COMMENTS ON THE COMPANY'S PERFORMANCE FOR THE QUARTER

The following information refers to the consolidated data. The amounts are presented in accordance with the standards of the Brazilian Securities Commission (CVM) regulations, applicable to the preparation of quarterly data, including CVM Instruction 469.

1. ECONOMIC AND FINANCIAL PERFORMANCE

The chief financial indicators are shown below:

CHIEF FINANCIAL INDICATORS
(including discontinued operation)

R$ thousand	3Q12	3Q11	Δ Y-o-Y	2Q12	9M12	9M11	LTM12	LTM11
Net operating revenue	125,688	122,071	3.0%	120,513	363,859	356,126	489,246	471,962
Domestic market	112,417	107,173	4.9%	102,260	316,827	311,125	430,313	418,987
Export market	13,271	14,898	-10.9%	18,253	47,032	45,001	58,933	52,975
Gross profit (including *)	34,632	32,839	5.5%	32,037	100,141	92,568	150,020	119,772
(*) change in fair value of biological assets	-	-	-	*(2,260)*	*(2,260)*	*(1,224)*	*13,291*	*(3,330)*
Gross margin	27.6%	26.9%	0.7p.p.	26.6%	27.5%	26.0%	30.7%	25.4%
Profit (loss) before taxes and profit sharing	(2,707)	(14,024)	-80.7%	(7,497)	(8,132)	(7,898)	10,607	(11,836)
Operating margin	-2.2%	-11.5%	9.3p.p.	-6.2%	-2.2%	-2.2%	2.2%	-2.5%
Profit (loss)	**(687)**	**(8,475)**	-91.9%	**(5,731)**	**(2,921)**	**(1,721)**	**8,154**	**(4,052)**
Net margin	-0.5%	-6.9%	6.4p.p.	-4.8%	-0.8%	-0.5%	1.7%	-0.9%

EBITDA - EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

R$ thousand	3Q12	3Q11	Δ Y-o-Y	2Q12	9M12	9M11	LTM12	LTM11
Profit (loss) before taxes	**(2,707)**	**(14,024)**	-80.7%	**(7,497)**	**(8,132)**	**(7,898)**	**10,607**	**(11,836)**
Depletion	3,985	4,417	-9.8%	3,699	12,154	12,264	17,291	16,993
Depreciation and amortization	10,127	9,701	4.4%	10,361	30,244	28,287	40,082	37,416
Finance result	10,835	26,762	-59.5%	16,559	39,305	40,964	50,856	47,771
EBITDA	**22,240**	**26,856**	-17.2%	**23,122**	**73,571**	**73,617**	**118,836**	**90,344**
Change in the fair value of biological assets	-	-	-	2,260	2,260	1,224	(13,291)	3,330
Stock option/management participation	(67)	-	-	297	230	-	230	-
Provisions (1)	-	1,488	-100%	-	-	5,393	588	7,801
Non-recurring expenses (2)	4,046	-	-	-	4,046	-	4,046	-
Adjusted EBITDA	**26,219**	**28,344**	**-7.5%**	**25,679**	**80,107**	**80,234**	**110,409**	**101,475**
Adjusted EBITDA Margin	20.9%	23.2%	-2.3p.p.	21.3%	22.0%	22.5%	22.6%	21.5%

(1) The changes in the fair value of biological assets, stock option/management participation and provisions for Excise Tax (IPI) credits not representing cash disbursements for the period were added to the Adjusted EBITDA.

(2) Non-recurring expenses refer to expenses incurred with the request for public offering filed in August 2012.

9M12: January to September 2012.
9M11: January to September 2011.
LTM12: last twelve months 2012 (October 2011 to September 2012).
LTM11: last twelve months 2011 (October 2010 to September 2011).

Note: LTM (last twelve months) is the sum of the results calculated for the last twelve months. LTM is not a measure utilized in Brazilian accounting practices, and does not represent a statement of operations for the period, nor should it be regarded as an alternative to net profit from the standpoint of an indicator of operating performance. LTM has no standard definition and our definition thereof may not be comparable to that of other companies. Management utilizes this additional data to measure operating performance for the period.

