1. GENERAL INFORMATION

Celulose Irani S.A. ("Company") is a corporation headquartered at Rua General João Manoel, 157, 9o. andar, in the city of Porto Alegre, State of Rio Grande do Sul, and is listed on the São Paulo Stock Exchange. The Company and its subsidiaries are primarily engaged in manufacturing corrugated cardboard packaging, packaging paper, resin products and their byproducts, and wooden furniture. The Company is also engaged in forestation and reforestation and uses 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 subsidiary of Irani Participações S.A., which is part of the Habitasul Group, a Brazilian privately-held corporation.

The issue of these interim financial statements of the Company was authorized by its Board of Directors on April 13, 2012.

2. PRESENTATION OF FINANCIAL STATEMENTS

The parent company and consolidated interim accounting information, contained in the Quarterly Information Form (ITR) for the quarter ended March 31, 2012, has been prepared in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB), and accounting practices adopted in Brazil, based on the technical pronouncements issued by the Accounting Pronouncements Committee (CPC) in convergence with the IFRS, as well as the standards established by the Brazilian Securities Commission (CVM).

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

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

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

The financial statements have been prepared under the historical cost convention, except for certain financial instruments and biological assets measured at fair values and property, plant and equipment measured at deemed cost, as described in the accounting policies below. The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Functional currency and translation of foreign currencies

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

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 income statement.

b) Cash and cash equivalents

These 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 accounts receivable and allowance for doubtful accounts

Trade accounts receivable are recorded at their original amounts plus the effect of exchange rate changes, when applicable. The allowance for doubtful accounts is calculated based on losses estimated through an individual analysis of trade accounts receivable 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 collection of receivables.

d) Inventories

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

e) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than continuing use. This requirement is met only when it is highly probable that the sale will be completed and the non-current asset is available for immediate sale in its present condition. Management should be committed to selling the asset, and such sale, at the time of recognition, should be expected to be completed within a year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount originally reported and their fair value less costs to sell.

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 income or loss and other comprehensive income of the subsidiary.

g) Investment property

The property classified as investment property is stated at cost, less accumulated depreciation and impairment losses.

Depreciation is recognized based on the estimated useful life of each asset under the straight-line method so as to reduce the cost to the residual value over its useful life. The estimated useful lives, the residual values, and the depreciation methods are reviewed at the end of each year, and the effects of any changes in estimates are recorded prospectively.

Revenues from rented investment property are recognized in income or loss on the accrual basis.

Any gain or loss from the sale or write-off of an item recorded in investment property is determined by the difference between the sales amount received and the carrying value of the asset sold, and is recognized in income or loss.

h) Property, plant and equipment

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 generation of future economic benefits, except for land, which is not depreciated. The estimated useful lives of the assets is reviewed annually and adjusted, if necessary, and may vary based on the technological stage of each unit.

i) 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 measured at fair value less selling expenses periodically, and the variation of each period is recognized in income (loss) as change in fair value of biological assets.

j) Impairment

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

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

Income tax and social contribution are accrued based on the taxable income determined according to prevailing tax legislation, which differs from the income reported in the income statement since it excludes income or expenses taxable or deductible in other fiscal periods, and excludes permanently non-taxable or non-deductible items. The provision for income tax and social contribution is calculated for each company individually, based on the statutory rates prevailing at year end. The Company calculates its taxes at a rate of 34% on taxable profit; however, 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, revaluation reserve, deemed cost adjustments and change in 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.

l) Loans and financing, debentures, Real Estate Credit Note (CRI) and Certificate of Agribusiness Credit Rights (CDCA)

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

m) Derivatives

Certain derivatives, depending on their nature, are measured at fair value at the balance sheet date with changes in fair value recorded as financial income or expenses in income (loss) for the period. Certain derivatives are measured and recognized in the income statement for the period as financial income or expenses, at amortized cost, since they are part of a single financial instrument.

n) Leases

The Company as the lessee:

Leases that transfer substantially all the risks and rewards of ownership of the assets to the Company are classified as finance leases. All other leases are classified as operating leases and recorded in income (loss) for the period. A finance lease is recorded as a financed acquisition, with a fixed asset and a financing liability being recognized at the commencement of the lease term. Property, plant and equipment items acquired under finance leases are depreciated at the rates specified in note 14.

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

The Company as the lessor:

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

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 made at amounts considered by Management as sufficient to cover probable losses and adjusted for inflation through the balance sheet date, based on the nature of each contingency and on the opinion of the Company's legal counsel.

p) Significant accounting judgments, estimates and assumptions

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

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

Accordingly, the financial statements include various estimates, including, but not limited to, the determination of useful lives of property, plant and equipment, realization of deferred tax credits, allowance for doubtful accounts, fair value measurement of biological assets, provision for contingencies, fair value measurement of certain financial instruments, in addition to provisions for impairment.

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

q) Revenue and expense recognition

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

r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, less any expected returns, trade discounts and/or bonuses granted to the buyer and other similar deductions.

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 goods 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

Financing of taxes, directly or indirectly granted by the Federal Government, at interest rates below market rates, are recognized as government grants and measured by the difference between the amounts received and the fair value calculated based on market interest rates. This difference is recorded against sales revenue in the income statement and will be allocated based on the amortized cost and the effective rate over the period.

t) Basic and diluted earnings per share

Basic and diluted earnings per share are calculated based on the weighted average number of shares outstanding in the period.

u) Statement of value added ("DVA")

The Brazilian corporate law requires the presentation of the statement of value added as an integral part of the set of financial statements presented by a publicly-traded entity. The purpose of this statement is to show the wealth created by the Company and its distribution during a certain reporting period.

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

4. CONSOLIDATION OF FINANCIAL STATEMENTS

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

	Ownership interest - (%)	
Subsidiaries - direct ownership	3.31.12	12.31.11
Habitasul Florestal S.A.	100.00	100.00
Irani Trading S.A.	99.99	99.99
Meu Móvel de Madeira Ltda.	99.93	99.93
HGE - Geração de Energia Sustentável Ltda.	99.98	99.98
Iraflor - Comércio de Madeiras Ltda.	99.99	99.99

The accounting practices of the subsidiaries are consistent with those adopted by the Company. Intercompany balances and investments and equity of subsidiaries, as well as intercompany transactions and unrealized profits, have been eliminated in consolidation. The subsidiaries' accounting information used for consolidation was prepared as of the same date as the Company's accounting information.

Subsidiaries' operations are described in note 13.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	Parent		Consolidated	
	3.31.12	12.31.11	3.31.12	12.31.11
Fixed fund	16	16	21	21
Banks	1,060	1,272	1,404	2,477
Financial investments	81,402	71,208	83,660	72,224
	82,478	72,496	85,085	74,722

Financial investments in Bank Deposit Certificates (CDB) earn an average of 102.33% of the Interbank rate (CDI).

6. TRADE ACCOUNTS RECEIVABLE

	Parent		Consolidated	
	3.31.12	12.31.11	3.31.12	12.31.11
Accounts receivable:				
Trade accounts receivable - domestic market	87,975	89,957	93,132	94,577
Trade accounts receivable - foreign market	7,476	4,152	7,503	4,198
Subsidiaries	1,894	1,905	-	-
	97,345	96,014	100,635	98,775
Allowance for doubtful accounts	(5,835)	(5,835)	(6,544)	(6,544)
	91,510	90,179	94,091	92,231

The aging of trade accounts receivable is as follows:

	Parent		Consolidated	
	3.31.12	12.31.11	3.31.12	12.31.11
Current	81,749	81,929	84,919	83,628
Up to 30 days past-due	5,938	6,769	6,008	7,125
31 to 60 days past-due	1,350	386	1,350	386
61 to 90 days past-due	740	115	740	124
91 to 180 days past-due	683	162	683	180
Over 180 days past-due	6,885	6,653	6,935	7,332
	97,345	96,014	100,635	98,775

The average credit term on the sale of products is 48 days. The Company recognized an allowance for doubtful accounts for trade accounts receivable past due for over 180 days based on an analysis of the individual customer's financial position and on past default experiences. An allowance for doubtful accounts is also recorded for receivables past due less than 180 days, when amounts are considered uncollectible, taking into consideration each customer's financial position.

	Parent		Consolidated	
	3.31.12	12.31.11	3.31.12	12.31.11
Balance at beginning of period	(5,835)	(5,697)	(6,544)	(6,406)
Allowance for losses recognized	-	(146)	-	(146)
Amounts recovered in the period	-	8	-	8
Balance at end of period	(5,835)	(5,835)	(6,544)	(6,544)

Part of the receivables, amounting to approximately R$ 38,463, was assigned as collateral for certain financial transactions, among which are the assignment of receivables totaling 25% of the principal outstanding balance of debentures (note 17) and assignment of receivables equivalent to 3 lease installments of the CCI operation (note 16).

7. INVENTORIES

	Parent		Consolidated	
	3.31.12	12.31.11	3.31.12	12.31.11
Finished goods	4,558	5,486	6,168	7,442
Production materials	19,837	18,364	19,837	18,364
Consumables	11,748	11,890	11,783	11,924
Other	762	626	762	626
	36,905	36,366	38,550	38,356

The cost of inventories recognized as an expense for the quarter related to continuing operations totaled R$ 83,583 (R$ 82,636 in 1Q11) in the parent and R$ 84,186 (R$ 84,042 in 1Q11) in the consolidated.

