Dear Shareholders:

The Management of **Celulose Irani S.A.** is pleased to submit its Management Report and Financial Statements, with the report of the Independent Auditors related to the year ended December 31, 2010. The Financial Statements are prepared in accordance with Brazilian Corporate Law and the amendments thereto and in compliance with the rules established by the Brazilian Securities and Exchange Commission (CVM).

MESSAGE TO SHAREHOLDERS

Celulose Irani S.A. is an integrated Paper and Packaging company, with a solid own forestland. The core of its business is the optimal use of planted pinewood forest (long fiber), through multiple uses, by seeking to add value to each stage of the production process, as well as to each forest-originated product: wood pulp, paper, packaging, wood, resins and biomass for energy.

HIGHLIGHTS OF YEAR 2010

IRANI reports its financial statements in IFRS

As at 2010, IRANI's consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS), as established by CVM Resolutions 457/07 and 485/10. Prior years' information was adjusted for comparative purposes. The main impacts refer to biological assets, their deemed cost and useful life. By adopting this criteria, the Company's assets increased by R$577,265 thousand in the opening balance sheet as of January 1, 2009. Consequently, the Company's shareholders' equity increased from R$89,620 thousand to R$467,116 thousand on December 31, 2010.

Reconciliation of net income (loss)

	R$ thousand	4Q10	3Q10	4Q09	2010	2009
	Net income before IFRS adjustments	2,062	7,919	5,395	3,798	43,590
(1)	Change in the fair value of biological assets	(2,106)	23,842	1,345	50,738	3,696
(2)	Depletion of biological assets to fair value	(3,987)	(3,404)	(3,098)	(13,453)	(12,120)
(2)	Remeasurement of the useful life of machinery and equipment	840	928	-	4,107	-
	Other operating income (expenses)	(190)	97	97	101	(21,685)
(3)	Effect of deferred income tax and social contribution	4,446	(4,235)	(2)	(7,535)	8,470
	Allocation of management profit sharing	(3,396)	-	-	(3,396)	-
	Net income (loss) after IFRS adjustments	(2,331)	25,147	3,737	34,360	21,951

Notes: (1) Recognized as income (loss);
(2) Recognized in Cost of Products Sold;
(3) Recognized in income tax and social contribution expenses

Reconciliation of shareholders' equity

R$ thousand	2010	2009
Shareholders' equity before IFRS adjustments	89,620	89,625
Fair value of forests	113,748	120,983
Deemed cost	414,033	415,220
Deferred income tax on fair value and deemed cost	(178,350)	(180,529)
Realization of reserves	6,243	20,074
Effect on net income (loss) for the period	30,562	(22,660)
Dividends on the result of IFRS	(8,740)	-
Shareholders' equity after IFRS adjustments	467,116	442,713

The year of 2010 was distinguished by the recovery from the financial and economic crisis that affected the market in 2008 and 2009. The Brazilian GDP increased by 7.5% in 2010 over 2009, generating a strong demand for corrugated cardboard packaging, a division that represents 60% of the Company's revenues. According to the Corrugated Cardboard Brazilian Association (ABPO), the delivery of corrugated cardboard increased by 13% in 2010 over 2009, in square meters. In the same period, IRANI's performance was up by 24.5% compared to the industry, thus increasing the Company's market share to 5.5%. Investments made in the Superação Project in 2007/2008 increased the Company's competitiveness, expanding the production capacity of corrugated cardboard plants in Vargem Bonita , SC and Indaiatuba, SP.

IRANI's consolidated Net Operating Revenue increased by 18.7% in 2010 over 2009. The Company's good performance arose from investments made in the Superação Project in 2007/2008, increasing the Company's competitiveness and the paper and packaging production capacity. Also in 2010, the prices of products increased, offsetting higher costs in the period.

The US dollar remained practically stable in 2010 over 2009, contributing to the stability, in Brazilian reais, of the US dollar-denominated debt. In view of the Company's policy to keep payments in strong currency equivalent to trade accounts receivable in the same currency in the long term, there is a natural cash flow hedge, which does not generate additional or unexpected imbalances as a result of such abrupt change in currency quotation.

Net income amounted to R$34,360 thousand in 2010. Adjusted EBITDA remained nearly stable at R$92,216 thousand in 2010 over R$92,340 thousand in 2009. It is worth noting that 2010 EBITDA was not impacted by occasional events that took place in 2009, such as joining Refis program and the unexpected sale of wood, which increase EBITDA in that period. Consequently, EBITDA margin stood at 20.6% in 2010 over 24.5% in 2009. Net debt/EBITDA ratio decreased from 3.13 times in 2009 to 3.04 times in 2010.

The year of 2010 was also distinguished by the change in the accounting standards, which impacted the Company's financial statements by making them more precise and accurate towards the Company's actual financial position. The impacts from adopting the new standards can be found in the Notes to the Financial Statements.

Discontinuation of the Furniture Division

In a meeting held on September 21, 2010, the Company's Board of Directors approved the discontinuation of furniture manufacturing in its unit in Rio Negrinho, SC. Operations were effectively discontinued in October 2010. However, the Company will maintain its strategy to sell furniture in the domestic market through its subsidiary Meu Móvel de Madeira Comércio de Móveis e Decorações Ltda. Furniture will be directly sold to the end consumer through the website www.meumoveldemadeira.com.br. To meet sales, the Company maintained its suppliers in the Rio Negrinho, SC area.

Debentures

On April 12, 2010, the first issue of simple, nonconvertible debentures with limited placement efforts was subscribed and paid-in, pursuant to CVM Instruction 476/09, amounting to R$100 million. The transaction has a 5-year term and 18-month grace period. Funds were used to extend the short-term debt and were invested in the Company's regular activities.

