**(A free translation of the original in Portuguese)**

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

Set 30, 2010 Brazilian Corporate Law

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

## 01.01 - IDENTIFICATION

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

## 01.02 – HEAD OFFICE

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

## 01.03 - INVESTORS RELATIONS OFFICER (Company Mailing Address)

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

## 01.04 – ITR REFERENCE AND AUDITOR INFORMATION

| CURRENT YEAR | | CURRENT QUARTER | | | PREVIOUS QUARTER | | |
|---|---|---|---|---|---|---|---|
| 1 - BEGINNING | 2 - END | 3 - QUARTER | 4 - BEGINNING | 5 - END | 6 - QUARTER | 7 - BEGINNING | 8 - END |
| 1/1/2010 | 12/31/2010 | 3 | 1/01/2009 | 9/30/2009 | 4 | 10/01/2009 | 12/31/2009 |

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

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**01.01 - IDENTIFICATION**

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

**01.05 – CAPITAL STOCK**

| Number of Shares (in units) | 1 – CURRENT QUARTER 09/30/2010 | 2 – PREVIOUS QUARTER 12/31/2009 | 3 – SAME QUARTER, PREVIOUS YEAR 09/30/2009 |
|---|---|---|---|
| **Paid-up Capital** | | | |
| 1 - Common | 31.459.272 | 31,152,402 | 31,152,402 |
| 2 - Preferred | 0 | 0 | 0 |
| 3 - Total | 31.459.272 | 31,152,402 | 31,152,402 |
| **Treasury Stock** | | | |
| 4 - Common | 0 | 0 | 0 |
| 5 - Preferred | 0 | 0 | 0 |
| 6 - Total | 0 | 0 | 0 |

**01.06 - COMPANY PROFILE**

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

**01.07 - COMPANIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

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

**01.09 – SUBSCRIBED CAPITAL AND CHANGES IN THE CURRENT YEAR**

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

**01.10 – INVESTORS RELATIONS OFFICER**

| 1 – DATE | 2 – SIGNATURE |
|---|---|
| 09/25/2010 | |

**01.01 - IDENTIFICATION**

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

**02.01 - BALANCE SHEET - ASSETS (in thousands of Reais)**

| 1 - CODE | 2 - DESCRIPTION | 3 – 09/30/2010 | 4 – 12/31/2009 |
|---|---|---|---|
| 1 | Total Assets | 1,214,020 | 1,157,678 |
| 1.01 | Current Assets | 379,032 | 399,078 |
| 1.01.01 | Cash and Cash Equivalents | 136,047 | 183,310 |
| 1.01.01.01 | Banks | 129,806 | 161,860 |
| 1.01.01.02 | Securities | 6,241 | 21,450 |
| 1.01.02 | Credits | 209,720 | 192,914 |
| 1.01.02.01 | Clients | 189,203 | 160,867 |
| 1.01.02.01.01 | Trade Accounts Receivable | 205,301 | 175,544 |
| 1.01.02.01.02 | Allowance for Doubtful Accounts | (16,098) | (14,677) |
| 1.01.02.02 | Sundry Receivables | 20,517 | 32,047 |
| 1.01.02.02.01 | Dividends Receivable | 861 | 3,605 |
| 1.01.02.02.02 | Recoverable Taxes | 19,656 | 28,442 |
| 1.01.03 | Inventories | - | - |
| 1.01.04 | Other | 33,265 | 22,854 |
| 1.01.04.01 | Deferred Income and Social Contribution Taxes | 16,847 | 15,887 |
| 1.01.04.04 | Other Current Assets | 16,418 | 6,967 |
| 1.02 | Noncurrent Assets | 834,988 | 758,600 |
| 1.02.01 | Long-term Assets | 130,392 | 83,955 |
| 1.02.01.01 | Sundry Credits | 61,425 | 19,448 |
| 1.02.01.01.01 | Trade Accounts Receivable | 14,042 | 2,242 |
| 1.02.01.01.02 | Securities | 47,383 | 17,206 |
| 1.02.01.02 | Credit with Related Parties | 19,129 | 27,243 |
| 1.02.01.02.01 | Direct and Indirect Associated Companies | - | - |
| 1.02.01.02.02 | Subsidiaries | 19,129 | 27,243 |
| 1.02.01.02.03 | Other Related Parties | - | - |
| 1.02.01.03 | Other | 49,838 | 37,264 |
| 1.02.01.03.01 | Judicial Deposits | 15,201 | 14,213 |
| 1.02.01.03.02 | Other Assets | 15,135 | 3,316 |
| 1.02.01.03.03 | Deferred Income and Social Contribution Taxes | 19,502 | 19,735 |
| 1.02.02 | Permanent Assets | 704,596 | 674,645 |
| 1.02.02.01 | Investments | 113,298 | 87,233 |
| 1.02.02.01.01 | In Associated/Affiliated Companies | - | - |
| 1.02.02.01.02 | In Associated/Affiliated Company - Goodwill | - | - |
| 1.02.02.01.03 | In Subsidiaries | - | - |
| 1.02.02.01.04 | In Subsidiaries - Goodwill | - | - |
| 1.02.02.01.05 | Other Investments | - | - |
| 1.02.02.02 | Fixed Assets | 29,361 | 26,348 |
| 1.02.02.03 | Intangible Assets | 561,937 | 561,064 |
| 1.02.02.04 | Deferred Charges | - | - |
| | | | |
| | | | |
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**01.01 – IDENTIFICATION**

