Respected Shareholders,

The management of **Celulose Irani S/A** submits to your appreciation the Management Report and the company's Financial Statements with the respective opinion of the Independent Auditors relating to the fiscal year ended on December 31, 2007. The Financial Statements are elaborated pursuant to the Law of Incorporation by Shares and its amendments and based upon standards set by the Brazilian Securities and Exchange Commission - also known as CVM.

MESSAGES TO SHAREHOLDERS

Celulose Irani S/A is an integrated Packaging and Paper plant with its own robust forest base. The core of its business is the optimal usage of the pinewood planted forest (long fiber) through multiuse, seeking to add value to each stage of the productive process, as well as to each forest-sourced product: woodpulp, paper, package, furniture, wood, resins and biomass for energy.

HIGHLIGHTS OF YEAR 2007

The country's economic performance in 2007 was better than the previous year, with its GDP growth, set by IBGE, on the order of 5.4%. IRANI's Gross Revenue consolidated in the same period grew 16.6%. This growth recorded by the Company was due mainly to increases in the paper mill's productivity and sales increase of the packaging plants. The USA dollar continued its declining path throughout the year, in some way harming exports, but that was offset by increased prices in the international market. That year also showed recovery in prices of paper and packaging, reflecting a more intense economic activity, which has improved margins. In 2007 IRANI took a US$ 70 million financing through Credit Suisse Investment Bank which in addition to other fundings through national and international financial agents were assigned for implementation of Project Overrun. Project Overrun consists of an 18% increase in the paper production capacity and 87% in the production of corrugated cardboard packaging. The Project also provides for modernization of the Paper Machinery I and V, which will allow gains in the quality of paper produced, the expansion of dispatches and addition of a new caustizising plant. In the area of packaging with corrugated cardboard, a new industrial plant is being implemented in the city of Indaiatuba - SP. This unit will have the capacity to produce 8000 tons per month of corrugated cardboard in equipment of the latest generation.

In 2007, the Company conducted an audit retroactive to financial year 2006 with Deloitte Touche Tohmatsu independent auditors, in order to obtain the opinion of the same independent auditors for the last two corporate fiscal years. The Company's Management concluded for the formation of provisions that year, and by making adjustments to prior years, as determined by deliberation CVM 506. Such releases impact on the Company's Net Worth, as shown in the explanatory notes. However, it should be noted, the Company has in its assets land and forests recorded at their historical cost and are underappraised in an amount exceeding R$ 200 million in relation to the market value, according to reports from enterprises, not reflected therefore, in its Fixed Assets and Net Worth.

CUSTOMER IRANI PROJECT

In addition to investments in upgrading technology and equipment, IRANI began in 2007 a program called Customer Irani Program, which aims to develop the skills and stimulate the creativity of the team, to create value for the customer, with a focus on customer of the customer. We believe that expanding the interfaces and deepening the relationship with business customers, we can achieve together the results planned. IRANI, together with consultants from JCTM Industrial Marketing, develop projects, activities and training for this purpose. The main objective is to maximize gains of the productive chain in which we operate and build fair and lasting relationship with our customers.

ECONOMICAL–FINANCIAL PERFORMANCE

MAIN FINANCIAL INDICATORS

MAIN FINANCIAL INDICATORS				
(R$ thousand)	2007 Parent Company	2007 Consolidated	2006 Parent Company	2006 Consolidated
Gross Operating Income	430.979	440.347	373.730	377.689
Domestic Market	342.086	351.888	291.805	295.764
Foreign Market	88.893	88.459	81.925	81.925
Net operating income	341.684	350.400	296.963	300.569
Gross Profit	86.217	89.763	69.523	71.293
Gross Margin	25,2%	25,6%	23,4%	23,7%
Operating Profit/Loss	21.424	21.713	(11.545)	(11.182)
Net Profit/Loss	**14.718**	**14.595**	**(3.114)**	**(3.114)**
Adjusted EBITDA	49.377	52.055	36.461	37.668
EBITDA Margin	14,5%	14,9%	12,3%	12,5%

