

Amounts in thousand of Reais – R\$, unless otherwise stated

1. OPERATIONS

Celulose Irani S/A (the “Company”) and its subsidiaries manufacture kraft paper, corrugated fiberboard sheets and packaging, pine furniture, gum rosin and turpentine extracted from wood resins. The Companies are also engaged in forestation and reforestation and the output of the planted forests is used in the production of their products.

2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

The interim financial statements have been prepared and are presented in conformity with Brazilian accounting practices and standards established by the Brazilian Securities Commission (CVM).

3. SIGNIFICANT ACCOUNTING PRACTICES

(a) Temporary cash investments

Stated at cost plus income earned through the balance sheet date.

(b) Allowance for doubtful accounts

Based on a risk assessment, which contemplates historical losses, customer’s financial condition and attorneys’ opinion, this allowance is recorded in an amount considered sufficient by Management to cover losses on uncollectible receivables.

(c) Inventories

Stated at the lower of average acquisition or production cost, and market price or net realizable value.

(d) Investments

Investments in subsidiaries are accounted for under the equity method. Other investments are stated at cost, less a provision for adjustment to realizable value, if applicable.

(e) Property, plant and equipment

Stated at acquisition or construction cost plus revaluation cost, less depreciation and depletion. Depreciation is calculated under the straight-line method, based on the

estimated useful lives of the assets. Depletion of forests is calculated based on the wood extraction.

(f) Income and social contribution taxes

The provision for income and social contribution taxes is calculated and recorded at the tax rates prevailing at March 31, 2007.

(g) Loans and financing

Stated at cost plus monetary adjustment and interest accrued through the balance sheet date, on an accrual basis.

(h) Results of operations

Income and expenses are recorded on an accrual basis.

(i) Reserve for contingencies

Recorded in an amount considered sufficient by Management to cover probable losses, and is monetarily adjusted through the balance sheet date, based on the nature of each contingency and the attorneys' opinion.

(j) Use of estimates

The preparation of financial statements requires Management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities and other transactions, such as determination of depreciation rates for property, plant and equipment, reserves for contingencies, among others. Actual results could differ from those estimates.

4. CONSOLIDATION OF INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements include the accounts of Celulose Irani S/A and its direct and indirect subsidiaries as described below:

	Ownership interest - %	
	2007	2006
Habitasul Trading S/A (direct investment)	99.98	99.98
Habitasul Florestal S/A (direct and indirect investment)	100.00	100.00

The accounting practices adopted by the subsidiaries are consistent with those adopted by the Company, and the quarter end of all consolidated companies is March 31, 2007.

Intercompany balances and investments and equity in subsidiaries have been eliminated in consolidation. The financial statements of Habitasul Florestal S/A were consolidated from the date of acquisition of the investment, as determined by Brazilian corporate law, especially CVM Instruction No. 247/96.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

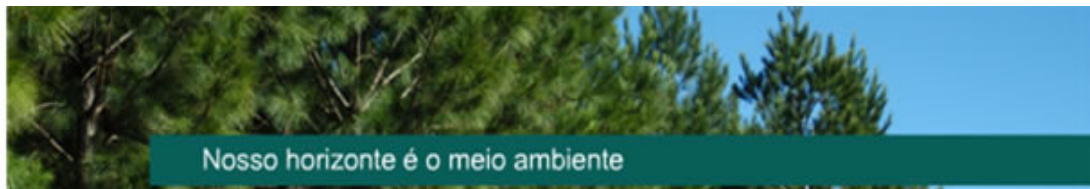
	<u>Company</u>		<u>Consolidated</u>	
	<u>03/31/2007</u>	<u>12/31/2006</u>	<u>03/31/2007</u>	<u>12/31/2006</u>
Cash	16	16	20	20
Banks	1,530	1,414	1,896	1,503
Temporary cash investments	<u>87,628</u>	<u>-</u>	<u>87,628</u>	<u>-</u>
	<u>89,174</u>	<u>1,430</u>	<u>89,544</u>	<u>1,523</u>

Temporary cash investments are represented by Bank Certificates of Deposit in the amount of R\$ 4,027 and investment funds on the amount of R\$ 83,601. Interest rate varies from 100% to 108% of the CDI (interbank deposit rate).

