(A free translation of the original in Portuguese)

FEDERAL PUBLIC SERVICE
CVM - BRAZILIAN SECURITIES AND EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
COMMERCIAL, INDUSTRY & OTHER TYPES OF COMPANY

Jun 30, 2010 Brazilian Corporate Law

REGISTRATION WITH CVM SHOULD NOT BE CONSTRUED AS AN EVALUATION OF THE COMPANY. COMPANY MANAGEMENT IS RESPONSIBLE FOR THE INFORMATION PROVIDED.

01.01 - IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
01999-2	**TOTVS S.A.**	**53.113.791/0001-22**
4 - NIRE (Corporate Registry ID)		
3530015317-1		

01.02 – HEAD OFFICE

1 - ADDRESS				2 – DISTRICT
Av. Braz Leme, 1631 – 2º Andar				Santana
3 - ZIP CODE	4 - CITY			5 – STATE
02511-000	São Paulo			SP
6 - AREA CODE	7 - TELEPHONE	8 - TELEPHONE	9 - TELEPHONE	10 – TELEX
11	3981-7000	-	-	
11 - AREA CODE	12 - FAX	13 - FAX	14 - FAX	
11	3981-7335	-	-	
15 - E-MAIL				
ri@totvs.com.br				

01.03 - INVESTORS RELATIONS OFFICER (Company Mailing Address)

1- NAME				
José Rogério Luiz				
2 - ADDRESS				3 – DISTRICT
Av. Braz Leme, 1631 – 2º Andar				Santana
4 - ZIP CODE	5 – CITY			6 – STATE
02511-000	São Paulo			SP
7 - AREA CODE	8 - TELEPHONE	9 - TELEPHONE	10 - TELEPHONE	11 – TELEX
11	3981-7000	-	-	
12 - AREA CODE	13 - FAX	14 - FAX	15 - FAX	
11	3981-7335	-	-	
15 - E-MAIL				
ri@totvs.com.br				

01.04 – ITR REFERENCE AND AUDITOR INFORMATION

CURRENT YEAR		CURRENT QUARTER			PREVIOUS QUARTER		
1 - BEGINNING	2 - END	3 - QUARTER	4 - BEGINNING	5 - END	6 - QUARTER	7 - BEGINNING	8 - END
1/1/2010	12/31/2010	2	1/01/2009	6/30/2009	4	10/01/2009	12/31/2009

09 - INDEPENDENT AUDITOR	10 - CVM CODE
ERNST & YOUNG AUDITORES INDEPENDENTES S.S.	00471-5
11. TECHNICIAN IN CHARGE	12 – TECHNICIAN'S CPF (INDIVIDUAL TAXPAYER'S ID)
Luiz Carlos Marques	043.982.278-57

(A free translation of the original in Portuguese)

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01.01 - IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
01999-2	TOTVS S.A.	53.113.791/0001-22

01.05 – CAPITAL STOCK

Number of Shares (in units)	1 – CURRENT QUARTER 06/30/2010	2 – PREVIOUS QUARTER 12/31/2009	3 – SAME QUARTER, PREVIOUS YEAR 06/30/2009
Paid-up Capital			
1 - Common	31,152,402	31,152,402	31,152,402
2 - Preferred	0	0	0
3 - Total	31,152,402	31,152,402	31,152,402
Treasury Stock			
4 - Common	0	0	0
5 - Preferred	0	0	0
6 - Total	0	0	0

01.06 - COMPANY PROFILE

1 - TYPE OF COMPANY
Commercial, Industrial and Others
2 – STATUS
Operational
3 - NATURE OF OWNERSHIP
Domestic Private
4 - ACTIVITY CODE
1150 – Communications and IT
5 - MAIN ACTIVITY
Software Development
6 - CONSOLIDATION TYPE
Total
7 – TYPE OF REPORT OF INDEPENDENT AUDITORS
Unqualified

01.07 - COMPANIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

1 - ITEM	2 - CNPJ (Corporate Taxpayer's ID)	3 - COMPANY NAME

01.08 - CASH DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER

1 - ITEM	2 – EVENT	3 – APPROVAL	4 - TYPE	5 - DATE OF PAYMENT	6 - TYPE OF SHARE	7 - AMOUNT PER SHARE

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
-		. . / -

01.09 – SUBSCRIBED CAPITAL AND CHANGES IN THE CURRENT YEAR

1 - ITEM	2 - DATE OF CHANGE	3 - CAPITAL STOCK (In reais)	4 - AMOUNT OF CHANGE (In reais)	5 - NATURE OF CHANGE	7 - NUMBER OF SHARES ISSUED (In units)	8 - SHARE PRICE WHEN ISSUED (in reais)

01.10 – INVESTORS RELATIONS OFFICER

1 – DATE	2 – SIGNATURE
07/27/2010	

01.01 - IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
01999-2	TOTVS S.A.	53.113.791/0001-22

02.01 - BALANCE SHEET - ASSETS (in thousand of Reais)

1 - CODE	2 - DESCRIPTION	3 – 06/30/2010	4 – 12/31/2009
1	Total Assets	1,132,926	1,157,678
1.01	Current Assets	363,931	399,078
1.01.01	Cash and Cash Equivalents	136,598	183,310
1.01.01.01	Banks	131,282	161,860
1.01.01.02	Securities	5,316	21,450
1.01.02	Credits	197,994	192,914
1.01.02.01	Clients	164,692	160,867
1.01.02.01.01	Trade Accounts Receivable	180,224	175,544
1.01.02.01.02	Allowance for Doubtful Accounts	(15,532)	(14,677)
1.01.02.02	Sundry Receivables	33,302	32,047
1.01.02.02.01	Dividends Receivable	1,855	3,605
1.01.02.02.02	Recoverable Taxes	31,447	28,442
1.01.03	Inventories	-	-
1.01.04	Other	29,339	22,854
1.01.04.01	Deferred Income and Social Contribution Taxes	17,320	15,887
1.01.04.04	Other Current Assets	12,019	6,967
1.02	Noncurrent Assets	768,995	758,600
1.02.01	Long-term Assets	106,942	83,955
1.02.01.01	Sundry Credits	21,597	19,448
1.02.01.01.01	Trade Accounts Receivable	4,231	2,242
1.02.01.01.02	Securities	17,366	17,206
1.02.01.02	Credit with Related Parties	42,082	27,243
1.02.01.02.01	Direct and Indirect Associated Companies	-	-
1.02.01.02.02	Subsidiaries	42,082	27,243
1.02.01.02.03	Other Related Parties	-	-
1.02.01.03	Other	43,263	37,264
1.02.01.03.01	Judicial Deposits	14,688	14,213
1.02.01.03.02	Other Assets	8,486	3,316
1.02.01.03.03	Deferred Income and Social Contribution Taxes	20,089	19,735
1.02.02	Permanent Assets	662,053	674,645
1.02.02.01	Investments	102,061	87,233
1.02.02.01.01	In Associated/Affiliated Companies	-	-
1.02.02.01.02	In Associated/Affiliated Company - Goodwill	-	-
1.02.02.01.03	In Subsidiaries	-	-
1.02.02.01.04	In Subsidiaries - Goodwill	-	-
1.02.02.01.05	Other Investments	-	-
1.02.02.02	Fixed Assets	27,399	26,348
1.02.02.03	Intangible Assets	532,593	561,064

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
01999-2	TOTVS S.A.	53.113.791/0001-22

02.02 - BALANCE SHEET - LIABILITIES (in thousands of Reais)

1 – CODE	2 – DESCRIPTION	3 – 06/30/2010	4 – 12/31/2009
2	Total Liabilities	1,132,926	1,157,678
2.01	Current Liabilities	133,301	175,288
2.01.01	Loans and Financings	24,534	44,063
2.01.01.01	Loans and Financings	7,505	7,118
2.01.01.02	Liabilities from Investment Acquisition	13,952	33,159
2.01.01.03	Leasing	3,077	3,786
2.01.02	Debentures	7,197	5,218
2.01.03	Suppliers	13,161	14,723
2.01.04	Taxes and Contributions	2,486	3,718
2.01.05	Dividends Payable	319	25,947
2.01.06	Provisions	32,647	31,346
2.01.06.01	Commissions Payable	32,647	31,346
2.01.07	Debts with Related Parties	-	-
2.01.08	Other	52,957	50,273
2.01.08.01	Salaries and Charges Payable	51,635	48,178
2.01.08.02	Other Liabilities	1,322	2,095
2.02	Noncurrent Liabilities	460,412	457,324
2.02.01	Long-term Liabilities	460,412	457,324
2.02.01.01	Loans and Financings	208,696	211,007
2.02.01.01.01	Loans and Financings	207,970	208,963
2.02.01.01.02	Leasing	726	2,044
2.02.01.02	Debentures	216,413	212,219
2.02.01.03	Provisions	15,269	13,698
2.02.01.03.01	Provision for Losses from Investments	3,877	3,045
2.02.01.03.02	Provisions for Contingencies	11,392	10,653
2.02.01.04	Debts with Related Parties	-	-
2.02.01.05	Advances for Future Capital Increase	-	-
2.02.01.06	Other	20,034	20,400
2.02.01.06.01	Taxes Payable	-	-
2.02.01.06.02	Liabilities from Investment Acquisition	18,121	18,578
2.02.01.06.06	Other Liabilities	1,913	1,822
2.03	Deferred Income	-	-
2.05	Shareholders' Equity	539,213	525,066
2.05.01	Paid-up Capital	376,493	376,493
2.05.02	Capital Reserves	50,822	48,851
2.05.03	Revaluation Reserves	-	-
2.05.03.01	Own Assets	-	-
2.05.03.02	Subsidiaries/Associated and Affiliated Companies	-	-
2.05.04	Income Reserves	113,566	101,699
2.05.04.01	Legal	11,975	11,975
2.05.04.02	Statutory	-	-

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02.02 - BALANCE SHEET - LIABILITIES (in thousands of Reais)

1 – CODE	2 – DESCRIPTION	3 – 06/30/2010	4 – 12/31/2009
2.05.04.03	For Contingencies	-	-
2.05.04.04	Unrealized Profit	-	-
2.05.04.05	Retention of Profit	101,591	89,724
2.05.04.06	Special for Non-Distributed Dividends	-	-
2.05.04.07	Other Profit Reserves	-	-
2.05.05	Asset Valuation Adjustments	(1,668)	(1,977)
2.05.05.01	Securities Adjustments	-	-
2.05.05.02	currency translation adjustments	-	-
2.05.05.03	Business Combination Adjustments	-	-
2.05.06	Retained Earnings/Accumulated Losses	-	-
2.05.07	Advances for Future Capital Increase	-	-
2.05.04.03	For Contingencies	-	-

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Jun 30, 2010

Brazilian Corporate Law

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
01999-2	TOTVS S.A.	53.113.791/0001-22

03.01 – STATEMENT OF INCOME (in thousands of Reais)

1 – CODE	2 – DESCRIPTION	3- 4/1/2010 a 06/30/2010	4- 1/1/2010 a 06/30/2010	5- 4/1/2009 to 3/31/2009	6- 1/1/2009 to 3/31/2009
3.01	Gross Revenue from Sales and/or Services	235,304	456,803	202,425	397,477
3.01.01	License Fees	51,789	99,518	40,454	80,871
3.01.02	Services	51,432	96,247	45,668	87,586
3.01.03	Maintenance	132,083	261,038	116,303	229,020
3.02	Deductions from Gross Revenues	(20,446)	(39,453)	(16,414)	(32,205)
3.02.01	Cancellation of Services and Sales	(5,317)	(10,188)	(3,319)	(7,077)
3.02.02	Taxes on Services and Sales	(15,129)	(29,265)	(13,095)	(25,128)
3.03	Net Revenue from Sales and/or Services	214,858	417,350	186,011	365,272
3.04	Cost of Goods Sold and/or Services Rendered	(61,044)	(119,518)	(50,592)	(99,265)
3.04.01	Cost of License Fees	(4,013)	(6,580)	(2,956)	(6,015)
3.04.02	Cost of Services	(57,031)	(112,938)	(47,636)	(93,250)
3.05	Gross Profit	153,814	297,832	135,419	266,007
3.06	Operating Income/Expenses	(117,710)	(228,808)	(107,809)	(206,545)
3.06.01	Selling	(11,185)	(22,984)	(9,004)	(17,912)
3.06.02	General and Administrative	(15,716)	(30,803)	(14,424)	(31,271)
3.06.03	Financial	(6,722)	(15,909)	(10,065)	(18,687)
3.06.03.01	Financial Income	4,523	9,160	5,007	9,609
3.06.03.02	Financial Expenses	(11,245)	(25,069)	(15,072)	(28,296)
3.06.04	Other Operating Income	-	-	-	-
3.06.05	Other Operating Expenses	(85,108)	(160,943)	(79,869)	(150,176)
3.06.05.01	Research and Development	(26,609)	(52,371)	(23,341)	(44,722)
3.06.05.02	Advertising Expenses	(8,296)	(13,596)	(8,739)	(11,559)
3.06.05.03	Commissions	(25,474)	(47,410)	(24,044)	(46,537)
3.06.05.04	Management Compensation	(6,138)	(9,985)	(6,118)	(13,098)
3.06.05.05	Depreciation and Amortization	(17,157)	(34,120)	(15,916)	(31,941)
3.06.05.06	Allowance for Doubtful Accounts	(1,356)	(3,235)	(1,615)	(3,562)

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1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
01999-2	TOTVS S.A.	53.113.791/0001-22

03.01 – STATEMENT OF INCOME (in thousands of Reais)

1 – CODE	2 – DESCRIPTION	3- 4/1/2010 a 06/30/2010	4- 1/1/2010 a 06/30/2010	5- 4/1/2009 to 3/31/2009	6- 1/1/2009 to 3/31/2009
3.06.05.07	Extraordinary Expenses	-	-	-	-
3.06.05.08	Other Net Operating Expenses	(78)	(226)	(96)	1,243
3.06.06	Equity Pickup	1,021	1,831	5,553	11,501
3.07	Operating Income	36,104	69,024	27,610	59,462
3.08	Non-Operating Income	-	-	-	-
3.08.01	Income	-	-	-	-
3.08.02	Expenses	-	-	-	-
3.09	Income Before Tax/Interests	36,104	69,024	27,610	59,462
3.10	Provision for Income Tax and Social Contribution	(3,052)	(7,182)	(1,120)	(2,607)
3.11	Deferred Income Tax	2,157	1,946	120	(1,212)
3.12	Statutory Interests/Contributions	-	-	-	-
3.12.01	Interests	-	-	-	-
3.12.02	Contributions	-	-	-	-
3.13	Reversal of Interest on Own Capital	-	-	-	-
3.15	Income/Loss for the Period	35,209	63,788	26,610	55,643
	No. SHARES, EX-TREASURY (in Units)	31.152.402	31.152.402	31.152.402	31.152.402
	EARNINGS PER SHARE (In Reais)	0,00113	0,00205	0,00085	0,00179
	LOSS PER SHARE (In Reais)				

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
01999-2	TOTVS S.A.	53.113.791/0001-22

04.01 – STATEMENT OF CASH FLOW – INDIRECT METHOD (in thousand of Reais)

1 – CODE	2 – DESCRIPTION	3- 4/1/2010 a 06/30/2010	4- 1/1/2010 a 06/30/2010	5- 4/1/2009 to 3/31/2009	6- 1/1/2009 to 3/31/2009
4.01	Net Cash from Operating Activities	53,900	82,890	50,292	90,007
4.01.01	Cash Generated in the Operations	63,339	118,801	49,903	105,577
4.01.01.01	Net Income for the Year	35,209	63,788	26,610	55,643
4.01.01.02	Depreciation and Amortization	17,157	34,120	15,916	31,941
4.01.01.03	Share-Based Payment	1,079	1,971	223	690
4.01.01.04	Loss in Sale of Fixed Assets	164	417	(1,632)	(1,222)
4.01.01.05	Allowance for Doubtful Accounts	1,356	3,235	1,615	3,562
4.01.01.06	Deferred Income Tax and Social Contribution	(2,157)	(1,946)	(120)	1,212
4.01.01.07	Equity Income	(1,021)	(1,831)	(5,554)	(11,501)
4.01.01.08	Loss in Investments	489	1,343	2,093	1,992
4.01.01.09	Provision for Contingencies	3,102	739	1,046	4,252
4.01.01.10	Interest and Monetary Variation	7,961	16,965	9,706	19,008
4.01.02	Variation in Assets and Liabilities	(9,439)	(35,911)	389	(15,570)
4.01.02.01	Accounts Receivable from Clients	(5,887)	(9,049)	(10,266)	(18,264)
4.01.02.02	Other Assets	(12,602)	(16,226)	(3,420)	(9,882)
4.01.02.03	Judicial Deposits	(300)	(475)	128	(1,553)
4.01.02.04	Suppliers	(10,123)	(31,609)	1,686	(3,558)
4.01.02.05	Taxes Payable	396	(1,232)	-	-
4.01.02.06	Payroll and Charges Payable	8,519	3,457	9,682	9,220
4.01.02.07	Commissions Payable	363	1,301	3,934	6,383
4.01.02.08	Minority Interest	-	-	-	-
4.01.02.09	Other Accounts Payable	(681)	(796)	(1,355)	2,084
4.01.02.10	Securities	8,132	15,974	-	-
4.01.02.11	Dividends Receivable	2,744	2,744	-	-
4.01.03	Other	-	-	-	-
4.02	Net Cash from Investment Activities	(12,666)	(21,076)	(22,004)	(37,435)
4.02.01	Additional Investments	(10,075)	(13,923)	(5,032)	(10,993)
4.02.02	Additional Intangible Assets	-	(1,313)	(7,997)	(8,468)

