(A free translation of the original in Portuguese)

Celulose Irani S.A.

Financial statements
for the years ended
December 31, 2012 and 2011

compromisso com o futuro
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(A free translation of the original in Portuguese)

Independent auditor's report

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

We have audited the accompanying financial statements of Celulose Irani S.A. ("Company" or "Parent Company"), which comprise the balance sheet as at December 31, 2012 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of Celulose Irani S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2012 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with accounting practices adopted in Brazil, and for the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Celulose Irani S.A.

Opinion on the parent company financial statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Celulose Irani S.A. as at December 31, 2012, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Celulose Irani S.A. and its subsidiaries as at December 31, 2012, and their financial performance and their cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil.

Emphasis of matter

As discussed in Note 2.1 to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Celulose Irani S.A., these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries based on equity accounting, while IFRS requires measurement based on cost or fair value. Our opinion is not qualified in respect of this matter.

Other matters
Supplementary information - statement of value added

We have also audited the parent company and consolidated statements of value added for the year ended December 31, 2012, which are the responsibility of the Company's management. The presentation of this statement is required by the Brazilian corporate legislation for listed companies, but it is considered supplementary information for IFRS. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Audit of prior-year information

The parent company and consolidated financial statements of the Company for the year ended December 31, 2011, presented for comparison purposes, were audited by another firm of auditors whose report, dated February 29, 2012, expressed an unmodified opinion on those statements.

Porto Alegre, March 19, 2013

PricewaterhouseCoopers Auditores Independentes CRC 2SP000160/O-5 "F" RS	Carlos Biedermann Contador CRC 1RS029321/O-4

CELULOSE IRANI S.A.

BALANCE SHEET AT DECEMBER 31
(All amounts in thousands of reais)

(A free translation of the original in Portuguese)

ASSETS	Note	Parent		Consolidated	
		12/31/2012	12/31/2011	12/31/2012	12/31/2011
CURRENT ASSETS					
Cash and cash equivalents	5	95,051	72,496	96,922	74,722
Trade receivables	6	93,785	90,179	96,781	92,231
Inventories	7	38,064	36,366	38,110	38,356
Taxes recoverable	8	4,083	8,661	4,083	8,687
Dividends receivable		5,307	7,746	-	-
Banks - restricted account	9	931	5,143	931	5,143
Other assets	10	12,309	12,400	12,845	12,545
Total current assets		249,530	232,991	249,672	231,684
NON-CURRENT ASSETS					
Taxes recoverable	8	2,766	2,162	2,766	2,162
Deferred income tax and social contribution	11	-	16,583	-	16,632
Judicial deposits		574	996	632	1,258
Banks - restricted account	9	-	3,531	-	3,531
Other assets	10	6,806	2,052	9,218	2,079
Related parties	19	1,553	-	1,553	-
Investment property		-	4,997	-	4,997
Biological assets	14	159,912	128,516	263,292	239,997
Total long-term assets		171,611	158,837	277,461	270,656
Investments	12	270,809	248,575	-	-
Property, plant and equipment	13	537,075	535,839	679,734	678,311
Intangible assets	13	1,220	1,088	1,223	1,103
Total non-current assets		980,715	944,339	958,418	950,070
TOTAL ASSETS		1,230,245	1,177,330	1,208,090	1,181,754

LIABILITIES AND EQUITY	Note	Parent		Consolidated	
		12/31/2012	12/31/2011	12/31/2012	12/31/2011
CURRENT LIABILITIES					
Borrowings	15	70,372	88,488	79,225	102,278
Debentures	16	39,026	26,000	39,026	26,000
Trade payables	17	60,155	42,790	43,747	37,713
Social and labor obligations		23,369	18,692	23,657	19,021
Tax liabilities		6,085	6,553	6,684	7,031
Income tax and social contribution payable		-	-	891	869
Tax liabilities payable in installments	18	5,085	4,562	5,235	4,682
Advances from customers		955	759	975	1,159
Dividends payable		9,957	5,607	9,957	5,607
Other payables		10,871	9,905	10,485	9,333
Total current liabilities		225,875	203,356	219,882	213,693
NON-CURRENT LIABILITIES					
Borrowings	15	208,990	171,068	209,001	179,983
Debentures	16	131,712	106,453	80,978	60,480
Related parties		-	2,109	-	-
Reserve for contingencies	20	37,735	41,650	38,037	41,717
Taxes payable in installments	18	6,245	10,666	6,379	10,839
Tax liabilities		16,005	11,062	16,005	11,062
Other payables		-	219	-	219
Deferred income tax and social contribution	11	149,684	166,517	183,803	199,511
Total non-current liabilities		550,371	509,744	534,203	503,811
TOTAL LIABILITIES		776,246	713,100	754,085	717,504
EQUITY					
Share capital	21 (a)	103,976	63,381	103,976	63,381
Capital reserve		377	-	377	-
Revenue reserves	21.d	106,405	142,302	106,405	142,302
Carrying value adjustments	21.e	243,241	258,547	243,241	258,547
Equity attributable to controlling shareholders		453,999	464,230	453,999	464,230
Non-controlling interest		-	-	6	20
Total equity		453,999	464,230	454,005	464,250
TOTAL LIABILITIES AND EQUITY		1,230,245	1,177,330	1,208,090	1,181,754

The accompanying notes are an integral part of these financial statements.

CELULOSE IRANI S.A.

STATEMENT OF INCOME FOR THE YEARS ENDED DECEMBER 31
(All amounts in thousands of reais) (A free translation of the original in Portuguese)

	Note	Parent		Consolidated	
		12/31/2012	12/31/2011	12/31/2012	12/31/2011
Continuing operations					
NET SALES REVENUE	24	462,443	451,688	483,449	471,614
Change in the fair value of biological assets	14.a	32,005	6,349	36,767	14,327
Cost of products sold		(350,275)	(345,377)	(352,251)	(348,110)
GROSS PROFIT		144,173	112,660	167,965	137,831
OPERATING INCOME (EXPENSES)					
Selling expenses		(43,416)	(41,068)	(42,897)	(40,598)
General and administrative expenses		(38,859)	(36,022)	(40,653)	(38,272)
Other operating income	26	2,463	6,715	2,952	6,854
Other operating expenses	26	(6,086)	(2,242)	(9,190)	(2,448)
Management profit sharing	19	(2,931)	(5,251)	(2,931)	(5,251)
Equity in the results of subsidiaries	12	19,570	23,101	-	-
PROFIT BEFORE FINANCE RESULT AND TAXES		74,914	57,893	75,246	58,116
Finance income (costs), net	28	(52,190)	(54,895)	(50,351)	(52,433)
Finance income		19,374	30,061	19,538	30,563
Finance costs		(71,564)	(84,956)	(69,889)	(82,996)
PROFIT BEFORE TAXATION		22,724	2,998	24,895	5,683
Income tax and social contribution - current	27	-	(1,008)	(997)	(2,062)
Deferred income tax and social contribution	27	(879)	7,511	(2,052)	5,885
PROFIT FROM CONTINUING OPERATIONS		21,845	9,501	21,846	9,506
Discontinued operation					
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		4,536	(147)	4,537	(147)
PROFIT FOR THE YEAR		26,381	9,354	26,383	9,359
Profit attributable to:					
Controlling shareholders		26,381	9,354	26,381	9,354
Non-controlling shareholders		-	-	2	5
		26,381	9,354	26,383	9,359
BASIC AND DILUTED EARNINGS PER COMMON SHARE - R$	22	0.1368	0.0591	0.1368	0.0591
BASIC AND DILUTED EARNINGS PER PREFERRED SHARE - R$	22	0.1368	0.0591	0.1368	0.0591

The accompanying notes are an integral part of these financial statements.

CELULOSE IRANI S.A.

STATEMENT OF COMPREHENSIVE INCOME FOR
THE YEARS ENDED DECEMBER 31

(All amounts in thousands of reais) (A free translation of the original in Portuguese)

	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Profit for the year	26,381	9,354	26,383	9,359
Cash flow hedge accounting	(9,286)	-	(9,286)	-
Income tax and social contribution on cash flow hedge accounting	3,157	-	3,157	-
Other comprehensive income (loss)	(6,129)	-	(6,129)	-
Attributable to shareholders of the parent company	20,252	9,354	20,252	9,354
Attributed to non-controlling interests	-	-	2	5
Consolidated comprehensive income for the year	20,252	9,354	20,254	9,359

The accompanying notes are an integral part of these financial statements.

CELULOSE IRANI S.A.

STATEMENT OF CHANGES IN EQUITY (CONSOLIDATED) FOR THE YEARS ENDED DECEMBER 31

(All amounts in thousands of reais) (A free translation of the original in Portuguese)

			Capital reserve		Revenue reserves				Carrying value adjustments					
	Note	Share capital	Share-based payment	Treasury shares	Legal	Unrealized	Statutory reserve of biological assets	Profit retention	Hedge accounting	Deemed cost of property, plant and equipment	Retained earnings	Controlling shareholders	Non-controlling interests	Total
AT JANUARY 1, 2011		63,381	-	(309)	2,863	79,770	-	37,736	-	283,675	-	467,116	14	467,130
Profit for the year											9,354	9,354	6	9,360
Realized revenue reserve - biological assets						(2,064)					2,064	-	-	-
Realized revenue reserve - biological assets (subsidiaries)						(2,963)					2,963	-	-	-
Realization - deemed cost										(21,444)	21,444		-	-
Realization - deemed cost (subsidiaries)										(3,684)	3,684	-	-	-
Treasury shares	21.b)			(1,729)								(1,729)	-	(1,729)
Proposed appropriations												-	-	-
Transfer of unrealized profits to statutory reserve						(74,743)	74,743					-		-
Legal reserve	21.c)				468						(468)	-	-	-
Dividends	21.c)										(5,511)	(5,511)	-	(5,511)
Interest on capital	21.c)										(5,000)	(5,000)	-	(5,000)
Profit retention reserve	21.d)							28,530			(28,530)	-	-	-
AT DECEMBER 31, 2011		63,381	-	(2,038)	3,331	-	74,743	66,266	-	258,547	-	464,230	20	464,250
Profit for the year											26,381	26,381	(14)	26,367
Capital increase		40,595			(2,863)			(37,732)				-		-
Share-based payment	23		377									377		377
Cash flow hedge accounting	21.e)								(6,129)			(6,129)		(6,129)
Realized revenue reserve - biological assets							(789)				789	-	-	-
Realized revenue reserve - biological assets (subsidiaries)							(4,126)				4,126	-	-	-
Realization - deemed cost										(7,864)	7,864	-	-	-
Realization - deemed cost (subsidiaries)										(1,313)	1,313	-	-	-
Treasury shares	21.b)			(6,804)								(6,804)	-	(6,804)
Proposed appropriations												-	-	-
Transfer of unrealized profits to statutory reserve												-		-
Legal reserve	21.c)				1,319						(1,319)	-	-	-
Dividends	21.c)							(14,267)			(9,789)	(24,056)	-	(24,056)
Profit retention reserve	21.d)							29,365			(29,365)	-	-	-
AT DECEMBER 31, 2012		103,976	377	(8,842)	1,787	-	69,828	43,632	(6,129)	249,370	-	453,999	6	454,005

The accompanying notes are an integral part of these financial statements.

CELULOSE IRANI S.A

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31
(All amounts in thousands of reais) (A free translation of the original in Portuguese)

	Note	Parent		Consolidated	
		12/31/2012	12/31/2011	12/31/2012	12/31/2011
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax and social contribution		22,724	2,998	24,895	5,683
Reconciliation of profit with net cash provided by operating activities:					
Changes in the fair value of biological assets	14.a	(32,005)	(6,349)	(36,767)	(14,327)
Depreciation, amortization and depletion		40,474	42,216	60,028	55,526
Result on sale of non-financial assets		(235)	(893)	2,531	(804)
Equity in the results of subsidiaries	12	(19,570)	(23,101)	-	-
Discontinued operations - results	12	(596)	147	-	-
Provision for contingencies		(3,487)	8,286	(3,252)	8,287
Provision for impairment of trade receivables		397	138	374	138
Government grants		818	(2,839)	818	(2,839)
Inflation adjustments and financial charges		63,865	55,072	62,138	50,667
Non-controlling interests		-	-	2	5
Unearned hedge result, net of taxes		(6,129)	-	(6,129)	-
Discontinued operations	32	6,890	(50)	6,890	(50)
Share-based payment		377	-	377	-
		73,523	75,625	111,905	102,286
(Increase) decrease in assets:					
Trade receivables		(4,003)	(15,157)	(4,924)	(17,208)
Inventories		(1,698)	861	246	651
Taxes recoverable		2,760	(2,122)	2,835	(1,744)
Other assets		2,222	(1,045)	4,206	(1,075)
Dividends received		31,569	21,501	-	-
Increase (decrease) in liabilities:					
Trade payables		11,931	(6,792)	(3,689)	(7,389)
Social and labor obligations		4,677	5,955	4,636	6,037
Advances from customers		196	(26)	(184)	(783)
Tax liabilities		(3,313)	6,681	(5,359)	5,122
Payment of interest on borrowings		(24,961)	(13,091)	(24,977)	(13,097)
Payment of interest on debentures		(11,858)	(10,934)	(11,858)	(10,934)
Other payables		1,243	9,664	2,010	13,090
Net cash provided by operating activities		82,288	71,120	74,847	74,956
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment		(39,642)	(26,336)	(41,635)	(31,461)
Capital decrease in subsidiaries		2,049	-	-	-
Capital increase		(794)	-	-	-
Proceeds from disposal of assets		708	1,469	728	1,469
Advances for future capital increase		(24,520)	(18,150)	-	-
Net cash used in investing activities		(62,199)	(43,017)	(40,907)	(29,992)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends and interest on capital paid		(19,706)	(13,930)	(19,704)	(13,930)
Debentures issued		58,880	-	58,880	-
Real Estate Credit Note (CRI) paid		-	-	(16,372)	(16,370)
New borrowings		80,727	141,759	83,451	142,334
Borrowings paid		(110,631)	(120,898)	(111,191)	(120,909)
Treasury shares	21.b	(6,804)	(1,729)	(6,804)	(1,729)
Net cash provided by (used in) financing activities		2,466	5,202	(11,740)	(10,604)
INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR		22,555	33,305	22,200	34,360
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5	72,496	39,191	74,722	40,362
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	95,051	72,496	96,922	74,722

The accompanying notes are an integral part of these financial statements.

CELULOSE IRANI S.A.

STATEMENT OF VALUE ADDED FOR THE YEARS ENDED DECEMBER 31
(All amounts in thousands of reais) (A free translation of the original in Portuguese)

	Parent		Consolidated	
	2012	2011	2012	2011
1 REVENUES	607,049	587,200	630,083	621,940
1.1) Sales of goods, products and services	599,014	580,623	621,536	615,178
1.2) Other income	8,432	6,715	8,921	6,900
1.3) Revenue from construction of own assets	-	-	-	-
1.4) Provision for impairment of trade receivables - constitution	(397)	(138)	(374)	(138)
2. INPUTS PURCHASED FROM THIRD PARTIES	359,380	344,580	343,669	333,295
2.1) Cost of goods sold and services rendered	338,372	326,644	310,127	302,073
2.2) Materials, electric power, outsourced services and others	21,008	17,936	33,542	31,222
3. GROSS VALUE ADDED (1-2)	247,669	242,620	286,414	288,645
4. DEPRECIATION, AMORTIZATION AND DEPLETION	40,474	42,216	60,028	55,526
5. CHANGES IN THE FAIR VALUE OF BIOLOGICAL ASSETS	(32,005)	(6,349)	(36,767)	(14,327)
6. NET VALUE ADDED PRODUCED BY THE ENTITY (3-4-5)	239,200	206,753	263,153	247,446
7. VALUE ADDED RECEIVED THROUGH TRANSFER	39,540	53,015	19,538	30,588
7.1) Equity in the results of subsidiaries	20,166	22,954	-	-
7.2) Finance income	19,374	30,061	19,538	30,588
8. TOTAL VALUE ADDED TO BE DISTRIBUTED (6+7)	278,740	259,768	282,691	278,034
9. DISTRIBUTION OF VALUE ADDED	278,740	259,768	282,691	278,034
9.1) Personnel	84,933	73,174	88,174	76,193
9.1.1 - Direct remuneration	69,894	60,032	72,130	62,038
9.1.2 - Benefits	11,068	9,696	11,921	10,552
9.1.3 - Government Severance Indemnity Fund for Employees (FGTS)	3,971	3,446	4,123	3,603
9.2) Taxes and contributions	67,088	61,849	69,470	69,413
9.2.1 - Federal	42,554	37,635	44,765	43,145
9.2.2 - State	24,004	23,792	24,060	25,737
9.2.3 - Municipal	530	422	645	531
9.3) Remuneration of third-party capital	97,407	110,140	95,735	117,823
9.3.1 - Interest	71,474	84,956	69,800	92,487
9.3.2 - Rentals	25,933	25,184	25,935	25,336
9.3.3 - Other	-	-	-	-
9.4) Remuneration of own capital	29,312	14,605	29,312	14,605
9.4.1 - Interest on capital	-	5,000	-	5,000
9.4.2 - Dividends	9,789	5,511	9,789	5,511
9.4.3 - Retained earnings (accumulated deficit) for the year	16,592	(1,157)	16,594	(1,152)
9.4.4 - Non-controlling interests in profits reinvested	-	-	(2)	(5)
9.4.5 - Management profit sharing	2,931	5,251	2,931	5,251

The accompanying notes are an integral part of these financial statements.

(A free translation of the original in Portuguese)

CELULOSE IRANI S.A.

