(Convenience Translation into English from the Original Previously Issued in Portuguese)

CELULOSE IRANI S.A.

NOTES TO THE FINANCIAL STATEMENTS
(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

1. GENERAL INFORMATION

Celulose Irani S.A. ("Company") is listed in the São Paulo Stock Exchange and is headquartered in Porto Alegre, Rio Grande do Sul. The Company and its subsidiaries are primarily engaged in manufacturing paper, corrugated cardboard for packaging, timber, gum resin, turpentine extracted from wood resins and wood furniture. The Companies are also engaged in forestation and reforestation and use the wood from their own reforestation areas.

The direct subsidiaries are listed in note 4.

Celulose Irani S.A.'s parent company is Irani Participações S.A., a Brazilian privately-held corporation.

2. PRESENTATION OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on February 29, 2012.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB), accounting practices adopted in Brazil based on the technical pronouncements issued by the Accounting Pronouncements Committees (CPC) in convergence with the IFRS and standards established by the Brazilian Securities Commission (CVM).

The Company's individual financial statements have been prepared in conformity with the accounting practices adopted in Brazil, which differ from IFRS practices presented in the consolidated financial statements with respect to the measurement of investments in subsidiaries by the equity method of accounting which, for purposes of IFRS, would be measured at cost or fair value.

The accounting practices adopted in Brazil include the provisions of the Brazilian Corporate Law and the Technical Pronouncements, Instructions and Interpretations issued by the Accounting Pronouncements Committee (CPC), as approved by the Brazilian Securities and Exchange Commission (CVM).

Since there is no difference between the consolidated shareholders' equity and the consolidated net income attributable to the Company's owners recorded in the consolidated financial statements

prepared in accordance with IFRSs and the accounting practices adopted in Brazil, and the Company's shareholders' equity and net income recorded in the individual financial statements prepared in accordance with accounting practices adopted in Brazil, the Company' opted for presenting the individual and consolidated financial statements as a single set.

The financial statements have been prepared under the historical cost, except for certain financial instruments measured at fair value, as described in accounting policies below. The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

2.1. New standards, and changes and interpretation of standards

a) Standards, interpretations and revised standards in effect on December 31, 2011 which did not have a material impact on the Company's financial statements

Interpretations of and changes in the standards below were issued and became effective as of December 31, 2011.

Standard	Main requirements	Effective date
Improvements to IFRSs - 2010	Change in several accounting pronouncements	Effective for annual periods beginning on or after January 1, 2011
Amendments to IFRS 1	Limited exemption of comparative disclosures of IFRS 7 for first-time adopters	Effective for annual periods beginning on or after July 1, 2010
Changes to IFRIC 14	Prepayments of minimum funding requirements	Effective for annual periods beginning on or after January 1, 2011
Amendments to IAS 32	Classification of issue rights	Effective for annual periods beginning on or after February 1, 2010
IFRIC 19	Extinguishing financial liabilities by issues of equity instruments	Effective for annual periods beginning on or after July 1, 2010
Amendments to IFRS 7	Disclosures - transfers of financial assets	Effective for annual periods beginning on or after July 1, 2011

b) Standards, amendments to and interpretations of standards not yet effective and which were not early adopted by the Company.

The following standards and revised standards have been issued and are mandatory for the Company's reporting periods beginning on or after January 1, 2012, or subsequent periods. However, the Company did not early adopt these standards and revised standards.

Standard	**Main requirements**	**Effective date**
IFRS 9 (as amended in 2010)	Financial instruments	Effective for annual periods beginning on or after January 1, 2013
Amendments to IAS 12	Deferred taxes - recovery of underlying assets when the asset is measured under the fair value framework of IAS 40	Effective for annual periods beginning on or after January 1, 2012

Standard	Main requirements	Effective date
IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"	Amendment to IAS 28 to include the changes introduced by IFRSs 10, 11 and 12	Effective for annual periods beginning on or after January 1, 2013
IAS 27 (revised in 2011) "Separate Financial Statements"	The IAS 27 requirements relating to the consolidated financial statements were replaced by IFRS 10. The requirements applicable to separate financial statements remained unchanged.	Effective for annual periods beginning on or after January 1, 2013
IFRS 10 "Consolidated Financial Statements"	Replaces the IAS 27 requirements applicable to consolidated financial statements and SIC 12. IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities.	Effective for annual periods beginning on or after January 1, 2013
IFRS 11 "Joint Arrangement"	Eliminated the proportionate consolidation model for jointly-controlled entities and maintained the equity method model only. It also eliminated the concept of "jointly-controlled assets" and maintained "jointly-controlled operations" and "jointly-controlled entities" only.	Effective for annual periods beginning on or after January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	Increases the requirements for disclosure of both consolidated entities and unconsolidated entities in which they have interest.	Effective for annual periods beginning on or after January 1, 2013
IFRS 13 "Fair Value Measurement"	Replaces and consolidates all instructions and requirements related to the fair value measurement contained in other IFRS pronouncements in one single pronouncement. IFRS 13 defines fair value and provides guidance on how to measure fair value and requirements for disclosure relating to fair value measurement. However, it does not introduce any new requirement or amendment with respect to items to be measured at fair value, which remain as originally issued.	Effective for annual periods beginning on or after January 1, 2013
Amendments to IAS 19 "Employee Benefits"	Eliminates the corridor approach. All actuarial gains and losses should be recognized through other comprehensive income (OCI) for pension plan and through profit or loss for other long-term benefits, when incurred, and introduces other changes.	Effective for annual periods beginning on or after January 1, 2013
Amendments to IAS 1 "Presentation of Financial Statements"	Introduces the requirement that items recorded in other comprehensive income should be segregated and recorded among items that are subsequently reclassified to profit and loss or not.	Effective for annual periods beginning on or after January 1, 2013

Considering the current operations of the Company and its subsidiaries, Management does not expect that the adoption of these new standards, interpretations and amendments will have a significant impact on the financial statements.

The Accounting Pronouncements Committee ("CPC") has not yet issued the pronouncements and revised pronouncements equivalent to the new and revised IFRSs presented above. Because of CPC's and CVM's commitment to keep the set of standards issued up-to-date as changes are made by the International Accounting Standards Board ("IASB"), such pronouncements and amendments are expected to be issued by CPC and approved by CVM by the date they become effective.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Functional currency and translation of foreign currencies

The financial statements are presented in Brazilian reais (R$), which is the Company's and its subsidiaries' functional and reporting currency.

Foreign-currency transactions are originally recorded at the exchange rate effective on the transaction date. Gains and losses arising from the differences in translation of balances in foreign currency into functional currency are recognized in the income statement.

b) Cash and cash equivalents

Comprises cash, banks and highly liquid investments with low risk of change in value and maturity within less than 90 days for the purpose of meeting short-term cash requirements.

c) Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are recorded at their original amounts plus exchange rate change, when applicable. The allowance for doubtful accounts is calculated based on losses estimated through an individual analysis of trade accounts receivable, taking into account the history of losses, and is recognized in an amount considered sufficient by the Company's management to cover possible losses on collection of receivables.

d) Inventories

Stated at the lower of average production or acquisition cost and net realizable value. The net realizable value corresponds to the inventories' estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

e) Noncurrent assets held for sale

Noncurrent assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than continuing use. This requirement is met only when it is highly probable that the sale will be completed and the noncurrent asset is available for immediate sale in its present condition. Management should be committed to selling the asset, and the sale, at the time of recognition, should be completed or expected to be sold within a year from the date of classification.

Noncurrent assets classified as held for sale are stated at the lower of their carrying amount

originally reported and their fair value less costs to sell.

f) Investments

Investments in subsidiaries are accounted for under the equity method in the Company's individual financial statements.

Under the equity method, investments in subsidiaries are adjusted to recognize the Group's share in profit or loss and other comprehensive income of the subsidiary.

g) Investment property

The property classified as investment property is stated at cost, less accumulated depreciation and impairment losses.

Depreciation is recognized based on the estimated useful life of each asset under the straight-line method so that cost less its residual value after its useful life is fully written off. The estimated useful lives, the residual values, and the depreciation methods are reviewed at the end of each year, and the effects of any changes in estimates are recorded prospectively.

Revenues from rented investment property are recognized in profit or loss on the accrual basis.

Any gain or loss from the sale or write-off of an item recorded in investment property is determined by the difference between the sales amount received and the carrying value of the asset sold, recognized in profit or loss.

h) Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses, when applicable. These are recorded as part of the costs of work in progress, and in case of qualifying assets, of capitalized borrowing costs. These assets are classified in appropriate categories of property, plant and equipment when completed and ready for the intended use. Depreciation begins when the assets are ready for the intended use on the same basis of other property, plant and equipment.

Depreciation is calculated under the straight-line method taking into consideration the estimated useful lives of the assets based on the expectation of generation of future economic benefits, except for land, which is not depreciated. The estimated useful lives of the assets is annually reviewed and adjusted, if necessary, and may vary based on the technological modernization of each branch.

i) Biological assets

The Company's biological assets are primarily represented by pine forests. Wood is used in the production of packaging paper and corrugated cardboard boxes, in the sale of sheets to third parties and in the extraction of gum resin. Pine forests are located near the pulp and paper factory in Santa Catarina and Rio Grande do Sul and are used in the production of gum resin and sale of timber.

Each quarter, biological assets are measured at fair value less selling expenses. The

variation of each period is recognized in net income (loss) as change in the fair value of biological assets.

j) Impairment

The Company reviews the balance of property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable based on future cash flows. Such reviews do not indicate the need to recognize impairment losses.

k) Income tax and social contribution (current and deferred)

Income tax and social contribution are accrued based on the taxable income determined according to prevailing tax legislation, which differs from net income reported in the income statement since it excludes income or expenses taxable or deductible in other fiscal years, and permanently excludes nontaxable or nondeductible items. The provision for income tax and social contribution is calculated individually, based on the statutory rates prevailing at year end. The Company calculates its taxes at a rate of 34%; however, subsidiaries Habitasul Florestal S.A. and Iraflor – Comércio de Madeiras Ltda. adopt the deemed rate of 3.08% and Irani Trading S.A. adopts the deemed rate of 10.88%.

The Company recognizes deferred income tax and social contribution on temporary differences for tax, tax loss, revaluation reserve, deemed cost adjustments and variation of fair value of biological assets. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized for all deductible temporary differences, only if it is probable that the Company will have sufficient future taxable income against which such deductible temporary differences may be utilized.

l) Loans and financing, debentures, Real Estate Credit Note (CRI) and Certificate of Agribusiness Credit Rights (CDCA)

Stated at original amounts, less the relating transaction costs, when applicable, adjusted for inflation based on indexes established by contracts with creditors, plus interest calculated using the effective interest rate adjusted based on exchange rate change, when applicable, through the balance sheet dates, as described in the explanatory notes.

m) Derivatives measured at fair value

Derivatives are measured at fair value on the balance sheet date as a contra entry to financial income or expenses in net income (loss) for the year.

n) Leases

The Company as the lessee:

Leases that transfer substantially all the risks and rewards incidental to ownership of the assets to the Company are classified as finance leases All other leases are classified as operating leases and recorded in net income (loss). Finance leases are recorded as financed acquisition with a fixed asset and a financing liability recognized at the commencement of the lease term. Property, plant and equipment items acquired under finance leases are

depreciated at the rates specified in Note 14.

Operating lease payments (net of any incentives received from the lessor) are recognized in profit or loss under the straight-line method over the lease term.

The Company as the lessor:

Revenues from operating leases are recognized at the straight-line basis over the lease period. Initial direct costs incurred in the trade and preparation of the operating lease are added to the carrying amount of leased assets and also recognized at the straight-line basis over the lease period.

o) Provisions

A provision is recognized in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. It is recognized at amounts considered by Management as sufficient to cover potential losses and adjusted for inflation through the balance sheet date, based on the nature of each contingency and on the Company's legal counsel's opinion.

p) Significant accounting judgments, estimates and assumptions

In preparing the financial statements, judgments, estimates and assumptions were used to account for certain assets, liabilities, income and expenses for the period.

Accounting judgments, estimates and assumptions adopted by Management were defined by using the best information available through the reporting date and the experience of past events, assumptions on future events, and the assistance of experts, when applicable.

