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Celulose Irani S.A.

Quarterly information (ITR) at June 30, 2012 and report on review of quarterly information

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Report on review of quarterly information

To the Board of Directors and Shareholders
Celulose Irani S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Celulose Irani S.A., included in the Quarterly Information (ITR) Form for the quarter ended June 30, 2012, comprising the balance sheet as at June 30, 2012 and the statements of operations and comprehensive income for the quarter and six-month period then ended, and the changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the parent company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the Quarterly Information referred to above has not been prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Celulose Irani S.A.

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the Quarterly Information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2012. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Audit and review of prior-year information

The Quarterly Information (ITR) mentioned in the first paragraph includes the accounting information corresponding to the statements of income, comprehensive income, changes in equity, cash flows and value added for the quarter ended June 30, 2011, obtained from the Quarterly Information as at that date, and the balance sheets at December 31, 2011, obtained from the financial statements as at December 31, 2011, presented for comparison purposes. The review of the Quarterly Information (ITR) for the quarter ended June 30, 2011 and the audit of the financial statements for the year ended December 31, 2011 were conducted by other independent auditors, who issued unqualified review and audit reports thereon dated July 25, 2011 and February 29, 2012, respectively.

Porto Alegre, July 31, 2012

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" RS

Carlos Biedermann
Contador CRC 1RS02931/O-4

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1. General Information

Corporate name	CELULOSE IRANI SA
Date of adoption of the corporate name	
Type	Publicly-held corporation
Previous corporate name	
Date of establishment	6/6/1941
Federal Corporate Taxpayers' Registration Number (CNPJ)	92.791.243/0001-03
Brazilian Securities Commission (CVM) code	242-9
CVM registration date	7/20/1977
CVM registration status	Active
Date of effectiveness of status	7/20/1977
Home country	Brazil
Country in which the securities are held in custody	Brazil

Other countries in which the securities can be traded

Country	Date of admission

Activity sector	Pulp and Paper
Description of activities	Manufacture of packaging paper, corrugated cardboard packaging and resins and sale of wooden furniture.
Issuer category	Category A
Date of registration in the current category	1/1/2010
Issuer status	Operating phase
Date of effectiveness of status	7/20/1977
Type of ownership control	Private
Date of last change in ownership control	7/20/1977
Date of last change of the fiscal year	
Month/day of the end of the fiscal year	12/31
Issuer's website on the Internet	www.irani.com.br

Newspapers in which the issuer discloses its information

Name of newspapers in which the issuer discloses its information	State
Diário Oficial do Estado	RS
Jornal do Comércio	RS
Valor Econômico	SP

2. Address

Mail address	Rua General João Manoel, 157, 9o. andar, Centro, Porto Alegre, RS, Brasil, CEP 90010-030, Telephone (51) 32203542, Fax (51) 32203757, E-mail ri@irani.com.br
Headquarters' address	Rua Francisco Lindner, 477, Térreo, Centro, Joaçaba, SC, Brasil, CEP 89600-000, Telephone (49) 35275194, Fax (49) 35275185, E-mail ri@irani.com.br

3. Securities

Shares

		Trading			Listing	
Market	**Managing entity**	**Beginning**	**End**	**Trading segment**	**Beginning**	**End**
Stock exchange	BM&FBOVESPA	7/20/1997		Traditional	7/20/1977	

Debentures

		Trading			Listing	
Market	**Managing entity**	**Beginning**	**End**	**Trading segment**	**Beginning**	**End**
Organized OTC market	CETIP	3/19/2010		Traditional	4/12/2010	

4. Auditor

Does the Issuer have an auditor?	YES
CVM code	287-9
Type of auditor	National
Name/Corporate name	PricewaterhouseCoopers Auditores Independentes
Individual Taxpayers' Registration Number (CPF)/ Federal Corporate Taxpayers' Registration Number (CNPJ)	61.562.112/0006-35
Period of services	1/1/2012

Partner responsible	Period of services	CPF
Carlos Biedermann	1/1/2012	220.349.270-87

5. Share Registrar

Does the Company have a service provider?	YES
Corporate name	Itaú Corretora da Valores S.A.
CNPJ	61.194.353/0001-64
Period of services	5/4/1995
Service address	Av. Eng. Armando Arruda Pereira, 707, 10o. andar, Centro, São Paulo, SP, Brasil, CEP 04344-902, Telephone (11) 50291809, Fax (11) 50291917

6. Investor Relations Officer or Equivalent

Name	Odivan Carlos Cargnin
	Investor Relations Officer
CPF/CNPJ	767.695.189-53
Mail address	Rua General João Manoel, 157, 10o. andar, Centro, Porto Alegre, RS, Brasil, CEP 90010-030, Telephone (51) 32203542, Fax (51) 32203757, E-mail ri@irani.com.br
Date when the person assumed the position	12/8/2006
Date when the person left the position	

7. Shareholders' Department

CONTACT	**Adriana Wagner**
Date when the person assumed the position	**1/1/2010**
Date when the person left the position	
Mail address	Rua Francisco Lindner, 477, Térreo, Centro, Joaçaba, SC, Brasil, CEP 89600-000, Telephone (49) 35275194, Fax (49) 35275185, E-mail adrianawagner@irani.com.br

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Company information / Capital composition

Number of shares (In thousands)	Current quarter 6/30/2012
Paid-up capital	
Common shares	149,280
Preferred shares	12,810
Total	162,090
Treasury shares	
Common shares	1,338
Preferred shares	2,626
Total	3,964

Dividends

Event	Date approved	Description	Initial date of payment	Type of share	Class of share	Amount per share (Reais/share)
Annual and Extraordinary General Meeting of Shareholders	4/19/2012	Dividend	5/9/2012	Common		0,03387
Annual and Extraordinary General Meeting of Shareholders	4/19/2012	Dividend	5/9/2012	Preferred		0,03990

Parent company financial statements / balance sheet - assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2012	Prior year 12/31/2011
1	Total assets	1,171,381	1,177,330
1.01	Current assets	248,183	232,991
1.01.01	Cash and cash equivalents	72,464	72,496
1.01.02	Financial investments	988	5,143
1.01.02.01	Financial investments at fair value	988	5,143
1.01.02.01.03	Banks - restricted account	988	5,143
1.01.03	Trade receivables	128,757	110,325
1.01.03.01	Customers	85,010	90,179
1.01.03.02	Other receivables	43,747	20,146
1.01.03.02.01	Other receivables	14,362	12,400
1.01.03.02.02	Dividends receivable	29,385	7,746
1.01.04	Inventories	38,797	36,366
1.01.06	Recoverable taxes	7,177	8,661
1.01.06.01	Current recoverable taxes	7,177	8,661
1.02	Non-current assets	923,198	944,339
1.02.01	Long-term receivables	151,175	153,840
1.02.01.01	Financial investments at fair value	0	3,531
1.02.01.01.03	Banks - restricted account	0	3,531
1.02.01.03	Trade receivables	1,441	2,052
1.02.01.03.02	Other receivables	1,441	2,052
1.02.01.05	Biological assets	129,736	128,516
1.02.01.06	Deferred taxes	17,700	16,583
1.02.01.06.01	Deferred income tax and social contribution	17,700	16,583
1.02.01.09	Other non-current assets	2,298	3,158
1.02.01.09.03	Recoverable taxes	1,750	2,162
1.02.01.09.04	Judicial deposits	548	996
1.02.02	Investments	238,589	253,572
1.02.02.01	Equity interests	238,589	248,575
1.02.02.01.02	Interests in subsidiaries	238,589	248,575
1.02.02.02	Investment property	0	4,997
1.02.03	Property, plant and equipment	532,830	536,686
1.02.03.01	Property, plant and equipment in service	532,830	536,686
1.02.04	Intangible assets	604	241
1.02.04.01	Intangible assets	604	241

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Parent company financial statements / balance sheet - liabilities and equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2012	Prior year 12/31/2011
2	Total liabilities and equity	1,171,381	1,177,330
2.01	Current liabilities	190,180	203,356
2.01.01	Social and labor obligations	18,022	18,692
2.01.02	Trade payables	48,212	42,790
2.01.03	Taxes payable	11,950	11,115
2.01.03.01	Federal taxes	8,246	7,402
2.01.03.01.02	Taxes payable in installments	3,022	2,869
2.01.03.01.03	Other federal taxes	5,224	4,533
2.01.03.02	State taxes	3,561	3,584
2.01.03.02.01	Taxes payable in installments	1,905	1,693
2.01.03.02.02	State Value-Added Tax (ICMS) payable	1,656	1,891
2.01.03.03	Municipal taxes	143	129
2.01.04	Borrowings	101,900	114,488
2.01.04.01	Borrowings	75,999	88,488
2.01.04.02	Debentures	25,901	26,000
2.01.05	Other obligations	10,096	16,271
2.01.05.02	Other	10,096	16,271
2.01.05.02.01	Dividends and interest on capital payable	117	5,607
2.01.05.02.04	Other payables	9,457	9,905
2.01.05.02.05	Advances from customers	522	759
2.02	Non-current liabilities	531,043	509,744
2.02.01	Borrowings	306,780	277,521
2.02.01.01	Borrowings	210,826	171,068
2.02.01.02	Debentures	95,954	106,453
2.02.02	Other obligations	23,976	24,056
2.02.02.01	Due to related parties	961	2,109
2.02.02.01.02	Due to subsidiaries	961	2,109
2.02.02.02	Other	23,015	21,947
2.02.02.02.03	Taxes payable in installments	8,680	10,666
2.02.02.02.04	Other taxes payable	14,116	11,062
2.02.02.02.05	Other payables	219	219
2.02.03	Deferred taxes	160,835	166,517
2.02.03.01	Deferred income tax and social contribution	160,835	166,517
2.02.04	Provisions	39,452	41,650
2.02.04.01	Provision for contingencies	39,452	41,650
2.03	Equity	450,158	464,230
2.03.01	Capital	103,976	63,381
2.03.02	Capital reserves	297	0
2.03.02.07	Share-based payment	297	0
2.03.04	Revenue reserves	97,441	142,302
2.03.04.01	Legal reserve	468	3,331
2.03.04.05	Profit retention reserve	33,102	66,266
2.03.04.09	Treasury shares	-8,842	-2,038
2.03.04.10	Statutory reserve of biological assets	72,713	74,743
2.03.06	Carrying value adjustments	248,444	258,547

Parent company financial statements / statement of operations

(R$ thousand unless otherwise stated)

1 - Code	2 - Description	Current quarter 4/1/2012 to 6/30/2012	Accumulated - current year 1/1/2012 to 6/30/2012	Same quarter of prior year 4/1/2011 to 6/30/2011	Accumulated - prior year 1/1/2011 to 6/30/2011
3.01	Revenue from sale of goods and/or services	112,917	223,553	111,067	219,880
3.02	Cost of sales and/or services	-80,949	-164,532	-92,953	-175,589
3.02.01	Changes in the fair value of biological assets	3,873	3,873	-4,947	-4,947
3.02.02	Cost of sales and/or services	-84,822	-168,405	-88,006	-170,642
3.03	Gross profit	31,968	59,021	18,114	44,291
3.04	Operating expenses	-22,899	-35,866	-10,433	-23,869
3.04.01	Selling expenses	-10,701	-20,416	-9,949	-19,763
3.04.02	General and administrative expenses	-10,423	-18,800	-7,937	-15,337
3.04.04	Other operating income	423	1,127	384	1,166
3.04.05	Other operating expenses	-691	-1,086	-230	-577
3.04.06	Equity in results of subsidiaries	-1,507	3,309	7,299	10,642
3.05	Income before finance result and taxes	9,069	23,155	7,681	20,422
3.06	Finance result	-17,033	-29,443	-6,866	-15,112
3.06.01	Finance income	3,393	14,835	7,166	12,587
3.06.02	Finance costs	-20,426	-44,278	-14,032	-27,699
3.07	Income (loss) before taxes on income	-7,964	-6,288	815	5,310
3.08	Income tax and social contribution on income	2,233	4,054	2,188	1,728
3.08.01	Current	0	0	-703	-1,390
3.08.02	Deferred	2,233	4,054	2,891	3,118
3.09	Profit (loss) from continuing operations	-5,731	-2,234	3,003	7,038
3.10	Net loss from discontinued operations	0	0	-220	-284
3.10.01	Net loss for the period from discontinued operations	0	0	-220	-284
3.11	Profit (loss) for the period	-5,731	-2,234	2,783	6,754
3.99	Earnings (loss) per share - (reais / share)				
3.99.01	Basic earnings (loss) per share				
3.99.01.01	Common shares	-0.03590	-0.01400	0.01860	0.04340
3.99.01.02	Preferred shares	-0.03590	-0.01400	0.02050	0.04780

Parent company financial statements / statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Current quarter 4/1/2012 to 6/30/2012	Accumulated - current year 1/1/2012 to 6/30/2012	Same quarter of prior year 4/1/2011 to 6/30/2011	Accumulated - prior year 1/1/2011 to 6/30/2011
4.01	Profit (loss) for the period	-5,731	-2,234	2,783	6,754
4.02	Other comprehensive loss	-5,331	-5,331	0	0
4.02.01	Cash flow hedge	-8,077	-8,077	0	0
4.02.02	Income tax and social contribution - cash flow hedge	2,746	2,746	0	0
4.03	Comprehensive income (loss) for the period	-11,062	-7,565	2,783	6,754

(A free translation of the original in Portuguese)

Parent company financial statements / statement of cash flows - indirect method

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2012 to 6/30/2012	Accumulated - prior year 1/1/2011 to 6/30/2011
6.01	Net cash provided by (used in) operating activities	24,278	-9,662
6.01.01	Cash from operations	37,144	41,303
6.01.01.01	Profit (loss) for the period	-6,288	5,310
6.01.01.02	Changes in the fair value of biological assets	-3,873	4,947
6.01.01.03	Depreciation, amortization and depletion	20,364	21,256
6.01.01.04	Income from discontinued operations	0	284
6.01.01.05	Result on sale of permanent assets	45	-621
6.01.01.06	Equity in results of subsidiaries	-3,309	-10,642
6.01.01.07	Provision for contingencies	-2,198	6,089
6.01.01.08	Provision for impairment of trade receivables	225	138
6.01.01.12	Monetary variations and charges	36,715	14,542
6.01.01.13	Government grants	497	0
6.01.01.14	Unearned hedge result, net of taxes	-5,331	0
6.01.01.15	Share-based payment	297	0
6.01.02	Changes in assets and liabilities	-12,866	-50,965
6.01.02.01	Trade receivables	6,955	-7,297
6.01.02.02	Inventories	2,851	174
6.01.02.03	Recoverable taxes	1,911	-693
6.01.02.05	Dividends received	1,600	1,684
6.01.02.06	Trade payables	-4,298	-5,276
6.01.02.07	Social and labor obligations	357	3,290
6.01.02.08	Advances from customers	-238	-167
6.01.02.09	Taxes payable	-1,412	2,234
6.01.02.10	Payment of interest on borrowings	-18,700	-7,670
6.01.02.11	Payment of interest on debentures	-6,834	-10,825
6.01.02.12	Other payables	-1,413	3,353
6.01.02.14	Other receivables	6,355	-29,772
6.02	Net cash used in investing activities	-16,362	-11,332
6.02.01	Purchase of property, plant and equipment	-14,637	-12,383
6.02.03	Proceeds from disposal of assets	286	1,051
6.02.06	Capital contribution	-2,011	0
6.03	Net cash provided by (used in) financing activities	-7,948	43,594
6.03.01	Payment of dividends	-5,490	-9,671
6.03.04	New borrowings	70,357	106,179
6.03.05	Repayment of borrowings	-66,011	-51,882
6.03.06	Treasury shares	-6,804	-1,032
6.05	Increase (decrease) in cash and cash equivalents	-32	22,600
6.05.01	Cash and cash equivalents at the beginning of the period	72,496	39,191
6.05.02	Cash and cash equivalents at the end of the period	72,464	61,791

Parent company financial statements / statement of changes in equity - 1/1/2012 to 6/30/2012

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, stock options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity
5.01	Opening balances	63,381	0	142,302	0	258,547	464,230
5.03	Adjusted opening balances	63,381	0	142,302	0	258,547	464,230
5.04	Capital transactions with owners	40,595	297	-47,399	0	0	-6,507
5.04.01	Capital increases	40,595	0	-40,595	0	0	0
5.04.04	Treasury shares acquired	0	0	-6,804	0	0	-6,804
5.04.08	Share-based payment	0	297	0	0	0	297
5.05	Total comprehensive income	0	0	0	2,538	-10,103	-7,565
5.05.01	Loss for the period	0	0	0	-2,234	0	-2,234
5.05.02	Other comprehensive income	0	0	0	4,772	-10,103	-5,331
5.05.02.06	Realization of deemed cost	0	0	0	3,932	-3,932	0
5.05.02.07	Realization of deemed cost (subsidiaries)	0	0	0	840	-840	0
5.05.02.08	Cash flow hedge	0	0	0	0	-5,331	-5,331
5.06	Internal changes in equity	0	0	-2,030	2,030	0	0
5.06.04	Realized revenue reserve - biological assets	0	0	-519	519	0	0
5.06.05	Realized revenue reserve - biological assets (subsidiaries)	0	0	-1,511	1,511	0	0
5.07	Closing balances	103,976	297	92,873	4,568	248,444	450,158

Parent company financial statements / statement of changes in equity - 1/1/2011 to 6/30/2011

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, stock options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity
5.01	Opening balances	63,381	0	129,921	0	273,814	467,116
5.03	Adjusted opening balances	63,381	0	129,921	0	273,814	467,116
5.04	Capital transactions with owners	0	0	-1,031	0	0	-1,031
5.04.04	Treasury shares purchased	0	0	-1,064	0	0	-1,064
5.04.05	Treasury shares sold	0	0	33	0	0	33
5.05	Total comprehensive income	0	0	0	8,317	-1,563	6,754
5.05.01	Profit for the period	0	0	0	6,754	0	6,754
5.05.02	Other comprehensive income	0	0	0	1,563	-1,563	0
5.05.02.06	Realization of deemed cost	0	0	0	1,563	-1,563	0
5.06	Internal changes in equity	0	0	-3,262	3,262	0	0
5.06.04	Realized revenue reserve - biological assets	0	0	-1,883	1,883	0	0
5.06.05	Realized revenue reserve - biological assets (subsidiaries)	0	0	-1,379	1,379	0	0
5.07	Closing balances	63,381	0	125,628	11,579	272,251	472,839

Parent company financial statements / statement of value added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2012 to 6/30/2012	Accumulated - prior year 1/1/2011 to 6/30/2011
7.01	Revenues	288,685	284,501
7.01.01	Sale of goods, products and services	287,783	283,473
7.01.02	Other income	1,127	1,166
7.01.04	Provision for impairment of trade receivables	-225	-138
7.02	Inputs purchased from third parties	-160,424	-169,475
7.02.01	Cost of products and services	-154,771	-164,688
7.02.02	Materials, electric power, outside services and other	-5,653	-4,787
7.03	Gross value added	128,261	115,026
7.04	Retentions	-22,680	-26,348
7.04.01	Depreciation, amortization and depletion	-18,807	-21,401
7.04.02	Other	-3,873	-4,947
7.04.02.01	Changes in the fair value of biological assets	-3,873	-4,947
7.05	Net value added produced	105,581	88,678
7.06	Value added received in transfer	18,144	23,175
7.06.01	Equity in results of subsidiaries	3,309	10,642
7.06.02	Finance income	14,835	12,533
7.07	Total value added to be distributed	123,725	111,853
7.08	Value added distributed	123,725	111,853
7.08.01	Personnel	40,530	36,010
7.08.01.01	Direct remuneration	33,585	29,959
7.08.01.02	Benefits	5,130	4,481
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	1,815	1,570
7.08.02	Taxes payable	28,375	29,021
7.08.02.01	Federal	16,429	17,504
7.08.02.02	State	11,660	11,360
7.08.02.03	Municipal	286	157
7.08.03	Remuneration of third-party capital	57,054	40,068
7.08.03.01	Interest	44,278	27,784
7.08.03.02	Rentals	12,776	12,284
7.08.04	Remuneration of own capital	-2,234	6,754
7.08.04.03	Retained earnings/loss for period	-2,234	6,754

(A free translation of the original in Portuguese)

Consolidated financial statements / balance sheet - assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2012	Prior year 12/31/2011
1	Total assets	1,161,790	1,181,754
1.01	Current assets	228,387	231,684
1.01.01	Cash and cash equivalents	75,081	74,722
1.01.02	Financial investments	988	5,143
1.01.02.01	Financial investments at fair value	988	5,143
1.01.02.01.03	Banks - restricted account	988	5,143
1.01.03	Trade receivables	104,629	104,776
1.01.03.01	Customers	89,434	92,231
1.01.03.02	Other receivables	15,195	12,545
1.01.04	Inventories	40,495	38,356
1.01.06	Recoverable taxes	7,194	8,687
1.01.06.01	Current recoverable taxes	7,194	8,687
1.02	Non-current assets	933,403	950,070
1.02.01	Long-term receivables	253,705	265,659
1.02.01.01	Financial investments at fair value	0	3,531
1.02.01.01.03	Banks - restricted account	0	3,531
1.02.01.03	Trade receivables	1,468	2,079
1.02.01.03.02	Other receivables	1,468	2,079
1.02.01.05	Biological assets	232,035	239,997
1.02.01.06	Deferred taxes	17,855	16,632
1.02.01.06.01	Deferred income tax and social contribution	17,855	16,632
1.02.01.09	Other non-current assets	2,347	3,420
1.02.01.09.03	Recoverable taxes	1,750	2,162
1.02.01.09.04	Judicial deposits	597	1,258
1.02.02	Investments	0	4,997
1.02.02.02	Investment property	0	4,997
1.02.03	Property, plant and equipment	679,078	679,169
1.02.03.01	Property, plant and equipment in service	679,078	679,169
1.02.04	Intangible assets	620	245
1.02.04.01	Intangible assets	620	245