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

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

| 1 – CODE | 2 – DESCRIPTION | 3 – 9/30/2010 | 4 – 12/31/2009 |
|---|---|---|---|
| 2 | Total Liabilities | 1,214,020 | 1,157,678 |
| 2.01 | Current Liabilities | 187,998 | 175,288 |
| 2.01.01 | Loans and Financings | 68,518 | 44,063 |
| 2.01.01.01 | Loans and Financings | 55,191 | 7,118 |
| 2.01.01.02 | Liabilities from Investment Acquisition | 10,863 | 33,159 |
| 2.01.01.03 | Leasing | 2,464 | 3,786 |
| 2.01.02 | Debentures | 606 | 5,218 |
| 2.01.03 | Suppliers | 13,469 | 14,723 |
| 2.01.04 | Taxes and Contributions | 2,135 | 3,718 |
| 2.01.05 | Dividends Payable | 318 | 25,947 |
| 2.01.06 | Provisions | 42,738 | 31,346 |
| 2.01.06.01 | Commissions Payable | 42,738 | 31,346 |
| 2.01.07 | Debts with Related Parties | - | - |
| 2.01.08 | Other | 60,214 | 50,273 |
| 2.01.08.01 | Salaries and Charges Payable | 57,134 | 48,178 |
| 2.01.08.02 | Other Liabilities | 3,080 | 2,095 |
| 2.02 | Noncurrent Liabilities | 415,793 | 457,324 |
| 2.02.01 | Long-term Liabilities | 415,793 | 457,324 |
| 2.02.01.01 | Loans and Financings | 157,157 | 211,007 |
| 2.02.01.01.01 | Loans and Financings | 156,789 | 208,963 |
| 2.02.01.01.02 | Leasing | 368 | 2,044 |
| 2.02.01.02 | Debentures | 191,482 | 212,219 |
| 2.02.01.03 | Provisions | 15,540 | 13,698 |
| 2.02.01.03.01 | Provision for Losses from Investments | 3,635 | 3,045 |
| 2.02.01.03.02 | Provisions for Contingencies | 11,905 | 10,653 |
| 2.02.01.04 | Debts with Related Parties | - | - |
| 2.02.01.05 | Advances for Future Capital Increase | - | - |
| 2.02.01.06 | Other | 51,614 | 20,400 |
| 2.02.01.06.01 | Taxes Payable | - | - |
| 2.02.01.06.02 | Liabilities from Investment Acquisition | 51,608 | 18,578 |
| 2.02.01.06.06 | Other Liabilities | 6 | 1,822 |
| 2.03 | Deferred Income | - | - |
| 2.05 | Shareholders' Equity | 610,229 | 525,066 |
| 2.05.01 | Paid-up Capital | 406,489 | 376,493 |
| 2.05.02 | Capital Reserves | 59,396 | 48,851 |
| 2.05.03 | Revaluation Reserves | - | - |
| 2.05.03.01 | Own Assets | - | - |
| 2.05.03.02 | Subsidiaries/Associated and Affiliated Companies | - | - |
| 2.05.04 | Income Reserves | 146,284 | 101,699 |
| 2.05.04.01 | Legal | 11,975 | 11,975 |
| 2.05.04.02 | Statutory | - | - |

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

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

| 1 – CODE | 2 – DESCRIPTION | 3 – 09/30/2010 | 4 – 12/31/2009 |
|---|---|---|---|
| 2.05.04.03 | For Contingencies | - | - |
| 2.05.04.04 | Unrealized Profit | - | - |
| 2.05.04.05 | Retention of Profit | 134,309 | 89,724 |
| 2.05.04.06 | Special for Non-Distributed Dividends | - | - |
| 2.05.04.07 | Other Profit Reserves | - | - |
| 2.05.05 | Asset Valuation Adjustments | (1,940) | (1,977) |
| 2.05.05.01 | Securities Adjustments | - | - |
| 2.05.05.02 | Accumulated Translation Adjustments | - | - |
| 2.05.05.03 | Business Combination Adjustments | - | - |
| 2.05.06 | Retained Earnings/Accumulated Losses | - | - |
| 2.05.07 | Advances for Future Capital Increase | - | - |
| 2.05.04.03 | For Contingencies | - | - |

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|---|---|---|
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**03.01 – STATEMENT OF INCOME (in thousands of Reais)**

| 1 – CODE | 2 – DESCRIPTION | 3- 7/1/2010 a 09/30/2010 | 4- 1/1/2010 a 09/30/2010 | 5- 7/1/2009 to 9/30/2009 | 6- 1/1/2009 to 9/30/2009 |
|---|---|---|---|---|---|
| 3.01 | Gross Revenue from Sales and/or Services | 264,375 | 721,178 | 216,728 | 614,205 |
| 3.01.01 | License Fees | 76,616 | 176,134 | 47,392 | 128,263 |
| 3.01.02 | Services | 52,821 | 149,068 | 51,701 | 139,287 |
| 3.01.03 | Maintenance | 134,938 | 395,976 | 117,635 | 346,655 |
| 3.02 | Deductions from Gross Revenues | (19,322) | (58,775) | (17,640) | (49,844) |
| 3.02.01 | Cancellation of Services and Sales | (3,331) | (13,519) | (4,052) | (11,129) |
| 3.02.02 | Taxes on Services and Sales | (15,991) | (45,256) | (13,588) | (38,715) |
| 3.03 | Net Revenue from Sales and/or Services | 245,053 | 662,403 | 199,088 | 564,361 |
| 3.04 | Cost of Goods Sold and/or Services Rendered | (59,128) | (178,646) | (53,465) | (152,731) |
| 3.04.01 | Cost of License Fees | (2,976) | (9,556) | (2,999) | (9,015) |
| 3.04.02 | Cost of Services | (56,152) | (169,090) | (50,466) | (143,716) |
| 3.05 | Gross Profit | 185,925 | 483,757 | 145,623 | 411,630 |
| 3.06 | Operating Income/Expenses | (137,000) | (365,808) | (107,185) | (313,730) |
| 3.06.01 | Selling | (11,455) | (34,439) | (10,142) | (28,054) |
| 3.06.02 | General and Administrative | (16,014) | (46,817) | (13,724) | (44,995) |
| 3.06.03 | Financial | (19,401) | (35,310) | (7,953) | (26,640) |
| 3.06.03.01 | Financial Income | 5,424 | 14,584 | 4,811 | 14,420 |
| 3.06.03.02 | Financial Expenses | (24,825) | (49,894) | (12,764) | (41,060) |
| 3.06.04 | Other Operating Income | - | - | - | - |
| 3.06.05 | Other Operating Expenses | (89,247) | (250,190) | (81,290) | (231,466) |
| 3.06.05.01 | Research and Development | (28,290) | (80,661) | (25,232) | (69,954) |
| 3.06.05.02 | Advertising Expenses | (9,349) | (22,945) | (7,744) | (19,303) |
| 3.06.05.03 | Commissions | (32,265) | (79,675) | (22,433) | (68,970) |
| 3.06.05.04 | Management Compensation | (7,706) | (17,691) | (8,016) | (21,114) |
| 3.06.05.05 | Depreciation and Amortization | (17,410) | (51,530) | (16,651) | (48,592) |
| 3.06.05.06 | Allowance for Doubtful Accounts | (1,568) | (4,803) | (2,160) | (5,722) |
| | | | | | |