Accordingly, the financial statements include various estimates, including, but not limited to, the determination of useful lives of property, plant and equipment, the realization of deferred tax credits, the allowance for doubtful accounts, the measurement at fair value of biological assets, reserve for contingencies, measurement at fair value of certain financial instruments, in addition to provision for impairment.

Actual results recognized by using accounting judgments, estimates and assumptions, when realized, could differ from those recognized in the financial statements.

q) Revenue and expense recognition

Recorded on an accrual basis and includes interest, charges and exchange changes at official rates, applicable to current and noncurrent assets and liabilities and, when applicable, includes the effects of adjustments to realizable value.

r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, less any expected returns, trading discounts and/or bonuses granted to the buyer and other similar deductions.

Sales revenue is recognized when all of the following conditions are met:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the product ownerships;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be reliably measured.

s) Government grants

Deferred taxes, directly or indirectly granted by the Federal Government, at interest rates below market rates, are recognized as government grants and measured by the difference between the amounts received and the fair value calculated based on market interest rates.

t) Basic and diluted earnings per share

Basic and diluted earnings per share are calculated based on the weighted average number of shares outstanding in the year.

u) Statement of value added ("DVA")

The Brazilian corporate law requires the presentation of the statement of value added as an integral part of the set of financial statements presented by an entity. The purpose of this statement is to disclose the wealth created by the Company and its distribution during a certain reporting period.

The statement of value added was prepared pursuant to the provisions of CPC 09 - Statement of Value Added, using information obtained in the same accounting records used to prepare the financial statements.

4. CONSOLIDATION OF FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of Celulose Irani S.A and the following subsidiaries:

Ownership interest - (%)		
Subsidiaries - direct ownership	2011	2010
Habitasul Florestal S.A.	100,00	100,00
Irani Trading S.A.	99,98	99,98
Meu Móvel de Madeira LTDA.	99,93	99,93
HGE - Geração de Energia Sustentável	99,98	99,98
Iraflor - Comércio de Madeiras LTDA	99,99	-

The accounting practices adopted by the subsidiaries are consistent with those adopted by the Company. Intercompany balances and investments and equity in subsidiaries, as well as intercompany transactions and unrealized profits, have been eliminated in consolidation. The subsidiaries' financial statements used in consolidation were prepared as of the same date as the Company's financial statements.

Subsidiaries' operations are listed in Note 13.

5. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents are represented as follows:

	Company		Consolidated	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Fixed Fund	16	17	21	21
Banks	1,272	2,195	2,477	2,445
Short-term investments	71,208	36,979	72,224	37,896
	72,496	39,191	74,722	40,362

Short-term investments yield interest with fixed income (CDB) at an average rate of 102.5% of the CDI.

6. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Accounts receivable:				
Trade accounts receivable - domestic market	89,957	77,572	94,577	82,357
Trade accounts receivable - foreign market	4,152	2,895	4,198	2,949
Subsidiaries	1,905	2,132	-	-
	96,014	82,599	98,775	85,306
Allowance for doubtful accounts	(5,834)	(5,696)	(6,544)	(6,406)
	90,179	76,903	92,231	78,900

The aging list of trade accounts receivable is as follows:

	Company		Consolidated	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Current	81,929	73,687	83,628	75,644
Up to 30 days past-due	6,769	2,113	7,125	2,203
31 to 60 days past-due	386	524	386	563
61 to 90 days past-due	115	288	124	288
91 to 180 days past-due	162	48	180	48
Over 180 days past-due	6,652	5,939	7,331	6,560
	96,014	82,599	98,775	85,306

The average credit outstanding in the sale of products is 53 days. The Company recognized an allowance for doubtful accounts for trade accounts receivable past due for over 180 days based on an analysis of individual customer's financial position and on past default experiences. An allowance for doubtful accounts is also recorded for receivables past due less than 180 days, when amounts are considered uncollectible, taking into consideration each customer's financial position.

	Company		Consolidated	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Balance at beginning of year	(5,696)	(5,326)	(6,406)	(6,042)
Allowance for recognized losses	(146)	(571)	(146)	(571)
Amounts recovered in the year	8	201	8	207
Balance at end of year	(5,834)	(5,696)	(6,544)	(6,406)

Part of the receivables, amounting to approximately R$42,308, were collateralized in some financial transactions, among which the assignment of receivables totaling 25% of the principal outstanding balance of debentures (Note 17), and assignment of receivables of 3 rental installments of the CCI operation (Note 16).

7. INVENTORIES

	Company		Consolidated	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Finished goods	5,486	6,237	7,442	7,975
Production materials	18,364	20,370	18,364	20,370
Consumables	11,890	10,340	11,924	10,340
Other	626	280	626	322
	36,366	37,227	38,356	39,007

The inventory costs recognized as expenses for the year from continuing operations totaled R$345,377 (R$312,425 in 2010) in the Parent and R$ 353,393 (R$320,090 in 2010) in the Consolidated.

The inventory costs recognized as expenses do not include any reduction related to inventory losses at net realizable value. Management expects inventories to be recovered within less than 12 months.

8. RECOVERABLE TAXES

Recoverable taxes consist of the following:

	Company		Consolidated	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
ICMS on purchase of property, plant and equipment	3,457	5,286	3,463	5,298
ICMS (state VAT)	321	888	341	888
IPI (federal VAT)	5,547	4,147	5,547	4,147
Income tax	908	548	908	550
Social contribution	338	152	338	153
IRRF	245	-	245	-
Other	7	15	7	15
	10,823	11,036	10,849	11,051
	-	-	-	-
Current portion	8,661	8,635	8,687	8,650
Noncurrent portion	2,162	2,401	2,162	2,401

ICMS credits from the purchase of fixed assets are generated with the acquisition of assets and are used in 48 monthly and consecutive installments as provided for by specific legislation.
IPI credits are generated with the acquisition of input used in the production process and are used to offset debts generated with the sales of each production unit.

9. BANKS – RESTRICTED ACCOUNT

	Company and Consolidated	
	12/31/2011	12/31/2010
Banco do Brasil - New York - a)	3,840	5,976
Banco Credit Suisse - Brazil - b)	4,834	4,508
	8,674	10,484
	-	
Current portion	5,143	6,419
Noncurrent portion	3,531	4,065

a) Banco do Brasil – New York - represented by amounts held to amortize the quarterly installments under export prepayment loans from Credit Suisse Bank, relating to the installment falling due in February 2011.

b) Credit Suisse Brasil Bank – represented by amounts held in short-term investments to guarantee cash flow swap. This amount is classified in current and noncurrent assets and relates to the redemption installments corresponding to 8 semi-annual installments as of September 2011, as provided by in the agreement. The amount held yields interest with fixed income (CDB) at an average rate of 108% of the CDI.

10. OTHER RECEIVABLES

	Company		Consolidated	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Carbon credits	6,378	5,789	6,378	5,789
Advances to suppliers	1,412	347	1,425	357
Employee receivables	982	833	1,004	835
Renegotiation with customers	3,309	3,625	3,340	3,656
Prepaid expenses	1,025	2,296	1,057	2,298
Other receivables	494	520	567	628
	13,600	13,410	13,772	13,563
Current portion	12,205	8,319	12,350	8,445
Noncurrent portion	1,395	5,091	1,422	5,118

Carbon credits - the Company sold carbon credits as it reduced emissions of greenhouse gases, such as carbon dioxide and methane, after installing a Co-Generation Plant and an Effluent Treatment Station in the Paper Manufacturing Unit, in Vargem Bonita, Santa Catarina. These credits are traded through agreements executed, under the Kyoto Protocol, with companies located in developed countries that must reduce their emission of greenhouse gases. The credits are recognized on the accrual basis as a reduction of the production process costs and measured according to the methodology approved by the Kyoto Protocol for each project. As of December 31, 2011, these credits were audited by DNV - DET NORSKE VERITAS CERTIFICATION AS and ready to be issued for trading purposes. Management expects these credits to be issued within less than 12 months.

Debt renegotiation - refers to overdue receivables for which debt acknowledgment agreements were made. The final maturity of monthly installments will be in November 2014 and the average inflation adjustment is 2% p.m., recognized in net income upon receipt. Some agreements establish collateral covenants for machinery, equipment and furniture to guarantee the debt amount renegotiated.

Prepaid expenses – refers primarily to insurance premiums paid when contracting the insurance for all of the Company's units. They are recognized in net income for the year, on a monthly basis, over the term of each policy.

11. ASSETS CLASSIFIED AS HELD FOR SALE AND PROPERTY FOR INVESTMENT

As decided by the Company's Board of Directors, in October 2010 the activities of the furniture manufacturing unit in Rio Negrinho, Santa Catarina, were discontinued. Management assessed that unit's assets, which were classified as held for sale for their residual amount on the balance sheet as of December 31, 2010, at their fair value, net of commissions and selling costs, remained above the residual amount. Inventories are stated at cost. According to management's assessment, the amounts can be recovered as the products are sold.

As of December 31, 2011, this operation does not have a corresponding entry in liabilities.

	Company and Consolidated	
	31.12.11	31.12.10
Inventory	195	530
Property	657	6,560
Discontinued operation assets	852	7,090

In 2011, the properties of this unit were rented for the companies operating in the region until their sales conditions are favorable to the Company. Accordingly, they were reclassified in these financial statements to "Investment property", as follows:

	Company and Consolidated	
	31.12.11	31.12.10
Property - Buildings	4,997	-
Total property for investment	4,997	-

Revenues from rented investment property are recognized in profit or loss on the accrual basis.

12. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION ASSETS

	Company		Consolidated	
	2011	2010	2011	2010
Deferred income tax				
On temporary differences	11,261	9,203	11,293	9,206
On tax loss	932	1,272	932	1,272
Deferred social contribution asset				
On temporary differences	4,054	3,316	4,071	3,316
On negative tax basis	336	458	336	458
	16,583	14,249	16,632	14,252

Management recorded deferred income tax and social contribution on temporary differences and tax loss carryforwards. Based on budget projections approved by the Board of Directors, management expects these credits to be realized as follows:

Period	Amount R$
2012	5,109
2013	1,902
2014	2,245
2015	4,350
2016	3,026
	16,632

The changes noted on the deferred income tax and social contribution assets are demonstrated as follows:

Company	Balance at beginning of year	Recognized in the Income Statement	Balance at end of year
Deferred tax assets related to:			
Provision for bonuses	883	138	1,021
Provision for sundry risks	11,343	2,818	14,161
Others	293	(159)	134
Total temporary differences	12,519	2,797	15,316
Tax loss	1,730	(463)	1,267
	14,249	2,334	16,583

Consolidated	Balance at beginning of year	Recognized in the Income Statement	Balance at end of year
Deffered tax assets related to:			
Provision for bonuses	883	138	1,021
Provision for sundry risks	11,343	2,818	14,161
Others	296	(113)	183
Total temporary differences	12,522	2,843	15,365
Tax loss	1,730	(463)	1,267
	14,252	2,380	16,632

13. INVESTMENTS

	Habitasul Florestal	Irani Trading	Meu Móvel de Madeira	HGE Geração de Energia	Iraflor Comercio de Madeiras	Total
As at December 31, 2009	99,827	76,047	-	3,529	-	179,403
Capital increase	-	-	1,467	-	-	1,467
Equity in subsidiaries	28,150	11,776	43	-	-	39,969
Proposed dividends	(8,018)	(2,772)	-	-	-	(10,790)
As at December 31, 2010	119,959	85,051	1,510	3,529	-	210,049
Equity in subsidiaries	10,589	11,922	(151)	-	594	22,954
Proposed dividends	(28,023)	(12,090)	-		-	(40,113)
Capital injection	-	-	-	-	37,536	37,536
Advances for future capital increases	12,510	5,640	-		-	18,150
As at December 31, 2011	115,035	90,523	1,359	3,529	38,130	248,576
Paid-in capital	28,260	41,226	4,300	4,010	37,540	
Shareholders' equity	115,034	90,536	1,360	3,530	38,134	
Net income	10,590	11,923	(147)	-	594	
Ownership interest - %	99,99	99,98	99,93	99,98	99,99	

The subsidiary Habitasul Florestal S.A is engaged in planting, cutting and developing pine forests and extraction of resins.

