(A free translation of the original in Portuguese)

TOTVS S.A.

Interim financial information (ITR)
September 30, 2017
and Independent auditor´s review report on interim financial information

(A free translation of the original in Portuguese)

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(A free translation of the original in Portuguese)

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

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

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

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

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

Scope of review

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

Conclusion on the individual and consolidated interim financial information

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

Other matters

Statements of value added

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

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

The individual and consolidated statements of financial position as of December 31, 2016, presented for comparison purposes, were previously audited by other independent auditors, who issued an unmodified report dated February 20, 2017. In addition, the individual and consolidated interim statements of profit or loss and of comprehensive income for the three-month and nine-month periods ended on September 30, 2016, and of changes in equity, of cash flows and of value added for the nine-month period ended on September 30, 2016, presented for comparison purposes, were reviewed by other independent auditors, who issued an unmodified report dated October 27, 2016.

São Paulo, November 1, 2017

ERNST & YOUNG
Auditores Independentes S.S.
CRC- 2SP034519/O-6

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

TOTVS S.A.
Statements of financial position as of September 30, 2017 and December 31,2016
(In thousands of reais – R$)

	Company		Consolidated	
Assets	**9/30/2017**	**12/31/2016**	**9/30/2017**	**12/31/2016**
Current assets	**759,885**	**565,602**	**1,134,939**	**951,736**
Cash and cash equivalents (Note 5)	307,255	112,504	384,448	214,772
Marketable securities (Note 18)	26,951	32,165	69,605	74,027
Trade accounts receivable (Note 6)	382,454	394,382	556,230	569,370
Allowance for doubtful accounts (Note 6)	(70,178)	(84,293)	(90,564)	(105,183)
Inventories (Nota 7)	-	-	46,192	28,219
Taxes recoverable (Note 8)	71,644	72,993	114,706	122,521
Other assets	41,759	37,851	54,322	48,010
Non-current assets	**1,646,747**	**1,642,705**	**1,466,599**	**1,492,176**
Marketable securities (Note 18)	5,055	4,676	11,959	11,137
Trade accounts receivable (Note 6)	30,378	35,842	31,514	36,913
Receivables from related parties (Note 10)	6,734	1,644	-	-
Taxes recoverable (Note 8)	-	-	20,579	21,572
Deferred income and social contribution taxes (Note 9)	37,827	30,449	95,275	88,658
Financial assets at fair value (Note 4)	-	-	55,198	56,800
Judicial deposits (Note 19)	36,186	29,846	48,590	40,903
Other assets	30,617	23,420	36,712	30,437
Investments (Note 11)	967,464	976,201	1,488	1,350
Property, plant and equipment (Note 12)	159,995	154,126	181,519	176,270
Intangible assets (Note 13)	372,491	386,501	983,765	1,028,136
Total assets	**2,406,632**	**2,208,307**	**2,601,538**	**2,443,912**

	Company		Consolidated	
Liabilities and equity	**9/30/2017**	**12/31/2016**	**9/30/2017**	**12/31/2016**
Current liabilities	**516,421**	**465,130**	**671,016**	**624,197**
Payroll and labor obligations (Note 14)	142,682	105,243	184,651	140,539
Trade accounts payable	69,281	41,844	110,524	73,553
Loans and financing (Note 16)	190,029	180,294	201,483	196,012
Taxes payable (Note 15)	19,081	17,293	28,873	28,141
Commissions payable	35,100	38,343	41,515	43,198
Dividends payable (Note 22)	29,016	41,097	29,443	41,561
Obligations relating to acquisitions (Note 18)	28,649	38,960	71,303	80,822
Debentures (Note 17)	41	-	41	12,111
Other liabilities	2,542	2,056	3,183	8,260
Non-current liabilities	**625,051**	**521,989**	**665,181**	**598,799**
Loans and financing (Note 16)	221,374	339,207	241,131	365,729
Debentures (Note 17)	263,443	58,784	263,443	78,550
Provision for losses on investments (Note 11)	1.256	1,208	-	-
Payables to related parties (Note 10)	13,375	13,247	-	-
Provision for contingencies related to legal proceedings (Note 19)	100,488	85,323	107,254	102,225
Obligations relating to acquisitions (Note 18)	19,243	17,828	47,428	45,886
Other liabilities	5,872	6,392	5,925	6,409
Equity (Note 21)	**1,265,160**	**1,221,188**	**1,265,341**	**1,220,916**
Capital	989,841	541,374	989,841	541,374
Treasury shares	(71,546)	(73,443)	(71,546)	(73,443)
Capital reserves	163,850	162,024	163,850	162,024
Other comprehensive income results	(1,235)	1,785	(1,235)	1,785
Retained profit reserve	184,250	582,073	184,250	582,073
Proposed additional dividend	-	7,375	-	7,375
Non-controlling interests	-	-	**181**	**(272)**
Total liabilities and equity	**2,406,632**	**2,208,307**	**2,601,538**	**2,443,912**

See accompanying notes.

TOTVS S.A.
Statement of proft or loss
For the three and nine-months periods ended September 30, 2017 and 2016
(In thousands of reais, except for the earnings per share)

	Company				Consolidated			
	7/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2017 to 9/30/2017	1/1/2016 to 9/30/2016	7/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2017 to 9/30/2017	1/1/2016 to 9/30/2016
Licensing fees	35,155	28,875	105,230	98,711	39,750	37,730	129,460	128,874
Maintenance	214,262	212,562	644,741	640,743	251,847	248,675	760,612	750,524
Subscriptions	48,933	32,419	135,231	86,149	78,960	58,747	221,442	165,143
Services	107,888	100,259	302,178	313,810	132,890	131,683	383,491	413,202
Hardware	-	-	-	-	58,851	60,663	177,959	176,088
Net revenue from services and sales (Note 27)	**406,238**	**374,115**	**1,187,380**	**1,139,413**	**562,298**	**537,498**	**1,672,964**	**1,633,831**
Cost of software	(19,430)	(17,571)	(56,057)	(49,078)	(21,645)	(19,732)	(64,122)	(57,952)
Cost of support	(20,395)	(18,813)	(60,847)	(55,335)	(33,388)	(32,225)	(98,439)	(96,700)
Cost of services	(104,033)	(98,489)	(305,842)	(296,945)	(124,327)	(123,287)	(371,895)	(377,720)
Cost of hardware	-	-	-	-	(37,396)	(41,578)	(111,707)	(119,819)
Gross profit	**262,380**	**239,242**	**764,634**	**738,055**	**345,542**	**320,676**	**1026,801**	**981,640**
Operating income (expenses)								
Research and development	(63,501)	(56,645)	(184,265)	(166,087)	(92,318)	(82,239)	(264,219)	(234,628)
Advertising expenses	(12,411)	(11,066)	(31,339)	(25,482)	(14,513)	(14,284)	(37,165)	(34,587)
Selling expenses	(35,882)	(28,228)	(108,362)	(88,508)	(58,193)	(48,838)	(174,896)	(148,972)
Commissions (Note 28)	(32,077)	(28,661)	(94,340)	(88,536)	(39,200)	(33,533)	(111,201)	(104,574)
General and administrative expenses	(47,766)	(32,757)	(125,325)	(90,065)	(63,323)	(48,577)	(164,724)	(137,093)
Management fees (Note 10.3)	(5,143)	(3,711)	(14,638)	(9,982)	(6,186)	(4,480)	(16,839)	(12,715)
Depreciation and amortization (Notes 12 and 13)	(25,996)	(20,925)	(71,560)	(57,781)	(38,368)	(33,034)	(109,600)	(94,304)
Allowances for doubtful accounts (Note 6)	(6,369)	(22,776)	(17,228)	(34,426)	(9,425)	(25,619)	(26,173)	(40,572)
Government subsidy	-	-	-	-	-	3,082	4,591	7,300
Other net operating income (expenses)	(69)	9,076	(398)	9,597	(952)	9,123	(1,921)	9,305
Income before financial effects and equity pickup	**33,166**	**43,549**	**117,179**	**186,785**	**23,064**	**42,277**	**124,654**	**190,800**
Finance income (Note 29)	7,350	10,482	24,108	36,371	11,486	15,681	37,804	53,978
Finance costs (Note 29)	(16,389)	(19,563)	(53,597)	(64,402)	(20,845)	(25,863)	(65,358)	(87,418)
Equity pick-up (Note 11)	(9,759)	(3,718)	(1,157)	(7,122)	-	-	-	-
Income before income and social contribution taxes	**14,368**	**30,750**	**86,533**	**151,632**	**13,705**	**32,095**	**97,100**	**157,360**
Current income and social contribution taxes	2,182	3,821	(8,799)	(20,424)	2,560	(1,265)	(18,079)	(37,144)
Deferred income and social contribution taxes	4,986	3,645	5,822	(5,214)	5,265	7,160	4,838	5,248
Total income and social contribution taxes	**7,168**	**7,466**	**(2,977)**	**(25,638)**	**7,825**	**5,895**	**(13,241)**	**(31,896)**
Net income for the year	**21,536**	**38,216**	**83,556**	**125,994**	**21,530**	**37,990**	**83,859**	**125,464**
Net income attributable to controlling shareholders	**21,536**	**38,216**	**83,556**	**125,994**	**21,536**	**38,216**	**83,556**	**125,994**
Net income attributable to non-controlling interests	**-**	**-**	**-**	**-**	**(6)**	**(226)**	**303**	**(530)**
Basic earnings per thousand shares (in Reais)	0.1318	0.2340	0.5114	0.7711	0.1318	0.2326	0.5133	0.7679
Diluted earnings per thousand shares (in Reais)	0.1307	0.2328	0.5072	0.7664	0.1307	0.2314	0.5090	0.7631

See accompanying notes.