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01999-2	TOTVS S.A.	53.113.791/0001-22

04.01 – STATEMENT OF CASH FLOW – INDIRECT METHOD (in thousands of Reais)

1 – CODE	2 – DESCRIPTION	3- 4/1/2010 a 06/30/2010	4- 1/1/2010 a 06/30/2010	5- 4/1/2009 to 3/31/2009	6- 1/1/2009 to 3/31/2009
4.02.03	Decrease Investiments	(2)	-		
4.02.04	Additional Equipaments	(5.885)	(5.885(		
4.02.05	Selling Value of Permanent Assets	-	43	1,959	4,012
4.02.06	Payment for acquisition of subsidiary	3,296	2	(7,844)	(16,624)
4.03	Net Cash from Financing Activities	(53,057)	(92,392)	27,131	6,702
4.03.01	Bank Loans	-	(11,398)	44,589	44,589
4.03.02	Issuance of Debentures	-	-	-	-
4.03.03	Credit with Related Parties	(3,534)	(11,839)	(969)	1,300
4.03.04	Leasing Liabilities	-	-	-	-
4.03.05	Dividends Paid	(49,523)	(69,155)	(16,489)	(33,374)
4.03.06	Interest of Bank Loans	-	-	-	(5,813)
4.04	Exchange Variation on Cash and Cash Equivalents	-	-	-	-
4.05	Increase (Decrease) in Cash and Cash Equivalents	(11,823)	(30,578)	55,419	59,274
4.05.01	Opening Balance of Cash and Cash Equivalents	143,105	161,860	117,039	113,184
4.05.02	Closing Balance of Cash and Cash Equivalents	131,282	131,282	172,458	172,458

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05.01 – STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 01/01/2010 TO 06/30/2010 (in thousands of Reais)

1 - CODE	2 – DESCRIPTION	3 – CAPITAL STOCK	4 – CAPITAL RESERVES	5 – REVALUATION RESERVES	6 – PROFIT RESERVES	7 – RETAINED EARNINGS/ACCUMULATED LOSSES	8 – ASSETS VALUATION ADJUSTMENTS	9 - TOTAL SHAREHOLDERS' EQUITY
5.01	Opening Balance	376,493	49,743	-	87,343	-	(1,466)	512,113
5.02	Adjustments of Previous Years	-	-	-	-	-	-	-
5.03	Adjusted Balance	376,493	49,743	-	87,343	-	(1,466)	512,113
5.04	Net Income/Loss for the Period	-	-	-	-	35,209	-	35,209
5.05	Allocations	-	1,079	-	-	-	-	1,079
5.05.01	Dividends	-	-	-	-	-	-	-
5.05.02	Interest on Own Capital	-	-	-	-	-	-	-
5.05.03	Other Allocations	-	1,079	-	-	-	-	1,079
5.05.03.01	Stock Option Plan	-	1,079	-	-	-	-	1,079
5.06	Realization of Profit Reserves	-	-	-	-	-	-	-
5.07	currency translation adjustments	-	-	-	(8,986)	-	(202)	(9,188)
5.07.01	Securities Adjustments	-	-	-	-	-	-	-
5.07.02	Accumulated Translation Adjustments	-	-	-	-	-	(202)	(202)
5.07.03	Business Combination Adjustments	-	-	-	(8,986)	-	-	(8,986)
5.08	Increase/Reduction in Capital Stock	-	-	-	-	-	-	-
5.09	Recording/Realization of Capital Reserves	-	-	-	-	-	-	-
5.10	Treasury Shares	-	-	-	-	-	-	-
5.11	Other Capital Transactions	-	-	-	-	-	-	-
5.12	Other	-	-	-	-	-	-	-
5.13	Closing Balance	376,493	50,822	-	78,357	35,209	(1,668)	539,213

01.01 - IDENTIFICATION

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08.01 – CONSOLIDATED BALANCE SHEET - ASSETS (in thousand of Reais) **1 - CODE**	**2 - DESCRIPTION**	**3 – 06/30/2010**	**4 – 12/31/2009**
1	Total Assets	1,169,255	1,201,479
1.01	Current Assets	488,273	503,177
1.01.01	Cash and Cash Equivalents	188,379	230,190
1.01.01.01	Cash and Cash Equivalents	183,063	207,721
1.01.01.02	Securities	5,316	22,469
1.01.02	Credits	229,454	210,681
1.01.02.01	Clients	229,454	210,681
1.01.02.01.01	Trade Accounts Receivable	251,198	230,995
1.01.02.01.02	Allowance for Doubtful Accounts	(21,744)	(20,314)
1.01.02.02	Sundry Credits	-	-
1.01.02.02.01	Dividends Receivables	-	-
1.01.02.02.02	Recoverable Taxes	-	-
1.01.03	Inventories	-	-
1.01.04	Other	70,440	62,306
1.01.04.01	Deferred Income and Social Contribution Taxes	16,470	17,944
1.01.04.02	Recoverable Taxes	35,844	32,716
1.01.04.04	Other Current Assets	18,126	11,646
1.02	Noncurrent Assets	680,982	698,302
1.02.01	Long-term Assets	76,952	66,297
1.02.01.01	Sundry Credits	21,597	25,314
1.02.01.01.01	Trade Accounts Receivable	4,231	6,000
1.02.01.01.02	Securities	17,366	19,314
1.02.01.02	Credit with Related Parties	-	-
1.02.01.02.01	In Associated/Affiliated Companies	-	-
1.02.01.02.02	In Subsidiaries	-	-
1.02.01.02.03	Other Related Parties	-	-
1.02.01.03	Other	55,355	40,983
1.02.01.03.01	Deferred Income and Social Contribution Taxes	27,232	22,623
1.02.01.03.02	Judicial Deposits	14,688	14,213
1.02.01.03.03	Other Long-term Accounts Receivable	13,435	4,147
1.02.02	Permanent Assets	604,030	632,005
1.02.02.01	Investments	8	10
1.02.02.01.01	In Associated/ Affiliated Companies	-	-
1.02.02.01.02	In Subsidiaries	-	10
1.02.02.01.03	Other Investments	-	-
1.02.02.02	Fixed Assets	34,272	32,887
1.02.02.03	Intangible Assets	569.750	599.108

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
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08.02 – CONSOLIDATED BALANCE SHEET - LIABILITIES (in thousand of Reais)

1 - CODE	2 – DESCRIPTION	3 – 06/30/2010	4 – 12/31/2009
2	Total Liabilities	1,169,255	1,201,479
2.01	Current Liabilities	160,173	204,082
2.01.01	Loans and Financings	11,700	11,865
2.01.01.01	Loans and Financings	8,461	7,838
2.01.01.02	Leases	3,239	4,027
2.01.02	Debentures	7,197	5,218
2.01.03	Suppliers	20,663	23,984
2.01.04	Taxes and Contributions	5,907	7,198
2.01.05	Dividends Payable	745	25,947
2.01.06	Provisions	-	-
2.01.07	Debts with Related Parties	-	-
2.01.08	Other	113,961	129,870
2.01.08.01	Salaries and Charges Payable	65,049	59,199
2.01.08.02	Commissions Payable	35,206	32,765
2.01.08.03	Investment Acquisition Liabilities	11,547	34,577
2.01.08.04	Other Liabilities	2,159	3,329
2.02	Noncurrent Liabilities	463,343	460,335
2.02.01	Long-term Liabilities	463,343	460,335
2.02.01.01	Loans and Financings	209,856	212,176
2.02.01.01.01	Loans and Financings	209,095	210,038
2.02.01.01.02	Leasing	761	2,138
2.02.01.02	Debentures	216,413	212,219
2.02.01.03	Provisions	11,392	10,653
2.02.01.03.01	Provisions for Contingencies	11,392	10,653
2.02.01.04	Debts with Related Parties	-	-
2.02.01.05	Advances for Future Capital Increase	-	-
2.02.01.06	Other	25,682	25,287
2.02.01.06.01	Liabilities from Investment Acquisition	21,093	20,286
2.02.01.06.02	Other Long-term Liabilities	4,589	5,001
2.03	Deferred Income	-	-
2.04	Minority Interest	-	-
2.05	Shareholders' Equity	545,739	537,062
2.05.01	Paid-up Capital	376,493	376,493
2.05.02	Capital Reserves	50,822	48,851
2.05.03	Revaluation Reserves	-	-
2.05.03.01	Own Assets	-	-
2.05.03.02	Subsidiaries/Associated and Affiliated Companies	-	-
2.05.04	Income Reserves	120,092	113,695
2.05.04.01	Legal	11,975	11,975
2.05.04.02	Statutory	-	-

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
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08.02 – CONSOLIDATED BALANCE SHEET - LIABILITIES (in thousand of Reais)

1 - CODE	2 – DESCRIPTION	3 – 06/30/2010	4 – 12/31/2009
2.05.04.03	For Contingencies	-	-
2.05.04.04	Unrealized Profit	-	-
2.05.04.05	Retention of Profit	101,412	89,686
2.05.04.06	Special for Non-Distributed Dividends	-	-
2.05.04.07	Other Profit Reserves	6,705	12,034
2.05.04.07.01	Minority Interest	6,705	12,034
2.05.05	currency translation adjustments	(1,668)	(1,977)
2.05.05.01	Securities Adjustments	(1,668)	(1,977)
2.05.05.02	Accumulated Translation Adjustments	-	-
2.05.05.03	Business Combination Adjustments	-	-
2.05.06	Retained Earnings/Accumulated Losses	-	-
2.05.07	Advances for Future Capital Increase	-	-

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
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09.01 – CONSOLIDATED STATEMENT OF INCOME (in thousand of Reais)

1 – CODE	2 – DESCRIPTION	3- 4/1/2010 a 06/30/2010	4- 1/1/2010 a 06/30/2010	5- 4/1/2009 to 3/31/2009	6- 1/1/2009 to 3/31/2009
3.01	Gross Revenue from Sales and/or Services	298,401	584,557	262,465	512,273
3.01.01	License Fees	70,316	133,988	59,161	117,697
3.01.02	Services	90,588	175,684	80,823	154,531
3.01.03	Maintenance	137,497	274,885	122,481	240,045
3.01.04	Goods	-	-	-	-
3.02	Deductions from Gross Revenues	(28,273)	(54,007)	(22,182)	(43,616)
3.02.01	Cancellation of Services and Sales	(8,508)	(15,902)	(5,051)	(10,568)
3.02.02	Taxes on Services and Sales	(19,765)	(38,105)	(17,131)	(33,048)
3.03	Net Revenue from Sales and/or Services	270,128	530,550	240,283	468,657
3.04	Cost of Goods Sold and/or Services Rendered	(93,961)	(188,338)	(76,824)	(149,662)
3.04.01	Cost of License Fees	(6,933)	(11,878)	(5,638)	(11,174)
3.04.02	Cost of Services	(86,586)	(174,439)	(71,167)	(138,407)
3.04.03	Cost of Sales	(442)	(2,021)	(19)	(81)
3.05	Gross Profit	176,167	342,212	163,459	318,995
3.06	Operating Income/Expenses	(138,419)	(271,927)	(130,961)	(251,844)
3.06.01	Selling	(16,576)	(34,212)	(12,784)	(25,414)
3.06.02	General and Administrative	(17,911)	(36,183)	(18,771)	(39,504)
3.06.03	Financial	(5,799)	(14,818)	(9,249)	(17,378)
3.06.03.01	Financial Income	5,867	11,438	6,737	13,677
3.06.03.02	Financial Expenses	(11,666)	(26,256)	(15,986)	(31,055)
3.06.04	Other Operating Income	-	-	-	-
3.06.05	Other Operating Expenses	(98,133)	(186,714)	(90,157)	(169,548)
3.06.05.01	Research and Development	(36,186)	(69,660)	(28,887)	(55,614)
3.06.05.02	Advertising Expenses	(8,770)	(14,535)	(9,110)	(12,353)
3.06.05.03	Commissions	(27,468)	(50,663)	(25,207)	(48,685)
3.06.05.04	Management Compensation	(7,653)	(12,635)	(6,972)	(14,997)
3.06.05.05	Depreciation and Amortization	(19,200)	(38,483)	(16,950)	(34,085)
3.06.05.06	Expense of Allowance for Doubtful Accounts	(2.464)	(4.661)	(2.635)	(4.522)

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
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09.01 – CONSOLIDATED STATEMENT OF INCOME (in thousand of Reais)

1 – CODE	2 – DESCRIPTION	3- 4/1/2010 a 06/30/2010	4- 1/1/2010 a 06/30/2010	5- 4/1/2009 to 3/31/2009	6- 1/1/2009 to 3/31/2009
3.06.05.07	Extraordinary Expenses	-	-	-	-
3.06.05.08	Other Net Operating Expenses	3,608	3,923	(396)	708
3.06.06	Equity Pickup	-	-	-	-
3.07	Operating Income	37,748	70,285	32,498	67,151
3.08	Non-Operating Income	-	-	-	-
3.08.01	Income	-	-	-	-
3.08.02	Expenses	-	-	-	-
3.09	Income Before Tax/Interests	37,748	70,285	32,498	67,151
3.10	Provision for Income Tax and Social Contribution	(6,295)	(11,840)	(5,063)	(8,956)
3.11	Deferred Income Tax	3,228	4,087	156	(820)
3.12	Statutory Interests/Contributions	-	-	-	-
3.12.01	Interests	-	-	-	-
3.12.02	Contributions	-	-	-	-
3.13	Reversal of Interest on Own Capital	-	-	-	-
3.14	Minority Interests	-	-	-	-
3.15	Net Income/Loss for the Period	34,681	62,532	27,591	57,375
	No. SHARES, EX-TREASURY (in Units)	31.152.402	31.152.402	31.152.402	31.152.402
	EARNINGS PER SHARE (Reais)	0,00111	0,00201	0,00089	0,00184
	LOSS PER SHARE (Reais)				

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
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10.01 – STATEMENT OF CASH FLOW – INDIRECT METHOD (in thousand of Reais)

1 – CODE	2 – DESCRIPTION	3- 4/1/2010 a 06/30/2010	4- 1/1/2010 a 06/30/2010	5- 4/1/2009 to 3/31/2009	6- 1/1/2009 to 3/31/2009
4.01	Net Cash from Operating Activities	47,142	69,250	45,177	91,547
4.01.01	Cash Generated in the Operations	68,241	124,823	55,886	118,839
4.01.01.01	Net Income for the Year	34,681	62,532	27,591	57,375
4.01.01.02	Depreciation and Amortization	19,200	38,483	16,950	34,085
4.01.01.03	Share-Based Payment	1,079	1,971	223	690
4.01.01.04	Loss in Sale of Permanent Assets	3,049	3,273	(2,762)	(2,134)
4.01.01.05	Allowance for Doubtful Accounts	2,464	4,661	2,635	4,522
4.01.01.06	Deferred Income Tax and Social Contribution	(3,228)	(4,087)	(156)	820
4.01.01.07	Interest Rates and Monetary Variation	7,894	17,251	10,359	19,229
4.01.01.08	Provision for Contingencies	3,102	739	1,046	4,252
4.01.01.11	Minority Interest in Income	-	-	-	-
4.01.02	Variation in Assets and Liabilities	(21,099)	(55,573)	(10,709)	(27,292)
4.01.02.01	Accounts Receivables from Clients	(13,987)	(21,665)	(17,586)	(25,795)
4.01.02.02	Other Assets	(10,518)	(18,896)	(9,316)	(12,150)
4.01.02.03	Judicial Deposits	(300)	(475)	128	(1,553)
4.01.02.04	Suppliers	(13,008)	(36,064)	2,367	(3,270)
4.01.02.05	Taxes payable	414	(1,291)	-	-
4.01.02.06	Payroll and Charges Payable	10,007	5,850	10,881	10,167
4.01.02.07	Commissions Payable	763	2,441	3,932	6,161
4.01.02.08	Other Accounts Payable	(956)	(361)	(1,659)	(1,480)
4.01.02.09	Minority Interest in Capital	(4,236)	(4,213)	544	628
4.01.02.10	Security	10,722	19,101	-	-
4.01.03	Other	-	-	-	-
4.02	Net Cash from Investment Activities	(3,435)	(13,781)	(18,391)	(31,332)
4.02.01	Payment of Subsidiaries Acquisition	(2)	-	(8,290)	(16,973)

