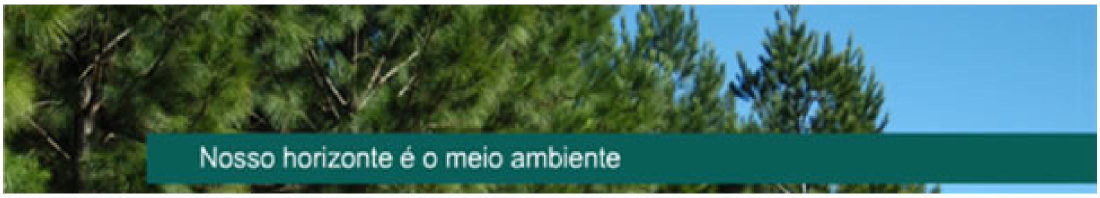





(Amounts expressed in thousands of Reais, unless otherwise indicated)

## 1. OPERACIONAL CONTEXT

The core business of the Company and its subsidiaries relates to the paper industry, corrugated cardboard packaging, industrialization of furniture in general predominantly of wood, as well as industrialization of resinous products and by-products. It takes action in foresting and re-foresting segment, using the productive chain of planted forests as the basis for its entire turnover.

## 2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements were elaborated and are being submitted pursuant to the accounting procedures adopted in Brazil and upon standards set by the Brazilian Securities and Exchange Commission - also known as CVM.

## 3. MAIN ACCOUNTING PRACTICES

### a) Cash

This comprises cash balance, bank deposits and financial applications of immediate liquidity. The financial applications are recorded at rated values plus the income earned up to the balance date, not exceeding market value, as described in explanation note # 5.

### b) Provision for bad credits

This is reckoned upon the risk analysis of credits that contemplates the history of losses, individual situation of customers and appraisal by business consultants and is deemed as sufficient by Board to cover possible losses in the realization of credits.  The Company does not make provision in operations with related parties.

### c) Inventory

These are demonstrated at the smaller rate between average production or acquisition cost, and the market price or net rate of payment.

d) Investments

The investments in affiliate companies are appraised by the equity method. The remaining investments are appraised at the cost of acquisition less the provision to adjust them to the likely realization rates, as applicable.

e) Fixed Assets

This is recorded at cost of acquisition or construction added to revaluation and deducted by depreciation and depletion. The counterpart of revaluations is recorded in a proper net worth account by its net value and among the deferred taxes under long term liabilities. Depreciation is reckoned by the linear method based upon rates determined in function of the estimated useable life of assets. Installation and maintenance expenses for development of forests are constructed assets while in formation and are depleted in function of the timber extraction carried out.

f) Deferred Liabilities

This relates to pre-operating expenses of the furniture plant project, as well as implementation and pre-operating expenses for the packaging plant, which can be amortized in the linear form for 10 years in function of the expected terms of future benefits.

g) Income tax and social security tax

These are provisioned pursuant to the actual profit determined as per the tax law in force.

Over the temporary differences for fiscal purposes and revaluation reserve, the deferred income tax and social security are recorded, bearing in mind determinations from Directive # 371 of the Securities and Exchange Commission – aka CVM.

h) Loans and financing

These are recorded by the original capturing values, updated for currency by the indexers contractually agreed upon with the creditors, plus the proper interest up to the balance sheet dates, as described in explanation remark # 13.

i) Provision for contingencies

Constituted by sum regarded as enough by Management to cover possible losses, updated until the balance sheet dates, under observance of each contingency's nature and supported by the Company lawyers' opinion.

j) Use of estimates

The preparation of financial statements in accordance with the accounting practices adopted in Brazil requires the Management to apply assumptions and judgments in determining the value and record of accounting estimates. Significant assets and liabilities subject to these estimates include the definition of the lifetime of assets of fixed and deferred assets, provision for bad debts, obsolescence of inventory, deferred income tax assets and provisions for contingencies. The settlement of transactions involving these estimates may result in values different from estimation due to assumptions used inherent to their determination process. The Company reviews the estimates and assumptions periodically.

k) Income determination

The outcome is determined by accrual basis and includes income, charges and foreign exchange variations at the official rates applied to long term current assets and liabilities, and includes the effects of asset adjustments to the realization value, if applicable.

l) Recognition of income

This is recognized at moment of transferring significant benefits of transaction, as well as the ownership of referenced assets.

m) Recognition of costs

These comprise the costs of raw materials, packaging, direct and indirect manpower in manufacturing of products, general manufacturing expenses such as electric power, water, upkeep of the industrial park, depreciation of industrial assets and factory facilities.

n) Profit per share

Reckoned with basis on shares in circulation on the balance sheet dates.

4. PRESENTATION OF QUATERLY STATEMENTS

The consolidated quarterly financial statements cover Celulose Irani S.A. and its affiliates as follows:

| | Share of Capital Stock - (%) | |
|---|---|---|
| Affiliates | 03.31.08 | 12.31.07 |
| Irani Trading S.A. (direct interest) | 99,98 | 99,98 |
| Habitasul Florestal S.A. (direct and indirect interest) | 100,00 | 100,00 |
| Brastilo Inc, (direct interest) | 100,00 | 100,00 |
| Meu Móvel de Madeira LTDA. (direct interest) | 99,00 | 99,00 |

The accounting practices adopted by the affiliate companies conform to the practices adopted by the holding company. In the consolidated quarterly statements, the affiliate company investments and the equity method results were eliminated, as well as the balances of operations realized and the non-realized profits among the companies. The financial statements of the affiliate companies used for consolidation have the same base date as the parent company's.