Consolidated financial statements / balance sheet - liabilities and equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2012	Prior year 12/31/2011
2	Total liabilities and equity	1,161,790	1,181,754
2.01	Current liabilities	194,096	213,693
2.01.01	Social and labor obligations	18,544	19,021
2.01.02	Trade payables	35,895	37,713
2.01.03	Taxes payable	13,456	12,582
2.01.03.01	Federal taxes	9,685	8,782
2.01.03.01.02	Taxes payable in installments	3,169	2,988
2.01.03.01.03	Other federal taxes	6,516	5,794
2.01.03.02	State taxes	3,604	3,633
2.01.03.02.01	Taxes payable in installments	1,905	1,693
2.01.03.02.02	ICMS payable	1,699	1,940
2.01.03.03	Municipal taxes	167	167
2.01.04	Borrowings	115,775	128,278
2.01.04.01	Borrowings	89,874	102,278
2.01.04.02	Debentures	25,901	26,000
2.01.05	Other obligations	10,426	16,099
2.01.05.02	Other	10,426	16,099
2.01.05.02.01	Dividends and interest on capital payable	117	5,607
2.01.05.02.04	Other payables	9,594	9,333
2.01.05.02.05	Advances from customers	715	1,159
2.02	Non-current liabilities	517,516	503,811
2.02.01	Borrowings	260,596	240,463
2.02.01.01	Borrowings	213,092	179,983
2.02.01.02	Debentures	47,504	60,480
2.02.02	Other obligations	23,215	22,120
2.02.02.02	Other	23,215	22,120
2.02.02.02.03	Taxes payable in installments	8,880	10,839
2.02.02.02.04	Other taxes payable	14,116	11,062
2.02.02.02.05	Other payables	219	219
2.02.03	Deferred taxes	194,204	199,511
2.02.03.01	Deferred income tax and social contribution	194,204	199,511
2.02.04	Provisions	39,501	41,717
2.02.04.01	Provision for contingencies	39,501	41,717
2.03	Consolidated equity	450,178	464,250
2.03.01	Capital	103,976	63,381
2.03.02	Capital reserves	297	0
2.03.02.07	Share-based payment	297	0
2.03.04	Revenue reserves	97,441	142,302
2.03.04.01	Legal reserve	468	3,331
2.03.04.05	Profit retention reserve	33,102	66,266
2.03.04.09	Treasury shares	-8,842	-2,038
2.03.04.10	Statutory reserve of biological assets	72,713	74,743
2.03.06	Carrying value adjustments	248,444	258,547
2.03.09	Non-controlling interests	20	20

Consolidated financial statements / statement of operations

(R$ thousand unless otherwise stated)

1 - Code	2 - Description	Current quarter 4/1/2012 to 6/30/12	Accumulated - current year 1/1/2012 to 6/30/12	Same quarter of prior year 4/1/2011 to 6/30/2011	Accumulated - prior year 1/1/2011 to 6/30/2011
3.01	Revenue from sale of goods and/or services	120,513	238,171	118,316	233,921
3.02	Cost of sales and/or services	-88,476	-172,662	-91,320	-175,361
3.02.01	Changes in the fair value of biological assets	-2,260	-2,260	-1,224	-1,224
3.02.02	Cost of sales and/or services	-86,216	-170,402	-90,096	-174,137
3.03	Gross profit	32,037	65,509	26,996	58,560
3.04	Operating expenses	-22,975	-42,465	-19,339	-37,943
3.04.01	Selling expenses	-11,091	-21,191	-10,217	-20,281
3.04.02	General and administrative expenses	-11,967	-21,126	-9,321	-18,298
3.04.04	Other operating income	888	1,621	407	1,311
3.04.05	Other operating expenses	-805	-1,769	-208	-675
3.05	Income before finance result and taxes	9,062	23,044	7,657	20,617
3.06	Finance result	-16,559	-28,470	-6,126	-14,062
3.06.01	Finance income	3,450	14,926	8,671	14,124
3.06.02	Finance costs	-20,009	-43,396	-14,797	-28,186
3.07	Result before taxes	-7,497	-5,426	1,531	6,555
3.08	Income tax and social contribution on income	1,766	3,192	1,490	502
3.08.01	Current	-348	-593	-950	-2,311
3.08.02	Deferred	2,114	3,785	2,440	2,813
3.09	Profit (loss) from continuing operations	-5,731	-2,234	3,021	7,057
3.10	Loss from discontinued operations	0	0	-220	-284
3.10.01	Loss for the period from discontinued operations	0	0	-220	-284
3.11	Consolidated profit (loss) for the period	-5,731	-2,234	2,801	6,773
3.11.01	Attributable to the owners of the Company	-5,731	-2,234	2,783	6,754
3.11.02	Attributable to non-controlling interests	0	0	18	19
3.99	Loss per share - (reais / share)				
3.99.01	Basic earnings (loss) per share				
3.99.01.01	Common shares	-0.03590	-0.01400	0.01860	0.04340
3.99.01.02	Preferred shares	-0.03590	-0.01400	0.02050	0.04780

Consolidated financial statements / statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Current quarter 4/1/2012 to 6/30/12	Accumulated - current year 1/1/2012 to 6/30/12	Same quarter of prior year 4/1/2011 to 6/30/2011	Accumulated - prior year 1/1/2011 to 6/30/2011
4.01	Consolidated profit (loss) for the period	-5,731	-2,234	2,801	6,773
4.02	Other comprehensive loss	-5,331	-5,331	0	0
4.02.01	Cash flow hedge	-8,077	-8,077	0	0
4.02.02	Income tax and social contribution - cash flow hedge	2,746	2,746	0	0
4.03	Consolidated comprehensive income (loss) for the period	-11,062	-7,565	2,801	6,773
4.03.01	Attributable to the owners of the Company	-11,062	-7,565	2,783	6,754
4.03.02	Attributable to non-controlling interests	0	0	18	19

Consolidated financial statements / statement of cash flows - indirect method

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2012 to 6/30/2012	Accumulated - prior year 1/1/2011 to 6/30/2011
6.01	Net cash provided by (used in) operating activities	32,082	-328
6.01.01	Cash from operations	54,928	53,900
6.01.01.01	Profit (loss) for the period	-5,426	6,555
6.01.01.02	Changes in the fair value of biological assets	2,260	1,224
6.01.01.03	Depreciation, amortization and depletion	28,286	26,289
6.01.01.04	Profit from discontinued operations	0	284
6.01.01.05	Result on sale of permanent assets	594	-649
6.01.01.07	Provision for contingencies risks	-2,216	6,089
6.01.01.08	Provision for impairment of trade receivables	226	138
6.01.01.10	Non-controlling interest	0	-19
6.01.01.12	Monetary variations and charges	35,741	13,989
6.01.01.13	Government grants	497	0
6.01.01.14	Unearned hedge result, net of taxes	-5,331	0
6.01.01.15	Share-based payment	297	0
6.01.02	Changes in assets and liabilities	-22,846	-54,228
6.01.02.01	Trade receivables	-1,063	-7,367
6.01.02.02	Inventories	3,143	92
6.01.02.03	Recoverable taxes	1,920	-713
6.01.02.06	Trade payables	-6,458	-5,588
6.01.02.07	Social and labor obligations	550	3,441
6.01.02.08	Advances from customers	-446	-928
6.01.02.09	Taxes payable	-1,722	1,281
6.01.02.10	Payment of interest on borrowings	-18,710	-7,670
6.01.02.11	Payment of interest on debentures	-6,834	-10,825
6.01.02.12	Other payables	36	3,918
6.01.02.14	Other receivables	6,738	-29,869
6.02	Net cash used in investing activities	-15,618	-12,544
6.02.01	Purchase of property, plant and equipment	-15,924	-13,883
6.02.03	Proceeds from disposal of assets	306	1,339
6.03	Net cash provided by (used in) financing activities	-16,105	35,864
6.03.01	Payment of dividends	-5,490	-9,671
6.03.03	Real Estate Credit Note (CRI)	-8,186	-8,186
6.03.04	New borrowings	70,927	106,635
6.03.05	Repayment of borrowings	-66,552	-51,882
6.03.06	Treasury shares	-6,804	-1,032
6.05	Increase in cash and cash equivalents	359	22,992
6.05.01	Cash and cash equivalents at the beginning of the period	74,722	40,362
6.05.02	Cash and cash equivalents at the end of the period	75,081	63,354

Consolidated financial statements / statement of changes in equity - 1/1/2012 to 6/30/2012

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, stock options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	63,381	0	142,302	0	258,547	464,230	20	464,250
5.03	Adjusted opening balances	63,381	0	142,302	0	258,547	464,230	20	464,250
5.04	Capital transactions with owners	40,595	297	-47,399	0	0	-6,507	0	-6,507
5.04.01	Capital increases	40,595	0	-40,595	0	0	0	0	0
5.04.04	Treasury shares acquired	0	0	-6,804	0	0	-6,804	0	-6,804
5.04.08	Share-based payment	0	297	0	0	0	297	0	297
5.05	Total comprehensive income	0	0	0	2,538	-10,103	-7,565	0	-7,565
5.05.01	Loss for the period	0	0	0	-2,234	0	-2,234	0	-2,234
5.05.02	Other comprehensive income (loss)	0	0	0	4,772	-10,103	-5,331	0	-5,331
5.05.02.06	Realization of deemed cost	0	0	0	3,932	-3,932	0	0	0
5.05.02.07	Realization of deemed cost (subsidiary)	0	0	0	840	-840	0	0	0
5.05.02.08	Cash flow hedge	0	0	0	0	-5,331	-5,331	0	-5,331
5.06	Internal changes in equity	0	0	-2,030	2,030	0	0	0	0
5.06.04	Realized revenue reserve - biological assets	0	0	-519	519	0	0	0	0
5.06.05	Realized revenue reserve - biological assets (subsidiaries)	0	0	-1,511	1,511	0	0	0	0
5.07	Closing balances	103,976	297	92,873	4,568	248,444	450,158	20	450,178

Consolidated financial statements / statement of changes in equity - 1/1/2011 to 6/30/2011

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, stock options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	63,381	0	129,921	0	273,814	467,116	14	467,130
5.03	Adjusted opening balances	63,381	0	129,921	0	273,814	467,116	14	467,130
5.04	Capital transactions with owners	0	0	-1,031	0	0	-1,031	0	-1,031
5.04.04	Treasury shares purchased	0	0	-1,064	0	0	-1,064	0	-1,064
5.04.05	Treasury shares sold	0	0	33	0	0	33	0	33
5.05	Total comprehensive income	0	0	0	8,317	-1,563	6,754	2	6,756
5.05.01	Profit for the period	0	0	0	6,754	0	6,754	2	6,756
5.05.02	Other comprehensive income	0	0	0	1,563	-1,563	0	0	0
5.05.02.06	Realization of deemed cost	0	0	0	1,563	-1,563	0	0	0
5.06	Internal changes in equity	0	0	-3,262	3,262	0	0	0	0
5.06.04	Realized revenue reserve - biological assets	0	0	-1,883	1,883	0	0	0	0
5.06.05	Realized revenue reserve - biological assets (subsidiaries)	0	0	-1,379	1,379	0	0	0	0
5.07	Closing balances	63,381	0	125,628	11,579	272,251	472,839	16	472,855

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of value added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2012 to 6/30/2012	Accumulated - prior year 1/1/2011 to 6/30/2011
7.01	Revenues	306,516	300,833
7.01.01	Sale of goods, products and services	305,121	299,660
7.01.02	Other income	1,621	1,311
7.01.04	Provision for impairment of trade receivables	-226	-138
7.02	Inputs purchased from third parties	-169,673	-169,334
7.02.01	Cost of products and services	-157,455	-157,829
7.02.02	Materials, electric power, outside services and other	-12,218	-11,505
7.03	Gross value added	136,843	131,499
7.04	Retentions	-24,469	-28,230
7.04.01	Depreciation, amortization and depletion	-26,729	-27,006
7.04.02	Other	2,260	-1,224
7.04.02.01	Changes in the fair value of biological assets	2,260	-1,224
7.05	Net value added produced	112,374	103,269
7.06	Value added received in transfer	14,926	14,070
7.06.02	Finance income	14,926	14,070
7.07	Total value added to be distributed	127,300	117,339
7.08	Value added distributed	127,300	117,339
7.08.01	Personnel	42,692	37,730
7.08.01.01	Direct remuneration	35,188	31,157
7.08.01.02	Benefits	5,596	4,951
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	1,908	1,622
7.08.02	Taxes payable	30,606	32,208
7.08.02.01	Federal	18,200	19,835
7.08.02.02	State	12,063	12,175
7.08.02.03	Municipal	343	198
7.08.03	Remuneration of third-party capital	56,236	40,628
7.08.03.01	Interest	43,396	28,272
7.08.03.02	Rentals	12,840	12,356
7.08.04	Remuneration of own capital	-2,234	6,773
7.08.04.03	Retained earnings/loss for the period	-2,234	6,754
7.08.04.04	Non-controlling interests in retained earnings	0	19

Comments on company performance

COMMENTS ON THE COMPANY'S PERFORMANCE FOR THE QUARTER

The following information refers to the consolidated data. The amounts are presented in accordance with the standards of CVM (Brazilian Securities Commission) regulations, applicable to the preparation of quarterly data, including CVM Instruction 469.

1. ECONOMIC AND FINANCIAL PERFORMANCE

The chief financial indicators are shown below:

CHIEF FINANCIAL INDICATORS
(including discontinued operation)

R$ thousand	2Q12	2Q11	Δ Y-o-Y	1Q12	6M12	6M11	LTM12	LTM11
Net operating revenue	120,513	118,523	1.7%	117,658	238,171	234,055	485,629	474,742
Domestic market	102,260	103,915	-1.6%	102,150	204,410	203,952	425,069	424,096
Export market	18,253	14,608	25.0%	15,508	33,761	30,103	60,560	50,646
Gross Profit (including *)	32,037	28,250	13.4%	33,472	65,509	59,729	148,227	147,023
(*) change in fair value of biological assets	*(2,260)*	*(1,224)*	*84.6%*	-	*(2,260)*	*(1,224)*	*13,291*	*20,512*
Gross margin	26.6%	23.8%	2.8 p.a.	28.4%	27.5%	25.5%	30.5%	31.0%
Profit (loss) before taxes and profit sharing	(7,497)	1,198	-725.8%	2,072	(5,425)	6,126	(710)	33,903
Operating margin	-6.2%	1.0%	-7.2 p.a.	1.8%	-2.3%	2.6%	-0.1%	7.1%
Profit (loss)	**(5,731)**	**2,783**	-305.9%	**3,497**	**(2,234)**	**6,754**	**366**	**29,570**
Net Margin	-4.8%	2.3%	7.1 p.a.	3.0%	-0.9%	2.9%	0.1%	6.2%

EBITDA - EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

R$ thousand	2Q12	2Q11	Δ Y-o-Y	1Q12	6M12	6M11	LTM12	LTM11
Result before taxes	**(7,497)**	**1,198**	-725.8%	**2,072**	**(5,425)**	**6,126**	**(5,961)**	**30,085**
Depletion	3,699	3,938	-6.1%	4,470	8,169	7,847	17,723	16,685
Depreciation and amortization	10,361	9,403	10.2%	9,756	20,117	18,586	39,656	36,356
Finance result	16,559	6,183	167.8%	11,911	28,470	14,202	66,783	26,280
EBITDA	**23,122**	**20,722**	11.6%	**28,209**	**51,331**	**46,761**	**118,201**	**109,406**
Change in the fair value of biological assets	2,260	1,224	84.6%	-	2,260	1,224	(13,291)	(20,512)
Stock option/management participation	297	-	-	-	297	-	5,548	3,818
Provisions (1)	-	1,814	-	-	-	3,905	2,076	8,976
Adjusted EBITDA	**25,679**	**23,760**	**8.1%**	**28,209**	**53,888**	**51,890**	**112,534**	**101,688**
Adjusted EBITDA Margin	21.3%	20.0%	1.3 p.p.	24.0%	22.6%	22.2%	23.2%	21.4%

(1) Provisions for Excise Tax (IPI) credits, stock option/management participation and changes in the fair value of biological assets not representing cash disbursements for the period were added to the Adjusted EBITDA.

6M12 - first six-month period of 2012 (January - June 2012)
6M'11 - first six-month period of 2011 (January - June 2011)
LTM12: *last twelve months* 2012 (July 2011 - June 2012)
LTM11: *last twelve months* 2011 (July 2010 - June 2011)

Note: Note: LTM (last twelve months) is the sum of the results calculated for the last twelve months. LTM is not a measure utilized in Brazilian accounting practices, and does not represent a statement of operations for the period, nor should it be regarded as an alternative to net profit from the standpoint of an indicator of operating performance. LTM has no standard definition and our definition thereof may not be comparable to that of other companies. Management utilizes this additional data to measure operating performance for the period.
Note: EBITDA is the operating result plus net financial (income) expenses and depreciation, depletion, and amortizations. It is not a measure utilized in Brazilian accounting practices, does not represent cash flow for the periods in question, and should not be regarded as an alternative to net profit from the standpoint of an indicator of operating performance, nor as an alternative to cash flow from the standpoint of a liquidity indicator. EBITDA has no standard definition and our definition thereof may not be comparable to that of other companies for EBITDA or adjusted EBITDA. Although, under Brazilian accounting practices, EBITDA does not represent an operating cash flow measurement, it is utilized by Management to measure operating performance. Furthermore, we understand that certain investors and financial analysts utilize EBITDA as an operating performance indicator for a company and/or its cash flow.

Comments on company performance

IRANI reports Adjusted EBITDA of R$ 25,679 thousand in 2Q12, 8.1 % superior to 2Q11

2Q12 Highlights:

- During this quarter, Net Operating Revenue increased by 1.7% in relation to 2Q11, totaling R$ 120,513. In the last twelve months, it increased by 2.3% over the similar previous period, amounting to R$ 485,629.

- The gross profit increased by 13.4% compared to 2Q11. In the last twelve months, it remained stable when compared to the same period in 2011. Gross Profit is influenced by the recognition of the change in fair value of biological assets in June and December of each year.

- The net loss amounted to R$ 5,731 in 2Q12, which reversed the positive result in 1Q12. The result for 2Q12 was affected by the negative result of the exchange variation and the variation in the fair value of biological assets. In the last twelve months, the net profit reached R$ 366.

- Adjusted EBITDA in 2Q12 was R$ 25,679, with a 21.3% margin, representing an increase of 8.1% in comparison with R$ 23,760 in the same quarter in the preceding year, with a 20.0% margin. In the last twelve months, adjusted EBITDA was R$ 112,534, a 10.7% increase over R$ 101,688 for the same period in the preceding year.

- Net Debt/EBITDA: 2.67 times in June 2012.

- Volume of corrugated cardboard packaging sales: 30 thousand metric tons, an increase of 1.9% over the same quarter in the preceding year.

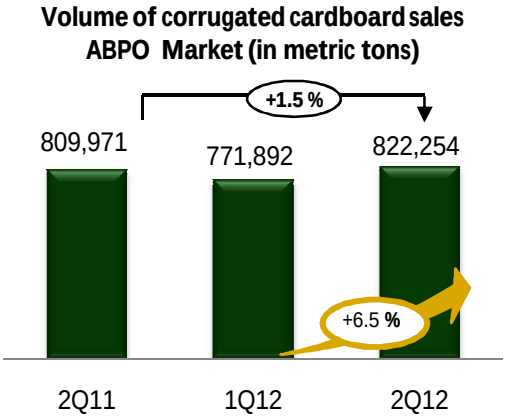
Comments on company performance

2. OPERATING PERFORMANCE (not reviewed by independent auditors)

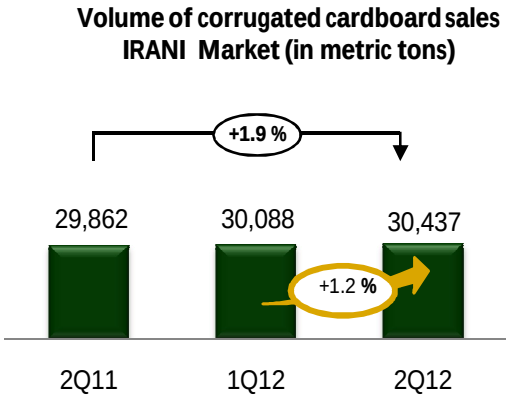
2.1 Market growth

Corrugated Cardboard Sector - ABPO[1] vs. Irani comparison

ABPO Market [metric tons]



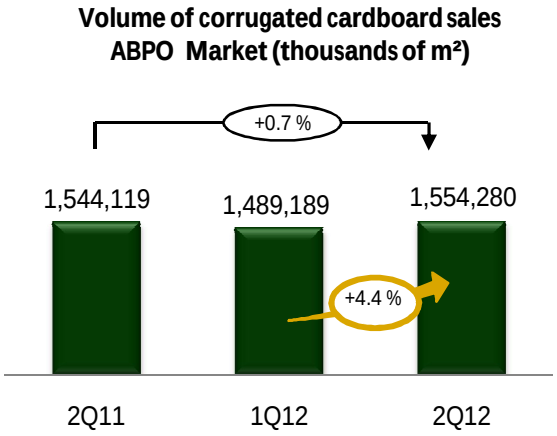
Irani Market [metric tons]



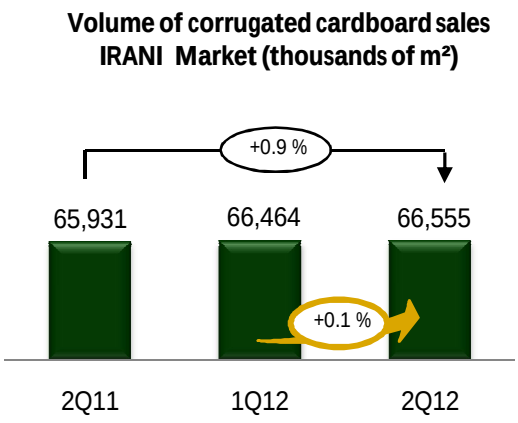
As shown in these tables, the volume of corrugated cardboard sales - **ABPO Market**, increased by 1.5% in 2Q12 over 2Q11, and the volume of corrugated cardboard sales - **Irani Market** presented an increase of 1.9% in the same period. Compared with 1Q12, the **ABPO Market** presented an increase of 6.5% and the **Irani Market** presented an increase of 1.2%. IRANI's market share (in metric tons) for this quarter was 3.7%.

