2007 FINANCIAL REPORT

IRANI

Celulose Irani S.A.

Pine Trees – Forestry Unit, Vargem Bonita (SC)

Independent auditor's report

To the Shareholders and Management of Celulose Irani S.A.
Porto Alegre - RS

1. We have audited the accompanying individual (Company) and consolidated balance sheets of Celulose Irani S.A. and subsidiaries as of December 31, 2007 and 2006, and the related statements of operations, changes in shareholders' equity (Company), and changes in financial position for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion of these financial statements.

2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by Management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of Celulose Irani S.A. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations, the changes in shareholders' equity (Company), and the changes in their financial positions for the year then ended, in conformity with Brazilian accounting practices.

4. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil

Porto Alegre, March 26, 2008.

Deloitte Touche Tohmatsu
Independent Auditors
CRC # 2 SP - 011.609/O-8 F-RS

Roberto Wagner Promenzio
Engagement Partner
CRC # 1 SP - 088.438/0-9 S-RS

Balance Sheets Raised on December 31 ,

(in thousands of reais)

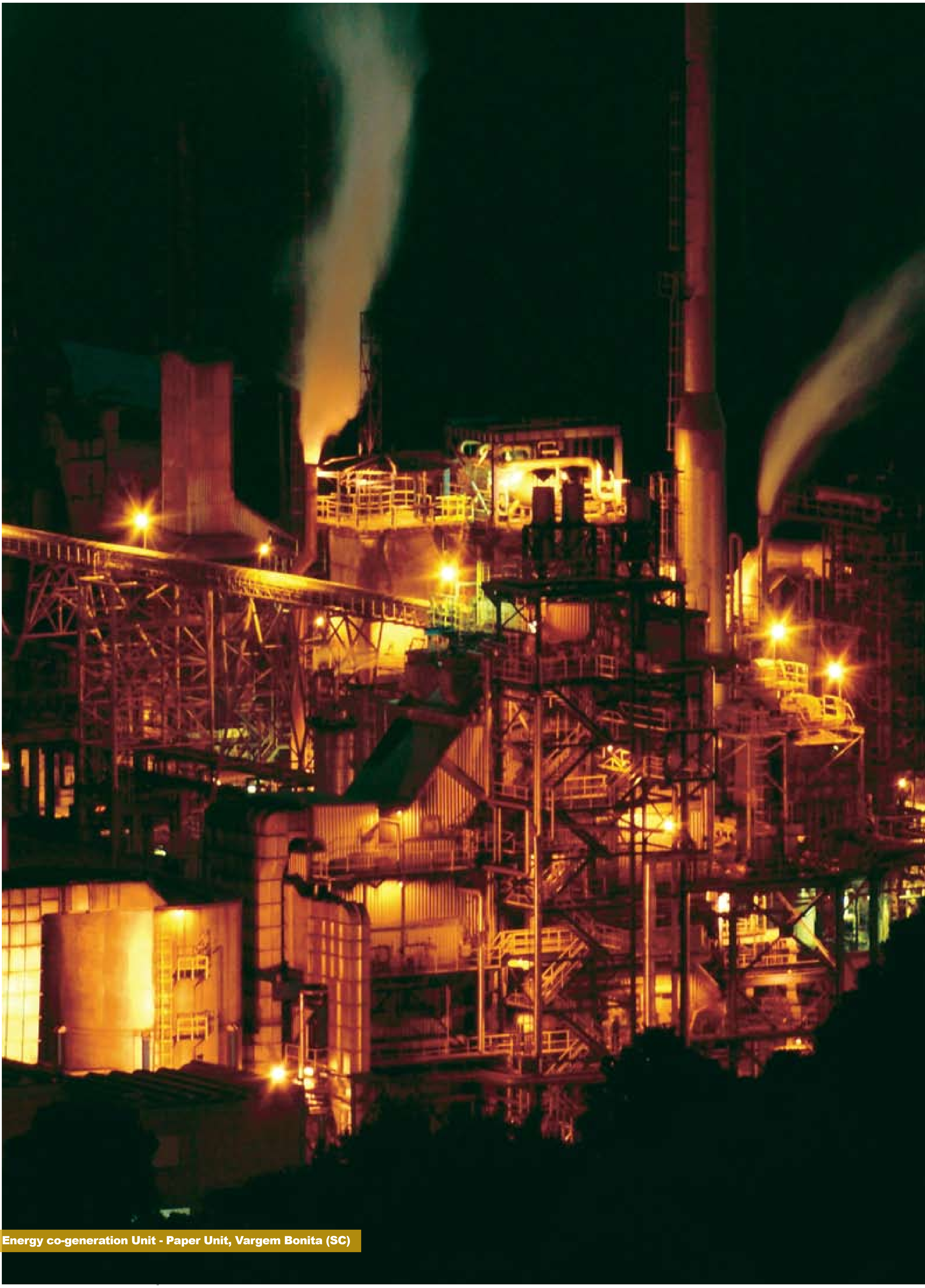
ASSETS	NOTE EXPLANATION	PARENT COMPANY		CONSOLIDATED	
		2007	2006	2007	2006
CURRENT ITEM					
Cash	5	58,995	1,430	59,542	1,523
Receivables from customers	6	47,464	39,914	47,655	40,686
Inventory	7	31,033	23,922	31,346	23,922
Tax credits	8	5,995	3,170	5,996	3,498
Dividends receivable	16	1,773	–	–	–
Other receivables	–	3,720	6,902	3,862	7,131
		148,980	75,338	148,401	76,760
NON-CURRENT ITEM Long term assets					
Tax credits	8	6,228	3,184	6,845	3,744
Income tax and deferred compulsory contributions	9	17,506	13,564	17,506	13,564
Other receivables		–	–	210	327
Investments:					
Affiliates	10	30,927	32,078	–	–
Premuim	10	37,736	41,482	37,736	41,660
Fixed assets	11	242,659	165,547	265,191	189,980
Deferred	12	4,102	867	4,102	867
		339,158	256,722	331,590	250,142
TOTAL OF CURRENT ITEM		**488,138**	**332,060**	**479,991**	**326,902**

The explanatory remarks are part of the financial Statements

2007 and 2006

(in thousands of reais)

LIABILITIES AND NET WORTH	NOTE EXPLANATION	PARENT COMPANY		CONSOLIDATED	
		2007	2006	2007	2006
CURRENT ITEM					
Loans and financing	13	64,858	49,249	64,858	49,249
Suppliers	14	34,320	26,337	34,224	26,492
Social security	–	6,732	4,358	6,944	4,386
Taxation	–	3,426	4,353	3,645	4,716
Tax installments	15	3,268	3,119	3,451	3,287
Advances to customers	–	399	1,762	426	1,807
Related parties	16	5,638	6,530	5,638	6,530
Dividends payable	–	74	776	74	776
Other payables	–	6,823	5,168	6,888	5,458
		125,538	101,652	126,148	102,701
NON-CURRENT ITEM Long term Liabilities					
Loans and financing	13	174,303	51,617	174,303	51,617
Suppliers	14	–	949	–	949
Related parties	16	24,044	27,799	14,623	20,678
Provision for contingent liabilities	17	46,400	39,306	46,400	39,306
Tax installments	15	14,322	16,695	15,105	17,608
Deferred taxes over revaluation	11	2,472	3,112	2,472	3,112
		261,541	139,478	252,903	133,270
SHARING OF MINORITY	–	–	–	4	1
NET ASSETS	18				
Capital stock	–	63,381	39,090	63,381	39,090
Advance for future capital increase	–	–	24,291	–	24,291
Shares in treasury	–	(321)	–	(321)	–
Revaluation reserve	–	16,476	17,724	16,476	17,724
Legal reserve	–	2,698	2,102	2,698	2,102
Income retention reserve	–	18,825	7,723	18,702	7,723
		101,059	90,930	100,936	90,930
TOTAL LIABILITIES AND NET WORTH		**488,138**	**332,060**	**479,991**	**326,902**



