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TOTVS S.A.

Interim financial information (ITR) at
June 30, 2017
and Independent auditor´s report on the review of interim financial information

(A free translation of the original in Portuguese)

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Company information/capital composition

Number of shares (in units)	Current quarter 6/30/2017
Paid-up capital	
Common shares	165,637,727
Preferred shares	-
Total	165,637,727
Treasury shares	
Common shares	2,233,566
Preferred shares	-
Total	2,233,566

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Company information/dividends or Interest on equity

Events	Approval	Type	Early payment	Shares	Earnings per share
Board of Directors' Meeting	12/16/2016	Interest on equity	5/10/2017	Common	0.24864
Annual Shareholders' Meeting	04/20/2017	Dividends	5/10/2017	Common	0.04515

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Individual company financial statements/ Statement of financial position - assets
(R$ thousand)

1 – Code	2 - Description	Current period 6/30/2017	Previous year 12/31/2016
1	**Total assets**	**2,180,292**	**2,208,307**
1.01	**Current assets**	**536,352**	**565,602**
1.01.01	Cash and cash equivalents	83,784	112,504
1.01.03	Trade receivables	300,135	310,089
1.01.03.01	Customer receivables	300,135	310,089
1.01.03.01.01	Trade receivables	372,215	394,382
1.01.03.01.02	Provision for doubtful accounts	(72,080)	(84,293)
1.01.06	Taxes recoverable	80,532	72,993
1.01.06.01	Current taxes recoverable	80,532	72,993
1.01.08	Other current assets	71,901	70,016
1.01.08.03	Other	71,901	70,016
1.01.08.03.01	Dividends receivables	1,793	1,793
1.01.08.03.02	Short-term investments pledged as collateral	27,233	32,165
1.01.08.03.03	Other assets	42,875	36,058
1.02	**Non-current assets**	**1,643,940**	**1,642,705**
1.02.01	Long-term receivables	129,828	125,877
1.02.01.03	Trade receivables	32,730	35,842
1.02.01.03.01	Customer receivables	32,730	35,842
1.02.01.06	Deferred taxes	30,870	30,449
1.02.01.06.01	Deferred income and social contribution taxes	30,870	30,449
1.02.01.08	Receivables from related parties	4,326	1,644
1.02.01.08.02	Receivables from subsidiaries	4,326	1,644
1.02.01.09	Other non-current assets	61,902	57,942
1.02.01.09.03	Judicial deposits	33,847	29,846
1.02.01.09.04	Long-term investments pledged as collateral	4,942	4,676
1.02.01.09.05	Others assets	23,113	23,420
1.02.02	Investments	980,622	976,201
1.02.02.01	Equity investments	980,622	976,201
1.02.02.01.01	Interests in associated	38	38
1.02.02.01.02	Interests in subsidiaries	980,584	976,163
1.02.03	Property, plant and equipment	162,721	154,126
1.02.03.01	Property, plant and equipment in service	160,914	88,626
1.02.03.03	Property, plant and equipment in progress	1,807	65,500
1.02.04	Intangible assets	370,769	386,501
1.02.04.01	Intangible assets	370,769	386,501

Individual company financial statements / Statement of financial position - liabilities and equity
(R$ thousand)

1 – Code	2 - Description	Current period 6/30/2017	Previous year 12/31/2016
2	**Total liabilities and equity**	**2,180,292**	**2,208,307**
2.01	**Current liabilities**	**437,301**	465,130
2.01.01	Social and labor obligations	128,296	105,243
2.01.01.01	Social obligations	9,024	9,383
2.01.01.02	Labor obligations	119,272	95,860
2.01.02	Trade payables	40,773	41,844
2.01.02.01	National supplier payables	40,773	41,844
2.01.03	Tax obligations	17,026	17,293
2.01.03.01	Federal tax obligations	13,742	13,648
2.01.03.02	State tax obligations	15	14
2.01.03.02	Municipal tax obligations	3,269	3,631
2.01.04	Loans and financing	183,313	180,294
2.01.04.01	Loans	164,046	165,667
2.01.04.01.01	In local currency	164,046	165,667
2.01.04.03	Finance Lease	19,267	14,627
2.01.05	Other liabilities	67,893	120,456
2.01.05.02	Other	67,893	120,456
2.01.05.02.01	Dividends and interest on capital payable	540	41,097
2.01.05.02.04	Obligations for purchases of investments	28,931	38,960
2.01.05.02.05	Commission payable	35,773	38,343
2.01.05.02.06	Other liabilities	2,649	2,056
2.02	**Non-current liabilities**	**464,070**	**521,989**
2.02.01	Loans and financing	330,382	397,991
2.02.01.01	Loans	229,613	309,952
2.02.01.01.01	In local currency	229,613	309,952
2.02.01.02	Debentures	62,232	58,784
2.02.01.03	Finance Lease	38,537	29,255
2.02.02	Other liabilities	39,062	37,467
2.02.02.01	Payables to related parties	14,168	13,247
2.02.02.01.02	Payables to subsidiaries	14,168	13,247
2.02.02.02	Other	24,894	24,220
2.02.02.02.03	Obligations for purchases of investments	18,782	17,828
2.02.02.02.04	Other liabilities	6,112	6,392
2.02.04	Provision	94,626	86,531
2.02.04.01	Tax, social security, labor and civil provision	93,637	85,323
2.02.04.01.01	Tax provision	2,123	2,259
2.02.04.01.02	Social security and labor provision	59,563	54,513
2.02.04.01.04	Civil provision	31,951	28,551
2.02.04.02	Other provision	989	1,208
2.02.04.02.04	Provision for losses on investments	989	1,208
2.03	**Equity**	**1,278,921**	**1,221,188**
2.03.01	Paid-up capital	989,841	541,374
2.03.02	Capital reserves	90,864	88,581

Individual company financial statements/ Statement of financial position - liabilities and equity
(R$ thousand)

1 – Code	2 - Description	Current period 6/30/2017	Previous year 12/31/2016
2.03.02.02	Special goodwill reserve on mergers	14,330	14,330
2.03.02.04	Share options	29,709	29,323
2.03.02.05	Treasury shares	(71,546)	(73,443)
2.03.02.07	Goodwill reserves	99,260	99,260
2.03.02.08	Debentures converted into shares	44,629	44,629
2.03.02.09	Goodwill on purchases of non-controlling interests	(25,518)	(25,518)
2.03.04	Revenue reserves	133,606	589,448
2.03.04.01	Legal reserve	79,370	79,370
2.03.04.05	Profit retention reserve	54,236	502,703
2.03.04.08	Additional proposed dividends	-	7,375
2.03.05	Profit/Loss accumulated	62,020	-
2.03.07	Cumulative adjustment for currency exchange	2,590	1,785

Individual company financial statements/statement of profit or loss

(R$ thousand)1 – Code	2 – Description	Current quarter 4/1/2017 to 6/30/2017	Accumulated - current period 1/1/2017 to 6/30/2017	Same quarter of prior year 4/1/2016 to 6/30/2016	Accumulated - prior year 1/1/2016 to 6/30/2016
3.01	**Sales and/or service revenue**	**380,618**	**781,142**	**377,454**	**765,298**
3.01.01	Licensing fees	28,869	70,075	30,723	69,836
3.01.02	Maintenance	213,864	430,479	213,572	428,181
3.01.03	Subscriptions	44,798	86,298	28,078	53,730
3.01.04	Services	93,087	194,290	105,081	213,551
3.02	**Cost of sales and/or services**	**(136,349)**	**(278,888)**	**(133,853)**	**(266,485)**
3.02.01	Cost of software	(18,678)	(36,627)	(17,030)	(31,507)
3.02.02	Cost of support	(19,942)	(40,452)	(18,608)	(36,522)
3.02.03	Cost of services	(97,729)	(201,809)	(98,215)	(198,456)
3.03	**Gross profit**	**244,269**	**502,254**	**243,601**	**498,813**
3.04	**Operating income (expenses)**	**(200,512)**	**(409,639)**	**(183,128)**	**(358,981)**
3.04.01	Selling expenses	(35,600)	(72,480)	(32,159)	(60,280)
3.04.02	General and administrative expenses	(40,060)	(77,559)	(29,678)	(57,308)
3.04.05	Other operating expenses	(132,088)	(268,202)	(119,235)	(237,989)
3.04.05.01	Research and development	(58,326)	(120,764)	(55,413)	(109,442)
3.04.05.02	Advertising expenses	(11,040)	(18,928)	(8,936)	(14,416)
3.04.05.03	Commission	(29,459)	(62,263)	(28,203)	(59,875)
3.04.05.04	Management fees	(4,240)	(9,495)	(3,171)	(6,271)
3.04.05.05	Depreciation and amortization	(24,642)	(45,564)	(17,897)	(36,856)
3.04.05.06	Provision for doubtful accounts	(5,067)	(10,859)	(5,725)	(11,650)
3.04.05.08	Other operating income and expenses, net	686	(329)	110	521
3.04.06	Equity pick-up	7,236	8,602	(2,056)	(3,404)
3.05	**Profit before finance results and taxes**	**43,757**	**92,615**	**60,473**	**139,832**
3.06	**Finance results**	**(10,050)**	**(20,450)**	**(9,851)**	**(18,950)**
3.06.01	Finance income	7,717	16,758	12,183	25,889
3.06.02	Finance costs	(17,767)	(37,208)	(22,034)	(44,839)
3.07	**Profit before taxes on income**	**33,707**	**72,165**	**50,622**	**120,882**
3.08	**Income and social contribution taxes on net income**	**(1,656)**	**(10,145)**	**(12,703)**	**(33,104)**
3.08.01	Current	3,986	(10,981)	(7,154)	(24,245)
3.08.02	Deferred	(5,642)	836	(5,549)	(8,859)

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(R$ thousand)1 – Code	2 – Description	Current quarter 4/1/2017 to 6/30/2017	Accumulated - current period 1/1/2017 to 6/30/2017	Same quarter of prior year 4/1/2016 to 6/30/2016	Accumulated - prior year 1/1/2016 to 6/30/2016
3.09	**Profit for the period from continuing operations**	**32,051**	**62,020**	**37,919**	**87,778**
3.11	**Profit for the period**	**32,051**	**62,020**	**37,919**	**87,778**
3.99	**Earnings per share - (Reais/share)**				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.20	0.38	0.23	0.54
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.19	0.38	0.23	0.53

Individual company financial statements/statement of comprehensive income
(R$ thousand)

1 – Code	2 - Description	Current quarter 4/1/2017 to 6/30/2017	Accumulated - current period 1/1/2017 to 6/30/2017	Same quarter of prior year 4/1/2016 to 6/30/2016	Accumulated - prior year 1/1/2016 to 6/30/2016
4.01	**Profit for the period**	**32,051**	**62,020**	**37,919**	**87,778**
4.02	Other comprehensive income	**3,738**	**805**	**(8,275)**	**(21,790)**
4.02.01	Cumulative adjustment for currency exchange	5,664	1,219	(12,538)	(33,014)
4.02.02	Deferred income and social contribution taxes	(1,926)	(414)	4,263	11,224
4.03	**Comprehensive income for the period**	**35,789**	**62,825**	**29,644**	**65,988**

Individual company financial statements/statement of cash flow - indirect method (R$ thousand)

1 - Code	2 - Description	Accumulated current period 6/30/2017	Accumulated same period of previous year 6/30/2016
6.01	**Net cash provided by operating activities**	131,802	117,594
6.01.01	Cash provided by operations	172,375	218,693
6.01.01.01	Profit before taxes for the period	72,165	120,882
6.01.01.02	Depreciation and amortization	45,564	36,856
6.01.01.03	Share-based payments	2,283	(669)
6.01.01.04	Losses on sales of assets	1,689	882
6.01.01.05	Provision for doubtful accounts	10,859	11,650
6.01.01.06	Equity pick-up	(8,602)	3,404
6.01.01.07	Provision for contingencies	12,801	8,087
6.01.01.08	Provision (reversal) for other obligations	5,677	-
6.01.01.09	Interest, monetary and exchange variations, net	29,939	37,601
6.01.02	**Changes in assets and liabilities**	**(11,643)**	**(72,429)**
6.01.02.01	Trade receivables	2,207	(7,612)
6.01.02.02	Other assets	(5,717)	(33,970)
6.01.02.03	Judicial deposits	(3,157)	334
6.01.02.04	Social and labor obligations	23,053	14,605
6.01.02.05	Taxes recoverable	(7,539)	(9,176)
6.01.02.06	Trade payables	(6,748)	(1,518)
6.01.02.07	Commission payable	(2,570)	(9,130)
6.01.02.08	Taxes payable	(1,648)	(17,395)
6.01.02.09	Other payables	(9,524)	(8,567)
6.01.03	Other	(28,930)	(28,670)
6.01.03.01	Interest paid	(19,330)	(22,151)
6.01.03.02	Income and social contribution taxes paid	(9,600)	(6,519)
6.02	**Net cash used in investment activities**	**(18,923)**	**(51,209)**
6.02.01	Increase in capital of subsidiaries	(4,618)	(23,005)
6.02.02	Payment of purchases of intangible assets	(9,963)	(19,552)
6.02.03	Dividends received	9,798	8,392
6.02.06	Value of fixed assets sold	1,020	696
6.02.08	Payment of purchases of property, plant and equipment	(15,160)	(17,740)
6.03	**Net cash used in financing activities**	**(141,599)**	**(184,228)**
6.03.01	Payment of principal on loans and financing	(83,926)	(82,858)
6.03.03	Payment of finance lease	(7,979)	-
6.03.04	Credit from related companies	(1,761)	432
6.03.05	Dividends and interest on capital paid	(47,933)	(97,769)
6.03.06	Treasury shares, net	-	(4,033)
6.05	**Increase (decrease) in cash and cash equivalents**	(28,720)	(117,843)
6.05.01	Cash and cash equivalents at the beginning of the period	112,504	314,405
6.05.02	Cash and cash equivalents at the end of the period	83,784	196,562