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

8. RECOVERABLE TAXES

Recoverable taxes consist of the following:

	Parent		Consolidated	
	3.31.12	12.31.11	3.31.12	12.31.11
ICMS on purchase of property, plant and equipment	2,807	3,457	2,821	3,463
ICMS (state VAT)	359	321	370	341
Cofins (social contribution on revenues)	578	-	578	-
IPI (federal VAT)	3,372	5,547	3,372	5,547
Income tax	986	908	986	908
Social contribution	341	338	341	338
Withholding income tax (IRRF)	429	245	429	245
Other	-	7	-	7
	8,872	10,823	8,897	10,849
	-	-	-	-
Current portion	7,059	8,661	7,084	8,687
Non-current portion	1,813	2,162	1,813	2,162

ICMS credits generated on the acquisition of fixed assets are recoverable in 48 monthly and consecutive installments as provided for 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 and Consolidated	
	3.31.12	12.31.11
Banco do Brasil - New York - a)	3,324	3,840
Banco Credit Suisse - Brazil - b)	3,675	4,834
	6,999	8,674
Current portion	4,439	5,143
Non-current portion	2,560	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 May 2012.

b) Credit Suisse Brasil Bank - represented by amounts retained in short-term investments to guarantee a cash flow swap. This amount is classified in current and non-current assets and relates to the redemption installments established in the agreement. Redemptions are being made in 8 semi-annual installments, which started in September 2011. While retained, the amount is remunerated as a private fixed-income investment (CDB), earning the equivalent to 108% of the CDI.

10. OTHER RECEIVABLES

	Parent		Consolidated	
	3.31.12	12.31.11	3.31.12	12.31.11
Carbon credits	6,794	6,378	6,794	6,378
Advances to suppliers	1,009	1,412	1,027	1,425
Employee receivables	879	982	892	1,004
Renegotiation with customers	3,772	3,309	3,803	3,340
Prepaid expenses	750	1,025	780	1,057
Other	571	494	604	568
	13,775	13,600	13,900	13,772
Current portion	12,541	12,205	12,639	12,350
Non-current portion	1,234	1,395	1,261	1,422

Carbon credits - the Company has projects which generate carbon credits 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 March 31, 2012, most of the credits, which are the volumes generated through September 2011, were already audited by DNV - DET NORSKE VERITAS CERTIFICATION AS and awaiting the issuance of the respective credits in order to be traded. Management expects these credits to be issued within less than 12 months.

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

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

11. ASSETS CLASSIFIED AS HELD FOR SALE AND INVESTMENT PROPERTY

As decided by the Company's Board of Directors, in October 2010 the furniture manufacturing activities in Rio Negrinho, SC, were discontinued. The assets of that unit were assessed by Management and were classified in the financial statements at December 31, 2010 as held for sale at their book value at the balance sheet date, since the assessments made indicated a market value, net of commissions and selling costs, above this carrying value. Inventories are stated at cost and Management believes them to be recoverable through sale in the market.

This operation did not have any liabilities as at March 31, 2012.

	Parent and consolidated	
	3.31.12	12.31.11
Inventories	192	195
Property	657	657
Assets of discontinued operation	849	852

In 2011, part of the properties of that unit was rented for companies operating in the region until sales conditions are more favorable. Accordingly, they were reclassified to "Investment property", as follows:

	Parent and consolidated	
	3.31.12	12.31.11
Property - Buildings	4,997	4,997
Total investment property	4,997	4,997

Revenues from rented investment property are recognized in income or loss on the accrual basis.

The Company estimates that the fair value of assets classified as investment property, based on the property market valuation performed by an expert, is R$ 12,100.

12. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION ASSETS

	Parent		Consolidated	
	3.31.12	12.31.11	3.31.12	12.31.11
Deferred income tax assets				
On temporary differences	11,970	11,261	12,002	11,293
On tax losses	932	932	932	932
Deferred social contribution assets				
On temporary differences	4,309	4,054	4,326	4,071
On tax losses	336	336	336	336
	17,547	16,583	17,596	16,632

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 credits to be realized as follows:

Period	Amount
2012	3,334
2013	2,402
2014	1,931
2015	2,282
2016	7,647
	17,596

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

Parent	Opening balance 12.31.11	Recognized in the income statement	Closing balance 3.31.12
Deferred tax assets related to:			
Provision for bonuses	1,021	(176)	845
Provision for sundry risks	14,161	(275)	13,886
Other	134	(36)	98
Total temporary differences	15,316	(487)	14,829
Tax losses	1,267	1,451	2,718
	16,583	964	17,547

Consolidated	Opening balance 12.31.11	Recognized in the income statement	Closing balance 3.31.12
Deferred tax assets related to:			
Provision for bonuses	1,021	(176)	845
Provision for sundry risks	14,161	(275)	13,886
Other	183	(36)	147
Total temporary differences	15,365	(487)	14,878
Tax losses	1,267	1,451	2,718
	16,632	964	17,596

13. INVESTMENTS

	Habitasul Florestal	Irani Trading	Meu Móvel de Madeira	HGE Geração de Energia	Iraflor Comercio de Madeiras	Total
At December 31, 2011	115,033	90,524	1,359	3,529	38,130	248,575
Equity in result of subsidiaries	724	2,798	142	(125)	1,278	4,817
Capital contribution	-	-	-	-	3,370	3,370
At March 31, 2012	115,757	93,322	1,501	3,404	42,778	256,762
Paid-in capital	28,260	41,226	4,300	4,010	40,910	
Equity	115,758	93,335	1,502	3,404	42,783	
Income (loss) for the period	724	2,799	142	(125)	1,278	
Ownership interest - %	100.00	99.98	99.93	99.98	99.99	

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

The subsidiary Irani Trading S.A acts as an intermediary in export and import of goods, export of goods acquired for this purpose and in management and rental of properties.

The subsidiary Iraflor Comércio de Madeiras Ltda. carries out activities related to forest management and sale 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 retail sale of furniture and decoration products and furniture assembly services.

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

14. PROPERTY, PLANT AND EQUIPMENT

a) Breakdown of property, plant and equipment

	3.31.12			12.31.11
Parent	Cost	Accumulated depreciation	Net	Net
Land	123,901	-	123,901	123,901
Buildings and constructions	36,697	(7,401)	29,296	29,114
Equipment and facilities	520,197	(196,477)	323,720	326,772
Vehicles and tractors	1,775	(1,326)	449	497
Other property, plant and equipment*	13,729	(8,828)	4,901	4,651
Construction in progress	19,201	-	19,201	20,614
Advances to fixed asset suppliers	636	-	636	759
Assets under finance leases	27,777	(11,965)	15,812	16,592
Leasehold improvements	16,061	(2,195)	13,866	14,027
	759,974	(228,192)	531,782	536,927

Consolidated	31.03.12 Cost	Accumulated depreciation	Net value	31.12.11 Net value
Land	175,422	-	175,422	174,487
Buildings and constructions	147,521	(31,044)	116,477	117,372
Equipment and facilities	520,323	(196,511)	323,812	326,868
Vehicles and tractors	1,878	(1,345)	533	584
Other property, plant and equipment*	16,441	(8,595)	7,846	7,583
Construction in progress	19,611	-	19,611	21,024
Advances to fixed asset suppliers	636	-	636	759
Assets under finance leases	27,901	(11,978)	15,923	16,709
Leasehold improvements	16,061	(2,195)	13,866	14,028
	925,794	(251,668)	674,126	679,414

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

Summary of changes in property, plant and equipment:

	Parent		Consolidated	
	3.31.12	12.31.11	3.31.12	12.31.11
Opening balance	536,927	545,705	679,414	684,323
Additions	4,408	38,111	5,366	44,305
Disposals	(442)	(10,957)	(898)	(11,089)
Depreciation	(9,111)	(35,932)	(9,756)	(38,125)
Closing balance	531,782	536,927	674,126	679,414

b) Depreciation method

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

	Rate - %
Buildings and constructions *	2.25
Equipment and facilities **	6.45
Furniture, fixtures and IT equipment	5.71
Vehicles and tractors	20.0

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

c) Other information

Construction in progress refers to work for improvement and maintenance of the production process of the Paper and Packaging Units in Vargem Bonita - SC and Packaging Unit in Indaiatuba - SP. During the period costs were capitalized at an average rate of 9.18% per year, related to loans used to finance specific investment projects, in the amount of R$159.

Advances to suppliers refer to investments in the Paper and 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 paid at the end or diluted during the period of the lease, collateralized by the leased assets. The commitments assumed are recognized as loans in current and non-current liabilities.

Leasehold improvements refer to the renovation of the Packaging Unit in Indaiatuba-SP, which is 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.

d) Impairment of property, plant and equipment

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

e) Assets pledged as collateral

The Company pledged certain assets as collateral for financial transactions, as described in notes 16 and 17.

15. BIOLOGICAL ASSETS

The Company's biological assets comprise the planting and cultivation of pine and eucalyptus trees for the supply of raw material for production of pulp used in the paper production process, production of resins and sales of timber logs to third parties.

