

Russian tissue products market study

2017 - 2021

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Glossary

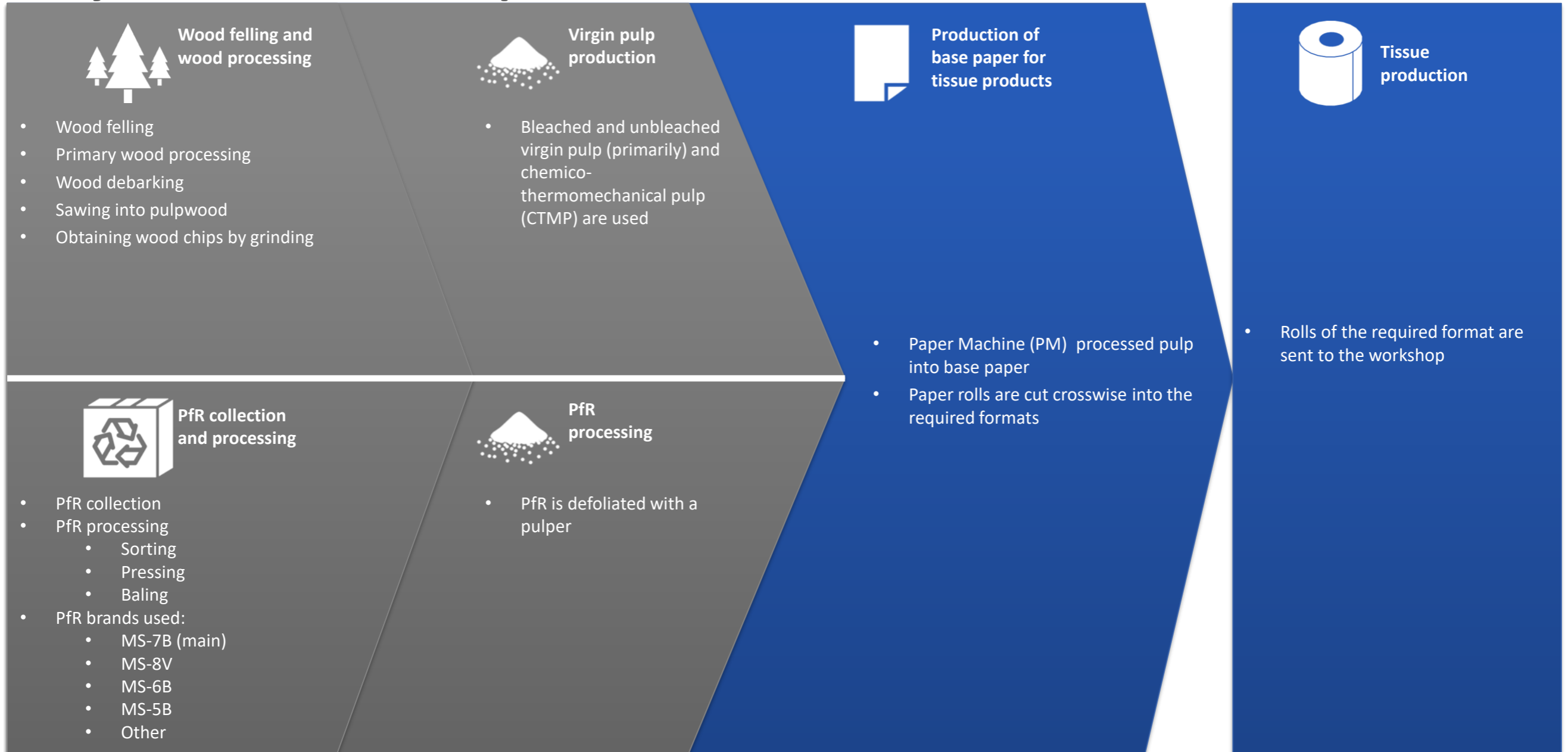
- **CTMP** – chemico-thermomechanical pulp
- **PfR** – paper for recycling
 - **MS-5B** – waste of production and consumption of corrugated cardboard, paper and board used in its production
 - **MS-6B** – waste of production and consumption of other types of cardboard
 - **MS-7B** – printing papers, including old magazines (OMG); excluding old newspapers (ONP)
 - **MS-8V** – old newspapers (ONP)
- **PM** – paper machine
- **FSSS** – Federal State Statistics Service (Rosstat)
- **FCS** – Federal Customs Service of Russia
- **FTS** – Federal Taxation Service of Russia
- **FAO** – Food and Agricultural Organization of the United Nations
- **CIS** – The Commonwealth of Independent States (regional intergovernmental organization in Eastern Europe and Asia. It was formed following the dissolution of the Soviet Union in 1991)

Tissue market is segmented by product types, price segments, raw materials and others

Types of product	Number of layers	Price segment	Raw material	Formats	Consumer segments
<ul style="list-style-type: none"> Toilet paper Paper towels Napkins <ul style="list-style-type: none"> table cosmetic Facial tissues Paper tablecloths 	<ul style="list-style-type: none"> 1 2 3 4 5 	<ul style="list-style-type: none"> Economy Medium Premium 	<ul style="list-style-type: none"> Virgin pulp PfR 	<ul style="list-style-type: none"> Sheet Roll 	<ul style="list-style-type: none"> At-Home (personal) consumption Away-from-Home (offices, shopping malls, etc)