Real Estate Credit Note (CCI)

On August 3, 2010, 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. Due to this assignment, the Securitizer issued Certificates of Real Estate Receivables (CRIs) as collateral, paying on August 6, 2010 to Irani Trading S.A. the amount relating to the CCI assignment of R$40,833. This transaction is being settled in 37 monthly and consecutive installments of R$1,364 thousand 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. Funds raised were used by Irani Trading S.A. to pay for the 40 subordinated, simple, registered, nonconvertible debentures issued by Celulose Irani S.A., totaling R$40 million. The issuance was approved in the Board of Directors' meeting held on July 12, 2010. The Company used these funds to refinance its short-term debt and its operating activities. As of December 31, 2010, the outstanding balance of Irani Trading's securitization operation is R$35,355 thousand.

MAIN FINANCIAL INDICATORS
(including descontinued operation)

R$ thousand	4Q10	3Q10	4Q09	2010	2009
Net Operating Revenue	115,836	124,851	96,451	447,472	376,879
Domestic Market	107,862	112,282	86,389	397,902	301,132
Foreign Market	7,974	12,569	10,062	49,570	75,747
Gross Profit	27,204	60,089	23,027	170,615	87,582
Gross Margin	23.5%	48.1%	23.9%	38.1%	23.2%
Operating Profit before taxes and Participations	(3,938)	31,714	9,520	39,765	40,116
Operating Margin	-3.4%	25.4%	9.9%	8.9%	10.6%
Net Result	**(2,331)**	**25,147**	**3,737**	**34,360**	**21,951**
Net Margin	-2.0%	20.1%	3.9%	7.7%	5.8%

EBITDA - EARNING BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (*)

R$ thousand	4Q10	3Q10	4Q09	2010	2009
Result before Taxes	**(3,938)**	**31,714**	**9,520**	**39,765**	**40,116**
Change in fair value - biologica assets	2,106	(23,842)	(1,346)	(50,738)	(3,696)
Depletion	4,729	4,109	3,733	16,212	25,001
Depreciation and Amortization	9,129	8,641	9,338	34,801	37,281
Financial Result	6,807	5,271	6,485	42,744	(12,588)
EBITDA	**18,833**	**25,893**	**27,730**	**82,784**	**86,114**
Reserves	2,408	2,663	1,683	9,432	4,581
Non recurring events*	-	-	-	-	1,645
Adjusted EBITDA	**21,241**	**28,556**	**29,413**	**92,216**	**92,340**
EBITDA Margin	18.3%	22.9%	30.5%	20.6%	24.5%
*Non recurring events:	-	-	-	-	1,645
Asset sale - farm	-	-	-	-	188
Windstorm	-	-	-	-	1,457

Note: EBITDA is the operating income (loss) plus net financial income (expense) and depreciation, depletion, and amortization. EBITDA is not an accounting measure in accordance with Brazilian accounting practices, does not represent cash flows for the periods indicated and should not be considered as an alternative to net income as an indicator of operating performance or as an alternative to cash flows as an indicator of liquidity. EBITDA has no standard meaning and our definition of EBITDA cannot be comparable to EBITDA or adjusted EBITDA as used by other Companies. Although EBITDA does not represent a measure of operating cash flow in accordance with accounting practices adopted in Brazil, our management uses EBITDA to measure our operating performance. Moreover, we understand that certain investors and financial analysts use EBITDA as an indicator of a Company's operating performance and/or cash flow.

Net Operating Revenue

Net Operating Revenue decreased by 7.2% in 4Q10 as compared to 3Q10 and increased by 20.1% in 4Q10 over 4Q09. Net Operating Revenue amounted to R$447,472 thousand in 2010, an increase of 18.7% as compared to the previous year.

Gross Profit

Gross Profit amounted to R$27,204 thousand in 4Q10, a reduction of 54.7% as compared to 3Q10 and a growth of 18.1% as compared to 4Q09. Gross Profit amounted to R$170,615 thousand in 2010 against R$87,582 thousand in 2009, a growth of 94.8%. Gross Margin stood at 38.1% in 2010, up by 14.9 percentage points over 2009.

Operating income (loss) before taxes and profit sharing

Operating income (expenses) before taxes and profit sharing stood at R$(3,938) thousand in 4Q10 over R$31,714 thousand in 3Q10 and R$9,520 thousand in 4Q09. Operating income (expenses) totaled R$39,765 thousand in 2010, remaining stable over the R$40,116 thousand in 2009.

EBITDA

Adjusted consolidated EBITDA amounted to R$21,241 thousand in 4Q10 against R$28,556 thousand in 3Q10, a decrease of 25.6%. In the 4Q09, EBITDA also decreased by 27.8%. Adjusted EBITDA amounted to R$92,216 thousand in 2010, remaining stable over 2009. The adjusted consolidated EBITDA margin decreased from 24.5% in 2009 to 20.6% in 2010. Occasional events increased EBITDA in 4Q09 and in 2009, such as joining Refis IV program in November 2009 and the unexpected sale of wood in September. These events did not occur in 2010.

Financial Result

Financial Result was negative by R$6,807 thousand in 4Q10. In 2010, Financial Result was negative by R$42,744 thousand over 2009, which was positive by R$12,588 thousand. Of the R$42,744 thousand negative in 2010, R$360 thousand correspond to the negative net exchange variation, R$5,938 thousand to financial income (income from short-term investments, interest and discounts obtained) and R$48,322 thousand to financial expenses (interest from loans and financing, bank fees and discounts granted).

The breakdown of financial result is as follows:

R$ thousand	4Q10	3Q10	4Q09	2010	2009
Financial Income	6,733	9,891	5,966	35,409	75,538
Financial Expenses	(13,540)	(15,162)	(12,451)	(78,153)	(62,950)
Financial Result	(6,807)	(5,271)	(6,485)	(42,744)	12,588

Financial income and expense include foreign exchange loss and gain as follows:

R$ thousand	4Q10	3Q10	4Q09	2010	2009
Foreign exchange gain	5,156	8,543	5,383	30,830	73,589
Foreign exchange loss	(2,533)	(1,909)	(1,424)	(31,190)	(14,766)
Net foreign exchange variation	2,623	6,634	3,959	(360)	58,823

Financial result without foreign exchange variation is as follows:

R$ thousand	4Q10	3Q10	4Q09	2010	2009
Financial result without foreign exchange variation	(9,430)	(11,905)	(10,444)	(42,384)	(46,235)

Financial results in all quarters have been affected by the fluctuation of U.S. dollar and EURO, which are the basis for restatement of certain of the Company's loans and financing.

