(Amounts expressed in thousands of Reais, unless otherwise indicated)

1. OPERATING CONTEXT

The core business of the Company and its subsidiaries relates to the paper industry, corrugated cardboard packaging, industrialization of furniture in general predominantly of wood, as well as industrialization of resinous products and by-products. It takes action in foresting and re-foresting segment, using the productive chain of planted forests as the basis for its entire turnover.

2. PRESENTATION OF FINANCIAL STATEMENTS

The Financial Statements were elaborated and are being submitted pursuant to the accounting procedures adopted in Brazil and upon standards set by the Brazilian Securities and Exchange Commission - also known as CVM.

3. MAIN ACCOUNTING PRACTICES

a) Cash

This comprises cash balance, bank deposits and financial applications of immediate liquidity. The financial applications are recorded at rated values plus the income earned up to the balance date, not exceeding market value, as described in explanation note # 5.

b) Provision for bad credits

This is reckoned upon the risk analysis of credits that contemplates the history of losses, individual situation of customers and appraisal by business consultants and is deemed as sufficient by Board to cover possible losses in the realization of credits.

c) Inventory

These are demonstrated at the smaller rate between average production or acquisition cost, and the market price or net rate of payment.

d) Investments

The investments in affiliate companies are appraised by the equity method. The remaining investments are appraised at the cost of acquisition less the provision to adjust them to the likely realization rates, as applicable.

e) Fixed Assets

This is recorded at cost of acquisition or construction added to revaluation and deducted by depreciation and depletion. The counterpart of revaluations is recorded in a proper net worth account by its net value and among the deferred taxes under long term liabilities. Depreciation is reckoned by the linear method based upon rates determined in function of the estimated useable life of assets. Installation and maintenance expenses for development of forests are constructed assets while in formation and are depleted in function of the timber extraction carried out.

f) Deferred Liabilities

This relates to pre-operating expenses of the furniture plant project, as well as implementation and pre-operating expenses for the packaging plant, which can be amortized in the linear form for 10 years in function of the expected terms of future benefits.

g) Income tax and social security tax

These are provisioned pursuant to the actual profit determined as per the tax law in force.

Over the temporary differences for fiscal purposes and revaluation reserve, the deferred income tax and social security are recorded, bearing in mind determinations from Directive # 371 of the Securities and Exchange Commission – aka CVM.

h) Loans and financing

These are recorded by the original capturing values, updated for currency by the indexers contractually agreed upon with the creditors, plus the proper interest up to the balance sheet dates, as described in explanation remark # 14.

i) Provision for contingencies

Constituted by sum regarded as enough by Management to cover possible losses, updated until the balance sheet dates, under observance of each contingency's nature and supported by the Company lawyers' opinion.

j) Use of estimates

The preparation of Financial Statements in accordance with the accounting practices adopted in Brazil requires the Management to apply assumptions and judgments in determining the value and record of accounting estimates. Significant assets and liabilities subject to these estimates include the definition of the lifetime of assets of fixed and deferred assets, provision for bad debts, obsolescence of inventory, deferred income tax assets and provisions for contingencies. The settlement of transactions involving these estimates may result in values different from estimation due to assumptions used inherent to their determination process. The Company reviews the estimates and assumptions periodically.

k) Income determination

The outcome is determined by accrual basis and includes income, charges and foreign exchange variations at the official rates applied to long term current assets and liabilities, and includes the effects of asset adjustments to the realization value, if applicable.

l) Recognition of income

This is recognized at moment of transferring significant benefits of transaction, as well as the ownership of referenced assets.

m) Recognition of costs

These comprise the costs of raw materials, packaging, direct and indirect manpower in manufacturing of products, general manufacturing expenses such as electric power, water, upkeep of the industrial park, depreciation of industrial assets and factory facilities.

n) Profit per share

Reckoned with basis on shares in circulation on the balance sheet dates.

4. PRESENTATION OF QUARTERLY STATEMENTS

The consolidated Quarterly Financial Statements cover Celulose Irani S.A. and its affiliates as follows:

Share of Capital Stock - (%)

Affiliates	06.30.08	03.31.08
Irani Trading S.A. (direct interest)	99.98	99.98
Habitasul Florestal S.A. (direct and indirect interest)	100.00	100.00
Brastilo Inc, (direct interest)	100.00	100.00
Meu Móvel de Madeira LTDA. (direct interest)	99.00	99.00

The accounting practices adopted by the affiliate companies conform to the practices adopted by the holding company. In the consolidated Quarterly Statements, the affiliate company investments and the equity method results were eliminated, as well as the balances of operations realized and the non-realized profits among the companies. The financial statements of the affiliate companies used for consolidation have the same base date as the parent company.

Reconciliation between the net worth values and the fiscal year income of the company and consolidated is presented as follows:

	Profit/Loss		Net Assets	
	06.30.08	03.31.08	06.30.08	03.31.08
Parent Company	8,201	(245)	109,336	101,135
Liabilities short on subsidiary				
Meu Móvel de Madeira LTDA.	(285)	-	(285)	-
Unrealized profit in inventory	(242)	(194)	(242)	(194)
Non-realized result reversion	194	123	-	-
Consolidated	7,868	(316)	108,809	100,941

5. CASH.

Cash is reflected as follows:

	Parent Company		Consolidated	
	06.30.08	03.31.08	06.30.08	03.31.08
Fixed Cash Found	16	16	142	97
Banks	12,383	1,077	12,434	1,185
Financial applications	4.434	25,298	4,434	25,398
	16,833	26,391	17,010	26,680

Financial applications are represented by Investment Funds. The average yield on June 30, 2008 was 100.01% of CDI.