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
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10.01 – STATEMENT OF CASH FLOW – INDIRECT METHOD (in thousand of Reais)

1 – CODE	2 – DESCRIPTION	3- 4/1/2010 a 06/30/2010	4- 1/1/2010 a 06/30/2010	5- 4/1/2009 to 3/31/2009	6- 1/1/2009 to 3/31/2009
4.02.02	Additional Intangible Assets	-	(6,618)	(10,056)	(12,154)
4.02.03	Selling Value of Permanent Assets	-	43	3,959	4,012
4.02.04	Additional Equipment	(3,435)	(7,208)	(4,004)	(6,217)
4.02.05	Sale or Merge of Subsidiary	2	2	-	-
4.03	Net Cash from Financing Activities	(49,097)	(80,127)	28,064	5,370
4.03.01	Bank Loans	-	(11,398)	44,589	44,589
4.03.02	Issuance of Debentures	-	-	-	-
4.03.03	Leasing Liabilities	-	-	-	-
4.03.04	Dividends Paid	(49,097)	(68,729)	(16,525)	(33,406)
4.03.06	Interest of Bank Loans	-	-	-	(5,813)
4.04	Exchange Variation on Cash and Cash Equivalents	-	-	-	-
4.05	Increase (Decrease) in Cash and Cash Equivalents	(5,390)	(24,658)	54,850	65,585
4.05.01	Opening Balance of Cash and Cash Equivalents	188,453	207,721	158,141	147,406
4.05.02	Closing Balance of Cash and Cash Equivalents	183,063	183,063	212,991	212,991

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
01999-2	TOTVS S.A.	53.113.791/0001-22

11.01 – CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 01/01/2010 TO 06/30/2010(in thousand of Reais)

1 - CODE	2 – DESCRIPTION	3 – CAPITAL STOCK	4 – CAPITAL RESERVES	5 – REVALUATION RESERVES	6 – PROFIT RESERVES	7 – RETAINED EARNINGS/ACCUMULATED LOSSES	8 – ASSETS VALUATION ADJUSTMENTS	9 - TOTAL SHAREHOLDERS' EQUITY
5.01	Opening Balance	376,493	49,743	-	98,042	-	(1,466)	522,812
5.02	Adjustments of Previous Years	-	-	-	-	-	-	-
5.03	Adjusted Balance	376,493	49,743	-	98,042	-	(1,466)	522,812
5.04	Net Income/Loss for the Period	-	-	-	-	34,681	-	34,681
5.05	Allocations	-	1,079	-	-	-	-	1,079
5.05.01	Dividends	-	-	-	-	-	-	-
5.05.02	Interest on Own Capital	-	-	-	-	-	-	-
5.05.03	Other Allocations	-	1,079	-	-	-	-	1,079
5.05.03.01	Stock Option Plan	-	1,079	-	-	-	-	1,079
5.06	Realization of Profit Reserves	-	-	-	-	-	-	-
5.07	currency translation adjustments	-	-	-	-	-	(202)	(202)
5.07.01	Securities Adjustments	-	-	-	-	-	-	-
5.07.02	Accumulated Translation Adjustments	-	-	-	-	-	(202)	(202)
5.07.03	Business Combination Adjustments	-	-	-	-	-	-	-
5.08	Increase/Reduction in Capital Stock	-	-	-	(8,986)	-	-	(8,986)
5.08.01	Minority Interest Aquisition	-	-	-	(8,986)	-	-	(8,986)
5.09	Recording/Realization of Capital Reserves	-	-	-	-	-	-	-
5.10	Treasury Shares	-	-	-	-	-	-	-
5.11	Other Capital Transactions	-	-	-	-	-	-	-
5.12	Other	-	-	-	(3,645)	-	-	(3,645)
5.12.01	Minority Interest	-	-	-	(3,297)	-	-	(3,297)
5.12.02	Other	-	-	-	(348)	-	-	(3,297)
5.13	Closing Balance	376.493	50.822	0	85.411	34.681	(1.688)	545.739

*** (In thousands of reais) ***

1. Operations

Totvs S.A., (hereinafter referred to as “Parent Company”, “Totvs”, or “the Company”) is a publicly-held corporation with headquarters in the City of São Paulo, State of São Paulo, whose shares are traded on the São Paulo Stock Exchange (Bovespa).

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

During the period ended June 30, 2010 and the year ended December 31, 2009, the Company carried out important transactions involving business combinations and mergers of subsidiaries as disclosed in the Note 4.

2. Preparation and Presentation of the Financial Statements

The Company’s financial statements for the periods ended June 30, 2010 and December 31, 2009 include:

- Parent Company financial statements;
- Consolidated financial statements of the Company and its Subsidiaries.

The financial statements were prepared and disclosed pursuant to the accounting practices adopted in Brazil, the Brazilian Corporate Law, the resolutions of the Brazilian Securities and Exchange Commission (CVM), and the Pronouncements, Guidelines and Interpretations of the Brazilian Accounting Standards Board (CPC) issued up to December 31, 2009, that is, in full compliance with the Brazilian accounting standards.

The preparation of the Quarterly Financial Information (Parent Company and Consolidated) according to the accounting practices adopted in Brazil and the rules of the Brazilian Securities and Exchange Commission (CVM), and of Consolidated Quarterly Information based on the international accounting standards (without reconciliation items with the information prepared based on the accounting practices adopted in Brazil), applicable to the preparation of Interim Financial Reporting (“IAS 34”) issued by the “International Accounting Standards Board – IASB”, requires the use of certain accounting estimates by the Company's Management in the recording of assets and liabilities. Estimates may differ from the amounts recorded.

*** (In thousands of reais) ***

2. Preparation and Presentation of the Financial Statements – *continued…*

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

CPC 37 (IFRS 1) requires that an entity develop accounting policies based on the IASB standards and interpretations effective on the closing date of the first consolidated financial statement, and such policies shall be applied on the transition date and during all periods presented in the first IFRS statements. The Company's transition date is January 1, 2009. The Company has adopted all Pronouncements, Guidelines and Interpretations of the CPC issued up to December 31, 2009, are aligned with the international accounting standards.

The main differences between the practices adopted on the transition date, including assets, liabilities, shareholders' Equity and comprehensive income reconciliations, and the practices adopted for the presentation of comparable financial information are described on Note 2.1.3.

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

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

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

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

*** (In thousands of reais) ***

2. Preparation and Presentation of the Financial Statements – *continued…*

• **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments** – IFRIC 19 was issued in November 2009 and is effective as of July 1, 2010, and its early application is allowed. This interpretation clarifies requirements of the International Financial Reporting Standards (IFRS) whenever an entity renegotiates the terms of a financial liability with its creditor and the latter accepts that entity's shares and other equity instruments in order to partially or fully settle the financial liability. The Company does not expect IFRIC 19 to cause any impacts on its consolidated quarterly information.

There are no other standards and interpretations issued and not yet adopted that might, in the management's opinion, have a significant impact on the income or equity disclosed by the Company.

The Company's Management authorized the completion of the preparation of the financial statements on July 26, 2010.

2.1. Accounting practices transition

2.1.1. CPC 37 (IFRS 1)

Up to December 31, 2009, the Company's financial statements were prepared based on the accounting practices adopted in Brazil, additional rules of the Brazilian Securities and Exchange Commission (CVM), technical pronouncements of the Accounting Standards Board issued up to December 31, 2008, and provisions in the Brazilian Corporate Law (BRGAAP).

The Company has prepared its opening balance sheet with transition date on January 1, 2009. Therefore, it has adopted the mandatory exceptions and certain optional exemptions of full retrospective adoption, according to Technical Pronouncements, Interpretations and Guidelines issued by the Accounting Standards Board – (CPC) and approved by the Brazilian Securities and Exchange Commission – (CVM) for Quarterly Financial Information (Parent Company and Consolidated) and according to the International Financial Reporting Standards - IFRS, applicable to the preparation of Interim Financial Reporting (IAS 34) issued by the "International Accounting Standards Board – IASB" for Consolidated Quarterly Financial Information.

*** (In thousands of reais) ***

2. Preparation and Presentation of the Financial Statements – *continued…*

2.1. Accounting practices transition – *continued…*

2.1.1. CPC 37 (IFRS 1) – *continued…*

The Financial Statements (Parent Company) for the year ended December 31, 2010 will be the first to be presented with the full adoption of the CPC and, consequently, of the "International Financial Reporting Standard – IFRS." Quarterly information was prepared based on the Official Circular Letter CVM 01/2010.

2.1.2 Mandatory exceptions and exemptions to retrospective adoption

CPC 37 (IFRS 1) allows for companies to adopt certain voluntary exemptions. The Company has analyzed all voluntary exemptions. Below the Company presents the result of such analysis on its operations and the treatment given by the Company (indicating the corresponding International Standard):

a) **Mandatory exceptions for business combination:** The Company adopted CPC 15 (IFRS 3R) starting in January 1, 2010, with retrospective effect only for the immediately previous year (starting January 1, 2009);

b) **Exemption for the presentation of fair value of property, plant and equipment at acquisition cost:** The Company has chosen not to measure its property, plant and equipment again on the transition date at fair value. Instead, it has chosen to maintain the acquisition cost according to BRGAAP as the value for its property, plant and equipment;

c) **Exemption regarding the measurement of financial instruments:** The Company has reclassified its financial liabilities to liabilities and shareholders' equity items, according to CPC 39 (IAS 32);

d) **Effects of changes in foreign exchange rates and translation of financial statements to the presentation currency:** The Company recorded the adjustment of accumulated exchange differences from the translation of the financial statements of subsidiaries overseas for the year ended December 31, 2008, according to CPC 02 (IAS 21).

e) **Share-based payment:** Stock-Option Plans have been recorded according to international standards since the year ended December 31, 2008, following the publication of CPC 10 (IFRS 2).

*** (In thousands of reais) ***

2. Preparation and Presentation of the Financial Statements – *continued…*

2.1. Accounting practices transition – *continued…*

2.1.2. Mandatory exceptions and exemptions to retrospective adoption – ***continued…***

The following exemptions are not applicable to the operations and do not impact the financial statements on the first-time adoption date:

a) **Employee benefits (CPC 33 - IAS 39):** The Company does not have private pension plans characterized as defined benefit plan.

b) **Insurance Contracts (CPC11 - IFRS 4):** The standard does not apply to the Company's operations.

c) **Service Concession Arrangements (ICPC01 - IFRIC 12):** The Company does not have public service concession operations.

d) **Borrowing Costs (CPC 20 - IAS 23):** The Company has no loans attributable to assets under construction on the transition date.

While CPC 37 prescribes voluntary adjustment exemptions it also expressly forbids the adjustment of certain transaction on the first-time adoption, since the adoption in these areas would require the management to analyze past events after the result of such transactions. The mandatory exemptions include:

a) **Accounting for financial assets and liabilities write-offs:** The Company has not retrospectively adjusted its financial assets and liabilities for the first-time adoption of the CPC.

b) **Recording hedge operations:** The Company had no hedge operations for purposes of the CPC on the transition date.

c) **Changes in estimates:** The estimates adopted on the transition to CPC are in line with the estimates made based on the previous accounting standards.

d) **Discontinued operations:** The Company had no discontinued operations on the date of adoption of the CPC.

*** (In thousands of reais) ***

2. Preparation and Presentation of the Financial Statements – *continued…*

2.1. Accounting practices transition – *continued…*

2.1.3. Reconciliation of the accounting practices adopted in the preparation of the financial information previously disclosed with the present quarterly information

As mentioned in the paragraph 23 and 24 of CPC 21 – (IAS14), the Company presents the reconciliation of assets, liabilities, income, shareholders' equity and comprehensive income, for the Parent Company and Consolidated, for the quarterly or annual information previously disclosed for the periods ended January 1, 2009 (transition date), June 30, 2009 and December 31, 2009, prepared based on the BRGAAP in effect up to December 31, 2009 and to the CPC in effect in 2010.

		Opening Balance - 01.01.2009					
		Parent Company			Consolidated		
	Note	BRGAAP	Adjust-ments	CPC	BRGAAP	Adjust-ments	CPC
Current Assets		**250,834**	**-**	**250,834**	**332,644**	**-**	**332,644**
Cash and cash equivalents		103,215	-	103,215	134,978	-	134,978
Credits		112,284	-	112,284	153,213	-	153,213
Other		35,335	-	35,335	44,453	-	44,453
Non-current assets		**752,272**	**-**	**752,272**	**707,689**	**-**	**707,689**
Long-Term Asset		85,319	-	85,319	65,502	-	65,502
Fixed Assets		666,953	-	666,953	642,187	-	642,187
Total Assets		**1,003,106**	**-**	**1,003,106**	**1,040,333**	**-**	**1,040,333**

		Opening Balance - 01.01.2009					
		Parent Company			Consolidated		
	Note	BRGAAP	Adjust-ments	CPC	BRGAAP	Adjust-ments	CPC
Current liabilities		**137,703**	**(16,511)**	**121,192**	**167,589**	**(16,511)**	**151,078**
Dividends Payable	**(a)**	33,673	(16,511)	17,162	33,724	(16,511)	17,213
Other liabilities		104,030	-	104,030	133,865	-	133,865
Non-Current liabilities	**(b)**	**411,725**	**-**	**411,725**	**419,066**	**(5,541)**	**413,525**
Long-Term Liability		411,725	-	411,725	413,525	-	413,525
Other liabilities		411,725	-	411,725	413,525	-	413,525
Non-controlling Interests	**(b)**	-	-	-	5,541	(5,541)	-
Shareholders' Equity	**(a)**	**453,678**	**16,511**	**470,189**	**453,678**	**22,052**	**475,730**
Total liabilities+Shareholders' equity		**1,003,106**	**-**	**1,003,106**	**1,040,333**	**-**	**1,040,333**

*** (In thousands of reais) ***

2. Preparation and Presentation of the Financial Statements – *continued…*

2.1. Accounting practices transition – *continued…*

2.1.3. Reconciliation of the accounting practices adopted in the preparation of the financial information previously disclosed with the present quarterly information - *continued…*

		06.30.2009					
		Parent Company			Consolidated		
	Note	BRGAAP	Adjust-ments	CPC	BRGAAP	Adjust-ments	CPC
Current Assets		**346,747**	**-**	**346,747**	**437,899**	**-**	**437,899**
Cash and cash equivalents		172,458	-	172,458	212,991	-	212,991
Credits		147,262	-	147,262	193,784	-	193,784
Other		27,027	-	27,027	31,124	-	31,124
Non-current assets		**739,165**	**(2,976)**	**736,189**	**686,659**	**(2,976)**	**683,683**
Long-Term Asset		76,543	-	76,543	57,244	-	57,244
Fixed Assets	**(c)**	662,622	**(2,976)**	659,646	629,415	**(2,976)**	626,439
Total Assets		**1,085,912**	**(2,976)**	**1,082,936**	**1,124,558**	**(2,976)**	**1,121,582**

		06.30.2009					
		Parent Company			Consolidated		
	Note	BRGAAP	Adjust-ments	CPC	BRGAAP	Adjust-ments	CPC
Current liabilities		**122,349**	**-**	**122,349**	**149,387**	**-**	**149,387**
Dividends Payable		216	-	216	235	-	235
Other liabilities		122,133	-	122,133	149,152	-	149,152
Non-Current liabilities	**(b)**	**455,381**	**-**	**455,381**	**459,088**	**(**7,901**)**	**459,088**
Long-Term Liability		455,381	-	455,381	459,088	-	459,088
Other liabilities		-	-	-	-	-	-
Non-controlling Interests	**(b)**	**-**	**-**	**-**	**7,901**	**(7,901)**	**-**
Shareholders' Equity	**(a)**	**508,182**	**(2,976)**	**505,206**	**508,182**	4,925	**513,107**
Total liabilities+Shareholders' Equity		**1,085,912**	**(2,976)**	**1,082,936**	**1,124,558**	**(2,976)**	**1,121,582**

*** (In thousands of reais) ***

2. Preparation and Presentation of the Financial Statements – *continued…*

2.1. Accounting practices transition – *continued…*

2.1.3. Reconciliation of the accounting practices adopted in the preparation of the financial information previously disclosed with the present quarterly information – *continued…*