(A free translation of the original in Portuguese)

TOTVS S.A.
Statements of comprehensive income
For the three and nine-months periods ended September 30, 2017 and 2016
(In thousands of Reais)

	Company			
	7/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2017 to 9/30/2017	1/1/2016 to 9/30/2016
Net income for the year	**21,536**	**38,216**	**83,556**	**125,994**
Cumulative translation adjustment	(1,350)	2,334	(4,576)	(30,680)
Deferred income and social contribution taxes	458	(794)	1.556	10,431
Cumulative translation adjustment, net of tax effects	**(892)**	**1,540**	**(3,020)**	**(20,249)**
Comprehensive income for the period	**20,644**	**39,756**	**80,536**	**105,745**

	Consolidated			
	7/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2017 to 9/30/2017	1/1/2016 to 9/30/2016
Net income for the year	**21,530**	**37,990**	**83,859**	**125,464**
Cumulative translation adjustment -	(1,350)	2,334	(4,576)	(30,680)
Deferred income and social contribution taxes	458	(794)	1,556	10,431
Cumulative translation adjustment, net of tax effects	**(892)**	**1,540**	**(3.020)**	**(20.249)**
Comprehensive income for the period	**20,638**	**39,530**	**80,839**	**105,215**
Net income for the year attributable to controlling shareholders	20,644	39,756	80,536	105,745
Attributable to non-controlling interests	(6)	(226)	303	(530)

See accompanying notes.

(A free translation of the original in Portuguese)

TOTVS S.A.
Statements of changes in equity
For the nine-months periods ended September 30,2017 and 2016
(In thousands of Reais)

			Capital Reserves									
	Capital	Premium on purchase from non-controlling	Of Capital	Legal	Retained profit	Treasury Share	Other Comprehensive Income	Retained earnings	Proposed additional dividend	Company Equity	Non-Controlling	Consolidated Equity
Balance as of December 31, 2015	**541,374**	**(25,518)**	**184,731**	**71,737**	**448,466**	**(71,012)**	**21,329**	**-**	**66,579**	**1,237,686**	**46**	**1,237,732**
Capital transactions with partners	-	-	-	-	-	-	-	-	-	-	-	-
Stock option plan	-	-	(475)	-	-	-	-	-	-	(475)	-	(475)
Dividends from the previous year	-	-	-	-	-	-	-	-	(66,579)	(66,579)	-	(66,579)
Dividends	-	-	-	-	-	-	-	-	-	-	-	-
Interest on equity	-	-	-	-	-	-	-	(43,606)	-	(43,606)	-	(43,606)
Treasury shares,net	-	-	-	-	-	(2,431)	-	-	-	(2,431)	-	(2,431)
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	-	-	71	71
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(20,249)**	**125,994**	**-**	**105,745**	**(530)**	**105,215**
Net income for the period	-	-	-	-	-	-	-	125,994	-	125,994	(530)	125,464
Cumulative translation adjustment	-	-	-	-	-	-	(20,249)	-	-	(20,249)	-	(20,249)
Balance as of September 31, 2016	**541,374**	**(25,518)**	**184,256**	**71,737**	**448,466**	**(73,443)**	**1,080**	**82,388**	**-**	**1,230,340**	**(413)**	**1,229,927**
Balance as of December 31, 2016	**541,374**	**(25,518)**	**187,542**	**79,370**	**502,703**	**(73,443)**	**1,785**	**-**	**7,375**	**1,221,188**	**(272)**	**1,220,916**
Capital transactions with partners												
Increase capital	448,467	-	-	-	(448,467)	-	-	-	-	-	150	150
Stock option plan	-	-	3,723	-	-	-	-	-	-	3,723	-	3,723
Dividends from the previous year	-	-	-	-	-	-	-	-	(7,375)	(7,375)	-	(7,375)
Dividends	-	-	-	-	-	-	-	-	-	-	-	-
Interest on equity	-	-	-	-	-	-	-	(32,912)	-	(32,912)	-	(32,912)
Treasury shares, net	-	-	(1,897)	-	-	1,897	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(3,020)**	**83,556**	**-**	**80,536**	**303**	**80,839**
Net income for the period	-	-	-	-	-	-	-	83,556	-	83,556	303	83,859
Cumulative translation adjustment	-	-	-	-	-	-	(3,020)	-	-	(3,020)	-	(3.020)
Balance as of September 30, 2017	**989,841**	**(25,518)**	**189,368**	**79,370**	**54,236**	**(71,546)**	**(1,235)**	**50,644**	**-**	**1,265,160**	**181**	**1,265,341**

See accompanying notes.

(A free translation of the original in Portuguese)

TOTVS S.A.
Statements of cash flows
For the nine-months periods ended September 30, 2017 and 2016
(In thousands of Reais)

	Company		Consolidated	
	9/30/2017	9/30/2016	9/30/2017	9/30/2016
Cash flow from operating activities				
Profit before taxation income and social contribution	**86,533**	**151,632**	**97,100**	**157,360**
Adjustments for:				
Depreciation and amortization (Notes 12 and 13)	71,560	57,781	112,145	96,798
Stock option plan (Note 22)	3,723	(475)	3,723	(475)
Losses (gains) on disposal of fixed assets	1,815	(7,582)	1,964	(8,168)
Allowance for doubtful accounts (Note 6)	17,228	34,426	26,173	40,572
Equity pick up (Note 11)	1,157	7,122	-	-
Provision for contingencies and legal obligations	26,700	12,922	21,524	12,610
Provision for (reversal of) other obligations	5,530	-	5,819	2,376
Interest and monetary and exchange variations, net	42,923	53,519	41,597	53,395
Changes in operating assets and liabilities:				
Trade accounts receivable	(13,951)	(13,050)	(22,253)	(21,304)
Inventories	-	-	(17,973)	9,247
Other assets	(2,124)	(29,665)	(2,036)	(26,199)
Judicial deposits	(5,167)	(243)	(6,523)	482
Labor and social security liabilities	37,439	22,301	44,112	28,921
Taxes recoverable	(3,087)	(24,795)	4,373	(21,064)
Suppliers	(791)	(62)	8,454	(24,459)
Commission payable	(3,243)	(11,217)	(1,683)	(10,962)
Taxes payable	2,589	(9,862)	(1,209)	(17,099)
Other accounts payable	(18,820)	(10,384)	(24,960)	(20,548)
Cash flow provided by operations	**250,014**	**232,368**	**290,347**	**251,483**
Interest paid	(27,899)	(34,957)	(34,980)	(43,808)
Income tax and social contributions paid	(9,600)	(6,519)	(16,138)	(14,778)
Net cash provided by operating activities	**212,515**	**190,892**	**239,229**	**192,897**
Cash flow provided by investing activities				
Capital increase in subsidiaries (Note 11)	(6,747)	(25,844)	-	-
Dividends received	11,591	8,392	-	-
Purchases of intangible assets (Note 13)	(13,995)	(29,777)	(18,442)	(42,671)
Acquisitions of subsidiaries, net of cash obtained in the acquisitions	-	-	-	(95)
Value of fixed assets sold	1,124	863	1,284	1,052
Purchases of property, plant and equipment (Note 12)	(17,825)	(36,017)	(24,551)	(40,366)
Value received on the sale of investments	-	5,266	-	5,266
Net cash used in investment activities	**(25,852)**	**(77,117)**	**(41,709)**	**(76,814)**
Cash flow from financing activities				
Payment of principal of loans and financing	(126,037)	(124,491)	(137,298)	(129,089)
Payment of principal of debentures	-	(48,002)	(29,436)	(58,566)
Payment of finance lease	(12,511)	-	(12,671)	-
Loans, financing and debentures raised	199,531	-	199,531	7,365
Repurchase of debentures	-	-	-	(2,416)
Receivables from related companies	(4,962)	1,792	-	-
Dividends and interest on equity paid	(47,933)	(141,324)	(47,970)	(141,324)
Treasury shares, net	-	(2,431)	-	(2,431)
Net cash used in financing activities	**8,088**	**(314,456)**	**(27,844)**	**(326,461)**
Increase (decrease) in cash and cash equivalents	194,751	(200,681)	169,676	(210,378)
Cash and cash equivalents at beginning of the year	112,504	314,405	214,772	426,415
Cash and cash equivalents at end of period	**307,255**	**113,724**	**384,448**	**216,037**

See accompanying notes.

(A free translation of the original in Portuguese)

TOTVS S.A.
Statements of Value Added
For the nine-months periods ended September 30, 2017 and 2016
(In thousands of Reais)

	Company		Consolidated	
	9/30/2017	9/30/2016	9/30/2017	9/30/2016
1 – REVENUES	**1,318,246**	**1,257,122**	**1,866,100**	**1,819,831**
1.1 Sales of goods, products and services	1,335,873	1,281,951	1,889,603	1,843,288
1.2 Other revenue	(399)	9,597	2,670	17,115
1.3 Allowance for doubtful accounts – recording	(17,228)	(34,426)	(26,173)	(40,572)
2 - RAW MATERIALS ACQUIRED FROM THIRD-PARTIES (includes ICMS and IPI taxes)	**(419,486)**	**(384,337)**	**(639,222)**	**(631,004)**
2.1 Cost of goods and services sold	(56,061)	(49,078)	(171,689)	(190,910)
2.2 Materials, energy, outsourced services and other	(363,425)	(335,259)	(467,533)	(440,094)
3 - GROSS VALUE ADDED (1-2)	**898,760**	**872,785**	**1,226,878**	**1,188,827**
4 - DEPRECIATION AND AMORTIZATION	(71,560)	(57,781)	(112,145)	(96,798)
5 - NET VALUE ADDED PRODUCED BY THE ENTITY (3-4)	**827,200**	**815,004**	**1,114,733**	**1,092,029**
6 - VALUE ADDED RECEIVED IN TRANSFERS	**22,951**	**29,249**	**37,804**	**53,978**
6.1 Equity pick-up	(1,157)	(7,122)	-	-
6.2 Financial income	24,108	36,371	37,804	53,978
7 - TOTAL VALUE ADDED TO BE DISTRIBUTED (5+6)	**850,151**	**844,253**	**1,152,537**	**1,146,007**
8 - VALUE ADDED DISTRIBUTION	**850,151**	**844,253**	**1,152,537**	**1,146,007**
8.1 Personnel	**515,469**	**443,858**	**694,490**	**621,545**
8.1.1 Direct Compensation	422,621	360,216	569,177	505,986
8.1.2 Benefits	57,063	51,943	77,273	73,485
8.1.3 FGTS (worker's severance fund)	35,785	31,699	48,040	42,074
8.2 Taxes and contributions	**178,492**	**191,615**	**277,663**	**282,254**
8.2.1 Federal	146,516	160,357	218,581	225,143
8.2.2 State	16	(14)	18,312	16,926
8.2.3 Municipals	31,960	31,272	40,770	40,185
8.3 Interest and rent	**72,634**	**82,787**	**96,525**	**116,744**
8.3.1 Interest	53,597	64,402	65,359	87,418
8.3.2 Rents	19,037	18,385	31,166	29,751
8.3.3 Others	-	-	-	(425)
8.4 Remuneration of equity	**83,556**	**125,994**	**83,859**	**125,464**
8.4.1 Interest on capital	32,912	43,606	32,912	43,606
8.4.2 Dividends paid or credited to shareholders	-	-	-	-
8.4.3 Retained profit / loss for the year	50,644	82,388	50,644	82,388
8.4.4 Minority interest in retained earnings	-	-	303	(530)

See accompanying notes.