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

	Parent		Consolidated	
	3.31.12	12.31.11	3.31.12	12.31.11
Cultivation cost of biological assets	37,473	36,489	76,050	74,107
Difference in fair value	88,399	92,027	160,762	165,890
Biological assets at fair value	125,872	128,516	236,812	239,997

The Company considers that of these total biological assets, R$ 159,707 relates to forests used as raw material for pulp and paper production, of which R$ 116,834 refer to grown forests with more than six years. The remaining amount refers to growing forests, which still need forestry treatments. These assets are located near the plant in Vargem Bonita, SC, where they are consumed.

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

The biological assets used for the production of resins and sale of timber logs totaled R$ 77,105 and are located on the seacoast of RS. The resin is extracted based on the generation capacity of 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 using the following assumptions:

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

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

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

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

(v) Planting expenses refer to the growing costs of biological assets adopted 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) considered an interval that is deemed sufficient to prevent any lag in the balance of fair value of biological assets recorded in its financial statements. In 1Q2012 no change in fair value of biological assets was recognized.

The main assumptions considered in the calculation of the fair value of biological assets include the remuneration of own contributing assets at the rate of 3% per year and a discount rate of 8% per year.

In the current period, the Company did not note any events that would impact the valuation of the biological assets, such as rainstorms, lightning and others that may affect the forests.

Main changes

The changes for the period are as follows:

	Parent	Consolidated
Balance at 12.31.11	128,516	239,997
Planting	1,182	1,285
Depletion		
Historical cost	(115)	(1,751)
Fair value	(341)	(2,719)
Transfer for capitalization in subsidiary	(3,370)	-
Balance at 3.31.12	125,872	236,812

The depletion of biological assets for the periods was mainly charged to production cost, after initial allocation to inventories when forests are harvested and subsequent use 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 purpose of this transaction was to improve the management of forest assets and raise funds through CDCA, as mentioned in note 16.

b) Biological assets pledged as collateral

The Company has certain biological assets pledged as collateral for financial transactions, as described in notes 16 and 17.

c) Production on third-party land

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

16. LOANS AND FINANCING

	Parent		Consolidated		
	3.31.12	12.31.11	3.31.12	12.31.11	
Current					
Local currency					
FINAME	7,068	8,604	7,068	8,604	a)
Working capital	18,893	30,171	19,408	30,666	b)
Working capital - CDCA	15,971	15,505	15,971	15,505	c)
Finance leases	1,100	1,065	1,139	1,102	d)
Real Estate Investment Fund - CCI	-	-	13,258	13,258	e)
Total local currency	43,032	55,345	56,844	69,135	

	Parent		Consolidated		
	3.31.12	12.31.11	3.31.12	12.31.11	
Foreign currency					
Finance leases	2,404	2,475	2,404	2,475	f)
Advances on exchange contract	7,336	5,641	7,336	5,641	g)
Toronto Dominion Bank	173	177	173	177	h)
Banco Credit Suisse	19,919	20,256	19,919	20,256	i)
Banco C.I.T.	705	942	705	942	j)
Banco Santander (Brazil)	1,656	1,638	1,656	1,638	k)
Banco Santander	994	2,014	994	2,014	l)
Banco Itaú BBA	4,279	-	4,279	-	m)
Total foreign currency	37,466	33,143	37,466	33,143	
Total current	80,498	88,488	94,310	102,278	
Non-current					
Local currency					
FINAME	9,417	9,240	9,417	9,240	a)
Working capital	23,825	25,643	23,825	25,643	b)
Working capital - CDCA	82,005	78,367	82,005	78,367	c)
Finance lease	1,935	1,416	2,001	1,493	d)
Real Estate Investment Fund - CCI	-	-	5,524	8,838	e)
Total local currency	117,182	114,666	122,772	123,581	

	Parent		Consolidated		
	3.31.12	12.31.11	3.31.12	12.31.11	
Foreign currency					
Finance lease	1,137	1,164	1,137	1,164	f)
Banco Credit Suisse	48,675	53,600	48,675	53,600	i)
Banco Santander (Brazil)	1,656	1,638	1,656	1,638	k)
Banco Itaú BBA	35,296	-	35,296	-	m)
Total foreign currency	86,764	56,402	86,764	56,402	
Total non-current	203,946	171,068	209,536	179,983	
Total	284,444	259,556	303,846	282,261	

Long-term maturities:	3.31.12	12.31.11	3.31.12	12.31.11
2013	40,200	43,564	45,790	52,403
2014	58,117	49,400	58,117	49,400
2015	56,779	47,524	56,779	47,524
Over	48,850	30,580	48,850	30,655
	203,946	171,068	209,536	179,983

Local currency loans:

a) Finame - subject to an annual average interest rate of 8.73% with final maturity in 2019.

b) Working capital - subject to an annual average interest rate of 8.19% with final maturity in the first half of 2017.

Transaction Costs:

One the working capital transactions with Banco Safra, incurred a transaction cost of R$ 170, with an effective interest rate of 12.8% p.a. The transaction costs to be allocated to income or loss in each subsequent period are as follows:

Year	Principal
2012	48
2013	51
2014	36
After 2014	19
	154

c) Working capital - CDCA

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

The CDCA relates to the credit rights arising from the Rural Producer Notes ("CPR"), issued by the subsidiary Iraflor Comércio de Madeiras Ltda., which have as the creditor Celulose Irani S.A., as set forth in Law 8929 of August 22, 1994.

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

Transaction Costs:

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

Year	Principal
2012	642
2013	763
2014	634
After 2014	903
	2,942

d) Finance leases - subject to an annual average interest rate of 17.08% with final maturity in 2014.

e) Real Estate Credit - CCI

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

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

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

Foreign currency loans:

As at March 31, 2012, foreign currency-denominated loans are adjusted for US Dollar or Euro exchange rate fluctuations and bear annual average interest of 8.11% and 4.78% for transactions in US Dollar and Euro, respectively.

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

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

h) Toronto Dominion Bank, adjusted for US Dollar exchange rate fluctuations and repayable in semiannual installments with final maturity in the first half of 2012.

i) Banco Credit Suisse, principal adjusted for US Dollar exchange rate fluctuations and repayable in quarterly installments with final maturity in 2015. This transaction refers to prepayments of future exports. Interest on the transaction is not subject to the effect of exchange rate changes, due to the swap contract described in note 31.

Transaction Costs:

This transaction incurred a transaction cost of R$ 5,310, with an effective interest rate of 19.12% p.a. The transaction costs to be allocated to income or loss in each subsequent period are as follows:

Year	Principal
2012	812
2013	1,063
2014	1,284
2015	1,469
	4,628

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

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

l) Banco Santander, adjusted for Euro exchange rate fluctuations and repayable in semiannual installments with final maturity in 2012.

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

Transaction Costs:

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

Year	Principal
2012	146
2013	162
2014	121
After 2014	115
	544

Collaterals:

The Company maintains as collateral for the transactions sureties of the controlling shareholders and/or statutory liens on land, buildings, machinery and equipment, biological assets (forests), commercial pledge and assignment of receivables amounting to R$ 89,688.

Other transactions have specific guarantees as follows:

i) For working capital - Certificate of Agribusiness Receivables (CDCA), the Company provided collaterals of approximately R$ 91,631, 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 collaterals in favor of the Securitizer of approximately R$ 35,555, including:

- Mortgage on some properties of Celulose Irani S.A., registration Nos. 2479, 2481 and 8535 of the Real Estate Registry Office of the Judiciary 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 following were pledged as collateral: shares held by the Company in its subsidiary Habitasul Florestal S.A., some land and related forests of Celulose Irani S.A., a B.H.S. corrugator machine of the Indaiatuba Packaging Unit, and a HPB-Sermatec Mod. VS-500 boiler 11 of the Paper Unit, in the amount of R$ 188,591. The collaterals also include the shares held by Irani Participações S.A. in the Company.

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

<u>Restrictive Financial Covenants:</u>

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 described below:

i) Working capital - Certificate of Agribusiness Receivables (CDCA)

a) The ratio between net debt and EBITDA over the last 12 months must not exceed: (i) for the quarter ended March 31, 2012, 3.00x; (ii) for the quarters ended June 30 and September 30, 2012, 2.75x; and (iii) beginning the quarter ended December 31, 2012, 2.50x. However, if in a specific quarter (Reference Quarter), the non-compliance with the ratio between net debt and EBITDA over the last 12 months has occurred in a period when the foreign exchange variation is positive and higher than 15%, it is established that only in this case the Issuer will be released from complying with such financial ratio for this quarter. This indicator will be measured again based on the income or loss 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 over the last 12 months and net financial expenses over the last 12 months must not be lower than: (i) for the quarter ended March 31, 2012, 2.00x; (ii) for the quarters ended June 30, 2012, September 30, 2012 and December 31, 2012, 2.25x; and (iii) beginning the quarter ended March 31, 2013 (inclusive) until the compliance with all obligations arising from the Issue Documents, 2.50x.