		Income from 04/01/2009 to 06/30/2009					
		Parent Company			Consolidated		
	Note	BRGAAP	Adjustments	CPC	BRGAAP	Adjustments	CPC
Gross Sales and/or Service Revenue		202,425	-	202,425	262,466	-	262,466
Net Sales and/or Service Revenue		186,011	-	186,011	240,284	-	240,284
Cost of Goods Sold and/or Services Rendered		(50,592)	-	(50,592)	(76,825)	-	(76,825)
Gross Profit		135,419	-	135,419	163,459	-	163,459
Operating expenses		(107,808)	-	(107,808)	(130,962)	-	(130,962)
Operating Income		27,611	-	27,611	32,497	-	32,497
Provision for Income Tax and Social Contribution		(1,120)	-	(1,120)	(5,062)	-	(5,062)
Deferred Income Tax		119	-	119	156	-	156
Minority Interest	**(b)**	-	-	-	(981)	981	-
Net Income for the Period		**26,610**	**-**	**26,610**	**26,610**	**981**	**27,591**

		Income from 01/01/2009 to 06/30/2009					
		Parent Company			Consolidated		
	Note	BRGAAP	Adjustments	CPC	BRGAAP	Adjustments	CPC
Gross Sales and/or Service Revenue		397,477	-	397,477	512,273	-	512,273
Net Sales and/or Service Revenue		365,272	-	365,272	468,657	-	468,657
Cost of Goods Sold and/or Services Rendered		(99,265)	-	(99,265)	(149,662)	-	(149,662)
Gross Profit		266,007	-	266,007	318,995	-	318,995
Operating expenses		(206,545)	-	(206,545)	(251,844)	-	(251,844)
Operating Income		59,462	-	59,462	67,151	-	67,151
Provision Income Tax and Social Contribution		(2,607)	-	(2,607)	(8,956)	-	(8,956)
Deferred Income Tax		(1,212)	-	(1,212)	(820)	-	(820)
Minority Interest	**(b)**	-	-	-	(1,732)	1,732	-
Net Income for the Period		**55,643**	**-**	**55,643**	**55,643**	**1,732**	**57,375**

*** (In thousands of reais) ***

2. Preparation and Presentation of the Financial Statements – *continued…*

2.1. Accounting practices transition – *continued…*

2.1.3. Reconciliation of the accounting practices adopted in the preparation of the financial information previously disclosed with the present quarterly information – *continued…*

		12.31.2009					
		Parent Company			Consolidated		
	Note	BRGAAP	Adjust-ments	CPC	BRGAAP	Adjust-ments	CPC
Current Assets		**399,078**	**-**	**399,078**	**503,177**	**-**	**503,177**
Cash and cash equivalents		183,310	**-**	183,310	230,190	**-**	230,190
Credits		160,867	**-**	160,867	210,681	**-**	210,681
Other		54,901	**-**	54,901	62,306	**-**	62,306
Non-current assets		**771,762**	**(13,162)**	**758,600**	**705,926**	**(7,624)**	**698,302**
Long-Term Asset	**(d)**	77,185	**6,770**	83,955	59,527	**6,770**	66,297
Fixed Assets	**(c)**	694,577	(19,932)	674,645	646,399	(14,394)	632,005
Total Assets		**1,170,840**	**(13,162)**	**1,157,678**	**1,209,103**	**(7,624)**	**1,201,479**

		12.31.2009					
		Parent Company			Consolidated		
	Note	BRGAAP	Adjust-ments	CPC	BRGAAP	Adjust-ments	CPC
Current liabilities		**218,815**	**(43,527)**	**175,288**	**247,609**	**(43,527)**	**204,082**
Dividends Payable	**(a)**	69,474	(43,527)	25,947	69,474	(43,527)	25,947
Other liabilities		149,341	-	149,341	178,135	-	178,135
Non-Current liabilities	**(b)**	**450,554**	**6,770**	**457,324**	**460,023**	**312**	**460,335**
Long-Term Liability		450,554	6,770	457,324	453,565	6,770	460,335
Other liabilities	**(d)**	450,554	6,770	457,324	453,565	6,770	460,335
Non-controlling Interests	**(b)**	-	-	-	6,458	(6,458)	-
Shareholders' Equity	**(a)**	**501,471**	**23,595**	**525,066**	**501,471**	**35,591**	**537,062**
Total liabilities+Shareholders' Equity		**1,170,840**	**(13,162)**	**1,157,678**	**1,209,103**	**(7,624)**	**1,201,479**

*** (In thousands of reais) ***

2. Preparation and Presentation of the Financial Statements – *continued…*

2.1. Accounting practices transition – *continued…*

2.1.3. Reconciliation of the accounting practices adopted in the preparation of the financial information previously disclosed with the present quarterly information – *continued…*

The summary of adjustments is as follows:

		Parent Company			
		Shareholders' Equity		Income for the Period	
	Note	12/31/2009	1/1/2009	04/01/2009 to 06/30/2009	01/01/2009 to 06/30/2009
According to CPC		**525,066**	**470,189**	**26,610**	**55,643**
Dividends	(a)	(43,527)	(16,511)	-	-
Acquisition of minority interest	(c)	19,932	-	-	-
BR GAAP (effective up to 12.31.2009)		**501,471**	**453,678**	**26,610**	**55,643**

		Consolidated			
		Shareholders' Equity		Income for the Period	
	Note	12/31/2009	1/1/2009	04/01/2009 to 06/30/2009	01/01/2009 to 06/30/2009
According to CPC		**537,062**	**475,730**	**27,591**	**57,375**
Dividends	**(a)**	(43,527)	(16,511)	-	-
Minority Interest	**(b)**	(6,458)	(5,541)	(981)	(1,732)
Acquisition of minority interest	**(c)**	14,394	-	-	-
BR GAAP (effective up to 12.31.2009)		**501,471**	**453,678**	**26,610**	**55,643**

The cash flows of the Parent Company and Consolidated on January 01, 2009 and December 31, 2009, prepared in compliance with the accounting practices adopted in Brazil up to December 31, 2009, do not have any differences with the adoption of the Pronouncements, interpretations and technical guidance issued by the Brazilian Accounting Standards Board (CPC), except of the dividends' treatment as described in the Note (a) below.

*** (In thousands of reais) ***

2. Preparation and Presentation of the Financial Statements – *continued…*

2.1. Accounting practices transition – *continued…*

2.1.3. Reconciliation of the accounting practices adopted in the preparation of the financial information previously disclosed with the present quarterly information – *continued…*

a) Proposed dividends

According to CPC24, only the minimum mandatory dividends (25% of adjusted income) are recognized as liability before approval by the shareholders.

b) Minority Interest

According to CPC36, the minority shareholders' stake is part of the shareholders' equity and of the group's result.

c) Business combination

According to CPC36 and CPC15, amounts overpaid in the acquisition of minority interests of subsidiaries: RO in June 2009 of R$2,976, YMF in September 2009 of R$15,478 and Tools in September 2009 of R$1,462, in the total amount of R$19,916, previously classified as goodwill based on the CVM Rule 247, are recorded as reductions to shareholders' equity and correspond to the fair value of the interest held by non-controlling shareholder due to expected purchase of minority interest. In regards of the acquisition of 70% TotalBanco, the 30% remainder related to the minority is recorded considering the fair value based on the expectation of the minority's purchase. Therefore, the impact of this transaction was recorded retrospectively to December 31, 2009 in the amount of R$5,576 increasing the consolidated intangibles assets and equity.

d) Court deposits bound to provisioned lawsuits

In accordance with CPC 25 (Provisions, Assets and Contingent Liabilities) court deposits bound to provisioned lawsuits should be disclosed separately.

2.1.4 – Reconciliation of accounting information included in the quarterly information prepared pursuant to the accounting practices adopted in Brazil with the International Financial Reporting Standards - IFRS approved by the IASB

In view of the adoption of the CPC effective in 2010, retroactively to January 1, 2009 (transition date), the Consolidated financial statements included in the quarterly financial information do not present reconciliation items regarding the information prepared according to the International Financial Reporting Standards – IFRS approved by the International Accounting Standard Board – IASB. Therefore, Management understands the Company is in full compliance with the new IFRS requirements for the disclosure of consolidated accounting information, since its consolidated financial statements included in the quarterly information are identical to those prepared after the full adoption of the CPC described above.

2. Preparation and Presentation of the Financial Statements – *continued…*

*** (In thousands of reais) ***

2.2. Accounting practices transition – *continued…*

2.1.5 – Reconciliation of Shareholders' Equity and Result for the period for the Parent Company and Consolidated pursuant to the CPC

	Note	Shareholders' Equity			Income for the Period			
		06/30/2010	12/31/2009	1/1/2009	4/1/2010 to 06/30/2010	1/1/2010 to 06/30/2010	4/1/2009 to 06/30/2009	1/1/2009 to 03/31/2009
Parent Company		**539,213**	**525,066**	**470,189**	**35,209**	**63,788**	**26,610**	**55,643**
Minority Interest	(a)	6,705	12,034	5,541	(348)	1,076	981	1,732
Amortization of intangibles	(b)	(179)	(38)	-	(180)	(180)	-	-
Consolidated		**545,739**	**537,062**	**475,730**	**34,681**	**62,532**	**27,591**	**57,375**

(a) According to CPC36, the minority interest is part of the shareholders' equity and of the group's result.
(b) Amortization of allocated intangibles recorded in the Consolidated Statement, net of deferred taxes.

*** (In thousands of reais) ***

2. Preparation and Presentation of the Financial Statements – *continued…*

2.2. Consolidation

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

	Interest			
	June 30, 2010		December 31, 2009	
Subsidiary	**Direct**	**Indirect**	**Direct**	**Indirect**
Totvs Rio Software Ltda. ("Totvs Rio")	100%	-	100%	-
Microsiga Argentina S.A. ("Microsiga Argentina")	100%	-	100%	-
Microsiga México S.A. ("Microsiga México")	98%	-	98%	-
Microsiga Corporation ("Microsiga Corporation")	100%	-	100%	-
Microsiga Nordeste Software Ltda. ("Microsiga Nordeste")	100%	-	100%	-
Setware Informática Ltda. ("Setware")	-	100%	-	100%
Totvs Brasília Software Ltda. ("Totvs Brasília")	100%	-	100%	-
RO Resultados em Outsourcing S.A. ("RO")	100%	-	100%	-
Inteligência Organizacional Serviços, Sistemas e Tecnologia em Software Ltda. ("IOSSTS")	100%	-	100%	-
Eurototvs Ltda. ("Eurototvs")	100%	-	100%	-
TQTVD Software Ltda. ("TQTVD") **(c)**	100%	-	55%	-
Look S.A. ("Look")	100%	-	100%	-
BCS Comércio e Serviços de Informática Ltda. ("BCS Comércio")	100%	-	100%	-
BCS Engenheiro Associados Ltda. ("BCS Engenharia")	100%	-	100%	-
BCSFLEX Comércio e Serviços de Informática Ltda. ("BCS Flex")	100%	-	100%	-
HBA Informática Ltda. ("HBA")	100%	-	100%	-
Midbyte Informática S.A. ("Midbyte") **(c)**	100%	-	70%	-
Datasul S.A. de CV ("Datasul México")	100%	-	100%	-
Datasul Incorporation ("Datasul USA")	100%	-	100%	-
Datasul Argentina S.A. ("Datasul Argentina")	100%	-	100%	-
Datasul Serviços em Informática e consultoria S.A. ("Datasul Serviços")	100%	-	100%	-
Gens Tecnologia da Informação Ltda. ("Gens")	100%	-	100%	-
YMF Arquitetura Financeira de Negócios S.A. ("YMF")	100%	-	100%	-
Tools Arquitetura Financeira de Negócios S.A. ("TOOLS")	100%	-	100%	-
DTSL Sistemas e Serviços de Informática S.A. ("DTSL")	100%	-	100%	-
Soft Team Consultoria e informática Ltda. ("Soft Team") **(b)**	-	100%	-	100%
DTS Consulting Partner, AS de CV ("Partner")	-	100%	-	100%
Hery Software Ltda. ("Hery")	100%	-	100%	-
Totalbanco Consultoria e Sistemas Ltda. ("Totalbanco")	-	70%	70%	-
Totalbanco S.A.	100%			
M2S Serviços de Suporte Ltda **(a)**	-	100%	-	-

(a) Business combination in 2010, see Note 4.
(b) Subsidiary sold in 2010 for R$9,500 that generated a gain of R$3,434 and recorded as "other net operating revenues and expenses".
(c) Acquisition of minority interest in 2010, see Note 4.

*** (In thousands of reais) ***

2. Basis for Preparation and Presentation of the Financial Statements – *continued…*

2.2. Consolidation – *continued…*

The results of acquired/merged subsidiaries during the first half of 2010 and year 2009 are included in the statements of income as of the date of their acquisition/combination. Therefore, for comparison purposes of the consolidated and parent company's results between 2010 and 2009, we must consider the dates of acquisition and incorporation of each subsidiary's results.

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

3. Main Accounting Practices

a) Revenues and expenses

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

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

The revenues from services are billed separately and recognized as the services are rendered. Revenues related to technological upgrade and help desk service are billed and recognized on a monthly basis, during the effectiveness of the agreement with clients.

Booked revenues which do not achieve the mentioned recognition criteria are reversed from the revenues account, and wrote-down under their respective accounts receivables group.

*** (In thousands of reais) ***

3. Main Accounting Practices – *continued…*

a) Revenues and expenses – *continued…*

Revenues are presented in the net income for the year by their gross value, i.e., they include taxes levied thereon, which are presented as revenue deductions.

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

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

b) Translation of foreign currency-denominated balances

The functional currency of the Company and its subsidiaries based in Brazil is the Brazilian Real, the same currency used in the preparation and presentation of parent company and consolidated financial statements. The financial statements of each subsidiary included in the Company's consolidation and those evaluated according to the equity accounting method are prepared based on the functional currency of each entity.

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

*** (In thousands of reais) ***

3. Main Accounting Practices – *continued…*

c) Cash and cash equivalents

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

d) Trade accounts receivable

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

e) Investments

The Company's investments in subsidiaries are valued by the equity accounting method. (Note 11)

f) Property, plant and equipment

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

ICPC 10 Interpretation on the First-time Application of Technical Pronouncements CPC 27, 28, 37 and 43 to Property, Plant and Equipment and to Investment Property, approved by CVM Resolution 619, of December 22, 2009: this interpretation aims at discussing some subjects related to the first-time implementation of Technical Pronouncements CPC 27 - Property, Plant and Equipment, CPC 28 - Investment Property, CPC 37 - First-time Application of International Accounting Standards and CPC 43 - First-Time Adoption of Technical Pronouncements CPC 15 through 40.

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

The application of this Technical Pronouncement will not have significant impacts on the Company.

*** (In thousands of reais) ***

3. Main Accounting Practices – *continued…*

g) Leasing

Financial lease agreements are recognized in property, plant and equipment and in liabilities of loans and financing. The amounts recorded in property, plant and equipment are depreciated for the lesser term between the estimated economic-useful life of assets and the estimated duration of the leasing agreement. Operating leasing agreements are recognized as expense on a basis that represents the period in which the benefit over leased asset is obtained, even if these payments are not provided on this same basis.

h) Intangible assets

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

The assets with indeterminate useful life were amortized by the straight-line method until December 31, 2008. This is the case of goodwill derived from business combinations, which is economically based on future profitability and amortized on a straight-line basis for a term between 5 and 10 years until December 31, 2008, based on its projections within terms mentioned (Note 13).

Goodwill has no longer been amortized as of January 1, 2009. For business combinations, in 2009 and 2008 the Company recorded assets and liabilities identified by their fair value, so that only the portion that exceeded the difference between the fair value (market value) of these assets and liabilities and the book value, was recorded as goodwill.

Therefore, identifiable intangible assets with defined useful life will continue being amortized based on their estimated useful lives, taking into account their economic fundamentals (Note 13).

i) Provision for asset impairment

The Management annually reviews the net book value of assets with a view to evaluating events or changes in economic, operational or technological circumstances that may indicate deterioration or impairment.

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

j) Other assets and liabilities

A liability is recognized in the balance sheet when the Company has a legal obligation or obligation resulting from a past event, and will probably require an economic resource to settle it. Provisions are recorded based on the best estimates of risk involved.

*** (In thousands of reais) ***

3. Main Accounting Practices – *continued…*

k) Taxation

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

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

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

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

Advances or amounts subject to offset are stated in current or non-current assets, according to the estimate of their realization.

Deferred tax credits deriving from temporary differences and tax loss or social contribution tax loss carryforward are stated by the value expected to be realized.

Certain subsidiaries state recurring losses, therefore, they do not meet the criteria ruling the recognition of tax credits of this nature, which are only recognized when benefits are used.

l) Share-based payment

During the first half of 2010, and fiscal years 2009 and 2008, the Company granted share-based compensation to its main executives and managers. Expenses related to these transactions are recognized in income during the period in which services are rendered in a contra account of capital reserve and measured by their fair value, upon the granting of compensation plans (Note 22).