Energy co-generation Unit - Paper Unit, Vargem Bonita (SC)

Income statements for years ended on December 31, 2007 and 2006

(in thousands of reais)

	NOTE EXPLANATION	PARENT COMPANY		CONSOLIDATED	
		2007	2006	2007	2006
GROSS SALES OF PRODUCTS					
Domestic market		342,086	291,805	351,888	295,764
Foreign market		88,893	81,925	88,459	81,925
		430,979	373,730	440,347	377,689
Sales deductions		(89,295)	(76,767)	(89,947)	(77,120)
NET SALES INCOME		341,684	296,963	350,400	300,569
Cost of products sold		(255,467)	(227,440)	(260,637)	(229,276)
GROSS PROFIT		86,217	69,523	89,763	71,293
(EXPENSES) OPERATING INCOME					
With sales		(34,172)	(34,431)	(33,575)	(34,796)
General and administrative		(31,284)	(27,986)	(32,983)	(28,775)
Net financial income (expenses)	24	1,994	(19,866)	1,883	(19,936)
Other operating income		2,727	4,189	2,745	4,205
Other operating expenses	20	(5,816)	(3,243)	(6,120)	(3,244)
Income by the equity method	10	1,758	269	–	71
OPERATING PROFIT		21,424	(11,545)	21,713	(11,182)
Non-operating profit/loss	21	353	4,141	353	4,141
NET PROFIT BEFORE EFFECTS OF TAX AND SHARING OF DIRECTORS AND NON-CONTROLLING SHAREHOLDERS		21,777	(7,404)	22,066	(7,041)
Income tax and social security tax	22	(5,424)	4,290	(5,645)	4,146
Participation of directors		(1,635)	–	(1,827)	(219)
Participation of minority shareholders		–	–	1	–
NET PROFIT OF THE YEAR		14,718	(3,114)	14,595	(3,114)
PROFIT PER SHARE - R$		1,82	(0.49)		

The explanatory remarks are part of the financial statements

Statement of net worth changes (parent company) December 31, 2007 and 2006

	NOTE EXPLANATION	CAPITAL STOCK	ADVANCE FOR FUTURE INCREASE OF STOCK	SHARES IN TREASURY
BALANCE DECEMBER 31, 2005	–	39,090	–	–
Prior-year adjustments	18.f	–	–	–
ADJUST BALANCE ON DECEMBER 31, 2005	–	39,090	–	–
Advance for future capital stock increade	18.c	–	24,291	–
Realization of revaluation reserve	–	–	–	–
Year's loss	–	–	–	–
Proposed allocations				
Legal reserve	–	–	–	–
Proposed dividends	18.b	–	–	–
Reversal of income retention reserve	18.d	–	–	–
BALANCE ON DECEMBER 31, 2006	–	39,090	24,291	–
Shares in treasury	18.a	–	–	(321)
Advance for future capital stock increase	18.c	24,291	(24,291)	–
Realization of revaluation reserve	–	–	–	–
Year's profit	–	–	–	–
Proposed allocations				
Legal reserve	–	–	–	–
Interest over own capital (R$ 0,45 per share)	18.b	–	–	–
Proposed dividends	18.b	–	–	–
Profit retention reserve	18.d	–	–	–
BALANCE ON DECEMBER 31, 2007	–	63,381	–	(321)

The explanation notes are incorpored into the financial statements.

for fiscal years ended

(in thousands of reais)

		PROFIT RESERVES			
	REVALUATION RESERVE	LEGAL	INCOME RETENTION	RETAINED EARNINGS	TOTAL
	25,663	2,102	25,839	–	92,694
	(6,956)	–	–	(15,715)	(22,671)
	18,707	2,102	25,839	(15,715)	70,023
	–	–	–	–	24,291
	(983)	–	–	1,489	506
	–	–	–	(3,114)	(3,114)
	–	–	–	–	–
	–	–	–	(776)	(776)
	–	–	(18,116)	18,116	–
	17,724	2,102	7,723	–	90,930
	–	–	–	–	(321)
	–	–	–	–	–
	(1,248)	–	–	1,513	265
	–	–	–	14,718	14,718
	–	596	–	(596)	–
	–	–	–	(4,250)	(4,250)
	–	–	–	(283)	(283)
	–	–	11,102	(11,102)	–
	16,476	2,698	18,825	–	101,059

Statements of changes in financial position and 2006

(in thousands of reais)

	PARENT COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
ORIGIN OF RESOURCES				
Operations				
Year’s net profit (loss)	14,718	(3,114)	14,595	(3,114)
Items that don’t affect the working capital				
Depreciation, depletion and amortization	25,633	17,962	27,911	18,736
Equity method cash equivalents	(1,758)	(269)	–	(71)
Long term currency fluctuations and interest	(14,909)	3,221	(14,909)	3,221
Fixed asset writeoff (residual book value)	(53)	(3,943)	(53)	(3,943)
Dividends received	3,562	1,229	–	1,241
Deferred income tax	(3,943)	(5,492)	(3,943)	(5,492)
TOTAL OPERATIONS	23,250	9,594	23,601	10,578
Shareholders				
Advance for future capital stock increase	–	24,291	–	24,291
Third parties				
Write-off of long term receivables	–	1,007	–	1,007
Increase of long term liabilities	146,989	50,170	138,221	50,170
	146,989	51,177	138,221	51,177
TOTAL ORIGINS	170,239	85,062	161,822	86,046
APPLICATIONS OF RESOURCES				
Investments	840	69,999	840	69,999
Fixed assets	97,752	26,970	98,086	27,368
Deferred	3,235	820	3,235	820
Acquisition of shares	321	–	321	–
Dividends and interest over own capital	4,533	776	4,537	776
Increase of long term liabilities	3,786	858	2,984	858
Transfer of long term liabilities to current item	10,016	7,892	3,679	6,943
TOTAL APPLICATIONS	120,483	107,315	113,682	106,764
INCREASE (DECREASE) OF NET WORKING CAPITAL	49,756	(22,253)	48,140	(20,718)

for fiscal years ended December 31, 2007

(in thousands of reais)

	PARENT COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
STATEMENT OF NET WORTH CHANGES				
Working assets				
Beginning of fiscal period	75,338	74,159	76,760	77,138
End of fiscal period	148,980	75,338	148,401	76,760
	73,642	1,179	71,641	(378)
Current liabilities				
Beginning of fiscal period	101,652	78,220	102,647	82,307
End of fiscal period	125,538	101,652	126,148	102,647
	23,886	23,432	23,501	20,340
INCREASE (DECREASE) OF NET WORTH	49,756	(22,253)	48,140	(20,718)

The explanation notes are incorporated into the Financial Statements

Seedling Nursery – Forestry Unit, Vargem Bonita (SC)

Paper Unit, Vargem Bonita (SC)

Explanatory notes to financial statements for years ended on December 31, 2007 and 2006.

Amounts expressed in thousands of Reais, unless otherwise indicated.

1. OPERATIONAL 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 the foresting and re-foresting segment, using the productive chain of planted forests as the basis for all its turnover.