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

As at March 31, 2012, the Company has complied with the covenants described above.

ii) Real Estate Credit Note (CCI)

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 may generate the accelerated maturity of the debt. These covenants were fully complied with over the period, as follows:

a) The ratio between net debt and EBITDA over the last 12 months must not exceed: (i) for the quarter ended March 31, 2012, 3.00x; (ii) for the quarters ended June 30 and September 30, 2012, 2.75x; and (iii) beginning the quarter ended December 31, 2012, 2.50x. However, if in a specific quarter (Reference Quarter), the non-compliance with the ratio between net debt and EBITDA over the last 12 months has occurred in a period when the foreign exchange variation is positive and higher than 15%, it is established that only in this case the Issuer will be released from complying with such financial ratio for this quarter. This indicator will be measured again based on the income or loss 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 over the last 12 months and net financial expenses over the last 12 months must not be lower than: (i) for the quarter ended March 31, 2012, 2.00x; (ii) for the quarters ended June 30, 2012, September 30, 2012 and December 31, 2012, 2.25x; and (iii) beginning the quarter ended March 31, 2013 (including) until the compliance with all obligations arising from the Issue Documents, 2.50x.

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

As at March 31, 2012, the Company has complied with the covenants described above.

iii) Banco Credit Suisse

a) Ratio between net debt and EBITDA of (i) 3.0 times for the quarter ended March 31, 2012; (ii) 2.75 times for the quarters ended June 30 and September 30, 2012; (iii) 2.50 times for the subsequent quarters up to 2015.

b) Ratio between EBITDA and net financial expenses of: (i) for the quarter ended March 31, 2012, 2.00x; (ii) for the quarters ended June 30, 2012, September 30, 2012 and December 31, 2012, 2.25x; and (iii) beginning the quarter ended March 31, 2013 (inclusive) up to 2015, 2.50x.

c) The net debt at the end of each fiscal year must not exceed US$170 million, except when the ratio between net debt and EBITDA is equal to or lower than, 2.5 times.

d) Expenditure on investments must not exceed 70% of the depreciation, plus depletion and amortization, except when the ratio between net debt and EBITDA is equal to, or lower than, 2.5 times.

As at March 31, 2012, the Company has complied with the covenants described above.

iv) 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 of 3 times;
c) Maximum financial leverage of 2 times the tangible shareholders' equity, as defined in the agreement.

v) Banco Itaú BBA:

a) The ratio between net debt and EBITDA over the last 12 months must not exceed: (i) for the quarter ended March 31, 2012, 3.00x; (ii) for the quarters ended June 30 and September 30, 2012, 2.75x; and (iii) beginning the quarter ended December 31, 2012, 2.50x. However, if in a specific quarter (Reference Quarter), the non-compliance with the ratio between net debt and EBITDA over the last 12 months has occurred in a period when the foreign exchange variation is positive and higher than 15%, it is established that only in this case the Issuer will be released from complying with such financial ratio for this quarter. This indicator will be measured again based on the income or loss 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 over the last 12 months and net financial expenses over the last 12 months must not be lower than: (i) for the quarter ended March 31, 2012, 2.00x; (ii) for the quarters ended June 30, 2012, September 30, 2012 and December 31, 2012, 2.25x; and

(iii) beginning the quarter ended March 31, 2013 (including), until the compliance with all obligations arising from the Issue Documents, 2.50x.

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

As at March 31, 2012, the Company has complied with the covenants described above.

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

17. DEBENTURES

First Issue of Simple Debentures

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

Transaction Costs:

This transaction incurred a transaction cost of R$ 3,623, with an effective interest rate of 16% p.a. The transaction costs to be allocated to income or loss in each subsequent period are as follows:

Year	
2012	637
2013	852
2014	892
2015	227
	2,608

Collaterals:

Debentures have collaterals in the amount of R$ 157,924, as follows:

- Assignment in favor of the Land Trustee of Celulose Irani in conformity with the terms and conditions set forth in the Private Instrument of Assignment of Real Estate of Irani and Other Covenants, which will secure the debt up to the limit of R$ 26,527.
- Assignment in favor of the Land and Buildings Trustee of Irani Trading in conformity with

the terms and conditions of the Private Instrument of Assignment of Real Estate of Trading and Other Covenants, which will secure the debt up to the limit of R$ 40,000.

- Agricultural pledge in favor of the Forest Assets Trustee of Celulose Irani in conformity with the terms and conditions of the Private Instrument of Agricultural Pledge and Other Covenants.
- Assignment of receivables in favor of the Receivables Trustee of Celulose Irani, equivalent to 25% of the outstanding principal balance of the Debentures.

Restrictive Financial Covenants:

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

a) The ratio between net debt and EBITDA over the last 12 months must not exceed: (i) for the quarter ended March 31, 2012, 3.00x; (ii) for the quarters ended June 30 and September 30, 2012, 2.75x; and (iii) beginning the quarter ended December 31, 2012, 2.50x. 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. This indicator will be measured again based on the income or loss 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 over the last 12 months and net financial expenses over the last 12 months must not be lower than: (i) for the quarter ended March 31, 2012, 2.00x; (ii) for the quarters ended June 30, 2012, September 30, 2012 and December 31, 2012, 2.25x; and (iii) beginning the quarter ended March 31, 2013 (including) until the compliance with all obligations arising from the Issue Documents, 2.50x.

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

As at March 31, 2012, the Company has complied with the covenants described above.

First Private Issue of Simple Debentures

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

Transaction Costs:

This transaction incurred a transaction cost of R$ 1,902, with an effective interest rate of 9.62% p.a. The transaction costs to be allocated to income or loss in each subsequent period are as follows:

Year	
2013	232
2014	588
2015	1,082
	1,902

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

Payment of debentures by year is due as follows:

	Parent		Consolidated	
Year	3.31.12	12.31.11	3.31.12	12.31.11
2012	11,897	25,226	11,897	25,226
2013	23,985	24,999	23,985	24,999
2014	23,589	24,603	23,589	24,603
2015	58,432	57,625	11,226	11,652
	117,903	132,453	70,697	86,480
Current portion	25,069	26,000	25,069	26,000
Non-current portion	92,834	106,453	45,628	60,480

18. TRADE ACCOUNTS PAYABLE

Payables to suppliers are as follows:

	Parent		Consolidated	
CURRENT	3.31.12	12.31.11	3.31.12	12.31.11
Domestic				
Materials	24,872	26,377	25,705	27,741
Property, plant and equipment	1,901	1,975	1,901	1,975
Service providers	1,547	2,451	1,618	2,603
Carriers	4,434	5,211	4,451	5,271
Related parties	11,240	6,653	-	-
Foreign				
Materials	37	123	37	123
	44,031	42,790	33,712	37,713

19. TAXES PAYABLE IN INSTALLMENTS

The Company opted for the REFIS - refinancing program regulated by Law 11,941/09 and

Provisional Act 470/09, for installment payment of its taxes. The installments are paid monthly and are subject to the SELIC interest rate.

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

The amounts are as follows:

CURRENT

	Parent		Consolidated	
	3.31.12	12.31.11	3.31.12	12.31.11
REFIS installments - Federal Revenue Service	2,203	2,148	2,232	2,177
ICMS payable in installments	1,796	1,693	1,796	1,693
Employer's INSS payable in installments	738	721	830	812
FNDE payable in installments	-	-	23	-
	4,737	4,562	4,881	4,682

NON-CURRENT

	Parent		Consolidated	
	3.31.12	12.31.11	3.31.12	12.31.11
REFIS installments - Federal Revenue Service	5,689	6,200	5,736	6,253
ICMS in payable installments	2,505	2,784	2,505	2,784
Employer's INSS payable in installments	1,538	1,682	1,638	1,802
FNDE payable in installments	-	-	86	-
	9,732	10,666	9,965	10,839

	Parent		Consolidated	
Long-term maturities:	3.31.12	12.31.11	3.31.12	12.31.11
2013	2,380	2,912	2,488	3,031
2014	2,392	2,327	2,470	2,381
2015	734	787	758	787
2016	488	488	511	511
After 2016	3,738	4,153	3,738	4,130
	9,732	10,666	9,965	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 refinancing of federal taxes established by Law 10,684/03, where the Company opted for Refis in November 2009, and refinancing of other IPI debts in the current amount of R$ 7,892, of which R$ 2,796 refers to principal and R$ 5,096 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.

20. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION LIABILITIES

In 2010 and 2011, the Company computed income tax and social contribution on the effects of foreign exchange rate changes on a cash basis and recorded a deferred tax liability related to unrealized exchange variation.

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 result from the application of the Transitional Tax System (RTT), whereby the effects of recent changes in accounting practices are effectively annulled for tax purposes.