Note: EBITDA is the operating result plus net finance (income) costs and depreciation, depletion, and amortizations. It is not a measure utilized in Brazilian accounting practices, does not represent cash flow for the periods in question, and should not be regarded as an alternative to net profit from the standpoint of an indicator of operating performance, nor as an alternative to cash flow from the standpoint of a liquidity indicator. EBITDA has no standard definition and our definition thereof may not be comparable to that of other companies for EBITDA or Adjusted EBITDA. Although, under Brazilian accounting practices, EBITDA does not represent an operating cash flow measurement, it is utilized by Management to measure operating performance. Furthermore, we understand that certain investors and financial analysts utilize EBITDA as an operating performance indicator for a company and/or its cash flow.

IRANI presents net operating revenue of R$ 125.7 million in 3Q12, 3.0% higher than in 3Q11

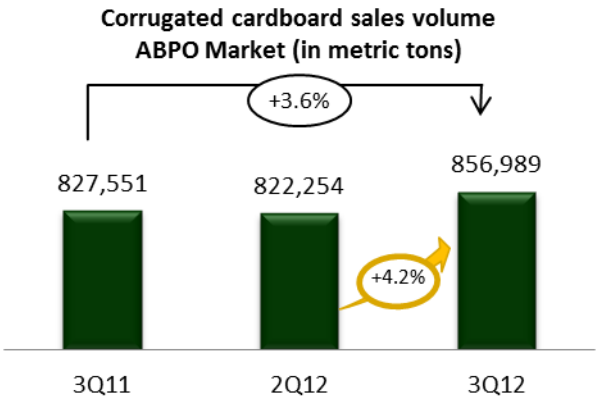
3Q12 Highlights

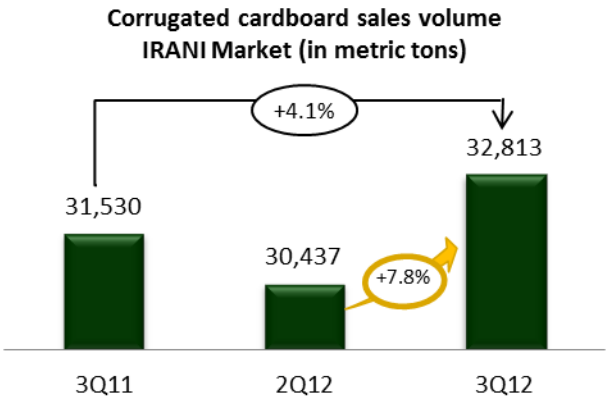
- Net operating revenue of R$ 125,688 thousand, 3.0% higher than in 3Q11 and 4.3% higher than in 2Q12.
- Gross profit of R$ 34,632 thousand, with an increase of 5.5% in comparison with 3Q11 and 8.1% in comparison with 2Q12.
- Net loss of R$ 687 thousand in 3Q12, when compared to the net loss of R$ 8,475 thousand in 3Q11 and R$ 5,731 thousand in 2Q12. The result for this quarter was negatively affected by the recognition of expenses with the request for a public offering in the amount of R$ 4,046 thousand. The public offering was not carried out and the request was withdrawn in August 2012.
- Adjusted EBITDA totaled R$ 26,219 thousand in 3Q12, with a margin of 20.9%, inferior to the R$ 28,344 thousand of 3Q11 and superior to the R$ 25,679 thousand of 2Q12.
- Net Debt/EBITDA: 2.81 times in September 2012.
- The volume of corrugated cardboard packaging sales was 33 thousand metric tons, representing a growth of 4.1% in relation to the same quarter of the prior year.