Sales, in square meters, were as follows:

ABPO Market [thousands of m²]



IRANI Market [thousands of m²]

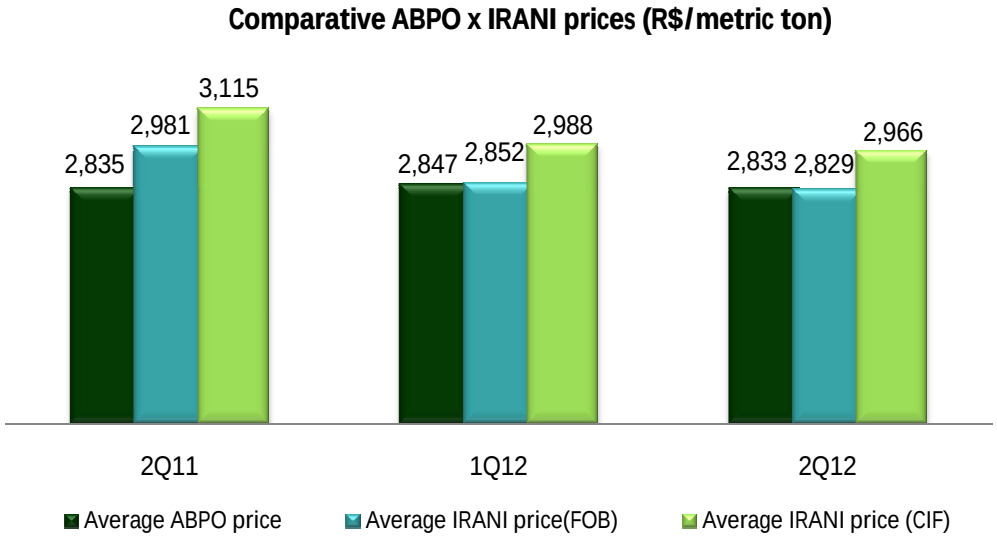


[1] ABPO: Brazilian Corrugated Cardboard Association
2Q12 ABPO (in metric tons and m²) are estimates. The official data could differ.

Comments on company performance

The volume of Corrugated Cardboard sales - **ABPO Market**, in square meters, remained stable in 2Q12 as compared with 2Q11, as did the **IRANI Market**. Compared with 1Q12, the **ABPO Market** increased 4.4%, whereas the **Irani Market** remained stable. Irani's market share (in square meters) was 4.3%.

Average IRANI prices (FOB and CIF) per metric ton decreased 5.11% and 4.80%, respectively, during this quarter as compared with the same quarter of the prior year, and remained stable when compared to 1Q12. However, they were above average ABPO market price levels, as shown below:



Methodologies - For comparison adjustments, the prices consider:

1- IRANI prices are net of IPI, with PIS, COFINS, ICMS;
2- IRANI prices are adjusted based on a mix of market boxes and sheets;
3- ABPO prices are a mix of CIF and FOB prices.

TECHNICAL NOTE

The objective of ABPO is to establish the costs of the chief representative variables of the corrugated cardboard manufacturing sector's industrial transactions. The methodology consists of utilizing the data provided by 24 companies, and extrapolating them to the industry sector, defined by ABPO and consisting of 80 companies (see 1 below). The estimates are based on 2008 data. With the values at this date, extension factors for each variable are calculated and subsequently applied to sample data of this and other years (see 2 below). As from 2009, the ABPO statistics were outsourced to the Fundação Getúlio Vargas, which changed the methodology and revised the Brazilian corrugated cardboard market data, retroactively to 2005, for metric ton and square meter values. (1) Only companies owning corrugator machinery were considered. For estimate purposes, the 80 companies were divided into two groups: those reporting to ABPO (24) and those that do not report to ABPO (56). (2) In 2008, the 24 companies reporting to ABPO were responsible for 71% of the billing of the 80 producers.

Comments on company performance

2.2 Production and sales

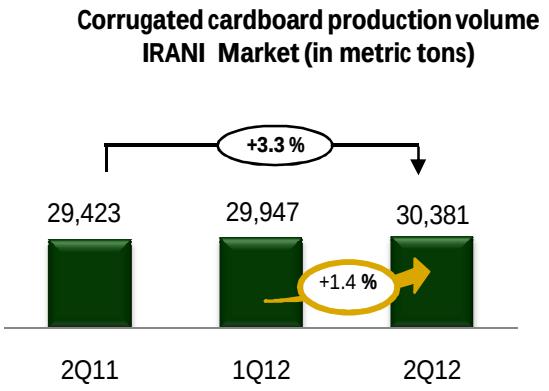
The production and sales volumes of the major products are presented below:

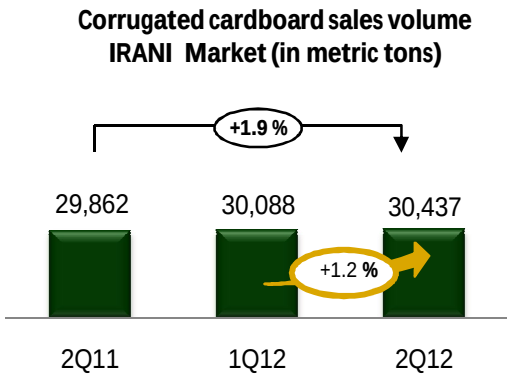
Corrugated cardboard packaging sector

The total corrugated cardboard packaging production at the two factories (São Paulo and Santa Catarina) increased 3.3% per metric ton as compared with 2Q11 and 1.4% as compared with 1Q12. Sales per metric ton increased by 1.9% over the same quarter of the previous year and by 1.2% in comparison with 1Q12.

The São Paulo packaging factory's sales volume totaled 11,837 metric tons of boxes and 5,077 metric tons of sheets in 2Q12 (10,818 metric tons of boxes and 5,882 metric tons of sheets in 2Q11).

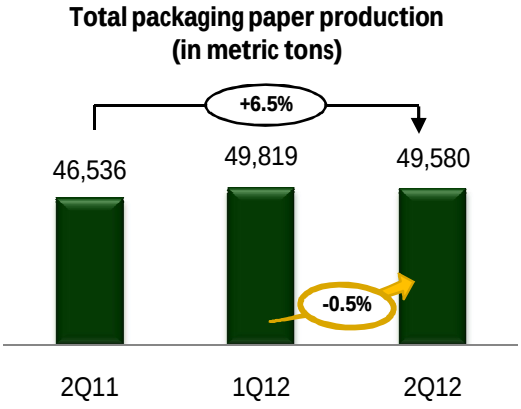
The Santa Catarina packaging factory's sales volume totaled 11,131 metric tons of boxes and 2,391 metric tons of sheets in 2Q12 (10,994 metric tons of boxes and 2,168 metric tons of sheets in 2Q11).

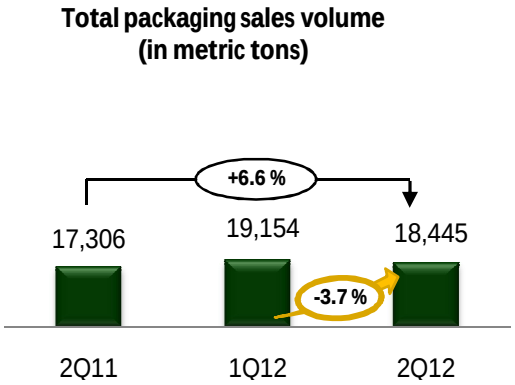




Packaging paper sector

Packaging Paper production in 2Q12 increased by 6.5% as compared with 2Q11 and remained stable compared with 1Q12. Sales increased by 6.6%% over 2Q11 and decreased by 3.7% in comparison with 1Q12.

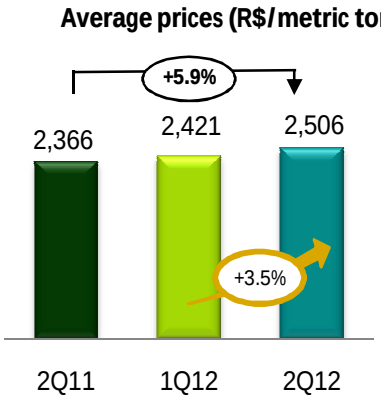




Comments on company performance

Transfers of paper for processing to the São Paulo corrugated packaging cardboard factory totaled 16,813 metric tons (17,013 metric tons in 2Q11 and 17,996 metric tons in 1Q12) and to the Santa Catarina corrugated packaging cardboard factory totaled 13,160 metric tons (13,095 metric tons in 2Q11 and 13,767 metric tons in 1Q12).

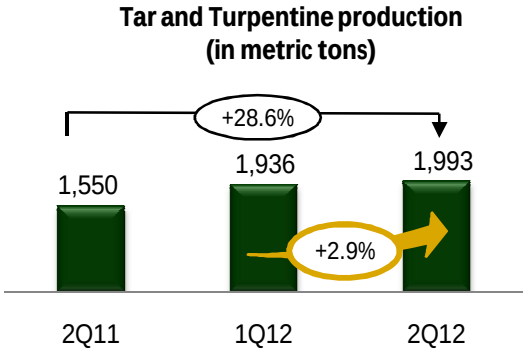
Average paper prices for 2Q12 increased over the same quarter in the prior year by 5.9% and by 3.5% as compared with 1Q12.

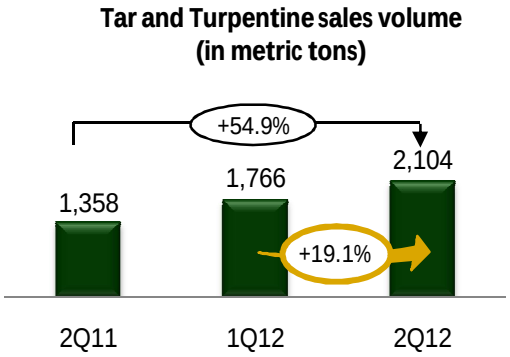


RS Forest products and resins

In 2Q12, the RS Forest products segment produced and traded 94 thousand m³ of pine logs for the domestic market (107 thousand m³ in 2Q11 and 82 thousand m³ in 1Q12) and supplied 947 metric tons of natural resins to the parent company Celulose Irani S.A. to be utilized in the industrial production of tar and turpentine.

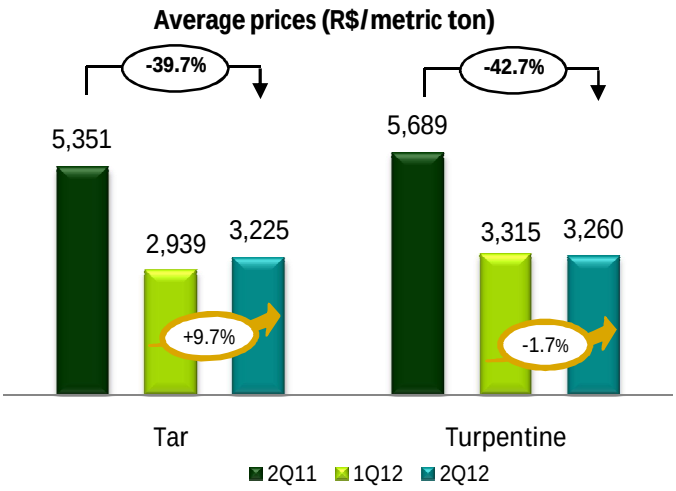
The Resins Unit production volumes increased by 28.6% over 2Q11, and sales increased by 54.9%. The production and sales volume increased as compared with 1Q12.





Comments on company performance

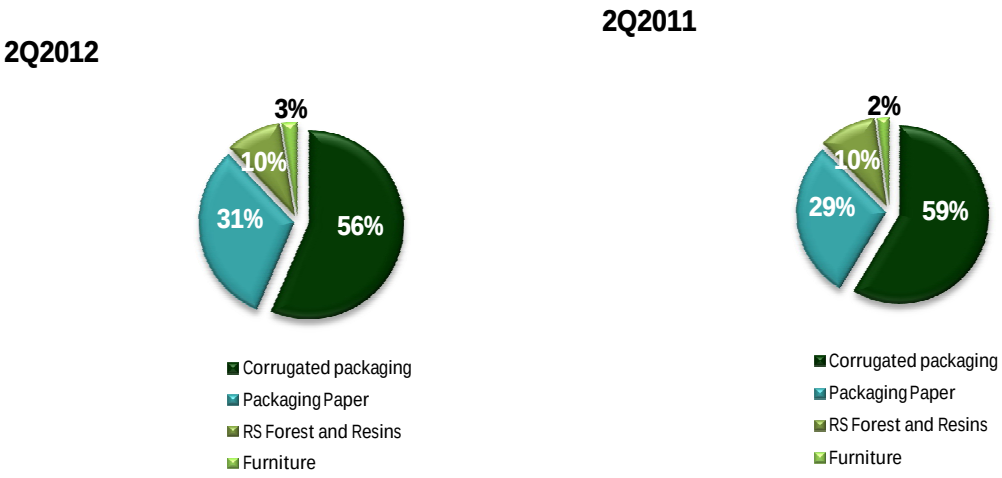
The average gross tar and turpentine prices decreased in 2Q12 in comparison with the same quarter of the previous year. This decrease was due to the fact that, in 2Q11, there was more foreign market demand for these products, which led to higher average prices. The demand returned to its historical levels in the current quarter, which was reflected in the average prices. Tar prices increased 9.7% as compared with the previous quarter, whereas turpentine decreased by 1.7%.



2.3 Composition of net operating revenue

Net operating revenue by sector (%)

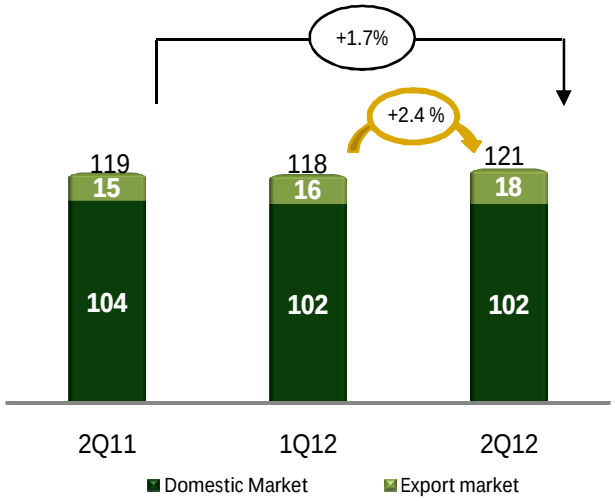
As shown below, the corrugated cardboard packaging sector represented 56% of consolidated net operating revenue in 2Q12:



Comments on company performance

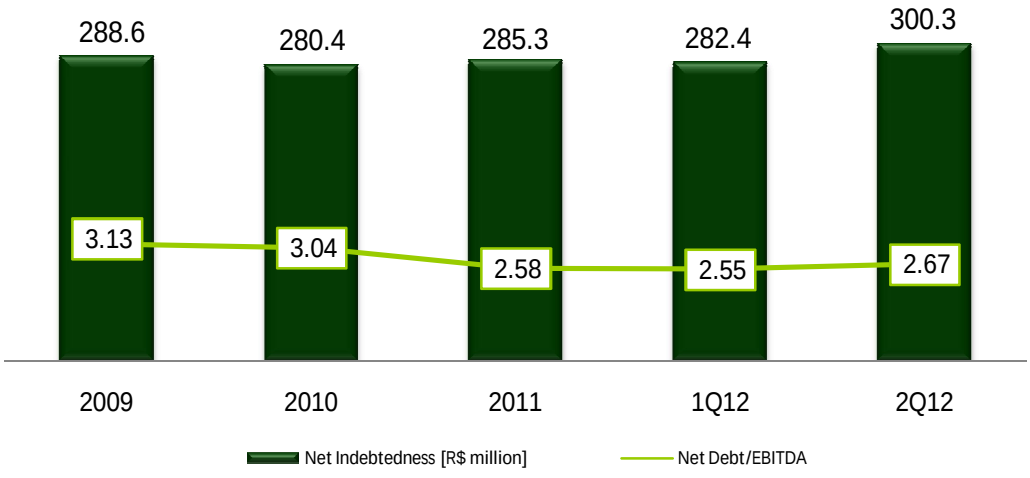
Net operating revenue by market (R$ million)

The Company's net operating revenue in 2Q12 amounted to R$ 120.5 million. Its major market is the Brazilian domestic market, which represented 85% of consolidated net operating revenue in 2Q12, in line with the prior quarters.



3. INDEBTEDNESS AND FINANCIAL RESULT

3.1 Net indebtedness



Comments on company performance

As from 2009, the Net Debt/EBITDA ratio reflects the benefits of investments made during 2007 and 2008, as well as the debt settlement. This ratio decreased to 2.58 times in 2011. In 2Q12, the Net debt/EBITDA ratio was 2.67 times, an increase which was significantly affected by the valuation of the U.S dollar and the euro against the Brazilian real.

3.2 Finance result

The finance result for the quarter was a net expense of R$ 16,559, as compared with a net expense of R$ 6,183 for the same quarter in the previous year. The result was mainly affected by the net negative exchange variation of R$ 5,605, due to the devaluation of the Brazilian real.

The distribution of the finance result was as follows:

R$ thousand	2Q12	2Q11	1Q12	6M12	6M11	LTM12	LTM11
Finance income	3,450	8,671	11,476	14,926	14,121	31,393	30,745
Finance costs	(20,009)	(14,854)	(23,387)	(43,396)	(28,323)	(98,176)	(57,025)
Finance result	(16,559)	(6,183)	(11,911)	(28,470)	(14,202)	(66,783)	(26,280)

The following table shows the foreign exchange gains and losses included in the Company's finance income and expenses:

R$ thousand	2Q12	2Q11	1Q12	6M12	6M11	LTM12	LTM11
Foreign exchange gains	1,200	6,099	9,298	10,498	10,351	23,335	24,050
Foreign exchange losses	(6,805)	(1,716)	(8,347)	(15,152)	(3,660)	(41,687)	(8,102)
Foreign exchange variations, net	(5,605)	4,383	951	(4,654)	6,691	(18,352)	15,948

The foreign exchange variation negatively impacted the Company's result by R$ 5.6 million in the quarter, due to the devaluation of the Brazilian real against the U.S. dollar and the Euro.

The following table shows the finance result without the foreign exchange variation:

R$ thousand	2Q12	2Q11	1Q12	6M12	6M11	LTM12	LTM11
Finance result with no exchange variation	(10,954)	(10,566)	(12,862)	(23,816)	(20,893)	(48,431)	(42,228)

The result for all the periods was impacted by oscillations in the rates of the US dollar and Euro against the Brazilian real, as the Company's loans and financings were based on these rates.

Comments on company performance

In 2Q12, the Company adapted the maturity flow of its commitments in foreign currency (U.S. dollar) in the amount of US$ 62,6 million, with the purpose of hedging its exports for the next 5 years. The exchange variation of these transactions is accounted for monthly in Equity and recorded in the results, as finance costs, when realized (hedge accounting).

6M12 - first six-month period of 2012 (January - June 2012)
6M11 - first six-month period of 2011 (January - June 2011)
LTM12: *last twelve months* 2012 (July 2011 - June 2012)
LTM11: *last twelve months* 2011 (July 2010 - June 2011)

4. INVESTMENTS

In 2Q12, the Board of Directors approved strategic investments of R$ 78.3 million, destined for the expansion of production capacity, the technological update of equipment and the improvement of quality of the products. R$ 23.8 million of this amount are expected to be applied in 2012, which, when added to the investments previously approved, totals R$ 64.5 million of investments to be realized in 2012.

CELULOSE IRANI S.A.

Notes to the Quarterly Information at June 30, 2012

(All amounts in thousands of reais, unless otherwise indicated)

CELULOSE IRANI S.A.

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CELULOSE IRANI S.A.

Notes to the Quarterly Information
at June 30, 2012
(All amounts in thousands of reais, unless otherwise indicated)

1. GENERAL INFORMATION

Celulose Irani S.A. ("Company") is a corporation headquartered at Rua General João Manoel, 157, 9th floor, in the city of Porto Alegre, State of Rio Grande do Sul, and is listed on the São Paulo Stock Exchange. The Company and its subsidiaries are primarily engaged in manufacturing corrugated cardboard packaging, packaging paper, resin products and their byproducts, and wooden furniture. The Company is also engaged in forestation and reforestation and utilizes the production chain of planted forests and paper recycling as the basis for all its production.

The direct subsidiaries are listed in note 4.

The Company is a direct subsidiary of Irani Participações S.A., which is part of the Habitasul Group, a Brazilian privately-held corporation. Its final parent company is D.P. Representações e Participações Ltda., which is also a company of the Habitasul Group.

The issue of these interim financial statements of the Company was authorized by its Board of Directors on July 20, 2012.

2. PRESENTATION OF FINANCIAL STATEMENTS

The consolidated interim accounting information, contained in the Quarterly Information Form (ITR) for the quarter and the six-month period ended June 30, 2012, has been prepared in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB), and accounting practices adopted in Brazil, based on the technical pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC) in convergence with the IFRS, as well as the standards established by the Brazilian Securities Commission (CVM).

The parent company financial statements have been prepared in conformity with the accounting practices adopted in Brazil, which differ from IFRS practices adopted in the consolidated financial statements with respect to the measurement of investments in subsidiaries by the equity method of accounting which, for purposes of IFRS, would be measured at cost or fair value.

The accounting practices adopted in Brazil comprise those included in Brazilian corporate law and the pronouncements, guidance and interpretations issued by the Brazilian Accounting Pronouncements Committee ("CPC") and approved by the Brazilian Securities Commission ("CVM").

Since there is no difference between the consolidated equity and profit (loss) attributable to the owners of the Company in the consolidated financial statements prepared in accordance with IFRSs and the accounting practices adopted in Brazil, and the parent company's equity and net income in the parent company financial statements prepared in accordance with accounting practices adopted in Brazil, the Company opted for presenting these parent company and consolidated financial statements together.

The financial statements have been prepared under the historical cost convention, except for certain financial instruments and biological assets measured at fair values and property, plant and equipment measured at deemed cost at January 1, 2009, the date of the initial adoption of the new Technical Pronouncements ICPC10/CPC27, as described in the accounting policies below. The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Functional currency and translation of foreign currencies

The parent company and consolidated financial statements are presented in Brazilian reais (R$), which is the functional and reporting currency of the Company and its subsidiaries.

Foreign-currency transactions are originally recorded at the exchange rate effective on the transaction date. Gains and losses arising from the difference between the translation of balances in foreign currency into the functional currency are recognized in the statement of operations, except when classified as cash flow hedge accounting, and, therefore, deferred in equity as cash flow hedge transactions.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash, banks and highly liquid investments with low risk of change in value and maturity of 90 days or less, held for the purpose of meeting short-term cash requirements.

c) Trade receivables and provision for impairment of trade receivables

Trade receivables are recorded at their original amounts plus the effect of exchange rate changes, when applicable. The provision for impairment of trade receivables is calculated based on losses estimated through an individual analysis of trade receivables and taking into account the history of losses, and is recognized in an amount considered sufficient by the Company's management to cover expected losses on the collection of receivables.

d) Inventories

Inventories are stated at the lower of average production or acquisition cost and net realizable value. The net realizable value corresponds to the inventories' estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

e) Investments

Investments in subsidiaries are accounted for by the equity method in the parent company financial statements.

Under the equity method, investments in subsidiaries are adjusted to recognize the Company's share in the income or loss and other comprehensive income of the subsidiary.

