



Respected Shareholders,

The management of **Celulose Irani S.A.** submits to your appreciation the Management Report and the Company's Financial Statements with the opinion of the Independent Auditors relating to the fiscal year ended on December 31, 2011. The Financial Statements are elaborated pursuant to the Brazilian Corporate Law and its amendments are based upon standards set by the Brazilian Securities and Exchange Commission - also known as CVM.

Message to Shareholders

Celulose Irani S.A. is an integrated Paper and Packaging plant with a solid own forestland. The essence of its businesses is the production and commercialization of paper for packaging and packages made of paper. The key raw materials are planted forests (pine-trees – softwood) owned by the Company, and recycled long-fiber papers (edges). The major market is the domestic market, accounting for 88% of the Company's sales.

HIGHLIGHTS OF YEAR 2011

Year 2011 was marked by the financial and economic Brazilian stability, which allowed a moderate growth of the country (2.7%), lower than the GDP increase in 2010, which was 7.5%. According to ABPO – Corrugated Cardboard Brazilian Association, the expedition in 2011 in square meters was 1,% higher than 2010, same growth presented by the Company in its segment of corrugated cardboard, which represents 60% of its revenues.

IRANI'S consolidated Net Operating Income increased by 7.6% in 2011 against 2010. Such performance is owed mainly to the good operating performance of the plants, which had efficiency gains, and also by increasing prices, which offset the increase in costs observed during the same period.

The US dollar has ended with an increase of 12.6% in 2011 against 2010, which contributed to increase – in Brazilian Reais – the debt denominated in foreign currency. Due to the policy of the Company of keeping in the long term levels of payments of debts in foreign currency, equivalent or lower than the inflows in these same foreign currencies, there's a natural hedge of its cashflow, not demanding any additional or unexpected disbursements due to sudden changes in the quotation of the foreign currencies quotes.

Net Result of 2011 was R\$ 9,354 thousand. Adjusted EBITDA at R\$ 110,536 thousand, presenting increments of 19.9% in 2011 as compared to R\$ 92,216 thousand in 2010. With that, EBITDA margin

was 23.0% in 2011 against 20.6% in 2010. Net Debt over EBITDA ratio decreased from 3.04 times in 2010, to 2.58 times in 2011.

Agribusinesses Credit Rights Certificates - CDCA

As of June 20th, 2011, the Company has issued Agribusinesses Credit Rights Certificates – CDCA, in the nominal amount of R\$ 90,000 in favor of Banco Itaú BBA S.A. and Banco Rabobank International Brasil S.A.

The CDCA is backed by credit rights arising from Individual Rural Producer Notes (CPR) issued by controlled company Iraflor Comercio de Madeiras Ltda, having as creditor Celulose Irani S.A., according to Law 8,929 dated August 22nd, 1994. This transaction will be settled in 6 annual installments starting in June/2012.

MAIN FINANCIAL INDICATORS

(including discontinued operation)

R\$ thousand	4Q11	3Q11	4Q10	2011	2010
Net Operating Revenue	125,387	122,071	115,836	481,513	447,472
Domestic Market	113,486	107,173	107,862	424,611	397,902
Foreign Market	11,901	14,898	7,974	56,902	49,570
Gross Profit	49,879	32,839	27,204	142,447	170,615
Gross Margin	39.8%	26.9%	23.5%	29.6%	38.1%
Operating Profit before taxes and Participations	18,739	(14,024)	(3,938)	10,841	39,765
Operating Margin	14.9%	-11.5%	-3.4%	2.3%	8.9%
Net Result	11,075	(8,475)	(2,331)	9,354	34,360
Net Margin	8.8%	-6.9%	-2.0%	1.9%	7.7%

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

R\$ thousand	4Q11	3Q11	4Q10	2011	2010
Result before Taxes	18,739	(14,024)	(3,938)	10,841	39,765
Change in fair value - biological assets	(15,551)	-	2,106	(14,327)	(50,738)
Depletion	5,137	4,417	4,729	17,401	16,212
Depreciation and Amortization	9,838	9,701	9,129	38,125	34,801
Financial Result	11,551	26,762	6,807	52,515	42,744
EBITDA	29,714	26,856	18,833	104,555	82,784
Reserves	588	1,488	2,408	5,981	9,432
Adjusted EBITDA	30,302	28,344	21,241	110,536	92,216
EBITDA Margin	24.2%	23.2%	18.3%	23.0%	20.6%

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 Income

Net Operating Income in 4Q11 was 8.2% higher regarding 4Q10 and 2.7% higher regarding the amount recorded in Q3-2011. During 2011, it totaled R\$ 481.513 thousand, presenting an increment of 7.6% against the previous year.

Gross Profit

Gross Profit in 4Q11 was R\$ 49,879 thousand, 83.4% higher regarding 4T10 e 51.9% higher than 3T11. In 2011, totaled R\$ 142,447 thousand, against R\$ 170,615 thousand in 2010, presenting a decrease of 16.5%. Gross Margin in 2011 was 29.6%, 8.5 percentage points lower than 2010, mainly due to the lower fluctuation of the fair value of biological assets.

Operating result before taxes and participations

The operational result prior to taxes and participations, in Q4-2011, was R\$ 18,739 thousand against R\$ 3,938 thousand negative during Q4-2010 and R\$ 14,024 thousand negative during Q3-2011. In 2011, the operational results prior to taxes and participations totaled R\$ 10,841 thousand, 72% less than in 2010, which recorded R\$ 39,765 thousand.

