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TOTVS S.A.

Quarterly information (ITR) at
March 31, 2014
and report on review of quarterly information

(A free translation of the original in Portuguese)

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Company information/capital composition

Number of shares (in units)	Current quarter 3/31/2014
Paid-up capital	
Common shares	163,467,071
Preferred shares	-
Total	163,467,071
Treasury shares	
Common shares	439,761
Preferred shares	-
Total	439,761

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Company information/dividends

Events	Approval	Type	Early payment	Shares	Earnings per share
Annual Shareholders' Meeting	03/14/2014	Dividends	4/10/2014	Common	0.71026
Board of Directors' Meeting	12/19/2013	Interest on equity	1/15/2014	Common	0.11243

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

1 – Code	2 - Description	Current quarter 3/31/2014	Previous year 12/31/2013
1	**Total assets**	**1,736,852**	**1,724,141**
1.01	**Current assets**	**830,164**	**855,578**
1.01.01	Cash and cash equivalents	470,353	506,886
1.01.02	Financial investments	8,637	7,428
1.01.02.02	Financial investments measured at amortized cost	8,637	7,428
1.01.02.02.01	Securities	8,637	7,428
1.01.03	Trade receivables	334,504	322,516
1.01.03.01	Customers	334,504	322,516
1.01.03.01.01	Trade receivables	374,982	357,155
1.01.03.01.02	Provision for doubtful accounts	(40,478)	(34,639)
1.01.06	Taxes recoverable	-	1,476
1.01.08	Other current assets	16,670	17,272
1.01.08.03	Other	16,670	17,272
1.01.08.03.02	Other assets	16,670	17,272
1.02	**Non-current assets**	**906,688**	**868,563**
1.02.01	Long-term receivables	103,181	93,547
1.02.01.02	Financial investments measured at amortized cost	14,847	15,297
1.02.01.02.01	Securities	14,847	15,297
1.02.01.03	Trade receivables	47,117	35,032
1.02.01.03.01	Customers	35,084	22,633
1.02.01.03.02	Other receivables	12,033	12,399
1.02.01.06	Deferred taxes	23,438	25,463
1.02.01.06.01	Deferred income tax and social contributions	23,438	25,463
1.02.01.08	Receivables from related parties	2,779	3,139
1.02.01.08.02	Receivables from subsidiaries	2,779	3,139
1.02.01.09	Other non-current assets	15,000	14,616
1.02.01.09.03	Judicial deposits	15,000	14,616
1.02.02	Investments	302,831	265,920
1.02.02.01	Equity investments	302,831	265,920
1.02.02.01.02	Interests in subsidiaries	302,831	265,920
1.02.03	Property, plant and equipment	60,525	60,393
1.02.03.01	Property, plant and equipment in service	60,525	60,393
1.02.04	Intangible assets	440,151	448,703
1.02.04.01	Intangible assets	440,151	448,703

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

1 - Code	2 - Description	Current Quarter 3/31/2014	Previous year 12/31/2013
2	**Total liabilities**	**1,736,852**	**1,724,141**
2.01	**Current liabilities**	**336,981**	**277,528**
2.01.01	Social and labor obligations	89,905	83,394
2.01.01.01	Social obligations	8,620	10,298
2.01.01.02	Labor obligations	81,285	73,096
2.01.02	Trade payables	23,771	27,539
2.01.02.01	Domestic suppliers	23,771	27,539
2.01.03	Tax obligations	6,190	11,127
2.01.03.01	Federal tax obligations	6,190	11,127
2.01.04	Borrowing	30,766	56,932
2.01.04.01	Borrowing	28,865	55,127
2.01.04.01.01	In local currency	28,865	55,127
2.01.04.02	Debentures	1,901	1,805
2.01.05	Other liabilities	186,349	98,536
2.01.05.02	Other	186,349	98,536
2.01.05.02.01	Dividends and interest on capital payable	116,609	32,012
2.01.05.02.04	Obligations for purchases of investments	9,251	8,530
2.01.05.02.05	Commission payable	59,863	56,409
2.01.05.02.06	Other liabilities	626	1,585
2.02	**Non-current liabilities**	**380,209**	**378,992**
2.02.01	Borrowing	356,348	352,400
2.02.01.01	Borrowing	250,000	250,000
2.02.01.01.01	In local currency	250,000	250,000
2.02.01.02	Debentures	106,348	102,400
2.02.02	Other liabilities	17,543	19,409
2.02.02.02	Other	17,543	19,409
2.02.02.02.03	Obligations for purchases of investments	17,543	19,409
2.02.04	Provision	6,318	7,183
2.02.04.01	Tax, social security, labor and civil provision	6,318	7,183
2.02.04.01.01	Tax provision	75	645
2.02.04.01.02	Social security and labor provision	5,069	5,546
2.02.04.01.04	Civil provision	1,174	992
2.03	**Equity**	**1,019,662**	**1,067,621**
2.03.01	Paid-up capital	526,592	526,592
2.03.02	Capital reserves	81,233	85,367
2.03.02.02	Special goodwill reserve on mergers	14,330	14,330
2.03.02.04	Share options	31,412	33,329
2.03.02.05	Tresuary shares	(15,177)	(12,960)
2.03.02.07	Goodwill reserves	31,557	31,557

(A free translation of the original in Portuguese)

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

1 - Code	2 - Description	Current Quarter 3/31/2014	Previous year 12/31/2013
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	354,470	457,382
2.03.04.01	Legal reserve	48,813	48,813
2.03.04.05	Profit retention reserve	305,657	305,657
2.03.04.08	Additional proposed dividends	-	102,912
2.03.05	Profit/Losses acumulated	61,498	-
2.03.06	Carrying value adjustments	(4,131)	(1,720)

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

1 – Code	2 – Description	Current quarter 1/1/2014 to 3/31/2014	Same quarter of prior year 1/1/2013 to 3/31/2013
3.01	**Sales and/or service revenue**	**377,907**	**340,811**
3.01.01	Licensing fees	84,063	75,724
3.01.02	Services	99,475	89,620
3.01.03	Maintenance	194,369	175,467
3.02	Cost of sales and/or services	(116,531)	(108,707)
3.02.01	Cost of licensing fees	(15,605)	(16,761)
3.02.02	Cost of services	(100,926)	(91,946)
3.03	**Gross profit**	**261,376**	**232,104**
3.04	**Operating income (expenses)**	**(171,416)**	**(154,625)**
3.04.01	Selling expenses	(23,639)	(20,191)
3.04.02	General and administrative expenses	(22,848)	(18,298)
3.04.05	Other operating expenses	(126,160)	(109,892)
3.04.05.01	Research and development	(50,852)	(42,153)
3.04.05.02	Advertising expenses	(4,419)	(4,388)
3.04.05.03	Commission	(39,515)	(35,941)
3.04.05.04	Management fees	(6,912)	(6,412)
3.04.05.05	Depreciation and amortization	(17,205)	(17,887)
3.04.05.06	Provision for doubtful accounts	(7,239)	(3,070)
3.04.05.08	Other operating income and expenses, net	(18)	(41)
3.04.06	Equity pick-up	1,231	(6,244)
3.05	**Profit before finance results and taxes**	**89,960**	**77,479**
3.06	Finance results	(1,306)	1,374
3.06.01	Finance income	15,414	8,830
3.06.02	Finance costs	(16,720)	(7,456)
3.07	**Profit before taxes on income**	**88,654**	**78,853**
3.08	Income tax and social contributions on net income	(27,156)	(26,959)
3.08.01	Current	(23,889)	(24,880)
3.08.02	Deferred	(3,267)	(2,079)
3.09	Profit for the period from continuing operations	61,498	51,894
3.11	**Profit for the period**	**61,498**	**51,894**
3.99	Earnings per share - (Reais/share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common shares	0.38	0.32
3.99.02	Diluted earnings per share		
3.99.02.01	Common shares	0.37	0.31

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

1 – Code	2 - Description	Current quarter 1/1/2014 to 3/31/2014	Same quarter of prior year 1/1/2013 to 3/31/2013
4.01	**Profit for the period**	**61,498**	**51,894**
4.02	Other comprehensive income	(2,411)	(168)
4.02.01	Exchange variations on investments abroad	(3,653)	(255)
4.02.02	Deferred income tax	1,242	87
4.03	**Comprehensive income for the period**	**59,087**	**51,726**

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

1 - Code	2 - Description	Accumulated current quarter 3/31/2014	Accumulated same quarter of previous year 3/31/2013
6.01	**Net cash provided by operating activities**	**62,740**	**56,617**
6.01.01	Cash provided by operations	125,661	113,630
6.01.01.01	Profit before taxes for the period	88,654	78,853
6.01.01.02	Depreciation and amortization	17,205	17,887
6.01.01.03	Share-based payments	876	3,214
6.01.01.04	Losses on sales of assets	199	74
6.01.01.05	Provision for doubtful accounts	7,239	3,070
6.01.01.06	Equity pick-up	(1,231)	6,244
6.01.01.07	Provision for (reversal of) contingencies	(865)	37
6.01.01.08	Interest, monetary and exchange variations, net	13,584	4,251
6.01.02	Changes in assets and liabilities	(39,679)	(43,251)
6.01.02.01	Trade receivables	(31,678)	(13,673)
6.01.02.03	Other assets	(2,685)	(7,354)
6.01.02.04	Judicial deposits	(384)	(201)
6.01.02.05	Social and labor obligations	6,511	(14,722)
6.01.02.06	Trade payables	(3,768)	832
6.01.02.07	Commission payable	3,454	4,266
6.01.02.08	Taxes payable	(12,119)	(12.266)
6.01.02.09	Other payables	(486)	(171)
6.01.02.10	Taxes recoverable	1,476	38
6.01.03	Other	(23,242)	(13,762)
6.01.03.01	Interest paid	(6,535)	(5,314)
6.01.03.02	Income tax and social contribution paid	(16,707)	(8,448)
6.02	**Net cash used in investment activities**	**(50,695)**	**(94,841)**
6.02.01	Increase in capital of subsidiaries	(39,805)	(87,482)
6.02.02	Purchases of intangible assets	(6,125)	(1,926)
6.02.06	Value of fixed assets sale	154	-
6.02.08	Purchases of property, plant and equipment	(4,919)	(5,433)
6.03	**Net cash used in financing activities**	**(48,578)**	**(54,004)**
6.03.01	Bank borrowing	(25,613)	(25,613)
6.03.02	Credit from related companies	360	(250)
6.03.03	Dividends paid	(18,315)	(40,151)
6.03.05	Increase in capital	-	12,010
6.03.08	Repurchase of treasury shares	(7,424)	-
6.03.09	Disposal of treasury shares	2,414	-

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

1 - Code	2 - Description	Accumulated current quarter 3/31/2014	Accumulated same quarter of previous year 3/31/2013
6.05	Increase (decrease) in cash and cash equivalents	**(36,533)**	**(92,228)**
6.05.01	Cash and cash equivalents at the beginning of the period	506,886	398,753
6.05.02	Cash and cash equivalents at the end of the period	470,353	306,525