Transactions, balances and unrealized gains on related-party transactions are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Company.

f) Property, plant and equipment and intangible assets

Property, plant and equipment are stated at deemed cost less accumulated depreciation and impairment losses, when applicable. In the case of qualifying assets, borrowing costs are capitalized as part of the costs of construction in progress. Assets are classified in appropriate categories of property, plant and equipment when completed and ready for the intended use. Depreciation begins when the assets are ready for the intended use on the same basis as other property, plant and equipment items.

Depreciation is calculated on the straight-line method taking into consideration the estimated useful lives of the assets based on the expectation of the generation of future economic benefits, except for land, which is not depreciated. The estimated useful lives of the assets are reviewed annually and adjusted, if necessary, and may vary based on the technological stage of each unit.

The Company's intangible assets comprise only computer software licenses, which are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the software (three to five years). Costs associated with maintaining computer software programs are recognized as an expense as incurred.

g) Biological assets

The Company's biological assets are primarily represented by pine forests, which are used in the production of packaging paper, corrugated cardboard boxes and sheets and also for sale to third parties and extraction of gum resin. Pine forests are located near the pulp and paper factory in Santa Catarina, and also in Rio Grande do Sul, where they are used for production of gum resin and sale of timber logs.

Biological assets are periodically measured at fair value less selling expenses, and the variation of each period is recognized in income (loss) as change in fair value of biological assets. The assessment of the fair value of biological assets is based on certain assumptions, as disclosed in note 14.

h) Impairment

The Company reviews the balance of non-current assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable based on future cash flows. Such reviews have not indicated the need to recognize impairment losses.

i) Income tax and social contribution (current and deferred)

Income tax and social contribution are provisioned based on the taxable profit determined according to prevailing tax legislation, which differs from the profit reported in the statement of operations, since it excludes income or expenses taxable or deductible in other fiscal periods, and excludes permanently non-taxable or non-deductible items. The provision for income tax and social contribution is calculated for each company individually, based on the statutory rates prevailing at year end. The Company calculates its taxes at a rate of 34% on taxable profit. However, the subsidiaries Habitasul Florestal S.A. and Iraflor - Comércio de Madeiras Ltda. adopt the deemed rate of 3.08% and Irani Trading S.A. adopts the deemed rate of 10.88%, based on revenues.

The Company recognizes deferred income tax and social contribution on temporary differences for tax purposes, tax losses, deemed cost adjustments and change in the fair value of biological assets. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized for all deductible temporary differences, only if it is probable that the Company will have sufficient future taxable income against which such deductible temporary differences can be utilized. Deferred income tax and social contribution are recorded for the subsidiaries with the presumed taxable profit regime, in respect of the fair value of biological assets and the deemed cost of property, plant and equipment.

j) Borrowings, debentures, Real Estate Credit Note (CRI) and Certificate of Agribusiness Credit Rights (CDCA)

These payables are stated at original amounts, less the relating transaction costs, when applicable, adjusted based on indices established by contracts with creditors, plus interest calculated using the effective interest rate and the effects of exchange rate changes, when applicable, through the balance sheet dates, as described in the detailed notes.

k) Derivative financial instruments

Some derivatives, depending on their nature, are measured at fair value at the balance sheet date, with the changes in fair value recorded as finance income or expenses in the result for the period. Certain derivatives are measured and recognized in the statement of operations for the period as finance income or costs, since they form part of a single financial instrument (derivative financial instrument linked to funding transactions).

l) Hedge accounting

The Company documents at the inception of the transaction the relationship between the hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the hedge instruments that are used in the transactions are highly effective in offsetting changes in cash flows of hedged items.

Changes in the hedging amounts classified in "Carrying value adjustments" within equity are shown in note 21.

The effective portion of changes in the fair value of hedge instruments that are designated and qualify as cash flow hedges is recognized in equity within "Carrying value adjustments". The gain or loss relating to the ineffective portion is recognized immediately in the statement of operations within "Other operating income (expenses), net".

The amounts accumulated in equity are reclassified to the statement of operations in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of instruments hedging highly probable transactions is recognized in the statement of operations within "Finance result". The gain or loss relating to the ineffective portion is recognized in the statement of operations within "Other operating income (expenses), net".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized in profit or loss when the transaction is recognized in the statement of operations. When a transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of operations within "Other operating income (expenses), net".

m) Leases

The Company as the lessee

Leases that transfer substantially all the risks and rewards of ownership of the assets to the Company are classified as finance leases. All other leases are classified as operating leases and recorded in the result for the period. A finance lease is recorded as a financed acquisition, with a fixed asset and a financing liability being recognized at the commencement of the lease term. Property, plant and equipment items acquired under finance leases are depreciated at the rates specified in note 13.

Operating lease payments (net of any incentives received from the lessor) are recognized in the result under the straight-line method over the lease term.

The Company as the lessor:

Revenues from operating leases are recognized on the straight-line basis over the lease period. Initial direct costs incurred in the negotiation and preparation of the operating lease are added to the carrying amount of leased assets and also amortized on the straight-line basis over the lease period.

n) Provisions

A provision is recognized in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. Provisions are constituted at amounts considered by Management as sufficient to cover probable losses and adjusted for inflation through the balance sheet date, based on the nature of each contingency and on the opinion of the Company's legal counsel.

o) Significant accounting judgments, estimates and assumptions

In preparing the financial statements, judgments, estimates and assumptions were utilized to account for certain assets, liabilities, income and expenses for the period.

Accounting judgments, estimates and assumptions adopted by Management were based on the best information available through the reporting date and the experience of past events, projections about future events, and the assistance of experts, when applicable.

The financial information includes, therefore, various estimates, including, but not limited to, the determination of the useful lives of property, plant and equipment, the realization of deferred tax assets, the provision for impairment of trade receivables, the fair value measurement of biological assets, the provision for tax, social security, civil and labor claims, the fair value measurement of certain financial instruments, and the provision for impairment of assets.

Actual results involving accounting judgments, estimates and assumptions, when realized, could differ from those recognized in the financial statements.

p) Revenue and expense recognition

Revenue and expenses are recognized on the accrual basis and include interest, charges and the effects of exchange rate changes at official rates, applicable to current and non-current assets and liabilities and, when applicable, adjustments to realizable value.

q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services, less any expected returns, trade discounts and/or bonuses granted to the buyer and other similar deductions. Revenue between the Company and its subsidiaries is eliminated in the consolidated results.

Sales revenue is recognized when all of the following conditions are met:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the product.
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the products sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Company.
- The costs incurred or to be incurred in respect of the transaction can be reliably measured.

r) Government grants

The financing of taxes, directly or indirectly granted by the Federal Government, at interest rates below market rates, are recognized as government grants and measured at the difference between the amounts received and the fair value calculated based on market interest rates. This difference is recorded with a corresponding entry to sales revenue in the statement of operations and will be appropriated based on the amortized cost and the effective rate over the period.

s) Statement of value added ("DVA")

Brazilian corporate law requires the presentation of the statement of value added as an integral part of the set of financial statements presented by the Company. The presentation of the DVA is not required by the IFRS. The purpose of this statement is to show the wealth created by the Company and its distribution during a certain reporting period.

The statement of value added was prepared pursuant to the provisions of CPC 09 - Statement of Value Added, with information obtained from the same accounting records used to prepare the financial statements.

4. CONSOLIDATION OF FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of Celulose Irani S.A and the following subsidiaries:

Ownership interest - (%)		
Subsidiaries - direct ownership	6.30.12	12.31.11
Habitasul Florestal S.A.	100.00	100.00
Irani Trading S.A.	99.99	99.99
Meu Móvel de Madeira LTDA.	99.93	99.93
HGE - Geração de Energia Sustentável LTDA.	99.98	99.98
Iraflor - Comércio de Madeiras LTDA.	99.99	99.99

The accounting practices of the subsidiaries are consistent with those adopted by the Company. Intercompany balances and investments and the result of equity adjustments, as well as intercompany transactions and unrealized profit (loss), have been eliminated in consolidation, unless the subsidiary has evidence of impairment. The subsidiaries' accounting information used for consolidation was prepared as of the same date as the Company's accounting information.

The operations of the subsidiaries are described in note 12.

CELULOSE IRANI S.A.

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5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Parent company		Consolidated	
	6.30.12	12.31.11	6.30.12	12.31.11
Fixed fund	17	16	22	21
Banks	1,582	1,272	1,635	2,477
Financial investments	70,865	71,208	73,424	72,224
	72,464	72,496	75,081	74,722

Financial investments in Bank Deposit Certificates (CDBs) earn an average of 101.80% of the Interbank Deposit rate (CDI).

6. TRADE RECEIVABLES

	Parent company		Consolidated	
	6.30.12	12.31.11	6.30.12	12.31.11
Trade receivables:				
Customers - domestic market	83,349	89,957	88,456	94,577
Customers - foreign market	7,721	4,152	7,748	4,198
Subsidiaries		1,905		-
	91,070	96,014	96,204	98,775
Provision for impairment of trade receivables	(6,060)	(5,835)	(6,770)	(6,544)
	85,010	90,179	89,434	92,231

At June 30, 2012, the amount of R$ 5,354 in consolidated trade receivables was overdue and not provisioned as the balance referred to independent customers with no history of default.

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Trade receivables by maturity are as follows:

	Parent company		Consolidated	
	6.30.12	12.31.11	6.30.12	12.31.11
Current	80,176	81,929	84,080	83,628
Overdue for up to 30 days	2,431	6,769	2,897	7,125
Overdue from 31 to 60 days	170	386	176	386
Overdue from 61 to 90 days	155	115	161	124
Overdue from 91 to 180 days	616	162	637	180
Overdue for more than 180 days	7,522	6,653	8,253	7,332
	91,070	96,014	96,204	98,775

The average credit term on the sale of products is 49 days. The Company recognized a provision for the impairment of trade receivables for balances past due for over 180 days based on an analysis of the financial position of each debtor and on past default experiences. A provision for impairment of trade receivables is also constituted for balances past due less than 180 days, when the amounts are considered uncollectible, taking into consideration the financial position of each debtor.

	Parent company		Consolidated	
	6.30.12	12.31.11	6.30.12	12.31.11
Balance at beginning of period	(5,835)	(5,697)	(6,544)	(6,406)
Provision for losses recognized	(225)	(146)	(226)	(146)
Amounts recovered in the period	-	8	-	8
Balance at end of period	(6,060)	(5,835)	(6,770)	(6,544)

Part of the receivables, amounting to approximately R$ 39,613, was assigned as collateral for certain financial transactions, among which were the assignment for 25% of the amount of the outstanding balance of the principal of debentures (note 16) and the assignment equivalent to 3 lease installments of the CCI operation (note 15).

The credit quality of financial assets that were neither past-due nor impaired at June 30, 2012 was assessed by reference to historical information about default rates, as follows:

Customer category	History-%	Consolidated Amount receivable
a) Customers with no history of default	93.03	78,220
b) Customers with history of default of up to 7 days	6.21	5,221
c) Customers with history of default over 7 days	0.76	639
		84,080

a) Occasional customers who have no history of arrears.
b) Customers who have a history of chronically late will delay up to 7 days, with no history of default.
c) Customers who have a history of chronically late will delay more than 7 days, no history of default.

7. INVENTORIES

	Parent company		Consolidated	
	6.30.12	12.31.11	6.30.12	12.31.11
Finished goods	4,615	5,486	6,247	7,442
Production materials	21,062	18,364	21,062	18,364
Consumable materials	12,282	11,890	12,325	11,924
Other	838	626	861	626
	38,797	36,366	40,495	38,356

The cost of inventories recognized as an expense for the quarter ended June 30, 2012 totaled R$ 84,822 (R$ 88,006 in the quarter ended June 30, 2011) in the parent and R$ 86,216 (R$ 90,096) in the consolidated.

The cost of inventories recognized as an expense did not include any write-down of inventory to net realizable value. Management expects inventories to be used in less than 12 months.

8. RECOVERABLE TAXES

Recoverable taxes consist of the following:

	Parent company		Consolidated	
	6.30.12	12.31.11	6.30.12	12.31.11
ICMS on the acquisition of property, plant and equipment	2,720	3,457	2,725	3,463
State Value-added Tax (ICMS)	338	321	349	341
COFINS (Social Contribution on Revenues)	1,940	-	1,940	-
Social Integration Program (PIS)	176	-	176	-
Excise Tax (IPI)	1,368	5,547	1,368	5,547
Income tax	986	908	979	908
Social contribution	341	338	339	338
Withholding Income Tax (IRRF)	1,058	245	1,058	245
Other	-	7	10	7
	8,927	10,823	8,944	10,849
Current	7,177	8,661	7,194	8,687
Non-current	1,750	2,162	1,750	2,162

ICMS credits generated on the acquisition of property, plant and equipment are recoverable in 48 monthly and consecutive installments as determined by specific legislation.

IPI credits are generated on the acquisition of inputs used in the production process and are utilized to offset taxes due on the sales of each production unit.

9. BANKS - RESTRICTED ACCOUNT

	Parent company and Consolidated	
	6.30.12	12.31.11
Banco do Brasil - New York - (a)	988	3,840
Banco Credit Suisse - Brazil	-	4,834
	988	8,674
Current	988	5,143
Non-current	-	3,531

a) Banco do Brasil - New York - represented by amounts retained to guarantee the settlement of the quarterly installments of the export prepayment loan obtained from Credit Suisse Bank, relating to the installment falling due in August 2012. Because of the renegotiation of the contract subject to the retention realized on April 27, 2012, only the contractual interest will be due up to November 2014. Therefore, the amounts retained as from this quarter are lower and sufficient to guarantee the interest installment not yet due.

10. OTHER RECEIVABLES

	Parent company		Consolidated	
	6.30.12	12.31.11	6.30.12	12.31.11
Carbon credits	7,218	6,378	7,218	6,378
Advances to suppliers	1,903	1,412	2,007	1,425
Employee receivables	974	982	1,180	1,004
Renegotiation with customers	3,092	3,309	3,123	3,340
Prepaid expenses	452	1,025	456	1,057
Transaction costs	1,384	-	1,384	-
Other receivables	780	1,346	1,295	1,420
	15,803	14,452	16,663	14,624
Current	14,362	12,400	15,195	12,545
Non-current	1,441	2,052	1,468	2,079

Carbon credits - the Company has projects which generate carbon credits originating from the reduction of greenhouse gas emissions with the installation of the Co-Generation Plant and the Effluent Treatment Station in the Paper unit, in Vargem Bonita - SC. These credits are traded through agreements signed, under the Kyoto Protocol, with companies located in developed countries that are required to reduce emissions. The credits are recognized on the accrual basis as a reduction of the production process costs and are measured according to the methodology approved by the Kyoto Protocol for each project, considering the probable realizable value, estimated based on the agreements signed. As at June 30, 2012, most of the credits, which were the volumes generated through September 2011, were already audited by DNV - DET NORSKE VERITAS CERTIFICATION AS and were awaiting the issuance of the respective credits in order to be traded. Management expects these credits to be issued in less than 12 months.

Renegotiation with customers - refers to overdue receivables for which debt acknowledgment agreements were formalized. The final maturity of the monthly installments will be in November 2014 and the average interest rate is 1% to 2% p.m., recognized as income on receipt. Some agreements establish collateral covenants for machinery, equipment and property to guarantee the renegotiated debt amount.

The Company assesses the customers in renegotiation and, when applicable, records a provision for impairment on the amount of the renegotiated credits. In order to face possible losses, R$ 1,586 of credits were provisioned and deducted from the amount presented in the Parent Company (R$ 3,092) and Consolidated (R$ 3,123).

Prepaid expenses - refer primarily to premiums paid when contracting the insurance for all the Company's units, recognized in the result for the year on a monthly basis, over the term of each policy.

Transaction costs - incurred in the funding through IPO realized by the Company, which amounted to R$ 1,384 in the period.

11. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

Deferred income tax and social contribution are calculated on the temporary differences for tax purposes, tax losses, adjustments of deemed cost and variations in the fair value of biological assets.

In 2011 and 2012, the Company computed income tax and social contribution on the effects of foreign exchange variations of the cash basis and recorded a deferred tax liability related to unrealized exchange variations.

Deferred tax liabilities were recognized based on the fair value of biological assets and the deemed cost of property, plant and equipment, as well as adjustments relating to the review of the useful lives of property, plant and equipment. These temporary differences resulted from the application of the Transitional Tax System (RTT), whereby the effects of recent changes in accounting practices are effectively eliminated for tax purposes.

The initial tax impacts on the deemed cost of property, plant and equipment were recognized in equity.

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ASSETS

	Parent company		Consolidated	
	6.30.12	12.31.11	6.30.12	12.31.11
Deferred income tax assets				
On temporary differences	12,082	11,261	12,184	11,293
On tax losses	932	932	932	932
Deferred social contribution assets				
On temporary differences	4,350	4,054	4,403	4,071
On tax losses	336	336	336	336
	17,700	16,583	17,855	16,632

LIABILITIES

	Parent company		Consolidated	
	6.30.12	12.31.11	6.30.12	12.31.11
Deferred income tax liability				
Exchange rate variations recognized on the cash basis	1,937	3,945	4,049	5,477
Fair value of biological assets	30,902	30,224	32,284	31,737
Deemed cost of property, plant and equipment and review of useful lives	86,859	87,562	107,717	108,579
Government grants	584	709	584	709
Cash flow hedges	(2,019)	-	(2,019)	-
Deferred social contribution liability				
Exchange rate variations recognized on the cash basis	697	1,420	1,458	1,971
Fair value of biological assets	11,122	10,878	11,869	11,695
Deemed cost of property, plant and equipment and review of useful lives	31,268	31,523	38,777	39,087
Government grants	211	256	211	256
Cash flow hedges	(726)	-	(726)	-
	160,835	166,517	194,204	199,511
Deferred tax liabilities (net)	143,135	149,934	176,349	182,879

Management recorded deferred income tax and social contribution on temporary differences and tax losses. Based on forecasts approved by the Board of Directors, Management expects these consolidated credits to be realized as follows:

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	Parent company		Consolidated	
	6.30.12	12.31.11	6.30.12	12.31.11
Deferred tax assets				
To be recovered within 12 months	4,304	5,060	4,304	5,060
To be recovered after 12 months	13,396	11,523	13,551	11,572
	17,700	16,583	17,855	16,632
Deferred tax liabilities				
To be recovered in up to 12 months	5,874	5,694	5,124	3,867
To be recovered after 12 months	154,961	160,823	189,080	195,644
	160,835	166,517	194,204	199,511

The changes in deferred income tax and social contribution were as follows:

Parent company	Opening balance - 12.31.11	Recognized in the results	Closing balance at 6.30.12
Deferred tax assets related to:			
Provision for bonuses	1,021	763	1,784
Provision for sundry risks	14,161	(744)	13,417
Other	134	(69)	65
Total temporary differences	15,316	(50)	15,266
Tax losses	1,267	1,167	2,434
	16,583	1,117	17,700

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Consolidated	Opening balance - 12.31.11	Recognized in the results	Closing balance at 6.30.12
Deferred tax assets related to:			
Provision for bonuses	1,021	772	1,793
Provision for sundry risks	14,161	(744)	13,417
Other	183	28	211
Total temporary differences	15,365	56	15,421
Tax losses	1,267	1,167	2,434
	16,632	1,223	17,855

Parent company	Opening balance 12.31.11	Recognized in the results	Recorded in equity	Closing balance 6.30.12
Deferred tax liabilities related to:				
Exchange rate variations recognized on the cash basis	5,365	(2,731)	-	2,634
Fair value of biological assets	41,102	922	-	42,024
Deemed cost of biological assets and review of useful lives	119,085	(958)	-	118,127
Government grants	965	(170)	-	795
Cash flow hedges	-	-	(2,745)	(2,745)
	166,517	(2,937)	(2,745)	160,835

Consolidated	Opening balance 12.31.11	Recognized in the results	Recorded in equity	Closing balance 6.30.12
Deferred tax liabilities related to:				
Exchange rate variations recognized on the cash basis	7,448	(1,941)	-	5,507
Fair value of biological assets	43,432	721	-	44,153
Deemed cost of biological assets and review of useful lives	147,666	(1,172)	-	146,494
Government grants	965	(170)	-	795
Cash flow hedges	-	-	(2,745)	(2,745)
	199,511	(2,562)	(2,745)	194,204

12. INVESTMENTS

	Habitasul Florestal	Irani Trading	Meu Móvel de Madeira	HGE Geração de Energia	Iraflor Comércio de Madeiras	Total
At December 31, 2011	115,033	90,524	1,359	3,529	38,130	248,575
Equity in the results of subsidiaries	(1,318)	5,762	215	(332)	(1,018)	3,309
Dividends	(11,915)	(11,324)	-	-	-	(23,239)
Capital contribution	-	4,563	2,011	-	3,370	9,944
At June 30, 2013	101,800	89,525	3,585	3,197	40,482	238,589
Liabilities	28,682	52,088	2,344	36	163	
Equity	101,801	89,536	3,586	3,199	40,486	
Assets	130,483	141,624	5,930	3,235	40,649	
Net revenue	10,349	8,243	5,766	-	5,219	
Profit (loss) for the period	(1,318)	5,762	215	(332)	(1,018)	
Ownership interest - %	100,00	99,99	99,93	99,98	99,99	

The subsidiary Habitasul Florestal S.A. is engaged in planting, developing and harvesting pine forests and extracting resins.

The subsidiary Irani Trading S.A. acts as an intermediary in the export and import of products, the export of products acquired for this purpose and in management and rental of properties. In May 2012, the subsidiary received a capital contribution from the parent company Celulose Irani S.A. in the amount of R$ 4,563, paid up through the transfer of property, plant and equipment.

The subsidiary Iraflor Comércio de Madeiras Ltda. carries out activities related to the management and sale of forests for the parent company Celulose Irani S.A. and also for the market. On January 26, 2012 the subsidiary received a capital contribution from the parent company Celulose Irani S.A. in the amount of R$ 3,370 thousand, paid up through the transfer of forest assets.

The subsidiary Meu Móvel de Madeira Comércio de Móveis e Decorações Ltda. is engaged in the retail sale of furniture and decoration products and furniture assembly services. On May 2012, the subsidiary received a capital contribution from the parent company Celulose Irani S.A. in the amount of R$ 2,011, paid up in cash.

The subsidiary HGE Geração de Energia Sustentável was acquired in 2009 and is engaged in the generation, transmission and distribution of electric power sourced from wind energy to permanently trade it as an independent power producer. This subsidiary continues to be in the preoperating stage and is evaluating projects for implementation.

13. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

a) Composition of property, plant and equipment

Parent company

	Land	Buildings and constructions	Equipment and facilities	Vehicles and tractors	(*) Other	Construction in progress	Advances to suppliers	Assets under finance leases	Leasehold improvements	Total
At December 31, 2011										
Cost	123,901	36,268	515,845	1,774	11,900	20,614	759	27,780	16,061	754,902
Accumulated depreciation	-	(7,154)	(189,073)	(1,278)	(7,489)	-	-	(11,188)	(2,034)	(218,216)
Net book value	123,901	29,114	326,772	496	4,411	20,614	759	16,592	14,027	536,686
At June 30, 2012										
Opening balance	123,901	29,114	326,772	496	4,411	20,614	759	16,592	14,027	536,686
Additions	-	70	1,934	27	114	6,228	5,694	1,001	-	15,068
Disposals	-	477	(100)	5	61	(135)	(473)	(25)	-	(190)
Transfers	-	1,404	8,518	-	624	(10,546)	-	-	-	-
Depreciation	-	(873)	(15,265)	(94)	(613)	-	-	(1,567)	(322)	(18,734)
Net book value	123,901	30,192	321,859	434	4,597	16,161	5,980	16,001	13,705	532,830

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Consolidated

	Land	Buildings and constructions	Equipment and facilities	Vehicles and tractors	(*) Other	Construction in progress	Advance to suppliers	Assets under finance leases	Leasehold improvements	Total
At December 31, 2011										
Cost	174,487	147,777	515,971	1,877	14,571	21,024	759	27,904	16,061	920,431
Accumulated depreciation	-	(30,405)	(189,103)	(1,293)	(7,232)	-	-	(11,195)	(2,034)	(241,262)
Net book value	174,487	117,372	326,868	584	7,339	21,024	759	16,709	14,027	679,169
At June 30, 2012										
Opening balance	174,487	117,372	326,868	584	7,339	21,024	759	16,709	14,027	679,169
Additions	1,094	4,433	1,965	59	144	6,330	5,694	1,001	-	20,720
Disposals	-	(138)	(101)	6	206	(234)	(473)	(26)	-	(760)
Transfers	-	1,404	8,518	-	624	(10,546)	-	-	-	-
Depreciation	-	(2,095)	(15,270)	(105)	(680)	-	-	(1,579)	(322)	(20,051)
Net book value	175,581	120,976	321,980	544	7,633	16,574	5,980	16,105	13,705	679,078

(*) Refers to assets such as furniture and fixtures and IT equipment.

b) Composition of intangible assets

Intangible assets include software licenses utilized by the Company, which are capitalized at historical cost of acquisition.

	Parent company	Consolidated
At December 31, 2011		
Cost	1,260	1,280
Accumulated amortization	(1,019)	(1,035)
Net book value	241	245
At June 30, 2012		
Opening balance	241	245
Additions	428	441
Amortization	(65)	(66)
Net book value	604	620

c) Depreciation method

The table below shows the annual depreciation rates defined based on the economic useful lives of assets. The rates are presented at the annual weighted average.

	Rate - %
Buildings and constructions *	2.25
Equipment and facilities **	6.45
Furniture, fittings and IT equipment	5.71
Vehicles and tractors	20.00

* includes weighted rates of leased improvements
** includes weighted rates of finance leases

d) Other information

Construction in progress refers to projects for the improvement and maintenance of the production process of the Packaging Paper and PO Packaging Units in Vargem Bonita - SC and the Packaging Unit in Indaiatuba - SP. During the period finance charges in the amount of R$ 313 were capitalized at an average rate of 9.18% per year, related to loans utilized to finance specific investment projects.

Advances to suppliers refer to investments in the Packaging Paper and PO Packaging Units in Vargem Bonita - SC.

The Company has finance lease agreements for machinery, IT equipment and vehicles, with purchase option clauses, negotiated at a fixed rate and 1% of the guaranteed residual value, payable at the end or diluted during the period of the lease, collateralized by the leased assets. The commitments assumed are recognized as borrowings in current and non-current liabilities.

Leasehold improvements refer to the renovation of the Packaging Unit in Indaiatuba-SP, which are being depreciated on the straight-line method at the rate of 4% per year. The property is owned by MCFD - Administração de Imóveis Ltda. and PFC - Administração de Imóveis Ltda., and the renovation expenses were fully funded by Celulose Irani S.A.

e) Impairment of property, plant and equipment

The Company did not identify any indicators of impairment of its assets as at June 30, 2012.

f) Assets pledged as collateral

The Company pledged certain property, plant and equipment assets as collateral for financial transactions, as disclosed below.

	Consolidated
	6.30.12
Equipment and facilities	42,226
Buildings and constructions	90,722
Land	104,644
Total assets pledged	237,592

14. BIOLOGICAL ASSETS

The Company's biological assets comprise mainly the planting and cultivation of pine trees for the supply of raw material for the production of pulp used in the paper production process, production of resins and sales of timber logs to third parties. All of the Company's biological assets form a single group named forests, measured together at fair value on a six-month basis. Because the harvesting of the forests is realized considering the utilization of the raw material and timber sales, and also considering that all areas are replanted, the changes in the fair value of these biological assets are not significantly affected at the harvesting.

The balance of the Company's biological assets consists of the cost of formation of the forests and the fair value difference on the cultivation cost. Consequently, the total balance of biological assets is recorded at fair value, as follows:

	Parent company			Consolidated		
	6.30.12	6.30.11	12.31.11	6.30.12	6.30.11	12.31.11
Cultivation cost of biological assets	38,294	35,540	36,489	76,230	63,357	74,107
Difference in fair value	91,442	94,529	92,027	155,805	167,937	165,890
Biological assets at fair value	129,736	130,069	128,516	232,035	231,294	239,997

The Company considers that R$ 159,796 of the total biological assets relates to forests used as raw material for pulp and paper production, of which R$ 107,762 refers to formed forests with more than six years. The remaining amount refers to growing forests, which still need forestry treatments. These assets are located near the Pulp and Paper plant in Vargem Bonita, SC, where they are consumed.

The forests are harvested mainly based on the requirement of raw material for pulp and paper production, and forests are replanted when cut, forming a renovation cycle that meets the demand of the production unit.

The biological assets utilized for the production of resins and the sale of timber logs totaled R$ 72,239 and are located on the coast of RS. The resin is extracted based on the generation capacity of this product by the forest, and the trees for sale of logs are extracted based on the demand for supply of timber in the region.

a) Assumptions for recognition of fair value less costs to sell of biological assets.

The Company recognizes its biological assets at fair value utilizing the following assumptions:

(i) The methodology utilized to measure the fair value of biological assets is the projection of future cash flows in accordance with the projected productivity cycle of forests, determined considering the production optimization, taking into consideration price changes and the growth of biological assets.

(ii) The discount rate utilized for cash flows was the Cost of Own Capital (Capital Asset Pricing Model - CAPM). The cost of capital is estimated through the analysis of the return targeted by investors on forest assets.

(iii) Projected productivity volumes of forests are defined based on stratification according to the type of each species, sorted by production planning, age of forests, productive potential and considering a production cycle of forests. Forest management alternatives are created to establish the optimum long-term production flow, to maximize the yield of forests.

(iv) The prices adopted for biological assets are those charged in each period analyzed, based on market researches in the regions where the assets are located. Prices are calculated in R$/cubic meter, taking into consideration the costs necessary to bring the assets to the point of sale or consumption.

(v) Planting expenses refer to the formation costs of biological assets practiced by the Company.

(vi) The depletion of biological assets is calculated based on their average fair value, multiplied by the volume harvested in the period.

(vii) The Company reviews the fair value of its biological assets periodically (in general on a semiannual basis), which is considered to be an interval deemed sufficient to prevent any lag in the balance of the fair value of biological assets recorded in the financial statements.

The main assumptions considered in the calculation of the fair value of biological assets include the remuneration of own contributing assets (lease), at the rate of 3% per year, and a discount rate of 7.5% per year for SC assets and 8.0% for RS assets.

In this period, the Company hired a specialized company to assess its biological assets, considering the assumptions and criteria previously established and historically followed by the Company, with the purpose of maintaining the homogeneity of the assessments. Considering the effects of the depletion for the six-month period, compared to the book value of these assets, the assessment presented a decrease of approximately 1% of total assets. This change was mainly due to the growth volume and strategies for the forest cutting, as well as the increase of overhead costs and direct forestry costs. In the current period, no other events impacted the valuation of the biological assets, such as rainstorms, lightning and others that could affect the forests.

Main changes

The changes in the period were as follows:

	Parent company	Consolidated
Balance at 12/31/2011	128,516	239,997
Planting	2,282	2,466
Depletion		
Historical cost	(395)	(987)
Fair value	(1,170)	(7,182)
Transfers for capitalization of subsidiary	(3,370)	-
Changes in fair value	3,873	(2,259)
Balance at 6/30/2012	129,736	232,035

The depletion of biological assets for the periods was mainly charged to production cost, after an initial allocation to inventories when forests are harvested and the subsequent utilization in the production process or sale to third parties.

On June 3, 2011, the Company's Board of Directors approved the capital contribution to Iraflor Comércio de Madeiras Ltda. through the transfer of forest assets owned by the Company. The contribution of new biological assets, amounting to R$ 3,370, was authorized this year. The purpose of this transaction was to improve the management of forest assets and raise funds through CDCA, as mentioned in note 15.

b) Biological assets pledged as collateral

The Company has certain biological assets, in the amount of R$ 100,263, pledged as collateral for financial transactions representing approximately 43% of total biological assets, which is equivalent to 20.5 thousand hectares of land used, with approximately 9.7 thousand hectares of planted forests.

c) Production on third-party land

The Company has entered into non-cancelable lease agreements for the production of biological assets on third-party land, called partnerships. These agreements are valid until all the forests in these areas are harvested.

15. BORROWINGS

	Parent company		Consolidated	
	6.30.12	12.31.11	6.30.12	12.31.11
Current				
Local currency				
FINAME	5,390	8,604	5,390	8,604
Working capital	25,310	30,171	25,887	30,666
Working capital - CDCA	14,987	15,505	14,987	15,505
Finance leases	1,439	1,065	1,479	1,102
Real Estate Investment Fund - CCI	-	-	13,258	13,258
Total local currency	47,126	55,345	61,001	69,135
Foreign currency				
Finance leases	2,763	2,475	2,763	2,475
Advances on exchange contract	16,347	5,641	16,347	5,641
Toronto Dominion Bank	-	177	-	177
Banco Credit Suisse	708	20,256	708	20,256
Banco C.I.T.	495	942	495	942
Banco Santander (Brazil)	1,567	1,638	1,567	1,638
Banco Santander	1,057	2,014	1,057	2,014
Banco Itaú BBA	4,836	-	4,836	-
Banco do Brasil	1,100	-	1,100	-
Total foreign currency	28,873	33,143	28,873	33,143
Total current	75,999	88,488	89,874	102,278

CELULOSE IRANI SA

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(All amounts in thousands of reais, unless otherwise indicated)

	Parent company		Consolidated	
	6.30.12	12.31.11	6.30.12	12.31.11
Non-current				
Local currency				
FINAME	8,772	9,240	8,772	9,240
Working capital	22,034	25,643	22,034	25,643
Working capital - CDCA	61,351	78,367	61,351	78,367
Finance leases	1,507	1,416	1,563	1,493
Real Estate Investment Fund - CCI	-	-	2,210	8,838
Total local currency	93,664	114,666	95,930	123,581
Foreign currency				
Finance leases	1,382	1,164	1,382	1,164
Banco Credit Suisse	73,749	53,600	73,749	53,600
Banco Santander (Brazil)	-	1,638	-	1,638
Banco Itaú BBA	39,830	-	39,830	-
Banco do Brasil	2,201	-	2,201	-
Total foreign currency	117,162	56,402	117,162	56,402
Total non-current liabilities	210,826	171,068	213,092	179,983
Total	286,825	259,556	302,966	282,261

Long-term maturities:	6.30.12	12.31.11	6.30.12	12.31.11
2013	10,697	43,564	12,922	52,403
2014	42,170	49,400	42,199	49,400
2015	55,692	47,524	55,704	47,524
From 2016 to 2019	102,267	30,580	102,267	30,656
	210,826	171,068	213,092	179,983

FINAME - Fund for Financing the Acquisition of Industrial Machinery and Equipment

Local currency loans:

a) FINAME - subject to an annual average interest at the rate of 8.66% with final maturity in 2019.

b) Working capital - subject to an annual average interest rate of 9.28% with final maturity in the first half of 2017.

Transaction Costs:

The working capital transactions with Banco Safra incurred a transaction cost of R$ 279, with an effective interest rate of 10.72% p.a. The transaction costs to be allocated to the results in each subsequent period are as follows:

Year	Principal
2012	86
2013	105
2014	36
From 2015	19
	246

c) Working capital - CDCA

On June 20, 2011, the Company issued Certificates of Agribusiness Receivables (CDCA), in the original amount of R$90,000, in favor of Banco Itaú BBA S.A and Banco Rabobank International Brasil S.A.

The CDCA relates to the credit rights arising from the Rural Producer Notes ("CPR"), issued by the subsidiary Iraflor Comércio de Madeiras Ltda., which have as the creditor Celulose Irani S.A., under the terms of Law 8,929 of August 22, 1994.

This transaction will be settled in six annual installments beginning June 2012, adjusted at the Amplified Consumer Price Index (IPCA) rate, plus 10.22% p.a.

Transaction Costs:

This transaction incurred a transaction cost of R$3,636, with an effective interest rate of 16.15% p.a., which will be allocated to the results in each subsequent period as follows:

Year	Principal
2012	411
2013	763
2014	634
From 2015 to 2017	903
	2,711

d) Finance leases - subject to an annual average interest rate of 15.87%, with final maturity in 2015.

e) Real Estate Credit - CCI

On August 3, 2010, the subsidiary Irani Trading S.A. issued a Private Instrument of Real Estate Credit Note (CCI) backed by the lease agreement entered into on October 20, 2009 between Irani Trading S.A. and Celulose Irani S.A.

Irani Trading S.A. assigned the CCI to Brazilian Securities Companhia de Securitização ("Securitizer"). As a result of this assignment, Securitizer issued Certificates of Real Estate Receivables (CRIs) and on August 6, 2010 paid to Irani Trading S.A. the CCI assignment price of R$ 40,833, which was equivalent to the net present value of 37 future leasing installments at the rate 14.70% per year.

This transaction is being settled in 37 monthly and consecutive installments of R$ 1,364 each, from August 25, 2010 through August 25, 2013, due by the lessee Celulose Irani S.A. to the lessor Irani Trading S.A., as determined by the lease agreement.

Foreign currency loans:

Foreign currency-denominated loans at June 30, 2012 were adjusted for US Dollar or Euro exchange rate fluctuations and bear annual average interest of 7.83% and 4.52% for transactions in US Dollars and Euros, respectively.

f) Finance leases are adjusted for US Dollar exchange rate fluctuations and are repayable in quarterly installments, with a final maturity at the end of 2013.

g) Advances on exchange contracts are adjusted for US Dollar exchange rate fluctuations and are repayable in a single installment with maturity in the first half of 2013.

h) The financing from Banco Credit Suisse is adjusted for US Dollar exchange rate fluctuations and is repayable in quarterly installments. This transaction refers to prepayments of future exports.

Through the Amended and Restated Agreement of April 27, 2012, the Company and Credit Suisse rearranged the export prepayment transaction for a final maturity in 2017 and grace period of 30 months for the payment of the installments of the principal.

Transaction Costs:

This transaction incurred a cost of R$ 5,310. The Company rearranged the term on April 27, 2012, incurring an additional transaction cost of R$ 2,550. Consequently, the effective interest rate decreased from 19.12% to 12.31%.

The transaction costs to be allocated to the results in each subsequent period are as follows:

Year	Principal
2014	668
2015	2,675
2016	2,675
2017	668
	6,686

i) Banco C.I.T. - adjusted for Euro exchange rate fluctuations and repayable in quarterly installments with a final maturity in 2012.

j) Banco Santander (Brazil) - adjusted for Euro exchange rate fluctuations and repayable in annual installments with a final maturity in 2013.

k) Banco Santander - adjusted for Euro exchange rate fluctuations and repayable in semiannual installments with a final maturity in 2012.

l) Banco Itaú BBA - adjusted for US Dollar exchange rate fluctuations and repayable in semiannual installments with a final maturity in 2017.

Transaction Costs:

This transaction incurred a transaction cost of R$ 560, with an effective interest rate of 6.38% p.a., which will be allocated to the results in each subsequent period as follows:

Year	Principal
2012	98
2013	162
2014	122
From 2015 to 2017	113
	495

m) Banco do Brasil - adjusted for US dollar exchange rate fluctuations and repayable in semiannual installments with a final maturity in 2015.

Collaterals:

The Company maintains as collateral for the borrowing transactions the sureties of the controlling companies and/or statutory liens on land, buildings, machinery and equipment, biological assets (forests), commercial pledges and assignments of receivables amounting to R$ 98,251. Some transactions have specific guarantees, as follows:

i) For working capital - Certificate of Agribusiness Receivables (CDCA) - the Company provided collateral of approximately R$ 90,342, including:

- Assignment of credit rights relating to Rural Producer Notes (CPRs) in favor of the creditor.
- Mortgage on some of the Company's properties in favor of the banks for a total area equivalent to 9,500 hectares.
- Statutory lien on pine and eucalyptus forests on the mortgaged properties owned by the issuer.

ii) For the Real Estate Credit Note (CCI), the Company provided collateral in favor of Securitizer of approximately R$ 35,114, including:

- Mortgage on some properties of Celulose Irani S.A., (registration 2479, 2481 and 8535 of the Real Estate Registry Office of the Judicial District of Ponte Serrada, SC).
- Agricultural pledge of forest assets (pine and eucalyptus trees) planted in the mortgaged areas, mentioned in the previous item.
- Assignment of receivables of assets represented by the pledge of trade notes, in the amount equivalent to three monthly installments due by the lessee Celulose Irani S.A. to the lessor Irani Trading S.A., as determined by the lease agreement.

iii) For the export prepayment financing granted by Banco Credit Suisse, the Company pledged as collateral the shares held in its subsidiary Habitasul Florestal S.A.

iv) The loan from Banco Santander Real is collateralized by receivables from the sale of carbon credits generated from the Electricity Co-Generation project, negotiated under contracts in effect until 2012.

Restrictive Financial Covenants:

Some financing agreements with financial institutions have restrictive covenants requiring the Company to comply with certain financial ratios, calculated based on the consolidated financial statements, as mentioned below:

i) Working capital - Certificate of Agribusiness Receivables (CDCA)
ii) Real Estate Credit - CCI
iii) Banco Itaú BBA

Some restrictive financial covenants linked to compliance with certain financial ratios, measured on a quarterly basis, were established and the non-compliance with these covenants could generate the accelerated maturity of the debt.

a) The ratio between net debt and EBITDA over the last 12 months must not exceed 3 times (3.00x) as from the quarter ended June 30, 2012 (inclusive) However, if in a specific quarter (Reference Quarter), the non-compliance with the ratio between net debt and EBITDA over the last 12 months has occurred in a period when the foreign exchange variation is positive and higher than 15%, it is established that, only in this case, the Issuer will be released from complying with the financial ratio for this quarter. This indicator will be measured again based on the results for the immediately subsequent quarter, in which period the ratio between net debt and EBITDA over the last 12 months must not exceed the limit previously established for the Reference Quarter.

b) The ratio between EBITDA and net financial expenses over the last 12 months must not be lower than 2.00x as from the quarter ended June 30, 2012 (inclusive).

c) The ratio between EBITDA and net revenues over the last 12 months must not be lower than 17% over the entire transaction period, until full compliance with all the obligations arising from the Issue Documents.

The Company complied with the covenants described above at June 30, 2012.

iv) Banco Credit Suisse

a) Net debt/EBITDA ratio of (i) 3.00x for the quarters ended between June 30, 2012 and March 30, 2015, and (ii) 3.75x for the subsequent quarters up to 2017.

b) Ratio of EBITDA over the net finance costs of 2.00x for the quarters ended as from June 30, 2012 up to 2017.

The Company complied with the covenants described above at June 30, 2012.

v) Banco Santander (Brazil) (analysis performed only at the end of each year).

a) EBITDA margin equal to or higher than 17%;
b) Ratio between net debt and EBITDA, maximum of 3x;
c) Maximum financial leverage of 2x the tangible shareholders' equity, as defined in the agreement.

Abbreviations:
TJLP - Long-term interest rate.
CDI - Interbank deposit rate
EBITDA - operating income (loss) plus net financial income (expense) and depreciation, depletion and amortization.
ROL - Net operating revenue

16. DEBENTURES

First Issue of Simple Debentures

On April 12, 2010, the Company issued simple, nonconvertible debentures, placed through public offering with restricted distribution (i.e. only to qualified institutional investors), in the amount of R$100,000. The debentures will mature in March 2015 and are being repaid in eight semiannual installments as from September 2011, adjusted based on the CDI rate plus annual interest of 5%. Interest is due in semiannual installments, without a grace period.

Transaction Costs:

This transaction incurred a transaction cost of R$ 3,623, with an effective interest rate of 16% p.a., which will be allocated to the results in each subsequent period as follows:

Year	Principal
2012	425
2013	852
2014	893
2015	226
	2,396

Collateral:

Debentures have collateral in the amount of R$ 157,260, as follows:

- Assignment in favor of the Land Trustee of Celulose Irani in conformity with the terms and conditions determined in the Private Instrument of Assignment of Real Estate of Irani and Other Covenants, which will guarantee the debt up to the limit of R$ 26,205.
- Assignment in favor of the Land and Buildings Trustee of Irani Trading ("Trading") in conformity with the terms and conditions of the Private Instrument of Assignment of Real Estate of Trading and Other Covenants, which will guarantee the debt up to the limit of R$ 40,000.
- Agricultural pledge in favor of the Forest Assets Trustee of Celulose Irani in conformity with the terms and conditions of the Private Instrument of Agricultural Pledge and Other Covenants.
- Assignment of receivables in favor of the Receivables Trustee of Celulose Irani, equivalent to 25% of the outstanding principal balance of the Debentures.