EBITDA

The absolute amount of adjusted consolidated EBITDA was accounted at R\$ 30,302 thousand in 4Q11, against R\$ 21,241 thousand in 4Q10, presenting an increase of 42.7%. As compared to 3T11, EBITDA also increase of 6.9%. In 2011, adjusted EBITDA totaled R\$ 110,536 thousand, 19.9% higher than the prior year. The adjusted EBITDA margin showed an increase, from 20.6% in 2010 to 23.0% in 2011.

Financial Result

In 4Q11 financial result was negative R\$ 11,551 thousand. In 2011, o financial result was negative R\$ 52,515 thousand, against R\$ 42,744 thousand negative in 2010. From R\$ 52,515 thousand negative in 2011, R\$ 7,007 thousand represented the net negative F/X fluctuation; R\$ 7,396 thousand financial income (yield from financial investments, interest received and discounts obtained) and R\$ 52,904 thousand correspond to financial expenses (interest on loans and financings, banking fees and discounts granted).

The Financial Result is presented in the following way:

R\$ thousand	4Q11	3Q11	4Q10	2011	2010
Financial Income	7,412	9,055	6,733	30,588	35,409
Financial Expenses	(18,963)	(35,817)	(13,540)	(83,103)	(78,153)
Financial Result	(11,551)	(26,762)	(6,807)	(52,515)	(42,744)

There are added to the financial income and financial expenses above the following active and passive exchange variation:

R\$ thousand	4Q11	3Q11	4Q10	2011	2010
Positive exchange variation	9,472	3,365	5,156	23,188	30,830
Negative exchange variation	(10,280)	(16,255)	(2,533)	(30,195)	(31,190)
Net Exchange variation	(808)	(12,890)	2,623	(7,007)	(360)

The financial result without exchange variation is as follows:

R\$ thousand	4Q11	3Q11	4Q10	2011	2010
Financial result without exchange variation	(10,743)	(13,872)	(9,430)	(45,508)	(42,384)

All quarters were affected in their financial results due to the fluctuation of the USD and of the EURO, which are the basis for updating certain loans and financings borrowed by the Company.

Biological assets (forests) fair value evaluation

The Company started in 2010 to measure the fair value of its biological assets (forests) every quarter, as stated by CPC 29. The change in fair value of its biological assets had significant effect over Company's 2011, result, as shown below:

Effects from changes in biological assets fair value

R\$ thousand	2011	2010
Change in biological assets fair value	14,327	50,738
Depletion in biological assets fair value	(13,535)	(13,453)

The increase in the Company's forests' market value, in 2011, was basically due to the increase in the volume of timber in the forests (forests in stock), due to their natural growth throughout the year.

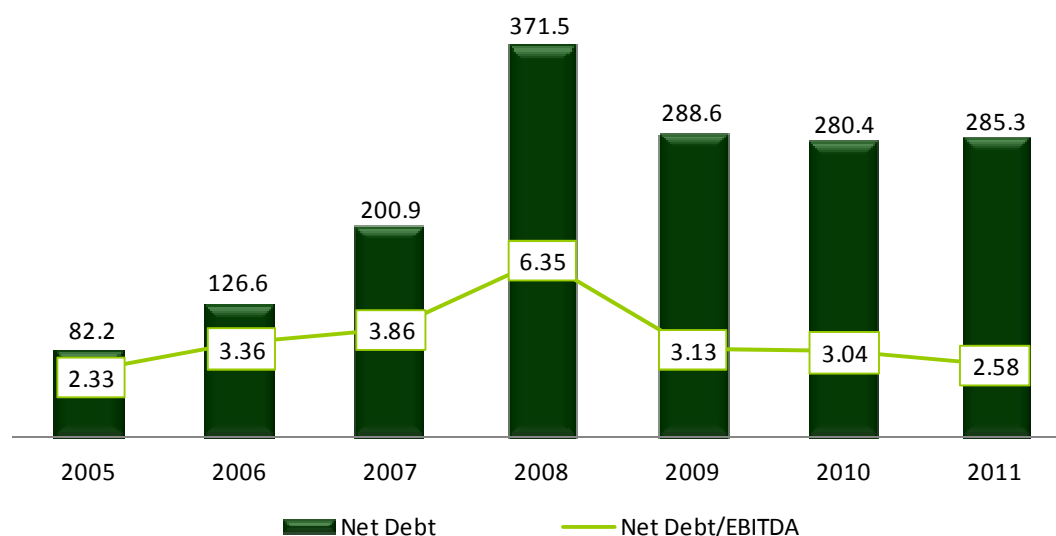
The variation of the fair value of biological assets, as well as its exhaustion, is being accrued in the Cost of Goods Sold – CPV. This new accounting method allows valuing in a more precise manner the market value of the Company's forests, providing more accuracy and adjustment to its Financial Statements.

Net Result

In 4Q11 net result of the Company totaled R\$ 11,075 thousand positive, as compared to the negative result in 4Q10 to R\$ 2,331 thousand and R\$ 8,475 thousand negative registered in 3Q11.

The Net Profit, in 2011, amounted to R\$ 9,354 thousand, presenting a reduction of 72.8% against 2010, when it was R\$ 34,360 thousand. The 2011 net results were less impacted by the fluctuation in the fair value of the biological assets (forests) than in 2010, which impacted its absolute reduction.

Net Indebtedness

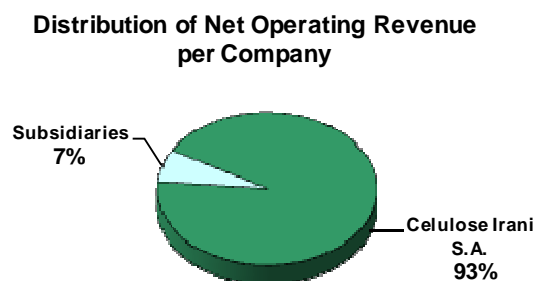


Amount in R\$ million

The evolution of the ratio Net Debt x EBITDA had its leverage peak in December 2008, due to the full loading of the debt regarding the financing of investments realized under the Superação Project (R\$ 160.8 million). From 2009 onwards, the capturing of its benefits started to show, along with the beginning of repayment of the debt, with the ratio lowering from 6.35x in 2008 to 3.04x in 2010. In 2011, this ratio ended the year at 2.58x.

