COMMENTS ON THE COMPANY'S PERFORMANCE FOR THE QUARTER

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

1. ECONOMIC AND FINANCIAL PERFORMANCE

The chief financial indicators are shown below:

CHIEF FINANCIAL INDICATORS
(including discontinued operation)

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

EBITDA - EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

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

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

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

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

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

2Q12 Highlights:

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

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

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

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

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

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

2. OPERATING PERFORMANCE (not reviewed by independent auditors)

2.1 Market growth

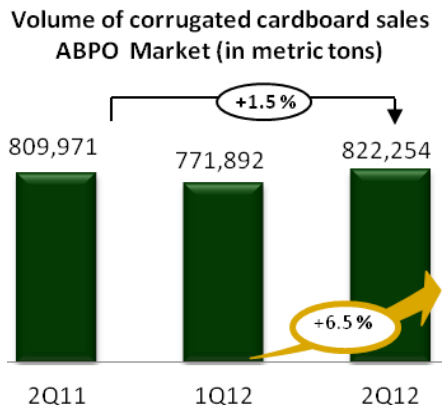
Corrugated Cardboard Sector - ABPO[1] vs. Irani comparison

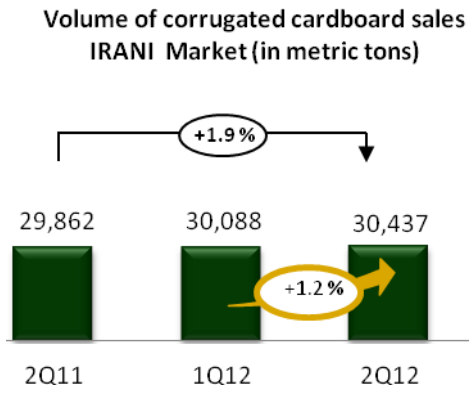
ABPO Market [metric tons]

Irani Market [metric tons]

[1] ABPO: Brazilian Corrugated Cardboard Association

2Q12 ABPO (in metric tons and m²) are estimates. The official data could differ.

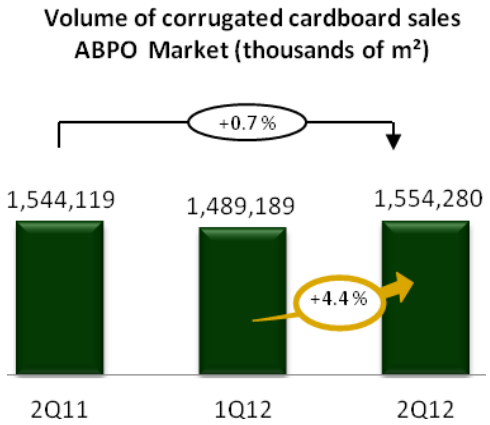




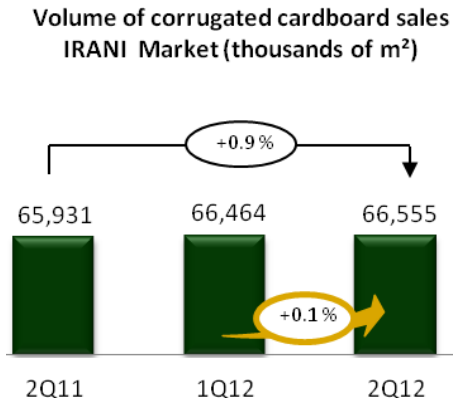
As shown in these tables, the volume of corrugated cardboard sales - **ABPO Market**, increased by 1.5% in 2Q12 over 2Q11, and the volume of corrugated cardboard sales - **Irani Market** presented an increase of 1.9% in the same period. Compared with 1Q12, the **ABPO Market** presented an increase of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

Sales, in square meters, were as follows:

ABPO Market [thousands of m²]