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

The balances of deferred tax liabilities as at March 31, 2012 and December 31, 2011 are as follows:

	Parent		Consolidated	
	3.31.12	12.31.11	3.31.12	12.31.11
Deferred income tax liability				
Exchange rate changes on a cash basis	3,733	3,945	5,534	5,477
Fair value of biological assets	30,139	30,224	31,652	31,737
Deemed cost of property, plant and equipment and review of useful lives	83,124	83,439	103,985	104,456
Revaluation reserve	4,090	4,123	4,090	4,123
Government grants	725	709	725	709
Deferred social contribution liability				
Exchange rate changes on a cash basis	1,344	1,420	1,993	1,971
Fair value of biological assets	10,847	10,878	11,663	11,695
Deemed cost of property, plant and equipment and review of useful lives	29,924	30,039	37,429	37,603
Revaluation reserve	1,472	1,484	1,472	1,484
Government grants	262	256	262	256
	165,660	166,517	198,805	199,511

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

Parent	Opening balance	Recognized in the income statement	Closing balance
	12.31.11		3.31.12
Deferred tax liabilities related to:			
Exchange rate changes on a cash basis	5,365	(288)	5,077
Fair value of biological assets	41,102	(116)	40,986
Deemed cost of biological assets and review of useful lives	113,478	(430)	113,048
Revaluation reserve	5,607	(45)	5,562
Government grants	965	22	987

	166,517	(857)	165,660

Consolidated	Opening balance 12.31.11	Recognized in the income statement	Closing balance 3.31.12
Deferred tax liabilities related to:			
Exchange rate changes on a cash basis	7,448	79	7,527
Fair value of biological assets	43,432	(116)	43,316
Deemed cost of biological assets and review of useful lives	142,059	(646)	141,413
Revaluation reserve	5,607	(45)	5,562
Government grants	965	22	987
	199,511	(706)	198,805

21. RELATED-PARTY TRANSACTIONS

Parent	Receivables		Payables		Debentures payable		Loans payable	
	3.31.12	12.31.11	3.31.12	12.31.11	3.31.12	12.31.11	3.31.12	12.31.11
Irani Trading S.A.	3,774	3,774	1,427	1,400	47,206	45,973	1,871	2,109
Habitasul Florestal S.A.	3,972	3,972	1,415	375	-	-	-	-
HGE - Geração de Energia	-	-	785	920	-	-	-	-
Meu Móvel de Madeira	1,894	1,905	-	-	-	-	-	-
Iraflor - Com. de Madeiras Ltda.	-	-	8,446	4,877	-	-	-	-
Management compensation	-	-	457	877	-	-	-	-
Management profit sharing	-	-	5,279	5,279	-	-	-	-
Total	9,640	9,651	17,809	13,728	47,206	45,973	1,871	2,109
Current portion	(9,640)	(9,651)	(17,809)	(12,851)	-	-	-	-
Non-current portion	-	-	-	-	47,206	45,973	1,871	2,109

Parent	Revenues		Expenses	
	3.31.12	3.31.11	3.31.12	3.31.11
Irani Trading S.A.	-	-	4,308	4,248
Habitasul Florestal S.A.	-	-	1,039	851
Druck, Mallmann, Oliveira & Advogados Associados	-	-	80	41
MCFD Administração de Imóveis Ltda.	-	-	261	223
Irani Participações	-	-	120	120
Management compensation	-	-	1,153	1,131
Total	-	-	6,961	6,614

Consolidated	Payables		Expenses	
	3.31.12	12.31.11	3.31.12	3.31.11
Irani Participações	-	-	120	120
Companhia Com.de Imóveis	-	-	-	447
Druck, Mallmann, Oliveira & Advogados Associados	-	-	80	41
MCFD Administração de Imóveis Ltda.	-	-	261	223
Management compensation	457	877	1,241	1,215
Management profit sharing	5,279	5,279	-	-
Total	5,736	6,156	1,702	2,046
Current portion	(5,736)	(6,156)		

Receivables from/payables to subsidiaries Irani Trading S.A., Habitasul Florestal S.A. and Meu Móvel de Madeira Ltda., refer to commercial transactions among the parties which are interest-free and have no defined final maturity. Receivables of the parent company from subsidiaries Irani Trading S.A. and Habitasul Florestal S.A. are related to mandatory minimum dividends for 2011.

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

On August 19, 2010, the Company issued simple debentures, which were acquired by the subsidiary Irani Trading S.A. and are adjusted based on the IPCA plus annual interest of 6% and mature as described in note 17.

In 2011 and 2012 the Company transferred to Iraflor the amount of R$ 40,845 in planted forests as 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, on June 20, 2011, the Company issued Agribusiness Credit Right Certificates (CDCA) in favor of Banco Itaú BBA S.A and Banco Rabobank International Brasil S.A.

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

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

The amount payable to MCFD Administração de Imóveis Ltda. is equivalent to 50% of the monthly rental of the Packaging Unit in Indaiatuba-SP, entered into on December 26, 2006 and effective for 20 years, which can be renewed. The total 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 officers' fees and variable long-term compensation.

Management compensation expenses, net of payroll taxes, totaled R$ 1,139 as at March 31, 2012 (R$ 1,215 as at March 31, 2011). The overall management compensation proposed for 2012, to be approved at the General Shareholders' Meeting to be held on April 19, 2012, is R$ 9,000.

In addition, management profit sharing for 2011 and 2010, in the amount of R$ 5,279, equivalent to 10% of net income for the year, was recognized separately, in accordance with the Company's bylaws. Distribution to management will be made according to a long-term variable compensation program approved by the Board of Directors. Currently, the Company does not provide other long-term benefits and share-based compensation.

22. PROVISION FOR CONTINGENCIES

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

The provision for contingencies is comprised as follows:

	Parent		Consolidated	
	3.31.12	12.31.11	3.31.12	12.31.11
Civil	1,328	1,308	1,328	1,308
Labor	479	499	546	566
Tax	39,026	39,843	39,026	39,843
Total	40,833	41,650	40,900	41,717
Judicial deposits	1,016	996	1,278	1,258

Changes in the provision:

Parent	12.31.11	Provision	Payments	Reversal	3.31.12
Civil	1,308	43	(23)	-	1,328
Labor	499	-	(7)	(13)	479
Tax	39,843	920	-	(1,737)	39,026
	41,650	963	(30)	(1,750)	40,833

Consolidated	12.31.11	Provision	Payments	Reversal	3.31.12
Civil	1,308	43	(23)	-	1,328
Labor	566	-	(7)	(13)	546
Tax	39,843	920	-	(1,737)	39,026
	41,717	963	(30)	(1,750)	40,900

The reserve for contingencies refers basically to:

a) Civil lawsuits are related, among other matters, to indemnity claims in connection with termination of agreements with sales representatives. As at March 31, 2012, a provision of R$ 1,328 is recorded to cover losses arising from these contingencies. Judicial deposits relating to these lawsuits amount to R$ 635 and are classified in non-current assets.

b) Labor lawsuits are related, among other matters, to claims filed by former employees for payment of overtime, health hazard premium, hazardous duty premium, occupational illnesses and accidents. Based on past experience and legal counsel's opinion, the Company accrued R$ 546 as at March 31, 2012, which is believed to be sufficient to cover losses arising from labor contingencies. Judicial deposits relating to these lawsuits amount to R$643 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 April 2007 to December 2011 was R$ 27,425. The balance adjusted as at March 31, 2012 totals R$ 39,026.

Contingencies

No provisions were recorded for contingencies whose likelihood of loss has been assessed by the legal counsel as possible, but not probable. As at March 31, 2012, the amounts involved in labor, civil, environmental and tax lawsuits are as follows:

	Parent and Consolidated	
	3.31.12	12.31.11
Labor	11,752	11,752
Civil	2,064	2,064
Environmental	876	876
Tax	61,535	61,535
	76,227	76,227

Labor contingencies:
The labor lawsuits assessed by the legal counsel as involving possible losses total R$ 11,752 and include primarily indemnity claims (hazardous duty premium, health hazard premium, overtime, salary premiums, damage 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$ 2,064 and include primarily 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$ 876.

Tax contingencies:
The tax proceedings assessed by the legal counsel as involving possible losses total R$ 61,535 and include the following:

- Administrative Proceeding 10925.000172/2003-66 related to a tax notification for alleged irregularity in offsetting IPI credits, which as at March 31, 2012, involves the amount of R$ 7,099. The Company received a favorable final administrative decision issued by means of Decision 203-03.459, dated 9/16/97, which declared the refund request as valid. The Federal Revenue Service filed an administrative appeal, which is awaiting judgment.

- 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 payment of social contribution on gross revenue from the sale of agroindustrial companies' production, which as at March 31, 2012, involves the amount of R$ 4,399. The lawsuit was suspended by a court decision and is waiting for the decision of the action for annulment No. 2005.71.00.002527-8.

- Tax collection lawsuit 99.70.00325-9 filed by the National Institute of Social Security (INSS) for the collection of tax with respect to Debt Assessment Notice (NFLD) No. 32.511.108-1 related to social security contributions allegedly due by service firms providing outsourced labor, for which the Company is considered jointly liable, and that as at March 31, 2012, involves the amount of R$ 4,581. The lawsuit is waiting for the decision of the interlocutory appeal filed by PFN against the motion to stay filed by the Company.

- Administrative proceedings 11080.013972/2007-12 and 11080.013973/2007-67, involving R$ 3,161 as at March 31, 2012, related to tax notifications for PIS and COFINS, which alleged undue tax credits. The Company has challenged these notifications at the administrative level and awaits the judgment of the voluntary appeals.

- Administrative proceedings related to tax assessment notices received from Santa Catarina State for alleged undue ICMS tax credits on acquisition of material used in the production of industrial plants in this state which, as at March 31, 2012, amounted to R$ 29,491. The Company filed defense arguments in respect to these tax assessments.

- Administrative proceedings 11080.009902/2006-89, 11080.009904/2006-88 and 11080.009905/2006-12 related to federal taxes offset against IPI deemed credit on exports supposedly calculated improperly, in the amount of R$ 12,804 as at March 31, 2012. The Company has challenged these proceedings at the administrative levels.