(A free translation of the original in Portuguese)

Comments on performance

FINANCIAL PERFORMANCE AND CONSOLIDATED RESULT

Net revenue totaled R$562,298 thousand in 3Q17, up 4.6% from 3Q16, resulting from: (i) the Company's initiatives to capture the software market's growth, including the sales of business solutions by industry sector, productivity and collaboration platforms, cloud infrastructure and mobile solutions to its clients; and (ii) the growth of recurring revenues from subscription;

Licensing revenue grew 5.4% year on year, mainly reflecting the increase in average ticket resulting from the higher participation of sales to large clients.

Maintenance revenue increased 1.3% year on year in 3Q17 and was negatively affected by: (i) the lower volume of license sales in previous periods; (ii) the increase in client defaults; (iii) the higher volume of partial cancellation of maintenance contracts due to layoffs at clients; and (iv) the decline in the IGP-M index in the last 12 months.

Subscription revenue increased 34.4% year on year and totaled R$78,960 thousand in the quarter. This growth is mainly due to the higher share of new sales to small and medium clients, especially under the TOTVS Intera commercial model.

Service revenue totaled R$132,890 thousand in the 3Q17, a growth of 0.9% year on year mainly driven by the 2.3% increase in services not related to software implementation, which accounted for 32.6% of total service revenue in 3Q17.

Hardware revenue decreased 3.0% year over year and totaled R$58,851 thousand in 3Q17, mainly due to the decline in sales of fiscal printers.

The cost of software increased 9.7% in 3Q17, when compared to the same quarter of 2016, reflecting mainly the share of complementary solutions provided by partners in the sales in the period.

The cost of support grew 3.6% in the year on year comparison, chiefly explained by wage increases and contracts adjustments with suppliers made in the past 12 months.

The cost of services totaled R$124,327 thousand, same level of 3Q16, despite the collective bargaining agreements settled in the last 12 months, mainly due to the organizational restructuring carried out by the Company in 4Q16, which reduced recurring personnel expenses since 1Q17.

The cost of hardware, which includes the cost of the equipment and technical assistance services provided by subsidiary Bematech, reduced 10.1% year on year, mainly because of the exchange rate variation effect on costs in the period. It is worth mentioning that the hardware cost also includes depreciation expenses of R$837 thousand.

Research and development expenses grew 12.3% year over year. This growth results mainly from the collective wage adjustments made in the period and the additional investments in the integration of Bematech's portfolio of solutions.

Advertising and marketing expenses in 3Q17 grew 1.6% year on year, chiefly explained by wage increases and contracts adjustments with suppliers made throughout the year.

Selling expenses totaled R$58.193 thousand in 3Q17, a 19.2% growth over 3Q16, and the commissions expenses grew 16.9% when comparing to the 3Q16, totaling R$39,200 thousand. When taken together, the sum of these expenses increased its share over net revenue, mainly reflecting (i) the change in sales mix between franchises and own branches; and (ii) the higher volume of software sales in the subscription model.

General and administrative expenses increased 30.4% in 3Q17 to R$63,323 thousand. This variation was affected by the higher level of provision for contingencies and salary adjustments resulting from collective agreements.

Management fees grew 38.1% over 3Q16 mainly as a result of the provision for bonus related to the achievement of financial and individual targets of executives in the period.

Depreciation and amortization expenses in 3Q17 increased 16.1% year on year, primarily due the start of assets depreciation of the Company's new headquarters in São Paulo.

Allowance for doubtful accounts corresponded to 1.7% in 3Q17, compared to 4.8% in 3Q16. The decrease in this line is mainly a consequence of the additional provision of R$17,221 thousand related to the higher credit risk of a large client in the Service segment in 3Q16.

The negative financial result (financial revenues net of financial expenses) was 8.1% lower than the 3Q16 negative financial result, mainly reflecting the drop of net debt in the period.

The reversion of Income tax and social contribution expenses was 32.7% higher than 3Q16 reversion, mainly due to the greater relevance of the benefit from Interest on Equity on income before income tax and social contribution.

Net income decreased 43.3% in 3Q17 year on year. The net income variation in the period is largely due to: (i) the reduction of 45.4% of the earnings before financial effects and equity income; (ii) the lower negative financial result of the quarter; and (iii) the growth of depreciation and amortization expenses.

EBITDA (*) for the quarter totaled R$62,269 thousand, 28.0% lower than 3Q16, as shown below:

	Consolidated		
	3Q17	**3Q16**	**Change**
Net Income	**21,530**	**37,990**	**-43.3%**
Income Tax and Social Contribution	*(7,825)*	*(5,895)*	*32.7%*
Financial result	*9,359*	*10,182*	*-8.1%*
Depreciation and amortization	*39,205*	*33,819*	*15.9%*
EBITDA	**62,269**	**76,096**	**-18.2%**
Additional Provision for Doubtful Accounts	*-*	*17,221*	*-100.0%*
Adjustment of the Inventory Average Cost	*-*	*2,376*	*-100.0%*
Gain from asset sales	*-*	*(9,209)*	*-100.0%*
ADJUSTED EBITDA	**62,269**	**86,484**	**-28.0%**

This decrease is mainly a result of: (i) the transition to the subscription model, which negatively affects growth in net revenue from software due to the deferred recognition of subscription revenue and, consequently, the dilution of costs and expenses in the short term; (ii) the effects from the economic recession in Brazil on delinquency rates, cancellations and reductions of maintenance contracts and on the increase of provisions for contingencies, besides resulting on a lower services sales pace; and (iii) the IGP-M level (inflation index used to adjust recurring revenues) being significantly lower than the level of cost inflation. EBITDA margin ended the quarter at 11.1%, compared to 16.1% in 3Q16 Adjusted EBITDA margin, due to the events already described in previous comments of each line.

(*) EBITDA is a non-accounting measure prepared by the Company and consists of net income for the year, plus income taxes, financial expenses net of financial revenues, and depreciation and amortization. 3Q16 Adjusted EBITDA represents EBITDA, net of extraordinary effects related to additional provision for doubtful accounts, adjustment of the inventory average cost and gain from asset sales.

(A free translation of the original in Portuguese)

Notes to the financial statements

1. The Company and its operations

a) General information

TOTVS S.A. ("parent company", "TOTVS" or the "Company") is a publicly-held corporation headquartered at Avenida Braz Leme, 1000, in the City and State of São Paulo, having its shares traded on the *Novo Mercado* of BM&FBOVESPA – Brazilian Securities, Commodities and Futures Exchange.

b) Operations

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

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

2.1. Statement of Compliance

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

2.2. Basis of presentation

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

TOTVS's individual and consolidated Interim Financial Information were approved at Board of Directors Meeting held on November 1, 2017.

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

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

2.3. Basis of preparation

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

(a) Consolidated interim financial information

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

(b) Individual interim financial information

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

(c) Changes in accounting policies and disclosure

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

2.4. Basis of consolidation

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

Direct Investments:

	Head			Interest %	
Corporate Name	**office**	**Denomination**	Note	**9/30/2017**	**12/31/2016**
TOTVS Serviços Ltda.	BRA	TOTVS Serviços		100.00	100.00
TOTVS Nordeste Software Ltda.	BRA	TOTVS Nordeste		100.00	100.00
TOTVS Brasília Software Ltda.	BRA	TOTVS Brasília		100.00	100.00
TQTVD Software Ltda.	BRA	TQTVD		100.00	100.00
TOTVS Ventures Participações Ltda.	BRA	TOTVS Ventures		100.00	100.00
TOTVS Argentina S.A.	ARG	TOTVS Argentina		100.00	100.00
Datasul Argentina S.A.	ARG	Datasul Argentina		100.00	100.00

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

Indirect Investments:

Corporate Name	Head office	Denomination	Investor	Note	Interest % 9/30/2017	Interest % 12/31/2016
DTS Consulting Partner. SA de CV	MEX	Partner	TOTVS México		100.00	100.00
PC Informática S.A.	BRA	PC Informática	TOTVS Brasília	(ii)	-	100.00
RMS Software S.A.	BRA	RMS	TOTVS Nordeste		100.00	100.00
Webstrategie Software Ltda.	BRA	Webstrategie	RMS		100.00	100.00
Bematech Hardware Ltda.	BRA	Bematech Hardware	Bematech S.A.	(iii)	100.00	-
Kerina Software Ltda.	BRA	Kerina	TQTVD		100.00	100.00
Bematech Ásia Co.Ltd.	TWN	Bematech Ásia	Bematech S.A.		100.00	100.00
Bematech Argentina S.A.	ARG	Bematech Argentina	Bematech S.A.		100.00	100.00
CMNet Soluções em Informática e Agência de Viagens e Turismo S.A.	BRA	CMNet Soluções	Bematech S.A.		100.00	100.00
Bematech Internacional Corp.	EUA	BIC	Bematech S.A.		100.00	100.00
Logic Controls, Inc	EUA	Logic Controls	Bematech Inter. Corp.		100.00	100.00
FICE - Bematech Foshan Shunde Ltd.	CHN	FICE	Logic Controls, Inc		100.00	100.00
CMNet Participações S.A.	BRA	CMNet Partipações	Bematech S.A.		100.00	100.00
CM Soluciones - Argentina	ARG	CMNet Argentina	CMNet Participações		100.00	100.00
CMDIR - Soluções Informática, Lda - Portugal	PRT	CMNet Portugal	CMNet Participações		100.00	100.00
CM Soluciones – Chile	CHL	CMNet Chile	CMNet Participações		100.00	100.00
CMNet España	ESP	CMNet Espanha	CMDIR - Soluções		100.00	100.00
RJ Participações S.A.	BRA	RJ Participações	Bematech S.A.		100.00	100.00
R.J. Consultores en Sistemas de Información S.C.	MEX	RJ México	RJ Participações		100.00	100.00
R.J. Consultores e Informática Ltda.	BRA	RJ Consultores	RJ Participações		100.00	100.00
National Computer Corporation	RUS	JV Russia	TOTVS México		19.00	19.00

(i) Company created in March 2017 for future segregation of certain software operations.
(ii) PC Informática was merged into TOTVS Brasilia on May 1, 2017 according to Extraordinary Shareholders´Meeting held on April 28, 2017 (see note 3).
(iii) Company created for the purpose of segregating the manufacturing (hardware) and service (software).