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

Subsidiary Iraflor Comércio de Madeiras Ltda. carries out forest management and selling operations to the parent company Celulose Irani S.A. and also to the market.

The subsidiary Meu Móvel de Madeira Comércio de Móveis e Decorações Ltda. is engaged in the retail sale of furniture and decoration products and furniture assembly services.

Acquired in 2009, subsidiary HGE Geração de Energia Sustentável is engaged in the generation, transmission and distribution of wind power to permanently trade it as an independent power producer.

14. PROPERTY, PLANT AND EQUIPMENT

a) Breakdown of property, plant and equipment

Company	2011			2010
	Cost	Accumulated depreciation	Net value	Net value
Land	123,901	-	123,901	123,894
Buildings and constructions	36,268	(7,154)	29,114	28,136
Equipment and facilities	515,845	(189,073)	326,772	344,035
Vehicles and tractors	1,774	(1,278)	497	513
Other property, plant and equipment *	13,160	(8,508)	4,651	4,757
Construction in progress	20,614	-	20,614	5,216
Prepaid property, plant and equipment	759	-	759	6,740
Leased assets	27,780	(11,188)	16,592	17,745
Leasehold improvements	16,061	(2,034)	14,027	14,669
	756,161	(219,235)	536,927	545,705

Consolidated	2011			2010
	Cost	Accumulated depreciation	Net value	Net value
Land	174,487	-	174,487	169,014
Buildings and constructions	147,777	(30,405)	117,372	118,624
Equipment and facilities	515,971	(189,103)	326,868	344,115
Vehicles and tractors	1,877	(1,293)	584	603
Other property, plant and equipment *	15,851	(8,267)	7,583	5,076
Construction in progress	21,024	-	21,024	7,736
Preaid property, plant and equipment	759	-	759	6,741
Leased assets	27,904	(11,195)	16,709	17,745
Leasehold improvements	16,062	(2,034)	14,028	14,669
	921,711	(242,297)	679,414	684,323

(*) Refers to assets such as furniture and fixtures, software and IT equipment.

Summary of changes in property:

	Company		Consolidated	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Beginning balance	545,705	570,282	684,323	709,409
Additions	38,111	19,926	44,305	20,882
Write-offs	(10,957)	(12,085)	(11,089)	(12,587)
Depreciation	(35,932)	(32,418)	(38,125)	(33,381)
Closing balance	536,927	545,705	679,414	684,323

b) Depreciation method

The table below shows the annual depreciation rates based on the economic useful lives of assets. The Company uses the weighted average rate.

	Remeasured rate - %
Buildings and constructions *	2.25
Equipment and facilities **	6.45
Furniture, fixtures and IT equipment	5.71
Vehicles and tractors	20.00

* including weighted rates from leasehold improvements
** including weighted rated from leases

c) Other information

Construction in progress refers to work for improvement and maintenance of the production process of the Paper and Packaging Units in Vargem Bonita, Santa Catarina and Packaging Unit in Indaiatuba, São Paulo. Over the period, costs were capitalized at the average rate of 9.18% of loans used specifically to finance specific investment projects, in the amount of R$1,764.

Advances to suppliers refer to investments in the Paper and Packaging Units in Vargem Bonita, Santa Catarina.

The Company is responsible for the lease agreements of machinery, IT equipment and vehicles, subject to stock option clauses, at fixed rate, and 1% of the guaranteed residual value paid at the end of or diluted over the agreement, guaranteed by the collaterization of own assets. The commitments assumed are recognized in the line item “Borrowings and financing” under current and noncurrent liabilities.

Leasehold improvements refer to the renovation of the Packaging Unit in Indaiatuba, São Paulo that is depreciated on the straight-line method at the rate of 4% (four percent) per year. The property is owned by MCFD – Administração de Imóveis Ltda. and PFC – Administração de Imóveis Ltda., and the renovation expenses were fully absorbed by Celulose Irani S.A.

d) Impairment of property, plant and equipment

The Company did not identify any factors that indicate that, as of December 31, 2011, its assets might be impaired, based on its analysis of discounted cash flows prepared in accordance with the budget plan approved by Management.

e) Assets pledged as collateral

The Company collateralized some property, plant and equipment in financial operations as described in Notes 16 and 17.

15. BIOLOGICAL ASSETS

The Company's biological assets comprise the planting and growing of pine and eucalyptus trees for the supply of raw material to produce the pulp used in the paper production process and sales of timber to third parties.

The balance of the Company's biological assets consists of the cost to grow forests and the fair value difference on the growing cost so that the total balance of biological assets is recorded at fair value, as follows:

	Company		Consolidated	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Formation cost of biological assets	36,489	40,789	74,107	44,003
Difference in fair value	92,027	120,662	165,890	194,212
Biological assets at fair value	128,516	161,451	239,997	238,215

Of the total biological assets, R$161,188 are forests used as raw material for pulp and paper production, of which R$114,745 refer to forests formed over six years. The remaining value refers to forests in formation that need forestry treatments. These assets are located next to the plant in Vargem Bonita, Santa Catarina, where they are consumed.

The biological assets used for the production of resins and sale of tree logs totaled R$78,809 and are located in the seacoast of Rio Grande do Sul.
These forests are cut mainly for the use of raw material for the production of pulp and paper in the biological asset of Santa Catarina, and they are replanted when cut, in order to create a renovation cycle that meets the production demand of the production unit. With respect to the biological assets in Rio Grande do Sul, the resin is extracted based on the generation capacity of the forest, and the tree logs for sale are based on the supply demand in the region.

a) Assumptions for recognition of fair value less selling costs of biological assets

The Company recognizes its biological assets at fair value in accordance with the following assumptions:

(i) The methodology used to measure the fair value of biological assets corresponds to

future cash flows estimates according to the projected productivity cycle of forests, taking into consideration price changes and the growth of biological assets;

(ii) The discount rate used in cash flows was the Cost of Capital (Capital Asset Pricing Model - CAPM). The cost of capital is estimated through the return analysis obtained by investors.

(iii) Estimated productivity volumes of forests are defined using a stratification method based on the type of each species and adopting diversification to plan the production, age of forests, productive potential and production cycle of the forests. Handling alternatives are created to establish the ideal long-term production flow to maximize the performance of the forests and provide for the supply required by the industry.

(iv) Prices established for biological assets are those charged in each reporting period based on market researches where the assets are located. Prices are charged in R$/cubic meter, taking into consideration the costs necessary to bring the assets to sale or consumption conditions;

(v) Planting expenses refer to the costs on development of biological assets,

(vi) Depletion of biological assets is calculated based on the fair value of biological assets used in the period, compared to the expectation of production of each forest;

(vii) The Company reviews the fair value of its biological assets on a quarterly basis since it understands that this time interval is sufficient to prevent any mismatch in the fair value of the biological assets recorded in its financial statements.

The main assumptions considered in the calculation of the fair value of biological assets include the compensation of own assets at the rate of 3% p.y. and the discount rate of 8% p.y. in 2011.

As of December 31, 2011 and 2010, the fair value of biological assets was determined by specialized consultants engaged by Management and, due to the changes in the assumptions and growth of the forests for the year ended December 31, 2011, the Company recognized a gain for the year, as demonstrated below.

The Company did not record any event that would affect the evaluation of the biological assets, such as rainstorms, lightning and other that could affect the forests.

b) Main changes

The changes for the period are as follows:

	Company	Consolidated
Balance as at 01.01.2010	143,881	199,743
Planting	3,737	3,970
Depletion		
Historic cost	(2,169)	(2,758)
Fair Value	(5,335)	(13,478)
Change in fair value	21,337	50,738
Balance as at 31.12.2010	161,451	238,215
Plantio	4,536	4,857
Exaustão		
Historic cost	(1,452)	(3,867)
Fair Value	(4,832)	(13,535)
Transfer for subsidiary capitalization	(37,536)	-
Change in fair value	6,349	14,327
Balance as at 31.12.2011	128,516	239,997

The depletion of biological assets for the periods was allocated to production cost, after allocation to inventories when forests are cut and use in production or sale to third parties.

On June 3, 2011, the Company's Board of Directors approved the capital contribution to Iraflor Comércio de Madeiras Ltda. through the transfer of forest assets owned by the Company. The purpose of this transaction was to improve the management of forest assets and raise funds through CDCA, in accordance with note 16.

c) Biological assets pledged as collateral

The Company has certain biological assets pledged as collateral of financial transactions, as described in notes 16 and 17.

d) Production in third-party land

The Company entered into to lease agreements not subject to cancellation for the production of biological assets in third-party land, called partnerships. These agreements are valid until all forests in the area are cut.

16. BORROWINGS AND FINANCING

	Company		Consolidated		
	12/31/2011	12/31/2010	12/31/2011	12/31/2010	
Current					
Domestic currency					
FINAME	8,604	10,252	8,604	10,252	a)
Working capital	30,171	63,308	30,666	63,308	b)
Working capital - CDCA	15,505	-	15,505	-	c)
Leases	1,065	602	1,102	602	d)
Real Estate Investment Fund - CCI	-	-	13,258	13,258	e)
Total domestic currency	55,345	74,162	69,135	87,420	
Foreign currency					
Leases	2,475	2,199	2,475	2,199	f)
Advance on exchange contract	5,641	322	5,641	322	g)
Banco Votorantim	-	1,186	-	1,186	
DF Deutsche Forfait s.r.o.	-	347	-	347	
Toronto Dominion Bank	177	310	177	310	h)
Banco Credit Suisse	20,256	16,824	20,256	16,824	i)
Banco C.I.T.	942	863	942	863	j)
Banco Santander (Brazil)	1,638	1,400	1,638	1,400	k)
Banco Santander	2,014	1,840	2,014	1,840	l)
Banco Santander PPE	-	2,201	-	2,201	
Total foreign currency	33,143	27,492	33,143	27,492	
Total current	88,488	101,654	102,278	114,912	
Noncurrent					
Domestic currency					
FINAME	9,240	15,066	9,240	15,066	a)
Working capital	25,643	5,174	25,643	5,174	b)
Working capital - CDCA	78,367	-	78,367	-	c)
Leases	1,416	694	1,493	694	d)
Real Estate Investment Fund - CCI	-	-	8,838	22,097	e)
Total domestic currency	114,666	20,934	123,581	43,031	
Foreign currency					
Leases	1,164	3,601	1,164	3,601	f)
Toronto Dominion Bank	-	155	-	155	h)
Banco Credit Suisse	53,600	63,090	53,600	63,090	i)
Banco C.I.T.	-	863	-	863	j)
Banco Santander (Brazil)	1,638	2,800	1,638	2,800	k)
Banco Santander	-	1,840	-	1,840	l)
Total foreign currency	56,402	72,349	56,402	72,349	
Total noncurrent	171,068	93,283	179,983	115,380	
Total	259,556	194,937	282,261	230,292	

Long-term maturities:	12/31/2011	12/31/2010	12/31/2011	12/31/2010
2012	-	22,441	-	35,699
2013	43,564	20,509	52,403	29,348
2014	49,400	24,547	49,400	24,547
2015	47,524	22,600	47,524	22,600
Over	30,580	3,186	30,656	3,186
	171,068	93,283	179,983	115,380

Financing in local currency:

a) Finame – bears annual average interest rate of 8.90% with final maturity in 2019.

b) Working capital – bears annual average interest rate of 11.63% with final maturity in the second half of 2015.

c) Working capital - CDCA

On June 20, 2011, the Company issued Certificate of Agribusiness Receivables (CDCA), in the original amount of R$90,000, on behalf of Banco Itaú BBA S.A and Banco Rabobank International Brasil S.A.

The CDCA comprises the credit rights arising from the Rural Product Notes ("CPR"), issued by subsidiary Iraflor Comércio de Madeiras Ltda., whose creditor is Celulose Irani S.A., as set forth in Law 8,929 of August 22, 1994.

This transaction will be paid in six annual installments, beginning on June 2012, adjusted at IPCA rate, plus 10.22% p.y.

