Interim Quarterly Financial Information

Totvs S.A.

September 30, 2011 and December 31, 2010

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MANAGEMENT REPORT / COMMENTS ON THE PERFORMANCE

Dear Shareholders,

TOTVS S.A., the leader in developing and marketing integrated enterprise management software and provision of related services in Brazil, today announces its results for the 3rd quarter of 2011.

Net Revenue

Between 9M10 and 9M11, net revenue grew 13.2%, reaching R$944.094 million. In 3Q11, the gross revenue and net revenue growth were 7.3% and 6.8%, respectively, compared to 3Q10. Note that even with the 3Q10 strong comparison basis, in the 9M11 the Company kept double digit growth.

License fee Revenue

License fee revenue totaled R$76.169 million in 3Q11, 3.6% up on 2Q11. Compared to 3Q10, license fee revenue decreased 13.4%, on account of the atypical concentration of license sales in that quarter.
Note that the license fee revenue has continued to account for more than 23% of total revenue (24.4% in 9M11 and 23.5% in 3Q11) which, within the Company's revenue model, should positively affect the service implementation and maintenance lines.

Service Revenue

Service revenue grew 10.0% reaching R$93.4 million between 3Q10 and 3Q11, mainly driven by license sales to new clients in the previous quarters and the implementation of new modules by base clients. Service revenue in 9M11 was 6.8% higher than in 9M10.

Maintenance Fee Revenue

Maintenance fee revenue comprised R$154.311 million in 3Q11, 18.4% more than the R$130.376 million in 3Q10. In the 9M11 the revenue comprised R$446.343 million, 19.0% over 9M10.
Revenue growth is mainly due to the license sold in previous quarters and the readjustments to maintenance agreements on the respective signing dates. Thus, a part of the maintenance agreements base completes one year every month and is readjusted according to the inflation indexes in the past 12 months.

Cost of License Fees

Cost of license fees represents the cost of third-party solutions that either sold and/or used in TOTVS solutions. This cost item represented 10.2% of gross license fee revenue in 9M11, compared to 7.6% in 9M10. Between 3Q10 and 3Q11, this line increased 64.9% due to the increase in sales of complementary third-party solutions (e.g.: databases), driven by sales of TOTVS solutions. The R&D investments in proprietary management software solutions and the technology platform are aimed at, among others, to reduce the share of such costs in total license sales.

Cost of Services and Sales

Cost of services and sales in 9M11 was 6.1% higher than in 9M10, which is lower than the 10.2% growth in gross service revenue during the period. Between 3Q10 and 3Q11, cost of services and

sales increased 13.8%, mainly due to the 11.0% growth in gross service revenue during the period, as well as wage increases in the regions where the Company has a direct distribution presence (São Paulo, Rio de Janeiro and Belo Horizonte), and the additional costs related to the infrastructure expansion of the Company's data center.

Research and Development (R&D)

R&D expenses decreased 0.4%, from 14.1% of total net revenue in 2Q11 to 13.7% in 3Q11. The decrease was mainly due to the retroactive effect between the advancement of the wage increase (6.0%) granted by the Company in 1Q11 to the teams in São Paulo, and the final increase (7.5%) determined by the labor court in 2Q11.

As a percentage of total net revenue, R&D expenses increased from 13.1% in 9M10 to 13.9% in 9M11, related to the integration of the vertical and horizontal solutions to develop offers by segment, equalization of technological platforms, and the interactivity project of the Brazilian Digital TV System (TQTVD), which accounted for about R$6.8 million of R&D expenses in 9M11. If this project was not considered the R&D expenses represented 13.3% of net revenue.

The Company emphasizes the importance of maintaining its investments in R&D and its commitment to diluting this expense item gradually so that it reaches 12% of net revenue by 2016 through the natural dilution arising from the higher growth of sales than that of investments.

Advertising Expenses

Advertising expenses decreased 14.7% between 9M10 and 9M11, also decreasing in 3Q11 (- 24.4% from 3Q10), due to the revision in the Company's communication plan on account of the new solutions expected to be launched in 2012. Thus, the communication cycle for 2011 will focus on maintaining the TOTVS brand in the public's mind through mass communication channels and by targeting niche segments through participation in industry events.

Selling Expenses

Between 3Q10 and 3Q11, selling expenses increased 26.1%, higher than the net revenue growth during the period. As mentioned in the previous quarters, this increase reflects the expansion of the Company's sales team through the creation of segmented structures in 1Q11 and the incorporation of sales teams after the consolidation of the distribution channels in 2010.

Commissions

Commission expenses corresponded to 10.0% of net revenue in 3Q11, compared to 11.3% in 3Q10, reflecting the increase in the own channels' share of the sales mix among the distribution channels (own teams and franchises) during the period. Commission expenses in the last 12 months represented 10.3% of total net revenue, in line with the Company's historical figures.

General and Administrative Expenses

General and Administrative (G&A) expenses in 9M11 were 4.3% higher than in 9M10 but lower than the 13.2% net revenue growth in the period. G&A expenses in 3Q11 totaled R$20.881 million, 13.1% more than R$18.469 million in 3Q10, mainly due to the wage increases during the period, the increase in staff strength and the increase in infrastructure and communication costs In order to gain scale and improve administrative efficiency, the Company maintains its permanent internal processes and systems improvement program.

Management Fees

Management fees totaled R$7.846 million in 3Q11, lower in 10.5% from 2Q11 due to the management changes and the fluctuations in the executive monthly variable compensation related of proportional attainment of the financial and non-financial targets for executives and the general targets of the Company for the period.

When compared 9M10 and 9M11, Management fees increased 22.6%, mainly due to the provision of two tranches of stock options granted to executives in 2010, which represented additional expenses of R$4.0 million in the period.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is based on an analysis of the Company's receivables portfolio. In 3Q11, the allowance totaled R$3.931 million and R$13.002 million in 9M11. Of these amounts, R$1.352 million in 3Q11 and R$4.821 million in 9M11 are originated from the international operations

Other revenue and expense

Other revenues and expenses totaled R$7.347 million in 3Q10, mainly impacted by the disposal of the client portfolio in Paraná State as part of the process to consolidate Company's distribution system. Note that the 9M10 results are also affected by a non-current gain of R$3,434 million from the sale of the subsidiary SofTeam in the 2Q10.

EBITDA

In the 9M11 EBITDA totaled R$221.631 million, up 4.7% on 9M10. EBITDA in 3Q11 totaled R$ 77,150 million, 12.5% lower than in 3Q10. EBITDA margin declined 190 bps between 9M10 and 9M11 and 530 bps between 3Q10 and 3Q11 due to the pressures from labor costs, additional allowance for doubtful debts, especially in the international market, and the non-recurring items in 2Q10 and 3Q10.

Depreciation and Amortization

Depreciation and amortization totaled R$20.581 million, of which R$17.181 referred to amortization of intangible assets and R$3.400 million to depreciation of fixed assets.

Net Income

The 20.3% growth in consolidated net income between 3Q10 and 3Q11 mainly reflects the reduction in financial expenses as a result of the decline in the Company's net debt and the 111.5% decrease in the valuation of debentures at fair value in accordance with IFRS.

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Balance Sheets
September 30, 2011 and December 31, 2010
(Amounts expressed in thousands of Reais)

		Company		Consolidated	
Assets	**Note**	**2011**	2010	**2011**	2010
Current assets					
Cash and cash equivalents	4	**166,573**	177,275	**222,584**	232,508
Marketable Securities	5	**28,674**	6,118	**28,818**	6,317
Trade accounts receivable	6	**228,802**	195,195	**292,862**	264,029
Allowance for doubtful accounts	6	**(20,005)**	(16,221)	**(29,136)**	(20,900)
Dividends receivable	9	**-**	4,097	**-**	800
Recoverable taxes	8	**16,937**	24,657	**23,439**	29,894
Other assets		**12,744**	10,376	**20,000**	16,030
		433,725	401,497	**558,567**	528,678
Non-current assets					
Long-term assets					
Marketable Securities	5	**31,843**	49,731	**32,131**	50,129
Trade accounts receivable from clients	6	**17,535**	14,807	**17,535**	14,807
Credits with related companies	9	**17,358**	21,900	**-**	-
Deferred income and social contribution taxes	7	**135,163**	155,115	**158,226**	170,088
Judicial deposits	18	**4,291**	5,916	**4,291**	5,916
Other assets		**10,763**	14,570	**11,966**	15,363
Investments	10	**124,507**	114,068	**-**	8
Property, plant and equipment	11	**44,747**	29,792	**51,686**	36,535
Intangible assets	12	**533,381**	554,823	**557,741**	593,873
		919,588	960,722	**833,576**	886,719
Total		**1,353,313**	1,362,219	**1,392,143**	1,415,397

Liabilities	Note	Company		Consolidated	
		2011	2010	**2011**	**2010**
Current liabilities					
Labor and social security liabilities	13	**69,589**	52,141	**91,452**	69,072
Trade accounts payable		**8,371**	9,205	**14,788**	17,363
Taxes liabilities		**2,971**	1,805	**5,689**	5,903
Loans and financing	14	**55,032**	59,289	**56,463**	62,029
Lease financing	15	**297**	1,839	**296**	1,923
Debentures	16	**38,399**	12,155	**38,399**	12,155
Commissions payable		**40,176**	36,596	**41,953**	38,581
Dividends and interest on equity payable	20	**356**	33,139	**356**	34,302
Liabilities from investment acquisition	17	**34,816**	10,382	**34,965**	10,581
Other liabilities		**2,273**	2,532	**3,503**	3,306
		252,280	219,083	**287,864**	255,215
Non-current liabilities					
loans and financing	14	**103,357**	156,230	**104,549**	156,230
Lease financing	15	**47**	105	**66**	114
Debentures	16	**128,521**	185,795	**128,521**	185,795
Deferred taxes	7	**107,992**	119,708	**109,130**	123,551
Provision for losses on investments	10	**1,785**	1,485	**-**	-
Provision for contingencies and legal obligations related to legal proceedings	18	**2,240**	5,876	**2,240**	5,876
Liabilities from investment acquisition	13	**34,215**	54,074	**34,503**	54,472
Other liabilities		**-**	1	**2,394**	2,568
		378,157	523,274	**381,403**	528,606
Shareholders' Interest					
Capital Stock	19	**441,304**	406,489	**441,304**	406,489
Capital reserve	19	**45,427**	32,096	**45,427**	32,096
Asset valuation adjustments		**(1,907)**	(2,186)	**(1,907)**	(2,186)
Profit reserve		**129,178**	129,510	**129,178**	128,510
Additional proposal for dividend distribution		**-**	54,285	**-**	54,285
Net income for the period		**108,874**		**108,874**	
Minority interest		**-**	-	**-**	12,382
		722,876	619,862	**722,876**	631,576
Total liabilities		**1,353,313**	1,362,219	**1,392,143**	1,415,397

The notes are an integral part of the Interim Quarterly Financial Information.

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Statement of Income
Period ended on September 30, 2011 and 2010
(Amounts expressed in thousands of Reais)

	Note	Company		Consolidated	
		2011	**2010**	**2011**	**2010**
Net revenues from services and sales		**771,994**	662.403	**944,094**	833,751
License fees		**178,124**	161,779	**230,504**	209,046
Service		**161,362**	136,919	**267,247**	245,886
Maintenance		**432,508**	363,705	**446,343**	833,751
Cost of goods sold / services rendered		**(198,048)**	(178,646)	**(304,414)**	(280,356)
Cost of license fees		**(23,486)**	(9,556)	**(25,439)**	(17,439)
Cost of services and maintenance		**(174,562)**	(169,090)	**(278,774)**	(260,205)
Cost of Sales				**(201)**	(2,712)
Gross profit		**573,946**	483,757	**639,680**	553,395
Operating revenues (expenses)		**(400,879)**	(331,446)	**(479,860)**	(399,230)
Research and development		**(103,480)**	(80,661)	**(131,511)**	(108,966)
Advertising expenses		**(19,255)**	(22,945)	**(20,902)**	(24,512)
Selling expenses		**(43,081)**	(34,439)	**(65,396)**	(51,951)
Commissions		**(97,596)**	(79,675)	**(104,148)**	(84,870)
General and administrative		**(50,098)**	(46,817)	**(57,008)**	(54,652)
Management compensation	9,3	**(23,560)**	(17,691)	**(25,922)**	(21,145)
Depreciation and amortization	11/12	**(56,786)**	(51,530)	**(61,811)**	(57,607)
Allowance for doubtful accounts		**(6,983)**	(4,803)	**(13,002)**	(6,797)
Other net operating revenues (expenses)		**(40)**	7115	**(160)**	11,270
Income before financial effects and equity pickup		**173,067**	152,311	**159,820**	154,165
Financial revenues	24	**23,823**	14,584	**28,593**	18,237
Financial expenses	24	**(43,593)**	(49,894)	**(45,733)**	(52,394)
Equity in the earnings of subsidiaries	10	**(10,398)**	948	**-**	-
Income before income and social contribution taxes		**142,899**	117,949	**142,680**	120,008
Current		**(25,680)**	(22,190)	**(35,488)**	(29,067)
Deferred		**(8,345)**	747	**2,161**	4,569
	7	**(34,025)**	(21,443)	**(33,327)**	(24,498)
Net income for the period before minority interest		**108,874**	96,506	**109,353**	95,510
Minority interest				**(479)**	996
Net income for the period		**108,874**	96,506	**108,874**	96,506
Number of shares at the end of the period (*)	19	**159,335,866**	155,296,360	**159,335,866**	155,296,360
Basic earnings per shares (amounts in Reais)	26	**0.69**	0.62	**0.70**	0.61
Diluted earnings per shares (amounts in Reais)	26	**0.66**	0.59	**0.66**	0.58

(*) Number of share on 2010 adjusted after split at 21,march 2011.

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Statement of Comprehensive Income
Period ended on September 30, 2011 and 2010
(Amounts expressed in thousands of Reais)

	Company	
	2011	**2010**
Net Income	**108,874**	96,506
Other Comprehensive Income	**279**	37
exchange variation on foreign investments	**423**	56
Deferred income tax	**(144)**	-19
Comprehensive income for the period	**109,153**	96,543

	Consolidated	
	2011	**2010**
Net income	**109,353**	95,510
Other Comprehensive Income	**279**	37
Comprehensive income profit for the period	**109,632**	95,547
Attributed to shareholders of parent company	**109,153**	96,543
Assigned to non-controlling shareholders	**479**	(996)

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Statements of Changes in Shareholders' Equity – Company
Period ended on September 30, 2011 and exercise ended on December 31, 2010
(Amounts expressed in thousands of Reais)

	Capital Stock	Premium on the purchase from minority shareholders	Reserve			Other results	Retained Earnings	Additional proposal for dividend distribution	Shareholders' Equity
			Capital	Legal	Profit Retention				
Balances at December 31, 2009	376,493	(19,916)	48,851	11,975	66,114	(1,977)	-	43,526	525,066
Capital transactions with partners									
Recognized options granted	-	-	4,106	-	-	-	-	-	4,106
Dividends	-	-	-	-	-	-	(5,822)	(43,526)	(49,348)
Proposed additional dividend – exceeding minimum mandatory	-	-	-	-	-	-	(54,285)	54,285	-
Interest on equity - distributed	-	-	-	-	-	-	(27,000)	-	(27,000)
Debentures converted into shares	29,996	-	7,449	-	-	-	-	-	37,445
Goodwill from acquisition of minority shareholders	-	(8,394)	-	-	-	-	-	-	(8,394)
Total Other Comprehensive income	-	-	-	-	-	-	-	-	-
Net income for the year	-	-	-	-	-	-	138,196	-	138,196
Other results	-	-	-	-	-	-	-	-	-
Translation adjustments for the period	-	-	-	-	-	(209)	-	-	(209)
Reserves accrued	-	-	-	6,910	44,179	-	(51,089)	-	-
Balance at December 31, 2010	406,489	(28,310)	60,406	18,885	110,293	(2,186)	-	54,285	619,862
Capital transactions with partners									
Recognized options granted	**4,813**		**7,134**						**11,947**
Dividends								**(54,285)**	**(54,285)**
Proposed additional dividend – exceeding minimum mandatory									**-**
Interest on equity - distributed									**-**
Debentures converted into shares	**30,002**		**6,270**						**36,272**
Goodwill from acquisition of minority shareholders		**(73)**							**(73)**
Total Other Comprehensive income									**-**
Net income for the year							**108,874**		**108,874**
Other results									**-**
Translation adjustments for the period						**279**			**279**
Reserves accrued									
Balance at December 31, 2011	**441,304**	**(28,383)**	**73,810**	**18,885**	**110,293**	**(1,907)**	**108,874**	**-**	**722,876**

The notes are an integral part of the Interim Quarterly Financial Information.