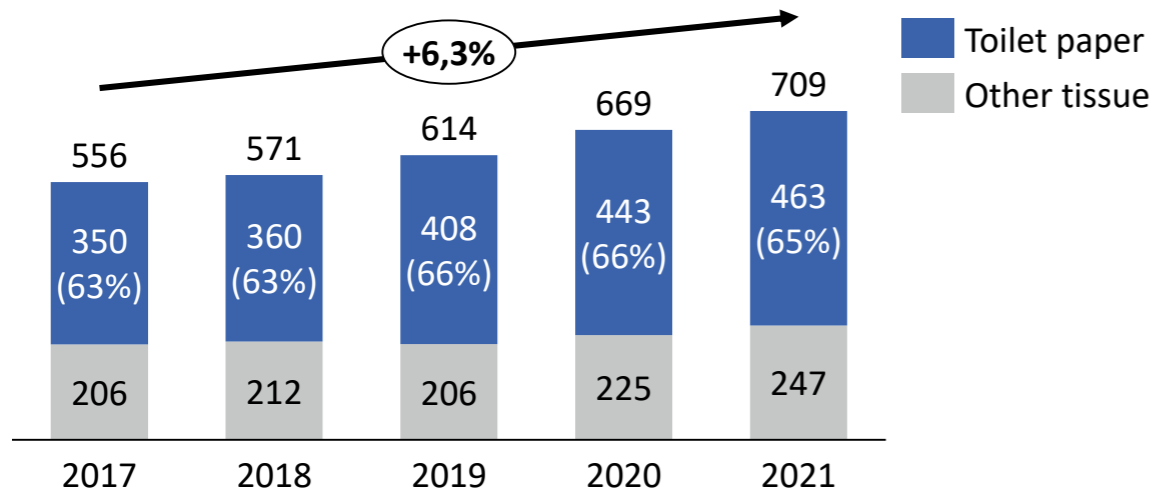
GOST R 52354-2005 "Household and tissue paper products. General specifications."		
Group, Subgroup	Product Name	Purpose
A	Toilet Paper	For personal hygiene
B-1	Table napkins, placemats	For personal hygiene during meals, for table setting
B-2	Cosmetic napkins (without impregnation)	For makeup removal, facial hygiene, etc.
B-3	Wet napkins (antiseptic, impregnated cosmetic, refreshing, repellent)	For personal hygiene, for household items care and other purposes
V	Towels (for face and hands, kitchen and other)	For personal hygiene, for drying kitchenware and household items
G	Facial tissues	For personal hygiene
D	Paper tablecloths	-