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

2.5. Significant accounting judgments, estimates and assumptions

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

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

3. Corporate restructuring

TOTVS Brasilia merged the equity of PC Informatica on May 1, 2017, recorded at book value, shown in the table below:

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

In accordance with the merger protocols approved in the Extraordinary Shareholders´Meetings of TOTVS Brasilia held on April 28, 2017, the net assets of subsidiary PC Informática were valued by experts who issued their appraisal reports of the company on March 31, 2017, according to the table above. Changes in the statement of financial position after the base date to the effective merger date were absorbed by TOTVS Brasília.

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

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

4.1. Sensitivity analysis of financial assets and liabilities

The Company's financial instruments are represented by cash and cash equivalents, accounts receivable, accounts payable, debentures, loans and financing, and are recorded at cost, plus income or expenses incurred, or fair value where applicable, as at September 30,2017 and December 31, 2016.

The main risks on the Company’s transactions are associated with variations in the Interbank Deposit Certificate (CDI) for financial investments and debentures issued in 2017, and with variations in the Long-term Interest Rate

(TJLP) and the Extended the Consumer Price Index (IPCA) for loans raise from the Brazilian Development Bank (BNDES) and for debentures issued in prior years.

a) Financial assets

In order to verify the sensitivity of the index in the financial investments to which Company was exposed as of September 30, 2017, three different scenarios were defined. Based on projections disclosed by financial institutions, the average rate for CDI is 8.14% for 2017, which was defined as a probable scenario (scenario I). Based thereon, variations of 25% (scenario II) and 50% (scenario III) were calculated. .

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

Operation	Balances at 9/30/2017	Risk	Most probable scenario (I)	Scenario (II)	Scenario (III)
Consolidated financial investments	R$378,646	Reduction CDI (a)	8.14%	6.11%	4.07%
Estimated finance income			**R$30,822**	**R$23,135**	**R$15,411**

(a) Interbank Deposit Certificates

b) Financial liabilities

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

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

Operation	Balances at 9/30/2017	Risk	Most probable scenario I	Scenario II	Scenario III
BNDES – Consolidated financing	R$341,602	Increase TJLP (a)	7.00%	8.75%	10.50%
Estimated financial expenses			**R$ 23,912**	**R$ 29,890**	**R$ 35,868**
Consolidated debentures	R$63,756	Increase IPCA (b)	2.54%	3.18%	3.81%
		TJLP (a)	7.00%	8.75%	10.50%
	R$199,728	CDI	8.14%	10.18%	12.21%
Estimated financial expenses			**R$23,246**	**R$27,670**	**R$32,246**

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

4.2. Financial assets at fair value

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

As these startups are privately held companies and have no prices quoted in an active market, their fair value is based on discounted cash flow using a rate based on the market interest rate and the risk premium specific to each investment. The fair value for theses investments are revalued annually, and, at September 30, 2017, it was R$55,198.

5. Cash and cash equivalents

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

	Company		Consolidated	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
Cash	1,806	14,352	5,802	60,141
Cash equivalents	**305,449**	**98,152**	**378,646**	**154,631**
Repurchase agreements	129,728	44,452	124,126	81,856
Certificate of deposit bank (CDB)	175,721	53,700	254,520	72,775
	307,255	**112,504**	**384,448**	**214,772**

The Company has short-term investment policies which establish that investments should focus on low-risk securities and top-tier financial institutions, and be significantly remunerated based on the CDI rate, which averaged 97.17% of CDI a month for the nine-month period ended on September 30, 2017.

6. Trade accounts receivable net

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

	Company		Consolidated	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
National market	412,017	428,956	573,771	583,464
Foreign market	815	1,268	13,973	22,819
Gross trade accounts receivable	**412,832**	**430,224**	**587,744**	**606,283**
(-) Allowances for doubtful accounts	(70,178)	(84,293)	(90,564)	(105,183)
Net trade accounts receivable	**342,654**	**345,931**	**497,180**	**501,100**
Current assets	312,276	310,089	465,666	464,187
Non-current assets (a)	30,378	35,842	31,514	36,913

(a) The non-current assets basically refer to the sale of software licenses, implementation and customization services, and is presented net of present value adjustment.

The aging list, net of allowance for doubtful accounts, as of September 30, 2017 and December 31, 2016:

	Company		Consolidated	
	09/30/2017	12/31/2016	09/30/2017	12/31/2016
Falling due	306,622	303,440	436,026	440,613
Overdue				
1 to 30 days	12,476	19,605	22,958	27,183
31 to 60 days	5,237	7,021	9,668	10,092
61 to 90 days	3,325	4,517	5,568	6,712
91 to 180 days	9,883	8,097	14,316	11,373
181 to 360 days	605	1,906	1,996	2,069
More than 360 days	4,506	1,345	6,648	3,058
Net accounts receivable	**342,654**	**345,931**	**497,180**	**501,100**

Changes in allowances for doubtful accounts are as follows:

	09/30/2017	
	Company	Consolidated
Balance at the beginning of the year	84,293	105,183
Additional provision during the period	17,228	26,173
Written off due to use	(31,343)	(40,792)
Balance as of September 30, 2017	**70,178**	**90,564**

Management believes that the risk related to trade accounts receivable is minimized by the fact that the Company's customer portfolio is diluted, except for accounts receivable from the logistic distributor of subsidiary Bematech and some relevant customers, which cumulatively account for 10.6% of net consolidated trade accounts receivable as of September 30, 2017.

The Company does not require any guarantee on installment sales.

7. Inventories

The breakdown of inventories, which is solely comprises subsidiary Bematech, is as follows:

	Consolidated	
	09/30/2017	12/31/2016
Finished products	10,171	6,360
Work in progress	367	142
Raw materials	23,969	15,640
Products for resale and others	9,850	5,675
Parts for technical assistance	1,246	1,346
Advance to supllers	2,639	-
(-) Provision for adjustment to realizable value	(2,050)	(944)
	46,192	**28,219**

8. Taxes recoverable

Taxes recoverable are as follows:

	Company		Consolidated	
	09/30/2017	12/31/2016	09/30/2017	12/31/2016
State value added tax - ICMS (a)	-	-	43,157	46,324
Tax on manufactured products - IPI	-	-	-	2,555
Withholding income tax (b)	53,004	51,431	66,254	62,364
Withholding social contribution tax (b)	18,640	21,561	22,549	24,992
Withholding PIS and COFINS taxes	-	-	2,219	4,032
Other	-	1	1,105	3,826
	71,644	**72,993**	**135,284**	**144,093**
Current	71,644	72,993	114,706	122,521
Non-current	-	-	20,579	21,572

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

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

9. Income and social contribution taxes

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

9.1. Reconciliation of income and social contribution taxes expenses

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

(A free translation of the original in Portuguese)

	Company		Consolidated	
	09/30/2017	09/30/2016	09/30/2017	09/30/2016
Income before taxes	86,533	151,632	97,100	157,360
Income and social contribution taxes at a combined nominal rate of 34%	(29,421)	(51,555)	(33,014)	(53,502)
Adjustments for the statement of effective rate				
Equity pick-up	4,400	2,485	-	-
Law Nº 11,196/05 (incentive for R&D)	9,351	9,109	10,232	9,712
Interest on equity	11,190	14,826	11,190	14,826
Government subsidy	-	-	1,561	2,482
Effect of subsidiaries with different tax rates	-	-	(6,129)	(3,800)
Management shares	(459)	(424)	(459)	(544)
Bad debts	-	(18)	(82)	(240)
Workers' Meal Program (PAT)	158	367	320	616
Other	1,804	(428)	3,140	(1,446)
Income and social contribution taxes expenses	**(2,977)**	**(25,638)**	**(13,241)**	**(31,896)**
Current income and social contribution taxes	(8,799)	(20,424)	(18,079)	(37,144)
Deferred income and social contribution taxes	5,822	(5,214)	4,838	5,248
	(2,977)	**(25,638)**	**(13,241)**	**(31,896)**
Effective rate	**3.4%**	**16.9%**	**13.6%**	**20.3%**

9.2. Breakdown of deferred income and social contribution taxes

	Company		Consolidated	
	09/30/2017	12/31/2016	09/30/2017	12/31/2016
Tax losses and social contribution tax losses carried forwards	-	-	69,034	61,251
Deriving from temporary differences:				
Difference between goodwill tax and accounting base	39,854	51,517	58,862	73,182
Goodwill amortization – tax benefit	(77,486)	(71,567)	(110,749)	(99,478)
Intangible asset allocation	(24,378)	(35,461)	(31,060)	(46,039)
Allocation of intangible assets – after Law nº 12.973	8,278	5,244	8,278	5,244
Provision for commissions	12,093	13,326	13,107	14,400
Anticipated income or revenues	(1,193)	(3,975)	(1,773)	(3,923)
Allowance for doubtful accounts	23,861	28,660	25,100	31,904
Provision for contingencies and other liabilities	34,166	29,010	36,453	34,632
Provision for suppliers	8,664	6,218	9,325	6,802
Provision for inventory losses and guarantees	-	-	2,103	1,834
Provision for share based payments	3,063	1,641	3,072	1,641
Present value adjustment	3,097	1,090	4,700	2,382
Other	7,808	4,746	8,823	4,826
Net deferred income and social contribution taxes	**37,827**	**30,449**	**95,275**	**88,658**

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

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

	Company	Consolidated
As of December 31, 2016	30,449	88,658
Expenses in the statement of profit or loss	5.822	4,838
Tax relating to other comprehensive income	1,556	1,556
Other	-	223
As of September 30, 2017	**37,827**	**95,275**

10. Related-party balances and transactions

Related-party transactions are carried out under market conditions, at market prices established by the parties, and balances between the Company and its subsidiaries are eliminated for financial statement consolidation purposes.