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Statements of Changes in Shareholders' Equity - Consolidated
Period ended on September 30, 2011 and exercise ended on December 31, 2010
(Amounts expressed in thousands of Reais)

			Reserve								
	Capital Stock	Premium on the purchase from minority shareholders	Capital	Legal	Profit Retention	Other results	Retained Earnings	Additional proposal for dividend distribution	Shareholders' Equity	Minority interest	Consolidated Shareholders' Equity
Balances at December 31, 2009	376,493	(19,916)	48,851	11,975	66,114	(1,977)	-	43,526	525,066	16,959	542,025
Capital transactions with partners											
Recognized options granted			4,106						4,106		4,106
Dividends							(5,822)	(43,526)	(49,348)		(49,348)
Proposed additional dividend – exceeding minimum mandatory							(54,285)	54,285			
Interest on equity - distributed							(27,000)		(27,000)		(27,000)
Debentures converted into shares	29,996		7,449						37,445		37,445
Goodwill from acquisition of minority shareholders		(8,394)							(8,394)		(8,394)
Reduction from acquisition from minority shareholders										(6,266)	(6,266)
Capital increase through acquisition										1,354	1,354
Total Other Comprehensive Income											
Net income for the year							137,528		137,528	335	137,683
Other Comprehensive Income											
Translation adjustments for the period						(209)			(209)		(209)
Reserves accrued				6,910	43,511		(50,421)		-		-
Balance at December 31, 2010	406,489	(28,310)	60,406	18,885	109,625	(2,186)	-	54,285	619,194	12,382	631,576
Capital transactions with partners											
Recognized options granted	**4,813**		**7,134**						**11,947**		**11,947**
Dividends								**(54,285)**	**(54,285)**		**(54,285)**
Proposed additional dividend – exceeding minimum mandatory											
Interest on equity – distributed											
Debentures converted into shares	**30,002**		**6,270**								
Goodwill from acquisition of minority shareholders		**(73)**							**-**		
Reduction from acquisition from minority shareholders					**668**				**668**	**(12,861)**	**(12,193)**
Capital increase through acquisition											
Total Other Comprehensive Income											
Net income for the year							**108,874**		**108,874**	**479**	**109,353**
Other Comprehensive Income											
Translation adjustments for the period						**279**			**279**		**279**
Reserves accrued											
Balance at September 30, 2011	**441,304**	**(28,383)**	**73,810**	**18,885**	**110,293**	**(1,907)**	**108,874**	**-**	**722,876**	**-**	**722,876**

The notes are an integral part of the Interim Quarterly Financial Information.

Totvs S.A.

Cash flow Statements
Period ended on September 30, 2011 and 2010
(Amounts expressed in thousands of Reais)

	Company		Consolidated	
	2011	**2010**	**2011**	**2010**
Cash flow provided by operating activities				
Net income for the year	**108,874**	96,506	**109,353**	95,510
Adjustments:				
Depreciation and amortization	**56,786**	51,530	**61,811**	57,607
Share-based payment	**13,404**	10,545	**13,404**	10,545
Gains on the sale of permanent assets	**2,293**	537	**2,717**	3,659
Allowance for doubtful accounts	**6,983**	4,803	**13,002**	6,797
Deferred income and social contribution taxes	**8,096**	(747)	**(2,161)**	(4,569)
Equity pickup	**10,398**	(948)	**-**	-
Interest and monetary and exchange variations, net	**23,071**	31,106	**22,954**	31,462
Investment losses	**282**	1,354	**-**	-
Provision (Reversal) for contingencies	**(3,636)**	1,252	**(3,636)**	1,252
Minority interest	**-**	-	**(479)**	(4,249)
Changes in operating assets and liabilities:				
Trade accounts receivable from clients	**(39,534)**	(44,939)	**(36,327)**	(60,359)
Dividends received	**4,097**	3,738	**800**	-
Other assets	**9,160**	(12,484)	**5,883**	(15,330)
Judicial deposits	**1,625**	(988)	**1,625**	(988)
Labor and social security liabilities	**17,448**	8,956	**22,380**	14,874
Suppliers	**(834)**	(35,337)	**(2,575)**	(39,229)
Commissions payable	**3,580**	11,392	**3,372**	12,116
Taxes payable	**1,166**	(1,583)	**(214)**	(1,342)
Other accounts payable	**(332)**	(941)	**(98)**	(825)
Net cash provided by operating activities	**222,927**	**123,752**	**211,811**	**106,931**
Cash flow provided by investment activities				
Acquisition of subsidiaries less net cash	**-**		**-**	-
Addition of investments	**(31,872)**	(26,710)	**-**	-
Intangible and/or associated transactions:				
Addition of intangible assets	**(303)**	(12,092)	**(328)**	(17,494)
Liabilities from investment acquisition/intangible	**(23,774)**	-	**(23,934)**	-
Securities – Restricted associated with intangible	**(4,669)**	(14,968)	**(4,504)**	(12,423)
Total intangible and/or associated transaction	**(28,746)**	(27,060)	(28,766)	(29,917)
Value of fixed assets sale	**-**	(10,479)	**-**	43
Divestment due to sale or merger of subsidiary	**12,947**	2	**-**	2
Acquisition of fixed assets	**(25,416)**	43	**(26,647)**	(12,488)
Net cash provided by (used in) investment activities	**(73,087)**	**(64,204)**	**(55,413)**	**(42,360)**
Cash flow from financing activities				
Bank loans	**(81,229)**	(30,560)	**(81,229)**	(30,560)
Credit with related companies	**4,542**	8,114	**-**	-
Dividends paid	**(87,068)**	(69,156)	**(88,231)**	(69,156)
Liabilities from commercial lease	**(1,600)**	-	**(1,675)**	-
Share inssue	**4,813**	-	**4,813**	-
Receivables from related companies		-	**-**	-
Net cash provided by (used in) financing activities	**(160,542)**	(91,602)	(166,322)	(99,716)
Increase (decrease) in cash and cash equivalents	**(10,702)**	(32,054)	**(9,924)**	(35,145)
Cash and cash equivalents at the beginning of the period	**177,275**	161,860	**232,508**	207,721
Cash and cash equivalents at the end of the period	**166,573**	129,806	**222,584**	172,576
Payment of interests				
Payment of income and social contribution taxes				

The notes are an integral part of the Interim Quarterly Financial Information.

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Statements of value added
Period ended on September 30, 2011 and December 31, 2010
(Amounts expressed in thousands of Reais)

	Company		Consolidated	
	2011	**2010**	**2011**	**2010**
1 - REVENUES	**816,790**	709,973	**995,388**	897,715
1.1 Sale of goods. products and services	**823,816**	707,659	**1,008,404**	893,242
1.2 Other revenues	**(42)**	7,116	**27**	11,267
1.3 Allowance for doubtful accounts - reversal/ (recording)	**(6,984)**	(4,803)	**(13,043)**	(6,794)
2 - RAW MATERIAL ACQUIRED FROM THIRD-PARTY (includes ICMS and IPI taxes)	**(244,501)**	(242,025)	**(328,259)**	(330,782)
2.1 Cost of services sold	**(22,610)**	(12,086)	**(26,234)**	(24,385)
2.2 Materials. energy. outsourced services and other	**(221,891)**	(229,939)	**(302,025)**	(306,397)
3 - GROSS VALUE ADDED (1-2)	**572,289**	467,948	**667,129**	566,933
4 – DEPRECIATION AND AMORTIZATION	**(56,787)**	(51,530)	**(61,811)**	(57,681)
5 - NET VALUE ADDED PRODUCED BY THE ENTITY	**515,502**	416,418	**605,318**	509,252
6 - VALUE ADDED RECEIVED FROM TRANSFER	**11,377**	15,531	**26,543**	18,238
6.1 Equity in the earnings of subsidiaries	**(10,399)**	948	**-**	-
6.2 Financial revenues	**21,776**	14,584	**26,543**	18,238
7 - TOTAL VALUE ADDED TO DISTRIBUTE (5+6)	**526,879**	431,949	**631,861**	527,490
8 - VALUE ADDED DISTRIBUTION	**526,879**	431,949	**631,861**	527,490
8.1 Personnel	**231,897**	176,330	**307,003**	241,403
8.1.1 Direct compensation	**194,100**	148,453	**257,422**	201,155
8.1.2 Benefits	**22,736**	16,043	**30,313**	25,228
8.1.3 FGTS (worker's severance fund)	**15,061**	11,834	**19,268**	15,019
8.2 Taxes. fees and contributions	**136,558**	102,950	**163,175**	130,960
8.2.1 Federal	**116,142**	85,807	**137,798**	109,020
8.2.2 State	**71**	86	**229**	(16)
8.2.3 Municipal	**20,345**	17,056	**25,148**	21,957
8.3 Interests and rentals	**49,550**	56,163	**52,809**	59,617
8.3.1Interests	**36,255**	45,639	**37,980**	47,779
8.3.2Rentals	**13,295**	10,523	**14,781**	11,688
8.3.3 Other	**-**		**48**	150
8.4 Remuneration on equity capital	**108,874**	96,506	**108,874**	95,510
8.4.1 Interest on equity				
8.4.2 Dividends paid or credited to partners				
8.4.3 Retained earnings/ accumulated losses for the year	**108,874**	96,506	**109,353**	96,506
8.4.4 Minority interest in retained earnings			**(479)**	(996)

The notes are an integral part of the Interim Quarterly Financial Information.

1. Operations

The business purpose of Totvs S.A., (hereinafter referred to as “Parent Company”, “Totvs”, or “the Company”) is a publicly-held corporation, headquartered at Av. Braz Leme, 1632 2º andar, in the City and State of São Paulo, whose shares are traded on the BM&FBOVESPA - Securities, Commodities and Futures Exchange.

The Company’s purpose is developing and selling rights of use of information technology systems and rendering of implementation, consultation, assistance and maintenance services related thereto. The main software products developed by the Company are ERP (Enterprise Resource Planning) applications that have the purpose of electronically integrating the strategic and operating levels of a user company, allowing the creation of information flows which include the operating needs and those related to management information of different areas of the user company. The main areas comprised by the Company’s ERP software products are: management, finance, operations, industrial, human resources and client service.

Totvs’ parent company and consolidated interim Interim Quarterly Financial Information were approved at the Board of Directors’ Meeting held on October 25, 2011.

All amounts presented in this Interim Quarterly Financial Information are expressed in thousands of reais, except when indicated otherwise. Due to rounding, figures presented throughout this document may not precisely correspond to actual figures.

During the nine months period ended September 30, 2011, the Company carried out important transactions involving business combinations and mergers of subsidiaries as disclosed in Note 3.

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

2. Accounting Policies

The parent company’s and the consolidated Interim quarterly financial information for the nine months period ended September 30, 2011 were prepared in all material respects, in accordance with CPC 21 (IAS 34) applicable to the preparation of quarterly financial information, and is presented in conformity with standards required by the CVM applicable to quarterly financial information (ITR) and the consolidated interim quarterly financial information were prepared in all material respects in accordance with IAS 34 applicable to the preparation of interim financial information, and is presented in conformity with the standards required by the CVM applicable to quarterly financial information (ITR). The accounting policies presented in these interim financial information have not changed over the policies outlined in the financial statements of December 31, 2010.

The parent company's and the consolidated Interim quarterly financial information were prepared based on different assessment bases used to prepare accounting estimates. The accounting estimates involved in the preparation of the Interim quarterly financial information were based on both objective and subjective factors, and in line with management's judgment for the determination of the appropriate amounts to be recorded on the Interim Quarterly Financial

Information. Significant items subject to these estimates and assumptions include the selection of the useful life of the fixed assets and their recoverability in operations, the evaluation of financial assets both at fair value and adjustment to present value, analysis of the credit risk to determine the allowance for doubtful accounts, as well as the analysis of other risks to determine other provisions, including the provision for contingencies.

As a result of the settlement of transactions comprising these estimates, values may be materially different from those recorded in the Interim Quarterly Financial Information due to the probability treatment inherent to the estimate process. The Company reviews the estimates and assumptions at least once a year. Please refer to note 2.17 for further detail on estimates.

The Company has adopted all the standards, standard reviews and interpretations issued by the Accounting Pronouncements Committee (CPC) by IASB and regulatory agencies that were in effect in September 30, 2011. The Interim quarterly financial information were prepared using the historical cost as the value basis, except for the valuation of certain assets and liabilities, such as financial instruments, which are measured at their fair value.

2.1. Consolidation basis

The consolidated Interim quarterly financial information include the Company's operations and the following subsidiaries; the percentage of interest on the balance sheet date is summarized below:

	Interest %	
Corporate Name	September 2011	December 2010
Totvs Rio Software Ltda. ("Totvs Rio")	100.00	100.00
Microsiga Argentina S.A. ("Microsiga Argentina")	100.00	89.80
Microsiga México S.A. ("Microsiga Mexico")	99.99	99.99
Microsiga Corporation ("Microsiga Corporations")	100.00	100.00
Totvs Nordeste Software Ltda. ("Totvs Nordeste")	100.00	100.00
Setware Informática Ltda. ("Setware") (c)	100.00	100.00
Totvs Brasília Software Ltda. ("Totvs Brasilia")	100.00	100.00
RO Resultados em Outsourcing Ltda. ("RO") (f)	-	100.00
Inteligência Organizacional Serviços, Sistemas e Tecnologia em Software Ltda. ("IOSSTS")	100.00	100.00
Eurototvs Lda. ("Eurototvs")	100.00	100.00
TQTVD Software Ltda. ("TQTVD") (b)	100.00	100.00
Look Informática S.A. ("Look") (f)	-	100.00
BCS Comércio e Serviços de Informática Ltda ("BCS Comercio")	100.00	100.00
BCS Sistemas Computacionais Ltda ("BCS Sistemas") (f)	-	100.00
BCSFLEX Comércio e Serviços de Informática Ltda ("BCSFLEX") (f)	-	100.00
HBA Informática Ltda ("HBA") (f)	-	100.00
Midbyte Informática S.A. ("Midbyte")	100.00	100.00
Datasul S.A. de CV ("Datasul Mexico")	100.00	100.00
Datasul Incorporation ("Datasul USA")	100.00	100.00
Datasul Argentina S.A. ("Datasul Argentina")	100.00	100.00
Totvs Serviços em Informática e Consultoria S.A. ("Totvs Serviços")	100.00	100.00
Gens Tecnologia da Informação Ltda ("Gens")	100.00	100.00
Gens Tecnologia e Informática Ltda. (e)	100.00	-
YMF Arquitetura Financeira de Negócios S.A. ("YMF")	100.00	100.00
Tools Arquitetura Financeira de Negócios S.A. ("Tools")	100.00	100.00
DTSL Sistemas e Serviços de Informática S.A. ("Datasul Paranaense") (f)	-	100.00
DTS Consulting Partner, AS de CV ("Partner") (c)	100.00	100.00
Hery Participações Ltda	100.00	100.00
TotalBanco Consultoria e Sistemas Ltda. (d) (c)	100.00	70.00
TotalBanco Participações S.A. (d)	100.00	70.00
M2S Serviços de Suporte Ltda. (a)	100.00	100.00
SRC Serviços em Informática Ltda. (a) (f)	-	100.00
Mafipa Serviços de Informática Ltda. (a)	100.00	100.00

(a) Business combination in 2010, see Note 3.
(b) Acquisition of minority interest in 2010, see Note 3.
(c) Indirect interest.
(d) Acquisition of minority interest remaining in 2011.
(e) Business combination in 2011, see note 3.
(f) Incorporation in 2011

The results of acquired/merged subsidiaries during the nine months period ended in September 30, 2011 and September 30, 2010 are included in the statements of income as of the date of their acquisition/combination. Therefore, for comparison purposes of the consolidated and parent company's results between 2011 and 2010, we must consider the dates of acquisition and incorporation of each subsidiary's results.

The fiscal years of subsidiaries included in the consolidation are compatible with the parent company and the accounting practices and policies were consistently applied over consolidated companies and in conformity with those applied in the previous year. All intercompany balances and transactions were removed in the consolidation. Transactions between the Parent Company and the subsidiaries are conducted under conditions and prices established between the parties.

2.2. Revenues and expenses

The Company and its subsidiaries earn software license revenue, comprising the licensing fees, revenue from services, including consulting fees, revenue from supporting and maintenance services for the product's technological upgrade and revenue from client service (help desk).

The revenues related to the licenses of use are recognized upon: (i) execution of the agreement and the software is delivered to the client; ii) its value may be measured reliably (pursuant to the terms of agreement); iii) all risks and benefits inherent to the license are transferred to the buyer; iv) the Company no longer owns the effective control over license; and v) it is probable that economic benefits will be generated to the benefit of the Company. Revenues from use license resulting from subscription are recognized on a monthly basis, for a term set forth in the agreement.

The revenues from services are billed separately and recognized as the services are rendered. Revenues related to technological upgrade and help desk service are billed and recognized on a monthly basis, during the effectiveness of the agreement with clients. Booked revenues which do not achieve the mentioned recognition criteria are reversed from the revenues account, and wrote-down under their respective accounts receivables group. Revenues are presented in the net income for the year by their net value, i.e., they exclude taxes levied on them.

The cost related to the revenue from licensing fees includes costs of acquisition of data base, costs of media in which the product is delivered, and price of licenses paid to third parties, in case of resold software. The cost related to the revenue from maintenance and services consists mainly in the salary of consulting and supporting personnel and other costs related to those areas.

Expenses from research and development incurred by the development (software programming and manufacturing) area, linked to new software versions and upgrade of existing software, are registered as expenses for the year in which they incurred and are stated separately from selling costs, in operating expenses.

2.3 Translation of foreign currency-denominated balances

The functional currency of the Company and its subsidiaries based in Brazil is the Brazilian Real, the same currency used in the preparation and presentation of parent company and consolidated Interim Quarterly Financial Information. The Interim Quarterly Financial Information of each subsidiary included in the Company's consolidation and those evaluated according to the equity

accounting method in the Company's individual Interim Quarterly Financial Information are prepared based on the functional currency of each entity.

Concerning subsidiaries located abroad that the Management concluded have administrative, financial and operational independence, their assets and liabilities are translated into Reais at the exchange rate on the balance sheet closing dates and the results translated into Reais by the monthly average rates of the periods. The restatement of investment accounts deriving from exchange variation are recognized as accumulated conversion adjustment in shareholders' equity of the parent company.

2.4. Cash and cash equivalents

These include cash, cash account balances and financial investments redeemable within 90 days of the transactions dates and with insignificant risk of change in its market value. The financial investments included in cash and cash equivalents are mostly classified as "financial assets at fair value through income." The opening of these financial investments by type of classification is shown in Note 5.

2.5 Trade accounts receivable

These are shown at realization amounts, and the accounts receivable from clients in the foreign market are restated based on exchange rates effective on the date of Interim Quarterly Financial Information. A provision was recorded in an amount considered sufficient by the Management for the credits of which recovery is considered doubtful, based on the individual analysis of each client with installments in arrears.