Reconciliation between the net worth values and the fiscal year income of the company and consolidated is presented as follows:

| | Profit/loss | | Net assets | |
|---|---|---|---|---|
| | 03.31.08 | 03.31.07 | 03.31.08 | 12.31.07 |
| Parent Company | (245) | 2.692 | 101.135 | 101.059 |
| Unrealized profit in inventory | (194) | - | (194) | (123) |
| Non-realized result reversion | | | | |
| In the previous year | 123 | - | - | - |
| Consolidated | (316) | 2.692 | 100.941 | 100.936 |

5. Cash.

Cash is reflected as follows:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 03.31.08 | 12.31.07 | 03.31.08 | 12.31.07 |
| Fixed Cash Found | 16 | 16 | 97 | 238 |
| Banks | 1.077 | 868 | 1.185 | 913 |
| Financial applications | 25.298 | 58.111 | 25.398 | 58.391 |
| | 26.391 | 58.995 | 26.680 | 59.542 |

Financial applications are represented by Investment Funds. The average yield on March 31, 2008 was 98,45% of CDI.

The resources applied come from the operation contracted with Banco Credit Suisse for exports prepayment and are being utilized in investment projects forecasted up to end of 2008.

6. ACCOUNTS RECEIVABLE FROM CUSTOMERS

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 03.31.08 | 12.31.07 | 03.31.08 | 12.31.07 |
| Receivables from: | | | | |
| Customers – domestic market | 46.496 | 50.719 | 47.710 | 51.902 |
| Customers – foreign market | 10.341 | 6.60 | 10.416 | 6.67 |
| Affiliates | 1.21 | 38 | - | - |
| | 58.054 | 57.704 | 58.126 | 58.575 |
| Provision for bad debts | (3.487) | (3.226) | (4.167) | (3.906) |
| Open sale operation | (5.530) | (7.014) | (5.530) | (7.014) |
| Total | 49.037 | 47.464 | 48.429 | 47.655 |

Breakdown of accounts receivable by due date as follows:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 03.31.08 | 12.31.07 | 03.31.08 | 12.31.07 |
| Due | 47.209 | 47.547 | 47.087 | 47.429 |
| Past due up to 30 days | 3.64 | 3.14 | 3.65 | 3.36 |
| Past due 31 to 60 days | 85 | 57 | 79 | 74 |
| Past due 61 to 90 days | 13 | 1.13 | 13 | 1.13 |
| Past due 91 to 180 days | 1.11 | 1.30 | 91 | 1.30 |
| Past due over 180 days | 5.09 | 3.99 | 5.54 | 4.58 |
| Total receivables | 58.054 | 57.704 | 58.126 | 58.575 |

7. INVENTORY

| | Parent Company | Parent Company | Consolidated | Consolidated |
|---|---|---|---|---|
| | 03.31.08 | 12.31.07 | 03.31.08 | 12.31.07 |
| Finished Product | 12.656 | 9.501 | 12.826 | 9.501 |
| Products in process | 15.032 | 15.492 | 15.032 | 15.492 |
| Consumption materials | 4.847 | 4.785 | 4.847 | 4.785 |
| Inventory overseas | - | - | 491 | 313 |
| Other inventories | 1.814 | 1.255 | 2.173 | 1.255 |
| | 34.349 | 31.033 | 35.369 | 31.346 |

## 8. TAX CREDITS

These are shown as follows:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 03.31.08 | 12.31.07 | 03.31.08 | 12.31.07 |
| ICMS over acquisition of fixed assets | 12.429 | 9.481 | 12.429 | 9.481 |
| ICMS | 723 | 430 | 820 | 488 |
| IPI tax | 616 | 552 | 616 | 552 |
| Income tax | 2.128 | 1.389 | 2.128 | 1.389 |
| Social contributions | 734 | 317 | 734 | 317 |
| Others | 82 | 54 | 102 | 614 |
| | 16.712 | 12.223 | 16.829 | 12.841 |
| Portion of current-item | 8.222 | 5.995 | 8.281 | 5.996 |
| Portion of non-current item | 8.490 | 6.228 | 8.548 | 6.845 |

## 9. DEFERRED INCOME TAX AND SOCIAL SECURITY TAX

| | Parent Company Consolidated | |
|---|---|---|
| | 03.31.08 | 12.31.07 |
| Deferred income tax on assets | | |
| Over non-deductible provisions | 12.363 | 11.824 |
| Over premium amortization | 1.310 | 1.048 |
| Active deferred social security tax | | |
| Over non-deductible provisions | 4.453 | 4.257 |
| Over premium amortization | 471 | 377 |
| Total | 18.597 | 17.506 |

According to CVM Directive # 371, the Company registered its deferred fiscal assets relating to income tax and social security over all the temporary differences. Temporary differences are difficult to evaluate as to their realization timing and for this reason the Company is not presenting estimate for future realization.

10. INVESTMENTS

| | Habitasul Florestal | Irani Trading | Meu Móvel de Madeira | Brastilo Inc. | Total 03.31.08 | Total 12.31.07 | Total 03.31.07 |
|---|---|---|---|---|---|---|---|
| Paid –in Capital Stock | 28.260 | 3.054 | 300 | 927 | - | - | - |
| Net worth | 28.484 | 3.251 | 35 | 114 | - | - | - |
| 1Q08 Result | (80) | 113 | (265) | (532) | - | - | - |
| Share of capital in % | 95,36 | 99,98 | 99,00 | 100,00 | - | - | - |
| | | | | | | | |
| Starting balance | 27.241 | 3.137 | 297 | 252 | 30.927 | 32.078 | 32.079 |
| Investment acquisition | - | - | | 396 | 396 | 828 | - |
| Income by the equity method | (76) | 113 | (262) | (532) | (758) | 1.758 | 737 |
| Exchange Profit/(Loss) | - | - | - | (2) | (2) | - | - |
| Proposed dividends | - | | - | - | - | (3.562) | (1.790) |
| Investment adjustment | - | | - | - | - | (175) | - |
| Total investment in affiliate | 27.165 | 3.250 | 35 | 114 | 30.563 | 30.927 | 31.026 |
| | | | | | | | |
| Premium on affiliates | | | | | | | |
| Starting balance on premium | 37.736 | - | - | - | 37.736 | 41.482 | 41.482 |
| Premium Paid-in | (1.048) | - | - | - | (1.048) | (3.746) | (601) |
| End-balance of premium | 36.688 | - | - | - | 36.688 | 37.736 | 40.881 |
| | | | | | | | |
| Balance of investments | 63.853 | 3.250 | 35 | 114 | 67.251 | 68.663 | 71.907 |