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Parent company financial statements/statement of changes in equity - 1/1/2014 to 3/31/2014
(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	526,592	85,367	457,382	-	(1,720)	1,067,621
5.03	Adjusted opening balances	526,592	85,367	457,382	-	(1,720)	1,067,621
5.04	**Capital transactions with owners**	**-**	**(4,134)**	**(102,912)**	**-**	**-**	**(107,046)**
5.04.03	Share options recorded	-	876	-	-	-	876
5.04.04	Purchase of treasury shares	-	(7,424)	-	-	-	(7,424)
5.04.05	Disposal of treasury shares	-	2,414	-	-	-	2,414
5.04.06	Dividends	-	-	(102,912)	-	-	(102,912)
5.05	**Total comprehensive income**	**-**	**-**	**-**	**61,498**	**(2,411)**	**59,087**
5.05.01	Profit for the period	-	-	-	61,498	-	61,498
5.05.02	Other comprehensive income	-	-	-	-	(2,411)	(2,411)
5.05.02.04	Translation adjustments for the period	-	-	-	-	(2,411)	(2,411)
5.07	**Closing balances**	**526,592**	**81,233**	**354,470**	**61,498**	**(4,131)**	**1,019,662**

Parent company financial statements/statement of changes in equity - 1/1/2013 to 3/31/2013
(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	480,598	78,241	356,520	-	(2,213)	913,146
5.03	Adjusted opening balances	480,598	78,241	356,520	-	(2,213)	913,146
5.04	**Capital transactions with owners**	**12,010**	**3,214**	**(68,803)**	**-**	**-**	**(53,579)**
5.04.03	Share options recorded	12,010	3,214	-	-	-	15,224
5.04.06	Dividends	-	-	(68,803)	-	-	(68,803)
5.05	**Total comprehensive income**	**-**	**-**	**-**	**51,894**	**(168)**	**51,726**
5.05.01	Profit for the period	-	-	-	51,894	-	51,894
5.05.02	Other comprehensive income	-	-	-	-	(168)	(168)
5.05.02.04	Translation adjustments for the period	-	-	-	-	(168)	(168)
5.07	**Closing balances**	**492,608**	**81,455**	**287,717**	**51,894**	**(2,381)**	**911,293**

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

1 – Code	2 - Description	Accumulated current quarter 3/31/2014	Accumulated same quarter of previous year 3/31/2013
7.01	**Revenue**	**405,004**	**368,954**
7.01.01	Sale of goods and services	412,263	372,066
7.01.02	Other expenses	(20)	(42)
7.01.04	Provision for (reversal of) doubtful accounts	(7,239)	(3,070)
7.02	**Inputs acquired from third parties**	**(115,868)**	**(114,398)**
7.02.01	Cost of sales and services	(14,206)	(17,647)
7.02.02	Materials, energy, outsourced services and other	(101,662)	(96,751)
7.03	**Gross value added**	**289,136**	**254,556**
7.04	**Retentions**	**(17,205)**	**(17,887)**
7.04.01	Depreciation, amortization and depletion	(17,205)	(17,887)
7.05	**Net value added generated**	**271,931**	**236,669**
7.06	**Value added received through transfers**	**16,645**	**1,751**
7.06.01	Equity in the results of subsidiaries	1,231	(6,244)
7.06.02	Finance income	15,414	7,995
7.07	**Total value added to distribute**	**288,576**	**238,420**
7.08	**Distribution of value added**	**288,576**	**238,420**
7.08.01	Personnel	135,596	113,800
7.08.01.01	Direct remuneration	113,524	93,981
7.08.01.02	Benefits	13,053	11,878
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	9,019	7,941
7.08.02	Taxes and contributions	68,554	61,690
7.08.02.01	Federal	58,808	52,860
7.08.02.02	State	60	(30)
7.08.02.03	Municipal	9,686	8,860
7.08.03	Remuneration of third party capital	22,928	11,036
7.08.03.01	Interest	16,720	5,735
7.08.03.02	Rent	6,208	5,301
7.08.04	Remuneration of own capital	61,498	51,894
7.08.04.03	Profits reinvested	61,498	51,894

(A free translation of the original in Portuguese)

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

1 - Code	2 – Description	Current Quarter 3/31/2014	Previous year 12/31/2013
1	**Total assets**	**1,841,949**	**1,848,780**
1.01	**Current assets**	**916,569**	**941,748**
1.01.01	Cash and cash equivalents	499,120	533,063
1.01.02	Financial investments	14,507	13,277
1.01.02.02	Financial investments measured at amortized cost	14,507	13,277
1.01.02.02.01	Securities	14,507	13,277
1.01.03	Trade receivables	377,004	365,220
1.01.03.01	Customers	377,004	365,220
1.01.03.01.01	Trade receivables	421,690	404,985
1.01.03.01.02	Provision for doubtful accounts	(44,686)	(39,765)
1.01.06	Taxes recoverable	5,605	7,634
1.01.06.01	Current taxes recoverable	5,605	7,634
1.01.08	Other current assets	20,333	22,554
1.01.08.03	Other	20,333	22,554
1.01.08.03.02	Other assets	20,333	22,554
1.02	**Non-current assets**	**925,380**	**907,032**
1.02.01	Long-term receivables	213,942	204,451
1.02.01.02	Financial investments measured at amortized cost	62,050	61,322
1.02.01.02.01	Securities	62,050	61,322
1.02.01.03	Trade receivables	54,851	43,474
1.02.01.03.01	Customers	36,702	24,126
1.02.01.03.02	Other receivables	18,149	19,348
1.02.01.06	Deferred taxes	45,399	48,707
1.02.01.06.01	Deferred income tax and social contribution	45,399	48,707
1.02.01.09	Other non-current assets	51,642	50,948
1.02.01.09.03	Judicial deposits	15,435	14,616
1.02.01.09.04	Financial assets at fair value	36,207	36,332
1.02.03	Property, plant and equipment	71,327	70,674
1.02.03.01	Property, plant and equipment in service	71,327	70,674
1.02.04	Intangible assets	640,111	631,907
1.02.04.01	Intangible assets	247,305	257,529
1.02.04.02	Goodwill	392,806	374,378

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

		Current Quarter	Previous year
1 – Code	**2 - Description**	**3/31/2014**	**12/31/2013**
2	**Total liabilities**	**1,841,949**	**1,848,780**
2.01	**Current liabilities**	**375,872**	**367,653**
2.01.01	Social and labor obligations	103,031	99,552
2.01.01.01	Social obligations	10,461	12,030
2.01.01.02	Labor obligations	92,570	87,522
2.01.02	Trade payables	29,815	33,149
2.01.02.01	Domestic suppliers	29,815	33,149
2.01.03	Tax obligations	8,807	13,836
2.01.03.01	Federal tax obligations	8,807	13,836
2.01.04	Borrowing	31,771	58,248
2.01.04.01	Borrowing	29,870	56,433
2.01.04.01.01	In local currency	29,870	56,443
2.01.04.02	Debentures	1,901	1,805
2.01.05	Other liabilities	202,448	162,868
2.01.05.02	Other	202,448	162,868
2.01.05.02.01	Dividends and interest on capital payable	116,609	32,067
2.01.05.02.04	Obligations for purchases of investments	21,422	63,717
2.01.05.02.05	Commission payable	60,817	57,584
2.01.05.02.06	Other liabilities	3,600	9,500
2.02	**Non-current liabilities**	**444,025**	**411,289**
2.02.01	Borrowing	356,348	352,400
2.02.01.01	Borrowing	250,000	250,000
2.02.01.01.01	In local currency	250,000	250,000
2.02.01.02	Debentures	106,348	102,400
2.02.02	Other liabilities	79,236	51,229
2.02.02.02	Other	79,236	51,229
2.02.02.02.03	Obligations for purchases of investments	75,543	45,830
2.02.02.02.04	Other	3,693	5,399
2.02.04	Provision	8,441	7,660
2.02.04.01	Tax, social security, labor and civil provision	7,785	7,305
2.02.04.01.01	Tax provision	75	645
2.02.04.01.02	Social security and labor provision	5,069	5,546
2.02.04.01.04	Civil provision	2,641	1,114
2.02.04.02	Other provions	656	355
2.02.04.02.04	Provision for losses on investments	656	355
2.03	**Equity**	**1,022,052**	**1,069,838**
2.03.01	Paid-up capital	526,592	526,592
2.03.02	Capital reserves	81,233	85,367

(A free translation of the original in Portuguese)

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

1 - Code	2 – Description	Current Quarter 3/31/2014	Previous year 12/31/2013
2.03.02.02	Special goodwill reserve on mergers	14,330	14,330
2.03.02.04	Share options	31,412	33,329
2.03.02.05	Treasury shares	(15,177)	(12,960)
2.03.02.07	Goodwill reserve	31,557	31,557
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	354,470	457,382
2.03.04.01	Legal reserve	48,813	48,813
2.03.04.05	Profit retention reserve	305,657	305,657
2.03.04.08	Additional proposed dividends	-	102,912
2.03.05	Profit/losses acumulated	61,498	-
2.03.06	Carrying value adjustments	(4,131)	(1,720)
2.03.09	Participation of non-controlling shareholders	2,390	2,217

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

1 – Code	2 – Description	Current quarter 3/31/2014	Same quarter of prior year 3/31/2013
3.01	**Sales and/or service revenue**	431,873	374,211
3.01.01	Licensing fees	96,052	82,668
3.01.02	Services	124,184	105,662
3.01.03	Maintenance	211,637	185,881
3.02	**Cost of sales and/or services**	**(139,180)**	**(128,052)**
3.02.01	Cost of licensing fees	(18,475)	(18,174)
3.02.02	Cost of services	(120,705)	(109,878)
3.03	**Gross profit**	**292,693**	**246,159**
3.04	Operating income (expenses)	(199,481)	(170,194)
3.04.01	Selling expenses	(31,596)	(25,638)
3.04.02	General and administrative expenses	(26,903)	(21,989)
3.04.05	Other operating expenses	(140,681)	(122,567)
3.04.05.01	Research and development	(57,206)	(46,979)
3.04.05.02	Advertising expenses	(5,719)	(5,861)
3.04.05.03	Commission	(40,932)	(37,782)
3.04.05.04	Management fees	(8,277)	(7,218)
3.04.05.05	Depreciation and amortization	(20,718)	(21,562)
3.04.05.06	Provision for doubtful accounts	(7,910)	(3,129)
3.04.05.08	Other net revenue	81	(36)
3.04.06	Equity pick-up	(301)	-
3.05	**Profit before finance results and taxes**	**93,212**	**75,965**
3.06	Finance results	(2,078)	1,285
3.06.01	Finance income	17,630	9,148
3.06.02	Finance costs	(19,708)	(7,863)
3.07	**Profit before taxes on income**	**91,134**	**77,250**
3.08	Income tax and social contribution on net income	(29,515)	(25,356)
3.08.01	Current	(25,697)	(25,412)
3.08.02	Deferred	(3,818)	56
3.09	Profit for the period from continuing operations	61,619	51,894
3.11	**Profit for the period**	**61,619**	**51,894**
3.11.01	Attributable to parent company's partners	61,498	51,894
3.11.02	Attributable to non-controlling partners	121	**-**
3.99	Earnings per share - (Reais/share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common shares	0.38	0.32
3.99.02	Diluted earnings per share		
3.99.02.01	Common shares	0.37	0.31