OPERATING PERFORMANCE

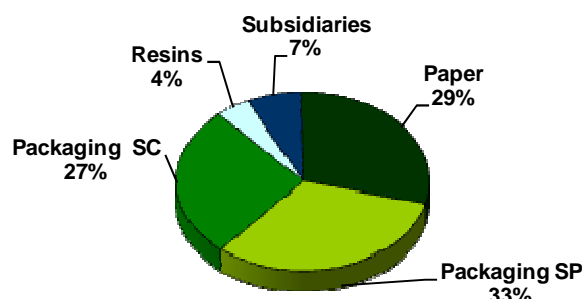
The participation of Consolidated Net Operating Revenue in 2011 was as follows:



Sales

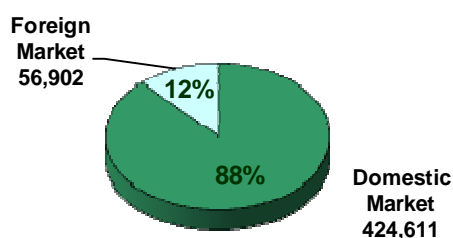
The distribution of the Net Operating Income per business unit had the following participations, during 2011:

Participation of sales per business unit



The composition of the Consolidated Net Revenue per market is distributed as follows in 2011:

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



PERFORMANCE OF BUSINESS

Celulose Irani S.A. is comprised of four Segments. These Segments are organized according to the market segment they work in, are independent in their operations and smoothly incorporated, seeking to optimize the use of pinewood forests planted through multiuse and the vertical integration of its business. Furniture segment, that is now an electronic channel of sales direct to end consumer, is an exception, but it shares the same positioning of market from sustainable products.

Paper Segment, located in Vargem Bonita - SC, aims at the production of Kraft paper of low and high grammages and recycled paper for the domestic and foreign markets, and for the Packaging Segment.

PO Packaging Segment (corrugated cardboard) produces boxes and sheets of corrugated cardboard, light and heavy, and counts on two production plants, one in Vargem Bonita - SC and another in Indaiatuba - SP. The plant of Indaiatuba - SP was inaugurated on June 02nd, 2008 and the resources used were from Project 'Superação'.

Forestry RS and Resins Segment industrializes forest-based products located at Rio Grande do Sul, seeking to optimize the exploitation of pine planted forests. From the natural pine resin, the unit denominated Resins, located at Balneário Pinhal – RS, produces pitch and turpentine, used for making varnishes, paints, soaps, glues, adhesives, among others, Mainly driven to overseas markets.

Furniture Segment markets furniture for domestic market by exclusively internet sales, through its subsidiary Meu Móvel de Madeira (www.meumoveldemadeira.com.br). The products profile is made of bedrooms, living rooms and auxiliary furniture.

Subsidiaries

Besides these segments, Celulose Irani S.A. relies on the subsidiaries:

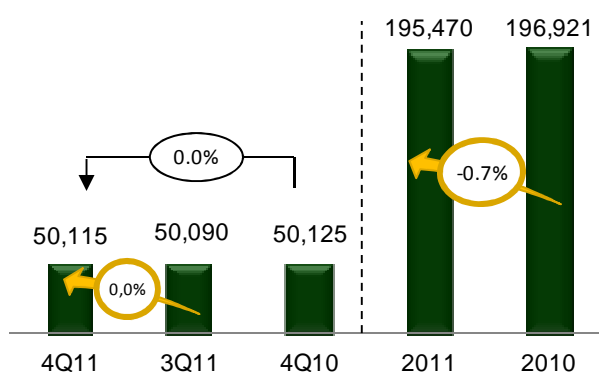
- Irani Trading S.A. that handles all the export operations of the company and act in management and rent of properties;
- Habitasul Florestal S.A., with a forest base of 8.4 thousand hectares of pine forests, provider of resin for the Resins plant of Celulose Irani S.A. and also timber supplier for the clients in the region;
- Meu Móvel de Madeira Comércio de Móveis e Decorações Ltda., which sells directly to end-customer through the website www.meumoveldemadeira.com.br;
- In 2009, a new subsidiary was acquired under the name of HGE – Geração de Energia Sustentável Ltda, that aims at the generation, transmission and distribution of electric energy from wind origin and is in pre-operating stage.
- In 2011, Iraflor Comercio de Madeiras Ltda was incorporated, to operate in management and commercialization of timber and forests to controlling company Celulose Irani S.A. and also to other market players.

Paper Segment

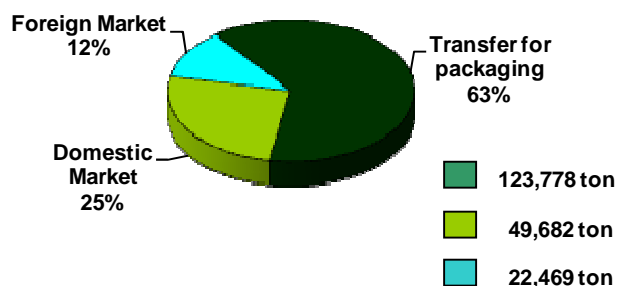
Celulose Irani S.A. had a market share of about 4.0% in the national production of Paper for Packaging in 2011 (including transfers) according to data from Bracelpa - Brazilian Paper and Pulp Association. The Paper Division relies on four machines, whereas one of them uses trimmings as the basis for its production. The other machines use mainly Kraft pulp of its own production.