Transaction costs

The transaction costs amounted to R$3,636 at an effective interest rate (TIR) of 16.15%. The transaction costs to be recognized in profit or loss in each subsequent period are as follows:

Year	Principal
2012	874
2013	762
2014	634
After 2015	904
	3,174

d) Finance lease – bears annual average interest rate of 17.09% with final maturity in 2014.

e) Real Estate Credit (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, equivalent to the net present value of 37 future installments at an annual interest rate of 14.70%.

This transaction is being settled in 37 monthly and consecutive installments of R$1,364 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.as of August 3, 2010, the subsidiary Irani Trading S.A. issued a CCI as a lease agreement between Irani Trading S.A. and Celulose Irani S.A.

Foreign currency loans:

As of December 31, 2011, foreign currency-denominated loans are adjusted based on the exchange variation of US Dollar or Euro and bear annual average interest of 9.40% and 5.21% for operations in US Dollar and Euro, respectively.

f) Finance leases are adjusted according to fluctuations in the US Dollar exchange rate and are repaid in quarterly installments with final maturity at the end of 2013.

g) Advances on foreign exchange contracts are adjusted for US Dollar rate fluctuation and repayable until June 2012.

h) Toronto Dominion Bank, adjusted for US Dollar rate fluctuation and payable in semiannual installments until the first half of 2012.

i) Banco Credit Suisse, principal adjusted for US Dollar rate fluctuation and payable in quarterly installments with final maturity in 2015, refers to prepaid export operation. Interest levied on this transaction is not subject to exchange rate changes, in accordance with the swap contract described in note 31.

Transaction cost

The transaction costs amounted to R$5,310 at effective interest rate (TIR) of 19.12%. The transaction costs to be recognized in profit or loss in each subsequent period are as follows:

Year	Principal
2012	964
2013	1,063
2014	1,284
After 2015	1,469
	4,780

j) Banco C.I.T., adjusted based on Euro exchange variation and repayable in quarterly installments until 2012.

k) Banco Santander (Brazil) adjusted based on Euro exchange variation and repayable in annual installments until 2013.

l) Banco Santander, adjusted based on Euro rate fluctuation and repayable in semiannual

installments until 2012.

Collaterals:

Land, buildings, machinery and equipment and biological assets (forests) are guaranteed by controlling shareholders' collateral signatures or property mortgage or financed asset, amounting to R$116,183 approximately. Other operations have specific guarantees as it follows.

i) For working capital – Certificate of Agribusiness Receivables (CDCA), the Company provided collaterals of approximately R$91,631, including:

- Assignment of credit rights from the Rural Product Notes (CPRs) on behalf of the creditor.
- Mortgage of some of the Company's properties on behalf of the banks, equivalent to 9,500 hectare.
- Collaterization of pine and eucalyptus forests on the mortgaged properties owned by the Issuer.

ii) With respect to the Real Estate Credit Note (CCI), the Company provided collaterals on behalf of the securitizer of approximately R$35,555, including:

- Mortgage of Celulose Irani S/A properties, registration no. 2,479, 2,481 and 8,535 of the Registry of Deeds of the Judiciary District of Ponte Serrada, Santa Catarina.
- Agricultural guarantee of forest assets (pine and eucalyptus trees) planted in the areas purpose of the mortgage, listed in the previous item.
- Assignment of receivables of assets represented by the guarantee of trade notes, in amount equivalent to three monthly installments due by lessee Celulose Irani S.A. to lessor Irani Trading S.A., as prescribed by the lease agreement.

iii) For the export prepayment financing granted by Banco Credit Suisse, the following were pledged as collaterals: properties and forests of subsidiary Habitasul Florestal S.A., some land and related forests of Celulose Irani S.A., a B.H.S. corrugator machine of Indaiatuba Packaging Unit and a HPB-Sermatec Mod. VS-500 boiler 11 of the Paper Unit and shares held by Irani Participações S.A. in the Company. These collaterals amount to R$185,079.

iv) The loan from Banco Santander Real is collateralized by receivables from the sale of Kyoto Protocol carbon credits generated from the Electricity Co-Generation project. The carbon credit sale contracts are valid until 2012.

Restrictive Financial Covenants:

Some financing agreements with financial institutions have restrictive covenants requiring the Company to maintain certain financial ratios, as described below:

i) Working capital – Certificate of Agribusiness Receivables (CDCA)

a) The ratio between net debt and EBITDA over the last 12 months may not exceed: (i) as of December 31, 2011 and March 31, 2012, 3.00x; (ii) for the quarters ended June 30 and September 30, 2012, 2.75x; and (iii) beginning the quarter ended December 30, 2012, 2.50x. However, if in a specific quarter ("Reference Quarter"), the ratio between net debt

and EBITDA was not complied over the last 12 months, in which period the exchange gains exceeded 15%, solely in this case the Issuer was released from complying with such financial index for the quarter. This indicator will be measured again based on the profit or loss for the immediately subsequent quarter in which period the ratio between net debt and EBITDA over the last 12 months may not exceed the limit previously established for the Reference Quarter.

b) The ratio between EBITDA over the last 12 months and net financial expenses over the last 12 months must not be lower than: (i) for the quarters ended December 31, 2011 and March 31, 2012, 2.00x; (ii) for the quarters ended June 30, 2012, September 30, 2012 and December 31, 2012, 2.25x; and (iii) beginning the quarter ended March 31, 2013 (inclusive) until the compliance with all obligations arising from the issuance documents, 2.50x.

c) The ratio between EBITDA over the last 12 months and net revenues over the last 12 months must not be lower than 17% over the transaction period, until the full compliance with all obligations arising from the Issuance Documents.

As of December 2011, the Company complied with the indexes set forth above.

ii) Real Estate Credit Note (CCI)

Some restrictive financial covenants subject to certain financial indexes, measured on a quarterly basis, were established and the noncompliance with these covenants may represent advanced debt maturity. These covenants were fully complied over the period, as follows:

a) The ratio between net debt and EBITDA over the last 12 months may not exceed: (i) as of December 31, 2011 and March 31, 2012, 3.00x; (ii) for the quarters ended June 30 and September 30, 2012, 2.75x; and (iii) beginning the quarter ended December 30, 2012, 2.50x. However, if in a specific quarter ("Reference Quarter"), the ratio between net debt and EBITDA was not complied over the last 12 months, in which period the exchange gains exceeded 15%, solely in this case the Issuer was released from complying with such financial index for the quarter. This indicator will be measured again based on the profit or loss for the immediately subsequent quarter in which period the ratio between net debt and EBITDA over the last 12 months may not exceed the limit previously established for the Reference Quarter.

b) The ratio between EBITDA over the last 12 months and net financial expenses over the last 12 months must not be lower than: (i) as of December 31, 2011 and March 31, 2012, 2.00x; (ii) for the quarters ended June 30, 2012, September 30, 2012 and December 31, 2012, 2.25x; and (iii) beginning the quarter ended March 31, 2013 (inclusive) until the compliance with all obligations arising from the issuance documents, 2.50x.

c) The ratio between EBITDA over the last 12 months and net revenues over the last 12 months must not be lower than 17% over the transaction period, until the full compliance with all obligations arising from the issuance documents.

As of December 31, 2011, the Company complied with the indexes set forth above.

iii) Banco Credit Suisse

a) Ratio between net debt and EBITDA of (i) 3.0 times as of December 31, 2011 and March 31, 2012; (ii) 2.75 times for the quarters ended June 30 and September 30, 2012; (iii) 2.50 times for the subsequent quarters by 2015.

b) Ratio between EBITDA and net financial expenses of at least 2.50 times as of December 31, 2011 and subsequent quarters by 2015;

c) The net debt at the end of each year must not exceed US$170 million, except when the ratio between net debt and EBITDA is equivalent to or lower than 2.5 times.

d) The investment costs must not exceed 70% of the depreciation, including depletion and amortization, except when the ratio between net debt and EBITDA is equivalent to or lower than 2.5 times.

The Company complied with the indexes established by Banco Credit Suisse, except for the index set forth in item b) above, which, as of December 31, 2011, was released by the creditor, exclusively effective for this index on such date.

iv) Banco Santander (Brazil) (analysis solely performed at the end of each year).

a) EBITDA margin equivalent to or greater than 17%;
b) Ratio between net debt and EBITDA of 3 times;
c) Maximum financial leverage of 2 times the tangible shareholders' equity, as set forth in the agreement.

The Company complied with the indexes established by Banco Santander (Brazil).

TJLP – Long-term interest rate
CDI – Interbank deposit rate
EBITDA - operating income (loss) plus net financial income (expense) and depreciation, depletion, and amortization.
ROL – Net operating revenue

17. DEBENTURES

Celulose Irani S.A.'s first debentures issuance

On April 12, 2010, the Company issued simple, nonconvertible debentures, placed through public offering with restricted distribution efforts in the amount of R$100,000. Debentures will mature after April 2015 and will be amortized in eight semiannual installments as of September 2011, adjusted by the CDI variation plus annual interest of 5%. Interest will be charged in semiannual installments, without grace period.

Transaction Cost:

This operation incurred transaction cost of R$2,827 with effective interest rate of 16%. The transaction costs to be recognized in net income in each subsequent period are as follows:

Year	Principal
2012	856
2013	852
2014	892
2015	226
	2,827

Collaterals:

Debentures are collateralized at R$161,049, as follows:

- Pledge on behalf of the Land Trustee of Celulose Irani in conformity with the terms and conditions set forth in the Private Instrument of Sale of Real Estate of Irani and Other Covenants, for purposes of collateralization of the debt up to the limit of R$26,527.
- Pledge on behalf of Land and Buildings Trustee of Irani Trading in conformity with the terms and conditions of the Private Instrument of Sale of Real Estate of Trading and Other Covenants, for purposes of collateralization of the debt up to the limit of R$40,000.
- Agricultural guarantee on behalf of the Forest Assets Trustee of Celulose Irani in conformity with the terms and conditions of the Private Instrument of Agricultural Guarantee and Other Covenants.
- Assignment of receivables on behalf of the Receivables Trustee of Celulose Irani, corresponding to 25% of the outstanding balance of the principal;

Restrictive Financial Covenants:

Restrictive financial covenants were established for the maintenance of specific financial indexes, which are monitored on a quarterly basis. Noncompliance may cause the accelerated maturity of the debt. The restrictive covenants presented below were fully complied with in the year:

- Net debt/EBITDA ratio in the last 12 months cannot be higher than: 3.00 times for the year ended December 31, 2011 and quarter ended March 31, 2011; 2.75 times for the quarters ended June 30 and September 30, 2012; 2.50 times for the subsequent quarters through 2015. However, provided that if, in a Reference Quarter, the noncompliance with net debt/EBITDA ratio in the last 12 months occurred in a period that recorded positive exchange rate change, higher than 15%, it is established that, only in this case, the issuer is no longer required to comply with this financial ratio in the quarter. The ratio will be remeasured based on the results of the immediately subsequent quarter and net debt/EBITDA ratio for the last 12 months cannot be higher than the limit preset for the Reference Quarter.
- the EBITDA/net financial expense ratio of the last 12 months cannot be lower than: 2.00 times for the year ended December 31, 2011 and quarter ended March 31; 2.25 times for the quarters ended June 30 and September 30, 2012; 2.50 times as from the quarter ended March 31, 2013 up to the full compliance with all obligations relating to the issuing Documents.

- the EBITDA/net revenue for the last 12 months cannot be lower than 17% throughout the transaction, up to the full compliance with all obligations relating to the Issuing documents.

Irani Trading S.A.'s first debentures issuance

On August 19, 2010, the Company issued simple, nonconvertible debentures, paid-in by subsidiary Irani Trading S.A. and amounting to R$40,000. Debentures will mature in a single installment in August 2015 and will be adjusted by the IPCA plus annual interest of 6%. Interest will be paid together with the single installment in August 2015.
Transaction Cost:

This operation incurred transaction cost of R$1,902 with effective interest rate of 9.62%. The transaction costs to be recognized in net income in each subsequent period are as follows:

Year	Principal
2013	232
2014	588
2015	1,082
	1,902

This issuance is not collateralized and does not have restrictive financial covenants.

