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TOTVS S.A.

Quarterly information (ITR) at
September 30, 2016
and report on review of quarterly information

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Company information/capital composition

Number of shares (in units)	Current quarter 9/30/2016
Paid-up capital	
Common shares	165,637,727
Preferred shares	-
Total	165,637,727
Treasury shares	
Common shares	2,292,775
Preferred shares	-
Total	2,292,775

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Company information/dividends

Events	Approval	Type	Early payment	Shares	Earnings per share
Board of Directors' Meeting	12/18/2015	Interest on equity	1/13/2016	Common	0.19162
Annual Shareholders' Meeting	4/26/2016	Dividends	5/11/2016	Common	0.40736
Board of Directors' Meeting	8/01/2016	Interest on equity	8/24/2016	Common	0.26703

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Parent company financial statements/balance sheet - assets
(R$ thousand)

1 – Code	2 - Description	Current quarter 9/30/2016	Previous year 12/31/2015
1	**Total assets**	**2,179,726**	**2,362,015**
1.01	**Current assets**	**572,024**	**731,220**
1.01.01	Cash and cash equivalents	113,724	314,405
1.01.03	Trade receivables	326,077	345,199
1.01.03.01	Customer receivables	326,077	345,199
1.01.03.01.01	Trade receivables	403,255	401,750
1.01.03.01.02	Provision for doubtful accounts	(77,178)	(56,551)
1.01.06	Taxes recoverable	52,468	27,673
1.01.06.01	Current taxes recoverable	52,468	27,673
1.01.08	Other current assets	79,755	43,943
1.01.08.03	Other	79,755	43,943
1.01.08.03.01	Dividends receivables	29	29
1.01.08.03.02	Marketable securities	32,628	17,488
1.01.08.03.03	Other assets	47,098	26,426
1.02	**Non-current assets**	**1,607,702**	**1,630,795**
1.02.01	Long-term receivables	123,378	130,125
1.02.01.03	Trade receivables	36,422	38,676
1.02.01.03.01	Customer receivables	36,422	38,676
1.02.01.06	Deferred taxes	22,171	16,954
1.02.01.06.01	Deferred income tax and social contribution	22,171	16,954
1.02.01.08	Receivables from related parties	2,094	3,622
1.02.01.08.02	Receivables from subsidiaries	2,094	3,622
1.02.01.09	Other non-current assets	62,691	70,873
1.02.01.09.03	Judicial deposits	31,931	31,688
1.02.01.09.04	Marketable securities	6,095	28,780
1.02.01.09.05	Others assets	24,665	10,405
1.02.02	Investments	982,022	1,001,473
1.02.02.01	Equity investments	982,022	1,001,473
1.02.02.01.02	Interests in subsidiaries	982,022	1,001,473
1.02.03	Property, plant and equipment	107,027	86,235
1.02.03.01	Property, plant and equipment in service	107,027	86,235
1.02.04	Intangible assets	395,275	412,962
1.02.04.01	Intangible assets	395,275	412,962

Parent company financial statements / balance sheet - liabilities and equity
(R$ thousand)

1 – Code	2 - Description	Current Quarter 9/30/2016	Previous year 12/31/2015
2	**Total liabilities and equity**	**2,179,726**	**2,362,015**
2.01	**Current liabilities**	**425,097**	**475,288**
2.01.01	Social and labor obligations	121,491	99,190
2.01.01.01	Social obligations	7,282	7,819
2.01.01.02	Labor obligations	114,209	91,371
2.01.02	Trade payables	37,949	37,311
2.01.02.01	National supplier payables	37,949	37,311
2.01.03	Tax obligations	15,336	11,293
2.01.03.01	Federal tax obligations	15,336	11,293
2.01.03.01.01	Income tax and social contribution	15,336	11,293
2.01.04	Borrowing	161,691	218,116
2.01.04.01	Borrowing	141,283	168,643
2.01.04.01.01	In local currency	141,283	168,643
2.01.04.02	Debentures	18,983	49,473
2.01.04.03	Financial Leasing	1,425	-
2.01.05	Other liabilities	88,630	109,378
2.01.05.02	Other	88,630	109,378
2.01.05.02.01	Dividends and interest on capital payable	1,289	32,428
2.01.05.02.04	Obligations for purchases of investments	38,487	24,492
2.01.05.02.05	Commission payable	40,955	52,172
2.01.05.02.06	Other liabilities	7,899	286
2.02	**Non-current liabilities**	**524,289**	**649,041**
2.02.01	Borrowing	415,333	515,961
2.02.01.01	Borrowing	374,517	466,532
2.02.01.01.01	In local currency	374,517	466,532
2.02.01.02	Debentures	37,967	49,429
2.02.01.03	Financial Leasing	2,849	-
2.02.02	Other liabilities	35,397	62,104
2.02.02.01	Payables to related parties	15,287	15,023
2.02.02.01.02	Payables to subsidiaries	15,287	15,023
2.02.02.02	Other	20,110	47,081
2.02.02.02.03	Obligations for purchases of investments	19,855	47,065
2.02.02.02.04	Other liabilities	255	16
2.02.04	Provision	73,559	70,976
2.02.04.01	Tax, social security, labor and civil provision	72,475	70,392
2.02.04.01.01	Tax provision	1,459	1,323
2.02.04.01.02	Social security and labor provision	42,621	40,070
2.02.04.01.04	Civil provision	28,395	28,999
2.02.04.02	Other provision	1,084	584
2.02.04.02.04	Provision for losses on investments	1,084	584
2.03	**Equity**	**1,230,340**	**1,237,686**
2.03.01	Paid-up capital	541,374	541,374
2.03.02	Capital reserves	85,295	88,201

Parent company financial statements/balance sheet - liabilities and equity
(R$ thousand)

1 – Code	2 - Description	Current Quarter 9/30/2016	Previous year 12/31/2015
2.03.02.02	Special goodwill reserve on mergers	14,330	14,330
2.03.02.04	Share options	26,037	26,512
2.03.02.05	Treasury shares	(73,443)	(71,012)
2.03.02.07	Goodwill reserves	99,260	99,260
2.03.02.08	Debentures converted into shares	44,629	44,629
2.03.02.09	Goodwill on purchases of non-controlling interests	(25,518)	(25,518)
2.03.04	Revenue reserves	520,203	586,782
2.03.04.01	Legal reserve	71,737	71,737
2.03.04.05	Profit retention reserve	448,466	448,466
2.03.04.08	Additional proposed dividends	-	66,579
2.03.05	Profit/Loss accumulated	82,388	-
2.03.07	Cumulative adjustment for currency exchange	1,080	21,329

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

1 – Code	2 – Description	Current quarter 7/1/2016 to 9/30/2016	Accumulated - current period 1/1/2016 to 9/30/2016	Same quarter of prior year 7/1/2015 to 9/30/2015	Accumulated - prior year 1/1/2015 to 9/30/2015
3.01	**Sales and/or service revenue**	**374,115**	**1,139,413**	**394,149**	**1,176,628**
3.01.01	Licensing fees	28,875	98,711	47,482	157,131
3.01.02	Services	100,259	313,810	117,174	337,202
3.01.03	Subscriptions	32,419	86,149	21,421	62,607
3.01.04	Maintenance	212,562	640,743	208,072	619,688
3.02	**Cost of sales and/or services**	**(134,873)**	**(401,358)**	**(136,478)**	**(395,132)**
3.02.01	Cost of software	(17,571)	(49,078)	(18,658)	(51,159)
3.02.02	Cost of services	(98,489)	(296,945)	(97,125)	(282,396)
3.02.03	Cost of support	(18,813)	(55,335)	(20,695)	(61,577)
3.03	**Gross profit**	**239,242**	**738,055**	**257,671**	**781,496**
3.04	**Operating income (expenses)**	**(199,411)**	**(558,392)**	**(180,358)**	**(532,534)**
3.04.01	Selling expenses	(28,228)	(88,508)	(26,025)	(76,425)
3.04.02	General and administrative expenses	(32,757)	(90,065)	(24,132)	(70,782)
3.04.05	Other operating expenses	(134,708)	(372,697)	(130,221)	(382,449)
3.04.05.01	Research and development	(56,645)	(166,087)	(56,803)	(163,311)
3.04.05.02	Advertising expenses	(11,066)	(25,482)	(10,437)	(29,228)
3.04.05.03	Commission	(28,661)	(88,536)	(34,296)	(104,160)
3.04.05.04	Management fees	(3,711)	(9,982)	(5,087)	(13,928)
3.04.05.05	Depreciation and amortization	(20,925)	(57,781)	(17,786)	(52,786)
3.04.05.06	Provision for doubtful accounts	(22,776)	(34,426)	(7,082)	(21,160)
3.04.05.08	Other operating income and expenses, net	9,076	9,597	1,270	2,124
3.04.06	Equity pick-up	(3,718)	(7,122)	20	(2,878)
3.05	**Profit before finance results and taxes**	**39,831**	**179,663**	**77,313**	**248,962**
3.06	**Finance results**	**(9,081)**	**(28,031)**	**8,204**	**23,529**
3.06.01	Finance income	10,482	36,371	28,889	75,693
3.06.02	Finance costs	(19,563)	(64,402)	(20,685)	(52,164)
3.07	**Profit before taxes on income**	**30,750**	**151,632**	**85,517**	**272,491**
3.08	**Income tax and social contribution on net income**	7,466	(25,638)	(13,739)	(68,919)

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1 – Code	2 – Description	Current quarter 7/1/2016 to 9/30/2016	Accumulated - current period 1/1/2016 to 9/30/2016	Same quarter of prior year 7/1/2015 to 9/30/2015	Accumulated - prior year 1/1/2015 to 9/30/2015
3.08.01	Current	3,821	(20,424)	(13,513)	(39,668)
3.08.02	Deferred	3,645	(5,214)	(226)	(29,251)
3.09	**Profit for the period from continuing operations**	**38,216**	**125,994**	**71,778**	**203,572**
3.11	**Profit for the period**	**38,216**	**125,994**	**71,778**	**203,572**
3.99	**Earnings per share - (Reais/share)**				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.23	0.77	0.44	1.25
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.23	0.77	0.44	1.24

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

1 – Code	2 - Description	Current quarter 7/1/2016 to 9/30/2016	Accumulated - current period 1/1/2016 to 9/30/2016	Same quarter of prior year 7/1/2015 to 9/30/2015	Accumulated - prior year 1/1/2015 to 9/30/2015
4.01	**Profit for the period**	**38,216**	**125,994**	**71,778**	**203,572**
4.02	Other comprehensive income	**1,540**	**(20,249)**	**15,002**	**23,200**
4.02.01	Cumulative adjustment for currency exchange	2,334	(30,680)	22,729	35,150
4.02.02	Deferred income tax and social contribution	(794)	10,431	(7,727)	(11,950)
4.03	**Comprehensive income for the period**	**39,756**	**105,745**	**86,780**	**226,772**