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

1 – Code	2 – Description	Current quarter 3/31/2014	Same quarter of prior year 3/31/2013
4.01	**Profit for the period**	**61,619**	**51,894**
4.02	Other comprehensive income	(2,411)	(168)
4.02.01	Exchange variations on investments abroad	(3,653)	(255)
4.02.02	Deferred income tax	1,242	87
4.03	**Comprehensive income for the period**	**59,208**	**51,726**
4.03.01	Attributable to the parent company's partners	59,087	51,726
4.03.02	Attributable to non-controlling partners	121	-

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

1 – Code	2 - Description	Accumulated current quarter 3/31/2014	Accumulated same quarter of previous year 3/31/2013
6.01	**Net cash provided by operating activities**	**60,363**	**53,945**
6.01.01	Cash provided by operations	132,287	109,434
6.01.01.01	**Profit before taxes for the period**	**91,134**	**77,250**
6.01.01.02	Depreciation and amortization	20,718	21,562
6.01.01.03	Share-based payments	876	3,214
6.01.01.04	Losses on sales of assets	367	74
6.01.01.05	Provision for doubtful accounts	7,910	3,129
6.01.01.06	Equity pick-up	301	-
6.01.01.07	Interest, monetary and exchange variations, net	480	37
6.01.01.08	Provision (reversal) for contingencies	10,501	4,168
6.01.02	Changes in assets and liabilities	(47,897)	(41,557)
6.01.02.01	Trade receivables	(31,741)	(16,033)
6.01.02.03	Other assets	563	(5,095)
6.01.02.04	Judicial deposits	(819)	(43)
6.01.02.05	Social and labor obligations	3,193	(13,342)
6.01.02.06	Taxes recoverable	2,046	(621)
6.01.02.07	Trade payables	(3,437)	846
6.01.02.08	Commission payable	3,233	4,118
6.01.02.10	Taxes payable	(13,374)	(12,507)
6.01.02.11	Other payables	(7,561)	1,120
6.01.03	Other	(24,027)	(13,932)
6.01.03.01	Interest paid	(6,535)	(5,314)
6.01.03.02	Income tax and social contribution paid	(17,492)	(8,618)
6.02	**Net cash used in investment activities**	**(43,734)**	**(87,799)**
6.02.01	Acquisition of investments, net of cash obtained upon acquisition	16	(4,144)
6.02.03	Purchases of intangible assets	(37,321)	(77,487)
6.02.06	Value of fixed assets sale	154	-
6.02.08	Purchases of property, plant and equipment	(6,583)	(6,168)
6.03	**Net cash used in financing activities**	**(50,572)**	**(54,352)**
6.03.02	Bank borrowing	(26,405)	(26,211)
6.03.03	Dividends paid	(19,157)	(40,151)
6.03.05	Increase in capital	-	12,010
6.03.08	Acquisition of treasury shares	(7,424)	-
6.03.09	Disposal of treasury shares	2,414	-
6.05	Increase (decrease) in cash and cash equivalents	(33,943)	(88,206)
6.05.01	Cash and cash equivalents at the beginning of the period	533,063	412,408
6.05.02	Cash and cash equivalents at the end of the period	499,120	324,202

Consolidated financial statements/statement of changes in equity - 1/1/2014 to 3/31/2014
(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	526,592	85,367	457,382	-	(1,720)	1,067,621	2,217	1,069,838
5.03	**Adjusted opening balances**	**526,592**	**85,367**	**457,382**	**-**	**(1,720)**	**1,067,621**	**2,217**	**1,069,838**
5.04	**Capital transactions with owners**	**-**	**(4,134)**	**(102,912)**	**-**	**-**	**(107,046)**	**52**	**(106,994)**
5.04.03	Share options recorded	-	876	-	-	-	876	-	876
5.04.04	Purchase of treasury shares	-	(7,424)	-	-	-	(7,424)	-	(7,424)
5.04.05	Disposal of treasury shares	-	2,414	-	-	-	2,414	-	2,414
5.04.06	Dividends	-	-	(102,912)	-	-	(102,912)	(315)	(103,227)
5.04.08	Acquision of subsidiaries	-	-	-	-	-	-	367	367
5.05	**Total comprehensive income**	**-**	**-**	**-**	**61,498**	**(2,411)**	**59,087**	**121**	**59,208**
5.05.01	Profit for the period	-	-	-	61,498	-	61,498	121	61,619
5.05.02	Other comprehensive income	-	-	-	-	(2,411)	(2,411)	-	(2,411)
5.05.02.04	Translation adjustments for the period	-	-	-	-	(2,411)	(2,411)	-	(2,411)
5.07	**Closing balances**	**526,592**	**81,233**	**354,470**	**61,498**	**(4,131)**	**1,019,662**	**2,390**	**1,022,052**

(A free translation of the original in Portuguese)

Consolidated financial statements/statement of changes in equity - 1/1/2013 to 3/31/2013
(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**	**480,598**	**78,241**	**356,520**	**-**	**(2,213)**	**913,146**	**-**	**913,146**
5.03	**Adjusted opening balances**	**480,598**	**78,241**	**356,520**	**-**	**(2,213)**	**913,146**	**-**	**913,146**
5.04	Capital transactions with owners	12,010	3,214	(68,803)	-	-	(53,579)	-	(53,579)
5.04.03	Share options recorded	12,010	3,214	-	-	-	15,224	-	15,224
5.04.06	Dividends	-	-	(68,803)	-	-	(68,803)	-	(68,803)
5.05	Total comprehensive income	-	-	-	51,894	(168)	51,726	-	51,726
5.05.01	Profit for the period	-	-	-	51,894	-	51,894	-	51,894
5.05.02	Other comprehensive income	-	-	-	-	(168)	(168)	-	(168)
5.05.02.04	Translation adjustments for the period	-	-	-	-	(168)	(168)	-	(168)
5.07	**Closing balances**	**492,608**	**81,455**	**287,717**	**51,894**	**(2,381)**	**911,293**	**-**	**911,293**

(A free translation of the original in Portuguese)

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

1 - Code	2 – Description	Accumulated current quarter 3/31/2014	Accumulated same quarter of previous year 3/31/2013
7.01	**Revenue**	**462,177**	**404,598**
7.01.01	Sales of goods and services	470,007	407,765
7.01.02	Other expenses	80	(38)
7.01.04	Provision for (reversal of) doubtful accounts	(7,910)	(3,129)
7.02	**Inputs acquired from third parties**	**(131,739)**	**(130,694)**
7.02.01	Cost of sales and services	(17,670)	(19,171)
7.02.02	Materials, energy, outsourced services and other	(114,069)	(111,523)
7.03	**Gross value added**	**330,438**	**273,904**
7.04	**Retentions**	**(20,718)**	**(21,562)**
7.04.01	Depreciation, amortization and depletion	(20,718)	(21,562)
7.05	Net value added generated	309,720	252,342
7.06	Value added received through transfers	17,329	8,313
7.06.01	Equity pick-up	(301)	-
7.06.02	Finance income	17,630	8,313
7.07	**Total value added to distribute**	**327,049**	**260,655**
7.08	**Distribution of value added**	**327,049**	**260,655**
7.08.01	Personnel	162,397	132,796
7.08.01.01	Direct remuneration	137,065	110,689
7.08.01.02	Benefits	14,796	13,575
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	10,536	8,532
7.08.02	Taxes and contributions	76,004	64,112
7.08.02.01	Federal	64,689	54,337
7.08.02.02	State	229	23
7.08.02.03	Municipal	11,086	9,752
7.08.03	Remuneration of third party capital	27,029	11,853
7.08.03.01	Interest	19,708	6,075
7.08.03.02	Rental	7,321	5,778
7.08.04	Remuneration of own capital	61,619	51,894
7.08.04.03	Profits reinvested	61,498	51,894
7.08.04.04	Non-controlling interest in retained earnings	121	-

(A free translation of the original in Portuguese)

MESSAGE FROM MANAGEMENT

The first quarter of 2014 combined net revenue growth with EBITDA margin expansion. The growth in net revenue resulted mainly from our client portfolio diversity and from our business model flexibility, while the margin expansion was due to the natural scalability of our business and to the greater efficiency in costs and expenses management.

We had a quarter with greater relevance in sales to new clients, which were also driven by the continued investments in innovation of our solutions, proving our ability to offer increasingly essential solutions to the core-business of our clients of different sizes and industry sectors, making them more agile and competitive in their businesses.

The quarter also presented growth in incremental license fee from corporate model, reflecting the success of our clients in their industry sectors and the importance of information technology in managing their operations.

The year of 2014 is challenging, but the effort and commitment shown by TOTVS team earlier this year, coupled with the initiatives related to innovation and operational efficiency, give us confidence that we are on track to achieve our goals.

CONSOLIDATED FINANCIAL AND OPERATING PERFORMANCE

The Company ended the quarter with net income of R$61,619, and increase of 18.7% over the same period of the past year. TOTVS achieved EBITDA* (earnings before interest, taxes, depreciation and amortization) of R$114,231 in the quarter, 17.1% higher than 1Q13.

In 2013, the Company net revenue totaled R$431,873 (+15.4 vs. 1Q13). This growth is due to (i) the growth of the software market, (ii) the Company's initiatives to capture the growth of the software market, including the specialization by industry sector in the development and sales teams, which are still in progress, and (iii) the acquisitions made in 2013.

In 1Q14, license fees grew 16.2%, primarily driven by the upturn in sales to new clients. This growth results mainly from the increase in the average ticket due to larger sales closed in the period. Regarding sales to existing clients, the growth in incremental license from corporate model was the main responsible for the 1Q14 increase.

Services revenue grew by 17.5% in 1Q14, over the same period in the prior year, totaling R$124,184. This increase, higher than the net revenue´s, is primarily due to: (i) the recovery in productivity of the services teams as of the second half of 2013; (ii) the variation in the mix of license sales in own distribution channels and franchises; and (iii) expansion of services not related to software implementation, which represented 29.6% of total services revenue in 1Q14.

Maintenance revenue, the main component of TOTVS's recurring revenue, came to R$211,637 in 1Q14, 13.9% up on 1Q13. The increase in maintenance fee revenue in the quarter was primarily driven by: (i) the loyalty of the Company's client portfolio, composed mainly of small and medium companies; (ii) the license sales in

previous quarters; (iii) the annual adjustments in maintenance agreements according to pre-defined inflation indicators, usually the IGP-M general market price index; and (iv) the price adjustments in maintenance contracts of clients under the corporate model.