2. OPERATING PERFORMANCE *(not reviewed by independent auditors)*

2.1 Market growth

Corrugated Cardboard Sector - ABPO[1] vs. Irani comparison





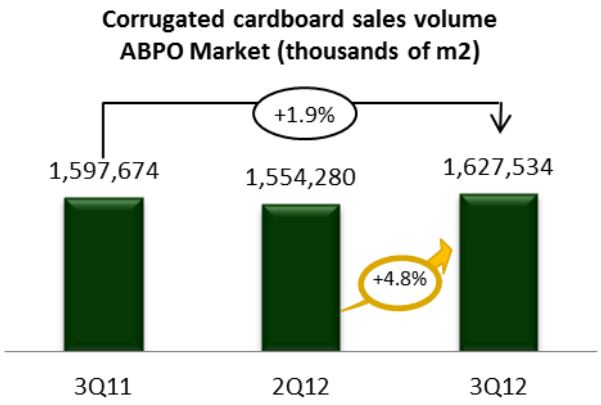
Source: ABPO

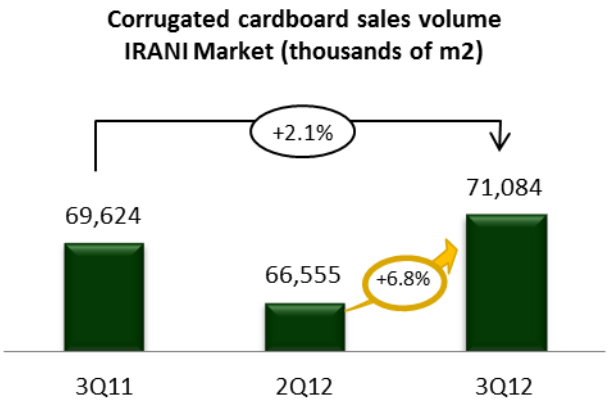
[1]ABPO: Brazilian Corrugated Cardboard Association

3Q12 ABPO (in metric tons and m²) are estimates. The official data could differ.

As shown in these charts, the volume of corrugated cardboard packaging sales - **ABPO Market** increased by 3.6% in 3Q12 over 3Q11, while in the **IRANI Market** it presented a slightly superior growth of 4.1% in the same period. Compared with 2Q12, the **ABPO Market** presented an increase of 4.2% and the **IRANI Market** also had a superior performance of 7.8%. IRANI's market share (in metric tons) for this quarter was 3.8%.

Sales, in square meters, were as follows:

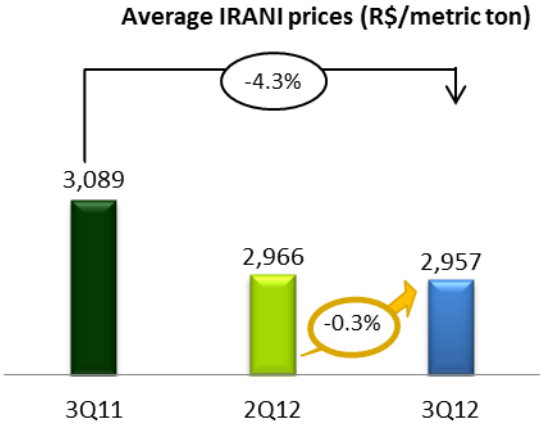




Source: ABPO

The volume of corrugated cardboard packaging sales - **ABPO Market**, in square meters, increased 1.9% in 3Q12 as compared with 3Q11, and the **IRANI Market** increased 2.1%. Compared with 2Q12, the **ABPO Market** increased 4.8%, whereas the **Irani Market** had a better performance and increased 6.8%. Irani's market share (in square meters) was 4.4%.

Average IRANI prices (CIF) per metric ton decreased 4.3% during this quarter as compared with the same quarter of the prior year, and remained stable when compared to 2Q12, as follows:



Methodologies - For comparison adjustments, the prices consider:

1- IRANI prices are net of IPI, with PIS, COFINS, ICMS;
2- IRANI prices are adjusted based on a mix of market boxes and sheets;

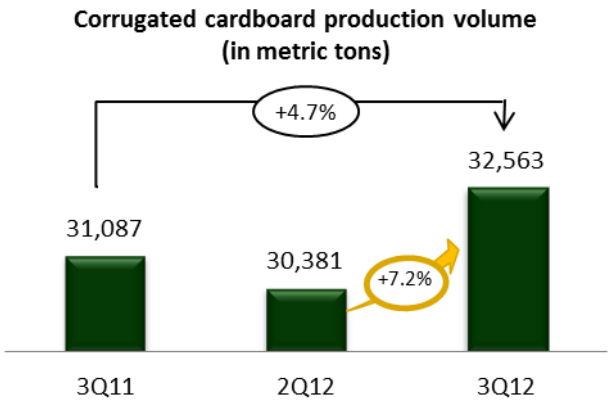
2.2 Production and sales

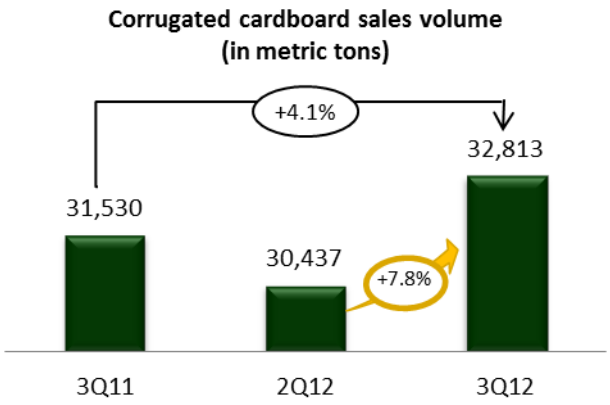
The production and sales volumes of the major products are presented below:

Corrugated Cardboard Packaging sector

The total corrugated cardboard packaging production at the two factories (São Paulo and Santa Catarina) increased 4.7% per metric ton as compared with 3Q11 and 7.2% as compared with 2Q12. Sales per metric ton followed the same trend, and increased by 4.1% over the same quarter of the previous year and by 7.8% in comparison with 2Q12.

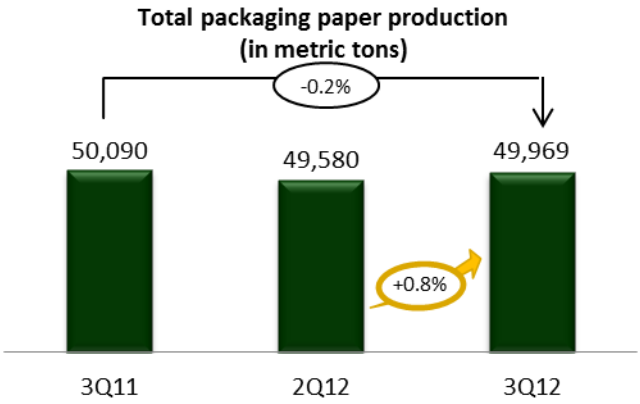
The São Paulo corrugated cardboard packaging factory's sales volume totaled 12,844 metric tons of boxes and 5,996 metric tons of sheets in 3Q12 (11,447 metric tons of boxes and 6,178 metric tons of sheets in 3Q11). The Santa Catarina corrugated cardboard packaging factory's sales volume totaled 11,055 metric tons of boxes and 2,918 metric tons of sheets in 3Q12 (11,347 metric tons of boxes and 2,558 metric tons of sheets in 3Q11).

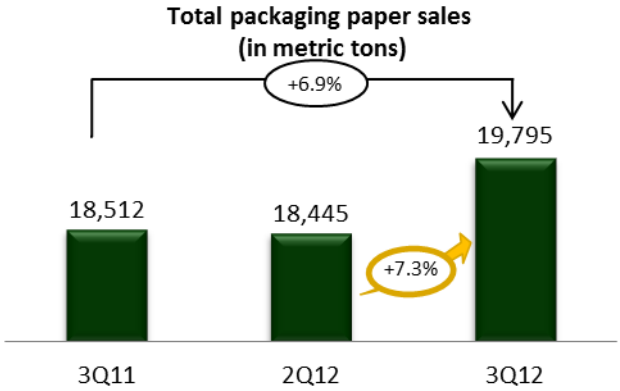




Packaging Paper sector

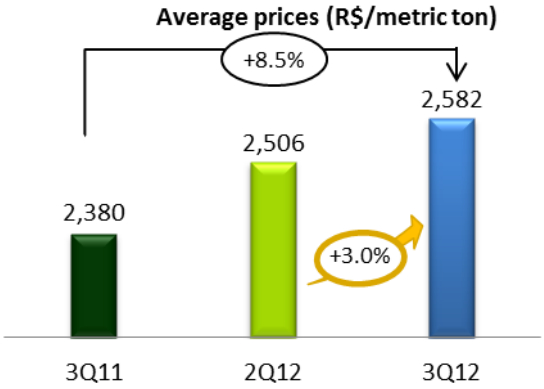
Packaging paper production remained stable in 3Q12 in relation to 3Q11 and 2Q12. Sales increased by 6.9% over 3Q11 and by 7.3% in comparison with 2Q12.





Transfers of paper for processing to the São Paulo corrugated cardboard packaging factory totaled 17,133 metric tons (17,255 metric tons in 3Q11 and 16,813 metric tons in 2Q12) and to the Santa Catarina corrugated cardboard packaging factory totaled 13,927 metric tons (14,196 metric tons in 3Q11 and 13,160 metric tons in 2Q12).