2. PRESENTATION OF FINANCIAL STATEMENTS

Authorization to conclude the present financial statements was granted by the Company's Executive Board on March 26, 2008, which will be submitted to the Board of Directors.

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 the Board to cover possible losses in the realization of credits. The Company does not make provision in operations with related parties.

c. Inventories

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 for adjustment to realizable value, if applicable.

e. Fixed Assets

This is recorded at cost of acquisition or construction added to revaluation and deducted by depreciation and depletion. The contra entry 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 plant project, furniture as well as implementation and pre-operating expenses for the packaging plant, which can be amortized 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 Instruction # 371 of the Securities and Exchange Commission – aka CVM.

Corrugator – Indaiatuba Packaging Division (SP)

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

Provision created with 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

Recognized when significant benefits of transactions and title to assets are transferred to customers.

m. Recognition of costs

These comprise the costs of raw materials, packagings, 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. CONSOLIDATION OF FINANCIAL STATEMENTS

The consolidated financial statements cover Celulose Irani S.A. and its subsidiaries companies as follows:

	Share of Capital Stock (%)	
Subsidiaries	2007	2006
Irani Trading S.A. (direct participation)	99.98	99.98
Habitasul Florestal S.A. (direct and indirect participation)	100.00	100.00
Brastilo Inc (direct participation)	100.00	–
Meu Móvel de Madeira Ltda (direct participation)	99.00	–

The accounting practices adopted by the subsidiaries companies conform to the practices adopted by the holding company. In the consolidated quarterly statements, the subsidiaries 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 subsidiaries 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	
	2007	2006	2007	2006
Parent company	14,718	(3,114)	101,059	90,930
Unrealized profits on inventories	(123)	–	(123)	–
Consolidated	14,595	(3,114)	100,936	90,930

5. CASH

Cash is reflected as follows:

	Parent company		Consolidated	
	12.31.07	12.31.06	12.31.07	12.31.06
Fixed cash fund	16	16	238	20
Banks	868	1,414	913	1,503
Financial applications	58,111	–	58,391	–
	58,995	1,430	59,542	1,523

Financial applications are represented by Investment Funds. The average yield on December 31, 2007 was 100.34% of CDI.

The resources applied come from the operation contracted with Banco Credit Suisse for exports prepayment and are being used in investments projects scheduled through the end of 2008.

6. ACCOUNTS RECEIVABLE FROM CUSTOMERS

	Parent company		Consolidated	
	12.31.07	12.31.06	12.31.07	12.31.06
RECEIVABLES FROM				
Customers - domestic market	50,719	44,674	51,902	45,888
Customers - foreign market	6,601	5,972	6,673	6,054
Subsidiaries	384	100	–	–
	57,704	50,746	58,575	51,942
Provision for bad debts	(3,226)	(2,843)	(3,906)	(3,267)
Open sale operation	(7,014)	(5,839)	(7,014)	(5,839)
Foreign exchange advances delivered	–	(2,150)	–	(2,150)
Total	47,464	39,914	47,655	40,686

Breakdown of accounts receivable by due date as follows:

	Parent company		Consolidated	
	12.31.07	12.31.06	12.31.07	12.31.06
Due	47,547	40,691	47,429	40,859
Past due up to 30 days	3,141	5,192	3,369	5,429
Past due 31 to 60 days	573	802	748	983
Past due 61 to 90 days	1,139	257	1,139	257
Past due 91 to 180 days	1,307	518	1,307	518
Past due over 180 days	3,997	3,286	4,583	3,896
Other Receivables	57,704	50,746	58,575	51,942

7. INVENTORIES

	Parent company	Consolidated	Parent company and Consolidated
	12.31.07	12.31.07	12.31.06
Finished products	9,501	9,501	7,500
Work in process	–	–	297
Production materials	15,492	15,492	11,017
Consumption materials	4,785	4,785	4,301
Foreign inventory	–	313	–
Other inventories	1,255	1,255	807
	31,033	31,346	23,922

8. TAX CREDITS

These are shown as follows:

	Parent company		Consolidated	
	12.31.07	12.31.06	12.31.07	12.31.06
ICMS over acquisition of fixed assets	9,481	5,625	9,481	5,626
ICMS (State VAT)	430	312	488	505
IPI tax	552	370	552	504
Income tax	1,389	–	1,389	–
Social security	317	–	317	–
Others	54	47	614	607
	12,223	6,354	12,841	7,242
Portion of current item	5,995	3,170	5,996	3,498
Portion of non-current item	6,228	3,184	6,845	3,744

9. DEFERRED INCOME TAX AND SOCIAL SECURITY TAX

	Parent company		Consolidated	
	12.31.07	12.31.06	12.31.07	12.31.06
Deferred income tax on assets				
About non-deductible provisions	11,824	9,974	11,824	9,974
Over goodwill amortization	1,048	–	1,048	–
Deferred social security tax on assets				
Over non-deductible provisions	4,257	3,590	4,257	3,590
Over goodwill amortization	377	–	377	–
Total	17,506	13,564	17,506	13,564

According to CVM Instruction # 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.	Other Investments	Total 12.31.07	Total 12.31.06
Paid-in capital stock	28,260	3,054	300	531	–	–	–
Net worth	28,564	3,138	300	252	–	–	–
Year's income	1,729	389	–	(279)	–	–	–
Share of capital at %	95.36	99.98	99.00	100.00	–	–	–
Starting balance	28,948	3,071	–	–	59	32,078	4,521
Investment acquisition	–	–	297	531	–	828	28,517
Income by the equity method	1,648	389	–	(279)	–	1,758	269
Proposed dividends	(3,355)	(207)	–	–	–	(3,562)	(1,229)
Investment adjustment	–	(116)	–	–	(59)	(175)	–
Total investment in subsidiaries	27,241	3,137	297	252	–	30,927	32,078
Goodwill on subsidiaries							
Starting balance of goodwill	41,482	–	–	–	–	41,482	41,482
Goodwill paid in	(3,746)	–	–	–	–	(3,746)	–
End balance of goodwill	37,736	–	–	–	–	37,736	41,482
Balance of goodwill	64,977	3,137	297	252	–	68,663	73,560

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.

In December 2006, a Celulose Irani S.A. acquired Companhia Habitasul de Participações and its associates for a total of 11,122,356 nominative shares, corresponding to 95.36% of total stock, issued by the company Habitasul Florestal S.A.

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 10 year period.

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, the latter with the aim of performing retail sales operations of furniture and handicraft in general.

11. FIXED ASSETS

				12.31.07	12.31.06
Parent company	Rate %	Cost	Depreciation and Depletion Accrued	Rate Net	Rate Net
Land plots	–	14,576	–	14,576	14,576
Buildings and constructions	4	52,793	(22,718)	30,075	30,841
Equipment and facilities	10 a 20%	171,932	(101,149)	70,783	75,385
Foresting and re-foresting	(*)	71,614	(34,052)	37,562	33,551
Vehicles and tractors	20%	1,694	(1,215)	479	402
Other fixed assets under construction	10 a 20%	2	–	2	2
Fixed assets under construction	–	63,922	–	63,922	10,790
Advance to fixed assets supplier	–	25,260	–	25,260	–
Subtotal		401,793	(159,134)	242,659	165,547

				12.31.07	12.31.06
Consolidated	Rate %	Cost	Depreciation and Depletion Accrued	Rate Net	Rate Net
Land plots	–	28,033	–	28,033	28,033
Buildings and constructions	4	56,549	(24,163)	32,386	33,254
Equipment and facilities	10 a 20%	172,115	(101,192)	70,923	75,554
Foresting and re-foresting	(*)	90,825	(47,252)	43,573	41,652
Vehicles and tractors	20%	1,702	(1,218)	484	410
Other fixed assets	10 a 20%	57	(20)	37	35
Fixed assets in progress	–	64,495	–	64,495	11,042
Advance to fixed assets supplier	–	25,260	–	25,260	–
Subtotal		439,036	(173,845)	265,191	189,980

(*) 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 Packaging Division SP 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 Indaiatuba Packaging Division, SP, which represent R$ 19.0 million and R$ 22.9 million respectively, on December 31, 2007.