The resources applied come from the operation contracted with Bank Credit Suisse for exports prepayment and are being utilized in investment projects forecasted up to end of 2008.

6. CUSTOMERS

	Parent Company		Consolidated	
	06.30.08	03.31.08	06.30.08	03.31.08
Trade accounts receivable:				
Clients - domestic market	51,848	46,496	53,531	47,710
Clients - foreign market	7,526	10,341	7,599	10,416
Subsidiaries	3,126	1,217	-	-
	62,500	58,054	61,130	58,126
Allowance for doubtful accounts	(3,174)	(3,487)	(3,854)	(4,167)
Sales financing (vendor)	(5,458)	(5,530)	(5,458)	(5,530)
	53,868	49,037	51,818	48,429

The aging list of receivables is as follows:

	Parent Company		Consolidated	
	06.30.08	03.31.08	06.30.08	03.31.08
Current	54,613	47,209	52,527	47,087
Up to 30 days past-due	1,806	3,648	1,879	3,651
From 31 to 60 days past-due	347	851	347	797
From 61 to 90 days past-due	226	132	226	132
From 91to 180 days past due	436	1,115	436	914
Over 180 days past due	5,072	5,099	5,715	5,545
	62,500	58,054	61,130	58,126

7. INVENTORIES

	Parent Company	Parent Company	Consolidated	Consolidated
	06.30.08	03.31.08	06.30.08	03.31.08
Finished Product	6,480	12,656	7,867	12,826
Products in Process	14,929	15,032	14,929	15,032
Consumption materials	5,820	4,847	5,820	4,847
Foreign inventory	-	-	431	491
Other inventories	1,988	1,814	2,139	2,173
	29,217	34,349	31,186	35,369

8. TAX CREDITS

These are shown as follows:

	Parent Company		Consolidated	
	06.30.08	03.31.08	06.30.08	03.31.08
ICMS on purchase of fixed assets	13,797	12,429	13,798	12,429
ICMS	718	723	1,056	820
IPI	632	616	632	616
Income tax	3,489	2,128	3,490	2,128
Social contribution tax	1,301	734	1,301	734
Other	18	82	169	102
	19,955	16,712	20,446	16,829
Current	10,363	8,222	10,797	8,281
Non-current	9,592	8,490	9,649	8,548

9. DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES

	Parent Company and Consolidated	
	06.30.08	03.31.08
Deferred income tax asset		
On non-deductible provisions	12,652	12,363
On goodwill amortization	1,572	1,310
Deferred social contribution tax asset		
On non-deductible provisions	4,556	4,453
On goodwill amortization	565	471
	19,345	18,597

According to CVM Instruction # 371, the Company registered its deferred fiscal assets relating to income tax and social security over all the temporary differences. Temporary differences are difficult to evaluate as to their realization timing and for this reason the Company is presenting the total amount of the balance in the non-current asset.

10. INVESTMENTS

	Habitasul Florestal	Irani Trading	Meu Móvel de Madeira	Brastilo Inc.	Total 06.30.08	Total 03.31.07	Total 06.30.07
Capital	28,260	3,054	300	1,226	-	-	-
Shareholder´s equity	29,573	3,414	(288)	110	-	-	-
Net income for the year (2Q08)	1,088	163	(324)	(391)	-	-	-
Ownership interest - %	95.36	99.98	99,00	100,00	-	-	-
Beginning balance	27,165	3,250	35	114	30,564	30,927	31,026
Acquisition of investment	-	-	-	395	395	396	-
Equity in subsidiaries	1,038	163	(35)	(391)	774	(758)	661
Profit/(Loss) exchange	-	-	-	(7)	(7)	(2)	-
Investment adjustment	-	-	-	-	-	-	(116)
Total investments in subsidiarie	28,203	3,413	-	111	31,726	30,563	31,571

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

The subsidiary Habitasul Florestal S.A. is engaged in the planting, cutting and upkeep of pine forests and extraction of rosin.

In December 2007, Celulose Irani S.A. subscribed 297 shares of the capital stock of the company Meu Móvel de Madeira Comércio de Móveis e Decorações LTDA, with rated value of R$ 1 thousand each. The affiliate Móvel de Madeira Comércio de Móveis e Decorações LTDA performs retail sales operations of furniture and decorations and furniture assembly services.

In October 2007, Celulose Irani S.A. constituted the subsidiary Brastilo Inc, with seat in Florida, USA, this subsidiary aims at performing retail sales operations of furniture and handicraft in general.