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

1 - Code	2 - Description	Accumulated current quarter 9/30/2016	Accumulated same quarter of previous year 9/30/2015
6.01	**Net cash provided by operating activities**	**190,892**	**266,972**
6.01.01	Cash provided by operations	301,541	353,657
6.01.01.01	Profit before taxes for the period	151,632	272,491
6.01.01.02	Depreciation and amortization	57,781	52,786
6.01.01.03	Share-based payments	(475)	3,280
6.01.01.04	Losses on sales of assets	(7,582)	-
6.01.01.05	Provision for doubtful accounts	34,426	21,160
6.01.01.06	Equity pick-up	7,122	2,878
6.01.01.07	Provision for (reversal of) contingencies	2,083	(1,441)
6.01.01.08	Provision for (reversal of) obligation and others	-	(1,388)
6.01.01.09	Interest, monetary and exchange variations, net	56,554	3,891
6.01.02	Changes in assets and liabilities	(69,173)	(38,342)
6.01.02.01	Trade receivables	(13,050)	(42,838)
6.01.02.03	Other assets	(40,097)	23,775
6.01.02.04	Judicial deposits	(243)	(6,803)
6.01.02.05	Social and labor obligations	22,301	17,564
6.01.02.06	Taxes recoverable	(24,795)	(14,475)
6.01.02.07	Trade payables	(62)	9,309
6.01.02.08	Commission payable	(11,217)	(2,688)
6.01.02.09	Taxes payable	(9,862)	(21,548)
6.01.02.10	Other payables	7,852	(638)
6.01.03	Other	(41,476)	(48,343)
6.01.03.01	Interest paid	(34,957)	(28,204)
6.01.03.02	Income tax and social contribution paid	(6,519)	(20,139)
6.02	**Net cash used in investing activities**	**(77,117)**	**(150,392)**
6.02.01	Increase in capital of subsidiaries	(25,844)	(66,575)
6.02.02	Purchases of intangible assets	(29,777)	(59,921)
6.02.03	Value of investments sold	5,266	-
6.02.04	Dividends received	8,392	480
6.02.06	Value of fixed assets sold	863	713
6.02.08	Purchases of property, plant and equipment	(36,017)	(25,089)
6.03	**Net cash used in financing activities**	**(314,456)**	**(42,086)**
6.03.01	Payment of principal on loans and financing	(124,491)	-
6.03.02	Debentures payment	(48,002)	(32,002)
6.03.03	Credit from related companies	1,792	7,729
6.03.04	Dividends paid	(141,324)	(172,860)
6.03.05	Bank borrowing	-	181,055
6.03.06	Treasury shares, net	(2,431)	(26,008)

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6.05	**Increase (decrease) in cash and cash equivalents**	**(200,681)**	**74,494**
6.05.01	Cash and cash equivalents at the beginning of the period	314,405	659,236
6.05.02	Cash and cash equivalents at the end of the period	113,724	733,730

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Parent company financial statements/statement of changes in equity - 1/1/2016 to 9/30/2016
(R$ thousand)

1 - Code	2 – Description	Paid-up share capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity
5.01	**Opening balances**	**541,374**	**88,201**	**586,782**	**-**	**21,329**	**1,237,686**
5.03	**Adjusted opening balances**	**541,374**	**88,201**	**586,782**	**-**	**21,329**	**1,237,686**
5.04	**Capital transactions with owners**	**-**	**(2,906)**	**(66,579)**	**(43,606)**	**-**	**(113,091)**
5.04.03	Share options recorded	-	(475)	-	-	-	(475)
5.04.04	Purchases of treasury shares	-	(4,033)	-	-	-	(4,033)
5.04.05	Disposals of treasury shares	-	1,602	-	-	-	1,602
5.04.06	Dividends	-	-	(66,579)	-	-	(66,579)
5.04.07	Interest on capital – distributed	-	-	-	(43,606)	-	(43,606)
5.05	**Total comprehensive income**	**-**	**-**	**-**	**125,994**	**(20,249)**	**105,745**
5.05.01	Profit for the period	-	-	-	125,994	-	125,994
5.05.02	Other comprehensive income	-	-	-	-	(20,249)	(20,249)
5.05.02.04	Adjustment for currency exchange	-	-	-	-	(20,249)	(20,249)
5.07	**Closing balances**	**541,374**	**85,295**	**520,203**	**82,388**	**1,080**	**1,230,340**

Parent company financial statements/statement of changes in equity - 1/1/2015 to 9/30/2015
(R$ thousand)

1 - Code	2 – Description	Paid-up share capital	Capital reserve, share options and treasury shares	Revenue reserve	Retained earnings	Other comprehensive income	Equity
5.01	**Opening balances**	**526,592**	**40,281**	**549,472**	**-**	**29**	**1,116,374**
5.03	**Adjusted opening balances**	**526,592**	**40,281**	**549,472**	**-**	**29**	**1,116,374**
5.04	**Capital transactions with owners**	**-**	**(22,728)**	**(97,704)**	**(29,194)**	**-**	**(149,626)**
5.04.03	Share options recorded	-	3,280	-	-	-	3,280
5.04.04	Purchases of treasury shares	-	(48,872)	-	-	-	(48,872)
5.04.05	Disposals of treasury shares	-	22,864	-	-	-	22,864
5.04.06	Dividends	-	-	(97,704)	-	-	(97,704)
5.04.07	Interest on capital – distributed	-	-	-	(29,194)	-	(29,194)
5.05	**Total comprehensive income**	**-**	**-**	**-**	**203,572**	**23,200**	**226,772**
5.05.01	Profit for the period	-	-	-	203,572	-	203,572
5.05.02	Other comprehensive income	-	-	-	-	23,200	23,200
5.05.02.04	Adjustment for currency exchange	-	-	-	-	23,200	23,200
5.07	**Closing balances**	**526,592**	**17,553**	**451,768**	**174,378**	**23,229**	**1,193,520**

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

1 – Code	2 - Description	Accumulated current quarter 9/30/2016	Accumulated same quarter of previous year 9/30/2015
7.01	**Revenue**	**1,257,122**	**1,266,554**
7.01.01	Sale of goods and services	1,281,951	1,285,588
7.01.02	Other expenses	9,597	2,126
7.01.04	Provision for (reversal of) doubtful accounts	(34,426)	(21,160)
7.02	**Inputs acquired from third parties**	**(384,337)**	**(386,051)**
7.02.01	Cost of sales and services	(49,078)	(51,159)
7.02.02	Materials, energy, outsourced services and other	(335,259)	(334,892)
7.03	**Gross value added**	**872,785**	**880,503**
7.04	**Retentions**	**(57,781)**	**(52,786)**
7.04.01	Depreciation, amortization and depletion	(57,781)	(52,786)
7.05	**Net value added generated**	**815,004**	**827,717**
7.06	**Value added received through transfers**	**29,249**	**72,815**
7.06.01	Equity in the results of subsidiaries	(7,122)	(2,878)
7.06.02	Finance income	36,371	75,693
7.07	**Total value added to distribute**	**844,253**	**900,532**
7.08	**Distribution of value added**	**844,253**	**900,532**
7.08.01	Personnel	443,858	427,117
7.08.01.01	Direct remuneration	360,216	346,001
7.08.01.02	Benefits	51,943	50,230
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	31,699	30,886
7.08.02	Taxes and contributions	191,614	200,326
7.08.02.01	Federal	160,356	169,660
7.08.02.02	State	(14)	6
7.08.02.03	Municipal	31,272	30,660
7.08.03	Remuneration of third party capital	82,787	69,517
7.08.03.01	Interest	64,402	52,164
7.08.03.02	Rent	18,385	17,353
7.08.04	Remuneration of own capital	125,994	203,572
7.08.04.01	Interest on equity	43,606	29,194
7.08.04.03	Profits reinvested	82,388	174,378

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Consolidated financial statements/balance sheet - assets
(R$ thousand)

1 - Code	2 – Description	Current Quarter 9/30/2016	Previous year 12/31/2015
1	**Total assets**	**2,437,366**	**2,662,075**
1.01	**Current assets**	**974,591**	**1,157,673**
1.01.01	Cash and cash equivalents	216,037	426,415
1.01.03	Trade receivables	473,061	489,142
1.01.03.01	Customer receivables	473,061	489,142
1.01.03.01.01	Trade receivables	570,483	565,002
1.01.03.01.02	Provision for doubtful accounts	(97,422)	(75,860)
1.01.04	Stock	31,206	44,407
1.01.06	Taxes recoverable	99,669	81,284
1.01.06.01	Current taxes recoverable	99,669	81,284
1.01.08	Other current assets	154,618	116,425
1.01.08.03	Other	154,618	116,425
1.01.08.03.01	Marketable securities	95,058	75,213
1.01.08.03.02	Other assets	59,560	41,212
1.02	**Non-current assets**	**1,462,775**	**1,504,402**
1.02.01	Long-term receivables	285,845	291,792
1.02.01.03	Trade receivables	37,766	40,953
1.02.01.03.01	Customer receivables	37,766	40,953
1.02.01.06	Deferred taxes	79,069	63,507
1.02.01.06.01	Deferred income tax and social contribution	79,069	63,507
1.02.01.09	Other non-current assets	169,010	187,332
1.02.01.09.03	Judicial deposits	42,925	43,407
1.02.01.09.04	Financial assets at fair value	56,560	68,044
1.02.01.09.05	Taxes recoverable	20,560	17,881
1.02.01.09.06	Marketable securities	17,382	39,534
1.02.01.09.07	Other assets	31,583	18,466
1.02.02	Investments	95	-
1.02.02.01	Equity investments	95	-
1.02.02.01.01	Interests in associated	95	-
1.02.03	Property, plant and equipment	130,538	113,598
1.02.03.01	Property, plant and equipment in service	130,538	113,598
1.02.04	Intangible assets	1,046,297	1,099,012
1.02.04.01	Intangible assets	392,947	439,969
1.02.04.02	Goodwill	653,350	659,043

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Consolidated financial statements/balance sheet - liabilities and equity
(R$ thousand)

1 – Code	2 - Description	Current Quarter 9/30/2016	Previous year 12/31/2015
2	**Total liabilities and equity**	**2,437,366**	**2,662,075**
2.01	**Current liabilities**	**600,980**	**658,683**
2.01.01	Social and labor obligations	162,073	133,152
2.01.01.01	Social obligations	11,325	12,955
2.01.01.02	Labor obligations	150,748	120,197
2.01.02	Trade payables	63,173	86,932
2.01.02.01	National supplier payables	59,864	82,545
2.01.02.02	International suppliers	3,309	4,387
2.01.03	Tax obligations	24,190	18,923
2.01.03.01	Federal tax obligations	24,190	18,923
2.01.03.01.01	Income tax and social contribution	24,190	18,923
2.01.04	Borrowing	188,873	239,429
2.01.04.01	Borrowing	157,536	177,514
2.01.04.01.01	In local currency	157,536	177,514
2.01.04.02	Debentures	29,912	61,915
2.01.04.03	Financial Leasing	1,425	-
2.01.05	Other liabilities	162,671	180,247
2.01.05.02	Other	162,671	180,247
2.01.05.02.01	Dividends and interest on capital payable	1,778	32,885
2.01.05.02.04	Obligations for purchases of investments	100,919	82,220
2.01.05.02.05	Commission payable	45,617	56,579
2.01.05.02.06	Other liabilities	14,357	8,563
2.02	**Non-current liabilities**	**606,459**	**765,660**
2.02.01	Borrowing	464,505	583,166
2.02.01.01	Borrowing	403,962	500,795
2.02.01.01.01	In local currency	403,962	500,795
2.02.01.02	Debentures	57,694	82,371
2.02.01.03	Financial Leasing	2,849	-
2.02.02	Other liabilities	52,928	91,987
2.02.02.02	Other	52,928	91,987
2.02.02.02.03	Obligations for purchases of investments	52,625	88,272
2.02.02.02.04	Other liabilities	303	3,715
2.02.04	Provision	89,026	90,507
2.02.04.01	Tax, social security, labor and civil provision	89,026	90,507
2.02.04.01.01	Tax provision	12,900	12,965
2.02.04.01.02	Social security and labor provision	46,764	45,466
2.02.04.01.04	Civil provision	29,362	32,076

(A free translation of the original in Portuguese)

Consolidated financial statements/balance sheet - liabilities and equity
(R$ thousand)

1 - Code	2 – Description	Current Quarter 9/30/2016	Previous year 12/31/2015
2.03	**Equity**	**1,229,927**	**1,237,732**
2.03.01	Paid-up capital	541,374	541,374
2.03.02	Capital reserves	85,295	88,201
2.03.02.02	Special goodwill reserve on mergers	14,330	14,330
2.03.02.04	Share options	26,037	26,512
2.03.02.05	Treasury shares	(73,443)	(71,012)
2.03.02.07	Goodwill reserve	99,260	99,260
2.03.02.08	Debentures converted into shares	44,629	44,629
2.03.02.09	Goodwill on purchases of non-controlling interests	(25,518)	(25,518)
2.03.04	Profit reserve	520,203	586,782
2.03.04.01	Legal reserve	71,737	71,737
2.03.04.05	Profit retention reserve	448,466	448,466
2.03.04.08	Additional proposed dividends	-	66,579
2.03.05	Profit/Loss accumulated	82,388	-
2.03.07	Cumulative adjustment for currency exchange	1,080	21,329
2.03.09	Participation of non-controlling shareholders	(413)	46