Restrictive Financial Covenants:

Some restrictive financial covenants linked to compliance with certain financial ratios, measured on a quarterly basis, were established and the non-compliance with these covenants could generate the accelerated maturity of the debt. The covenants, set out below, were fully complied with over the period:

a) The ratio between net debt and EBITDA over the last 12 months must not exceed 3.00x as from the quarter ended June 30, 2012 (inclusive) However, if in a specific quarter (Reference Quarter), the non-compliance with the ratio between net debt and EBITDA over the last 12 months has occurred in a period when the foreign exchange variation is positive and higher than 15%, it is established that, only in this case, the Issuer will be released from complying with the financial ratio for this quarter. This indicator will be measured again based on the results for the immediately subsequent quarter, in which period the ratio between net debt and EBITDA over the last 12 months must not exceed the limit previously established for the Reference Quarter.

b) The ratio between EBITDA and net financial expenses over the last 12 months must not be lower than 2.00x as from the quarter ended June 30, 2012 (inclusive).

c) The ratio between EBITDA and net revenues over the last 12 months must not be lower than 17% over the entire transaction period, until full compliance with all obligations arising from the Issue Documents.

The Company complied with the covenants described above at June 30, 2012.

First Private Issue of Simple Debentures

On August 19, 2010, the Company issued simple, nonconvertible debentures for R$ 40,000, paid up by the subsidiary Irani Trading S.A. The debentures will mature in a single installment in August 2015 and are adjusted based on the IPCA plus annual interest of 6%. Interest will be paid together with the single installment in August 2015.

Transaction Costs:

This transaction incurred a transaction cost of R$ 1,902, with an effective interest rate of 9.62% p.a., This issue is not collateralized and does not have restrictive financial covenants.

The payment due for the debentures, by year, is due as follows:

	Parent company		Consolidated	
Year	6.30.12	12.31.11	6.30.12	12.31.11
2012	12,526	25,226	12,526	25,226
2013	24,817	24,999	24,817	24,999
2014	24,420	24,603	24,420	24,603
2015	60,093	57,625	11,643	11,652
	121,855	132,453	73,405	86,480
Current	25,901	26,000	25,901	26,000
Non-current	95,954	106,453	47,504	60,480

17. TRADE PAYABLES

	Parent company		Consolidated	
CURRENT LIABILITIES	6.30.12	12.31.11	6.30.12	12.31.11
Domestic				
Materials	26,256	26,377	27,366	27,741
Property, plant and equipment	1,844	1,975	1,844	1,975
Service providers	1,843	2,451	2,018	2,603
Carriers	4,625	5,211	4,636	5,271
Related-party transactions	13,613	6,653	-	-
Foreign				
Materials	31	123	31	123
	48,212	42,790	35,895	37,713

18. TAXES PAYABLE IN INSTALLMENTS

The Company opted for the REFIS - tax refinancing program regulated by Law 11,941/09 and Provisional Measure 470/09, for the payment of its taxes in installments. The installments are paid monthly and are subject to the official interest (SELIC) rate.

The Company also refinanced the ICMS of the State of São Paulo, which is subject to interest of 2% per month, paid monthly.

The amounts are as follows:

CURRENT

	Parent company		Consolidated	
Federal Tax Installments	6.30.12	12.31.11	6.30.12	12.31.11
REFIS installments - Federal Revenue Service	770	2,148	817	2,177
Employer's INSS payable in installments	2,252	721	2,329	811
FNDE payable in installments	-	-	23	-
	3,022	2,869	3,169	2,988

(INSS - National Institute of Social Security
FNDE - National Fund for the Development of Education)

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	Parent company		Consolidated	
State Tax Installments	6.30.12	12.31.11	6.30.12	12.31.11
ICMS payable in installments	1,905	1,693	1,905	1,693
	1,905	1,693	1,905	1,693
Total Installments	4,927	4,562	5,074	4,681

NON-CURRENT

	Parent company		Consolidated	
Federal Tax Installments	6.30.12	12.31.11	6.30.12	12.31.11
REFIS installments - Federal Revenue Service	5,118	6,200	5,158	6,253
Employer's INSS payable in installments	1,380	1,682	1,458	1,802
FNDE payable in installments	-	-	82	-
	6,498	7,882	6,698	8,055

	Parent company		Consolidated	
State Tax Installments	6.30.12	12.31.11	6.30.12	12.31.11
ICMS payable in installments	2,182	2,784	2,182	2,784
	2,182	2,784	2,182	2,784
Total Installments	8,680	10,666	8,880	10,839

Long-term maturities:	Parent company		Consolidated	
	6.30.12	12.31.11	6.30.12	12.31.11
2013	1,768	2,912	1,826	3,031
2014	2,063	2,327	2,160	2,381
2015	825	787	848	787
2016	699	488	722	511
Over	3,325	4,152	3,324	4,129
	8,680	10,666	8,880	10,839

INSS - Refers to the refinancing of social security contributions established by Law 10,684/03, where the Company opted for REFIS in November 2009.

Federal Revenue Service - Refers to the refinancing of federal taxes established by Law 10,684/03, where the Company opted for Refis in November 2009, and the refinancing of other Excise Tax (IPI) debts in the current amount of R$ 7,848, of which R$ 2,646 refers to principal and R$ 5,202 to fines and arrears interest. This amount is being paid in 180 installments and is subject to the SELIC interest rate.

Employer INSS - Refers to the refinancing of social security contributions in November and December 2008.

19. RELATED-PARTY TRANSACTIONS

Parent company	Trade receivables		Trade payables		Debentures payable		Loans payable	
	6.30.12	12.31.11	6.30.12	12.31.11	6.30.12	12.31.11	6.30.12	12.31.11
Irani Trading S.A.	15,098	3,774	1,447	1,400	48,450	45,973	961	2,109
Habitasul Florestal S.A.	14,287	3,972	2,501	375	-	-	-	-
HGE - Geração de Energia	-	-	424	920	-	-	-	-
Meu Móvel de Madeira	-	1,905	-	-	-	-	-	-
Iraflor - Com. de Madeiras Ltda.	-	-	9,757	4,877	-	-	-	-
Management remuneration	-	-	457	877	-	-	-	-
Management profit sharing	-	-	3,579	5,279	-	-	-	-
Total	29,385	9,651	18,165	13,728	48,450	45,973	961	2,109
Current	(29,385)	(9,651)	(18,165)	(13,728)	-	-	-	-
Non-current	-	-	-	-	48,450	45,973	961	2,109

Parent company	Revenue		Expenses		Revenue		Expenses	
	Quarter ended		Quarter ended		Six-month period ended		Six-month period ended	
	6.30.12	6.30.11	6.30.12	6.30.11	6.30.12	6.30.11	6.30.12	6.30.11
Irani Trading S.A.	-	-	4,313	4,307	-	-	8,621	8,555
Habitasul Florestal S.A.	-	-	1,086	946	-	-	2,125	1,797
Iraflor - Com. de Madeiras Ltda.	-	-	1,481	-	-	-	5,098	-
Druck, Mallmann, Oliveira & Advogados Associados	-	-	52	38	-	-	132	113
MCFD Administração de Imóveis Ltda.	-	-	260	273	-	-	521	496
Irani Participações S/A	-	-	120	120	-	-	240	240
Habitasul Desenvolvimentos Imobiliarios	-	-	28	26	-	-	56	52
Management remuneration	-	-	1,581	963	-	-	2,734	2,094
Total	-	-	8,921	6,673	-	-	19,527	13,347

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Consolidated	Trade payables		Expenses Quarter ended		Expenses Six-month period ended	
	6.30.12	12.31.11	6.30.12	6.30.11	6.30.12	6.30.11
Irani Participações	-	-	120	120	240	240
Companhia Com.de Imóveis	-	-	-	-	-	447
Druck, Mallmann, Oliveira & Advogados Associados	-	-	52	41	132	82
MCFD Administração de Imóveis Ltda.	-	-	260	273	520	496
Management remuneration	1,207	877	1,702	1,066	2,943	2,281
Habitasul Desenvolvimentos Imobiliarios	-	-	28	26	56	52
Management profit sharing	5,279	5,279	-	-	-	-
Total	6,486	6,156	2,162	1,526	3,891	3,598
Current	(6,486)	(6,156)	(2,162)	(1,526)	(3,891)	(3,598)

The receivables from/payables to the subsidiaries Irani Trading S.A., Habitasul Florestal S.A. and Iraflor - Comércio de Madeiras Ltda. refer to commercial transactions and the acquisition of raw material and the supply of products. The transactions were effected utilizing the respective market conditions and amounts, and, consequently, they bear no charges and have no defined final maturity. The receivables of the parent company from the subsidiaries Irani Trading S.A. and Habitasul Florestal S.A. are related to the mandatory minimum dividends for 2011.

Irani Trading S.A. is currently the owner of an industrial property in Vargem Bonita, SC, which is rented to Celulose Irani S.A. pursuant to a lease agreement entered into between the parties on October 20, 2009 and amended on March 24, 2010. This agreement is valid for 64 months from the issuance of the beginning of the lease agreement, which occurred on January 1, 2010. The property is leased for a fixed monthly amount of R$ 1,364.

On August 19, 2010, the Company issued simple debentures, which were acquired by the subsidiary Irani Trading S.A. and are adjusted based on the IPCA plus annual interest of 6% and mature as disclosed in note 16.

In 2011 and 2012, the Company transferred to Iraflor the amount of R$ 40,845 in planted forests as a capital contribution. On June 16, 2011, the subsidiary Iraflor issued Rural Producer Notes (CPR) with a final maturity in June 2018 and representing the Company's rights to receive wood in this period. Based on the credit rights from the CPRs, the Company issued Agribusiness Credit Right Certificates (CDCA) on June 20, 2011, in favor of Banco Itaú BBA S.A. and Banco Rabobank International Brasil S.A.

The amount payable to HGE - Geração de Energia Sustentável relates to the amount of capital to be paid up by the end of 2012, relating to the contractual amendment for a capital increase.

The amount payable to Irani Participações relates to services rendered to the Company.

The amount payable to Habitasul Desenvolvimentos Imobiliários refers to the rental of the administrative unit in Porto Alegre, based on an agreement entered into on December 1, 2008 for an unspecified period.

The amount payable to MCFD Administração de Imóveis Ltda. is equivalent to 50% of the monthly rental of the Packaging Unit in Indaiatuba-SP, in accordance with an agreement formalized on December 26, 2006 and effective for 20 years, which can be renewed. The monthly amount payable to this related party is R$ 87. The total contractual monthly rental is R$ 174, adjusted annually based on the variation of the General Market Price Index - IGPM disclosed by Fundação Getúlio Vargas.

The amount payable to Druck, Mallmann, Oliveira & Advogados Associados refers to legal advisory services, based on an agreement entered into on June 1, 2006 for an unspecified period, adjusted annually based on the variation of the National Consumer Price Index - INPC.

Payables attributable to management remuneration relate to directors' fees and variable long-term remuneration.

Management remuneration expenses, net of payroll taxes, totaled R$ 1,702 as at June 30, 2012 (R$ 1,066 as at June 30, 2011). The global management remuneration was approved at the General Meeting of Stockholders held on May 25, 2012, in the maximum amount of R$ 16,600.

In addition, management profit sharing for 2011 and 2010, in the amount of R$ 5,279, equivalent to 10% of the net profit for the year, was recognized separately, in accordance with the Company's bylaws. The distribution to management will be realized according to a long-term variable compensation program approved by the Board of Directors.

20. PROVISION FOR CONTINGENCIES

The Company and its subsidiaries are parties to tax, civil and labor lawsuits and in administrative tax proceedings. Management, based on the opinion of its attorneys and legal advisors, believes that the provision constituted for contingencies is sufficient to cover probable losses in connection with such contingencies.

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The provision for contingencies is comprised as follows:

	Parent company		Consolidated	
	6.30.12	12.31.11	6.30.12	12.31.11
Civil	1,122	1,308	1,122	1,308
Labor	520	499	569	566
Tax	37,810	39,843	37,810	39,843
Total	39,452	41,650	39,501	41,717
Judicial deposits	548	996	597	1,258

Changes in the provision:

Parent company	12.31.11	Provision	Payments	Reversal	6.30.12
Civil	1,308	43	(229)	-	1,122
Labor	499	52	(31)	-	520
Tax	39,843	1,495	-	(3,528)	37,810
	41,650	1,590	(260)	(3,528)	39,452

Consolidated	12.31.11	Provision	Payments	Reversal	6.30.12
Civil	1,308	43	(229)	-	1,122
Labor	566	81	(31)	(47)	569
Tax	39,843	1,495	-	(3,528)	37,810
	41,717	1,619	(260)	(3,575)	39,501

The provision for contingencies refers basically to:

a) Civil lawsuits related, among other matters, to indemnity claims in connection with termination of agreements with sales representatives. A provision of R$ 1,122 was recorded at June 30, 2012 to cover losses arising from these contingencies. Judicial deposits relating to these lawsuits amount to R$ 265 and are classified in non-current assets.

b) Labor lawsuits related, among other matters, to claims filed by former employees for payment of overtime, health hazard premiums, hazardous duty premiums, occupational illnesses and accidents. Based on past experience and legal counsel's opinion, the Company provisioned R$ 569 at June 30, 2012, which is considered to be sufficient to cover losses arising from labor contingencies. Judicial deposits relating to these lawsuits amount to R$ 332 and are classified in non-current assets.

c) The provision for tax contingencies refers to offsets of federal taxes with IPI credits on the acquisition of trimmings by the Company. The amount offset from July 2007 to December 2011 was R$ 26,384. The adjusted balance as at June 30, 2012 totaled R$ 37,810.

Other Contingencies

No provisions were recorded for contingencies in respect of which the likelihood of loss has been assessed by the legal counsel as possible, but not probable. The amounts of the related labor, civil, environmental and tax lawsuits at June 30, 2012, were as follows:

	Consolidated	
	6.30.12	12.31.11
Labor	10,082	11,752
Civil	2,496	2,064
Environmental	1,000	876
Tax	67,476	61,535
	81,054	76,227

Labor contingencies:
The labor lawsuits assessed by the legal counsel as involving possible losses total R$ 10,082 and primarily include indemnity claims (hazardous duty premiums, health hazard premiums, overtime, salary premiums, damages and losses arising from occupational accidents), which are currently at different stages of legal proceedings and for which the Company expects a favorable outcome.

Civil contingencies:
The civil lawsuits assessed by the legal counsel as involving possible losses total R$ 2,496 and primarily include indemnity claims, which are currently at different stages of proceedings and for which the Company expects a favorable outcome.

Environmental contingencies:
Refers to a Public Civil Action aimed at restoring the degraded area, which was considered partially valid. If it is not possible to make such restoration, it will be converted into an indemnity. Even considering that this matter is difficult to quantify, the Company believes that the amount of compensatory damages will be less than the maximum estimated amount of R$ 1,000.

Tax contingencies:
The tax proceedings assessed by the legal counsel as involving possible losses total R$ 67,476 mainly and include the following:

- Administrative Proceeding 10925.000172/2003-66 related to a tax notification for alleged irregularity in offsetting IPI credits, which amounted to R$ 10,559 at June 30, 2012. The lawsuit is currently in the Taxpayers' Council (CC) awaiting the decision of the Special Appeal filled by the Company.

- Tax collection lawsuit 2004.72.03.001555-8 filed by the National Institute of Social Security (INSS) with respect to a Debt Assessment Notice for the payment of the social contribution on the gross revenue from the sale of the production of agroindustrial companies, which at June 30, 2012, amounted to R$ 4,485. The lawsuit was suspended by a court decision and is awaiting the decision on the Action for Annulment 2005.71.00.002527-8.

- Tax collection lawsuit 99.70.00325-9 filed by the National Institute of Social Security (INSS) for the collection of tax with respect to Debt Assessment Notice (NFLD) No. 32.511.108-1 related to social security contributions allegedly due by service firms providing outsourced labor, for which the Company is considered jointly liable, and which amounted to R$ 4,642 at June 30, 2012. The

lawsuit was suspended by a court decision and is awaiting the decision on the Common Action 98.70.01692-8.

- Administrative proceedings 11080.013972/2007-12 and 11080.013973/2007-67, amounting to R$ 3,778 at June 30, 2012, related to tax notifications for PIS and COFINS, which alleged undue tax credits. The Company has challenged these notifications at the administrative level and awaits the judgment of the voluntary appeals.

- Administrative proceedings related to tax assessment notices received from the Santa Catarina State for alleged undue ICMS tax credits on the acquisition of material used in the production of industrial plants in this state which amounted to R$ 28,074 at June 30, 2012. The Company filed defense arguments in respect of these tax assessments.

- Administrative proceedings 11080.009902/2006-89, 11080.009904/2006-88 and 11080.009905/2006-12 related to federal taxes offset against presumed IPI credits on exports, allegedly calculated improperly, in the amount of R$ 6,978 at June 30, 2012. The Company has challenged these proceedings at the administrative levels and is awaiting the decision on the appeals filled with the Taxpayers' Council.

21. EQUITY

a. Share capital

The Company's capital at June 30, 2012 was R$ 103,976, represented by 149,279,740 common shares and 12,810,260 preferred shares, totaling 162,090,000 shares, without par value. Preferred shares carry no voting rights, are entitled to receive dividends 10% higher than those paid on common shares, and have priority in the reimbursement of capital, without premium, in the event the Company is wound up. The Company may issue preferred shares, without par value and without voting rights, up to the limit of 2/3 of the Company's total shares, and increase existing share types or classes without maintaining the proportion among the shares of each type or class.

b. Treasury shares

		Parent company		Parent company	
		6.30.12		12.31.11	
		Number	Value	Number	Value
Purchases from former directors	Common	92,040	48	92,040	48
	Preferred	-	-	-	-
Share buyback plan	Common	1,246,000	1,610	1,246,000	1,610
	Preferred	274,000	380	274,000	380
Right to withdraw	Common	-	-	-	-
	Preferred	2,352,100	6,804	-	-
		3,964,140	8,842	1,612,040	2,038

Purchases from former directors: shares the Company acquired from former directors who left the Company in previous periods, as determined by the stock option plan effective on the date of the acquisition.

The objective of the share buyback plan was to maximize the value of the shares for shareholders. This program was concluded within 365 days, on November 23, 2011.

The shares acquired through the right to withdraw were the object of alterations in the advantages attributed to the Company's preferred shares, approved at the General and Extraordinary Meeting of Stockholders held on April 19, 2012. Dissenting shareholders holding preferred shares had the right to withdraw from the Company with the reimbursement of the share value based on their equity value recorded in the balance sheet at December 31, 2011.

The Company's management will later propose the destination of the treasury shares or their cancellation.

c. Revenue reserves

Revenue reserves comprise: legal reserve, reserve of biological assets and profit retention reserve.

5% of annual net income is transferred to the legal reserve, which can be utilized to offset losses or for capital increase purposes.

The reserve of biological assets was constituted because the Company measured its biological assets at fair value in the opening balance sheet on the first-time adoption of IFRS. The creation of this statutory reserve was approved at the Extraordinary General Shareholders Meeting of February 29, 2012, when the amount previously recognized in the unrealized earnings reserve was transferred.

The profit retention reserve comprises the remaining profits after the offset of losses and the transfer to the legal reserve, as well as the distribution of dividends. These funds will be allocated to investments in property, plant and equipment previously approved by the Board of Directors or may be distributed in the future, if so decided by the shareholders meeting. Certain agreements with creditors contain restrictive clauses for the distribution of dividends above the mandatory minimum dividend.

d. Carrying value adjustments

The carrying value adjustments account was constituted when the Company measured its property, plant and equipment (land, machinery and buildings) at deemed cost in the opening balance sheet on the first-time adoption of IFRS. The realization will occur on the depreciation of the related deemed cost, at which time the amounts involved will also be adjusted in the base for calculating dividends. The balance at June 30, 2012, net of tax, represented a gain of R$ 244,266.

The amounts of the financial instruments classified as cash flow hedges, net of tax effects, are also recorded and corresponded to a loss of R$ 5,331 at June 30, 2012.

22. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share are calculated by dividing earnings from continuing operations attributable to the Company's shareholders by the weighted average shares outstanding during the year. The Company is not subject to the effects of potential dilution such as debt convertible into shares. Consequently, diluted earnings per share are the same as the basic earnings per share.

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	Quarter ended 6.30.12		
	Common shares	Preferred shares	Common and preferred shares - Total
Weighted average number of shares	147,941,700	11,752,227	159,693,927
Net loss for the period attributable to each type of share	(5,309)	(422)	(5,731)
Basic and diluted earnings per share - R$	(0.0359)	(0.0359)	

	Quarter ended 6.30.11		
	Common shares	Preferred shares	Common and preferred shares - Total
Weighted average number of shares	148,343,700	12,646,260	160,989,960
Profit for the period attributable to each type of share	2,762	259	3,021
Basic and diluted earnings per share - R$	0.0186	0.0205	

	Six-month period ended 6.30.12		
	Common shares	Preferred shares	Common and preferred shares - Total
Weighted average number of shares	147,941,700	12,144,243	160,085,943
Profit for the period attributable to each type of share	(2,065)	(169)	(2,234)
Basic and diluted earnings per share - R$	(0.0140)	(0.0140)	

	Six-month period ended 6.30.11		
	Common shares	Preferred shares	Common and preferred shares - Total
Weighted average number of shares	148,560,040	12,688,260	161,248,300
Profit for the period attributable to each type of share	6,451	606	7,057
Basic and diluted earnings per share - R$	0.0434	0.0478	

23. STOCK OPTION PLAN

Celulose Irani operates a number of share-based compensation plans, liquidated with shares, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted. Non-market vesting conditions are included in assumptions about the number of options the rights which are expected to be acquired. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of operations, with a corresponding adjustment to equity.

First Stock Option Plan (Program I)

The stock options were granted to managers and certain employees, in accordance with the decision of the Board of Directors issued on May 9, 2012, approved at the Extraordinary General Meeting held on May 25, 2012. The exercise price of the options granted will be R$ 1.26 (one real and six cents) per common or preferred share. The options have a vesting period up to December 31, 2013. The options can be exercised from January 1, 2013 to January 31, 2013, and the employee must pay the exercise price. The corresponding shares will be pledged in favor of the Company up to December 31, 2013. after which they will be released. Should the employee leave the Company for any reason after exercising the option, but before December 31, 2013, the pledged shares will be returned to the Company and the beneficiaries will be compensated with the amount paid when the option was exercised, with no additional interest or monetary restatement charges. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The number of options and the related exercise prices are as follows:

	Average exercise price in R$ per share	Number of options
Granted on May 9, 2012	1.26	1,612,040
At June 30, 2012	1.26	1,612,040

The was no option to be exercised at June 30, 2012.

The share options outstanding at June 30, 2012 have the following expiry date and exercise prices:

Expiry date	Exercise price in R$ per share	Outstanding options
January 31, 2013	1.26	1,612,040
	1.26	1,612,040

The weighted average fair value of the options granted during the period, determined using the Black-Scholes valuation model, was R$ 0.60 per option. The significant inputs included in the model were:

Preferred shares - weighted average share price of R$ 1.45 at the grant date, exercise price shown above of R$ 1.26, volatility of 145.80 %, dividend yield of 7.46 %, an expected option life corresponding to 1.5 years, and an annual risk-free interest rate of 8.52 %.