11. FIXED ASSETS

Parent Company	Annual depreciation rates	06.30.08 Cost	06.30.08 Accumulated depreciation and depletion	06.30.08 Net	03.31.08 Net
Land	-	14,576	-	14,576	14,576
Buildings and improvements	4%	53,709	(23,662)	30,047	30,341
Machinery, equipment and installations	10 a 20%	202,170	(110,571)	91,599	72,353
Forestation and reforestation	(*)	74,875	(34,921)	39,954	38,350
Vehicles and tractors	20%	1,403	(986)	417	446
Fixed assets in progress	-	131,268	-	131,268	108,412
Advance to suppliers	-	9,870	-	9,870	12,974
		487,871	(170,140)	317,731	277.452

Consolidated	Annual Depreciation rates	06.30.08 Cost	06.30.08 Accumulated Depreciation and depletion	06.30.08 Net	03.31.08 Net
Land	-	28,033	-	28,033	28,033
Buildings and improvements	4%	57,465	(25,193)	32,272	32,919
Machinery, equipment and installations	10 a 20%	202,433	(110,651)	91,782	72,334
Forestation and reforestation	(*)	94,135	(49,197)	44,938	43,889
Vehicles and tractors	20%	1,411	(986)	425	256
Other	10 a 20%	30	-	30	33
Fixed assets in progress	-	132,274	-	132,274	109,186
Advance to suppliers	-	9,870	-	9,870	12,974
		525,651	(186,027)	339,624	299,624

(*) Depletion reckoned upon the timber extraction in relation to the total extraction expected from the planted area.

The advance to suppliers refers to new investments in Indaiatuba Unit – SP and in Paper and Packaging Units in Vargem Bonita – SC.

Fixed assets in progress mainly refers to the improvements of Overrun Project of Paper Unit in Vargem Bonita, SC, and in Packaging Unit of Indaiatuba, SP, and in Packaging Unit in Vargem Bonita, SC, which represent R$ 78.3 million, R$ 18.9 million e R$ 10.1 million respectively, on June 30, 2008.

In year 1994, the company ran a reassessment in the following fixed assets accounts:

	Parent Company and Consolidated 06.30.08			Parent Company and Consolidated 03.31.08
	Revaluation	Realization	Residual Value	Residual Value
Land	11,677	-	11,677	11,677
Buildings and constructions	13,490	(7,150)	6,340	6,475
Forestation and reforestation	27,135	(26,642)	493	555
	52,302	(33,792)	18,510	18,707

Over the residual amount, except land plots, income tax and social security tax are provisioned in the amount of R$ 2,323 (R$ 2,390 on 03.31.08).

According to the Law 11.638/07, the Company decided on keeping the revaluation balances which will be lowered when realizable.

12. INTANGIBLE

	Parent Company and Consolidated 06.30.08	Parent Company and Consolidated 03.31.08
Goodwill in subsidiaries		
Beginning balance	36,688	37,736
Realization	(1,048)	(1,048)
End balance	35,640	36,688

The goodwill determined in the acquisition of Habitasul Florestal S.A. is grounded upon the expectation of future profits and is being amortized linearly within a term of 10 years.

13. DEFERRED CHARGES

	Parent Company And Consolidated	Parent Company and Consolidated
	06.30.08	03.31.08
Furniture Division	2,683	2,832
Indaiatuba Packaging Division - SP	1,009	1,065
	3,692	3,897

Movement of deferred balance:

Parent Company and consolidated	03.31.08	Amortization	06.30.08
Furniture Divison	2,832	(149)	2,683
Indaiatuba Packaging Division - SP	1,065	(56)	1,009
	3,897	(205)	3,692

This includes the pre-operating expenses of Furniture Division projects named as "Meu Móvel de Madeira" (My Wooden Furniture) and "Móveis Estados Unidos" (BRASTILO) and expenses with implementation and pre-operation of the new Packaging Unit – Indaiatuba – SP.

14. LOANS AND FINANCING

	Parent Company and Consolidated	
	06.30.08	03.31.08
Current item		
Domestic Currency		
FINAME	16,015	14,186
Working capital	21,808	16,114
Total domestic currency	37,823	30,300
Foreign currency		
Forex contract advance	17,296	13,335
Bank Votorantim S/A	5,304	1,284
Bank Itaú S/A	3,667	4,034
DF Deutsche Forfait s.r.o.	352	379
Toronto Dominion Bank	296	328
Bank Credit Suisse	23,632	19,470
Bank C.I.T	978	1,078
Bank ABN Amro Bank	1,626	-
Bank Santander	5,296	5,785
Bank Safra	7,816	8,254
Total foreign currency	66,263	53,947
Portion of current item	104,086	84,247
Non-Current item		
Domestic Currency		
FINAME	37,091	34,060
Working Capital	12,376	5,486
Total domestic currency	49,467	39,546
Foreign currency		
Bank Votorantim S/A	5,534	2,566
DF Deutsche Forfait s.r.o.	879	948
Toronto Dominion Bank	888	1,151
Bank Credit Suisse	88,619	103,838
Bank C.I.T	3,423	4,042
Bank ABN Amro Real	6,503	8,785
Bank Santander	7,347	7,942
Total foreign currency	113,193	129,272
Total long term	162,660	168,818
Total	266,746	253,065

Long term repayments on maturity:	06.30.08	03.31.08
2009	47,749	46,978
2010	41,260	38,685
2011	32,840	34,644
2012	25,517	30,359
2013	15,294	18,152
	162,660	168,818

Loans in domestic currency:

a) Finame - subject to interest that varies between 2.0% and 8.5% per year plus TJLP (long term interest rate), with final due date in 2013.

b) Working Capital is subject to interest that varies between 100.0% and 120.0% of CDI, with final due date in the second half of 2012.