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

1 – Code	2 – Description	Current quarter 7/1/2016 to 9/30/2016	Accumulated - current period 1/1/2016 to 9/30/2016	Same quarter of prior year 7/1/2015 to 9/30/2015	Accumulated - prior year 1/1/2015 to 9/30/2015
3.01	**Sales and/or service revenue**	**537,498**	**1,633,831**	**464,503**	**1,374,826**
3.01.01	Licensing fees	37,730	128,874	58,524	186,080
3.01.02	Services	131,683	413,202	144,540	415,078
3.01.03	Subscriptions	58,747	165,143	33,188	95,913
3.01.04	Maintenance	248,675	750,524	228,251	677,755
3.01.05	Hardware	60,663	176,088	-	-
3.02	**Cost of sales and/or services**	**(216,822)**	**(652,191)**	**(166,263)**	**(476,273)**
3.02.01	Cost of software	(19,732)	(57,952)	(19,496)	(54,010)
3.02.02	Cost of services	(123,287)	(377,720)	(121,602)	(348,423)
3.02.03	Cost of support	(32,225)	(96,700)	(25,165)	(73,840)
3.02.04	Cost of hardware	(41,578)	(119,819)	-	-
3.03	**Gross profit**	**320,676**	**981,640**	**298,240**	**898,553**
3.04	**Operating income (expenses)**	**(278,399)**	**(790,840)**	**(217,804)**	**(645,983)**
3.04.01	Selling expenses	(48,838)	(148,972)	(35,830)	(104,887)
3.04.02	General and administrative expenses	(48,577)	(137,093)	(28,704)	(86,142)
3.04.05	Other operating expenses	(180,984)	(504,775)	(153,270)	(454,879)
3.04.05.01	Research and development	(82,239)	(234,628)	(67,829)	(193,863)
3.04.05.02	Advertising expenses	(14,284)	(34,587)	(13,245)	(36,319)
3.04.05.03	Commission	(33,533)	(104,574)	(38,922)	(116,620)
3.04.05.04	Management fees	(4,480)	(12,715)	(5,995)	(17,007)
3.04.05.05	Depreciation and amortization	(33,034)	(94,304)	(24,709)	(74,481)
3.04.05.06	Provision for doubtful accounts	(25,619)	(40,572)	(7,702)	(23,446)
3.04.05.07	Government subsidy	3,082	7,300	-	-
3.04.05.08	Other net revenue	9,123	9,305	5,132	6,857
3.04.06	Equity pick-up	-	-	-	(75)
3.05	**Profit before finance results and taxes**	**42,277**	**190,800**	**80,436**	**252,570**
3.06	**Finance results**	**(10,182)**	**(33,440)**	**10,736**	**34,634**
3.06.01	Finance income	15,681	53,978	33,205	92,935
3.06.02	Finance costs	(25,863)	(87,418)	(22,469)	(58,301)

(A free translation of the original in Portuguese)

1 – Code	2 – Description	Current quarter 7/1/2016 to 9/30/2016	Accumulated - current period 1/1/2016 to 9/30/2016	Same quarter of prior year 7/1/2015 to 9/30/2015	Accumulated - prior year 1/1/2015 to 9/30/2015
3.07	**Profit before taxes on income**	**32,095**	**157,360**	**91,172**	**287,204**
3.08	**Income tax and social contribution on net income**	**5,895**	**(31,896)**	**(19,480)**	**(84,173)**
3.08.01	Current	(1,265)	(37,144)	(19,173)	(56,488)
3.08.02	Deferred	7,160	5,248	(307)	(27,685)
3.09	**Profit for the period from continuing operations**	**37,990**	**125,464**	**71,692**	**203,031**
3.11	**Profit for the period**	**37,990**	**125,464**	**71,692**	**203,031**
3.11.01	Attributable to parent company's partners	38,216	125,994	71,778	203,572
3.11.02	Attributable to non-controlling partners	(226)	(530)	(86)	(541)
3.99	**Earnings per share - (Reais/share)**				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.23	0.77	0.44	1.25
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.23	0.77	0.44	1.24

(A free translation of the original in Portuguese)

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

1 – Code	2 – Description	Current quarter 7/1/2016 to 9/30/2016	Accumulated - current period 1/1/2016 to 9/30/2016	Same quarter of prior year 7/1/2015 to 9/30/2015	Accumulated - prior year 1/1/2015 to 9/30/2015
4.01	**Profit for the period**	**37,990**	**125,464**	**71,692**	**203,031**
4.02	**Other comprehensive income**	**1,540**	**(20,249)**	**15,002**	**23,200**
4.02.01	Cumulative adjustment for currency exchange	2,334	(30,680)	22,729	35,150
4.02.02	Deferred income tax and social contribution	(794)	10,431	(7,727)	(11,950)
4.03	**Comprehensive income for the period**	**39,530**	**105,215**	**86,694**	**226,231**
4.03.01	Attributable to the parent company's partners	39,756	105,745	86,780	226,772
4.03.02	Attributable to non-controlling partners	(226)	(530)	(86)	(541)

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

1 – Code	2 - Description	Accumulated current quarter 9/30/2016	Accumulated same quarter of previous year 9/30/2015
6.01	**Net cash provided by operating activities**	**192,897**	**269,574**
6.01.01	**Cash provided by operations**	**341,746**	**390,144**
6.01.01.01	Profit before taxes for the period	157,360	287,204
6.01.01.02	Depreciation and amortization	96,798	74,481
6.01.01.03	Share-based payments	(475)	3,280
6.01.01.04	Losses on sales of assets	(8,168)	(6,207)
6.01.01.05	Provision for doubtful accounts	40,572	23,446
6.01.01.06	Equity pick-up	-	75
6.01.01.07	Provision for (reversal of) contingencies	(1,481)	(1,148)
6.01.01.08	Provision for (reversal of) obligations and others	2,376	(6,388)
6.01.01.09	Interest, monetary and exchange variations, net	54,764	15,401
6.01.02	Changes in assets and liabilities	(90,263)	(61,125)
6.01.02.01	Trade receivables	(21,304)	(60,186)
6.01.02.02	Stock	9,247	-
6.01.02.03	Other assets	(36,512)	17,047
6.01.02.04	Judicial deposits	482	(6,462)
6.01.02.05	Social and labor obligations	28,921	25,385
6.01.02.06	Taxes recoverable	(21,064)	(16,033)
6.01.02.07	Trade payables	(24,459)	8,766
6.01.02.08	Commission payable	(10,962)	(788)
6.01.02.10	Taxes payable	(17,099)	(26,728)
6.01.02.11	Other payables	2,487	(2,126)
6.01.03	Other	(58,586)	(59,445)
6.01.03.01	Interest paid	(43,808)	(28,204)
6.01.03.02	Income tax and social contribution paid	(14,778)	(31,241)
6.02	**Net cash used in investing activities**	**(76,814)**	**(82,406)**
6.02.01	Acquisitions of associated and subsidiaries, net of cash obtained in the acquisitions	(95)	(216)
6.02.03	Purchases of intangible assets	(42,671)	(60,135)
6.02.06	Value of fixed assets sold	1,052	845
6.02.08	Purchases of property, plant and equipment	(40,366)	(28,988)
6.02.09	Value of investments sold	5,266	6,088
6.03	**Net cash used in financing activities**	**(326,461)**	**(51,552)**
6.03.01	Payment of principal on loans and financing	(129,089)	(420)
6.03.02	Payment of principal on debentures	(60,982)	(32,002)
6.03.03	Dividends paid	(141,324)	(174,288)
6.03.07	Bank borrowing	7,365	181,166
6.03.08	Treasury shares	(2,431)	(26,008)
6.05	**Increase (decrease) in cash and cash equivalents**	**(210,378)**	**135,616**
6.05.01	Cash and cash equivalents at the beginning of the period	426,415	697,901
6.05.02	Cash and cash equivalents at the end of the period	216,037	833,517

Consolidated financial statements/statement of changes in equity - 1/1/2016 to 9/30/2016
(R$ thousand)

1 - Code	2 - Description	Paid-up share capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	**Opening balances**	**541,374**	**88,201**	**586,782**	**-**	**21,329**	**1,237,686**	**46**	**1,237,732**
5.03	**Adjusted opening balances**	**541,374**	**88,201**	**586,782**	**-**	**21,329**	**1,237,686**	**46**	**1,237,732**
5.04	**Capital transactions with owners**	**-**	**(2,906)**	**(66,579)**	**(43,606)**	**-**	**(113,091)**	**71**	**(113,020)**
5.04.03	Stock options plan	-	(475)	-	-	-	(475)	-	(475)
5.04.04	Purchases of treasury shares	-	(4,033)	-	-	-	(4,033)	-	(4,033)
5.04.05	Disposals of treasury shares	-	1,062	-	-	-	1,062	-	1,062
5.04.06	Dividends	-	-	(66,579)	-	-	(66,579)	-	(66,579)
5.04.07	Interest on capital	-	-	-	(43,606)	-	(43,606)	-	(43,606)
5.04.08	Acquisitions of subsidiaries	-	-	-	-	-	-	71	71
5.05	**Total comprehensive income**	**-**	**-**	**-**	**125,994**	**(20,249)**	**105,745**	**(530)**	**105,215**
5.05.01	Profit for the period	-	-	-	125,994	-	125,994	(530)	125,464
5.05.02	Other comprehensive income	-	-	-	-	(20,249)	(20,249)	-	(20,249)
5.05.02.04	Adjustment for currency exchange	-	-	-	-	(20,249)	(20,249)	-	(20,249)
5.07	**Closing balances**	**541,374**	**85,295**	**520,203**	**82,388**	**1,080**	**1,230,340**	**(413)**	**1,229,927**

Consolidated financial statements/statement of changes in equity - 1/1/2015 to 9/30/2015
(R$ thousand)

1 - Code	2 - Description	Paid-up share capital	Capital reserve, share options and treasury shares	Revenue reserve	Retained earnings	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	**Opening balances**	**526,592**	**40,281**	**549,472**	**-**	**29**	**1,116,374**	**1,688**	**1,118,062**
5.03	**Adjusted opening balances**	**526,592**	**40,281**	**549,472**	**-**	**29**	**1,116,374**	**1,688**	**1,118,062**
5.04	**Capital transactions with owners**	**-**	**(22,728)**	**(97,704)**	**(29,194)**	**-**	**(149,626)**	**(1,040)**	**(150,666)**
5.04.03	Share options recorded	-	3,280	-	-	-	3,280	-	3,280
5.04.04	Purchases of treasury shares	-	(48,872)	-	-	-	(48,872)	-	(48,872)
5.04.05	Disposals of treasury shares	-	22,864	-	-	-	22,864	-	22,864
5.04.06	Dividends	-	-	(97,704)	-	-	(97,704)	(320)	(98,024)
5.04.07	Interest on equity	-	-	-	(29,194)	-	(29,194)	-	(29,194)
5.04.08	Acquisitions of subsidiaries	-	-	-	-	-	-	303	303
5.04.09	Acquisitions of non-controlling interests	-	-	-	-	-	-	(1,023)	(1,023)
5.05	**Total comprehensive income**	**-**	**-**	**-**	**203,572**	**23,200**	**226,772**	**(541)**	**226,231**
5.05.01	Profit for the period	-	-	-	203,572	-	203,572	(541)	203,031
5.05.02	Other comprehensive income	-	-	-	-	23,200	23,200	-	23,200
5.05.02.04	Adjustment for currency exchange	-	-	-	-	23,200	23,200	-	23,200
5.07	**Closing balances**	**526,592**	**17,553**	**451,768**	**174,378**	**23,229**	**1,193,520**	**107**	**1,193,627**