Funds are derived from the export prepayment operation contracted with Credit Suisse Bank and will be used in investment projects estimated for 2007 and 2008.



Celulose Irani S.A.



Notes to the Interim Financial Statements – 1st Quarter of 2007

6. INVENTORIES

	<u>Company and Consolidated</u>	
	<u>03/31/2007</u>	<u>12/31/2006</u>
Finished products	6,801	7,500
Work in process	1,292	1,366
Production materials	10,399	9,948
Consumption materials	4,176	4,301
Other	875	807
	<u>23,543</u>	<u>23,922</u>

7. RECOVERABLE TAXES

	<u>Company</u>		<u>Consolidated</u>	
	<u>03/31/2007</u>	<u>12/31/2006</u>	<u>03/31/2007</u>	<u>12/31/2006</u>
ICMS (state VAT) on purchase of fixed assets	6,446	5,625	6,447	5,626
ICMS	439	346	632	540
IPI (federal VAT)	449	370	582	503
Other	156	13	156	13
Deferred income and social contribution taxes	-	-	560	560
	<u>7,490</u>	<u>6,354</u>	<u>8,377</u>	<u>7,242</u>
Current	3,912	3,170	4,239	3,498
Noncurrent	3,578	3,184	4,138	3,744

8. INVESTMENTS

	<u>Habitasul Florestal</u>	<u>Habitasul Trading</u>	<u>Other investments</u>	<u>Total 03/31/2007</u>	<u>Total 12/31/2006</u>	<u>Total 03/31/2006</u>
Capital	28,260	3,054	-	-	-	-
Shareholders' equity	29,169	3,034	-	-	-	-
Net income for the quarter	691	78	-	-	-	-
Ownership interest - %	95.36	99.98	-	-	-	-
Beginning balance	28,948	2,956	175	32,079	4,521	4,521
Investment acquisition– Habitasul Florestal	-	-	-	-	28,517	-
Equity in subsidiaries	659	78	-	737	269	82
Proposed dividends	(1,790)	-	-	(1,790)	(1,229)	-
Total investments in subsidiaries	<u>27,817</u>	<u>3,034</u>	<u>175</u>	<u>31,026</u>	<u>32,021</u>	<u>4,603</u>

Notes to the Interim Financial Statements – 1st Quarter of 2007

	Habitasul Florestal	Habitasul Trading	Other investments	Total 03/31/2007	Total 12/31/2006	Total 03/31/2006
Goodwill in subsidiaries						
Beginning balance	41,482	-	-	41,482	-	-
Goodwill on acquisition of Habitasul Florestal	-	-	-	-	41,482	-
Realization of goodwill	(601)	-	-	(601)	-	-
Ending balance	40,881	-	-	40,881	41,482	-
Total	68,698	3,034	175	71,907	73,560	4,603

In December 2006, Celulose Irani S/A acquired, from Companhia Habitasul de Participações and its subsidiaries, 11,122,356 registered common shares equivalent to 95.36% of total capital of Habitasul Florestal S/A.

The goodwill on the acquisition of Habitasul Florestal is based on expected future earnings and is being amortized under the straight-line method over a 10-year period.