Common shares - weighted average share price of R$ 1.44 at the grant date, exercise price shown above of R$ 1.26, volatility of 73.95 %, dividend yield of 6.59 %, an expected option life corresponding to 1.5 years, and an annual risk-free interest rate of 8.52 %.

The volatility was measured using the adjusted annual standard deviation (exponentially weighted moving average (EWMA)) of the daily variation of Celulose Irani's shares, considering an interval of approximately 1.5 years, the vesting period of the share-based remuneration plan.

Second Stock Option Plan (Program II)

The stock options were granted to managers, in accordance with the decision of the Board of Directors issued on May 9, 2012, approved at the Extraordinary General Meeting held on May 25, 2012. The exercise of the options depends on the Company effecting a public offer of shares (Follow-on), as approved at the Extraordinary General Meeting held on April 19, 2012. The exercise price will be the price per share applied in this share offering. The program establishes the distribution of shares in the proportion for the formation of the Units of issue by the Company, which will be formed in the proportion of 4 preferred shares and 1 common share. The Company has three tranches, each with a vesting period up to December 31, 2013, December 31, 2014 and December 31, 2015, respectively. The options must be exercised within three years after the vesting period. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The variations in the number of outstanding stock option plans are presented below. The following table also presents the quotation of the Company's shares at June 30, 2012, which was utilized to estimate the fair value of the options, considering that the exercise price will only be fixed if the offering is effected:

	Company's quotation in the stock market at June 30, 2012 (in reais)		Number of options	
	Preferred share	Common share	Preferred shares	Common shares
Granted on May 9, 2012	1.21	1.47	10,656,000	2,664,000
At June 30, 2012	1.21	1.47	10,656,000	2,664,000

The was no option to be exercised at June 30, 2012.

The share options outstanding at June 30, 2012 have the following expiry dates:

Expiry date	Outstanding options
January 31, 2013	3,330,000
January 31, 2014	3,330,000
January 31, 2015	6,660,000
	13,320,000

The weighted average fair value of options granted during the period, determined using the Black-Scholes valuation model, was R$ 0.59 per option. The significant inputs included in the model were:

Tranche A
Preferred shares - share price of R$ 1.21 at June 30, 2012, exercise price equal to the share price at June 30, 2012, volatility of 141.24 %, dividend yield of 7.46 %, an expected option life corresponding to 1.52 years, and an annual risk-free interest rate of 8.52 %.

Common shares - share price of R$ 1.47 at June 30, 2012, exercise price equal to the share price at June 30, 2012, volatility of 73.94 %, dividend yield of 6.59 %, an expected option life corresponding to 1.52 years, and an annual risk-free interest rate of 8.52 %.

Tranche B
Preferred shares - share price of R$ 1.21 at June 30, 2012, exercise price equal to the share price at June 30, 2012, volatility of 86.46 %, dividend yield of 7.46 %, an expected option life corresponding to 2.54 years, and an annual risk-free interest rate of 9.06 %.

Common shares - share price of R$ 1.47 at June 30, 2012, exercise price equal to the share price at June 30, 2012, volatility of 70.69 %, dividend yield of 6.59 %, an expected option life corresponding to 2.54 years, and an annual risk-free interest rate of 9.06 %.

Tranche C
Preferred shares - share price of R$ 1.21 at June 30, 2012, exercise price equal to the share price at June 30, 2012, volatility of 102.94 %, dividend yield of 7.46 %, an expected option life corresponding to 3.55 years, and an annual risk-free interest rate of 9.54 %.

Common shares - share price of R$ 1.47 at June 30, 2012, exercise price equal to the share price at June 30, 2012, volatility of 54.55 %, dividend yield of 6.59 %, an expected option life corresponding to 3.55 years, and an annual risk-free interest rate of 9.54 %.

The volatility was measured using the adjusted annual standard deviation (exponentially weighted moving average (EWMA)) of the daily variation of Celulose Irani's shares, considering a interval approximating the vesting period of each tranche of the share-based remuneration plan.

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24. NET REVENUE FROM SALES

The Company's net revenue is comprised as follows:

	Parent company Quarter ended		Parent company Six-month period ended	
	6.30.12	6.30.11	6.30.12	6.30.11
Gross revenue from sales	145,275	143,635	287,783	283,212
Taxes on sales	(31,440)	(31,597)	(62,571)	(61,674)
Sales returns	(918)	(971)	(1,659)	(1,658)
Net sales revenue	112,917	111,067	223,553	219,880

	Consolidated Quarter ended		Consolidated Six-month period ended	
	6.30.12	6.30.11	6.30.12	6.30.11
Gross revenue from sales	154,217	151,966	305,121	299,397
Taxes on sales	(32,731)	(32,606)	(65,141)	(63,640)
Sales returns	(973)	(1,044)	(1,809)	(1,836)
Net sales revenue	120,513	118,316	238,171	233,921

25. COSTS AND EXPENSES BY NATURE

	Parent company Quarter ended		Parent company Six-month period ended	
	6.30.12	6.30.11	6.30.12	6.30.11
Fixed and variable costs (raw materials and consumables)	(56,546)	(63,904)	(114,086)	(122,138)
Personnel expenses	(23,672)	(17,872)	(45,126)	(37,882)
Changes in the fair value of biological assets	3,873	(4,947)	3,873	(4,947)
Depreciation, amortization and depletion	(10,731)	(10,689)	(20,215)	(19,001)
Freight	(5,075)	(4,058)	(9,515)	(8,152)
Services contracted	(4,296)	(3,478)	(7,778)	(6,958)
Selling expenses	(5,626)	(5,891)	(10,901)	(11,611)
	(102,073)	(110,839)	(203,748)	(210,689)
Other expenses - net				
Cost of sales of assets	(191)	(63)	(329)	(229)
Disposal of non-financial assets	132	27	286	497
Other income (expenses)	(209)	190	84	321
	(268)	154	41	589
Total costs and expenses by nature	(102,341)	(110,685)	(203,707)	(210,100)

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	Consolidated Quarter ended		Consolidated Six-month period ended	
	6.30.12	6.30.11	6.30.12	6.30.11
Fixed and variable costs (raw materials and consumables)	(54,930)	(63,719)	(107,878)	(121,635)
Personnel expenses	(24,861)	(18,824)	(47,466)	(39,585)
Changes in the fair value of biological assets	(2,260)	(1,224)	(2,260)	(1,224)
Depreciation, amortization and depletion	(13,956)	(13,258)	(28,100)	(23,978)
Freight	(5,464)	(4,315)	(10,286)	(8,651)
Services contracted	(4,436)	(3,616)	(8,084)	(7,236)
Selling expenses	(5,627)	(5,902)	(10,905)	(11,631)
	(111,534)	(110,858)	(214,979)	(213,940)
Other expenses - net				
Cost of sales of assets	(303)	(63)	(899)	(316)
Disposal of non-financial assets	135	29	305	616
Other income (expenses)	251	233	446	336
	83	199	(148)	636
Total costs and expenses by nature	(111,451)	(110,659)	(215,127)	(213,304)

26. OTHER OPERATING INCOME AND EXPENSES

Revenue	Parent company Quarter ended		Parent company Six-month period ended	
	6.30.12	6.30.11	6.30.12	6.30.11
Income from sale of assets	166	27	372	497
Other operating income	257	357	755	669
	423	384	1,127	1,166

Revenue	Consolidated Quarter ended		Consolidated Six-month period ended	
	6.30.12	6.30.11	6.30.12	6.30.11
Income from sale of assets	170	29	392	616
Other operating income	718	378	1,229	695
	888	407	1,621	1,311

Expenses	Parent company Quarter ended		Parent company Six-month period ended	
	6.30.12	6.30.11	6.30.12	6.30.11
Cost of assets damaged and sold	(191)	(63)	(417)	(229)
Other operating expenses	(203)	(167)	(372)	(348)
Share-based payment	(297)	-	(297)	
	(691)	(230)	(1,086)	(577)

Expenses	Consolidated Quarter ended		Consolidated Six-month period ended	
	6.30.12	6.30.11	6.30.12	6.30.11
Cost of assets damaged and sold	(303)	(63)	(987)	(316)
Other operating expenses	(206)	(145)	(485)	(359)
Share-based payment	(297)	-	(297)	-
	(806)	(208)	(1,769)	(675)

27. INCOME TAX AND SOCIAL CONTRIBUTION

Reconciliation of the effective tax rate:

	Parent company Quarter ended		Parent company Six-month period ended	
	6.30.12	6.30.11	6.30.12	6.30.11
Income before taxes	(7,964)	815	(6,288)	5,310
Statutory rate	34%	34%	34%	34%
Tax expense at statutory rate	2,708	(277)	2,138	(1,805)
Tax effect of permanent (additions) / deductions:				
Equity in the results of subsidiaries	(512)	2,482	1,125	3,618
Difference in rates for taxation of subsidiaries	-	-	-	-
Other permanent differences	(64)	(17)	690	(85)
Share-based payment	101	-	101	-
	2,233	2,188	4,054	1,728
Income tax and social contribution - current	-	(703)	-	(1,390)
Income tax and social contribution - deferred	2,233	2,891	4,054	3,118

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	Consolidated Quarter ended		Consolidated Six-month period ended	
	6.30.12	6.30.11	6.30.12	6.30.11
Income before taxes	(7,497)	1,531	(5,426)	6,555
Statutory rate	34%	34%	34%	34%
Tax expense at statutory rate	2,549	(521)	1,845	(2,229)
Tax effect of permanent (additions) / deductions:				
Difference in rates for taxation of subsidiaries	1,088	2,482	2,266	3,619
Other permanent differences	(1,972)	(471)	(1,020)	(888)
Share-based payment	101	-	101	-
	1,766	1,490	3,192	502
Income tax and social contribution - current	(348)	(950)	(593)	(2,311)
Income tax and social contribution - deferred	2,114	2,440	3,785	2,813

28. FINANCE RESULT

	Parent company Quarter ended		Parent company Six-month period ended	
	6.30.12	6.30.11	6.30.12	6.30.11
Finance income				
Income on financial investments	1,794	774	3,652	1,677
Interest	307	199	561	427
Discounts obtained	92	16	124	78
	2,193	989	4,337	2,182
Foreign exchange variations				
Foreign exchange gains	1,144	4,303	10,299	7,177
Foreign exchange gains - derivatives at fair value	56	1,796	199	3,174
Foreign exchange losses	(6,585)	(1,235)	(14,666)	(2,310)
Foreign exchange losses - derivatives at fair value	(220)	(481)	(486)	(1,350)
Foreign exchange variations, net	(5,605)	4,383	(4,654)	6,691
Finance costs				
Interest	(13,182)	(11,714)	(28,268)	(23,160)
Discounts granted	(1)	(71)	(39)	(107)
Bank expenses	(275)	(341)	(542)	(341)
Other	(163)	(112)	(277)	(377)
	(13,621)	(12,238)	(29,126)	(23,985)
Finance result, net	(17,033)	(6,866)	(29,443)	(15,112)

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	Consolidated Quarter ended		Consolidated Six-month period ended	
	6.30.12	6.30.11	6.30.12	6.30.11
Finance income				
Income on financial investments	1,850	774	3,740	1,677
Interest	308	259	563	2,669
Discounts obtained	92	16	125	78
	2,250	1,049	4,428	4,424
Foreign exchange variations				
Foreign exchange gains	1,144	4,303	10,299	7,177
Foreign exchange gains - derivatives at fair value	56	1,796	199	3,174
Foreign exchange losses	(6,585)	(1,235)	(14,676)	(2,310)
Foreign exchange losses - derivatives at fair value	(220)	(481)	(486)	(1,350)
Foreign exchange variations, net	(5,605)	4,383	(4,664)	6,691
Finance costs				
Interest	(12,745)	(11,004)	(27,347)	(22,756)
Discounts granted	(1)	(73)	(42)	(107)
Bank expenses	(286)	(368)	(560)	(372)
Other	(172)	(113)	(285)	(1,942)
	(13,204)	(11,558)	(28,234)	(25,177)
Finance result, net	(16,559)	(6,126)	(28,470)	(14,062)

29. INSURANCE

The insurance coverage is determined according to the nature of the asset risks, and is considered sufficient to cover possible losses arising from damages. As at June 30, 2012, the Company had corporate insurance against fire, lightning, explosion, electric damages and windstorm for plants, residential locations and offices, including general civil liability coverage and coverage of liabilities of officers and directors (D&O), in the total amount of R$ 311,650. The Company also contracted group life insurance for employees with a minimum coverage of R$ 10 and a maximum coverage of R$ 500, in addition to insurance for the fleet of vehicles at market value.

The risk assumptions adopted, in view of their nature, are not part of the scope of the audit or review of the financial statements and, therefore, were not audited/reviewed by our independent auditors.

With respect to the forests, the Company assessed the existing risks and elected not to contract insurance coverage because the preventive measures against fire and other forest risks have proved efficient. Management understands that the risk management structure related to forest activities is appropriate to ensure the continuity of the Company as a going concern.

30. FINANCIAL INSTRUMENTS

Capital risk management

The Company's capital structure consists of its net debt (borrowings detailed in notes 15 and 16, less cash and banks and held-to-maturity investments) and shareholders' equity (which includes issued capital, reserves and retained earnings, as stated in note 21).

The Company is not subject to any external capital requirement.

The Company's management periodically reviews its capital structure. As part of this review, Management considers the cost of capital and the risks associated with each class of capital. The Company intends to maintain a capital structure between 50% and 70% of equity capital and between 50% and 30% of debt. As at June 30, 2012, the debt ratio was 67% for equity capital and 33% for debt, which is in line with expected levels.

Debt to equity ratio

The debt to equity ratio at June 30, 2012 and 2011 was as follows:

	Parent company		Consolidated	
	6.30.12	12.31.11	6.30.12	12.31.11
Debt (a)	408,680	392,009	376,371	368,741
Cash and banks	72,464	72,496	75,081	74,722
Held-to-maturity investments	988	8,674	988	8,674
Net debt	335,228	310,839	300,302	285,345
Equity	450,158	464,230	450,178	464,250
Net debt to equity ratio	0.74	0.67	0.67	0.61

(a) Debt is defined as short- and long-term borrowings, including debentures, as detailed in notes 15 and 16.

(b) Equity includes all the parent company's capital and reserves.

Categories of financial instruments

	Parent company		Consolidated	
Financial assets	6.30.12	12.31.11	6.30.12	12.31.11
Measured at fair value through profit or loss	-	286	-	286
Held-to-maturity investments	988	8,388	988	8,388
Loans and receivables				
Cash and banks	72,464	72,496	75,081	74,722
Trade receivables	85,010	90,179	89,434	92,231
Other receivables	11,284	10,669	11,521	10,722
Financial liabilities				
Amortized cost				
Borrowings	286,825	259,556	287,498	260,164
Debentures	121,855	132,453	73,405	86,480
CCI	-	-	15,468	22,096
Trade payables	48,212	42,790	35,895	37,713

The instruments carried at fair value are classified as Level 2 based on quoted prices (unadjusted) in active markets for identical assets, in addition to information adopted by the market.

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

In order to provide a framework for the Company's financial management, on October 20, 2010, the Board of Directors approved the Financial Management Policy that standardizes and defines guidelines for the utilization of financial instruments.

The Company does not enter into derivative transactions or transactions with other financial assets for speculative purposes. The objective of the Company's derivative policy is to minimize financial risks arising from its operations, as well as to ensure efficient management of its financial assets and liabilities. The derivative instruments currently in effect were contracted to hedge the obligations arising from the Company's loans in foreign currency or exports and were approved by the Board of Directors.

Currency risk

The Company has foreign market transactions exposed to fluctuations in the exchange rates of foreign currencies. As at June 30, 2012 and December 31, 2011, these transactions resulted in a net exposure as shown below.

The total net foreign exchange exposure was equivalent to 27 months of exports based on the average of exports in 2011, and 21 months of exports based on the average of exports in the three-month period ended June 30, 2012. As most of the borrowings in foreign currency are repayable in the long-term, the Company considers that it will generate sufficient cash flow in foreign currency to settle its long-term liabilities in foreign currency.

	Parent company		Consolidated	
	6.30.12	12.31.11	6.30.12	12.31.11
Trade receivables	7,721	4,152	7,748	4,198
Carbon credits receivable	7,218	6,378	7,218	6,378
Banks - restricted accounts	988	8,674	988	8,674
Advances from customers	-	(298)	-	(661)
Trade payables	(31)	(123)	(31)	(123)
Borrowings	(146,035)	(89,545)	(146,035)	(89,545)
Net exposure	(130,139)	(70,762)	(130,112)	(71,079)

The Company has identified the main risk factors that could generate losses on its transactions with financial instruments. Consequently, it has developed a sensitivity analysis, as determined by CVM Instruction 475, which requires the presentation of two scenarios with deteriorations of 25% and 50% in the risk variable considered, in addition to a base scenario. These scenarios may impact the Company's results and equity, as disclosed below:

1 - Base scenario: maintenance of the exchange rate at levels approximating those effective in the period these financial statements were prepared.

2 - Adverse scenario: 25% deterioration in the exchange rate compared to that reported at June 30, 2012.

3 - Remote scenario: 50% deterioration in the exchange rate compared to that reported at June 30, 2012.

Transaction	Balance at 6.30.12 U$$	Base scenario - Gain (loss) Rate	R$	Adverse scenario - Gain (loss) Rate	R$	Remote scenario - Gain (loss) Rate	R$
Assets							
Trade receivables	7,893	2.04	148	2.55	4,173	3.06	8,198
Liabilities							
Trade payables	(15)	2.04	-	2.55	(8)	3.06	(16)
Borrowings	(72,248)	2.04	(1,351)	2.55	(38,198)	3.06	(75,044)
Net effect			(1,203)		(34,033)		(66,862)

This sensitivity analysis is intended to measure the impact of changes in foreign exchange market variables on each financial instrument of the Company. The balances as at June 30, 2012 were utilized as a basis for the projection of the future balance. The actual behavior of debt balances and derivative instruments will depend on the respective contracts, whereas balances receivable and payable could fluctuate due to the normal activities of the Company and its subsidiaries. The settlement of transactions involving these estimates could result in amounts different from those estimated due to the subjectivity of the process utilized in the preparation of these analyses. The Company tries to maintain its loans, financing and derivatives transactions exposed to exchange rate changes with annual net payments equivalent to receipts from exports. Consequently, the Company seeks to hedge its cash flow against foreign currency risks, and the effects of the scenarios above, if they materialize, are expected to only generate an economic impact on its results (loss).

Interest rate risk

The Company could be affected by adverse changes in interest rates. This interest rate risk exposure refers mainly to changes in market interest rates affecting the Company's assets and liabilities indexed to the TJLP (long-term interest rate), CDI (interbank deposit rate), SELIC (Central Bank's overnight rate), EURIBOR (Euro Interbank Offered Rate), LIBOR (London Interbank Offered Rate) or IPCA (National Consumer Price Index).

The sensitivity analysis calculated for the base scenario, adverse scenario and remote scenario on the loan agreements subject to indexed interest is as follows:

1 - Base scenario: maintenance of the interest rate at levels approximating those effective in the period of these financial statements were prepared.

2 - Adverse scenario: adjustment of 25% of interest rates based on the level at June 30, 2012.

3 - Remote scenario: adjustment of 50% of interest rates based on the level at June 30, 2012.

Transaction			Base scenario - Gain (loss)		Adverse scenario - Gain (loss)		Remote scenario - Gain (loss)	
	Index	Balance at 6.30.12	Rate - %	R$	Rate - %	R$	Rate - %	R$
Financial investments								
CDBs	CDI	73,380	7.83%	(374)	9.79%	1,043	11.75%	2,460
Borrowings								
Working capital	CDI	28,975	7.83%	181	9.79%	(505)	11.75%	(1,190)
Debentures	CDI	77,703	7.83%	401	9.79%	(1,120)	11.75%	(2,641)
BNDES	TJLP	10,604	5.50%	53	6.88%	(93)	8.25%	(239)
Working capital	IPCA	79,050	4.99%	(1)	6.24%	(987)	7.49%	(1,973)
Financing - foreign currency	Libor	4,145	0.73%	-	0.92%	(14)	1.10%	(27)
Financing - foreign currency	Euribor	3,119	0.93%	15	1.16%	8	1.40%	1
Net effect				275		(1,668)		(3,609)

Credit risks

The Company's credit sales are managed through a strict rating and concession of credit program. Doubtful receivables are properly covered by an allowance for losses on their collection.

Trade receivables comprise a large number of customers, of different sectors and geographical areas. A continuous credit assessment is conducted on the financial position of receivables and, when appropriate, a credit guarantee coverage is requested.

In addition, the Company is exposed to credit risk in relation to the financial guarantees provided to banks. The maximum exposure corresponds to the maximum amount that the Company will have to pay if the guarantee is enforced (see notes 15 and 16).

Liquidity risk

Management monitors the liquidity level based on the expected cash flow, which comprises cash, short-term financial investments, flow of receivables and payables, and the repayment of borrowings. The liquidity management policy involves the projection of cash flows in the currencies used and the consideration of the level of net assets necessary to attain these projections, the monitoring of the liquidity indices of the balance sheet in relation to internal and external regulatory requirements, and the maintenance of debt financing plans.

The table below shows the maturity dates of the financial liabilities contracted by the Company, as recorded in the consolidated balance sheet, where the reported amounts include the principal and fixed interest on transactions, calculated using rates and indices in effect at June 30, 2012, and the details on the expected maturity dates for non-derivative, undiscounted financial assets, including interest that will be earned on these assets. The inclusion of information on non-derivative financial assets is necessary to understand the Company's liquidity risk management, since it is managed based on net assets and liabilities:

	2012	2013	2014	2015	after 2016
Liabilities					
Trade payables	35,895	-	-	-	-
Borrowings	33,784	98,013	52,640	66,917	52,640
Debentures	14,367	27,758	25,538	12,806	-
Other liabilities	5,109	1,903	2,127	848	4,046
	89,155	127,674	80,305	80,571	56,686
Assets					
Cash and cash equivalents	75,081	-	-	-	-
Banks - restricted accounts	988	-	-	-	-
Trade receivables - not yet due	88,360	1,075	-	-	-
Other assets	1,695	1,723	827	59	-
	166,124	2,798	827	59	-
	76,969	(124,876)	(79,478)	(80,512)	(56,686)

The amounts included above for non-derivative financial assets and liabilities at floating rates are subject to changes in the event that variations in floating interest rates differ from the estimates at the end of the reporting period.