On June 18, 2007, Habitasul Trading S.A. changes its company name, which became Irani Trading S.A. This company performs an intermediation role in exports and imports of goods, as well as exportation of goods acquired for such end.

The affiliate company Habitasul Florestal S.A performs operations in planting, cutting and handling of pinewood forests and resin extraction

The premium determined in the acquisition of Habitasul Florestal S.A. is grounded upon the expectation of future profits and is being amortized linearly within a term of 10 years.

In December 2007, Celulose Irani S.A. subscribed 297 shares of the capital stock of the company Meu Móvel de Madeira Comércio de Móveis e Decorações LTDA, with rated value of R$ 1 thousand each. The affiliate Móvel de Madeira Comércio de Móveis e Decorações LTDA performs retail sales operations of furniture and decorations and furniture assembly services.

In October 2007, Celulose Irani S.A. constituted the subsidiary Brastilo Inc, with seat in Florida, USA, this one with the aim of performing retail sales operations of furniture and handicraft in general.

## 11. FIXED ASSETS

| | | 03.31.08 | | | 12.31.07 |
|---|---|---|---|---|---|
| Parent Company | Rate % | Cost | Depreciation and Depletion Accrued | Rate Net | Rate Net |
| Land plots | - | 14.576 | - | 14.576 | 14.576 |
| Buildings and constructions | 4 | 53.493 | (23.152) | 30.341 | 30.075 |
| Equipments and facilities | 10 a 20% | 177.931 | (105.578) | 72.353 | 70.783 |
| Foresting and re-foresting | (*) | 70.366 | (32.016) | 38.350 | 37.562 |
| Vehicles and tractors | 20% | 1.428 | (982) | 446 | 479 |
| Other fixed assets | 10 a 20% | - | - | - | 2 |
| Fixed assets under construction | - | 108.412 | - | 108.412 | 63.922 |
| Advance to fixed assets supplier | - | 12.974 | - | 12.974 | 25.260 |
| Subtotal | | 439.180 | (161.728) | 277.452 | 242.659 |

| | | 03.31.08 | | | 12.31.07 |
|---|---|---|---|---|---|
| Consolidated | Rate % | Cost | Depreciation and Depletion accrued | Rate Net | Rate Net |
| Land plots | - | 28.033 | - | 28.033 | 28.033 |
| Buildings and constructions | 4 | 57.271 | (24.352) | 32.919 | 32.386 |
| Equipments and facilities | 10 a 20% | 178.140 | (105.806) | 72.334 | 70.923 |
| Foresting and re-foresting | (*) | 89.594 | (45.705) | 43.889 | 43.573 |
| Vehicles and tractors | 20% | 1.436 | (1.180) | 256 | 484 |
| Other fixed assets | 10 a 20% | 33 | - | 33 | 37 |
| Fixed assets under construction | - | 109.186 | - | 109.186 | 64.495 |
| Advance to fixed assets supplier | - | 12.974 | - | 12.974 | 25.260 |
| Subtotal | | 476.667 | (177.043) | 299.624 | 265.191 |

(*) Depletion reckoned upon the timber extraction in relation to the total extraction expected from the planted area.

The advance to suppliers relates to new investments in the Indaiatuba - SP Plant and in the Vargem Bonita - SC Paper Plant on machines I and V.

The fixed assets in progress relate mainly to works of the Project Overrun at the Paper Plant in Vargem Bonita, SC and of the Packaging Plant in Indaiatuba, SP, which represent R$ 39,4 million, R$ 29,8 million and R$ 3,8 million respectively, on March 31, 2008.

In year 1994, the company ran a reassessment in the following fixed assets accounts:

| | Parent Company and Consolidated | | | Parent Company and Consolidated |
|---|---|---|---|---|
| | 03.31.08 | | | 12.31.07 |
| | Revaluation | Realization | Rat Residual | Rat Residual |
| Land plots | 11.677 | - | 11.677 | 11.677 |
| Buildings and constructions | 13.490 | (7.015) | 6.47 | 6.61 |
| Foresting and re-foresting | 27.135 | (26.580) | 55 | 66 |
| Subtotal | 52.302 | (33.595) | 18.707 | 18.947 |

Over the residual amount, except land plots, income tax and social security tax are provisioned in the sum of R$ 2.390 (R$ 2.472 on December 31, 2007).

12. DEFERRED

| | Parent company and Consolidated 03.31.08 | Parent company and Consolidated 12.31.07 |
|---|---|---|
| Furniture Plant | 2.83 | 2.98 |
| Packaging Indaiatuba – SP plant | 1.06 | 1.12 |
| | 3.89 | 4.10 |

Movement of deferred balance:

| Parent Company and consolidated | 12.31.07 | Amortization | 03.31.08 |
|---|---|---|---|
| Furniture Plant | 2.98 | (149) | 2.83 |
| Packaging Indaiatuba - SP | 1.12 | (56) | 1.06 |
| Total | 4.10 | (205) | 3.89 |

This includes the pre-operating expenses of Furniture Division projects named as "Meu Móvel de Madeira" (My Wooden Furniture) and "Móveis Estados Unidos" (BRASTILO) and expenses with implementation and pre-operation of the new Packaging Unit – Indaiatuba – SP.