Measurement at fair value of biological assets (forests)

As at 2010, the Company measures the fair value of its biological assets (forests) on a quarterly basis, as required by CPC 29. Changes in the fair value of the Company's biological assets materially affected 2010 results, as follows:

Effects of changes in the fair value of biological assets

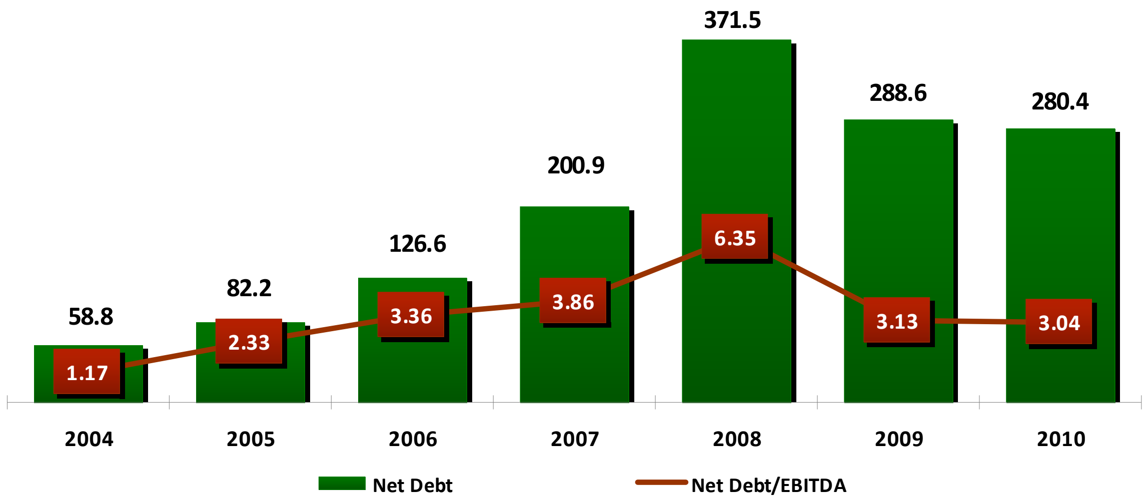
R$ thousand	2010	2009
Change in the fair value of biological assets	50,738	3,696
Depletion of biological assets at fair value	(13,453)	(12,120)

The increased fair value of the Company's forests in 2010 was primarily due to higher prices of wood in the domestic market in that year, in addition to an increase in the volume of wood in the forests (inventory), as the the number of trees in inventory was higher than the number of trees depleted.
Changes in the fair value of biological assets and the depletion of trees are recognized in Cost of Products Sold (CPV). This new accounting policy allows the Company to measure the fair value of its forests more precisely, providing more accurate financial statements.

Net Income (Loss)

The Company's net income amounted to R$(2,331) thousand in 4Q10 against R$25,147 in 3Q10 and R$3,737 in 4Q09.
Net Income amounted to R$34,360 thousand in 2010, up by 56.5% over 2009.

Net Indebtedness

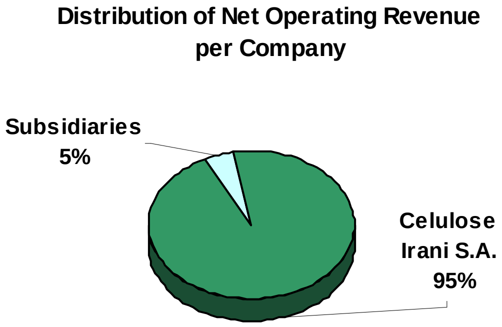


R$ million

Net Debt / EBITDA evolution showed its peak leverage point in December 2008, due to the full carrying of the debt relating to the investments made in the Superação Project (R$ 160.8 million). The benefits from the Project and debt payment started to accrue as of 2009, and the Net Debt/EBITDA ratio has dropped from 6.35 times in 2008 to 3.13 times in 2009, 3.04 times in 2010. In 2010, this ratio reflected the good results achieved in the year and continues to decrease.

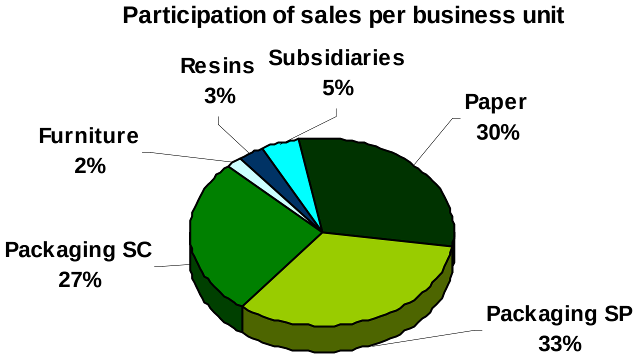
OPERATING PERFORMANCE

Consolidated Net Operating Revenue in 2010 was as follows:



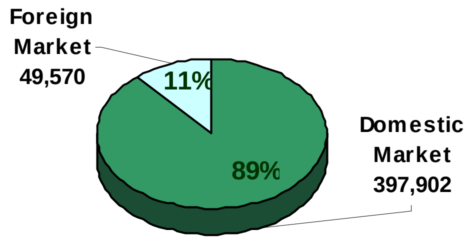
Sales

The distribution of sales in 2010 was as follows:



The breakdown of Consolidated Net Operating Revenue by market was as follows in 2010:

Share of Domestic and Foreign Sales
(in thousand reais and %)



BUSINESS PERFORMANCE

Celulose Irani S.A. is composed of four Divisions. These Divisions are organized in accordance with the market segment in which they operate, are operationally independent and consistently integrated, in order to optimize the use of planted pinewood forests, through multiple use and vertical integration of business. The Furniture Division, currently an electronic channel that provides direct sales to the end consumer, is an exception that shares the same market positioning for sustainable products.