EBITDA - EARNING BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (*)				
(R$ thousand)	2007 Parent Company	2007 Consolidated	2006 Parent Company	2006 Consolidated
Operating Profit/Loss	**14.718**	**14.595**	**(3.114)**	**(3.114)**
IR and CSLL & Directors' Share	7.059	7.471	(4.290)	(3.927)
Depreciation, Depletion and Amortization.	25.633	27.911	17.962	18.736
Financial Income	(1.994)	(1.883)	19.866	19.936
EBITDA	**45.416**	**48.094**	**30.424**	**31.631**
Provisions (IPI and Contingent Liabilities)	3.961	3.961	6.037	6.037
Adjusted EBITDA	**49.377**	**52.055**	**36.461**	**37.668**
Variation of EBITDA	35,4%	38,2%		

Note: EBITDA is the added operating income from net financial expenses (income) and depreciations, depletions and amortizations. EBITDA is not a measure used in accounting practices adopted in Brazil, not representing the cash flow for the periods presented and should not be considered as an alternative to net profit as an indicator of our operating performance or as an alternative to cash flow for an indicator of liquidity. EBITDA does not have a standard meaning and our definition of EBITDA may not be comparable to EBITDA or adjusted EBITDA as defined by other companies. Although EBITDA does not provide, in accordance with the accounting practices used in Brazil, a measure for operating cash flow, our government uses it to measure our operational performance. Additionally, we believe that certain investors and financial analysts use EBITDA as an indicator of a company's operational performance and/or its cash flow.

Gross Revenue

The Gross Revenue was 16.6% higher in 2007, reaching a total of R$ 440,347 thousand as compared to R$ 377,689 thousand in 2006. Already in Dollars the Gross Revenue was 31% higher in 2007, adding US$ 227,619 thousand, as compared to US$ 173,608 thousand in 2006.

Net Operating Income

The Net Operating Revenue was 16.6% higher in year 2007, over 2006. The Gross Profit in 2007 was R$ 89,763 thousand, as compared to R$ 71,293 thousand in 2006, a growth of 25.9%. The Gross Margin remained stable in 2007, staying at 25.6%. In 2007, the Operating Net Income, in turn, was R$ 21,713 thousand as compared to R$ 11,182 thousand negative recorded in the previous year.

EBITDA

The absolute value of the adjusted consolidated EBITDA was established in R$ 52,055 thousand, as compared to R$ 37,668 thousand of year 2006, representing 38.2% increment.
The margin of the adjusted consolidated EBITDA had a growth from 12.5% in 2006 to 14.9% in year 2007.

Financial Income

The Financial Income was positive by R$ 1,883 thousand, as compared to R$ 19,936 thousand negative in 2006. Of the R$ 1,883 thousand of 2007, R$ 23,628 thousand represent foreign exchange variation in assets, R$ 7,469 thousand of financial revenue and R$ 29,214 correspond to financial expenses (interest, bank charges, CPMF tax and discounts granted).

Net Income/Loss

In 2007, the Operating Net Income, in turn, was R$ 14,595 thousand as compared to negative R$ 3,114 thousand recorded in the previous year. Additionally, portion was realized of assets revalued at R$ 1,460 thousand in 2007 (R$ 1,489 thousand in 2006), not transferred as revenue in the Income Statement of the Fiscal Year - DRE (Deliberation 183/95 of CVM), but which will be added on the basis of distribution of dividends, which adds to the year's profit. The Co's income, in 2007, will be appropriated for distribution of the compulsory minimum dividends, the establishment of legal reserve and the balance, as Management will propose, will be reinvested into the Co itself.