9. PROPERTY, PLANT AND EQUIPAMENT

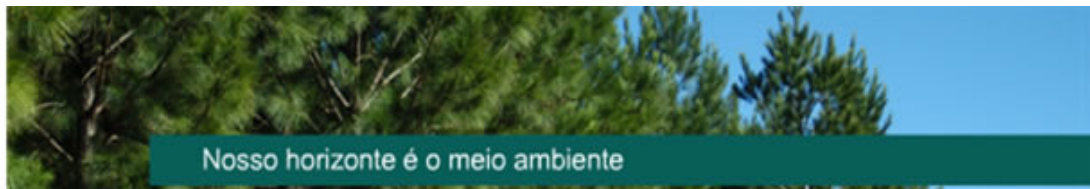
	Annual depreciation rates		03/31/2007		12/31/2006
<u>Company</u>	<u>%</u>	<u>Cost</u>	<u>Accumulated depreciation and depletion</u>	<u>Net</u>	<u>Net</u>
Land	-	14,576	-	14,576	14,576
Buildings and improvements	4	51,654	(21,322)	30,332	30,841
Machinery, equipment and installations	10 to 20	162,772	(90,492)	72,280	75,385
Forestation and reforestation	(*)	66,100	(22,094)	44,006	43,567
Vehicles and tractors	20	1,697	(1,325)	372	402
Other	10 to 20	2	-	2	2
Property, plant and equipment in progress	-	20,887	-	20,887	10,790
Subtotal		317,688	(135,233)	182,455	175,563

	Annual depreciation rates		03/31/2007		12/31/2006
<u>Consolidated</u>	<u>%</u>	<u>Cost</u>	<u>Accumulated depreciation and depletion</u>	<u>Net</u>	<u>Net</u>
Land	-	28,033	-	28,033	28,033
Buildings and improvements	4	55,400	(22,655)	32,745	33,254
Machinery, equipment and installations	10 to 20	162,923	(90,532)	72,391	75,554
Forestation and reforestation	(*)	85,262	(33,744)	51,518	51,668
Vehicles and tractors	20	1,706	(1,328)	378	410
Other	10 to 20	86	(30)	56	35
Property, plant and equipment in progress	-	21,139	-	21,139	11,042
Subtotal		354,549	(148,289)	206,260	199,996

(*) Depletion is calculated based on the wood extraction.



Celulose Irani S.A.



Notes to the Interim Financial Statements – 1st Quarter of 2007

10. DEFERRED CHARGES

Refer to preoperational expenses of the Furniture Division projects named My Wood Furniture and Furniture USA in the amount of R\$ 1,240; and implementation and preoperating expenses of the new Packaging Division – Indaiatuba – São Paulo, in the amount of R\$ 407.

11. LOANS AND FINANCING

	Company and Consolidated	
	03/31/2007	12/31/2006
Current		
Local currency		
FINAME	8,672	8,904
Working capital	11,300	27,576
APV – South American Ltda.	<u>1,932</u>	<u>1,898</u>
Total local currency	<u>21,904</u>	<u>38,378</u>
Foreign currency		
Advance on foreign exchange contracts	4,853	7,532
IKB Deutsche	728	741
Banco Votorantim S/A	2,966	3,017
Banco Itaú S/A	-	963
DF Deutsche Forfait s.r.o	360	371
Toronto Dominion Bank	385	145
Credit Suisse Bank	<u>9,979</u>	<u>-</u>
Total foreign currency	<u>19,271</u>	<u>12,769</u>
Total current	<u>41,175</u>	<u>51,147</u>
Noncurrent		
Local currency		
FINAME	21,525	22,780
Working capital	13,373	18,585
APV – South American Ltda.	<u>483</u>	<u>949</u>
Total local currency	<u>35,381</u>	<u>42,314</u>
Foreign currency		
Advance on foreign exchange contracts	4,516	3,663
Banco Votorantim S/A	4,449	4,525
DF Deutsche Forfait s.r.o	1,259	1,484
Toronto Dominion Bank	1,539	580
Credit Suisse Bank	<u>113,893</u>	<u>-</u>
Total foreign currency	<u>125,893</u>	<u>10,252</u>
Total noncurrent	<u>161,037</u>	<u>52,566</u>
Total	<u>202,212</u>	<u>103,713</u>

Loans and financing in local currency:

- a) Finame (equipment financing) is subject to interest rates from 5.6% to 8.5% per year, plus TJLP (long-term interest rate), with final maturity in 2012.
- b) Working capital loans are subject to interest rates from 102% to 125% of the CDI (interbank deposit rate), with final maturity in the second half of 2007.
- c) APV – South American Ltda. - refers to the purchase of machinery and equipment, bearing interest of 15% per year, with final maturity in 2008.