Amortization of debentures by year is as follows:

	Company		Consolidated	
	2011	2010	2011	2010
2011	-	12,788	-	12,788
2012	25,226	25,445	25,226	25,445
2013	24,999	25,617	24,999	25,617
2014	24,603	25,503	24,603	25,503
2015	57,626	53,076	11,653	11,559
	132,453	142,429	86,480	100,912
Current portion	26,000	12,788	26,000	12,788
Noncurrent portion	106,453	129,641	60,480	88,124

18. TRADE ACCOUNTS PAYABLE

Payments of suppliers are as follows:

	Company		Consolidated	
CURRENT	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Internal				
Materials	26,377	32,114	27,741	32,695
Property, plant and equipment	1,975	291	1,975	291
Service providers	2,451	2,100	2,603	2,160
Transportation	5,211	4,267	5,271	3,825
Related parties	6,653	1,390	-	-
External				
Materials	123	661	123	661
	42,790	40,823	37,713	39,632

19. TAXES IN INSTALLMENTS

In November 2009, the Company opted for the REFIS – refinancing program regulated by Law 11,941/09 and Provisional Act 470/09, adjusted for inflation based on SELIC variation. Installments are amortized monthly.

The Company refinanced regular ICMS of the State of São Paulo, subject to monthly interest of 2% and monthly amortization.

The amounts consist of the following:

CURRENT

CURRENT

	Company		Consolidated	
	2011	2010	2011	2010
REFIS installments - INSS	-	580	-	674
REFIS installments – Federal Revenue Service	2,148	1,409	2,177	1,418
ICMS in installments	1,693	1,321	1,693	1,321
Employer's INSS in installments	721	700	812	700
	4,562	4,010	4,682	4,113

NONCURRENT

	Company		Consolidated	
	2011	2010	2011	2010
REFIS installments - INSS	-	-	-	608
REFIS installments – Federal Revenue Service	6,200	8,273	6,253	8,353
ICMS in installments	2,784	3,509	2,784	3,509
Employer's INSS in installments	1,682	2,154	1,802	2,154
	10,666	13,936	10,839	14,624

Long-term maturities:	Company		Consolidated	
	2011	2010	2011	2010
2012	-	2,014	-	2,104
2013	2,912	2,014	3,031	2,104
2014	2,327	2,014	2,381	2,104
2015	787	1,687	787	1,777
Over	4,639	6,207	4,639	6,535
	10,666	13,936	10,839	14,624

INSS - Refers to Social Security charges in installments pursuant to Law 10,684/03 and the Company's option for Refis in November 2009.

Federal Revenue Service - Refers to Federal Taxes in installments pursuant to Law 10,684/03 and the Company's option for Refis in November 2009 and refers to other IPI debts in installments, adjusted to R$8,272, of which R$3,252 corresponds to principal and R$5,020 corresponds to fines and late payment interest. This amount will be paid in 180 installments and adjusted based on the SELIC rate.
Employer INSS – Refers to Social Security paid in installments relating to November, December and 13th salary relating to 2008.

20. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION LIABILITIES

In 2010 and 2011, the Company computed income tax and social contribution on exchange rate change on a cash basis and recorded deferred tax liability related to unrealized exchange variation.

Based on the fair value of biological assets and cost attributed to property, plant and equipment, deferred tax losses were recorded, adjusted according to the useful life of property, plant and equipment, under the Transitional Tax Regime (RTT) and recognized in this same line item.

The Company recorded deferred tax liability based on the fair value of biological assets and on the deemed cost of property, plant and equipment.

The effects of deferred tax liability as of December 31, 2011 and December 31, 2010 are demonstrated as follows:

	Company		Consolidated	
	2011	2010	2011	2010
Deferred income tax liability				
Exchange rate on a cash basis	3,945	8,364	5,477	8,757
Fair value of biological assets	30,224	30,165	31,737	31,635
Deemed cost of property, plant and equipment	83,439	83,457	104,456	104,439
Revaluation reserve	4,123	4,258	4,123	4,258
Government grants	709	-	709	-
Deferred social contribution liability				
Exchange rate on a cash basis	1,420	3,011	1,971	3,153
Fair value of biological assets	10,878	10,858	11,695	11,653
Deemed cost of property, plant and equipment	30,039	30,047	37,603	37,599
Revaluation reserve	1,484	1,533	1,484	1,533
Government grants	256	-	256	-
	166,517	171,693	199,511	203,027

The changes noted on the deferred income tax and social contribution liabilities are demonstrated as follows:

Company	Balance at beginning of year	Recognized in the Income Statement	Balance at end of year
Deferred tax liabilities related to:			
Exchange rate on a cash basis	11,375	(6,010)	5,365
Fair value of biological assets	41,023	79	41,102
Deemed cost of property, plant and equipment	113,504	(26)	113,478
Revaluation reserve	5,791	(184)	5,607
Government grants	-	965	965
	171,693	(5,176)	166,517

Consolidated	Balance at beginning of year	Recognized in the Income Statement	Balance at end of year
Deferred tax liabilities related to:			
Exchange rate on a cash basis	11,910	(4,462)	7,448
Fair value of biological assets	43,288	144	43,432
Deemed cost of property, plant and equipment	142,038	21	142,059
Revaluation reserve	5,791	(184)	5,607
Government grants	-	965	965
	203,027	(3,516)	199,511

21. RELATED-PARTY TRANSACTIONS

Company	Receivables		Payables		Debentures payable		Loans payable	
	2011	2010	2011	2010	2011	2011	2011	2010
						-		
Irani Trading S.A.	3,775	-	1,400	1,389	45,973	41,516	2,109	4,345
Habitasul Florestal S.A.	3,972	4,369	375	456	-	-	-	13,258
HGE - Geração de Energia	-	-	920	1,387	-	-	-	-
Meu Móvel de Madeira	1,905	2,132	-	-	-	-	-	-
Iraflor - Com. de Madeiras Ltda	-	-	4,877	-	-	-	-	-
Fazenda São Clemente	-	-	-	149	-	-	-	-
Management compensation	-	-	5,279	3,818	-	-	-	-
Total	9,652	6,501	12,851	7,199	45,973	41,516	2,109	17,602
Current portion	(9,652)	(6,501)	(12,851)	(7,050)	-	-	-	-
Noncurrent portion	-	-	-	-	45,973	41,516	2,109	17,602

	Revenue		Expenses	
	2011	2010	2011	2010
Irani Trading S.A.	-	-	17,188	17,569
Habitasul Florestal S.A.	-	-	2,882	841
Meu Móvel de Madeira	61	4,400	-	3,437
Irani Participações	-	-	571	480
Companhia Com.de Imóveis	-	-	-	447
Fazenda São Clemente	-	-	-	1,341
Management compensation	-	-	4,432	4,653
Management shares	-	-	1,461	3,818
Total	61	4,400	26,534	32,586

Consolidated	Payables		Expenses	
	2011	31.12.10	2011	2010
Irani Participações	-	-	571	480
Companhia Com.de Imóveis	-	-	-	447
Fazenda São Clemente	-	149	-	1,341
Management compensation	-	-	4,746	5,003
Management compensation	5,279	3,818	1,461	3,818
Total	5,279	3,967	6,778	11,089
Current portion	(5,279)	(3,967)		

Payables and receivables to/from subsidiaries Irani Trading S.A., Habitasul Florestal S.A. and Meu Móvel de Madeira LTDA., relate to commercial operations among the parties which are conducted free of charges with no defined final maturity.

Irani Trading S.A. is currently the owner of an industrial property in Vargem Bonita, Santa Catarina, which is leased to Celulose Irani S.A. pursuant to the Lease Agreement entered into on October 20, 2009, and amended on March 24, 2010. The Lease Agreement is valid for 64 months as from the beginning of the lease agreement on January 1, 2010. The property is rented for a fixed monthly amount of R$1,364.

On August 19, 2010, the Company issued simple debentures, acquired by subsidiary Irani Trading S.A. and adjusted by the IPCA plus annual interest of 6% and maturing as described in Note 17.

On June 3, 2011 and August 31, 2011, the Company transferred to Iraflor the amount of R$37,475 in cultivated forests as capital contribution. On June 16, 2011, subsidiary Iraflor issued Rural Product Notes (CPR) falling due in June 2018 and representing the Company's rights to receive wood in this period. Based on the credit rights from the CPRs, on June 20,

2011, the Company issued Agribusiness Credit Right Certificates (CDCA) on behalf of Banco Itaú BBA S.A and Banco Rabobank International Brasil S.A.

The debt related to HGE – Geração de Energia Sustentável arises from the contract amendment for capital increase with contribution payable by the end 2012.

The amount payable to Irani Participações is attributable to services rendered to the Company.

Payables attributable to management compensation relate to officers' fees and management profit sharing.

Management compensation, net of payroll taxes, totaled R$4,815 in 2011 (R$5,003 in 2010). The overall, maximum management compensation of R$5,500 was approved by the Annual Shareholders' Meeting held on April 29, 2011.

In addition, management profit sharing in 2011, in the amount of R$1,461, equivalent to 10% of net income for the year, was recognized separately, under the Company's bylaws. It will be distributed in accordance with the long-term variable compensation program approved by the Board of Directors. Currently, the Company does not provide other long-term benefits and stock-based compensation.

22. RESERVE FOR CONTINGENCIES

The Company and its subsidiaries are parties to tax, civil and labor lawsuits and in administrative tax proceedings. Management, based on the opinion of its attorneys and legal counsel, believes that the reserve for contingencies is sufficient to cover probable losses in connection with such contingencies.

The reserve for contingencies is broken down as follows:

	Company		Consolidated	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Civil	1,308	7,669	1,308	7,669
Labor	499	508	566	575
Tax	39,843	31,685	39,843	31,684
	41,650	39,862	41,717	39,928
Escrow deposits	996	7,337	1,258	7,513

Changes in the provision for risks:

Company	31.12.10	Provision	Write-offs	31.12.11
Civil	7,669	138	(6,499)	1,308
Labor	508	19	(28)	499
Tax	31,685	9,463	(1,305)	39,843
	39,862	9,620	(7,832)	41,650

Consolidated	31.12.10	Provision	Write-offs	31.12.11
Civil	7,669	138	(6,499)	1,308
Labor	575	19	(28)	566
Tax	31,684	9,464	(1,305)	39,843
	39,928	9,621	(7,832)	41,717

The reserve for contingencies refers basically to:

a) Civil lawsuits are related, among others, to indemnity claims in connection with the termination of agreements with sales representatives, and, principally, to a bankruptcy proceeding filed by a party in relation to which the Company is a creditor. As of December 31, 2011, a reserve of R$1,308 is recorded to cover potential losses arising from these contingencies. Escrow deposits relating to these lawsuits amount to R$626 and are classified in Noncurrent Assets. In 2011, the Company offset the provision for previous rentals, recognized due to a civil lawsuit, against the respective escrow deposits reversed on behalf of the other party. This offset did not affect profit or loss.

b) Labor lawsuits are related, among others, to claims filed by former employees for payment of overtime, health hazard premium, hazardous duty premium, occupational illnesses and accidents. Based on their past experience and legal counsel's opinion, the Company accrued R$566 as of December 31, 2011, which it believes to be sufficient to cover potential losses arising from labor contingencies. Escrow deposits relating to these lawsuits amount to R$632 and are classified in Noncurrent Assets.

c) The reserve for tax contingencies refers to offsets federal taxes related to IPI credits on the acquisition of trimmings. The amount offset from January, 2007 to December 2011 was R$28,431. The balance adjusted as of December 31, 2011 totals R$39,843.

Contingencies

No reserves were recorded for contingencies whose likelihood of loss has been assessed by the legal counsel as possible. As of December 31, 2011, the amounts involved in labor, civil, environmental and tax lawsuits are as follows:

	Company and Consolidated	
	12/31/2011	12/31/2010
Labor	11,752	8,154
Civil	2,064	780
Environmental	876	876
Tax	61,535	46,097
	76,227	55,907

Labor contingencies:
The labor lawsuits assessed by the legal counsel as possible losses total R$11,752 and include primarily indemnity claims (hazardous duty premium, health hazard premium, overtime, salary premiums, damage and losses arising from occupational accidents), for which the Company reasonably expects a favorable decision.