Consolidated financial statements/statement of value added

1 - Code	2 – Description	Accumulated current quarter 9/30/2016	Accumulated same quarter of previous year 9/30/2015
7.01	**Revenue**	**1,819,831**	**1,483,035**
7.01.01	Sales of goods and services	1,843,288	1,498,274
7.01.02	Other expenses	17,115	8,207
7.01.04	Provision for (reversal of) doubtful accounts	(40,572)	(23,446)
7.02	**Inputs acquired from third parties**	**(631,004)**	**(449,776)**
7.02.01	Cost of sales and services	(190,910)	(54,233)
7.02.02	Materials, energy, outsourced services and other	(440,094)	(395,543)
7.03	**Gross value added**	**1,188,827**	**1,033,259**
7.04	**Retentions**	**(96,798)**	**(74,481)**
7.04.01	Depreciation, amortization and depletion	(96,978)	(74,481)
7.05	**Net value added generated**	**1,092,029**	958,778
7.06	**Value added received through transfers**	**53,978**	**92,860**
7.06.01	Equity pick-up	-	(75)
7.06.02	Finance income	53,978	92,935
7.07	**Total value added to distribute**	**1,146,007**	**1,051,638**
7.08	**Distribution of value added**	**1,146,007**	**1,051,638**
7.08.01	Personnel	621,545	530,880
7.08.01.01	Direct remuneration	505,986	433,620
7.08.01.02	Benefits	73,485	60,772
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	42,074	36,488
7.08.02	Taxes and contributions	282,254	236,490
7.08.02.01	Federal	225,143	201,492
7.08.02.02	State	16,926	(9)
7.08.02.03	Municipal	40,185	35,007
7.08.03	Remuneration of third-party capital	116,744	81,237
7.08.03.01	Interest	87,418	58,301
7.08.03.02	Rental	29,751	22,936
7.08.03.03	Other	(425)	-
7.08.04	Remuneration of own capital	125,464	203,031
7.08.04.01	Interest on equity	43,606	29,194
7.08.04.03	Profits reinvested	82,388	174,378
7.08.04.04	Non-controlling interest in retained earnings	(530)	(541)

(A free translation of the original in Portuguese)

Comments on performance

The comments described below are impacted by (i) the corporate reorganization between TOTVS and Bematech in 2015, and (ii) the sale of 100% of its participation on the capital stock of TOTVS Resultados em Outsourcing Ltda. ("TOTVS RO"), company focused on providing Human Resources BPO *(Business Process Outsourcing)* services, to Propay S.A.

Net revenue totaled R$537,498 thousand in 3Q16, 15.7% growth over the previous year. This growth is mainly due to: (i) the Company's initiatives to capture the software market's growth, including the segmentation of business solutions by industry and the fluig platform; (ii) the growth of recurring revenue from subscription; and (iii) the hardware revenue added as a result of the corporate reorganization between TOTVS and Bematech.

License revenue decreased 35.5 % year on year, mainly reflecting the reduction in the number of sales and in the licensing average ticket. The reduction in license sales was mainly due to: (i) the downturn in economic activity in Brazil, which resulted in a longer period of conversion of the sales pipeline, especially among large clients; and (ii) the migration of part of the new clients sales pipeline to the subscription model, especially among smaller clients. The decrease in the average ticket was mainly due to the lower share of sales to large clients in the quarter.

Service revenues decreased 8.9% in 3Q16, and it was negatively affected by (i) the lower software implementation services for the period, as a result of lower sales observed in recent quarters and (ii) the decrease in services not related to software implementation. Specifically in Rio de Janeiro, service revenue was also adversely impacted by the high number of holidays on account of the Olympic Games.

Subscription revenue grew 77.0% year on year and totaled R$58,747 thousand. This growth is due to the higher share of new sales to small and medium clients, especially under the TOTVS Intera commercial model.

Maintenance revenue totaled R$248,675 thousand in 3Q16, a 8.9% growth over 3Q15, mainly as a result of the license sales in previous periods and the retention of maintenance contracts, annually adjusted based on inflation rates pre-defined, which in most cases is the IGP-M.

Hardware revenue totaled R$60,663 thousand in 3Q16 and combined the sale of equipment and technical assistance services provided by the subsidiary Bematech.

The cost of software grew 1.2% in 3Q16, when compared to the same quarter of 2015. The growth of the cost of software was mainly due to the higher share of complementary solutions provided by partners in the quarter.

The cost of support grew 28.4% year on year, mainly due the investments that are being made in the customer service and assistance processes, involving adjustments to customer service routines, teams and systems of the Company.

The cost of services increased 1.4% in 3Q16 when compared to the 3Q15, mainly reflecting the collective wage adjustments made throughout the year.

The cost of hardware, which includes the cost of the equipment and technical assistance services provided by subsidiary Bematech, totaled R$41,578 thousand. It is worth mentioning that the hardware cost also includes the depreciation expense of R$785 thousand.

Research and development expenses grew 21.2% on 3Q16, versus 3Q15. This growth results mainly from the collective wage adjustments made throughout the year.

Advertising and marketing expenses grew 7.8% in the quarter, when comparing year on year, and totaled R$14,284 thousand, chiefly due to the higher concentration of investments in marketing in 3Q16 with the launch of the new advertising campaign.

Selling expenses totaled R$48,838 thousand in 3Q16, a 36.3% growth over 3Q15, and the commissions expenses decreased 13.8% when comparing to 3Q15, totaling R$33,533 thousand. When taken together, the sum of these expenses reduced its representativeness across the total net revenue. These expenses are directly related to the sales mix through own units and franchises as well, as the net revenue mix due to the different levels of commissioning between revenue lines.

General and administrative expenses increased 69.2% in 3Q16 totaling R$48,577 thousand. This growth results mainly of wage adjustments in the period, besides the additional expenses related to the assisted operation contracted after the migration of internal management systems of TOTVS.

Management fees declined 25.3% year on year, mainly due (i) to the optimization of the administrative structure of the Company; and (ii) the provision for bonus for achievement of financial and individual targets of executives in the period.

Depreciation and amortization expenses in 2Q16 increased 33.7% year on year, mainly due to the purchase price allocation of the corporate reorganization with Bematech in 4Q15.

Allowance for doubtful accounts in 3Q16 corresponded to 4.8%, compared to 1.7% on 3Q15. The increase in this provision in the quarter is mainly due to the additional provision of R$17.221 million related to the higher credit risk of a large client in the Service segment, besides the increase in the level of default observed during the period.

The financial result (financial revenues net of financial expenses) amounted a net espense of R$10,182 thousand in 3Q16, compared to a positive result of R$10,736 thousand in 3Q15. This variation is largely due to the increase in net debt, explained by the reduction in financial income due to the payment of R$473.585 million in cash for the corporate restructuring with Bematech in 4Q15.

Income tax and social contribution expenses decreased 130.3% in 3Q16, when compared to 3Q15. This reduction was mainly due to the decrease of net income before income tax and social contribution.

Net income decreased 47.0% in 3Q16, largely due to: (i) the reduction of 47.4% of the earnings before financial effects and equity income; (ii) the negative financial results for the quarter; and (iii) the reduction of 130.3% in income tax and social contribution.

EBITDA (*) for the quarter totaled R$76,096 thousand, 27.6% lower than 3Q15. EBITDA margin (% of EBITDA over total net revenues) ended the quarter at 14.2%, compared to 22.6% in 3Q15, due to the events already described in previous reviews of each item.

(*) EBITDA ("Earnings before interest, taxes, depreciation and amortization") is a non-accounting measure used by the Company, calculated observing one of the suggestions of the CVM Circular 01/2007, consisting of the profit before taxes and contributions, the net financial result (income and interest expense), depreciation and amortization - EBITDA (Earnings before interest, taxes, depreciation and amortization)

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Notes to the financial statements

1. Operations

TOTVS S.A. ("parent company", "TOTVS" or the "Company") is a publicly-held corporation headquartered at Av. Braz Leme, 1631 - 2º floor, in the City and State of São Paulo, shares in which are traded on the *Novo Mercado* of BM&FBOVESPA – the Securities, Commodities and Futures Exchange.

The Company's business purpose is the development and sale of management software, productivity and collaboration platforms, as well as the provision of implementation, consulting, assistance and maintenance services. In 2015, with the corporate reorganization involving Bematech, the Company began to consolidate the industrialization and sale activities relating to hardware, combining specialized solutions in management systems, point of sale (POS), commercial automation, tax, e-commerce, mobility, payment methods solutions and the collaboration platform. The solutions offered by the Company and its subsidiaries are segmented according to economic sector, producing applications relevant to the business context of their clients, both in back-office processes and for the specific processes in each segment.

TOTVS' parent company and consolidated financial statements were approved at the Board of Directors' Meeting held on October 27, 2016.

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

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

2. Presentation of interim financial information and summary of accounting policies, assumptions and estimates

The principal accounting policies applied in preparing this interim financial information have been consistently applied to the periods presented. This interim financial information does not include all of the information required for annual or complete financial statements, and therefore should be read together with the Company's complete financial statements for the year ended December 31, 2015.

2.1. Basis of preparation

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

(a) Consolidated financial information

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

(b) Parent company financial information

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

(c) Changes in accounting policies and disclosure requirements

There are no new pronouncements or interpretations of CPCs/International Financial Reporting Standards (IFRS) effective from 2016 that could have a significant impact on the Company's interim financial information.

2.2. Consolidated interim financial information

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

Direct Investments:

Corporate Name	Head office	Denomination	Interest % 9/30/2016	Interest % 12/31/2015
TOTVS Serviços Ltda.	BRA	TOTVS Serviços	100.00	100.00
TOTVS Nordeste Software Ltda.	BRA	TOTVS Nordeste	100.00	100.00
TOTVS Brasília Software Ltda.	BRA	TOTVS Brasília	100.00	100.00
TQTVD Software Ltda.	BRA	TQTVD	100.00	100.00
TOTVS Ventures Participações Ltda.	BRA	TOTVS Ventures	100.00	100.00
TOTVS Argentina S.A.	ARG	TOTVS Argentina	100.00	100.00
Datasul Argentina S.A.	ARG	Datasul Argentina	100.00	100.00
TOTVS México S.A.	MEX	TOTVS México	100.00	100.00
Datasul S.A. de CV.	MEX	Datasul México	100.00	100.00
TOTVS Corporation	BVI	TOTVS Corporation	100.00	100.00
TOTVS Incorporation	USA	TOTVS Inc.	100.00	100.00
Virtual Age Soluções em Tecnologia Ltda.	BRA	Virtual Age	100.00	100.00
Neolog Consultoria e Sistemas S.A.	BRA	Neolog	60.00	60.00
Ciashop Soluções para Comércio Eletrônico S.A.	BRA	Ciashop	70.00	70.00
TOTVS Resultados em Outsourcing Ltda. (a)	BRA	RO	-	100.00
Bematech S.A.	BRA	Bematech	100.00	100.00

(A free translation of the original in Portuguese)

Indirect Investments:

Corporate Name	Head office	Denomination	Investor	Interest % 9/30/2016	Interest % 12/31/2015
DTS Consulting Partner. SA de CV	MEX	Partner	TOTVS México	100.00	100.00
W&D Participações S.A.	BRA	W&D	TOTVS Brasília	100.00	100.00
PC Informática S.A.	BRA	PC Informática	W&D	100.00	100.00
RMS Software S.A.	BRA	RMS	TOTVS Nordeste	100.00	100.00
Webstrategie Software Ltda.	BRA	Webstrategie	RMS	100.00	100.00
Kerina Software Ltda.	BRA	Kerina	TQTVD	100.00	100.00
Bematech Ásia Co.Ltd.	TWN	Bematech Ásia	Bematech S.A.	100.00	100.00
Bematech Argentina S.A.	ARG	Bematech Argentina	Bematech S.A.	100.00	100.00
CMNet Soluções em Informática e Agência de Viagens e Turismo S.A.	BRA	CMNet Soluções	Bematech S.A.	100.00	100.00
Misterchef Sistemas de Automação Ltda. (b)	BRA	Misterchef	Bematech S.A.	-	100.00
Bematech Internacional Corp.	EUA	BIC	Bematech S.A.	100.00	100.00
Logic Controls, Inc	EUA	Logic Controls	Bematech Inter. Corp.	100.00	100.00
FICE - Bematech Foshan Shunde Ltd.	CHN	FICE	Logic Controls, Inc	100.00	100.00
CMNet Participações S.A.	BRA	CMNet Partipações	Bematech S.A.	100.00	100.00
CM Soluciones - Argentina	ARG	CMNet Argentina	CMNet Participações	100.00	100.00
CMDIR - Soluções Informática, Lda - Portugal	PRT	CMNet Portugal	CMNet Participações	100.00	100.00
CM Soluciones - Chile	CHL	CMNet Chile	CMNet Participações	100.00	100.00
CMNet España	ESP	CMNet Espanha	CMDIR - Soluções	100.00	100.00
RJ Participações S.A.	BRA	RJ Participações	Bematech S.A.	100.00	100.00
R.J. Consultores en Sistemas de Información S.C.	MEX	RJ México	RJ Participações	100.00	100.00
R.J. Consultores e Informática Ltda.	BRA	RJ Consultores	RJ Participações	100.00	100.00
National Computer Corporation (c)	RUS	JV Russia	TOTVS México	19.00	-

(a) On August 1, 2016, TOTVS sold 100% of capital stock of TOTVS Resultados em Outsourcing Ltda. (TOTVS RO), company focused on the providing Human Resources BPO (Business Process Outsourcing) services, to Propay S.A. ("Propay") for R$10,532, which R$ 5,266 already received and a variable payment of up to R$ 5,266 shall be paid in 36 months according to the metrics defined in the Agreement.