## 13. LOANS AND FINANCING

| | Consolidated | |
|---|---|---|
| | 03.31.08 | 12.31.07 |
| **Current** | | |
| Domestic Currency | | |
| FINAME | 14.186 | 12.148 |
| Working capital | 16.114 | 16.897 |
| Total domestic currency | 30.300 | 29.045 |
| Foreign currency | | |
| Forex contract advance | 13.335 | 9.974 |
| Banco Votorantim S/A | 1.284 | 2.500 |
| Banco Itaú S/A | 4.034 | 4.106 |
| DF Deutsche Forfait s.r.o. | 379 | 359 |
| Toronto Dominion Bank | 328 | 328 |
| Banco Credit Suisse | 19.470 | 13.144 |
| Banco C.I.T. | 1.078 | 756 |
| Banco Santander | 5.785 | 4.646 |
| Banco Safra | 8.254 | - |
| Total domestic currency | 53.947 | 35.813 |
| Total of current item | 84.247 | 64.858 |
| **Non current** | | |
| Domestic Currency | | |
| FINAME | 34.060 | 32.329 |
| Working capital | 5.486 | 6.922 |
| Total domestic currency | 39.546 | 39.251 |
| Foreign currency | | |
| Banco Votorantim S/A | 2.566 | 1.250 |
| DF Deutsche Forfait s.r.o. | 948 | 1.076 |
| Toronto Dominion Bank | 1.151 | 1.148 |
| Banco Credit Suisse | 103.838 | 111.721 |
| Banco C.I.T. | 4.042 | 3.025 |
| Banco ABN Amro Bank | 8.785 | 8.143 |
| Banco Santander | 7.942 | 8.689 |
| Total foreign currency | 129.272 | 135.052 |
| Total of non-current | 168.818 | 174.303 |
| Total | 253.065 | 239.161 |

| Long term repayments: | 03.31.08 | 12.31.07 |
|---|---|---|
| 2009 | 46.978 | 48.157 |
| 2010 | 38.685 | 39.557 |
| 2011 | 34.644 | 35.915 |
| 2012 | 30.359 | 31.404 |
| 2013 | 18.152 | 19.270 |
| | 168.818 | 174.303 |

Loans in domestic currency:

a) Finame - subject to interest that varies between 2.0% and 8.5% per year plus TJLP (long term interest rate), with final due date in 2012.

b) Working Capital is subject to interest that varies between 100.0% and 120.0% of CDI, with final due date in the second half of 2011.

Loans in foreign currency:

Foreign currency loans on March 31, 2008 are updated by the Dollar or Euro exchange rate variation with interest over them at the rate of 6.00% per year and 11.05% per year.

a) The foreign exchange contract advances are updated by the Dollar exchange variation and has its invoices arranged for settlement up to August, 2008.

b) Banco Votorantim S/A, updated by the Dollar exchange rate and payable in half-yearly installments with final one due in 2009.

c) Banco Itaú S/A, updated by the Dollar exchange rate and payable in single installment that falls due in March, 2008.

d) DF Deutsche Forfait s.r.o., updated by the Euro exchange rate and payable in year-half installments with final one due in 2011.

e) Toronto Dominion Bank, updated by the Dollar exchange rate and payable in year-half installments, final one due in 2011.

f) Banco Credit Suisse, updated by the Dollar exchange rate and payable in quarterly installments with final one due in 2013, relates to exports pre-payment operation. The financing was contracted according to approval by the Administrative Council and shall be set for export financing, lengthening of debt term and implementation of the Company's 2007/2008 investment plan.

g) Banco C.I.T., updated by the Dollar exchange rate and payable in half-yearly installments with final one due in 2012.

h) Banco ABN Amro Real, updated by the Euro exchange rate and payable in annual installments with final one due in 2013.

i) Banco Santander, updated by the Dollar and Euro exchange rate. Dollar operation payable in installments with due date in January and February, 2008 and the Euro operation is payable in half-yearly installments with final due date in 2012.

j) Banco Safra, updated by the Dollar Exchange rate or 75% of CDI. Payable in annual installment with final one due date on april 2008.

The company offered as guarantee the co-signature of parent companies or mortgage of assets or fiduciary alienation and/or set of both, pursuant to each contract.

For financing of export pre-payment contracted with Banco Credit Suisse, offered as guarantee were Real Estate and Forests of the subsidiary Habitasul Florestal S/A, apart from shares that the parent company has in this affiliate.

In guarantee of operation with Banco ABN Amro Real offered were portfolio rights over the carbon credits business deriving from the Power Co-Generation project negotiated in contracts valid up to year 2013.

Some financing contracts with Financial Institutions have restrictive clauses linked to the maintenance of certain financial indexers, which are being reached in full, as set forth below:

Banco ABN Amro Real

a) Margin of EBITDA equal to or greater than 11% in 2007 and 17% in 2008 to 2013;
b) Total Debt Ratio over EBITDA of 6 times in 2007 and of 3 times in 2008 to 2013;
c) Maximum Financial Leverage of twice the Tangible Net Worth;

Credit Suisse Bank

a) Total Debt Ratio over EBITDA is 4.5 times for 2007; 4.0 times over first quarter of 2008; 3.75 times for the second quarter of 2008; 3.5 times for the third quarter of 2008; 3.0 times for the fourth quarter of 2008 and 2.5 times for the subsequent fiscal quarters up to 2013
b) Ratio of EBITDA over the Net Financial Expenditure is at least 2 times for each quarter of 2007; 2.5 times for each quarter of 2007; and 3 times for the remaining quarters up o 2013;

On March 31, 2008 some of these indicators were not achieved and the Company asked and received, on April 28, 2008, a temporary “waiver” from the creditor to the non-achieved indicators.