Civil contingencies:
The civil lawsuits assessed by the legal counsel as possible losses total R$2,064 and include primarily indemnity claims, which are currently at different stages.

Environmental contingencies:
The environmental lawsuits assessed by the legal counsel as possible losses total R$876 and include primarily a lawsuit filed by the Federal Public Prosecution Office. Considering that this matter is difficult to quantify, the Company's management evaluated this litigation as a possible loss with good chances of a favorable outcome. They also understand that the amount of the compensatory damages will be less than the maximum estimated amount if the suit is lost.

Tax contingencies:
The tax lawsuits assessed by the legal counsel as possible losses total R$61,535 and primarily include the following:

- Administrative Proceeding 10925.000172/2003-66 related to a tax notification for alleged irregularity in offsetting IPI credits, which as of December 31, 2011 involves the amount of R$7,099. The Company is beneficiary under a final administrative decision issued by means of Decision 203-03.459, dated 9/16/97, which declared the refund request as valid. The Federal Revenue Service filed an administrative appeal, which is awaiting judgment.
- Tax collection lawsuit 2004.72.03.001555-8 by the National Institute of Social Security (INSS) under a Debt Assessment Notice for payment of social contribution on gross revenue from the sale of agroindustrial companies' production, which as of December 31, 2011 involves the amount of R$4,399. The lawsuit was suspended by a court decision and is waiting for the decision of the action for annulment no. 2005.71.00.002527-8.
- Tax collection lawsuit 99.70.00325-9 filed by the National Institute of Social Security

(INSS) for the collection of tax credits under Debt Assessment Notice (NFLD) No. 32.511.108-1 related to social security contributions allegedly due by service firms providing outsourced labor, for which the Company is considered jointly liable, and that as of December 31, 2011 involves the amount of R$4,581. The lawsuit is waiting for the decision of the interlocutory appeal filed by PFN against the motion to stay filed by the Company.

- Administrative proceedings 11080.013972/2007-12 and 11080.013973/2007-67 that involved R$3,161 as of December 31, 2011 and which related to tax notifications for PIS and COFINS alleged undue tax credit. The Company has challenged these notifications at the administrative level and considers that there are good chances of a favorable outcome.
- Administrative proceedings referring to tax assessment notices from the State of Santa Catarina for alleged undue ICMS tax credits on acquisition of material used in the production of industrial plants of this state which, as of December 31, 2011, amounted to R$29,491. The Company filed defense arguments for said tax assessments and expects the tax credits recognized to be realized.
- Administrative proceedings 11080.009902/2006-89, 11080.009904/2006-88 and 11080.009905/2006-12 referring to federal taxes offset against IPI Deemed Credit on exports supposedly calculated improperly, in the amount of R$12,804, adjusted as of December 31, 2011. The Company has challenged these administrative proceedings at the administrative levels.

23. SHAREHOLDERS' EQUITY

a. Capital

The Company's capital as of December 31, 2011 is R$ 63,381, represented by 7,463,987 common shares and 640,513 preferred shares, totaling 8,104,500 shares, without par value. Preferred shares carry no voting rights, are entitled to receive dividends 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 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.

b. Treasury shares

On a meeting held on November 24, 2010, the Board of Directors authorized the Company to acquire its own shares, which will be maintained in treasury and further canceled or disposed of, without decreasing Company's capital, pursuant to CVM Resolution 10/80 and its amendments. The objective of the share buyback plan is to maximize the value of the shares to shareholders. This operation should be concluded within 365 days, through November 23, 2011. Accordingly, the Company is authorized to acquire up to 62,356 and 18,646 registered, book-entry common and preferred shares, respectively, without par value.

The Company acquired 9,100 shares through December 31, 2010 totaling R$229 and by the

time the program was ended on November 23, 2011, the Company issued 66.900 shares totaling R$ 1,761, which were distributed as follows:

Shares acquisition	Company			
	12/31/2011		12/31/2010	
	Value	Amount	Value	Amount
Common	1,411	54,400	199	7,900
Preferred	350	12,500	30	1,200
	1,761	66,900	229	9,100

The trading value of these shares at the São Paulo Stock Exchange was R$27.00 as of December 31, 2010 and R$19.01 as of December 31, 2011 for common shares, and R$26.00 as of December 31, 2010 and R$28.50 as of December 31, 2011 for preferred shares.

The Company also holds in treasury 4,602 (four thousand six hundred and two) common shares, in the amount of R$47, acquired from former officers in previous periods, as determined by the stock option plan effective on such date.

The Company's management will determine the allocation of the treasury shares or their cancellation.

c. Net income

Shareholders are entitled to minimum mandatory dividends of 25% on net income, less accumulated losses offset and legal reserve. In 2011, dividends and interest on capital amounted to R$9,761. The Company distributed interest on capital in the amount of R$4,250, net of taxes.

Dividends and dividends payable are as follows:

	2011	2010
Net income for the year	9,354	34,360
Realization of revaluation reserve	356	365
Realization of unrealized earnings reserve	4,587	3,205
Realization of valuation adjustment to equity reserve	25,215	3,039
(-) Legal reserve	(468)	(2,048)
Calculation base for dividends distribution	39,044	38,921
Mandatory minimum dividends (25% of calculation base)		
Proposed dividends payable	9,761	9,730
Interest on capital	5,000	-
(-) Income tax on interest on capital	(750)	-
Interest on capital, net of income tax	4,250	-
Dividends payable	5,511	9,730
Dividends and interest on capital per common share (R$ per share)	1,21	1,20
Dividends and interest on capital per preferred share (R$ per share)	1,33	1,32

The Company includes in net income for distribution of dividends the revaluation reserve, unrealized earnings reserve and reserve for valuation adjustments to equity. The reserve for

valuation adjustments to equity was adjusted based on unrealized differences from previous years due to the first-time adoption of the CPCs on the matter.

d. Earnings reserves

Earnings reserves comprise legal reserve, unrealized earnings reserve and earnings retention reserve.

The legal reserve is recognized upon allocation of 5% of net income and may be used to offset losses or for capital increase purposes.

The unrealized earnings reserve was recognized because the Company evaluated its biological assets at fair value on the opening balance sheet for the first-time adoption of the IFRS. As of December 31, 2011, this reserve was transferred to the statutory reserve of biological assets upon shareholders' approval. For further information on subsequent events on the matter, see Note 37.

The earnings retention reserve is comprised of remaining income from offset losses and legal reserve, and dividends distributed. These funds will be allocated to investments in property, plant and equipment previously approved by the Board of Directors.

e. Valuation adjustment to equity

The valuation adjustment to equity reserve was recognized since the Company measured its fixed assets (land, machinery and buildings) at deemed cost in the opening balance sheet, which have not been realized. Realization will occur upon depreciation of deemed cost. Dividends will also be calculated at this moment.

24. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing earnings from continuing operations attributable to the Company's shareholders by the weighted average shares available in the year. The Company is not subject to the effects of potential actions such as debt convertible into shares. Consequently, diluted earnings per share correspond to the basic earnings per share.

	2011		
	Common shares	Preferred shares	Total
Weighted average number of shares	7,412,043	630,905	8,042,948
Net income for the year attributable to each tipe of share (*)	8,553	801	9,354
Basic and diluted earnings per share - R$	1,1539	1,2693	

	2010		
	Common shares	Preferred shares	Total
Weighted average number of shares	7,457,727	640,413	8,098,140
Net income for the year attributable to each tipe of share (*)	34,983	3,305	38,288
Basic and diluted earnings per share - R$	4,6909	5,1601	

(*) Preferred shares are entitled to dividends plus 10% over common shares.

25. NET REVENUE FROM SALES

The Company's net revenue is broken down as follows:

	Company		Consolidated	
	2011	2010	2011	2010
Gross profit from sales	580,623	541,447	615,176	570,025
Income on sales	(125,064)	(120,337)	(129,468)	(123,900)
Sales return	(3,871)	(3,153)	(4,196)	(3,439)
Net income from sales	451,688	417,957	481,513	442,686

26. EXPENSES BY NATURE

Expenses by nature are broken down as follows:

	Company		Consolidated	
	2011	2010	2011	2010
Variable cost (raw material and consumables)	(262,030)	(269,095)	(258,002)	(264,916)
Personnel expenses	(61,134)	(46,094)	(65,180)	(48,112)
Change in fair value of biological assets	6,349	21,337	14,327	50,738
Depreciation, amortization and depletion	(41,871)	(39,946)	(54,857)	(50,992)
Freight	(19,859)	(16,760)	(21,079)	(17,420)
Services	(16,364)	(6,637)	(16,528)	(7,615)
Selling expenses	(21,209)	(12,156)	(21,272)	(12,392)
Other expenses	-	(3,347)		(4,762)
	(416,118)	(372,698)	(422,591)	(355,471)
Other expenses - net				
Cost of selling assets	(1,284)	(2,268)	(1,486)	(3,009)
Tax credits	929	642	929	642
Disposal of permanent assets	2,177	1,462	2,295	2,303
Other expenses	2,651	146	2,695	188
	4,473	(18)	4,434	124
Operating expenses	(411,645)	(372,716)	(418,157)	(355,347)

27. OTHER OPERATING INCOME AND EXPENSES

Income	Company		Consolidated	
	2011	2010	2011	2010
Revenue from disposal of assets	2,177	1,218	2,298	2,059
Reversal of contingencies	-	147	-	174
Other operating income	4,538	1,063	4,602	1,212
Untimely used PIS, COFINS and ICMS credits	-	781	-	781
	6,715	3,209	6,900	4,226

Expenses	Company		Consolidated	
	2011	2010	2011	2010
Cost of assets sold and claimed	(1,286)	(1,940)	(1,405)	(2,780)
Other operating expenses	(956)	(1,077)	(1,061)	(1,112)
Provision for losses on subsidiaries		(210)	-	(210)
	(2,242)	(3,227)	(2,466)	(4,102)

28. INCOME TAX AND SOCIAL CONTRIBUTION

Reconciliation of the effective tax rate:

	Company		Consolidated	
	2011	2010	2011	2010
Income before taxes	8,102	37,795	10,841	39,765
Statutory rate	34%	34%	34%	34%
Tax credit (debt) at statutory rate	(2,755)	(12,850)	(3,686)	(13,520)
Tax effect of permanent (additions) / deductions:				
Equity in subsidiaries	7,789	13,588	-	-
Difference on taxation of subsidiaries	-	-	4,815	11,079
Interest on capital	1,700	-	1,700	-
Other permanent differences	(232)	(355)	940	851
Discontinued operation	-	(2,023)	-	(2,023)
	6,503	(1,640)	3,769	(3,613)
Income tax and social contribution - current	(1,008)	(2,986)	(2,127)	(3,831)
Income tax and social contribution - deferred	7,511	1,346	5,896	218

29. FINANCIAL INCOME AND EXPENSES

	Company		Consolidated	
	2011	2010	2011	2010
Financial income				
Investment yield	5,743	3,014	5,742	4,737
Interest	963	960	1,479	986
Discounts obtained	167	207	175	215
	6,873	4,181	7,396	5,938
Foreign exchange change				
Foreign exchange gains	17,941	28,831	17,945	28,831
Foreign exchange gains - derivatives at fair value	5,247	1,999	5,247	1,999
Foreign exchange losses	(27,780)	(26,641)	(27,783)	(26,641)
Foreign exchange losses - derivatives at fair value	(2,415)	(4,545)	(2,415)	(4,549)
Foreign exchange gains/losses, net	(7,007)	(356)	(7,006)	(360)
Financial expenses				
Interest	(52,983)	(44,282)	(51,117)	(44,518)
Discounts granted	(125)	(181)	(78)	(181)
Bank negative goodwill/expenses	(46)	(499)	(98)	(552)
Other	(1,607)	(326)	(1,612)	(1,946)
	(54,761)	(45,288)	(52,905)	(47,197)
Financial income (expenses), net	(54,895)	(41,463)	(52,515)	(41,619)

30. INSURANCE

The Company adopts a conservative policy regarding the contracting of insurance to cover various losses. The insurance coverage is determined according to the nature of the asset risk, and is considered sufficient to cover potential losses arising from claims. As of December 31, 2011, the Company had corporate insurance against fire, lightning, explosion, electric damages and windstorm for plants, residential locations and offices, including general civil liability coverage and coverage of liabilities of officers and directors (D&O), in the total amount of R$311,650. The Company also contracted group life insurance for employees with minimum coverage of R$10 and maximum coverage of R$500, in addition to coverage for fleet of vehicles at market value.