Loans in foreign currency:

Foreign currency loans on June 30, 2008 are updated by the dollar or euro exchange rate variation with interest over them at the rate of 6.00% per year and 11.05% per year.

c) The foreign exchange contract advances are updated by the dollar exchange variation and has its invoices arranged for settlement up to July, 2009.

d) Banco Votorantim S.A., updated by the dollar exchange rate and payable in half-yearly installments with final one due in 2011.

e) Banco Itaú S.A., updated by the dollar exchange rate and payable in single installment that falls due on August of 2008.

f) DF Deutsche Forfait s.r.o, updated by the euro exchange rate and payable in year-half installments with final one due in 2011.

g) Toronto Dominion Bank, updated by the dollar exchange rate and payable in year-half installments, final one due in 2011.

h) Banco Credit Suisse, updated by the dollar exchange rate and payable in quarterly installments with final one due in 2013, relates to exports pre-payment operation. The financing was contracted according to approval by the Board of Directors and shall be set for export financing, lengthening of debt term and implementation of the Company's 2007/2008 investment plan.

i) Banco C.I.T., updated by the euro exchange rate and payable in quarterly installments with final one due in 2012.

j) Banco ABN Amro Real, updated by the euro exchange rate and payable in annual installments with final one due in 2013.

k) Banco Santander, updated by the dollar and euro exchange rate. Dollar operation payable in installments with due date in July, 2008 and the euro operation is payable in half-yearly installments with final due date in 2012.

l) Banco Safra, updated by the dollar exchange rate or 80% of CDI. Payable in annual installment with final one due date July, 2008.

The company offered as guarantee the co-signature of parent companies or mortgage of assets or fiduciary alienation and/or set of both, pursuant to each contract.

For financing of export pre-payment contracted with Banco Credit Suisse, were offered as guarantee real estate and forests of the subsidiary Habitasul Florestal S/A, some lands with its respective forests from Celulose Irani S.A., apart from shares that the parent company has in this affiliate.

In guarantee of operation with Bank ABN Amro Real offered were portfolio rights over the carbon credits business deriving from the Power Co-Generation project negotiated in contracts valid up to year 2013.

Some financing contracts with financial institutions have restrictive clauses linked to the maintenance of certain financial indexers, as set forth below:

Banco ABN AMRO Real

a) Margin of EBITDA equal to or greater than 11% in 2007 and 17% in 2008 to 2013;
b) Total debt ratio over EBITDA of 6 times in 2007 and of 3 times in 2008 to 2013;
c) Maximum financial leverage of twice the tangible net worth;

Credit Suisse Bank

a) Total debt ratio over EBITDA is 4.5 times for 2007; 4.0 times over first quarter of 2008; 3.75 times for the second quarter of 2008; 3.5 times for the third quarter of 2008; 3.0 times for the fourth quarter of 2008 and 2.5 times for the subsequent fiscal quarters up to 2013
b) Ratio of EBITDA over the net financial expenditure is at least 2 times for each quarter of 2007; 2.5 times for each quarter of 2007; and 3 times for the remaining quarters up o 2013;

On March 31, 2008 some of these covenants were not achieved, therefore, the Company requested and received on April 28, 2008 the creditor’s waiver for the non achieved covenants.

On June 30, 2008 the Company was not achieving some of the indexers described on item “a”. Company requested and received on August 13, 2008 an Amendment to the Contract revising some indexers which are now state as:

a) Total debt ratio over EBITDA is 5,50 times for the second quarter of 2008; 5,25 times for the third quarter of 2008; 4,50 times for the fourth quarter of 2008; 3,75 times for the first quarter of 2009; 3,25 for the second quarter of 2009.

This Amendment vintage starts back on April 01, 2008 (2Q08).

15. SUPPLIERS

They correspond to debts with suppliers as follows:

	Parent Company		Consolidated	
CURRENT	06.30.08	03.31.08	06.30.08	03.31.08
Domestic				
Materials	27,363	25,046	27,501	25,070
Fixed Assets	9,978	2,319	9,978	2,319
Service Provider	2,839	2,907	2,889	2,977
Carriers	3,118	2,776	3,134	2,776
Related parties	370	330	-	-
Foreign				
Materials	1,644	1,460	1,679	1,460
	45,312	34,838	45,181	34,602

16. TAXES INSTALLMENTS

These relate mainly to the installment plan of taxes and tax contributions, as per Law # 10684/2003, which is currency-adjusted by the TJLP variation. The installments are monthly amortized.

The Company entered a warrant security on February 29, 2005, aiming at declaring unconstitutionality of Law 9.718/98 (broadening of calculation basis) and to ensure the right to continue collecting PIS and COFINS taxes based on Complementary Laws 07/70 and 70/91. This lawsuit was judged in favor of the Company by the 4th Region of Local Federal Court (TRF 4R) and the decision became final on February 07, 2007.