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Individual company financial statements/statement of changes in equity - 1/1/2017 to 6/30/2017
(R$ thousand)

1 - Code	2 – Description	Paid-up share capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity
5.01	**Opening balances**	**541,374**	**88,581**	**589,448**	**-**	**1,785**	**1,221,188**
5.03	**Adjusted opening balances**	**541,374**	**88,581**	**589,448**	**-**	**1,785**	**1,221,188**
5.04	**Capital transactions with owners**	**448,467**	**2,283**	**(455,842)**	**-**	**-**	**(5,092)**
5.04.01	Increase capital	448,467	-	(448,467)	-	-	-
5.04.03	Share options recorded	-	2,283	-	-	-	2,283
5.04.04	Dividends			(7,375)	-	-	(7,375)
5.04.07	Interest on capital – distributed	-	-	-	-	-	-
5.05	**Total comprehensive income**	**-**	**-**	**-**	**62,020**	**805**	**62,825**
5.05.01	Profit for the period	-	-	-	62,020	-	62,020
5.05.02	Other comprehensive income	-	-	-	-	805	805
5.05.02.04	Adjustment for currency exchange	-	-	-	-	805	805
5.07	**Closing balances**	**989,841**	**90,864**	**133,606**	**62,020**	**2,590**	**1,278,921**

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Individual company financial statements/statement of changes in equity - 1/1/2016 to 6/30/2016
(R$ thousand)

1 - Code	2 – Description	Paid-up share capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity
5.01	**Opening balances**	**541,374**	**88,201**	**586,782**	**-**	**21,329**	**1,237,686**
5.03	**Adjusted opening balances**	**541,374**	**88,201**	**586,782**	**-**	**21,329**	**1,237,686**
5.04	**Capital transactions with owners**	**-**	**(4,702)**	**(66,579)**	**-**	**-**	**(71,281)**
5.04.03	Share options recorded	-	(669)	-	-	-	(669)
5.04.04	Purchases of treasury shares	-	(4,033)	-	-	-	(4,033)
5.04.06	Dividends	-	-	(66,579)	-	-	(66,579)
5.05	**Total comprehensive income**	**-**	**-**	**-**	**87,778**	**(21,790)**	**65,988**
5.05.01	Profit for the period	-	-	-	87,778	-	87,778
5.05.02	Other comprehensive income	-	-	-	-	(21,790)	(21,790)
5.05.02.04	Adjustment for currency exchange	-	-	-	-	(21,790)	(21,790)
5.07	**Closing balances**	**541,374**	**83,499**	**520,203**	**87,778**	**(461)**	**1,232,393**

Individual company financial statements/statement of value added
(R$ thousand)

1 – Code	2 - Description	Accumulated current period 6/30/2017	Accumulated same period of previous year 6/30/2016
7.01	**Revenue**	**867,353**	**850,369**
7.01.01	Sale of goods and services	878,545	861,497
7.01.02	Other expenses	(333)	522
7.01.04	Provision for (reversal of) doubtful accounts	(10,859)	(11,650)
7.02	**Inputs acquired from third parties**	**(270,119)**	**(256,491)**
7.02.01	Cost of sales and services	(36,631)	(31,508)
7.02.02	Materials, energy, outsourced services and other	(233,488)	(224,983)
7.03	**Gross value added**	597,234	593,878
7.04	**Retentions**	(45,564)	(36,856)
7.04.01	Depreciation, amortization and depletion	(45,564)	(36,856)
7.05	**Net value added generated**	**551,670**	**557,022**
7.06	**Value added received through transfers**	**25,360**	**22,485**
7.06.01	Equity in the results of subsidiaries	8,602	(3,404)
7.06.02	Finance income	16,758	25,889
7.07	**Total value added to distribute**	**577,030**	**579,507**
7.08	**Distribution of value added**	**577,030**	**579,507**
7.08.01	Personnel	340,863	290,186
7.08.01.01	Direct remuneration	279,555	235,064
7.08.01.02	Benefits	37,545	34,367
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	23,763	20,755
7.08.02	Taxes and contributions	125,658	144,596
7.08.02.01	Federal	104,700	123,667
7.08.02.02	State	9	(9)
7.08.02.03	Municipal	20,949	20,938
7.08.03	Remuneration of third party capital	48,489	56,947
7.08.03.01	Interest	37,208	44,839
7.08.03.02	Rent	11,281	12,108
7.08.04	Remuneration of own capital	62,020	87,778
7.08.04.03	Profits reinvested	62,020	87,778

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Consolidated financial statements/ Statement of financial position - assets
(R$ thousand)

1 - Code	2 – Description	Current period 6/30/2017	Previous year 12/31/2016
1	**Total assets**	**2,411,178**	**2,443,912**
1.01	**Current assets**	**944,138**	**951,736**
1.01.01	Cash and cash equivalents	191,438	214,772
1.01.03	Trade receivables	458,617	464,187
1.01.03.01	Customer receivables	458,617	464,187
1.01.03.01.01	Trade receivables	553,018	569,370
1.01.03.01.02	Provision for doubtful accounts	(94,401)	(105,183)
1.01.04	Inventories, net	41,783	28,219
1.01.06	Taxes recoverable	125,531	122,521
1.01.06.01	Current taxes recoverable	125,531	122,521
1.01.08	Other current assets	126,769	122,037
1.01.08.03	Other	126,769	122,037
1.01.08.03.01	Short-term investments pledged as collateral	71,442	74,027
1.01.08.03.02	Other assets	55,327	48,010
1.02	**Non-current assets**	**1,467,040**	**1,492,176**
1.02.01	Long-term receivables	287,079	286,420
1.02.01.03	Trade receivables	33,926	36,913
1.02.01.03.01	Customer receivables	33,926	36,913
1.02.01.06	Deferred taxes	88,020	88,658
1.02.01.06.01	Deferred income and social contribution taxes	88,020	88,658
1.02.01.09	Other non-current assets	165,133	160,849
1.02.01.09.03	Judicial deposits	45,150	40,903
1.02.01.09.04	Financial assets at fair value	57,645	56,800
1.02.01.09.05	Taxes recoverable	22,051	21,572
1.02.01.09.06	Long-term investments pledged as collateral	11,717	11,137
1.02.01.09.07	Other assets	28,570	30,437
1.02.02	Investments	1,557	1,350
1.02.02.01	Equity investments	1,557	1,350
1.02.02.01.01	Interests in associated	1,557	1,350
1.02.03	Property, plant and equipment	184,872	176,270
1.02.03.01	Property, plant and equipment in service	183,067	110,770
1.02.03.03	Property, plant and equipment in progress	1,805	65,500
1.02.04	Intangible assets	993,532	1,028,136
1.02.04.01	Intangible assets	339,484	374,640
1.02.04.02	Goodwill	654,048	653,496

Consolidated financial statements/ Statement of financial position - liabilities and equity
(R$ thousand)

1 – Code	2 - Description	Current period 6/30/2017	Previous year 12/31/2016
2	**Total liabilities and equity**	**2,411,178**	**2,443,912**
2.01	**Current liabilities**	**610,416**	**624,197**
2.01.01	Social and labor obligations	171,670	140,539
2.01.01.01	Social obligations	15,650	16,314
2.01.01.02	Labor obligations	156,020	124,225
2.01.02	Trade payables	86,333	73,553
2.01.02.01	National supplier payables	80,279	69,245
2.01.02.02	International suppliers	6,054	4,308
2.01.03	Tax obligations	27,115	28,141
2.01.03.01	Federal tax obligations	22,667	23,536
2.01.03.02	State tax obligations	4,237	4,393
2.01.03.03	Municipal tax obligations	211	212
2.01.04	Loans and financing	206,752	208,123
2.01.04.01	Loans	175,979	181,340
2.01.04.01.01	In local currency	175,979	181,340
2.01.04.02	Debentures	11,434	12,111
2.01.04.03	Finance Lease	19,339	14,672
2.01.05	Other liabilities	118,546	173,841
2.01.05.02	Other	118,546	173,841
2.01.05.02.01	Dividends and interest on capital payable	991	41,561
2.01.05.02.04	Obligations for purchases of investments	73,140	80,822
2.01.05.02.05	Commission payable	40,511	43,198
2.01.05.02.06	Other liabilities	3,904	8,260
2.02	**Non-current liabilities**	**521,654**	**598,799**
2.02.01	Loans and financing	367,785	444,279
2.02.01.01	Loans	252,040	336,384
2.02.01.01.01	In local currency	252,040	336,384
2.02.01.02	Debentures	77,071	78,550
2.02.01.03	Finance Lease	38,674	29,345
2.02.02	Other liabilities	52,778	52,295
2.02.02.02	Other	52,778	52,295
2.02.02.02.03	Obligations for purchases of investments	46,641	45,886
2.02.02.02.04	Other liabilities	6,137	6,409
2.02.04	Provision	101,091	102,225
2.02.04.01	Tax, social security, labor and civil provision	101,091	102,225
2.02.04.01.01	Tax provision	3,772	13,879
2.02.04.01.02	Social security and labor provision	64,274	58,816
2.02.04.01.04	Civil provision	33,045	29,530

(A free translation of the original in Portuguese)

Consolidated financial statements/ statement of financial position - liabilities and equity
(R$ thousand)

1 - Code	2 – Description	Current period 6/30/2017	Previous year 12/31/2016
2.03	**Equity**	**1,279,108**	**1,220,916**
2.03.01	Paid-up capital	989,841	541,374
2.03.02	Capital reserves	90,864	88,581
2.03.02.02	Special goodwill reserve on mergers	14,330	14,330
2.03.02.04	Share options	29,709	29,323
2.03.02.05	Treasury shares	(71,546)	(73,443)
2.03.02.07	Goodwill reserve	99,260	99,260
2.03.02.08	Debentures converted into shares	44,629	44,629
2.03.02.09	Goodwill on purchases of non-controlling interests	(25,518)	(25,518)
2.03.04	Profit reserve	133,606	589,448
2.03.04.01	Legal reserve	79,370	79,370
2.03.04.05	Profit retention reserve	54,236	502,703
2.03.04.08	Additional proposed dividends	-	7,375
2.03.05	Profit/Loss accumulated	62,020	-
2.03.07	Cumulative adjustment for currency exchange	2,590	1,785
2.03.09	Participation of non-controlling shareholders	187	(272)

Consolidated financial statements/statement of profit or loss
(R$ thousand)

1 – Code	2 – Description	Current quarter 4/1/2017 to 6/30/2017	Accumulated - current period 1/1/2017 to 6/30/2017	Same quarter of prior year 4/1/2016 to 6/30/2016	Accumulated - prior year 1/1/2016 to 6/30/2016
3.01	**Sales and/or service revenue**	**550,533**	**1,110,666**	**544,913**	**1,096,333**
3.01.01	Licensing fees	40,470	89,710	39,600	91,144
3.01.02	Maintenance	252,280	508,765	250,214	501,849
3.01.03	Subscriptions	74,064	142,482	54,289	106,396
3.01.04	Services	121,956	250,601	141,156	281,519
3.01.05	Hardware	61,763	119,108	59,654	115,425
3.02	**Cost of sales and/or services**	**(212,525)**	**(429,407)**	**(219,810)**	**(435,369)**
3.02.01	Cost of software	(21,643)	(42,477)	(20,709)	(38,220)
3.02.02	Cost of support	(32,600)	(65,051)	(32,813)	(64,475)
3.02.03	Cost of services	(119,869)	(247,568)	(126,607)	(254,433)
3.02.04	Cost of hardware	(38,413)	(74,311)	(39,681)	(78,241)
3.03	**Gross profit**	**338,008**	**681,259**	**325,103**	**660,964**
3.04	**Operating income (expenses)**	**(290,246)**	**(579,669)**	**(259,182)**	**(512,441)**
3.04.01	Selling expenses	(58,100)	(116,703)	(52,439)	(100,134)
3.04.02	General and administrative expenses	(50,724)	(101,401)	(44,552)	(88,516)
3.04.05	Other operating expenses	(181,422)	(361,565)	(162,191)	(323,791)
3.04.05.01	Research and development	(85,979)	(171,901)	(77,592)	(152,389)
3.04.05.02	Advertising expenses	(13,384)	(22,652)	(12,026)	(20,303)
3.04.05.03	Commission	(34,674)	(72,001)	(33,319)	(71,041)
3.04.05.04	Management fees	(4,755)	(10,653)	(4,050)	(8,235)
3.04.05.05	Depreciation and amortization	(37,672)	(71,232)	(30,122)	(61,270)
3.04.05.06	Provision for doubtful accounts	(7,915)	(16,748)	(7,300)	(14,953)
3.04.05.07	Government subsidy	1,954	4,591	2,509	4,218
3.04.05.08	Other net revenue	1,003	(969)	(291)	182
3.05	**Profit before finance results and taxes**	**47,762**	**101,590**	**65,921**	**148,523**
3.06	**Finance results**	**(6,664)**	**(18,195)**	**(12,732)**	**(23,258)**
3.06.01	Finance income	12,433	26,318	18,093	38,297
3.06.02	Finance costs	(19,097)	(44,513)	(30,825)	(61,555)