Paper Division, located in Vargem Bonita, SC, aims at the production of low and high grammage Kraft paper and recycled paper for the domestic and foreign markets and the Corrugated Cardboard Packaging Division.

Corrugated Cardboard Packaging Division manufactures light and heavy corrugated cardboard boxes and sheets, and owns two production units, one in Vargem Bonita, SC and another one in Indaiatuba, SP. The plant in Indaiatuba was inaugurated on June 2, 2008 and the resources used were provided by the Superação Project.

Forest and Resin Division manufactures forest-originated products in Rio Grande do Sul, seeking to optimize pine forest exploitation. The Resin business unit located in Balneário Pinhal, RS, produces pitch and turpentine from natural resin to manufacture varnish, paint, soap, glue, stickers, among others, mainly to the foreign market.

Furniture Division manufactures furniture to the domestic market, exclusively through the website of subsidiary Meu Móvel de Madeira (www.meumoveldemadeira.com.br). This division produces bedroom, living room and supplementary furniture.

Subsidiaries

Besides the four Divisions, Celulose Irani S.A. also has the subsidiaries:

- Irani Trading S.A. which carries out all the Company's export transactions and manages and rents properties;
- Habitasul Florestal S.A., with a forestland of 8.4 thousand hectares of pinewood forest, which supplies resin for the Resin unit of Celulose Irani S.A. and also supplies timber for sawmills in the region;

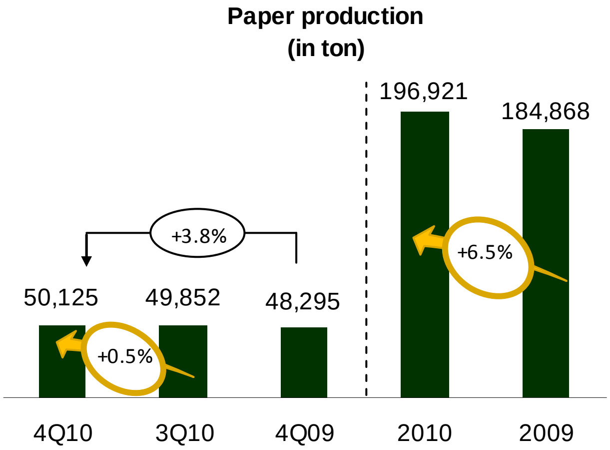
- Meu Móvel de Madeira Comércio de Móveis e Decorações Ltda., which meets the demand from the domestic market by means of direct sale to the end customer through the website www.meumoveldemadeira.com.br.

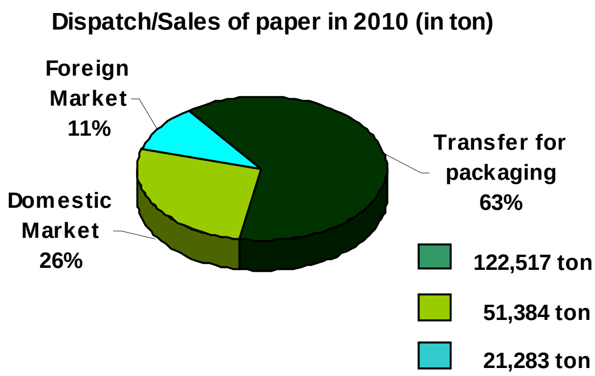
A new subsidiary, HGE - Geração de Energia Sustentável Ltda, was acquired in 2009, whose purpose is to generate, transmit and distribute wind power. This subsidiary is in preoperating stage.

Paper Division

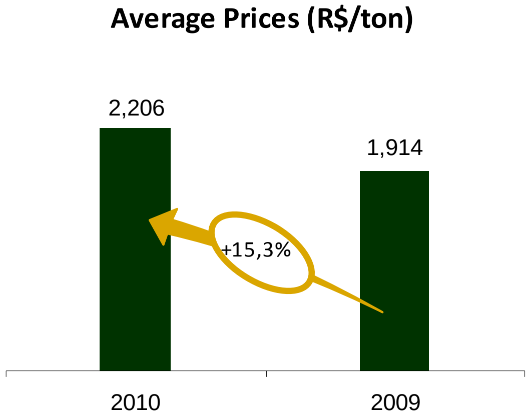
Celulose Irani S.A. held a market share of approximately 4.6% in the domestic production of Paper for Packaging in 2010 (including transfers) according to data from Bracelpa - Brazilian Paper and Pulp Association. The Paper Division operates four machines, and one of them uses paper scrap as raw material. The other machines basically use own Kraft pulp.
Paper production in 4Q10 grew by 3.8% and 0.5% as compared to 4Q09 and 3Q10, respectively. Paper production grew by 6.5% in 2010, from 184,868 tons in 2009 to 196,921 tons in 2010. 195,184 tons were delivered in 2010 against 186,987 tons in 2009.

The breakdown of production and distribution of paper produced in own plants in 2010 was as follows:





Paper prices increased by 15.3% in 2010 over the end of 2009, as follows:



Investments in reforestation have continued in the forest area which guarantees the future supply of wood for the paper and pulp plant. In 2010, 989 ha of pinewood forest were planted in the Company's own land to be used in the pulp processing, and 220 ha of eucalyptus forests were planted to be used as biomass (generation of energy). In 2010, the production of own wood corresponded to approximately 376 thousand tons of pine and eucalypitus, used in to process pulp processing and to generate energy, respectively. Approximately 45 thousand tons of logs were produced and sold in the market.