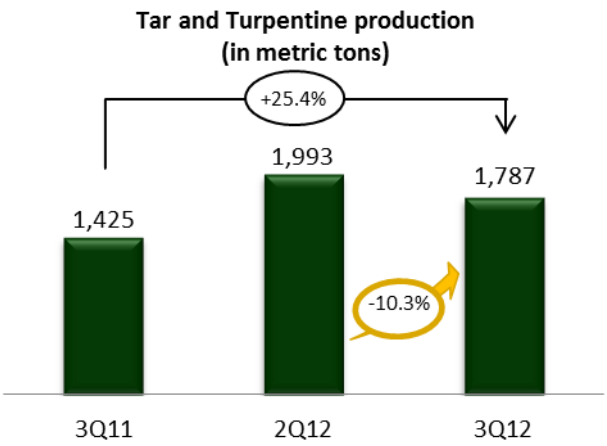
Average paper prices for 3Q12 increased over 3Q11 and 2Q12 by 8.5% and 3.0%, respectively.

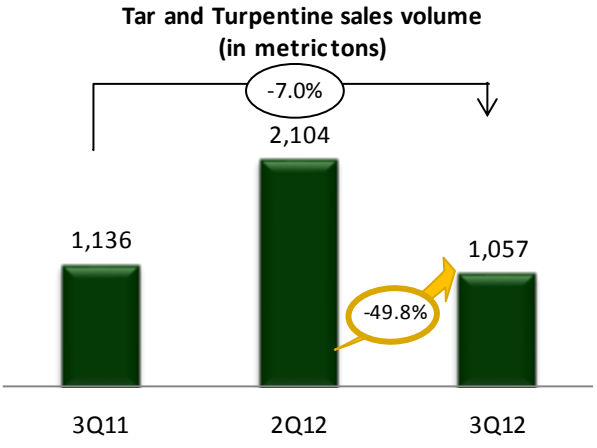


RS Forest and Resins

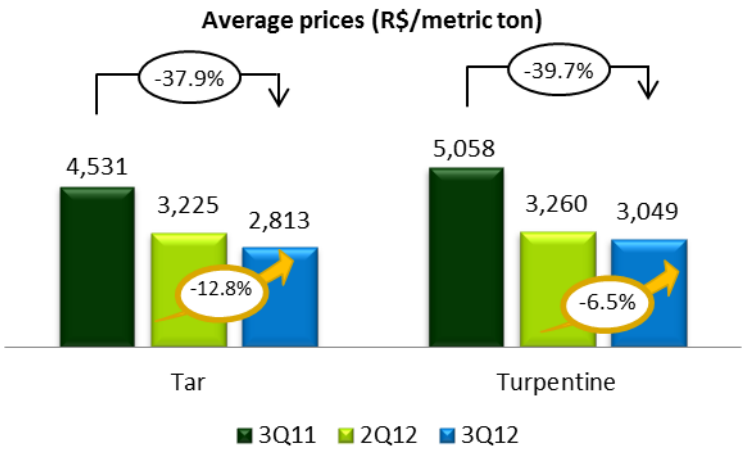
In 3Q12, the RS Forest products segment produced and traded 83 thousand m³ of pine logs for the domestic market (103 thousand m³ in 3Q11 and 94 thousand m³ in 2Q12) and supplied 822 metric tons of natural resins to the parent company Celulose Irani S.A. to be utilized in the industrial production of tar and turpentine.

The Resins Unit production volumes increased by 25.4% over 3Q11, and sales decreased by 7.0%. The production and sales volume decreased as compared with 2Q12. The decrease in sales was due to the lower demand abroad, which is the main market for this segment.





The average gross tar and turpentine prices decreased in 3Q12 in comparison with prior periods. This decrease was due to the fact that, in the prior year, there was more foreign market demand for these products, which led to higher average prices. The demand returned to its historical levels in the current year, which was reflected in the average prices.