In year 1994, the Company ran a reappraisal in the following fixed assets accounts:

			Parent company and Consolidated	Parent Company and Consolidated
			12.31.07	12.31.06
	Revaluation	Realization	Rate Residual	Rate Residual
Land plots	11,677	–	11,677	11,677
Buildings and constructions	13,490	(6,880)	6,610	7,150
Foresting and re-foresting	27,135	(26,475)	660	2,004
Subtotal	52,302	(33,355)	18,947	20,831

Over the residual amount, except land plots, income tax and social security tax are provisioned in the sum of R$ 2,472 (R$ 3,112 on December 31, 2006).

12. DEFERRED

	Parent Company and Consolidated	Parent company and Consolidated
	12.31.07	12.31.06
Furniture Division	2,981	684
Indaiatuba Packaging Divison, SP	1,121	183
	4,102	867

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.

Pine Forest – Forestry Unit, Balneário Pinhal (RS)

13. LOANS AND FINANCING

	Consolidated	
	12.31.07	12.31.06
Current item		
Domestic currency		
FINAME (equipment financing)	12,148	8,904
Working capital loan	16,897	27,576
Total domestic currency	29,045	36,480
Foreign currency		
Forex contract advance	9,974	7,532
IKB Deutsche	–	741
Banco Votorantim S.A.	2,500	3,017
Banco Itaú S.A.	4,106	963
DF Deutsche Forfait s.r.o.	359	371
Toronto Dominion Bank	328	145
Banco Credit Suisse	13,144	–
Banco C.I.T.	756	–
Banco Santander	4,646	–
Total domestic currency	35,813	12,769
Portion of current item	64,858	49,249
Non-Current Item		
Domestic currency		
FINAME (equipment financing)	32,329	22,780
Working capital loan	6,922	18,585
Total domestic currency	39,251	41,365
Foreign currency		
Forex contract advance	–	3,663
Banco Votorantim S.A.	1,250	4,525
DF Deutsche Forfait s.r.o.	1,076	1,484
Toronto Dominion Bank	1,148	580
Banco Credit Suisse	111,721	–
Banco C.I.T.	3,025	–
Banco ABN Amro Bank	8,143	–
Banco Santander	8,689	–
Total domestic currency	135,052	10,252
Portion of non-current item	174,303	51,617
Total	239,161	100,866

Long term repayments on maturity	2007	2006
2008	–	28,799
2009	48,157	15,270
2010	39,557	5,730
2011	35,915	1,222
2012	31,404	596
2013	19,270	–
Total	174,303	51,617

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 (Interbank Deposit Rate), with final due date in the second half of 2011.

Loans in foreign currency

Foreign currency loans on December 31, 2007 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 have their 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 half-yearly installments with final one due in 2011.

e. Toronto Dominion Bank, updated by the Dollar exchange rate and payable in half-yearly 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 the exports pre-payment operation. The financing was contracted according to approval by the Board of Directors and shall be set for export financing, extension 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, updatable by the exchange rate of the Dollar and the Euro. Operation in Dollar payable in installments with due date in January and February, 2008 and operation in Euro, payable in half-yearly installments with final one due in 2012.

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

The export prepayment financing from Banco Credit Suisse is collateralized by properties and forests of the subsidiary Habitasul Florestal S.A. and the shares held by the Company in Celulose Irani S.A.

The operation with Banco ABN Amro 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 effective until 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.

14. SUPPLIERS

They correspond to debts with vendors as follows:

	Parent company		Consolidated	
Current Item	12.31.07	12.31.06	12.31.07	12.31.06
Domestic				
Materials	23,965	18,808	23,971	18,837
Fixed assets	2,899	2,175	2,899	2,175
Service provider	2,927	2,217	2,941	2,252
Carriers	2,742	2,741	2,742	2,741
Related parties	116	82	–	–
Foreign				
Materials	1,671	314	1,671	487
	34,320	26,337	34,224	26,492
Non-current Item				
Domestic				
Fixed assets	–	949	–	949
	–	949	–	949

15. TAXES IN INSTALLMENTS

These relate mainly to the installment plan of taxes and tax contributions, as per Law # 10684/2003, which are monetarily adjusted by the TJLP variation. The installments are amortized monthly and have the following due dates:

	Parent company		Consolidated	
Current Item	12.31.07	12.31.06	12.31.07	12.31.06
INSS special installment plan	1,214	1,158	1,295	1,235
Special installment plan Federal Revenue	1,964	1,874	1,964	1,874
IRPJ (Income Tax) installment plan	–	–	4	4
ICMS tax installment plan	90	87	188	174
	3,268	3,119	3,451	3,287

	Parent company		Consolidated		Due Date
Non-current Item	12.31.07	12.31.06	12.31.07	12.31.06	
INSS special installment plan	5,463	6,369	5,463	6,369	June 2013
Special installment plan Federal Revenue	8,859	10,326	8,859	10,326	July 2013
INSS (Social Security) installment plan	–	–	768	809	May 2018
IRPJ installment	–	–	–	4	December 2008
ICMS tax installment plan	–	–	15	100	January 2009
	14,322	16,695	15,105	17,608	

Long term due date		
2009	3,389	3,471
2010	3,079	3,159
2011	3,079	3,159
2012	3,077	3,157
2013	1,698	1,850
Thereafter	–	309
Total	14,322	15,105

16. RELATED PARTIES

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

Parent company	Assets		Suppliers		Intercompany Loans		Income	Expenses
	12.31.07	12.31.06	12.31.07	12.31.06	12.31.07	12.31.06	12.31.07	12.31.07
Irani Trading S.A.	207	–	50	–	1,788	1,448	19	891
Habitasul Florestal S.A.	1,566	100	66	80	7,633	5,673	–	834
Brastilo Inc	384	–	–	–	–	–	439	–
Irani Participações	–	–	–	–	–	–	–	480
Cia Habitasul de Partic.	–	–	–	–	–	619	14	10
Habitasul Emp. Imob.	–	–	–	–	–	18,680	422	289
Laje de Pedra Village	–	–	–	–	–	4,909	111	76
Habitasul Desen. Imob.	–	–	–	–	20,261	3,000	68	46
Total	2,157	100	116	80	29,682	34,329	1,073	2,626
Portion of current item	(2,157)	(100)	(116)	(80)	(5,638)	(6,530)		
Portion of non-current item	–	–	–	–	24,044	27,799		

Consolidated	Intercompany Loans	
	12.31.07	12.31.06
Cia Habitasul de Partic.	–	619
Habitasul Emp. Fxd Asst.	–	18,680
Laje de Pedra Village	–	4,909
Habitasul Desen. Imob.	20,261	3,000
Total	20,261	27,208
Portion of current item	(5,638)	(6,530)
Portion of non-current item	14,623	20,678

Credits and Debits toward affiliate companies Irani Trading S.A. and Habitasul Florestal S.A. and Brastilo Inc. 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 Desenvolvimentos Imobiliários S.A. 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 December 2007 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.