Loans and financing in foreign currency:

- a) As of March 31, 2007, advances on foreign exchange contracts are subject to interest rates varying from 0.46% to 0.65% per month, plus the dollar exchange variation.
- b) IKB DEUTSCHE INDUSTRIEBANK AKTIENGESELLSCHAFT bears interest rates equivalent to Euribor plus 1.5% per year and the Euro exchange variation, payable in semiannual installments until 2007.
- c) Banco Votorantim S/A – bears a monthly fixed interest rate, plus the dollar exchange variation, with final maturity in May 2009.
- d) DF Deutsche Forfait s.r.o – bears a fixed interest rate of 7.36% per year, plus the Euro exchange variation, payable in semiannual installments until 2011.
- e) Toronto Dominion Bank – bears an interest rate equivalent to Libor plus 1.375% per year and the dollar exchange variation, payable in semiannual installments until 2011.
- f) Credit Suisse Bank – refers to an export prepayment operation for a 6-year period, subject to monthly fixed interest rate plus the dollar exchange variation. This financing was approved by the Board of Directors and will be used to finance exports, settle debt and implement the Company's investment plan for 2007/2008.

The aforementioned loans and financing are collateralized by controlling shareholders' guarantees or pledged assets and/or both according to each agreement. Properties and forests of the subsidiary and shares in Celulose Irani S/A. were given as collateral for the export prepayment contracted with Credit Suisse Bank.

12. RELATED-PARTY TRANSACTIONS

Refer to debts with subsidiaries and other related parties as shown below:

	Assets		Suppliers		Intercompany payables		Revenues		Expenses	
	03/31/2007	12/31/2006	03/31/2007	12/31/2006	03/31/2007	12/31/2006	03/31/2007	03/31/2006	03/31/2007	03/31/2006
Habitasul Trading S.A.	-	-	203	-	1,335	1,448	78	(152)	(176)	-
Habitasul Florestal S.A.	1,399	100	271	80	6,183	5,673	659	431	(299)	(75)
Cia Habitasul de Partic.	-	-	-	-	685	619	-	-	-	-
Habitasul Emp. Imob.	-	-	-	-	6,101	18,680	-	-	-	-
Laje da Pedra Village	-	-	-	-	1,460	4,909	-	-	-	-
Habitasul Desen. Imob.	-	-	-	-	12,015	3,000	-	-	-	-
Total	1,399	100	474	80	27,779	34,329	737	279	(475)	(75)
Current	(1,399)	(100)	(474)	(80)	(563)	(6,530)				
Noncurrent	-	-	-	-	27,216	27,799				

The amount receivable from Habitasul Florestal includes R\$ 1,342 of dividends receivable.

Debts to subsidiaries Habitasul Trading S/A and Habitasul Florestal S/A are related to commercial operations among the parties, free of charges and without established final maturity.

Debts to Cia. Habitasul de Participações, Habitasul Empreendimentos Imobiliários Ltda., Laje da Pedra Mountain Village Ltda. and Habitasul Desenvolvimentos Imobiliários S.A., will be paid in 50 monthly successive installments, with final maturity in February 2011, monetarily adjusted by TJLP (long-term interest rate) plus interest of 6% per year, according to the terms of the contract for purchase of Habitasul Florestal S/A shares signed in December 2006.