In face of this the Company raised and constituted a reserve for contingencies for the figures incorrectly paid in the amount of R$ 478 thousand and registered on June 30, 2008 in the Federal Revenue Service at Porto Alegre/RS, a request for debts installments (PAES) review in order to recover these values.

CURRENT

	Parent Company		Consolidated	
	06.30.08	03.31.08	06.30.08	03.31.08
Special Installment plan - INSS	1,241	1,228	1,324	1,310
Special Installment plan-Sec. Receita Federal	2,014	1,985	2,014	1,985
Installment IRPJ	-	-	2	3
Installment ICMS - RS	-	-	68	93
(-) Provision Reduction PAES RFB	(478)	-	(478)	
	2,777	3,213	2,930	3,391

NONCURRENT

	Parent Company		Consolidated		Maturity
	06.30.08	03.31.08	06.30.08	03.31.08	
Special installment plan INSS	4,965	5,217	4,965	5,218	June 2013
Special Installment Sec. Receita Federal	8,076	8,464	8,076	8,464	July 2013
Installment INSS			743	754	May 2018
	13,041	13,681	13,784	14,436	

Long –term maturities

2009	2,108	2,748	2,150	2,802
2010	3,079	3,079	3,159	3,159
2011	3,079	3,079	3,159	3,159
2012	3,077	3,077	3,157	3,157
2013	1,698	1,698	1,850	1,850
Thereafter	-	-	309	309
	13,041	13,681	13,784	14,436

17. RELATED PARTIES

This corresponds to debts toward the affiliates and others listed as follows:

Parent Company	Accounts Receivable		Supplier		Active Intercomp. Loans		Passive Intercomp. Loans		Revenue	Expense
	06.30.08	03.31.08	06.30.08	03.31.08	06.30.08	03.31.08	06.30.08	03.31.08	06.30.08	06.30.08
Irani Trading S.A	-	207	138	136	-	-	1,802	1,810	-	512
Habituasul Florestal S.A	-	1,566	195	194	-	-	8,743	9,087	-	594
Brastilo Inc	394	433	-	-	-	-	-	-	56	-
Irani Participações	-	-	37	-	-	-	-	-	-	240
Meu Móvel de Madeira	2,732	784	-	-	200	-	-	-	2,845	-
Habituasul Desen. Imob.	-	-	-	-	-	-	11,040	13,028	777	645
Total	3,126	2,990	370	330	200	-	21,585	23,925	3,678	1,991
Current	(3,126)	(2,990)	(370)	(330)	-	-	(6,624)	(6,514)		
Noncurrent	-	-	-	-	200	-	14,961	17,411		

Consolidated	Mútuo Passivo	
	06.30.08	03.31.08
Habitasul Desen. Imob.	11,040	13,028
Total	11,040	13,028
Current	(6,624)	(6,514)
Noncurrent	4,416	6,514

Credits and debits toward affiliate companies Irani Trading S/A and Habitasul Florestal S/A, Brastilo Inc. and Meu Móvel de Madeira Ltda. derive from commercial operations among the parties and dividends receivable, there being no charges or final due date setting.

The debt toward the company Habitasul Empreendimentos Imobiliários Ltda are to be settled in 50 monthly and successive installments with final one falling due in February 2010, updated by the TJLP rate at 6% interest per year, according to the share purchase agreement of Habitasul Florestal S/A, effected in December, 2006.

No updates occurred from April 2007 to February 2008 by virtue of anticipated payment of 11 installments in March this year, when the interest was recognized as well as the discount obtained over these installments. On March and April, 2008 the Company paid 12 installments of the contract, with a discount of R$ 777.

18. PROVISION FOR CONTINGENCIES

The Company and its subsidiaries are listed as a party to civil lawsuits related to taxing and labor and in tax-related administrative processes. Supported by opinion of its lawyers and legal advisers, the Administration believes that the balance of the provision for contingency is sufficient to cover possible losses.

Opening balance of the provision for contingencies:

	Parent Company		Consolidated	
	06.30.08	03.31.08	06.30.08	03.31.08
Provision for civil contigencies	7.493	7.357	7.493	7.357
Provision for labor contingencies	2.662	2.662	3.122	3.122
Provision for taxes contingencies	(7.126)	(6.783)	(7.126)	(6.783)
(-) Escrow deposits	46.802	45.216	46.802	45.216
	49.831	48.452	50.291	48.912

Changes in reserve for contingencies are as follows:

Parent Company	03.31.08	Deposits	Reserve	Write-offs	06.30.08
Civil	7,357	-	136	-	7,493
Labor	2,662	-	-	-	2,662
Tax	45,216	-	1,586	-	46,802
(-) Escrow deposits	(6,783)	(343)	-	-	(7,126)
Total	48,452	(343)	1,722	-	49,831

Consolidated	03.31.08	Deposits	Reserve	Write-offs	06.30.08
Civil	7,357	-	136	-	7,493
Labor	3,122	-	-	-	3,122
Tax	45,216	-	1,586	-	46,802
(-) Escrow deposits	(6,783)	(343)	-	-	(7,126)
Total	48,912	(343)	1,722	-	50,291