*** (In thousands of reais) ***

3. Main Accounting Practices – *continued…*

m) Other employee benefits

Benefits granted to the Company's employees and managers include, in addition to fixed compensation (payroll and social security contributions (INSS, vacation, 13th month pay – Christmas bonus), variable compensation, such as profit sharing, bonuses private pension plans with defined contributions managed by an insurance company (Note 21), and share-based compensation.

These benefits are recorded in net income for the year on an accrual basis, as they are incurred.

n) Earnings per share

The Company calculates earnings per thousand shares using the number of outstanding shares at the end of the year.

o) Adjustment at present value of assets and liabilities:

Long-term and short-term monetary assets and liabilities, when the effect is considered relevant in relation to the financial statements taken as a whole, are adjusted by their present value. The adjustment at present value is calculated taking into account contractual cash flows and explicit interest rates, and in certain cases implicit interest rates of respective assets and liabilities. Therefore, interest rates accrued on revenues, expenses and costs associated with these assets and liabilities are discounted with a view to recognizing them in conformity with the accrual basis of years. Subsequently, this interest is reallocated to financial income and expenses in results by using the effective interest rate method in relation to the contractual cash flows. Implicit interest rates were determined based on assumptions and accounting estimates are considered.

p) Accounting estimates

These are used to measure and recognize certain assets and liabilities in the financial statements of the Company and its subsidiaries. The determination of these estimates took into account experiences of past and current events, presuppositions related to future events and other objective and subjective factors.

*** (In thousands of reais) ***

3. Main Accounting Practices – *continued…*

p) Accounting estimates – *continued…*

Relevant items subject to estimates include: the selection of useful lives of fixed and intangible assets; the allowance for doubtful accounts; the provision for investment losses; the recoverability analysis of fixed and intangible asset values; deferred income tax and social contribution; rates and terms used when determining the adjustment at present value of certain assets and liabilities; the provision for legal obligations connected with legal proceedings; the fair value measurement of share-based compensation and of financial instruments; the considerations about recognition and measurement of costs with the development of new products capitalized as intangible assets. The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in financial statements due to inaccuracies inherent to the process of their determination. The Company reviews its estimates and assumptions, at least, quarterly.

q) Credit risk

Financial instruments which may subject the Company and its subsidiaries to credit risk are mainly represented by the financial investments and accounts receivable from clients. The Company has financial investments policies which establish that the investments focus on low risk securities and investments in first-tier financial institutions.

The Management believes that the risk related to the accounts receivable from clients is minimized by the fact that the client structure of the Company is highly diversified. No client represents 10% or more of neither revenues nor accounts receivable on June 30, 2010 and December 31, 2009. The Company does not require any guarantee on installment sales.

r) Cash flow statements

Cash flow statements were prepared and are presented in accordance with CVM Resolution 547, of August 13, 2008, which approved the accounting pronouncement CPC 03 – Cash Flow Statements, issued by the Accounting Pronouncements Committee (CPC).

s) Financial instruments

The Company's financial instruments are represented by cash equivalents, accounts receivable, accounts payable, debentures, loans and financing. The instruments are initially recorded by their fair value accrued of the costs directly attributable to their acquisition or issue, except for the financial instruments classified into the category of instruments valued at fair value through income, to which costs are recorded in the net income for the year. Main financial assets recognized by the Company are: cash and cash equivalents and trade accounts receivable. The main financial liabilities recorded by the Company are: accounts payable to suppliers, loans and financing and debentures.

*** (In thousands of reais) ***

3. Main Accounting Practices – *continued…*

t) Information by Segment

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

4. Business combinations

Acquisitions of corporate interests are recorded by the purchase method. The cost of acquisition is measured, on the acquisition date, at the fair value of identifiable acquired assets, of incurred or assumed liabilities, and of equity instruments issued by the acquirer. The minority interest in the acquired company is recorded at the fair value of such interest in the net value of the assets, liabilities and contingent liabilities identifiable in the acquired company.

Goodwill is recognized whenever the acquisition cost of corporate interest exceeds the fair value of the acquired assets, assumed liabilities, and contingent liabilities identifiable in a business combination, on the acquisition date. If the acquisition cost is lower than the fair value of the acquired subsidiary's net asset, such difference is recognized directly on the income statement for the period it refers to.

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

a) Acquisition of controlling interest

M2I and M2S - On January 5, 2010, the Company entered into an agreement for the acquisition of M2I Serviços de Implantação de Software Ltda. ("M2I") and of M2S Serviços de Suporte Ltda. ("M2S") through its subsidiary TOTVS Nordeste Software Ltda. ("TOTVS NE"). M2I and M2S are distribution channels for the RM brand. The companies are located in Salvador, state of Bahia, and are dedicated to the sale, implementation and support to RM products in Bahia. The companies have 33 employees and their combined revenue expected for 2010 is R$4,200. The acquisition of both companies totaled R$5,300, R$4,700 corresponded to M2S acquisition and R$500 refers to M2I acquisition.

On January 26, 2010, the Company executed a Private Instrument for the Purchase and Sale of Quotas, pursuant to which the Company sold 99.98% of the total capital of M2I Serviços de Implantação de Software to acquire JRP Assessora de Informática Ltda. for the total amount of R$840. Payment will be made in 42 monthly and successive installments of R$20, restated at the IGPM rate from the agreement's execution date to the

4. Business combination – *continued…*

date of payment of each installment. The first installment is due on January 1, 2010 and the remaining installments are due on the 1st of each subsequent month.

Business combinations carried out in the first quarter of 2010 were preliminarily allocated by the Company as goodwill, considering the economic fundamentals, based on studies and appraisals prepared by experts. This preliminary allocation may be revised during 2010, and occasional reclassifications may be made to this group of accounts (Note13).

b) Acquisition of minority interest in subsidiaries

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

TQTVD – On June 01, 2010 the Company acquired for R$14,266 45% of the capital stock of the subsidiary TQTVD Software Ltda.'s, which operates in the area of development and trading of software products and solutions for digital television. Out of the total price, R$5,999 was paid in cash, and a variable amount up to R$8,267 is expected to be paid subject to the compliance of certain goals established for fiscal years 2011 through 2014, which adjusted to present value on June 30, 2010 amounted to R$6,744, (Note 14). The Company already held 55% of TQTVD's capital stock, and following this acquisition it now holds all the quotas.

*** (In thousands of reais) ***

5. Cash and cash equivalents

	Parent Company		Consolidated	
	June 30, 2010	**December 31, 2009**	**June 30, 2010**	**December 31, 2009**
Cash equivalents	**874**	27.247	**16.366**	40.781
Cash and cash equivalents				
Purchase and sale commitments	**72,133**	49,550	**95,660**	52,310
CDB	**58,275**	85,051	**70,412**	112,449
DI Funds	**-**	12	**625**	2,181
	130,408	134,613	**166,697**	166,940
	131,282	161,860	**183,063**	207,721

Financial investments are represented by DI (interbank deposits) funds, Bank Deposit Certificates, fixed income bonds and repurchase and resale agreements (operations with a repurchase commitment), and these are redeemed within less than 90 days as of the balance sheet date.

These investments were made with prime financial institutions and they are significantly remunerated based on the variation percentage of the Interbank Deposit Certificates (CDI).

6. Marketable Securities

The balances of securities of R$22,682, Parent Company and Consolidated, on June 30, 2010 (R$38,656 – Parent Company and R$41,783 – Consolidated on December 31, 2009), refer to secured accounts for the payment of client portfolio acquisitions and business combinations (Note14), as shown below:

	Parent Company		Consolidated	
	June 30, 2010	**December 31, 2009**	**June 30, 2010**	**December 31, 2009**
YMF Participações	**7,547**	19,336	**7,547**	19,336
Soft Team	**-**	-	**-**	2,002
Gens	**501**	1,273	**501**	1,273
Tech Prod	**1,203**	2,535	**1,203**	3,660
Tools	**1,395**	2,672	**1,395**	2,672
Datasul MG	**2,299**	4,103	**2,299**	4,103
Datasul Saúde MG	**887**	803	**887**	803
TotalBanco	**2,749**	2,647	**2,749**	2,647
Hery	**5,075**	4,886	**5,075**	4,886
ERP Cedente	**624**	-	**624**	-
Other	**402**	401	**402**	401
	22,682	38,656	**22,682**	41,783
Current assets	**(5,316)**	(21,450)	**(5,316)**	(22,469)
Non-current assets	**17,366**	17,206	**17,366**	19,314

*** (In thousands of reais) ***

7. Trade accounts receivable

	Parent Company		Consolidated	
	June 30, 2010	**December 31, 2009**	**June 30, 2010**	**December 31, 2009**
Domestic market	**184,455**	177,786	**235,360**	219,687
Foreign market	**-**	-	**20,069**	17,308
	184,455	177,786	**255,429**	236,995
Current assets	**(180,224)**	(175,544)	**(251,198)**	(230,995)
Non-current assets	**4.231**	2,242	**4.231**	6,000

Below are the net receivables by aging list, on June 30, 2010 and December 31, 2009:

	Parent Company		Consolidated	
	June 30, 2010	**December 31, 2009**	**June 30, 2010**	**December 31, 2009**
Falling due	**143,813**	142,224	**188,090**	177,749
Overdue Notes – from 1 to 30 days	**6,995**	7,594	**13,044**	11,544
Overdue Notes – from 31 to 60 days	**5,007**	4,063	**7,910**	5,489
Overdue Notes – from 61 to 90 days	**5,087**	3,034	**7,285**	4,005
Overdue Notes – from 91 to 180 days	**7,231**	5,324	**10,864**	11,221
Overdue Notes – from 181 to 360 days	**5,750**	7,577	**12,225**	15,711
Overdue Notes – more than 360 days	**10,572**	7,970	**16,011**	11,276
Total	**184,455**	177,786	**255,429**	236,995

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

	Parent Company		Consolidated	
	2010	**2009**	**2010**	**2009**
Balance at the beginning of the year	**14,677**	11,361	**20,314**	19,139
Additional provision in 1H	**3,235**	3,562	**4,661**	4,522
Write-offs	**(2,380)**	(1,410)	**(3,231)**	(3,695)
Balance on June 30	**15,532**	13,513	**21,744**	19,966
Additional provision in 2H		2,135		3,198
Write-offs in 2H09		(971)		(2,850)
Balance on December 31		14,677		20,314

The amount of “accounts receivable” is distributed among almost 25,000 active clients and on June 30, 2010 no clients accounted for more than 5% of total receivables.

*** (In thousands of reais) ***

8. Income tax and social contribution

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

a) Reconciliation of revenue/expense of income tax and social contribution:

	Parent Company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Income before taxes	**69,024**	59,462	**70,285**	67,151
Income tax and social contribution at combined nominal rate of 34%	**(23,468)**	(20,217)	**(23,897)**	(22,831)
Adjustments for the statement of effective rate				
Equity pickup	**623**	3,910	**-**	-
Law 11,196/05 (Incentive for research and development)	**13,350**	10,957	**13,984**	11,316
Effect of subsidiary's taxable income based on a percentage of gross sales	**-**	-	**(2,025)**	367
Tax losses and tax loss carryforward	**-**	1,700	**-**	1,700
Managers' stake	**789**	(1,260)	**773**	(1,260)
Accounts receivable deemed uncollectible	**(60)**	(42)	**(143)**	(42)
Other	**3,530**	1,133	**3,555**	974
Expense of income tax and social contribution	**(5,236)**	(3,819)	**(7,753)**	(9,776)
Effective rate	**7.6%**	6.4%	**11.0%**	14.6%

*** (In thousands of reais) ***

8. Income taxes and social contribution – *continued…*

b) Deferred income tax and social contribution are broken down as follows:

	Parent Company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Deriving from temporary differences:				
Amortized goodwill	**3,767**	6,064	**4,065**	6,482
Provision for commissions	**11,480**	9,972	**12,256**	10,308
Anticipated income or revenues	**3,578**	3,306	**1,545**	3,584
Allowance for doubtful accounts	**5,281**	4,423	**6,168**	5,082
Provision for contingencies and other liabilities	**3,873**	3,622	**3,873**	3,622
Tax losses and social contribution tax loss carryforward	**-**	-	**5,668**	1,812
Provision for premium due to non-conversion of debentures	**5,580**	4,154	**5,580**	4,154
Adjustments from Law 11,638/07 and Law 11,941/09	**727**	1,472	**727**	1,472
Other	**3,123**	2,609	**3,820**	4,051
Total deferred income and social contribution taxes	**37,409**	35,622	**43,702**	40,567
Current	**(17,320)**	(15,887)	**(16,470)**	(17,944)
Non-current	**20,089**	19,735	**27,232**	22,623

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

	Parent Company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
2011		4,423		6,894
2012	**5,281**	561	**12,987**	600
2013	**348**	4,183	**376**	4,222
2014	**4,221**	4,259	**4,249**	4,553
2015	**2,646**	6,309	**2,855**	6,354
2016 onward	**7,593**	-	**6,765**	-
	20,089	19,735	**27,232**	22,623

*** (In thousands of reais) ***

9. Recoverable taxes

	Parent Company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Recoverable taxes				
Income tax Withheld at Source	**21,082**	19,292	**23,439**	20,832
Social Contribution Withheld at Source	**9,606**	8,391	**10,678**	9,267
PIS and COFINS taxes	**478**	395	**781**	1,485
Other	**281**	364	**946**	1,132
	31,447	28,442	**35,844**	**32,716**

10. Balances and related party transactions

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

a) Balances and transactions with subsidiaries and associated companies

On June 30, 2010 and December 31, 2009, the balance of transactions with related parties classified as credits with related parties in non-current assets may be stated as follows:

	Parent Company	
	June 30, 2010	December 31, 2009
Datasul Serviços	**17,451**	17,451
Datasul Mexico	**3,769**	3,749
Totvs Brasilia Software	**3,127**	2,147
Totvs Nordeste Software	**4,760**	-
RO Resultados em Outsourcing	**1,544**	1,545
BCS Comércio	**1,129**	1,030
Datasul Argentina	**718**	618
Hery Software	**4,112**	357
Gens	**2,193**	-
Neogrid *	**3,000**	-
Other	**279**	346
	42,082	27,243

(*) Exclusivity agreement (see Note 10b).

*** (In thousands of reais) ***

10. Balances and related party transactions – *continued…*

a) Balances and transactions with subsidiaries and associates – *continued…*

The amounts refer to loans between subsidiaries, without remuneration and/or forecasted maturity.

The balance of dividends receivable recorded by the Parent Company in the amount of R$1,855 (R$3,605 on December 31, 2009), reflects the proposal for allocation of profits of its subsidiaries.

b) Transactions or relationships with shareholders

The Company maintains property lease agreements, including the facilities where its headquarters are located, which are owned by one of its shareholders (LC-EH Empreendimentos e Participações S.A.). The rental paid in the quarter was R$2,682 for the period ended June 30, 2010 (R$5,362 for the year ended on December 31, 2009, in line with market values. The agreements are effective for 60 months and are adjusted by IGP-M, every 12 months.

Some of the Company's officers hold, directly or indirectly, 19.95% of the Company's shares on June 30, 2010 (19.86% on December 31, 2009), and the indirect interest is held through LC-EH Empreendimentos e Participações S.A.

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

On June 29, 2010, the Company entered into an exclusive Agreement for Software Distribution Partnership with Neogrid Informática Ltda. (Neogrid), a leader in the Brazilian supply chain management solutions market, controlled by Sr. Miguel Abuhab, TOTVS's shareholder and Board of Directors' member. The amount earned by Totvs in the quarter was R$ 3,000, recorded in the balance of transactions with related parties.

c) Management compensation

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

	Parent Company		Consolidated	
	June 30, 2010	**June 30, 2009**	**June 30, 2010**	**June 30, 2009**
Short-term benefits to employees				
Salaries and Fees	**6,082**	**7,071**	**8,192**	8,720
Payroll charges	**1,682**	**1,405**	**1,992**	1,655
Private pension plan	**250**	**225**	**250**	225
Variable bonuses	**-**	**3,707**	**230**	3,707
	8,014	**12,408**	**10,664**	14,307
Share-based payments	**1,971**	**690**	**1,971**	690
	9,985	**13,098**	**12,635**	14,997

*** (In thousands of reais) ***

10. Balances and related party transactions – *continued…*

c) Management compensation – *continued…*

Short-term benefits

Short-term benefits include fixed compensation (salaries and fees, vacation, 13rd month pay and private pension plans), payroll charges (social security contributions - INSS, FGTS and others) and variable compensation, such as profit sharing and bonuses, as well as private pension plans (defined contribution – Note 21)

Share-based compensation

The Management (chief executive officer, executive officers and vice chief executive officers) participates in the Stock Option Plan, approved by the Extraordinary General Meeting, see Note 22.