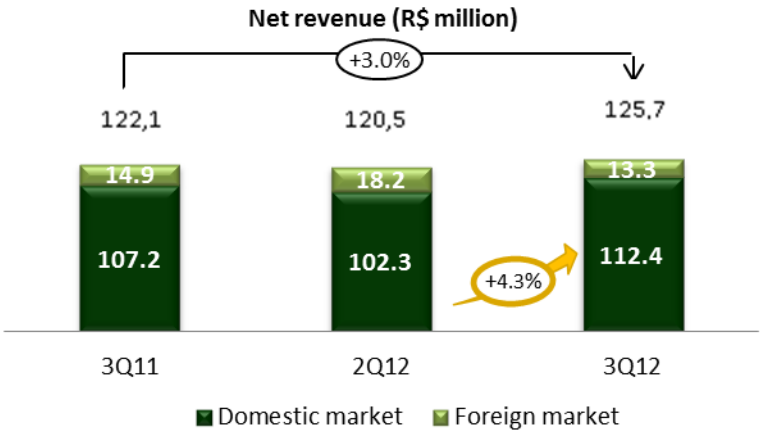


Net operating revenue

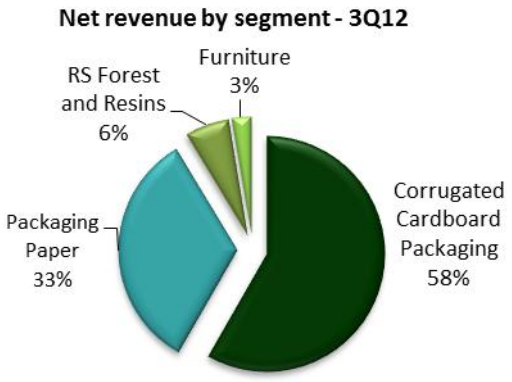
The net operating revenue in 3Q12 totaled R$ 125,688 thousand, with a growth of 3.0% in relation to 3Q11, mainly resulting from an increase in the volumes in the segments of corrugated cardboard packaging and packaging paper.

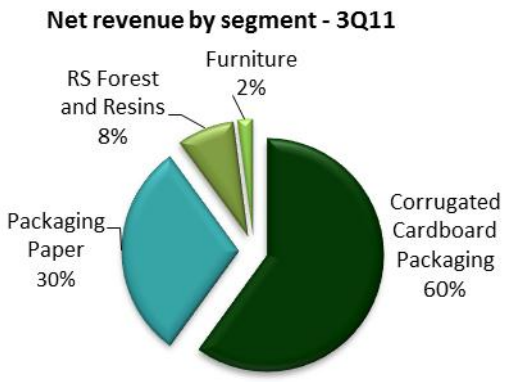
In the domestic market, which is the main operating market of the Company, the net operating revenue was R$ 112,417 thousand, 4.9% and 9.9% superior to 3Q11 and 2Q12, respectively, representing 89.4% of total net operating revenue, in line with the prior quarters.

The exports in 3Q12 totaled R$ 13,271 thousand, a decrease of 10.9% and 27.3% in relation to 3Q11 and 2Q12, respectively, representing 10.6% of total net operating revenue, in line with the levels in prior quarters.



The main operating segment is the Corrugated Cardboard Packaging segment, responsible for 58% of the consolidated net revenue in the 3Q12, followed by the segments of Packaging Paper segment with 33%, RS Forest and Resins with 6% and Furniture with 3%.

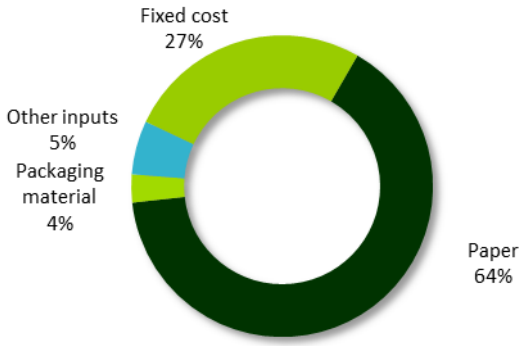




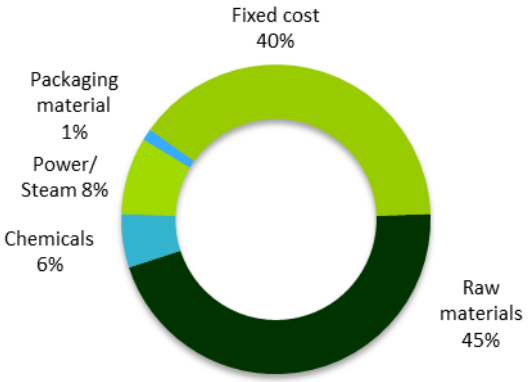
3. OPERATING COSTS AND EXPENSES

The **cost of products sold** in 3Q12 was R$ 91,056 thousand, 2.9% above 3Q11.