The analysis of the Company's operating costs and expenses is broken down into three major expense groups: (i) cost of license fees and services and research and development expenses; (ii) advertising, selling and commission expenses and allowance for doubtful accounts; and (iii) general and administrative expenses and management fees.

In 1Q14, personnel costs and expenses were impacted by the provisioning related to the 7.0% wage adjustment of the São Paulo employees as of January 1, due to the collective bargaining proposed by the trade association in São Paulo and subject to a final decision by the labor court.

The group of expenses which comprises the cost of license fees and services and research and development expenses grew by 12.2% in 1Q14, when compared to 1Q13, while declining 5.0% when compared to 4Q13, accounting for 45.5% of net revenue.

Research and development expenses fell by 4.9% in 1Q14, when compared to 4Q13, mainly impacted by: (i) the consolidation of RMS's results from August to September in 4Q13; (ii) additional provisions for vacations and 13th salary in 4Q13, due to the collective bargaining agreements closed in Belo Horizonte, Joinville, Porto Alegre, Recife and Rio de Janeiro; and (iii) the conclusion of projects in 4Q13, according to the R&D roadmap, in which more development partners participated.

When compared to 1Q13, R&D expenses increased 21.8%, which reflects the Company´s commitment to continuous innovation of its solutions, with specialization by industry sector and innovations of technology platforms as key initiatives, targeting new growth cycles, always taking into account the return on invested capital.

Cost of license fees grew by 1.7% in 1Q14, over 1Q13, totaling R$18,475, and accounted for a lower share of net revenue. This reflects the lower share of embedded complementary third-party solutions and infrastructure solutions provided by our partners in the software sales in 1Q14.

Cost of services expanded at a lower rate than net revenue from services over 1Q13, reflecting the greater efficiency of the services teams. Cost of services decreased less than revenues from services compared to 4Q13, mainly due to the 1Q14 wage adjustments.

The group of advertising, selling and commission expenses and allowance for doubtful accounts represented a higher share of net revenue in 1Q14, reflecting mainly the higher expenses with allowance for doubtful accounts.

Selling and commission expenses together moved up by 14.4% in 1Q14 over 1Q13, below the growth of net revenue. These expenses are directly related to sales by own branches and franchises, as well as the breakdown of net revenue in the period, considering the different commission levels on the revenue lines.

Allowance for doubtful accounts represented 1.8% of net revenue in 1Q14, versus 0.8% in 1Q13. A significant share of this increase reflects the overdue credit recovery of credits provisioned in prior quarters in 1Q13.

In 1Q14, the group of general and administrative expenses and management fees grew 1.3% when compared to 4Q13, primarily led by wage increases in the quarter.

General and administrative expenses represented 6.2% of net revenue in 1Q14, in line with 4Q13, and including the provisioning for the wage adjustment in São Paulo. This performance reflects the greater efficiency of the support areas and the initial results of the merging process of operations acquired in 2013. Management fees accounted for 1.9% of net revenue in 1Q14, maintaining the same level of 1Q13 and 4Q13.

Depreciation and amortization expenses came to R$20,718 in 1Q14, of which R$15,266 refers to the amortization of intangible assets and R$5,452 to depreciation of fixed assets.

Net income totaled R$61,619 in 1Q14, 18.7% higher than 1Q13. Note that in 1Q14 net income includes an adjustment of the debenture interest provision worth R$2,807, which was identified in the quarter, and led to a reduction in the financial result in the period.

(A free translation of the original in Portuguese)

Note to the financial statements

1. Operations

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

The Company's business purpose is developing and selling the right to use information technology systems and process platforms, as well as providing related implementation, consulting, assistance and maintenance services. The main software products developed by the Company are Enterprise Resource Planning ("ERP") applications by market industry, which are used for electronically integration of the strategic and operating levels of user companies, these applications allow the creation of information and process flows to meet various needs for operating and information management. The main areas covered by the Company's ERP software products are: management, finance, operations, industrial, human resources and client services.

TOTVS' parent company and consolidated financial statements were approved at the Board of Directors' Meeting held on April 28th, 2014.

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 years 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, 2013.

(A free translation of the original in Portuguese)

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 Securities and Exchange Commission (CVM) applicable to Quarterly Information (ITR) and in a manner consistent with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

(b) Individual financial information

The individual financial statements of the Company have in all material respects 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 ITR, and are disclosed in conjunction with the consolidated financial statements.

In the individual financial statements, subsidiaries are accounted for using the equity method. The same adjustments are made in the financial statements as in the consolidated financial statements to achieve the same results for the equity attributable to the shareholders of the parent company. In TOTVS's case, the accounting practices adopted in Brazil applicable to individual financial statements differ from the IFRS applicable to separate financial statements, because the measurement of investments in subsidiaries, jointly controlled entities and associates is carried out using the equity method, while under IFRS this is done at cost or fair value.

(c) Changes in accounting policies and disclosure requirements

There are no new pronouncements or interpretations of CPCs / IFRS effective from 2014 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, for which the percentage interests held by the Company on its balance sheet are as shown below:

(A free translation of the original in Portuguese)

Direct Investments:

Corporate Name	Head office	Denomination	Interest % 3/31/2014	Interest % 12/31/2013
TOTVS Rio Software Ltda.	BRA	TOTVS Rio	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 Soluções em Agroindústria S.A..	BRA	TOTVS Agroindústria	60,00	60,00
P2RX Soluções em Software S/S Ltda.	BRA	P2RX	60,00	60,00
TOTVS Brasil Sales Ltda.	BRA	TOTVS Sales	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
Eurototvs Lda.	POR	Eurototvs	100,00	100,00
TOTVS Incorporation	USA	TOTVS Inc.	100,00	100,00

Indirect Investments:

Corporate Name	Head office	Denomination		Investor	Interest % 3/31/2014	Interest % 12/31/2013
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
uMov.me S.A.	BRA	uMov.me		TOTVS Ventures	20,00	20,00
RMS Software S.A.	BRA	RMS		TOTVS Nordeste	100,00	100,00
Webstrategie Software S.A.	BRA	Webstrategie		RMS	100,00	100,00
Seventeen Tecnologia da Informação em Informática Ltda.	BRA	Seventeen		TOTVS Sales	100,00	100,00
Ciashop - Soluções para Comércio Eletrônico S.A.	BRA	Ciashop	(a)	TOTVS Sales	70,00	-

(a) Business Combinations in 2014.

The results of subsidiaries acquired during the period ended March 31, 2014 are included in the statements of income from the date of their acquisition. Therefore, for the purposes of comparison between the consolidated and parent company results for 2014 and of 2013, the dates of acquisition and incorporation of each subsidiary's results must be considered.

All intercompany balances and transactions were eliminated in the consolidation.

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 which are considered to be relevant. Accounting estimates will rarely be equal to the actual results.

For the period ended March 31, 2014, 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 were recognized in addition to those detailed in Note 2.25 to the latest annual financial statements.

In line with the changes introduced by law no. 12,546/11, for reducing the burden on the payroll of companies, including those in the information technology sector, the Company started calculated the Social Security Contribution on Payroll (INSS) at a rate of 2% of gross service revenue from 2012, and, in these interium information the Company is presenting the sales revenues net of tax for the periods ended on March 31, 2014 and 2013 (Note28).

3. Business combinations

Business combinations in 2014 are in line with the Company's strategy of specialization and consolidation of its position in different segments, in addition to bringing new solutions to TOTVS' customers through portfolio diversification with solution for specific niches.

3.1. Business combinations

CIASHOP – Soluções para Comércio Eletrônico S.A.

On December 2, 2013, the Company acquired, through its subsidiary TOTVS Sales, 68.5% of the capital of Ciashop Soluções para Comércio Eletrônico S.A. ("Ciashop") for R$16,440, which is a pioneer in e-commerce in Brazil, offering a cloud platform that delivers it solutions in form of software as a service (SaaS). In addition to the acquisition of shares representing 68.5% of the total shares, TOTVS invested over R$1,200 in the acquisition of new shares to be issued by Ciashop, bringing its total participation to 70%. This Agreement also includes a variable payment of up to R$2,000, based on the achievement of certain parameters established for CIASHOP over 30 months after the closing of this business.

On January 5, 2014, the acquisition of the capital of Ciashop was approved without restrictions by Brazilian Administrative Council for Economic Defense (CADE - Conselho Administrativo de Defesa Econômica) the acquisition of the capital of Ciashop, concluding the suspensive conditions in the Agreement.

The amount paid for the acquisition of control of Ciashop, as well as for RMS and Seventeen, which also acquired in 2013, are being allocated among the identified assets acquired and liabilities assumed at their fair values at the acquisition date, and were not completed at the time of disclosure of this interim financial information.

The main assets and liabilities which have an impact on this interium financial information ended on March 31, 2014 are presented below at their fair values on the acquisition date:

R$ Thousand	Fair Value
Current assets	**639**
Cash and equivalents	28
Trade receivables	529
Other current assets	82
Non-current assets	**939**
Current liabilities	**1,211**
Non-current liabilities	**350**
Participation of non-controlling shareholders	**5**
Net assets and liabilities	**12**
Acquisition cost	18,440
Goodwill	**18,428**

Ciashop was inserted into the management model and distribution channels of TOTVS and contributed to net revenue of R$994 and net losses of R$97 in the consolidated results of the Company.

4. Financial instruments

The Company and its subsidiaries evaluated their financial assets and liabilities based on their market values using the information available and the appropriate evaluation methodologies. In the three-month period ended March 31, 2014 there were no facts or circumstances that would have had an impact on market instruments and the financial risk management of those presented at the end of the Company's last fiscal year ended December 31, 2013.

4.1. Sensitivity analysis of financial assets and liabilities

The Company's financial instruments represent cash and cash equivalents, accounts receivable, payables, debentures, loans and financing, and are recorded at cost plus income or charges incurred, which at March 31, 2014 and December 31, 2013 approximated their market values.

The main risks of 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 free translation of the original in Portuguese)

a) Financial assets

In order to check the Company's exposure to index sensitivity for its financial investments at March 31, 2014, three different scenarios were created. Based on forecasts by financial institutions, the average rate for SELIC was projected as 11.00% for the fiscal year 2014, which was the most likely scenario; from this rate, we assessed the sensitivity to variations of 25% and 50%.

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 March 31, 2014, with a one-year projection period to check the CDI's sensitivity to each scenario.

Operation	Balances at 03/31/2014	Risk	Most probable Scenario (I)	Scenario (II)	Scenario (III)
Financial investments	R$ 462,604	CDI	11.00%	8.25%	5.50%
Estimated financial income			**R$50,886**	**R$38,165**	**R$25,443**

b) Financial liabilities

In order to check the sensitivity analyis of the debts to which the Company is exposed at March 31, 2014, three different scenarios were created. Based on the TJLP and the IPCA in force at March 31, 2014, the most probable scenario was determined for 2014 and, from this, variations of 25% and 50% were estimated.