CONTENTS OF THE EXPLANATORY NOTES

1. GENERAL INFORMATION

Celulose Irani S.A. Celulose Irani S.A. (the "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. 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., 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 financial statements was authorized by the Board of Directors on February 20, 2013.

2. PRESENTATION OF FINANCIAL STATEMENTS

The consolidated financial statements have 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 a process of 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 IFRS and the accounting practices adopted in Brazil, and the parent company's equity and profit (loss) 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/CPC 27, 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.

2.1. New standards, amendments and interpretations of standards

a) Standards, interpretations and amendments to existing standards effective at December 31, 2012.

The following interpretations and amendments to existing standards have been published and are mandatory as at December 31, 2012.

Standard	**Main requirements and effectiveness**	**Impacts on the Company's statements**
Amendments to IAS 12	Deferred taxes- recovery of underlying assets when the asset is measured at fair value in accordance with IAS 40, effective on January 1, 2012.	Not significant.

b) Standards, interpretations and amendments to existing standards that are not yet in force and were not early adopted by the Company.

The following standards and amendments to existing standards have been published and are mandatory for the accounting periods beginning on or after January 1, 2013 or later periods but the Company has not early adopted them.

Standard	**Main requirements and effectiveness**	**Expected impacts**
IFRS 9 (as amended in 2010)	Financial instruments, effective as from January 1, 2015.	Not significant.
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	Revision of IAS 28 to include the amendments introduced by IFRSs 10, 11 and 12, effective as from January 1, 2013.	Not significant.

Standard	Main requirements and effectiveness	Expected impacts
IFRS 10 - "Consolidated Financial Statements"	Replaces IAS 27 in relation to the requirements applicable to the consolidated financial statements and SIC 12. IFRS 10 determined one sole model of consolidation based on control, irrespective of the nature of the investment, effective as from January 1, 2013.	Not significant.
IFRS 11 "Joint Arrangements"	Eliminates the model of proportional consolidation for the entities with shared control, keeping only the model under the equity accounting method. It also eliminated the concept of "assets with shared control", keeping only "operations with shared control" and "entities with shared control", effective as from January 1, 2013.	Not significant.
IFRS 12 - "Disclosure of Interests in Other Entities"	Expands the requirements of disclosure of the entities that are or are no consolidated, in which the entities have influence, effective as from January 1, 2013.	Not significant.
IFRS 13 "Fair value Measurements"	Replaces and consolidates all the guidances and requirements related to the fair value measurement included in the other IFRS pronouncements in one sole pronouncement. IFRS 13 defines fair value, guidelines for determining the fair value and the disclosure requirements related to the fair value measurement. However, it does not introduce any new requirement or alteration in relation to the items that should be measured at fair value, which remain as in the original pronouncements, effective as from January 1, 2013.	Not significant.
Amendments to IAS 19, "Employee Benefits"	Eliminates the corridor approach, with actuarial gains or losses recognized as other comprehensive income for the pension plans and the result for the other long-term benefits, when incurred, among other alterations, effective as from January 1, 2013.	Not significant.
Amendments to IAS 1 "Financial Statement Presentation"	Introduces the requirement that the items recorded in other comprehensive income be segregated and totaled among the items that are and that are not subsequently reclassified into profits or losses, effective as from January 1, 2013	Not significant.

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 income, except when designated for 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 foreign 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) Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired, with recognition of impairment losses only if there is objective evidence that one or more events have impacts on the estimated future cash flows of the financial asset or a group of financial assets, which may be reliably estimated.

The criteria that the Company uses to determine whether there is objective evidence of an impairment loss include:
i) significant financial difficulty of the issuer or debtor;
ii) a breach of contract, such as a default in interest or principal payments;
iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
iv) the disappearance of an active market for that financial asset because of financial difficulties;

v) adverse changes in conditions and/or the economy that indicate a reduction in the estimated future cash flows of the portfolios of financial assets.

If there are evidences that a financial asset or a group of financial assets is impaired, the difference between the carrying amount and the present value of the future cash flows is estimated and the impairment loss is recognized in the statement of income.

e) 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.

f) 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 profit 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.

g) 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 mainly 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.

h) 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 profit (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.

i) Impairment

The Company reviews the balance of non-financial 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.

j) 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 income, since it excludes income or expenses taxable or deductible in other fiscal periods, as well as 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 deemed taxable profit regime, in respect of the fair value of biological assets and the deemed cost of property, plant and equipment.

k) Borrowings and debentures

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 foreign exchange rate changes, when applicable, through the balance sheet dates, as described in the detailed notes.

l) 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 costs in the statement of income. Certain derivatives are also measured and recognized in the statement of income as finance income or costs, since they form part of a single financial instrument (derivative financial instrument linked to borrowing transactions).

m) 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 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 income.

The amounts accumulated in equity are reclassified to the statement of income 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 income within "Finance costs". The gain or loss relating to the ineffective portion is recognized in the statement of income for the year.

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 income. 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 income.

n) Leases

The Company as the lessee

Leases of property, plant and equipment in which the Company substantially assumes all ownership risks and benefits are classified as finance leases. All other leases are classified as operating leases and recorded in the statement of income. 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 statement of income on the straight-line method over the lease term.

o) 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 applicable financial charges through the balance sheet date, based on the nature of each contingency and on the opinion of the Company's legal counsel.

p) 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.

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

The financial statements include, therefore, various estimates, including, but not limited to, the determination of useful life of property, plant and equipment (Note 13), the realization of deferred tax assets (Note 11), the provision for impairment of trade receivables (Note 6), the fair value measurement of biological assets (Note 14), the provision for tax, social security, civil and labor claims (Note 20), 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.

i) The Company has ICMS tax incentive granted by the State Government of Santa Catarina. The Federal Supreme Court (STF) handed down decisions in Direct Actions, declaring the unconstitutionality of several state laws that granted ICMS tax benefits without previous agreement between the States.

Although the Company has no tax incentive being judged by the STF, it has been following, together with its legal advisors, the evolution of this issue in the courts to assess possible impacts on its operations and consequent effects on the financial statements.

q) Determination of results

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.

r) 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; and
- The costs incurred or to be incurred in respect of the transaction can be reliably measured.

s) 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 income and will be appropriated based on the amortized cost and the effective interest rate.

t) Statement of value added

The Brazilian corporate law requires the presentation of the statement of value added, parent company and consolidated, as an integral part of the set of financial statements presented by a publicly-traded entity. For IFRS, this statement is presented as supplementary information, and not part of the required set of financial statements. The purpose of this statement is to show the wealth created by the Company and its distribution during the 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 as those 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	2012	2011
Habitasul Florestal S.A.	100.00	100.00
Irani Trading S.A.	100.00	100.00
Meu Móvel de Madeira LTDA.*	-	99.93
HGE - Geração de Energia Sustentável LTDA.	99.98	99.98
Iraflor - Comércio de Madeiras LTDA.	99.99	99.99

*Operation discontinued in 2012 - Note 32

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.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Fixed fund	18	16	21	21
Banks	1,245	1,272	1,373	2,477
Short-term bank deposits	93,788	71,208	95,528	72,224
	95,051	72,496	96,922	74,722

Short-term bank deposits (CDBS) are remunerated at the average of 100.46% of the Interbank Deposit Certificate (CDI) rate.

6. TRADE RECEIVABLES

	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Trade receivables:				
Customers - domestic market	91,600	89,957	95,252	94,577
Customers - foreign market	8,417	4,152	8,447	4,198
Subsidiaries	-	1,905	-	-
	100,017	96,014	103,699	98,775
Provision for impairment of trade receivables	(6,232)	(5,835)	(6,918)	(6,544)
	93,785	90,179	96,781	92,231

At December 31, 2012, the amount of R$ 10,052 in consolidated trade receivables was overdue and not provisioned as the balance referred to independent customers with no history of default.

Trade receivables by maturity are as follows:

	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Not yet due	84,302	81,929	86,729	83,628
Overdue up to 30 days	6,237	6,769	6,811	7,125
Overdue from 31 to 60 days	1,899	386	1,900	386
Overdue from 61 to 90 days	240	115	241	124
Overdue from 91 to 180 days	89	162	95	180
Overdue for more than 180 days	7,250	6,653	7,923	7,332
	100,017	96,014	103,699	98,775

The average credit term on the sale of products is 51 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		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Balance at the beginning of the year	(5,835)	(5,697)	(6,544)	(6,406)
Provision for losses recognized	(397)	(146)	(397)	(146)
Amounts recovered in the period	-	8	23	8
Balance at the end of the year	(6,232)	(5,835)	(6,918)	(6,544)

Part of the receivables, amounting to approximately R$ 53,018, was assigned as collateral for certain financial transactions, among which were the pledge for 25% of the amount of the outstanding balance of the principal of debentures (Note 16) and the 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 December 31, 2012 was assessed by reference to historical information about default rates, as follows:

Quality - trade receivables		Consolidated
Customer category	% History	Amount receivable
a) Customers with no history of default	93.25	80,874
b) Customers with history of default of up to 7 days	6.16	5,343
c) Customers with history of default over 7 days	0.59	512
		86,729

a) Performing customers with no history of default.
b) Defaulting customers with a history of default of up to 7 days, without history of delinquency.
c) Defaulting customers with a history of default of more than 7 days, without history of delinquency.

7. INVENTORIES

	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Finished products	4,334	5,486	4,334	7,442
Production materials	19,931	18,364	19,931	18,364
Consumable materials	13,040	11,890	13,086	11,924
Other	759	626	759	626
	38,064	36,366	38,110	38,356

The cost of inventories recognized as an expense for the year totaled R$ 350,275 (R$ 345,377 in 2011) in the parent and R$ 352,251 (R$ 348,110 in 2011) 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. TAXES RECOVERABLE

Taxes recoverable consist of the following:

	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Value-added Tax on Sales and Services (ICMS) on the acquisition of property, plant and equipment	4,239	3,457	4,239	3,463
ICMS	277	321	277	341
Social Contribution on Revenues (COFINS)	852	-	852	-
Excise Tax (IPI)	88	5,547	88	5,547
Income tax	74	908	74	908
Social contribution	29	338	29	338
Income Tax Withheld at Source (IRRF)	1,290	245	1,290	245
Other	-	7	-	7
	6,849	10,823	6,849	10,849
Current	4,083	8,661	4,083	8,687
Non-current	2,766	2,162	2,766	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	
	12/31/2012	12/31/2011
Banco do Brasil - New York - a)	931	3,840
Banco Credit Suisse - Brazil	-	4,834
	931	8,674
Current	931	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 February 2013. 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.

10. OTHER ASSETS

	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Carbon credits	4,378	6,378	4,378	6,378
Advances to suppliers	467	1,412	940	1,425
Employee receivables	1,418	982	1,432	1,004
Renegotiation with customers	3,404	3,309	3,435	3,340
Prepaid expenses	1,056	1,025	1,075	1,057
Credits receivable - XKW Trading	5,750	-	5,750	-
Other receivables	2,642	1,346	5,053	1,420
	19,115	14,452	22,063	14,624
Current	12,309	12,400	12,845	12,545
Non-current	6,806	2,052	9,218	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 December 31, 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 credit certificates 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 cover losses, R$ 1,664 of credits were provisioned and deducted from the amount presented in the Parent Company (R$ 3,404) and Consolidated (R$ 3,435).

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

Credits receivable - XKW Trading Ltda. - refer to the sale of the Subsidiary Meu Móvel de Madeira Ltda.

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 taxed on 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.

ASSETS	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Deferred income tax assets				
On temporary differences	11,462	11,261	11,462	11,293
On tax losses	1,624	932	1,624	932
Deferred social contribution assets				
On temporary differences	4,126	4,054	4,126	4,071
On tax losses	585	336	585	336
	17,797	16,583	17,797	16,632

LIABILITIES	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Deferred income tax liabilities				
Exchange rate variations taxed on the cash basis	1,661	3,945	4,344	5,477
Fair value of biological assets	37,230	30,224	38,628	31,737
Deemed cost of property, plant and equipment and review of useful lives	86,074	87,562	106,913	108,579
Government grants	505	709	505	709
Cash flow hedges	(2,322)	-	(2,322)	-
Deferred social contribution liabilities				
Exchange rate variations taxed on the cash basis	598	1,420	1,564	1,971
Fair value of biological assets	13,403	10,878	14,133	11,695
Deemed cost of property, plant and equipment and review of useful lives	30,986	31,523	38,489	39,087
Government grants	182	256	182	256
Cash flow hedges	(836)	-	(836)	-
	167,481	166,517	201,600	199,511
Deferred tax liabilities (net)	149,684	149,934	183,803	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 balances, to be realized as follows:

Deferred tax asset	Consolidated
Period	12/31/2012
2013	2,889
2014	2,614
2015	2,001
2016	2,372
After 2016	7,921
	17,797

Deferred tax liability	Consolidated
Period	12/31/2012
2013	2,041
2014	2,245
2015	2,470
2016	2,717
After 2016	192,127
	201,600

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

Parent	Opening balance - 12/31/2011	Recognized in the results	Discontinued operations	Closing balance - 12/31/2012
Deferred tax assets related to:				
Provision for bonuses	1,021	1,593	-	2,614
Provision for sundry risks	14,161	(1,315)	-	12,846
Other	134	(6)	-	128
Total temporary differences	15,316	272	-	15,588
Tax losses	1,267	2,971	(2,029)	2,209
	16,583	3,243	(2,029)	17,797

Consolidated	Opening balance - 12/31/2011	Recognized in the results	Discontinued operations	Closing balance - 12/31/2012
Deferred tax assets related to:				
Provision for bonuses	1,021	1,593	-	2,614
Provision for sundry risks	14,161	(1,315)	-	12,846
Other	183	(6)	-	177
Total temporary differences	15,365	272	-	15,637
Tax losses	1,267	2,922	(2,029)	2,160
	16,632	3,194	(2,029)	17,797

Parent	Opening balance 12/31/2011	Recognized in the results	Recorded in equity	Closing balance 12/31/2012
Deferred tax liabilities related to:				
Exchange rate variations taxed on the cash basis	5,365	(3,106)	-	2,259
Fair value of biological assets	41,102	9,531	-	50,633
Deemed cost of biological assets and useful life review	119,085	(2,025)	-	117,060
Government grants	965	(278)	-	687
Cash flow hedges	-	-	(3,158)	(3,158)
	166,517	4,122	(3,158)	167,481

Consolidated	Opening balance 12/31/2011	Recognized in the results	Recorded in equity	Closing balance 12/31/2012
Deferred tax liabilities related to:				
Exchange rate variations taxed on the cash basis	7,448	(1,540)	-	5,908
Fair value of biological assets	43,432	9,329	-	52,761
Deemed cost of biological assets and useful life review	147,666	(2,264)	-	145,402
Government grants	965	(278)	-	687
Cash flow hedges	-	-	(3,158)	(3,158)
	199,511	5,247	(3,158)	201,600

12. INVESTMENTS

	Habitasul Florestal	Irani Trading	Meu Móvel de Madeira	HGE Geração de Energia	Iraflor Comércio de Madeiras	Total
At December 31, 2010	119,957	85,052	1,506	3,529	-	210,044
Equity in the results of subsidiaries	10,589	11,922	-	-	594	23,105
Equity in the results of discontinued operations	-	-	(147)	-	-	(147)
Proposed dividends	(28,023)	(12,090)	-	-	-	(40,113)
Capital increase	-	-	-	-	37,536	37,536
Advances for future capital increase	12,510	5,640	-	-	-	18,150
At December 31, 2011	115,033	90,524	1,359	3,529	38,130	248,575
Equity in the results of subsidiaries	1,613	11,820	-	(2,946)	9,083	19,570
Equity in the results of discontinued operations	-	-	596	-	-	596
Proposed dividends	(14,086)	(14,450)	-	-	(594)	(29,130)
Capital increase	-	4,563	2,011	700	3,370	10,644
Advances for future capital increase	9,420	15,100	-	-	-	24,520
Decrease in capital - Meu Móvel de Madeira	-	-	(2,049)	-	-	(2,049)
Sale of interest in Meu Móvel de Madeira	-	-	(1,917)	-	-	(1,917)
At December 31, 2012	111,980	107,557	-	1,283	49,989	270,809
Liabilities	16,491	34,281	-	8	326	
Equity	111,981	107,559	-	1,283	49,994	
Assets	128,742	141,840	-	1,291	50,320	
Net revenue	23,002	16,709	13,641	-	11,597	
Profit (loss) for the period	1,613	11,821	597	(2,947)	9,084	
Ownership interest - %	100.00	100.00	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 activities of the subsidiary Irani Trading S.A. include intermediation in the export and import of products, the export of products acquired for resale and the 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 planted 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, 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. The Company's Board of Directors approved, in the meeting held on December 20, 2012, the divestiture of this subsidiary.