Both virgin pulp and PfR may be used in tissue production

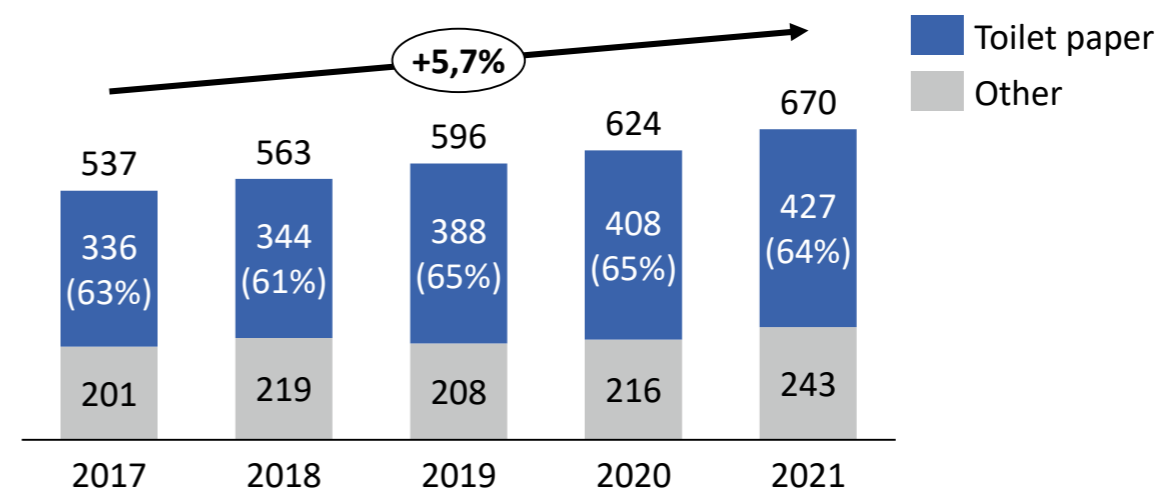


Tissue market in Russia has grown rapidly in recent years

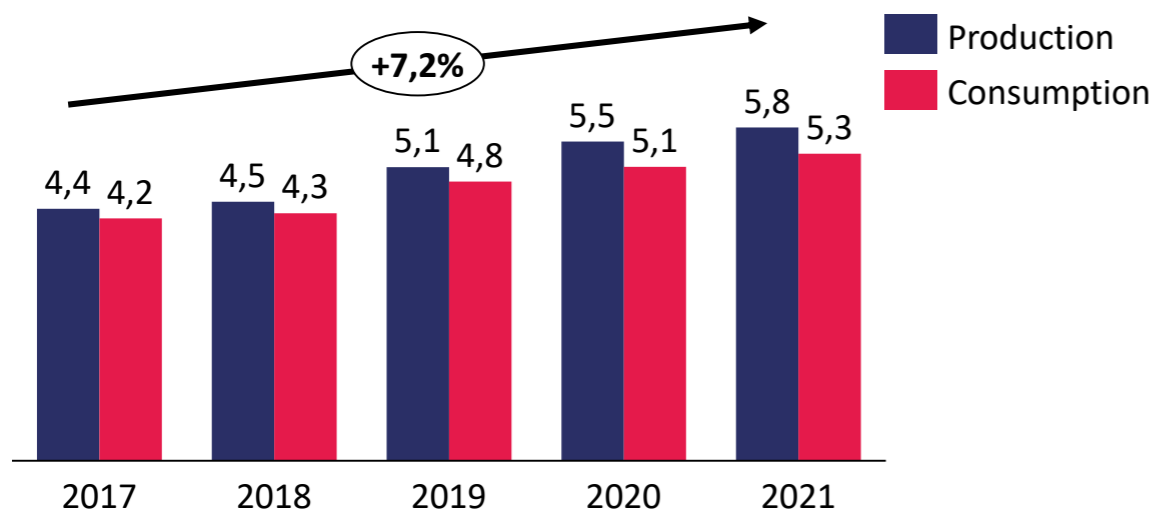
Tissue production, '000 tons



Tissue consumption, '000 tons



Toilet paper market, B rolls

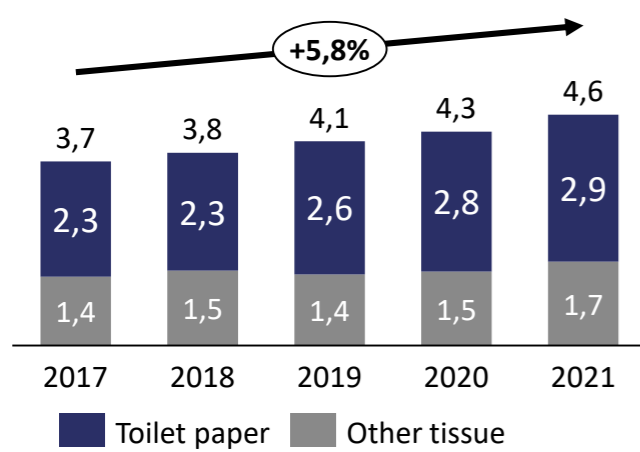


- Toilet paper is the largest segment of Russian and global tissue markets
- COVID-19 pandemic accelerated demand for tissue in Russia
- Market experts note that segment “At-Home” significantly increased while segment “Away-from-Home” decreased
- Russian tissue market is mostly oriented on domestic consumption with much lower exports values

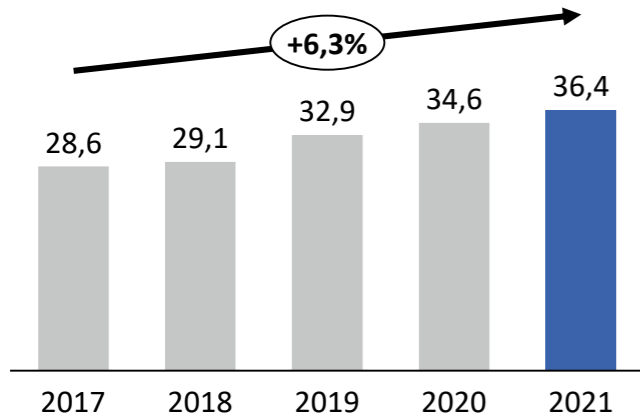
Source: Analysis conducted by CSS working group based on FSSS RF and FCS RF data