The paper production during Q4-2011 was stable regarding Q4-2010 and Q3-2011, respectively. During 2011, the paper production totaled 195,470 tons, stable against the prior year. The production and distribution of paper produced at its own plants had the following composition in 2011:

Paper production
(in ton)

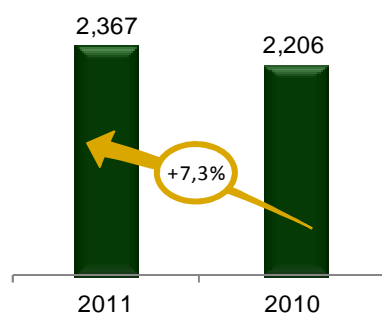


Dispatch/Sales of paper in 2011 (in ton)



In 2011 paper prices had an increase of 7.3%, paper prices had an increase of 2010, according to the graphic below:

Average Prices (R\$/ton)



In the forested area, reforestation investments continued to ensure future supply of wood for processing paper and wood pulp. In 2011, 729 ha of pinewood forest were planted for use as wood in pulp process and 164 ha of Eucalyptus Forests were planted for use as wood for biomass (energy generation). In 2011, production of wood was around 367.4 thousand ton of pinus wood for pulp and of eucalyptus for

energy, being also produced and sold to the market about 44.3 thousand tons of tree-trunks.

In 2011, controlled company Iraflor Comercio de Madeiras Ltda was incorporated through the assignment of planted forests that will be managed by it and commercialized to controlling company Celulose Irani S.A. and also to the market.

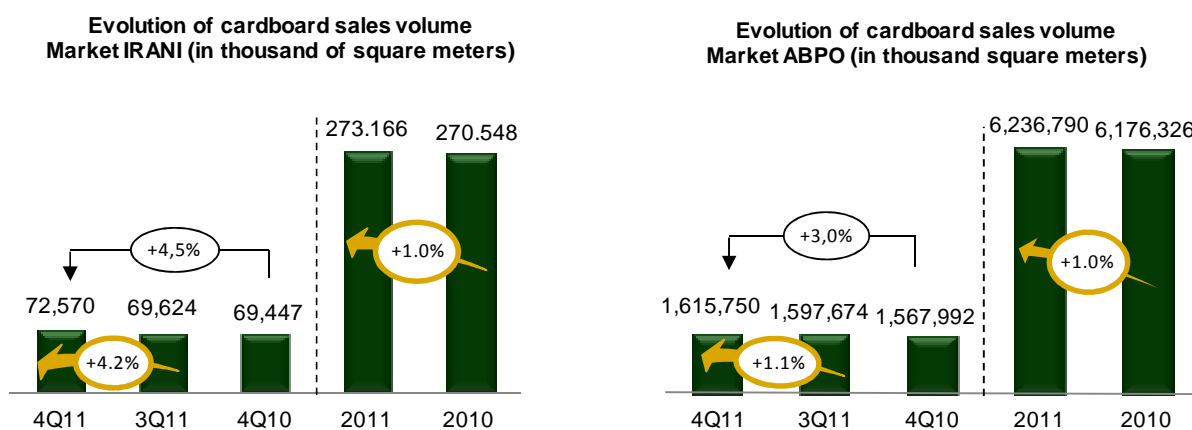
Corrugated Cardboard Packaging Segment

The national market share in packages of the PO Packaging Segment was stable regarding the prior year. In square meters, the 2011 market share was 4.38% according to preliminary data of sales from ABPO (Brazilian Association of Corrugated Cardboard Paper). IRANI'S sales presented a growth of 4.5% during Q4-2011 compared to the same quarter of the previous year, and of 4.2% compared to the previous quarter (Q3-2011). For the accumulated of the year, sales increased by 1.0% against 2010, a similar growth to that presented by the overall market according to ABPO.

In terms of tons, IRANI'S sales grew by 3.9% during Q4-2011 against the same quarter of the previous year, and by 3.8% against Q3-2011. In the accumulated of the year, sales were stable against 2010, while the market grew by 1.8% over the same period, according to ABPO. In tons, the 2011 market share was 3.85%, remaining stable against 2010 (3.9%).

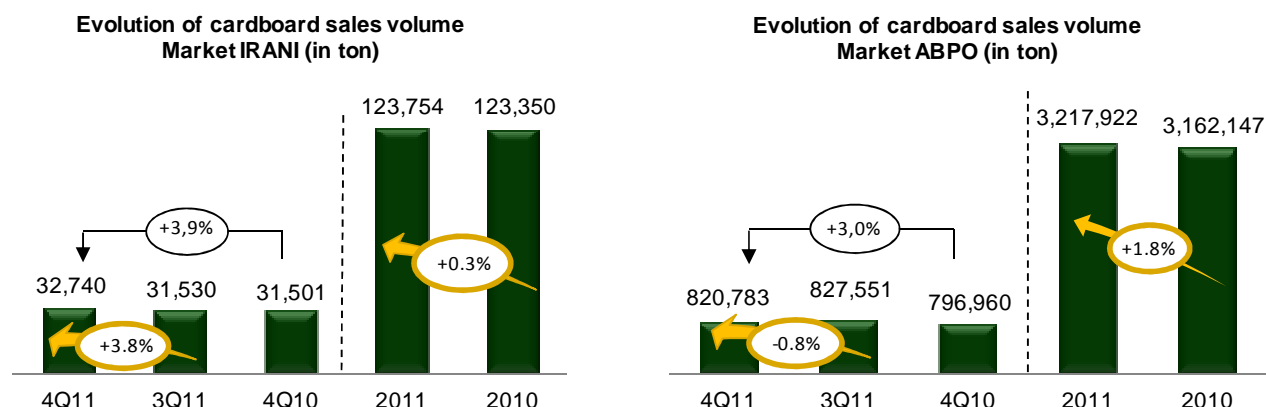
Market Growth

Comparison ABPO¹ x IRANI (square meters)