## 14. SUPPLIERS

They correspond to debts with vendors as follows:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| CURRENT | 03.31.08 | 12.31.07 | 03.31.08 | 12.31.07 |
| Domestic | | | | |
| Materials | 25.046 | 23.965 | 25.070 | 23.971 |
| Fixed assets | 2.319 | 2.899 | 2.319 | 2.899 |
| Service provider | 2.907 | 2.927 | 2.977 | 2.941 |
| Carriers | 2.776 | 2.742 | 2.776 | 2.742 |
| Related Parties | 330 | 116 | - | - |
| Foreign | | | | |
| Materials | 1.460 | 1.671 | 1.460 | 1.671 |
| | 34.838 | 34.320 | 34.602 | 34.224 |

## 15. TAX INSTALLMENTS

These relate mainly to the installment plan of taxes and tax contributions, as per Law # 10684/2003, which is currency-adjusted by the TJLP variation. The installments are amortized monthly.

CURRENT

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 03.31.08 | 12.31.07 | 03.31.08 | 12.31.07 |
| INSS Special Installment Plan | 1.228 | 1.214 | 1.310 | 1.295 |
| Special Install. Plan Federal Revenue | 1.985 | 1.964 | 1.985 | 1.964 |
| IRPJ ( income tax) install. plan | - | - | 3 | 4 |
| ICMS – RS Tax Installment Plan | - | 90 | 93 | 188 |
| | 3.213 | 3.268 | 3.391 | 3.451 |

NON CURRENT

| | Parent Company | | Consolidated | | Due date |
|---|---|---|---|---|---|
| | 03.31.08 | 12.31.07 | 03.31.08 | 12.31.07 | |
| INSS Special Installment Plan | 5.21 | 5.46 | 5.97 | 5.46 | June 2013 |
| Special Installment plan Federal | 8.46 | 8.85 | 8.46 | 8.85 | July 2013 |
| INSS (Social Security) installment plan | - | - | - | 76 | May 2018 |
| ICMS – RS tax installment plan | - | - | - | 1 | January |
| | 13.681 | 14.322 | 14.436 | 15.105 | |

Long term due date:

| | | | | |
|---|---|---|---|---|
| 200 | 2.74 | 3.38 | 2.80 | 3.47 |
| 201 | 3.07 | 3.07 | 3.15 | 3.15 |
| 201 | 3.07 | 3.07 | 3.15 | 3.15 |
| 201 | 3.07 | 3.07 | 3.15 | 3.15 |
| 201 | 1.69 | 1.69 | 1.85 | 1.85 |
| Above | - | - | 30 | 30 |
| | 13.681 | 14.322 | 14.436 | 15.105 |

## 16. RELATED PARTIES

This corresponds to debts toward the affiliates and others listed as follows:

| Parent Company | Assets | | Suppliers | | Loan Liabilities | | Income | Expenses |
|---|---|---|---|---|---|---|---|---|
| | 03.31.08 | 12.31.07 | 03.31.08 | 12.31.07 | 03.31.08 | 12.31.07 | 03.31.08 | 03.31.08 |
| Irani Trading S.A. | 207 | 207 | 136 | 50 | 1.810 | 1.788 | - | 248 |
| Habitasul Florestal S.A. | 1.566 | 1.566 | 194 | 66 | 9.087 | 7.633 | - | 293 |
| Brastilo Inc | 433 | 384 | - | - | - | - | 56 | - |
| Irani Participações | - | - | - | - | - | - | - | 120 |
| Meu Móvel de Madeira | 784 | - | - | - | - | - | 784 | - |
| Habitasul Desen. Imob. | - | - | - | - | 13.028 | 20.261 | 737 | 169 |
| Total | 2.990 | 2.157 | 330 | 116 | 23.925 | 29.682 | 1.577 | 830 |
| Portion of current item | (2.990) | (2.157) | (330) | (116) | (6.514) | (5.638) | | |
| Portion of non-current item | - | - | - | - | 17.411 | 24.044 | | |

| Consolidated | Loan Liabilites | |
|---|---|---|
| | 31.03.08 | 31.12.07 |
| Habitasul Desen. Imob. | 13.028 | 20.261 |
| Total | 13.028 | 20.261 |
| Portion of current item | (6.514) | (5.638) |
| Portion of non-current item | 6.514 | 14.623 |

Credits and Debits toward affiliate companies Irani Trading S/A and Habitasul Florestal S/A, Brastilo Inc. and Meu Móvel de Madeira Ltda. derive from commercial operations among the parties and dividends receivable, there being no charges or final due date setting.

The debts toward the company Habitasul Empreendimentos Imobiliários Ltda are to be settled in 50 monthly and successive installments with final one falling due in February 2011, updated by the TJLP rate at 6% interest per year, according to the share purchase agreement of Habitasul Florestal S/A, effected in December, 2006.

No updates occurred from April to February 2008 by virtue of anticipated payment of 11 installments in March this year, when the interest was recognized as well as the discount obtained over these installments. On March, 2008 the company paid 11 installments of the contract, with a discount of R$ 737.

## 17. PROVISION FOR CONTINGENCIES

The Company and its subsidiaries are listed as a party to civil lawsuits related to taxing and labor and in tax-related administrative processes. Supported by opinion of its lawyers and legal advisers, the Administration believes that the balance of the provision for contingency is sufficient to cover possible losses.