For each scenario, the gross financial expenses were calculated, not taking into account the taxes levied and the maturities for each agreement scheduled for 2014. The reference date used for the financing and debentures was March 31, 2014, projecting the rates for one year and checking their sensitivity under each scenario.

Operation	Balances at 03/31/2014	Risk	Most probable Scenario I	Scenario II	Scenario III
Financing	**R$ 279,870**	TJLP	5.00%	6.25%	7.50%
Rate subject to variation			**R$ 13,994**	**R$ 17,492**	**R$ 20,990**
Debentures	**R$108,249**	IPCA	6.14%	7.68%	9.21%
		TJLP	5.00%	6.25%	7.50%
Rate/index subject to variation			**R$10,619**	**R$11,491**	**R$12,354**

4.2. Financial assets at fair value

TOTVS Ventures´ investments in startups, have 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 quoted prices in an active market, their fair value is based on discounted cash flowsx using a rate based on the interest rate and the market risk premium specific to each investment. The amount of these investments at March 31, 2014 was R$36,207.

5. Cash and cash equivalents

Cash equivalents are maintained for the purpose of meeting short-term cash requirements and not for investment or other purposes, are redeemable for a period of up to 90 days from the date of the respective transactions, and present a low risk of changes in value.

	Company		Consolidated	
	3/31/2014	**12/31/2013**	**3/31/2014**	**12/31/2013**
Cash	24,110	33,109	36,516	46,592
Cash equivalents	446,243	473,777	462,604	486,471
Purchase and sale commitments	404,126	386,960	416,749	396,005
CDB	42,117	86,817	45,855	90,466
	470,353	**506,886**	**499,120**	**533,063**

The Company has financial investment policies, which establish that investments should focus on low-risk securities, and are substantially paid based on the CDI rate; these had monthly variations of around 0.79% in the three-month period ended on March 31, 2014.

6. Marketable securities

The balances of securities referred to secured accounts for the payment of acquisitions of controlled companies (Note 17), and were composed of CDB operations with a repurchase commitment from the banks, as shown below:

(A free translation of the original in Portuguese)

	Company		Consolidated	
	31.03.2014	**31.12.2013**	**31.03.2014**	**31.12.2013**
Datasul MG	2,233	2,226	2,233	2,226
Datasul Saúde MG	641	641	641	641
TotalBanco	749	748	749	748
Hery	1,567	1,563	1,567	1,563
ERP Cedente	141	138	141	138
SRC	165	161	165	161
Mafipa	981	957	981	957
Gens FDES	7,548	8,348	7,548	8,348
TOTVS Ventures	-	-	870	848
W&D	-	-	26,988	26,422
RMS	-	-	25,215	24,604
TOTVS Agroindústria	4,006	3,909	4,006	3,909
Seventeen	4,133	4,034	4,133	4,034
Ciashop	1,320	-	1,320	-
	23,484	**22,725**	**76,557**	**74,599**
Current assets	8,637	7,428	14,507	13,277
Non-current assets	14,847	15,297	62,050	61,322

7. Trade accounts receivable

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

	Company		Consolidated	
	3/31/2014	**12/31/2013**	**3/31/2014**	**12/31/2013**
Domestic market	410,066	379,788	447,131	416,927
Foreign market	-	-	11,261	12,184
Gross trade accounts receivable	**410,066**	**379,788**	**458,392**	**429,111**
(-) allowances for doubtful accounts	(40,478)	(34,639)	(44,686)	(39,765)
Net trade accounts receivable	**369,588**	**345,149**	**413,706**	**389,346**
Current assets	334,504	322,516	377,004	365,220
Non-current assets	35,084	22,633	36,702	24,126

Below are the net receivables in connection with the allowance for doubtful accounts by aging, as at March 31, 2014 and December 31, 2013:

	Company		Consolidated	
	3/31/2014	12/31/2013	3/31/2014	12/31/2013
Falling due	333,283	309,051	363,697	345,195
Overdue				
1 to 30 days	23,875	20,376	29,881	23,057
31 to 60 days	5,757	6,505	9,838	7,595
61 to 90 days	3,651	4,404	6,346	5,130
91 to 180 days	3,022	4,813	3,942	5,857
181 to 360 days	-	-	2	1,153
more than 360 days	-	-	-	1,359
	369,588	**345,149**	**413,706**	**389,346**

Changes in the allowances for doubtful accounts are as follows:

	3/31/2014	
	Company	Consolidated
Balance at the beginning of the year	34,639	39,765
Additional provision during the period	7,239	7,910
Written off from the provision	(1,400)	(2,989)
Balance as at March 31	**40,478**	**44,686**

Management believes that the risk related to the trade accounts receivable is minimized by the fact that the Company's customer portfolio is highly diversified. The Company does not require any guarantees on sales in installments.

8. Taxes recoverable

The following are the amounts of taxes recoverable:

	Company		Consolidated	
	3/31/2014	12/31/2013	3/31/2014	12/31/2013
Recoverable taxes				
Withholding income tax	-	1,740	2,097	3,666
Withholding social contribution tax	-	631	1,025	1,799
Withholding PIS and COFINS taxes	-	-	318	303
Other	-	(895)	2,165	1,866
	-	**1,476**	**5,605**	**7,634**

9. Income and social contribution taxes

Income and social contribution taxes, current and deferred, were recorded according to the current rates in force. Deferred income tax and social contribution tax are calculated on temporary differences, and income and social contribution tax losses are carried forward.

9.1. 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:

	Company		Consolidated	
	3/31/2014	**3/31/2013**	**3/31/2014**	**3/31/2013**
Income before taxes	**88,654**	**78,853**	**91,134**	**77,250**
Income and social contribution taxes at a combined nominal rate of 34%	(30,142)	(26,810)	(30,986)	(26,265)
Adjustments for the statement of effective rate				
Equity pick-up	419	(2,123)	(102)	-
Law No, 11,196/05 (incentive for R&D)	3,489	2,683	3,737	2,683
Effect of subsidiaries' taxable income based on a percentage of gross sales	-	-	(679)	(1,001)
Management shares	(754)	278	(754)	252
Accounts receivable deemed uncollectible	(69)	(26)	(548)	(58)
PAT (Workers' Food Program)	429	448	463	456
Stock options	(298)	(1,093)	(298)	(1,093)
Other	(230)	(316)	(348)	(330)
Income tax and social contribution expenses	**(27,156)**	**(26,959)**	**(29,515)**	**(25,356)**
Effective rate	30,6%	34.2%	32,4%	32.8%

The income and social contribution tax expenses recorded in the consolidated income statement for the period ended March 31, 2014 and 2013 are broken down as follows:

	Company		Consolidated	
	3/31/2014	**3/31/2013**	**3/31/2014**	**3/31/2013**
Current income and social contribution tax	(23,889)	(24,880)	(25,697)	(25,412)
Deferred income and social contribution tax	(3,267)	(2,079)	(3,818)	56
	(27,156)	**(26,959)**	**(29,515)**	**(25,356)**

9.2. Breakdown of deferred income and social contributions taxes

	Company		Consolidated	
	3/31/2014	12/31/2013	3/31/2014	12/31/2013
Deriving from temporary differences				
Intangible asset allocation	105,738	99,040	109,766	102,509
Provision for commission	20,958	19,794	21,293	20,207
Anticipated income or revenue	(2,790)	2,383	(800)	5,476
Allowance for doubtful accounts	13,763	11,777	14,727	13,061
Provision for contingencies and other liabilities	2,148	2,442	2,148	2,442
Tax losses and social contribution tax losses carried forward	-	-	24,410	14,849
Provision for premiums due to non-conversion of debentures	8,957	8,393	8,957	8,393
Present value adjustments	2,266	2,247	2,266	2,247
Other	6,274	7,754	(2,610)	8,754
Total deferred income and social contribution tax assets	**157,314**	**153,830**	**180,157**	**177,938**
LIABILITIES				
Deriving from temporary differences				
Goodwill in a business combination	133,462	127,492	134,344	128,265
Other	414	875	414	966
Total deferred income and social contribution tax liabilities	**133,876**	**128,367**	**134,758**	**129,231**
Net deferred income and social contribution tax	**23,438**	**25,463**	**45,399**	**48,707**

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

9.3. Estimated tax credit recovery

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

	Company		Consolidated	
	3/31/2014	12/31/2013	3/31/2014	12/31/2013
Deferred tax assets				
Deferred tax assets to be recovered before 12 months	37,428	37,744	28,879	39,279
Deferred tax assets to be recovered after 12 months	119,886	116,086	151,278	138,659
	157,314	**153,830**	**180,157**	**177,938**
Deferred tax liabilities				
Deferred tax liabilities to be recovered before 12 months	32,701	33,162	32,701	33,253
Deferred tax liabilities to be recovered after 12 months	101,175	95,205	102,057	95,978
	133,876	**128,367**	**134,758**	**129,231**
Net deferred tax liabilities	**23,438**	**25,463**	**45,399**	**48,707**

During the three-month period ended March 31, 2014, no material events occurred to indicate any limitations on the full recoverability of the deferred taxes recognized.

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

	Company	Consolidated
As at January 1	**25,463**	**48,707**
Expenses in the income statement	(3,267)	(3,818)
Tax related to other comprehensive income	1,242	1,242
Other	-	(732)
As at March 31	**23,438**	**45,399**

10. Related parties

Transactions with related parties are carried out under market conditions and prices established by the parties, and balances between the parent company and subsidiaries are eliminated for consolidation purposes.

10.1. Receivables from related companies

As at March 31, 2014 and December 31, 2013, the balance of transactions with related parties classified as receivables from related parties in non-current assets are presented as follows:

	Company	
	3/31/2014	12/31/2013
Totvs Rio Software	2,779	3,139
	2,779	**3,139**

The amounts relate to accounts payable and receivable among subsidiaries, without remuneration and/or forecast maturity. There were no transactions relating to the purchase and sale or supply of services between subsidiaries or between the subsidiaries and the parent. Credits are related to loan transactions.

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10.2. Transactions or relationships with shareholders and key management personnel

a) Shareholders

The Company maintains property lease agreements, including those for the facilities where its head offices are located. These premises are owned by one of its shareholders (LC-EH Empreendimentos e Participações S.A.). The rent paid was R$1,956 for the period ended March 31, 2014 (R$1,854 for the period ended March 31, 2013), which is in line with market rates. The rental agreements are effective for 60 months and are adjusted by the General Price Index – Market (IGP-M) rate every 12 months.

Some of the Company's directors held directly or indirectly a total of 17.7% of the Company's shares as at March 31, 2014 (17.6% as at December 31, 2013), and this indirect interest is held through LC-EH Empreendimentos e Participações S.A..