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**03.01 – STATEMENT OF INCOME (in thousands of Reais)**

| 1 – CODE | 2 – DESCRIPTION | 3- 7/1/2010 a 09/30/2010 | 4- 1/1/2010 a 09/30/2010 | 5- 7/1/2009 to 9/30/2009 | 6- 1/1/2009 to 9/30/2009 |
|---|---|---|---|---|---|
| 3.06.05.07 | Extraordinary Expenses | - | - | - | - |
| 3.06.05.08 | Other Net Operating Expenses | 7,341 | 7,115 | 946 | 2,189 |
| 3.06.06 | Equity Pickup | (883) | 948 | 5,924 | 17,425 |
| 3.07 | Operating Income | 48,925 | 117,949 | 38,438 | 97,900 |
| 3.08 | Non-Operating Income | - | - | - | - |
| 3.08.01 | Income | - | - | - | - |
| 3.08.02 | Expenses | - | - | - | - |
| 3.09 | Income Before Tax/Interests | 48,925 | 117,949 | 38,438 | 97,900 |
| 3.10 | Provision for Income Tax and Social Contribution | (15,008) | (22,190) | (3,914) | (6,521) |
| 3.11 | Deferred Income Tax | (1,199) | 747 | (4,302) | (5,514) |
| 3.12 | Statutory Interests/Contributions | - | - | - | - |
| 3.12.01 | Interests | - | - | - | - |
| 3.12.02 | Contributions | - | - | - | - |
| 3.13 | Reversal of Interest on Own Capital | - | - | - | - |
| 3.15 | Income/Loss for the Period | 32,718 | 96,506 | 30,222 | 85,865 |
| | No. SHARES, EX-TREASURY (in Units) | 31,459 | 31,459 | 31,152 | 31,152 |
| | EARNINGS PER SHARE (In Reais) | 1.04005 | 3.06777 | 0.97015 | 2.75632 |
| | LOSS PER SHARE (In Reais) | | | | |

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

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

| 1 – CODE | 2 – DESCRIPTION | 3- 7/1/2010 a 09/30/2010 | 4- 1/1/2010 a 09/30/2010 | 5- 7/1/2009 to 9/30/2009 | 6- 1/1/2009 to 9/30/2009 |
|---|---|---|---|---|---|
| 4.01 | Net Cash from Operating Activities | 25,894 | 108,784 | 61,604 | 151,611 |
| 4.01.01 | Cash Generated in the Operations | 77,137 | 195,938 | 59,944 | 165,520 |
| 4.01.01.01 | Net Income for the Year | 32,718 | 96,506 | 30,222 | 85,865 |
| 4.01.01.02 | Depreciation and Amortization | 17,410 | 51,530 | 16,651 | 48,592 |
| 4.01.01.03 | Share-Based Payment | 8,574 | 10,545 | 401 | 1,091 |
| 4.01.01.04 | Loss in Sale of Fixed Assets | 120 | 537 | 440 | (782) |
| 4.01.01.05 | Allowance for Doubtful Accounts | 1,568 | 4,803 | 2,160 | 5,722 |
| 4.01.01.06 | Deferred Income Tax and Social Contribution | 1,199 | (747) | 4,302 | 5,514 |
| 4.01.01.07 | Equity Income | 883 | (948) | (5,924) | (17,425) |
| 4.01.01.08 | Loss in Investments | 11 | 1,354 | 72 | 2,063 |
| 4.01.01.09 | Provision for Contingencies | 513 | 1,252 | 181 | 4,433 |
| 4.01.01.10 | Interest and Monetary Variation | 14,141 | 31,106 | 11,439 | 30,447 |
| 4.01.02 | Variation in Assets and Liabilities | (51,243) | (87,154) | 1,660 | (13,909) |
| 4.01.02.01 | Accounts Receivable from Clients | (35,890) | (44,939) | (8,907) | (27,171) |
| 4.01.02.02 | Other Assets | 3,742 | (12,484) | 4,185 | (5,697) |
| 4.01.02.03 | Judicial Deposits | (513) | (988) | (314) | (1,867) |
| 4.01.02.04 | Suppliers | (3,728) | (35,337) | (1,040) | (4,598) |
| 4.01.02.05 | Taxes Payable | (351) | (1,583) | - | - |
| 4.01.02.06 | Payroll and Charges Payable | 5,499 | 8,956 | 6,694 | 15,914 |
| 4.01.02.07 | Commissions Payable | 10,091 | 11,392 | 1,030 | 7,413 |
| 4.01.02.08 | Minority Interest | - | - | 12 | 2,097 |
| 4.01.02.09 | Other Accounts Payable | (145) | (941) | - | - |
| 4.01.02.10 | Securities | (30,942) | (14,968) | - | - |
| 4.01.02.11 | Dividends Receivable | 994 | 3,738 | - | - |
| 4.01.03 | Other | - | - | - | - |
| 4.02 | Net Cash from Investment Activities | (28,160) | (49,236) | (16,107) | (53,542) |
| 4.02.01 | Additional Investments | (12,787) | (26,710) | (7,521) | (18,514) |
| 4.02.02 | Additional Intangible Assets | (10,779) | (12,092) | (8,280) | (16,748) |

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|---|---|---|
| 01999-2 | TOTVS S,A, | 53.113.791/0001-22 |