Opening balance of the provision for contingencies:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 03.31.08 | 12.31.07 | 03.31.08 | 12.31.07 |
| Provision for contingent liabilities | 7.357 | 7.154 | 7.357 | 7.154 |
| Provision for law contigent liabilities | 2.662 | 2.662 | 3.122 | 2.662 |
| (-) Escrow deposits | (6.783) | (6.580) | (6.783) | (6.580) |
| Provision for tax contigent liabilities | 45.216 | 43.164 | 45.216 | 43.164 |
| Total long term provision | 48.452 | 46.400 | 48.912 | 46.400 |

Transaction of balance of the provision for contingencies:

| Parent Company | 12.31.07 | Deposits | Provision | Writeoffs | 03.31.08 |
|---|---|---|---|---|---|
| Civil | 7.154 | - | 203 | - | 7.357 |
| Labor | 2.662 | - | - | - | 2.662 |
| Taxation | 43.164 | - | 2.052 | - | 45.216 |
| (-) Escrows deposits | (6.580) | (203) | - | - | (6.783) |
| Total | 46.400 | (203) | 2.255 | - | 48.452 |

| Consolidated | 12.31.07 | Deposits | Provision | Writeoffs | 03.31.08 |
|---|---|---|---|---|---|
| Civil | 7.154 | - | 203 | - | 7.357 |
| Labor | 2.662 | - | 460 | - | 3.122 |
| Taxation | 43.164 | - | 2.052 | - | 45.216 |
| (-) Escrows deposits | (6.580) | (203) | - | - | (6.783) |
| Total | 46.400 | (203) | 2.715 | - | 48.912 |

The provisions created refer mainly to:

a) Among other questions, the civil cases relate to indemnity requests for contractual terminations of Commercial Representation and mainly the bankruptcy lawsuit of the company where the company enabled credit in the process. On March 31, 2008, there was R$ 7.357 provisioned to cope with any convictions in such cases. These processes have judicial deposits of R$ 6.512.

b) The labor suits, among other issues, refer to the claims formalized by former employees for payment of overtime, fringe benefits for occupational unhealthiness, hazards, diseases and accidents. Based on past experience and on the advice of their lawyers, the Company and its subsidiaries provisioned R$ 2,662 (R$ 3.122 consolidated) on March, 31, 2008, believed as sufficient to cover any possible labor case losses.

c) Provisions for tax contingencies relate to: i) fiscal execution promoted by the state of Santa Catarina in a matter of discussion of alleged irregular transfer of ICMS credit; ii) fiscal execution promoted by INSS dealing with collection of tax credit by means of NFLD # 32.511.108-1 concerning the social security allegedly owed by contractors to provide labor-sourcing services, being the Company jointly liable. On March 31, 2008, the Company had provisioned the amount of R$ 5,473 as security for any convictions in these two cases, iii) Company Administration realized the compensation of federal taxes relating to its operations with IPI credits over acquisition of trimmings and other raw materials in the sum of R$ 24.471 between years 2001 to March 31, 2008. Em novembro de 2006, a Delegacia da Receita Federal lavrou autos de infração, glosando parte das compensações efetuadas. The Company is discussing notifications received on the administrative sphere. The balance updated on March 31,2008 totals R$ 39.743 (R$ 37.691 in 2007).

**Possible Contingencies**

For contingencies evaluated by legal consulters as possible losses no accounting provisions were created. On March 31, 2008, the amount of causes related to labor, civil rights, environment and taxation is broken down as follows:

| | Consolidated | |
|---|---|---|
| | 03.31.08 | 12.31.07 |
| Contingent labor | 2.705 | 2.705 |
| Civil Contingent Liabilities | 2.841 | 2.841 |
| Environmental Contingent Liabilities | 926 | 926 |
| Taxation Contingent Liabilities | 11.088 | 11.088 |
| Total of possible contingent liabilities | 17.560 | 17.560 |

Labor contingencies

The labor lawsuits evaluated by legal consultants as possible losses reach a total of $ 2,705 and mainly contemplate indemnity causes (occupational hazards, unhealthiness, overtime, fringe benefits, material damage resulting from accidents at work) in various procedural stages of progress and understood by Management as having good chances of success.

Civil Contingencies

Civil lawsuits evaluated by legal consultants as possible losses totaling R$ 2,841 and mainly contemplate indemnity claim for termination of Commercial Representation contract now in appellation stage.

Environmental contingencies

The environmental lawsuits evaluated by legal consultants as possible losses reach a total of R$ 926 and mainly contemplate lawsuit from the Federal Public Ministry.

Taxation contingencies

The taxation lawsuits evaluated by legal consultants as possible losses reach a total of R$ 11,088 and mainly contemplate the following processes:

- Administrative Process 10925.000172/2003-66 valued on March 31, 2008 at R$ 7,099 on the IPI infringement notice caused by alleged irregularity in the compensation of tax credit. The company benefits from the definite administrative decision by ruling # 203-03.459 dated 09/16/97 which declared said refund application as justified. The Federal Revenue of Brazil interposed an administrative appeal, which is pending judgment. Management believes being remote the possibility of credit realization by the Federal Revenue of Brazil.
- Fiscal Execution # 2004.72.03.001555-8 INSS - National Institute of Social Security valued at R$ 3,832 on March 31, 2008 relating to Fiscal Notice of Debt Posting that concerns social contribution over the gross revenue from production sales of agroindustrial companies. The process is currently suspended in face of opposition from embargo by the company. Management believes being remote the possibility of credit realization by the Federal Agency.

18. NET ASSETS

**Capital Stock**

Capital stock on March 31, 2008 was R$ 63,381, comprised of 8,104,500 shares, being 7,463,987 common and 640,513 preferential. Preferential shares have no voting rights and participate in profits with earnings higher than 10% in relation to the common shares and have priority over capital reimbursement without premium in case of Company liquidation. The company may issue preferential shares without face value and without voting rights up to the limit of 2/3 of the number of shares representing the stock capital, as well as increase the existing types and classes regardless of proportion to each other.