DVA - Statement of Added Value

in R$ thousand

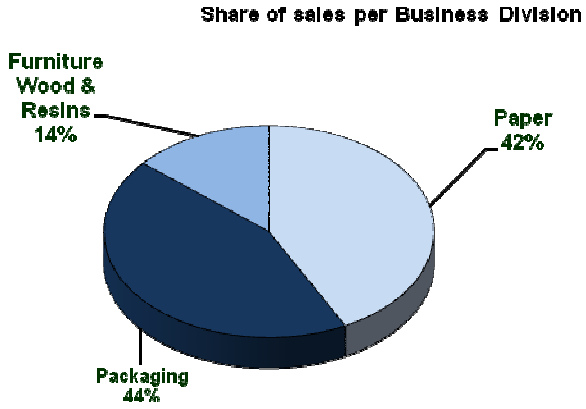
	Parent company		Consolidated	
	2007	2006	2007	2006
1. INCOME	**430.832**	**375.385**	**440.023**	**378.995**
1.1) Sales of goods, products & services	430.979	373.730	440.347	377.689
1.2) Provision for bad debts/(Creation)	(500)	(2.486)	(677)	(2.835)
1.3) Non-Operating	353	4.141	353	4.141
2. THIRD PARTY ACQUIRED INPUTS	**295.063**	**256.569**	**298.351**	**258.372**
2.1) Raw Materials consumed	209.717	182.768	209.716	184.071
2.2) Cost of goods and services sold	3.114	1.643	2.298	1.643
2.3) Materials, energy, services of 3rd parties and others	82.233	72.158	86.337	72.658
3. GROSS ADDED VALUE (1-2)	**135.769**	**118.816**	**141.671**	**120.623**
4. RETENTIONS	**22.451**	**16.472**	**24.735**	**17.246**
4.1) Depreciation, amortization and depletion	22.451	16.472	24.735	17.246
5. NET ADDED VALUE PRODUCED BY ENTITY (3-4)	**113.318**	**102.344**	**116.936**	**103.377**
6. ADDED VALUE RECEIVED IN TRANSFER	**46.536**	**6.349**	**44.852**	**6.199**
6.1) Cash equivalents income	1.758	269	-	71
6.2) Financial Income	44.778	6.080	44.851	6.128
7. TOTAL ADDED VALUE TO DISTRIBUTE (5+6)	**159.854**	**108.693**	**161.788**	**109.576**
8. ADDED VALUE DISTRIBUTION	**159.854**	**108.693**	**161.788**	**109.576**
8.1) Personnel and charges	51.072	44.971	51.866	45.381
8.2) Taxes, fees and contributions	42.781	33.659	43.872	34.175
8.3) Interest and rents	54.072	31.689	54.245	31.808
8.4) Interest over own capital and dividends	4.533	776	6.383	776
8.5) Profits retained / loss of fiscal year	7.396	(2.402)	5.422	(2.564)

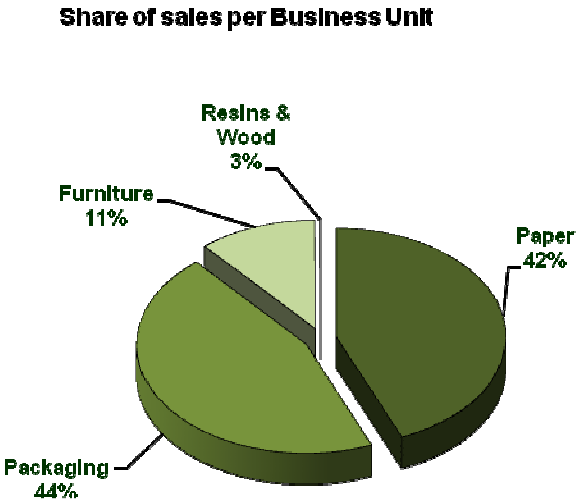
(*) Demonstration of Value Added - Not audited by independent auditor

The participation of Gross Consolidated Operating Revenue in 2007 was as follows:

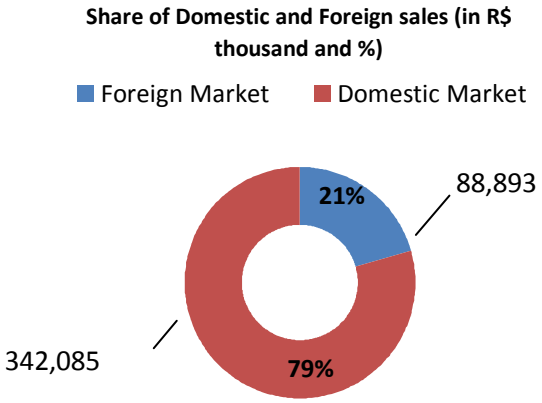
Sales

The distribution of Sales in the parent company has the following participation, in year 2007:

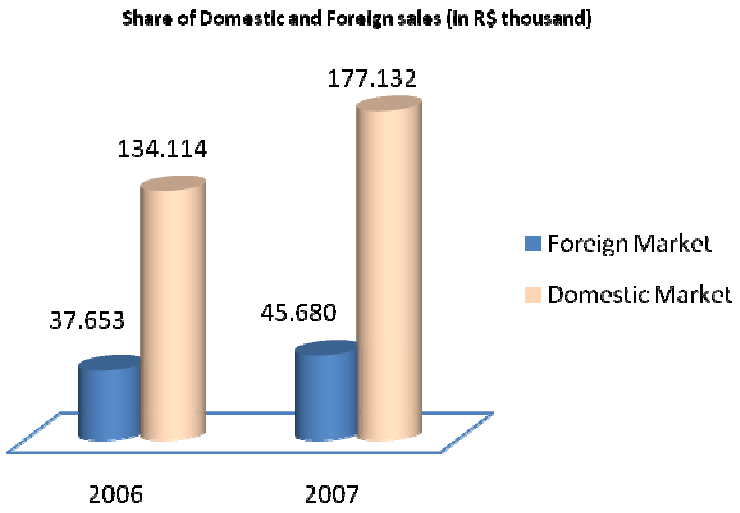




The composition of the Gross Revenue by market is distributed as follows in 2007:



The distribution of Dollar Sales in the parent company has the following participation, in years 2006 and 2007:



PERFORMANCE OF BUSINESS

Irani Celulose S/A is comprised of three Divisions. These Divisions 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.

- **Paper Division**, 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 the Packaging Division.
- **Packaging Division** produces boxes and sheets of corrugated cardboard, light and heavy, and counts on two production plants, one in Vargem Bonita - SC and another in Santana de Parnaíba - SP. The plant at Santana de Parnaíba - SP is being transferred to Indaiatuba - SP a privileged place with better and larger physical structures. For this transfer, the resources available are being used for Project Overrun.
- **Furniture and Resins Division** industrializes forest-based products, seeking to optimize the exploitation of forests, through multiuse. This division currently relies on two production units, one being a pine furniture factory in Rio Negrinho- SC in a business unit named Resinas, located in the Resort of Pinhal - RS, which produces pitch and turpentine, from resin provided by the affiliate Habitasul Forest S/A. Looking up the market context of the Wood Plant, decision was made for its closure by virtue of lack of competitiveness of the end products offered.

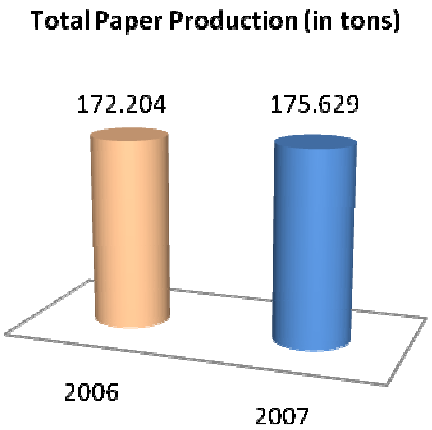
Besides the three Divisions, Celulose Irani S/A relies on the affiliates Irani Trading S/A which handles all the export operations of the company and Habitasul Florestal S/A, with a forest base of 8.4 thousand hectares of pine forests, provider of resin for the Resinas plant of Celulose Irani S/A and also the timber supplier for the sawmills in the region. In November 2007 the subsidiary Brastilo Inc. was created with base in Miami, United States, with the goal of selling pine furniture in the American market. Brastilo Inc. operates through a Distribution Center. The distribution of the articles occurs exclusively by the internet, catering to all of the US, except Puerto Rico, Alaska and Hawaii.

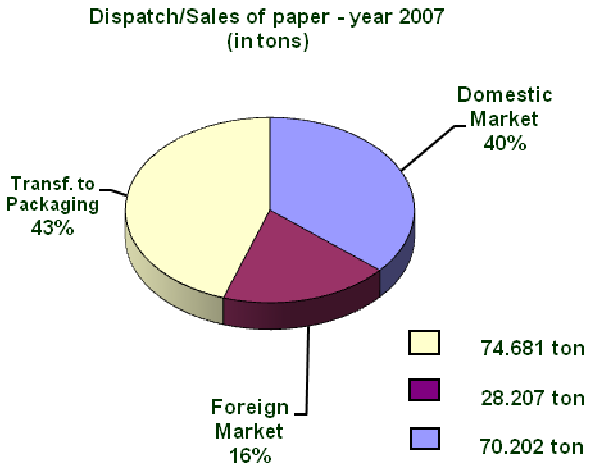
Brasilto products are developed with inspiration in Brazil and sold over the site www.brastilo.com. Also in early 2008 a new subsidiary's operations will be initiated under the name of Meu Móvel de Madeira Comércio de Móveis e Decorações Ltda., which will meet the demand of the domestic market through the site www.meumoveldemadeira.com.br.