2.6 Investments in subsidiaries

The Company's investments in its subsidiaries are valued based on the equity accounting method, in accordance with CPC 18 (IAS 28), for purposes of the parent company's Interim Quarterly Financial Information.

Based on the equity accounting method, the investment in the subsidiary is booked in the parent company's balance sheet at cost, plus the changes made after the acquisition of interest in the associated company. Goodwill referring to the associated company is included in the investment's book value and is not amortized. As the goodwill grounded on future profitability composes the book value of the investment in the associated company (not recognized separately), it is not tested separately for impairment.

Interest in the subsidiary is demonstrated in the parent company's income statement as equity in the earnings of subsidiaries, representing the net income attributable to the associated company's shareholders.

The Interim Quarterly Financial Information of subsidiaries are prepared for the same reporting period as the Company's.

Whenever necessary, adjustments are made so that the accounting policies are in accordance with those adopted by the Company.

After applying the equity accounting method for purposes of the parent company's Interim Quarterly Financial Information, the Company determines whether or not it is necessary to recognize additional impairment on the Company's investment in its associated company. On every balance sheet closing date, the Company establishes whether there is objective evidence that investments in subsidiaries have suffered impairment. If this is the case, the Company calculates the impairment amount as the difference between the parent company's recoverable amount and its book value and recognizes this amount in the parent company's income statement.

2.7 Property, plant and equipment

This is recorded at acquisition cost. The depreciation of assets is calculated by the straight-line method at rates mentioned in Note 12 and takes into account the estimated economic-useful life of assets.

A property, plant and equipment item is written off when it is sold or when no future economic benefit is expected to arise from its use or sale. Any gains or losses resulting from the asset write-off (calculated as the difference between the net sales value and the asset's book value) are included in the income statement for the year when the asset is written off.

The residual amount and useful life of assets and the depreciation methods are reviewed at the closing of each fiscal year and are adjusted prospectively whenever necessary.

Due to changes in the Brazilian accounting practice for full convergence with international practices, at the first-time adoption of Technical Pronouncements CPC 27 (IAS 16) and CPC 28 (IAS 40), there was the option to adjust the initial balances according to what is allowed by the international accounting standards, by using the deemed cost concept as provided for in Technical Pronouncements CPC 37 and 43 (IFRS 1).

The Company opted for not evaluating its property, plant and equipment at fair value as attributed cost, considering that: (i) the cost method, minus allowances for losses, is the best method for evaluating the Company's property, plant and equipment; (ii) the Company's property, plant and equipment is broken down into well-defined classes, related to its only operating activity, which is the provision of software development and maintenance services; (iii) the infrastructure used in the industry in which the Company operates is significantly affected by the technological development, new products with increased capacity at lower prices are made available, requiring frequent updates of operational equipment and review of the recoverable values and useful life estimates of property, plant and equipment assets, which the Company has been doing over the years; and (iv) the Company has effective controls over property, plant and equipment assets that allow it to identify impairment losses and changes in useful life estimates. v) The depreciation rates used adequately represent the useful life of equipment, which leads to the conclusion that the value of property, plant and equipment is close to its fair value. The application of these technical pronouncements created significant impacts on the Company.

2.8 Leasing

Financial leases that transfer to the Company basically all the risks and benefits associated with the ownership of the leased asset are capitalized in the beginning of the lease at the fair value of the leased asset or at the present value of the minimum lease payments, whichever is lower. The

initial direct costs incurred in the transaction are added to costs, when applicable. Financial lease payments are allocated to financial charges and reduction of the financial lease liability so as to obtain constant interest rates over the liability's outstanding balance. Financial charges are recognized in the income statement.

Leased assets are depreciated over their useful lives. However, when there isn't a reasonable amount of certainty that the group will obtain the ownership at the end of the leasing term, the asset is depreciated either over its estimated useful life or within the leasing term, whichever is shorter.

Operating lease payments are recognized as expense in the income statement according to the straight-line method over the leasing term.

2.9 Intangible assets

Intangible assets acquired separately are measured at cost at the time of their initial recognition. The cost of intangible assets acquired in a business combination corresponds to the fair value on the acquisition date. After the initial recognition, intangible assets are presented at cost, minus the accrued amortization and impairment losses. Intangible assets generated internally, excluding capitalized development costs, are not capitalized and the expense is reflected in the income statement for the fiscal year when they are incurred.

Intangible assets are represented by: software, trademark and patents, client portfolio and goodwill generated in view of the expectation of profitability and incremental revenues expected in the future, connected with business combinations of the Company and subsidiaries, disbursements related to acquisition of exploration rights of areas and acquisition of new products developed by third parties.

Limited-life intangible assets are amortized over their useful economic life and tested for impairment whenever there is an indication that the asset's economic value has been impaired. The period and the amortization method for a limited-life intangible asset are reviewed at least at the end of each fiscal year. Changes in the estimated useful life or in the expected use of these assets' future economic benefits are accounted for by means of changes in the amortization period or method, depending on the case, and are treated as changes in accounting estimates. The amortization of limited-life intangible assets is recognized in the income statement under the expense category consistent with the use of the intangible asset.

Indefinite-life intangible assets are not amortized but are tested annually for impairment, either individually or at the level of the cash-generating unit. The evaluation of the indefinite useful life is reviewed annually to determine if this evaluation remains justified. In case there is evidence to the contrary, the change in useful life from indefinite to limited is made prospectively.

Gains and losses resulting from the write-off of an intangible asset are measured as the difference between the net sales value and the asset's book value and are recognized in the income statement at the time when the asset is written off.

2.10 Provision for asset impairment

The Management annually reviews the net book value of assets with a view to evaluating events or changes in economic, operational or technological circumstances that may indicate deterioration or impairment. In case this evidence is identified and the net book value exceeds the recoverable value, a provision is established for the impairment, adjusting the net book value to the recoverable value.

The recoverable value of an asset or a certain cash-generating unit is defined as being the greater between the value in use and the net sales value.

When estimating the asset's value in use, the estimated future cash flows are discounted to their present value by using a discount rate before taxes that reflects the weighted average cost of capital for the industry where the cash-generating unit operates. The net sales value is determined, whenever possible, based on a commutative sales contract between knowing and interested parties adjusted by expenses attributable to the asset sale, or, when there is no sales contract, based on the market price of an active market or also on the price of the most recent transaction conducted with similar assets.

The following criterion is also applied to evaluate impairment losses:

a) Goodwill paid for expected future profitability

This goodwill is tested annually for impairment (on September 30) or when circumstances indicate loss due to depreciation of its book value.

b) Intangible assets

Indefinite-life intangible assets are tested annually (on September 30) for impairment, either individually or at the level of the cash-generating unit, depending on the case, or when circumstances indicate loss due to depreciation of their book value.

When this evidence is identified and the net book value exceeds the recoverable value, a provision is established for impairment, adjusting the net book value to the recoverable value, when applicable (Note 13).

2.11 Other assets and liabilities

An asset is recognized in the balance sheet when it is a resource controlled by the Company resulting from past events and expected to produce future economic benefits.

A liability is recognized in the balance sheet when the Company has a legal obligation or obligation resulting from a past event, and will probably require an economic resource to settle it.

2.12 Taxation

Taxes on sales

Revenues from sales and services are subject to the following taxes and contributions, by the following basic rates:

- Social Integration Program (PIS) 0.65% and 3.00%;
- Social Security Financing (COFINS) 3.0% and 7.65%;
- Services Tax (ISS) between 2% and 5%.

These charges are accounted as sales deductions in the statement of income.

Income and social contribution taxes - current

The taxation on income includes income and social contribution taxes. The income tax is calculated on the taxable income at the rate of 15%, accruing a surcharge of 10% for profits exceeding R$240 in the 12-month period, while the social contribution tax is calculated at 9% on taxable income, recognized by the accrual basis of accounting; therefore, inclusions to the book profit of expenses, temporarily not deductible, or revenue exclusions, temporarily not taxable, considered in the calculation of current taxable income generate deferred tax credits or debits. Advances or amounts subject to offset are stated in current or non-current assets, according to the estimate of their realization.

Deferred taxes

Deferred taxes are generated by temporary differences on the balance sheet date between the tax bases of assets and liabilities and their book values. Deferred tax liabilities are recognized for all temporary tax differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction other than a business combination, and, on the transaction date, it affects neither the book profit nor the tax profit or loss;

- over deductible temporary tax differences associated with investments in subsidiaries, in which the reversion of temporary differences may be controlled and it is likely that the temporary differences will not be reversed in the near future.

Deferred tax assets are recognized for all deductible temporary differences, unused tax credit and losses, to the extent that it is likely that the taxable income is available so that the deductible temporary differences may be realized and unused tax credits and losses may be used, except:

- when the deferred tax asset associated with the deductible temporary difference is generated at the initial recognition of the asset or liability in a transaction other than a business combination, and, on the transaction date, it affects neither the book profit nor the tax profit or loss; and

- over deductible tax temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is likely that temporary differences are reversed in the near future and the taxable income is available so that the temporary differences may be used.

The book value of deferred tax assets is reviewed on each balance sheet date and written off to the extent that it is no longer likely that taxable income will be available to allow all or part of the deferred tax asset to be used. Written off deferred tax assets are reviewed on each balance sheet

date and recognized to the extent that it becomes likely that future taxable income will allow deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate expected to be applicable in the year when the asset will be realized or the liability will be settled, based on the tax rate (and tax law) that are in effect on the balance sheet date.

Deferred taxes associated with items recognized directly in shareholders' equity are also recognized in shareholders' equity and not in the income statement. Deferred tax items are recognized according to the transaction that originated the deferred tax, either in comprehensive income or directly in shareholders' equity.

2.13 Share-based payment

During 2011 and 2010 the Company granted share-based compensation to its main executives and managers. The Company measures the cost of share-settled transactions involving employees based on the fair value of equity instruments on the granting date. Estimating the fair value of share-based payments requires determining the most appropriate evaluation model for concession of equity instruments, which depends on the concession's terms and conditions. This also required determining the most appropriate data for the evaluation model, including the option's expected life, the volatility and return of dividends and the corresponding assumptions. The assumptions and models used to estimate the fair value of share-based payments are disclosed in Note 26. Expenses related to these transactions are recognized in income during the period in which services are rendered in a counterpart account of capital reserve.

2.14 Other employee benefits

Benefits granted to the Company's employees and managers include, in addition to fixed compensation (payroll and social security contributions (INSS, vacation, 13th month pay – Christmas bonus), variable compensation, such as profit sharing, bonuses private pension plans with defined contributions managed by an insurance company (Note 25), and share-based compensation. These benefits are recorded in net income for the year when the Company has an obligation on an accrual basis, as they are incurred.

2.15 Earnings per share

The Company calculates earnings per hundred shares using the weighted average number of total shares outstanding during the period corresponding to the result according to the technical pronouncement CPC 41 (IAS 33).

2.16 Adjustment at present value of assets and liabilities

Long-term and short-term monetary assets and liabilities, when the effect is considered relevant in relation to the Interim Quarterly Financial Information taken as a whole, are adjusted by their present value.

The adjustment at present value is calculated taking into account contractual cash flows and explicit interest rates, and in certain cases implicit interest rates of respective assets and liabilities.

Therefore, interest rates accrued on revenues, expenses and costs associated with these assets and liabilities are discounted with a view to recognizing them in conformity with the accrual basis of years. Subsequently, this interest is reallocated to financial income and expenses in results by using the effective interest rate method in relation to the contractual cash flows.

Implicit interest rates were determined based on assumptions and accounting estimates are considered.

2.17 Judgments, estimates and significant accounting assumptions

Judgments

The preparation of the Company and consolidated Interim Quarterly Financial Information requires that the management make judgments and estimates and adopt assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as disclosures of contingent liabilities, on the financial statement database. However, the uncertainty associated with these assumptions and estimates could lead to results that require a significant adjustment to the book value of the affected asset or liability in future periods.

Estimates and Assumptions

The key assumptions regarding the sources of uncertainty for future estimates and other important sources of uncertainty for estimates on the balance sheet date, involving significant risk of causing a major adjustment to the book value of assets and liabilities in the following reporting period, are discussed below.

Impairment of non-Financial Assets

There is impairment when the book value of an asset or cash-generating unit exceeds its recoverable value, which is the highest of fair value less selling costs and value in use. The calculation of fair value less selling costs is based on the available information on sale transactions for similar assets or market prices less additional costs to dispose of such asset. The calculation of the value in use is based on the discounted cash flow model. Cash flows derive from the budget for the next five years and do not include reorganization activities the Company has not committed with yet, or significant future investments that will improve the asset base of the cash-generating unit being tested for impairment. The recoverable value is sensitive to the discount rate used in the discounted cash flow methodology, as well as to expected future cash to be received, and to the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable value of the different cash-generating units, including the sensitivity analysis, are further detailed on Note 13.2.

Share-based Payment Transactions

The Group measures the cost of stock-settled transactions with employees based on the fair value of the equity instruments on the date they are granted. The estimate of the fair value of stock-based payments requires that the most suitable appraisal model be determined for the granting of equity instruments, which depends on the terms and conditions of the grant. This also requires that the most appropriate data be determined for the appraisal model, including the expected life of the option, volatility and dividend yield, and the corresponding assumptions. The assumptions and models used to estimate the fair value of stock-based payments are reported on Note 26.

Taxes

There are uncertainties regarding the interpretation of complex tax regulations and the value and timing of future taxable results. Given the comprehensive aspect of international business relationships, and the long-term nature and the complexity of existing contracts, differences between the actual results and the adopted assumptions or future changes in such assumptions could require future adjustments to the tax income and expense already recorded. The Company forms provisions, based on applicable estimates, for possible consequences of auditing by tax authorities of the respective jurisdictions where it operates. The amount of such provisions is based on several factors, like prior experiences with fiscal audits and different interpretations of the tax regulations by the taxable entity and by the tax authority in question. Such differences in interpretation may arise for the most diverse matters, depending on the conditions in force in the respective domicile of the company.

Significant management judgment is required in determining the amount of the deferred tax asset that can be recognized based on the probable deadline and future taxable income levels, as well as future fiscal planning strategies.

Fair Value of Financial Instruments

Whenever the fair value of financial assets and liabilities reported in the balance sheet cannot be obtained from active markets, it is determined through appraisal techniques, including the discounted cash flow methodology. Data used in such methodologies are based on market practices whenever possible; however, when it is not feasible, a certain level of judgment is required to determine the fair value. Judgment includes considerations on used data, such as, for example, liquidity risk, credit risk and volatility. Changes in assumptions on such factors could affect the reported fair value of the financial instruments.

Provisions for Tax, Civil and Labor Risks

The Company recognizes a provision for civil and labor lawsuits. The assessment on the probability of loss includes the analysis of available evidence, the hierarchy of laws, the available jurisprudence, the latest decisions of courts of law and their relevance in the legal system, as well as the opinion of external legal advisers. The provisions are revised and adjusted to take into account changes in circumstances, such as the applicable expiration deadline, conclusions of fiscal inspections, or additional exposures that may be identified based on new matters or court decisions.

The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in Interim Quarterly Financial Information due to inaccuracies inherent to the process of their determination. The Company reviews its estimates and assumptions, at least, quarterly.

2.18 Cash flow statements

The cash flow statements were prepared based on the indirect method and stated pursuant to CVM Resolution 547 of August 13, 2008, which approved the accounting pronouncement CPC 03 (IAS 7) – Cash Flow Statements, issued by the Brazilian CPC.

2.19 Financial instruments

a) First-time recognition and measurement

The Company's financial instruments are represented by cash equivalents, accounts receivable, accounts payable, debentures, loans and financing and derivatives. The instruments are recorded for the first time at their fair value plus costs directly attributable to their acquisition or issue, except for financial instruments at fair value through profit or loss, whose costs are recorded in the profit or loss for the year.

Main financial assets recognized by the Company are: cash and cash equivalents and trade accounts receivable.

The main financial liabilities recorded by the Company are: accounts payable to suppliers, loans and financing and debentures and derivatives.

b) Subsequent measurement

The measurement of financial assets and liabilities depends on their classification, which may be one of the following:

Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss include financial assets held for trading and financial assets recorded at fair value through profit or loss upon their first-time recognition. Financial assets held for trading are those acquired with the purpose of being sold in the short term.

The Company has recorded its financial assets at fair value through profit or loss because it intends to trade them in the short term. If the Company has no conditions to trade such financial assets due to market inactivity, and if the management's intention of selling such financial assets significantly changes in the near future, the Company may choose to reclassify these financial assets under certain circumstances. Reclassification to loans and accounts receivable, available for sale or held to maturity, depends on the nature of the asset. This does not affect any financial asset recorded at fair value through profit or loss using the fair value choice upon reporting.

Financial liabilities at fair value through profit or loss: these liabilities include financial liabilities for trading and financial liabilities designated upon recognition at fair value through profit or loss.
Financial liabilities are classified as held for trading when they are acquired with the purpose of being sold in the short term. This category includes derivative financial instruments contracted by the Company and that do not meet the hedge accounting criteria established by CPC 38 (IAS 39). Derivatives, including embedded derivatives that are not related to the main agreement and that must be separated are also classified as held for trading, unless they are designated as effective hedge instruments.
Gains and losses in liabilities held for trading are recognized in the income statement.
The Company did not present any financial liabilities at fair value through profit or loss.

Loans and financing: Following the initial recognition, loans and financing subject to interest are measured at the amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement at the time when the liabilities are written off, as well as during the amortization process according to the effective interest rate method.

2.20 Information per Segment

Given that its activities are concentrated in developing and trading licenses to use computer-based systems, and in providing implementation services and consulting, advisory and maintenance services related thereto, the Company is organized around one single business unit. The Company's software, despite being designated to various segments of business of economy (agribusiness, infra-structure, construction and projects, health, logistics and distribution, transport, educational, financial services, legal, retail, and services) are not controlled and managed by the management as independent segments, being the Company's results followed, monitored and evaluated in a integrated manner.