(A free translation of the original in Portuguese)

1 – Code	2 – Description	Current quarter 4/1/2017 to 6/30/2017	Accumulated - current period 1/1/2017 to 6/30/2017	Same quarter of prior year 4/1/2016 to 6/30/2016	Accumulated - prior year 1/1/2016 to 6/30/2016
3.07	**Profit before taxes on income**	**41,098**	**83,395**	**53,189**	**125,265**
3.08	**Income and social contribution taxes on net income**	**(8,931)**	**(21,066)**	**(15,478)**	**(37,791)**
3.08.01	Current	231	(20,639)	(12,760)	(35,879)
3.08.02	Deferred	(9,162)	(427)	(2,718)	(1,912)
3.09	**Profit for the period from continuing operations**	**32,167**	**62,329**	**37,711**	**87,474**
3.11	**Profit for the period**	**32,167**	**62,329**	**37,711**	**87,474**
3.11.01	Attributable to parent company's partners	32,051	62,020	37,919	87,778
3.11.02	Attributable to non-controlling partners	116	309	(208)	(304)
3.99	**Earnings per share - (Reais/share)**				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.20	0.38	0.23	0.54
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.20	0.38	0.23	0.53

Consolidated financial statements/statement of comprehensive income
(R$ thousand)

1 – Code	2 – Description	Current quarter 4/1/2017 to 6/30/2017	Accumulated - current period 1/1/2017 to 6/30/2017	Same quarter of prior year 4/1/2016 to 6/30/2016	Accumulated - prior year 1/1/2016 to 6/30/2016
4.01	**Profit for the period**	**32,167**	**62,329**	**37,711**	**87,474**
4.02	**Other comprehensive income**	**3,738**	**805**	**(8,275)**	**(21,790)**
4.02.01	Cumulative adjustment for currency exchange	5,664	1,219	(12,538)	(33,014)
4.02.02	Deferred income and social contribution taxes	(1,926)	(414)	4,263	11,224
4.03	**Comprehensive income for the period**	**35,905**	**63,134**	**29,436**	**65,684**
4.03.01	Attributable to the parent company's partners	35,789	62,825	29,644	65,988
4.03.02	Attributable to non-controlling partners	116	309	(208)	(304)

Consolidated financial statements/statement of cash flow - indirect method
(R$ thousand)

1 – Code	2 - Description	Accumulated current period 6/30/2017	Accumulated same period of previous year 6/30/2016
6.01	**Net cash provided by operating activities**	**161,655**	**106,842**
6.01.01	**Cash provided by operations**	**219,703**	**244,745**
6.01.01.01	Profit before taxes for the period	83,395	125,265
6.01.01.02	Depreciation and amortization	72,940	62,979
6.01.01.03	Share-based payments	2,283	(669)
6.01.01.04	Losses on sales of assets	1,669	1,312
6.01.01.05	Provision for doubtful accounts	16,748	14,953
6.01.01.06	Provision for contingencies	8,341	6,815
6.01.01.07	Provision (reversal) for other obligations	5,870	-
6.01.01.08	Interest, monetary and exchange variations, net	28,457	34,090
6.01.02	Changes in assets and liabilities	(19,480)	(98,137)
6.01.02.01	Trade receivables	(8,191)	(9,559)
6.01.02.02	Stock	(13,564)	(1,587)
6.01.02.03	Other assets	(4,860)	(32,289)
6.01.02.04	Judicial deposits	(3,403)	179
6.01.02.05	Social and labor obligations	31,131	17,825
6.01.02.06	Taxes recoverable	(3,489)	(5,470)
6.01.02.07	Trade payables	6,910	(20,859)
6.01.02.08	Commission payable	(2,687)	(9,317)
6.01.02.10	Taxes payable	(6,028)	(22,949)
6.01.02.11	Other payables	(15,299)	(14,111)
6.01.03	Other	(38,568)	(39,766)
6.01.03.01	Interest paid	(22,931)	(27,119)
6.01.03.02	Income and social contribution taxes paid	(15,637)	(12,647)
6.02	**Net cash used in investment activities**	**(32,196)**	**(50,403)**
6.02.02	Payment of purchases of intangible assets	(13,138)	(30,859)
6.02.03	Value of fixed assets sold	1,065	869
6.02.05	Payment of purchases of property, plant and equipment	(20,123)	(20,413)
6.03	**Net cash used in financing activities**	**(152,793)**	**(187,566)**
6.03.01	Payment of principal on loans and financing	(91,828)	(84,723)
6.03.02	Payment of principal on debentures	(5,004)	(7,976)
6.03.03	Payment of finance lease	(8,015)	-
6.03.05	Dividends and interest on capital paid	(47,946)	(97,769)
6.03.06	Treasury shares, net	-	(4,033)
6.03.07	Bank borrowing	-	6,935
6.05	**Increase (decrease) in cash and cash equivalents**	**(23,334)**	**(131,127)**
6.05.01	Cash and cash equivalents at the beginning of the period	214,772	426,415
6.05.02	Cash and cash equivalents at the end of the period	191,438	295,288

Consolidated financial statements/statement of changes in equity - 1/1/2017 to 6/30/2017
(R$ thousand)

1 - Code	2 - Description	Paid-up share capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	**Opening balances**	**541,374**	**88,581**	**589,448**	**-**	**1,785**	**1,221,188**	**(272)**	**1,220,916**
5.03	**Adjusted opening balances**	**541,374**	**88,581**	**589,448**	**-**	**1,785**	**1,221,188**	**(272)**	**1,220,916**
5.04	**Capital transactions with owners**	**448,467**	**2,283**	**(455,842)**	**-**	**-**	**(5,092)**	**150**	**(4,942)**
5.04.01	Increase capital	448,467	-	(448,467)	-	-	-	150	150
5.04.03	Stock options plan	-	2,283		-	-	2,283	-	2,283
5.04.04	Dividends	-	-	(7,375)	-	-	(7,375)	-	(7,375)
5.05	**Total comprehensive income**	**-**	**-**	**-**	**62,020**	**805**	**62,825**	**309**	**63,134**
5.05.01	Profit for the period	-	-	-	62,020	-	62,020	309	62,329
5.05.02	Other comprehensive income	-	-	-	-	805	805	-	805
5.05.02.04	Adjustment for currency exchange	-	-	-	-	805	805	-	805
5.07	**Closing balances**	**989,841**	**90,864**	**133,606**	**62,020**	**2,590**	**1,278,921**	**187**	**1,279,108**

Consolidated financial statements/statement of changes in equity - 1/1/2016 to 6/30/2016
(R$ thousand)

1 - Code	2 - Description	Paid-up share capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	**Opening balances**	**541,374**	**88,201**	**586,782**	**-**	**21,329**	**1,237,686**	**46**	**1,237,732**
5.03	**Adjusted opening balances**	**541,374**	**88,201**	**586,782**	**-**	**21,329**	**1,237,686**	**46**	**1,237,732**
5.04	**Capital transactions with owners**	**-**	**(4,702)**	**(66,579)**	**-**	**-**	**(71,281)**	**72**	**(71,209)**
5.04.01	Increase capital	-	-	-	-	-	-	72	72
5.04.03	Stock options plan	-	(669)	-	-	-	(669)	-	(669)
5.04.04	Purchases of treasury shares	-	(4,033)	-	-	-	(4,033)	-	(4,033)
5.04.06	Dividends	-	-	(66,579)	-	-	(66,579)	-	(66,579)
5.05	**Total comprehensive income**	**-**	**-**	**-**	**87,778**	**(21,790)**	**65,998**	**(304)**	**(65,684)**
5.05.01	Profit for the period	-	-	-	87,778	-	87,778	(304)	87,474
5.05.02	Other comprehensive income	-	-	-	-	(21,790)	(21,790)	-	(21,790)
5.05.02.04	Adjustment for currency exchange	-	-	-	-	(21,790)	(21,790)	-	(21,790)
5.07	**Closing balances**	**541,374**	**83,499**	**520,203**	**87,778**	**(461)**	**1,232,393**	**(186)**	**1,232,207**

Consolidated financial statements/statement of value added

1 - Code	2 – Description	Accumulated current period 6/30/2017	Accumulated same period of previous year 6/30/2016
7.01	**Revenue**	**1,241,526**	**1,226,076**
7.01.01	Sales of goods and services	1,254,650	1,236,540
7.01.02	Other expenses	3,624	4,489
7.01.04	Provision for (reversal of) doubtful accounts	(16,748)	(14,953)
7.02	**Inputs acquired from third parties**	**(410,741)**	**(418,174)**
7.02.01	Cost of sales and services	(113,802)	(124,415)
7.02.02	Materials, energy, outsourced services and other	(296,939)	(293,759)
7.03	**Gross value added**	**830,785**	**807,902**
7.04	**Retentions**	**(72,940)**	**(62,979)**
7.04.01	Depreciation, amortization and depletion	(72,940)	(62,979)
7.05	**Net value added generated**	**757,845**	**744,923**
7.06	**Value added received through transfers**	**26,318**	**38,297**
7.06.02	Finance income	26,318	38,297
7.07	**Total value added to distribute**	**784,163**	**783,220**
7.08	**Distribution of value added**	**784,163**	**783,220**
7.08.01	Personnel	461,267	409,849
7.08.01.01	Direct remuneration	379,103	333,008
7.08.01.02	Benefits	50,656	49,055
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	31,508	27,786
7.08.02	Taxes and contributions	196,784	204,830
7.08.02.01	Federal	157,335	167,124
7.08.02.02	State	12,467	10,867
7.08.02.03	Municipal	26,982	26,839
7.08.03	Remuneration of third-party capital	63,783	81,067
7.08.03.01	Interest	44,513	61,555
7.08.03.02	Rental	19,270	19,832
7.08.03.03	Other	-	(320)
7.08.04	Remuneration of own capital	62,329	87,474
7.08.04.03	Profits reinvested	62,020	87,778
7.08.04.04	Non-controlling interest in retained earnings	309	(304)

(A free translation of the original in Portuguese)

Comments on performance

Financial performance and consolidated result

Net revenue totaled R$550,533 thousand in 2Q17, up 1.0% from 2Q16, resulting from: (i) the Company's initiatives to capture the software market's growth, including the sales of business solutions by industry sector, productivity and collaboration platforms, cloud infrastructure and mobile solutions to its clients; (ii) the growth of recurring revenues from subscription; and (iii) the growth of hardware revenues.

Licensing revenue grew 2.2% year on year, mainly reflecting the increase in average ticket resulting from the higher participation of sales to large clients.

Maintenance revenue increased 0.8% year on year in 2Q17 and was negatively affected by: (i) the lower volume of license sales in previous periods; (ii) the increase in client defaults; (iii) the higher volume of partial cancellation of maintenance contracts due to layoffs at clients; and (iv) the decline in the IGP-M index in the last 12 months.

Subscription revenue increased 36.4% year on year and totaled R$74,064 thousand. This growth is mainly due to the higher share of new sales to small and medium clients, especially under TOTVS Intera.

Service revenue decreased 13.6% year on year because of: (i) the 8.8% decline in software implementation services in the period; and (ii) the 21.4% decrease in services not related to software implementation, which accounted for 34.4% of total service revenue in 2Q17.

Hardware revenue grew 3.5% year over year and totaled R$61,763 thousand in 2Q17, mainly driven by the 8.9% growth in sales of non-fiscal hardware solutions, which accounted for 74.9% of hardware revenue in the quarter.

The cost of software increased 4.5% in 2Q17, when compared to the same quarter of 2016, reflecting mainly the share of complementary solutions provided by partners in the sales in the period.

The cost of support decreased 0.6% in the year on year comparison, mainly due to efficiency gains of support teams as a consequence of the investments made in previous periods in the client services and support processes, involving adjustments to routines, teams and the Company's client service systems.

The cost of services decreased 5.3% in 2Q17 when compared to the 2Q16, mainly due to the organizational restructuring carried out by the Company in 4Q16, which reduced recurring personnel expenses since 1Q17; and (ii) the drop in service revenue.

The cost of hardware, which includes the cost of the equipment and technical assistance services provided by subsidiary Bematech, reduced 3.2% year on year, despite the growth of hardware revenues, mainly because of the exchange rate variation effect on costs in the period. It is worth mentioning that the hardware cost also includes the depreciation expense of R$852 thousand.

Research and development expenses grew 10.8% in 2Q17, versus 2Q16. This growth results mainly from the collective wage adjustments made throughout the past 12 months.

Advertising and marketing expenses in 2Q17 increased 11.3% year on year and is chiefly explained by the collective wage adjustments and contracts adjustments with suppliers made throughout the year.

Selling expenses totaled R$58.100 thousand in 2Q17, a 10.8% growth over 2Q16, and the commissions expenses grew 4.1% when comparing to the 2Q16, totaling R$34,674 thousand. When taken together, the sum of these expenses increased its share over net revenue, mainly reflecting (i) the change in sales mix between franchises and own branches; and (ii) the higher volume of software sales in the subscription model.

General and administrative expenses in 2Q17 increased 13.9% in 2Q17 to R$50,724 thousand. This variation was affected by the reversal of the provision for contingencies related to the PIS and COFINS payment made through judicial deposits by Bematech due to the inclusion of ICMS in the calculation base of these contributions, in the amount of R$4,288 thousand.