Tissue per capita consumption growth is the core driver of Russian tissue market

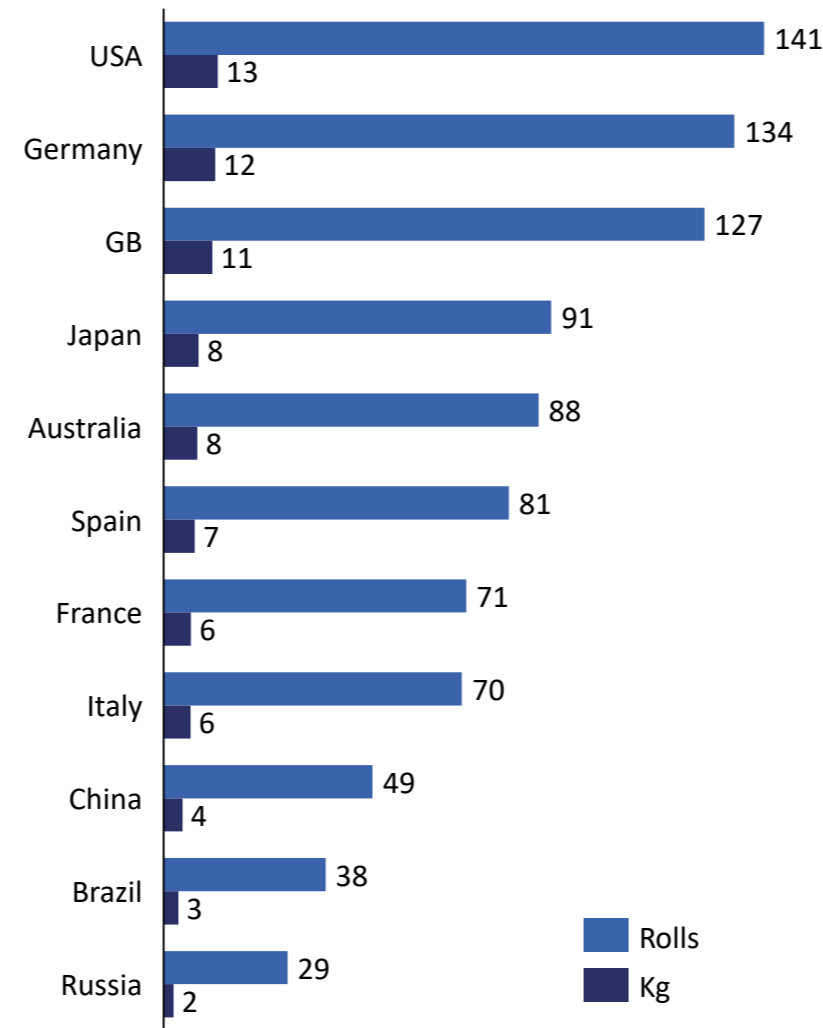
Tissue consumption per capita in Russia, kg



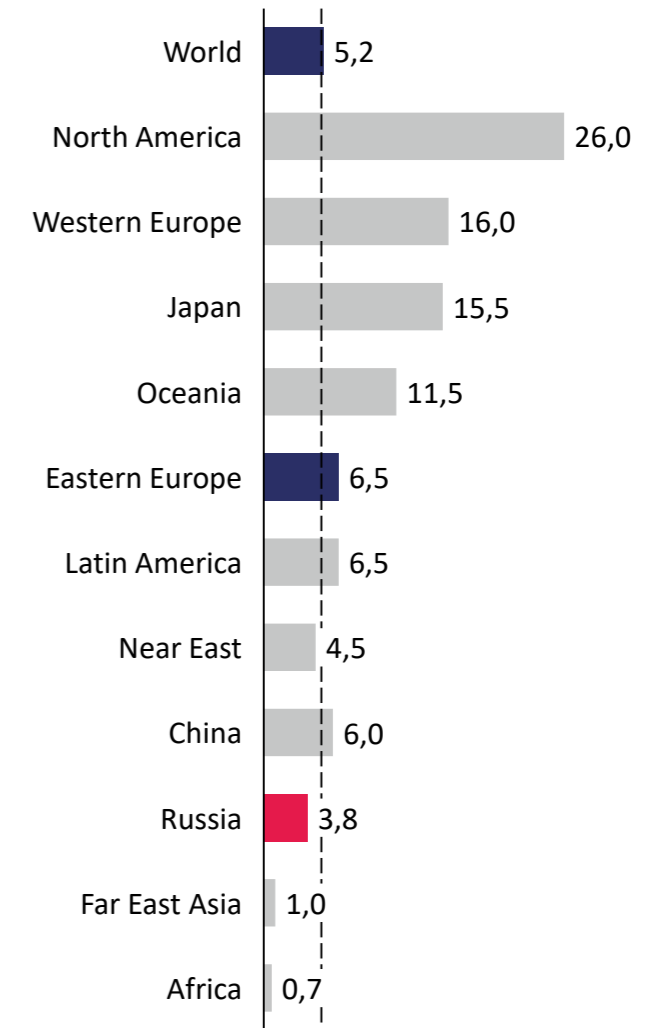
Toilet paper consumption per capita in Russia, rolls