The cost of the Corrugated Cardboard Packaging segment is composed as follows:



The cost of the Packaging Paper segment is composed as follows:



The **selling expenses** were R$ 12,020 thousand, an increase of 7.9% in comparison with 3Q11.

The **administrative expenses** were R$ 10,967 thousand, a decrease of 1.6% in comparison with 3Q11.

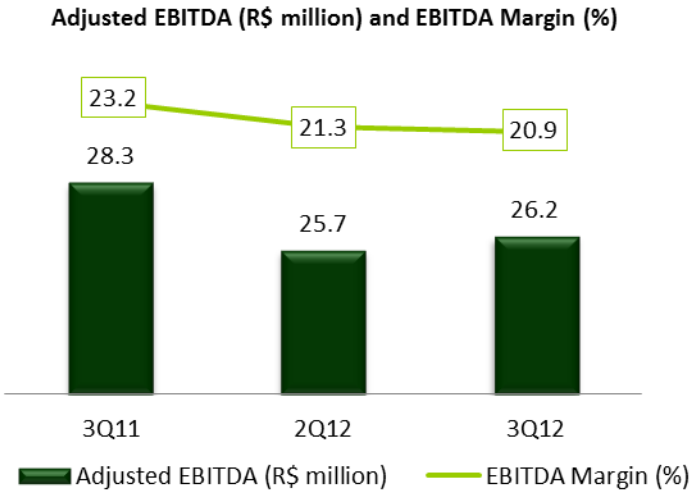
Other operating revenue/expenses resulted in an expense of R$ 3,517 thousand in 3Q12, against a revenue of R$ 1,684 thousand in 3Q11. In this quarter the Company recorded in the statement of operations the expenses with the request for a public offering in the amount of R$ 4,046 thousand, which was withdrawn in August 2012.

4. OPERATING CASH GENERATION (ADJUSTED EBITDA)

The operating cash generation, measured using the Adjusted EBITDA, totaled R$ 26,219 thousand in 3Q12, with a decrease of 7.5% in relation to the same quarter of the prior year and a growth of 2.1% in relation to the past quarter. The EBITDA margin in 3Q12 was 20.9%, 2.3 percentage points below 3Q11 and 0.4 percentage point below 2Q12. The decrease in the Adjusted EBITDA and the EBITDA margin is related to the decrease in the operating margins in the period due to uncertainties in the Brazilian macroeconomic scenario.

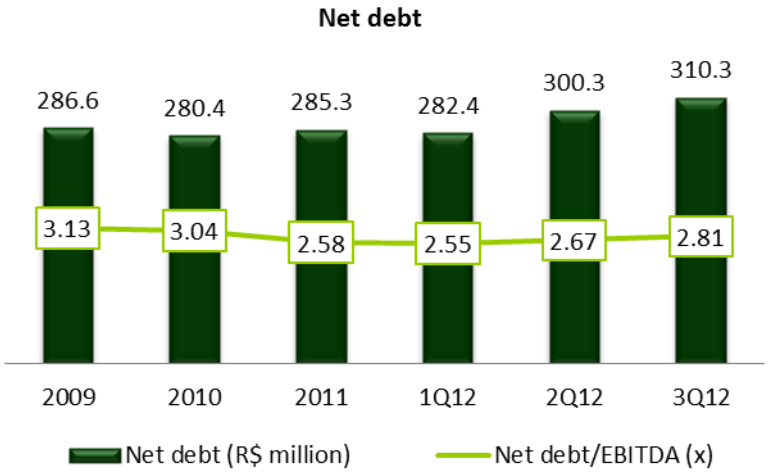
During the first nine months of 2012, the Adjusted EBTIDA totaled R$ 80,107 thousand, with a margin of 22.0%, stable in comparison with 9M11, when the margin reached 22.5%.

In the last twelve months, the Adjusted EBITDA totaled R$ 110,409 thousand, with a margin of 22.6%.



5. INDEBTEDNESS AND FINANCE RESULT

5.1 Net indebtedness



At September 30, 2012, the consolidated net indebtedness totaled R$ 310.3 million, against R$ 300.3 million at June 30, 2012. The Net Debt/EBITDA increased from 2.67 times at the end of 2Q12 to 2.81 times at the end of 3Q12. The main variations that affected this ratio arose primarily from the payment of interim dividends in 3Q12, expenses with the request for a public offering and the foreign exchange variation for the period.

