



Celulose Irani S.A.



Comments on company performance – 2nd Quarter of 2007

COMMENTS ON THE CONSOLIDATED PERFORMANCE IN THE QUARTER

The information below is presented on a consolidated basis, except when related to 2Q2006 since the financial statements were not consolidated at that date. The amounts are expressed in Brazilian reais and are in accordance with Brazilian accounting practices.

1 – FINANCIAL PERFORMANCE

The principal financial indicators for 2Q2007 and 2Q2006 are as follows:

MAIN FINANCIAL INDICATORS

(R\$ thousand)	2Q2007 Company	%	2Q2007 Consolidated	2Q2006 Company
Gross operating revenue	107,636	18.3	109,735	90,958
Net operating revenue	85,799	18.0	87,787	72,684
Gross profit	22,419	22.8	23,388	18,259
Gross margin	26,1		26,5	25,1
Income (loss) from operations, net	9,827		9,873	(1,305)
Net income (loss)	6,781		6,781	(1,345)
EBITDA	12,298	59.8	12,918	7,698
EBITDA margin	14.3 %		14.7 %	10.6%

EBITDA - EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

(R\$ thousand)	2Q2007 Company	%	2Q2007 Consolidated	2Q2006 Company
Net income (loss)	6,781		6,781	(1,345)
Income and social contribution taxes	3,190		3,236	-
Income (loss) before income and social contribution taxes	9,971		10,017	(1,345)
Depreciation, depletion and amortization	6,962	50	7,531	4,632
Financial income (expenses)	(4,635)	(205)	(4,630)	4,411
EBITDA	12,298	59.8	12,918	7,698



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The Company's gross revenue increased 18.3% this quarter compared to the same quarter of the prior year, totaling R\$ 107,636 (R\$ 109,735 consolidated). Net Operating Revenue and Gross Profit increased 18.0% and 22.8%, respectively, in 2Q2007 in relation to 2Q2006.

The Company reported Loss from Operations in the amount of R\$ 1,305 in 2Q2006, and Income from Operations in the amount of R\$ 9,827 in 2Q2007 (R\$ 9,873 consolidated), as well as net loss of R\$ 1,345 in 2Q2006 and net income of R\$ 6,781 in 2Q2007.

EBITDA increased 59.8%, from R\$ 7,698 in 2Q2006 to R\$ 12,298 in 2Q2007 (R\$ 12,918 consolidated). EBITDA margin increased from 10.6% to 14.3% (14.7% consolidated) in 2Q2007.

The improvement of financial performance is a result of good sales performance and better production cost management.

Financial income (expenses)

The financial result this quarter was positive at R\$ 4,635 (R\$ 4,630 consolidated) compared to R\$ 4,411 negative in the same quarter of the prior year. The balances for 2Q2007 and 2Q2006 are as follows:

2Q2007 – Financial income R\$ 12,024 and Financial expenses R\$ 7,389

2Q2006 – Financial income R\$ 3,044 and Financial expenses R\$ 7,455

The main variations refer to the increase in financial income resulting principally from the exchange variation of the financing obtained from Credit Suisse Bank in the amount of US\$ 60 million, which is being invested in the plants in 2007 and shall be concluded in 2008. Financial income also includes income from temporary cash investments for the period. Financial expenses did not vary significantly from the same quarter of 2006.



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2 – OPERATIONAL PERFORMANCE

a) Production and Sales

Production and sales volumes of the main products are as follows:

Not reviewed

PRODUCTION AND SALES VOLUMES

Products	2Q2007				2Q2006	
	Production	%	Sale	%	Production	Sale
Packaging paper (ton)	43,156.4	1.5	25,049.5	10.1	42,521.3	22,751.1
Packaging – São Paulo (ton)	12,539.1	13.7	12,654.6	16.3	11,032.2	10,883.6
Packaging – Santa Catarina (ton)	8,596.4	11.3	8,455.7	6.8	7,726.4	7,919.1
Furniture (m3)	4,879.7	64.0	5,083.4	70.6	2,974.8	2,979.4
Wood (m3)	2,313.2	(54.4)	495.5	(89.5)	5,067.7	4,709.8
Resins (ton)	1,768.7	(6.1)	1,697.6	(9.1)	1,884.5	1,866.8

The paper production increased 1.5% this quarter in relation to 2Q2006, paper sales in physical volume increased 10.1% compared to 2Q2006. Transfers of paper to our São Paulo packaging plant for processing were 11,095.3 tonnes (11,353.7 tonnes in 2Q2006), and the sales volume of this Business Unit was 6,982.9 tonnes of boxes and 5,671.7 tonnes of sheets (6,137.7 tonnes of boxes and 4,745.9 tonnes of sheets in 2Q2006). This quarter there were also transfers of paper to our Santa Catarina packaging plant for processing in the amount of 7,847.9 tonnes (7,655.4 tonnes in 2Q2006), and the sales volume of this Business Unit was 6,322.8 tonnes of boxes and 2,132.9 tonnes of sheets (5,928.4 tonnes of boxes and 1,990.7 tonnes of sheets in 2Q2006).

The sales of the Woods Division decreased this quarter compared to 2Q2006. Of the wood production, 2,103.5 m³ (1,065.4 m³ in 2Q2006) was transferred to our furniture plant in the municipality of Rio Negrinho, state of Santa Catarina. For comparative purposes, the plant in São José do Norte, Rio Grande do Sul state, was in operation in 2Q2006 and was shut down during 2006.

The Furniture Division reported an increase in sales volume this quarter compared to 2Q2006. The furniture plant outsourced in 2Q2007 a volume of 3,503.4 m³ (1,481.8 m³ in 2Q2006), which contributed to sales for the quarter under analysis.



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Sales of the Resins Division decreased 9.1% compared to 2Q2006, and expected sales volume for this year remain the same as for 2006.

b) Gross Average Prices

Gross average prices of the main products sold are as follows:

	2Q2007	2Q2006
Paper	R\$ 1,697.90	R\$ 1,501.64
Sheets	R\$ 2,108.70	R\$ 1,929.55
Boxes	R\$ 2,503.12	R\$ 2,337.29

Gross average prices for paper increased 13.1% in 2Q2007 compared to 2Q2006. The prices of corrugated cardboard sheets and corrugated cardboard boxes also increased 9.3% and 7.1%, respectively, compared to 2Q2006.