10.1. Receivables from and payables to subsidiaries and affiliates

As of September 30, 2017 and December 31, 2016, significant asset and liability balances and transactions with related parties that influence the profit or loss for the period are as follows:

	Company	
	09/30/2017	09/30/2017
	Assets	Liabilities
Ciashop	2,233	-
TQTVD	4,494	-
TOTVS Serviços	-	7,285
TOTVS Ventures	-	5,760
TOTVS Brasília	-	330
TFS	7	-
Total	**6,734**	**13,375**

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

Amounts payable and receivable, without remuneration and/or maturity are related to intercompany loan transactions.
There were no material transactions recorded in profit or loss among the group companies.

10.2. Transactions or relationships with shareholders and key management personnel

a) Shareholders

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

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

For the nine-month period ended September 30, 2017, the amount of R$15,690 (R$6,755 as of September 30, 2016) was recognized as lease expenses. All lease agreements with related parties are rested by reference to the General Price Index – Market – (IGP-M) rate every 12 months.

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

The Company and its subsidiary Bematech also have loans and financing operations (Note 16) and debentures (Note 17), substantially carried out with the Brazilian Development Bank (BNDES), which held 4.25% of the Company's capital as of September 30, 2017 (Note 21). As of April 20, 2017, the BNDES is no longer listed as a related party, since it has no indication in the Board of Directors or any other significant influence on the decisions of the Company.

b) Key management personnel

Itaú Unibanco, as of September 26,2017, is no longer a related party of the Company, given the resignation of one of the independent members on the Board of Directors, who is part of the controlling group of that financial conglomerate. At September 30, 2017, the amounts and transactions involving the Itaú Unibanco Group companies are R$18,316 (R$20,821 at December 31, 2016) relating to short-term investments, R$1,599 (R$933 at September 30, 2016) relating to bank-issued guarantee, registration of shares, insurance policies and others, and R$5,872 (R$5,633 at September 30, 2016) relating to accounts receivable for assignment of rights for using systems and technical support provided by TOTVS. All agreements are conducted under usual market conditions.

The Company has a contract relating to the management of its pension plan with, not for valuable remuneration, Itaú Vida e Previdência S.A.

10.3. Key management personnel compensation

Expenses relating to key management personnel of the Company and its subsidiaries are summarized below:

	Company		Consolidated	
	09/30/2017	09/30/2016	09/30/2017	09/30/2016
Short-term benefits to employees				
Salaries, fees and payroll charges	10,364	9,417	12,617	11,828
Private pension plan	353	335	372	353
Variable bonus	1,351	872	1,280	1,176
	12,068	10,624	14,269	13,357
Share-based payments	2,570	(642)	2,570	(642)
	14,638	**9,982**	**16,839**	**12,715**

11. Investments

The breakdown of investments in subsidiaries and affiliates is shown below:

	Summarized financial statements of subsidiaries and associates as of September 30, 2017					Equity pick-up (Company) for periods ended:		Balance of investments as of:	
	Assets	Liabilities	Equity	Gross revenue	P&L for the period	09/30/2017	09/30/2016	09/30/2017	12/31/2016
Bematech (a)	600,097	133,211	466,886	366,156	16,085	8,705	3,156	552,600	550,513
TOTVS Brasília	158,514	22,046	136,468	55,421	10,334	10,334	6,320	136,468	129,486
TOTVS Nordeste	103,351	34,764	68,587	5,084	75	75	(1,574)	68,587	68,512
TOTVS Serviços	20,775	513	20,262	4,239	(368)	(368)	3,599	20,262	20,630
TOTVS Inc.	57,080	129	56,951	505	(6,607)	(6,607)	(7,179)	56,951	61,100
Virtual Age (a)	23,459	5,594	17,865	34,754	2,725	(1,034)	1,096	73,592	74,626
Neolog (a)	3,118	1,320	1,798	8,987	1,185	(832)	(1,909)	21,354	22,186
TQTVD	14,972	4,687	10,285	4,710	(4,069)	(4,069)	(882)	10,285	14,354
TOTVS Ventures	10,739	-	10,739	-	(334)	(334)	(94)	10,739	11,073
Ciashop (a)	2,351	4,145	(1,794)	7,532	(568)	(1,813)	(2,085)	6,811	8,226
TOTVS México	7,066	2,904	4,162	10,072	(4,455)	(4,455)	(8,011)	4,162	8,160
TOTVS Argentina	9,988	4,658	5,330	20,307	(842)	(842)	(1,324)	5,330	7,081
Datasul Argentina	137	-	137	-	(55)	(55)	(6)	137	216
NCC	-	-	-	-	-	-	-	38	38
TOTVS RO	-	-	-	-	-	-	1,771	-	-
TFS	248	100	148	218	138	138	-	148	-
						(1,157)	**(7,122)**	**967,464**	**976,201**

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

Changes in the investment accounts for the nine-month period ended September 30, 2017 were as follows:

	12/31/2016	Additions	Dividends	Equity Pick-up	Foreign exchange difference	Reclassification	09/30/2017
Bematech	550,513	-	(5,380)	8,705	(1,238)	-	552,600
TOTVS Brasília	129,486	1,066	(4,418)	10,334	-	-	136,468
TOTVS Nordeste	68,512	-	-	75	-	-	68,587
TOTVS Serviços	20,630	-	-	(368)	-	-	20,262
TOTVS Inc.	61,100	4,188	-	(6,607)	(1,730)	-	56,951
Virtual Age	74,626	-	-	(1,034)	-	-	73,592
Neolog	22,186	-	-	(832)	-	-	21,354
TQTVD	14,354	-	-	(4,069)	-	-	10,285
TOTVS Ventures	11,073	-	-	(334)	-	-	10,739
Ciashop	8,226	350	-	(1,813)	-	48	6,811
TOTVS México	8,160	1,133	-	(4,455)	(676)	-	4,162
TOTVS Argentina	7,081	-	-	(842)	(909)	-	5,330
Datasul Argentina	216	-	-	(55)	(24)	-	137
NCC	38	-	-	-	-	-	38
TFS	-	10	-	138	-	-	148
Total Investiments	**976,201**	**6,747**	**(9,798)**	**(1,157)**	**(4,577)**	**48**	**967,464**
Ciashop	(1,208)	-	-	-	-	(48)	(1,256)
Total provision for losses	**(1,208)**	**-**	**-**	**-**	**-**	**(48)**	**(1,256)**
Net investments	**974,993**	**6,747**	**(9,798)**	**(1,157)**	**(4,577)**	**-**	**966,208**

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12. Property, plant and equipment

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

	Company							
	Computer	**Vehicles**	**Furniture and Fixtures**	**Facilities machinery and equipment**	**Leasehold improvements**	**Property, plant and equipment in progress (iii)**	**Other (iv)**	**Total Property, plants and equipment**
Cost								
Balance on December 31, 2015	112,845	6,958	12,967	15,800	-	-	39,150	187,720
Additions	17,998	3,557	1,780	2,683	-	65,500	3,783	95,301
Write-off	(20,677)	(3,153)	(1,230)	318	-	-	(1,518)	(26,260)
Balance at December 31, 2016	**110,166**	**7,362**	**13,517**	**18,801**	**-**	**65,500**	**41,415**	**256,761**
Additions	16,630	1,706	235	25	3,947	19,057	105	41,705
Transfers (i)	16,838	-	9,535	11,885	66,005	(80,100)	(29,406)	(5,243)
Write-off	(312)	(962)	(2,077)	(4,915)	-	-	(8,670)	(16,936)
Balance at September 30, 2017	**143,322**	**8,106**	**21,210**	**25,796**	**69,952**	**4,457**	**3,444**	**276,287**
Depreciation								
Balance on December 31, 2015	(69,177)	(2,105)	(7,116)	(7,593)	-	-	(15,494)	(101,485)
Depreciation in the year	(15,213)	(1,456)	(1,080)	(1,562)	-	-	(4,850)	(24,161)
Write-off	19,654	1,546	1,177	309	-	-	325	23,011
Balance at December 31, 2016	**(64,736)**	**(2,015)**	**(7,019)**	**(8,846)**	**-**	**-**	**(20,019)**	**(102,635)**
Depreciation in the period (ii)	(14,932)	(1,521)	(2,312)	(2,062)	(4,425)	-	(946)	(26,198)
Transfers (i)	(1,281)	-	(147)	(27)	(9,994)	-	9,993	(1,456)
Write-off	257	527	1,488	3,069	-	-	8,656	13,997
Balance at September 30, 2017	**(80,692)**	**(3,009)**	**(7,990)**	**(7,866)**	**(14,419)**	**-**	**(2,316)**	**(116,292)**
Residual value								
Balance at September 30, 2017	**62,630**	**5,097**	**13,220**	**17,930**	**55,533**	**4,457**	**1,128**	**159,995**
Balance at December 31, 2016	**45,430**	**5,347**	**6,498**	**9,955**	**-**	**65,500**	**21,396**	**154,126**
Annual average depreciation rate	**20% to 25%**	**33%**	**10% to 25%**	**6.7% to 25%**	**5% to 20%**	**-**	**20%**	