Other

The Company does not have any additional post-employment liability, nor does it provide other long-term benefits, such as paid leave based on years of service and other benefits for years of service at the Company. It also does not provide other benefits in the event of withdrawal of its top management in addition to those established by Brazilian labor laws (Note 21).

*** (In thousands of reais) ***

11. Investments

The detail of investments in subsidiaries is shown below:

	Investees' amounts on June 30, 2010		Equity pickup in six month period ended on		Balance of Investments on		Balance of provision for losses on	
	Shareholders' Equity	Result for the period	June 30, 2010	June 30, 2009	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Totvs Rio Software	10,644	(666)	(666)	1,131	10,644	11,311	-	-
Microsiga Argentina	3,942	(1,065)	(970)	(1,107)	3,537	2,836	-	-
Microsiga México	4,403	(2,404)	(2,363)	(2,140)	4,403	3,434	-	-
Microsiga Corporation	2,121	13	13	45	2,121	2,036	-	-
Totvs Vitória Software (a)	-	-	-	74	-	-	-	-
Microsiga Nordeste	5,294	(308)	(308)	576	5,294	5,604	-	-
Totvs Brasília	(957)	(485)	(485)	313	-	-	(957)	(472)
IOSSTS	1,874	1,168	1,168	581	1,874	706	-	-
Eurototvs	1,364	(601)	(601)	295	1,364	1,558	-	-
RO	239	(178)	(178)	(452)	239	417	-	-
Look (a)	-	-	-	(19)	-	-	-	-
Midbyte	2,255	1,069	1,069	444	2,255	1,407	-	-
TQTVD	14,019	(3,885)	(2,399)	133	14,019	8,456	-	-
BCS Comércio	5,656	1,092	1,092	2,139	5,656	4,563	-	-
BCS Sistemas	74	-	-	(16)	74	74	-	-
BCSFLEX	100	-	-	-	100	100	-	-
HBA	31	4	4	63	31	26	-	-
Datasul Serviços	12,294	2,466	2,466	2,493	12,294	9,827	-	-
Gens	(197)	(1,626)	(1,626)	130	-	1,429	(197)	-
YMF	23,016	2,357	2,357	5,543	23,016	20,660	-	-
Tools	2,795	1,898	1,898	852	2,795	895	-	-
DTSL	6,810	40	40	942	6,810	6,771	-	-
Datasul S.A. de CV	(2,723)	(441)	(441)	(827)	-	-	(2,723)	(2,172)
Datasul Incorporation	1,065	(19)	(19)	(99)	1,065	1,047	-	-
Datasul Argentina	2,561	(115)	(115)	407	2,561	2,667	-	(401)
Hery	219	619	619	-	219	-	-	-
Totalbanco	2,414	1,823	1,276	-	1,690	1,407	-	-
			1,831	**11,501**	**102,061**	**87,231**	**(3,877)**	**(3,045)**
Other Investments				**-**		**2**		**-**
			1,831	**11,501**	**102,061**	**87,233**	**(3,877)**	**(3,045)**

(a) Divested shareholding in 2009

*** (In thousands of reais) ***

12. Property, plant and equipment

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

	Parent Company					
	Computers and software	Vehicles	Furniture and fixtures	Facilities, Machinery and Equipment	Other	Total property, plant and equipment
Cost or valuation						
Balances on January 1, 2009	25,798	3,212	4,202	2,860	5,639	41,711
Additions	6,645	2,351	639	420	839	10,894
Write-off	(1,327)	(1,023)	(569)	-	(2,254)	(5,173)
Transfer	8,455	946	1,138	778	2,332	13,649
Balance on December 31, 2009	39,571	5,486	5,410	4,058	6,556	61,081
Additions	3,778	1,347	257	252	251	5,885
Write-off	(388)	(530)	(49)	(47)	(11)	(1,025)
Transfer	-	-	(1)	-	-	(1)
Balance on June 30, 2010	42,961	6,303	5,617	4,263	6,796	65,940
Depreciation						
Balance on January 1, 2009	(10,759)	(372)	(1,292)	(1,224)	(1,721)	(15,368)
Depreciation in the year	(5,408)	(929)	(467)	(452)	(1,093)	(8,349)
Write-off	1,273	307	279	-	774	2,633
Transfer	(9,134)	(1,276)	(1,143)	(802)	(1,294)	(13,649)
Balance on December 31, 2009	(24,028)	(2,270)	(2,623)	(2,478)	(3,334)	(34,733)
Depreciation in the period	(2,910)	(511)	(261)	(81)	(612)	(4,375)
Write-off	328	158	58	22	-	566
Transfer	1	-	-	-	-	1
Balance on June 30, 2010	(26,609)	(2,623)	(2,826)	(2,537)	(3,946)	(38,541)
Residual value						
Balance on June 30, 2010	**16,352**	**3,680**	**2,791**	**1,726**	**2,850**	**27,399**
Balance on December 31, 2009	15,543	3,216	2,787	1,580	3,222	26,348
Balance on January 1, 2009	15,039	2,840	2,910	1,636	3,918	26,343
Average annual depreciation rate	20%	20%	10%	10%	4% to 10%	

*** (In thousands of reais) ***

12. Property, plant and equipment – *continued…*

	Consolidated					
	Computers and software	Vehicles	Furniture and fixtures	Facilities, Machinery and Equipment	Other	Total property, plant and equipment
Cost or valuation						
Balances on January 1, 2009	38,185	5,355	5,471	3,539	7,061	59,611
Additions	8,810	2,635	1,024	668	1,038	14,175
Write-off	(1,869)	(1,095)	(894)	(32)	(2,635)	(6,525)
Transfer	1,058	(632)	1,412	1,006	2,038	4,882
Balance on December 31, 2009	46,184	6,263	7,013	5,181	7,502	72,143
Additions	4,752	1,348	362	303	443	7,208
Write-off	(404)	(677)	(42)	(50)	6	(1,167)
Transfer	13	(1)	1	(13)	-	-
Balance on June 30, 2010	50,545	6,933	7,334	5,421	7,951	78,184
Depreciation						
Balance on January 1, 2009	(19,873)	(1,171)	(2,875)	(1,726)	(2,103)	(27,748)
Depreciation in the year	(6,536)	(1,045)	(635)	(493)	(1,166)	(9,875)
Write-off	1,551	356	535	16	843	3,301
Transfer	(1,811)	(682)	(207)	(999)	(1,235)	(4,934)
Balance on December 31, 2009	(26,669)	(2,542)	(3,182)	(3,202)	(3,661)	(39,256)
Depreciation in the period	(3,569)	(583)	(349)	(155)	(645)	(5,301)
Write-off	334	240	59	23	(11)	645
Transfer	183	-	(1)	(182)	-	-
Balance on June 30, 2010	(29,721)	(2,885)	(3,473)	(3,516)	(4,317)	(43,912)
Residual value						
Balance on June 30, 2010	**20,824**	**4,048**	**3,861**	**1,905**	**3,634**	**34,272**
Balance on December 31, 2009	19,515	3,721	3,831	1,979	3,841	32,887
Balance on January 1, 2009	18,312	4,184	2,596	1,813	4,958	31,863
Average annual depreciation rate	20%	20%	10%	10%	4% to 10%	-

*** (In thousands of reais) ***

12. Property, plant and equipment – *continued…*

Considering the relevance of property, plant and equipment in the financial statements as a whole, the Company and its subsidiaries have assessed these assets' useful and economic life, and concluded there are no material adjustments or changes to be recognized on June 30, 2010.

*** (In thousands of reais) ***

13. Intangible Assets

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

	Parent Company						
	Software	Trademarks & patents	Franchising	Client portfolio	Other	Goodwill	Total Intangible assets
Cost/valuation							
Balances on January 1, 2009	151,087	62,264	83,223	157,654	11,114	277,955	743,297
Additions	6,778	-	-	24,990	1,000	3,288	36,065
Write-offs	(20)	(12)	-	-	(17)	-	(58)
Transfers	70	(265)	(1)	1,236	(1,596)	22	(534)
Balances on December 31, 2009	157,915	61,987	83,222	183,880	10,501	281,265	778,770
Additions	94	-	-	-	-	1,219	1,313
Write-offs	-	-	-	(1)	-	-	(1)
Transfers	-	-	-	-	-	-	-
Balance on June 30, 2010	158,009	61,987	83,222	183,879	10,501	282,484	780,082
Amortization							
Balance on January 1, 2009	(6,744)	(1,767)	(7,772)	(6,166)	(4,654)	(134,272)	(161,375)
Amortization in the year	(15,006)	(4,543)	(18,599)	(17,094)	(1,644)	-	(56,886)
Write-offs	(6)	-	(54)	-	78	-	18
Transfers	(69)	(13)	-	(1,013)	1,574	58	537
Balance on December 31, 2009	(21,825)	(6,323)	(26,425)	(24,273)	(4,646)	(134,214)	(217,706)
Amortization in the period	(7,798)	(2,046)	(9,326)	(9,847)	(728)	-	(29,745)
Write-offs		-	-	-	-	-	-
Transfers	(17)	-	1	(22)	-	-	(38)
Balance on June 30, 2010	(29,640)	(8,369)	(35,750)	(34,142)	(5,374)	(134,214)	(247,489)
Residual value							
Balance on June 30, 2010	**128,369**	**53,618**	**47,472**	**149,737**	**5,127**	**148,270**	**532,593**
Balance on December 31, 2009	**136,090**	**55,664**	**56,797**	**159,607**	**5,855**	**147,051**	**561,064**
Balance on January 1, 2009	**144,343**	**60,497**	**75,451**	**151,488**	**6,460**	**143,683**	**581,922**
Average annual amortization rate	10% to 16,7%	6,7%	20% to 50%	10% to 12,5%	20% to 50%	**(*)**	

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

*** (In thousands of reais) ***

13. Intangible Assets – *continued…*

	Software	Trademarks & patents	Franchising	Client portfolio	Other	Goodwill	Total Intangible assets
Cost/valuation							
Balances on January 1, 2009	160,427	63,727	83,223	169,159	18,606	278,799	773,941
Additions	8,784	3	-	27,064	8,709	5,178	49,738
Write-offs	(1,233)	(859)	-	1,723	(1,322)	-	(1,691)
Transfers	1,251	784	(2)	(2,480)	(259)	(56)	(762)
Balances on December 31, 2009	169,229	63,655	83,221	195,466	25,734	283,921	821,226
Additions	94	-	-	-	5	6,519	6,618
Write-offs	1	-	-	(3,388)	-	-	(3,387)
Transfers	(1)	-	-	-	-	-	(1)
Balance on June 30, 2010	169,323	63,655	83,221	192,078	25,739	290,440	824,456
Amortization							
Balance on January 1, 2009	(7,094)	(1,814)	(7,772)	(7,619)	(4,984)	(134,355)	(163,638)
Amortization in the year	(16,165)	(4,652)	(18,653)	(18,098)	(2,530)	-	(60,098)
Write-offs	631	(3)	(54)	(46)	282	-	810
Transfers	(764)	(11)	54	103	1,370	56	808
Balance on December 31, 2009	(23,392)	(6,480)	(26,425)	(25,660)	(5,862)	(134,299)	(222,118)
Amortization in the period	(8,453)	(2,101)	(9,326)	(10,359)	(2,413)	(530)	(33,182)
Write-offs	-	-	-	594	(1)	-	593
Transfers	-	1	-	-	-	-	1
Balance on June 30, 2010	(31,845)	(8,580)	(35,751)	(35,425)	(8,276)	(134,829)	(254,706)
Residual value							
Balance on June 30, 2010	**137,478**	**55,075**	**47,470**	**156,653**	**17,463**	**155,611**	**569,750**
Balance on December 31, 2009	**145,837**	**57,175**	**56,796**	**169,806**	**19,872**	**149,622**	**599,108**
Balance on January 1, 2009	**153,333**	**61,913**	**75,451**	**161,540**	**13,622**	**144,444**	**610,303**
Average annual amortization rate	10% to 16,7%	6,7%	20% to 50%	10% to 12,5%	20% to 50%	**(*)**	

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

*** (In thousands of reais) ***

13. Intangible assets – *continued…*

The composite of goodwill on June 30, 2010 and December 31, 2009 and the changes during the period were as follows:

	2009	Additions	Disposal	2010
RM (a)	90,992	-	-	90,992
Logocenter (a)	5,703	-	-	5,703
Totvs BMI (a)	2,053	-	-	2,053
Midbyte	1,765	-	-	1,765
IOSSTS (a)	2,643	-	-	2,643
BCS (a)	10,610	1,211	-	11,821
Datasul (a)	30,084	-	-	30,084
Setware	961	-	-	961
Hery	3,174	8	-	3,182
TotalBanco	1,637	-	-	1,637
M2I (b) / (c)	-	530	(530)	-
M2S (c)	-	4,770	-	4,770
	149,622	6,519	(530)	155,611

(a) Companies merged into Totvs.
(b) Company sold in 2010
(c) Business combination 2010 (Note 4)

*** (In thousands of reais) ***

13. Intangible assets – *continued…*

Goodwill and intangible assets identified in the business combination

Among the intangible assets aggregated during the six months of 2010, in the amount of R$6,618 (R$64,079 in 2009), R$4,770 refer to goodwill of business combinations and measured by their fair value (Note 4). As of January 1, 2009 goodwill will no longer amortized. To measure other intangible assets indentified in business combinations and measured at their fair value, we used the methodologies of future cash flow discounted at present value and replacement cost, among others. To estimate the value by the discounted cash flow methodologies, we used the rate of 11.9% (12.56% to 17.52% p.a. in 2009) (in real terms), varying according to the intangible asset analyzed. The amortization of intangible assets is based on their estimated useful lives. Intangible assets identified, values recognized and the assets' useful life are substantiated by a technical study conducted by an independent specialized company.

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

a) Rights of area exploration

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

b) New product development

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

*** (In thousands of reais) ***

13. Intangible assets – *continued…*

b) New product development -- continued

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

Provision for asset impairment

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

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

Compatible with economic valuation techniques, the Usage Value valuation is carried out within a five-year period, and onwards, taking into account the perpetuity of assumptions in view of the capacity of business continuity for an indeterminate term. The growth rates used to extrapolate projections beyond a 5-year period vary between 0% and 1%.

Estimated future cash flows were discounted at discount rates which vary from 14.53% to 23.75% p.a. for each cash generating unit analyzed.

*** (In thousands of reais) ***

13. Intangible assets – *continued…*

Provision for asset impairment -- continued

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

• Revenues – Revenues were projected between 2009 and 2013, taking into account the growth of the client base of different Cash Generating Units.

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

• Capex – Investments in capital goods were estimated taking into account the technological infrastructure required to make feasible the provision of services.

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

The Company's recoverability test of intangible assets did not result in the need for recognizing losses, since the estimated market value exceeds its net book value on the valuation date.

*** (In thousands of reais) ***

14. Investment Acquisition Liabilities

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

	Parent Company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
BCS	**-**	7,654	**-**	7,654
YMF (a)	**7,547**	19,336	**7,547**	19,336
Tools (a)	**1,395**	2,672	**1,395**	2,672
Gens (a)	**501**	1,273	**501**	1,273
Techprod (a)	**1,203**	2,535	**1,203**	2,535
Midbyte	**680**	1,242	**680**	1,242
Soft Team (a)	-	-	**-**	2,000
Techserv (a)	-	-	**567**	1,126
TotalBanco	**2,749**	2,637	**2,749**	2,637
Hery	**6,286**	8,421	**6,286**	8,421
Datasul MG	**2,299**	2,940	**2,299**	2,940
Datasul Saude MG	**887**	1,126	**887**	1,126
ERP Cedente	**624**	798	**624**	798
Logmann	**757**	**-**	**757**	**-**
TQTVD	**6,744**	**-**	**6,744**	**-**
Other (a)	**401**	1,103	**401**	1,103
Total liabilities per investment acquisition	**32,073**	51,737	**32,640**	54,863
Current liabilities	**(13,952)**	(33,159)	**(11,547)**	(34,577)
Non-current liabilities	**18,121**	18,578	**21,093**	20,286

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

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

Year	Parent Company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
2011	**4,950**	5,995	**5,936**	6,564
2012	**9,218**	7,956	**10,142**	8,870
2013	**1,058**	2,567	**1,718**	2,792
2014	**2,895**	2,060	**3,296**	2,060
Non-current liabilities	**18,121**	18,578	**21,093**	20,286

*** (In thousands of reais) ***

15. Loans and Financing

	Parent Company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
BNDES	**210,162**	209,775	**210,162**	209,775
Software development – FINEP	**5,313**	6,306	**5,988**	6,306
Secured accounts and other	**-**	-	**1,406**	1,795
	215,475	216,081	**217,556**	217,876
Current liabilities	**(7,505)**	(7,118)	**(8,461)**	(7,838)
Non-current liabilities	**207,970**	208,963	**209,095**	210,038

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

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

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

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

Amounts recorded in non-current liabilities on June 30, 2010 and December 31, 2009, present the following maturity schedule:

	Parent Company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
2011	**52,112**	**45,954**	**53,238**	**47,029**
2012	**53,079**	**41,931**	**53,079**	**41,931**
2013	**51,630**	**41,078**	**51,630**	**41,078**
2014	**51,149**	**40,000**	**51,148**	**40,000**
2015	**-**	**40,000**	**-**	**40,000**
	207,970	**208,963**	**209,095**	**210,038**

*** (In thousands of reais) ***

16. Debentures

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

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

On June 30, 2010 and December 31, 2009, the balance was broken down as follows:

Issue	Debentures	Annual financial charges	Unit price	Parent Company and Consolidated	
				June 30, 2010	**December 31, 2009**
1st Series	100,000	IPCA* + 3.5% limited to TJLP + 1.5%	1	**103,598**	102,609
2nd Series	100,000	TJLP + 1.5%	1	**103,599**	102,609
		Total		**207,197**	205,218
		Premium due to non-conversion		**16,413**	12,219
		Total		**223,610**	217,437
		Current liabilities		**(7,197)**	(5,218)
		Non-current liabilities		**216,413**	212,219

** Extended National Consumer Price Index*

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

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

*** (In thousands of reais) ***

16. Debentures – *continued…*

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

Should the appreciation meet the conditions abovementioned, debenture holders will be obliged to convert the debentures, of which the mandatory conversion may only take place 2 years after its issue, i.e., on August 19 2010, up to 15% of debentures issued, up to 30% in 2012, up to 45% in 2013, and up to 60 % in 2014.