The Company has access to credit facilities with a total amount not utilized at the end of the reporting period of R$ 63,911, which increases as borrowings are settled. The Company expects to meet its other obligations using the cash flows from operating activities and income earned on financial assets.

Derivative financial instruments

Derivative transactions are classified by strategy according to their objective. The transactions are contracted to hedge the Company's net indebtedness, its financial investments or its exports and imports against foreign exchange rate changes, or to swap interest rates. Derivative financial instruments are measured at fair value and recognized in the finance result or recognized directly in the finance result in the case of derivative financial transactions linked to funding transactions.

The Company maintains internal controls that management considers to be sufficient to manage risks. Management analyzes reports on a monthly basis, relating to the financial cost of debt and the information on cash flows in foreign currency, which includes the Company's receipts and payments in foreign currency, and assesses the need to contract any type of hedge. The results achieved by this type of monitoring have hedged cash flows against foreign exchange rate changes.

a) Derivative financial instruments carried at fair value

The contracted amounts of these instruments and their fair values, as well as the accumulated effects for the period, are as follows:

Purpose / Risk / Instrument		6.30.12		3.31.12	
		Notional value	Fair value (1)	Notional value	Fair value (1)
Fair value hedge					
Foreign currency	Swaps	-	-	3,225	163
Total derivatives		-	-	3,225	163

(1) The derivative financial instruments were evaluated at fair value based on the future U.S. dollar projections of the São Paulo Commodities, Futures and Stock Exchange (BM&F Bovespa) at the calculation dates. In the case of swaps, both short and long positions were estimated independently and discounted to present value at a market interest rate, where the difference between the positions represents the market value.

On April 20, 2012, the Company and Credit Suisse Próprio Fundo de Investimento Multimercado jointly agreed for the irrevocable termination of the agreement, with no amounts to be paid due to this agreement.

The Company recognized the remaining fair value in its results.

This financial instrument was linked to, and recorded together with, the restricted short-term investment mentioned in note 9. Its sensitivity analysis was shown together with the associated instrument.

b) Derivative financial instruments linked to loan transactions (recognized directly in the results)

i) On May 30, 2011, the Company entered into a cash flow swap transaction with Banco Credit Suisse in order to change the remuneration and risks associated with the interest rate agreed by the parties under the Export Prepayment Contract (PPE), of February 16, 2007. The notional value attributed at the contracting date was R$ 70,374 (equivalent to US$ 44,544 thousand at that date), and decreased in accordance with the payments established in the contract.

The purpose of this swap transaction was to align the transaction price and the related maturity dates to the original transaction. The swap contract could not be negotiated separately. The Export Prepayment Contract (PPE) began to be subject to an interest rate plus CDI variation, and the interest payable was no longer subject to exchange rate changes. Considering the characteristics of this contract together with the PPE contract, the Company understood the two instruments to be a single instrument, and the result was included in the interest rate sensitivity analysis disclosed in "Interest rate risks" in this same note. The amount of the principal of PPE in dollars was included in the sensitivity analysis of the foreign exchange exposure risk, also disclosed in the same note.

This transaction was approved by the Company's Board of Directors on May 30, 2011.

On April 20, 2012, the Company and the parties jointly agreed on the irrevocable termination of this swap agreement and for the repactuation of the PPE agreement. Consequently, the interest rate swap transaction was terminated and the PPE was repactuated, with no swap agreements attached to it.

ii) On March 23, 2012, the Company contracted a Cash Flow Swap Transaction with Banco Itaú BBA, in order to modify the remuneration and risks associated with the interest rate of the transaction contracted on the same date between the parties under an Export Credit Note (CCE) contract. The notional value attributed at the contracting date was R$ 40,000 (equivalent to US$ 21,990 thousand at that date), decreasing according to the payments of the semiannual installments under the contract until the final maturity in March 2017.

The purpose of this swap transaction was to align the transaction price and the related maturity dates to the original transaction. The swap contract is not negotiable separately. The Export Credit Note (CCE) contract began to be remunerated at a fixed interest rate plus the dollar variation. Consequently, the CCE contract is no longer exposed to the CDI variation. Considering the characteristics of this contract together with the CCE contract, the Company understood the two instruments to be a single instrument. This contract is included in the sensitivity analysis of currency exposure disclosed in the same explanatory note.

This transaction was approved by the Company's Board of Directors on March 23, 2012.

Cash flow hedges

The Company adopted hedge accounting on May 1, 2012 on operations contracted for covering the exchange variation risk of the export flow, classified as a cash flow hedge, pursuant to the parameters described in the Brazilian accounting standards CPC 38 and 40, technical orientation OCPC 03 and IAS 39.

The Company hedges the exchange variation risk of its future cash flows through the cash flow hedge, in which the hedge instruments are the financial liabilities contracted by the Company. The currently effective hedge financial instruments contracted by the Company include a PPE contract with Banco Credit Suisse and a CCE contract with Banco Itaú BBA.

The hedged cash flows are the estimated exports up to 2017, and the amount recorded in equity because of hedge accounting amounted to R$ 5,331 at June 30, 2012.

The Company estimates the effectiveness based on the Dollar Offset methodology, according to which the variations in the fair value of the hedge instrument are compared with the variations in the fair value of the hedge object, which should be within 80% to 125%.

The balances of effective variations in the fair value of transactions classified as cash flow hedges are reclassified from equity to the results for the period during which the foreign exchange variation of the hedge is effectively realized. The cash flow hedge results effective in the offsetting of the variations in the hedged expenses are recorded as a reduction of these expenses, decreasing or increasing the operating result, whereas the non-effective results are recorded as finance income or costs for the period.

The Company did not identify ineffectiveness in the period.

The sensitivity analysis of the hedge instruments of the cash flow hedge transactions is considered in this same note, within "foreign exchange exposure risk", together with the other financial instruments.

31. OPERATING SEGMENTS

a) Criteria for identification of operating segments

The Company segmented its operating structure following the manner in which Management conducts the business and according to the segmentation criteria established by CPC 22 (IFRS 8) - Segment Reporting.

Management defined as operating segments: corrugated cardboard packaging; packaging paper; RS Forest and resins; and furniture, as mentioned below:

PO Packaging Division: this division manufactures light and heavy corrugated cardboard boxes and sheets, and has two production units, one next to the paper plant in Vargem Bonita, SC, and another in Indaiatuba, SP.

Packaging Paper Division: this division produces low and high weight Kraft paper and recycled paper for the domestic and foreign markets and part of its production is sent to the Corrugated Cardboard Packaging Division.

RS Forest and Resins Division: through this division, the Company plants pine trees for its own use, sells wood and produces resin extracted from pines trees, which is used as raw material for the production of tar and turpentine.

Furniture Division: this division sells furniture to the domestic market, exclusively on the Internet, through the subsidiary Meu Móvel de Madeira. The division produces bedroom, living room and other furniture.

b) Consolidated information on operating segments

	Consolidated Quarter ended 6.30.12					
	Corrugated Cardboard Packaging	Packaging paper	RS Forest and resins	Furniture	Corporate/ eliminations	Total
Net sales						
Domestic market	68,054	26,202	4,931	3,032	41	102,260
Foreign market	-	11,709	6,544	-	-	18,253
Revenue from sales to third parties	68,054	37,911	11,475	3,032	41	120,513
Revenues between segments	-	993	-	-	(993)	-
Total net sales	68,054	38,904	11,475	3,032	(952)	120,513
Change in fair value of biological assets	-	727	(2,987)	-	-	(2,260)
Cost of sales	(53,272)	(23,836)	(7,372)	(1,564)	(172)	(86,216)
Gross profit	14,782	15,795	1,116	1,468	(1,124)	32,037
Operating expenses	(7,986)	(2,974)	(495)	(2,217)	(9,303)	(22,975)
Operating result before finance result	6,796	12,821	621	(749)	(10,427)	9,062
Finance result	(8,685)	(8,393)	104	(78)	493	(16,559)
Net operating income (loss)	(1,889)	4,428	725	(827)	(9,934)	(7,497)
Total assets	147,132	690,230	138,706	5,500	180,121	1,161,689
Total liabilities and equity	54,218	261,724	15,589	1,265	378,815	711,612
Equity	-	396,030	113,347	3,586	(62,886)	450,077

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(All amounts in thousands of reais, unless otherwise indicated)

	Consolidated Six-month period ended 6.30.12					
	Corrugated Cardboard Packaging	Packaging paper	RS Forest and resins	Furniture	Corporate/ eliminations	Total
Net sales						
Domestic market	135,593	53,999	9,010	5,767	41	204,410
Foreign market	-	21,918	11,843	-	-	33,761
Revenue from sales to third parties	135,593	75,917	20,853	5,767	41	238,171
Revenues between segments	-	3,317	-	-	(3,317)	-
Total net sales	135,593	79,234	20,853	5,767	(3,276)	238,171
Change in fair value of biological assets	-	727	(2,987)	-	-	(2,260)
Cost of sales	(107,062)	(49,260)	(14,666)	(2,844)	3,430	(170,402)
Gross profit	28,531	30,701	3,200	2,923	154	65,509
Operating expenses	(15,212)	(5,683)	(868)	(3,539)	(17,163)	(42,465)
Operating result before finance result	13,319	25,018	2,332	(616)	(17,009)	23,044
Finance result	(14,602)	(14,795)	92	(170)	1,005	(28,470)
Net operating income (loss)	(1,283)	10,223	2,424	(786)	(16,004)	(5,426)
Total assets	147,132	690,230	138,706	5,500	180,121	1,161,689
Total liabilities and equity	54,218	261,724	15,589	1,265	378,815	711,612
Equity	-	396,030	113,347	3,586	(62,886)	450,077

	Consolidated Quarter ended 6.30.11					
	Corrugated Cardboard Packaging	Packaging paper	RS Forest and resins	Furniture	Corporate/ eliminations	Total
Net sales						
Domestic market	69,524	26,799	5,139	2,247	-	103,709
Foreign market	-	7,454	7,153	-	-	14,607
Revenue from sales to third parties	69,524	34,253	12,292	2,247	-	118,316
Revenues between segments	34	3,389	-	-	(3,423)	-
Total net sales	69,558	37,642	12,292	2,247	(3,423)	118,316
Change in fair value of biological assets	-	(4,947)	3,723	-	-	(1,224)
Cost of sales	(54,259)	(28,493)	(9,587)	(1,180)	3,423	(90,096)
Gross profit	15,299	4,202	6,428	1,067	-	26,996
Operating expenses	(7,354)	(2,528)	(564)	(1,146)	(7,747)	(19,339)
Operating result before finance result	7,945	1,674	5,864	(79)	(7,747)	7,657
Finance result	(2,539)	(4,174)	300	(2)	289	(6,126)
Net operating income (loss)	5,406	(2,500)	6,164	(81)	(7,458)	1,531
Total assets	155,533	674,775	129,814	4,904	224,477	1,189,502
Total liabilities and equity	55,329	264,053	14,005	3,435	379,825	716,647
Equity	-	293,672	96,912	1,469	80,802	472,855

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(All amounts in thousands of reais, unless otherwise indicated)

	Consolidated Six-month period ended 6.30.11					
	Corrugated Cardboard Packaging	Packaging paper	RS Forest and resins	Furniture	Corporate/ eliminations	Total
Net sales						
Domestic market	139,168	50,339	9,873	4,431	-	203,811
Foreign market	-	17,720	12,390	-	-	30,110
Revenue from sales to third parties	139,168	68,059	22,263	4,431	-	233,921
Revenues between segments	133	9,834	-	-	(9,967)	-
Total net sales	139,301	77,893	22,263	4,431	(9,967)	233,921
Change in fair value of biological assets	-	(4,947)	3,723	-	-	(1,224)
Cost of sales	(110,504)	(54,895)	(16,099)	(2,300)	9,661	(174,137)
Gross profit	28,797	18,051	9,887	2,131	(306)	58,560
Operating expenses	(14,634)	(5,087)	(1,542)	(2,141)	(14,539)	(37,943)
Operating result before finance result	14,163	12,964	8,345	(10)	(14,845)	20,617
Finance result	(6,064)	(8,909)	302	(5)	614	(14,062)
Net operating income (loss)	8,099	4,055	8,647	(15)	(14,231)	6,555
Total assets	155,533	674,775	129,814	4,904	224,477	1,189,502
Total liabilities and equity	55,329	264,053	14,005	3,435	379,825	716,647
Equity	-	293,672	96,912	1,469	80,802	472,855

The balance in the column "Corporate and eliminations" refers basically to the corporate support area's expenses not apportioned among the other segments, and the adjustments of transactions between segments, which are carried out under usual market prices and conditions.

Finance income (costs) were allocated to operating segments taking into consideration the specific allocation of each finance income and costs to its segment, and the allocation of common income and costs based on the working capital requirement of each segment.

The information relating to income tax and social contribution has not been disclosed because the Company's management does not utilize such information by segment.

c) Net sales revenue

Net sales revenue for the quarter ended June 30, 2012 totaled R$ 120,513 (R$ 118,316 at 6.30.11), and totaled R$ 238,171 for the six-month period ended June 30, 2012 (R$ 233,921 at 6.30.11).

The net sales revenue from the foreign market for the quarter ended June 30, 2012 totaled R$ 18,253 (R$ 14,607 at 6.30.11), and totaled R$ 33,761 for the six-month period ended June 30, 2012 (R$ 30,100 at 6.30.11), distributed among several countries, as shown below:

Consolidated Quarter ended 6.30.12			Consolidated Quarter ended 6.30.11		
Country	Export revenue, net	% of total revenue, net	Country	Export revenue, net	% of total revenue, net
Holland	4,624	3.80%	Holland	4,979	4.20%
Argentina	3,384	2.80%	Argentina	2,124	1.80%
Saudi Arabia	2,302	1.90%	Saudi Arabia	2,080	1.80%
France	1,346	1.10%	France	1,776	1.50%
South Africa	1,199	1.00%	Paraguay	592	0.50%
Paraguay	967	0.80%	Chile	569	0.50%
Germany	779	0.60%	South Africa	553	0.50%
Peru	696	0.60%	Peru	393	0.30%
Chile	596	0.50%	Bolivia	318	0.30%
Spain	487	0.40%	Spain	211	0.20%
Norway	382	0.30%	United States	205	0.20%
Bolivia	256	0.20%	Germany	163	0.10%
Venezuela	231	0.20%	Venezuela	126	0.10%
Turkey	176	0.10%	Colombia	125	0.10%
United Arab Emirates	172	0.10%	Norway	69	0.10%
Colombia	172	0.10%	South Korea	30	0.01%
Other countries	484	0.40%	Other countries	294	0.20%
	18,253	14.90%		14,607	12.41%

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Country	Consolidated Six-month period ended 6.30.12 Export revenue, net	% of total revenue, net	Country	Consolidated Six-month period ended 6.30.11 Export revenue, net	% of total revenue, net
Holland	7,202	3.00%	Holland	9,029	3.90%
Argentina	6,548	2.70%	Argentina	4,837	2.10%
Saudi Arabia	4,556	1.90%	Saudi Arabia	4,293	1.80%
France	2,556	1.10%	France	2,584	1.10%
Paraguay	1,737	0.70%	Paraguay	1,736	0.70%
South Africa	1,646	0.70%	Chile	1,242	0.50%
Chile	1,635	0.70%	Germany	1,041	0.40%
Peru	1,496	0.60%	Peru	891	0.40%
Venezuela	1,070	0.40%	South Africa	862	0.40%
Germany	959	0.40%	Bolivia	561	0.20%
Spain	913	0.40%	South Korea	532	0.20%
Norway	772	0.30%	Spain	431	0.20%
Bolivia	559	0.20%	United States	366	0.20%
Turkey	419	0.20%	Norway	360	0.20%
Canada	401	0.20%	Venezuela	339	0.10%
Colombia	357	0.10%	Colombia	243	0.10%
Uruguay	253	0.10%	Pakistan	141	0.10%
Other countries	682	0.30%	Other countries	622	0.30%
	33,761	14.00%		30,110	12.90%

The net sales revenue for the domestic market for the quarter ended June 30, 2012 totaled R$ 102,260 (R$ 103,709 at 6.30.11), and totaled R$ 204,410 for the six-month period ended June 30, 2012 (R$ 203,811 at 6.30.11).

In the second quarter of 2012, a single customer accounted for 18.7% of net sales in the domestic market of the Corrugated Cardboard Packaging Division, equivalent to R$ 12,726. The Company's other sales in the domestic and foreign markets were diluted among various customers and no customer accounted for more than 10% of net sales.

32. OPERATING LEASE AGREEMENTS

Rental of production units

The Company had two rental agreements of production units at June 30, 2012, in addition to other small rental agreements of commercial and administrative units, all classified as operating leases and allocated to expenses each year on the accrual basis over the lease period.

The rental agreements of the production units are as follows:

a) Rental agreement entered into on October 20, 2009 and amended on March 24, 2010 with the subsidiary Irani Trading S.A, the owner of the industrial property located in Vargem Bonita, SC. The agreement is effective for 64 months from January 1, 2010, and the monthly fixed rental is R$1,364.

b) Rental agreement entered into on December 26, 2006 related to the rental of the Packaging Unit in Indaiatuba, SP, effective for 20 years and with a contracted monthly rental of R$ 174, adjusted annually based on the IGPM variation.

The rental amounts recognized as expenses in the first quarter of 2012 and 2011 by the parent company, net of taxes, when applicable, were as follows:

- Rentals of production units = R$ 4,614 (R$ 4,543 at 6.30.2011)
- Rentals of commercial and administrative units = R$ 97 (R$ 79 at 6/30/2011)

The future commitments at June 30, 2012 arising from these agreements totaled a minimum amount of R$ 94,811. The rentals were calculated at present value, using the accumulated IGPM of 5.14% p.a.

	Up to one year	1-5 years	After 5 years	Total
Future operating leases	18,979	41,857	33,975	94,811
Operating leases at present value	18,052	36,470	20,200	74,722

Lease of planting area

The Company entered into non-cancelable lease agreements for the production of biological assets in third-party land, called partnerships, in a total area of 3,201 hectares, of which 2,232 hectares comprise the area proportional to the planting pertaining to it. For certain areas there is a lease commitment to be disbursed monthly as shown below.

These agreements are valid until all the forests in these areas are harvested.

Non-cancelable operating lease commitments

	Up to one year	1-5 years	After 5 years	Total
Future operating leases	307	1,315	1,555	3,177
Operating leases at present value	298	1,102	1,006	2,406

Lease agreements with the Company as the lessor

Operating leases refer to the Company's investment properties and have lease terms of up to 24 months, with an option to renew for the same period. All operating leases contain market value revision clauses should the lessee exercise the option to renew the agreement. The lessee does not have the option to purchase the property at the end of the lease period.

The rental income obtained by the Company on its investment properties and the direct operating expenses of investment properties in the quarter amounted to R$ 252 and R$ 319, respectively.

The Company recorded no unrealized finance income amounts on leases, contingent payments recognized as revenue, and provision for losses with the receipt of leases.

33. GOVERNMENT GRANTS

The Company has ICMS tax incentives in the State of Santa Catarina, where 60% of the ICMS increase, calculated on an average base (September 2006 to August 2007) prior to investments made, are deferred for payment after 48 months. This benefit is calculated monthly and is subject to realizing the planned investments and maintaining jobs, besides the maintenance of a regular status with the State, conditions that are being fully met.

These incentives are subject to charges at annual contractual rates of 4.0%. In order to calculate the present value of this benefit, the Company utilized the average rate of the cost of funding at the base date for credit lines with characteristics similar to those applicable to the respective disbursements, in the event it did not have the benefit, resulting in R$ 2,904.

The benefit is effective for 14 years, from January 2009 to December 2022, or up to the limit of R$ 55,199 of deferred ICMS. The Company had deferred ICMS amounting to R$ 16,458 recorded in non-current liabilities at June 30, 2012 (net of government subsidies, R$ 14,116).

34. TRANSACTIONS NOT AFFECTING CASH

The Company carried out transactions not affecting cash relating to its investing activities, which were, therefore, not reflected in the statements of cash flows.

In the six-month period ended June 30, 2012, the Company purchased property, plant and equipment in the amount of R$ 674, financed directly by suppliers, and also made a capital contribution with buildings and facilities to the subsidiary Irani Trading S.A. in the amount of R$ 4,563, and with planted forests to the subsidiary Iraflor Comércio de Madeiras Ltda. in the amount of R$ 3,370.

In the six-month period ended June 30, 2011, the Company purchased property, plant and equipment in the amount of R$ 5,303, financed directly by suppliers, and also received dividends amounting to R$ 16,570, through intercompany loans and the reduction of other payables.

35. EVENTS AFTER THE REPORTING PERIOD

On July 20, 2012, the Company's Board of Directors approved the distribution of interim dividends from the Retained Earnings account balance presented in the last annual balance sheet at December 31, 2011, which amounted to R$ 14,267, corresponding to R$ 0.090223 per common and preferred share. The approval was carried out in accordance with the terms of Article 29, sole paragraph, of the Company's bylaws. The Company obtained the necessary authorizations from the creditors for this distribution.

* * *

Opinions and representations/Report on review of quarterly information - without exceptions

Report on review of quarterly information

To the Board of Directors and Shareholders
Celulose Irani S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Celulose Irani S.A., included in the Quarterly Information (ITR) Form for the quarter ended June 30, 2012, comprising the balance sheet as at June 30, 2012 and the statements of operations and comprehensive income for the quarter and six-month period then ended, and the changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the parent company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the Quarterly Information referred to above has not been prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the Quarterly Information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Opinions and representations/Report on review of quarterly information - without exceptions

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2012. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Audit and review of prior-year information

The Quarterly Information (ITR) mentioned in the first paragraph includes the accounting information corresponding to the statements of income, comprehensive income, changes in equity, cash flows and value added for the quarter ended June 30, 2011, obtained from the Quarterly Information as at that date, and the balance sheets at December 31, 2011, obtained from the financial statements as at December 31, 2011, presented for comparison purposes. The review of the Quarterly Information (ITR) for the quarter ended June 30, 2011 and the audit of the financial statements for the year ended December 31, 2011 were conducted by other independent auditors, who issued unqualified review and audit reports thereon dated July 25, 2011 and February 29, 2012, respectively.

Porto Alegre, July 31, 2012

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" RS

Carlos Biedermann
Contador CRC 1RS02931/O-4

Atenção

****** *Não destacar esta folha do trabalho* ******

Departamento de Traduções - 1o. andar