The subsidiary HGE Geração de Energia Sustentável was acquired in 2009 and has as its corporate objective 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

	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, 2010										
Net book value	123,894	28,136	344,035	513	3,147	5,216	6,740	17,745	14,669	544,095
At December 31, 2011										
Opening balance	123,894	28,136	344,035	513	3,147	5,216	6,740	17,745	14,669	544,095
Purchases	7	41	2,044	187	947	28,107	4,153	2,441	-	37,927
Disposals	-	(20)	(274)	(5)	(64)	(6)	(10,134)	(424)	-	(10,927)
Transfers	-	1,690	10,736	-	277	(12,703)	-	-	-	-
Depreciation	-	(733)	(29,769)	(198)	(744)	-	-	(3,170)	(642)	(35,256)
Cost	123,901	36,268	515,845	1,774	7,992	20,614	759	27,780	16,061	750,994
Accumulated depreciation	-	(7,154)	(189,073)	(1,277)	(4,429)	-	-	(11,188)	(2,034)	(215,155)
Net book value	123,901	29,114	326,772	497	3,563	20,614	759	16,592	14,027	535,839

Parent

	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										
Net book value	123,901	29,114	326,772	497	3,563	20,614	759	16,592	14,027	535,839
At December 31, 2012										
Opening balance	123,901	29,114	326,772	497	3,563	20,614	759	16,592	14,027	535,839
Purchases	-	583	4,130	92	346	27,587	14,568	1,226	-	48,532
Disposals	-	-	(130)	-	-	(135)	(9,297)	(54)	-	(9,616)
Transfers	-	4,318	21,887	-	712	(26,917)	-	-	-	-
Depreciation	-	(1,276)	(31,480)	(181)	(925)	-	-	(3,175)	(643)	(37,680)
Cost	123,901	40,692	542,676	1,850	8,588	21,149	6,030	28,523	16,061	789,470
Accumulated depreciation	-	(7,953)	(221,497)	(1,442)	(4,892)	-	-	(13,934)	(2,677)	(252,395)
Net book value	123,901	32,739	321,179	408	3,696	21,149	6,030	14,589	13,384	537,075

Consolidated

	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, 2010										
Net book value	169,014	118,624	344,114	603	3,457	7,736	6,741	17,745	14,669	682,703
At December 31, 2011										
Opening balance	169,014	118,624	344,114	603	3,457	7,736	6,741	17,745	14,669	682,703
Purchases	5,473	41	2,071	191	3,605	26,016	4,152	2,566	-	44,115
Disposals	-	(148)	(275)	(6)	(65)	(6)	(10,134)	(424)	-	(11,058)
Transfers	-	1,690	10,736	-	277	(12,703)	-	-	-	-
Depreciation	-	(2,835)	(29,778)	(204)	(793)	(19)	-	(3,178)	(642)	(37,449)
Cost	174,487	147,777	515,971	1,877	10,608	21,024	759	27,904	16,061	916,468
Accumulated depreciation	-	(30,405)	(189,103)	(1,293)	(4,127)	-	-	(11,195)	(2,034)	(238,157)
Net book value	174,487	117,372	326,868	584	6,481	21,024	759	16,709	14,027	678,311

Consolidated

	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										
Net book value	174,487	117,372	326,868	584	6,481	21,024	759	16,709	14,027	678,311
At December 31, 2012										
Opening balance	174,487	117,372	326,868	584	6,481	21,024	759	16,709	14,027	678,311
Purchases	1,688	4,469	4,177	124	363	27,689	14,567	1,222	-	54,299
Disposals	(61)	(138)	(131)	-	(2,212)	(234)	(9,296)	(55)	-	(12,127)
Assets of discontinued operation	-	-	(75)	(27)	(206)	-	-	(62)	-	(370)
Transfers	-	4,318	21,887	-	712	(26,917)	-	-	-	-
Depreciation	-	(3,870)	(31,428)	(205)	(1,038)	-	-	(3,195)	(643)	(40,379)
Cost	176,114	153,062	542,798	1,953	9,077	21,562	6,030	28,563	16,061	955,220
Accumulated depreciation	-	(30,911)	(221,500)	(1,477)	(4,977)	-	-	(13,944)	(2,677)	(275,486)
Net book value	176,114	122,151	321,298	476	4,100	21,562	6,030	14,619	13,384	679,734

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

b) Composition of intangible assets

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

Software	Parent	Consolidated
At December 31, 2010		
Net book value	1,610	1,619
At December 31, 2011		
Opening balance	1,610	1,619
Purchases	184	191
Disposals	(30)	(30)
Amortization	(676)	(677)
Cost	5,168	5,243
Accumulated amortization	(4,080)	(4,140)
Net book value	1,088	1,103

	Parent	Consolidated
At December 31, 2011		
Net book value	1,088	1,103
At December 31, 2012		
Opening balance	1,088	1,103
Purchases	574	607
Disposals	(13)	(58)
Amortization	(429)	(429)
Cost	5,722	5,726
Accumulated amortization	(4,502)	(4,503)
Net book value	1,220	1,223

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 and software	5.71
Vehicles and tractors	20.00

* includes weighted rates of leasehold 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 Corrugated Cardboard Packaging Units in Vargem Bonita - SC and the Packaging Unit in Indaiatuba - SP. During the year, finance charges in the amount of R$ 593 were capitalized at an average rate of 9.18% per annum, related to new funds utilized to finance specific investment projects.

Advances to suppliers refer to investments in the Packaging Paper and Corrugated Cardboard 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. The agreements are collateralized by the leased assets. The commitments assumed are recognized as new funds in current and non-current liabilities.

Leasehold improvements refer to the renovation of the Corrugated Cardboard Packaging Unit in Indaiatuba-SP, and 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.

Of the total depreciation of property, plant and equipment for 2012, in the parent company, R$ 36,050 refers to cost of products sold and R$ 1,630 to administrative and selling expenses (in 2011, R$ 34,365 and R$ 891, respectively). In the consolidated, R$ 36,283 refers to cost of products sold and R$ 4,096 to administrative and selling expenses (in 2011, R$ 34,584 and R$ 2,865 respectively).

Of the total amortization of intangible assets for 2012, in the parent company, R$ 38 refers to cost of products sold and R$ 391 to administrative and selling expenses (in 2011, R$ 27 and R$ 649, respectively). In the consolidated, R$ 38 refers to cost of products sold and R$ 391 to administrative and selling expenses (in 2011, R$ 27 and R$ 650, respectively).

e) Impairment of property, plant and equipment

The Company did not identify any indicators of impairment of its assets as at December 31, 2012.

f) Assets pledged as collateral

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

	Consolidated
	12/31/2012
Equipment and facilities	31,270
Buildings and constructions	90,722
Land	99,779
	221,771

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 packaging 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-monthly basis. Because the harvesting of the forests planted is realized based on the requirement for 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 time of harvesting.

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

	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Cost of development of biological assets	40,932	36,489	78,602	74,107
Difference in fair value	118,980	92,027	184,690	165,890
Biological assets at fair value	159,912	128,516	263,292	239,997

The Company considers that R$ 194,319 of the total biological assets relates to forests used as raw material for pulp and paper production, of which R$ 134,620 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 production demand of the unit.

The biological assets utilized for the production of resins and the sale of timber logs totaled R$ 68,973 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 for 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 the forests. Forest management alternatives are created to establish the optimum long-term production flow, to maximize the yield of the forests.
(iv) The prices adopted for biological assets are those charged in two past years, 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) Asset development expenses refer to the formation costs of biological assets incurred 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: i) the remuneration of own contributing assets (lease), at the rate of 3% per year, and ii) a discount rate of 8.0% per year for SC and RS assets.

In this year, the Company validated the assumptions and criteria used to evaluate the fair value of its biological assets, and evaluated all of its biological assets. In the year, 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 year were as follows:

	Parent	Consolidated
At 1/1/2011	161,451	238,215
Development expenses	4,536	4,857
Depletion		
Historical cost	(1,452)	(3,867)
Fair value	(4,832)	(13,535)
Transfers for capitalization of subsidiary	(37,536)	-
Changes in fair value	6,349	14,327
At 12/31/2011	128,516	239,997
Development expenses	5,126	5,748
Depletion		
Historical cost	(601)	(3,369)
Fair value	(1,764)	(15,851)
Transfers for capitalization of subsidiary	(3,370)	-
Changes in fair value	32,005	36,767
At 12/31/2012	159,912	263,292

The depletion of biological assets for the years 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 in the current period. 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$ 117,736, pledged as collateral for financial transactions. The pledged assets represent approximately 45% of total biological assets, equivalent to 20.6 thousand hectares of land used, with approximately 10.3 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 planted forests in these areas be harvested in a cycle of approximately 15 years. The amount of biological assets in third-party land represents 9.3% of the total area with the Company's biological assets.

15. BORROWINGS

	Parent		Consolidated		
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	
Current					
Local currency					
Government Agency for Machinery and Equipment Financing (FINAME)	2,641	8,604	2,641	8,604	a)
Working capital	33,288	30,171	33,288	30,666	b)
Working capital - CDCA	16,306	15,505	16,306	15,505	c)
Finance leases	1,419	1,065	1,433	1,102	d)
Real Estate Credit - CCI	-	-	8,839	13,258	e)
Total local currency	53,654	55,345	62,507	69,135	
Foreign currency					
Finance leases	2,839	2,475	2,839	2,475	f)
Advances on exchange contracts	8,490	5,641	8,490	5,641	g)
Toronto Dominion Bank	-	177	-	177	
Banco Credit Suisse	738	20,256	738	20,256	h)
Banco C.I.T.	-	942	-	942	
Banco Santander (Brazil)	1,690	1,638	1,690	1,638	i)
Banco Santander:	-	2,014	-	2,014	
Banco Itaú BBA	-	-	-	-	j)
Banco do Brasil	1,329	-	1,329	-	k)
Banco Citibank	1,632	-	1,632	-	l)
Total foreign currency	16,718	33,143	16,718	33,143	
Total current	70,372	88,488	79,225	102,278	
Non-current					
Local currency					
Government Agency for Machinery and Equipment Financing (FINAME)	7,796	9,240	7,796	9,240	a)
Working capital	18,880	25,643	18,880	25,643	b)
Working capital - CDCA	66,741	78,367	66,741	78,367	c)
Finance leases	982	1,416	993	1,492	d)
Real Estate Credit Note (CCI)	-	-	-	8,839	e)
Total local currency	94,399	114,666	94,410	123,581	
Foreign currency					
Finance leases	-	1,164	-	1,164	f)
Banco Credit Suisse	75,051	53,600	75,051	53,600	h)
Banco Santander (Brazil)	-	1,638	-	1,638	i)
Banco Itaú BBA	34,716	-	34,716	-	j)
Banco do Brasil	2,048	-	2,048	-	k)
Banco Citibank	2,776	-	2,776	-	l)
Total foreign currency	114,591	56,402	114,591	56,402	
Total non-current	208,990	171,068	209,001	179,983	
Total	279,362	259,556	288,226	282,261	

Long-term maturities:	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
2013	-	43,564	-	52,403
2014	46,322	49,400	46,333	49,400
2015	58,952	47,524	58,952	47,524
2016	67,654	14,746	67,654	14,782
2017 to 2019	36,062	15,834	36,062	15,874
	208,990	171,068	209,001	179,983

Local currency loans:

a) Finame - subject to an annual average interest rate of 8.24% with final maturity in 2019.

b) Working capital - subject to an annual average interest rate of 8.63% with final maturity in the second half of 2015.

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 year are as follows:

Year	Principal
2013	105
2014	36
2015	19
	160

c) Working capital - CDCA

On June 20, 2011, the Company issued Agribusiness Credit Right Certificates (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 is being settled in six annual installments as from June 2012, adjusted at the Amplified Consumer Price Index (IPCA), plus 10.22% p.a.

Transaction costs:

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

Year	Principal
2013	763
2014	634
2015	484
2016	310
2017	109
	2,300

d) Finance leases - subject to an annual average interest rate of 15.70%, with final maturity in 2015.

		Parent		Consolidated	
Long-term maturities of finance leases:		12/31/2012	12/31/2011	12/31/2012	12/31/2011
	2013	-	2,285	-	2,327
	2014	780	295	791	329
	2015	202	-	202	-
		982	2,580	993	2,656

e) Real Estate Credit Note - 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 of 14.70% per annum.

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 December 31, 2012 were adjusted for U.S. dollar or Euro exchange rate fluctuations and bear annual average interest of 7.72% and 4.32% for transactions in U.S. dollars and Euros, respectively.

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

g) Advances on foreign exchange contracts are adjusted for U.S. dollar exchange rate fluctuations and are repayable in a single installment according to each contract, with maturities in the first half of 2013.

h) The financing from Banco Credit Suisse is adjusted for U.S. 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 year are as follows:

Year	Principal
2013	932
2014	1,142
2015	1,588
2016	2,209
2017	396
	6,267

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

j) Banco Itaú BBA - adjusted for U.S. dollar exchange rate fluctuations and repayable in semiannual installments with final maturity in 2017.

Transaction costs:

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

Year	Principal
2013	162
2014	122
2015	78
2016	32
2017	4
	398

k) Banco do Brasil - adjusted for U.S. dollar exchange rate fluctuations and repayable in semiannual installments with final maturity in 2015.

l) Banco Citibank - adjusted for U.S. dollar exchange rate fluctuations and repayable in quarterly installments with final maturity in 2015.

Transaction costs:

This transaction incurred a cost of R$ 101, with an effective interest rate of 5.68% p.a. The transaction costs to be allocated to the results in each subsequent year are as follows:

Year	Principal
2013	43
2014	27
2015	10
	80

Collateral:

The collateral for the borrowing transactions includes sureties of the controlling stockholders and/or statutory liens on land, buildings, machinery and equipment, biological assets (forests), commercial pledges and assignments of receivables amounting to R$ 83,407. Some transactions have specific guarantees, as follows:

i) For working capital - Agribusiness Credit Right Certificates (CDCA) - the Company provided collateral of approximately R$ 82,580, 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$ 38,904, 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 lessee Celulose Irani S.A. to lessor Irani Trading S.A., as prescribed 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 (Brazil) 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 - Agribusiness Credit Right Certificates (CDCA)
ii) Real Estate Credit Note (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. 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 its established that only in this case the Issuer will be released from complying with such financial ratio for this quarter. The 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.

c) The ratio between EBITDA and net revenue 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 December 31, 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 December 31, 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.

The Company complied with the covenants described above at December 31, 2012.

Key:
TJLP - Long-term Interest Rate
CDI - Interbank Deposit Certificate
EBITDA - operating income (loss) plus net finance income (costs) 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 cost of R$ 3,623, with an effective interest rate of 16% p.a. The transaction costs to be allocated to the results in each subsequent year are as follows:

Year	Principal
2013	851
2014	893
2015	226
	1,970

Collateral:

Debentures have collateral in the amount of R$ 159,133, 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 relating to compliance with certain financial ratios, measured on a quarterly basis, were established. Non-compliance with these covenants could generate the accelerated maturity of the debt. The covenants, set out below, were fully complied with over the year:

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. 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 its established that only in this case the Issuer will be released from complying with such financial ratio for this quarter. The 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 finance costs over the last 12 months must not be lower than 2.00x as from the quarter ended June 30, 2012.

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 December 31, 2012.

<u>Second issue of simple debentures</u>

On November 30, 2012, 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$ 60,000. The debentures will mature in November 2017 and are being repaid in five annual installments as from November 2013, adjusted based on the CDI rate plus annual interest of 2.75%.

Transaction costs:

This transaction incurred a cost of R$ 1,120, with an effective interest rate of 10.62% p.a. The transaction costs to be allocated to the results in each subsequent year are as follows:

Year	Principal
2013	345
2014	288
2015	225
2016	155
2017	78
	1,091

Collateral:

Debentures will have collateral in the amount of R$ 63,251, 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, in first degree, in the amount of R$ 9,055 and in 2nd degree in the amount of R$ 31,252.
- Agricultural pledge of certain assets 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 relating to compliance with certain financial ratios, measured on an annual basis, were established. Non-compliance with these covenants could generate the accelerated maturity of the debt. The covenants, set out below, were fully complied with over the year:

a) The ratio between net debt and EBITDA for the year ended December 31, 2012 cannot be higher than 3.50x.
b) The ratio between net debt and EBITDA for the year ended December 31, 2013 cannot be higher than 3.65x.
c) The ratio between net debt and EBITDA for the year ended December 31, 2014 cannot be higher than 3.25x.
d) As from the year ended December 31, 2015, the ratio between net debt and EBITDA cannot be higher than 3.00x.
e) The ration between EBITDA and the net finance costs cannot be lower than 2.00x as from the year ended December 31, 2012.

The Company complied with the covenants described above at December 31, 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 of the principal in August 2015.

Transaction costs:

This transaction incurred a cost of R$ 1,902, with an effective interest rate of 9.62% p.a., which will be allocated to the results in each subsequent year as follows:

Year	Principal
2013	136
2014	588
2015	1,082
	1,806

This issue is not collateralized and does not have restrictive financial covenants.