13. NONCURRENT OBLIGATIONS

a) Taxes in installments

Refer mainly to taxes payable in installments, in accordance to Law No. 10684/2003, which are monetarily adjusted by the variation of the TJLP (long-term interest rate). The installments are amortized monthly and mature as follows:

	Company		Consolidated		Maturity
	03/31/2007	12/31/2006	03/31/2007	12/31/2006	
Special installment plan - INSS (social security contribution)	6,155	6,369	6,155	6,369	June 2013
Special installment plan – Federal Revenue Service	9,978	10,326	9,978	10,326	July 2013
INSS in installments	-	-	800	809	May 2018
Income tax in installments	-	-	3	4	December 2008
ICMS (state VAT) in installments – Rio Grande do Sul stat	-	-	82	100	January 2009
	<u>16,133</u>	<u>16,695</u>	<u>17,018</u>	<u>17,608</u>	

b) Reserve for contingencies

Refer to labor contingencies, net of related escrow deposits in the amount of R\$ 90 and tax contingencies related to ICMS (state VAT) and IPI (federal VAT) untimely used credits in the amount of R\$ 6,249.

14. SHAREHOLDERS' EQUITY

Capital

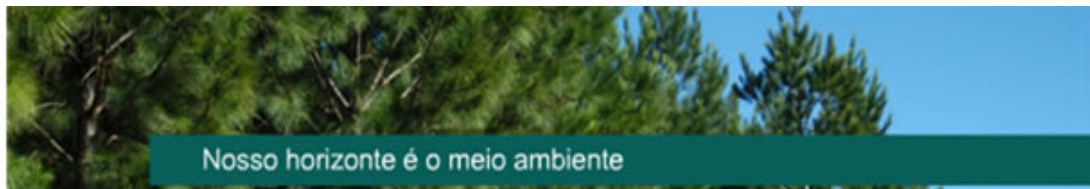
The Company's capital as of March 31, 2007 is R\$ 63,381, represented by 7,463,987 common shares and 640,513 preferred shares, totaling 8,104,500 shares (R\$ 39,090, represented by 5,897,371 common shares and 506,079 preferred shares as of December 31, 2006), without par value. Preferred shares carry no voting rights, are entitled to receive dividends of 10% higher than those paid on common shares, have priority in the capital reimbursement without premium in the event of company liquidation. The Company may issue preferred shares, without par value and without voting rights, up to the limit of 2/3 of the Company's total shares, and increase existing share types or classes without keeping proportion among the shares of each type or class.

15. OTHER OPERATING EXPENSES

	<u>Company</u>		<u>Consolidated</u>
	<u>03/31/2007</u>	<u>12/31/2006</u>	<u>03/31/2007</u>
Goodwill amortization - Habitasul Florestal	(1,048)	-	(1,048)
Other operating expenses	<u>(91)</u>	<u>(39)</u>	<u>(92)</u>
	<u>(1,139)</u>	<u>(39)</u>	<u>(1,140)</u>



Celulose Irani S.A.



Notes to the Interim Financial Statements – 1st Quarter of 2007

16. INCOME AND SOCIAL CONTRIBUTION TAXES

Reconciliation of income and social contribution taxes:

	Company <u>03/31/2007</u>	Consolidated <u>03/31/2007</u>
Income before taxes	4,630	4,711
Statutory rate	<u>34%</u>	<u>34%</u>
Expense at statutory rate	(1,574)	(1,602)
Tax effect of permanent (additions) deductions:		
Goodwill amortization	(356)	(356)
Equity in subsidiaries	251	-
Realization of revaluation reserve	(264)	(264)
Other permanent differences	<u>5</u>	<u>203</u>
Income and social contribution taxes in the statement of operations	<u>(1,938)</u>	<u>(2,019)</u>

17. MANAGEMENT COMPENSATION

Management compensation totaled R\$ 492 in the first quarter of 2007 (R\$ 456 in the same period of the prior year). The Annual Shareholders' Meeting of March 21, 2007 approved for this year a maximum overall management compensation of R\$ 4,000.