**04,01 – STATEMENT OF CASH FLOW – INDIRECT METHOD (in thousands of Reais)**

| 1 – CODE | 2 – DESCRIPTION | 3- 7/1/2010 a 09/30/2010 | 4- 1/1/2010 a 09/30/2010 | 5- 7/1/2009 to 9/30/2009 | 6- 1/1/2009 to 9/30/2009 |
|---|---|---|---|---|---|
| 4.02.03 | Decrease in Investments | 2 | 2 | - | - |
| 4.02.04 | Additional Equipment | - | 43 | (4,904) | (10,266) |
| 4.02.05 | Selling Value of Permanent Assets | (4,594) | (10,479) | 84 | 4,096 |
| 4.02.06 | Payment for acquisition of subsidiary | (2) | - | 4,514 | (12,110) |
| 4.03 | Net Cash from Financing Activities | 790 | (91,602) | (24,835) | (18,133) |
| 4.03.01 | Bank Loans | (19,162) | (30,560) | (28,670) | 15,919 |
| 4.03.02 | Issuance of Debentures | - | - | - | - |
| 4.03.03 | Credit with Related Parties | 19,953 | 8,114 | (1,895) | (595) |
| 4.03.04 | Leasing Liabilities | - | - | - | - |
| 4.03.05 | Dividends Paid | (1) | (69,156) | (83) | (33,457) |
| 4.03.06 | Interest of Bank Loans | - | - | 5,813 | - |
| 4.04 | Exchange Variation on Cash and Cash Equivalents | - | - | - | - |
| 4.05 | Increase (Decrease) in Cash and Cash Equivalents | (1,476) | (32,054) | 20,662 | 79,936 |
| 4.05.01 | Opening Balance of Cash and Cash Equivalents | 131,282 | 161,860 | 172,458 | 113,184 |
| 4.05.02 | Closing Balance of Cash and Cash Equivalents | 129,806 | 129,806 | 193,120 | 193,120 |

**01.01 – IDENTIFICATION**

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

**05.01 – STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 01/07/2010 TO 09/30/2010 (in thousands of Reais)**

| 1 - CODE | 2 – DESCRIPTION | 3 – CAPITAL STOCK | 4 – CAPITAL RESERVES | 5 – REVALUATION RESERVES | 6 – PROFIT RESERVES | 7 – RETAINED EARNINGS/ ACCUMULATED LOSSES | 8 – ASSETS VALUATION ADJUSTMENTS | 9 - TOTAL SHAREHOLDERS ' EQUITY |
|---|---|---|---|---|---|---|---|---|
| 5.01 | Opening Balance | 376,493 | 50,822 | - | 49,778 | 63,788 | (1,668) | 539,213 |
| 5.02 | Adjustments of Previous Years | - | - | - | - | - | - | - |
| 5.03 | Adjusted Balance | 376,493 | 50,822 | - | 49,778 | 63,788 | (1,668) | 539,213 |
| 5.04 | Net Income/Loss for the Period | - | - | - | - | 32,718 | - | 32,718 |
| 5.05 | Allocations | - | 1,125 | - | - | - | - | 1,125 |
| 5.05.01 | Dividends | - | - | - | - | - | - | - |
| 5.05.02 | Interest on Own Capital | - | - | - | - | - | - | - |
| 5.05.03 | Other Allocations | - | 1,125 | - | - | - | - | 1,125 |
| 5.05.03.01 | Stock Option Plan | - | 1,125 | - | - | - | - | 1,125 |
| 5.06 | Realization of Profit Reserves | - | - | - | - | - | - | - |
| 5.07 | Asset Valuation Adjustments | - | 7,449 | - | - | - | (272) | 7,177 |
| 5.07.01 | Securities Adjustments | - | - | - | - | - | - | - |
| 5.07.02 | Accumulated Translation Adjustments | - | - | - | - | - | (272) | (272) |
| 5.07.03 | Business Combination Adjustments | - | - | - | - | - | - | - |
| 5.07.04 | Fair Value on Issuance of Shares | - | 7,449 | - | - | - | - | 7,449 |
| 5.08 | Increase/Reduction in Capital Stock | 29,996 | - | - | - | - | - | 29,996 |
| 5.08.01 | Convertible Debenture | 29,996 | - | - | - | - | - | 29,996 |
| 5.09 | Recording/Realization of Capital Reserves | - | - | - | - | - | - | - |
| 5.10 | Treasury Shares | - | - | - | - | - | - | - |
| 5.11 | Other Capital Transactions | - | - | - | - | - | - | - |
| 5.12 | Other | - | - | - | - | - | - | - |
| 5.13 | Closing Balance | 406,489 | 59,396 | - | 49,778 | 96,506 | (1,940) | 610,229 |

**01.01 – IDENTIFICATION**

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

**05.01 – STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 01/01/2010 TO 09/30/2010 (in thousands of Reais)**

| 1 - CODE | 2 – DESCRIPTION | 3 – CAPITAL STOCK | 4 – CAPITAL RESERVES | 5 – REVALUATION RESERVES | 6 – PROFIT RESERVES | 7 – RETAINED EARNINGS/ ACCUMULATED LOSSES | 8 – ASSETS VALUATION ADJUSTMENTS | 9 - TOTAL SHAREHOLDERS ' EQUITY |
|---|---|---|---|---|---|---|---|---|
| 5.01 | Opening Balance | 376,493 | 48,851 | - | 101,699 | - | (1,977) | 525,066 |
| 5.02 | Adjustments of Previous Years | - | - | - | - | - | - | - |
| 5.03 | Adjusted Balance | 376,493 | 48,851 | - | 101,699 | - | (1,977) | 525,066 |
| 5.04 | Net Income/Loss for the Period | - | - | - | - | 96,506 | - | 96,506 |
| 5.05 | Allocations | - | 3,096 | - | (43,526) | - | - | (40,430) |
| 5.05.01 | Dividends | - | - | - | (43,526) | - | - | (43,526) |
| 5.05.02 | Interest on Own Capital | - | - | - | - | - | - | - |
| 5.05.03 | Other Allocations | - | 3,096 | - | - | - | - | 3,096 |
| 5.05.03.01 | Stock Option Plan | - | 3,096 | - | - | - | - | 3,096 |
| 5.06 | Realization of Profit Reserves | - | - | - | - | - | - | - |
| 5.07 | Asset Valuation Adjustments | - | 7,449 | - | (8,395) | - | 37 | (909) |
| 5.07.01 | Securities Adjustments | - | - | - | - | - | - | - |
| 5.07.02 | Accumulated Translation Adjustments | - | - | - | - | - | 37 | 37 |
| 5.07.03 | Business Combination Adjustments | - | - | - | (8,395) | - | - | (8,395) |
| 5.07.04 | Fair Value on Issuance of Shares | - | 7,449 | - | - | - | - | 7,449 |
| 5.08 | Increase/Reduction in Capital Stock | 29,996 | - | - | - | - | - | 29,996 |
| 5.08.01 | Convertible Debenture | 29,996 | - | - | - | - | - | 29,996 |
| 5.09 | Recording/Realization of Capital Reserves | - | - | - | - | - | - | - |
| 5.10 | Treasury Shares | - | - | - | - | - | - | - |
| 5.11 | Other Capital Transactions | - | - | - | - | - | - | - |
| 5.12 | Other | - | - | - | - | - | - | - |
| 5.13 | Closing Balance | 406,489 | 59,396 | - | 49,778 | 96,506 | (1,940) | 610,229 |