The repayment of the debentures, by year, is due as follows:

	Parent		Consolidated	
Year	12/31/2012	12/31/2011	12/31/2012	12/31/2011
2012	-	25,226	-	25,226
2013	36,526	24,999	36,526	24,999
2014	36,089	24,603	36,089	24,603
2015	74,175	57,625	23,440	11,652
2016	11,935	-	11,935	-
2017	12,013	-	12,014	-
	170,738	132,453	120,004	86,480
Current	39,026	26,000	39,026	26,000
Non-current	131,712	106,453	80,978	60,480

17. TRADE PAYABLES

Payables to suppliers are as follows:

	Parent		Consolidated	
CURRENT	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Domestic				
Materials	31,265	26,377	31,210	27,741
Property, plant and equipment	2,112	1,975	2,112	1,975
Service providers	2,453	2,451	2,597	2,603
Carriers	5,511	5,211	5,514	5,271
Related parties	16,500	6,653	-	-
Property, plant and equipment being shipped	2,168	-	2,168	-
Consignment	65	-	65	-
Foreign				
Materials	81	123	81	123
	60,155	42,790	43,747	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 interest at the Special System for Settlement and Custody (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

Federal Tax Installments	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
REFIS installments - Federal Revenue Service	2,330	2,148	2,360	2,177
Employer's INSS payable in installments	767	721	862	811
FNDE payable in installments	-	-	25	-
	3,097	2,869	3,247	2,988

State Tax Installments	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
ICMS payable in installments	1,988	1,693	1,988	1,694
	1,988	1,693	1,988	1,694
Total installments	5,085	4,562	5,235	4,682

NON-CURRENT ASSETS

Federal Tax Installments	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
REFIS installments - Federal Revenue Service	3,919	6,200	3,945	6,253
Employer's INSS payable in installments	1,022	1,682	1,054	1,802
FNDE payable in installments	-	-	76	-
	4,941	7,882	5,075	8,055

State Tax Installments	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
ICMS payable in installments	1,304	2,784	1,304	2,784
	1,304	2,784	1,304	2,784
Total installments	6,245	10,666	6,379	10,839

Long-term maturities:	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
2013	-	2,912	-	3,031
2014	2,393	2,327	2,527	2,381
2015	618	787	618	787
2016	343	488	343	511
After 2016	2,891	4,152	2,891	4,129
	6,245	10,666	6,379	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$ 6,249, of which R$ 2,346 refers to principal and R$ 3,903 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	Accounts receivable		Accounts payable		Debentures payable		Loans payable	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Irani Trading S.A.	3,136	3,774	1,415	1,400	50,734	45,973	-	2,109
Habitasul Florestal S.A.	2,171	3,972	81	375	-	-	-	-
HGE - Geração de Energia	-	11	601	920	-	-	-	-
Meu Móvel de Madeira	-	1,905	-	-	-	-	-	-
Management	1,553	-	-	-	-	-	-	-
Iraflor - Com. de Madeiras Ltda.	-	-	15,004	4,877	-	-	-	-
Management remuneration	-	-	1,630	877	-	-	-	-
Management profit sharing	-	-	8,210	5,279	-	-	-	-
Total	6,860	9,662	26,941	13,728	50,734	45,973	-	2,109
Current portion	5,307	9,662	26,941	13,728	-	-	-	-
Non-current portion	1,553	-	-	-	50,734	45,973	-	2,109

Parent	Revenue		Expenses	
	2012	2011	2012	2011
Irani Trading S.A.	-	-	16,989	17,188
Habitasul Florestal S.A.	-	-	3,489	2,882
Iraflor - Com. de Madeiras Ltda.	-	-	10,357	4,564
Druck, Mallmann, Oliveira & Advogados Associados	-	-	239	224
MCFD Administração de Imóveis Ltda.	-	-	946	900
Irani Participações S.A.	-	-	480	571
Meu Móvel de Madeira	12	61	-	-
Habitasul Desenvolvimentos Imobiliarios	-	-	111	113
Share-based payment	-	-	326	-
Management remuneration	-	-	6,476	4,432
Management profit sharing	-	-	2,931	1,461
Total	12	61	42,344	32,335

Consolidated	Accounts receivable		Accounts payable		Expenses	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	2012	2011
Irani Participações S.A.	-	-	-	-	480	571
Druck, Mallmann, Oliveira & Advogados Associados	-	-	-	-	239	224
MCFD Administração de Imóveis Ltda.	-	-	-	-	946	900
Management remuneration	-	-	1,770	877	6,954	4,815
Habitasul Desenvolvimentos Imobiliarios	-	-	-	-	111	113
Share-based payment	-	-	-	-	326	-
Management	1,553	-	-	-	-	-
Management profit sharing	-	-	8,210	5,279	2,931	1,461
Total	1,553	-	9,980	6,156	11,986	8,084
Current portion	-	-	9,980	6,156	11,986	8,084
Non-current portion	1,553	-	-	-	-	-

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 compatible with respective market conditions and amounts. 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 2012 and 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 August 3, 2010. This agreement is valid for 64 months from 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. The debentures are subject to 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 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.

Receivables from management refer to loans granted by the Company to its officers, which will be settled up to 2015.

The amount payable to HGE - Geração de Energia Sustentável relates to the amount of capital to be paid up by the end of 2013, 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 compensation relate to directors' fees and variable long-term compensation.

Management compensation expenses, net of payroll taxes, totaled R$ 6,954 in 2012 (R$ 4,815 in 2011). The global management compensation was approved at the General Meeting of Shareholders held on May 25, 2012, in the maximum amount of R$ 16,600. On September 28, 2012, the authorization for the payment of R$ 7,600 related to the bonus liquidity to the Company's management was canceled, since it was subject to the public offering canceled on the same date.

In addition, management profit sharing for 2012, in the amount of R$ 2,931, equivalent to 10% of the profit for the year, was recognized separately, in accordance with the Company's bylaws. The distribution to management will be made 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 to 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.

The provision for contingencies is comprised as follows:

	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Civil	977	1,308	985	1,308
Labor	598	499	892	566
Tax	36,160	39,843	36,160	39,843
Total	37,735	41,650	38,037	41,717
Judicial deposits	574	996	632	1,258

Changes in the provision

Parent	12/31/2011	Provision	Payments	Reversal	12/31/2012
Civil	1,308	43	(288)	(86)	977
Labor	499	239	(140)	-	598
Tax	39,843	2,430	-	(6,113)	36,160
	41,650	2,712	(428)	(6,199)	37,735

Consolidated	12/31/2011	Provision	Payments	Reversal	12/31/2012
Civil	1,308	51	(288)	(86)	985
Labor	566	513	(140)	(47)	892
Tax	39,843	2,430	-	(6,113)	36,160
	41,717	2,994	(428)	(6,246)	38,037

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$ 985 was recorded at December 31, 2012 to cover losses arising from these contingencies. Judicial deposits relating to these lawsuits amount to R$ 278 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$ 892 at December 31, 2012, which is considered to be sufficient to cover losses arising from labor contingencies. Judicial deposits relating to these lawsuits amount to R$ 354 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 January 2008 to December 2011 was R$ 24,870. The adjusted balance as at December 31, 2012 totaled R$ 36,160.

Contingencies (possible losses)

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 December 31, 2012, were as follows:

	Consolidated	
	12/31/2012	12/31/2011
Labor	14,280	11,752
Civil	2,650	2,064
Environmental	1,000	876
Tax	73,025	61,535
	90,955	76,227

Labor contingencies:
The labor lawsuits assessed by the legal counsel as involving possible losses total R$ 14,280 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$ 2,650 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$ 73,025 and mainly 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 December 31, 2012. The lawsuit is currently in the Taxpayers' Council (CC) awaiting the decision on the Special Appeal filed 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 December 31, 2012, amounted to R$ 5,026. 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) 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$ 5,290 at December 31, 2012. The lawsuit was suspended by a court decision and is waiting for the decision of the Special Appeal 1.211.005.

- Administrative proceedings 11080.013972/2007-12 and 11080.013973/2007-67, amounting to R$ 4,469 at December 31, 2012, related to tax notifications for PIS and COFINS, in respect of alleged improper 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$ 30,990 at December 31, 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$ 7,104 at December 31, 2012. The Company has challenged these proceedings at the administrative levels and is awaiting the decision on the appeals filed with the Taxpayers' Council.

21. EQUITY

a. Capital

The Company's capital at December 31, 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. The holders of preferred shares are entitled to: dividends under the same conditions adopted for common shares; priority in the reimbursement of capital, without a premium, in the event of liquidation of the Company, and 100% Tag Along rights. 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.

Capital was increased from R$ 63,381 to R$ 103.976, without issue of new shares, through capitalization of the legal reserve and profit retention reserve accounts in the amount of R$ 40,595. The approval occurred on February 29, 2012 through an Extraordinary General Meeting of Shareholders.

b. Treasury shares

		Parent		Parent	
		12/31/2012		12/31/2011	
		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 are 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 result from changes in the advantages attributed to the Company's preferred shares, approved at the General and Extraordinary Meeting of Shareholders 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. Profit for the year

Shareholders are entitled to minimum mandatory dividends of 25% of profit for the year, after offset of accumulated deficit and appropriation of legal reserve. Dividends credited in 2012, referring to profit for 2012, amounted to R$ 9,789.

The calculation of dividends and the balance of dividends payable are as follows:

	2012	2011
Profit for the year	26,381	9,354
Realized revenue reserve - biological assets	789	2,064
Realized revenue reserve - biological assets (subsidiaries)	4,126	2,963
Realization - deemed cost	7,864	21,444
Realization - deemed cost (subsidiaries)	1,313	3,684
(-) Legal reserve	(1,319)	(468)
Basis for distribution of dividends	39,154	39,041
Minimum mandatory dividend	9,789	9,761
Interest on capital (JCP)	-	5,000
(-) Income Tax Withheld at Source (IRRF) on interest on capital	-	(750)
Interest on capital, net of income tax	-	4,250
Mandatory minimum dividends payable	9,789	5,511
Total dividends and interest on capital per common share (R$ per share)	0.06	0.06
Total dividends and interest on capital per preferred share (R$ per share)	0.06	0.06

The Company adds to the base for distribution of dividends, the realizations of the reserve of biological assets and reserve for carrying value adjustments. In 2011, the realization of the reserve for carrying value adjustments included unrealized differences in prior years and which were originated upon the first-time adoption of the pertinent CPCs.

d. Revenue reserves

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

5% of annual profit is transferred to the legal reserve, which can be utilized to offset losses or for capital increases.

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

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. The respective resources 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 relating to the distribution of dividends above the mandatory minimum dividend.

On July 20, 2012, the Company's Board of Directors approved the distribution of interim dividends from the Retained Earnings account balance 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 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.

At December 31, 2012, revenue reserves exceeded the limit of share capital, as foreseen in Article 199 of the Brazilian Corporation Law. In an event subsequent to the year-end (Note 36), the Company's Board of Directors approved on January 24, 2013, the payment of interim dividends from revenue reserves, in the amount of R$ 14,267, which will be ratified at the General Shareholders Meeting, bringing the revenue reserves' to an amount lower than share capital, and therefore within the limits established by Law. The Company obtained the necessary authorizations from the creditors for this distribution.

e. 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 upon the first-time adoption of IFRS. The realization will occur as the related deemed cost is depreciated, at which time the amounts involved will also be adjusted in the base for calculating dividends. The balance at December 31, 2012, net of tax, represented a gain of R$ 249,370.

The amounts of the financial instruments classified as cash flow hedges, net of tax effects, are also recorded in carrying value adjustments and corresponded to a loss of R$ 6,129 at December 31, 2012.

22. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing earnings or loss from continuing and discontinued operations attributable to the Company's shareholders by the weighted average shares outstanding during the period. 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.

i) Basic and diluted earnings of continuing operations

	2012		
	Common shares	Preferred shares	Common and preferred shares Total
Weighted average number of shares	147,941,700	11,752,227	159,693,927
Profit for the year attributable to each type of share	20,237	1,608	21,845
Basic and diluted earnings per share - R$	0.1368	0.1368	

	2011		
	Common shares	Preferred shares	Common and preferred shares Total
Weighted average number of shares	148,240,860	12,618,100	160,858,960
Profit for the year attributable to each type of share	8,756	745	9,501
Basic and diluted earnings per share - R$	0.0591	0.0591	

ii) Basic and diluted earnings (loss) of discontinued operations

	2012		
	Common shares	Preferred shares	Common and preferred shares Total
Weighted average number of shares	147,941,700	11,752,227	159,693,927
Profit for the year attributable to each type of share	4,203	334	4,537
Basic and diluted earnings per share - R$	0.0284	0.0284	

	2011		
	Common shares	Preferred shares	Common and preferred shares Total
Weighted average number of shares	148,240,860	12,618,100	160,858,960
Loss for the year attributable to each type of share	(135)	(12)	(147)
Basic and diluted loss per share - R$	(0.0009)	(0.0009)	

23. STOCK OPTION PLAN

Celulose Irani operates a share-based compensation plan, settled with shares, under which the Company 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 which are expected to be exercised. The total expense is recognized over the vesting period, which is the period during which all of the specified vesting conditions are to be satisfied. At the balance sheet date, the Company 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 income, 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 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 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 April 30, 2013. The employee must pay the exercise price and 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 shares acquired 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 December 31, 2012	1.26	1,612,040

There were no options available for exercise at December 31, 2012.
The share options outstanding at December 31, 2012 have the following expiry date and exercise prices:

Expiry date	Exercise price in R$ per share	December 31, 2012
April 30, 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 year, the vesting period of the share-based compensation plan.

24. NET SALES REVENUE

The Company's net revenue is comprised as follows:

	Parent		Consolidated	
	2012	2011	2012	2011
Gross sales revenue	599,014	580,623	621,536	602,001
Taxes on sales	(133,131)	(125,064)	(134,647)	(126,510)
Sales returns	(3,440)	(3,871)	(3,440)	(3,877)
Net sales revenue	462,443	451,688	483,449	471,614

25. COSTS AND EXPENSES BY NATURE

Costs and expenses by nature are as follows:

	Parent		Consolidated	
	2012	2011	2012	2011
Fixed and variable costs (raw materials and consumables)	(266,596)	(262,030)	(247,056)	(249,819)
Personnel	(68,163)	(61,134)	(71,873)	(65,180)
Changes in the fair value of biological assets	32,005	6,349	36,767	14,327
Depreciation, amortization and depletion	(38,454)	(41,871)	(57,509)	(54,857)
Freight	(21,716)	(19,859)	(23,451)	(21,079)
Services contracted	(15,921)	(16,364)	(16,465)	(16,528)
Selling expenses	(21,700)	(21,209)	(19,447)	(19,517)
	(400,545)	(416,118)	(399,034)	(412,653)
<u>Other expenses, net</u>				
Cost of /revenue from sales of assets	235	(1,284)	(314)	(1,485)
Tax credits	-	929	-	929
Sale of permanent assets	-	2,177	-	2,295
Other income (expenses)	(3,858)	2,651	(5,924)	2,667
	(3,623)	4,473	(6,238)	4,406
Total costs and expenses by nature	(404,168)	(411,645)	(405,272)	(408,247)

26. OTHER OPERATING INCOME AND EXPENSES

Revenue	Parent		Consolidated	
	2012	2011	2012	2011
Income from sale of assets	235	2,177	235	2,298
Other operating income	2,228	4,538	2,717	4,556
	2,463	6,715	2,952	6,854

Expenses	Parent		Consolidated	
	2012	2011	2012	2011
Cost of assets damaged and sold	(473)	(1,286)	(1,022)	(1,405)
Other operating expenses	(5,236)	(956)	(7,791)	(1,043)
Share-based payment	(377)	-	(377)	-
	(6,086)	(2,242)	(9,190)	(2,448)
Total	(3,623)	4,473	(6,238)	4,406

Other operating expenses (consolidated) for the year are mainly comprised of:
i) Transaction costs relating to the intended issue of securities of the Company, amounting to R$ 4,260, which was canceled through the Request for Discontinuation of the Request for Public Offering of Primarily and Secondary Distribution of the Share Deposit Certificates ("Units") issued by Celulose Irani S.A., filed with the Brazilian Securities Commission (CVM) on August 27, 2012.
ii) Write-offs of assets in the subsidiary HGE - Geração de Energia Sustentável Ltda. totaling R$ 2,424.

27. INCOME TAX AND SOCIAL CONTRIBUTION

Reconciliation of the effective tax rate:

	Parent		Consolidated	
	2012	2011	2012	2011
Profit before taxes	22,724	2,998	24,895	5,683
Statutory rate	34%	34%	34%	34%
Tax expense at statutory rate	(7,726)	(1,019)	(8,464)	(1,932)
Tax effect of permanent (additions) / deductions:				
Equity in the results of subsidiaries	6,856	7,789	-	-
Difference in rates for taxation of subsidiaries			7,999	4,815
Other permanent differences	119	(1,967)	(2,456)	(760)
Interest on capital	-	1,700	-	1,700
Share-based payment	(128)	-	(128)	-
	(879)	6,503	(3,049)	3,823
Current income tax and social contribution expense	-	(1,008)	(997)	(2,062)
Deferred income tax and social contribution credit (expense)	(879)	7,511	(2,052)	5,885

28. FINANCE RESULT

	Parent	
	2012	2011
Finance income		
Income from financial investments	5,473	5,743
Interest	1,151	963
Discounts obtained	293	167
	6,917	6,873
Foreign exchange variations		
Foreign exchange gains	12,258	17,941
Foreign exchange gains - derivatives at fair value	199	5,247
Foreign exchange losses	(17,348)	(27,780)
Foreign exchange losses - derivatives at fair value	(486)	(2,415)
Foreign exchange variations, net	(5,377)	(7,007)
Finance costs		
Interest	(52,769)	(52,983)
Discounts granted	(79)	(125)
Discounts/bank expenses	(240)	(46)
Other	(642)	(1,607)
	(53,730)	(54,761)
Finance result, net	(52,190)	(54,895)

	Consolidated 2012	2011
Finance income		
Income from financial investments	5,646	5,742
Interest	1,134	1,454
Discounts obtained	301	175
	7,081	7,371
Foreign exchange variations		
Foreign exchange gains	12,258	17,945
Foreign exchange gains - derivatives at fair value	199	5,247
Foreign exchange losses	(17,358)	(27,783)
Foreign exchange losses - derivatives at fair value	(486)	(2,415)
Foreign exchange variations, net	(5,387)	(7,006)
Finance costs		
Interest	(51,008)	(51,010)
Discounts granted	(83)	(78)
Discounts/bank expenses	(255)	(98)
Other	(699)	(1,612)
	(52,045)	(52,798)
Finance result, net	(50,351)	(52,433)

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 December 31, 2012, the Company had corporate insurance against fire, lightning, explosion, electric damages and windstorm for plants, residential locations and offices, as well as general civil liability coverage and coverage of liabilities of officers and directors (D&O), in the total amount of R$ 319,485. 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 of the financial statements and, therefore, were not examined 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 the forests is appropriate to ensure the continuity of the Company's activities.

30. FINANCIAL INSTRUMENTS

Capital 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 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 own capital and between 50% and 30% of third-party capital. As at December 31, 2012, the capital structure was 59% of own capital and 41% of third-party capital, which is in line with target levels.