Conversion price, should that happen, will also be the average price weighted by the volume of Company's shares, calculated in the Bovespa's trading sessions at the base period, increased by the 50% premium of the weighted value of shares in said period, for the possible conversions to be carried out in 2010, dropping to 46%, 42% and 40% in the subsequent years. For assessment purposes of the weighted value of shares at the reference period, historical values will be restated based on indices set forth at bookkeeping of debentures.

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

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

*** (In thousands of reais) ***

16. Debentures – *continued…*

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

	June 30, 2010	December 31, 2009
August 2015	**80,000**	80,000
August 2016	**120,000**	120,000
After February 2017	**16,413**	12,219
	216,413	212,219

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

The premium due to non-conversion will be paid in at most six (06) installments, and within 3 years as of the payment of the last installment of the principal and interest (February 19, 2017).

Bookkeeping of debentures have early maturity, should they not comply with certain financial and non-financial conditions, in addition to other ancillary obligations. On June 30, 2010, the Company was performing with all established conditions.

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

In 2Q10 the 360-day average price of the company's shares surpassed the average price of the "reference period" adjusted in accordance with contractual clauses, thus as of August 19, 2010, 15% of the units will have to be converted into Company's shares. Due to this conversion, 15% of the non-conversion prize will not be due and therefore was refunded in the quarter. The net effect of this refund amounted to R$2,166 in financial expenses.

*** (In thousands of reais) ***

17. Provision for Contingencies and Legal Liabilities Related to Legal Proceedings

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

Provision for Contingences	Parent Company and Consolidated	
	June 30, 2010	December 31, 2009
Provision		
Tax	**6,879**	6,419
Civil	**2,109**	1,645
Labor	**2,404**	2,589
	11,392	10,653

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

Judicial deposits	Parent Company and Consolidated	
	June 30, 2010	December 31, 2009
Social Security	**3,113**	3,028
Tax	**11,197**	10,532
Other	**378**	653
	14,688	14,213

The changes in the provisions in the six month period ended June 30, 2010 and December 31, 2009, is as follows:

	Parent Company and Consolidated				
	Social Security	Tax	Labor	Civil	Total
Balances on January 31, 2009	27,526	6,872	620	821	35,839
+ Additional provision	5,565	186	2,589	824	9,164
+ Monetary restatement	2,926	1,576	26	-	4,528
- Debts paid in installments	(27,982)	(920)	-	-	(28,902)
- Reversal of provision not used	(8,035)	(1,295)	(646)	-	(9,976)
Balances on December 31, 2009	-	6,419	2,589	1,645	10,653
(+) Complement of provision	-	56	-	277	333
+ Monetary restatement	-	404	156	187	747
- Reversal of used provisions	-	-	(341)	-	(341)
Balances on June 30, 2010	**-**	6,879	2,404	2,109	11,392

*** (In thousands of reais) ***

17. Provision for Contingencies and Legal Liabilities Related to Legal Proceedings – *continued…*

a) Ongoing proceedings with recorded provision for contingencies

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

Tax

The Company's Belo Horizonte branch is discussing in four court deposit actions brought against the city governments of São Paulo, Rio de Janeiro, Uberlândia and Vitória, if they are required to pay the ISSQN (Tax on Any Sort of Services) at rates ranging from 2% to 5%, or if the tax is payable to the city government of Belo Horizonte where the rate is 2%. The Company understands that the ISS is due to the municipality of Belo Horizonte, where service is developed. Thus, the Company has been providing court deposits under the scope of said lawsuits, taking into account the rates required by the city governments and recording provision for contingencies for these city governments by the 3% rate. On June 30, 2010, the provision accrued for this lawsuit totaled R$6,718 (R$6,318 on December 31, 2009) and the judicial deposits made until June 30, 2010 amounted to R$11,197 (R$10,530 on December 31, 2009).

Civil

The Company is defendant in indemnification suits by clients terminating their contracts, cumulated with compensation for damages, as well as suit for damages filed by business agents, related to contract termination cumulated with indemnification charges and requests. On June 30, 2010, the provision recorded for these demands amounts to bR$2,109 (R$1,644 on December 31, 2009).

Labor

The Company has recorded provision related to lawsuits filed by former employees of companies and service companies. They claim the reduction of commissions on sales and services, overtime and wage parity. The amount accrued is R$2,404 on June 30, 2010 (R$2,589 on December 31, 2009).

*** (In thousands of reais) ***

17. Provision for Contingencies and Legal Liabilities Related to Legal Proceedings – *continued…*

b) Other ongoing proceedings

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

	Parent Company and Consolidated	
Type	June 30, 2010	December 31, 2009
Social security	**15,361**	9,971
Tax	**12,993**	12,539
Civil	**18,964**	17,550
Labor	**2,690**	502
	50,008	40,562

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

Social Security

On May 4, 2007, the INSS filed a court claim for taxes against the Company in the amount of R$1,604 (R$2,130 – restated until June 30, 2010 and R$2,063 on December 31, 2009) referring to the social contributions destined to third parties (SESC and SENAC) levied on the compensation paid to employees who rendered services from March 1999 until July 2000. This amount of R$1,626 (R$2,160 – restated until June 30, 2010, R$2,091 on December 31, 2009) was judicially deposited in 2007, and registered in non-current assets. The company filed motions to stay the enforcement action and is pending decision on trial court.

The Company filed a motion to stay the tax enforcement action and that cannot be liable for the payment of NFLD 35.058.091-0, originally drawn up against Datasul S.A., whose initial value was R$3,862 (R$8,074 restated until June 30, 2010 and R$7,880 on December 31, 2009). Such Notice of Infraction was drawn up by the Social Security National Institute due to an alleged irregularity in our service outsourcing. The discussion of the merit for this stay of enforcement action is currently pending, with no trial court decision.

*** (In thousands of reais) ***

17. Provision for Contingencies and Legal Liabilities Related to Legal Proceedings – *continued…*

b) Other ongoing proceedings – *continued…*

On June 28, 2010 tax assessment notices were issued by the authorities of the Brazilian Treasury Department in the amount of R$ 5,113 aimed at: a supposed characterization of autonomous or companies as secured employees; and (ii) joint responsibility for services provided by companies that provide temporary labor. The tax assessment notices were issued as replacement for the Tax Delinquency Notice 35.136.711-0 of August 10, 2000, deemed groundless by decision of Fourth Chamber of Judgment of the Social Security Appeals Board.

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

Tax

As a result of inspection procedures by the Brazilian Internal Revenue Service, the Company was assessed in 2008 in the amount of R$3,628 (R$4,239 – restated until June 30, 2010 and R$ 4,086 on December 31, 2009), referring to discussion for not having added to its taxable income part of its profits that had possibly arisen from one of its subsidiaries abroad and on unduly amortization, in the calculation of taxable income, of the goodwill from the merger of ABR1 into the Company in the calendar years 2003 to 2006. The Company challenged this notice, which is pending decision of the Internal Revenue Service.

The Municipality of São Paulo filed eight Notices of Infraction against our Company regarding the municipal tax on services for the period from 1996 to 2000, in the amount of R$804 (R$5,414 – updated up to June 30, 2010 and R$4,923 on December 31, 2009). The filings that are still in the administrative scope result from the Municipality of São Paulo's understanding that services rendered by our Joinville branch were occurring within the limits of the São Paulo municipality. Our Management and the Company's legal counsels understand that all services are rendered by our branch (in the city of Joinville) and that taxes were duly paid in that city.

As a result of the inspection procedures by the Brazilian Internal Revenue Service, in 2007 the Company proceeded with the Infraction Notice drawn up against Datasul S.A., amounting to R$1,357 (R$1,729, restated up to June 30, 2010, R$ 1,658 on December, 31, 2009), regarding some inquiries on the Datasul's failure to pay withholding income tax on amounts paid by third parties to beneficiaries of the incentive cards established in a previously adopted Marketing Plan. The Company filed a challenge for this intended collection and we are currently awaiting a decision by the Brazilian Internal Revenue Service.

In addition, the Company is party in tax assessments issued by the Federal Revenue Service, in the total amount of R$1,611, restated up to June 30, 2010 (R$1,316 on December 31, 2009).

*** (In thousands of reais) ***

17. Provision for Contingencies and Legal Liabilities Related to Legal Proceedings – *continued…*

b) Other ongoing proceedings – *continued…*

Civil

The Company is the Defendant party in ordinary actions filed by clients and third parties for contract termination, with additional damages suits, amounting to R$18,964 – restated up to in June 30, 2010 and R$17,550 on December 31, 2009.

Labor

The Company is party in lawsuits filed by former employees and outsourced companies which plead for overtime payment, employment relationship, 13rd month pay and other, amounting to R$2,690 restated up to June 30, 2010 (R$502 on December 31, 2009).

c) Legislation in force

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

18. Shareholders' Equity

a) Capital Stock

On June 30, 2010 and December 31, 2009, the Company's capital stock was comprised of 31,152,402 non-par registered common shares, as shown below:

	June 30, 2010		December 31, 2009	
Shareholders	**Shares**	**%**	**Shares**	**%**
LC-EH Empreendimentos e Participações S.A.	5,352,198	17.18	5,352,198	17.18
BNDES Participações S.A.	1,354,809	4.35	2,032,214	6.52
Genesys Asset Managers, LLP	1,576,704	5.06	1,590,504	5.11
Dynamo Administração de Recursos Ltda.	1,006,824	3.23	1,574,564	5.05
Fidelity Management & Research Company	-	-	505,899	1.62
Other	21,861,867	70.18	20,097,023	64.51
	31,152,402	100.00	31,152,402	100.00

The authorized capital on June 30, 2010, is R$540,000. The Company may, within the authorized capital limit and as authorized by the Board of Directors, increase the capital stock regardless of amending the Bylaws. The Board of Directors is in charge of setting the issuance conditions, including price and payment deadlines. Within the authorized capital limit, the Board of Directors may resolve on the issuance of subscription rights. Additionally, within the authorized capital limit and pursuant to the plans approved by the

*** (In thousands of reais) ***

18. Shareholders' Equity – *continued…*

a) Capital Stock – *continued…*

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

b) Capital reserves

The balance on June 30, 2010 and December 31, 2009 was as follows:

	June 30, 2010	December 31, 2009
Goodwill reserve	31,557	31,557
Goodwill reserve for merger	14,330	14,330
Stock option plan	4,935	2,964
	50,822	48,851

Goodwill reserve - The amount of R$31,557 refers to the goodwill reserve recognized as a result of payments made in the 2005 fiscal year.

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

c) Legal reserve

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

19. Insurance coverage

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

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

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

*** (In thousands of reais) ***

20. Financial Instruments

CVM Resolution 550, as of October 17, 2008, established that publicly-held companies must disclose, at specific note, qualitative and quantitative information on all its derivative financial instruments, regardless of them being acknowledged or not as assets or liabilities in its balance sheet. On June 30, 2010 and December 31, 2009, the Company and its subsidiaries did not have any type of derivative financial instrument.

The Company's financial instruments are represented by cash equivalents, accounts receivable, accounts payable, debentures, loans and financing, and are recorded at cost value plus income or incurred charges, which on December 31, 2009 are close to market value.

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

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

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

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

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

As an attempt to check the sensitivity of the index for the financial investments the Company was exposed to on June 30, 2010, three different scenarios were created. Based on the forecast by financial institutions, we arrived at a 12-month forecast for Interbank Deposit Certificates (CDI), with an average of 10.75% for the fiscal year of 2010 – this being the most probable scenario; from this rate, we assessed variations from 25% to 50%.

For each of these scenarios the gross financial revenue was estimated, with taxes on investments return not included. The reference date for the portfolio was June 30, 2010, with a one-year projection to check the CDI's sensitivity to each scenario.

*** (In thousands of reais) ***

20. Financial Instruments – *continued…*

Operation	Risk	Likely Scenario (I)	Scenario II	Scenario III
Financial investments	CDI	11.75%	8.81%	5.88%
Position on 6.30.2010		19,445	14,579	9,731
R$ 165,486*				

**Balance on June 30, 2010 invested in CDB (Bank deposit certificate) and DI funds*

Aiming at checking the sensitivity of the index the Company is exposed to estimate our debts by June 30, 2010, three different scenarios were created. Based on long-term interest rates and the IPCA in force by June 30, 2010, the most likely scenario was determined for the rest of fiscal year 2010 and, from this, variations from 25% to 50% were estimated.

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

Operation	Risk	Likely Scenario (I)	Scenario II	Scenario III
Financing operations -BNDES		15,762	18,915	22,067
Rate subject to variation	TJLP	6.00%	7.50%	9.00%
R$ 210,162*				
Debentures		23,777	25,855	27,912
Rate/index subject to variation	IPCA	5.00%	6.25%	7.50%
R$ 223,610*	TJLP	6.00%	7.50%	9.00%

*Balances on June 30, 2010

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

21. *Private Pension Plans – Defined Contribution*

The Company has private pension plans managed by Itaú Vida e Previdência, new corporate name of Unibanco AIG Previdência and HSBC, as follows:

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

*** (In thousands of reais) ***

21. *Private Pension Plans – Defined Contribution –* *continued…*

- Basic Contribution – corresponds to 2% of the employee's salary; in case of employees ruled by bylaws, the contribution varies between 2% and 5%.
- Volunteer Contribution – made exclusively by the employees, with no participation of the Company;
- Company Contribution – corresponds to 100% of the basic monthly contribution. The Company is allowed to make extraordinary contributions, with in the amounts and at the frequency it so chooses.

II) Through HSBC, the Company has a Supplementary Private Pension Plan (PGBL in Portuguese – Plan Generator of Net Benefits) under the following condition:

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

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

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

The contributions made by the Company and its subsidiaries in the first half of 2010, amounted to R$118 at the Parent Company and R$134 at the Consolidated (R$4,308 and R$4,552, respectively on December 31, 2009).

22. Stock Option Plan

On November 26, 2007, the Extraordinary General Meeting approved the Stock Option Plan. This plan is managed by the Board of Directors, which defines the call option criteria for each category of eligible professionals; defining at its discretion, based on the nomination of the Remuneration and Human Resources Committee, which eligible professionals will participate in the plan, as well as the amount of shares that can be acquired by each one of them by means of the exercise of options.

The Stock Option Plan is valid for 60 months as of its approval by the Company's General Meeting, and it will be in force until the deadline for the exercise of the outstanding options. The total number of shares allocated to this plan should not exceed 3.3% of the Company's capital stock in a period of 3 years, as of the date of approval of the plan by the Company's General Meeting.

On January 30, 2008, the Board of Directors approved the election of the participants in the plan and the number of shares each one of them may acquire through the exercise of their respective options, totaling 270,057 shares, at the strike price of R$46.16, corresponding to the arithmetic average of the unit value of the shares in the 5 previous trading sessions.

*** (In thousands of reais) ***

22. Stock Option Plan – *continued…*

On January 22, 2009, the Board of Directors approved the 2nd granting of stock options and the respective election of participants of the plan and the amount of shares each one may acquire with the exercise of options, amounting to 182,555 shares, with a strike price of R$36.04, corresponding to the arithmetic average of the share unit price verified in the 5 previous trading sessions.

On January 22, 2010, the Board of Directors approved the 3rd granting of stock options and the respective election of participants of the plan and the amount of shares each one may acquire with the exercise of options, amounting to 335,315 shares, with a strike price of R$116.79, corresponding to the arithmetic average of the share unit price verified in the 5 previous trading sessions.