2.21. New IFRS and IFRIC Interpretations

The new accounting IASB procedures and IFRIC interpretations have been published and/or revised and their adoption is optional or mandatory for the years beginning on January 01, 2010. The Company's Management evaluated the impacts of these new procedures and interpretations and does not expect their adoption to have any significant impacts on the Company's annual information in the year when they are first adopted, as follows:

• **IAS 24 Requirements for Disclosure of State-owned Entities and Definition of Related Party (Revised)** – It simplifies requirements for disclosure of state-owned entities and clarifies the related party definition. The revised standard addresses aspects which, in accordance with disclosure requirements and the previous definitions for related party, were extremely complex and of difficult to apply in practice, particularly in largely state-controlled environments, offering partial exemption to state-owned entities and a revised definition of the related party concept. This amendment was issued in November 2009 and is effective for fiscal years beginning on January 1, 2011. It didn't affect the Company's consolidated Interim Quarterly Financial Information.

• **IFRS 9 Financial Instruments – Classification and Measurement** - IFRS 9 closes the first phase of the project of replacing "IAS 39 Financial Instruments: Recognition and Measurement". IFRS 9 uses a simple approach to determine whether a financial asset is measured at amortized cost or fair value, based on how an entity manages its financial instruments (its business model) and the characteristic contractual cash flow of financial assets. The standard also requires the adoption of one single method to determine asset impairment losses. This standard is effective for fiscal years beginning on January 1, 2013. The Company does not expect this amendment to cause impacts on its consolidated Interim Quarterly Financial Information.

• **IFRIC 14 Prepayments of a Minimum Funding Requirement** - This amendment applies only to those situations in which an entity is subject to minimum funding requirements and makes prepayments in order to cover these requirements. The amendment allows this entity to register the benefit of said prepayment as an asset. This amendment is effective for fiscal years beginning on January 1, 2011. It didn't affect the Company's consolidated Interim Quarterly Financial Information.

• **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments** - IFRIC 19 was issued in November 2009 and is effective as of July 1, 2010, and its early application is allowed. This interpretation clarifies requirements of the International Financial Reporting Standards (IFRS) whenever an entity renegotiates the terms of a financial liability with its creditor and the latter accepts that entity's shares and other equity instruments in order to partially or fully settle the

financial liability. It didn't affect the Company's consolidated Interim Quarterly Financial Information.

• **Improvements to the IFRS –** The IASB issued improvements to the rules and amendments to the IFRS on May 2010; the amendments will be in force as of January 1, 2011. Below is a list of the main amendments that could have an impact on the Company:

- IFRS 3 – Business combinations.
- IFRS 7 – Financial Instruments: Disclosures.
- IAS 1 – Presentation of Interim Quarterly Financial Information.

The Company does not expect the changes to have any impact on its consolidated Interim Quarterly Financial Information.

Other rules and interpretations that have been issued but not adopted yet are not expected, based on management's opinion, to have a significant impact on the Company's reported result or equity.

3. Business combinations and incorporation of companies

The acquisition method is used to account for business combinations. The cost of an acquisition is measured by the sum of the consideration amount transferred, which is assessed according to fair value on the acquisition date, and the amount of any minority interest in the acquiree. For each business combination, the acquirer must measure the minority interest in the acquiree at fair value or based on its interest in the acquiree's net assets identified. Costs directly attributable to the acquisition must be accounted for as expenses when incurred.

When acquiring a business, the Company assesses the financial assets and liabilities assumed aiming to classify and allocate them according the contractual terms, economic circumstances and applicable conditions on the acquisition date, which includes the segregation of embedded derivatives existing in host contracts at the acquiree.

If the business combination is achieved in stages, the fair value on the date of acquisition of the equity interest previously held in the acquiree is revaluated at fair value on the acquisition date, and the impacts are recognized in the income statement.

Any contingent consideration to be transferred by the acquirer will be recognized at the fair value on the acquisition date. Subsequent changes to the fair value of contingent consideration deemed to be an asset or liability must be recognized pursuant to CPC 38 (IAS 39) in the statement of income or in other comprehensive income. If the contingent consideration is classified as equity, it should not be revaluated until it is finally settled in the equity.

Goodwill is initially measured as being the excess consideration transferred in relation to the acquired net assets (acquired net identifiable assets and assumed liabilities). If this consideration is lower than the fair value of the acquired net assets, the difference must be recognized as profit in the income statement.

After the initial recognition, goodwill is measured at cost less any accumulated impairment losses. For purposes of impairment testing, goodwill acquired in a business combination is, as of the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination synergies, irrespective of whether the acquiree's other assets or liabilities are assigned to those units.

When goodwill is part of a cash-generating unit and a portion of that unit is sold, the goodwill associated with the portion sold must be included in the operation cost when determining the sale's gain or loss. Goodwill sold under these circumstances is calculated based on the proportional values of the portion sold in relation to the cash-generating unit maintained.

Goodwill and other intangible assets with indefinite useful life are not amortized, but these are tested for impairment at least on a yearly basis (Note 13).

3.1. Acquisition of interest with controlling interest

2011

On January 4, 2011 the Company entered into a acquired 100% of the sharesof GENS TECNOLOGIA E INFORMÁTICA LTDA.'s ("GENS") capital stock, a company owning assets related to the operation of GENS S.A., a software development franchise focused on the health segment.

The amount of this transaction is R$17,810, as detailed below:

Company	Sector	Acquisition date	Equity interest acquired	Company interest after operation	Amount of Operation	Amount Paid	Amount Payable	Intangible assets allocation	Goodwill Allocation
Gens Tecnologia e Informática Ltda.	Software development in the health segment.	4/1/2011	100%	100%	R$ 17,810	R$ 5,685	- R$ 12,125	R$ 1,470	R$ 16,340

2010

During the year 2010, the Company carried out the following business combinations:

Company	Operating segment	Acquisition date	Corporate Interest Acquired	Company's interest after operation	Operation amount	Amount paid	Amount payable	Allocation of intangible assets	Allocation of goodwill
M2I e M2S	Distribution channel of "RM" brand	1/05/10	100%	100%	R$5,300	R$ 5,300	-	R$ 4,758	R$ 12
SRC Serviços	Developing franchise of "Datasul" brand	7/28/10	100%	100%	R$43,000	R$ 8,421	R$ 34,092	R$ 9.312	R$ 33.688
Mafipa	Distribution channel of "RM" brand	11/24/2010	100%	100%	R$ 5,920	R$ 2,920	R$ 3,000	R$ 4,861	R$ 1,058

M2I e M2S - On January 5, 2010, the Company entered into an agreement for the acquisition of M2I Serviços de Implantação de Software Ltda. ("M2I") and of M2S Serviços de Suporte Ltda. ("M2S") through its subsidiary TOTVS Nordeste Software Ltda. ("TOTVS NE"). M2I and M2S are distribution channels for the RM brand. The companies are located in Salvador, state of Bahia, and are dedicated to the sale, implementation and support to RM products in Bahia. The companies have 33 employees. The acquisition of both companies totaled R$5,300, R$4,770 corresponded to M2S acquisition and R$530 refers to M2I acquisition.

On January 26, 2010, the Company executed a Private Instrument for the Purchase and Sale of Quotas, pursuant to which the Company sold 99.98% of the total capital of M2I Serviços de Implantação de Software to acquire JRP Assessoria de Informática Ltda. for the total amount of R$840. Payment will be made in 42 monthly and successive installments of R$20, restated at the IGPM rate from the agreement's execution date to the date of payment of each installment. The first installment is due on July 1, 2010 and the remaining installments are due on the 1st day of each subsequent month.

SRC Serviços – on July 28, 2010 the Company acquired 100% of shares from SRC Serviços em Informática Ltda. SRC holds the assets related to the operation of the companies Logistics Solutions Ltda., Futura Soluções em Finanças Ltda., Action Desenvolvimento e Consultoria de Negócios Ltda., SGP - Solução de Gestão de Pessoas Ltda. e Autus Desenvolvimento de Sistemas Ltda. Developing Franchise companies of software related to "Datasul" brand, including the totality of its customer portfolio.

MAFIPA Serviços de Informática – On November 24, 2010, the Company acquired 100% of the shares in SRC Serviços em Informática Ltda.'s capital. MAFIPA holds assets related to the operation of companies Cygni Tecnologia em Informática Ltda. and L2M Serviços de Informática Ltda., which are dedicated to the commercialization, implementation and support areas of former brand RM in Distrito Federal.

Business combinations carried out in December 2010 were preliminarily allocated by the Company as goodwill, considering the economic fundamentals, based on studies and appraisals prepared by experts. This preliminary allocation may be revised during 2011, and occasional reclassifications must be made to this group of accounts (Note 13).

3.2. Acquisition of minority interest in subsidiaries

2011

On March 31, 2011, the Company, through the exercise of call option provided for in the Share Purchase Agreement and Other Covenants executed on October 13, 2009 for R$10,539, shares representing thirty percent (30%) of TOTALBANCO CONSULTORIA E SISTEMAS S.A.'s capital stock ("TOTALBANCO"), a closely-held corporation operating in the software development segment for the financial sector, of which TOTVS already indirectly held 70% of its capital stock. With this acquisition, TOTVS now holds 100% of TOTALBANCO's capital.

On August 30, 2011 the Company entered into a transfer of Shares for which acquired 10% stake Totvs Argentina SA and 10% of Capital Datasul Argentina SA for a total of R$ 521, now holds all of the shares of both companies.

2010

During the year of 2010, the Company acquired the minority interest of the following subsidiaries:

Subsidiary	Operating segment	Acquisition date	Corporate Interest Acquired	Company's interest after operation	Operation amount	Amount paid	Amount payable	Profit retention from shareholders' equity
Midbyte	Retail Software Development	1/05/10	30%	100%	R$12	R$ 12	-	(R$ 591)
TQTVD	Digital TV Software Development	6/01/10	45%	100%	R$14,266	R$ 5,999	R$ 7,107	R$ 8,985

MidByte - On January 5, 2010, the Company acquired, through the exercise of call options provided for in the Shareholders' Agreement entered into on November 26, 2007, for R$12,000, shares representing thirty percent (30%) of the capital stock of MIDBYTE INFORMÁTICA S.A. ("MIDBYTE"), a privately-held joint-stock company that develops retail software. TOTVS already held 70% of MidByte's Capital Stock.

TQTVD – On September 01, 2010 the Company acquired for R$14,266 45% of the capital stock of the subsidiary TQTVD Software Ltda.'s, which operates in the area of development and trading of software products and solutions for digital television. Out of the total price, R$5,999 was paid in cash, and a variable amount up to R$8,267 is expected to be paid subject to the compliance of certain goals established for fiscal years 2011 through 2014, which adjusted to present value on December 31, 2010 amounted to R$7,107, (Note 14). The Company already held 55% of TQTVD's capital stock, and following this acquisition it now holds all the quotas.

The goodwill generated in the minority interest acquisitions was recorded in the shareholders' equity, in the "capital reserve" account, pursuant to ICPC 9 (IFRS 3R).

3.3. Incorporation of companies

On September 2, 2011, the company incorporated the net assets at book value, the subsidiaries shown in the table below:

	Currents Assets	Total Assets	Currents Liabilities	Non-current Liabilities	Net worth incorporated by the Company
RO Resultados em Outsourcing Ltda.	6,274	6,593	383	166	6,044
Look Informática S.A.	0	0	0	0	0
BCS Sistemas Computacionais Ltda	0	32	0	0	32
BCSFLEX Com. e Serv. de Informática Ltda	0	100	0	0	100
HBA Informática Ltda	4	4	0	0	4
DTSL Sistemas e Serviços de Informática S.A.	6,623	6,770	3	0	6,767
SRC Serviços em Informática Ltda.	0	0	0	0	0

In accordance with merger protocol approved in the AGE of September 30, 2011, the net worth of subsidiaries were evaluated by a specialist firm that issued their reports to assess the equity of companies with a bade date of August 31, 2011. Equity variations between August 31, 2011 effective date of incorporation and were absorbed by TOTVS.

4. Cash and cash equivalents

	Parent Company		Consolidated	
	September 30, 2011	December.31. 2010	**September 30, 2011**	December 31, 2010
Cash equivalents	**13,774**	10,281	**32,318**	37,074
Cash and cash equivalents				
Purchase and sale commitments	**59,496**	75,935	**93,311**	95,338
CDB	**93,303**	91,059	**96,955**	100,096
	152,799	166,994	**190,266**	195,434
	166,573	177,275	**222,584**	232,508

Cash equivalents are maintained with the purpose of meeting short-term cash requirements and not for investments or other purposes. For the Company, cash equivalents are financial investments that can be immediately converted into a known amount of cash, and that are, therefore, subject to an insignificant risk of change in value. The Company's cash equivalents include financial investments in DI funds, Interbank Deposit Certificates and repurchase operations, and are redeemable in a period of up to 90 days from the date of the respective transactions. Investments are classified as cash equivalents pursuant to CPC 3 (IAS 7).

The Company has financial investments policies which establish that the investments focus on low risk securities and investments in prime financial institutions and they are significantly remunerated based on the variation percentage of the Interbank Deposit Certificates (CDI).

5. Marketable Securities

The balances of securities refer to secured accounts for the payment of intangible assets acquisitions and business combinations (Note 17), as shown below:

	Parent Company		Consolidated	
	September 30, 2011	December.31. 2010	**September 30, 2011**	December 31, 2010
YMF Participações	**2,386**	4,374	**2,386**	4,374
Gens	**573**	527	**573**	527
Tech Prod	**882**	1,266	**1,314**	1,863
Tools	**1,535**	1,469	**1,535**	1,469
Datasul MG	**1,810**	2,429	**1,810**	2,429
Datasul Saúde MG	**641**	946	**641**	946
TotalBanco	**2,535**	2,338	**2,535**	2,338
Hery	**4,686**	4,294	**4,686**	4,294
ERP Cedente	**469**	663	**469**	663
SRC	**33,544**	34,092	**33,544**	34,092
Mafipa	**2,878**	3,031	**2,878**	3,031
Gens FDES	**7,609**	-	**7,609**	
Other	**969**	420	**969**	420
	60,517	55,849	**60,949**	56,446
Current assets	**28,674**	6,118	**28,818**	6,317
Non-current assets	**31,843**	49,731	**32,131**	50,129

6. Trade accounts receivable

	Parent Company		Consolidated	
	September 30, 2011	December.31. 2010	**September 30, 2011**	December 31, 2010
Domestic market	**246,337**	210,002	**294,598**	263,184
Foreign market	**-**	-	**15,799**	15,652
	246,337	210,002	**310,397**	278,836
Current assets	**228,802**	195,195	**292,862**	264,029
Non-current assets	**17,535**	14,807	**17,535**	14,807

Below are the net receivables from allowance for doubtful accounts by aging list, in September 30, 2011 and December 31, 2010:

	Parent Company		Consolidated	
	September 30, 2011	December 31, 2010	**September 30, 2011**	December 31, 2010
Falling due	**202,216**	170,714	250,942	217,473
Overdue				
1 to 30 days	**11,100**	4,031	**12.452**	6,703
31 to 60 days	**4,244**	4,427	**5.766**	6,954
61 to 90 days	**2,834**	2,676	**3.787**	4,064
91 a 180 days	**2,876**	5,780	**4.278**	9,023
181 a 360 days	**1,533**	4,547	**579**	8,863
more than 360 days	**1,529**	1,606	**3.457**	4,856
Total	**226,332**	**193,781**	**281.261**	**257,936**

The breakdown of the allowance for doubtful accounts is as follows:

	Parent Company		Consolidated	
	September 30, 2011	December.31. 2010	**September 30, 2011**	December 31, 2010
Balance at the beginning of the year	**16.221**	14,677	**20.900**	20,314
Additional provision in the year	**6.983**	7,421	**13.002**	10,595
Written off from the provision:	**(3.199)**	(5,877)	**(4.766)**	(10,009)
Balance on September 30	**20.005**	16,221	**29.136**	20,900

The Management believes that the risk related to the accounts receivable from clients is minimized by the fact that the client structure of the Company is highly diluted. The Company has more than 26,000 active clients in the portfolio and on September 30, 2011 and December 31, 2010 no client accounted for 5% or more of the revenue or the accounts receivable. The Company does not require any guarantee on installment sales.

7. Income taxes and social contribution

Income and social contribution taxes, current and deferred, were recorded pursuant to the current rates in force. Deferred income tax and social contribution are calculated over temporary differences and income and social contribution tax loss carryforwards.