Paper Division

Celulose Irani S/A kept a share of about 4% of the national production of Paper Packaging in 2007, according to preliminary data from Bracelpa - Brazilian Association of Paper and Woodpulp. The Paper Division relies on four machines, whereas one of them uses Trimmings as the basis for its production. The other machines, in turn, use mainly Kraft pulp of its own production.
This year 173,090 tons were dispatched against 173,641 tons in 2006. The paper production had a 2% increment, going from 172,204t to 175,629t.

The production and distribution of paper produced at its own plants had the following composition in 2007:





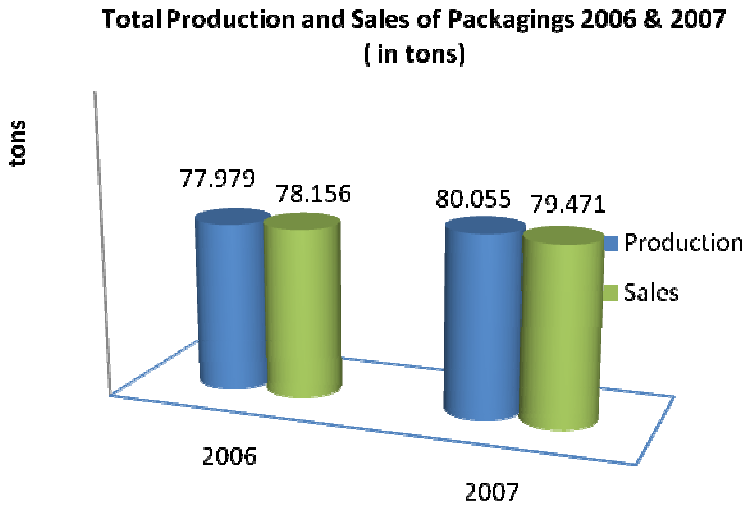
In business activity, efforts were made to increase the added value of products and improve the production mix, aiming at better profitability. In the foreign market, the volumes sold increased significantly. In the second half of the year there was an improvement of margins, due to increases in the Dollar prices.

The average prices of paper had increased in 2007. Similarly, the paper mix changed in relation to the mix of 2006, also increasing the average end price.

In the forested area, reforestation investments continue which could ensure future supply of wood for processing and biomass, from the paper and wood pulp mill. In year 2007 there was a 7% increment in the reforested area of the company on behalf of reforestation in partnerships established with land owners in the region. This year 1,723 ha of Pine Forests were planted for use as wood for processing, of these 682 ha in own land and 1041 ha in third party properties in forestry and leasing partnership arrangements. This year 204 ha of Eucalyptus Forests were planted for use as wood for biomass, of these 114 ha in own land and 1041 ha in leasing and forestry partnership arrangements. In year 2007, 35,539 ts of pine logs were sold to the market against 12,273 ts in year 2006.

Packaging Division

The Packaging Division maintained its stable participation in the domestic market of packaging with 3.5% of the market in 2007, the same as 2006, according to the sales data from ABPO - Brazilian Association of Corrugated Cardboard. The production of packaging in its two plants grew 3% in 2007, as compared to the previous year.



The marketing of plates and corrugated cardboard boxes followed the parameters of the national market. At the end of 2007, average prices net of corrugated cardboard boxes were 10.8% above volume exercised in December 2006 and the sheet prices showed an increase of 6.85% as compared to the prices of 2006.

Furniture and Resins Division

The Furniture and Resins Division sells virtually all of its production to foreign markets.