Management fees grew 17.4% growth over 2Q16 mainly as a result of the provision for bonus for achievement of financial and individual targets of executives in the period.

Depreciation and amortization expenses in 2Q17 increased 25.1% year on year, primarily due to the combination of (i) the amortization of intangible assets resulting from corporate reorganization with Bematech; (ii) the start of assets depreciation of the Company's new headquarters in São Paulo.

Allowance for doubtful accounts corresponded to 1.4% in 2Q17, compared to 1.3% in 2Q16. This allowance reflects the delinquency level observed in the business during the period.

The negative financial result (financial revenues net of financial expenses) was 47.7% lower than 2Q16 negative financial result, reflecting mainly: (i) the monetary reversal related to the provision for PIS and COFINS payment made through judicial deposits by Bematech; and (ii) the 14.9% drop of net debt.

Income tax and social contribution expenses decreased 42.3% in 2Q17, when compared to 2Q16. This reduction is primarily a consequence of: (i) the deferred income tax resulting from the adjustment to present value of the long-term obligations in 2Q17, which totaled R$2,381 thousand; and (ii) the drop in earnings before taxes (EBT).

Net income decreased 14.7% in 2Q17 year on year. The net income variation in the period is largely due to: (i) the reduction of 27.5% of the earnings before financial effects and equity income; (ii) the lower negative financial result of the quarter; and (iii) the growth of depreciation and amortization expenses.

EBITDA (*) for the quarter totaled R$86,286 thousand, 11.0% lower than 2Q16. The Adjusted EBITDA totaled R$81,998 thousand, 15.4% lower that 2Q16 EBITDA, despite the increase in the software and hardware results, as shown below:

	Consolidated		
	2Q17	**2Q16**	**Change**
Net Income	**32,167**	**37,711**	**-14.7%**
Income Tax and Social Contribution	8,931	15,478	-42.3%
Financial result	6,664	12,732	-47.7%
Depreciation and amortization	38,524	30,979	24.4%
EBITDA	**86,286**	**96,900**	**-11.0%**
Reversal of provisions for contingencies	(4,288)	-	-
ADJUSTED EBITDA	**81,998**	**96,900**	**-15.4%**

This decrease is mainly a result of: (i) the reduction in contribution margin from services, and (ii) the increase in selling and administrative expenses in the period. Adjusted EBITDA margin ended the quarter at 14.9%, compared to 17.8% in 2Q16, due to the events already described in previous comments of each line.

(*) EBITDA is a non-accounting measure prepared by the Company and consists of net income for the year, plus income taxes, financial expenses net of financial revenues, and depreciation and amortization. Adjusted EBITDA represents EBITDA, net of extraordinary effects related to the reversal of the provision for contingencies related to the PIS and COFINS payment made through judicial deposits by Bematech due to the inclusion of ICMS in the calculation base of these contributions, in the amount of R$4,288 thousand.

(A free translation of the original in Portuguese)

Notes to the financial statements

1. The Company and its operations

a) General information

TOTVS S.A. ("parent company", "TOTVS" or the "Company") is a publicly-held corporation headquartered at Rua Desembargador Euclides da Silveira, 232, in the City and State of São Paulo, having its shares traded on the *Novo Mercado* of BM&FBOVESPA – Brazilian Securities, Commodities and Futures Exchange.

b) Operations

The Company's business purpose is to provide business solutions for companies of all sizes, through the development and sale of management software, productivity and collaboration platform, as well as the provision of implementation, consulting, assistance and maintenance services. With the corporate restructuring of Bematech in 2015, the Company included hardware manufacturing and sale activities, combining specialized solutions for system management, point of sale (POS), commercial automation, tax solutions, e-commerce, mobility and payment methods. The solutions developed by the Company and its subsidiaries are segmented according to the diverse sectors of the economy, resulting in greater importance of the solutions within the business context of our clients.

2. Basis of presentation and preparation of the interim financial statements

2.1. Statement of Compliance

The individual and consolidated interim financial infomation were prepared and are presented in accordance with the accounting practices adopted in Brazil, which comprise Brazilian Securities and Exchange Comission (CVM) deliberations and Brazilian Accounting Pronouncements Committee (CPC) pronouncements, guidelines and interpretations issued by the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). All significant information in the individual and consolidated iterim financial statements, and solely such information, are disclosed and correspond to that used by management in its administration.

2.2. Basis of presentation

All amounts presented in these interim financial statements are expressed in thousands of reais, except where otherwise indicated. Because the figures have been rounded, they may not add up precisely to their respective totals.

TOTVS's individual and consolidated Interim Financial Information were approved at a Board of Directors Meeting held on July 31, 2017.

Non-financial data included in this report, such as the number of clients, average tickets, market share, and other data items were not reviewed by our independent auditors.

The principal accounting policies applied in preparing this interim financial information have been consistently applied to the periods presented. This interim financial information does not include all of the information required for annual or complete financial statements, and therefore should be read together with the Company's complete financial statements for the year ended December 31, 2016.

2.3. Basis of preparation

The individual and consolidated Interim financial statements were prepared using historical cost as the valuation basis, except for the valuation of certain assets and liabilities, such as business combination and financial instruments, which were measured at their fair value.

(a) Consolidated financial statements

The consolidated financial statements were prepared in accordance with CPC 21 - R1 (IAS 34), which is applicable to the preparation of interim financial information, and in a manner consistent with the accounting practices adopted in Brazil, including the standards issued by the CVM applicable to ITRs (Quartely Information).

(b) Individual financial statements

The individual financial statements have been prepared in accordance with CPC 21(R1), applicable to the preparation of interim financial information, and in a manner consistent with the standards issued by the CVM applicable to ITRs, and are disclosed in conjunction with the consolidated financial statements.

(c) Changes in accounting policies and disclosure

There are no new pronouncements or interpretations of CPCs/IASB effective from 2017 that could have a significant impact on the Company's interim financial information.

2.4. Consolidated interim financial information

The consolidated interim financial information includes the Company's operations and those of the following subsidiaries, in which the percentage interests held by the Company on its statement of financial position are shown below:

Direct Investments:

	Head			Interest %	
Corporate Name	**office**	**Denomination**	Obs.	**6/30/2017**	**12/31/2016**
TOTVS Serviços Ltda.	BRA	TOTVS Serviços		100.00	100.00
TOTVS Nordeste Software Ltda.	BRA	TOTVS Nordeste		100.00	100.00
TOTVS Brasília Software Ltda.	BRA	TOTVS Brasília		100.00	100.00
TQTVD Software Ltda.	BRA	TQTVD		100.00	100.00
TOTVS Ventures Participações Ltda.	BRA	TOTVS Ventures		100.00	100.00
TOTVS Argentina S.A.	ARG	TOTVS Argentina		100.00	100.00
Datasul Argentina S.A.	ARG	Datasul Argentina		100.00	100.00
TOTVS México S.A.	MEX	TOTVS México		100.00	100.00

Datasul S.A. de CV.	MEX	Datasul México		100.00	100.00
TOTVS Corporation	BVI	TOTVS Corporation		100.00	100.00
TOTVS Incorporation	USA	TOTVS Inc.		100.00	100.00
Virtual Age Soluções em Tecnologia Ltda.	BRA	Virtual Age		100.00	100.00
Neolog Consultoria e Sistemas S.A.	BRA	Neolog		60.00	60.00
Ciashop Soluções para Comércio Eletrônico S.A.	BRA	Ciashop		70.00	70.00
Bematech S.A.	BRA	Bematech		100.00	100.00
TFS Soluções em software Ltda.	BRA	TFS	(i)	100.00	-

Indirect Investments:

					Interest %	
Corporate Name	**Head office**	**Denomination**	**Investor**	**Obs.**	**6/30/2017**	**12/31/2016**
DTS Consulting Partner. SA de CV	MEX	Partner	TOTVS México		100.00	100.00
PC Informática S.A.	BRA	PC Informática	TOTVS Brasília	(ii)	-	100.00
RMS Software S.A.	BRA	RMS	TOTVS Nordeste		100.00	100.00
Webstrategie Software Ltda.	BRA	Webstrategie	RMS		100.00	100.00
Kerina Software Ltda.	BRA	Kerina	TQTVD		100.00	100.00
Bematech Ásia Co.Ltd.	TWN	Bematech Ásia	Bematech S.A.		100.00	100.00
Bematech Argentina S.A.	ARG	Bematech Argentina	Bematech S.A.		100.00	100.00
CMNet Soluções em Informática e Agência de Viagens e Turismo S.A.	BRA	CMNet Soluções	Bematech S.A.		100.00	100.00
Bematech Internacional Corp.	EUA	BIC	Bematech S.A.		100.00	100.00
Logic Controls, Inc	EUA	Logic Controls	Bematech Inter. Corp.		100.00	100.00
FICE - Bematech Foshan Shunde Ltd.	CHN	FICE	Logic Controls, Inc		100.00	100.00
CMNet Participações S.A.	BRA	CMNet Partipações	Bematech S.A.		100.00	100.00
CM Soluciones - Argentina	ARG	CMNet Argentina	CMNet Participações		100.00	100.00
CMDIR - Soluções Informática, Lda - Portugal	PRT	CMNet Portugal	CMNet Participações		100.00	100.00
CM Soluciones - Chile	CHL	CMNet Chile	CMNet Participações		100.00	100.00
CMNet España	ESP	CMNet Espanha	CMDIR - Soluções		100.00	100.00
RJ Participações S.A.	BRA	RJ Participações	Bematech S.A.		100.00	100.00
R.J. Consultores en Sistemas de Información S.C.	MEX	RJ México	RJ Participações		100.00	100.00
R.J. Consultores e Informática Ltda.	BRA	RJ Consultores	RJ Participações		100.00	100.00
National Computer Corporation	RUS	JV Russia	TOTVS México		19.00	19.00

(i) Company created in March, 2017. This entity is being consolidated by the Company, but at the present moment its operations is immaterial to the consolidated.

(ii) Merger of PC Informática by TOTVS Brasilia on April 28,2017 according Extraordinary Shareholders´Meeting (see note 3).

All intercompany balances and transactions have been eliminated in the consolidation.

2.5. Critical accounting estimates and assumptions

Accounting estimates and assumptions are continually assessed, and are based on historical experience and other factors, including expected future events that are considered to be relevant. Accounting estimates will rarely be equal to the actual results.

For the six-month period ended June 30, 2017, there were no changes in estimates and assumptions entailing a significant risk of causing relevant adjustments to the book values of assets and liabilities for the current fiscal year, in relation to the latest annual financial statements.

3. Corporate restructuring

TOTVS Brasilia merged the equity of PC Informática on April 30, 2017, recorded at book value, shown in the table below:

Statement of financial position	PC Sistemas
Base date	**3/31/2017**
Current Assets	34,306
Cash	16,044
Trade accounts receivable, net	14,970
Others	3,292
Non-current assets	10,583
Long-term assets	3,599
Property, plant and equipment	4,340
Intangible assets	2,644
Current liabilities	14,646
Equity	**30,243**

In accordance with the merger protocols approved by the Extraordinary Shareholders´Meetings of TOTVS Brasilia held on April 28,2017, the net assets of the subsidiaries were valued by experts who issued their valuation reports of the companies, according to the base date mentioned above. Changes to equity after the base date until the effective merger date were absorbed by TOTVS Brasília.

4. Financial Instruments and Sensitivity Analysis of Financial Assets and Liabilities

The Company and its subsidiaries evaluated their financial assets and liabilities based on market values using the information available and the appropriate valuation methodologies. In the six-month period ended June 30, 2017 there were no facts or market circumstances that would have had an impact on financial instruments and the financial risk management as compared to those presented at the Company's last fiscal year ended December 31, 2016.

4.1. Sensitivity analysis of financial assets and liabilities

The Company's financial instruments are represented by cash and cash equivalents, accounts receivable, accounts payable, debentures, loans and financing, and are recorded at cost, plus income or expenses incurred, which as of June 30,2017 and December 31, 2016 are close to market values.

The main risks on the Company’s transactions are associated with variations in the Certificate for Interbank Deposit (CDI) for financial investments, and with variations in the Long-term Interest Rate (TJLP) and the

Extended the Consumer Price Index (IPCA) for loans obtained from the Brazilian Development Bank (BNDES) and for the debentures issued.

a) Financial assets

In order to verify the sensitivity of the index in the financial investments to which Company was exposed on the base date of June 30, 2017, three different scenarios were defined. Based on projections disclosed by financial institutions, the average rate for CDI is 10.14% for fiscal year 2017, and was defined as a probable scenario (scenario I). From this, variations of 25% (scenario II) and 50% (scenario III) were calculated. .

For each of these scenarios the "gross finance income" was estimated, with taxes on investment returns not included. The reference date for the portfolio was June 30, 2017, with a one-year projection period to calcute the CDI's sensitivity to each scenario.

Operation	Balances at 6/30/2017	Risk	Most probable scenario (I)	Scenario (II)	Scenario (III)
		Reduction			
Financial investments	R$180,053	CDI (a)	10.14%	7.61%	5.07%
Estimated finance income			**R$ 18,257**	**R$ 13,702**	**R$ 9,129**

(a) Interbank Deposit Certificates

b) Financial liabilities

To check the sensitivity of the indexes to which the Company is exposed when estimating the debts as of June 30, 2017, three different scenarios were created. Based on the TJLP and the IPCA in force as of June 30, 2017, the most probable scenario was determined for 2017 (scenario I) and, from this, variations of 25% (scenario II) and 50% (scenario III) were estimated.