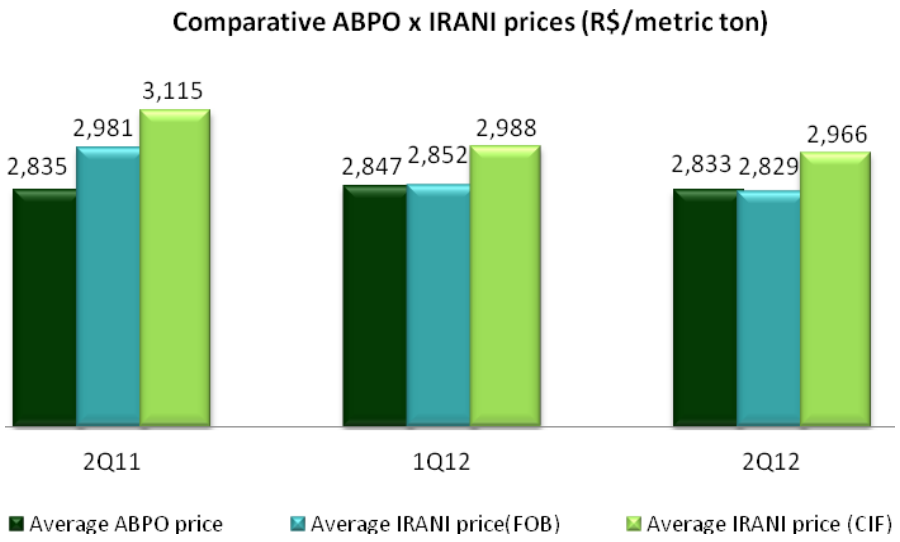


IRANI Market [thousands of m²]



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

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



Methodologies - For comparison adjustments, the prices consider:

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

TECHNICAL NOTE

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

2.2 Production and sales

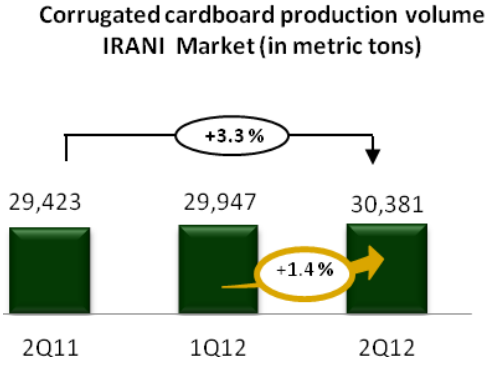
The production and sales volumes of the major products are presented below:

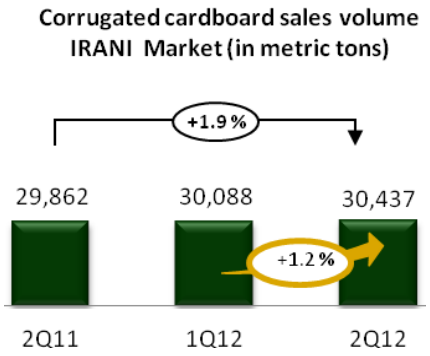
Corrugated cardboard packaging sector

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

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

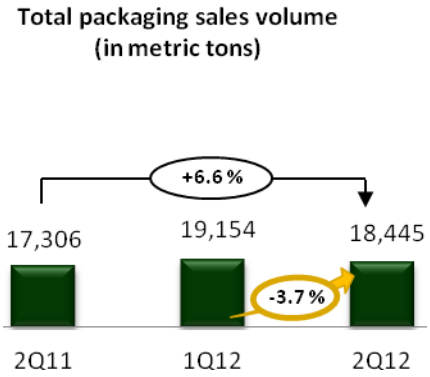
The Santa Catarina packaging factory's sales volume totaled 11,131 metric tons of boxes and 2,391 metric tons of sheets in 2Q12 (10,994 metric tons of boxes and 2,168 metric tons of sheets in 2Q11).