Debt to equity ratio

The net debt to equity ratio at December 31, 2012 and 2011 was as follows:

	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Debt (a)	450,100	392,009	408,230	368,741
Cash and banks	95,051	72,496	96,922	74,722
Held-to-maturity investments	931	8,674	931	8,674
Net debt	354,118	310,839	310,377	285,345
Equity (b)	453,999	464,230	454,005	464,250
Net indebtedness ratio	0.78	0.67	0.68	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

Financial assets	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Measured at fair value through profit or loss	-	286	-	286
Held-to-maturity investments	931	8,388	931	8,388
Loans and receivables				
Cash and banks	95,051	72,496	96,922	74,722
Trade receivables	93,785	90,179	96,781	92,231
Other receivables	9,200	10,669	9,245	10,722
Financial liabilities				
Amortized cost				
Borrowings	279,362	259,556	279,387	260,164
Debentures	170,738	132,453	120,004	86,480
Real Estate Credit Note	-	-	8,839	22,097
Trade payables	60,155	42,790	43,747	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 is exposed to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.
In order to provide a framework for the Company's financial management, the Company has in place, since 2010, a Financial Management Policy that provides rules 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 derivatives 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 borrowings in foreign currency or exports and were approved by the Board of Directors.

Currency risk

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

The total net foreign exchange exposure was equivalent to 25 months of exports based on the average of exports in 2011, and 23 months of exports based on the average of exports in 2012. As most of the borrowings in foreign currency is repayable in the long-term, the Company believes that it will generate sufficient cash flow in foreign currency to settle its long-term liabilities in foreign currency.

	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Trade receivables	8,417	4,152	8,447	4,198
Carbon credits receivable	4,378	6,378	4,378	6,378
Banks - restricted account	931	8,674	931	8,674
Advances from customers	(199)	(298)	(199)	(661)
Trade payables	(81)	(123)	(81)	(123)
Borrowings	(131,309)	(89,545)	(131,309)	(89,545)
Net exposure	(117,863)	(70,762)	(117,833)	(71,079)

The Company has identified the main risk factors that could generate losses in connection with its 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 at December 31, 2012.

3 - Remote scenario: 50% deterioration in the exchange rate compared to that at December 31, 2012.

Transaction	At December 31, 2012 U$$	Rate	Base scenario Gain (loss) R$	Rate	Adverse scenario Gain (loss) R$	Rate	Remote scenario Gain (loss) R$
Assets							
Trade receivables	6,732	1.96	(538)	2.45	2,767	2.95	6,071
Liabilities							
Trade payables	(137)	1.96	11	2.45	(56)	2.95	(124)
Borrowings	(64,257)	1.96	5,134	2.45	(26,410)	2.95	(57,953)
Net effect			4,607		(23,699)		(52,006)

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 December 31, 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 fundings 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 not expected to generate an economic impact on its results.

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, CDI, SELIC, EURIBOR (Euro Interbank Offered Rate), LIBOR (London Interbank Offered Rate) or IPCA (Amplified 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 rates at levels approximating those effective in the period these financial statements were prepared.

2 - Adverse scenario: adjustment of 25% of interest rates based on the level at December 31, 2012.

3 - Remote scenario: adjustment of 50% of interest rates based on the level at December 31, 2012.

Transaction	Index	At December 31, 2012	Base scenario Gain (loss) Rate - %	R$	Adverse scenario Gain (loss) Rate - %	R$	Remote scenario Gain (loss) Rate - %	R$
Financial investments								
CDBs	CDI	95,139	6.93%	(86)	8.66%	1,575	10.40%	3,237
Borrowings								
Working capital	CDI	25,621	6.93%	28	8.66%	(509)	10.40%	(1,046)
Debentures	CDI	124,871	6.93%	58	8.66%	(1,058)	10.40%	(2,174)
National Bank for Economic and Social Development (BNDES)	TJLP	7,375	5.00%	37	6.25%	(55)	7.50%	(147)
Working capital	IPCA	85,347	5.84%	-	7.30%	(1,246)	8.76%	(2,492)
Financing - foreign currency	Libor	10,661	0.48%	3	0.60%	(9)	0.72%	(22)
Financing - foreign currency	Euribor	1,690	0.35%	(1)	0.44%	(2)	0.53%	(4)
Net effect				39		(1,304)		(2,648)

Fair value against carrying amount

The fair value of financial assets and liabilities represents the amount for which the instrument could be exchanged between willing parties in an arm's length transaction, rather than in a forced sale. The following methods and assumptions were used in the fair value estimate:

- Cash and cash equivalents, trade receivables, and short-term trade payables in the Company's balance sheet are consistent with their fair values due to their short terms of settlement.

- Borrowings are represented at their fair values due to the fact that these financial instruments are subject to floating interest rates.

	Parent 12/31/2012 Carrying amount	Parent 12/31/2012 Fair value	Parent 12/31/2011 Carrying amount	Parent 12/31/2011 Fair value
Assets measured at fair value	-	-	-	286
	-	-	-	286
Assets measured at amortized cost				
Held-to-maturity investments	931	931	8,388	8,388
Cash and banks	95,051	95,051	72,496	72,496
Trade receivables	93,785	93,785	90,179	90,179
Other receivables	9,200	9,200	10,669	10,669
	198,967	198,967	181,732	181,732
Liabilities measured at fair value	-	-	-	-
	-	-	-	-
Liabilities measured at amortized cost				
Trade payables	60,155	60,155	42,790	42,790
Borrowings	279,362	279,362	259,556	259,556
Debentures	170,738	170,738	132,453	132,453
	510,255	510,255	434,799	434,799

	Consolidated 12/31/2012		Consolidated 12/31/2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets measured at fair value	-	-	-	286
	-	-	-	286
Assets measured at amortized cost				
Held-to-maturity investments	931	931	8,388	8,388
Cash and banks	96,922	96,922	74,722	74,722
Trade receivables	96,781	96,781	92,231	92,231
Other receivables	9,245	9,245	10,722	10,722
	203,879	203,879	186,063	186,063
Liabilities measured at fair value	-	-	-	-
	-	-	-	-
Liabilities measured at amortized cost				
Trade payables	43,747	43,747	37,713	37,713
Borrowings	279,387	279,387	260,164	260,164
Real Estate Credit Note	8,839	8,839	22,097	22,097
Debentures	120,004	120,004	86,480	86,480
	451,977	451,977	406,454	406,454

Credit risk

The Company's credit sales are managed through a strict credit rating and granting procedure. 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.

Additionally, the Company is exposed to credit risk in relation to the financial investments that comprise the group Cash and cash equivalents. These are maintained to meet the cash flow needs of the Company, and Management ensures that the investments are made in financial institutions with which it has a stable relationship, by means of the application of the financial policy that determines the allocation of cash, without limitations, to:
i) Government securities issued by and/or with coobligation of the National Treasury;
ii) CDBs in banks with a stable relationship with the Company;
iii) Debentures issued of banks with a stable relationship with the Company;
iv) Fixed-income investment funds with a conservative profile.
It is forbidden to invest funds in the variable-income market (i.e. stocks and shares).

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 applicable currencies and the consideration of the level of net assets necessary to achieve these projections, the monitoring of the liquidity ratios of the balance sheet in relation to internal and external regulatory requirements, and the debt financing plans.

The table below shows the maturity ranges of the financial liabilities contracted by the Company, where the reported amounts include the principal and fixed interest on transactions, calculated using rates and indices in effect at December 31, 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:

Parent

	2013	2014	2015	As from 2016
Liabilities				
Trade payables	60,155	-	-	-
Borrowings	86,133	70,149	79,598	131,211
Debentures	40,444	36,089	85,292	23,949
Other liabilities	5,311	2,541	618	3,234
	192,043	108,779	165,508	158,394
Assets				
Cash and cash equivalents	95,051	-	-	-
Banks - restricted accounts	931	-	-	-
Trade receivables - not yet due	93,785	-	-	-
Other assets	2,582	1,612	555	73
	192,349	1,612	555	73
	306	(107,167)	(164,953)	(158,321)

Consolidated

	2013	2014	2015	As from 2016
Liabilities				
Trade payables	43,747	-	-	-
Borrowings	97,047	70,149	79,598	131,211
Debentures	40,444	36,089	23,440	23,949
Other liabilities	5,461	2,675	618	3,234
	186,699	108,913	103,656	158,394
Assets				
Cash and cash equivalents	96,922	-	-	-
Banks - restricted accounts	931	-	-	-
Trade receivables - not yet due	96,781	-	-	-
Other assets	2,627	1,612	555	73
	197,261	1,612	555	73
	10,562	(107,301)	(103,101)	(158,321)

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$ 109,634, 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 with changes in fair value recognized in the finance result or they are recognized directly in the finance result in the case of derivative financial transactions linked to borrowings.

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

On December 31, 2012, the Company did not have derivative financial instruments measured at fair value.

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 settled 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 in substance 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 this 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 renegotiation of the PPE agreement. Consequently, the interest rate swap transaction was terminated and the PPE was renegotiated, with no swap agreements attached.

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 cannot be settled 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 in substance a single instrument. This contract is included in the sensitivity analysis of currency exposure disclosed in this same 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 for operations contracted to cover 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 guidance 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 hedged instruments are the financial liabilities contracted by the Company. The currently effective hedged 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 from hedge accounting amounted to R$ 6,129 at December 31, 2012.

	Parent company and Consolidated
	2012
Opening balance	-
Change in cash flow hedge	9,474
Reclassification to the statement of income	(188)
	9,286
Taxes on change in cash flow hedge	(3,221)
Taxes on reclassification to the statement of income	64
	(3,157)
Closing balance	6,129

The Company assesses 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 hedged item, which should be within 80% to 125%.

The balances of variations of transactions treated as cash flow hedges are reclassified from equity to the statement of income when 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 year.

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, as mentioned below:

Corrugated Cardboard 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 extracts resin from pines trees, which is used as raw material for the production of tar and turpentine.

b) Consolidated information on operating segments

	Consolidated				12/31/2012
	Corrugated Cardboard Packaging	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	281,639	118,375	20,920	369	421,303
Foreign market	-	42,305	19,841	-	62,146
Revenue from sales to third parties	281,639	160,680	40,761	369	483,449
Revenues between segments	-	6,974	-	(6,974)	-
Total net sales	281,639	167,654	40,761	(6,605)	483,449
Changes in the fair value of biological assets	-	36,951	(184)	-	36,767
Cost of products sold	(224,106)	(100,151)	(29,993)	1,999	(352,251)
Gross profit	57,533	104,454	10,584	(4,606)	167,965
Operating expenses	(32,653)	(11,282)	(2,488)	(46,296)	(92,719)
Operating result before finance result	24,880	93,172	8,096	(50,902)	75,246
Finance result	(25,783)	(26,352)	140	1,644	(50,351)
Net operating income (loss)	(903)	66,820	8,236	(49,258)	24,895
Total assets	155,257	713,972	134,160	204,701	1,208,090
Total liabilities	69,916	256,413	6,834	420,922	754,085
Equity	-	259,782	123,379	70,844	454,005

	Consolidated				12/31/2011
	Corrugated Cardboard Packaging	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	285,886	109,685	18,962	179	414,712
Foreign market	-	36,639	20,263	-	56,902
Revenue from sales to third parties	285,886	146,324	39,225	179	471,614
Revenues between segments	308	22,028	-	(22,336)	-
Total net sales	286,194	168,352	39,225	(22,157)	471,614
Changes in the fair value of biological assets	-	4,767	9,560	-	14,327
Cost of products sold	(224,207)	(114,035)	(29,456)	19,588	(348,110)
Gross profit	61,987	59,084	19,329	(2,569)	137,831
Operating expenses	(31,206)	(9,784)	(3,032)	(35,693)	(79,715)
Operating result before finance result	30,781	49,300	16,297	(37,587)	58,116
Finance result	(25,938)	(33,302)	437	6,370	(52,433)
Net operating income (loss)	4,843	15,998	16,734	(30,890)	5,683
Total assets	155,324	720,807	136,170	169,453	1,181,754
Total liabilities	57,897	297,742	14,475	347,390	717,504
Equity	-	231,866	115,034	117,350	464,250

The balance in the column "Corporate and eliminations" refers basically to the corporate support area's expenses not apportioned among the 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

The net sales revenue in 2012 totaled R$ 483,449 (R$ 471,614 in 2011).

The net sales revenue from exports in 2012 amounted to R$ 62,146 (R$ 56,902 in 2011), which relates to various countries as follows:

	Consolidated 2012	
Country	Export revenue, net	% of total revenue, net
Argentina	12,401	2.60%
Holland	11,865	2.50%
Saudi Arabia	9,767	2.00%
South Africa	4,040	0.80%
France	3,604	0.70%
Paraguay	3,098	0.60%
Chile	3,068	0.60%
Peru	2,649	0.50%
Spain	1,617	0.30%
Venezuela	1,526	0.30%
Germany	1,304	0.30%
Norway	1,113	0.20%
Bolivia	1,110	0.20%
Turkey	713	0.10%
India	682	0.10%
Portugal	676	0.10%
Colombia	606	0.10%
Other countries	2,307	0.50%
	62,146	12.50%

	Consolidated 2011	
Country	Export revenue, net	% of total revenue, net
Holland	13,799	2.90%
Saudi Arabia	9,486	2.00%
Argentina	9,270	2.00%
France	4,503	1.00%
Paraguay	3,426	0.70%
Chile	2,451	0.50%
South Africa	2,223	0.50%
Peru	2,161	0.50%
Germany	1,715	0.40%
Bolivia	1,573	0.30%
Norway	942	0.20%
South Korea	888	0.20%
Spain	882	0.20%
Venezuela	717	0.20%
United States	612	0.10%
Other countries	2,254	0.50%
	56,902	12.20%

The Company's net sales revenue in 2012 in the domestic market amounted to R$ 421,303 (R$ 414,712 in 2011).

In 2012, a single customer accounted for 17.4% of net sales in the domestic market of the Corrugated Cardboard Packaging Division, equivalent to R$ 49,798. 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. DISCONTINUED OPERATION

The Company's Board of Directors, in the meeting held on December 20, 2012, approved the divestiture of the subsidiary Meu Móvel de Madeira - Comércio de Móveis e Decorações Ltda., which occurred on the same date. The sales price will be received in annual installments up to 2016, monetarily restated by the IPCA plus 2.5% p.a. The balance receivable is recorded in Other Assets, as mentioned in Note 10. The net result of the sale of the discontinued operation was R$ 3,940 and is included in the account Other operating income, in the amount of R$ 5,969, with deferred income tax and social contribution of (R$ 2,029).

The results and cash flows from the discontinued operation are presented as follows:

RESULT FROM DISCONTINUED OPERATIONS	2012	2011
Net revenue	13,641	9,899
Cost of products sold	(6,352)	(5,283)
Gross profit	7,289	4,616
Selling, general and administrative expenses	(6,345)	(4,655)
Interest income	21	25
Finance costs	(214)	(107)
Other operating income	5,993	46
Other operating expenses	(14)	(18)
Operating profit (loss) before taxation	6,730	(93)
Income tax and social contribution	(2,193)	(54)
Net profit (loss) from discontinued operations	4,537	(147)

CASH FLOWS FROM OPERATING ACTIVITIES	2012	2011
Profit (loss) before income tax and social contribution	6,730	(93)
Reconciliation of profit with net cash provided by (used in) operating activities:		
Depreciation, amortization and depletion	79	46
Result on sale of non-financial assets	-	(3)
Inflation adjustments and financial charges	81	-
	6,890	(50)

33. OPERATING LEASE AGREEMENTS

Rental of production units

The Company had two rental agreements of production units at December 31, 2012, in addition to other rental agreements for small commercial and administrative units, all classified as operating leases and allocated to expenses 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 August 3, 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 2012 and 2011 by the parent company, net of taxes, when applicable, were as follows:

- Rentals of production units = R$ 18,456 (R$ 18,172 in 2011)
- Rentals of commercial and administrative units = R$ 396 (R$ 350 in 2011)

The future commitments at December 31, 2012 arising from these agreements totaled a minimum amount of R$ 95,012. The rentals were calculated at present value, using the IGPM accumulated in the last twelve months of 7.81% p.a.

	Up to one year	1-5 years	After 5 years	Total
Future operating leases	19,046	34,784	41,182	95,012
Operating leases at present value	17,666	28,361	19,158	65,185

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 3,200 hectares, of which 2,255 hectares comprise the planted area. 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	313	1,490	1,817	3,620
Operating leases at present value	292	1,169	1,088	2,549

34. 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 an annual contractual rate 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$ 2,020.

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$ 18,650 recorded in liabilities at December 31, 2012 ,net of government subsidies, R$ 16,630.

35. 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.

During 2012, the Company purchased property, plant and equipment in the amount of R$ 9,723, financed directly by the sellers, 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 2011, the Company purchased property, plant and equipment in the amount of R$ 7,622, financed directly by the sellers, received dividends amounting to R$ 16,570, through intercompany loans and the reduction of other payables, and also made a capital contribution with planted forests to the subsidiary Iraflor Comércio de Madeiras Ltda. in the amount of R$ 37,536.

36. EVENTS AFTER THE REPORTING PERIOD

On January 24, 2013, the Company's Board of Directors Meeting approved the payment of interim dividends from the Retained Earnings account balance in the last annual balance sheet at December 31, 2011, which totaled R$ 14,267, corresponding to R$ 0.090223 per common and preferred share to the shareholders on that date. Shares are traded ex-dividend as from the approval, and the payment to shareholders will be made in up to thirty days as from that date.