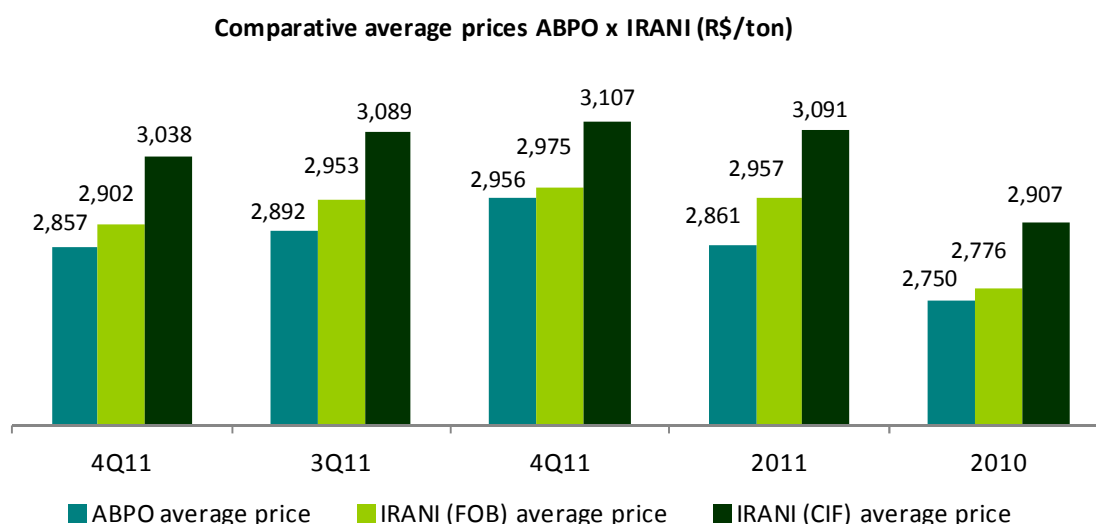


^{1,2} Data from 4Q10 of ABPO (in m² and ton) are closing preview. There may be some small changes in official information.

Comparison ABPO² x IRANI (ton)



The average prices per ton practiced by IRANI were stable during the quarter, above the level of average market prices, as shown below:



Methodology Note – adjustments for comparison, prices consider:

- 1 – IRANI'S prices without IPI, with PIS, COFINS and ICMS;
- 2 – IRANI'S prices are adjusted according to the mix of market boxes and boards;
- 3 – ABPO prices are a mix of CIF and FOB prices.

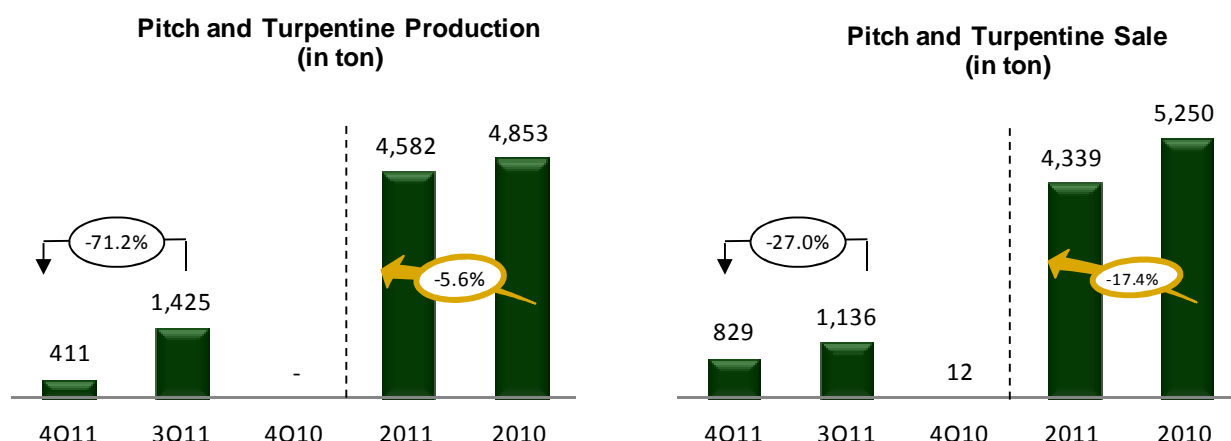
Technical Note:

ABPO aims at determining the values of the key variables representing industrial operations of the industry of corrugated cardboard paper. The methodology consists in using the information answered by a panel comprising 24 companies, expanding it to the universe of the industry, as defined by ABPO, formed by 80 companies¹. The estimations are based in year 2008. With values applied in that date, they calculate factors of expansion for each variable, applied in the sequence to the sampling data of that and of other years². From 2009, ABPO'S statistics were outsourced to Fundação Getulio Vargas, which reconsidered the methodology and reviewed the market data in corrugated paper in Brazil, retroacting its numbers from 2005, for values in tones and square meters. Therefore, there are differences regarding the amounts presented in the previous year report. (1) Only companies who own waving machines were considered. For purposes of estimation, the 80 companies are split into two groups: ABPO'S informants (24) and non-informants (56). (2) In 2008, the 24 informant companies answered for 71% of the revenues of a universe of 80 producers.