23. EQUITY

a. Capital

The Company's capital as at March 31, 2012 is R$ 103,976, represented by 7,463,987 common shares and 640,513 preferred shares, totaling 8,104,500 shares, without par value. Preferred shares carry no voting rights, are entitled to receive dividends 10% higher than those paid on common shares, and have priority in the reimbursement of capital, without premium, in the event the Company is wound up. The Company may issue preferred shares, without par value and without voting rights, up to the limit of 2/3 of the Company's total shares, and increase existing share types or classes without keeping 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 Shareholders Meeting.

b. Treasury shares

At a meeting held on November 24, 2010, the Board of Directors authorized the Company to acquire its own shares, which will be maintained in treasury without capital reduction, pursuant to CVM Instruction 10/80 and its amendments. The objective of the share buyback plan was to maximize the value of the shares to shareholders. This program was concluded within 365 days, on November 23, 2011. Accordingly, the Company was authorized to acquire up to 62,356 and 18,646 book-entry common and preferred shares, respectively, without par value.

In 2010 the Company acquired 9,100 shares, totaling R$ 229, and by November 23, 2011, when the program ended, a further 66,900 shares, totaling R$ 1,761, had been purchased as follows:

	Parent			
	Purchased in 2011		Purchased in 2010	
	Value	Number	Value	Number
Common	1,411	54,400	199	7,900
Preferred	350	12,500	30	1,200
	1,761	66,900	229	9,100

The trading value of these shares on the São Paulo Stock Exchange was R$ 19.01 as at December 31, 2011 and R$ 21.10 as at March 31, 2012, for common shares, and R$ 28.50 as at December 31, 2011 and March 31, 2012, for preferred shares.

The Company also holds in treasury 4,602 common shares, in the amount of R$47, acquired from former officers who left the Company in previous periods, as determined by the stock option plan effective on the date of acquisition.

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

c. Revenue reserves

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

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

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

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

d. Carrying value adjustments

The carrying value adjustments account was recognized when the Company measured its fixed assets (land, machinery and buildings) at deemed cost in the opening balance sheet for first-time adoption of IFRS. Realization will occur upon depreciation of deemed cost, at which time the amounts involved will also be adjusted in the base for calculating dividends.

24. EARNINGS PER SHARE

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

	3.31.12		
	Common shares	Preferred shares	Total
Weighted average number of shares	7,397,085	626,813	8,023,898

Net income for the period attributable to each type of share (*)	3,199	298	3,497
Basic and diluted earnings per share - R$	0.4324	0.4756	

	3.31.11		
	Common shares	Preferred shares	Total
Weighted average number of shares	7,438,818	636,513	8,075,331
Net income for the period attributable to each type of share (*)	3,688	347	4,035
Basic and diluted earnings per share - R$	0.4957	0.5453	

(*) Preferred shares are entitled to dividends 10% higher than those attributable to common shares.

25. NET REVENUE FROM SALES

The Company's net revenue is comprised as follows:

	Parent		Consolidated	
	3.31.12	3.31.11	3.31.12	3.31.11
Gross revenue from sales	142,507	139,576	150,904	147,431
Taxes on sales	(31,130)	(30,077)	(32,410)	(31,034)
Sales returns	(741)	(687)	(836)	(792)
Net revenue from sales	110,636	108,812	117,658	115,605

26. EXPENSES BY NATURE

Expenses by nature are as follows:

	Parent		Consolidated	
	3.31.12	3.31.11	3.31.12	3.31.11
Fixed and variable costs (raw materials and consumables)	(57,540)	(54,129)	(52,948)	(53,814)
Personnel expenses	(21,454)	(20,010)	(22,605)	(20,761)
Depreciation, amortization and depletion	(9,484)	(8,312)	(14,144)	(10,720)
Freight	(4,440)	(4,094)	(4,822)	(4,336)
Services contracted	(3,482)	(3,480)	(3,648)	(3,620)
Selling expenses	(5,275)	(5,720)	(5,278)	(5,729)
Other expenses	-	(4,105)	-	(4,105)
	(101,675)	(99,850)	(103,445)	(103,085)
Other expenses - net				
Cost of sale of assets	(140)	(166)	(596)	(167)
Disposal of non-financial assets	154	454	170	454
Other expenses	293	147	196	153
	307	435	(230)	440
Operating expenses	(101,368)	(99,415)	(103,675)	(102,645)

27. OTHER OPERATING INCOME AND EXPENSES

Income	Parent		Consolidated	
	3.31.12	3.31.11	3.31.12	3.31.11
Income from disposal of assets	14	455	30	456
Other operating income	497	329	511	338
	511	784	541	794

Expenses	Parent		Consolidated	
	3.31.12	3.31.11	3.31.12	3.31.11
Cost of assets damaged and sold	(37)	(167)	(485)	(168)
Other operating expenses	(167)	(182)	(286)	(186)
	(204)	(349)	(771)	(354)

28. INCOME TAX AND SOCIAL CONTRIBUTION

Reconciliation of the effective tax rate:

	Parent		Consolidated	
	3.31.12	3.31.11	3.31.12	3.31.11
Income before taxes	1,676	4,494	2,072	5,023
Statutory rate	34%	34%	34%	34%
Tax expense at statutory rate	(570)	(1,528)	(704)	(1,708)
Tax effect of permanent (additions) / deductions:				
Equity in results of subsidiaries	1,638	1,138	-	-
Difference in rates for taxation of subsidiaries	-	-	1,179	1,125
Other permanent differences	753	(70)	951	(405)
	1,821	(460)	1,425	(988)
Income tax and social contribution - current	-	(811)	(245)	(1,361)
Income tax and social contribution - deferred	1,821	351	1,670	373

29. FINANCIAL INCOME AND EXPENSES

	Parent		Consolidated	
	3.31.12	3.31.11	3.31.12	3.31.11
Financial income				
Income on financial investments	1,858	903	1,890	903
Interest	254	228	255	262
Discounts obtained	32	62	33	62
	2,144	1,193	2,178	1,227
Foreign exchange gains and losses				
Foreign exchange gains	9,155	2,874	9,155	2,874
Foreign exchange gains - derivatives at fair value	143	1,378	143	1,378
Foreign exchange losses	(8,081)	(1,075)	(8,091)	(1,075)
Foreign exchange losses - derivatives at fair value	(266)	(869)	(266)	(869)
Foreign exchange gains/losses, net	951	2,308	941	2,308
Financial expenses				
Interest	(15,086)	(11,446)	(14,602)	(11,164)
Discounts granted	(38)	(36)	(41)	(38)
Discounts/bank expenses	(267)	-	(274)	(4)

Other	(113)	(265)	(113)	(266)
	(15,504)	(11,747)	(15,030)	(11,472)
Financial income (expenses), net	(12,409)	(8,246)	(11,911)	(7,937)

30. INSURANCE

The Company adopts a conservative policy regarding the contracting of insurance to cover various potential losses. 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 March 31, 2012, the Company had corporate insurance against fire, lightning, explosion, electric damages and windstorm for plants, residential locations and offices, including general civil liability coverage and coverage of liabilities of officers and directors (D&O), in the total amount of R$ 311,650. The Company also contracted group life insurance for employees with minimum coverage of R$ 10 and maximum coverage of R$ 500, in addition to insurance for the fleet of vehicles at market value.

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

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

31. FINANCIAL INSTRUMENTS

Capital risk management

The Company's capital structure consists of its net debt (loans detailed in notes 16 and 17, less cash and banks and held-to-maturity investments) and shareholders' equity (which includes issued capital, reserves and retained earnings, as stated in note 23).

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 risks associated to each class of capital. The Company intends to maintain a capital structure between 50% and 70% of equity capital and between 50% and 30% of debt. As at March 31, 2012, the debt ratio was 60% for equity capital and 40% for debt, which is in line with expected levels.

Debt to equity ratio

As at March 31, 2012 and 2011, the debt to equity ratio is as follows:

	Parent		Consolidated	
	3.31.12	12.31.11	3.31.12	12.31.11
Debt (a)	402,347	392,009	374,543	368,741
Cash and banks	82,478	72,496	85,085	74,722
Held-to-maturity investments	6,999	8,674	6,999	8,674
Net debt	312,870	310,839	282,459	285,345
Equity	467,727	464,230	467,747	464,250
Net debt to equity ratio	0.67	0.67	0.60	0.61

(a) Debt is defined as short- and long-term loans, including debentures, as detailed in notes 16 and 17.

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

Categories of financial instruments

	Parent		Consolidated	
Financial assets	3.31.12	12.31.11	3.31.12	12.31.11
Cash and banks	82,478	72,496	85,085	74,722
Measured at fair value through profit or loss	163	286	163	286
Held-to-maturity investments	6,836	8,388	6,836	8,388
Loans and receivables				
Trade accounts receivable	91,510	90,179	94,091	92,231
Other receivables	11,445	10,669	11,490	10,722
Financial liabilities				
Amortized cost				
Loans and financing	284,444	259,556	285,064	260,164
Debentures	117,903	132,453	70,697	86,480
CCI	-	-	18,782	22,097
Trade accounts payable	44,031	42,790	33,712	37,713

The instruments carried at fair value are classified as Level 1 based on prices quoted (unadjusted) in active markets for identical assets.

Financial risk factors

The Company is exposed to several financial risks, such as market (including foreign exchange risk and interest rate risk), credit and liquidity risks.