On January 29, 2013, the parent company of Celulose Irani S.A., CCI (Companhia Comercial de Imóveis), concluded the acquisition of all the shares of Indústria de Papel e Papelão São Roberto S.A., a traditional company in the corrugated cardboard sector in Brazil, headquartered in São Paulo - State of São Paulo.
On January 31, 2013, the Board of Directors' Meeting of Celulose Irani S.A. approved the following:

- Signature and compliance with, by the Company, of the Lease Agreement and Other Covenants ("Lease Agreement"), through which São Roberto is committed to leasing to the Company its industrial plant of paper production located in the city of Santa Luzia, State of Minas Gerais. The Lease Agreement will have a 10-year term.
- The signature and compliance with, by the Company, of the Operating Restructuring and Implementation of the New Model of Management ("Restructuring Agreement"), through which the Company will render to São Roberto services of restructuring and strategic, methodological, operational and economic and financial reorganization, aiming at implementing a new model of management and governance of São Roberto. The Restructuring Agreement will have a one-year term, and can be renewed.

(A free translation of the original in Portuguese)

To the Shareholders:

The management of **Celulose Irani S.A.** submits to your appreciation the Company's Management Report and Financial Statements, with the related independent auditor's report, for the year ended December 31, 2012. The Financial Statements are prepared in accordance with the Brazilian Corporation Law and its amendments, and the standards issued by the Brazilian Securities Commission (CVM).

Message to the Shareholders

Celulose Irani S.A. is an integrated company of the Paper and Packaging sector, with a robust forest base. Its core business involves the manufacture and sale of corrugated cardboard packaging and packaging paper. The main raw materials are the pine planted forests (long fiber) owned by the Company and long-fiber recycled paper (trimmings). The main market is the Brazilian domestic market, which is responsible for 87% of the Company's sales.

HIGHLIGHTS IN 2012

The year of 2012 was marked by the Brazilian economy's low growth, plus instability and uncertainty in the main world markets, especially Europe. The Brazilian corrugated cardboard market presented a moderate growth in 2012, with an improvement that was felt mainly in the second six-month period, in response to the government measures adopted to stimulate the economy. The Brazilian shipment of corrugated cardboard in metric tons during 2012 was 2.6% higher than in 2011, according to data provided by the Brazilian Corrugated Cardboard Association (ABPO), in line with the growth of the Company in its main operating segment, which represented 58% of its billings.

IRANI's consolidated Net Operating Revenue increased 2.5% in 2012 as compared to 2011. In the comparison of the quarters, the Net Operating Revenue in 4Q12 was 5.5% higher than in 4Q11 and 6.1% higher than in 3Q12.

The U.S. dollar closing exchange rate in 2012 was 8.5% higher than in 2011, which contributed to increase, in Brazilian reais, the debt denominated in foreign currency. Because of the Company's financial policy of keeping over time the payment levels of the commitments in foreign currency equivalent or lower than the payments received in these same currencies, there is a natural cash flow hedge, not generating additional or unexpected mismatches due to abrupt changes in the foreign currency quotations.

Net Profit in 2012 was R$ 26,381 thousand, against R$ 9,354 thousand in 2011, with a positive impact from the change in fair value of biological assets in 4Q12. The change in fair value of biological assets is remeasured semi-annually, in the second and fourth quarters. When comparing the quarters, Net Profit amounted to R$ 29,302 thousand in 4Q12, R$ 11,075 thousand in 4Q11 and there was a net loss of R$ 687 thousand in 3Q12.

Adjusted EBITDA reached R$ 115,422 thousand, with an increase of 4.4% in 2012 when compared to R$ 110,536 thousand in 2011. The EBTIDA margin increased 0.5p.p. in 2012, reaching 23.9%, against 23.4% in 2011. In 4Q12, adjusted EBITDA was R$ 35,315 thousand, with a margin of 27.3%, 16.5% higher than the R$ 30,302 thousand in 4Q11 and 34.7% higher than the R$ 26,219 thousand in 3Q12.

The net debt /EBITDA ratio that was 2.58 times in 2011 increased to 2.69 times in 2012, influenced by the U.S. dollar exchange rate increase observed in 2012, which caused an impact on the accounting balances of the debts linked to the foreign currency.

The sales volume of the Corrugated Cardboard Packaging Segment was 126 thousand metric tons in 2012, a growth of 2.1% in relation to 2011, and 33 thousand metric tons in 4Q12, representing stability in comparison with the same quarter in the prior year and 3Q12.

<u>2nd Issue of Debentures</u>

As disclosed in the significant event notice of November 30, 2012, the Board of Directors approved the 2nd public issue of simple debentures, not convertible into shares, of the secured guarantee type, in a sole series, for public distribution with restricted efforts of placement. The issue comprised 60 debentures, with a unit nominal value of R$ 1,000,000.00, totaling, on the issue date, R$ 60,000,000.00. The debentures mature in 5 (five) years as from November 30, 2012, therefore, on November 30, 2017. The payment for the debentures was made on December 26, 2012.

<u>Sale of the Furniture Segment</u>

On December 20, 2012, the Board of Directors approved the divestiture by the Company of the subsidiary Meu Móvel de Madeira - Comércio de Móveis e Decorações Ltda., which represented the sale of the Furniture Operational Segment. This subsidiary represented, during 2012, approximately 3% of the consolidated net operating revenue of the Company.

CHIEF FINANCIAL INDICATORS

(excluding discontinued operation)

R$ thousand- Consolidated Data	4Q12	4Q11	Δ 4Q12/4Q11	3Q12	2012	2011	Δ 2012/2011
Net operating revenue	129,215	122,520	5.5%	121,830	483,449	471,614	2.5%
Domestic market	114,101	110,619	3.1%	108,559	421,303	414,712	1.6%
Export market	15,114	11,901	27.0%	13,271	62,146	56,902	9.2%
Gross profit (including *)	72,962	48,692	49.8%	32,499	167,965	137,832	21.9%
(*) change in fair value of biological assets	*39,027*	*15,551*	151.0%	-	*36,767*	*14,327*	156.6%
Gross margin	56.5%	39.7%	16.8p.p.	26.7%	34.7%	29.2%	5.5p.p.
Profit (loss) before taxes and profit sharing	33,619	13,540	148.3%	(3,010)	24,895	5,683	338.1%
Operating margin	26.0%	11.1%	14.9p.p.	-2.5%	5.1%	1.2%	3.9p.p.
Profit (loss)	**29,302**	**11,075**	164.6%	**(687)**	**26,381**	**9,354**	182.0%
Net margin	22.7%	9.0%	13.7p.p.	-0.6%	5.5%	2.0%	3.5p.p.

EBITDA - EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

R$ thousand- Consolidated Data	4Q12	4Q11	Δ 4Q12/4Q11	3Q12	2012	2011	Δ 2012/2011
Profit (loss) before taxes	**33,619**	**13,540**	148.3%	**(3,010)**	**24,895**	**5,683**	338.1%
Depletion	7,066	5,137	37.6%	3,985	19,220	17,401	10.5%
Depreciation and amortization	10,544	9,823	7.3%	10,103	40,729	38,078	7.0%
Finance result	11,125	11,524	-3.5%	10,818	50,351	52,433	-4.0%
EBITDA	**62,354**	**40,024**	55.8%	**21,896**	**135,195**	**113,595**	19.0%
EBITDA of the discontinued operation (1)	6,272	(10)	n/a	344	7,002	36	n/a
Change in the fair value of biological assets (2)	(39,027)	(15,551)	151.0%	-	(36,767)	(14,327)	156.6%
Stock options/management participation (3)	3,078	5,251	-41.4%	(67)	3,308	5,251	-37.0%
Non-recurring expenses (4)	2,638	588	348.6%	4,046	6,684	5,981	11.8%
Adjusted EBITDA	**35,315**	**30,302**	16.5%	**26,219**	**115,422**	**110,536**	**4.4%**
Adjusted EBITDA Margin	27.3%	24.7%	2.6p.p.	21.5%	23.9%	23.4%	0.5p.p.

EBITDA is the operating result plus net finance (income) costs and depreciation, depletion, and amortizations. The Company opted to disclose the adjusted EBITDA as permitted by art. 4 of CVM Instruction 527, with the objective of providing information that better reflects the gross operating cash generation from its activities. These adjustments are based on the following:

1) EBITDA of the discontinued operation refers to the EBITDA generated by the closure of the subsidiary Meu Móvel de Madeira - Comércio de Móveis e Decorações Ltda., which occurred at the end of 2012.
2) Change in fair value of biological assets because it does not mean cash generation in the period.
3) Stock options/management profit sharing: Stock options correspond to the fair value of the instruments and its offsetting entry is the Capital Reserve recorded in Equity, and the management profit sharing is related to the distribution of the Company's financial results. Both do not represent disbursement of cash in the period.
4) Non-recurring expenses refer to expenses incurred with the public offering register request filed in August/2012, in addition to the assets disposal in the subsidiary HGE - Geração de Energia Sustentável LTDA.

Note: The 2011 information presented for comparison purposes was adjusted to reflect the exclusion of the discontinued operation and differs from the information disclosed in 2011.

1. OPERATING PERFORMANCE

Celulose Irani S.A. is comprised of three Segments. Segments are organized in accordance with the market in which they operate, are independent in their operations but are integrated or an appropriate basis, seeking to optimize the use of pine planted forests, through their multi-use, and vertical integration of the businesses.

Corrugated Cardboard Packaging Division, this division produces boxes and light and heavy corrugated cardboard sheets, and has two industrial units in the cities of Vargem Bonita - SC and 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. It has a plant with four paper machines, located in Vargem Bonita - State of Santa Catarina.

RS Forest and Resins Division sells wood and manufactures forest-based products in the State of Rio Grande do Sul, from the forest assets owned by the Company and located in the region. As from the natural resin of the pine forest, the business unit called Resins, with an industrial plant located in Balneário Pinhal - RS, produces tar and turpentine for the preparation of varnishes, paints, soaps, glues, adhesives, among others, used mainly in the foreign market.

Subsidiaries

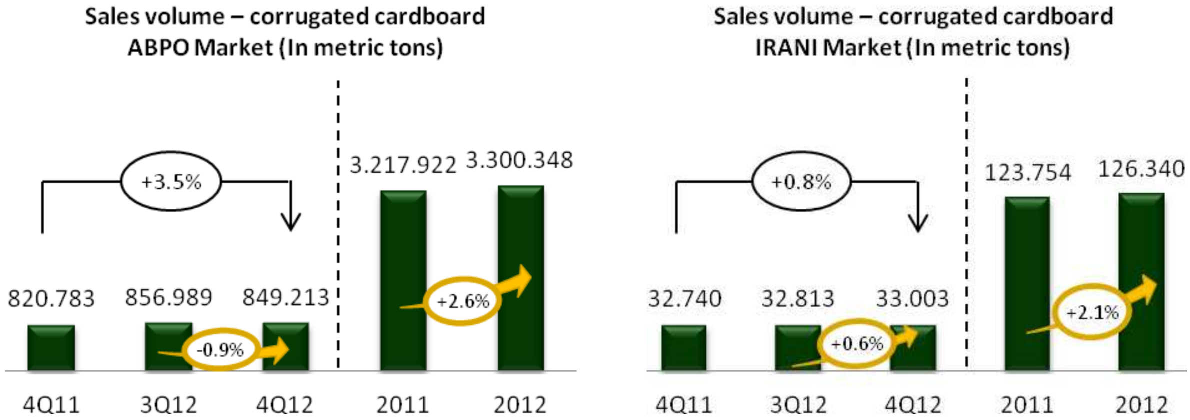
Celulose Irani S.A. has the following subsidiaries:

- Irani Trading S.A., which makes all the Company's exports and operates in the real estate area in the management and rental of properties.
- Habitasul Florestal S.A., with a forest base of 8.5 thousand hectares of pine planted forests, supplier of resin to the unit Resinas da Celulose Irani S.A. and also supplier of wood for clients in the region.
- HGE - Geração de Energia Sustentável Ltda., which has as corporate objective the generation, transmission and distribution of electric power sourced from wind energy and is in the pre-operating phase.
- Iraflor Comércio de Madeiras Ltda., which carries out activities related to the management and sale of wood and forests for the parent company Celulose Irani S.A. and also for the market.

1.1. Business Performance

Corrugated Cardboard Packaging sector

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

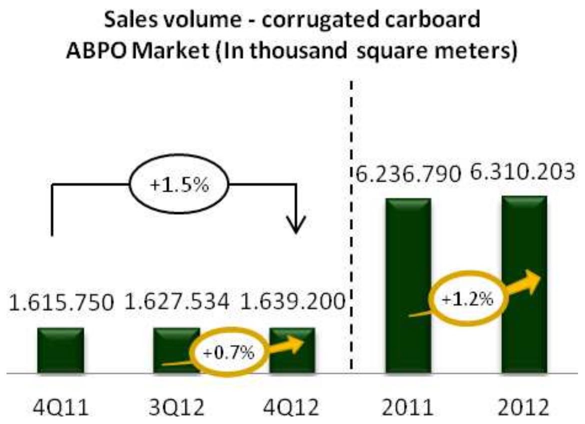


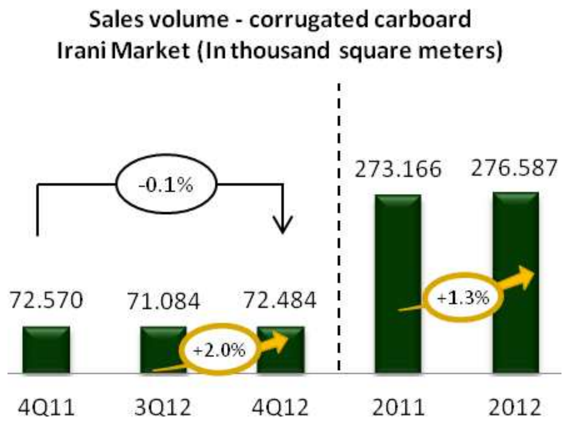
Source: ABPO

[1]ABPO: Brazilian Corrugated Cardboard Association
4Q12 ABPO (in metric tons and sqm) are preliminary. Official data may be changed.

As shown in these charts, the volume of corrugated cardboard packaging sales - **ABPO Market** increased by 3.5% in 4Q12 over 4Q11, while the **IRANI Market** was stable in the same period. Compared with 3Q12, the **ABPO Market** presented stability as well as the **IRANI Market**. In the year-to-date, sales of IRANI increased 2.1% in comparison with 2011, in line with the market, which increased by 2.6% in the same period, according to data provided by ABPO. IRANI's market share (in metric tons) in 2012 was 3.8%.

Sales, in square meters, were as follows:



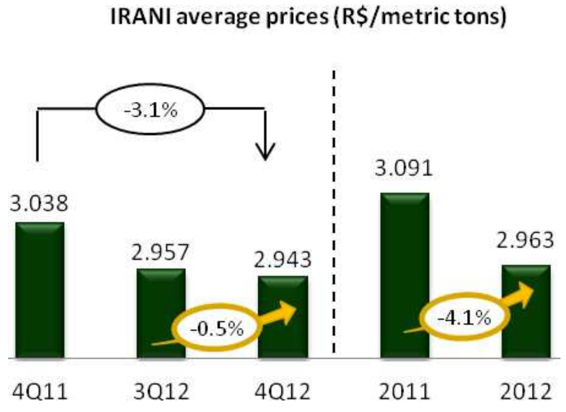


Source: ABPO

The share of the local packaging market of the Corrugated Cardboard Packaging Sector maintained stable in comparison with the prior year. The volume of corrugated cardboard packaging sales - **ABPO Market**, in square meters, increased 1.5% in 4Q12 as compared with 4Q11, while the **IRANI Market** remained stable. Compared with 3Q12, the **ABPO Market** was stable, whereas the **IRANI Market** had a better performance and increased 2.0%. In 2012, the sales volume of the **ABPO Market** presented an increase of 1.2% in comparison with 2011, and the **IRANI Market** increased 1.3% in comparison with the same period. IRANI's market share (in square meters) was 4.4% in 2012.

The sales volume of the Corrugated Cardboard Packaging plant in São Paulo reached in 4Q12, 12,838 metric tons of boxes and 6,525 metric tons of sheets (12,566 metric tons of boxes and 5,936 metric tons of sheets in 4Q11) and, in 2012, totaled 49,182 metric tons of boxes and 22,860 metric tons of sheets (45,952 metric tons of boxes and 23,329 metric tons of sheets in 2011). The Corrugated Cardboard Packaging plant in Santa Catarina recorded sales volume in 4Q12 of 10,602 metric tons of boxes and 3,037 metric tons of sheets (11,274 metric tons of boxes and 2,964 metric tons of sheets in 4Q11) and, in 2012, totaled 43,423 metric tons of boxes and 10,876 metric tons of sheets (44,514 metric tons of boxes and 9,960 metric tons of sheets in 2011).

Average IRANI prices (CIF) per metric ton decreased 3.1% during 4Q12 as compared with the same quarter of the prior year, and remained stable when compared to 3Q12. In 2012, there was a reduction of 4.1% in comparison with 2011.

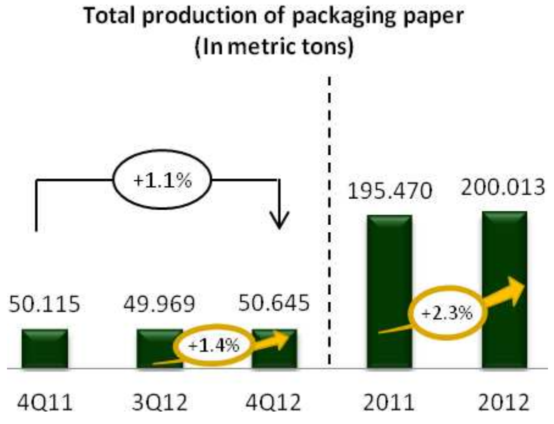


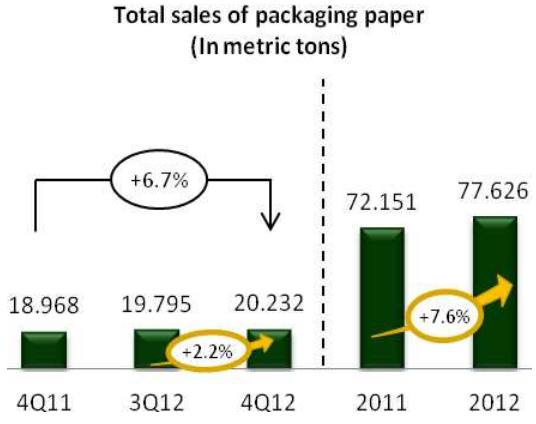
Methodologies - For comparison adjustments, the prices consider:
1 - IRANI prices are net of Excise Tax (IPI), with Social Integration Program (PIS), Social Contribution on Revenues (COFINS), State Value-added Tax (ICMS);
2 - IRANI prices are adjusted based on a mix of market boxes and sheets.