(b) On August 1,2016, the merger of Mistechef by Bematech S.A. was approved by Shareholders' Meeting.

(c) On July 8, 2016, TOTVS México and TOTVS S.A acquired, respectively, 18.5% and 0.5% of the shares of the Russian company National Computer Corporation (NCC). The investments in this new company seeks a partnership to develop and bring to the Russian market a management system with a unique combination of characteristics such as reliability, security, data integrity, continuity, high performance and scalability already present in the solutions TOTVS.

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

For comparison of the consolidated results between 2016 and 2015, the acquisitions date of each subsidiary should be considered. Thus, the financial information at September 30, 2015 does not include Bematech´s results, which were consolidated from November 2015.

2.3. Critical accounting estimates and assumptions

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

For the period ended September 30, 2016, there were no changes in estimates and assumptions entailing a significant risk of causing relevant adjustments to the book values of assets and liabilities for the following fiscal year, in relation to the latest annual financial statements.

3. Financial instruments

The Company and its subsidiaries value their financial assets and liabilities based on market values using the information available and the appropriate valuation methodologies. In the nine-month period ended September 30, 2016 there were no facts or market circumstances that would have had an impact on financial instruments and the financial risk management as compared to those presented at the end of the Company's last fiscal year ended December 31, 2015.

3.1. Sensitivity analysis of financial assets and liabilities

The Company's financial instruments relate to cash and cash equivalents, accounts receivable, payables, debentures, loans and financing, and are recorded at cost plus income or charges incurred, which at September 30, 2016 and December 31, 2015 approximated their market values.

The main risks on the Company’s transactions are associated with variations in the Interbank Deposit Certificate (CDI) for financial investments, and with variations in the Long-term Interest Rate (TJLP) and the Extended Consumer Price Index (IPCA) for loans obtained from the Brazilian Development Bank (BNDES) and for the debentures issued.

a) Financial assets

To check the sensitivity of indexes for the financial investments that the Company was exposed to on September 30, 2016, three different scenarios were created. Based on forecasts by financial institutions, the average rate for CDI was projected at 14.13% for fiscal year 2016, which was the most likely scenario (scenario I); on the basis of this rate, we assessed the sensitivity to variations of 25% (scenario II) and 50% (scenario III).

For each of these scenarios the gross financial revenue was estimated, with taxes on investment returns not included. The reference date for the portfolio was September 30, 2016, with a one-year projection period to calcute the CDI’s sensitivity to each scenario.

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Operation	Balances at 9/30/2016	Risk	Most probable scenario (I)	Scenario (II)	Scenario (III)
		Reduction			
Financial investments	R$ 149,348	CDI	14.13%	10.60%	7.07%
Estimated financial income			**R$ 21,103**	**R$ 15,831**	**R$ 10,559**

b) Financial liabilities

To check the sensitivity of the indexes to which the Company is exposed when estimating the debts as at September 30, 2016, three different scenarios were created. Based on the TJLP and the IPCA in force as at September 30, 2016, the most probable scenario was determined for 2016 (scenario I) and, from this, variations of 25% (scenario II) and 50% (scenario III) were estimated.

For each scenario, the gross financial expenses were calculated, not taking into account the taxes levied and the maturities of each agreement scheduled for 2016. The reference date used for the financing and debentures was September 30, 2016, projecting the rates for one year and calculating their sensitivity under each scenario.

Operation	Balances at 9/30/2016	Risk	Most probable scenario I	Scenario II	Scenario III
		Increase			
BNDES - Financing	R$ 497,103	TJLP	7.50%	9.38%	11.25%
	R$ 220	UMBND(a)	-24.64%	-18.48%	-12.32%
Estimated financial expenses			**R$ 37,229**	**R$ 43,621**	**R$ 52,367**
		Increase			
Debentures	R$ 56,950	IPCA	9.32%	11.65%	13.98%
		TJLP	7.50%	9.38%	11.25%
	R$ 30,656	CDI	14.13%	17.66%	21.10%
Estimated financial expenses			**R$ 13,882**	**R$ 15,087**	**R$ 16,292**

(a) UMBND – BNDES monetary unit.

3.2. Financial assets at fair value

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

As these startups are privately held companies and have no prices quoted in an active market, their fair value is based on discounted cash flow using a rate based on the interest rate and the market risk premium specific to each investment. At September 30, 2016 the total of investments in startups was R$56,560.

(A free translation of the original in Portuguese)

4. Cash and cash equivalents

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

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Cash	23,954	57,930	66,689	105,808
Cash equivalents	**89,770**	**256,475**	**149,348**	**320,607**
Purchase and sale commitments	39,100	183,897	82,041	147,714
CDB	50,670	72,578	67,307	172,893
	113,724	**314,405**	**216,037**	**426,415**

The Company has financial investment policies which establish that investments should focus on low-risk securities and top-tier financial institutions, and are significantly remunerated based on the CDI rate, which averaged 101.6% of CDI a month during the nine-month period ended on September 30, 2016.

5. Trade accounts receivable

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

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
National market	439,037	439,241	589,098	579,125
Foreign market	640	1,185	19,151	26,830
Gross trade accounts receivable	439,677	440,426	608,249	605,955
(-) Allowances for doubtful accounts	(77,178)	(56,551)	(97,422)	(75,860)
Net trade accounts receivable	**362,499**	**383,875**	**510,827**	**530,095**
Current assets	326,077	345,199	473,061	489,142
Non-current assets	36,422	38,676	37,766	40,953

Below are the net receivables, after the allowances for doubtful accounts, by age, as at September 30, 2016 and December 31, 2015:

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Falling due	320,404	348,071	452,793	475,821
Overdue				
1 to 30 days	24,602	19,949	31,449	30,226
31 to 60 days	8,328	5,492	11,832	8,076
61 to 90 days	7,418	5,347	9,015	6,899
91 to 180 days	16,704	7,069	20,061	10,346
181 to 360 days	20,001	16,413	23,585	20,836
More than 360 days	42,220	38,085	59,514	53,751
Gross accounts receivable	**439,677**	**440,426**	**608,249**	**605,955**
(-) allowances for doubtful accounts	(77,178)	(56,551)	(97,422)	(75,860)
Net accounts receivable	**362,499**	**383,875**	**510,827**	**530,095**

Changes in the allowances for doubtful accounts are as follows:

	09/30/2016	
	Company	**Consolidated**
Balance at the beginning of the year	56,551	75,860
Additional provision during the period	34,426	40,572
Written off from the provision	(13,799)	(19,010)
Balance as at September 30	**77,178**	**97,422**

Management believes that the risk related to trade accounts receivable is minimized by the fact that the Company's customer portfolio is diluted, except for accounts receivable from the logistic distributor of Bematech and some relevant customers, which represents 9.6% of consolidated trade accounts receivable at the September 30, 2016.

The Company does not require any guarantee on installment sales.

Exceptionally this quarter was an additional provision for doubtful accounts amounting to R$17,221 by the credit risk about a project of a large customer in the service sector.

6. Stock

The breakdown of the stocks of Bematech on September 30, 2016 and December 31, 2015 are as follows:

	Consolidated	
	09/30/2016	**12/31/2015**
Finished products	9,360	15,305
Work in progress	201	-
Raw materials	17,224	22,924
Products for resale and others	3,660	6,190
Parts for technical assistance	1,598	2,536
(-) Provision for adjustment to realizable value	(837)	(2,548)
	31,206	**44,407**

7. Taxes recoverable

The following are the amounts of taxes recoverable:

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
State value added tax - ICMS (a)	-	-	46,753	47,972
Tax on manufactured products -IPI	-	-	15	3,413
Withholding income tax	37,522	21,273	48,097	33,157
Withholding social contribution tax	14,945	6,399	19,143	8,057
Withholding PIS and COFINS taxes	-	-	4,276	3,612
Other	1	1	1,945	2,954
	52,468	**27,673**	**120,229**	**99,165**
Current	52,468	27,673	99,669	81,284
Non-current	-	-	20,560	17,881

(a) Bematech uses an ICMS tax benefit for investments granted by the state of Paraná, which aim to foster the development of technological products, provided the requirements included in the federal law are met, especially regarding research and development expenditure. The concession of the ICMS deemed credit equivalent to the amount due on the shipment of products is limited to the ICMS debit amount of the respective period.

8. Income tax and social contribution

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

8.1. Reconciliation of income tax and social contribution expenses

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

(A free translation of the original in Portuguese)

	Company		Consolidated	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Income before taxes	**151,632**	**272,491**	**157,360**	**287.204**
Income tax and social contribution at a combined nominal rate of 34%	(51,555)	(92,647)	(53,502)	(97,649)
Adjustments for the statement of effective rate				
Equity pick-up	2,485	2.566	-	(26)
Law Nº 11,196/05 (incentive for R&D)	9,109	12.468	9,712	12,806
Government subsidy	-	-	2,482	-
Effect of subsidiaries with different tax rates	-	-	(3,800)	(8.261)
Interest on capital	14,826	9,927	14,826	9,927
Management shares	(424)	(309)	(544)	(320)
Accounts receivable deemed uncollectible	(18)	(101)	(240)	(219)
Workers' Food Program	367	713	616	964
Stock options	(65)	(613)	(65)	(613)
Other	(363)	(923)	(1,381)	(782)
Income tax and social contribution expenses	**(25,638)**	**(68,919)**	**(31,896)**	**(84,173)**
Current income tax and social contribution	(20,424)	(39,668)	(37,144)	(56,488)
Deferred income tax and social contribution	(5,214)	(29,251)	5,248	(27,685)
	(25,638)	**(68,919)**	**(31,896)**	**(84,173)**
Effective rate	**16.9%**	**25.3%**	**20.3%**	**29.3%**

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8.2. Breakdown of deferred income tax and social contribution

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Deriving from temporary differences				
Difference between fiscal base and book value of goodwill	103,744	117,789	96,611	139,130
Amortization of fiscal benefit	(69,612)	(63,136)	(74,152)	(89,744)
Intangible asset allocation	(82,997)	(97,784)	(90,037)	(114,762)
Provision for commission	14,206	18,144	15,207	19,133
Anticipated income or revenue	(7,117)	(5,542)	(8,564)	(4,599)
Allowance for doubtful accounts	26,241	19,227	28,738	20,317
Provision for contingencies and other liabilities	24,642	23,933	30,264	30,764
Provision for losses on inventories and guarantees	-	-	1,843	2,541
Tax losses and social contribution losses carried forward	-	-	62,379	53,794
Present value adjustments	1,351	1,802	2,536	2,592
Other	11,713	2,521	14,244	4,341
Net deferred income tax and social contribution	**22,171**	**16,954**	**79,069**	**63,507**

The Company presents deferred income tax on a net basis in non-current assets.