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 Management believes that the balance of the provision for contingency is sufficient to cover possible losses.

Opening balance of the provision for contingencies:

	Parent Company and Consolidated	
	12.31.07	12.31.06
Civil	7,154	6,447
Labor	2,662	2,486
(-) Escrow deposits	(6,580)	(5,838)
Provision for tax contingent liabilities	43,164	36,211
Total long term provision	46,400	39,306

Transaction of balance of provision for contingent liabilities.

Parent Company and consolidated	2006	Deposits	Provision	Writeoffs	2007
Civil	6,447	–	773	(66)	7,154
Labor	2,486	–	176	–	2,662
Taxation	36,211	–	6,953	–	43,164
(-) Escrow deposits	(5,838)	(742)	–	–	(6,580)
Total	39,306	(742)	7,902	(66)	46,400

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 December 31, 2007, there was R$ 7,154 provisioned to cope with any convictions in such cases. These processes have judicial deposits of R$ 6,309;

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 on December 31, 2007, 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 December 31,2007, the Company had provisioned the amount of R$ 5,473 as security for any convictions in these two cases, iii) Company Management 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$ 31,345 (R$ 27,783 in 2006) between years 2001 to2007. In November 2006, the Federal Revenue (IRS) issued an infringement notice, blocking part of compensations made. The Company is discussing notifications received on the administrative sphere. The balance updated on December 31, 2007 totals R$ 37,691 (R$ 31,027 in 2006). As described in remark 18.f.1, the Company recognized on January 1, 2006, as adjustment of previous years, the sum of R$ 23,742 regarding offset of taxes with these IPI credits.

Possible Contingent Liabilities

For contingent liabilities evaluated by legal consultants as possible losses, no accounting provisions were created. On December 31, 2007, the amount of cases related to labor, civil rights, environment and taxation is broken down as follows:

	Consolidated	
	12.31.07	12.31.06
Contingent labor liabilities	2,705	3,027
Civil contingent liabilities	2,841	2,648
Environmental contingent liabilities	926	926
Taxation contingent liabilities	11,088	10,258
Total of possible contingent liabilities	17,560	16,859

Contingent Labor Liabilities

The labor lawsuits evaluated by legal consultants as possible losses reach a total of R$ 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.

Contingent Civil Liabilities

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.

Contingent Environmental Liabilities

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.

Contingent Taxation Liabilities

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 December 31, 2007 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 December 31, 2007 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

a. Capital Stock

Capital stock on March 31, 2007 was R$ 63,381, comprised of 8,104,500 shares, being 7,463,987 common and 640,513 preferential (on 12/31/2006 capital stock was R$ 39,090 where 5,897,371 were common and 506,079 preferential shares, shares without face value). 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.

b. Interest over own capital

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

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

The shareholders are entitled to minimum 25% mandatory dividends of net profit, after allocation of the legal reserve shown as below:

	2007	2006
Net profit (loss) of fiscal year	14,718	(3,114)
Depreciation / depletion revaluated instalm	1,460	1,489
Net profit (loss) adjusted	16,178	(1,625)
(-) Legal reserve	(596)	–
Base profit for distribution of dividends	15,582	–
Minimum mandatory dividends (25% over base profit)	3,896	–
Interest over own capital assigned to dividends, net of withholding income tax	3,613	–
Dividends proposed for payment	283	–
Dividends per common share (R$ per share)	0.03	–
Dividends per preferred share (R$ per share)	0.08	–

In year 2007, the minimum mandatory dividends were paid issued to shareholders for 2006 in the amount of R$ 776. With the recognition of the adjustment of previous years, as explained in remarks 17.ce and 18.f.1, the basis for dividends was voided that year. The Administration believes no harm is done the shareholders since figures were distributed to all and the amount is not significant, not impacting the Company's liquidity.

c. Advance for future capital increase

As per minutes of the meeting of the Board, on December 22, 2006 motion was approved for the Company to acquire 11,122,356 common nominative shares issued by Habitasul Florestal S.A., where the participants in the capital of Habitasul Florestal S.A., Companhia Habitasul de Participações and Habitasul Desenvolvimentos Imobiliários S.A. ceded their credits to increase the stock and consequently their shareholding in the Company, and in the minutes of the Board meeting of 02/08/2007 motion was approved by unanimity to increase the share capital of the Company within the limits authorized in Article 7 of its Bylaw by R$ 24,291, through capitalization of credit securitized by Companhia Habitasul de Participações e Habitasul Desenvolvimentos Imobiliários S.A. as result of acquisition by the latter of shares from Habitasul Florestal S.A.

d. Profit retention reserve

Refers to the value remaining from the net profit of the previous and current years, after appropriating the legal reserve and the mandatory minimum dividends. This value is reinvested in the Company to finance the operational activities and new investments, approved by resolutions of the General Assemblies of each year.

e. Participation of directors

A sharing shall be set aside for the Company's management, in a sum not exceeding 10% (ten percent) of the net profit, after deduction of the losses accrued, if any, and the provision for income tax, which may not exceed their annual salary, if this limit is lower. Administrators will only be entitled to sharing of profits of the year for which the shareholders are assigned the compulsory dividend.

f. Adjustment of prior years

On January 1, 2006, the Company made adjustments to the Net Worth of prior years in the amount of R$ 22,671 according to deliberation CVM 506, as follows.

1. R$ 23,742 concerning the values of IPI credits on chips and other supplies appropriated up to year 2005, as described in Remark 17.c. This adjustment had as counterpart the

creation of Allowance for Contingencies in the Long Term Payable Liabilities. Over such values, allowance was created for temporary deferred assets in the amount of R$ 8,072 concerning IRPJ and CSLL resulting in a net impact on net worth of R$ 15,670.

2. R$ 6,956 concerning reversal of balance remaining from Revaluation Reserve of Forests, which was fully consumed in the period of 1995 to 2005. Need for adjustment has been identified according to realization of the forest inventory geo-referenced by the company where the existence of discrepancy was found in its accounting books. The corresponding counterpart was recorded in the Fixed Assets - Revaluated Forests. Over these values there were Provisions for Taxes on Revaluation Reserve recorded in the Long Term Liabilities in the amount of R$ 3,583, which were also reversed against Fixed Assets - Revaluated Forests.

3. R$ 45 relating to reversal of IPC Difference of Forests, which were registered under Fixed Assets.

19. ADMINISTRATION FEE

Expenses incurred with Management compensation, without social security, totaled R$ 3,105 in year 2007 (R$ 2,279 in the same period of previous year). For the said fiscal year, the Shareholders' Meeting of March 21, 2007 approved the global management compensation ceiling of R$ 4,000.

20. OTHER OPERATING EXPENSES

	Parent company		Consolidated	
	12.31.07	12.31.06	12.31.07	12.31.06
Amortization of Habitasul Florestal premium	(3,746)	–	(3,746)	–
Intermediation of carbon credit sale	(579)	(756)	(579)	(756)
Provision for contingent liabilities	(398)	(1,995)	(398)	(1,995)
Other operating expenses	(1,093)	(492)	(1,397)	(493)
	(5,816)	(3,243)	(6,120)	(3,244)

The Company sold carbon credits in year 2007 in the amount of R$ 1,851 (R$ 3,057 in 2006), entered as "Other operating income".