The exercise of the options granted has as vesting condition the exercise of the options only at the end of the 36-month period as of the granting date, and no later than 60 months as of the granting date. Options granted by this plan are individual and cannot be transferred, whether or not the vesting period expires.

On June 30, 2010, there were no exercisable options, since the grant date 36-month term has not been elapsed yet.

Fair value of each option granted is estimated on the grant date based on Black-Scholes options valuation model, in the amounts of R$18.22, R$12.81 and R$45.98 for the 1st, 2nd and 3rd grants, respectively. Fair value was calculated considering: expectation of dividend of 2.4%, 3.3% and 1.97%, expected volatility of approximately 37.94%, 38.54% and 37.37%, risk free interest rate of 11.75%, 11.25% and 10.75% p.a. and maturity of 4 years, respectively for the 1st, 2nd and 3rd grants. The effect of granting options on the first half of 2010 is R$1,971 (R$2,020 on December 31, 2009), recorded as expense in the granting of stock options.

Calculation basis:

	Parent Company and Consolidated			
	June 30, 2010		December 31, 2009	
	Amount	Average Price (R$)	Amount	Average Price (R$)
Balance of call options at the beginning of the year	384,494	15.80	254,897	18.22
Changes				
Granted	335,315	45.98	182,555	12.81
Cancelled	(15,932)	38.75	(52,958)	17.12
Balance of call options at the end of the year	703,877	29.67	384,494	15.80

*** (In thousands of reais) ***

TOTVS S.A., the leader in developing and marketing integrated enterprise management software and provision of related services in Brazil, presents its results for the second quarter of 2010. The following amounts are stated in thousands of reais, except when otherwise indicated.

Gross Revenue and Net Revenue

Gross revenue from services and sales totaled R$298.401 million in 2Q10 – a new quarterly record for the Company. Net revenue in 2Q10 grew by 12.4% over 2Q09 reaching R$270.128 million - the 18th consecutive quarter of double-digit growth highlights for the growth quality: license revenue acceleration with increase of new clients' number and the average-ticket.

Net revenue in 1H10 was R$530.550 million, 13.2% up on 1H09, another double-digit growth. Management believes that the results obtained in sales are below company´s potential and its performance in all lines of revenue still can improve considerably. Therefore, internal actions are being taken in order to improve processes, franchises integration as well as improvements of efficiency in software implementation and value-added services.

License Fee Revenue

In 2Q10, license fee revenue totaled R$70.316 million, 18.9% higher than the R$59.161 million in 2Q09, mainly driven by the 31.2% quarter-on-quarter increase in sales to new clients. In 1H10, license fee revenue grew by 13.8% over the previous year.

License fee revenue represented 23.6% of the gross revenue in 2Q10, surpassing the 2009 average of 23.1%. Considering the Company's revenue model, this increase in the share of license fee revenue is healthy for the Company's business as it "feeds" fresh revenues from services and maintenance in the following quarters.

Service Revenue

In 2Q10, revenue from services totaled R$90.588 million, 12.1% over the R$80.823 million in 2Q09, and 6.5% over 1Q10. In 1H10, revenue from services totaled R$175.684 million, growth of 13.7% in relation to 1H09.

The productivity of the service structures incorporated during the consolidation process of TOTVS channels continues to improve though still below the desired level. Additionally, the quarter had 2 working days less than 2Q09 due to interruptions on the days Brazil played in the World Cup, especially in June. Management is committed to improve service staff efficiency, including the incorporated structures in the consolidating channels process.

Maintenance Fee Revenues

Maintenance fee revenues in 2Q10 amounted to R$137.497 million, 12.3% over 2Q09. Half-yearly maintenance fee revenue was 14.5% over 1H09.

*** (In thousands of reais) ***

This growth is specially affected by two main aspects: new software license sales, and contracts update by inflation index on its anniversary. Thus the presenting growth is basically due to new contracts, since inflation indexes have been negative or very low, especially till May 2010. However it has been changed, and the recent acceleration in the IGPM index (the most used to update contracts) will be part of the maintenance value, especially in 2Q10. Due to the company´s revenue model, the recent acceleration of license growth shall reflect maintenance revenues positively in incoming quarters.

Operating Costs and Expenses

Operating costs and expenses (excluding Depreciation, Amortization) rose by 14.2% in 2Q10, against a 12.4% increase in net revenue when compared to 2Q09. This growth essentially reflects the businesses absorbed during the consolidation of the distribution channels, especially in the last four months of 2009, and R&D investments. All mentioned increases are considered focus of attention and procedures are being discussed by Management in order to improve company´s efficiency in the following quarters.

Cost of License Fees

Cost of License Fees totaled R$6.933 million in 2Q10, 23% over 2Q09, due to the increase in sales of third-parties' complementary software like databases and operating systems in the quarter. Cost of license fees in 1H10 corresponded to 8.9% of gross revenue from licenses, against 9.5% in 1H09.

Cost of Services and Sales

Cost of services and sales increased by 22.3% in 2Q10 over 2Q09, reflecting the absorption of the services teams during the consolidation of channels, especially in the last four months of 2009.

Compared to 1Q10, cost of services and sales fell by 2.7% while gross revenue from services in the period grew by 6.5%, which shows the improvement in the productivity of the service teams.

However, productivity is still below the levels prior to the consolidation of the distribution channels, which is more evident in the half-yearly comparison (1H10 x 1H09): 27.4% increase in the cost of services and sales, against a 13.7% increase in the gross revenue from services.

The Company maintains its focus on continuously improving the management of services, not only of software implementation, but also in the execution of Value Added Services, whose profitability is lower than historical levels (significantly higher than implementation services), which resulted in recent adjustments to the structure (e.g.: sale of Soft Team and change in the BPO structure of HR processes).

Research and Development

Research and development (R&D) expenses reached 13.4% of net revenue in 2Q10, 1.4 p.p. higher than in 2Q09.

*** (In thousands of reais) ***

R&D expenses in 1H10 corresponded to 13.1% of net revenue, against 11.9% in 1H09. The increase in R&D expenses is mainly due to: the investments for developing middleware and interactivity applications for the Brazilian Digital TV System project (TQTVD); aiming Brazilian Digital TV System (approximately R$ 4.5 million in 1H10) and additional investments to integrate the vertical solutions with back-office solutions.

The Company continues to concentrate its efforts on bringing back the R&D expenses to 11% of net revenue. The key initiatives for achieving this target is: (i) project to equalize all TOTVS software technological platform, especially those used by products originated in Datasul; (ii) integration of the external development structures, currently in FDES, with the current internal structures, which will be obtained with the conclusion of the acquisition of FDES, (iii) and improvement of internal development processes through the unification of development methodologies and environments (PHOENIX Project).

Advertising Expenses

Advertising expenses in 2Q10 increased by 52.1% over 1Q10, reflecting the investments in the new advertising campaign that began in 2Q10, and contributed to the increase of licenses sales.

In the comparison between 1H10 and 1H09, advertising expenses remained stable, representing 2.7% of the Company's net revenue, against 2.6% in the same period in 2009.

The Company plans to maintain investments in advertising, continuing its strategy of reinforcing TOTVS' brand recognition, given the geographical dispersion and low penetration of the Company's target market. TOTVS believes that it can maintain such expenses (on annual bases) slightly lower than in previous years.

Selling Expenses

Selling expenses increased from 5.4% of the Company's net revenue in 1H09 to 6.4% in 1H10. The 1 p.p. increase is mainly due to the incorporation of the sales teams during the consolidation of the channels.

The Company's expectation of dilution of the costs relating to the sales structures is beginning to produce results as selling expenses decreased from 6.8% of net revenue in 1Q10 to 6.1% in 2Q10. The Company maintains its objective of maintaining sales growth higher than the increase in selling expenses.

Commissions

Commissions essentially reflect the sales mix among the Company's distribution channels (own and franchises). Commission expenses in 2Q10 were 18.4% higher than on 1Q10, showing the return of the franchises' focus on sales after the consolidation of channels.

General and Administrative Expenses

*** (In thousands of reais) ***

General and administrative expenses in 2Q10 fell by 4.6% from 2Q09 and represents 6.6% of net revenue. In 1H10 these expenses represented 6.8% of net revenue against 8.4% in 1H09, demonstrating the gains in scale and the optimization of the support structures linked to the Company's core business, as well as additional investments in 2009 for the unification of the Company's management systems. These results were obtained by a review of the internal processes of Shared Services Center and the unification of systems. The continuous improvement in the Company's processes is underway in 2010.

Management Fees

Management fees rose by 9.8% over 2Q09 and by 53.6% over 1Q10. In the half-yearly comparison, they fell by 15.7% from 1H09, due to: (i) the achievement of the Company's monthly goals, which affect the variable monthly compensation of executives; and (ii) provisioning of the annual bonus due to the proportional achievement of the Company's annual financial goals, as well as the executives' financial and non-financial goals.

Provision for Doubtful Accounts

Provision for doubtful accounts has been maintained within the Company's historical levels, corresponding to 0.9% of net revenue in 2Q10 and 1H10, compared to 1.1% in 2Q09 and 1.0% in 1H09. This provision is based on an analysis of the Company's receivables portfolio.

Other Revenues and Expenses

Other revenues and expenses in 2Q10 totaled R$ 3.609 million, compared to R$ 0.396 million in 2Q09. This item was partially affected by the gain from the sale of interest in Soft Team.

Depreciation and Amortization

Depreciation and amortization expenses totaled R$19.200 million, 0.4% over 1Q10. The amount amortized of intangible assets obtained from the acquisitions totaled R$17.010 million in 2Q10.

EBITDA

In 2Q10, EBITDA totaled R$ 62.747 million, a 6.9% increase over 2Q09. EBITDA margin in 2Q10 fell by 120 basis points quarter-on-quarter to ending the quarter at 23.2%. In 1H10, EBITDA totaled R$ 123.586 million, an increase of 4.2% over 1H09, with margin of 23.3%, 200 basis points lower.

The margin decline in the quarter and half-year was due to the higher increase in operating costs, mainly service and R&D costs, that was faster than net revenue growth, as mentioned in the respective topics. Moreover, the impact of the wage raise in 1Q10, which was higher than the inflation rate and which is used to price adjustments on maintenance contracts, adversely affected the margin. However, the acceleration of growth in license revenues and the recovery of inflation rates, together with the Company's efforts (detailed in the previous items), tend to produce positive effects in the coming quarters, allowing a gradual recovery of the EBITDA margin.

*** (In thousands of reais) ***

Net Income and Adjusted Net Income

The Company ended 2Q10 with a net income of R$ 34.681 million, a quarterly record and 25.7% higher than 2Q09.

The net income increase higher than EBITDA growth in the period is due to: i) the reversal of the bonus for the non-conversion (R$1,4 million without income tax and social contribution) of the first lot of 15% of debentures that can be converted on or after August 20, 2010; ii) additional amortization of intangibles in 2010; and iii) reduction of income tax and social contribution effective rate, mainly due to the increase in fiscal benefit on the R&D expenses. Such provision reversal is based on the debentureholders' declaration to exercise the conversion right and the remote possibility of their ineligibility for such conversion by August 20, 2010.

20.01 – OTHER INFORMATION DEEMED AS RELEVANT BY THE COMPANY

In compliance with the Rules of Corporate Governance Differentiated Practices, we present below the ownership structure disclosing any shareholder or investor holding more than 5% of the voting capital, directly or indirectly, to the level of individual, on June 30, 2010

Ownership structure - Totvs S/A	30 June 2009		30 June 2010	
Shareholder	Common Stocks		Common Stocks	
	N. of Shares	%	N. of Shares	%
LC EH Participações e Empreendimentos S/A	5.352.198	17,18%	5.352.198	17,18%
BNDES Participações S/A	2.032.214	6,52%	1.354.809	4,35%
Dynamo Administração de Recursos Ltda. (****)	1.973.253	6,33%	1.006.824	3,23%
Genesis Asset Managers, LLP (*)	1.667.504	5,35%	1.576.704	5,06%
Miguel Abuhab	1.189.279	3,82%	1.189.279	3,82%
Laércio José de Lucena Cosentino	691.036	2,22%	691.036	2,22%
Ernesto Mário Haberkorn	587.362	1,89%	587.362	1,89%
Yafo Fundo de Investimento em Ações (**)	475.500	1,53%	527.000	1,69%
HG Senta Pua Fia (***)	8.700	0,03%	8.700	0,03%
Outros	17.175.356	55,13%	18.858.490	60,54%
Total	**31.152.402**	**100,00%**	**31.152.402**	**100,00%**

(*) Investidor Estrangeiro

(**) Foreign investor

(***) Ernesto Mário Haberkorn and Laércio José de Lucena Cosentino hold interest in the fund HG Senta Pua Fia

(****) Investment Fund. Includes interest held by Dynamo Internacional Gestão de Recursos Ltda

Ownershit Structure - LC EH Participações e Empreendimentos S/A

Shareholder	Common		Preferred		Total	
	N. of Shares	%	N. of Shares	%	N. of Shares	%
Laércio José de Lucena Cosentino	273.058	60,18%	0	0,00%	273.058	50
Ernesto Mário Haberkorn	180.706	39,82%	92.351	100,00%	273.057	50
Total	**453.764**	**100,00%**	**92.351**	**100,00%**	**546.115**	**100**

Ownershit Structure - HG Senta Pua Fia

Shareholder	Quotas	
	N. of Quotas	%
LC EH Participações e Empreendimentos S/A	2.996.352	67,00%
Laércio José de Lucena Cosentino	858.656	19,20%
Ernesto Mário Haberkorn	612.687	13,70%
Marcelo Eduardo Sant'Anna Cosentino	4.472	0,10%
Total	**4.472.168**	**100,00%**

20.01 – OTHER INFORMATION DEEMED AS RELEVANT BY THE COMPANY

Ownership Structure - TOTVS S/A	30 June 2009		30 June 2010	
Acionista	Common Stocks		Common Stocks	
	N. of Shares	%	N. of Shares	%
Controlling Group	0	0,00%	0	0,00%
Officers	152.433	0,49%	142.863	0,46%
Board of Directors	1.881.659	6,04%	1.900.362	6,10%
Related Parties (*)	5.836.398	18,73%	5.887.898	18,90%
OutstandingShares	23.281.912	74,74%	23.221.279	74,54%
Total	**31.152.402**	**100,00%**	**31.152.402**	**100,00%**

(*) Parties related to officers and/or the board of directors, LC EH Participações has been included as related parties since its a company controlled by the chairman of the Board of Directors and is no longer considered a controlling shareholder of the Company

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

Review report of independent auditors

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

1. We have performed a special review of the accounting information included in the Quarterly Financial Information (ITR) of Totvs S.A. and subsidiaries (Parent Company and
Consolidated) for the quarter ended June 30, 2010, including the balance sheets and the related statements of income, changes in shareholders' equity, cash flows, explanatory notes and report on Company's performance, prepared under management's responsibility.

2. Our review was conducted in accordance with specific standards determined by the Brazilian Institute of Independent Auditors (IBRACON), in conjunction with the National Association of State Boards of Accountancy (CFC), which comprised mainly: (a) inquiries of and discussions with management responsible for the Company's and subsidiaries' accounting, financial and operating areas about the main criteria adopted for preparation of the Quarterly Financial Information; and (b) review of the information and subsequent events which had, or might have, significant effects on the Company's and subsidiaries' operations and financial position.

3. Based on our review, we are not aware of any material change that should be made to the accounting data included in the Quarterly Financial Information (Parent Company and Consolidated) referred to in paragraph 1 for it to be in compliance with accounting practices adopted in Brazil and standards established by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Quarterly Financial Information (Parent Company and Consolidated), and the International Financial Reporting Standards (IFRS) applicable to the preparation of Interim Financial Reporting Consolidated ("IAS 34") issued by the International Accounting Standards Board (IASB).

20.01 – OTHER INFORMATION DEEMED AS RELEVANT BY THE COMPANY

4. As mentioned in Note 2, during 2009 the CVM approved various pronouncements, interpretations and technical guidance issued by the Brazilian FASB (CPC), effective for 2010, which amended the accounting practices adopted in Brazil. These amendments were adopted by the Company when preparing its Quarterly Financial Information (Parent Company and Consolidated) for the quarter ended June 30, 2010 and disclosed in Note 2. The Quarterly Financial Information (Parent and Consolidated) for the prior period, presented for comparison purposes, were adjusted to include the changes in the accounting practices adopted in Brazil effective for 2010. The Consolidated Financial Statements included in the Quarterly Financial Information does not present reconciliation items in relation to the accounting information prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the International Accounting Standard Board (IASB).

São Paulo, July 27, 2010

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

Luiz Carlos Marques
Accountant CRC 1SP147693/O-5