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	Consolidated							
	Computers	**Vehicles**	**Furniture and Fixtures**	**Facilities machinery and equipment**	**Leasehold improvements**	**Property, plant and equipment in progress (iii)**	**Other(iv)**	**Total Property, plants and equipment**
Cost								
Balance at Dec 31, 2015	**131,179**	**10,037**	**18,643**	**24,653**	**-**	**-**	**46,331**	**230,843**
Additions	19,306	4,773	2,248	3,889	-	65,500	5,069	100,785
Write-off	(21,367)	(4,361)	(1,553)	(323)	-	-	(1,954)	(29,558)
Exchange variation	(1,302)	(54)	(353)	(287)		-	(472)	(2,468)
Balance at Dec 31, 2016	**127,816**	**10,395**	**18,985**	**27,932**	**-**	**65,500**	**48,974**	**299,602**
Additions	19,280	2,127	512	383	7,372	19,107	128	48,909
Transfers (i)	12,447	-	9,720	14,459	72,966	(80,352)	(36,175)	(6,935)
Write-off	(2,572)	(1,603)	(2,395)	(5,007)	-	-	(8,778)	(20,355)
Exchange variation	(118)	1	6	(20)	11	-	(1)	(121)
Balance at Sept 30, 2017	**156,853**	**10,920**	**26,828**	**37,747**	**80,349**	**4,255**	**4,148**	**321,100**
Depreciation								
Balance on Dec 31, 2015	**(78,240)**	**(3,365)**	**(8,873)**	**(9,391)**	**-**	**-**	**(17,376)**	**(117,245)**
Depreciation in the year	(18,552)	(2,009)	(1,849)	(4,254)	-	-	(6,531)	(33,195)
Write-off	20,359	2,305	1,409	842	-	-	527	25,442
Exchange variation	940	75	202	295	-	-	154	1,666
Balance at Dec 31, 2016	**(75,493)**	**(2,994)**	**(9,111)**	**(12,508)**	**-**	**-**	**(23,226)**	**(123,332)**
Depreciation in the period (ii)	(16,827)	(2,204)	(2,877)	(3,476)	(7,025)	-	(1,048)	(33,457)
Transfers (i)	1,772	-	(440)	(1,372)	(13,028)	-	13,046	(22)
Write-off	2,434	955	1,718	3,248	-	-	8,756	17,111
Exchange variation	83	2	4	22	6	-	2	119
Balance at Sept 30, 2017	**(88,031)**	**(4,241)**	**(10,706)**	**(14,086)**	**(20,047)**	**-**	**(2,470)**	**(139,581)**
Residual value								
Balance at Sept 30, 2017	**68,822**	**6,679**	**16,122**	**23,661**	**60,302**	**4,255**	**1,678**	**181,519**
Balance at Dec 31, 2016	**52,323**	**7,401**	**9,874**	**15,424**	**-**	**65,500**	**25,748**	**176,270**
Annual average depreciation rate	**20% to 25%**	**20% to 33%**	**10% to 25%**	**6.7% to 25%**	**5% to 20%**	**-**	**20%**	

(i) It includes transfers of assets with residual value from subsidiary RMS to the Company in the amount of R$258, and transfers of R$6,957 to intangible assets, both for Company and Consolidated.

(ii) In accordance with IAS16/CPC 27, the Company and a specialized company, reviewed the useful lives applied to its property, plant and equipment using the direct comparative method of market input. The studies indicated the need for changes in useful life and annual depreciation rates for some items in assets. This change in accounting estimate, which was applied, increased the depreciation expense for the period ended September 30, 2017 by R$1,117.

(iii) The column “Property, plant and equipment in progress” includes assets related to the construction of the new headquarters. These assets had their depreciation started on April 1, 2017, assets were transferred to their respective accounts, and R$38,020 was in “Leasehold improvements”.

(iv) Includes the write-off of the residual value of the former headquarters and the transfers between lines and “Other” for better disclosure.

13. Intangible assets

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

	Company					
	Software (i)	**Trademarks & patents**	**Customer portfolio**	**Other (ii)**	**Goodwill**	**Total intangible assets**
Cost/valuation						
Balance as of December 31, 2015	237,296	63,149	208,969	16,337	233,811	759,562
Additions	28,717	-	-	-	-	28,717
Reclassification	(88)	-	-	-	-	(88)
Balance as of December 31, 2016	**265,925**	**63,149**	**208,969**	**16,337**	**233,811**	**788,191**
Additions	24,394	-	-	-	-	24,394
Reclassification (iii)	6,957	-	-	-	-	6,957
Balance as of September 30, 2017	**297,276**	**63,149**	**208,969**	**16,337**	**233,811**	**819,542**
Amortization						
Balance as of December 31, 2015	**(142,482)**	**(31,221)**	**(157,747)**	**(15,150)**	**-**	**(346,600)**
Amortization for the year	(28,881)	(4,200)	(21,372)	(665)	-	(55,118)
Reclassification	28	-	-	-	-	28
Balance as of December 31, 2016	**(171,335)**	**(35,421)**	**(179,119)**	**(15,815)**	**-**	**(401,690)**
Amortization during the period	(26,784)	(3,152)	(15,215)	(211)	-	(45,362)
Reclassification	1	-	-	-	-	1
Balance as of September 30, 2017	**(198,118)**	**(38,573)**	**(194,334)**	**(16,026)**	**-**	**(447,051)**
Residual value						
Balance as of September 30, 2017	**99,158**	**24,576**	**14,635**	**311**	**233,811**	**372,491**
Balance as of December 31, 2016	**94,590**	**27,728**	**29,850**	**522**	**233,811**	**386,501**
Annual average amortization rates	10% to 20%	6.7% to 8%	10% to 12.5%	10% to 50%		

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	Consolidated						
	Software (i)	**Trademarks & patents**	**Customer portfolio**	**R&D**	**Other (ii)**	**Goodwill**	**Total intangible assets**
Cost or valuation							
Balance as of December 31, 2015	**300,094**	**100,414**	**360,895**	**42,665**	**49,621**	**659,043**	**1,512,732**
Additions	33,939	83	(5)	-	-	1,720	35,737
Write-off	(225)	(3)	-	(4)	-	-	(232)
Exchange variations	(364)	(1,054)	-	-	(98)	(7,267)	(8,783)
Balance as of December 31, 2016	**333,444**	**99,440**	**360,890**	**42,661**	**49,523**	**653,496**	**1,539,454**
Additions	28,350	107	-	-	-	-	28,457
Transfers (iii)	9,355	-	-	(2,398)	-	-	6,957
Write-off (iv)	(88)	-	-	(13,902)	-	-	(13,990)
Exchange variations	-	(145)	2	-	2	(1,025)	(1,166)
Balance as of September 30,2017	**371,061**	**99,402**	**360,892**	**26,361**	**49,525**	**652,471**	**1,559,712**
Amortization							
Balance on December 31, 2015	**(160,466)**	**(38,827)**	**(171,733)**	**(1,306)**	**(41,388)**	**-**	**(413,720)**
Amortization for the year	(42,084)	(8,078)	(35,629)	(8,377)	(4,301)	-	(98,469)
Write-off	107	-	-	-	-	-	107
Exchange variations	355	339	-	(28)	98	-	764
Balance as of December 31, 2016	**(202,088)**	**(46,566)**	**(207,362)**	**(9,711)**	**(45,591)**	**-**	**(511,318)**
Amortization during the period	(39,000)	(5,975)	(25,104)	(6,006)	(2,604)	-	(78,689)
Transfers	(549)	-	-	549	-	-	-
Write-off (iv)	67	-	-	13,902	-	-	13,969
Exchange variations	29	62	(1)	3	(2)	-	91
Balance as of September 30,2017	**(241,541)**	**(52,479)**	**(232,467)**	**(1,263)**	**(48,197)**	**-**	**(575,947)**
Residual value							
Balance as of September 30, 2017	**129,520**	**46,923**	**128,425**	**25,098**	**1,328**	**652,471**	**983,765**
Balance as of December 31, 2016	**131,356**	**52,874**	**153,528**	**32,950**	**3,932**	**653,496**	**1,028,136**
Average annual amortization rate	10% to 20%	6.7% to 8%	10% to 12.5%	20%	10% to 50%		

(i) Its includes software in progress for internal use in the amount of R$1,458.

(ii) Consists basically of the non-competition rights arising from business combinations.

(iii) Tranfers from “Property, plant and equipment in progress” to software in intangible assets in the amount of R$6,957 (see note 12).

(iv) Write-off of software developed by subsidiary and fully amortized.

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

13.1 Changes in goodwill

Breakdown of goodwill as of September 30, 2017 and December 31, 2016, is as follows:

	12/31/2016	Exchange rate variations (i)	09/30/2017
Bematech	255,376	(1,025)	254,351
RM	90,992	-	90,992
W&D	64,070	-	64,070
Virtual Age	46,497	-	46,497
RMS	35,740	-	35,740
SRC	33,688	-	33,688
Datasul	30,084	-	30,084
Gens FDES	16,340	-	16,340
Seventeen	15,463	-	15,463
TOTVS Agroindústria	13,128	-	13,128
Neolog	12,565	-	12,565
BCS	11,821	-	11,821
TotalBanco	6,008	-	6,008
Logo Center	5,703	-	5,703
Ciashop	4,465	-	4,465
Hery	2,927	-	2,927
IOSSTS	2,643	-	2,643
TOTVS BMI	2,053	-	2,053
Midbyte	1,765	-	1,765
Mafipa	1,195	-	1,195
Setware	961	-	961
M2S	12	-	12
	653,496	**(1,025)**	**652,471**

(i) Exchange variation of goodwill recorded in subsidiary abroad.

13.2 Impairment of assets

The Company annually tests goodwill for impairment using the value-in-use concept in the discounted cash flow models for cash-generating units that represent the group of tangible and intangible assets used to develop and sell different solutions to customers. Company management identified no events for the period ended September 30, 2017 that could indicated a need for interim impairment test.