21. NON-OPERATING INCOME (EXPENSES)

	Parent company		Consolidated	
	12.31.07	12.31.06	12.31.07	12.31.06
Profit in sale of fixed asset	53	3,943	53	3,943
Income from Insured goods incident	833	258	833	258
(-) Cost of insured goods incident	(534)	(58)	(534)	(58)
Other non-operating income/expenses	1	(2)	1	(2)
	353	4,141	353	4,141

22. INCOME TAX AND SOCIAL SECURITY TAX

Effective Reconciliation of taxes.

	Parent company		Consolidated	
	12.31.07	12.31.06	12.31.07	12.31.06
Income before taxes	21,777	(7,404)	22,066	(7,041)
Basic tax rate	34%	34%	34%	34%
Tax debt at basic rate	(7,404)	2,517	(7,502)	2,394
Fiscal effect of permanent (additions) exclusions				
Equity method	598	91	–	–
Revaluation reserves paid in	(275)	(506)	(275)	(506)
Interest over own capital	1,445	–	1,445	–
Other permanent differences	212	2,188	687	2,258
Amount posted to income	(5,424)	4,290	(5,645)	4,146
Income tax and social security tax	(9,366)	(1,202)	(9,587)	(1,346)
Deferred income tax and social security tax	3,942	5,492	3,942	5,492

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 December 31, 2007 the commitments undertaken are summarized as follows:

	Consolidated	
	2007	2006
Year		
2007	–	3,430
2008	2,833	2,518
2009	1,076	775
2010	917	659
2011	64	–
	4,890	7,382

Expenses incurred on December 31, 2007 with commercial leasing were R$ 3,907 (R$ 2,939 on December 31, 2006).

Furniture Unit, Rio Negrinho (SC)

24. FINANCIAL INCOME AND EXPENSES

	Parent company		Consolidated	
	12.31.07	12.31.06	12.31.07	12.31.06
Financial income				
Yield from financial applications	6,018	–	6,018	–
Interest	667	632	693	645
Discounts obtained	753	181	758	183
	7,438	813	7,469	828
Foreign exchange variation				
Active foreign exchange variation	37,340	5.267	37,382	5,304
Passive foreign exchange variation	(13,712)	(5,170)	(13,754)	(5,233)
Net foreign exchange variation	23,628	97	23,628	71
Financial expenses				
Interest	(24,925)	(18,445)	(25,001)	(18,454)
Discounts granted	(188)	(75)	(202)	(111)
Premiums/bank charges	(773)	(689)	(776)	(692)
CPMF	(2,484)	(1,534)	(2,533)	(1,545)
Others	(702)	(33)	(702)	(33)
	(29,072)	(20,776)	(29,214)	(20,835)
Financial income	1,994	(19,866)	1,883	(19,936)

25. INSURANCE (UN AUDITED)

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 December 31, 2007, the cover is thus demonstrated:

Parent Company Data and Consolidated Statement:

Coverage	Effective Period	Insured Amount
Company Insurance, office group, fire, lightning, explosion, recovery of documents, impact to vehicles, aircraft crash, electrical damages, wind storm.	09/27/07 to 09/27/08	R$ 1,022
Industrial Insurance, factory group, fire (including as a result of riots), lightning and explosion of any kind, electrical damage, wind storm/smoke (except aircraft crash).	09/27/07 to 09/27/08	R$ 126,100
Industrial insurance, groups of paper and packing factory, civil liability and moral damages.	09/27/07 to 09/27/08	R$ 1,200
Group life insurance - collaborators - 24 or 48 times rated salary, whether by natural or accidental death, respectively.	12/02/07 to 12/01/08	the insured amount is limited to R$ 10 minimum and R$ 500 maximum
Insurance of vehicle fleet, material, bodily and moral damages.	08/15/07 to 08/15/08	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:

a. balance: the book figures reflect the fair value due to the short term maturity of these financial instruments;

b. 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);

c. 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;

d. exposure to foreign exchange: the Company does not operate with derivative financial instruments intent on speculation.

Risk of Foreign Exchange Exposure:

	Parent company		Consolidated	
	12.31.07	12.31.06	12.31.07	12.31.06
Cash	141	–	141	–
Receivables	6,985	5,972	7,080	6,054
Foreign exchange advances delivered	–	(2,150)	–	(2,150)
Advances to customers	(44)	(344)	(44)	(344)
Brastilo Inc. Investment	252	–	–	–
Suppliers	(1,671)	(314)	(1,671)	(487)
Loans and financing	(170,865)	(23,021)	(170,865)	(23,021)
Net Exposure	(165,202)	(19,857)	(165,359)	(19,948)

The net exposure to foreign currency exchange rate is equivalent to 22 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 CORPORATE LAW, 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.

The changes in the Brazilian corporate law are applicable to all companies incorporated in the form of anonymous partnerships, including companies with open capital stock, and are extensive to large companies with provisions for the preparation and publication of financial statements.

Some changes must be implemented from the beginning of next year, while others depend on regulation by the regulatory agencies.

The main changes can be summarized as follows:

a. replacement of the demonstration of origins and application of resources by the cash flow demonstration;

b. inclusion of the value added demonstration;

c. ability to maintain a separate booking of transactions to meet tax legislation and, in sequence, the necessary adjustments for adaptation to accounting practices;

d. creation of new intangible subset of accounts, which includes premium, for presentation in the balance sheet;

e. mandatory requirement of registration under fixed assets, of the rights which have the goods designed to maintain the Company's activities, including those arising from operations that transfer to the Company the benefits, risks and control of such goods (example: financial "leasing");

f. mandatory requirement for Company to periodically review its capacity to recover the values registered under fixed assets, intangible and deferred;

g. requirement that applications in financial instruments, including derivatives, be recorded: (i) by their market value or equivalent in the case of applications intended for trading or available for sale, and (ii) by the value of acquisition cost or issuance value, updated as per legal or contractual provisions, adjusted to the likely amount of realization, if latter is less;

h. creation of a new subset of accounts, adjustments for asset appraisal, in net worth, to allow the registration of certain appraisals of assets at market prices, mainly financial instruments; the recording of exchange rate variation on corporate investments abroad appraised by the equity method and the adjustment of assets and liabilities to market value, due to merger and incorporation occurred between unrelated parties that are linked to the effective transfer of control;

i. introduction of the concept of present value adjustment for long-term assets and liabilities operations and those relevant to short term;

j. elimination of revaluation reserve.

By reason of these changes having been enacted recently, whereas some still depend on regulation by the regulatory bodies to be implemented, the Company Administration has not yet been able to evaluate all the effects that these amendments could bring to its financial statements and their results in the years to come.

Indaiatuba Packaging Division (SP)

Management report

Dear Shareholders,

The management of Celulose Irani S.A. submits to your appreciation The Management Report and the Financial Statements of the Company, with the respective advice from independent auditors, for the financial year ending December 31, 2007. The Financial Statements are elaborated pursuant to the Law of Incorporation by Shares and its amendments and based upon standards set by the Brazilian Securities and Exchange Commission - also known as CVM.