**01.01 - IDENTIFICATION**

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

08.01 – CONSOLIDATED BALANCE SHEET - ASSETS (in thousands of Reais)

| 1 - CODE | 2 - DESCRIPTION | 3 – 09/30/2010 | 4 – 12/31/2009 |
|---|---|---|---|
| 1 | Total Assets | 1,254,510 | 1,201,479 |
| 1.01 | Current Assets | 499,310 | 503,177 |
| 1.01.01 | Cash and Cash Equivalents | 179,011 | 230,190 |
| 1.01.01.01 | Cash and Cash Equivalents | 172,576 | 207,721 |
| 1.01.01.02 | Securities | 6,435 | 22,469 |
| 1.01.02 | Credits | 256,201 | 210,681 |
| 1.01.02.01 | Clients | 256,201 | 210,681 |
| 1.01.02.01.01 | Trade Accounts Receivable | 276,461 | 230,995 |
| 1.01.02.01.02 | Allowance for Doubtful Accounts | (20,260) | (20,314) |
| 1.01.02.02 | Sundry Credits | - | - |
| 1.01.02.02.01 | Dividends Receivables | - | - |
| 1.01.02.02.02 | Recoverable Taxes | - | - |
| 1.01.03 | Inventories | - | - |
| 1.01.04 | Other | 64,098 | 62,306 |
| 1.01.04.01 | Deferred Income and Social Contribution Taxes | 16,292 | 17,944 |
| 1.01.04.02 | Recoverable Taxes | 24,751 | 32,716 |
| 1.01.04.04 | Other Current Assets | 23,055 | 11,646 |
| 1.02 | Noncurrent Assets | 755,200 | 698,302 |
| 1.02.01 | Long-term Assets | 121,062 | 66,297 |
| 1.02.01.01 | Sundry Credits | 61,813 | 25,314 |
| 1.02.01.01.01 | Trade Accounts Receivable | 14,042 | 6,000 |
| 1.02.01.01.02 | Securities | 47,771 | 19,314 |
| 1.02.01.02 | Credit with Related Parties | - | - |
| 1.02.01.02.01 | In Associated/Affiliated Companies | - | - |
| 1.02.01.02.02 | In Subsidiaries | - | - |
| 1.02.01.02.03 | Other Related Parties | - | - |
| 1.02.01.03 | Other | 59,249 | 40,983 |
| 1.02.01.03.01 | Deferred Income and Social Contribution Taxes | 28,015 | 22,623 |
| 1.02.01.03.02 | Judicial Deposits | 15,201 | 14,213 |
| 1.02.01.03.03 | Other Long-term Accounts Receivable | 16,033 | 4,147 |
| 1.02.02 | Permanent Assets | 634,138 | 632,005 |
| 1.02.02.01 | Investments | 8 | 10 |
| 1.02.02.01.01 | In Associated/ Affiliated Companies | - | - |
| 1.02.02.01.02 | In Subsidiaries | 8 | 10 |
| 1.02.02.01.03 | Other Investments | - | - |
| 1.02.02.02 | Fixed Assets | 36,279 | 32,887 |
| 1.02.02.03 | Intangible Assets | 597,851 | 599,108 |

**01.01 – IDENTIFICATION**

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

**08.02 – CONSOLIDATED BALANCE SHEET - LIABILITIES (in thousands of Reais)**

| 1 - CODE | 2 – DESCRIPTION | 3 – 09/30/2010 | 4 – 12/31/2009 |
|---|---|---|---|
| 2 | Total Liabilities | 1,254,510 | 1,201,479 |
| 2.01 | Current Liabilities | 221,687 | 204,082 |
| 2.01.01 | Loans and Financings | 59,257 | 11,865 |
| 2.01.01.01 | Loans and Financings | 56,667 | 7,838 |
| 2.01.01.02 | Leases | 2,590 | 4,027 |
| 2.01.02 | Debentures | 606 | 5,218 |
| 2.01.03 | Suppliers | 21,570 | 23,984 |
| 2.01.04 | Taxes and Contributions | 5,856 | 7,198 |
| 2.01.05 | Dividends Payable | 318 | 25,947 |
| 2.01.06 | Provisions | - | - |
| 2.01.07 | Debts with Related Parties | - | - |
| 2.01.08 | Other | 134,080 | 129,870 |
| 2.01.08.01 | Salaries and Charges Payable | 74,073 | 59,199 |
| 2.01.08.02 | Commissions Payable | 44,881 | 32,765 |
| 2.01.08.03 | Investment Acquisition Liabilities | 11,057 | 34,577 |
| 2.01.08.04 | Other Liabilities | 4,069 | 3,329 |
| 2.02 | Noncurrent Liabilities | 415,805 | 460,335 |
| 2.02.01 | Long-term Liabilities | 415,805 | 460,335 |
| 2.02.01.01 | Loans and Financings | 157,851 | 212,176 |
| 2.02.01.01.01 | Loans and Financings | 157,464 | 210,038 |
| 2.02.01.01.02 | Leasing | 387 | 2,138 |
| 2.02.01.02 | Debentures | 191,482 | 212,219 |
| 2.02.01.03 | Provisions | 11,905 | 10,653 |
| 2.02.01.03.01 | Provisions for Contingencies | 11,905 | 10,653 |
| 2.02.01.04 | Debts with Related Parties | - | - |
| 2.02.01.05 | Advances for Future Capital Increase | - | - |
| 2.02.01.06 | Other | 54,567 | 25,287 |
| 2.02.01.06.01 | Liabilities from Investment Acquisition | 51,996 | 20,286 |
| 2.02.01.06.02 | Other Long-term Liabilities | 2,571 | 5,001 |
| 2.03 | Deferred Income | - | - |
| 2.04 | Minority Interest | - | - |
| 2.05 | Shareholders' Equity | 617,018 | 537,062 |
| 2.05.01 | Paid-up Capital | 406,489 | 376,493 |
| 2.05.02 | Capital Reserves | 59,396 | 48,851 |
| 2.05.03 | Revaluation Reserves | - | - |
| 2.05.03.01 | Own Assets | - | - |
| 2.05.03.02 | Subsidiaries/Associated and Affiliated Companies | - | - |
| 2.05.04 | Income Reserves | 153,073 | 113,695 |
| 2.05.04.01 | Legal | 11,975 | 11,975 |
| 2.05.04.02 | Statutory | - | - |
| | | | |

