



CARTA FABRIL DISCLOSURE

Grupo Carta Fabril's evolution in the tissue sector

When the foundation of a business is based on the power of a united family in management, carried out by competent executives capable of executing the functions they were designated to do, the motivation to pursue excellent results – and the achievement of goals – is a constant in the organization's history. As a result, the signs of success surface as hard work is executed with determination and courage. This is how Carta Fabril – Holding's history is being written in the pages of the tissue paper sector since the group's founding in 1991, proof that the evolution of companies almost always depends more on the commitment of all people involved than just business tradition. "Positioning the right people in the right places. This is what makes the difference. People are the foundation of success and failure. Therefore, knowing how to select and challenge them, with the right path defined, is a big step towards success," says Victor Coutinho, CEO of Grupo Carta Fabril, who has been at the helm of the family's business in the tissue paper sector since the very beginning. In this exclusive interview to *O Papel*, Coutinho talks about the Group's philosophy for growing, the main investments and its market positioning in relation to the competition, in addition to also reinforcing the principle of this evolution in the importance of believing in people and in their potential to overcome challenges.

O Papel – Grupo Carta Fabril is one of the fastest growing companies in Brazil's personal hygiene segment. On what principles is this growth based on?

Victor Coutinho – We are a family-owned business with very solid

values. Since the beginning of our trajectory back in 1991, we have practiced the philosophy of sharing with our team of coworkers the wealth generated by our company's growth. Growing is part of Carta Fabril's DNA. We breed challenging objectives and goals, always focusing on our end result.

Mini executive profile

Name and age: Victor Coutinho, 40.

Academic background: Bachelor's Degree in Economics and Business Administration from Universidade Federal Fluminense, in Rio de Janeiro (RJ), Graduate Course in Negotiations at Fundação Getúlio Vargas and MBA in Marketing from Coppead (Federal University of Rio de Janeiro).

Main lesson in business management: With people, the collective is much greater than the sum of the parts.

Important people and mentors: My father (José Carlos Pires Coutinho), my brothers (Caio and Júnior Coutinho) and my brother-in-law (Marcelo Villela).

What motivates you the most to keep moving forward in times of difficulty: The confidence I have in the people surrounding me.

Hobby: Travel with my family.

O Papel – Since the Group's foundation to today, what were the main investments made in order to maintain this evolution-oriented trajectory in the organization?

Coutinho – The investments have been many, but I can mention the most important: the purchase of two new paper machines and the overhauling of three others; acquisition of the Anápolis unit (GO); construction of a diaper and feminine hygiene products plant with four lines in operation; acquisition of 12 conversion lines, and another three to produce napkins. We also have two ongoing projects, which are MP-06 and Aracruz.

O Papel – Specifically in relation to the expansion of Carta Goiás, due to the production start-up of the new paper machine supplied by Hergen, what can you tell us about this investment – from planning the acquisition to the strategic positioning of the new production volume in the market?

Coutinho – Without a doubt, the result. We started up the machine 90 days ago, and we are already operating at 90% of the maximum capacity projected in the project. We will reach 100% of the objective within the timeframe defined. Our sales plan anticipated placing this additional production capacity (through the purchase of paper from third parties), and now we have all the additional production sold. The machine has only produced *premium* products since it started up.

O Papel – What are your performance expectations in relation to Brazil's tissue paper segment this year and the next few years?

Coutinho – The consumption of tissue products in Brazil is still very low. As such, the market has a lot of room to grow. We have monitored projections by certain specialists and institutions, which believe in the possibility of the tissue market growing 1 million tons in 10 years. We don't believe in this much growth, since there are many external factors that affect this perspective, but it is possible that the market could grow between 400 thousand and 600 thousand tons during this period.

O Papel – How does Grupo Carta Fabril find ways to continue growing nationally in view of the country's low GDP growth?

Coutinho – Our growth is based on the continuous improvement of company management. We just received ISO 9001 certification, for example, and we believe that it is always possible to do better in order to satisfy the expectations of our clients and consumers. We are a company with few hierarchical levels, we are very agile and totally focused on the market.

O Papel – What innovations can you mention in terms of tissue product launchings by Grupo Carta Fabril?

Coutinho – We introduced our Two Ply Cotton in 2009 and we are very happy with the results obtained. We also introduced our Diana Fashion feminine hygiene pads, which has been a huge hit. I can assure you, however, that all products introduced over the last 10 years resulted from a lot of research and development, and that all of them

today are a big success in their respective segments.

O Papel – How many units comprise Grupo Carta Fabril today, where are they located and how many employees does each company unit have?

Coutinho – We have two production units: one in São Gonçalo (RJ) with 550 employees, and the other in Anápolis (GO) with 700 employees.

O Papel – How do you define the difference between

success and failure? In Grupo Carta Fabril's case, which were the most challenging moments and how were they mastered in order for the company to be successful?

Coutinho – Right people in the right places. This is what makes the difference. People are the foundation of success and failure. Therefore, knowing how to select and challenge them, and with the right path defined, is a major step towards success. In relation to our trajectory, we experienced some very difficult moments. One of them was the start-up of the business itself. We did not possess knowledge in the tissue production sector when we bought the São Gonçalo unit, which was closed for having gone bankrupt in the previous administration and had very outdated equipment. It was overcoming all these difficulties that we built back then values founded on people, which brought us to where we are today.

O Papel – What is your perspective about competition in Brazil's tissue sector and your philosophy for beating the competition?

Coutinho – There's a lot of competition in our sector and this will continue for some time. We have a large amount of excess capacity and profit margins should remain flat in the medium term. We will see a process of natural selection in our segment, with the weaker and slower suffering. According to natural selection criteria, it is not the strongest that survives, but rather the ones that adapt quickest to change. This is our philosophy. We need to understand the reality of our market and of our sector, and adapt faster than our competitors.

O Papel – And looking at the future, how do you envision the scenario for Grupo Carta Fabril and how much family union in company management will be essential to arrive at this new moment following the same growth trajectory?

Coutinho – I am 40 years old and have worked in this company since the very first day it was acquired, that is, when we decided to purchase and revitalize the São Gonçalo unit. The same applies to my brothers and my father. We have been together in this business for 24 years. We formed the first generation and we still have a lot to build in our segment and in Brazil. We are a very united team, with very well defined roles. We are very confident in the direction our business is headed and, most importantly, we like what we do very much. WORKING IS A PLEASURE. Today, we are the sixth biggest company in the Brazilian tissue market and we always remember that one day we were the last. We also look continuously at the future, and believe that someday we could become the #1 of this sector. ■