MESSAGE TO SHAREHOLDERS

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

HIGHLIGHTS OF YEAR 2007

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

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

CUSTOMER IRANI PROJECT

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

Economical-financial performance

MAIN FINANCIAL INDICATORS

(R$ thousand)	2007 Parent Company	2007 Consolidated	2006 Parent Company	2006 Consolidated
Gross operating income	430,979	440,347	373,730	377,689
Domestic market	342,086	351,888	291,805	295,764
Foreign market	88,893	88,459	81,925	81,925
Net operating income	341,684	350,400	296,963	300,569
Gross profit	86,217	89,763	69,523	71,293
Gross margin	25.2%	25.6%	23.4%	23.7%
Operating profit/loss	21,424	21,713	(11,545)	(11,182)
Net profit/loss	**14,718**	**14,595**	**(3,114)**	**(3,114)**
Adjusted EBITDA	49,377	52,055	36,461	37,668
EBITDA margin	14.5%	14.9%	12.3%	12.5%

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

(R$ thousand)	2007 Parent Company	2007 Consolidated	2006 Parent Company	2006 Consolidated
Operating profit/loss	**14,718**	**14,595**	**(3,114)**	**(3,114)**
IR and CSLL & directors' share	7,059	7,471	(4,290)	(3,927)
Depreciation, depletion and amortization.	25,633	27,911	17,962	18,736
Financial income	(1,994)	(1,883)	19,866	19,936
EBITDA	**45,416**	**48,094**	**30,424**	**31,631**
Provisions (IPI and Contingent Liabilities)	3,961	3,961	6,037	6,037
Adjusted EBITDA	**49,377**	**52,055**	**36,461**	**37,668**
Variation of EBITDA	35.4%	38.2%		

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

Gross Revenue

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

Net Operating Income

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

EBITDA

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

Financial Income

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

Net Income/Loss

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

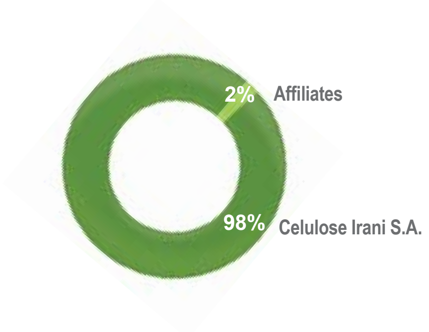
DVA - Statement of Added Value (in R$ thousand)				
	Parent company		Consolidated	
	2007	2006	2007	2006
1. INCOME	430,832	375,385	440,023	378,995
1.1. Sales of goods, products & services	430,979	373,730	440,347	377,689
1.2. Provision for bad debts/(Creation)	(500)	(2,486)	(677)	(2,835)
1.3. Non-Operating	353	4,141	353	4,141
2. THIRD PARTY ACQUIRED INPUTS	295,063	256,569	298,351	258,372
2.1. Raw materials consumed	209,717	182,768	209,716	184,071
2.2. Cost of goods and services sold	3,114	1,643	2,298	1,643
2.3. Materials, energy, services of 3rd parties and others	82,233	72,158	86,337	72,658
3. GROSS ADDED VALUE (1-2)	135,769	118,816	141,671	120,623
4. RETENTIONS	22,451	16,472	24,735	17,246
4.1. Depreciation, amortization and depletion	22,451	16,472	24,735	17,246
5. NET ADDED VALUE PRODUCED BY ENTITY (3-4)	113,318	102,344	116,936	103,377
6. ADDED VALUE RECEIVED IN TRANSFER	46,536	6,349	44,852	6,199
6.1. Cash equivalents income	1,758	269	–	71
6.2. Financial income	44,778	6,080	44,851	6,128
7. TOTAL ADDED VALUE TO DISTRIBUTE (5+6)	159,854	108,693	161,788	109,576

8. ADDED VALUE DISTRIBUTION	159,854	108,693	161,788	109,576
8.1. Personnel and charges	51,072	44,971	51,866	45,381
8.2. Taxes, fees and contributions	42,781	33,659	43,872	34,175
8.3. Interest and rents	54,072	31,689	54,245	31,808
8.4. Interest over own capital and dividends	4,533	776	6,383	776
8.5. Profits retained / loss of fiscal year	7,396	(2,402)	5,422	(2,564)

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

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

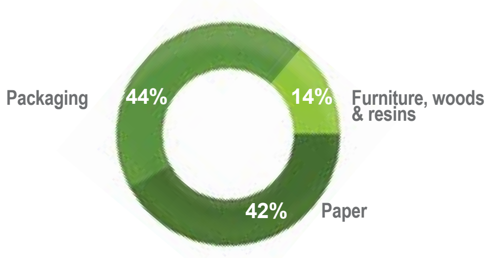
Sharing of rev. gross operating per company



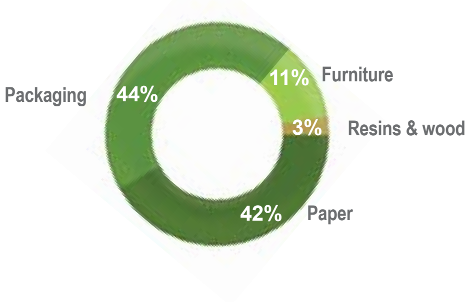
SALES

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

Share of sales per Business Division

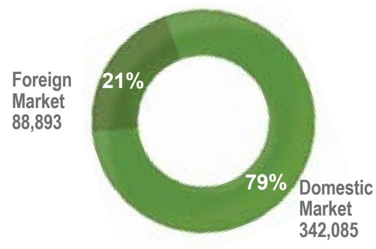


Share of sales per Business Unit



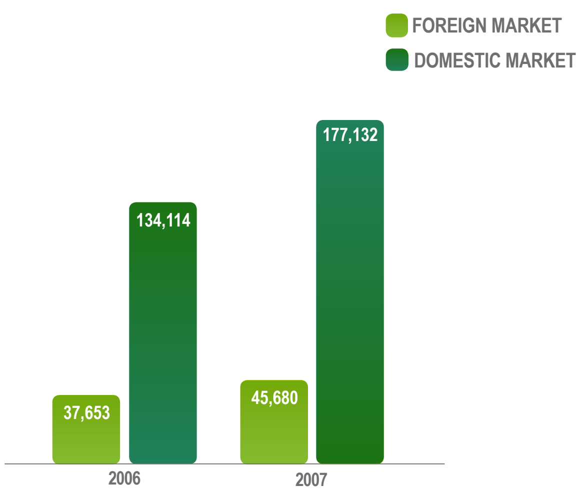
The composition of the Gross Revenue by market is distributed as follows in 2007:

Share Domestic and foreign sales (in R$ thousand and %)



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

Share of Domestic and foreign sales (in R$ thousand)



Performance of business

Celulose Irani S.A. is comprised of three Divisions. These Divisions are organized according to the market segment they work in, are independent in their operations and smoothly incorporated, seeking to optimize the use of pinewood forests planted through multiuse and the vertical integration of its business.

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

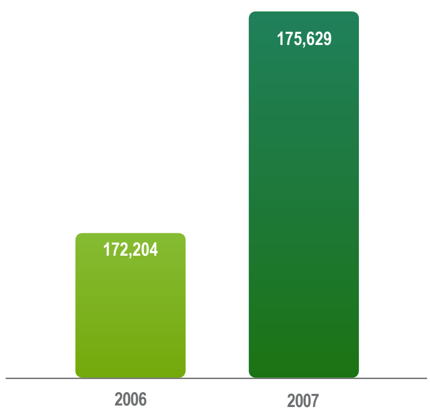
Besides the three Divisions, Celulose Irani S.A. relies on the affiliates Irani Trading S.A. which handles all the export operations of the company and Habitasul Florestal S.A., with a forest base of 8.4 thousand hectares of pine forests, provider of resin for the Resinas plant of Celulose Irani S.A. and also the timber supplier for the sawmills in the region. In November 2007 the subsidiary Brastilo Inc. was created with base in Miami, United States, with the goal of selling pine furniture in the American market. Brastilo Inc. operates through a Distribution Center. The distribution of the articles occurs exclusively by the internet, catering to all of the US, except Puerto Rico, Alaska and Hawaii. The Brastilo products are developed with inspiration in Brazil and sold over the site www.brastilo.com. Also in early 2008 a new subsidiary's operations will be initiated under the name of Meu Móvel de Madeira Comércio de Móveis e Decorações Ltda., which will meet the demand of the domestic market through the site www.meumoveldemadeira.com.br.