Toilet paper consumption per capita in 2018



Tissue consumption per capita in 2018, kg



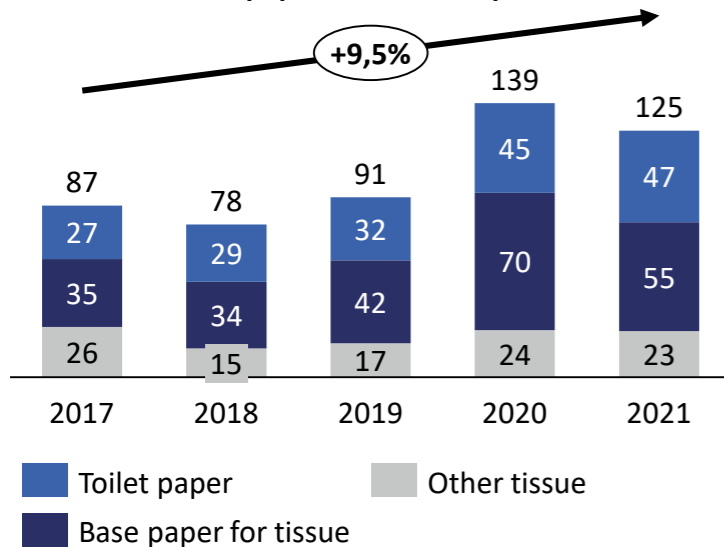
- Russian tissue market grows rapidly due to the low base effect: historically, tissue consumption per capita is quite low
- This is due to the fact that a fairly large part of the population does not use tissue
- At the same time such products as facial tissue and napkins have strong substitute competition from reusable fabric
- It is expected that in coming years this factor will remain and tissue market will continue to grow

Source: Analysis conducted by CSS working group, Statista Consumer Market Outlook, Tissue World Magazine