On March 21, 2007, the Board of Directors authorized the Company to acquire 22,500 (twenty five thousand five hundred) common shares of its capital stock for the sum of R$ 321. These shares were issued upon increase of capital effected on February 8, 2007 and were purchased at subscription value in the Management Meeting that deliberated the said increase. These shares shall be maintained in treasury for later utilization in the Stock Option Plan already approved by the Shareholders' Special Meeting of September 14, 2007.

In the first quarter of 2008, the management fulfilled its right to acquired the stocks in treasury.

19. ADMINISTRATION FEE

Expenses incurred with Management compensation, without social security, totaled R$ 514 in 1Q08 (R$ 492 in the same period of previous year). The shareholders extra ordinary general meeting of April 30, 2008 approved, for the fiscal period related, the total administration fee of maximum R$ 4.500.

20. OTHER OPERATING EXPENSES

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 03.31.08 | 03.31.07 | 03.31.08 | 03.31.07 |
| Amortization of Habitasul Florestal premium | (1.048) | (1.048) | (1.048) | (1.048) |
| Provision for contingent liabilities | - | - | (460) | - |
| Deferred Amortization | (205) | - | (205) | - |
| Provisão for loss deferred taxation | - | - | (560) | - |
| Other operation expenses | (131) | (91) | (135) | (92) |
| | (1.384) | (1.139) | (2.408) | (1.140) |

21. NON-OPERATING INCOME

| | Parent Company and Consolidated | |
|---|---|---|
| | 03.31.08 | 03.31.07 |
| Profit in Sale of Fixed Asset | 167 | 60 |
| Income from Insured goods Incident | 125 | 110 |
| Other non-operating income/expenses | - | 2 |
| | 292 | 172 |

22. IMCOME TAX AND SOCIAL SECURITY TAX

Effective Reconciliation of taxes:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 03.31.08 | 03.31.07 | 03.31.08 | 03.31.07 |
| Income before taxes | 1 | 4.63 | (3) | 4.71 |
| Basic Tax Rate | 34% | 34% | 34% | 34% |
| Tax debit at basic rate | (6) | (1.574) | 1 | (1.602) |
| Fiscal effect of permanent (additions) | | | | |
| Exclusions: | | | | |
| Premium amortization | - | (356) | - | (356) |
| Equity | (257) | 25 | - | - |
| Revaluation reserve paid- | - | (264) | - | (264) |
| Other permanent differences | - | 5 | (318) | 20 |
| Amount posted to income | (263) | (1.938) | (317) | (2.019) |
| | | | | |
| Income tax and social security | (1.354) | (1.938) | (1.408) | (2.019) |
| Deferred income tax and social security tax | 1.09 | - | 1.09 | - |

## 23. COMMERCIAL LEASING

The Company has responsibility for commercial leasing of machines, computing equipment and vehicles, with purchase option clauses, negotiated at the pre-fixed rate and 1% of residual value guaranteed at the end of contract and has lien agreement over its own assets.

On March 31, 2008, the commitments undertaken are summarized as follows:

| | Consolidated | |
|---|---|---|
| | 03.31.08 | 12.31.07 |
| Year | | |
| 2008 | 2.408 | 2.833 |
| 2009 | 1.470 | 1.076 |
| 2010 | 1.295 | 917 |
| 2011 | 86 | 64 |
| | 5.259 | 4.890 |

Expenses incurred on March 31, 2008 with commercial leasing were R$ 1.066 (R$ 944 on March 31, 2007).

## 24. FINANCIAL INCOME AND EXPENSES

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 03.31.08 | 03.31.07 | 03.31.08 | 03.31.07 |
| Financial Income | | | | |
| Yield from Financial Applications | 901 | 822 | 906 | 822 |
| Interest | 75 | 134 | 84 | 134 |
| Discounts Obtained | 65 | 45 | 70 | 49 |
| Discounts over loan advance amort. | 737 | 614 | 737 | 614 |
| | 1.778 | 1.615 | 1.797 | 1.619 |
| Foreign Exchange Variation | | | | |
| Active Foreign Exchange Variation | 8.486 | 5.147 | 8.486 | 5.161 |
| Passive Foreign Exchange Variation | (8.421) | (684) | (8.421) | (691) |
| Net Foreign Exchange Variation | 65 | 4.463 | 65 | 4.470 |
| Financial expenses | | | | |
| Interest | (5.058) | (5.084) | (5.073) | (5.109) |
| Discounts Obtained | (35) | (29) | (36) | (42) |
| Premium/Bank Charges | (259) | (664) | (260) | (664) |
| CPMF | - | (853) | - | (861) |
| Others | (116) | (15) | (119) | (15) |
| | (5.468) | (6.645) | (5.488) | (6.691) |
| Financial income/(loss) | (3.625) | (567) | (3.626) | (602) |

## 25. INSURANCE (NON REVISED BY INDEPENDENT AUDITOR)

The company adopts a conservative policy in relation to contracting insurance cover for miscellaneous casualties. The insurance cover is determined according to the nature of the assets risk, deemed as sufficient to cover possible losses resulting from casualties. On March 31, 2008, the cover is thus demonstrated:

Parent Company Data and Consolidated Statement:

| Coverage | Validity | Sum Insured |
|---|---|---|
| Company Insurance, office group, fire, lightning, explosion, recovery of documents, impact to vehicles, fall of aircraft, electrical damages, wind storm. | 27/09/07 to 27/09/08 | R$ 1.022 |
| Industrial Insurance, factory group, Fire (as consequence of turmoils, inclusive), lightning and explosion of any nature, electrical damage, wind storm/ smoke (except fall of aircraft). | 27/09/07 to 27/09/08 | R$ 126.100 |
| Industrial insurance, groups of paper and packing factory, civil liability and moral damages. | 27/09/07 to 27/09/08 | R$ 1.200 |
| Group life insurance - collaborators - 24 or 48 times rated salary, whether by natural or accidental death, respectively. | 02/12/07 to 01/12/08 | the insured amount is limited to minimum R$ 10 and maximum R$ 500 |
| Insurance of vehicle fleet, material, bodily and moral damages. | 15/08/07 to 15/08/08 | R$ 350 per vehicle. |

## 26. FINANCIAL INSTRUMENTS

As per conditions set out in CVM Instruction 235/95, operations involving financial instruments for assets and liabilities, as below, are recorded in accounting by the values compatible with the current market rates for the operations of similar time frame and risks. The main financial instruments on the balance sheet date were as follows:

Balance: The book figures reflect the fair value due to the short term maturity of these financial instruments.

Rates of Interest: The Company may be impacted due to adverse changes in interest rates. This exposure to the risk of interest rates refers, mainly to the change in market interest rates that affect the Company's assets and liabilities indexed by the TJLP rate (Long Term

Interest Rate of BNDES), CDI (Rate of Interest on Interbank Deposit Certificates), EURIBOR (Euro Interbank Offered Rate) or LIBOR (London Interbank Offered Rate).

Credit Risk: Financed sales of the Company are managed through stringent qualification program and credit grant. The settlement of bad debts are adequately covered by provisions to cope with the losses in the realization thereof.

Exposure to foreign exchange: The Company does not operate with derivative financial instruments intent on speculation.

Risk of foreign Exchange Exposure:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 03.31.08 | 12.31.07 | 03.31.08 | 12.31.07 |
| Cash | 1 | 141 | 1 | 141 |
| Receivables | 10.774 | 6.985 | 10.869 | 7.080 |
| Advances to customers | (35) | (44) | (35) | (44) |
| Brastilo Inc Investment | 114 | 252 | - | - |
| Suppliers | (1.460) | (1.671) | (1.460) | (1.671) |
| Loans and financing | (183.219) | (170.865) | (183.219) | (170.865) |
| Net exposure | (173.825) | (165.202) | (173.844) | (165.359) |

The net exposure to foreign currency exchange rate is equivalent to 21 months of exports based upon the year's average. Since the highest amount of loans and financing are enforceable within 6 years, the Company has a natural "hedge" in its cash flow.

## 27. AMENDMENT TO THE BRAZILIAN LAW OF INCORPORATION, EFFECTIVE AS OF JANUARY 2008

On December 28, 2007, Law # 11638 went into force, which amends, revokes and introduces provisions to the Law of Corporation by Stock Shares, notably in relation to chapter XV on accounting matters, which go into effect for the financial year starting on January 1, 2008. This Law was mainly aimed at upgrading the Brazilian corporate law to enable the convergence process of accounting practices adopted in Brazil with those contained in the international accounting standards (IFRS) and to allow new accounting standards and procedures be issued by the Securities and Exchange Commission - CVM in line with international standards of accounting. Although this Law has already gone into effect, some changes introduced depend on the regulations of the competent authorities to be applicable by the Companies. In such a way, the Quarterly Information (ITRs) do not cover the changes introduced by this Law.

On May, 2008, the Brazilian Securities and Exchange Commission (CVM) issued an Instruction CVM n° 469 which authorized the company for the non-application of all disposals of Law n° 11.638/07 in the elaboration of Quarterly Information (ITR). Taking care of the orientations contained in such Instruction, the Company informs below a description of all changes that might have impact over its financial statements of this fiscal period.

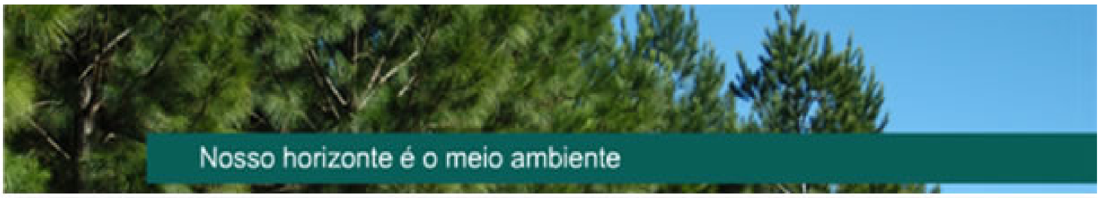
a) Statements of cash flow and added value – the Company will notify these statements in the end of the fiscal year.
b) Reclassification of the premium in the acquisition of shareholders participation for the Intangible Asset.
c) Obligatoriness of the register in the fixed assets of the rights that have for object corporeal properties destined to the maintenance of the activities of the Company, also the recurrent ones of operations that transfer to the Company the benefits, the risks and the control of the goods (example: "financial leasing") - the evaluation of the Administration of the Company indicates that this change will generate the following effect in the individual and consolidated financial demonstrations:

Commercial Leasing

| | Parent Company and Consolidated |
|---|---|
| Increase Fixed assets | 6.072 |
| Increase Current Passive | 2.084 |
| Increase Long Term | |
| Current Liabilities | 2.124 |
| Increase Net Assets | 1.864 |

d) Reavaluation Reserve – the Company is studying the possibity of keeping or reversing the existing balances, and shall notifiy the choosen option until the presentation of the second quarterly information (ITR) of the fiscal year 2008.

Considering the existence of discussions and debates in the market, specially in the institutions and accounting associations and within the regulators, as well as the regulations still need to be given towards some subjects concerning the changes, other effects besides the one mentioned over the financial statements and releases of the Company will be verified.




(The Financial Statements were audited by Deloitte Touche Tohmatsu Independent Auditors).