PAPER DIVISION

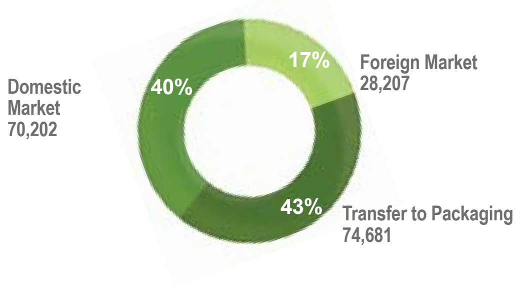
Celulose Irani S.A. kept a share of about 4% of the national production of Paper Packaging in 2007, according to preliminary data from Bracelpa - Brazilian Association of Paper and Woodpulp. The Paper Division relies on four machines, whereas one of them uses Trimmings as the basis for its production. The other machines, in turn, use mainly Kraft pulp of its own production.

This year 173,090 tons were dispatched. against 173,641 tons in 2006. The paper production had a 2% increment, going from 172,204 tons to 175,629 tons.
The production and distribution of paper produced at its own plants had the following composition in 2007:

Total paper production (in tons)



Dispatch/Sales of paper - year 2007 (in tons)



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

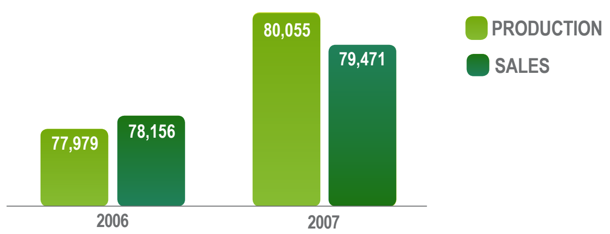
The average prices of paper had increased in 2007. Similarly, the paper mix changed in relation to the mix of 2006, also increasing the average end price.

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

PACKAGING DIVISION

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

Total Production and sales of packagings 2006 & 2007 (in tons)



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

FURNITURE AND RESINS DIVISION

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

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

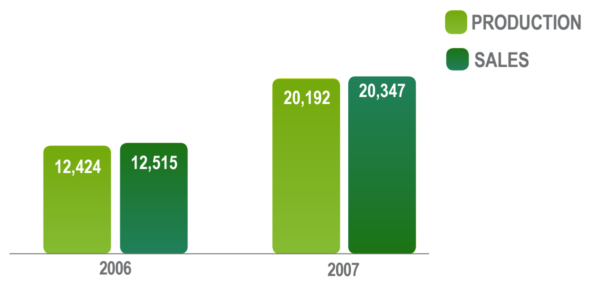
In 2007, the furniture factory suffered a 23.33% reduction in the production at its own facilities, as compared to 2006. In 2007, the plant produced in the factories of industrial partners 14,778 m^3 of furniture, which, added to 5,414 m^3 of the production itself, the total sales reached 20,347 m^3, optimizing production costs, against 12,515 m^3 in 2006.

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

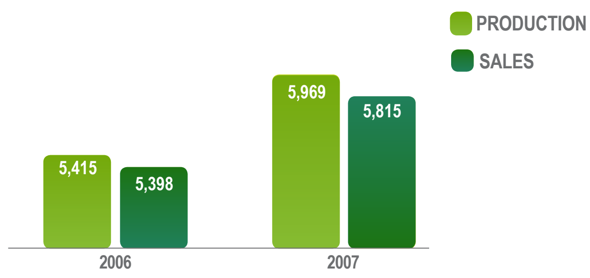
The resins division produced 5,969 tons of resins and turpentine pitch in year 2007 and placed 5,815 tons on the foreign market.

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

Production and sales of furniture in 2006 and 2007 (in m^3)



Total Production ans sales of Pitch and Turpentine in 2006 & 2007 (in tons)



SUSTAINABILITY

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

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

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

Acknowledgments in 2007

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

SOCIAL VALUE PRIZE

EXPORT QUALITY

SOCIAL MANAGEMENT YEARBOOK

THE 50 MOST ADMIRED RHS OF THE MANAGEMENT & RH MAGAZINE

THE BEST OF MONEY

BRAZILIAN ENVIRONMENTAL BENCHMARKING PROGRAM

CITIZEN ENTERPRISE

MOST REMEMBERED SUPPLIER OF THE FOOD INDUSTRIES

FRITZ MULLER PRIZE

THE 300 LARGEST FIRMS IN THE SOUTH AWARD

ECO PRIZE

Environmental Performance Indicators

Celulose Irani S.A. is the first Brazilian company to certify its Inventory of Greenhouse Effect Gases (GEG), according to international ISO 14,064 standard of 2006. The certification was carried out by BRTUV in January 2008 and verified that in year 2006 IRANI emitted 102,473 tons of carbon equivalent and removed from the atmosphere 638,630t of CO_2e, thus resulting in a net removal of 536,152 t of CO_2e. This way, IRANI's activities are Carbon-neutral, for removing more carbon from the atmosphere than it gives off.

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

Carbon Inventory

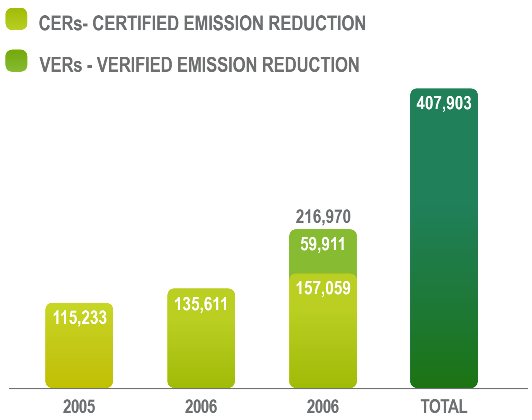
The inventory of Greenhouse Effect Gases raised by Celulose Irani S.A. Aims to verify emissions and removals from all plants of the Company, allowing their management and seeking opportunities for development of CDM projects, and generation of cardboard credits for the voluntary market.

Direct and indirect emissions of Celulose Irani S.A. represented 3.5% in 2006 and 2.07% in 2007 over the total emissions of CO_2 from the Woodpulp and Paper mills based on the National Emission Inventory of Greenhouse Effect Gases of 1994.

Total direct and indirect emissions - energy (Mg CO_2e)

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

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



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

Social Performance Indicators

Human Resources

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

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

Society

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

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

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

Investments

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

Buildings and constructions	R$ 1,201 thousand
Equipment and facilities	R$ 91,397 thousand
Foresting and re-foresting	R$ 5,526 thousand
Total	R$ 98,124 thousand

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

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

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

Stock Market

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

Dividends and Interest over Own Capital

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

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

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

Auditing Services

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

Prospects

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

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

Panoramic view of the Paper and Packaging Units, Co-generation Unit, Vila Campina da Alegria is in the background, at Vargem Bonita (SC)

Acknowledgements

Thanks to each one of the collaborators for the endeavor shown during this period, to our shareholders for the trust, and to our customers, suppliers and financial institutions for the support, which is essential to the growth and development of Celulose Irani S.A. during year 2007.

Porto Alegre, March, 2008.

THE BOARD

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500 copies.

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Printed
May 2008.

www.irani.com.br