For each scenario, the gross finance expenses were calculated, not taking into account the taxes levied and the maturities of each agreement scheduled for 2017. The reference date used for the financing and debentures was June 30, 2017, projecting the rates for one year and calculating their sensitivity under each scenario.

Operation	Balances at 6/30/2017	Risk	Most probable scenario I	Scenario II	Scenario III
		Increase			
BNDES - Financing	R$380,972	TJLP (a)	7.00%	8.75%	10.50%
Estimated financial expenses			**R$ 26,668**	**R$ 33,335**	**R$ 40,002**
		Increase			
Debentures	R$62,232	IPCA (b)	3.60%	4.50%	5.40%
		TJLP (a)	7.00%	8.75%	10.50%
	R$26,273	CDI	10.14%	12.68%	15.21%
Estimated financial expenses			**R$ 9,462**	**R$ 10,472**	**R$ 11,629**

(a) Long-term Interest Rate
(b) Extended Consumer Price Index

4.2. Financial assets at fair value

TOTVS´ investments in startups are made within a medium-term strategy, with output planned for the moment when the expected financial returns are achieved.

As these startups are privately held companies and have no prices quoted in an active market, their fair value is based on discounted cash flow using a rate based on the interest rate and the market risk premium specific to each investment. At June 30, 2017 the total of investments in startups was R$57,645.

5. Cash and cash equivalents

Cash and cash equivalents are maintained for the purpose of meeting short-term cash requirements and for investment or other purposes, and are redeemable for a period of up to 90 days from the date of the respective transaction.

	Individual		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Cash	1,385	14,352	11,385	60,141
Cash equivalents	**82,399**	**98,152**	**180,053**	**154,631**
Repurchase agreements	22,062	44,452	35,991	81,856
Certificate of deposit bank (CDB)	60,337	53,700	144,062	72,775
	83,784	**112,504**	**191,438**	**214,772**

The Company has financial investment policies which establish that investments should focus on low-risk securities and top-tier financial institutions, and are significantly remunerated based on the CDI rate, which averaged 99.78% of CDI a month during the six-month period ended on June 30, 2017.

6. Trade accounts receivable net

The following are the amounts receivable in national and foreign markets:

	Individual		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
National market	404,328	428,956	569,163	583,464
Foreign market	617	1,268	17,781	22,819
Gross trade accounts receivable	**404,945**	**430,224**	**586,944**	**606,283**
(-) Allowances for doubtful accounts	(72,080)	(84,293)	(94,401)	(105,183)
Net trade accounts receivable	**332,865**	**345,931**	**492,543**	**501,100**
Current assets	300,135	310,089	458,617	464,187
Non-current assets	32,730	35,842	33,926	36,913

The following are the aging list amounts, net of the allowance for doubtful accounts, as of June 30, 2017 and December 31, 2016:

	Individual		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Falling due	287,811	303,440	420,847	438,468
Overdue				
1 to 30 days	18,924	19,605	28,027	26,772
31 to 60 days	6,614	7,021	12,095	9,673
61 to 90 days	5,805	4,517	9,531	6,409
91 to 180 days	7,486	8,097	11,636	7,646
181 to 360 days	3,045	1,906	4,339	3,727
More than 360 days	3,180	1,345	6,068	8,405
Net accounts receivable	**332,865**	**345,931**	**492,543**	**501,100**

Changes in the allowances for doubtful accounts are as follows:

	06/30/2017	
	Individual	Consolidated
Balance at the beginning of the year	84,293	105,183
Additional provision during the period	10,859	16,748
Written off due to use	(23,072)	(27,530)
Balance as of June 30, 2017	**72,080**	**94.401**

Management believes that the risk related to trade accounts receivable is minimized by the fact that the Company's customer portfolio is diluted, except for accounts receivable from the logistic distributor of Bematech and some relevant customers, which cumulatively representing 10.1% of consolidated trade accounts receivable as of June 30, 2017.

The Company does not require any guarantee on installment sales.

7. Inventories

The breakdown of the inventories, which the consolidated position comes from the subsidiary Bematech is as follows:

	Consolidated	
	06/30/2017	12/31/2016
Finished products	11,484	6,360
Work in progress	204	142
Raw materials	19,919	15,640
Products for resale and others	8,021	5,675
Parts for technical assistance	1,178	1,346
Advance to suplliers	2,395	-
(-) Provision for adjustment to realizable value	(1,418)	(944)
	41,783	**28,219**

8. Taxes recoverable

The following are the amounts of taxes recoverable:

	Individual		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
State value added tax - ICMS (a)	-	-	46,076	46,324
Tax on manufactured products - IPI	-	-	15	2,555
Withholding income tax (b)	54,176	51,431	65,769	62,364
Withholding social contribution tax (b)	26,356	21,561	29,761	24,992
Withholding PIS and COFINS taxes	-	-	2,214	4,032
Other	-	1	3,747	3,826
	80,532	**72,993**	**147,582**	**144,093**
Current	80,532	72,993	125,531	122,521
Non-current	-	-	22,051	21,572

(a) This refers to the accumulated ICMS credits of the subsidiary Bematech. These credits come from the hardware operation that benefits from investments granted by the State of Paraná. The Company and its subsidiary maintains studies jointly with their legal counsel to realize these credits.

(b) This refers to credits on withholding income and social contribution taxes for the current year and income and social contribution taxes credits for prior years, as well as the payment of estimates for the current year.

9. Income and social contribution taxes

Income and social contribution taxes, current and deferred, were recorded based on the current rates in force. Deferred income and social contribution taxes are calculated over temporary differences and accrued income and social contribution tax losses.

9.1. Reconciliation of income and social contribution taxes expenses

The reconciliation of the expenses calculated by applying the income and social contribution tax rates is as follows:

(A free translation of the original in Portuguese)

	Individual		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Income before taxes	**72,165**	**120,882**	**83,395**	**125,265**
Income and social contribution taxes at a combined nominal rate of 34%	(24,536)	(41,100)	(28,354)	(42,590)
Adjustments for the statement of effective rate				
Equity pick-up	6,150	2,114	-	-
Law Nº 11,196/05 (incentive for R&D)	6,394	6,080	6,531	6,524
Government subsidy	-	-	1,561	1,434
Effect of subsidiaries with different tax rates	-	-	(4,005)	(2,509)
Management shares	(251)	(234)	(251)	(234)
Workers' Food Program	198	436	362	609
Other	1,900	(400)	3,090	(1,025)
Income and social contribution taxes expenses	**(10,145)**	**(33,104)**	**(21,066)**	**(37,791)**
Current income and social contribution taxes	(10,981)	(24,245)	(20,639)	(35,879)
Deferred income and social contribution taxes	836	(8,859)	(427)	(1,912)
	(10,145)	**(33,104)**	**(21,066)**	**(37,791)**
Effective rate	**14.1%**	**27.4%**	**25.3%**	**30.2%**

9.2. Breakdown of deferred income and social contribution taxes

	Individual		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Tax losses and social contribution tax losses carried forwards	-	-	67,038	61,251
Deriving from temporary differences:				
Difference between fiscal base and book value from goodwill	43,802	51,517	63,265	73,182
Amortization of fiscal benefit	(75,605)	(71,567)	(107,157)	(99,478)
Intangible asset allocation	(27,946)	(35,461)	(35,437)	(46,039)
Allocation of intangible assets – after Law 12.973	7,266	5,244	7,266	5,244
Provision for commissions	12,360	13,326	13,296	14,400
Anticipated income or revenues	(3,365)	(3,975)	(3,565)	(3,923)
Allowance for doubtful accounts	24,507	28,660	26,593	31,904
Provision for contingencies and other liabilities	31,837	29,010	34,340	34,632
Provision for suppliers	8,146	6,218	8,768	6,802
Provision for share basead payments	2,537	1,641	2,537	1,641
Provision for losses in inventories and guarantees	-	-	1,939	1,834
Present value adjustment	740	1,090	2,236	2,382
Other	6,591	4,746	6,901	4,826
Net deferred income and social contribution taxes	**30,870**	**30,449**	**88,020**	**88,658**

The Company presents deferred income and social contribuition taxes on a net basis in non-current assets.

Changes in deferred income and social contribution taxes are presented below:

	Individual	Consolidated
As of December 31, 2016	30,449	88,658
Expenses in the income and social contribution taxes	836	(427)
Tax relating to other comprehensive income	(414)	(414)
Other	(1)	203
As of June 30, 2017	**30,870**	**88,020**

10. Related parties

Transactions between the Company and its subsidiaries are carried out under market conditions and at prices established by the parties, and are eliminated for the purposes of consolidating the financial statements.

10.1. Balances with related parties

As of June 30, 2017 and December 31, 2016, the balance of transactions with related parties classified as receivables from and payables to related parties and influence the current profit or loss are presented as follows:

	Individual	
	06/30/2017	06/30/2017
	Assets	Liabilities
Ciashop	2,171	-
TQTVD	2,155	-
TOTVS Serviços	-	7,307
TOTVS Ventures	-	5,760
TOTVS Nordeste	-	778
TOTVS Brasília	-	323
Total	**4,326**	**14,168**

	Individual	
	12/31/2016	12/31/2016
	Assets	Liabilities
Ciashop	1,599	-
TQTVD	45	-
TOTVS Serviços	-	7,073
TOTVS Ventures	-	5,760
TOTVS Nordeste	-	378
TOTVS Brasília	-	36
Total	**1,644**	**13,247**

The amounts relate to accounts payable and receivable among subsidiaries, without remuneration and/or stated maturity are related to loan transactions.

There was no material transactions that transited the current profit or loss among the group companies.

10.2. Transactions or relationships with shareholders and key management personnel

a) Shareholders

The Company maintains property lease agreements with companies, some of which are owned by shareholders of TOTVS, directly and indirectly.

During the month of March 2017, the Company set up its new headquarters and terminated some lease agreements in force in 2016 and entering into a new lease agreement in 2017. The new lease agreement is effective for 120 months with a three-month grace period for payment, from March to May 2017, which began in June 2017. Lease expenses are being recognized in the statement or profit or loss on a straight-line basis from March 2017 over the lease term agreement.

For the six-month period ended June 30, 2017, the amount of R$9,636 (R$4,448 as of June 30, 2016) was recognized as lease expenses.

All lease agreements with related parties are adjusted by the General Price Index – Market – (IGP-M) rate every 12 months.

Some of the Company's shareholders and also directors directly or indirectly held a total of 17.6% of the Company's shares as of June 30, 2017 and December 31, 2016. The indirect interest is held through LC-EH Empreendimentos e Participações S.A.

The Company and its subsidiary Bematech also have loans and financing operations (Note 16) and debentures (Note 17), substantially carried out with the Brazilian Development Bank (BNDES), which held 4.49% of the Company's capital on June 30, 2017 (Note 21) and have indicated a member of the Board of Directors.

b) Key management personnel

Itaú Unibanco is a related party of the Company, since one of the independent members on the Board of Directors is part of the controlling group of that financial conglomerate. On June 30, 2017, the amounts and transactions involving the Itaú Unibanco Group companies are R$16,676 (R$20,821 on December 31, 2016) relating to financial investments, R$1,508 (R$821 on June 30,2016) relating to bank-issued guarantee, bookkeeping of shares, insurance policies and others, and R$4,019 (R$3,974 on June 30, 2016) relating to assignment of rights for using systems and technical support provided by TOTVS. All agreements are conducted under usual market conditions.

The Company has a non-onerous contract relating to the management of its pension plan with Itaú Vida e Previdência S.A.

10.3. Management fees

Expenses relating to the compensation of the senior executives and management of the Company and its subsidiaries are summarized below:

	Individual		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Short-term benefits to employees				
Salaries, fees and payroll charges	6,852	6,240	8,069	7,938
Private pension plan	229	228	242	240
Variable bonus	737	690	665	944
	7,818	7,158	8,976	9,122
Share-based payments	1,677	(887)	1,677	(887)
	9,495	**6,271**	**10,653**	**8,235**

11. Investments

The breakdown of investments in subsidiaries is shown below:

	Summarized financial statements of affiliate companies, subsidiaries and associates as of June 30, 2017					Equity pick-up (individual) for periods ended:		Balance of investments as of:	
	Assets	Liabilities	Equity	Gross revenue	P&L for the period	06/30/2017	06/30/2016	06/30/2017	12/31/2016
Bematech (a)	643,293	170,711	472,582	248,203	19,395	14,476	702	560,756	550,513
TOTVS Brasília	154,596	21,586	133,010	24,338	6,875	6,875	4,445	133,010	129,486
TOTVS Nordeste	103,704	35,878	67,826	3,209	(686)	(686)	(995)	67,826	68,512
TOTVS Serviços	13,560	(7,141)	20,701	3,704	71	71	2,467	20,701	20,630
TOTVS Inc.	59,603	85	59,518	327	(4,442)	(4,442)	(4,736)	59,519	61,100
Virtual Age (a)	21,947	4,949	16,998	23,481	1,858	(737)	929	73,889	74,626
Neolog (a)	2,703	1,176	1,527	6,153	913	(481)	(1,257)	21,705	22,186
TQTVD	16,299	3,242	13,057	3,966	(1,298)	(1,298)	(59)	13,056	14,354
TOTVS Ventures	4,949	(5,758)	10,707	-	(366)	(366)	(235)	10,707	11,073
Ciashop (a)	2,360	3,773	(1,413)	5,013	(187)	(1,075)	(1,300)	7,282	8,226
TOTVS México	9,343	3,631	5,712	6,643	(3,108)	(3,108)	(4,835)	5,713	8,160
TOTVS Argentina	11,768	5,569	6,199	14,157	(628)	(627)	(22)	6,199	7,081
Datasul Argentina	211	-	211	-	-	-	(6)	211	216
NCC	-	-	-	-	-	-	-	38	38
TOTVS RO	-	-	-	-	-	-	1,498	-	-
TFS	15	5	10	-	-	-	-	10	-
						8,602	**(3,404)**	**980,622**	**976,201**

(a) Goodwill from acquired companies is recorded under “Investments” in the individual's profit or loss. The difference between the results from acquired companies and equity pick-up relates to the amortization of intangible assets in the determination of the fair value of the assets of the respective acquired companies.