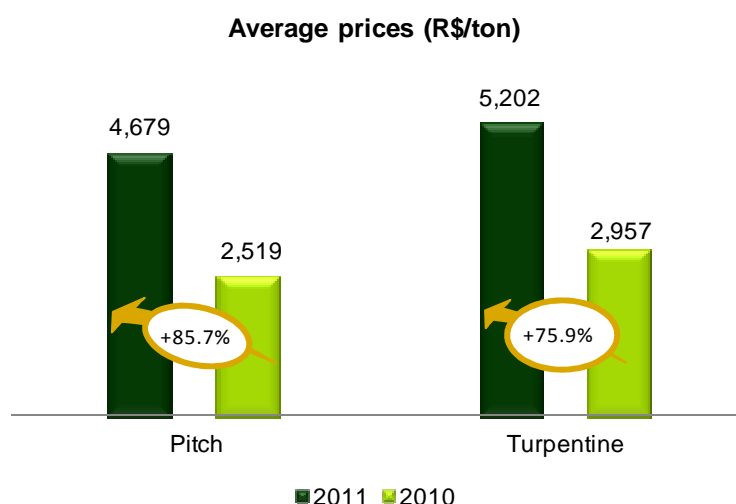
Forestry RS and Resins Segment

The RS Forestry Segment produced and sold – in 2011 – 398 thousand cubic meters of pine-tree trunks to the local market, and also supplied 2.9 thousand tons of in natura rosin to controlling company Celulose Irani S.A., to be used in the industrial manufacturing process pitch and turpentine.

The Resins Unit, which has its production driven to the overseas market, presented a reduction in its production and sales volumes for 2011 as compared against 2010, as shown in the below graphs:



On the other hand, net of taxes average prices of pitch and turpentine increased in 2011 as compared to 2010, as shown in the chart:



Furniture Segment

The activities for manufacturing of furniture, located in our own unit at Rio Negrinho/SC were discontinued in October/2010, and the facilities were converted into an industrial complex rented to

companies from that region. However, the Company maintains its strategy of selling furniture to the domestic market, through its subsidiary Meu Movel de Madeira, serving the entire country through its website www.meumoveldemadeira.com.br. The furniture sold through that subsidiary is purchased from factories across the region.

SUSTAINABILITY

Undertaking sustainability in businesses does mean to act according to a management model that seeks to balance the economic, social and environmental development. IRANI took up this challenge and adopted such model in order to be more competitive, and for believing that the balance and the synergy among these pillars produce lasting and admirable results.

Celulose Irani S.A., committed with the sustainable development, issues on a yearly basis, voluntarily, its **Sustainability Report**. It is a document where the company informs and renders accounts to the interested parties about its organizational performance. The transparency of its economic, environmental and social impacts becomes a fundamental component in its relationships with stakeholders and with the general market. The adopted methodology follows the guidelines from GRI (Global Reporting Initiative, version G3). The 2010 sustainability report has once again reached the level of application A+ from GRI, and is available at www.irani.com.br. The 2011 sustainability report shall be published on June 2012.

Highlights and recognitions in 2011

The Company enjoyed several social and environmental acknowledgments from the market, reflecting the actions and projects developed throughout the year.

Certificado Excelência em Gestão
Sustentável da Região sul



Troféu Melhorar do Prêmio de
Qualidade Ambiental do Transporte



Prêmio Febramec
Meio Ambiente 2011



Benchmarking Ambiental 2011



Prêmio Época
Empresa Verde 2011



Troféu Responsabilidade Social –
Destaque SC



Prêmio Empresa Exemplar
da América Latina



Campeões da Inovação 2011



Troféu Roberto Hiraishi 2011
20ª edição Prêmio Brasileiro de
Embalagem Embanews.



Prêmio Expressão de Ecologia 2011



- Certificate of excellence in Sustainable Management – South Region – Expressão Magazine
- Award “Melhorar” of the Environmental Quality Award for Transportation
- Febramec Environmental Award - 2011
- Brazilian Environmental Benchmarking Program – 2011 (Mais Projetos)
- Green Company Época Award 2011 – Epoca magazine
- Social Responsibility Award – SC Highlight – Santa Catarina’s Legislation House
- Exemplary Company of Latin America Award – by Centro Mexicano para la Filantropia (Cemefi)
- Innovation Champions 2011 – Amanhã magazine
- Roberto Hiraishi Award 2011 – 20th edition – Brazilian Packaging Award - Embanews
- Ecology Expression Award 2011
- Isto é Dinheiro magazine – the best from Dinheiro (2nd place in innovation and quality)

Management of Environmental Performance

Conserving and preserving the environment are responsibilities of Celulose Irani S.A. For this reason, the Company identifies, analyzes, develops and invests in actions that allow minimizing the environmental impacts caused by its productive activities, acting always according to applicable environmental laws and best practices.

As highlights of the environmental area, are the Clean Development Mechanism (MDL) projects from the Co-generation and Effluents Treatment Plant, and the Inventory of Emissions of Green House Effect

Gases (GEE). These projects contribute to minimize global warming and reducing the emission of green house effect gases, making feasible the commercialization of carbon credits.

Besides investing in technologies for environmental preservation, IRANI – aiming at raising awareness from its associates and dwellers from surrounding cities – supports and encourages projects in the environmental education arena. Through such projects, the Company disseminates the preservation and conservation culture and seeks to strengthen the concept and practice of sustainable development.

Indicators of Environmental Performance

The reductions in emissions of green house effect gases from IRANI were materialized with the development of the projects of Clean Development Mechanism (MDL), of small scale. Aiming at driving activities with social and environmental responsibility, the Company implemented its Co-Generation plant in 2005, and modernized its Effluents Treatment Station in 2008. These projects allowed generating carbon credits according to the Kyoto Protocol. The company reckoned in 2011 a reduction of costs with the generation of carbon credits equivalent to R\$ 2.5 million, already net from the expenses for intermediation of sales of such credits.