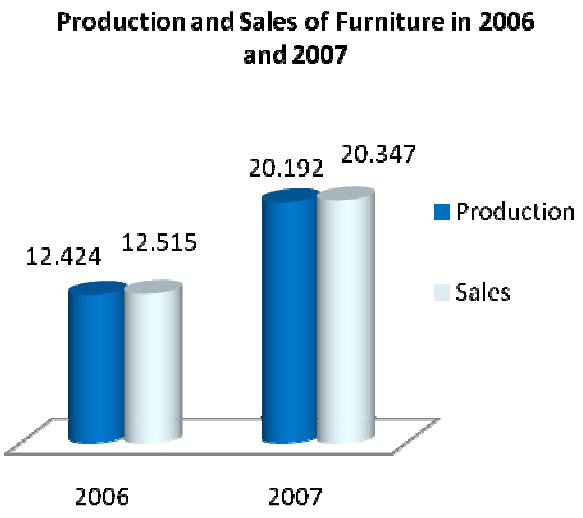
In 2007, the Timber Plant - SC closed down, ceasing its production of sawn timber and changing to logs as for its sales business to the market.

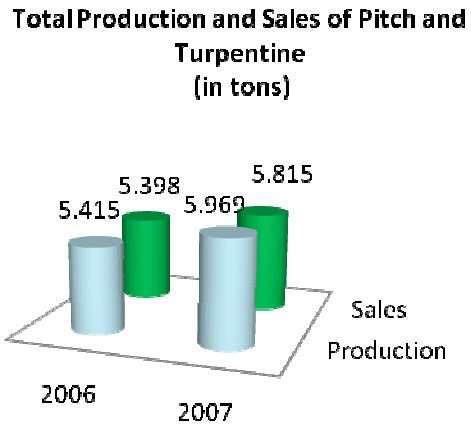
In 2007, the furniture factory suffered a 23.33% reduction in the production at its own facilities, as compared to 2006. In 2007, the plant produced in the factories of industrial partners 14,778 m3 of furniture, which, added to 5,414 m3 of the production itself, the total sales reached 20,347 m3, optimizing production costs, against 12,515 m3 in 2006.

In the business activities, efforts are being focused on restructuring of the sales teams, and in the quest for new foreign markets, which pay the products better, consolidating the sales policy of this unit based in the international market of the wood furniture.

The resins plant produced 5,969 tons of resins and turpentine pitch in year 2007 and placed 5,815 tons on the foreign market.

The evolution of production and sales of the Furniture and Resins Division are shown as follows:





SUSTAINABILITY

Balancing economical, social and environmental aspects, so as not to jeopardize the development of future generations, with transparency and involvement of all the stakeholders in the company. This is the concept of Corporate Responsibility whereby the company goalposts its activities and develop their projects.

Envisage contributing to building a more developed society, support the communities with which they relate directly, and establishing partnerships with solid entities that act on the development of infants and teenagers, in addition to seeking the sustainability of your business by investing heavily in technology and projects that benefit the environment.

Celulose Irani, committed to sustainable development, yearly issues a voluntary form of the **Sustainability Report**. This is a document through which the company measures, informs and reports to stakeholders about the organizational performance. Transparency on the economical, environmental and social impacts becomes a key component in the relations with stakeholders and the market in general. The methodology adopted follows the guidelines of GRI - Global Reporting Initiative.

Acknowledgments in 2007

The Company enjoyed several social and environmental acknowledgments from the market and human resources, reflecting the actions and projects developed throughout the year. Among the main ones, we could highlight:

- ✓ Social Value Prize
- ✓ Export Quality
- ✓ Social Management Yearbook
- ✓ Citizen Enterprise

- ✓ Fritz Muller Prize
- ✓ Brazilian Environmental Benchmarking Program
- ✓ The best of *Money*
- ✓ Eco Prize
- ✓ The 50 most admired RHs of the Management & RH Magazine
- ✓ Most Remembered Supplier of the Food Industries