**01.01 – IDENTIFICATION**

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

**08.02 – CONSOLIDATED BALANCE SHEET - LIABILITIES (in thousands of Reais)**

| 1 - CODE | 2 – DESCRIPTION | 3 – 09/30/2010 | 4 – 12/31/2009 |
|---|---|---|---|
| 2.05.04.03 | For Contingencies | - | - |
| 2.05.04.04 | Unrealized Profit | - | - |
| 2.05.04.05 | Retention of Profit | 134,053 | 89,686 |
| 2.05.04.06 | Special for Non-Distributed Dividends | - | - |
| 2.05.04.07 | Other Profit Reserves | 7,045 | 12,034 |
| 2.05.04.07.01 | Minority Interest | 7,045 | 12,034 |
| 2.05.05 | Asset Valuation Adjustments | (1,940) | (1,977) |
| 2.05.05.01 | Securities Adjustments | (1,940) | (1,977) |
| 2.05.05.02 | Accumulated Translation Adjustments | - | - |
| 2.05.05.03 | Business Combination Adjustments | - | - |
| 2.05.06 | Retained Earnings/Accumulated Losses | - | - |
| 2.05.07 | Advances for Future Capital Increase | - | - |

**01.01 – IDENTIFICATION**

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

**09.01 – CONSOLIDATED STATEMENT OF INCOME (in thousands of Reais)**

| 1 – CODE | 2 – DESCRIPTION | 3- 7/1/2010 a 09/30/2010 | 4- 1/1/2010 a 09/30/2010 | 5- 7/1/2009 to 9/30/2009 | 6- 1/1/2009 to 9/30/2009 |
|---|---|---|---|---|---|
| 3.01 | Gross Revenue from Sales and/or Services | 328,848 | 913,405 | 276,114 | 788,387 |
| 3.01.01 | License Fees | 95,030 | 229,018 | 65,782 | 183,479 |
| 3.01.02 | Services | 93,693 | 269,377 | 87,064 | 241,595 |
| 3.01.03 | Maintenance | 140,125 | 415,010 | 123,268 | 363,313 |
| 3.01.04 | Goods | - | - | - | - |
| 3.02 | Deductions from Gross Revenues | (25,647) | (79,654) | (23,518) | (67,134) |
| 3.02.01 | Cancellation of Services and Sales | (5,008) | (20,910) | (5,578) | (16,146) |
| 3.02.02 | Taxes on Services and Sales | (20,639) | (58,744) | (17,940) | (50,988) |
| 3.03 | Net Revenue from Sales and/or Services | 303,201 | 833,751 | 252,596 | 721,253 |
| 3.04 | Cost of Goods Sold and/or Services Rendered | (92,018) | (280,356) | (79,256) | (228,918) |
| 3.04.01 | Cost of License Fees | (5,561) | (17,439) | (5,423) | (16,597) |
| 3.04.02 | Cost of Services | (85,766) | (260,205) | (73,810) | (212,217) |
| 3.04.03 | Cost of Sales | (691) | (2,712) | (23) | (104) |
| 3.05 | Gross Profit | 211,183 | 553,395 | 173,340 | 492,335 |
| 3.06 | Operating Income/Expenses | (161,460) | (433,387) | (131,705) | (383,551) |
| 3.06.01 | Selling | (17,739) | (51,951) | (14,671) | (40,085) |
| 3.06.02 | General and Administrative | (18,469) | (54,652) | (17,464) | (56,968) |
| 3.06.03 | Financial | (19,339) | (34,157) | (6,967) | (24,346) |
| 3.06.03.01 | Financial Income | 6,799 | 18,237 | 6,335 | 20,011 |
| 3.06.03.02 | Financial Expenses | (26,138) | (52,394) | (13,302) | (44,357) |
| 3.06.04 | Other Operating Income | - | - | - | - |
| 3.06.05 | Other Operating Expenses | (105,913) | (292,627) | (92,603) | (262,152) |
| 3.06.05.01 | Research and Development | (39,306) | (108,966) | (32,330) | (87,944) |
| 3.06.05.02 | Advertising Expenses | (9,977) | (24,512) | (8,071) | (20,424) |
| 3.06.05.03 | Commissions | (34,207) | (84,870) | (23,778) | (72,463) |
| 3.06.05.04 | Management Compensation | (8,510) | (21,145) | (8,796) | (23,793) |
| 3.06.05.05 | Depreciation and Amortization | (19,124) | (57,607) | (17,848) | (51,934) |
| 3.06.05.06 | Allowance for Doubtful Accounts | (2,136) | (6,797) | (2,440) | (6,962) |

**01.01 – IDENTIFICATION**

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

**09.01 – CONSOLIDATED STATEMENT OF INCOME (in thousands of Reais)**

| 1 – CODE | 2 – DESCRIPTION | 3- 7/1/2010 a 09/30/2010 | 4- 1/1/2010 a 09/30/2010 | 5- 7/1/2009 to 9/30/2009 | 6- 1/1/2009 to 9/30/2009 |
|---|---|---|---|---|---|
| 3,06,05,07 | Extraordinary Expenses | - | - | - | - |
| 3,06,05,08 | Other Net Operating Expenses | 7,347 | 11,270 | 660 | 1,368 |
| 3,06,06 | Equity Pickup | - | - | - | - |
| 3,07 | Operating Income | 49,723 | 120,008 | 41,635 | 108,784 |
| 3,08 | Non-Operating Income | - | - | - | - |
| 3,08,01 | Income | - | - | - | - |
| 3,08,02 | Expenses | - | - | - | - |
| 3,09 | Income Before Tax/Interests | 49,723 | 120,008 | 41,635 | 108,784 |
| 3,10 | Provision for Income Tax and Social Contribution | (17,227) | (29,067) | (6,837) | (15,791) |
| 3,11 | Deferred Income Tax | 482 | 4,569 | (3,915) | (4,735) |
| 3,12 | Statutory Interests/Contributions | - | - | - | - |
| 3,12,01 | Interests | - | - | - | - |
| 3,12,02 | Contributions | - | - | - | - |
| 3,13 | Reversal of Interest on Own Capital | - | - | - | - |
| 3,14 | Minority Interests | - | - | (661) | (2,393) |
| 3,15 | Net Income/Loss for the Period | 32,978 | 95,510 | 30,222 | 85,865 |
| | No. SHARES, EX-TREASURY (in Units) | 31,459 | 31,459 | 31,152 | 31,152 |
| | EARNINGS PER SHARE (Reais) | 1.04832 | 3.03611 | 0.97015 | 2.75632 |
| | LOSS PER SHARE (Reais) | | | | |