The risk assumptions adopted, in view of their nature, are not part of the scope of the audit of the financial statements and, therefore, were not audited by our independent auditors.

With respect to the forests, the Company evaluated the existing risks and elected not to contract insurance coverage because the preventive measures against fire and other forest risks have been efficient. Management understands that the Company's structure of management of the financial risks related to forest activities is appropriate to guarantee its continuity as a going concern.

31. FINANCIAL INSTRUMENTS

Capital risk management

The Company's capital structure consists of its net debt (borrowings detailed in Note 16 and Note 17, less cash and banks and held-to-maturity investments) and the Company's shareholders' equity (which includes issued capital, reserves and retained earnings, as stated in Note 23).

The Company is not subject to any external capital requirement.

The Company's management periodically reviews its capital structure. As part of this review, Management considers the cost of capital and risks associated to each class of capital. The Company intends to maintain a capital structure between 50% and 70% of equity capital and between 50% and 30% of debt capital. As of December 31, 2011, the debt ratio was 61% for equity and 39% for debt capital, in accordance with expected levels.

Debt ratio

As of December 31, 2011 and 2010, the debt ratio is as follows:

	Company		Consolidated	
	2011	2010	2011	2010
Debt (a)	392,009	337,336	368,741	331,204
Cash and cash equivalents	(72,496)	(39,191)	(74,722)	(40,362)
Investments	(8,674)	(10,484)	(8,674)	(10,484)
Net debt	310,839	287,661	285,345	280,358
Shareholders's equity	464,230	467,116	464,250	467,130
Net debt index	0,67	0,62	0,61	0,60

(a) Debt is defined as short- and long-term borrowings, including debentures, as detailed in Notes 16 and 17.

(b) Shareholders' equity includes all the Company's capital and reserves, managed as capital.

Categories of financial instruments

	Company		Consolidated	
Financial assets	2011	2010	2011	2010
Cash and cash equivalents	72,496	39,191	74,722	40,432
Fair value through profit or loss	286	-	286	-
Investments held to maturity	8,388	13,018	8,388	13,018
Trade accounts receivable				
Customers	90,179	76,903	92,231	78,900
Other assets	10,669	10,247	10,722	10,280
Financial liabilities				
Fair value through profit or loss	-	2,534	-	2,534
Amortized cost				
Borrowings and financing	259,556	194,937	260,164	194,937
Debentures	132,453	142,429	86,480	100,912
CCI	-	-	22,097	35,355
Trade accounts payable	42,790	40,823	37,713	39,632

The instruments stated at fair value are classified as Level 1 based on the prices quoted (unadjusted) in active markets for identical assets.

Financial risk factors

The Company is exposed to several financial risks, such as market (including foreign exchange risk and interest rate risk), credit and liquidity risks.

Aiming at setting rules to the Company's financial management, on October 20, 2010, the Board of Directors approved the Financial Management Policy that standardizes and sets guidelines for the use of financial instruments.

The Company does not conduct derivatives transactions or transactions with other financial assets for speculative purposes. The objective of the Company's derivatives policy is to minimize financial risks arising from the Company's transactions, as well as to guarantee efficient management of its financial assets and liabilities. Derivative transactions were approved by the Board of Directors and contracted to hedge borrowings in foreign currency or the Company's exports.

Currency risk

The Company maintains foreign currency transactions exposed to fluctuations in foreign currencies' rates. As of December 31, 2011 and 2010, these transactions resulted in a net exposure as shown below.

Total net exchange exposure in foreign currency corresponds to 17 months and 15 months of exports based on the average number of exports in 2010 and 2011, respectively. As most of loans and financing in foreign currency are repayable in the long-term, the Company has a natural hedge on its cash flows to settle its long-term liabilities in foreign currency.

	Company		Consolidated	
	2011	2010	2011	2010
Trade accounts receivable	4,152	2,895	4,198	2,949
Carbon credits receivable	6,378	5,789	6,378	5,789
Banks – restricted account	8,674	10,484	8,674	10,484
Advance from customers	(298)	(325)	(661)	(207)
Trade accounts payable	(123)	(661)	(123)	(661)
Loans and financing	(89,545)	(99,841)	(89,545)	(99,841)
Net exposure	(70,762)	(81,659)	(71,079)	(81,487)

The Company has identified the main risk factors that may jeopardize its transactions with financial instruments. Accordingly, we have created a sensitivity analysis, as prescribed by CVM Instruction 475, which requires scenarios with 25% and 50% deterioration in the risk variable considered, in addition to a base scenario. These scenarios may impact the Company's future results and/or cash flows, as described below:

1 – Base scenario: maintenance of the exchange rate in levels close to those effective in the period the financial statements are prepared.

2- Adverse scenario: 25% deterioration in the exchange rate compared to that reported on December 31, 2011.

3 – Remote scenario: 50% deterioration in the exchange rate compared to that reported on December 31, 2011.

Transaction	Balance as of 12.31.11		Base scenario Gain (loss)		Adverse scenario Gain (loss)		Remote scenario Gain (loss)
	U$$	Rate	R$	Rate	R$	Rate	R$
Assets							
Trade accounts receivable	10,262	1,72	(1,589)	2,15	2,827	2,58	7,242
Liabilities							
Trade accounts payable	(418)	1,72	65	2,15	(115)	2,58	(295)
Borrowings and financing	(47,737)	1,72	7,390	2,15	(13,149)	2,58	(33,688)
Net effect			5,866		(10,438)		(26,741)

This sensitivity analysis intends to measure the impact of changes in market variables on each financial instrument of the Company. Note that balances as of December 31, 2011 were used as the basis for the projected future balance. Debt balances' and derivatives' actual behavior will vary according to the respective contracts, while balances payable and receivable may fluctuate during the normal course of the Company's and its subsidiaries' business. However, actual results could differ from estimates. The Company tries to maintain its loan, financing and derivatives transactions exposed to exchange rate change with net annual payments equivalent to export receivables. Accordingly, the Company hedges its cash flow against foreign currency risks, and the effects of the scenarios above, if materialized, are expected to generate an economic impact on income (expenses).

Interest rate risk

The Company may be impacted by changes in interest rates. This interest rate risk exposure refers mainly to changes in market interest rates affecting the Company's assets and liabilities indexed by the TJLP (long-term interest rate), CDI (interbank deposit rate), SELIC (Central Bank's overnight rate), TR (reference rate), EURIBOR (Euro Interbank Offered Rate), LIBOR (London Interbank Offered Rate) or IPCA (National Consumer Price Index).

The sensitivity analysis calculated for the base scenario, adverse scenario and remote scenario on the loan agreements subject to indexed interest is as follows:

1 – Base scenario: maintenance of interest rates at levels similar to those effective on the date of these financial statements.

2 – Adverse scenario: adjustment of 25% of interest rates based on the level as of December 31, 2011.

3 – Remote scenario: adjustment of 50% of interest rates based on the level as of December 31, 2011.

Transaction			Base scenario: Gain (loss)		Adverse scenario: Gain (loss)		Remote scenario: Gain (loss)	
	Index	Balance as of 12.31.11	Rate %	R$	Rate %	R$	Rate %	R$
Short-term investments								
CDB	CDI	72,119	10,29%	(446)	12,86%	1,533	15,44%	3,512
Financing								
Working capital	CDI	113,887	10,29%	703	12,86%	(2,413)	15,44%	(5,529)
Debentures	CDI	91,210	10,29%	529	12,86%	(1,817)	15,44%	(4,164)
Working capital	TR	1,030	0,09%	3	0,11%	-	0,13%	(2)
BNDES	TJLP	14,558	6,00%	-	7,50%	(218)	9,00%	(437)
Working capital	IPCA	97,047	6,22%	980	7,78%	(529)	9,33%	(2,038)
Financing - foreign currency	Libor	3,816	0,50%	3	0,62%	(1)	0,74%	(6)
Financing - foreign currency	Euribor	6,232	1,35%	17	1,68%	(4)	2,02%	(24)
Net effect				1,789		(3,450)		(8,688)

Credit risks

The Company's credit sales are managed through a strict credit rating and granting program. Doubtful receivables are properly covered by an allowance for potential losses on their collection.

Trade accounts receivables consist of a large number of customers, in different sectors and geographical areas. A continuous credit assessment is conducted based on the financial position of receivables and, when appropriate, insurance coverage is obtained.

In addition, the Company is exposed to credit risk due to the financial guarantees provided to banks. The Company's maximum exposure corresponds to the maximum amount that the Company would have to pay if the guarantee is enforced (see Notes 16 and 17).

Liquidity risk

Management monitors the liquidity level considering the estimated cash flow, including cash, short-term investments, accounts receivable and payable and payment of borrowings and financing. The liquidity management policy includes projected cash flows in the main

currencies and considers the level of net assets necessary to reach these projections, the monitoring of the liquidity indexes of balance sheet in accordance with internal and external regulatory requirements and maintenance of debt financing plans.

The table below shows the maturity date of the financial liabilities contracted by the Company, in the consolidated balance sheet, including the principal and fixed interest levied on operations, calculated at the rates and indexes effective as of December 31, 2011, and the details on the estimated maturity dates for non-derivative, undiscounted financial assets, including accrued interest on these assets. The inclusion of information on non-derivative financial assets is necessary to understand the Company's liquidity risk management, since it is managed based on net assets and liabilities:

	2012	2013	2014	2015	after 2016
Liabilities					
Trade accounts payable	37,713	-	-	-	-
Borrowings and financing	102,278	52,403	49,400	47,524	30,656
Debentures	25,226	24,999	24,603	11,653	-
Derivatives	1,075	1,075	1,075	538	-
Other liabilities	5,632	4,493	3,687	787	4,639
	171,924	82,970	78,765	60,502	35,295
Assets					
Cash and cash equivalents	74,722	-	-	-	-
Banks – restricted account	5,221	1,381	1,381	691	-
Trade accounts receivable	92,231	-	-	-	-
	172,174	1,381	1,381	691	-
	250	(81,589)	(77,384)	(59,812)	(35,295)

The amounts above for non-derivative financial assets and liabilities at floating rates are subject to changes should the floating interest rate changes differ from the estimates for the end of the reporting period.

The Company has access to credit facilities whose total unused amount at the end of the reporting period is R$85,169, increased to the extent that borrowings and financing are settled. The Company expects to meet their other obligations using the cash flows from operating activities and income from financial assets falling due.

Derivatives

Derivative operations are classified by strategy according to their purpose. These operations are contracted to hedge the Company's net indebtedness or its exports and imports from exchange rate changes. Financial instruments were designated in initial recognition, classified as loans, measured at fair value and recognized in financial income (expenses) on the balance sheet date.

The Company maintains internal controls that management deems sufficient to manage risks. On a monthly basis, management analyses reports relating to the financial cost of its debt and

the information relating to the cash flow in strong currency that includes the Company's payables and receivables in foreign currency and assesses the need to contract some type of hedge. Results achieved by this type of management hedge the Company's cash flow from exchange rate changes.

a) Derivative financial instruments stated at fair value

As of December 31, 2011 and December 31, 2010, the contracted amounts of these instruments and their fair value, as well as the accumulated effects for the period, are as follows:

Purpose / Risk / Instrument		12/31/2011		12/31/2010	
		Notional value	Fair value (1)	Notional value	Fair value (1)
Fair value hedge					
Foreign currency	Swaps	3,763	286	29,300	(2,534)
Total derivatives		3,763	286	29,300	(2,534)

(1) The derivative financial instruments are stated at fair value based on US dollar future projections of BM&FBovespa on the calculation dates. Swap assets and liabilities are estimated independently and stated at present value at the market interest rate, and the difference between these assets and liabilities represent the market value.