7.1 Reconciliation of expense of income tax and social contribution:

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

	Parent Company		Consolidated	
	September 30, 2011	September 30, 2010	**September 30, 2011**	September 30, 2010
Income before taxes	**142,899**	117,949	**142,680**	120,008
Income tax and social contribution at combined nominal rate of 34%	**(48,586)**	(40,103)	**(48,511)**	(40,803)
Adjustments for the statement of effective rate				
Equity pick-up	**(3,536)**	322	**-**	-
Law 11,196/05 (Incentive for research and development)	**21,972**	16,374	**22,905**	16,807
Effect of subsidiary's taxable income based on a percentage of gross sales	**-**		**(3,928)**	(1,980)
Interest on equity	**-**		**-**	
Management stake	**130**	201	**89**	201
Accounts receivable deemed uncollectible	**(205)**	(56)	**(205)**	(148)
Other	**(3,800)**	1,819	**(3,677)**	1,425
Income tax and social contribution expense	**(34,025)**	(21,443)	**(33,327)**	(24,498)
Effective rate	**23,8%**	18,2%	**23,4%**	20,4%

Income and social contribution expenses recorded in the consolidated statement of income for the period ended on September 30, 2011 and year ended on December 31, 2010 are broken down as follows:

	Parent Company		Consolidated	
	September 30, 2011	September 30, 2010	**September 30, 2011**	September 30, 2010
Income and social contribution taxes	**(25,680)**	(22,190)	**(35,488)**	(29,067)
Deferred income and social contribution taxes	**(8,345)**	747	**2,161**	4,569
	(34,025)	(21,443)	**(33,327)**	(24,498)

7.2 Breakdown of deferred income tax and social contribution

	Parent Company		Consolidated	
	September 30, 2011	December 31, 2010	**September 30, 2011**	December 31, 2010
ASSETS				
Deriving from temporary differences:				
Goodwill in business combination	**96,895**	116,221	**99,360**	120,033
Provision for commissions	**14,291**	12,933	**14,964**	13,634
Anticipated income or revenues	**4,061**	4,247	**5,083**	3,163
Allowance for doubtful accounts	**6,802**	5,515	**7,497**	6,274
Provision for contingencies and other liabilities	**762**	1,998	**762**	1,998
Tax losses and social contribution tax loss carry forward	**-**	-	**18,572**	9,175
Provision for premium due to non-conversion of debentures	**9,287**	8,167	**9,287**	8,167
Adjustment at present value	**1,614**	1,095	**1,614**	1,095
Other	**1,451**	4,939	**1,087**	6,549
Total deferred income and social contribution tax assets	**135,163**	155,115	**158,226**	170,088
LIABILITIES				
Deriving from temporary differences:				
Intangible assets allocation	**106,724**	118,515	**107,504**	121,379
Other	**1,268**	1,193	**1,626**	2,172
Total deferred income and social contribution tax liabilities	**107,992**	119,708	**109,130**	123,551

7.3 Estimated tax credit recovery

Based on projections of deferred income approved by the Board of Directors, for September 30, 2011, the Company expects to recover tax credits recorded in non-current assets and realize non-current liabilities in the following years:

a) In non-current assets:

	Parent Company		Consolidated	
	September 30, 2011	December.31. 2010	**September 30, 2011**	December 31, 2010
2012	**26,605**	27,318	**47,203**	37,703
2013	**8,962**	10,779	**9,190**	10,851
2014	**9,724**	12,777	**9,952**	12,849
2015	**68,049**	81,843	**69,780**	82,389
2016 onwards	**21,823**	22,398	**22,101**	26,296
	135,163	155,115	**158,226**	170,088

b) In non-current liabilities:

	Parent Company		Consolidated	
	September 30, 2011	December.31. 2010	**September 30, 2011**	December 31, 2010
2012		21,082		27,387
2013	**9,989**	8,319	**10,094**	7,882
2014	**9,989**	9,860	**10,094**	9,333
2015	**75,842**	63,161	**77,642**	59,847
2016 onwards	**12,172**	17,286	**12,300**	19,102
	107,992	119,708	**109,130**	123,551

During the period of nine months ended September 30, 2011, no material event has occurred that indicates a limitation for full recovery of deferred taxes recognized.

8. Recoverable taxes

	Parent Company		Consolidated	
	September 30, 2011	December. 31.2010	**Septembe r 30, 2011**	December 31, 2010
Recoverable taxes				
Withholding income tax	**10,372**	16,137	**14,051**	18,882
Withholding social contribution	**6,743**	8,589	**8,520**	9,956
Withholding PIS and COFINS taxes	**14**	89	**308**	342
Other	**(191)**	(158)	**560**	714
	16,937	24,657	**23,439**	29,894

9. Balances and related party transactions

Transactions between the Parent Company and subsidiaries are carried out under conditions and prices established by the parties.

9.1 Balances and transactions with subsidiaries and associated companies

On September 30, 2011 and December 31, 2010, the balance of transactions with related parties classified as credits with related parties in non-current assets may be stated as follows:

	Parent Company	
	September 30, 2011	December.31.2010
Totvs Serviços	**850**	4,655
Totvs Brasília Software	**3,341**	1,232
Totvs Nordeste Software	**2,878**	1,238
RO Resultados em Outsourcing	**-**	1,376
BCS Comércio	**36**	-
Datasul Argentina	**-**	718
Hery Software	**8**	1,701
Gens	**3,660**	4,333
Tools	**-**	9
YMF	**-**	20
Inteligência Organizacional	**-**	2
Totvs Rio Software	**6,608**	6,734
Other	**(23)**	(118)
	17,358	21,900

The amounts refer to accounts payable and receivable between subsidiaries, without remuneration and/or forecasted maturity.

The balance of dividends receivable recorded in assets of the Parent Company in the amount of R$ $4,097 on December 31, 2010, reflects the proposal for allocation of profits of its subsidiaries.

	Parent Company	
	6.30.2011	**12.31.2010**
Dividends receivable		
Totalbanco	-	4,097
	-	4,097

9.2 Transactions or relationships with shareholders

The Company maintains property lease agreements, including the facilities where its headquarters are located, which are owned by one of its shareholders (LC-EH Empreendimentos e Participações S.A.). The rental paid was R$ 4,635 for the period ended on September 30, 2011 (R$ 5,409 for the period ended December 31, 2010), in line with market values. The agreements are effective for 60 months and are adjusted by IGP-M (General Price Index – Market), every 12 months.

Some Company officers directly or indirectly hold 17,93% of the Company shares on September 30, 2011 (18.04% on December 31, 2010), and the indirect interest is held through LC-EH Empreendimentos e Participações S.A.

The Company maintains loans and financing operations (Note 15) and debentures (Note 16), transactions substantially carried out with National Bank for Economic and Social Development (BNDES).

9.3 Management compensation

Expenses related to main executives and management compensation of the Company and subsidiaries are summarized below:

	Parent Company		Consolidated	
	September 30, 2011	December.31.2010	**September 30, 2011**	December 31, 2010
Short-term benefits to employees (a)				
Salaries, fees and variable bonus	**13,029**	11,748	**15,080**	14,754
Payroll charges	**2,958**	2,469	**3,269**	2,917
Private pension plan	**439**	378	**439**	378
	16,426	14,595	**18,788**	18,049
Share-based payments (b)	**7,134**	3,096	**7,134**	3,096
	23,560	17,691	**25,922**	21,145

a) **Short-term benefits:** Short-term benefits include fixed compensation (salaries and fees, vacation, 13th month pay and private pension plans), payroll charges (social security contributions - INSS, FGTS and others) and variable compensation, such as profit sharing and bonuses, as well as private pension plans, see Note 25.

b) **Share-based compensation:** The Management (chief executive officer, executive officers and vice chief executive officers) participates in the Stock Option Plan, approved by the Extraordinary General Meeting, see Note 23.

c) **Other:** The Company does not have any additional post-employment liability, nor does it provide other long-term benefits, such as paid leave based on years of service and other benefits for years of service at the Company. It also does not provide other benefits in the event of withdrawal of its top management in addition to those established by Brazilian labor laws.

10. Investments

The breakdown of investments in subsidiaries is show below:

	Summarized financial information of associated companies and subsidiaries on September 30, 2011					Equity pick-up (parent company) for nine months periods ended in		Balance of investments as of:	
	Assets	**Liabilities**	**Shareholders' equity**	**Gross revenue**	**Income for the year**	**9.30.2011**	9.30.2010	**9.30.2011**	12.31.2010
Totvs Rio	27,695	14,819	12,876	31,465	(9,131)	(9,131)	(2,224)	12,876	7,008
Totvs Argentina	6,874	3,295	3,579	6,386	(2,496)	(2,398)	(1,942)	3,579	2,081
Totvs México	5,468	7,253	(1,785)	6,414	(7,577)	(7,583)	(3,711)	-	2,589
Totvs Corporation	2,187	-	2,187	-	3	3	13	2,187	1,963
Totvs Nordeste	13,481	4,344	9,137	4,720	(666)	(666)	(530)	9,137	9,802
Totvs Brasília	5,143	4,512	631	8,486	(862)	(862)	(620)	631	1,493
IOSSTS	5,590	279	5,311	4,613	2,174	2,174	1,782	5,311	3,139
Eurototvs	889	758	131	581	(1,882)	(1,882)	(1,249)	131	496
RO	-	-	-	10,915	4,108	4,108	388	-	1,939
Midbyte	5,299	578	4,721	4,537	1,694	1,694	1,394	4,721	3,028
TQTVD	19,722	2,832	16,890	5,795	(4,990)	(4,990)	(3,790)	16,890	15,871
BCS Comércio	8,216	1,361	6,855	7,395	(42)	(42)	1,710	6,855	6,897
BCS Sistemas	-	-	-	-	(42)	(42)	(1)	-	74
BCS FLEX	-	-	-	-	-	-	-	-	100
HBA	-	-	-	-	(28)	(28)	4	-	31
Totvs Serviços	16,424	3,539	12,885	13,217	(2,226)	(2,226)	2,665	12,885	12,461
Gens	4,021	3,767	254	3,217	1,739	1,739	(2,297)	254	-
YMF	34,682	4,205	30,477	40,894	5,893	5,893	3,755	30,477	24,583
Tools	7,513	1,398	6,115	13,424	1,977	1,977	2,568	6,115	4,137
DTSL	-	-	-	-	93	93	(215)	-	6,675
Datasul S.A. de CV	2,391	1,473	918	-	(102)	(102)	(591)	918	1,041
Datasul Incorporation	1,123	38	1,085	-	(6)	(6)	(21)	1,085	981
Datasul Argentina	1,641	102	1,539	-	(159)	(159)	(157)	1,539	2,275
Hery	4,073	1,558	2,515	10,127	74	74	583	2,515	2,442
Totalbanco	8,206	1,805	6,401	14,915	2,171	1,925	2,318	6,401	2,962
SRC	-	-	-	-	-	-	1,116	-	-
Gens FDES	-	-	-	-	39	39	-	-	-
Mafipa	-	-	-	-	-	-	-	-	-
						(10,398)	948	**124,507**	114,068

Provisions for losses were made for the following investments were recorded in non-current liabilities:

	Parent Company	
	9.30.2011	12.31.2010
Gens	**-**	1,485
Totvs México	**1,785**	-
	1,785	1,485

11. Property, plant and equipment

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

	Parent Company					
	Computers and software	Vehicles	Furniture and Fixtures	Facilities, machinery and equipment	Other	Total property, plant and equipment
Cost or valuation						
Balance on December 31, 2009	39,571	5,486	5,410	4,058	6,556	61,081
Additions	8,231	2,494	1,484	329	1,440	13,978
Write-off	(505)	(859)	(61)	(47)	(1,046)	(2,518)
Transfer	-	1	(1)	-	-	-
Balance on December 31, 2010	**47,297**	**7,122**	**6,832**	**4,340**	**6,950**	**72,541**
Additions	**15,138**	**752**	**830**	**3,628**	**5,068**	**25,416**
Write-off	**(4,032)**	**(1,541)**	**(453)**	**(707)**	**(1)**	**(6,734)**
Transfer	**-**	**-**	**-**	**-**	**-**	**-**
Balance on September 30, 2011	**58,403**	**6,333**	**7,209**	**7,261**	**12,017**	**91,223**
Depreciation						
Balance on December 31, 2009	(24,028)	(2,270)	(2,623)	(2,478)	(3,334)	(34,733)
Depreciation in the year	(5,982)	(1,094)	(502)	(225)	(1,393)	(9,196)
Write-off	460	351	35	22	312	1,180
Transfer	1	-	-	-	(1)	-
Balance on December 31, 2010	**(29,549)**	**(3,013)**	**(3,090)**	**(2,681)**	**(4,416)**	**(42,749)**
Depreciation in the year	**(6,297)**	**(967)**	**(474)**	**(382)**	**(735)**	**(8,855)**
Write-off	**3,379**	**752**	**357**	**641**	**(1)**	**5,128**
Transfer	**-**	**(1)**	**-**	**-**	**1**	**-**
Balance on September 30, 2011	**(32,467)**	**(3,229)**	**(3,207)**	**(2,422)**	**(5,151)**	**(46,476)**
Residual value						
Balance on September 30, 2011	**25,936**	**3,104**	**4,002**	**4,839**	**6,866**	**44,747**
Balance on December 31, 2010	17,748	4,109	3,742	1,659	2,534	29,792
Balance on December 31, 2009	15,543	3,216	2,787	1,580	3,222	26,348
Average annual depreciation rate	20%	20%	10%	10%	4% to 10%	

	Consolidated					
	Computers and software	Vehicles	Furniture and Fixtures	Facilities, machinery and equipment	Other	Total property, plant and equipment
Cost or valuation						
Balance on December 31, 2009	46,184	6,263	7,013	5,181	7,502	72,143
Additions	9,965	2,640	1,669	477	1,582	16,333
Write-off	(786)	(1,058)	(178)	(51)	(1,101)	(3,174)
Transfer	13	-	-	(13)	-	-
Balance on December 31, 2010	55,376	7,845	8,504	5,594	7,983	85,302
Additions	17,149	843	782	2,783	5,090	26,647
Write-off	(4,355)	(1,643)	(457)	(705)	-	(7,160)
Transfer	1	-	(1)	-	-	-
Balance on September 30, 2011	**68,171**	**7,045**	**8,828**	**7,672**	**13,073**	**104,789**
Depreciation						
Balance on December 31, 2009	(26,669)	(2,542)	(3,182)	(3,202)	(3,661)	(39,256)
Depreciation in the year	(7,391)	(1,238)	(678)	(368)	(1,457)	(11,132)
Write-off	486	458	90	218	369	1,621
Transfer	181	1	1	(183)	-	-
Balance on December 31, 2010	(33,393)	(3,321)	(3,769)	(3,535)	(4,749)	(48,767)
Depreciation in the year	(8,281)	(1,100)	(624)	328	(838)	(10,515)
Write-off	4,017	844	413	652	253	6,179
Transfer	81	(23)	(71)	11	2	-
Balance on Mach 31, 2011	**(37,576)**	**(3,600)**	**(4,051)**	**(2,544)**	**(5,332)**	**(53,103)**
Residual value						
Balance on September 30, 2011	**30,595**	**3,445**	**4,777**	**5,128**	**7,741**	**51,686**
Balance on December 31, 2010	21,983	4,524	4,735	2,059	3,234	36,535
Balance on December 31, 2009	19,515	3,721	3,831	1,979	3,841	32,887
Average annual depreciation rate	20%	20%	10%	10%	4%to10%	

Considering the relevance of property, plant and equipment in the Interim Quarterly Financial Information as a whole, the Company and its subsidiaries have periodically assessed these assets' useful and economic life, and there are no relevant adjustments or changes to be recognized on September 30, 2011.

The book value of property, plant and equipment kept under financial leasing agreements on September 30, 2011 was R$362 (R$2,037 on December 31, 2010). During the period from December 31, 2010 to September 30, 2011, no items under financial leasing agreements were added to property, plant and equipment.

12. Intangible Assets

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

	Parent Company						
	Software	Trademarks & patents	Franchising	Client portfolio	Other	Goodwill	Total intangible assets
Cost/valuation							
Balance on December 31, 2009	157,915	61,987	83,222	185,179	9,202	281,265	778,770
Additions	(404)	-	-	8,758	4,200	41,631	54,185
Write-off	(112)	-	-	1	-	(1)	(112)
Transfer	-	-	-	(1,299)	1,299	1	1
Balance on December 31, 2010	**157,399**	**61,987**	**83,222**	**192,639**	**14,701**	**322,896**	**832,844**
Additions	2,233	-	-	8,405	-	16,538	27,176
Write-off	-	-	-	-	(686)	(1)	(687)
Transfer	-	-	-	(1)	-	2	1
Balance on September 30, 2011	**159,632**	**61,987**	**83,222**	**201,043**	**14,015**	**339,435**	**859,334**
Amortization							
Balance on December 31, 2009	(21,825)	(6,323)	(26,425)	(24,273)	(4,646)	(134,214)	(217,706)
Amortization in the year	(15,638)	(4,092)	(18,654)	(20,177)	(1,772)	-	(60,333)
Write-off	18	-	-	-	-	-	18
Transfer	-	(1)	2	-	(1)	-	-
Balance on December 31, 2010	**(37,445)**	**(10,416)**	**(45,077)**	**(44,450)**	**(6,419)**	**(134,214)**	**(278,021)**
Amortization in the year	(12,076)	(3,070)	(13,989)	(16,955)	(1,841)	-	(47,931)
Write-off	-	-	-	-	-	-	-
Transfer	-	1	-	-	(2)	-	(1)
Balance on September 30, 2011	**(49,521)**	**(13,485)**	**(59,066)**	**(61,405)**	**(8,262)**	**(134,214)**	**(325,953)**
Residual value							
Balance on September 30, 2011	**110,111**	**48,502**	**24,156**	**139,638**	**5,753**	**205,221**	**533,381**
Balance on December 31, 2010	119,954	51,571	38,145	148,189	8,282	188,682	554,823
Balance on December 31, 2009	136,090	55,664	56,797	160,906	4,556	147,051	561,064
Average annual amortization rates	10% to 16.7%	8%	20% to 50%	10% to 12.5%	20% to 50%	**(*)**	

(*) Amortized up to December 31, 2008 at the average rate of 20% p.a.