**01.01 – IDENTIFICATION**

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

**10.01 – CONSOLIDATED STATEMENT OF CASH FLOW – INDIRECT METHOD (in thousands of Reais)**

| 1 – CODE | 2 – DESCRIPTION | 3- 7/1/2010 a 09/30/2010 | 4- 1/1/2010 a 09/30/2010 | 5- 7/1/2009 to 9/30/2009 | 6- 1/1/2009 to 9/30/2009 |
|---|---|---|---|---|---|
| 4.01 | Net Cash from Operating Activities | 25,258 | 94,508 | 55,294 | 146,841 |
| 4.01.01 | Cash Generated in the Operations | 77,440 | 202,263 | 67,342 | 184,449 |
| 4.01.01.01 | Net Income for the Year | 32,978 | 95,510 | 30,222 | 85,865 |
| 4.01.01.02 | Depreciation and Amortization | 19,124 | 57,607 | 17,849 | 51,934 |
| 4.01.01.03 | Share-Based Payment | 8,574 | 10,545 | 401 | 1,091 |
| 4.01.01.04 | Loss in Sale of Permanent Assets | 386 | 3,659 | 881 | (1,253) |
| 4.01.01.05 | Allowance for Doubtful Accounts | 2,136 | 6,797 | 2,440 | 6,962 |
| 4.01.01.06 | Deferred Income Tax and Social Contribution | (482) | (4,569) | 3,915 | 4,735 |
| 4.01.01.07 | Interest Rates and Monetary Variation | 14,211 | 31,462 | 11,505 | 30,734 |
| 4.01.01.08 | Provision for Contingencies | 513 | 1,252 | 129 | 4,381 |
| 4.01.01.11 | Minority Interest in Income | - | - | - | - |
| 4.01.02 | Variation in Assets and Liabilities | (52,182) | (107,755) | (12,048) | (37,608) |
| 4.01.02.01 | Accounts Receivables from Clients | (38,694) | (60,359) | (12,612) | (38,407) |
| 4.01.02.02 | Other Assets | 3,566 | (15,330) | (801) | (12,951) |
| 4.01.02.03 | Judicial Deposits | (513) | (988) | (262) | (1,815) |
| 4.01.02.04 | Suppliers | (3,165) | (39,229) | (2,154) | (5,424) |
| 4.01.02.05 | Taxes payable | (51) | (1,342) | - | - |
| 4.01.02.06 | Payroll and Charges Payable | 9,024 | 14,874 | 7,935 | 18,102 |
| 4.01.02.07 | Commissions Payable | 9,675 | 12,116 | 1,113 | 7,274 |
| 4.01.02.08 | Other Accounts Payable | (464) | (825) | (2,681) | (4,161) |
| 4.01.02.09 | Minority Interest in Capital | (36) | (4,249) | (2,586) | (226) |
| 4.01.02.10 | Security | (31,524) | (12,423) | - | - |
| 4.01.03 | Other | - | - | - | - |
| 4.02 | Net Cash from Investment Activities | (16,156) | (29,937) | (13,240) | (44,572) |
| 4.02.01 | Payment of Subsidiaries Acquisition | 2 | 2 | 21,498 | 4,525 |

**01.01 – IDENTIFICATION**

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

**10.01 – CONSOLIDATED STATEMENT OF CASH FLOW – INDIRECT METHOD (in thousands of Reais)**

| 1 – CODE | 2 – DESCRIPTION | 3- 7/1/2010 a 09/30/2010 | 4- 1/1/2010 a 09/30/2010 | 5- 7/1/2009 to 9/30/2009 | 6- 1/1/2009 to 9/30/2009 |
|---|---|---|---|---|---|
| 4.02.02 | Additional Intangible Assets | (10,876) | (17,494) | (28,555) | (40,709) |
| 4.02.03 | Selling Value of Permanent Assets | (12,531) | 43 | 84 | 4,096 |
| 4.02.04 | Additional Equipment | 7,251 | (12,488) | (6,267) | (12,484) |
| 4.02.05 | Sale or Merge of Subsidiary | (2) | - | - | - |
| 4.03 | Net Cash from Financing Activities | (19,589) | (99,716) | (22,959) | (17,589) |
| 4.03.01 | Bank Loans | (19,162) | (30,560) | (28,671) | 15,919 |
| 4.03.02 | Issuance of Debentures | - | - | - | - |
| 4.03.03 | Leasing Liabilities | - | - | - | - |
| 4.03.04 | Dividends Paid | (427) | (69,156) | (101) | (33,508) |
| 4.03.06 | Interest of Bank Loans | - | - | - | - |
| 4.04 | Exchange Variation on Cash and Cash Equivalents | - | - | - | - |
| 4.05 | Increase (Decrease) in Cash and Cash Equivalents | (10,487) | (35,145) | 19,095 | 84,680 |
| 4.05.01 | Opening Balance of Cash and Cash Equivalents | 183,063 | 207,721 | 212,991 | 147,406 |
| 4.05.02 | Closing Balance of Cash and Cash Equivalents | 172,576 | 172,576 | 232,086 | 232,086 |