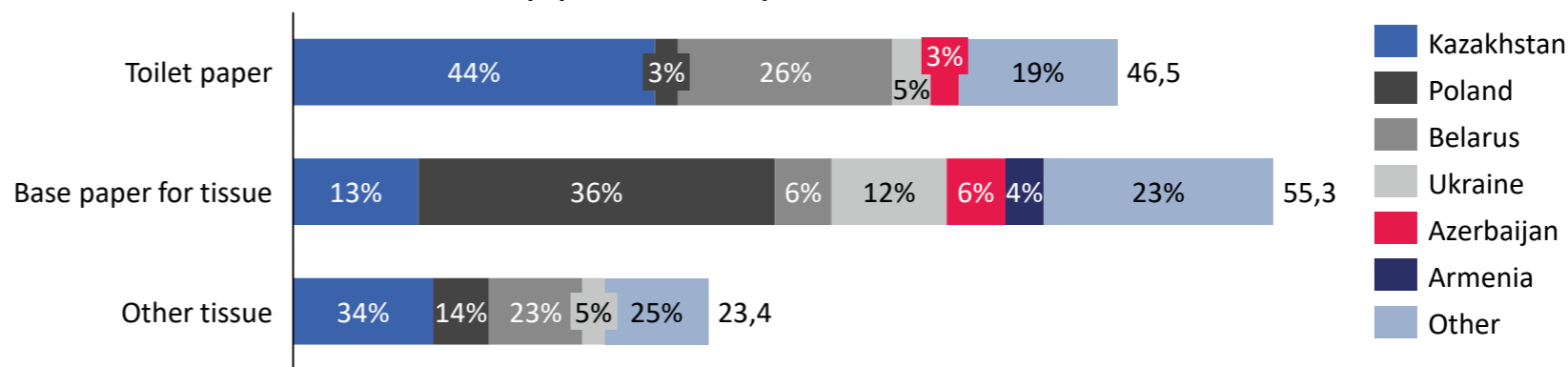
There is a surplus in tissue market

Unclaimed volumes are exported

Tissue and base paper for tissue exports, '000 tons

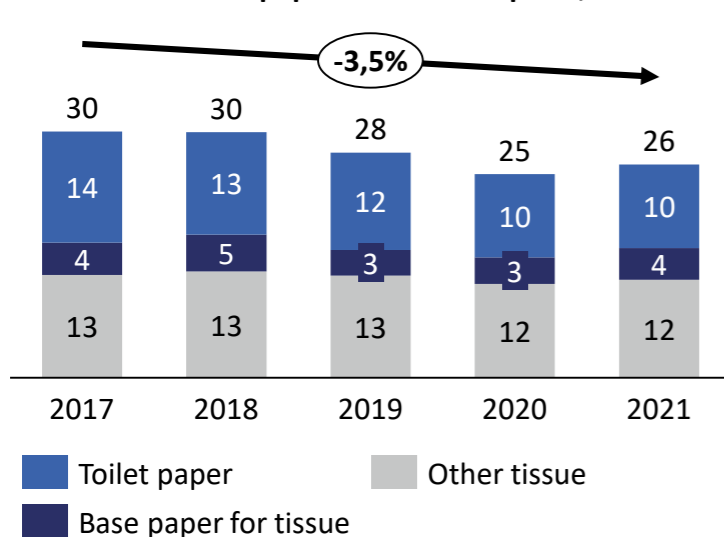


Tissue and base paper for tissue exports in 2021, '000 tons

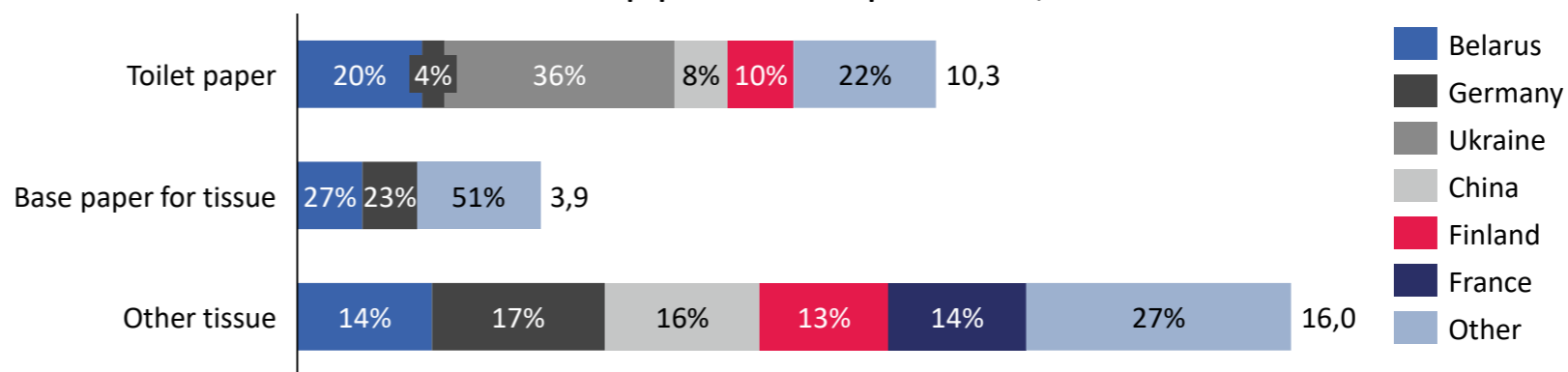


- As the market grows surplus products and especially base paper for tissue are exported
- The main exports destinations are the CIS countries as well as European countries
- Logistics and political crisis in 2022 is a threat for tissue producers as exports supplies are expected to decrease

Tissue and base paper for tissue imports, '000 tons










Tissue and base paper for tissue imports in 2021, '000 tons



- Tissue imports are relatively stable and has a small share of consumption (less than 5% in 2021)
- Most imported products are not produced in Russia
- Since Russia is a tissue net exporter, a possible imports reduction in 2022 will not cause significant damage to the market

Source: Analysis conducted by CSS working group based on FCS RF data

7 largest Russian companies have an annual production capacity of more than 700 000 tons

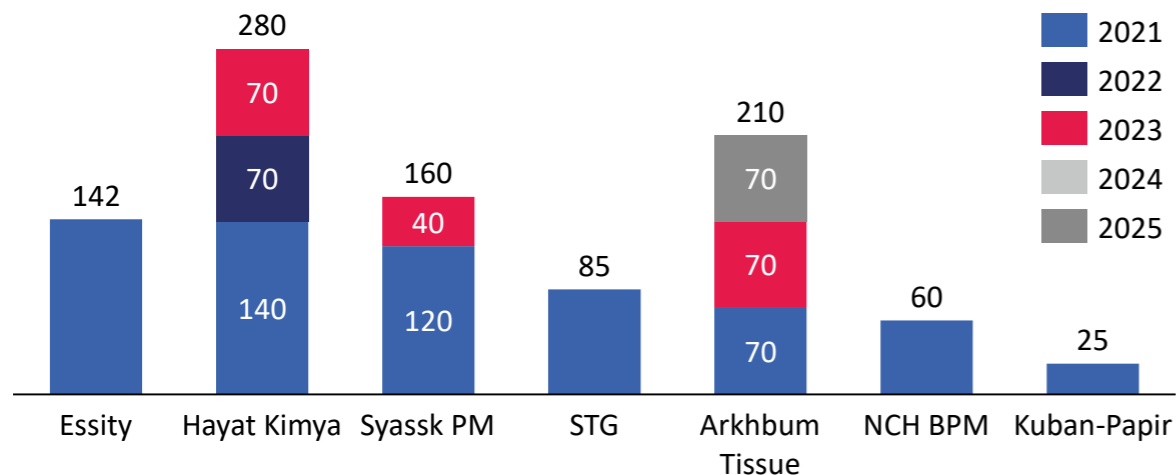
Company	Region	Capacity, '000 tons	Raw material*	Production									
				Brands	At-Home segment				Away-from-Home segment				
					Toilet Paper	Towels	Napkins	Facial tis.	Toilet paper	Towels	Napkins		
 Arkhum Tissue	Kaluga region (CFD)	70	V	Soffione	2,3 layers	2,3 layers	Table	-	-	-	-		
	Essity (Svetogorsk)	Leningrad region (NWFD)	52	V, R	Zewa Tork	2 layers -	2 layers -	- -	- -	- Different formats	- Sheet	- -	
	Essity (Sovetsk)	Tula region (CFD)	90	V	Zewa Tork	3,4 layers -	Premium -	- -	- -	- Different formats	- Roll	- -	
	Essity (Venev)	Tula region (CFD)	-	V	Zewa	-	-	+ +	- +	- -	- -	- -	
	STG	Komi Republic (NWFD)	50	V, R	Veiro	2,3 layers	2,3 layers	Table and cosmetic2 layers	+	-	Sheet and roll	-	
	STG (Rostov)	Yaroslav region (CFD)	35	R									
	Syassk PM	Leningrad region (NWFD)	120	V	Myagkiy znak	2 layers	2 layers	1,2 layers	2 layers	-	-	-	
					Kleo	3 layers	2,3 layers	3 layers	3 layers	-	-	-	-
					PROtissue	-	-	-	-	Sheet and roll; 1,2 layers	Sheet and roll; 1,2 layers	1,2 layers	
	Hayat Kimya	Tatarstan Republic (VFD)	210	V	Papia	3-5 layers	3 layers	+	-	2 layers	2 layers	+	
					Familia	-	-	-	-	Sheet and roll; 1,2 layers	Sheet and roll; 1,2 layers	-	
					Focus	-	-	-	-	Sheet and roll; 1,2 layers	Sheet and roll; 1,2 layers	-	
	Kuban-Papir	Krasnodar region (SFD)	25	V	Plushe	2,3 layers	Sheet and roll; 1,2 layers	1,2 layers	2,3 layers	Sheet and roll; 1,2 layers	Sheet and roll; 1,2 layers	1-2 layers	
				R		1,2 layers	-	-	-	1 layer	Sheet and roll; 1 layer	-	
	NCH BPM	Tatarstan Republic (VFD)	60	V	Chelny bumaga	2 layers	-	-	-	-	-	-	
				R	Eco semeyka	2 layers	2 layers	-	-	-	-	-	
					Ecobumaga	1 layer	-	-	-	-	-	-	
					Toilet paper from Naberezhnye Chelny	1 layer	-	-	-	-	-	-	
					-	-	-	-	-	1 layer	-	-	
TOTAL			712										