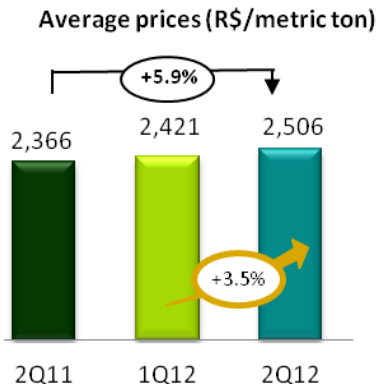
Packaging paper sector

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



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

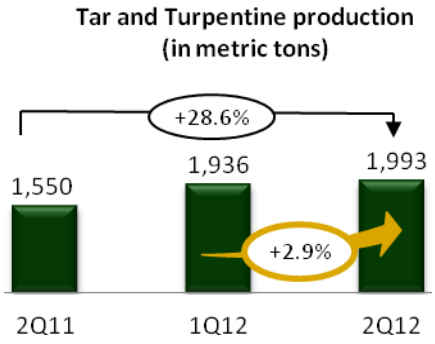
Average paper prices for 2Q12 increased over the same quarter in the prior year by 5.9% and by 3.5% as compared with 1Q12.

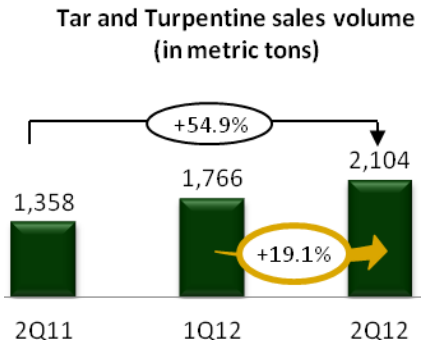


RS Forest products and resins

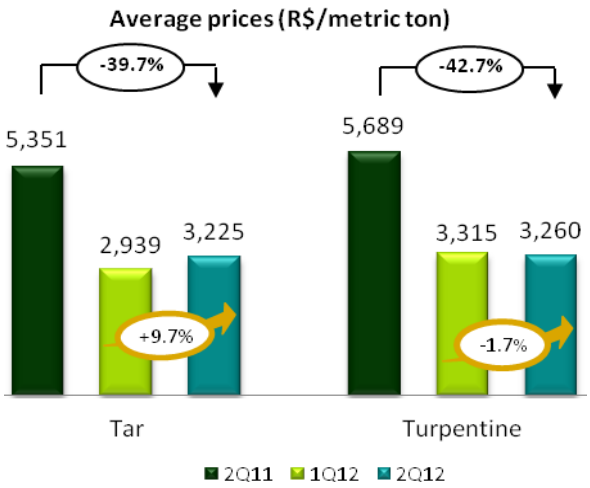
In 2Q12, the RS Forest products segment produced and traded 94 thousand m³ of pine logs for the domestic market (107 thousand m³ in 2Q11 and 82 thousand m³ in 1Q12) and supplied 947 metric tons of natural resins to the parent company Celulose Irani S.A. to be utilized in the industrial production of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