(A free translation of the original in Portuguese)

The changes in the investment accounts for the six-period ended June 30, 2017 were as follows:

	12/31/2016	Additions	Dividends	Equity Pick-up	Exchange variation	Reclassification	06/30/2017
Bematech	550,513	-	(5,380)	14,476	1,147	-	560,756
TOTVS Brasília	129,486	1,067	(4,418)	6,875	-	-	133,010
TOTVS Nordeste	68,512	-	-	(686)	-	-	67,826
TOTVS Serviços	20,630	-	-	71	-	-	20,701
TOTVS Inc.	61,100	2,058	-	(4,442)	803	-	59,519
Virtual Age	74,626	-	-	(737)	-	-	73,889
Neolog	22,186	-	-	(481)	-	-	21,705
TQTVD	14,354	-	-	(1,298)	-	-	13,056
TOTVS Ventures	11,073	-	-	(366)	-	-	10,707
Ciashop	8,226	350	-	(1,075)	-	(219)	7,282
TOTVS México	8,160	1,133	-	(3,108)	(472)	-	5,713
TOTVS Argentina	7,081	-	-	(627)	(255)	-	6,199
Datasul Argentina	216	-	-	-	(5)	-	211
NCC	38	-	-	-	-	-	38
TFS	-	10	-	-	-	-	10
Sum of Investiments	**976,201**	**4,618**	**(9,798)**	**8,602**	**1,218**	**(219)**	**980,622**
Ciashop	(1,208)	-	-	-	-	219	(989)
Sum of provision for losses	**(1,208)**	**-**	**-**	**-**	**-**	**219**	**(989)**
Net investments	**974,993**	**4,618**	**(9,798)**	**8,602**	**1,218**	**-**	**979,633**

(A free translation of the original in Portuguese)

12. Property, plant and equipment

A breakdown of the Company's property, plant and equipment is shown below:

	Individual							
	Computer and software	Vehicles	Furniture and Fixtures	Facilities machinery and equipment	Improvements to leasehold properties	Property, plant and equipment in progress (ii)	Other (iii)	Total Property, plants and equipment
Cost or valuation								
Balance on December 31, 2015	112,845	6,958	12,967	15,800	-	-	39,150	187,720
Additions	17,998	3,557	1,780	2,683	-	65,500	3,783	95,301
Write-off	(20,677)	(3,153)	(1,230)	318	-	-	(1,518)	(26,260)
Balance on December 31, 2016	**110,166**	**7,362**	**13,517**	**18,801**	**-**	**65,500**	**41,415**	**256,761**
Additions	13,362	660	20	18	2,753	16,408	89	33,310
Transfers (i)	16,429	-	9,492	11,873	66,067	(80,101)	(29,453)	(5,693)
Write-off	(140)	(887)	(1,103)	(4,792)	-	-	(8,607)	(15,529)
Balance on June 30, 2017	**139,817**	**7,135**	**21,926**	**25,900**	**68,820**	**1,807**	**3,444**	**268,849**
Depreciation								
Balance on December 31, 2015	(69,177)	(2,105)	(7,116)	(7,593)	-	-	(15,494)	(101,485)
Depreciation in the year	(15,213)	(1,456)	(1,080)	(1,562)	-	-	(4,850)	(24,161)
Write-off	19,654	1,546	1,177	309	-	-	325	23,011
Balance on December 31, 2016	**(64,736)**	**(2,015)**	**(7,019)**	**(8,846)**	**-**	**-**	**(20,019)**	**(102,635)**
Depreciation in the year	(9,411)	(722)	(934)	(1,212)	(2,441)	-	(618)	(15,338)
Transfers (i)	(931)	-	(120)	(18)	(10,056)	-	10,041	(1,084)
Write-off	124	500	717	2,996	-	-	8,592	12,929
Balance on June 30, 2017	**(74,954)**	**(2,237)**	**(7,356)**	**(7,080)**	**(12,497)**	**-**	**(2,004)**	**(106,128)**
Residual value								
Balance on June 30, 2017	**64,863**	**4,898**	**14,570**	**18,820**	**56,323**	**1,807**	**1,440**	**162,721**
Balance on December 31, 2016	**45,430**	**5,347**	**6,498**	**9,955**	**-**	**65,500**	**21,396**	**154,126**
Average annual depreciation rate	**20%**	**20%**	**10% to 20%**	**6.7% to 20%**	**5% to 20%**	**-**	**20%**	

(i) It includes transfers of assets with residual value of the subsidiary RMS to the Company in the amount of R$180 and R$6,957 about transfers to intangible.

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	Consolidated							
	Computers and software	Vehicles	Furniture and Fixtures	Facilities machinery and equipment	Improvements to leasehold properties	Property, plant and equipment in progress (ii)	Other(iii)	Total Property, plants and equipment
Cost or valuation								
Balance on Dec 31, 2015	**131,179**	**10,037**	**18,643**	**24,653**	**-**	**-**	**46,331**	**230,843**
Additions	19,306	4,773	2,248	3,889	-	65,500	5,069	100,785
Write-off	(21,367)	(4,361)	(1,553)	(323)	-	-	(1,954)	(29,558)
Exchange variation	(1,302)	(54)	(353)	(287)		-	(472)	(2,468)
Balance on Dec 31, 2016	**127,816**	**10,395**	**18,985**	**27,932**	**-**	**65,500**	**48,974**	**299,602**
Additions	15,605	913	116	320	4,875	16,657	87	38,573
Transfers (i)	12,453	-	9,720	14,467	73,122	(80,352)	(36,327)	(6,917)
Write-off	(212)	(1,334)	(1,138)	(4,816)	-	-	(8,611)	(16,111)
Exchange variation	(530)	26	(31)	20	69	-	2	(444)
Balance on June 30, 2017	**155,132**	**10,000**	**27,652**	**37,923**	**78,066**	**1,805**	**4,125**	**314,703**
Depreciation								
Balance on Dec 31, 2015	**(78,240)**	**(3,365)**	**(8,873)**	**(9,391)**	**-**	**-**	**(17,376)**	**(117,245)**
Depreciation in the year	(18,552)	(2,009)	(1,849)	(4,254)	-	-	(6,531)	(33,195)
Write-off	20,359	2,305	1,409	842	-	-	527	25,442
Exchange variation	940	75	202	295	-	-	154	1,666
Balance on Dec 31, 2016	**(75,493)**	**(2,994)**	**(9,111)**	**(12,508)**	**-**	**-**	**(23,226)**	**(123,332)**
Depreciation in the year	(10,685)	(1,247)	(1,333)	(2,215)	(4,322)	-	(686)	(20,488)
Transfers (i)	1,754	-	(441)	(1,379)	(13,184)	-	13,211	(39)
Write-off	186	864	732	3,127	-	-	8,594	13,503
Exchange variation	572	(67)	53	(15)	(17)	-	(1)	525
Balance on June 30, 2017	**(83,666)**	**(3,444)**	**(10,100)**	**(12,990)**	**(17,523)**	**-**	**(2,108)**	**(129,831)**
Residual value								
Balance on June 30, 2017	**71,466**	**6,556**	**17,552**	**24,933**	**60,543**	**1,805**	**2,017**	**184,872**
Balance on Dec 31, 2016	**52,323**	**7,401**	**9,874**	**15,424**	**-**	**65,500**	**25,748**	**176,270**
Average annual depreciation rate	**20%**	**20%**	**10% to 20%**	**6.7% to 20%**	**5% to 20%**	**-**	**20%**	

(ii) The column "Property, plant and equipment in progress" includes assets related to the construction of the new headquarters. These assets had their depreciation started as of April 1, 2017 and the assets were transferred to their respective accounts.

(iii) Includes the impairment of the residual value of the old headquarters and the transfers between lines and "Other" for better disclosure.

13. Intangible assets

Intangible assets and changes in the group's balances are as follows:

	Individual					
	Software	**Trademarks & patents**	**Client portfolio**	**Other**	**Goodwill**	**Total intangible assets**
Cost/valuation						
Balance as of December 31, 2015	237,296	63,149	208,969	16,337	233,811	759,562
Additions	28,717	-	-	-	-	28,717
Write-off	(88)	-	-	-	-	(88)
Balance as of December 31, 2016	**265,925**	**63,149**	**208,969**	**16,337**	**233,811**	**788,191**
Additions	7,536	-	-	-	-	7,536
Transfers (i)	6,957	-	-	-	-	6,957
Balance as of June 30, 2017	**280,418**	**63,149**	**208,969**	**16,337**	**233,811**	**802,684**
Amortization						
Balance as of December 31, 2015	**(142,482)**	**(31,221)**	**(157,747)**	**(15,150)**	**-**	**(346,600)**
Amortization in the year	(28,881)	(4,200)	(21,372)	(665)	-	(55,118)
Write-offs	28	-	-	-	-	28
Balance as of December 31, 2016	**(171,335)**	**(35,421)**	**(179,119)**	**(15,815)**	**-**	**(401,690)**
Amortization during the period	(17,580)	(2,101)	(10,404)	(141)	-	(30,226)
Write-offs	1	-	-	-	-	1
Balance as of June 30, 2017	**(188,914)**	**(37,522)**	**(189,523)**	**(15,956)**	**-**	**(431,915)**
Net book value						
Balance as of June 30, 2017	**91,504**	**25,627**	**19,446**	**381**	**233,811**	**370,769**
Balance as of December 31, 2016	**94,590**	**27,728**	**29,850**	**522**	**233,811**	**386,501**
Average annual amortization rates	10% to 20%	6.7% to 8%	10% to 12.5%	10% to 50%		

	Consolidated						
	Software	Trademarks & patents	Client portfolio	R&D	Other	Goodwill	Total intangible assets
Cost or valuation							
Balance on December 31, 2015	**300,094**	**100,414**	**360,895**	**42,665**	**49,621**	**659,043**	**1,512,732**
Additions	33,939	83	(5)	-	-	1,720	35,737
Write-off	(225)	(3)	-	(4)	-	-	(232)
Exchange variations	(364)	(1,054)	-	-	(98)	(7,267)	(8,783)
Balance on December 31, 2016	**333,444**	**99,440**	**360,890**	**42,661**	**49,523**	**653,496**	**1,539,454**
Additions	10,278	49	-	-	-	-	10,327
Write-off	9,379	-	-	(2,422)	-	-	6,957
Transfers (i)	(22)	-	-	-	-	-	(22)
Exchange variations	11	78	3	3	4	552	651
Balance on June 30, 2017	**353,090**	**99,567**	**360,893**	**40,242**	**49,527**	**654,048**	**1,557,367**
Amortization							
Balance on December 31, 2015	**(160,466)**	**(38,827)**	**(171,733)**	**(1,306)**	**(41,388)**	**-**	**(413,720)**
Amortization in the year	(42,084)	(8,078)	(35,629)	(8,377)	(4,301)	-	(98,469)
Write-off	107	-	-	-	-	-	107
Exchange variations	355	339	-	(28)	98	-	764
Balance on December 31, 2016	**(202,088)**	**(46,566)**	**(207,362)**	**(9,711)**	**(45,591)**	**-**	**(511,318)**
Amortization in the year	(25,071)	(3,986)	(16,998)	(4,573)	(1,825)	-	(52,453)
Transfers	(549)	-	-	549	-	-	-
Exchange variations	(8)	(49)	(2)	-	(5)	-	(64)
Balance on June 30, 2017	**(227,716)**	**(50,601)**	**(224,362)**	**(13,735)**	**(47,421)**	**-**	**(563,835)**
Residual value							
Balance on June 30, 2017	**125,374**	**48,966**	**136,531**	**26,507**	**2,106**	**654,048**	**993,532**
Balance on December 31, 2016	**131,356**	**52,874**	**153,528**	**32,950**	**3,932**	**653,496**	**1,028,136**
Average annual amortization rate	**10% to 20%**	**6.7% to 8%**	**10% to 12.5%**	**20%**	**10% to 50%**		

(i) Tranfers from “Property, plant and equipment in progress” to intangible softwares.

The amortization of intangible assets is based on their estimated useful lives. Identified intangible assets, the amounts recognized and the useful lives of assets resulting from business combinations are based on a technical study done by an independent specialist company.

The group “Other” in the table above consists basically of the non-competition rights arising from business combinations.