* V – virgin pulp; R – paper for recycling

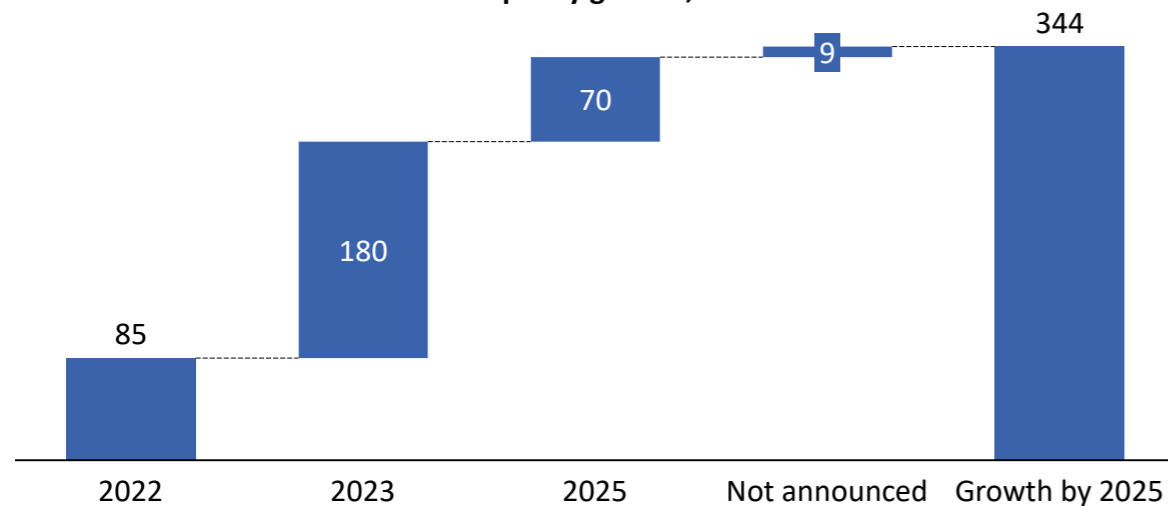
Source: Analysis conducted by CSS working group

Tissue production capacity is expected to increase by 340 000+ tons by 2025






The largest market players capacity, '000 tons



Tissue capacity growth, '000 tons



Source: Analysis conducted by CSS working group

Company	Region	Capacity growth, '000 tons	Project	Year
 Hayat Kimya	Kaluga region (CFD)	70	New production launch	2022
		70	New production launch	2023
 Russian paper	Ulyanovsk region (VFD)	15	New production launch	2022
 Syassk PM	Leningrad region (NWFD)	40	Modernization	2023
 Arkhbum Tissue	Kaluga region (CFD)	70	2 nd line launch	2023
		70	3 rd line launch	2025
 «Paper Mill»	Rostov-on-Don Region (SFD)	9	New line	N/A