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

	Company	Consolidated
As at January 1 , 2016	16,954	63,507
Expenses in the income statement	(5,214)	5.248
Tax relating to other comprehensive income	10,431	10,431
Other	-	(117)
As at September 30, 2016	**22,171**	**79,069**

9. Related parties

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

9.1. Balances with related parties

As at September 30, 2016 and December 31, 2015, the balance of transactions with related parties classified as receivables from and payables to related parties in non-current assets and non-current liabilities are presented as follows:

	Company	
Assets	**09/30/2016**	**12/31/2015**
TOTVS Brasília	-	1,921
TOTVS RO	-	32
Ciashop	1,529	1,550
TQTVD	565	-
PC Sistemas	-	119
	2,094	**3,622**
Liabilities		
TOTVS Serviços	(9,094)	(5,435)
TQTVD	-	(2,278)
TOTVS Nordeste	(420)	(2,808)
TOTVS Ventures	(5,760)	(4,502)
PC Sistemas	(13)	-
	(15,287)	**(15,023)**

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

There was no material purchases and sales or provisions of services among the subsidiaries or between the subsidiaries and the parent company in the period.

9.2. Transactions or relationships with shareholders and key management personnel

a) Shareholders

The Company has property lease agreements with companies, some of which are owned by shareholders of TOTVS. Rental paid was R$6,755 for the period ended September 30, 2016 (R$ 6,198 for the period ended September 30, 2015), which is in line with market rates. The rental agreements are effective for 60 months, and are adjusted by the General Price Index – Market rate every 12 months.

In addition to these lease agreements, the Company signed an agreement with VIP VII – Empreendimentos e Participações Ltda., a company formed by some shareholders and also direct and indirect members of TOTVS' Board of Directors, that is, a related party of the group, to build and lease the new head office, with the purpose of integrating the company's facilities in the city of São Paulo, for at least ten years from the date of delivery, which is expected in March 2017. The estimated amount for the payment of rents in the first ten years is R$210,988, agreed under usual market conditions. Further information about this contract is available in the press release issued on October 16, 2013.

Some of the Company's shareholders and also directors directly or indirectly held a total of 17.6% of the Company's shares as at September 30, 2016 (17.4% as at December 31,2015). The indirect interest is held through LC-EH Empreendimentos e Participações S.A.

The Company and its subsidiary Bematech also have loans and financing operations (Note 14) and debentures (Note 15), transactions which are carried out with BNDES, which held 4.49% of the Company's capital on September 30, 2016.

b) Key management personnel

Itaú Unibanco is a related party to the Company through one of the independent members on its Board of Directors. Amounts and transactions involving the companies of the Itaú Unibanco Group on September 30, 2016 corresponded to R$21,466 (R$29,156 on December 31, 2015) of financial investments, R$933 (R$1,131 on September 30, 2015) related to contracts of guarantee, stock management, insurance policies and other matters, and R$5,633 (R$5,798 on September 30, 2015) related to contracts for the transfer of the rights to use systems and technical support provided by TOTVS. All contracts are in accordance with usual market conditions.

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

9.3. Management fees

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

	Company		Consolidated	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Short-term benefits to employees				
Salaries, fees and payroll charges	9,417	10,404	11,828	13,329
Private pension plan	335	330	353	342
Variable bonuses	872	910	1,176	1,052
	10,624	11,644	13,357	14,723
Share-based payments	(642)	2,284	(642)	2,284
	9,982	**13,928**	**12,715**	**17,007**

10. Investments

The breakdown of investments in subsidiaries is shown below:

	Summarized financial statements of affiliate companies, subsidiaries and associates as at September 30, 2016					Equity pick-up (parent company) for periods ended:		Balance of investments as at:	
	Assets	Liabilities	Equity	Gross revenue	P&L for the period	09/30/2016	09/30/2015	09/30/2016	12/31/2015
TOTVS Serviços	24,316	87	24,229	14,790	3,599	3,599	6,680	24,228	20,629
TOTVS Nordeste	102,312	33,269	69,043	5,422	(1,574)	(1,574)	4,081	69,044	72,618
TOTVS Brasília	165,694	35,993	129,701	5,104	6,320	6,320	5,604	129,700	117,538
TOTVS Argentina	10,598	4,224	6,374	17,905	(1,324)	(1,324)	(387)	6,374	10,994
TOTVS México	10,075	2,972	7,103	10,394	(8,011)	(8,011)	(7,430)	7,103	953
TQTVD	18,417	2,432	15,985	6,249	(882)	(882)	350	15,986	16,868
TOTVS Inc.	63,895	507	63,388	332	(7,179)	(7,179)	(6,530)	63,388	80,370
Datasul Argentina	224	-	224	-	(6)	(6)	1	224	325
TOTVS Agroindústria (a)	-	-	-	-	-	-	(973)	-	-
P2RX (a)	-	-	-	-	-	-	(1,095)	-	-
TOTVS RO	-	-	-	12,652	1,771	1,771	26	-	1,745
TOTVS Ventures	11,036	-	11,036	-	(94)	(94)	5,455	11,036	11,130
Ciashop (c)	1,706	3,254	(1,548)	5,554	(953)	(2,085)	(1,739)	8,700	10,117
Virtual Age (c)	23,003	5,280	17,723	36,091	5,190	1,096	(5,961)	78,572	77,476
Neolog (b) (c)	2,087	1,958	129	5,043	(611)	(1,909)	(1,243)	22,410	24,319
Makira II (a)	-	-	-	-	-	-	283	-	-
Bematech (b) (c)	621,409	171,713	449,696	352,630	10,530	3,156	-	545,257	556,391
						(7,122)	**(2,878)**	**982,022**	**1,001,473**

(a) Companies merged during 2015.
(b) Business combinations in 2015.
(c) Goodwill from acquired companies is recorded under “Investments” in the parent company's profit or loss. The difference between the results from acquired companies and equity pick-up relates to the amortization of intangible assets in the determination of the fair value of the assets of the respective acquired companies.

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The changes in the investment accounts for the period ended September 30, 2016 were as follows:

	12/31/2015	Additions	Dividends	Equity Pick-up	Exchange variation	Reclassification	09/30/2016
TOTVS Serviços	20,629	-	-	3,599	-	-	24,228
TOTVS Nordeste	72,618	-	(2,000)	(1,574)	-	-	69,044
TOTVS Brasília	117,538	10,042	(4,200)	6,320	-	-	129,700
TOTVS Argentina	10,994	1,565	-	(1,324)	(4,861)	-	6,374
TOTVS México	953	11,649	-	(8,011)	2,512	-	7,103
TQTVD	16,868	-	-	(882)	-	-	15,986
TOTVS Inc.	80,370	4,307	-	(7,179)	(14,110)	-	63,388
Datasul Argentina	325	-	-	(6)	(95)	-	224
TOTVS RO	1,745	(1,324)	(2,192)	1,771	-	-	-
TOTVS Ventures	11,130	-	-	(94)	-	-	11,036
Ciashop	10,117	168	-	(2,085)	-	500	8,700
Virtual Age	77,476	-	-	1,096	-	-	78,572
Neolog	24,319	-	-	(1,909)	-	-	22,410
Bematech	556,391	-	-	3,156	(14,290)	-	545,257
Sum of Investiments	**1,001,473**	**26,407**	**(8,392)**	**(7,122)**	**(30,844)**	**500**	**982,022**
Ciashop	(584)	-	-	-	-	(500)	(1,084)
Sum of provision for losses	**(584)**	**-**	**-**	**-**	**-**	**(500)**	**(1,084)**
Net investments	**1,000,889**	**26,407**	**(8,392)**	**(7,122)**	**(30,844)**	**-**	**980,938**

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11. Property, plant and equipment

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

	Company					
	Computers and software	**Vehicles**	**Furniture and fixtures**	**Facilities, machinery and equipment**	**Other**	**Total property, plant and equipment**
Cost or valuation						
Balance as at December 31, 2014	88,762	6,048	12,547	15,489	29,027	151,873
Additions	25,905	3,325	553	300	11,960	42,043
Merger	85	-	-	24	-	109
Write-offs	(1,907)	(2,415)	(133)	(13)	(1,837)	(6,305)
Balances as at December 31, 2015	**112,845**	**6,958**	**12,967**	**15,800**	**39,150**	**187,720**
Additions	14,128	3,158	1,725	2,202	19,778	40,991
Write-offs (*)	(18,796)	(2,443)	(1,196)	489	(1,294)	(23,240)
Balance as at September 30, 2016	**108,177**	**7,673**	**13,496**	**18,491**	**57,634**	**205,471**
Depreciation						
Balance as at December 31, 2014	(57,893)	(2,166)	(6,146)	(6,197)	(12,747)	(85,149)
Depreciation during the period	(13,092)	(1,363)	(1,089)	(1,398)	(4,309)	(21,251)
Write-offs	1,808	1,424	119	2	1,562	4,915
Balance as at December 31, 2015	**(69,177)**	**(2,105)**	**(7,116)**	**(7,593)**	**(15,494)**	**(101,485)**
Depreciation during the period	(11,252)	(1,078)	(787)	(1,126)	(3,526)	(17,769)
Write-offs (*)	17,870	1,205	1,151	286	298	20,810
Balance as at September 30, 2016	**(62,559)**	**(1,978)**	**(6,752)**	**(8,433)**	**(18,722)**	**(98,444)**
Net book value						
Balance as at September 30, 2016	**45,618**	**5,695**	**6,744**	**10,058**	**38,912**	**107,027**
Balance as at December 31, 2015	**43,668**	**4,853**	**5,851**	**8,207**	**23,656**	**86,235**
Average annual depreciation rate	20%	20%	10%	10% to 20%	5% to 47%	

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	Consolidated					
	Computers and software	**Vehicles**	**Furniture and fixtures**	**Facilities, machinery and equipment**	**Other**	**Total property, plant and equipment**
Cost or valuation						
Balance as at December 31, 2014	100,421	7,998	15,752	18,032	33,521	175,724
Additions	27,525	4,363	1,225	1,024	13,387	47,524
Acquisitions of subsidiaries	5,123	128	1,709	6,143	1,691	14,794
Write-offs	(2,716)	(2,608)	(243)	(638)	(2,552)	(8,757)
Exchange rate variations	826	156	200	92	284	1,558
Balance as at December 31, 2015	**131,179**	**10,037**	**18,643**	**24,653**	**46,331**	**230,843**
Additions	15,146	3,846	2,072	3,339	20,938	45,341
Write-offs (*)	(19,430)	(3,373)	(1,527)	(166)	(1,678)	(26,174)
Exchange rate variations	(1,202)	(44)	(318)	(290)	(429)	(2,283)
Balance as at September 30, 2016	**125,693**	**10,466**	**18,870**	**27,536**	**65,162**	**247,727**
Depreciation						
Balance as at December 31, 2014	(64,833)	(2,969)	(7,441)	(7,219)	(14,141)	(96,603)
Depreciation during the year	(15,446)	(1,862)	(1,546)	(2,180)	(5,390)	(26,424)
Write-offs	2,441	1,536	214	46	2,212	6,449
Exchange variations	(402)	(70)	(100)	(38)	(57)	(667)
Balance as at December 31, 2015	**(78,240)**	**(3,365)**	**(8,873)**	**(9,391)**	**(17,376)**	**(117,245)**
Depreciation during the period	(13,760)	(1,434)	(1,353)	(3,210)	(4,724)	(24,481)
Write-offs (*)	18,572	1,792	1,358	824	462	23,008
Exchange rate variations	828	56	177	298	170	1,529
Balance as at September 30, 2016	**(72,600)**	**(2,951)**	**(8,691)**	**(11,479)**	**(21,468)**	**(117,189)**
Net book value						
Balance as at September 30, 2016	**53,093**	**7,515**	**10,179**	**16,057**	**43,694**	**130,538**
Balance as at December 31, 2015	**52,939**	**6,672**	**9,770**	**15,262**	**28,955**	**113,598**
Average annual depreciation rate	20%	20%	10%	10% to 20%	5% to 47%	

(*) At the first quarter 2016 the Company and its subsidiaries held inventory of your assets, resulting in write-off some fully depreciated assets and no longer in use.