14. Payroll and labor obligations

Salaries and charges payable balances are broken down as follows:

	Company		Consolidated	
	09/30/2017	12/31/2016	09/30/2017	12/31/2016
Labor liabilities				
Salaries and withholding income tax payable	28,246	29,685	34,536	34,401
Pension plan payables	660	524	678	546
Vacation payables	62,692	55,971	81,986	75,954
Profit-sharing and bonuses	11,299	6,860	13,095	9,290
13th month salary payable	30,723	-	40,206	-
Other	913	2,820	2,426	4,034
	134,533	**95,860**	**172,927**	**124,225**
Payroll liabilities				
FGTS payable (i)	3,055	4,474	3,817	5,818
INSS payable (ii)	5,094	4,909	7,907	10,496
	8,149	**9,383**	**11,724**	**16,314**
Total	**142,682**	**105,243**	**184,651**	**140,539**

i. Unemployment Compensation Fund
ii. Brazilian Social Security Contribution Tax

15. Taxes payable

Taxes payable are as follows:

	Company		Consolidated	
	09/30/2017	12/31/2016	09/30/2017	12/31/2016
Taxes Payables				
INSS payable	6,885	7,201	8,060	8,182
ICMS payable	4	14	243	212
ISS payable	3,564	3,631	4,547	4,393
PIS and Cofins payable	7,460	5,228	9,643	7,488
Income and social contribuition taxes payable	-	-	2,366	2,980
Other	1,168	1,219	4,014	4,886
Total	**19,081**	**17,293**	**28,873**	**28,141**

16. Loans and financing

Loans and financing are as follows:

		Company		Consolidated	
	Annual financial charges	**09/30/2017**	**12/31/2016**	**09/30/2017**	**12/31/2016**
BNDES PROSOFT	TJLP + 1.5 to 1.52% p.y.	320,060	431,756	335,571	451,214
BNDES PSI	3.5% to 4.0% p.y.	30,495	41,477	41,324	55,170
Finance lease	15.12% to 17.24%	59,080	43,882	59,265	44,017
BNDES – Social	TJLP	1,768	2,386	1,769	2,386
BNDES Inovação	TJLP + 0.52% p.y.	-	-	4,262	5,347
BNDES EXIM Banco do Brasil	5.5% to 8% p.y.	-	-	-	1,523
FINAME	7% p.y.	-	-	550	1,008
Secured accounts and other		-	-	(127)	1,076
		411,403	**519,501**	**442,614**	**561,741**
Current liabilities		190,029	180,294	201,483	196,012
Non-current liabilities		221,374	339,207	241,131	365,729

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

	Company		Consolidated	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
Between 12 and 24	187,595	169,604	197,519	181,007
Between 24 and 36	33,779	169,603	43,503	180,554
More than 36 months	-	-	109	4,168
Non-current liabilities	**221,374**	**339,207**	**241,131**	**365,729**

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

	9/30/2017	
	Company	**Consolidated**
Opening balance	519,501	561,741
Additions	27,709	27,929
Interest rates	30,641	32,561
Amortization	(166,448)	(179,617)
Closing balance	**411,403**	**442,614**

a) Finance lease

Lease obligations are guaranteed by chattel mortgage of leased assets. The table below shows liabilities of gross of finance leases as of September 30, 2017 and December 31, 2016:

	Company		Consolidated	
	09/30/2017	12/31/2016	09/30/2017	12/31/2016
Liabilities gross of Finance lease – minimum lease payments				
Less than one year	19,488	17,386	19,556	17,442
More than one year and less than five years	47,247	38,303	47,370	38,417
	66,735	**55,689**	**66,926**	**55,859**
Future financing charges in Finance leases	(7,655)	(11,807)	(7,661)	(11,842)
Present value of liabilities of Finance lease	**59,080**	**43,882**	**59,265**	**44,017**

17. Debentures

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

					Company		Consolidated	
Issue	**Debentures**	**Annual financial charges**		**Unit price**	**09/30/2017**	**12/31/2016**	**09/30/2017**	**12/31/2016**
Sole series	450	CDI + 2.25%	(b)	100.00	-	-	-	31,877
Sole series	200,000	105.95% of CDI	(a)(i)	1.00	199,728	-	199,728	-
		Premium due to non-conversion			63,756	58,784	63,756	58,784
		Total			**263,484**	**58,784**	**263,484**	**90,661**
		Current liabilities			41	-	41	12,111
		Non-current liabilities			263,443	58,784	263,443	78,550

(i) The debenture issue amount is presented net of the transaction cost in the amount of R $ 469.

Non-current liabilities mature dates as follows:

	Company		Consolidated	
	09/30/2017	12/31/2016	09/30/2017	12/31/2016
Between 12 and 24 months	63,599	-	63,599	7,651
Between 24 and 36 months	199,844	58,784	199,844	70,899
	263,443	**58,784**	**263,443**	**78,550**

Changes in the period ended September 30, 2017 are as follows:

	Company	Consolidated
Debentures and premiums on non-conversion	**09/30/2017**	**09/30/2017**
Balance at beginning of year	58,784	90,661
Debentures issue	199,531	199,531
Interest incurred	5,169	8,062
Amortization	-	(34,770)
Balance at end of the period	**263,484**	**263,484**

a) Debentures issue

On September 6, 2017, the Board of Directors approved the raising of R$200,000 through the issuance of 200,000 simple unprivileged and single-series debentures of the Company with nominal value of R$1, non-convertible into shares, of public distribution with restricted efforts.

The date of issue of the debentures for legal purposes was September 15, 2017. They will mature on September 15, 2020, subject to early maturity hypotheses.

The nominal value of the debentures will bear remuneration interest corresponding to 105.95% of the accumulated variation of the average daily rates of DI (Interbank Deposits). Interest will be payable semi-annually, with the first maturity on March 15, 2018.

b) Debentures of subsidiary Bematech

In September 2017, subsidiary Bematech paid the remaining balance of principal and interest of the debentures issued in 2014, amounting to R$20,690.

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

18. Investment acquisition obligations

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

	Company		Consolidated	
	09/30/2017	12/31/2016	09/30/2017	12/31/2016
RMS	-	-	33,988	33,828
Virtual Age	15,120	25,650	15,120	25,650
RJ Participações	-	-	20,718	21,038
Neolog	14,064	12,998	14,064	12,998
W&D Participações	-	-	8,666	8,033
Seventeen	8,002	7,718	8,002	7,718
Bematech Sistemas	-	-	7,467	7,021
TOTVS Agroindústria	3,443	3,297	3,443	3,297
Datasul MG	4,207	3,893	4,207	3,893
Mafipa	1,374	1,326	1,374	1,326
Ciashop	691	982	691	982
TotalBanco	119	110	119	110
Hery	651	602	651	602
SRC	221	212	221	212
	47,892	**56,788**	**118,731**	**126,708**
Current liabilities	28,649	38,960	71,303	80,822
Non-current liabilities	19,243	17,828	47,428	45,886

Installments recorded in non-current liabilities mature as follows:

	Company		Consolidated	
Year	**09/30/2017**	**12/31/2016**	**09/30/2017**	**12/31/2016**
Between 12 and 24 months	19,243	17,828	19,423	18,387
Between 24 and 36 months	-	-	28,005	27,499
Non-current liabilities	**19,243**	**17,828**	**47,428**	**45,886**

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

	Company		Consolidated	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
Investment guarantees in current	26,951	32,165	69,605	74,027
Investment guarantees in non-current	5,055	4,676	11,959	11,137
Total	**32,006**	**36,841**	**81,564**	**85,164**

19. Provision for obligations relating to legal proceedings

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

	Company		Consolidated	
Provision for contingencies	**09/30/2017**	**12/31/2016**	**09/30/2017**	**12/31/2016**
Tax	2,173	2,259	3,136	13,879
Labor	65,792	54,513	70,613	58,816
Civil	32,523	28,551	33,505	29,530
	100,488	**85,323**	**107,254**	**102,225**

Changes in provision for the nine-month period ended September 30, 2017 are as follows:

				Company
	Tax	**Labor**	**Civil**	**Total**
Balance as of December 31, 2016	**2,259**	**54,513**	**28,551**	**85,323**
(+) Additional provision	-	26,335	9,422	35,757
(+) Monetary restatement	156	4,375	2,720	7,251
(-) Reversal of unused provision	(176)	(8,014)	(867)	(9,057)
(-) Write-off due to payment	(66)	(11,417)	(7,303)	(18,786)
Balance as of September 30, 2017	**2,173**	**65,792**	**32,523**	**100,488**

	Consolidated			
	Tax	**Labor**	**Civil**	**Total**
Balance as of December 31, 2016	**13,879**	**58,816**	**29,530**	**102,225**
(+) Additional provision	-	26,821	9,626	36,447
(+/-) Monetary restatement (reversal)	(4,816)	4,723	2,765	2,672
(-) Reversal of unused provision	(5,861)	(8,077)	(985)	(14,923)
(-) Write-off due to payment	(66)	(11,670)	(7,431)	(19,167)
Balance as of September 30, 2017	**3,136**	**70,613**	**33,505**	**107,254**

(i) Subsidiary Bematech, based on judgment awarded by the the Brazilian Supreme Court (STF), in the general repercussion system, which decided to exclude ICMS from PIS and COFINS tax bases, and based on the opinion of its legal advisors, reversed the provision set up in the amount of R$8,454 , of which R$4,288 related to the principal amount of the discussion under "General and Administrative Expenses" and R$4,166 to monetary restatement under "Finance Expenses".

There are no other significant changes or individually significant changes, in lawsuits pending judgment classified as probable losses as of September 30, 2017. The breakdown of the main lawsuits pending judgment is as detailed in Note 18 to the financial statements as of December 31, 2016.

Judicial deposits linked or not to the provision for contingencies, are stated below and are recorded under non-current assets:

	Company		Consolidated	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
Judicial deposits				
Tax	5,126	4,713	14,218	13,457
Labor	29,149	23,155	31,335	25,085
Civil	1,911	1,978	3,037	2,361
	36,186	**29,846**	**48,590**	**40,903**

20. Contingent liabilities

The Company and its subsidiaries are parties to other lawsuits which, based on the opinion of Company management and its legal advisors, are classified as possible losses and for which no provision has been recognized, as follows:

	Company		Consolidated	
Type	**09/30/2017**	**12/31/2016**	**09/30/2017**	**12/31/2016**
Tax	106,496	119,384	149,152	163,310
Labor	102,895	94,069	138,140	143,842
Civil	230,757	252,984	256,789	276,985
	440,148	**466,437**	**544,081**	**584,137**

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

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

There were no other significant changes, or individually significant changes, in lawsuits pending judgment classified as probable losses by the Company for the period ended September 30, 2017.