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





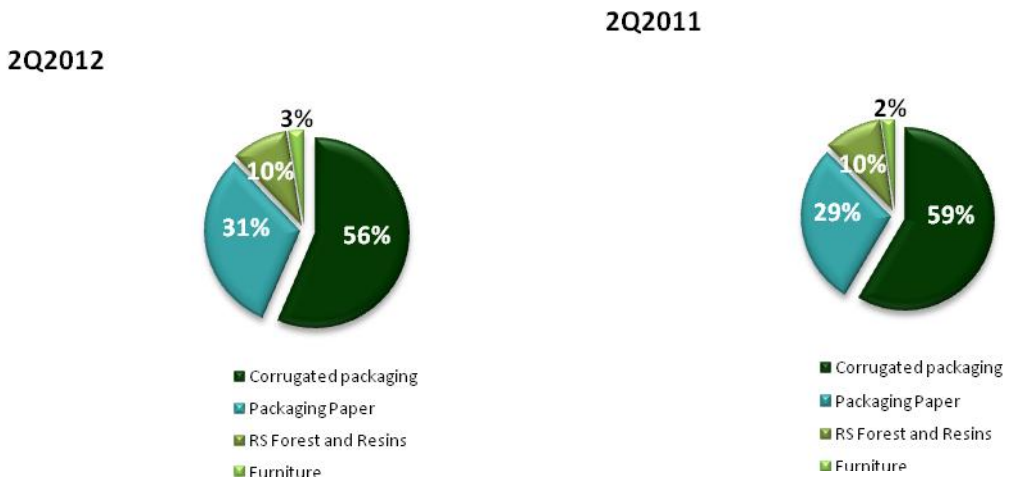
The average gross tar and turpentine prices decreased in 2Q12 in comparison with the same quarter of the previous year. This decrease was due to the fact that, in 2Q11, there was more foreign market demand for these products, which led to higher average prices. The demand returned to its historical levels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



2.3 Composition of net operating revenue

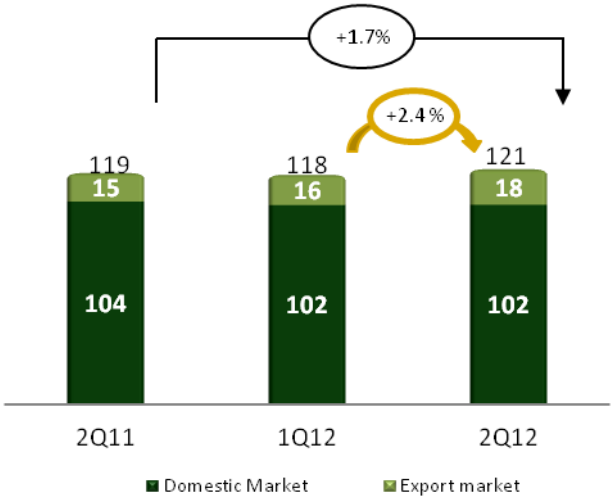
Net operating revenue by sector (%)

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



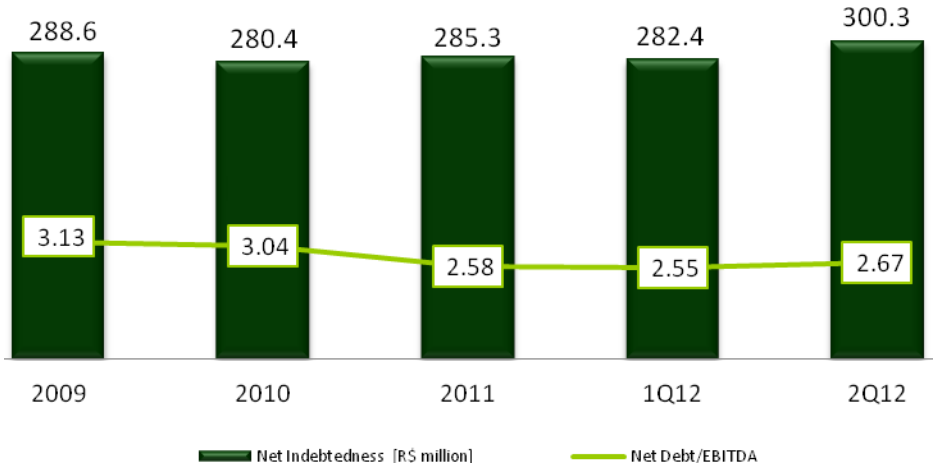
Net operating revenue by market (R$ million)

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



3. INDEBTEDNESS AND FINANCIAL RESULT

3.1 Net indebtedness



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

3.2 Finance result

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

The distribution of the finance result was as follows:

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

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

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

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

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

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

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

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

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

4. INVESTMENTS

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

when added to the investments previously approved, totals R$ 64.5 million of investments to be realized in 2012.