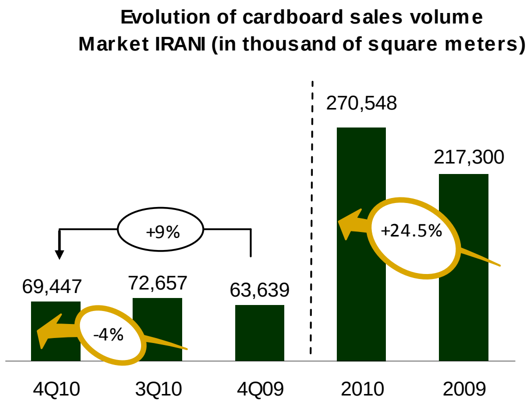
Corrugated Cardboard Packaging Division

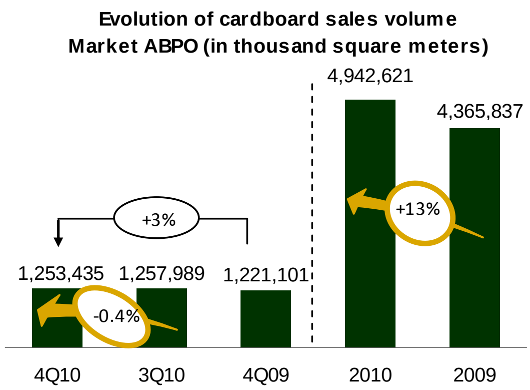
The Packaging Division increased its share in the domestic packaging market. According to previous sales data of the Corrugated Cardboard Brazilian Association (ABPO), the market share in square meters corresponded to 5.47% in 2010. IRANI's sales increased by 9% in 4Q10 over the same quarter in 2009 and reduced by 4% over 3Q10. In the YTD, sales increased by 24.5% over 2009 and the market increased by 13% in the same period, according to data of ABPO.

In tons, IRANI's sales increased by 7% in 4Q10 over the same quarter in 2009 and reduced by 5% over 3Q10. In the YTD, sales increased by 18% over 2009 and the market increased by 12% in the same period, according to data of ABPO. In tons, the market share stood at 4.85% in 2010.

Market Growth

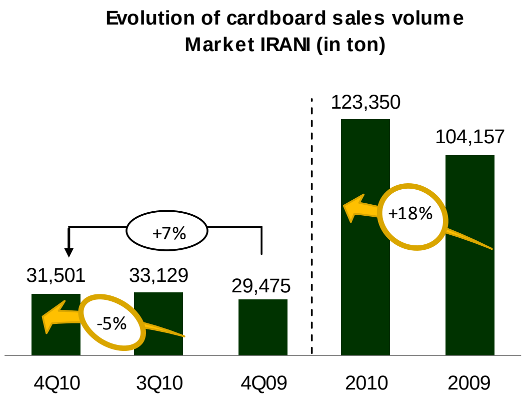
ABPO[1] x IRANI (m^2)

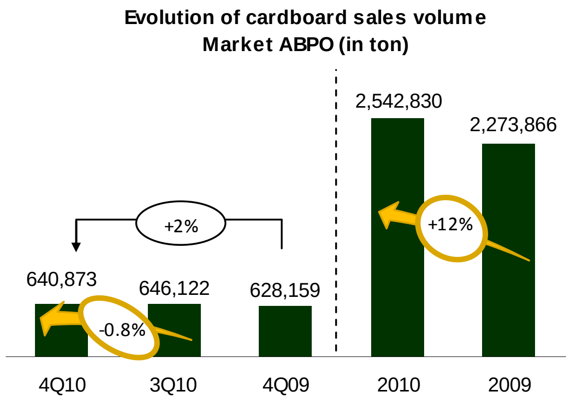




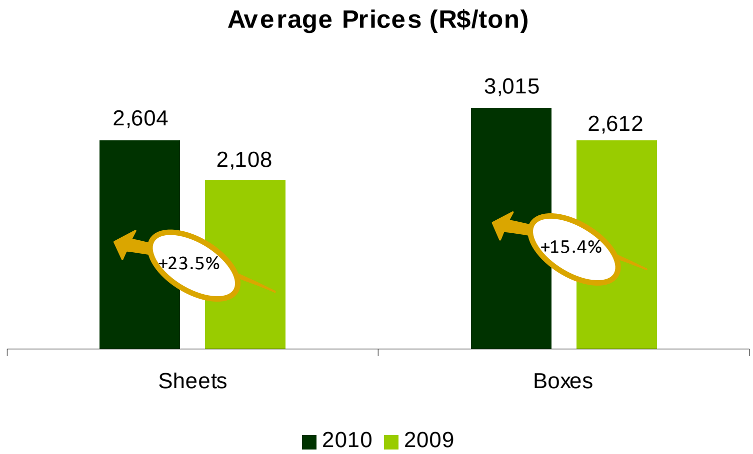
[1,2] 4Q10 information from ABPO (in square meters and tons) correspond to amounts before the closing date. Slight changes in official data may occur.

ABPO[2] x IRANI (ton)



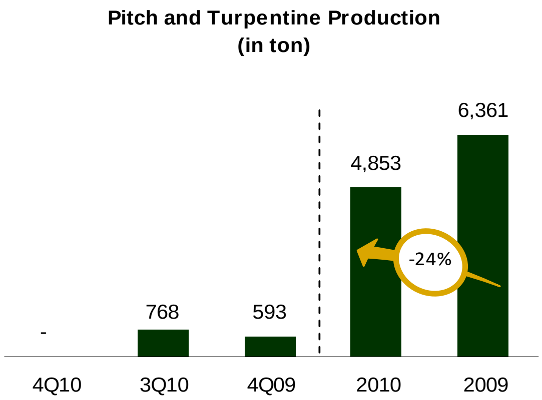


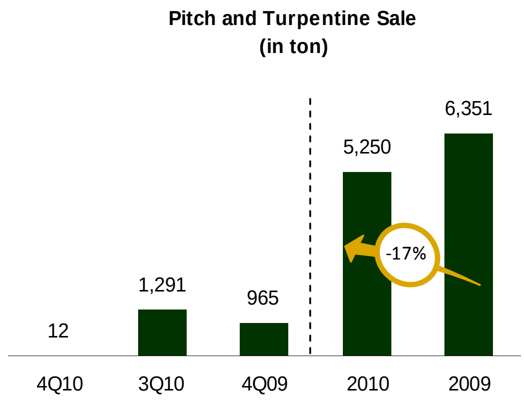
Sales of sheets and corrugated cardboard boxes were in line with the domestic market demand and growth trend in the year. At the end of 2010, the average prices of corrugated cardboard boxes (in R$/ton) increased by 15.4% as compared to prices charged in December 2009, and prices of sheets increased by 23.5% as compared to prices charged in 2009.