13.1 Changes in goodwill

The composition of goodwill on June 30, 2017 and December 31, 2016:

	12/31/2016	Exchange rate variations (i)	06/30/2017
Bematech	255,376	552	255,928
RM	90,992	-	90,992
W&D	64,070	-	64,070
Virtual Age	46,497	-	46,497
RMS	35,740	-	35,740
SRC	33,688	-	33,688
Datasul	30,084	-	30,084
Gens FDES	16,340	-	16,340
Seventeen	15,463	-	15,463
TOTVS Agroindústria	13,128	-	13,128
Neolog	12,565	-	12,565
BCS	11,821	-	11,821
TotalBanco	6,008	-	6,008
Logo Center	5,703	-	5,703
Ciashop	4,465	-	4,465
Hery	2,927	-	2,927
IOSSTS	2,643	-	2,643
TOTVS BMI	2,053	-	2,053
Midbyte	1,765	-	1,765
Mafipa	1,195	-	1,195
Setware	961	-	961
M2S	12		12
	653,496	**552**	**654,048**

(i) Exchange variation of goodwill in international subsidiary.

13.2 Asset impairment tests

The Company assesses the recoverable book value of goodwill by employing the value-in-use concept in the discounted cash flow models for cash-generating units representing the group of tangible and intangible assets used to develop and sell different solutions to customers. The Company's management has not identified any events occurring during the period ended June 30, 2017 that would indicate a need for interim impairment test.

14. Payroll and labor obligations

Salaries and charges payable balances are broken down as follows:

	Individual		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Labor liabilities				
Salaries and charges payable	29,384	29,685	36,231	34,401
Pension plan payables	725	524	757	546
Vacation payables	61,892	55,971	81,968	75,954
Profit-sharing and bonuses	5,878	6,860	7,657	9,290
13th month salary	20,515	-	26,866	-
Other	878	2,820	2,541	4,034
	119,272	**95,860**	**156,020**	**124,225**
Payroll liabilities				
FGTS payable (i)	3,781	4,474	4,897	5,818
INSS payable (ii)	5,243	4,909	10,753	10,496
	9,024	**9,383**	**15,650**	**16,314**
Total	**128,296**	**105,243**	**171,670**	**140,539**

i. Government Severance Indemnity Fund for Employees
ii. Brazilian Social Security Institute

15. Taxes payable

Taxes payable are as follows:

	Individual		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Taxes Payables				
INSS payable	6,229	7,201	7,351	8,182
ICMS payable	15	14	211	212
ISS payable	3,269	3,631	4,237	4,393
PIS and Cofins payable	6,133	5,228	7,684	7,488
Income and social contribuition taxes payable	-	-	3,833	2,980
Other	1,380	1,219	3,799	4,886
Total	**17,026**	**17,293**	**27,115**	**28,141**

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16. Loans and financing

Loans and financing are as follows:

		Individual		Consolidated	
	Annual financial charges	**06/30/2017**	**12/31/2016**	**06/30/2017**	**12/31/2016**
BNDES PROSOFT	TJLP + 1.5 to 1.52% p.y.	357,533	431,756	374,368	451,214
BNDES PSI	3.5% to 4.0% p.y.	34,151	41,477	45,933	55,170
Finance lease	15.12% to 17.24%	57,804	43,882	58,012	44,017
BNDES – Social	TJLP	1,975	2,386	1,976	2,386
BNDES Inovação	TJLP + 0.52% p.y.	-	-	4,628	5,347
BNDES EXIM Banco do Brasil	5.5% to 8% p.y.	-	-	508	1,523
FINAME	7% p.y.	-	-	594	1,008
Secured accounts and other		-	-	13	1,076
		451,463	**519,501**	**486,032**	**561,741**
Current liabilities		183,313	180,294	195,318	196,012
Non-current liabilities		268,150	339,207	290,714	365,729

Amounts recognized in non-current liabilities as of June 30, 2017 and December 31, 2016 mature as follows:

	Individual		Consolidated	
	06/30/2017	**12/31/2016**	**06/30/2017**	**12/31/2016**
Between 12 and 24 months	181,349	169,604	191,321	181,007
Between 24 and 36 months	86,801	169,603	96,536	180,554
More than 36 months	-	-	2,857	4,168
Non-current liabilities	**268,150**	**339,207**	**290,714**	**365,729**

The changes in loans and financing as of June 30, 2017 are as follows:

	06/30/2017	
	Individual	**Consolidated**
Balance at the beginning of the period	519,501	561,741
Additions	21,900	22,020
Interest rates	21,297	22,641
Amortization	(111,235)	(120,370)
Balance at the end of the period	**451,463**	**486,032**

a) Finance lease

Lease obligations are guaranteed by fiduciary sale of leased assets. The table below shows gross liabilities of finance leases on June 30, 2017 and December 31, 2016:

	Individual		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Gross liabilities of Finance lease – minimum lease payments				
Less than one year	19,267	17,386	19,339	17,442
More than one year and less than five years	46,839	38,303	46,991	38,417
	66,106	55,689	66,330	55,859
Future financing charges in Finance leases	(8,302)	(11,807)	(8,318)	(11,842)
Present value of liabilities of Finance lease	**57,804**	**43,882**	**58,012**	**44,017**

17. Debentures

As of June 30, 2017 and December 31, 2016, the balances were broken down as follows:

				Individual		Consolidated	
Issue	**Debentures**	**Annual financial charges**	**Unit price**	**06/30/2017**	**12/31/2016**	**06/30/2017**	**12/31/2016**
Sole series	450	CDI + 2.25%	100.00	-	-	26,273	31,877
		Premium due to non-conversion		62,232	58,784	62,232	58,784
		Total		**62,232**	**58,784**	**88,505**	**90,661**
		Current liabilities		-	-	11,434	12,111
		Non-current liabilities		62,232	58,784	77,071	78,550

The non-current liabilities have mature dates as shown in the table below:

	Individual		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Between 12 and 24 months	-	-	7,420	7,651
Between 24 and 36 months	62,232	58,784	69,651	70,899
	62,232	**58,784**	**77,071**	**78,550**

The following changes occurred in the period ended at June 30, 2017:

	Individual	Consolidated
Debentures and premiums on non-conversion	**06/30/2017**	**06/30/2017**
Balance at the beginning of the year	58,784	90,661
Interest rates	3,448	5,251
Amortization	-	(7,407)
Balance at the end of the period	**62,232**	**88,505**

The operations, issue characteristics, interest paid, conditions and history of the conversion of debentures into shares and the payment of non-conversion premiums are detailed in Note 16 to the financial statements for the year ended December 31, 2016.

18. Obligations relating to acquisitions

These are payables due to investment acquisitions carried out by the Company and its subsidiaries, negotiated with payment in installments, recorded in current and non-current liabilities, as follows:

	Individual		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
RMS	-	-	35,738	33,828
Virtual Age	15,610	25,650	15,610	25,650
RJ Participações	-	-	20,904	21,038
Neolog	13,692	12,998	13,692	12,998
W&D Participações	-	-	8.471	8,033
Seventeen	7,889	7,718	7,889	7,718
Bematech Sistemas	-	-	6,955	7,021
TOTVS Agroindústria	3,419	3,297	3,419	3,297
Datasul MG	4,114	3,893	4,114	3,893
Mafipa	1,344	1,326	1,344	1,326
Ciashop	675	982	675	982
TotalBanco	116	110	116	110
Hery	636	602	636	602
SRC	218	212	218	212
	47,713	**56,788**	**119,781**	**126,708**
Current liabilities	28,931	38,960	73,140	80,822
Non-current liabilities	18,782	17,828	46,641	45,886

Installments registered in non-current liabilities mature as follows:

	Individual		Consolidated	
Year	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Between 12 and 24 months	18,782	17,828	18,962	18,387
Between 24 and 36 months	-	-	27,679	27,499
Non-current liabilities	**18,782**	**17,828**	**46,641**	**45,886**

As of June 30, 2017, the liabilities for the acquisition of investments had guarantees in the form of securities, which consisted of CDB operations in the amounts mentioned below:

	Individual		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Current securities	27,233	32,165	71,442	74,027
Non-current securities	4,942	4,676	11,717	11,137
Total	**32,175**	**36,841**	**83,159**	**85,164**

19. Provision for obligations relating to legal proceedings

During the regular course of their operations, the Company and its subsidiaries are party to various legal proceedings relating to tax, social security, labor and civil matters. Provision for contingencies is set up by management, supported by its legal counsel and an analysis of pending judicial proceedings, at an amount considered sufficient to cover probable losses, as shown below:

	Individual		Consolidated	
Provision for contingencies	**06/30/2017**	**12/31/2016**	**06/30/2017**	**12/31/2016**
Tax	2,123	2,259	3,772	13,879
Labor	59,563	54,513	64,274	58,816
Civil	31,951	28,551	33,045	29,530
	93,637	**85,323**	**101,091**	**102,225**

Changes in provision that took place in the six-month period ended June 30, 2017 are as follows:

				Individual
	Tax	**Labor**	**Civil**	**Total**
Balance as of December 31, 2016	**2,259**	**54,513**	**28,551**	**85,323**
(+) Additional provision	-	12,639	7,297	19,936
(+) Monetary restatement	105	3,190	2,058	5,353
(-) Reversal of provision	(233)	(6,659)	(244)	(7,136)
(-) Write-off due to payment	(8)	(4,120)	(5,711)	(9,839)
Balance as of June 30, 2017	**2,123**	**59,563**	**31,951**	**93,637**

				Consolidated
	Tax	**Labor**	**Civil**	**Total**
Balance as of December 31, 2016	**13,879**	**58,816**	**29,530**	**102,225**
(+) Additional provision	-	13,348	7,538	20,886
(+/-) Monetary restatement, net	(4,579)	3,428	2,083	932
(-) Reversal of provision	(5,520)	(6,719)	(306)	(12,545)
(-) Write-off due to payment	(8)	(4,599)	(5,800)	(10,407)
Balance as of June 30, 2017	**3,772**	**64,274**	**33,045**	**101,091**

(i) In 2006, Bematech filed for a writ of mandamus against the District Director of the Federal Revenue Service in Curitiba for the recognition of illegality/unconstitutionality of the inclusion of ICMS amounts in the PIS and COFINS taxes calculation base. During quarter, Bematech, based on the conclusion of the judgment by the Supreme Federal Court (STF), in the general repercussion system, which decided to exclude ICMS from the calculation bases of PIS and COFINS taxes and based on the opinion of its legal advisors, reversed the provision constituted in the amount of R$8,454 , which R$4,288 related to the principal amount of the discussion under "General and Administrative Expenses" and R$4,166 of monetary restatement under "Financial Expenses".

No other significant changes or individually relevant were recognized in ongoing lawsuits as of June 30, 2017 which the risk of loss was assessed as “probable”. The breakdown of the main lawsuits ongoing is as detailed in Note 18 to the financial statements as of December 31, 2016.

The court deposits linked or not to provision for individual lawsuits, are stated below and are recorded under non-current assets:

	Individual		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Judicial deposits				
Tax	5,218	4,713	14,214	13,457
Labor	24,304	23,155	26,341	25,085
Civil	4,325	1,978	4,595	2,361
	33,847	**29,846**	**45,150**	**40,903**

20. Contingent liabilities

The Company and its subsidiaries are involved in other lawsuits, which carry a risk of loss that according to its legal advisors and the Company´s management are classified as possible and for which no provision has been recognized, as follows:

	Individual		Consolidated	
Type	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Tax	104,107	119,384	148,982	163,310
Labor	106,257	94,069	151,778	143,842
Civil	225,010	252,984	249,852	276,985
	435,374	**466,437**	**550,612**	**584,137**

A breakdown of the main ongoing lawsuits up to December 31, 2016 is given in Note 18.2 to the financial statements for 2016.

As of June 2017, we had a change of prognosis from possible to remote in a civil lawsuits filed by clients alleging problems with the delivery of services, whose amount involved was R$73,946. The case was judged favorably by TOTVS, and that decision was upheld by the Court of Justice. The Company understands that the chances of reversing the decision are remote, which is why the risk is assessed as remote.

No other significant changes or individually relevant were recognized in ongoing lawsuits for which the risk of loss was assessed as “possible” by the Company for the period ended June 30, 2017.

21. Equity

a) Capital

As of June 30, 2017 and December 31, 2016, the Company’s capital was represented by of 165,637,727 non-par common shares, and held as follows:

Shareholder	06/30/2017 Shares	%	12/31/2016 Shares	%
LC EH Participações e Empreendimentos S/A	26,760,990	16.16%	26,760,990	16.16%
Fundação Petrobras de Seguridade Social - Petros	16,042,359	9.69%	16,042,359	9.69%
Genesis Asset Managers LLP	8,436,429	5.09%	8,436,429	5.09%
BNDES Participações S/A	7,429,586	4.49%	7,444,986	4.49%
Laércio José de Lucena Cosentino	1,950,616	1.18%	1,916,118	1.16%
CSHG Senta Pua Fia	43,500	0.03%	43,500	0.03%
Ernesto Mário Haberkorn	16,810	0.01%	32,710	0.02%
Outros	102,723,871	62.02%	102,667,860	61.98%
Outstanding shares	**163,404,161**	**98.65%**	**163,344,952**	**98.62%**
Treasury shares	2,233,566	1.35%	2,292,775	1.38%
Total shares	**165,637,727**	**100.00%**	**165,637,727**	**100.00%**

On April 20, 2017, the Extraordinary General Meeting approved the capital increase of the Company, without issuing shares, through the capitalization of the profits earnings reserve, from R$541,374 to R$989,841. Likewise, the authorized capital increase was approved for R$1,300,000.

b) Capital reserves

The balances of capital reserves at June 30, 2017 and December 31, 2016 are broken down as follows:

	06/30/2017	12/31/2016
Goodwill reserve	99,260	99,260
Goodwill reserve for mergers	14,330	14,330
Premium on purchases from non-controlling interests	(25,518)	(25,518)
Debentures converted into shares (fair value)	44,629	44,629
Stock option plans	29,709	29,323
	162,410	**162,024**

c) Treasury shares

At June 30, 2017, the changes in "Treasury Shares" were as follows:

	Number of shares (units)	Value (in thousand)	Average price per share (in reais)
Balance at December 31, 2016	**2,292,775**	**R$73,443**	**R$32.03**
Used	(59,209)	(R$1,897)	(R$32.03)
Balance at June 30, 2017	**2,233,566**	**R$71,546**	**R$32.03**

22. Dividends and interest on equity

The Company's bylaws provide for a minimum mandatory dividend of 25% of the year's net income, adjusted by the amount of the legal reserve created pursuant to the Brazilian Corporation Law.