Environmental Performance Indicators

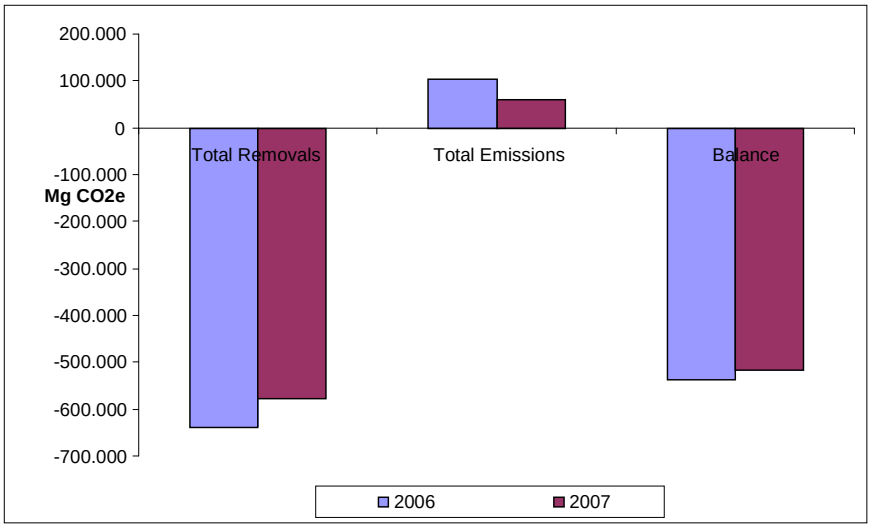
Celulose Irani S/A is the first Brazilian company to certify its Inventory of Greenhouse Effect Gases (GEG), according to international ISO 14,064 standard of 2006. The certification was carried out by BRTUV in January 2008 and verified that in year 2006 IRANI emitted 102,473 tons of carbon equivalent and removed from the atmosphere 638,630t of CO2e, thus resulting in a **net removal of 536,152 t of CO2e**. This way, IRANI's activities are Carbon-neutral, for removing more carbon from the atmosphere than it gives off.

Celulose Irani S/A operates with total respect for the environment, monitoring actions and interactions resulting from the operation, in order to prevent risks and optimize existing resources. In 2007, it developed projects and technologies that had multiple environmental benefits.

Carbon Inventory

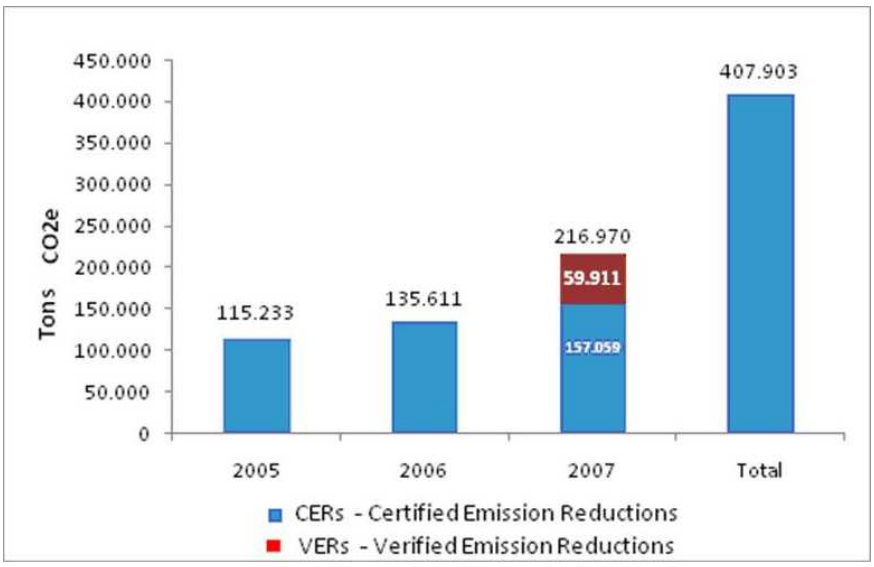
The inventory of Greenhouse Effect Gases raised by Celulose Irani S.A. aims to verify emissions and removals from all plants of the Company, allowing their management and seeking opportunities for development of CDM projects, and generation of cardboard credits for the voluntary market.
The direct and indirect emissions of Celulose Irani S/A represent 3.5% in 2006 and 2.07% in 2007 over the total CO_2 emissions of Woodpulp and Paper based on the National Inventory of Greenhouse Effect Gases of 1994.

Total direct and indirect emissions - energy (Mg CO2e)



Celulose Irani S/A is the first Brazilian company in the paper and woodpulp sector, and the second in the world, to have carbon credits issued by the Kyoto Protocol. The emission reductions achieved by the project were calculated based on the data generated through monitoring carried out as can be seen in the chart below. In 2007, the Company also implemented a new stage of the Waste Water Treatment Station, which generated credits in the voluntary market and in January 18, 2008 the project was registered in the Kyoto Protocol.