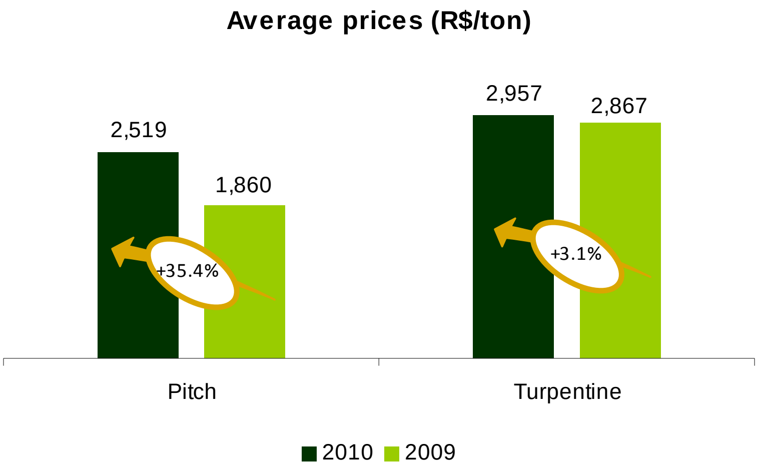
Forest and Resin Division

Production and sales volumes of the Resin Division, which is aimed at the foreign market, decreased in 2010 as follows:





On the other hand, average prices, net of pitch and turpentine taxes, increased in 2010 over the end of 2009, as follows:



Furniture Division

The furniture manufacturing activities of the unit in Rio Negrinho, SC were discontinued in October 2010. However, the Company continued selling furniture to the domestic market through subsidiary Meu Móvel de Madeira, through the website www.meumoveldemadeira.com.br.

SUSTAINABILITY

"Balancing economic, social and environmental aspects, so as not to jeopardize the development of future generations, with ethical and transparency principles and involvement of all stakeholders in the company, seeking competitiveness for the Company's business". This is the concept of Sustainability which supports the Company's activities and the development of its projects.

Aiming at contributing to the development of a more developed society, the Company sponsors the communities with which it maintains direct relationship, and establishes partnerships with solid entities that work towards the development of children and teenagers, and also seeks the sustainability of its business by heavily investing in environmentally-friendly technologies and projects.

Celulose Irani, committed to sustainable development, annually and voluntarily issues the Sustainability Report. This is a document whereby the Company measures, informs and reports to stakeholders the organizational performance. The transparency on economic, environmental and social impacts is key to the relationship with *stakeholders* and the market in general. The methodology adopted follows the guidelines set out in the GRI – *Global Reporting Initiative*. The 2009 Sustainability Report reached the GRI **A+** application level and was ranked **3rd** in the TOP 10 Ranking of "Rumo à Credibilidade 2010" survey conducted by the Brazilian Foundation for Sustainable Development and by SustainAbility, which assesses the quality of sustainability reports published by Brazilian companies (www.fbds.org.br). IRANI's Sustainability Report is available at www.irani.com.br.

Awards and Acknowledgements in 2010

The Company has received several social, environmental, and market acknowledgements, which are the result of the actions and projects implemented throughout the year.

Prêmio Empresa Cidadã ADVB/SC
Categoria Participação Comunitária

Prêmio Expressão de Ecologia
Categoria Recuperação de Áreas Degradadas

5º Prêmio Brasil de Meio Ambiente
Categoria Melhor Trabalho em Ar 2010

Prêmio Benchmarking Ambiental Brasileiro
Realização Mais Projetos

Top 10 em Relatórios de Sustentabilidade
3º lugar em pesquisa realizada pela FBDS e SustainAbility

Prêmio Fiema 2010
Categoria Tecnologia Ambiental

Realização Revista Isto é Dinheiro

Revista RISI

Revista Amanhã

- Citizen Company Award ADVB/SC – Environmental Preservation Category
- Ecology Expression Award – Recovery of Depleted Areas Category
- Brazilian Environmental Benchmarking Award – Sponsored by Mais Projetos
- The 500 Best of Dinheiro – Sponsored by Isto É Dinheiro magazine
- Fiema 2010 Award – Environmental Technology Category
- 5th Brazil Environment Award – 2010 Best Air Work Category
- Top 10 in Sustainability Reports – Ranked 3rd in a survey conducted by FBDS and

SustainAbility
- Pulp and Paper Awards finalist (PPI 2010)
- Innovation Champions – Sponsored by Amanhã magazine

Environmental Performance Management
Preserving the environment is one of the responsibilities of Celulose Irani. For this reason, the Company identifies, analyzes, develops and invests in actions that allow minimizing the environmental impacts caused by its production activities, always in conformity with the environmental legislation in force.

The highlights in the environmental area are the Clean Development Mechanism (CDM) projects relating to the Cogeneration Plant and Wastewater Treatment System and the Greenhouse Gas Emission Inventory (GEE). In 2010, IRANI was a finalist in the Pulp & Paper International Award in the "Environmental Strategy of the Year" Category. The award aims at recognizing the leadership, vision, innovation and strategic accomplishments in the pulp and paper industry worldwide, awarding the results achieved by companies, factories and individuals of the industry.