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

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

Currency risk

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

Total net foreign exchange exposure corresponds to 22 months of exports based on the average of exports in 2011, and 20 months of exports based on the average of exports in the three-month period ended March 31, 2012. As most of loans and financing in foreign currency are 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	
	3.31.12	12.31.11	3.31.12	12.31.11
Trade accounts receivable	7,476	4,152	7,503	4,198
Carbon credits receivable	6,794	6,378	6,794	6,378
Banks - restricted account	6,999	8,674	6,999	8,674
Advances from customers	(218)	(298)	(218)	(661)
Trade accounts payable	(37)	(123)	(37)	(123)
Loans and financing	(124,230)	(89,545)	(124,230)	(89,545)
Net exposure	(103,216)	(70,762)	(103,189)	(71,079)

The Company has identified the main risk factors that may generate losses on its transactions with financial instruments. Accordingly, we have developed a sensitivity analysis, as prescribed by CVM Instruction 475, which requires the presentation of two scenarios with 25% and 50% deterioration in the risk variable considered, in addition to a base scenario. These scenarios may impact the Company's results and/or future cash flows, as described below:

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

2- Adverse scenario: 25% deterioration in the exchange rate compared to that reported at March 31, 2012.

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

Transaction	Balance 3.31.12 U$$	Rate	Base scenario Gain (loss) R$	Rate	Adverse scenario Gain (loss) R$	Rate	Remote scenario Gain (loss) R$
Assets							
Trade accounts receivable	11,688	1.83	111	2.29	5,463	2.75	10,815
Liabilities							
Trade accounts payable	(140)	1.83	(1)	2.29	(65)	2.75	(129)
Loans and financing	(68,180)	1.83	(648)	2.29	(31,867)	2.75	(63,087)
Net effect			(538)		(26,470)		(52,402)

This sensitivity analysis is intended to measure the impact of changes in foreign exchange market variables on each financial instrument of the Company. Note that the balances as at March 31, 2012 were used as a basis for the projection of future balance. The actual behavior of debt balances and derivative instruments will depend on the respective contracts, while balances receivable and payable may fluctuate due to the normal course of the Company's and its subsidiaries' business and the settlement of transactions involving these estimates may result in amounts different from those estimated due to the subjectivity of the process used in the preparation of these analyses. The Company tries to maintain its loans, financing and derivatives transactions exposed to exchange rate changes with annual net payments equivalent to receipts from exports. Accordingly, the Company seeks to hedge its cash flow against foreign currency risks, and the effects of the scenarios above, if they materialize, are expected to generate only an accounting impact on income (loss).

Interest rate risk

The Company may 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 by the TJLP (long-term interest rate), CDI (interbank deposit rate), SELIC (Central Bank's overnight rate), TR (reference rate), EURIBOR (Euro Interbank Offered Rate), LIBOR (London Interbank Offered Rate) or IPCA (National Consumer Price Index).

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

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

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

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

Transaction	Index	Balance 3.31.12	Base scenario Gain (loss) Rate %	R$	Adverse scenario Gain (loss) Rate %	R$	Remote scenario Gain (loss) Rate %	R$
Short-term investments								
CDB	CDI	90,240	10.29%	(19)	12.86%	2,175	15.44%	4,368
Financing								
Working capital	CDI	105,230	10.29%	22	12.86%	(2,634)	15.44%	(5,291)
Debentures	CDI	72,508	10.29%	15	12.86%	(1,771)	15.44%	(3,557)
Working capital	TR	5,536	0.09%	6	0.11%	4	0.13%	3
BNDES	TJLP	12,714	6.00%	-	7.50%	(191)	9.00%	(381)
Working capital	IPCA	100,919	6.22%	-	7.78%	(1,476)	9.33%	(2,951)
Financing - foreign currency	Libor	4,513	0.50%	-	0.62%	(9)	0.74%	(17)
Financing - foreign currency	Euribor	5,010	1.35%	17	1.68%	4	2.02%	(9)
Net effect				41		(3,898)		(7,835)

Credit risks

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

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

In addition, the Company is exposed to credit risk due to the financial guarantees provided to banks. The maximum exposure corresponds to the maximum amount that the Company will have to pay if the guarantee is enforced (see notes 16 and 17).

Liquidity risk

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

The table below shows the maturity date of the financial liabilities contracted by the Company, as recorded in the consolidated balance sheet, where the reported amounts include the principal and fixed interest on transactions, calculated using rates and indices in effect at March 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:

	2012	2013	2014	2015	after 2016
Liabilities					
Trade accounts payable	33,712	-	-	-	-
Loans and financing	113,145	70,857	75,654	66,917	52,640
Debentures	14,485	26,446	24,809	11,369	-
Derivatives	538	1,075	1,075	537	-
Other liabilities	5,022	2,786	2,482	758	4,249
	166,902	101,164	104,020	79,581	56,889
Assets					
Cash and cash equivalents	85,085	-	-	-	-
Banks - restricted account	4,439	640	1,280	640	-
Trade accounts receivable - falling due	94,091	-	-	-	-
Other assets	3,114	909	648	24	-
	186,729	1,549	1,928	664	-
	19,827	(99,615)	(102,092)	(78,917)	(56,889)

The amounts included above for non-derivative financial assets and liabilities at floating rates are subject to changes should the changes 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 unused amount at the end of the reporting period of R$ 63.911, which increases as loans and financing are settled. The Company expects to meet its other obligations using the cash flows from operating activities and income earned on financial assets.

Derivatives

Derivative transactions are classified by strategy according to their intended purpose. These transactions are contracted to hedge the Company's net indebtedness or its exports and imports against foreign exchange rate changes, or to swap interest rates. Financial instruments are classified as loans on initial recognition, and are subsequently measured at fair value or amortized cost, as applicable, and recognized in financial income (expenses) at the balance sheet date.

The Company maintains internal controls that management deems sufficient to manage risks. On a monthly basis, management analyzes reports relating to the financial cost of its debt and the information on cash flow in hard 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 management have hedged its cash flow against foreign exchange rate changes.

Although it enters into hedge transactions, the Company does not recognize the results of derivatives contracted under hedge accounting.

a) Derivative financial instruments carried at fair value

As at March 31, 2012, the contracted amounts of these instruments and their fair values, as well as the accumulated effects for the period, are as follows:

Purpose / Risk / Instrument		3.31.12		12.31.11	
		Notional value	Fair value (1)	Notional value	Fair value (1)
Fair value hedge					
Foreign currency	Swaps	3,225	163	3,763	286
Total derivatives		3,225	163	3,763	286

(1) The derivative financial instruments are carried at fair value based on US dollar future projections of BM&F Bovespa at the calculation dates. In the case of swaps, both short position and long position are estimated independently and discounted to present value at a market interest rate, whereby the difference between the positions represents the market value.

As at March 31, 2012, the maturity dates of these instruments, at fair value and notional value, are as follows:

Purpose / Risk / Instrument		2012	2013	2014	2015	Total
Fair value hedge						
Foreign currency - fair value	Swaps	(43)	-	112	94	163

		2012	2013	2014	2015	Total
Fair value hedge						
Foreign currency - notional value	Swaps	538	1,075	1,075	537	3,225

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

b) Derivative financial instruments carried at amortized cost

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 decreasing according to the payments established in the contract through its final maturity in August 2015.

The purpose of this swap transaction is to align the transaction price and the related maturity dates to the original transaction. The swap contract is not traded separately. The Export Prepayment Contract (PPE) is subject to interest rate plus CDI variation, and interest payable is no longer subject to exchange rate changes. Considering the characteristics of this contract together with the PPE contract, the Company is considering the two instruments as a single instrument and keeping them measured at amortized cost value using the effective interest method. Such interest is included in the sensitivity analysis of interest rates described in the same explanatory note on interest rate risks. The amount of principal of PPE, which remains in dollars, is included in the sensitivity analysis of currency exposure risk, also described in the same explanatory note.

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

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 is R$ 40,000 (equivalent to US$ 21,990 thousand at that date), decreasing according to the payments of the semiannual installments of the contract until its final maturity in March 2017.

The purpose of this swap transaction is to align the transaction price and the related maturity dates to the original transaction. The swap contract is not traded separately. The Export Credit Note (CCE) contract is remunerated at a fixed interest rate plus the dollar variation. With this, the CCE contract is no longer exposed to the CDI variation. Based on the characteristics of this contract together with the CCE contract, the Company is considering the two instruments as a single instrument and keeping them measured at amortized cost using the effective interest method. This contract is included in the sensitivity analysis of currency exposure described in the same explanatory note.

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

32. 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; forest RS and resins; and furniture, as described 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 one in Indaiatuba, SP.