	Consolidated						
	Software	Trademarks & patents	Franchising	Client portfolio	Other	Goodwill	Total intangible assets
Cost/valuation							
Balance on December 31, 2009	169,229	63,655	83,221	195,466	25,734	288,884	826,189
Additions	(309)	-	-	13,517	4,205	42,174	59,587
Write-off	(118)	(3)	-	(3,513)	(31)	-	(3,665)
Transfer	3	(1)	-	(1)	(1)	-	-
Balance on December 31, 2010	**168,805**	**63,651**	**83,221**	**205,469**	**29,907**	**331,058**	**882,111**
Additions	242	(3)	-	6,331	358	9,964	16,892
Write-off	1,896	(37)	-	(1,046)	(1,024)	3	(208)
Transfer	-	-	1	-	(2)	1	-
Balance on September 30, 2011	**170,943**	**63,611**	**83,222**	**210,754**	**29,239**	**341,026**	**898,795**
Amortization							
Balance on December 31, 2009	(23,392)	(6,480)	(26,425)	(25,660)	(5,862)	(134,299)	(222,118)
Amortization in the year	(16,920)	(4,201)	(18,652)	(21,638)	(4,809)	(531)	(66,751)
Write-off	19	-	-	613	(1)	-	631
Transfer	1	-	-	-	(1)	-	-
Balance on December 31, 2010	**(40,292)**	**(10,681)**	**(45,077)**	**(46,685)**	**(10,673)**	**(134,830)**	**(288,238)**
Amortization in the year	(12,701)	(3,151)	(13,989)	(17,448)	(4,007)	-	(51,296)
Write-off	(1,672)	4	-	148	-	-	(1,520)
Transfer	-	-	-	-	4	(4)	-
Balance on September 30, 2011	**(54,665)**	**(13,828)**	**(59,066)**	**(63,985)**	**(14,676)**	**(134,834)**	**(341,054)**
Residual value							
Balance on September 30, 2011	**116,278**	**49,783**	**24,156**	**146,769**	**14,563**	**206,192**	**557,741**
Balance on December 31, 2010	128,513	52,970	38,144	158,784	19,234	196,228	593,873
Balance on December 31, 2009	145,837	57,175	56,796	169,806	19,872	154,585	604,071
Average annual amortization rate	10% to 16.7%	8%	20% to 50%	10% to 12.5%	20% to 50%	**(*)**	

(*) Amortized up to December 31, 2008 at the average rate of 20% p.a.

12.1 Goodwill and intangible assets identified in business combinations

The goodwill breakdown as of September 30, 2011 and December 31, 2010 and the additions and write-offs in the nine months period ended on September 30, 2011 are as follows:

	12.31.2009	Additions	Write-offs	12.31.2010	Additions	Write-offs	9.30.2011
RM (a)	90,992	-	-	90,992	-	-	90,992
Logo Center (a)	5,703	-	-	5,703	-	-	5,703
Totvs BMI (a)	2,053	-	-	2,053	-	-	2,053
Midbyte	1,765	-	-	1,765	-	-	1,765
IOSSTS (a)	2,643	-	-	2,643	-	-	2,643
BCS (a)	10,610	1,211	-	11,821	-	-	11,821
Datasul (a)	30,084	-	-	30,084	-	-	30,084
Setware	961	-	-	961	-	-	961
Hery	3,174	(247)	-	2,927	-	-	2,927
TotalBanco (c)	6,600	923	-	7,523	(1,515)	-	6,008
M2I (d) (c)	-	531	(531)	-	-	-	-
M2S	-	12	-	12	-	-	12
SRC	-	33,688	-	33,688	-	-	33,688
Mafipa (c)	-	6,056	-	6,056	(4,861)	-	1,195
Gens FDES (b)	-	-	-	-	16,340	-	16,340
	154,585	42,174	(531)	196,228	9,964	-	206,192

(a) Companies merged into Totvs.
(b) Business combination 2011.
(c) Reallocation of goodwill to investments, as the acquisition effectively occurred in 2011.

Out of the intangible assets aggregated during the nine months period ended on September 30, 2011, in the amount of R$16,340 refers to goodwill of business combinations and measured by their fair value (Note 3).

As of January 1, 2009, goodwill was no longer amortized. To measure intangible assets identified in the business combinations and measured by their fair value, we used the methodologies of future cash flow discounted at present value and replacement cost, among others. To estimate the value by the discounted cash flow methodologies, we used a rate of 15% to 22.8% p.a. (in real terms), varying according to the intangible asset analyzed. The amortization of intangible assets is based on their estimated useful lives. Intangible assets identified, values recognized and the assets' useful life are substantiated by a technical study conducted by an independent specialized company.

The group of "Other Intangibles" is basically composed of the right to explore areas and the development of new products with the following characteristics:

a) Rights of area exploration

The rights to explore areas are related to the acquisition of client portfolios in the regions of São Paulo Grande ABC and state of Minas Gerais, previously served by Microsiga and Logocenter franchisees. These rights are being amortized on a straight-line basis for an 84- to 120-month term, according to the expectation of future profitability, based on independent appraisal reports issued by specialized companies that use the discounted cash flow method.

b) New product development

New product development represents expenses incurred by the Company with the development of the software "Ginga TQTVD" that will allow the implementation of interactive applications for digital TV, which will be part of subsidies set forth to TQTVD.

In November 2007, the Company associated with Quality Software S.A. ("Quality") to develop a middleware called "Ginga TQTVD," which allows implementation of interactive applications for Digital TV. As a result of this association, in January 2008 the Company acquired 700 quotas corresponding to 70% of TQTVD Software Ltda.'s capital stock ("TQTVD"). In January 2009, Totvs' interest in TQTVD's capital decreased to 55%, due to the performance of Quality Software S.A. (Totvs partnership in this project) in product development, as per contractual clause. On September 1, 2010, the Company acquired the remaining 45%, and following this acquisition it now holds all the quotas.

12.2 Provision for asset impairment

The Company valued the recoverable book value of goodwill by employing the usage value concept through discounted cash flow models of cash generating units representing the group of tangible and intangible assets utilized in the development and sale of different solutions to its clients.

The process to determine the usage value involves the use of assumptions, judgments and estimates on cash flows, such as: growth rates of revenues, costs and expenses, estimates of investments and future working capital and discount rates. The assumptions on growth, cash flows and future cash flow projections are based on the Company's business plans annually approved by the management as well as comparable market information, and they represent the Management's best estimate of economic conditions that will exist during the economic life of different Cash Generating Units, a group of assets that generate cash flows. Cash flows were discounted based on the representative rate of the cost of capital.

Compatible with economic valuation techniques, the Usage Value valuation is carried out within a five-year period, and onwards, taking into account the perpetuity of assumptions in view of the capacity of business continuity for an indeterminate term.

The growth rates used to extrapolate projections beyond a 5-year period vary between 0% and 2%. Estimated future cash flows were discounted at discount rates which vary from 15.0% to 22.8% p.a. for each cash-generating unit analyzed.

Main assumptions used in the Usage Value estimate are as follows:

- Revenues – Revenues were projected between 2011 and 2015, taking into account the growth of the client base of different Cash Generating Units.

- Operating costs and expenses – Costs and expenses were projected in line with the Company's historical performance, as well as with revenues historical growth.

• Capex – Investments in capital goods were estimated taking into account the technological infrastructure required to make feasible the provision of services, based on the Company's history.

Key assumptions were based on the Company's historical performance and reasonable macroeconomic assumptions and based on financial market projections, documented and approved by the Company's management.

The Company's recoverability test of intangible assets did not result in the need for recognizing losses in the year ended on December 31, 2010, since the estimated market value is higher than its net book value on the valuation date. For the year ending on December 31, 2011 the impairment test will be completed by the end of December 2011 the current year.

13. Payroll and labor obligations

Salaries and charges payable balances are broken down as follows:

	Parent Company		Consolidated	
	September 30, 2011	December.31. 2010	**September 30, 2011**	December 31, 2010
Labor liabilities				
Salaries payable	**8,291**	6,926	**11,082**	10,083
Pension plan payable	**1,387**	371	**1,557**	444
Vacations payable	**31,701**	25,062	**40,466**	32,043
Profit sharing and bonus	**356**	7,562	**551**	9,429
13rd month pay	**16,240**	-	**19,137**	-
Other	**3,685**	5,052	**8,509**	7,771
	61,660	44,973	**81,302**	59,770
Payroll liabilities				
FGTS (Government Severance Indemnity Fund for Employees) payable	**1,439**	5,401	**1,860**	6,989
INSS (Brazilian Social Security Institute) payable	**6,490**	1,767	**8,291**	2,313
	7,929	7,168	**10,150**	9,302
	69,589	52,141	**91,452**	69,072

14. Loans and Financing

Loans and financings are as follows:

	Parent Company		Consolidated	
	September 30, 2011	December.31. 2010	**September 30, 2011**	December 31, 2010
BNDES	**154.938**	210,370	**154.938**	210,370
FINEP	**3.451**	5,019	**3.451**	5,019
Secured accounts and other	**-**	130	**2.623**	2,870
	158.389	215,519	**161.012**	218,259
Current liabilities	**55.032**	59,289	**56.463**	62,029
Non-current liabilities	**103.357**	156,230	**104.549**	156,230

Amounts recorded in non-current liabilities on September 30, 2011 and December 31, 2010, present the following maturity schedule:

	Parent Company		Consolidated	
	September 30, 2011	December 31, 2010	**September 30, 2011**	December 31, 2010
2012	**557**	53,378	**1.749**	53,378
2013	**51.679**	51,705	**51.679**	51,705
2014	**51.121**	51,147	**51.121**	51,147
Non-current liabilities	**103,357**	156,230	**104,549**	156,230

Below, the breakdown of loans and financing on September 30, 2011 and December 31, 2010:

	Parent Company		Consolidated	
	September 30, 2011	December 31, 2010	**September 30, 2011**	December 31, 2010
Balance at the beginning of the year	**215.519**	216,081	**218.259**	217,876
Interest rates	**8.436**	14,742	**9.990**	15,687
Amortizations	**(65.566)**	(15,304)	**(67.237)**	(15,304)
Balance on September 30	**158.389**	215,519	**161.012**	218,259

a) BNDES – National Bank for Economic and Social Development

On August 19, 2008, the Board of Directors approved the loan borrowing with the National Bank for Economic and Social Development (BNDES), in the amount of R$204,500, within the scope of the Program for the Development of the Software National Industry and Information Technology Services– PROSOFT.

In September 2008, the Company was provided with the amount of R$160,000, which is secured by a letter of bank guarantee. In April 2009, more than R$44,500 was made available, in addition to the borrowing approved in 2008.

Loans have the purpose of financing software innovation researches, brand repositioning and restructuring of sale channels, and yielded based on Long-Term Interest Rates - TJLP, accrued of 1.5% interest p.a., maturing every six months.

b) Software development – FINEP – Research and Project Financing

Said loan – contracted by subsidiary Datasul – is yielded based on the Long-Term Interest Rate, accrued of 5% interest p.a. and is secured by bank's letters of guarantee.

15. Financial Leasing

Leasing payable balances are broken down as follows:

	Parent Company		Consolidated	
	September 30, 2011	December 31, 2010	**September 30, 2011**	December 31, 2010
HSBC Leasing	**-**	73	**-**	73
CSI LEASING	**41**	192	**41**	242
ITAÚ LEASING	**271**	1,584	**289**	1,627
REAL LEASING	**4**	41	**4**	41
BRADESCO LEASING	**28**	54	**28**	54
	344	1,944	**362**	2,037
Current liabilities	**297**	1,839	**296**	1,923
Non-current liabilities	**47**	105	**66**	114

The Company contracted financial leasing and entered into leasing agreements for several items of property, plant and equipment. Leasing has renewal terms but does not include purchase options and price readjustment clauses. Minimum future lease payments, under the terms of the financial leasing and leasing agreements together with the present value of minimum lease payments, are the following on September 30, 2011:

	Parent Company		Consolidated	
	Minimum payments	**Present value**	**Minimum payments**	**Present value**
Within 1 year	297	591	296	619
After 1 year to 5 years	47	102	66	109
Over 5 years	-	-	-	-
Total minimum lease payments	**344**	693	**362**	728
Less amounts representing financial charges	**-**	-	**-**	-
Present value of minimum lease payments	**344**	693	**362**	728

16. Debentures

a) Balances on September 30, 2011 and December 31, 2010

On August 19, 2008, shareholders approved raising R$200,000 by the issue of up 100,000 Units, represented by Brazilian Depositary Receipts, comprised by two non-detachable debentures, one of which is 1st series convertible and the other 2nd series convertible.

On August 26, 2009, with a view to breaking down the mode of calculation and adjustment: (a) the remuneration of debentures convertible into shares of both series of the 1st private issue of the Company ("Debentures"); (b) the premium due to non-conversion of Debentures; (c) the conversion percentage; (d) the premium over price in the event of mandatory conversion of Debentures. The Company executed the 2nd amendment to the private deed of 1st issue of debentures.

1st Series debentures will be paid based on IPCA (Consumer Price Index Broad) price increased of 3.5% interest p.a., limited at TJLP increased by 1.5% p.a., annually payable on August 19. 2nd Series debentures will be paid based on the TJLP increased by 1.5% p.a., half-yearly payable on February 19 and August 19.

The Company will pay *pro rata temporis* the compensation owed up to the effective payment day, under the circumstances: (i) possible debenture conversions; (ii) scheduled amortizations; (iii) early maturity; and (iv) final maturity or settlement of debentures.

Units will have mandatory conversion into Company's common shares should, as of its issue date, the weighted average price of 360 days of Company shares, calculated at the São Paulo Stock Exchange ("Bovespa") trading sessions and assessed at the Units' reference date, in each period, be higher than the weighted average price per volume of the Company share, also calculated at the Bovespa trading sessions within the period from September 6 and August 31, 2008 ("reference period"), increased by the premium of 50% of the weighted value of shares mentioned in the period, during the debenture's three first reference dates, dropping to 46%, 42% and 40% in the subsequent years. For assessment purposes of the weighted value of shares at the reference period, historical values will be restated based on indices set forth at bookkeeping of debentures and restated based on the average between IPCA + 12% and TJLP +9% from the number of days between the calculation and the issue date.

Should the appreciation meet the abovementioned conditions, debenture holders will be obliged to convert debentures, and the mandatory conversion may only take place 2 years after its issue, , i.e., on August 19, 2010 (already converted), up to 15% of debentures issued, up to 30% in 2011(already converted), up to 45% in 2012, and up to 60 % in 2013.

Conversion price, should that happen, will also be the average price weighted by the volume of Company's shares, calculated in the Bovespa's trading sessions at the base period, increased by the 50% premium of the weighted value of shares in said period, for the possible conversions to be carried out as from 2012, dropping to 46%, 42% and 40% in the subsequent years. For assessment purposes of the weighted value of shares at the reference period, historical values will be restated based on indices set forth at bookkeeping of debentures.

Voluntary conversion of debentures, at the debenture holders' discretion, may be executed taking in consideration the percentage limits per year and conversion price abovementioned. Despite the maximum conversion percentage mentioned, debenture holders may convert 100% of the securities should: i) a third party acquire more than 20% of the Company's shares or ii) the number of independent members of the Company's Board of Directors be lower than 50%.

The conversion price will take place simultaneously and will be adjusted proportionally whenever there is a capital increase.

Bookkeeping of debentures have early maturity, should they not comply with certain financial and non-financial conditions, in addition to other ancillary obligations. On December 31, 2010, the Company was performing with all established conditions.

The issue will not be filed with the Brazilian Securities and Exchange Commission, as the debentures issued by the Company will be privately issued exclusively to the Company's shareholders on the placement date, with no general market sale effort

b) "Non-conversion of debentures" clause

Should there not be a conversion, debentures will be entitled of a non-conversion premium, for 1st series debentures equivalent to the difference between IPCA increased by 8.0% p.a. and the compensation abovementioned, and for 2nd series debentures equivalent to interest of 3.5% p.a. Premium due to non-conversion of 1st series debentures will be restated by IPCA increased by 8.0% p.a., and 2nd series debentures will be restated by TJLP increased by 5.0% p.a.

The premium due to non-conversion will be paid in at most six (6) installments, and within three years as of the payment of the last installment of the principal and interest (February 19, 2017).

c) Balance on September 30, 2011 and December 31, 2010

On September 30, 2011 and December 31, 2010, balance was broken down as follows:

Issue	Debentures	Annual financial charges	Unit price	Parent Company and Consolidated	
				September 30, 2011	December 31, 2010
1st series	100,000	IPCA* + 3.5% limited to TJLP + 1.5%	1.00	**69.802**	86,965
2nd series	100,000	TJLP + 1.5%	1.00	**69.802**	86,965
		Sub-Total		**139.604**	173,930
		Premium due to non-conversion		**13.784**	9,597
		Fair value - convertible debentures		**13.532**	14,423
		Total		**166.920**	197,950
		Current liabilities		**38.399**	12,155
		Non-current liabilities		**128.521**	185,795

** Extended National Consumer Price Index*

The main amount, long-term, matures as shown below:

	Parent Company and Consolidated	
	September 30, 2011	December 31, 2010
August 2012	**-**	4,637
August 2013	**34.736**	1,561
August 2015	**32.001**	68,000
August 2016	**48.001**	102,000
After February 2017	**13.783**	9,597
	128.521	185,795

	Debentures and premiums from non-conversions	
	Parent Company and Consolidated	
	September 30, 2011	December 31, 2010
Balance at the beginning of the year	**183.527**	217,437
Interest rates	**12.831**	23,931
Amortization	**(42.970)**	(57,841)
Balance on September 30	**153.388**	183,527

	Fair value of future translations	
	Parent Company and Consolidated	
	September 30, 2011	December 31, 2010
Balance at the beginning of the year	**14,423**	-
Restatement at market value	**5,379**	14,423
Amortization	**(6,270)**	
Balance on September 30	**13,532**	14,423

Bookkeeping of debentures have early maturity, should they not comply with certain financial and non-financial conditions, in addition to other ancillary obligations. On September 30, 2011, the Company was performing with all established conditions.

d) First conversion of debentures

On August 19, 2010 the average price over the last 360 days of the company's shares outperformed the weighted average price of the "base period" corrected according to the contractual clauses, hence the parameters have been achieved which obligated by debenture holders, the conversion of 15% of the Units. Based on this conversion the Board of Directors approved, within the authorized capital of the Company's TOTVS, the issuance of 306,870 common shares, nominative, without par value, at an issue price of R$97.747683 per share, consequently increase the share capital of TOTVS of R$29,996 by writing off the principal balance of that value (Units) of debentures. (Note 17a).