Reductions of CO_2 and certified by the Kyoto Protocol and by the Voluntary Market



In clean technologies and projects that benefit the environment, the company invested the amount of $ 3.8 million in 2007.

SOCIAL PERFORMANCE INDICATORS

Human Resources

Year 2007 ended with an effective staff of 1,799 collaborators. Committed to improvement of internal organizational climate, the company invests in training of employees, benefits, health, safety and life quality, besides prioritizing direct communication between leaders and teams, always envisaging Participatory Management and valuation of diversity among its collaborators.

In 2007, R$ 6,668 thousand was invested in benefits for food, transportation, insurance, life and health plan, R$ 1,017 thousand in training and development and R$ 1,850 thousand in the profit-sharing program - PPR.

Society

The company is concerned about the welfare of the residents of communities where it operates, and contributes to the reduction of social inequalities. As part of its shares to the benefit of society, the company encourages and sponsors educational, cultural and sports projects, always seeking the continuity of actions and self-development of the target public.

Among the projects developed are the following: Young Overcomers, Junior Achievement, Investment and Revitalization of the Community around the Factory Precincts - Outdoor Joy in Vargem Bonita/ SC, Open Talk Journal - Company's Communications Channel with the Community (Field Village of Joy) , the Toy Toll Campaign, IRANI Employability Program, Young Apprentice Program, in partnership with APAE of Joaçaba, Junior Environmental Protectors, Association of the Handicapped of Concordia, Laramara, Social Toast, donations and sponsorships.

A total of R$ 357 thousand was allocated in 2007 for these projects and other social donations and sponsorships.

INVESTMENTS

The Company continues its strategy of investing in the modernization and automation of its production processes. Investments in 2007 totaled $ 97.7 million ($ 98.1 million consolidated), thus distributed:

Buildings and Constructions	R$ 1.201 thousand
Equipment and Facilities	R$ 91,397 thousand
Foresting and Re-foresting	R$ 5,526 thousand
Total	**R$ 98,124 thousand**

This year, major investments were targeted toward the Project Overrun in the Paper Plant at Vargem Bonita, SC in Packaging Unit of Indaiatuba, SP. Resources were provided also for the Packaging Plant of Vargem Bonita, SC which should continue in the first half of 2008.

Of the total R$ 127 million of Project Overrun, including need for working capital, so far R$ 59.0 million has been allocated, thus distributed:

-- Paper Plant/ SC: R$ 31.6 million
-- Packaging Plant Indaiatuba/ SC: R$ 27.3 million
-- Packaging SC: R$ 90 thousand

STOCK MARKET

Irani's corporate capital is represented by 8,104,500 shares, being 7,463,987 common shares and 640,513 preferred shares.

Dividends and Interest over Own Capital

The Company provisioned Interest Over Own Capital as advance of mandatory minimal dividends in function of the profits verified in the course of fiscal year of 2007.

On July 19, 2007, August 14, 2007 and November 13,2007, the Management proposed and the Board approved the distribution of Interest over Own Capital relating to the exercise of 2007 in the total sum of R$ 4,250, corresponding to R$ 0.45 per preferred and common share. Over this total distributed sum, R$ 637 worth of Withholding Income Tax was retained as determined in paragraph 2 of art. 9, Law 9.249/95. Payment was made in fiscal year 2007 itself into each shareholder's account, less 15% relating to Withholding Income Tax, observing the limits of statutory dividends.

The Company Administration is proposing the distribution of dividends relating to fiscal year 2007 in the sum of R$ 283 thousand, corresponding to R$ 0.08 per preferred share and R$ 0.03 per common share. No Withholding Income Tax is levied over these amounts.

AUDITING SERVICES

In year 2007, no services were rendered other than External Auditing by our Independent Auditors.

PROSPECTS

Year 2008 should see a heated and growing Brazilian economy. Expectations are for GDP growth of about 5% and the significant increase in consumption of the Brazilian population with positive impact on the Company's business.

With the consolidation of investments under Project Overrun the company provides significant increases in paper and packaging operations as well as higher levels of profitability, appropriate to the activity.

THANKING

We would like to thank each one of our collaborators for the effort shown on this period, to our shareholders, for the trust and to our clients, suppliers and financial institutions, for their support, indispensable to the growth and development of Celulose Irani S.A during the year of 2007.

Porto Alegre, March, 2008.

MANAGEMENT