The reserve for contingencies refers basically to:

a) Among other questions, the civil cases relate to indemnity requests for contractual terminations of Commercial Representation and mainly the bankruptcy lawsuit of the Company where the company enabled credit in the process. On June 30, 2008, there was R$ 7,493 provisioned to cope with any convictions in such cases. These processes have judicial deposits of R$ 6,798.

b) The labor suits, among other issues, refer to the claims formalized by former employees for payment of overtime, fringe benefits for occupational unhealthiness, hazards, diseases and accidents. Based on past experience and on the advice of their lawyers, the Company and its subsidiaries provisioned R$ 2,662 (R$ 3,122 consolidated) on June, 30, 2008, believed as sufficient to cover any possible labor case losses.

c) Provisions for tax contingencies relate to: i) fiscal execution promoted by the state of Santa Catarina in a matter of discussion of alleged irregular transfer of ICMS credit; ii) fiscal execution promoted by INSS dealing with collection of tax credit by means of NFLD #32.511.108-1 concerning the social security allegedly owed by contractors to provide labor-sourcing services, being the Company jointly liable. On June 30, 2008, the Company had provisioned the amount of R$ 5,473 as security for any convictions in these two cases, iii) Company Administration realized the compensation of federal taxes relating to its operations with IPI credits over acquisition of trimmings and other raw materials in the sum of R$ 25,123 between years 2001 to June 30, 2008. In November 2006, the Federal Revenue Service entered an administrative process, not accepting part of the compensations effected. The Company is discussing notifications received on the administrative sphere. The balance updated on June 30, 2008 totals R$ 41,329 (R$ 39,743 on March, 2008).

Possible Contingencies

For contingencies evaluated by legal consulters as possible losses no accounting provisions were created. On June 30, 2008, the amount of causes related to labor, civil rights, environment and taxation is broken down as follows:

	Parent Company and Consolidated	
	06.30.08	03.31.08
Labor contingencies	2,705	2,705
Civil contingencies	2,841	2,841
Environmental contingencies	926	926
Tax contingencies	11,088	11,088
	17,560	17,560

Labor contingencies

The labor lawsuits evaluated by legal consultants as possible losses reach a total of $ 2,705 and mainly contemplate indemnity causes (occupational hazards, unhealthiness, overtime, fringe benefits, material damage resulting from accidents at work) in various procedural stages of progress and understood by Management as having good chances of success.

Civil contingencies

Civil lawsuits evaluated by legal consultants as possible losses totaling R$ 2,841 and mainly contemplate indemnity claim for termination of Commercial Representation contract now in appellation stage.

Environmental contingencies

The environmental lawsuits evaluated by legal consultants as possible losses reach a total of R$ 926 and mainly contemplate lawsuit from the Federal Public Ministry.

Taxation contingencies

The taxation lawsuits evaluated by legal consultants as possible losses reach a total of R$ 11,088 and mainly contemplate the following processes:

- Administrative Process 10925.000172/2003-66 valued on June 30, 2008 at R$ 7,099 on the IPI infringement notice caused by alleged irregularity in the compensation of tax credit. The company benefits from the definite administrative decision by ruling # 203-03.459 dated 09/16/97 which declared said refund application as justified. The Federal Revenue of Brazil interposed an administrative appeal, which is pending judgment.
- Fiscal Execution # 2004.72.03.001555-8 INSS - National Institute of Social Security valued at R$ 3,832 on June 30, 2008 relating to Fiscal Notice of Debt Posting that concerns social contribution over the gross revenue from production sales of agroindustrial companies. The process is currently suspended in face of opposition from embargo by the Company.

19. SHAREHOLDERS EQUITY

Capital Social

Capital stock on June 30, 2008 was R$ 63,381, comprised of 8,104,500 shares, being 7,463,987 common and 640,513 preferential. Preferential shares have no voting rights and participate in profits with earnings higher than 10% in relation to the common shares and have priority over capital reimbursement without premium in case of Company liquidation. The company may issue preferential shares without face value and without voting rights up to the limit of 2/3 of the number of shares representing the stock capital, as well as increase the existing types and classes regardless of proportion to each other

On March 21, 2007, the Board of Directors authorized the Company to acquire 22,500 (twenty five thousand five hundred) common shares of its capital stock for the sum of R$ 321. These shares were issued upon increase of capital effected on February 8, 2007 and were purchased at subscription value in the Management Meeting that deliberated the said increase. These shares shall be maintained in treasury for later utilization in the Stock Option Plan already approved by the Shareholders' Special Meeting of September 14, 2007.

In the first quarter of 2008, the management fulfilled its right to acquired the stocks in treasury.