As of December 31, 2011, the maturity dates of these instruments, at fair value and notional value, are as follows:

Purpose / Risk / Instrument		2012	2013	2014	2015	Total
Fair value hedge						
Foreign currency - Fair value	Swaps	3	34	143	106	286

Purpose / Risk / Instrument		2012	2013	2014	2015	Total
Fair value hedge						
Foreign currency - Notional value	Swaps	1,075	1,075	1,075	538	3,763

This financial instrument is subject to the restricted short-term investment described in Note 9 whose sensitivity analysis is provided together with the underlying instrument.

b) Derivative financial instruments stated at amortized cost

On May 30, 2011, the Company entered into a cash flow swap operation with Banco Credit Suisse in order to change the compensation and risks associated with interest rate agreed by the parties under the Export Prepayment Contract (PPE) on February 16, 2007. The reference value on the trade date is R$70,374 (equivalent to USD44,544 thousand on the trade date), decreased to the extent the installments are overdue until final maturity in August 2015.

The purpose of this swap operation is to align the operation price and the related maturity dates to the original operations. The swap contract is not traded separately. The Export Prepayment Contract (PPE) is subject to interest rate plus CDI variation, and interest payable is no longer subject to exchange rate changes. Based on the characteristics of this contract together with the

PPE contract, the Company considered two instruments as a sole instrument stated at the amortized cost value under the effective interest method. Such interest is considered in the sensitivity interest rate analysis referred to in this note under interest rate risks.

This operation was approved by the Company's Board of Directors on May 30, 2011.

32. OPERATING SEGMENTS

a) Criteria for identification of operating segments

The Company divided its operating structure according to the manner Management conducts the business and according to the segmentation criteria established by CPC 22 (IFRS 8) – Information by Segment.

Management defined the following operating segments: paper; packaging; forests and resin; and furniture, as described below:

Paper Division: produces low and high density kraft paper and recycled paper for the domestic and foreign markets and includes the Corrugated Cardboard Packaging Division.

Corrugated Cardboard Packaging Division: this division manufactures light and heavy corrugated cardboard boxes and sheets, and owns two production units, one in Vargem Bonita, Santa Catarina and another one in Indaiatuba, São Paulo.

Forest and Resin Division: through this division, the Company plants pine trees for its own development, sells wood and produces resin extracted from pines trees, which is the raw material for the production of pitch and turpentine.

Furniture Division: this division sells furniture to the domestic market, exclusively by the Internet through subsidiary Meu Móvel de Madeira. This division produces bedroom, living room and supplementary furniture.

b) Consolidated information on operating segments

	Consolidated					12.31.2010
	Paper	Corrugated Cardboard Packaging	Forest RS and Resin	Furniture	Corporate / eliminations	Total
Net sales:						
Domestic market	103,425	269,610	18,637	6,411	-	398,083
Foreign market	31,462	-	13,141	-	-	44,603
Sales revenues to third parties	134,887	269,610	31,778	6,411	-	442,686
Divisions' revenues	25,997	715	-	-	(26,712)	-
Total net sales	160,884	270,325	31,778	6,411	(26,712)	442,686
Change in the fair value of biological assets	21,336	-	29,402	-	-	50,738
Selling costs	(104,307)	(211,794)	(25,819)	(3,551)	25,381	(320,090)
Gross profit	77,913	58,531	35,361	2,860	(1,331)	173,334
Operating expenses	(18,162)	(38,014)	(3,795)	(2,824)	(27,018)	(89,813)
Operating income (expenses) before Financial income (expenses)	59,751	20,517	31,566	36	(28,349)	83,521
Financial income (expenses)	(22,657)	(18,408)	(746)	(206)	398	(41,619)
Net operating income (expenses)	37,094	2,109	30,820	(170)	(27,951)	41,902
Total assets	676,499	170,681	128,072	4,456	165,052	1,144,760
Total liabilities	295,008	63,381	14,421	2,677	302,143	677,630
Shareholders' equity	285,388	-	119,958	1,507	60,277	467,130

	Consolidated					12.31.2011
	Paper	Corrugated Cardboard Packaging	Forest RS and Resin	Furniture	Corporate / eliminations	Total
Net sales:						
Domestic market	109,685	285,886	18,962	10,078	-	424,611
Foreign market	36,639	-	20,263	-	-	56,902
Sales revenues to third parties	146,324	285,886	39,225	10,078	-	481,513
Divisions' revenues	22,028	308	-	-	(22,336)	-
Total net sales	168,352	286,194	39,225	10,078	(22,336)	481,513
Change in the fair value of biological assets	4,767	-	9,560	-	-	14,327
Selling costs	(114,035)	(224,207)	(29,456)	(5,624)	19,929	(353,393)
Gross profit	59,084	61,987	19,329	4,454	(2,407)	142,447
Operating expenses	(9,784)	(31,206)	(3,032)	(5,143)	(35,177)	(84,342)
Operating income (expenses) before Financial income (expenses)	49,300	30,781	16,297	(689)	(37,584)	58,105
Financial income (expenses)	(33,302)	(25,938)	437	(406)	6,694	(52,515)
Net operating income (expenses)	15,998	4,843	16,734	(1,095)	(30,890)	5,590
Total assets	720,807	155,324	136,170	5,389	164,064	1,181,754
Total liabilities	297,742	57,897	14,475	3,404	343,986	717,504
Shareholders' equity	231,866	-	115,034	1,360	115,990	464,250

'Corporate' refers basically to the corporate unit's expenses not apportioned among the other segments, and 'eliminations' refers to adjustments of intersegment transactions, which are carried out under usual market prices and conditions.

Information relating to financial income (expense) is broken down by operating segment taking into consideration the specific allocation of each financial income and expense of the segment and the allocation of income and expenses of the Company due to the working capital requirement of each segment.

Information relating to income tax and social contribution has not been disclosed in the information by segment as management did not use this information by segment.

c) Net selling income

Selling income totals R$481,513 in 2011 (R$442,686 in 2010).

Net selling income for the foreign market amounted to R$56.902 in 2011 (R$44,603 in 2010), which was distributed by several countries as follows:

	12/31/11 Consolidated	
País	Export revenue, net	% of Total revenue, net
Holland	13,799	3,1%
Saudi Arabia	9,486	2,1%
Argentina	9,270	2,1%
France	4,503	1,0%
Paraguay	3,426	0,8%
Chile	2,451	0,5%
South Africa	2,223	0,5%
Peru	2,161	0,5%
Germany	1,715	0,4%
Bolivia	1,573	0,4%
Norway	942	0,2%
South Korea	888	0,2%
Spain	882	0,2%
Venezuela	717	0,2%
United States	612	0,1%
Other countries	2,256	0,5%
	56,902	12,7%

	11/31/10 Consolidated	
Country	Export revenue, net	% of Total revenue, net
Argentina	8,825	2,0%
Holland	7,749	1,8%
Saudi Arabia	6,731	1,5%
Paraguay	3,120	0,7%
France	3,045	0,7%
Chile	2,747	0,6%
Peru	2,059	0,5%
South Africa	1,722	0,4%
Germany	1,340	0,3%
Norway	1,144	0,3%
United States	1,086	0,2%
Bolivia	894	0,2%
Spain	811	0,2%
Uruguay	612	0,1%
Colombia	598	0,1%
Other countries	2,121	0,5%
	44,603	10,1%

The Company's net selling income in the domestic market represented R$424.611 in 2011 (R$398,083 in 2010).

In 2011, a single customer accounted for 20.2% of net sales in the Brazilian Package segment, in the amount of R$57,749. The Company's other sales in the domestic and foreign markets were diluted and no customer accounted for more than 10% of net sales.

33. DISCONTINUED OPERATION

At 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, Santa Catarina, and authorized management to dispose of the unit's assets. The unit's operations were effectively discontinued in October 2010. However, the Company will maintain its strategy to sell furniture in the domestic market through subsidiary Meu Móvel de Madeira Comércio de Móveis e Decorações Ltda. As of December 31, 2010 the results of the discontinued operation are as follows:

Income (loss) from discontinued operation

	2010
Net revenue	7,870
Selling costs	(10,588)
Gross profit (loss)	(2,718)
Selling, general and administrative expenses	(2,040)
Financial income (expenses)	(1,124)
Other operating income and expenses	(69)
Operating loss before tax effects	(5,951)
Income tax and social contribution	2,023
Net loss from discontinued operation	(3,928)

Financial income (loss) from discontinued operations is primarily composed of income and expenses common to the other units of the Company, distributed to each division according to working capital requirements.

In 2011 there were no movements in the unit that should be classified as discontinued operations.

34. OPERATING LEASE AGREEMENTS

Rental of production units

As of December 31, 2011, the Company has two rental agreements of production units, in addition to other small rental agreements of commercial and administrative units, recognized as operating lease and transferred to expenses each year on the accrual basis over the lease period.

The rental agreements of the production units are as follows:

a) Rental agreement entered into on October 20, 2009 and amended on March 24, 2010 with subsidiary Irani Trading S.A, the owner of the industrial property located in Vargem Bonita, Santa Catarina. The agreement is effective for 64 months, beginning on the issuance date on January 1, 2010, subject to monthly installments of R$1,364.

b) Rental agreement entered into on December 26, 2006 related to the rental of the Package Unit in Indaiatuba, São Paulo, effective for 20 years and subject to monthly installments of R$125, adjusted on the annual IGPM rate variation.

The rentals recognized as expenses in 2011 and 2011 by the parent company, net of taxes, as applicable, are as follows:

- Rentals of production units = R$18,172 (R$18,043 in 2010)
- Rentals of commercial and administrative units = R$350 (R$293 in 2010)

As of December 31, 2011, future obligations from these agreements totaled a minimum amount of R$82,594.

	up to one year	1-5 years	after 5 years	Total
Minimum future rentals	18,171	46,081	18,342	82,594

Rental of cultivation area

The Company entered into lease agreements not subject to cancellation for the production of biological assets in third-party land, called partnerships, in a total area of 3,220 hectare, of which 2,266 hectare comprise the cultivation area. Some areas are subject to monthly lease payments as demonstrated below.

These agreements are valid until all forests in the area are cut.

Operating lease not subject to cancellation

	up to one year	1-5 years	after 5 years	Total
Minimum future rentals	228	912	1,303	2,443

Company's lease agreement as lessor

Operating lease refers to the Company's investment properties subject to lease terms of 24 months, renewable for the same period. Operating leases are subject to market review should the lessee renew the agreement. The lessee cannot purchase the property at the end of the lease period.

The rental revenues recognized by the Company on its investment properties and direct operating expenses from investment properties amounted to R$265 and R$770, respectively.

35. GOVERNMENT GRANTS

The Company has ICMS tax incentives in the state of Santa Catarina and 60% of the ICMS increase, calculated on the average base (September 2006 to August 2007) prior to investments made is deferred for payment after 48 months. This benefit is calculated monthly and is subject to the performance of estimated investments, employment maintenance and regular condition with the State.

These incentives are subject to charges at annual contractual rates of 4.0%. In order to determine the present value of these benefits, the Company adopted the average borrowing cost rate on the base date for credit lines with characteristics similar to those necessary for the respective disbursements, should the benefits were not granted.

These benefits are effective for 14 years, from January 2009 to December 2022, or up to the limit of R$55,199 of deferred ICMS. As of December 31, 2011, the Company recorded the amount of R$13,400.

36. NON-CASH TRANSACTIONS

The Company carried out non-cash transactions from the investment activities not reflected in the statements of cash flows.

For the year ended December 31, 2011, the Company purchased property, plant and equipment, in the amount of R$7,622, financed directly by suppliers, received dividends, in the amount of R$16,570, through loans and discounts on accounts payable, and also performed capital contributions with cultivated forests to subsidiary Iraflor Comércio de Madeiras Ltda. in the amount of R$37,536.

37. EVENTS AFTER THE REPORTING PERIOD

On February 29, 2012, the Extraordinary General Meeting approved the Company's capital increase through the capitalization of the legal reserve and earnings retention reserve in the amount of R$40,595. The Company's capital was increased to R$103,976, without the issuance of new shares. This meeting also approved the recognition of the statutory reserve for biological assets that will maintain the unrealized values related to the initial adoption of the fair value of biological assets under IFRS (CPC 29) recognized in line item "Unrealized earnings reserve". In addition, article 25 of the Company's bylaws was amended to reflect the performance of these reserves on the calculation basis of dividends.