Due to the issuance of shares to debenture holders by the contract value that is below the market price of the company registered on August 19, 2010, a discount on issue of shares amounting to R$7,448 that was recorded as interest expense in the year.

e) Second conversion of debentures

On August 19, 2011 the average price over the last 360 days of the company's shares outperformed the weighted average price of the "base period" corrected according to the contractual clauses, hence the parameters have been achieved which obligated by debenture holders, the conversion of 30% of the Units. Based on this conversion the Board of Directors approved, within the authorized capital of the Company's TOTVS, the issuance of 1,389,191 common shares, nominative, without par value, at an issue price of R$21.596713 per share, consequently increase the share capital of TOTVS of R$30,002 by writing off the principal balance of that value (Units) of debentures. (Note 17a).

Due to the issuance of shares to debenture holders by the contract value that is below the market price of the company registered on August 19, 2011, a discount on issue of shares amounting to R$6,270 that was recorded as interest expense in the year.

f) Assessment of future conversions

Taking into account the clauses of the deed of debenture issue was assessed, using the fair value of conversion option defined in that deed was the amount awarded in December 31, 2010 based on the best estimate resulting from the model used for this economic evaluation (which considers the future price of shares compared to prices established for the conversion ("strike price") and other variables set forth in the debentures using the Monte Carlo method for pricing options) on the date of closing statements. CPC's 38 (IAS 39) and 39 (IAS 32) for recognition of the amounts involved in that December 31, 2010 were taken into account, which corresponded to the liability of R$14,423, in September 30, 2011 the amount is R$ 13,352, which is the counterpart financial results. Because the assumptions used for these calculations may vary over time to estimate the amounts that were recorded may vary compared to actual values in the future.

17. Liabilities due to Investment Acquisition

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

	Parent Company		Consolidated	
	September 30, 2011	December 31, 2010	**September 30, 2011**	December 31, 2010
YMF (a)	**2,386**	4,374	**2,386**	4,374
Tools (a)	**1,535**	1,469	**1,535**	1,469
Gens (a)	**573**	522	**573**	522
Techprod (a)	**882**	1,266	**882**	1,266
Midbyte	**-**	717	**-**	717
Argentina	**522**	-	**522**	-
Techserv (a)	**-**	-	**437**	597
TotalBanco	**2,535**	2,338	**2,535**	2,338
Hery	**4,686**	4,294	**4,686**	4,294
Datasul MG	**1,810**	2,429	**1,810**	2,429
Datasul Saúde MG	**641**	946	**641**	946
ERP Cedente	**469**	663	**469**	663
Logmann	**-**	782	**-**	782
TQTVD	**7,572**	7,107	**7,572**	7,107
SRC	**33,544**	34,092	**33,544**	34,092
Mafipa	**2,878**	3,031	**2,878**	3,031
Gens FDES	**8,590**	-	**8,590**	-
Other (a)	**408**	426	**408**	426
Total	**69,031**	64,456	**69,468**	65,053
Current liabilities	**34,816**	10,382	**34,965**	10,581
Non-current liabilities	**34,215**	54,074	**34,503**	54,472

(a) Installment adjustment indexes vary from 100% to 100.5% of CDI

Installments registered in non-current liabilities mature as shown below:

Year	Parent Company		Consolidated	
	September 30, 2011	December 31, 2010	**September 30, 2011**	December 31, 2010
2012	**18.945**	34,067	**19.233**	34,067
2013	**4.225**	15,939	**4.225**	16,072
2014	**4.806**	3,564	**4.806**	3,829
2015	**6.239**	504	**6.239**	504
Non-current liabilities	**34.215**	54,074	**34.503**	54,472

18. Provision for Legal Obligations related to Legal Proceedings

a. Ongoing proceedings with recorded Provision for Contingencies and Legal Liabilities Related to Legal Proceedings

The Company and its subsidiaries, during the regular course of their operations, are parties in several legal proceedings related to tax, social security, labor and civil matters. A provision for contingencies was set up by management, supported by its legal counsel and analysis of pending judicial proceedings, in an amount considered sufficient to cover probable losses, as shown below:

Provision for Contingencies	Parent Company and Consolidated	
	September 30, 2011	December 31, 2010
Social security	**-**	-
Tax	**643**	545
Civil	**600**	1,728
Labor	**997**	3,603
	2,240	5,876

The breakdown of provisions in the period ended on September 30, 2011 and year ended on December 31, 2010 is as follows:

	Tax	**Labor**	**Civil**	**Total**
Balances on December 31, 2009	6,419	2,589	1,645	10,653
(+) Additional provision	71	930	285	1,286
(+) Monetary restatement	-	424	248	672
(-) Reversal of provision not used	(5,945)	(340)	(450)	(6,735)
Balances on December 31, 2010	**545**	**3,603**	**1,728**	**5,876**
(+) Additional provision	18	123	551	692
(+) Monetary restatement	80	228	109	417
(-) Reversal of provision not used		(2,957)	(1,788)	(4,745)
Balances on September 30, 2011	**643**	**997**	**600**	**2,240**

The court deposits bound and not bound to provisioned lawsuits are stated below and are recorded under non-current assets:

Judicial deposits	Parent Company and Consolidated	
	September 30, 2011	December 31, 2010
Social Security	**3,376**	3,197
Tax	**733**	2,331
Other	**182**	388
	4,291	5,916

The breakdown of main lawsuit whose provision was recorded in the accounting books is as follows:

Tax

The Company's Belo Horizonte branch is discussing in two court deposit actions brought against the city governments of Uberlândia and Vitória, if they are required to pay the ISSQN (Tax on Any Sort of Services) at rates ranging from 2% to 5%, or if the tax is payable to the city government of Belo Horizonte where the rate is 2%. The Company understands that the ISS is due to the municipality of Belo Horizonte, where service is developed. Thus, the Company has been providing court deposits under the scope of said lawsuits, taking into account the rates required by the city governments and recording provision for contingencies for these city governments by the 3% rate. On September 30, 2011, the provision acknowledged for this lawsuit totals R$429(R$364 on December 31, 2010) and the judicial deposits made until September 30, 2011 amounted to R$722 (R$2,331 on December 31, 2010).

Civil

The Company is defendant in indemnification suits by clients terminating their contracts, cumulated with compensation for damages, as well as suit for damages filed by business agents, related to contract termination cumulated with indemnification charges and requests. On September 30, 2011, the provision recorded for these demands amounts to R$600(R$1,728 updated on December 31, 2010).

Labor

The Company has recorded provision related to lawsuits filed by former employees of companies and service companies. They claim the reduction of commissions on sales and services, overtime and wage parity. The amount accrued is R$997 on September 30, 2011 (R$3,603 on December 31, 2010).

b) Other ongoing proceedings (deemed as "possible" losses)

The Company and its subsidiaries are parties in other lawsuits, for which no provision was recorded, since its external legal advisors and the Company's management deems the risk of loss as possible, as follows:

	Parent Company and Consolidated	
Type	**9.30.2011**	12.31.2010
Social security	**16.817**	15,959
Tax	**11.845**	19,445
Civil	**33.332**	23,823
Labor	**8.603**	5,741
	70.597	64,968

The summary of main proceedings in progress is presented as follows:

Social Security

On May 4, 2007, the INSS filed a court claim for taxes against the Company in the amount of R$1,604 (R$2,380 – restated as of September 30, 2011 and December R$2,243) referring to the social contributions destined to third parties (SESC and SENAC) levied on the compensation paid to employees who rendered services from March 1999 until July 2000. This amount of R$1,626 (R$2,380 – restated until September 30, 2011 and R$2,243 December 31, 2010) was judicially deposited in 2007, and registered in non-current assets. The company filed motions to stay the enforcement action and is pending decision on trial court.

The Company filed a motion to stay the tax enforcement action and that cannot be liable for the payment of NFLD 35.058.091-0, originally drawn up against Datasul S.A., whose initial value was R$3,862 (R$ 8,613 restated until September 30, 2011 and R$8,228 on December 31, 2010). Such Notice of Infraction was drawn up by the Social Security National Institute due to an alleged irregularity in our service outsourcing. The discussion of the merit for this stay of enforcement action is currently pending, with no trial court decision.

On September 28, 2010 tax assessment notices were issued by the authorities of the Brazilian Treasury Department in the amount of R$5,113 (R$ 5,854 updated as of September 30, 2011 and R$5,427 in December 31, 2010) aimed at: (i) a supposed characterization of autonomous or companies as secured employees; and (ii) joint responsibility for services provided by companies that provide temporary labor. The tax assessment notices were issued as replacement for the Tax Delinquency Notice 35.136.711-0 of August 30, 2000, deemed groundless by decision of Fourth Chamber of Judgment of the Social Security Appeals Board.

The Company filed the respective objections to the tax assessment notices and awaits the Federal Revenue's decision.

Tax

As a result of inspection procedures by the Brazilian Internal Revenue Service, the Company was assessed in 2008 in the amount of R$3,628 (R$ 4,731– restated until September 30, 2011, R$4,426 on December 31, 2010), referring to discussion for not having added to its taxable income part of its profits that had possibly arisen from one of its subsidiaries abroad and on unduly amortization,

in the calculation of taxable income, of the goodwill from the merger of ABR1 into the Company in the calendar years 2003 to 2006. The Company challenged this notice, which is pending decision of the Internal Revenue Service.

The Municipality of São Paulo filed eight Notices of Infraction against our Company regarding the municipal tax on services for the period from 1996 to 2000, in the amount of R$804 (R$ 6,623 – updated up to September 30, 2011 and R$6,046 on December 31, 2010). The filings that are still in the administrative scope result from the Municipality of São Paulo's understanding that services rendered by our Joinville branch were occurring within the limits of the São Paulo municipality. Our Management and the Company's legal counsels understand that all services are rendered by our branch (in the city of Joinville) and that taxes were duly paid in that city.

As a result of the inspection procedures by the Brazilian Internal Revenue Service, in 2007 the Company proceeded with the Infraction Notice drawn up against Datasul S.A., amounting to R$1,357 (R$ 1,913 restated up to September 30, 2011, R$1,799 restated on December 31, 2010), regarding some inquiries on the Datasul's failure to pay withholding income tax on amounts paid by third parties to beneficiaries of the incentive cards established in a previously adopted Marketing Plan. The Company filed a challenge for this intended collection and we are currently awaiting a decision by the Brazilian Internal Revenue Service.

The Company succeeded the discussion in 5 (five) deficiency notices issued by the Receita Federal do Brasil in the face of RM Systems S / A. The assessments have as an object of the alleged differences in the presentation on GFIP/GRFP's forms, besides seeking the collection of contributions on the salary amounts paid to employees, invoices and receipts, sponsorship services. The defenses were presented in the proper periods, pending consideration by the Conselho Administrativo de Recursos Fiscais - CARF. Any losses in these assessments will be borne by the former owners of RM Sistemas S / A, under contracts of sale and purchase agreements with the Company. These assessments represent on September 30, 2011 the running total of R $ 3,932.

Civil

The Company is the Defendant party in ordinary actions filed by clients and third parties for contract termination, with additional damages suits, amounting to R$ 33,332 – restated up to in September 30, 2011 (R$23,823 on December 31, 2010).

Labor

The Company is party in lawsuits filed by former employees and outsourced companies which plead for overtime payment, employment relationship, 13th month pay and other, amounting to R$ 8,603 restated up to September 30, 2011 (R$5,741 restated up to December 31, 2010).

c) Legislation in force

Under the current legislation in force in Brazil, the federal, state and municipal taxes, as well as payroll charges, are subject to review by relevant authorities for periods varying from 5 to 30 years. Legislations of other countries where Company's subsidiaries operate stipulate differentiated statutes of limitations.

19. Shareholders' Equity

a) Capital Stock

On September 30, 2011, the Company's capital stock was comprised of 159,335,866 non-par registered common shares, issued and fully paid (31,459,272 shares on December 31, 2010), as shown below:

	9.30.2011		12.31.2010	
Shareholders	**Shares**	**%**	**Shares**	**%**
LC-EH Empreendimentos e Participações S.A.	**26,760,990**	*16,8%*	5,352,198	*17.01%*
BNDES Participações S.A.	**9,657,847**	*6,1%*	1,657,527	*5.27%*
Genesys Asset Managers, LLP	**5,164,816**	*3,2%*	1,576,704	*5.01%*
Dynamo Administração de Recursos Ltda.	**-**		434,807	*1.38%*
Blackrock	**-**		-	*0.00%*
Miguel Abuhab	**5,946,395**	*3,7%*	1,189,279	*3.78%*
Laércio José de Lucena Cosentino	**1,580,180**	*1,0%*	316,036	*1.01%*
Ernesto Mário Haberkorn	**16,810**	*0,0%*	3,362	*0.01%*
Yafo Fundo de Investimento em Ações	**-**		387,000	*1.23%*
HG Senta Pua Fia	**43,500**	*0,0%*	8,700	*0.03%*
Other	**110.165.328**	*69,1%*	20,533,659	*65.27%*
	159.335.866	**100,00%**	31,459,272	*100%*

The authorized capital on December 31, 2010, is R$540,000. The Company may, within the authorized capital limit and as authorized by the Board of Directors, increase the capital stock regardless of amending the Bylaws. The Board of Directors is in charge of setting the issuance conditions, including price and payment deadlines. Within the authorized capital limit, the Board of Directors may resolve on the issuance of subscription rights.

Additionally, within the authorized capital limit and pursuant to the plans approved by the General Meeting, the Board of Directors may grant stock options to the Company's executives and employees, and to executives and employees of other companies that are directly or indirectly controlled by the Company, with no preemptive right to shareholders.

As mentioned in note 16, depending on the conversion of debentures into shares of the company on August 19, 2010, the board of directors approved the issuance of TOTVS 306,870 shares, book entry, no par value, the price of R$97.747683 per share, with the consequent increase in capital TOTVS of R$29,996.

On February 18, 2011, the Company's Board of Directors ratified the capital increase of 1,000 shares at the price of R$46.16 per share, totaling R$46, now the Company's capital stock is R$ 406,535, divided into 31,460,272 non-par, book-entry registered common shares.

On March 21, 2011, the Company conducted its stock splitting, in which each Company share now is represented by 5 shares which started to be traded on March 22, 2011.

on August 19, 2011, the board of directors approved the issuance of TOTVS 1,389,191 shares, book entry, no par value, the price of R$21.596713 per share, with the consequent increase in capital TOTVS of R$30,002.

b) Capital reserves

The balance of capital reserves on September 30, 2011 and December 31, 2010 was broken down as follows:

	9.30.2011	12.31.2010
Goodwill reserve	**31,557**	31,557
Goodwill reserve for merger	**14,330**	14,330
Debentures converted into shares (fair value)	**13,719**	7,449
Stock option plan	**14,204**	7,070
Premium on the purchase from minority shareholders	**(28,383)**	(28,310)
	45,427	32,096

Goodwill reserve amount of R$31,557 is a result of payments made in the 2005 fiscal year.

The capital reserve shall be used, according to legal provisions, for:

i) absorption of losses that exceed the retained earnings and profit reserves;
ii) redemption, refund or purchase of shares;
iii) beneficiary parties' redemption;
iv) incorporation into the capital stock; or
v) payment of dividends to preferred shares, when they are entitled to it.

c) Legal reserve

The Brazilian Corporation Law requires publicly-held companies to appropriate 5% of their annual net income to the profit reserve before profits are distributed, limiting this reserve to up to 20% of the total value of the capital stock.

20. Dividends

The amount of dividends and interest on equity payable of R$ 356 on September 30, 2011 (R$33,139 on December 31, 2010) includes the distribution of the year, as well as the residual balance of previous years.

Interest on equity is part of dividends, which is deductible for purposes of the Brazilian tax law; it is, therefore, reported on different lines in order to show the income tax effect.

21. Insurance coverage

The Company and its subsidiaries, based on the opinion of their advisors, keep insurance coverage in amounts deemed sufficient to cover risks on their own and leased assets, and civil liability risks.

The insurance policy considers the geographical dispersion and the individual value of the assets used, and the fact that the Company and its subsidiaries are service providers and therefore depend less on tangible assets than an industrial company.

The insured assets include their own and leased vehicles, and the building where the Company and its subsidiaries operate.

On September 30, 2011, main insurances contracted are:

Type	Insurance Company	Effective		Maximum Liability Limit	Total insured value
		From	To		
Comprehensive corporate	Sul América	6/13/2011	6/13/2012	30,000	105,000
General civil liability	Sul América	6/13/2011	6/13/2012	4,000	18,000
Vehicles	Liberty Seguros	1/7/2011	1/7/2012	1,150	4,336

22. Financial Instruments and sensitivity analysis of financial assets and liabilities

a) Financial instrument analysis

The Company and its subsidiaries evaluated their financial assets and liabilities in relation to the market value through the information available and the appropriate evaluation methodologies. However, the interpretation of market data and the selection of evaluation methods require extensive judgment and estimates to calculate the most appropriate realization value. Consequently, the estimates presented do not necessarily show the amounts that may be realized in the market. The use of different market assumptions and/or methods may have a material effect on the estimated realization values.

The Company's and its subsidiaries' financial instruments are presented in accordance to CVM Rule 604, as of November 19, 2009, which approved Technical Pronouncements CPCs 38 (IAS 39), 39 (IAS 32) and 40 (IFRS 7), and CVM Rule 475, as of December 17, 2008.

The table below shows the book and fair values of the Company's financial instruments, as presented in its Interim Quarterly Financial Information:

	Book value		Fair value	
	9.30.2011	12.31.2010	**9.30.2011**	12.31.2010
Financial assets				
Cash and cash equivalents	**222,584**	232,508	**222,584**	232,508
Securities	**60,949**	56,446	**60,949**	56,446
Accounts receivable, net	**281,261**	257,936	**281,261**	257,936
Tax recoverable	**23,439**	29,894	**23,439**	29,894
Other assets	**31,965**	31,393	**31,965**	31,393
Total	**620,198**	608,177	**620,198**	608,177
Financial liabilities				
Loans and financing	**161,012**	218,259	**161,012**	218,259
Leasing	**362**	2,037	**362**	2,037
Debentures and premiums from non-conversion	**153,388**	183,527	**153,388**	183,527
Fair value of convertible debentures	**13,532**	14,423	**13,532**	14,423
Accounts payable and suppliers	**56,741**	55,944	**56,741**	55,944
Dividends	**356**	34,302	**356**	34,302
Tax payables	**5,689**	5,903	**5,689**	5,903
Other liabilities	**75,365**	70,927	**75,365**	70,927
Total	**466,445**	585,322	**466,445**	585,322

The fair value of financial assets and liabilities is included in the amount for which the instrument could be exchanged in a transaction where the parties are willing to negotiate and not in a forced sale or settlement. The methods and assumptions below were used to estimate the fair value.