The Company maintains loans and financing operations (Note 15) and debentures (Note 16), transactions which are carried out with BNDES, a TOTVS shareholder which, on March 31, 2014, held 4.55% of the Company's capital.

b) Key management personnel

Itaú Unibanco is a related party of the Company through one of its independent member of the Board of Directors. Amounts and transactions involving companies of Itaú Unibanco Group on March 31, 2014 corresponded to R$52,428 of financial investments; R$296 related to contracts of bail, stock management and others, and R$1,446 related to contracts for the transfer of the rights to use systems and technical support provided by TOTVS. All contracts are signed in accordance with usual market conditions.

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

10.3. Management fees

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

	Company		Consolidated	
	3/31/2014	**3/31/2013**	**3/31/2014**	**3/31/2013**
Short-term benefits to employees				
Salaries, fees and payroll charges	3,713	3,909	5,078	4,638
Private pension plan	104	107	104	107
Variable bonuses	2,219	(818)	2,219	(741)
	6.036	3,198	7,401	4,004
Share-based payments	876	3,214	876	3,214
	6,912	**6,412**	**8,277**	**7,218**

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11. Investments

The breakdown of investments in subsidiaries is shown below:

	Summarized financial statements of affiliate companies, subsidiaries and associates as at March 31, 2014					Equity pick-up (parent company) for periods ended:		Balance of investments as at:	
	Assets	Liabilities	Equity	Gross revenue	P&L for the year	3/31/2014	3/31/2013	3/31/2014	12/31/2013
TOTVS Rio	20,792	3,669	17,123	6,427	1,391	1,391	(1,635)	17,123	15,732
TOTVS Argentina	9,263	3,463	5,800	4,991	12	12	(763)	5,800	7,100
TOTVS México	9,847	7,442	2,405	4,602	(308)	(308)	(946)	2,406	987
TOTVS Nordeste	99,909	31,267	68,642	2,290	(151)	(151)	(266)	68,642	67,043
TOTVS Brasília	137,556	28,466	109,090	3,076	901	901	(1,120)	109,090	92,129
Eurototvs	306	-	306	-	(31)	(31)	(13)	306	348
TQTVD	25,739	3,362	22,377	5,607	1,439	1,439	(294)	22,377	20,938
Datasul México	-	-	-	-	-	-	43	-	-
TOTVS Inc.	40,696	138	40,558	-	(1,555)	(1,555)	(1,263)	40,558	41,973
Datasul Argentina	412	2	410	13	12	12	13	410	508
TOTVS Agroindústria	5,974	1,262	4,712	4,924	375	225	-	2,827	3,075
P2RX	861	403	458	1,128	40	24	-	275	251
Totvs Sales	37,510	12,097	25,413	-	(428)	(428)	-	25,413	8,332
TOTVS Ventures	8,474	870	7,604	-	(300)	(300)	-	7,604	7,504
						1,231	**(6,244)**	**302,831**	**265,920**

The changes in the investment accounts for the period ended March 31, 2014 were as follows:

	12/31/2013	Additions	Equity	Foreign exchange	Permanent losses	3/31/2014
TOTVS Rio	15,732	-	1,391	-	-	17,123
TOTVS Nordeste	67,043	1,750	(151)	-	-	68,642
TOTVS Brasília	92,129	16,060	901	-	-	109,090
TQTVD	20,938	-	1,439	-	-	22,377
TOTVS Argentina	7,100	676	12	(1,988)	-	5,800
TOTVS México	987	1,819	(308)	(92)	-	2,406
TOTVS Inc.,	41,973	1,591	(1,555)	(1,451)	-	40,558
EuroTotvs	348	-	(31)	(11)	-	306
Datasul Argentina	508	-	12	(110)	-	410
TOTVS Ventures	7,504	400	(300)	-	-	7,604
TOTVS Sales	8,332	17,509	(428)	-	-	25,413
TOTVS Agroindústria	3,075	-	225	-	(473)	2,827
P2RX	251	-	24	-	-	275
Net investments	**265,920**	**39,805**	**1,231**	**(3,652)**	**(473)**	**302,831**

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12. 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, 2012	66,269	8,070	9,121	12,503	15,807	111,770
Additions	12,041	2,618	1,997	1,243	5,993	23,892
Write-offs	(1,831)	(4,036)	(97)	(51)	(222)	(6,237)
Balances as at December 31, 2013	76,479	6,652	11,021	13,695	21,578	129,425
Additions	2,380	468	456	594	1,021	4,919
Write-offs	(301)	(752)	-	-	-	(1,053)
Balance as at March 31, 2014	**78,558**	**6,368**	**11,477**	**14,289**	**22,599**	**133,291**
Depreciation						
Balance as at December 31, 2012	(39,877)	(3,551)	(4,303)	(3,678)	(6,400)	(57,809)
Depreciation during the period	(9,691)	(1,299)	(880)	(1,224)	(2,812)	(15,906)
Write-offs	1,484	3,025	72	39	63	4,683
Balance as at December 31, 2013	(48,084)	(1,825)	(5,111)	(4,863)	(9,149)	(69,032)
Depreciation during the period	(2,575)	(318)	(249)	(314)	(977)	(4,433)
Write-offs	301	399	-	-	(1)	699
Balance as at March 31, 2014	**(50,358)**	**(1,744)**	**(5,360)**	**(5,177)**	**(10,127)**	**(72,766)**
Residual value						
Balance as March 31, 2014	**28,200**	**4,624**	**6,117**	**9,112**	**12,472**	**60,525**
Balance as at December 31, 2013	**28,395**	**4,827**	**5,910**	**8,832**	**12,429**	**60,393**
Average annual depreciation rate	20%	20%	10%	10%	4%a10%	

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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, 2012	70,715	8,817	10,260	12,841	16,883	119,516
Additions	13,497	3,242	2,466	1,682	8,132	29,019
Acquisition Subsidiary	1,771	198	657	508	103	3,237
Write-offs	(1,895)	(4,654)	(279)	(56)	(561)	(7,445)
Exchange variations	972	538	282	86	78	1,956
Balance as at December 31, 2013	85,060	8,141	13,386	15,061	24,635	146,283
Additions	2,608	693	819	690	1,528	6,338
Business combinations	166	12	51	17	-	246
Write-offs	(406)	(902)	(34)	(36)	(35)	(1,413)
Exchange rate variations	1,910	131	361	272	37	2,711
Balance as at March 31, 2014	**89,338**	**8,075**	**14,583**	**16,004**	**26,165**	**154,165**
Depreciation						
Balance as at December 31, 2012	(42,288)	(3,811)	(4,858)	(3,821)	(6,649)	(61,427)
Depreciation during the year	(11,188)	(1,527)	(1,130)	(1,350)	(3,280)	(18,475)
Write-offs	1,550	3,419	189	40	280	5,478
Exchange variations	(710)	(343)	(82)	(55)	5	(1,185)
Balance as at December 31, 2013	(52,636)	(2,262)	(5,881)	(5,186)	(9,644)	(75,609)
Depreciation during the period	(3,030)	(392)	(329)	(356)	(1,345)	(5,452)
Write-offs	405	427	24	34	2	892
Exchange rate variations	(1,812)	(131)	(345)	(279)	(102)	(2,669)
Balance as at March 31, 2014	**(57,073)**	**(2,358)**	**(6,531)**	**(5,787)**	**(11,089)**	**(82,838)**
Residual value						
Balance as at March 31, 2014	**32,265**	**5,717**	**8,052**	**10,217**	**15,076**	**71,327**
Balance as at December 31, 2013	**32,424**	**5,879**	**7,505**	**9,875**	**14,991**	**70,674**
Average annual depreciation rate	20%	20%	10%	10%	4%a10%	

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13. Intangible assets

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

							Company
	Software	**Trademarks & patents**	**Franchising**	**Client portfolio**	**Other**	**Goodwill**	**Total intangible assets**
Cost/valuation							
Balance as at Dec 31, 2012	181,932	63,149	83,222	204,316	14,928	339,435	886,982
Additions	7,980	-	-	3,270	152	14,291	25,693
Write-offs	(832)	-	(83,222)	-	-	-	(84,054)
Balance as at Dec 31, 2013	189,080	63,149	-	207,586	15,080	353,726	828,621
Additions	4,221	-	-	-	-	-	4,221
Write-offs	-	-	-	-	-	-	-
Balance as at March 31,2014	**193,301**	**63,149**	**-**	**207,586**	**15,080**	**353,726**	**832,842**
Amortization							
Balance as at Dec 31, 2012	(78,770)	(18,617)	(78,198)	(90,547)	(9,609)	(134,214)	(409,955)
Amortization in the year	(20,309)	(4,201)	(5,024)	(22,485)	(1,999)	-	(54,018)
Write-offs	832	-	83,222	1	-	-	84,055
Balance as at Dec 31, 2013	(98,247)	(22,818)	-	(113,031)	(11,608)	(134,214)	(379,918)
Amortization during the period	(5,538)	(1,050)	-	(5,785)	(399)	-	(12,772)
Write-offs	(1)	-	-	-	-	-	(1)
Balance as at March 31,2014	**(103,786)**	**(23,868)**	**-**	**(118,816)**	**(12,007)**	**(134,214)**	**(392,691)**
Residual value							
Balance as at March 31,2014	**89,515**	**39,281**	**-**	**88,770**	**3,073**	**219,512**	**440,151**
Balance as at Dec 31, 2013	**90,833**	**40,331**	**-**	**94,555**	**3,472**	**219,512**	**448,703**
Average annual amortization rates	10% to 16,7%	8%	20% to 50%	10% to 12,5%	20% to 50%		

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	Consolidated						
	Software	Trademarks & patents	Franchising	Client portfolio	Other	Goodwill	Total intangible assets
Cost/valuation							
Balance as at Dec 31, 2012	183,138	63,160	83,222	211,212	30,153	341,021	911,906
Additions	15,772	3,597	-	8,921	10,152	168,186	206,628
Acquisitions fo subsidiaries	1,680	2	-	-	-	-	1,682
Write-offs	(832)	-	(83,222)	(785)	-	(530)	(85,369)
Exchange rate variations	925	1	-	43	1	-	970
Balance as at Dec 31, 2013	200,683	66,760	-	219,391	40,306	508,677	1,035,817
Additions	3,659	-	-	-	-	18,428	22,087
Business combinations	694	-	-	-	-	-	694
Exchange rate variations	671	3	-	(67)	10	-	617
Balance as at March 31, 2014	**205,707**	**66,763**	**-**	**219,324**	**40,316**	**527,105**	**1,059,215**
Amortization							
Balance as at Dec 31, 2012	(79,932)	(18,617)	(78,198)	(93,272)	(19,502)	(134,829)	(424,350)
Amortization during the year	(22,270)	(5,401)	(5,024)	(24,385)	(7,003)	-	(64,083)
Write-offs	832	-	83,222	245	-	530	84,829
Exchange rate variations	(214)	(2)	-	(90)	-	-	(306)
Balance as at Dec 31, 2013	(101,584)	(24,020)	-	(117,502)	(26,505)	(134,299)	(403,910)
Amortization during the period	(6,101)	(1,350)	-	(6,254)	(1,561)	-	(15,266)
Exchange rate variations	17	(2)	-	63	(6)	-	72
Balance as at March 31, 2014	**(107,668)**	**(25,372)**	**-**	**(123,693)**	**(28,072)**	**(134,299)**	**(419,104)**
Residual value							
Balance as at March 31, 2014	**98,039**	**41,391**	**-**	**95,631**	**12,244**	**392,806**	**640,111**
Balance as at Dec 31, 2013	**99,099**	**42,740**	**-**	**101,889**	**13,801**	**374,378**	**631,907**
Average annual amortization rate	10% a 16,7%	8%	20% a 50%	10% a 12,5%	20% a 50%		

The amortization of intangible assets is based on their estimated useful lives. The recognized values of intangible assets and the useful lives of assets are based on a technical study done by an independent specialized company.