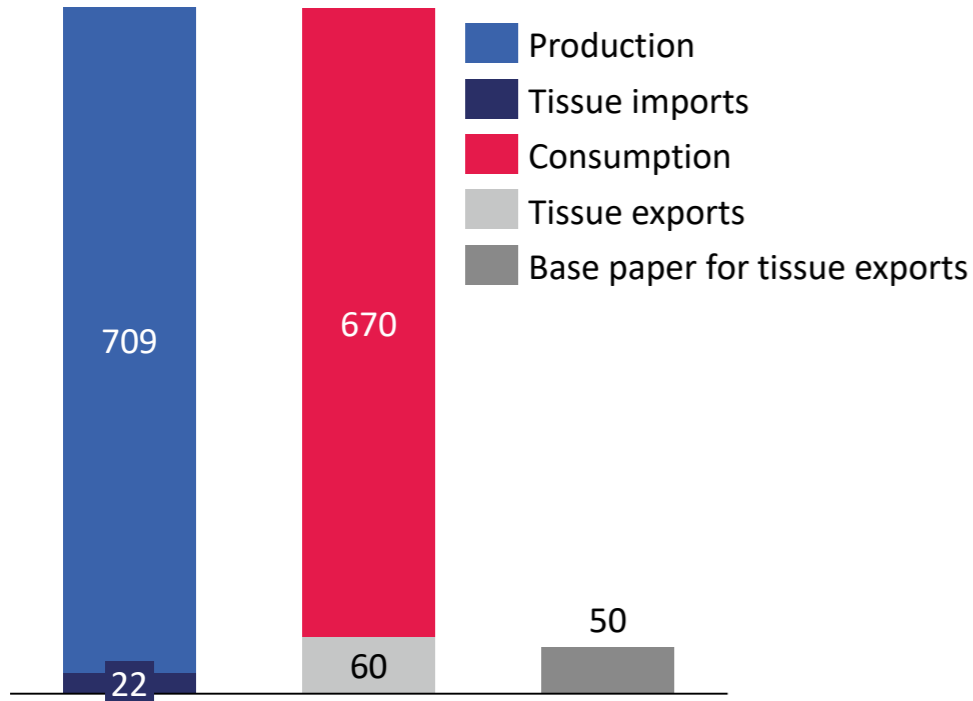
TOTAL

344

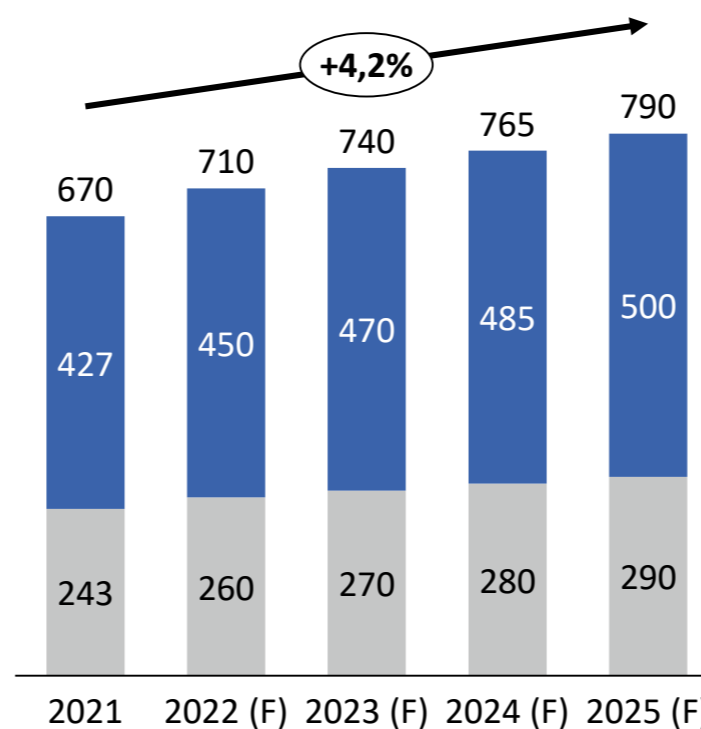
- Essity has announced its exit from Russian market
- As of September 2022 Essity plants in Russia continue to operate
- Due to political situation the closure of Essity factories and the implementation of planned projects remain uncertain

The current political situation is not expected to have a significant impact on tissue market

Tissue market indicators in 2021, '000 tons



Tissue consumption, '000 tons

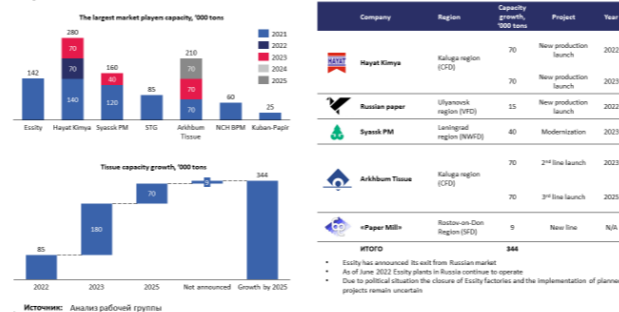


■ Toilet paper
■ Other

- Domestic consumption is expected to rise
- Demand will be driven by the same factors that have played a major role in recent years
- Tissue consumption per capita will continue to rise to the level of the world average

- Tissue market is little dependent on foreign trade
- Shares of exports and imports on a market scale are small
- This means that the logistics crisis will have little effect on market
- At the same time base paper exports remained quite strong creating a possibility of a base paper surplus if Essity's factories are not closed and paper exports fall sharply

Until 2025 projects are planned to increase tissue capacity on market by more than 340 000 tons



- In the short term, the market will be mainly influenced by capacity changes
- Uncertainty remains regarding Essity's factories in Russia and the implementation of projects planned for the coming years

Source: Analysis conducted by CSS working group



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