- Cash and cash equivalents, trade accounts receivable, trade accounts payable and other short-term liabilities are close to their respective book value largely due to the short-term maturity of these instruments.

- The book value of the convertible debentures portion and debentures was adjusted to their fair value, according to Note 16.

b) **Measurement at fair value**

The table below shows an analysis of the financial instruments recognized at their fair value after their initial recognition. These financial instruments are grouped on three levels based on how their fair value is priced:

a) Level 1: the measurement of fair value derives from prices (not restated) on active markets based on identical assets and liabilities;
b) Level 2: the measurement of fair value derives from other priced inputs included on Level 1 through an asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
c) Level 3: the measurement of fair value derives from evaluation techniques that include asset or liability not traded on an active market.

	Level 1	Level 2	Level 3
Loans and Financing		**161,012**	
Debentures			**153,388**
Fair value of future translations		**13,532**	

c) **Sensitivity analysis of financial assets and liabilities**

CVM Resolution 550, as of October 17, 2008, established that publicly-held companies must disclose, in a specific note, qualitative and quantitative information on all its financial instruments, regardless of them being acknowledged or not as assets or liabilities in its balance sheet. During the year of 2010, as Note 16, the Company acknowledged the impact of fair value of stock issued to debenture holders, according to the mandatory conversion of the debentures (15%) in company stock, and projected the impact of the fair value of future Conversion (2011, 2012 and 2013). So the premium for non-conversion of 60% debentures (% maximum conversion) was reversed, leaving only the accrued premium of non-conversion of the debentures not converted into shares (40%).

The Company's financial instruments are represented by cash equivalents, accounts receivable, accounts payable, debentures, loans and financing, and are recorded at cost value plus income or incurred charges, which on December 31, 2010 and September 30, 2011 are close to market value.

The key risks linked to the Company's operations refer to the variation of the long-term interest rate, TJLP, and of the extended consumer price index, IPCA, for funding from the Brazilian Development Bank, BNDES, and for the debentures issued, and variation of the CDI for financial investment.

CVM Rule 475 of December 17, 2008, provides for the presentation of information on financial instruments in a specific explanatory note and the disclosure of the sensitivity analysis statement chart.

According to Note 16, debentures issued by the Company are private, with unique characteristics; thus, they preclude any market value estimate. Thus, it is the Company's opinion that these debentures' book value is the closest to market value for these securities.

With regard to financing operations, these refer to transactions done within the Program for the Development of the Software and Information Technology Industry – PROSOFT, for which the BNDES (Brazilian Development Bank) assesses each company to grant the loans. Having this in mind, the recorded value is the closest to the market value of these financial instruments.

CDI investments are recorded at a market value, according to price quotations published by the respective financial institutions and the others mostly refer to certificates of bank deposit and repurchase and resale agreements; so the value recorded for these instruments does not show any difference in relation to the market value.

As an attempt to check the sensitivity of the index for the financial investments the Company was exposed to on September 30, 2011, three different scenarios were created. Based on the forecast by financial institutions, we arrived at a 12-month forecast for Interbank Deposit Certificates (CDI), with an average of 12.25% for the fiscal year of 2011 – this being the most probable scenario; from this rate, we assessed variations from 25% to 50%.

For each of these scenarios the "gross financial revenue" was estimated, with taxes on investments return not included. The reference date for the portfolio was September 30, 2011, with a one-year projection to check the CDI's sensitivity to each scenario.

Operation	Balances on 6.30.2011	Risk	Probable Scenario (I)	Scenario II	Scenario III
Financial investments	R$ 190,266	CDI	**12,25%**	**9,19%**	**6,13%**
Financial revenue			**23,307**	**17,485**	**11,663**

Aiming at checking the sensitivity of the index the Company is exposed to estimate our debts by September 30, 2011, three different scenarios were created. Based on long-term interest rates and the IPCA in force by September 30, 2011, the most Probable Scenario was determined for the fiscal year 2011 and, from this, variations from 25% to 50% were estimated.-

For each scenario, the gross financial expense was calculated not taking into account the tax assessment and the maturities flow for each agreement scheduled for 2010. The reference date used for the financings and debentures was September 30, 2011, projecting the rates for one year and checking their sensitivity in each scenario.

Operation	Balances on 6.30.2011	Risk	Probable Scenario (I)	Scenario II	Scenario III
Financing – BNDES	**R$158,389**		**R$ 11,879**	**R$ 14,255**	**R$ 16,631**
Rate subject to variation		TJLP	6.00%	7.50%	9.00%
Debentures	**R$153,388**		**R$ 17,378**	**R$ 19,283**	**R$ 21,175**
Rate/index subject to variation		IPCA	5.00%	6.25%	7.50%
		TJLP	6.00%	7.50%	9.00%

The Company has loan, financing and debenture agreements, with restrictive covenants usually applicable to these types of operations, related to the achievement of economic-financial ratios, cash generation and others. These restrictive covenants have been met and do not restrict the capacity to normally conduct the operations.

The main market risks to which the Company and its subsidiaries are exposed when conducting its activities are:

a) Liquidity Risk

Liquidity risk consists in the possibility that the Company and its subsidiaries may not have sufficient funds to comply with their financial commitments due to the different currencies and settlement terms of their rights and obligations.

The Company's and its subsidiaries' liquidity and cash flow control is monitored on a daily basis by the Company's Management, in order to assure that cash flow from operations and the previous funding, when necessary, are sufficient to measure its commitment schedule, not generating liquidity risks for the Company and its subsidiaries.

b) Credit Risk

Credit risk arises from a possible difficulty in collecting amounts from maintenance and other services rendered to its clients and from the sale of licenses.

The Company and its subsidiaries are also subject to credit risk arising from their financial investments.

The credit risk related to services rendered and from the sale of licenses is minimized by is a strict control of the client base and an active delinquency management accomplished by means of clear policies regarding service provision and license sale.

In what concerns the credit risk associated with financial institutions, the Company and its subsidiaries operate so as to distribute this exposure among top financial institutions.

c) Market Risk

i) Interest Rate and Inflation Risk: Interest rate risk arises from the portion of the debt related to TJLP, IPCA and financial investments in CDI, which can adversely affect the financial income or expenses in case of unfavorable changes in the interest rate and inflation.

ii) Exchange Rate Risk: this risk arises from the possibility of losses due to exchange rate fluctuations that increase the liabilities resulting from loans and foreign currency purchase commitments or that reduce assets resulting from trade accounts receivable in foreign currency.

The Company and its subsidiaries do not have agreements with derivative financial operations (foreign exchange hedge) to protect itself from foreign exchange variations, given that it does not have any significant operations with foreign currencies.

d) Operations with derivatives

Apart from the embedded derivatives operation described in Note 16, the Company does not maintain derivative operations.

e) Capital management

The goal of the Company's capital management is to ensure a strong credit rating with the institutions and an excellent capital ratio in order to provide support to the Company's businesses and maximize value for shareholders.

Totvs controls its capital structure by adjusting itself to the current economic conditions. To maintain this structure, the Company may pay dividends, return on shareholders' capital, take out new loans, issue debentures, issue promissory notes and contract operations with derivatives. As of the year ended December 31, 2008, there have been no changes in the capital structure's goals, policies or processes.

The Company's net debt structure includes: loans, financing and debentures, minus cash and cash equivalents.

	Parent Company		Consolidated	
	9.30.2011	12.31.2010	**9.30.2011**	12.31.2010
Loans and financings and debentures and leasing	**325,653**	415,413	**328,294**	418,246
Liabilities due to acquisition of investments	**69,031**	64,456	**69,468**	65,053
(-) Cash and cash equivalents	**(166,573)**	(177,275)	**(222,584)**	(232,508)
(-) Securities	**(60,517)**	(55,849)	**(60,949)**	(56,446)
Net debt	**167,594**	246,745	**114,229**	194,345
Shareholders' equity	**722,876**	619,862	**722,876**	631,576
Shareholders' equity and net debt	**890,470**	866,607	**837,105**	825,921

23. Stock Option Plan

The Company's stock option plan had no changes in relation to the fiscal year ended December 31 ,2010.

Fair value of each option granted is estimated on the grant date based on Black-Scholes options pricing model, which considered the following rates and results:

		Fair value assumptions			
		Expected:		Risk-free interest	Maturity
Granting	Options Price	Dividends	Volatility	rate	term
1st	3.17	2.40%	37.94%	11.75%	4 years
2nd	2.24	3.30%	38.54%	11.25%	4 years
3rd	7.96	1.97%	37.37%	10.75%	4 years
4th	13.29 and 14.85	2.00%	37.37%	10.75%	4 years

(*) Value after split at 21,march 2011.
Below, the breakdown of options in the period:

	Parent Company and Consolidated			
	6.30.2011		12.31.2010	
	Number	Average price (R$)	Number	Average price (R$)
Stock option balance at the beginning of the year	**5,190,780**	**8.35**	1,922,470	2.75
Breakdown:				
Exercised	**-650,315**	**9.23**	-	-
Granted			3,530,785	11.17
Cancelled			(262,475)	5.16
Stock option balance at the end of the year	**4,540,465**	**9.09**	5,190,780	8.35

(*) Value after split at 21,march 2011.

The accumulated effect in the period ended September 30, 2011 is R$ 7,134 (R$3,096 on September 30, 2010), recorded as stock option granting expenses.

On September 30, 2011 there were 349,950 exercisable options, since the 36-month term as of the 1st grant date has already elapsed.

24. Financial revenues and expenses

The financial revenues and expenses incurred in periods ended September 30, 2011 and September 30, 2010 were as follows:

	Parent Company		Consolidated	
	9.30.2011	9.30.2010	**9.30.2011**	9.30.2010
Financial revenues				
Revenues from financial investments	**16,635**	9,599	**19,773**	11,880
Exchange gains	**(219)**	749	**213**	981
Other financial revenues	**7,407**	4,236	**8,607**	5,376
	23,823	14,584	**28,593**	18,237
Financial expenses				
Interest rate paid or incurred	**(25,012)**	(24,559)	**(25,376)**	(24,710)
Exchange losses	**(501)**	(245)	**(918)**	(1,194)
Bank commissions and expenses	**(4,633)**	(4,255)	**(5,008)**	(4,476)
Premium from non-conversions	**(3,296)**	(9,260)	**(3,296)**	(9,260)
Other financial expenses	**(10,151)**	(11,575)	**(11,135)**	(12,754)
	(43,593)	(49,894)	**(45,733)**	(52,394)
Net financial revenues (expenses)	**(19,770)**	(35,310)	**(17,140)**	(34,157)

25. Private Pension Plan – Defined Contribution

The Company has private pension plans managed by Itaú Vida e Previdência and HSBC, as follows:

a) Itaú Vida e Previdência

The Company offers the TOTVS Private Pension Plan, which counts on contributions made by the participants and by the Company, 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 case of employees ruled by bylaws, the contribution varies between 2% and 5%.

- Volunteer Contribution – made exclusively by the employees, with no participation of the Company;

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

b) HSBC

For the participants who choose this private pension plan, the Company assumes the plan's management fee of 0.95%. The monthly payments are made exclusively by the employees.

The partnerships are different, and the participant's choice for one of the plans depends on the agreement entered into the institution and the participant's unit.

The nature of the plans allows for the Company to suspend or permanently discontinue its contributions at any given time, at its exclusive discretion.

26. Earnings per share

In compliance with CPC 41(IAS 33) (approved by CVM Rule 636 – Earnings per Share), the Company presents below the information on earnings per share for the periods ended September 30, 2011 and September 30, 2010.

The basic earnings per share are calculated by dividing the net income for the year (assigned to the holders of the parent company's common shares) by the weighted average of common shares available during the year.

The diluted earnings per share are calculated by dividing the net income assigned to the holders of the Parent Company's common shares by the weighted average of common shares available during the year plus the weighted average of common shares that would be issued when converting all potential diluted common shares into common shares.

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

	Parent Company		Consolidated	
	9.30.2011	9.30.2010	**9.30.2011**	9.30.2010
Basic earnings per share				
Numerator				
Net income for the year assigned to the Company's shareholders	**108,874**	96,506	**109,353**	95,510
Denominator (in thousand shares)				
Weighted average number of common shares	**156,864,544**	155,998,064	**156,864,544**	155,998,064
Basic earnings per share	**0.69**	0.62	**0.69**	0.61

	Parent Company		Consolidated	
	9.30.2011	9.30.2010	**9.30.2011**	9.30.2010
Diluted earnings per share				
Numerator				
Net income for the year assigned to the Company's shareholders	**108,874**	96,506	**109,353**	95,510
Denominator (in thousand shares)				
Weighted average number of common shares	**156,864,544**	155,998,064	**156,864,544**	155,998,064
Dilution effect				
• Stock options	**4,122,045**	3,412,781	**4,122,045**	3,412,781
• Debentures	**4,386,088**	5,144,076	**4,386,088**	5,144,076
Weighted average number of common shares adjusted according to dilution effect	**165,200,168**	164,554,921	**165,200,168**	164,554,921
Diluted earnings per share	**0.66**	0.59	**0.66**	0.58

There were no other transactions involving common shares or potential common shares between the date of the balance sheet and the date when these Interim Quarterly Financial Information were concluded.

27. Expenses by Nature

In compliance with CPC 26 (IAS 1) (approved by CVM Rule 595 – Presentation of financial statements), the Company presents below the information on expenses by nature for the periods ended September 30, 2011 and September 30, 2010.

	Parent Company		Consolidated	
	9.30.2011	9.30.2010	**9.30.2011**	9.30.2010
Raw material and consumables used	**244,501**	242,025	**328,259**	330,782
Employee benefits expense	**231,897**	176,330	**307,003**	241,403
Depreciation and amortization expensed	**56,787**	51,530	**61,811**	57,681
Rents	**13,295**	10,523	**14,781**	11,688
Others expenses	**52,447**	29,684	**72,420**	38,032
	598,927	510,092	**784,274**	679,586

28. Gross Revenue

In compliance with Brazilian corporate law (art. 187 law 6.404/76), the Company presents below the information about Gross Revenue and deductions for calculation of net revenues presented in the Income Statement of the Company for the periods ended September 30, 2011 and September 30, 2010.

	Parent Company		Consolidated	
	9.30.2011	9.30.2010	**9.30.2011**	9.30.2010
Gross revenue				
License fees	**193,100**	176,134	**248,483**	229,018
Service	**179,827**	149,068	**296,735**	269,377
Maintenance	**463,105**	395,976	**477,829**	415,010
Deductions	**(64,038)**	(58,775)	**(78,953)**	(79,654)
Net revenues	**771,994**	662,403	**944,094**	833,751

A free translation from Portuguese into English of Review Report of Independent Auditors on Interim Quarterly Financial Information (Parent Company and Consolidated) prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil and with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), in conjunction with the National Association of State Boards of Accountancy (CFC) and the International Financial Reporting Standards (IFRS) applicable to the preparation of Consolidated Interim Quarterly Financial Information issued by the International Accounting Standards Board (IASB).

REVIEW REPORT ON INTERIM QUARTERLY FINANCIAL INFORMATION

The Board of Directors and Officers
Totvs S.A.
São Paulo – SP

Introduction

We have reviewed the Parent Company and Consolidated Interim Quarterly Financial Information of Totvs S.A., contained in the quarterly financial information form (ITR) for the quarter ended September 30, 2011, which comprises the balance sheet and the related statements of income and of comprehensive income for the quarter and nine-month periods then ended, and the related statements of changes in equity and the cash flow statement for the nine-month period then ended, including the summary of significant accounting and other explanatory information.

Management is responsible for the preparation of the Parent Company Interim Quarterly Financial Information in accordance with CPC 21 – Interim Financial Statements, as well as Consolidated Interim Quarterly Financial Information in accordance with CPC 21 and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of that information in accordance with standards required by Brazil's Securities and Exchange Commission (CVM), applicable to the preparation of Quarterly Financial Information (ITR). Our responsibility is to express a conclusion on this Interim Quarterly Financial Information based on our review.

Review scope

We conducted our review in accordance with Brazilian and international standards on interim financial information (NBC TR 2410 - *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 those responsible for financial and accounting matters, the application of analytical and other review procedures. The scope of a review is substantially less than that of 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.

Conclusion on Parent Company Interim Quarterly Financial Information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Parent Company Interim Quarterly Financial Information included in the quarterly information mentioned above is not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of quarterly financial information, and is presented in conformity with standards required by the CVM applicable to quarterly financial information (ITR).

Conclusion on Consolidated Interim Quarterly Financial Information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Consolidated Interim Quarterly Financial Information included in the quarterly information mentioned above is not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of interim financial information, and is presented in conformity with the standards required by the CVM applicable to quarterly financial information (ITR).

Other matters

Interim value added statements

We also reviewed the Parent Company's and Consolidated value added statements (DVA), for the nine-month period ended September 30, 2011, the presentation of which in Interim Quarterly Financial Information is required according to standards issued by the CVM, applicable to the preparation of quarterly information (ITR) but considered supplementary information for IFRS, which does not require presentation of said financial statement. These financial statements were submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that these are not fairly prepared, in all material respects, in accordance with overall Parent Company and Consolidated Interim Quarterly Financial Information.

São Paulo, October 20, 2011

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

Luiz Carlos Marques
Accountant CRC 1SP147693/O-5

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