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12. Intangible assets

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

	Company					
	Software	**Trademarks & patents**	**Client portfolio**	**Other**	**Goodwill**	**Total intangible assets**
Cost/valuation						
Balance as at December 31, 2014	196,069	63,149	208,969	16,337	368,025	852,549
Additions	41,039	-	-	-	-	41,039
Merger	188	-	-	-	-	188
Reclassification	-	-	-	-	(134,214)	(134,214)
Balance as at December 31, 2015	**237,296**	**63,149**	**208,969**	**16,337**	**233,811**	**759,562**
Additions	22,388	-	-	-	-	22,388
Write-offs	(52)	-	-	-	-	(52)
Balance as at September 30,2016	**259,632**	**63,149**	**208,969**	**16,337**	**233,811**	**781,898**
Amortization						
Balance as at December 31, 2014	(120,328)	(27,020)	(136,113)	(13,496)	(134,214)	(431,171)
Amortization in the year	(22,154)	(4,201)	(21,634)	(1,654)	-	(49,643)
Reclassification	-	-	-	-	134,214	134,214
Balance as at December 31, 2015	**(142,482)**	**(31,221)**	**(157,747)**	**(15,150)**	**-**	**(346,600)**
Amortization during the period	(20,207)	(3,150)	(16,061)	(594)	-	(40,012)
Write-offs	(11)	-	-		-	(11)
Balance as at September 30,2016	**(162,700)**	**(34,371)**	**(173,808)**	**(15,744)**	**-**	**(386,623)**
Net book value						
Balance as at September 30,2016	**96,932**	**28,778**	**35,161**	**593**	**233,811**	**395,275**
Balance as at December 31, 2015	**94,814**	**31,928**	**51,222**	**1,187**	**233,811**	**412,962**
Average annual amortization rates	10% to 20%	6.7% to 8%	10% to 12.5%	10% to 50%		

	Consolidated					
	Software	**Trademarks & patents**	**Client portfolio**	**Other**	**Goodwill**	**Total intangible assets**
Cost/valuation						
Balance as at December 31, 2014	216,687	74,570	236,071	45,004	551,369	1,123,701
Additions	43,048	148	-	3	414,216	457,415
Allocation of intangible assets	30,949	20,597	113,275	3,449	(168,270)	-
Acquisitions of subsidiaries	53,446	5,031	11,561	-	-	70,038
Write-offs	(1,759)	(3)	-	721	(3,973)	(5,014)
Reclassification	-	-	-	-	(134,299)	(134,299)
Exchange rate variations	388	71	(12)	444	-	891
Balance as at December 31, 2015	**342,759**	**100,414**	**360,895**	**49,621**	**659,043**	**1,512,732**
Additions	26,123	188	-	-	1,719	28,030
Write-offs	(191)	(129)	-	-	-	(320)
Exchange rate variations	(335)	(1,075)	(69)	(90)	(7,412)	(8,981)
Balance as at September 30,2016	**368,356**	**99,398**	**360,826**	**49,531**	**653,350**	**1,531,461**
Amortization						
Balance as at December 31, 2014	(127,731)	(31,456)	(144,245)	(33,884)	(134,299)	(471,615)
Amortization during the year	(35,112)	(7,356)	(27,500)	(7,268)	-	(77,236)
Write-offs	1,090	3	-	(238)	-	855
Reclassification	-	-	-	-	134,299	134,299
Exchange rate variations	(19)	(18)	12	2	-	(23)
Balance as at December 31, 2015	**(161,772)**	**(38,827)**	**(171,733)**	**(41,388)**	**-**	**(413,720)**
Amortization during the period	(36,009)	(6,070)	(26,916)	(3,322)	-	(72,317)
Write-offs	68	-	-	-	-	68
Exchange rate variations	307	339	69	90	-	805
Balance as at September 30,2016	**(197,406)**	**(44,558)**	**(198,580)**	**(44,620)**	**-**	**(485,164)**
Net book value						
Balance as at September 30,2016	**170,950**	**54,840**	**162,246**	**4,911**	**653,350**	**1,046,297**
Balance as at December 31, 2015	**180,987**	**61,587**	**189,162**	**8,233**	**659,043**	**1,099,012**
Average annual amortization rate	10% to 20%	6.7% to 8%	10% to 12.5%	10% to 50%		

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

The group “Other” in the table above consists basically of the non-competition rights arising from business combinations and the rights to explore geographical areas in Brazil.

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12.1. Changes in goodwill

The composition of goodwill on September 30, 2016 and December 31, 2015 and the movements in the nine-month period ended on September 30, 2016 are as follows:

Goodwill	12/31/2015	Exchange rate variations (i)	Fair value adjustments (ii)	09/30/2016
RM	90,992	-	-	90,992
Logo Center	5,703	-	-	5,703
TOTVS BMI	2,053	-	-	2,053
Midbyte	1,765	-	-	1,765
IOSSTS	2,643	-	-	2,643
BCS	11,821	-	-	11,821
Datasul	30,084	-	-	30,084
Setware	961	-	-	961
Hery	2,927	-	-	2,927
TotalBanco	6,008	-	-	6,008
M2S	12	-	-	12
SRC	33,688	-	-	33,688
Mafipa	1,195	-	-	1,195
Gens FDES	16,340	-	-	16,340
W&D	64,070	-	-	64,070
TOTVS Agroindústria	13,128	-	-	13,128
RMS	35,740	-	-	35,740
Seventeen	15,463	-	-	15,463
Ciashop	4,465	-	-	4,465
Virtual Age	46,497	-	-	46,497
Neolog	12,565	-	-	12,565
Bematech (*)	260,923	(7,412)	1,719	255,230
	659,043	**(7,412)**	**1,719**	**653,350**

(i) Exchange variation of goodwill in international subsidiary.

(ii) Fair value adjustments of assets and liabilities acquired on Bematech´s business combination at the acquisitions date. At the date of the quarter information report, the Company concluded the revision and adjustments at the fair value of identifiable assets and liabilities assumed in the business combination.

12.2. Asset impairment tests

The Company assesses the recoverable book value of goodwill by employing the value-in-use concept in the discounted cash flow models for cash-generating units representing the group of tangible and intangible assets used to develop and sell different solutions to customers. The Company's management has not identified any events occurring during the period ended September 30, 2016 that would indicate a need for interim impairment test.

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13. Payroll and labor obligations

Salaries and charges payable balances are broken down as follows:

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Labor liabilities				
Salaries payable	18,413	17,666	21,355	20,281
Pension plan payables	560	721	586	763
Vacation payables	54,409	51,071	73,087	69,686
Profit-sharing and bonuses	4,763	8,677	8,329	11,193
13th month salary	27,038	-	36,260	-
Other	9,026	13,236	11,131	18,274
	114,209	**91,371**	**150,748**	**120,197**
Payroll liabilities				
FGTS payable	2,785	3,965	3,729	5,294
INSS payable	4,497	3,854	7,596	7,661
	7,282	**7,819**	**11,325**	**12,955**
Total	**121,491**	**99,190**	**162,073**	**133,152**

14. Loans and financing

Loans and financing are as follows:

		Company		Consolidated	
	Annual financial charges	09/30/2016	12/31/2015	09/30/2016	12/31/2015
BNDES PROSOFT	TJLP + 1.5 to 1.52%p.a.	468,081	575,877	488,818	594,285
BNDES PSI	3.5% to 4.0% p.a.	45,132	56,116	59,776	69,194
BNDES – Social	TJLP	2,587	3,182	2,587	3,182
BNDES Inovação	TJLP + 0.52% p.a.	-	-	5,698	5,053
BNDES EXIM Banco do Brasil	5.5% to 8% p.a.	-	-	1,754	2,457
BNDES Internacionalização	UMBND + 1.82% p.a.	-	-	220	2,380
FINAME	7%p.a.	-	-	1,160	697
Leases		4,274	-	4,274	-
Overdrafts and other		-	-	1,485	1,061
		520,074	**635,175**	**565,772**	**678,309**
Current liabilities		142,708	168,643	158,961	177,514
Non-current liabilities		377,366	466,532	406,811	500,795

Amounts recognized in non-current liabilities as at September 30, 2016 and December 31, 2015 mature as follows:

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
2017	133,607	164,658	134,970	175,713
2018	133,607	164,658	144,558	173,642
2019	110,152	137,216	121,103	146,200
2020	-	-	6,180	5,240
Non-current liabilities	**377,366**	**466,532**	**406,811**	**500,795**

The changes in loans and financing as at September 30, 2016 are as follows:

	09/30/2016	
	Company	Consolidated
Balance at the beginning of the period	635,175	678,309
Additions	4,400	11,767
Interest rates	35,790	38,458
Repayments	(155,291)	(162,762)
Balance at the end of the period	**520,074**	**565,772**

15. Debentures

As at September 30, 2016 and December 31, 2015, the balances were broken down as follows:

				Company		Consolidated	
Issue	Debentures	Annual financial charges	Unit price	09/30/2016	12/31/2015	09/30/2016	12/31/2015
1st series	40,002	IPCA + 3.5% limited to TJLP + 1.5%	0.60	-	24,737	-	24,737
2nd series	40,002	TJLP + 1.5%	0.60	-	24,737	-	24,737
Sole series	450	CDI + 2.25%	100.00	-	-	30,656	45,384
		Subtotal		-	49,474	30,656	94,858
		Premium due to non-conversion		56,950	49,428	56,950	49,428
		Total		**56,950**	**98,902**	**87,606**	**144,286**
		Current liabilities		18,983	49,473	29,912	61,915
		Non-current liabilities		37,967	49,429	57,694	82,371

On August 19,2016 were amortizated the remaining principal and interest of the debentures about 1st and 2nd series in the amout of R$51,250.

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

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
2017	-	24,714	818	35,688
2018	18,983	24,715	26,899	35,689
2019	18,984	-	29,977	10,994
	37,967	**49,429**	**57,694**	**82,371**

The following changes occurred in the period ended at September 30, 2016:

	Company	Consolidated
Debentures and premiums on non-conversion	**09/30/2016**	**09/30/2016**
Balance at the beginning of the year	98,902	144,286
Interest rates	10,335	14,564
Repayments	(52,287)	(68,828)
Debenture repurchase	-	(2,416)
Balance at the end of the period	**56,950**	**87,606**

The operations, issue characteristics, interest paid, conditions and history of the conversion of debentures into shares and the payment of non-conversion premiums are detailed in Note 16 to the financial statements for the year ended December 31, 2015.

