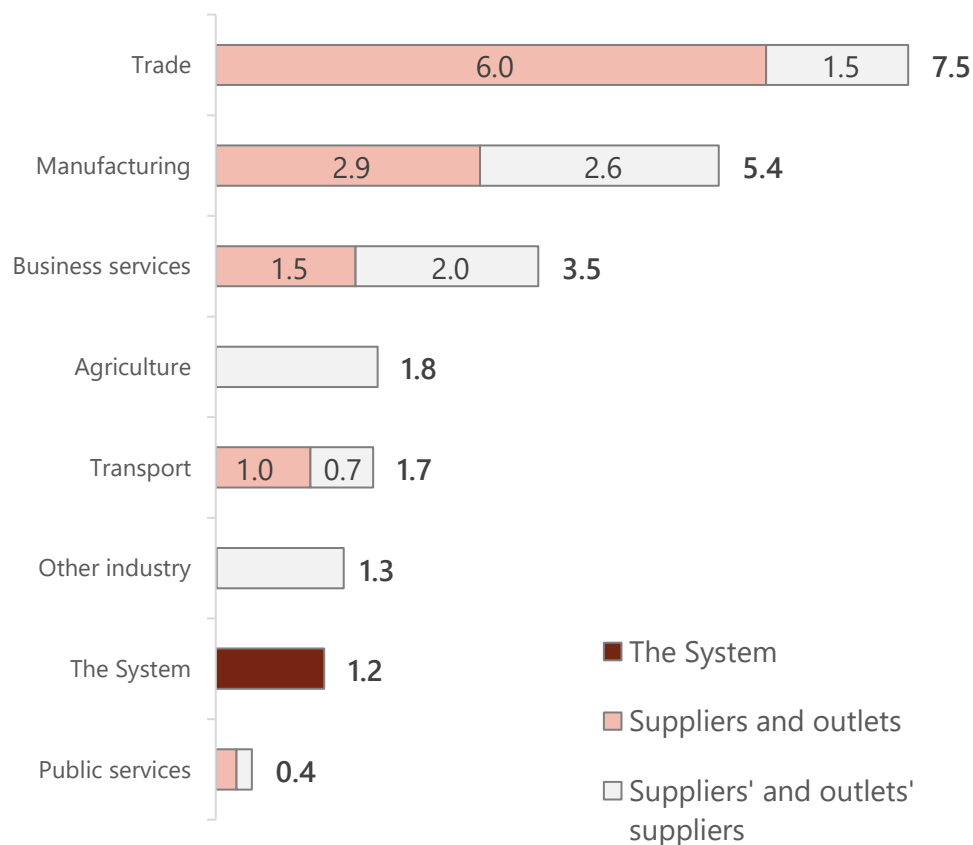
*Total employment was estimated at 16 million people in 2021 (ILO)



Most supported jobs are in the business services sector

Employment

Thousands of people



Highlights

TCCS contribution to direct jobs is 1,185 but due to their procurement and sales activities it's contribution to employment supported in all sectors except public services exceeds number of direct jobs

The trade sector supported 7,500 jobs

- 5,900 jobs were spread across distributors, and employees of outlets selling Coca-Cola beverages; 2,800 of these were estimated at FC outlets (e.g. mom & pop stores, supermarkets), and 3,100 at IC outlets (e.g. on premise, such as bars, hotels, restaurants)

At the manufacturing sector some 5,400 employment opportunities respectively were related to the System.

The largest impact in terms of employees is in business services

- In total, some 3,500 jobs were supported in the sector, or 0.1%* of the total people employed in the business services sector in the country

The System supported 1,800 jobs in the agriculture sector at the level of the suppliers of TCCS's direct suppliers & outlets

1,700 jobs were supported in the transport sector

* Total number of people employed in the communications, financial, real estate, professional scientific & administrative services in 2022 are 1,186,422 in 2021 according to ILO

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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
- 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