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

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

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

b) Consolidated information on operating segments

Consolidated

3/31/12

	Corrugated Cardboard Packaging	Packaging Paper	Forest RS and Resins	Furniture	Corporate/ eliminations	Total
Net sales:						
Domestic market	67,539	27,797	4,079	2,735	-	102,150
Foreign market	-	10,209	5,299	-	-	15,508
Revenue from sales to third parties	67,539	38,006	9,378	2,735	-	117,658
Revenues between segments	-	2,324	-	-	(2,324)	-
Total net sales	67,539	40,330	9,378	2,735	(2,324)	117,658
Change in fair value of biological assets	-	-	-	-	-	-
Cost of sales	(53,789)	(25,423)	(7,294)	(1,280)	3,600	(84,186)
Gross profit	13,750	14,907	2,084	1,455	1,276	33,472
Operating expenses	(7,227)	(2,708)	(373)	(1,322)	(7,859)	(19,489)
Operating income before financial income (expenses)	6,523	12,199	1,711	133	(6,583)	13,983
Financial income (expenses)	(5,917)	(6,402)	(12)	(92)	512	(11,911)
Net operating income	606	5,797	1,699	41	(6,071)	2,072
Total assets	153,136	686,992	138,913	5,012	199,127	1,183,180
Total liabilities	52,434	290,630	15,882	2,730	353,757	715,433
Equity	-	257,870	115,758	1,502	92,617	467,747

Consolidated

3/31/11

	Corrugated Cardboard Packaging	Packaging Paper	Forest RS and Resins	Furniture	Corporate/ eliminations	Total
Net sales:						
Domestic market	69,644	23,540	4,734	2,183	-	100,102
Foreign market	-	10,266	5,237	-	-	15,503
Revenue from sales to third parties	69,644	33,806	9,971	2,183	-	115,605
Revenues between segments	100	6,444	-	-	(6,544)	-
Total net sales	69,744	40,250	9,971	2,183	(6,544)	115,605
Change in fair value of biological assets	-	-	-	-	-	-
Cost of sales	(56,245)	(26,402)	(6,512)	(1,119)	6,236	(84,042)
Gross profit	13,499	13,848	3,459	1,064	(307)	31,563
Operating expenses	(7,280)	(2,560)	(978)	(995)	(6,789)	(18,603)
Operating income before financial income (expenses)	6,220	11,288	2,481	69	(7,096)	12,960
financial income (expenses)	(3,526)	(4,735)	2	(2)	324	(7,937)
Net operating income	2,694	6,553	2,483	66	(6,772)	5,023
Total assets	168,128	656,841	130,331	4,684	170,111	1,130,095
Total liabilities	58,022	288,110	14,939	3,137	295,378	659,586
Equity	-	283,544	119,287	1,547	66,131	470,509

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

Financial income (expense) was allocated to operating segment taking into consideration the specific allocation of each financial income and expense to its segment, and the allocation of common income and expenses based on the working capital requirement of each segment.

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

c) Net revenue from sales

Net revenue from sales as at March 31, 2012 totaled R$ 117,658 (R$ 115,605 as at March 31, 2011).

Net revenue from export sales amounted to R$ 15,508 as at March 31, 2012 (R$ 15,503 as at March 31, 2011), which relates to various countries as follows:

		3.31.12 Consolidated
Country	Export revenue, net	% of total revenue, net
Argentina	3,164	2.7%
Holland	2,578	2.2%
Saudi Arabia	2,254	1.9%
France	1,210	1.0%
Chile	1,039	0.9%
Venezuela	839	0.7%
Peru	799	0.7%
Paraguay	770	0.7%
South Africa	447	0.4%
Spain	426	0.4%
Norway	390	0.3%
Bolivia	303	0.3%
Turkey	243	0.2%
Uruguay	204	0.2%
Colombia	185	0.2%
Germany	180	0.2%
United States	156	0.1%
Other countries	321	0.3%
	15,508	13.2%

		3.31.11 Consolidated
Country	Export revenue, net	% of total revenue, net
Holland	4,050	3.5%
Argentina	2,713	2.3%
Saudi Arabia	2,213	1.9%
Paraguay	1,144	1.0%
Germany	878	0.8%
France	808	0.7%
Chile	673	0.6%
South Korea	502	0.4%
Peru	498	0.4%
South Africa	309	0.3%
Norway	291	0.3%
Bolivia	243	0.2%
Spain	220	0.2%
Venezuela	213	0.2%
United States	161	0.1%
Pakistan	141	0.1%
Colombia	118	0.1%
Other countries	328	0.3%
	15,503	13.4%

The Company's net revenue from sales in the domestic market amounted to R$ 102,150 as at March 31, 2012 (R$ 100,102 as at March 31, 2011).

In the first quarter of 2012, a single customer accounted for 18.7% of net sales in the domestic market of the Corrugated Cardboard Packaging Division, equivalent to R$ 12,630. The Company's other sales in the domestic and foreign markets were diluted among many customers and no customer accounted for more than 10% of net sales.

33. OPERATING LEASE AGREEMENTS

Rental of production units

As at March 31, 2012, the Company has two rental agreements of production units, in addition to other small rental agreements of commercial and administrative units, all classified as operating leases and allocated to expense each year on the accrual basis over the lease period.

The rental agreements of the production units are as follows:

a) Rental agreement entered into on October 20, 2009 and amended on March 24, 2010 with the subsidiary Irani Trading S.A, the owner of the industrial property located in Vargem Bonita, SC. The agreement is effective for 64 months from the beginning date on 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 monthly fixed rental of R$ 174, adjusted annually based on the IGPM variation.

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

- Rentals of production units = R$ 4,614 (R$ 4,497 as at March 31, 2011)
- Rentals of commercial and administrative units = R$ 93 (R$ 75 as at March 31, 2011)

As at March 31, 2012, future commitments arising from these agreements totaled a minimum amount of R$ 82,282.

	up to one year	1-5 years	after 5 years	Total
Minimum future rentals	20,495	43,126	18,660	82,282

Lease of planting area

The Company entered into non-cancelable lease agreements for production of biological assets in third-party land, called partnerships, in a total area of 3,220 hectares, of which 2,266 hectares comprise the area proportional to the planting belong to it. For certain areas there is a lease commitment to be disbursed monthly as shown below.

These agreements are valid until all 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	228	912	1,246	2,386

Lease agreements with the Company as the lessor

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

The rental income obtained by the Company on its investment properties and direct operating expenses of investment properties in the period amounted to R$ 114 and R$ 137, respectively.

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 making the planned investments, maintaining jobs and maintaining regular status with the State, conditions that are being fully met.

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

The benefit is effective for 14 years, from January 2009 to December 2022, or up to the limit of R$ 55,199 of deferred ICMS. As at March 31, 2012, the Company had deferred ICMS amounting to R$ 15,344 recorded in non-current liabilities.

35. NON-CASH TRANSACTIONS

The Company carried out non-cash transactions relating to its investing activities and, therefore, not reflected in the statements of cash flows.

For the three-month period ended March 31, 2012, the Company purchased property, plant and equipment in the amount of R$ 114, financed directly by suppliers, and also made a capital contribution with planted forests to the subsidiary Iraflor Comércio de Madeiras Ltda. in the amount of R$ 3,370. For the three-month period ended March 31, 2011 there were no non-cash transactions.

36. EVENTS AFTER THE REPORTING PERIOD

At the meeting held on April 3, 2012 the Company's Board of Directors approved the following proposals to be submitted to the shareholders meeting called for this purpose:

1) Primary and Secondary public distribution of share deposit certificates issued by the

Company, under the terms and conditions established and disclosed in a Significant Event Notice to the market on the same date of the resolution.

2) Listing of the Company's shares in the Level 2 segment of the Corporate Governance Differentiated Practices of the BM&FBOVESPA - Securities, Commodities and Futures Exchange upon the Offer and alignment of the Company's bylaws to the respective regulation.

3) Changes of the advantages currently granted to preferred shares for: (i) priority in capital reimbursement, without premium, at the equity value, in case of liquidation of the Company; (ii) right to be included in a public offering of shares resulting in the sale of the Company's control, at the same price and under the same conditions offered to the shares belonging to the Company's controlling group of shareholders; and (iii) right to participate in distributed profits under equal conditions as common shares.

4) Split of all common and preferred shares issued by the Company, so that each common share is split into twenty (20) common shares and each preferred share is split into twenty (20) preferred shares issued by the Company and the increase of the authorized capital up to the limit of 900,000,000 shares, all without par value, comprising 300,000,000 common shares and 600,000,000 preferred shares.

5) Inclusion in the bylaws of the possibility of issuing and listing, on stock exchanges, share deposit certificates ("Units") representing Company shares, each Unit corresponding to one common share and four preferred shares of the Company, as resolved by the Board of Directors.

6) Granting to the Company's shareholders, for formation of Units, of the right to optional and definitive conversion (i) of common shares into preferred shares, and for each lot of 5 common shares, 4 common shares can be converted into 4 preferred shares; and (ii) of preferred shares into Company common shares, and for each lot of 5 preferred shares, one can be converted into a common share, and the Company's Board of Directors will establish the term and other conditions for the conversion.

7) Amendment to the Company's bylaws to reflect the resolutions mentioned in the items above, if they are approved, amending the matters for approval of the Board of Directors and aligning the bylaws to the changes to Law 6,404/76 arising from Law 12,431/2011 through the inclusion of new articles.

On April 4, 2012, the call notice for the Annual and Extraordinary General Shareholders Meetings was published, in order to decide on these and other matters. Also a Special Meeting of Holders of Preferred Shares was convened, intended to ratify item (c) of the Extraordinary General Meeting Agenda, if approved, related to the change of the advantages attributable to preferred shares. This change of advantages will grant to dissenting shareholders the right to withdraw from the Company and receive reimbursement of the shares held by them at the call notice publication date.

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