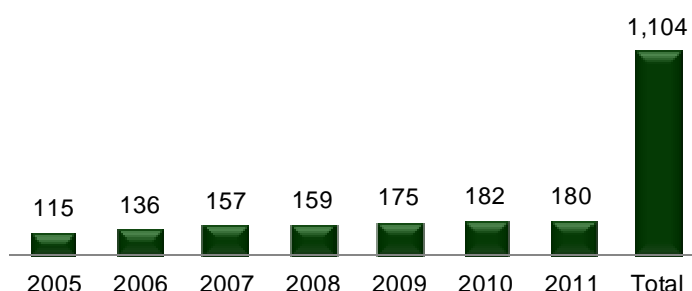
CDM – Co-generation Energy Plant

The project of the Co-generation plant, at the Paper Unit, was approved in 2006 and is registered at the UN as “Irani Biomass Electricity Generation Project”, available at the website <<http://cdm.unfccc.int/Projects/DB/DNV-CUK1146170596.51/view>>.

The project aims at reducing GEE emissions, as the inputs used for burning in the process arise from residues of the forestry base (bio-mass), replacing the use of natural non-renewable resources. Between 2005 and 2011, the Certified Reductions of Emissions obtained totaled 1,103,696 tons of CO₂eq.

The first period of 7 years of validation of this project ended in September/2011, and we will be revalidating the Project at the UN during 2012.

**Certified emission reductions
Cogeneration Project (CO₂eq thousand ton)**



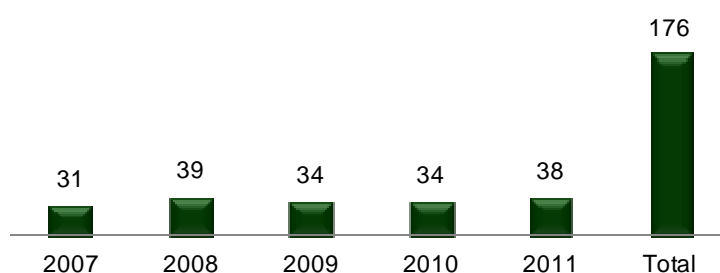
* The quantity of credits related to 2010 is different from what was published in the previous report due to a monitoring audit process.

MDL – Modernização da Estação de Tratamento de Efluentes

Likewise, the modernization of the Effluents Treatment Station in the Paper Unit is registered at UN as “*Irani Wastewater Methane Avoidance Project*”, was approved in 2008 and is available at the website <<http://cdm.unfccc.int/Projects/DB/DNV-CUK1194334826.24/view>>.

This project allows reduction of GEE emissions with the replacement of anaerobic degradation (no oxygen) by aerobic degradation (with oxygen) of the organic mass. Between 2007 and 2011, the Certified Emission Reductions obtained totaled 175,815 tons of CO₂eq.

**Certified emissions reductions (CO₂eq tons)
Waste Water Treatment Project**



In 2011, the actions driven to the environment received investments totaling R\$ 7,899 thousand. The largest portion of such resources, R\$ 3,701 thousand, were used to build the substation for power reduction from 138 KV into 23.1 KV, aiming at turning the Company into a consumer of 100% of clean energy.

GREENHOUSE GAS EMISSION INVENTORY

Celulose Irani annually carries out the verification of Greenhouse Gas Emission inventory through a certifying agency. The audit is conducted according to NBR ISO 14064:2006. From 2006 to 2011, it has been detected that IRANI is, **by nature**, either **carbon positive or carbon neutral**, i.e., it withdraws more greenhouse gas from nature than what it releases.

From the checking of inventory by external bodies, the Company aims at obtaining an independent statement regarding the inventory's quality, to ensure to the document's users more reliability in the results of its emissions. The removal of carbon by IRANI takes place due to the large volume of its planted forests. As a benefit to the Company's clients and to the society as a whole, for each tone of paper produced in 2011, 3.5 tons of CO₂eq were captured.

The inventory of GEE emissions, apart from guiding actions of environmental impact reductions, seeks to identify opportunities for new projects of Clean Development Mechanisms (MDL), increase its transparency in sustainability; strengthens the confidence of investors; aids in identifying risks, and facilitates the Company's environmental management plan. With the GEE emissions inventory, IRANI

became the first Brazilian company to obtain the certification by the norm ISO 14,064 (2006) regarding the quantification and verification of greenhouse gas.

SOCIAL PERFORMANCE INDICATORS

Human Development

The year of 2011 has ended with an effective staff consisting of 1,722 associates. Committed with the improvement of its internal organizational climate, the company invests in the qualification of associates, benefits, health, safety and life quality, apart from prioritizing direct communication between leadership and teams, aiming always at a Participative Management and valuing the diversity of its associates.

During 2011, R\$ 10,490 thousand were invested in benefits such as meals, transportation, life and health insurance; R\$ 1,787 thousand in qualification and personal improvement; and R\$ 3,197 thousand in the program of participation in the results (PPR).

The Company maintains five structural programs for people development, aligned to its Mission and Vision: Programs Cresce, Motiva, Supera, Gera and Cuida. The Cresce program entails a set of qualifications and training, aiming at developing people into the organizational and individual competencies. The Motiva program seeks to promote the organizational climate management, establishing an harmonic, motivating and challenging working environment. The Supera program aims at appraising the performance of each one of IRANI'S associates, and attribute to them a variable compensation in light of each one's performance. The Gera program targets ensuring that all people hired are properly adjusted and integrated to our organizational culture, that they can be monitored in their development and that at the end of their employment one of the reckoned results is the evident that both have grown together. Last, the Cuida program aims at improving the existing culture, encouraging behavioral changes regarding topics such as health and safety, and improve the physical conditions of the working place, making them safer. With these programs, IRANI'S management believes that it is supporting the production and strengthening of human capital, paramount for the materialization of the Company's plans.