5.2 Finance result

In 3Q12, the finance costs totaled R$ 12,915 thousand versus R$ 35,817 thousand in 3Q11.
The finance income reached R$ 2,080 thousand in the quarter versus R$ 9,055 thousand in the same quarter of the previous year. Consequently, the finance result was a net cost of R$ 10,835 thousand. The decrease in the finance result was mostly influenced by the reduction in the Special System for Settlement and Custody (SELIC) rate and the Amplified Consumer Price Index (IPCA), which resulted in lower interest for borrowings, and the foreign exchange variations.

The distribution of the finance result was as follows:

R$ thousand	3Q12	3Q11	2Q12	9M12	9M11	LTM12	LTM11
Finance income	2,080	9,055	3,450	17,006	23,176	24,418	29,909
Finance costs	(12,915)	(35,817)	(20,009)	(56,311)	(64,140)	(75,274)	(77,680)
Finance result	(10,835)	(26,762)	(16,559)	(39,305)	(40,964)	(50,856)	(47,771)

The following table shows the foreign exchange gains and losses included in the Company's finance income and costs:

R$ thousand	3Q12	3Q11	2Q12	9M12	9M11	LTM12	LTM11
Foreign exchange gains	529	3,365	1,200	11,027	13,716	20,499	18,872
Foreign exchange losses	(860)	(16,255)	(6,805)	(16,012)	(19,915)	(26,292)	(22,448)
Foreign exchange variations net	(331)	(12,890)	(5,605)	(4,985)	(6,199)	(5,793)	(3,576)

The foreign exchange variation negatively impacted the Company's result by R$ 331 thousand in the quarter, due to the devaluation of the Brazilian real against the U.S. dollar and the Euro.

The following table shows the finance result without the foreign exchange variation:

R$ Thousand	3Q12	3Q11	2Q12	9M12	9M11	LTM12	LTM11
Finance result with no foreign exchange variation	(10,504)	(13,872)	(10,954)	(34,320)	(34,765)	(45,063)	(44,195)

In 2Q12, the Company adapted the maturity flow of its commitments in foreign currency (U.S. dollar) in the amount of US$ 62.6 million, with the purpose of hedging its exports for the next 5 years. The exchange variation of these transactions is accounted for monthly in Equity and recorded in the results as finance costs, when realized (hedge accounting). In 3Q12, the amount recognized in Equity was R$ 327 thousand.

Foreign exchange

The foreign exchange rate was R$ 2.0213/US$ at June 30, 2012 and remained stable during the third quarter totaling R$ 2.0306/US$ at the end of September. The average quarter foreign exchange rate was R$ 2.0281/US$ in the period, 3.3% higher than in 2Q12 and 23.9% higher than in the same period of 2011.

	3Q12	2Q12	3Q11	Δ 3Q12/2Q12	Δ 3Q12/3Q11
Average U.S. dollar	2.0281	1.9633	1.6369	+3.30%	+23.90%
Final U.S. dollar	2.0306	2.0213	1.8544	+0.46%	+9.50%

Source: Brazilian Central Bank (BACEN)

6. NET RESULT

In 3Q12, the net result was a loss of R$ 687 thousand, representing an accumulated loss of R$ 2,921 thousand in the first nine months of the year, against the loss of R$ 8,475 thousand in 3Q11 and R$ 5,731 thousand in 2Q12. The result for this quarter was negatively affected by the recognition of expenses with the request for a public offering in the amount of R$ 4,046 thousand. The public offering was not carried out and the request was withdrawn in August 2012.

7. INVESTMENTS

In 2Q12, the Board of Directors approved strategic investments of R$ 78.3 million, for the expansion of production capacity, the technological update of equipment and the improvement in quality of the products. These investments are expected to be applied as from 2013. The current strategic investments approved by the Board of Directors in 2011 of about R$ 40.7 million are in progress.

8. CAPITAL MARKETS

Irani's capital comprises 162,090,000 shares, of which 149,279,740 (92%) are common shares and 12,810,260 (8%) are preferred shares. The Company has 3,964,140 treasury shares, of which 1,338,040 are common shares and 2,626,100 are preferred shares.

9. DIVIDENDS

The Board of Directors' Meeting of July 20, 2012 approved the payment of interim dividends from the retained earnings account balance in the last annual balance sheet at December 31, 2011, which amounted to R$ 14.2 million, corresponding to R$ 0.090223 per common and preferred share.