On April 20, 2017, the Annual Shareholders' Meeting approved the distribution and payment of dividends for the year 2016 amounting to R$7,375, which was paid from May 10, 2017.The balance of dividends and interest on equity payable in the statement of financial position was of R$991 as of June 30, 2017.

23. Insurance coverage

The Company and its subsidiaries, based on the opinions of their advisors, maintain insurance coverage at amounts deemed sufficient to cover risks on their own and leased assets, and civil liability risks. Insured assets include owned and leased vehicles, and the buildings where the Company and its subsidiaries operate.

24. Share-based payment

The main events associated with the stock option plan are described in Note 21 to the Financial Statements for the year ended December 31, 2016.

In the six-month period ended June 30, 2017, two new grants were granted to the share-based compensation plan approved on December 15, 2015:

		Fair Value Assumptions			
Plans	**Date**	**Market value**	**Dividends**	**Term Maturity**	**Fair value**
Regular program	02/20/17	25.43	2.6%	3 years	23.54
Partner program	02/20/17	25.43	2.6%	3 years	23.54

The breakdown of the options for the period is as follows:

	Individual and consolidated			
	06/30/2017		12/31/2016	
	Number (units)	**Average cost (R$)**	**Number (units)**	**Average cost (R$)**
Stock option balance at the beginning of the year	**1,247,565**	**21.87**	**1,048,340**	**33.36**
Breakdown:				
Exercised	(59,209)	0.01	(50,000)	28.30
Granted	220,472	0.01	448,438	0.01
Canceled	(45,589)	30.53	(123,497)	30.32
Expired	-	-	(75,716)	34.99
Stock option balance at the end of the year/period	**1,363,239**	**19.65**	**1,247,565**	**21.87**

The amount recorded for stock options in the six-month period ended June 30, 2017 was of R$2,283 (R$669 as of June 30, 2016).

As of June 30, 2017, there were 532,833 exercisable options, since the 36-month terms of grants had already elapsed.

25. Segment information

The presentation of information by operating segment is consistent with the internal report provided to the main operational decision maker and the Company's Management evaluates the business into three business units: software, services and hardware.

Information on the results of each reportable segment is in the table below:

	Software		Services		Hardware		Total	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Net revenue	**740,957**	**699,389**	**250,601**	**281,519**	**119,108**	**115,425**	**1,110,666**	**1,096,333**
(-) Cost	(107,528)	(102,695)	(247,568)	(254,433)	(74,311)	(78,241)	(429,407)	(435,369)
(+) Government subsidy	-	-	-	-	4,591	4,218	4,591	4,218
Gross profit	**633,429**	**596,694**	**3,033**	**27,086**	**49,388**	**41,402**	**685,850**	**665,182**
(-) Research and development	(166,660)	(147,765)	-	-	(5,241)	(4,624)	(171,901)	(152,389)
Contribution margin	**466,769**	**448,929**	**3,033**	**27,086**	**44,147**	**36,778**	**513,949**	**512,793**

	Information by Geographical Location – Net Revenue	
	06/30/2017	06/30/2016
Brazil	1,069,341	1,047,253
Mexico	6,962	9,126
Argentina	15,276	14,130
United States of America	18,277	24,770
Other	810	1,054
Total	**1,110,666**	**1,096,333**

Information on assets and liabilities by segment is not divided by business unit and is not regularly presented to the Management.

26. Earnings per share

The tables below show the earnings and share data used to calculate the basic earnings and diluted earnings per share:

	Individual and consolidated	
	06/30/2017	06/30/2016
Basic earnings per share		
Numerator		
Net income for the period assigned to the Company's shareholders	62,020	87,778
Denominator (in thousands of shares)		
Weighted average number of common shares outstanding	163,364	163,295
Basic earnings per share	**0.38**	**0.54**

	Individual and consolidated	
	06/30/2017	06/30/2016
Diluted earnings per share		
Numerator		
Net income for the period assigned to the Company's shareholders	62,020	87,778
Denominator (in thousands of shares)		
Weighted average number of common shares outstanding		
Dilutive effect	163,364	163,295
Stock options	1,380	935
Weighted average number of common shares adjusted according to dilutive effect	**164,744**	**164,230**
Diluted earnings per share	**0.38**	**0.53**

There were no other transactions involving common shares or potential common shares between the date of the statement of financial position and the date when these interim financial statements were concluded.

27. Gross sales revenue

The gross revenue and the deductions used for the calculation of the net revenue in the income statement on June 30, 2017 and 2016 were as follows:

	Individual		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Gross revenue	**885,205**	**879,413**	**1,268,861**	**1,260,008**
License fees	80,604	86,560	102,198	109,721
Maintenance	483,549	483,518	570,590	565,739
Subscription	96,499	60,052	160,124	119,503
Service	224,553	249,283	288,240	326,102
Hardware	-	-	147,709	138,943
Deductions	**(104,063)**	**(114,115)**	**(158,195)**	**(163,675)**
Cancelations of sales	(6,660)	(17,915)	(14,212)	(23,469)
Sales tax	(97,403)	(96,200)	(143,983)	(140,206)
Net revenue	**781,142**	**765,298**	**1,110,666**	**1,096,333**

28. Expenses by nature

Below is information operating expenses by the nature for the periods ended June 30, 2017 and 2016:

	Individual		Consolidated	
Nature	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Salaries, benefits and payroll charges	340,863	290,186	461,267	409,849
Services and other inputs	207,856	196,616	338,740	347,133
Commission	62,263	59,875	72,001	71,041
Depreciation and amortization	45,564	36,856	72,940	62,979
Rental	11,281	12,108	19,270	19,832
Provision for contingencies	12,801	8,087	8,341	6,815
Allowance for doubtful accounts	10,859	11,650	16,748	14,953
Other	5,642	6,684	19,769	15,208
Total	**697,129**	**622,062**	**1,009,076**	**947,810**

29. Finance income and expenses

The finance income earned and expenses incurred in the periods ended June 30, 2017 and 2016 were as follows:

	Individual		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Finance income				
Short-term investments yield	6,187	17,281	12,501	25,289
Interest received	3,586	3,604	4,377	4,888
Inflation adjustment gains	4,688	1,048	6,481	3,217
Adjustment to present value	1,647	3,227	1,651	3,238
Exchange variation gains	4	-	428	643
Other finance income	646	729	880	1,022
	16,758	**25,889**	**26,318**	**38,297**
Finance expenses				
Interest incurred	(26,579)	(34,604)	(31,821)	(43,508)
Inflation adjustment losses	(6,061)	(5,932)	(3,292)	(8,309)
Bank expenses	(2,564)	(1,785)	(3,533)	(2,710)
Discounts granted	(184)	(268)	(1,330)	(1,408)
Adjustment to present value of liabilities	(1,033)	(1,186)	(1,625)	(2,055)
Exchange variation losses	(127)	(41)	(1,743)	(703)
Other financial expenses	(660)	(1,023)	(1,169)	(2,862)
	(37,208)	**(44,839)**	**(44,513)**	**(61,555)**
Net finance income (expenses)	**(20,450)**	**(18,950)**	**(18,195)**	**(23,258)**

30. Private pension plan – defined contribution

The Company offers the TOTVS's Private Pension Plan, managed by Itaú Vida e Previdência, which counts on contributions made by the participants and by the Company, as described in the Agreement of Subscription to the Program. The three types of contribution are:

- Basic Contribution – corresponds to 2% of the employee's salary. In the case of directors governed by the bylaws, the contribution ranges from 2% to 5%.

- Voluntary Contribution – made exclusively by the employees, with no matching contribution by the Company.

- Company Contribution – corresponds to 100% of the basic contribution, The Company is allowed to make extraordinary contributions, at the amounts and frequency it chooses.

31. Non-cash items

	Individual		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Exchange variation of investments abroad	1,219	(33,014)	1,219	(33,014)
Acquisition of assets through lease (Note 16) (i)	21,900	-	22,020	-
Total	**23,119**	**(33,014)**	**23,239**	**(33,014)**

(i) The amount of R$22,020 was distributed into R$9,626 as intangible assets and R$11,493 as property, plant and equipment and R$901 in small value goods.

32. Subsequent events

As of July 31, 2017, the Board of Directors´meeting approved the distribution and payment of interest on equity in the amount of R$32,912, corresponding to R$0.201416 per share, referring to the first semester of 2017, which will be paid on October 6, 2017. All shareholders registered as such on August 3, 2017 shall be entitled to receive the payment of the interest on equity, and the TOTVS's shares will be traded "ex-interest on equity" as of August 4, 2017.

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Comments on guidances

Net revenue from software subscription:

Projection of consolidated net revenue from software subscription to be equal to or greater than R$298,000 thousand, that is, a growth of 30% or more over the net revenues from software subscription for the fiscal year of 2016

The subscription revenue totaled R$142,482 thousand in 1H17, a growth of 33.9% over 1H16, which is higher than the minimum growth projected for the fiscal year of 2017.

The growth in subscription revenue was mainly due to: (i) the higher share of sales to new small and medium clients, especially under the TOTVS Intera model (subscription model launched in June 2015) in the last 12 months; (ii) the Fly01 sales to microenterprises; and (iii) the sales of Bemacash, solution that combines Fly01 management software and the automation and tax hardware solutions from Bematech.
Until the present date, the Company did not identify any reasons for changing this projection.

Adjusted EBITDA:

Adjusted EBITDA between R$359,000 thousand and R$395,000 thousand in 2017, that is, a growth between 0% and 10%, respectively, over the Adjusted EBITDA for the fiscal year of 2016.

Adjusted EBITDA totaled R$172,122 thousand in 1H17, down 18.6% year on year.

The growth in subscription revenue tends to increasingly contribute to the growth of the software revenue and, consequently, to the increase of recurring net revenues and to the dilution of costs and expenses, base assumptions for the achievement of the Adjusted EBITDA projection for 2017.

Thus, until the present date, the Company did not identify any reasons for changing this projection.

(A free translation of the original in Portuguese)

A free translation from Portuguese into English of Individual and Consolidated Interim Financial Information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB and consistently with the standards issued by the Brazilian Securities Commission (CVM).

Independent auditor's report on the review of interim financial information

To the Shareholders, Board of Directors and Officers
TOTVS S.A.
São Paulo - SP

We have reviewed the individual and consolidated interim financial information of TOTVS S.A., ("Company"), contained in the Quarterly Information Form (*Informações Trimestrais* - ITR) for the quarter ended on June 30, 2017, which comprise the statement of financial position as of June 30, 2017 and the related statements of profit or loss and of comprehensive income for the three-month and six-month period ended on June 30, 2017, and changes in equity and of cash flows for the six-month period then ended, including other explanatory information.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with Brazilian Accounting Standard CPC 21 (R1) Interim Financial Reporting (*Demonstração Intermediária*) issued by CPC (Comitê de Pronunciamentos Contábeis) and with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this information in conformity with the standards issued by the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários - CVM) applicable to the preparation of Quarterly Information Form (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements – NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity *(Revisão de Informações Intermediárias Executada pelo Auditor da Entidade*) and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

(A free translation of the original in Portuguese)

Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information included in the Quarterly Information Form (ITR) referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of the Quarterly Information Form (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statements of value added

We have also reviewed the individual and consolidated interim Statements of Value Added for the six-month period ended on June 30, 2017, prepared under management's responsibility, whose presentation in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of the Quarterly Information Form (ITR), and as supplementary information under the IFRS, which do not require Statement of Value Added presentation. This statement has been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that it is not fairly presented, in all material respects, in relation to the overall accompanying individual and consolidated interim financial information.

Audit of the individual and consolidated statement of financial position as of December 31, 2016 and individual and consolidated review of the interim statements of profit or loss, of comprehensive income, of changes in equity, of cash flows and of value added for the three-month and six-month period ended on June 30, 2016.

The individual and consolidated statements of financial position as of December 31, 2016, presented for comparison purposes, were previously audited by other independent auditors, who issued an unmodified report dated February 20, 2017. In addition, the individual and consolidated interim statements of profit or loss, of comprehensive income, of changes in equity , of cash flows and of value added for the three-month and six-month period ended on June 30, 2016, presented for comparison purposes, were reviewed by other independent auditors, who issued an unmodified report dated August 1, 2016.

São Paulo, July 31, 2017

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Luiz Carlos Marques
Accountant CRC-1SP147693/O-5