21. Equity

a) Capital

As of September 30, 2017 and December 31, 2016, the Company's fully paid-in capital comprised 165,637,727 common registered shares, with no par value, held as follows:

	09/30/2017		12/31/2016	
Shareholder	**Shares**	**%**	**Shares**	%
LC EH Participações e Empreendimentos S/A	26,760,990	16.16%	26,760,990	16.16%
Fundação Petrobras de Seguridade Social - Petros	16,042,359	9.69%	16,042,359	9.69%
Genesis Asset Managers LLP	8,436,429	5.09%	8,436,429	5.09%
BNDES Participações S/A	7,044,986	4.25%	7,444,986	4.49%
Laércio José de Lucena Cosentino	1,950,616	1.18%	1,916,118	1.16%
CSHG Senta Pua Fia	43,500	0.03%	43,500	0.03%
Ernesto Mário Haberkorn	16,810	0.01%	32,710	0.02%
Other	103,108,471	62.25%	102,667,860	61.98%
Outstanding shares	**163,404,161**	**98.65%**	**163,344,952**	**98.62%**
Treasury shares	2,233,566	1.35%	2,292,775	1.38%
Total shares	**165,637,727**	**100.00%**	**165,637,727**	**100.00%**

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

b) Capital reserves

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

	09/30/2017	12/31/2016
Goodwill reserve	99,260	99,260
Goodwill reserve for mergers	14,330	14,330
Premium on purchases from non-controlling interests	(25,518)	(25,518)
Debentures converted into shares (fair value)	44,629	44,629
Stock option plans	31,149	29,323
	163,850	**162,024**

c) Treasury shares

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

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

22. Dividends and interest on equity

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

On April 20, 2017, the Annual Shareholders' Meeting approved the distribution and payment of dividends for the year 2016 amounting to R$7,375, which was paid as from May 10, 2017.

On July 31, 2017, the Board of Directors approved the distribution and payment of interest on equity amounting to R$32,912, related to the first semester of 2017, which was paid as from October 6, 2017.

The balance of dividends and interest on equity payable in the statement of financial position was of R$29,443 as of September 30, 2017.

23. Insurance coverage

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

24. Share-based payment

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

In the nine-month period ended September 30, 2017, there are two new grants in connection with to the share-based payment plan approved on December 15, 2015:

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

Changes in options and restrict shares for the period are as follows:

	Company and consolidated			
	09/30/2017		12/31/2016	
	Number (units)	Average cost (R$)	Number (units)	Average cost (R$)
Stock option balance at beginning of the year	**1,247,565**	**21.87**	**1,048,340**	**33.36**
Changes:				
Exercised	(59,209)	38.61	(50,000)	28.30
Granted	220,472	0.01	448,438	0.01
Canceled	(51,778)	30.01	(123,497)	30.32
Expired	(51,381)	14.45	(75,716)	34.99
Stock option balance at end of period	**1,305,669**	**19.20**	**1,247,565**	**21.87**

The amount recorded for stock options for the nine-month period ended September 30, 2017 was of R$3,723 (R$475 as of September 30, 2016).

As of September 30, 2017, there were 481,452 exercisable options, since the 36-month terms of grants had already elapsed.

25. Segment information

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

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

	Software		Services		Hardware		Total	
	09/30/2017	09/30/2016	09/30/2017	09/30/2016	09/30/2017	09/30/2016	09/30/2017	09/30/2016
Net revenue	**1,111,514**	**1,044,541**	**383,491**	**413,202**	**177,959**	**176,088**	**1,672,964**	**1,633,831**
(-) Costs	(162,561)	(154,652)	(371,895)	(377,720)	(111,707)	(119,819)	(646,163)	(652,191)
(+) Government subsidy	-	-	-	-	4,591	7,300	4,591	7,300
Gross profit	**948,953**	**889,889**	**11,596**	**35,482**	**70,843**	**63,569**	**1,031,392**	**988,940**
(-) Research and development	(254,846)	(226,720)	-	-	(9,373)	(7,908)	(264,219)	(234,628)
Contribution margin	**694,107**	**663,169**	**11,596**	**35,482**	**61,470**	**55,661**	**767,173**	**754,312**

	Information by Geographical Location – Net Revenue	
	09/30/2017	09/30/2016
Brazil	1,608,713	1,567,139
Mexico	10,862	11,812
Argentina	22,075	19,247
United States of America	29,171	34,170
Other	2,143	1,463
Total	**1,672,964**	**1,633,831**

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

26. Earnings per share

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

	Company and consolidated	
	09/30/2017	09/30/2016
Basic earnings per share		
Numerator		
Net income for the period assigned to the Company's shareholders	83,556	125,994
Denominator (in thousands of shares)		
Weighted average number of common shares outstanding	163,378	163,345
Basic earnings per share	**0.5114**	**0.7711**

	Company and consolidated	
	09/30/2017	09/30/2016
Diluted earnings per share		
Numerator		
Net income for the period assigned to the Company's shareholders	83,556	125,994
Denominator (in thousands of shares)		
Weighted average number of common shares outstanding		
Dilutive effect	163,378	163,345
Stock options	1,306	885
Weighted average number of common shares adjusted according to dilutive effect	**164,684**	**164,230**
Diluted earnings per share	**0.5072**	**0.7664**

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

27. Gross sales revenue

The gross revenue and the deductions used for the calculation of net revenue in the statement of profit and loss as of September 30, 2017 and 2016 were as follows:

	Company		Consolidated	
	09/30/2017	09/30/2016	09/30/2017	09/30/2016
Gross revenue	**1,344,387**	**1,293,743**	**1,910,654**	**1,862,271**
License fees	120,244	115,668	149,087	148,343
Maintenance	723,810	720,261	852,604	842,411
Subscription	151,609	96,553	249,066	185,741
Services	348,724	361,261	440,836	473,486
Hardware	-	-	219,061	212,290
Deductions	**(157,007)**	**(154,330)**	**(237,690)**	**(228,440)**
Cancelations of sales	(8,515)	(11,793)	(21,048)	(18,982)
Sales taxes	(148,492)	(142,537)	(216,642)	(209,458)
Net revenue	**1,187,380**	**1,139,413**	**1,672,964**	**1,633,831**

28. Expenses by nature

Information on operating expenses by the nature for the periods ended September 30, 2017 and 2016 is as follows:

	Company		Consolidated	
Nature	09/30/2017	09/30/2016	09/30/2017	09/30/2016
Salaries, benefits and payroll charges	515,469	443,858	694,490	621,545
Services and other inputs	298,446	282,879	506,497	513,820
Commission	94,340	88,536	111,201	104,574
Depreciation and amortization	71,560	57,781	112,145	96,798
Provision for contingencies	26,700	12,922	21,524	12,610
Rental	19,037	18,385	31,166	29,751
Allowance for doubtful accounts	17,228	34,426	26,173	40,572
Other	27,421	13,841	45,114	23,361
Total	**1,070,201**	**952,628**	**1,548,310**	**1,443,031**

29. Finance income and expenses

Finance income and expenses for the periods ended September 30, 2017 and 2016 were as follows:

	Company		Consolidated	
	09/30/2017	09/30/2016	09/30/2017	09/30/2016
Finance income				
Short-term investments yield	8,959	23,289	17,850	34,739
Interest received	5,086	5,675	6,396	7,804
Monetary variation – gains	5,660	1,419	7,900	4,069
Present value adjustment	2,485	4,881	2,496	4,896
Foreign exchange gains	612	-	1,348	880
Other finance income	1,306	1,107	1,814	1,590
	24,108	**36,371**	**37,804**	**53,978**
Finance expenses				
Interest incurred	(38,547)	(49,636)	(40,885)	(62,096)
Monetary variation – losses	(8,195)	(8,220)	(9,858)	(11,185)
Bank expenses	(3,843)	(2,774)	(5,367)	(4,098)
Discounts granted	(233)	(465)	(2,579)	(2,406)
Present value adjustment of liabilities	(1,741)	(1,850)	(2,627)	(3,025)
Foreign exchange losses	(133)	(41)	(1,775)	(1,063)
Other financial expenses	(905)	(1,416)	(2,267)	(3,545)
	(53,597)	**(64,402)**	**(65,358)**	**(87,418)**
Net finance income (expenses)	**(29,489)**	**(28,031)**	**(27,554)**	**(33,440)**

30. Private pension plan – defined contribution

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

- Basic Contribution – contribution made by the participant and which corresponds to 2% of the employee's salary. In the case of statutory directors, the contribution ranges from 2% to 5%.

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

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

31. Non-cash items

	Company		Consolidated	
	09/30/2017	09/30/2016	09/30/2017	09/30/2016
Exchange variation of investments abroad	(4,576)	(30,680)	(4,576)	(30,680)
Acquisition of assets through lease (Note 16) (i)	27,709	-	27,929	-
Total	**23,133**	**(30,680)**	**23,353**	**(30,680)**

(i) The amount of R$27,929 was distributed into R$9,626 as intangible assets (note 13), R$17,401 as property, plant and equipment (note 12), and R$902 in small value goods.

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Comments on guidances

NET REVENUE FROM SOFTWARE SUBSCRIPTION:

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

The subscription revenue totaled R$221,442 thousand in 9M17, a growth of 34.1% over 9M16, which is greater than the minimum growth projected for the fiscal year of 2017.

The growth in subscription revenue was mainly due to: (i) the higher share of sales to new small and medium clients, especially under the TOTVS Intera model (subscription model launched in June 2015) in the last 12 months; (ii) the Fly01 sales to micro companies; and (iii) the sales of Bemacash, solution that combines Fly01 management software and the automation and tax hardware solutions from Bematech.

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

ADJUSTED EBITDA:

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

Adjusted EBITDA totaled R$234,391 thousand in 9M17, down 21.3% over 9M16.
This projection of Adjusted EBITDA was based on the assumption of costs and expenses dilution as a consequence of the net revenue growth, excluding non-recurring revenues, costs and expenses. However, this dilution has been negatively impacted by:

(i) The accelerated growth in subscription sales, reflected in the 42.2% increase in Annual Recurring Revenue from Subscription in the third quarter of 2017, which has been resulting in higher selling expenses in the year;
(ii) The effects from the economic recession in Brazil on delinquency rates, cancellations and reductions of maintenance contracts and on the increase of provisions for contingencies, besides resulting in a lower services and hardware sales pace; and
(iii) The IGP-M level (inflation index used to adjust recurring revenues) significantly lower than the costs and expenses inflation in the year.

For these reasons, on November 8, 2017, the Company announced to its shareholders and the market by means of a Material Fact the removal of the Adjusted EBITDA financial projection for 2017. The Company emphasizes that the removal of this projection does not exclude from its agenda the constant search for operational efficiency.