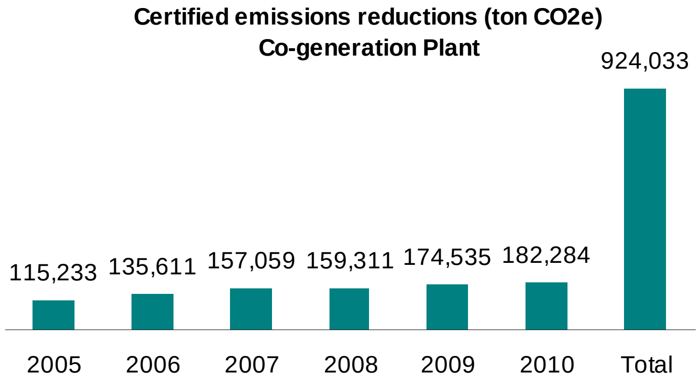
Besides investing in environmental preservation technologies, IRANI encourages and sponsors environmental education projects in order to grow awareness among its employees and residents in neighboring cities. By means of these projects, the Company disseminates environmental preservation and conservation principles and seeks to strengthen the concept and application on sustainable development.

Environmental Performance Indicators

The reduction of greenhouse gas emissions in IRANI was achieved through the implementation of small-sized Clean Development Mechanism – CDM projects. In order to steer activities with social and environmental responsibility, the Company built the Cogeneration Plant in 2005 and modernized the Wastewater Treatment System in 2008, projects which allowed the generation of carbon credits through the Kyoto Protocol. The Company recorded revenues from carbon credits equivalent to R$2.6 million in 2010, net of intermediation expenses for the sale of such credits.

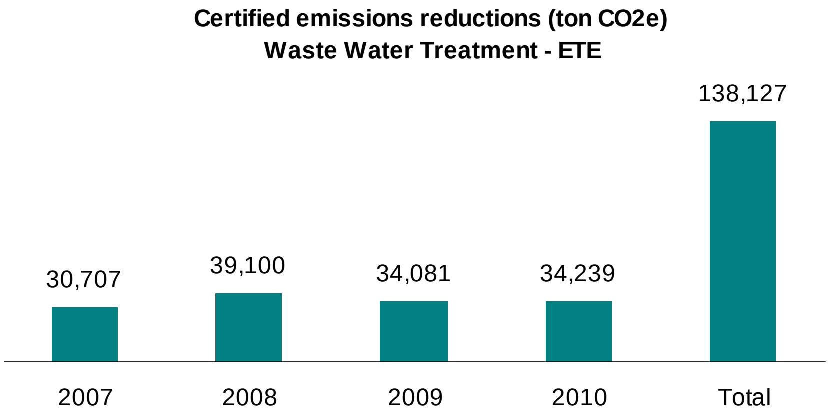
<u>CDM - Cogeneration Plant</u>

The installation of the Cogeneration Plant in the Paper Unit allowed the Company to develop a Clean Development Mechanism project to trade carbon credits, which was approved in 2006 and is registered at the United Nations as Irani Biomass Electricity Generation Project, and is available at the website <http://cdm.unfccc.int/Projects/DB/DNV-CUK1146170596.51/view>.
The project provides the reduction of greenhouse gas emission, as the inputs used for burning during the process are provided by forest waste (biomass), which replaces the use of non-renewable natural resources. Certified Emission Reductions obtained between 2005 and 2010 totaled 924,033 tons of CO_2e.



CDM – Modernization of the Wastewater Treatment System

Similarly, the modernization of the Wastewater Treatment System at the Paper Unit was approved in 2008 and is registered at the United Nations as Irani Wastewater Methane Avoidance Project, and is available at the website <http://cdm.unfccc.int/Projects/DB/DNV-CUK1194334826.24/view>.
The project enables reducing greenhouse gas emissions by replacing the anaerobic digestion (without oxygen) by aerobic digestion (with oxygen) of organic matter. Certified Emission Reductions obtained between 2007 and 2010 totaled 138,127 tons of CO_2e.



The Company invested R$1.3 million in clean environmentally-friendly technologies, projects and actions in 2010.

GREENHOUSE GAS EMISSION INVENTORY

Celulose Irani annually carries out the verification of Greenhouse Gas Emission inventory through a certifying agency. The audit is performed in accordance with NBR ISO 14064:2006. Irani was certified as **positive carbon** or **carbon free by nature** from 2006 to 2010, that is, the Company removes more greenhouse gas from atmosphere than it emits. In **March 2011,** the Company will be once again audited to obtain the 2010 certification.

Upon the verification of the Inventory by external agencies, the Company aims at obtaining an independent certificate on the inventory quality in order to ensure readers about the crucial reliability of the company's emission results. IRANI's carbon emission is reduced due to the high volume of planted forests. Each ton of paper produced causes the reduction of 3.20 tons of CO_2e, which benefits the Company's customers and the society in general.

The Greenhouse Gas Emission Inventory, besides helping minimizing environmental impacts, seeks to identify opportunities for new Clean Development Mechanism (CDM) projects, increases transparency on environmental sustainability in IRANI; strengths investors' trust; helps to identify risks and facilitates the Company's environmental management plan. IRANI, through the Greenhouse Gas Emission Inventory, has become the first Brazilian company to obtain the ISO 14.064 certificate in 2006, relating to greenhouse gas emission quantification and verification.

SOCIAL PERFORMANCE INDICATORS

Human Development

The year of 2010 has ended with an effective staff consisting of 1,687 employees and 769 service providers. The Company, devoted to improve internal working environment, invests in employees' training, benefits, health, safety and life quality and also encourages direct communication between leaders and teams always focusing on Participative Management and welcoming diversity of employees.

R$8,852 thousand was invested in food, transportation, life insurance and health plan in 2010, R$761 thousand in training and personal development and R$2.651 thousand in the profit sharing program.

The Company has three structural people development programs, which are aligned to its Mission and Vision: Cresce Program, Motiva Program and Supera Program. The Cresce Program includes a set of qualifications and trainings and aims at developing people's individual and organizational competences. The Motiva Program seeks at promoting the management of the work environment by establishing a consistent, motivating and challenging work environment. And the Supera Program seeks at assessing the performance of each employee of IRANI and establishing a variable compensation based on each employee's performance. With these Programs, management understands that it is watching over human capital's production and strengthening, which is essential to achieve the Company's plans.