Packaging Paper Division

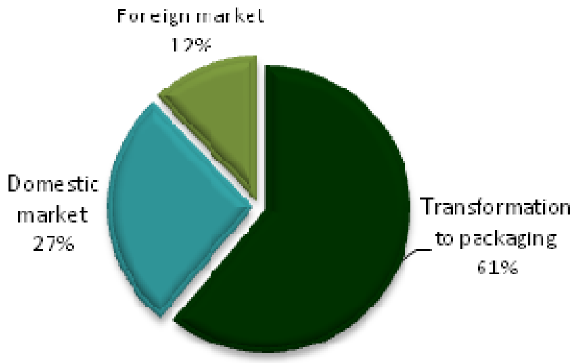
Celulose Irani S.A. had a participation of approximately 4.0% in the local production of Packaging Paper in 2012 (including transfers to its plants) according to preliminary data from Bracelpa - Associação Brasileira de Papel e Celulose. The Paper Unit has four machines, one of them uses trimmings as the base of its production. And the other machines, use basically Kraft pulp of own production.

Packaging paper production grew 1.1% in 4Q12 in relation to 4Q11 and 1.4% in relation to 3Q12. In 2012, the paper production totaled 200,013 metric tons, a 2.3% increase in comparison with the previous year. Sales increased by 6.7% over 4Q11 and by 2.2% in comparison with 3Q12. Sales in 2012 grew 7.6% in comparison with 2011. The production and destination of the papers produced had the following composition in 2012:





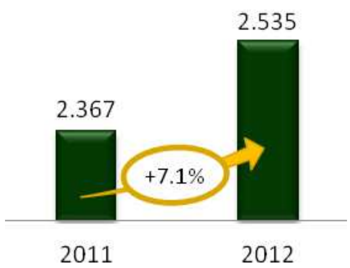
Shipment/Billings of paper in 2012 (in metric tons)



In 4Q12, transfers of paper for transformation in the Corrugated Cardboard Packaging plant in São Paulo reached 17,610 metric tons (16,026 metric tons in 4Q11 and 17,133 metric tons in 3Q12). In 2012, 69,531 metric tons were transferred in comparison with 67,523 metric tons in 2011. For the Corrugated Cardboard Packaging plant in Santa Catarina 12,882 metric tons were transferred in 4Q12 (13,948 metric tons in 4Q11 and 13,927 metric tons in 3Q12). In 2012, 53,654 metric tons were transferred while in 2011 transfers reached 56,255 metric tons.

Average prices of paper in 2012 increased by 7.1%, in relation to the end of 2011, mainly influenced by the U.S. dollar exchange rate, which had a significant increase in the period, in addition to a natural increase in the prices.

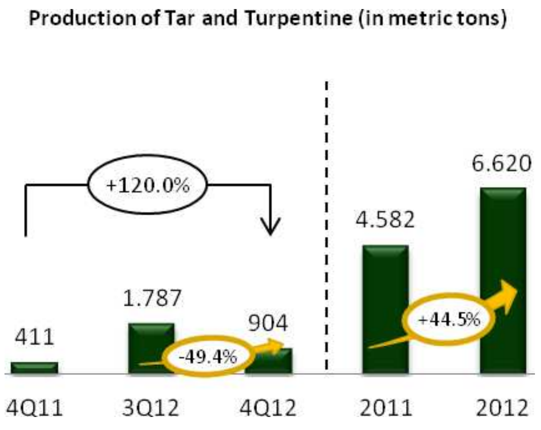
Average prices (R$/metric tons)

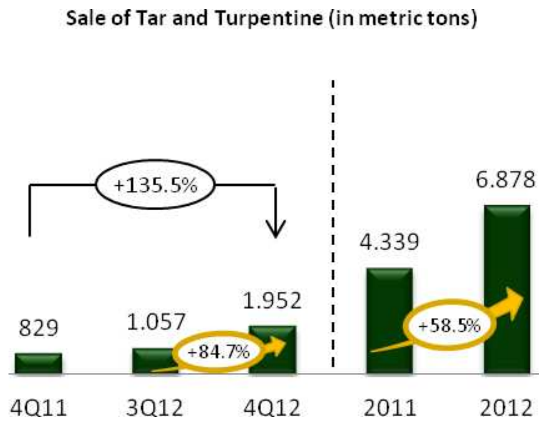


In the forest area, investments in reforestation continued, which ensures the future supply of wood to the pulp plant. In 2012, in areas owned by the Company, 935.3 ha of Pine Forests were planted to be used as wood for the pulp process, and 51.5 ha of Eucalyptus Forests to be used as biomass (generation of energy). The production of own wood in 2012 totaled approximately 374 thousand metric tons, of which 337 thousand metric tons of pine (for pulp) and eucalyptus (for energy) for own consumption and 37 thousand metric tons of timber logs sold to the market.

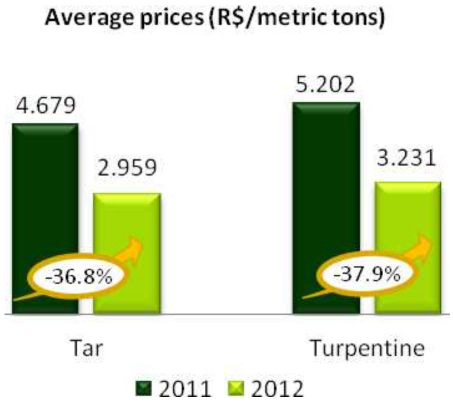
RS Forest and Resins Division:

In 2012, the RS Forest products segment produced and sold 318 thousand m³ of pine logs for the domestic market and also supplied 3.5 thousand metric tons of natural resins to the parent company Celulose Irani S.A. to be utilized in the industrial production of tar and turpentine. Production and sales volumes in the Resins Unit presented a strong increase in 2012 as compared to 2011. This increase was possible due to the greater offer of gum resin in the market of the region, allowing an additional purchase of gum resin from third parties.





The average gross tar and turpentine prices decreased in 2012 in comparison with 2011. This variation occurred basically due to the decrease in the demand in the international market.

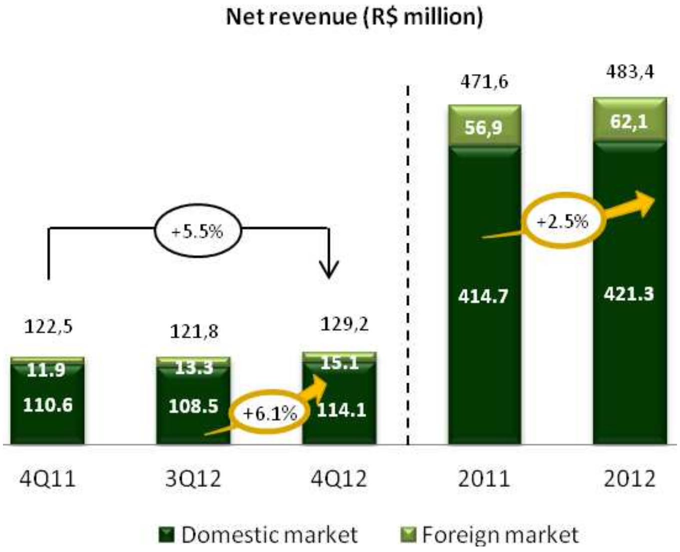


1.2. Net operating revenue

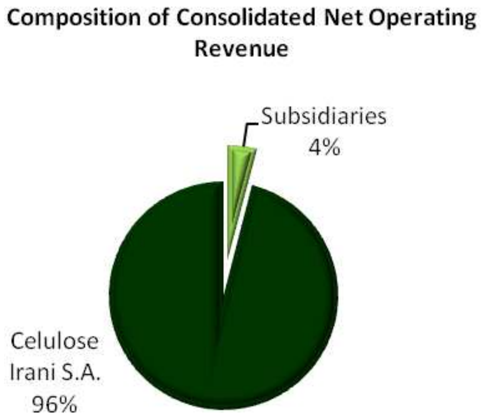
The net operating revenue in 4Q12 totaled R$ 129,215 thousand, with a growth of 5.5% in relation to 4Q11, and 6.1% in relation to 3Q12. In 2012, it totaled R$ 483,449 thousand, with an increase of 2.5% in relation to the prior year, due to the increase in price and sales volume in the Packaging Paper Segment.

In the domestic market, net operating revenue was R$ 114,101 thousand in 4Q12, an increase of 3.1% and 5.1% as compared to 4Q11 and 3Q12, respectively. In 2012, local sales reached R$ 421,303 thousand, an increase of 1.6% in relation to 2011 which was R$ 414,712 thousand. The domestic market represented, in 2012, 87.1% of the total net operating revenue, and is the Company's main line of business.

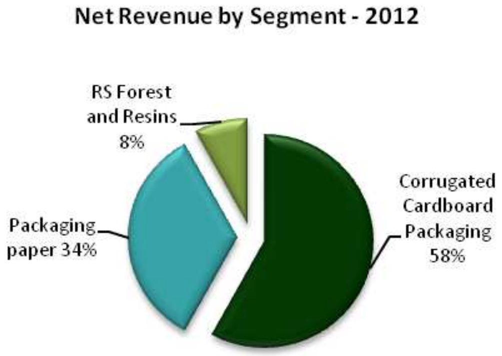
Exports in 4Q12 totaled R$ 15,114 thousand, a growth of 27.0% and 13.9% as compared to 4Q11 and 3Q12, respectively. In 2012, exports totaled R$ 62,146 thousand, an increase of 9.2% in relation to 2011 when they totaled R$ 56,902 thousand. The foreign market represented, in 2012, 12.9% of the total net operating revenue.

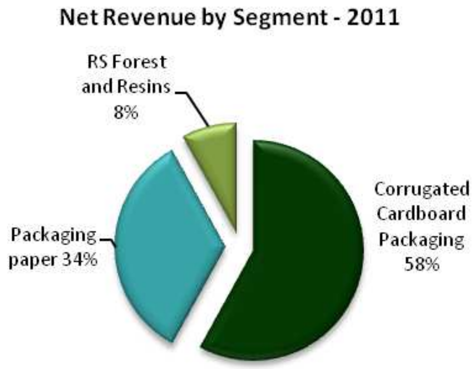


The composition of the Consolidated Net Operating Revenue in 2012 was as follows:



The main operating segment is the Corrugated Cardboard Packaging segment, responsible for 58% of the consolidated net revenue in 2012, followed by the segments of Packaging Paper with 34%, and RS Forest and Resins with 8%.

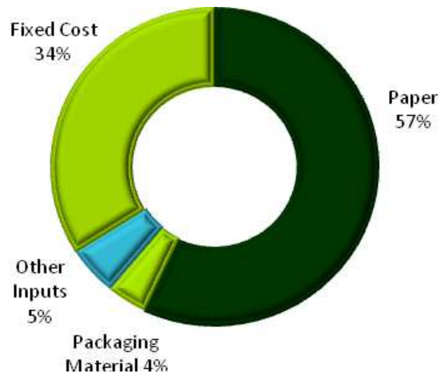




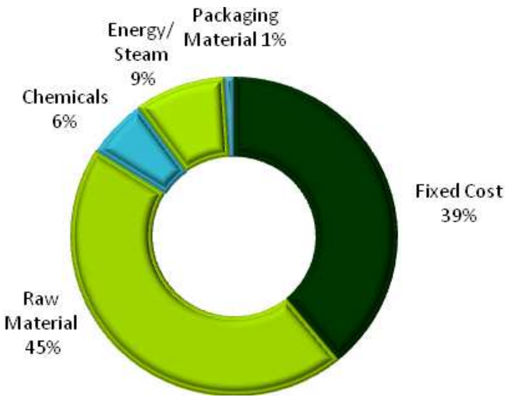
2. OPERATING COSTS AND EXPENSES

The cost of products sold in 4Q12 was R$ 95,281 thousand, 6.6% above 4Q11. In 2012, it totaled R$ 352,251 thousand, an increase of 1.2% in relation to 2011. The positive variation of the fair value of biological assets is not being considered when comparing the cost of sales in both periods.

In 2012, the cost of the Corrugated Cardboard Packaging segment is composed as follows:



In 2012, the cost of the Packaging Paper* segment is composed as follows:



*the cost of the Packaging Paper Segment does not consider the positive change in the fair value of biological assets.

Selling expenses in 4Q12 totaled R$ 11,751 thousand representing 9.1% of the net revenue, as compared to 7.8% in 4Q11. In 2012, selling expenses were R$ 42,897 thousand and represented 8.9% of the net revenue, as compared to 8.6% in 2011.

Administrative expenses totaled R$ 10,974 thousand in 4Q12, an increase of 5.4% in relation to 4Q11 and R$ 40,653 thousand in 2012, an increase of 6.2% in relation to 2011.

Other operating revenue/expenses resulted in an expense of R$ 2,561 thousand in 4Q12, against a revenue of R$ 1,621 thousand in 4Q11. In 2012, there was an expense of R$ 6,238 thousand against a revenue of R$ 4,406 thousand in 2011. In 2012, the Company recorded in the statement of income the expenses with the request for a public share offering in the amount of R$ 4,046 thousand, which was withdrawn in August 2012.

3. GROSS PROFIT

Gross profit in 4Q12 was R$ 72,962 thousand, an increase of 49.8% and of 124.5% in comparison with 4Q11 and 3Q12, respectively. In 2012, it totaled R$ 167,965 thousand, as compared with the R$ 137,832 thousand of 2011, presenting an increase of 21.9%. The Gross Margin in 2012 was 34.7%, 5.5 percentage points higher than in 2011, mainly due to the change in the fair value of biological assets that was R$ 36,767 thousand in 2012 and R$ 14,327 thousand in 2011.

4. EVALUATION OF FAIR VALUE OF BIOLOGICAL ASSETS (FORESTS)

As from 2010, the Company started to measure the fair value of its biological assets (forests) periodically, as determined by CPC 29. The change in fair value of the biological assets produced the following effects in the Company's results:

Effects of the changes in the fair value of biological assets

R$ thousand	2012	2011
Change in the fair value of biological assets	36,767	14,327
Depletion of the fair value of biological assets	(15,851)	(13,535)

The increase in market value of the Company's forests, in 2012, was due to the increase in volume of wood from the forests (forest inventory), because of this increase (natural growth) in the year and the increase in average prices in 2012 in relation to the prices practiced in the previous year.

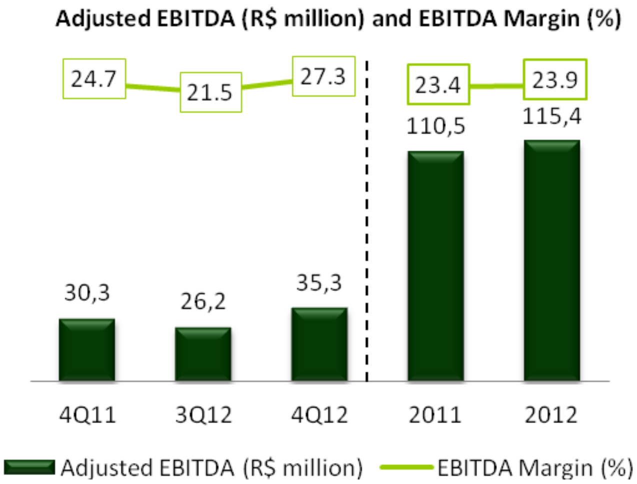
The change in fair value of biological assets, as well as their depletion, is recognized in the Cost of Products Sold. This new accounting determination allows a more precise evaluation of the market value of the Company's forests, and results in improved financial information.

5. PROFIT (LOSS) BEFORE TAXES AND PROFIT SHARING

The profit (loss) before taxes and profit sharing in 4Q12 was R$ 33,619 thousand, as compared to R$ 13,540 thousand in 4Q11 and negative R$ 3,010 thousand in 3Q12. In 2012, profit (loss) before taxes and profit sharing totaled R$ 24,895 thousand, an increase in comparison to 2011, which was R$ 5,683 thousand. The growth in profit (loss) is positively affected by the changes in fair value of biological assets, which increased in 2012 in relation to 2011.

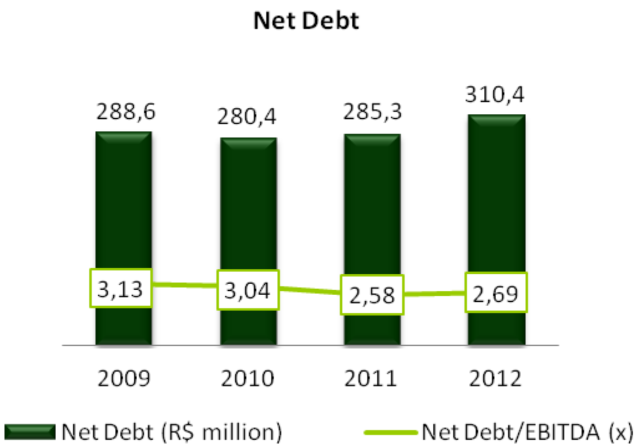
6. OPERATING CASH GENERATION (ADJUSTED EBITDA)

The operating cash generation, measured using the Adjusted EBITDA, totaled R$ 35,315 thousand in 4Q12, with an increase of 16.5% in relation to the same quarter of the prior year and a growth of 34.7% in relation to 3Q12. In 2012, Adjusted EBITDA totaled R$ 115,422 thousand, an increase of 4.4% in comparison with the prior year. The Adjusted EBITDA margin increased from 23.4% in 2011 to 23.9% in 2012.