Society

The Company is concerned about the well-being of the dwellers of the communities where it operates, and contributes towards reducing social inequalities. As part of its actions in benefit of the society, the Company encourages and sponsors educational, cultural and sports projects always aiming at the continuity of actions and self-development of the audiences. Among the projects developed are the partnership with Junior Achievement in the units of Santa Catarina, Sao Paulo and Rio Grande do Sul, which encourages corporate volunteering and the dissemination of themes related to sustainability: Sesi Athletes of the Future Program, in partnership with Sesi/SC and City Halls of the cities of Vargem Bonita (SC), Irani (SC) and Ponte Serrada (SC); Project Broto do Galho, partnership with Sebrae/SC and again with the city hall of Vargem Bonita (SC); and the Environmental Protector Project, developed

in partnership with that same city hall, the Environmental Military Police of Concordia (SC), and the Basic Education School Galeazzo Paganelli.

For these projects, other donations and social sponsorships were disbursed, totaling R\$ 313 thousand during 2011.

INVESTMENTS

The Company keeps its strategy of investing in modernizing and automating its production processes. The investments booked in 2011 amounted to R\$ 44,305 thousand, distributed as follows:

Land	R\$ 5,473 thousand
Buildings	R\$ 41 thousand
Equipments	R\$ 27,930 thousand
Commercial Leasing	R\$ 2,564 thousand
Reforestation	R\$ 7,818 thousand
Developing investment	R\$ 479 thousand
Total	R\$ 44,305 thousand

Investments during this year were basically driven towards completion of certain projects started during 2010 and necessary improvements for the proper development of physical equipments and structures of the Company. One of the most important investments was the purchase of a substation to connect the industrial plant of Vargem Bonita – SC to the power network of 138 KV.

CAPITAL MARKET

IRANI's corporate capital is represented by 8,104,500 shares, being 7,463,987 (92%) common shares and 640,513 (8%) preferred shares.

Share buyback program

The Board of Directors has approved, in 11/24/2010, a shares repurchasing program to be kept entresured and for subsequent cancellation or sale. The acquisition of up to 62,356 common shares and up to 18,645 preferred shares was authorized, representing 10% of each type of shares circulating in the market (as of 09/30/2010). The program was completed in November 23rd, 2011, with the acquisition of 62,300 common, nominative and booked shares, and 13,700 preferred shares, nominative and booked. The shares acquired within this Program correspond to 9.05% of circulating common shares, and 7.31% of circulating preferred shares, as of the date of completion. The decision about resale or cancellation of these shares will be made at a later date and informed to the market.

Dividends

The Company's management is proposing, for approval of the Ordinary General Meeting, the distribution of dividends related to financial year 2011, amounting to R\$ 9,761 thousand, corresponding to R\$ 1.33 per preferred share and R\$ 1.21 per common share. On such values there will be no Income Tax.

Interest on Own Capital

On November 16th, 2011, the Board of Directors has approved the distribution of Interest on Own Capital regarding the period from January to October/2011, totaling (gross amount) R\$ 5,000 k, corresponding to R\$ 0.62313852943 per share. Over this amount R\$ 750 thousand of Income Tax was withheld, as determined by applicable laws. The payment was made during the financial year of 2011 itself to the account of each shareholder, withholding the 15% of income tax, observing the limits of statutory dividends.

AUDITING SERVICES

During 2011, our External Auditors provided consulting services to prepare the diagnosis for implementation of the IFRS – International Financial Reporting Standards, and for adoption of the CPC pronouncements. This work started in 2008 and continued during 2009, 2010 and 2011.

OUTLOOKS

The expectations are for moderate growth during 2012, mainly due to a not so “hot” 1st half of the year. The declining interest rates shall encourage investment and consumption, impacting positively the PO Packaging Segment, especially from the second half of this year. In this same sense, the increase in income of the Brazilian population and full employment shall favor the PO Packaging and Paper sectors. The external scenario remains uncertain, mainly due to the fiscal crisis in Europe, and may bring volatility to the markets. We believe that year 2012 shall follow the positive trend of the previous years.

ACKNOWLEDGMENTS

Agradecemos a cada um dos nossos colaboradores pelo empenho neste período, aos nossos acionistas pela confiança, e aos nossos clientes, fornecedores, instituições financeiras e comunidades de entorno, pelo apoio e parceria, indispensáveis ao crescimento e desenvolvimento da Celulose Irani S.A. durante o ano de 2011.

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 2011.

Porto Alegre, March, 2012.

THE 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 2011, 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\$28,530 thousand, which will be allocated to the Earnings Retention Reserve to comply with the Company's Investment Plan.

The 2012 Capital Budget approved by the Board of Directors on a meeting held on December 7, 2011, amounts to R\$47,392 thousand and is distributed as follows:

CELULOSE IRANI S.A.

Capital Budget 2012			
[R\$ thousand]			
	Current	Strategical	Total
Consolidated	20,000	-	20,000
Paper	-	8,182	8,182
Packaging SP	-	8,932	8,932
Packaging SC	-	3,582	3,582
Need for Working Capital	6,695	-	6,695
Total of investments 2012	26,695	20,697	47,392

Management is at the disposal of Shareholders for further clarification.

Porto Alegre, March 07, 2012.

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 07, 2012.

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

Túlio César Reis Gomes – Forest-Related Business Officer