The group "**Other**" is composed of the non-competition rights arising from the business combination and right to explore geographical areas in Brazil and development of new products, which their details are described in Note 13.1 to the financial statements as at December 31, 2013.

(A free translation of the original in Portuguese)

13.1. Changes in goodwill

The composition of goodwill on March 31, 2014 and December 31, 2013 and the movement in the year 2014 are as follows:

Incorporated	12/31/2013	Additions	3/31/2014
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	73,678	-	73,178
u.Mov.me	3,061	-	3,061
TOTVS Agroindústria	14,291	-	14,291
RMS	59,074	-	59,074
Seventeen	18,082	-	18,082
Ciashop (a)	-	18,428	18,428
	374,378	**18,428**	**392,806**

(a) Business combinations according to Note 3.

13.2. Asset impairment tests

The Company assesses the recoverable book value of goodwill by employing the value-in-use concept in the discounted cash flows 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 March 31, 2014 that indicated a need for impairment testing.

14. Payroll and labor obligations

Salaries and charges payable balances are broken down as follows:

	Company		Consolidated	
	3/31/2014	12/31/2013	3/31/2014	12/31/2013
Labor liabilities				
Salaries payable	18,081	20,326	19,706	22,635
Pension plan payables	446	677	453	703
Vacation payables	41,951	43,044	47,930	50,130
Profit sharing and bonuses	8,000	6,947	8,480	9,239
13 month´s salary	8,085	-	9,487	-
Other	4,722	2,102	6,514	4,815
	81,285	**73,096**	**92,570**	**87,522**
Payroll liabilities				
FGTS payable	2,402	3,453	3.089	4,129
INSS payable	6,218	6,845	7.372	7,901
	8,620	**10,298**	**10,461**	**12,030**
Total	**89,905**	**83,394**	**103,031**	**99,552**

15. Loans and financing

Loans and financing are as follows:

	Company		Consolidated	
	3/31/2014	12/31/2013	3/31/2014	12/31/2013
BNDES (a)	278,841	305,095	278,841	305,095
FINEP (b)	24	32	24	32
Secured accounts and others	-	-	1,005	1,316
	278,865	**305,127**	**279,870**	**306,443**
Current liabilities	28,865	55,127	29,870	56,443
Non-current liabilities	250,000	250,000	250,000	250,000

Amounts recognized in non-current liabilities as at March 31, 2014 and December 31, 2013 mature as follows:

	Company and Consolidated	
	3/31/2014	12/31/2013
2015	10,417	10,417
2016	62,500	62,500
2017	177,083	177,083
Non-current liabilities	**250,000**	**250,000**

The changes in loans and financing as at March 31, 2014 are as follows:

	3/31/2014	
	Company	**Consolidated**
Balances at the beginning of the period	**305,127**	**306,443**
Interest rates	4,555	4,555
Amortization	(30,817)	(31,128)
Balances at the end of the period	**278,865**	**279,870**

a) BNDES – National Bank for Economic and Social Development

The purpose of the BNDES Program for the Development of the Software National Industry and Information Technology Services – PROSOFT, which was available in 2008, is to finance software innovation research, brand repositioning and the restructuring of sales channels. It bears TJLP plus 1.5% interest p.a., maturing every six months. To guarantee this agreement, the Company has signed a bank guarantee with Santander Bank.

In 2013, a new loan from BNDES for R$658,501, was approved, whith an amortization period of 72 months, including 24 months of grace period over the principal amount, to be released as proof of completion of investments. The loan is divided into three sub-credits, as described below:

- **Subcredit "A":** PROSOFT amounting to R$596,835, which bears interest of 1.5% per year above TJLP, to be invested between 2013 and 2015 in the development of the qualitative solutions offered by TOTVS;

- **Subcredit "B"** Program of Investment Supporting, Subprogram Innovation and Machinery and Efficient Equipment (PSI) amounting to R$58,466, which bears interest of 3.5% per year, to be invested in the development of its platform named "FLUIG";

- **Subcredit "C"** the amount of R$3,300, which bears TJLP, to be invested in corporate social responsibility projects to be performed by TOTVS.

As at March 31, 2014, R$250,000 was available to the Company.

b) FINEP – Research and Project Financing: Software development

This loan is paid based on TJLP, plus interest of 5% per annum and is secured by bank letters of guarantee.

(A free translation of the original in Portuguese)

16. Debentures

The operations, issue characteristics, interest paid, conditions and history of 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, 2013.

As at March 31, 2014 and December 31, 2013, the balances were broken down as follows:

				Company and Consolidated	
Issue	**Debentures**	**Annual financial charges**	**Unit price**	**3/31/2014**	**12/31/2013**
Series 1	100,000	IPCA* + 3.5% limited to TJLP + 1.5%	1.00	40,952	39,760
Series 2	100,000	TJLP + 1.5%	1.00	40,952	39,760
		Subtotal		81,904	79,520
		Premium due to non-conversion		26,345	24,685
		Total		**108,249**	**104,205**
		Current liabilities		1,901	1,805
		Non-current liabilities		106,348	102,400

** Extended National Consumer Price Index*

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

	Company and Consolidated	
	3/31/2014	**12/31/2013**
August 2015	32,002	29,712
August 2016	48,002	48,002
August 2017	14,927	14,927
August 2018	11,417	9,759
	106,348	**102,400**

The following changes occurred in the periods were as shown below:

	Debentures and premiums from non-conversion	
	Company and Consolidated	
	3/31/2014	**12/31/2013**
Balance at the beginning of the year	104,205	130,369
Interest rates	4,044	11,296
Amortization	-	(37,460)
Balance at March 31	**108,249**	**104,205**

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17. Obligations relating to acquisitions

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

	Company		Consolidated	
	3/31/2014	**12/31/2013**	**3/31/2014**	**12/31/2013**
Datasul MG	2,233	2,226	2,233	2,226
Datasul Saúde MG	641	641	641	641
ERP Cedente	141	138	141	138
TotalBanco	749	748	749	748
Hery	1,567	1,563	1,567	1,563
TQTVD	142	662	142	662
SRC	165	161	165	161
Mafipa	981	957	981	957
Gens EDES	8,140	8,940	8,141	8,940
TOTVS Agroindústria	12,035	11,903	12,035	11,903
Umov.me	-	-	870	848
RMS	-	-	30,215	29,604
Seventeen	-	-	8,779	9,734
W&D Participações	-	-	26,988	41,422
Ciashop	-	-	3,318	-
	26,794	**27,939**	**96,965**	**109,547**
Current liabilities	9,251	8,530	21,422	63,717
Non-current liabilities	17,543	19,409	75,543	45,830

Installments registered in non-current liabilities mature as follows:

	Company		Consolidated	
Year	**3/31/2014**	**12/31/2013**	**3/31/2014**	**12/31/2013**
2015	2,751	4,739	26,118	4,739
2016	14,792	14,670	38,109	36,091
2017 on ward	-	-	11,316	5,000
Non-current liabilities	**17,543**	**19,409**	**75,543**	**45,830**

The amounts recognized in non-current liabilities are adjusted to their present value at the rate of 11.2% pa, in March 31, 2014 and December 31, 2013.

18. Provision for obligations relating to legal proceedings

During the regular course of their operations, the Company and its subsidiaries, are parties to various legal proceedings related to tax, social security, labor and civil matters. Provision for contingencies was 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	**03/31/2014**	**12/31/2013**	**03/31/2014**	**12/31/2013**
Tax	75	645	75	645
Civil	1,174	992	2,641	1,114
Labor	5,069	5,546	5,069	5,546
	6,318	**7,183**	**7,785**	**7,305**

Changes in the provision which took place in the three-month period ended March 31, 2014 are as follows:

				Company
	Tax	**Labor**	**Civil**	**Total**
Balance as at December 31, 2013	**645**	**5,546**	**992**	**7,183**
(+) Additional provision	-	443	150	593
(+) Monetary restatement	9	147	52	208
(-) Reversal of provision not used	(579)	(1,067)	(20)	(1,666)
Balance as at March 31, 2014	**75**	**5,069**	**1,174**	**6,318**

				Consolidated
	Tax	**Labor**	**Civil**	**Total**
Balance as at December 31, 2013	**645**	**5,546**	**1,114**	**7,035**
(+) Additional provision	-	443	1,495	1,938
(+) Monetary restatement	9	147	52	208
(-) Reversal of provision not used	(579)	(1,067)	(20)	(1,666)
Balance as at March 31, 2014	**75**	**5,069**	**2,641**	**7,785**

The breakdown of the main lawsuits ongoing as at March 31, 2014 is as detailed in Note 18 to the financial statements for December 31, 2013.

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

	Company		Consolidated	
	3/31/2014	12/31/2013	3/31/2014	12/31/2013
Judicial deposits				
Social security	2,928	2,877	2,928	2,877
Tax	1,686	1,655	1,686	1,655
Labor	9,008	8,733	9,008	8,733
Civil	1,378	1,351	1,813	1,351
	15,000	**14,616**	**15,435**	**14,616**

19. Contingent liabilities

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

	Company		Consolidated	
Type	**3/31/2014**	**12/31/2013**	**3/31/2014**	**12/31/2013**
Social Security	18,679	18,219	18,738	18,277
Tax	17,892	19,780	29,529	33,658
Civil	131,168	122,054	132,723	124,650
Labor	23,498	20,648	28,624	23,502
	191,237	**180,701**	**209,614**	**200,087**

A breakdown of the main ongoing lawsuits through March 31, 2014 is given in Note 18 to the financial statements for 2013. No significant differences in ongoing lawsuits assessed as “possible” by the Company for the period ended March 31, 2014 were recognized.