Society

The Company is concerned about the wellbeing of the residents of communities where it operates and contributes to reduce social inequality. As part of its actions on behalf of society, the Company encourages and sponsors educational, cultural and sports projects always aiming at the continuity of actions and self-development of the target audience. Among the projects developed by the Company, we can highlight the Atleta do Futuro Project (PAF), in a partnership with SESI/SC, Broto do Galho Project, in a partnership with SEBRAE/SC and the Municipal Government of Vargem Bonita, the Young Apprentice Program, in a partnership with the Junior Achievement Association, Conversa Aberta newspaper (aimed at the community of Campina da Alegria, SC), among others.

R$ 224 thousand was allocated to these projects, other donations and social sponsorships in 2010.

INVESTMENTS

The Company keeps its strategy to invest in the modernization and automation of production processes. Investments made in 2010 amounted to R$20,882 thousand, distributed as follows:

Buildings and construction	R$178 thousand
Equipment and installations	R$15,757 thousand
Leased assets	R$984 thousand
Forestation and reforestation	R$3,963 thousand
Total	**R$20,882 thousand**

Investments in this year were basically made to maintain and modernize plants and industrial activities in order to improve processes and products offered by Celulose Irani S.A. Major investments were made in 2007 and 2008 through the Superação Project which expanded and modernized the Paper and Packaging plants.

CAPITAL MARKET

The Company's capital is represented by 8,104,500 shares, of which 7,463,987 common (92%) and 640,513 preferred (8%).

Share buyback program

On November 24, 2010, the Board of Directors approved a share buyback program for shares issued by the Company, which will be held in treasury and further cancelled or disposed of. The Board authorized the purchase of up to 62,356 common shares and 18,646 preferred shares, representing 10% of each type of share outstanding in the market as of September 30, 2010. This program is valid for 365 days or until November 23, 2011. Through December 31, 2010, the Company acquired 7,900 common shares and 1,200 preferred shares, closing the year with 13,502 common shares and 1,200 preferred shares held in treasury.

Dividends

The Company’s management proposes for approval of the Annual Meeting the distribution of dividends for 2010, in the amount of R$9,730 thousand, corresponding to R$1.32 per preferred share and R$1.20 per common share. No Income Tax will be levied on these amounts.

AUDIT SERVICES

Our Independent Auditors have provided advisory services relating to the implementation of IFRS – International Financial Reporting Standards in 2010, and the adoption of CPCs. This work began in 2008 and continued in 2009 and 2010.

PROSPECTS

The Company expects to have a moderate growth in 2011. Due to the inflation risk in the beginning of the year, the monetary authority increased the basic interest rate, adversely impacting the Brazilian economy and the Company’s businesses. These measures, however, are expected to be effective in the short term, leaving the expectation of a positive outcome in the long-term. Increased salary income of Brazilians materially impacts consumption and, consequently, the Packaging Division. Accordingly, we believe that 2011 may be a year of adjustments that will promote a series of sustained growth in the coming years.

ACKNOWLEDGEMENTS

We would like to thank each one of our employees for the dedication shown during this period, our shareholders for the trust, and our customers, suppliers and financial institutions for the support and

partnership essential to the growth and development of Celulose Irani S.A. during 2010.

Porto Alegre, March 2011.

MANAGEMENT.

CAPITAL BUDGET PROPOSAL

To the Management of

CELULOSE IRANI S.A.

Capital Budget Proposal

As permitted by Article 196 of Law 6404/76, and wording of Law 10303 of October 31, 2001, the management of Celulose Irani S.A. (“Company”) presents its Capital Budget Proposal.

The proposal for the payment of net income attributed to the Company’s shareholders in the year ended 2010, which is part of the Financial Statements, provides that after the adjustments referred to in articles 193 and 202 of Law 6404/76, the Company will retain earnings amounting of R$29,191 thousand, which will be allocated to the Earnings Retention Reserve to comply with the Company’s Investment Plan.

The 2011 Capital Budget approved by the Board of Directors on a meeting held on December 7, 2010, amounts to R$34,429 thousand and is distributed as follows:

CELULOSE IRANI S.A.

Capital Budget 2011			
[R$ thousand]			
	Current	**Strategical**	**Total**
Paper	12,554	7,594	20,148
Forestry	5,070	-	5,070
Packaging SP	816	-	816
Packaging SC	1,560	-	1,560
Need for Working Capital	6,835	-	6,835
Total of investments 2011	26,835	7,594	34,429

Management is at the disposal of Shareholders for further clarification.

Porto Alegre, March 23, 2011.
Management.

EXECUTIVE BOARD'S ASSERTION

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

As Managers of Celulose Irani S.A., a privately-held corporation headquartered at Rua General João Manoel, n°. 157, 9° andar, sala 903, in Porto Alegre, Rio Grande do Sul, enrolled with the National Register of Legal Entities (CNPJ/MF) under no. 92.791.243/0001-03, **WE HEREBY DECLARE** that, under paragraph 1 of article 25 of CVM Instruction 480 of December 7, 2009: (i) we have reviewed, discussed and agreed with the opinion of the Company's independent auditors relating to the financial statements prepared for the year ended December 31, 2010; and (ii) we have reviewed, discussed and agreed with the Company's financial statements for the year ended December 31, 2010.

Porto Alegre, March 23, 2011.

Péricles de Freitas Druck – Chief Executive Officer
Péricles Pereira Druck – Managing Director
Odivan Carlos Cargnin – Administration, Finances and Investor Relations Officer
Sérgio Luiz Cotrim Ribas – Paper and Packaging-Related Business Officer
Ronald Heinrichs – Furniture-Related Business Officer
Marlus Rodnei Souza Wiecheteck – Forest-Related Business Officer