20. MANAGEMENT COMPENSATION

a) Expenses incurred with Management compensation, without social security, totaled R$ 1,452 in 2Q08 (R$ 1,417 in the same period of previous year). The shareholders extra ordinary general meeting of April 30, 2008 approved, for the fiscal period related, the total administration fee of maximum R$ 4,500.

b) The Company implemented a Directors Complementary Remuneration Program - Project Overrun, approved by Board of Directors Meeting held on August 24th, 2007 and by the Shareholders Extra Ordinary General Meeting held on September 14th, 2007. It is a part of this program, besides the Plan of Granting the Option of Share acquisition which each Directors exerted its right of acquisition in the first quarter of 2008, the Growth Participation Plan of 2007/2009 – called UPSIDE. This last one is based on the growth project 2007/2009 of Celulose Irani S/A, according to which it is expect a significant growth in cash flow generation (EBITDA), and the increase in market value of the Company. Each director will have the possibility to earn, in a financial bonus format, the equivalent percentage to the increase in market value, as long as the goal is achieved, calculated basis on a 10 management compensation equivalent vintage on December 2006. The regulation is filed in the Company's headquarter. The Company accrued in 2007 the amount of R$ 1,635 thousand in Management Compensation according to article 24 of the By-Laws and in conformity to the Growth Participation Plan.

21. OTHER OPERATING INCOME AND EXPENSES

Income	Parent Company		Consolidated	
	06.30.08	06.30.07	06.30.08	06.30.07
Sale of carbon credits	3,694	-	3.694	-
Share grouping	1,317	-	1,317	-
Provision reduction PAES RFB	478	-	478	-
Other operating income	579	416	600	425
	6,068	416	6,089	425

Expenses	Parent Company		Consolidated	
	06.30.08	06.30.07	06.30.08	06.30.07
Amortization of Hab. Florestal goodwill	(2,096)	(2,096)	(2,096)	(2,096)
Provision for contingencies	-	-	(460)	-
Amortization of Deferred	(410)	-	(410)	-
Provision for Deferred Taxes	-	-	(560)	-
Intermediation of the carbon credit sale	(846)	-	(846)	-
Other operating expenses	(546)	(318)	(560)	(323)
	(3,898)	(2,414)	(4,932)	(2,419)

In the Extra Ordinary General Meeting held on March 29, 2005 was approved a proposal for Grouping of Shares presented by the Board of Directors. This proposal forecasted an auction for the remaining and old carrier shares already extinguish from Celulose Irani S.A. and Irani Agro-Florestal S.A., this last one incorporated by the first one more than 10 years ago.

It was determined a period of 3 (three) years for the owners of the shares to claim its auction values. After that time, these values would be reverted in favor of the Company.

The non-complained value of R$ 1,317 was reverted in favor of the Company on June 30, 2008 in the account "Other Operating Income", according to Extra Ordinary General Meeting approval.

22. IMCOME TAX AND SOCIAL SECURITY TAX

Effective Reconciliation of taxes:

	Parent company		Consolidated	
	06.30.08	06.30.07	06.30.08	06.30.07
Income before taxes	11,986	14,601	11,681	14,728
Statutory rate	34%	34%	34%	34%
Expense at statutory rate	(4,075)	(4,964)	(3,972)	(5,008)
Tax effect of permanent (additions) deductions:				
Goodwill amortization	-	(713)	-	(713)
Equity	5	475	-	-
Realization of revaluation reserve	-	(270)	-	(270)
Interest on capital	-	595	-	595
Other permanent differences	40	74	(165)	466
Amount recorded in income	(4,030)	(4,803)	(4,137)	(4,930)
Current income and social contribution	(5,868)	(4,803)	(5,975)	(4,930)
Deferred income and social contribution	1,838	-	1,838	-

23. COMMERCIAL LEASING

The Company has responsibility for commercial leasing of machines, computing equipment and vehicles, with purchase option clauses, negotiated at the pre-fixed rate and 1% of residual value guaranteed at the end of contract and has lien agreement over its own assets.

On June 30, 2008, the commitments undertaken are summarized as follows:

	Parent Company and Consolidated	
	06.30.08	03.31.08
Year		
2008	1,539	2,408
2009	1,678	1,470
2010	1,496	1,295
2011	144	86
	4,857	5,259

Expenses incurred on June 30, 2008 with commercial leasing were R$ 2,051 (R$ 1,935 on June 30, 2007).

24. FINANCIAL INCOME (EXPENSES)

	Parent Company		Consolidated	
	06.30.08	06.30.07	06.30.08	06.30.07
Financial income				
Income from financial applications	1,186	3,207.0	1,186	3,207
Interest	177	428	206	432
Discounts obtained	124	72	124	76
Discounts over/ amort. Antec. Loan	777	614	777	614
	2,264	4,321	2,293	4,329
Exchange Variation				
Exchange gain	24,510	14,465	24,510	14,507
Exchange loss	(9,318)	(1,548)	(9,318)	(1,563)
Net exchange variation	15,192	12,917	15,192	12,944
Financial Expenses				
Interest	(10,163)	(10,928)	(10,213)	(10,889)
Discounts granted	(108)	(61)	(108)	(75)
Discounts/bank expenses	(468)	(276)	(472)	(276)
CPMF (tax on banking transactions)	-	(1,325)	-	(1,345)
Other	(83)	(580)	(85)	(661)
	(10,822)	(13,170)	(10,878)	(13,246)
Financial income (expenses)	6,634	4,068	6,607	4,027

25. INSURANCE (unaudited by the independent auditors)

The company adopts a conservative policy in relation to contracting insurance cover for miscellaneous casualties. The insurance cover is determined according to the nature of the assets risk, deemed as sufficient to cover possible losses resulting from casualties. On June 30, 2008, the cover is thus demonstrated:

Parent Company and Consolidated:

Coverage	Effective period	Insured amount
Company Insurance, office group, fire, lightning, explosion, recovery of documents, impact to vehicles, fall of aircraft, electrical damages, wind storm.	09/27/07 to 09/27/08	R$ 1,022
Industrial Insurance, factory group, Fire (as consequence of turmoils, inclusive), lightning and explosion of any nature, electrical damage, wind storm/ smoke (except fall of aircraft).	09/27/07 to 09/27/08	R$ 126,100
Industrial insurance, groups of paper and packing factory, civil liability and moral damages.	09/27/07 to 09/27/08	R$ 1,200
Group life insurance - collaborators - 24 or 48 times rated salary, whether by natural or accidental death, respectively.	12/02/07 to 12/01/08	the insured amount is limited to minimum R$ 10 and maximum R$ 500
Industrial insurance, plant group, coverage of windstorm/smoke.	02/20/08 to 09/27/08	R$ 38,000
Insurance of vehicle fleet, material, bodily and moral damages.	08/15/07 to 08/15/08	R$ 350 per vehicle.

26. FINANCIAL INSTRUMENTS

As per conditions set out in CVM Instruction 235/95, operations involving financial instruments for assets and liabilities, as below, are recorded in accounting by the values compatible with the current market rates for the operations of similar time frame and risks. The main financial instruments on the balance sheet date were as follows:

Balance: The book figures reflect the fair value due to the short term maturity of these financial instruments.

Rates of Interest: The Company may be impacted due to adverse changes in interest rates. This exposure to the risk of interest rates refers, mainly to the change in market interest rates that affect the Company's assets and liabilities indexed by the TJLP rate (Long Term Interest Rate of BNDES), CDI (Rate of Interest on Interbank Deposit Certificates), EURIBOR (Euro Interbank Offered Rate) or LIBOR (London Interbank Offered Rate).

Credit Risk: Financed sales of the Company are managed through stringent qualification program and credit grant. The settlement of bad debts is adequately covered by provisions to cope with the losses in the realization thereof.

Exposure to foreign exchange: The Company does not operate with derivative financial instruments intent on speculation.

Risk of foreign Exchange Exposure:

	Parent Company		Consolidated	
	06.30.08	03.31.08	06.30.08	03.31.08
Cash and cash equivalents	2,225	1	2,225	1
Accounts receivable	7,920	10,774	7,599	10,869
Advances from customers	(76)	(35)	(76)	(35)
Investment Brastilo Inc	111	114	-	-
Suppliers	(1,644)	(1,460)	(1,644)	(1,460)
Loans and financing	(179,456)	(183,219)	(179,456)	(183,219)
Net Exposure	(170,920)	(173,825)	(171,352)	(173,844)

The net exposure to foreign currency exchange rate is equivalent to 20 months of exports based upon the year's average. Since the highest amount of loans and financing are enforceable within 5 years, the Company has a natural "hedge" in its cash flow.

27. AMENDMENT TO THE BRAZILIAN LAW OF INCORPORATION, EFFECTIVE AS OF JANUARY 2008

On December 28, 2007, Law # 11638 went into force, which amends, revokes and introduces provisions to the Law of Corporation by Stock Shares, notably in relation to chapter XV on accounting matters, which go into effect for the financial year starting on January 1, 2008. This Law was mainly aimed at upgrading the Brazilian corporate law to enable the convergence process of accounting practices adopted in Brazil with those contained in the international accounting standards (IFRS) and to allow new accounting standards and procedures be issued by the Securities and Exchange Commission - CVM in line with international standards of accounting.

Although this Law has already gone into effect, some changes introduced depend on the regulations of the competent authorities to be applicable by the Companies. In such a way, the Quarterly Information (ITRs) does not cover the changes introduced by this Law.

On May, 2008, the Brazilian Securities and Exchange Commission (CVM) issued an Instruction CVM n° 469 which authorized the company for the non-application of all disposals of Law n° 11.638/07 in the elaboration of Quarterly Information (ITR). Taking care of the orientations contained in such Instruction, the Company informs below a description of all changes that might have impact over its financial statements of this fiscal period.

a) Statements of cash flow and added value – the Company will notify these statements in the end of the fiscal year.
b) Reclassification of the premium in the acquisition of shareholders participation for the Intangible Asset.
c) Obligatoriness of the register in the fixed assets of the rights that have for object corporeal properties destined to the maintenance of the activities of the Company, also the recurrent ones of operations that transfer to the Company the benefits, the risks and the control of the goods (example: “financial leasing”) - the evaluation of the Administration of the Company indicates that this change will generate the following effect in the individual and consolidated financial demonstrations:

Commercial Leasing	Parent Company and Consolidated
Increase Fixed assets	5,796
Increase Current Passive	1,693
Increase Long Term	
Current Liabilities	2,089
Increase Net Assets	2,014

Considering the existence of discussions and debates in the market, specially in the institutions and accounting associations and within the regulators, as well as the regulations still need to be given towards some subjects concerning the changes, other effects besides the one mentioned over the financial statements and releases of the Company will be verified.

(The Financial Statements were audited by Deloitte Touche Tohmatsu Independent Auditors).