20. Equity

a) Capital

As at March 31, 2014, the Company's capital was made up of 163,467,071 non-par common shares, issued and fully paid (163,467,071 shares as at December 31, 2013), and held as follows:

	3/31/2014		12/31/2013	
Shareholder	**Shares**	**%**	**Shares**	%
LC-EH Empreendimentos e Participações S.A.	26,760,990	16.37%	26,760,990	16.37%
Fundação Petrobras de Seguridade Social – Petros	16,042,359	9.81%	16,042,359	9.81%
BNDES Participações S/A	7,444,981	4.55%	7,444,981	4.55%
Laércio José de Lucena Cosentino	1,906,947	1.17%	1,812,021	1.11%
Ernesto Mário Haberkorn	61,340	0.04%	55,140	0.03%
CSHG Senta Pua Fia	43,500	0.03%	43,500	0.03%
Others	110,767,193	67.76%	104,997,977	64.24%
Total shares outstanding	**163,027,310**	**99.73%**	**163,103,707**	**99.78%**
Treasury shares	439,761	0.27%	363,364	0.22%
Total shares	**163,467,071**	**100%**	**163,467,071**	**100%**

The authorized capital as at March 31, 2014, was R$ 540,000. The Company may, within the authorized capital limit and as authorized by the Board of Directors, increase the capital without amending the bylaws.

b) Capital reserves

The balances of capital reserves at March 31, 2014 and December 31, 2013 are broken down as follows:

	3/31/2014	12/31/2013
Goodwill reserve (a)	31,557	31,557
Goodwill reserve for mergers	14,330	14,330
Debentures converted into shares	(25,518)	(25,518)
Premium on purchase from non-controlling	44,629	44,629
Stock option plans (Note 23)	31,412	33,329
	96,410	**98,327**

(a) The goodwill reserve amounting to R$31,557 is the result of payments made in the fiscal year 2005.

c) Legal reserve

The Brazilian Corporation Law requires publicly-held companies to allocate 5% of their annual net income to the income reserve before profits are distributed, limiting this reserve balance to 20% of the total value of capital. At March 31, 2014 the amount of legal reserve was R$48,813.

d) Treasury shares

In July 2013, the Company started a repurchasing program with a term of 365 days from that date for acquisition of shares issued by the Company, without capital reduction for subsequent cancellation, disposal or holding in treasury, for the purpose of maximizing generation for shareholders.

The acquisitions made at market prices and the Director's decision will decide on the time and quantity of shares to be acquired under the program, whether in a single transaction or a series of transactions, observing the applicable legal limits and the established maximum number of 3,200,000 common shares.

On March 31, 2014, the changes in "Treasury Shares" was as follows:

	Number of shares	Value	Average price per share
Balance at beginning of year	**363,364**	**12,960**	**35.67**
Acquired	223,086	7,424	33.28
Used	(146,689)	(5,207)	35.50
Balance at end of year	**439,761**	**15,177**	**34.51**

During the period ended at March 31, 2014, the use of R$146,689 of treasury share by the stock options plan incurred R$2,793 as a reserve.

21. Dividends and interest on equity

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

On March 14, 2014 at the Annual Shareholder´s Meeting the distribution and payment of dividends for the year 2013 in the amount of R$115,914 was approved, which R$102,912 of this dividend was additional to the mandatory minimum dividends that will be paid from April 10, 2014.

(A free translation of the original in Portuguese)

22. Insurance coverage

The Company and its subsidiaries, based on the opinion 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.

The main insurance taken out on March 31, 2014 was as follows:

Type	Insurance Company	Effective		Maximum limit of Responsibility	Total insured
		From	To		
Comprehensive corporate	Itaú Seguros S.A.	6/13/2013	6/13/2014	80,000	160,482
General civil liability	Itaú Seguros S.A.	6/13/2013	6/13/2014	4,000	-
Vehicles	Itaú Seguros S.A.	1/7/2014	1/7/2015	-	FIPE (*)
D&O - Liability insurance of directors	Itaú Seguros S.A.	1/6/2013	1/6/2014	40,000	-

(*) Market value determined by the Institute of Economic Research (FIPE).

23. Stock option plan

The main events associated with the stock option plan since December 31, 2013 are described in Note 22 to the financial statements for the year ended December 31, 2013. In the period ended March 31, 2014 two new stock options plans were approved at the meeting of the Board of Directors on November 29, 2012:

(i) Stock Options, whose strike prices will be the share´s market price at the time of the options grant, determined based on the avarege of the closing prices of the last five preceding trading days from the date of grant; and

(ii) Restrict Shares, where the strike prices will be the fulfillment of the advice is to acquire shares of the Company with an investment of 100% of the amount received by the beneficiary in the previous year in respect of profit sharing, net of tax income.

The fair value of these plans were estimated on grant data using the Black-Scholes model for option pricing, and the variables and results being used are shown below:

		Premises of fair value				
		Expectancy:		Interest rate	Term to	Pricing options
Plan	Date	Dividends	Volatility	risk-free	maturity	
Stock Options	2/20/2014	2.2%	27.92%	10.75%	3 years	8.93
Restrict Shares	2/20/2014	2.2%	27.92%	10.75%	3 years	29.93

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

	Company and Consolidated			
	3/31/2014		12/31/2013	
	Number	Average cost (R$)	Number	Average cost (R$)
Stock option balance at the beginning of the year	**2,770,782**	**12.40**	**3,139,655**	**10.67**
Breakdown:				
Exercised	(100,805)	9.12	(718,030)	22.92
Granted	306,129	10.97	780,214	15.64
Cancelled	(171,115)	11.78	(431,057)	14.69
Stock option balance at the end of the year/period	**2,804,991**	**12.73**	**2,770,782**	**12.40**

The accumulated effect of stock options for the three-month period ended March 31, 2014 was R$876 (R$3,214 at March 31, 2013) and was recorded as expenses for the granting of stock option in the management fee accounts.

The accumulated balance of the line item “stock option plan” in equity is R$31,412 (R$33,329 as at December 31, 2013). As at March 31, 2014, there were 897,535 exercisable options, since the 36-month terms of the third and fouth grant dates had already elapsed.

(A free translation of the original in Portuguese)

24. Financial income and expenses

The financial income and expenses incurred in the periods ended March 31, 2014 and 2013 were as follows:

	Company		Consolidated	
	3/31/2014	3/31/2013	3/31/2014	3/31/2013
Financial income				
Short-term investment yield	11,913	5,263	13,475	5,417
Exchange gains	353	113	725	219
Discounts obtained	480	1,192	547	1,217
Adjustments to market value	1,230	836	1,230	836
Interest received	1,111	1,226	1,280	1,256
Other financial income	327	200	373	203
	15,414	**8,830**	**17,630**	**9,148**
Financial expenses				
Interest rate paid or incurred	(10,480)	(3,513)	(12,067)	(3,653)
Exchange losses	(14)	-	(281)	(65)
Bank commission and expenses	(740)	(886)	(797)	(952)
Debentures marked at market value	(2,924)	(1,252)	(3,233)	(1,252)
Discounts granted	(1,767)	(1,512)	(1,767)	(1,597)
Other financial expenses	(795)	(293)	(1,563)	(344)
	(16,720)	**(7,456)**	**(19,708)**	**(7,863)**
Net financial income (expenses)	**(1,306)**	**1,374**	**(2,078)**	**1,285**

25. 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, and, 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.

26. Earnings per share

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

	Company and Consolidated	
	3/31/2014	**3/31/2013**
Basic earnings per share		
Numerator		
Net income for the period assigned to the Company's shareholders	61,498	51,894
Denominator (in thousand shares)		
Weighted average number of common shares outstanding	163,173	161,735
Basic earnings per share	**0.38**	**0.32**

	Company and Consolidated	
	3/31/2014	**3/31/2013**
Diluted earnings per share		
Numerator		
Net income for the period assigned to the Company's shareholders	61,498	51,894
Denominator (in thousand shares)		
Weighted average number of common shares outstanding		
Dilution effect	163,173	161,735
• Stock options	2,690	3,579
• Debentures	-	1,175
Weighted average number of common shares adjusted according to dilution effect	165,863	166,489
Diluted earnings per share	**0.37**	**0.31**

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.

27. Expenses by nature

Below is information on the nature and function of expenses for the periods ended March 31, 2014 and 2013:

	Company		Consolidated	
Nature	**3/31/2014**	**3/31/2013**	**3/31/2014**	**3/31/2013**
Inputs	115,868	114,398	131,739	130,694
Personnel	135,596	113,800	162,397	132,796
Depreciation and amortization	17,205	17,887	20,718	21,562
Rental	6,208	5,301	7,321	5,778
Allowance for doubtful accounts	7,239	3,070	7,910	3,129
Other	7,062	2,632	8,275	4,287
Total	**289,178**	**257,088**	**338,360**	**298,246**

	Company		Consolidated	
Function	**3/31/2014**	**3/31/2013**	**3/31/2014**	**3/31/2013**
Cost of goods sold/services rendered	116,531	108,707	139,180	128,052
Selling expenses	23,639	20,191	31,596	25,638
Administrative expenses	22,848	18,298	26,903	21,989
Other operating expenses	126,160	109,892	140,681	122,567
Total	**289,178**	**257,088**	**338,360**	**298,246**

28. Gross sales revenue

The Company presents information about its gross revenue and the deductions used for the calculation of the net revenue presented in the income statement.

	Company		Consolidated	
	3/31/2014	**3/31/2013**	**3/31/2014**	**3/31/2013**
Gross revenue	**416,470**	**375,404**	**474,717**	**411,243**
License fees	93,768	83,761	106,354	90,945
Services	110,368	100,345	137,505	117,824
Maintenance	212,334	191,298	230,858	202,474
Deductions	**(38,563)**	**(34,593)**	**(42,844)**	**(37,032)**
Cancellations of sales	(4,207)	(3,338)	(4,709)	(3,478)
Sales tax	(34,356)	(31,255)	(38,135)	(33,554)
PIS/COFINS/ISS	(26,763)	(24,421)	(29,459)	(26,210)
INSS	(7,593)	(6,834)	(8,676)	(7,344)
Net revenue	**377,907**	**340,811**	**431,873**	**374,211**

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(A free translation of the original in Portuguese)

Guidances Tracking

EBITDA margin

Projected EBITDA margin in the range between 27% and 30% for the fiscal years of 2013 to 2016.

TOTVS´s EBITDA Margin was of 26.5% in 1Q14 and 26.1% in 1Q13, below the range of 27% to 30% mentioned above. By the end of the 1st quarter of 2014, the main elements that affected the EBITDA margin were: (i) the increase of sales expenses as a percentage of net revenues, when compared to 1T13, (ii) the increase in research and development expenses as a percentage of net revenues, when compared to 1T13, and (iii) the allowance for doubtful accounts above the Company's historical levels.

So far, the Company has not identified reasons to change such guidance.

(A free translation of the original in Portuguese)

Report on review of quarterly information

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

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of TOTVS S.A. (the "Company"), included in the Quarterly Information Form (ITR) for the quarter ended March 31, 2014, comprising the balance sheet as at that date and the statements of income, comprehensive income, changes in equity and cash flows for the quarter 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.

(A free translation of the original in Portuguese)

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 quarter ended March 31, 2014. 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, April 28, 2014

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Marco Aurélio de Castro e Melo
Contador CRC 1SP153070/O-3