7. INDEBTEDNESS AND FINANCE RESULT

7.1. Net indebtedness



At December 31, 2012, the consolidated net indebtedness totaled R$ 310.4 million, against R$ 285.3 million at December 31, 2011. The Net Debt/EBITDA increased from 2.58 times at the end of 2011 to 2.69 times at the end of 2012. The change arose mainly from the increase in the U.S. dollar exchange rate in 2012, which caused impacts on the accounting balances of the debts linked to foreign currency.

7.2. Finance result

In 4Q12, the finance costs totaled R$ 13,675 thousand versus R$ 18,928 thousand in 4Q11. Finance costs reduced from R$ 82,996 thousand in 2011 to R$ 69,889 thousand in 2012.

The finance income reached R$ 2,550 thousand in 4Q12 versus R$ 7,404 thousand in the same quarter of the previous year. In 2012, R$ 19,538 thousand was recorded against R$ 30,563 thousand in 2011. The finance result was a net expense of R$ 11,125 thousand in 4Q12 and a net expense of R$ 50,351 thousand in 2012, a decrease of 3.5% in comparison with 4Q11 and 4.0% in comparison with 2011, respectively.

The distribution of the finance result was as follows:

R$ thousand	4Q12	4Q11	3Q12	2012	2011
Finance income	2,550	7,404	2,069	19,538	30,563
Finance costs	(13,675)	(18,928)	(12,887)	(69,889)	(82,996)
Finance result	(11,125)	(11,524)	(10,818)	(50,351)	(52,433)

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

R$ thousand	4Q12	4Q11	3Q12	2012	2011
Foreign exchange gains	1,430	9,472	529	12,457	23,188
Foreign exchange losses	(1,732)	(10,280)	(860)	(17,744)	(30,195)
Foreign exchange variations, net	(302)	(808)	(331)	(5,287)	(7,007)

The foreign exchange variation negatively impacted the Company's result by R$ 302 thousand in the 4Q12 and R$ 5,287 in 2012, 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	4Q12	4Q11	3Q12	2012	2011
Finance result without the foreign exchange variation	(10,823)	(10,716)	(10,487)	(45,064)	(45,426)

In 2Q12, the Company restructured the maturities 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 five 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). In 4Q12, the amount recognized in Equity was R$ 470 thousand, totaling R$ 6,129 thousand in 2012.

Foreign exchange

The foreign exchange rate was R$ 2.03/US$ at September 30, 2012 and remained stable during the fourth quarter to reach R$ 2.04/US$ at the end of December. The average quarter foreign exchange rate was R$ 2.06/US$, 1.48% higher than in 3Q12 and 14.44% higher than in the same period of 2011. In 2012, the average exchange rate increased 16.77% to R$ 1.95/US$.

	4Q12	3Q12	4Q11	Δ 4Q12/3Q12	Δ 4Q12/4Q11	2012	2011	Δ 2012/2011
Average U.S. dollar	2.06	2.03	1.80	+1.48%	+14.44%	1.95	1.67	+16.77%
Final U.S. dollar	2.04	2.03	1.88	+0.49%	+8.51%	2.04	1.88	+8.51%

Source: Brazilian Central Bank (BACEN)

8. NET PROFIT

In 4Q12, net profit was R$ 29,302 thousand as compared to R$ 11,075 thousand in 4Q11 and a loss of R$ 687 thousand in 3Q12. The result of 4Q12 had a positive impact due to the change in fair value of biological assets. Net profit in 2012 amounted to R$ 26,381 thousand, an increase of 182.0% as compared to 2011, when it was R$ 9,354 thousand.

9. INVESTMENTS

The Company maintains its strategy of investing in the modernization and automation of its production processes. Investments made on an accounting basis in 2012 totaled R$ 51,358 thousand, as follows:

Land	R$ 1,688 thousand
Buildings	R$ 4,469 thousand
Equipment	R$ 37,624 thousand
Leased assets	R$ 1,222 thousand
Intangible assets	R$ 607 thousand
Reforestation	R$ 5,748 thousand
Total	**R$ 51,358 thousand**

In 2012, investments were basically made in improvements and replacements necessary for the efficient operation of the equipment and physical infrastructure of the Company, and in the closing of some projects that started in 2011.

The most important and significant investments are related to the automation of the printers in the Corrugated Cardboard Packaging plant in SC and SP, in addition to the acquisition of a new printer for the production line of the Packaging plant in SP.

10. CAPITAL MARKETS

Irani's capital comprises 162,090,000 shares, of which 149,279,740 (92%) are common shares and 12,810,260 (8%) are preferred shares. The Company has 3,964,140 treasury shares, of which 1,338,040 are common shares and 2,626,100 are preferred shares.

Dividends

The Extraordinary and Ordinary General Meeting of April 19, 2012 approved the payment of complementary dividends based on the last annual balance sheet at December 31, 2011, which amounted to R$ 5.5 million, corresponding to R$ 0.03387 per common share and R$ 0.03990 per preferred share.

The Board of Directors' Meeting of July 20, 2012 approved the payment of interim dividends from the retained earnings account balance in the last annual balance sheet at December 31, 2011, which amounted to R$ 14.2 million, corresponding to R$ 0.090223 per common and preferred share.

The Board of Directors' Meeting of January 24, 2013 approved the distribution of interim dividends from the retained earnings account balance in the last annual balance sheet at December 31, 2011, which amounted to R$ 14.2 million, corresponding to R$ 0.090223 per common and preferred share. Payment to shareholders occurred on February 15, 2013.

The Company's management is proposing for approval of the Ordinary General Meeting the distribution of dividends referring to 2012, in the amount of R$ 9,789 thousand, corresponding to R$ 0.06 per common and preferred share. These amounts will be tax-free.

11. SUSTAINABILITY

Adopting sustainability in the business means operating in accordance with a management model that seeks to balance the economic, social and environmental development. IRANI assumed this challenge and adopted this model because it believes that it can be more competitive and that the balance and synergy between these pillars produce lasting and admirable results. Celulose Irani S.A., committed with sustainable development, issues annually and voluntarily the **Sustainability Report**. This is a document in which the Company measures, informs and accounts to the stakeholders its organizational development. Transparency on the economic, environmental and social impacts becomes a basic component in the relationships with stakeholders and the market in general. The methodology adopted follows the guidelines of GRI - Global Reporting Initiative, in its version G3.1. The Sustainability Report of 2011 reached once again the **A+** level of application of GRI and is available on www.irani.com.br. The 2012 Sustainability Report will be made available up to June 2013.

11.1. Awards and Recognitions in 2012

The Company received various social, environmental and market awards for the actions and projects developed during the year.

- Brazilian Environmental Benchmarking Award - Mais Projetos
- Época Negócios Yearbook - 1st in the agribusiness sector in HR and Innovation - Época Magazine
- Materiality Case presented in the study *Report Sustentabilidade* (Report Sustainability)
- Certificate of Excellence in Sustainable Management in the Southern Region - Editora Expressão
- Brazilian Environmental Action Award in the Category "Best Work with Air" - Jornal do Brasil and Casa Brasil
- Época Magazine Green Company Award - Época magazine and PwC
- Expressão Ecology Award - Editora Expressão
- Roberto Hiraishi Embanews Brazilian Packaging Award
- Social Responsibility Award - the State Legislature of Santa Catarina
- Champions of Innovation Award - Amanhã Magazine

11.2. Environmental Performance Management

Celulose Irani S.A. is aware of the importance of preserving the environment, exercising social responsibility, seeking sustainable development through clean technologies and reducing the environmental impacts. For this reason, the Company operates in conformity with the current environmental legislation, adopts in its activities measures and provisions for environmental protection technically proved and economically feasible, considers the technological research and transfer in all of its activities and maintains an Environmental Management System that seeks continuous improvement in its activities.

The Clean Development Mechanism (CDM) projects of the Co-Generation Plant and the Effluent Treatment Station are highlights in the environmental area. These projects contribute to minimize the global warming and reduce the greenhouse gas emissions, making feasible the sale of carbon credits. Every year, the Company has the GHG Emissions Inventory checked through a certifying entity. During the years from 2006 to 2012 it was verified that IRANI is a carbon-neutral company by nature, that is, it removes more GHG from the atmosphere than it emits.

In addition to investing in technologies to preserve the environment, IRANI, with the objective of informing employees and residents in nearby towns, supports and fosters projects aiming at environmental education. Through these projects, the Company disseminates the environmental preservation and conservation culture and seeks to strengthen the sustainable development concepts and practice. Further information about the environmental actions of the Company may be obtained in the Sustainability Report, available on www.irani.com.br, under the link "Sustainability".

12. SOCIAL PERFORMANCE INDICATORS

12.1. Human Development

At the end of 2012, Irani had 1,766 employees. Committed to the improvement of the internal organizational climate, the Company invests in its employees' training, benefits, health, insurance and quality of life, in addition to prioritizing the direct communication between leaders and teams, always aiming at a Participatory Management and respecting the diversity of its employees.

During 2012, the Company invested R$ 10,672 thousand in benefits related to meals, transportation, life insurance and health care plan, R$ 1,759 thousand in courses designed and personal development and R$ 2,979 thousand in the employees' profit sharing program (PPR).

The Company maintains five structural programs for people development in accordance with its Mission and Vision: *Cresce* (Grow), *Motiva* (Motivate) *Supera* (Overcome), *Gera* (Create) and *Cuida* (Care) Programs. The Grow Program includes a set of courses designed to develop and improve the technical skills and behavior of the personnel. The Motivate Program fosters the organizational climate management, establishing a stimulating and motivating work environment. The Overcome Program seeks to evaluate the performance of each employee of IRANI and pay a variable compensation based on the individual performance. The Create Program has the objective of ensuring that all persons hired are adapted and integrated into the organizational culture, that they can be monitored in their development and that, by the end of the employment relationship, it is evidenced that both (employee and Company) grew. And, finally, the Care Program, which objective is to improve the existing culture, stimulating behavioral changes in relation to health and safety issues, and to improve the physical conditions of the work environment, making it safer. With these Programs, the management of IRANI understands that it is administering the production and the strengthening of the human capital, essential for the achievement of the Company's plans. Further information about the social performance of the Company may be obtained in the Sustainability Report, available on www.irani.com.br, under the link "Sustainability".

12.2. Society

The Company creates initiatives that contribute to reduce the social inequality and develop children and young people in the citizenship, sports, culture, education and environmental preservation areas. As part of its actions on behalf of the society, the Company fosters and sponsors educational, cultural and sports projects always with the objective of continuing with the actions and self-development of the community. Among the projects developed are the Plan for Renovation of Campina da Alegria that motivated changes in the type of management of the community and assets; the partnership with Junior Achievement of Santa Catarina, which stimulates the corporate volunteering spirit and the dissemination of issues related to sustainability; the partnership with SESI/SC and the Municipalities of Vargem Bonita (SC), Irani (SC), Ponte Serrada (SC) and Balneário Pinhal (RS) in SESI Project 'Athlete of the Future' (PAF); Broto do Galho Project in partnership with Sebrae/SC and also the Municipality of Vargem Bonita (SC); and the Environmental Guard Project, developed in partnership with that same Municipality, the Environmental Military Police of Concórdia (SC) and Basic School Galeazzo Paganelli. A total of R$ 203 thousand was allocated to these projects, other donations and social sponsorships in 2012. Further information about the social projects and partnerships with the communities involving the Company may be obtained in the Sustainability Report, available on www.irani.com.br, under the link "Sustainability".

13. AUDIT SERVICES

In conformity with CVM Instruction 381/03, we inform that the Company and its subsidiaries adopt as a formal procedure consulting with the independent auditors, PricewaterhouseCoopers Auditores Independentes, to ensure that the rendering of other services will not affect their independence and objectivity necessary to perform the independent audit services. In this regard, PricewaterhouseCoopers issues every year a statement of independence under the terms of NBC TA 260 of the Federal Accounting Council, in which they declare that, in conformity with the provisions of the independence rules adopted by the Brazilian Securities Commission, there is no relationship among PricewaterhouseCoopers, its associates and affiliates and the Company that may affect independence. This statement is submitted to the Board of Directors of Celulose Irani S.A. The policy of the Company and its subsidiaries in the engagement of independent auditor services ensures that there is no conflict of interests, loss of independence or objectivity.
During 2012, PricewaterhouseCoopers provided, in addition to the audit service and review of the translation into English and Spanish of the financial statements, complementary audit services, as follows:

	In thousands of R$	**%**
Audit of the 2012 Financial Statements	**395**	**47%**
Other services:		
- Issue of comfort letter (Accounting Standards and Procedures (NPC) 12 issued by the Institute of Independent Auditors of Brazil (IBRACON))*	**250**	**30%**
- Due Diligence Services	**195**	**23%**
Total	**840**	**100%**

* The additional services contracted refer to the audit engagements related to the issue of comfort letter (according to NPA 12 issued by IBRACON) about specific financial information included in the Prospectus for the Public Share Offering filed with CVM on May 16, 2012. In August 2012, the Company withdrew the request for its register with CVM.

All the services contracted refer to 2012 and there are no services to be provided referring to future years.

14. PUBLIC SHARE OFFERING

In 2012, the Company filed with CVM a request for register in order to make a public share offering. The objective of the offering was to raise funds to implement its investment plan. Due to changes in the scenario abroad and in capital markets in the second half of the year, which made it impossible to raise such funds, the Company withdrew the request for registering the offer. The Company's management is evaluating the best time to resume the raising of funds strategy.

15. OUTLOOK

The expectations for 2013 are positive, despite the challenges that Brazil is to face. The world scenario gives signs of more stability, although doubts persist in relation to the Euro Zone, which may generate some instability. The USA continues on its path to recovery and has already reached in 2012 a growth in GDP above 2%. On the other hand, the emerging countries continue with interesting growth rates and leveraging the world economy. Although Brazil had a weak GDP growth in 2012, expectations are positive due to the increase in the purchasing power of families and in the great need for investments in infrastructure which should be implemented. The increase in family income continues favoring consumption and, therewith, the Paper and Corrugated Cardboard Packaging Sector. Accordingly, we believe that 2013 will be a year in which economic growth in Brazil will return, with positive effects on the Company's businesses.

ACKNOWLEDGMENTS

We thank each of our employees for their effort during this period, our shareholders for their trust in us, and our customers, our suppliers, the financial institutions and surrounding communities for their support and partnership, crucial for the growth and development of Celulose Irani S.A. during 2012.

Porto Alegre, March 2013.

Board of Executive Officers

(A free translation of the original in Portuguese)

To the Shareholders of
CELULOSE IRANI S.A.

Proposal for capital budget

As prescribed in article 196 of Law 6,404/76, with the wording provided by Law 10,303 of October 31, 2001, the management of Celulose Irani S.A. ("Company") presents this proposal for capital budget.

The proposal for allocation of profit attributable to the Company's shareholders in the year 2012, presented in the Financial Statements, is that after the adjustments to which Arts. 193 and 202 of Law 6,404/76 refer, profits amounting to **R$ 29,365** thousand will be retained and allocated to the Profits Retention Reserve, to be used for the Company's Investment Plan.

The 2013 Capital Budget, approved by the Board of Directors at the meeting held on December 13, 2012 totals **R$ 82,191** thousand, including the need for working capital, distributed as follows:

2013 Capital Budget

In thousands of R$	**Current**	**Strategic**	**Total**
Paper	12,995	50,469	63,464
Packaging - SP	2,224	4,155	6,379
Forestry	2,640	-	2,640
Packaging - SC	432	2,012	2,444
Corporate and Head Office	473	-	473
Resins	236	-	236
Need for working capital	6,555	-	6,555
Total investments in 2013	**25,555**	**56,636**	**82,191**

These investments will be made with own resources (generated from the operating activity during the year) and with third-party resources.

Table summarizing sources and uses

In thousands of R$	Current	%	Strategic	%	Total	%
Borrowed funds	8,342	43.9%	39,972	70.6%	48,314	63.9%
Own funds	10,658	56.1%	16,664	29.4%	27,322	36.1%

This is the Management's proposal, if the Shareholders consider any further clarifications necessary, the Management is at their disposal.

Porto Alegre, March 20, 2013

Board of Executive Officers

(A free translation of the original in Portuguese)

EXECUTIVE OFFICERS' DECLARATION

For the purposes of Article 25 of CVM Instruction 480/09

As Officers of Celulose Irani S.A., a corporation headquartered at Rua General João Manoel, 157, 9th floor, room 903, in the city of Porto Alegre, State of Rio Grande do Sul, enrolled in the National Corporate Taxpayers Registry (CNPJ/MF) under No. 92.791.243/0001-03, **WE DECLARE** under the same terms of paragraph 1 of article 25 of CVM Instruction 480, of December 7, 2009, that: (i) we reviewed, discussed and agreed with the opinion expressed in the independent auditor's report of the Company referring to the financial statements for the year ended December 31, 2012 and (ii) we reviewed, discussed and agreed with the Company's financial statements for the year ended December 31, 2012.

Porto Alegre, March 20, 2013.

Péricles Pereira Druck - CEO

Odivan Carlos Cargnin - Administrative, Finance and Investor Relations Officer

Sérgio Luiz Cotrim Ribas - Paper and Packaging Business Officer

Túlio César Reis Gomes - Forest Business Officer