16. Obligations relating to acquisitions

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

	Company		Consolidated	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Datasul MG	3,143	2,884	3,143	2,884
Datasul Saúde MG	628	641	628	641
TotalBanco	106	99	106	99
Hery	583	545	583	545
SRC	212	196	212	196
Mafipa	1,298	1,174	1,298	1,174
Gens EDES	-	5,914	-	5,914
W&D Participações	-	-	34,672	31,365
Ciashop	952	1,186	952	1,186
RMS	-	-	32,759	29,639
TOTVS Agroindústria	5,243	4,742	5,243	4,742
Virtual Age	25,462	33,247	25,462	33,247
Seventeen	8,080	8,070	8,080	8,070
Neolog	12,635	12,859	12,635	12,859
RJ Participações	-	-	20,939	21,527
GSR7	-	-	-	1,724
Bematech Sistemas	-	-	6,832	14,680
	58,342	**71,557**	**153,544**	**170,492**
Current liabilities	38,487	24,492	100,919	82,220
Non-current liabilities	19,855	47,065	52,625	88,272

Installments registered in non-current liabilities mature as follows:

	Company		Consolidated	
Year	**09/30/2016**	**12/31/2015**	**09/30/2016**	**12/31/2015**
2017	13,569	41,258	19,113	55,184
2018 on ward	6,286	5,807	33,512	33,088
Non-current	**19,855**	**47,065**	**52,625**	**88,272**

On September 30, 2016, the liabilities for the acquisition of investments had guarantees in the form of securities, which consisted of CDB operations in the amounts mentioned below:

	Company		Consolidated	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Current securities	32,628	17,488	95,058	75,213
Non-current securities	6,095	28,780	17,382	39,534
Total	**38,723**	**46,268**	**112,440**	**114,747**

17. Provision for obligations relating to legal proceedings

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

	Company		Consolidated	
Provision for contingencies	**09/30/2016**	**12/31/2015**	**09/30/2016**	**12/31/2015**
Tax	1,459	1,323	12,900	12,965
Labor	42,621	40,070	46,764	45,466
Civil	28,395	28,999	29,362	32,076
	72,475	**70,392**	**89,026**	**90,507**

Changes in provision that took place in the six-month period ended September 30, 2016 are as follows:

				Company
	Tax	**Labor**	**Civil**	**Total**
Balance as at December 31, 2015	**1,323**	**40,070**	**28,999**	**70,392**
(+) Additional provision	-	5,729	2,864	8,593
(+) Monetary restatement	136	3,818	3,443	7,397
(-) Reversal of provision	-	(2,542)	(1,243)	(3,785)
(-) Payment	-	(4,454)	(5,668)	(10,122)
Balance as at September 30, 2016	**1,459**	**42,621**	**28,395**	**72,475**

	Consolidated			
	Tax	**Labor**	**Civil**	**Total**
Balance as at December 31, 2015	**12,965**	**45,466**	**32,076**	**90,507**
(+) Additional provision	969	6,774	3,225	10,968
(+) Monetary restatement	689	4,231	3,692	8,612
(-) Reversal of provision	(372)	(4,858)	(2,854)	(8,084)
(-) Payment	(1,351)	(4,849)	(6,777)	(12,977)
Balance as at September 30, 2016	**12,900**	**46,764**	**29,362**	**89,026**

The breakdown of the main lawsuits ongoing as at September 30, 2016 is as detailed in Note 18 to the financial statements as at December 31, 2015.

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

	Company		Consolidated	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Judicial deposits				
Tax	5,783	5,557	14,397	13,723
Labor	22,357	17,119	24,354	19,282
Civil	3,791	9,012	4,174	10,402
	31,931	**31,688**	**42,925**	**43,407**

18. Contingent liabilities

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

	Company		Consolidated	
Type	**09/30/2016**	**12/31/2015**	**09/30/2016**	**12/31/2015**
Tax	98,610	79,204	146,566	97,861
Labor	109,582	69,022	122,003	76,717
Civil	270,004	237,312	292,727	248,788
	478,196	**385,538**	**561,296**	**423,366**

A breakdown of the main ongoing lawsuits up to December 31, 2015 is given in Note 18.2 to the financial statements for 2015.

Tax

The change in tax contingencies is due to the reclassification of the risk of loss from remote to possible related to a tax assessment notice issued by the tax authorities requiring income tax and social contribution on the

deemed ICMS credits arising from a government subsidy granted by the state of Paraná for the years 2009-2012 to the subsidiary Bematech. The referred change in the opinion of our legal counsel was due to the existence of judicial uncertainty, and the updated amount on September 30, 2016 was R$27,679.

Labor

Among the individually relevant labor processes, there is a lawsuit filed by union challenging the application of labor routines. On September 30, 2016, the updated amount claim for the plaintiff is R$ 19,922. The Company filed a defense in proceedings challenging the merits of the union's claim and the amount involved. The process is in first instance.

No significant changes or individually relevant, except for that mentioned above, were recognized in ongoing lawsuits for which the risk of loss was assessed as "possible" by the Company for the period ended September 30, 2016.

19. Equity

a) Capital

As at September 30, 2016 and December 31,2015, the Company's capital was represented by of 165,637,727 non-par common shares, and held as follows:

	09/30/2016		12/31/2015	
Shareholder	**Shares**	**%**	**Shares**	%
LC EH Participações e Empreendimentos S/A	26,760,990	16.16%	26,760,990	16.16%
Fundação Petrobras de Seguridade Social - Petros	16,042,359	9.69%	16,042,359	9.69%
Genesis Asset Managers LLP	8,436,429	5.09%	8,436,429	5.09%
BlackRock	8,322,491	5.02%	1,207,317	0.73%
BNDES Participações S/A	7,444,986	4.49%	7,444,986	4.49%
Laércio José de Lucena Cosentino	1,910,618	1.15%	1,910,618	1.15%
CSHG Senta Pua Fia	43,500	0.03%	43,500	0.03%
Ernesto Mário Haberkorn	16,810	0.01%	38,810	0.02%
Other	94,366,769	56.97%	101,553,443	61.31%
Total shares outstanding	**163,344,952**	**98.62%**	**163,438,452**	**98.67%**
Treasury shares	2,292,775	1.38%	2,199,275	1.33%
Total shares	**165,637,727**	**100.00%**	**165,637,727**	**100.00%**

b) Capital reserves

The balances of capital reserves at September 30,2016 and December 31, 2015 are broken down as follows:

	09/30/2016	12/31/2015
Goodwill reserve	99,260	99,260
Goodwill reserve for mergers	14,330	14,330
Premium on purchases from non-controlling interests	(25,518)	(25,518)
Debentures converted into shares	44,629	44,629
Stock option plans	26,037	26,512
	158,738	**159,213**

c) Treasury shares

The Company has a repurchase program for the acquisition of its own shares, without capital reductions for subsequent cancelation, disposal or holding in treasury, for the purpose of maximizing returns to shareholders.

On September 30, 2016, the changes in "Treasury Shares" were as follows:

	Number of shares (units)	Value (in thousand)	Average price per share (in reais)
Balance on December 31, 2015	**2,199,275**	**R$71,012**	**R$32.29**
Acquired	143,500	R$4,033	R$28.10
Used	(50,000)	R$(1,602)	R$32.03
Balance on September 30, 2016	**2,292,775**	**R$73,443**	**R$32.03**

20. Dividends and interest on equity

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

On April 26, 2016, the Annual Shareholders' Meeting approved the distribution and payment of dividends for the year 2015 amounting to R$66,579, which was paid from May 11, 2016.

On August 1,2016, the Board of Directors approved the distribution and payment of interest on equity of R$43,606 for the first semester of 2016, which was paid from August 24, 2016.

21. Insurance coverage

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

22. Share-based payment

The main events associated with the stock option plan since December 31, 2015 are described in Note 21 to the financial statements for the year ended December 31, 2015.

On December 15, 2015, a new plan about shared-based payment was approved, and in the six months ended September 30, 2016, there were no grants.

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

	Company and consolidated			
	09/30/2016		12/31/2015	
	Number (units)	Average cost (R$)	Number (units)	Average cost (R$)
Stock option balance at the beginning of the year	**1,048,340**	**33.36**	**1,732,518**	**32.14**
Breakdown:				
Acquisition of subsidiary	-	-	13,895	41.94
Exercised	(50,000)	28.30	(788,804)	29.80
Granted	-	-	296,805	31.09
Canceled	(105,832)	29.63	(206,074)	32.81
Expired	(74,009)	34.81	-	-
Stock option balance at the end of the year/period	**818,499**	**34.17**	**1,048,340**	**33.36**

The amount recorded for stock options in the nine-month period ended September 30, 2016 was a credit of R$475 (R$3,280 as at September 30, 2015) due to the effect of cancellation of options for the loss of rights through non-fulfillment of conditions established at the date of the grant.

As at September 30, 2016, there were 421,341 exercisable options, since the 36-month terms of grants had already elapsed.

(A free translation of the original in Portuguese)

23. Finance income and expenses

The finance income earned and expenses incurred in the periods ended September 30, 2016 and 2015 were as follows:

	Company		Consolidated	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Finance income				
Short-term investment yield	23,289	63,429	34,737	71,701
Foreign exchange gains	1,419	1,643	4,069	2,630
Discounts obtained	3,782	4,163	4,273	4,543
Adjustments to present value	4,881	4,648	4,896	4,663
Interest received	1,920	994	3,923	1,363
Other financial income	1,080	816	2,080	8,035
	36,371	**75,693**	**53,978**	**92,935**
Finance expenses				
Interest rate paid or incurred	(51,052)	(45,177)	(63,894)	(48,796)
Foreign exchange losses	(8,131)	(2,313)	(11,610)	(2,978)
Bank commission and expenses	(3,602)	(3,173)	(6,573)	(3,519)
Discounts granted	(465)	(494)	(2,406)	(814)
Other finance expenses	(1,152)	(1,007)	(2,935)	(2,194)
	(64,402)	**(52,164)**	**(87,418)**	**(58,301)**
Net finance income (expenses)	**(28,031)**	**23,529**	**(33,440)**	**34,634**

24. Private pension plan – defined contribution

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

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

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

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

25. Earnings per share

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

	Company and consolidated	
	09/30/2016	09/30/2015
Basic earnings per share		
Numerator		
Net income for the period assigned to the Company's shareholders	125,994	203,572
Denominator (in thousands of shares)		
Weighted average number of common shares outstanding	163,345	162,288
Basic earnings per share	**0.77**	**1.25**

	Company and consolidated	
	09/30/2016	09/30/2015
Diluted earnings per share		
Numerator		
Net income for the period assigned to the Company's shareholders	125,994	203,572
Denominator (in thousands of shares)		
Weighted average number of common shares outstanding		
Dilutive effect	163,345	162,288
• Stock options	885	1,552
Weighted average number of common shares adjusted according to dilutive effect	164,230	163,840
Diluted earnings per share	**0.77**	**1.24**

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 financial statements were concluded.

(A free translation of the original in Portuguese)

26. Expenses by nature

Below is information on the nature and function of expenses for the periods ended September 30, 2016 and 2015:

	Company		Consolidated	
Nature	**09/30/2016**	**09/30/2015**	**09/30/2016**	**09/30/2015**
Salaries, benefits and payroll charges	443,858	427,117	621,545	530,880
Services and other inputs	295,801	281,891	526,430	333,156
Commissiom	88,536	104,160	104,574	116,620
Depreciation and amortization	57,781	52,786	96,798	74,481
Rental	18,385	17,353	29,751	22,936
Allowance for doubtful accounts	34,426	21,160	40,572	23,446
Other	13,841	20,321	23,361	20,662
Total	**952,628**	**924,788**	**1,443,031**	**1,122,181**

27. Gross sales revenue

The gross revenue and the deductions used for the calculation of the net revenue in the income statement on September 30, 2016 and 2015 were as follows:

	Company		Consolidated	
	09/30/2016	**09/30/2015**	**09/30/2016**	**09/30/2015**
Gross revenue	**1,309,713**	**1,299,350**	**1,879,071**	**1,514,438**
License fees	120,690	178,295	153,565	209,843
Services	366,835	374,762	479,550	459,660
Subscription	96,727	67,668	185,915	103,008
Maintenance	725,461	678,625	847,751	741,927
Hardware	-	-	212,290	-
Deductions	**(170,300)**	**(122,722)**	**(245,240)**	**(139,612)**
Cancelations of sales	(27,763)	(13,762)	(35,782)	(16,164)
Sales tax	(142,537)	(108,960)	(209,458)	(123,448)
Net revenue	**1,139,413**	**1,176,628**	**1,633,831**	**1,374,826**

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(A free translation of the original in Portuguese)

Report on Review of Quarterly Information

To the Board of Directors and Shareholders
TOTVS S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of TOTVS S.A. (" Company"), included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2016, comprising the balance sheet as at that date and the statements of income and comprehensive income for the quarter and nine-month periods then ended, and the statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing 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 the parent company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the quarterly information referred to above has not been

prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the nine-month period ended September 30, 2016. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been 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 they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

São Paulo October 27, 2016.

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Ricardo Novaes de Queiroz
Contador CRC 1DF012332/O-2 "S" SP