**01.01 – IDENTIFICATION**

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

**11.01 – CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 01/07/2010 TO 09/30/2010 (in thousands of Reais)**

| 1 - CODE | 2 – DESCRIPTION | 3 – CAPITAL STOCK | 4 – CAPITAL RESERVES | 5 – REVALUATION RESERVES | 6 – PROFIT RESERVES | 7 – RETAINED EARNINGS/ ACCUMULATED LOSSES | 8 – ASSETS VALUATION ADJUSTMENTS | 9 - TOTAL SHAREHOLDERS ' EQUITY |
|---|---|---|---|---|---|---|---|---|
| 5.01 | Opening Balance | 376,493 | 50,822 | - | 57,560 | 62,532 | (1,668) | 545,739 |
| 5.02 | Adjustments of Previous Years | - | - | - | - | - | - | - |
| 5.03 | Adjusted Balance | 376,493 | 50,822 | - | 57,560 | 62,532 | (1,668) | 545,739 |
| 5.04 | Net Income/Loss for the Period | - | - | - | - | 32,978 | - | 32,978 |
| 5.05 | Allocations | - | 1,125 | - | - | - | - | 1,125 |
| 5.05.01 | Dividends | - | - | - | - | - | - | - |
| 5.05.02 | Interest on Own Capital | - | - | - | - | - | - | - |
| 5.05.03 | Other Allocations | - | 1,125 | - | - | - | - | 1,125 |
| 5.05.03.01 | Stock Option Plan | - | 1,125 | - | - | - | - | 1,125 |
| 5.06 | Realization of Profit Reserves | - | - | - | - | - | - | - |
| 5.07 | Asset Valuation Adjustments | - | 7,449 | - | 606 | - | (272) | 7,783 |
| 5.07.01 | Securities Adjustments | - | - | - | - | - | - | - |
| 5.07.02 | Accumulated Translation Adjustments | - | - | - | - | - | (272) | (272) |
| 5.07.03 | Business Combination Adjustments | - | - | - | 606 | - | - | 606 |
| 5.07.04 | Fair Value on Issuance of Shares | - | 7,449 | - | - | - | - | 7,449 |
| 5.08 | Increase/Reduction in Capital Stock | 29,996 | - | - | - | - | - | 29,996 |
| 5.08.01 | Minority Interest Aquisition | - | - | - | - | - | - | - |
| 5.08.03 | Convertible Debenture | 29,996 | - | - | - | - | - | 29,996 |
| 5.09 | Recording/Realization of Capital Reserves | - | - | - | - | - | - | - |
| 5.10 | Treasury Shares | - | - | - | - | - | - | - |
| 5.11 | Other Capital Transactions | - | - | - | - | - | - | - |
| 5.12 | Other | - | - | - | (603) | - | - | (603) |
| 5.12.01 | Minority Interest | - | - | - | 4,037 | - | - | 4,037 |
| 5.12.02 | Other | - | - | - | (4,640) | - | - | (4,640) |
| 5.13 | Closing Balance | 406,489 | 59,396 | - | 57,563 | 95,510 | (1,940) | 617,018 |

**11.01 – CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 01/01/2010 TO 09/30/2010 (in thousands of Reais)**

| 1 - CODE | 2 – DESCRIPTION | 3 – CAPITAL STOCK | 4 – CAPITAL RESERVES | 5 – REVALUATION RESERVES | 6 – PROFIT RESERVES | 7 – RETAINED EARNINGS/ ACCUMULATED LOSSES | 8 – ASSETS VALUATION ADJUSTMENTS | 9 - TOTAL SHAREHOLDERS ' EQUITY |
|---|---|---|---|---|---|---|---|---|
| 5.01 | Opening Balance | 376,493 | 48,851 | - | 113,695 | - | (1,977) | 537,062 |
| 5.02 | Adjustments of Previous Years | - | - | - | - | - | - | - |
| 5.03 | Adjusted Balance | 376,493 | 48,851 | - | 113,695 | - | (1,977) | 537,062 |
| 5.04 | Net Income/Loss for the Period | - | - | - | - | 95,510 | - | 95,510 |
| 5.05 | Allocations | - | 3,096 | - | (43,526) | - | - | (40,430) |
| 5.05.01 | Dividends | - | - | - | (43,526) | - | - | (43,526) |
| 5.05.02 | Interest on Own Capital | - | - | - | - | - | - | - |
| 5.05.03 | Other Allocations | - | 3,096 | - | - | - | - | 3,096 |
| 5.05.03.01 | Stock Option Plan | - | 3,096 | - | - | - | - | 3,096 |
| 5.06 | Realization of Profit Reserves | - | - | - | - | - | - | - |
| 5.07 | Asset Valuation Adjustments | - | 7,449 | - | (8,358) | - | 37 | (872) |
| 5.07.01 | Securities Adjustments | - | - | - | - | - | - | - |
| 5.07.02 | Accumulated Translation Adjustments | - | - | - | - | - | 37 | 37 |
| 5.07.03 | Business Combination Adjustments | - | - | - | (8,358) | - | - | (8,358) |
| 5.07.04 | Fair Value on Issuance of Shares | - | 7,449 | - | - | - | - | 7,449 |
| 5.08 | Increase/Reduction in Capital Stock | 29,996 | - | - | - | - | - | 29,996 |
| 5.08.01 | Minority Interest Aquisition | - | - | - | - | - | - | - |
| 5.08.03 | Convertible Debenture | 29,996 | - | - | - | - | - | 29,996 |
| 5.09 | Recording/Realization of Capital Reserves | - | - | - | - | - | - | - |
| 5.10 | Treasury Shares | - | - | - | - | - | - | - |
| 5.11 | Other Capital Transactions | - | - | - | - | - | - | - |
| 5.12 | Other | - | - | - | (4,248) | - | - | (4,248) |
| 5.12.01 | Minority Interest | - | - | - | 740 | - | - | 740 |
| 5.12.02 | Other | - | - | - | (4,988) | - | - | (4,988) |
| 5.13 | Closing Balance | 406,489 | 59,396 | - | 57,563 | 95,510 | (1,940) | 617,018 |

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

## 1. Operations

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

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

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

## 2. Preparation and Presentation of the Financial Statements

The Company’s financial statements for the period of nine months ended September 30, 2010 and for the year ended December 31, 2009 include:

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

The financial statements were prepared and disclosed pursuant to the accounting practices adopted in Brazil, the Brazilian Corporate Law, the resolutions of the Brazilian Securities and Exchange Commission (CVM), and the Pronouncements, Guidelines and Interpretations of the Brazilian Accounting Standards Board (CPC) issued up to September 30, 2010, that is, in full compliance with the Brazilian accounting standards.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company's Management authorized the completion of the preparation of the financial statements on October 21, 2010.

### 2.1. Accounting practices transition

2.1.1. CPC 37 (IFRS 1)

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

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

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

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

### 2.1. Accounting practices transition – *continued…*

2.1.1. CPC 37 (IFRS 1) – *continued…*

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

2.1.2 Mandatory exceptions and exemptions to retrospective adoption

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

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

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

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

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

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

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

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

### 2.1. Accounting practices transition – *continued…*

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

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

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

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

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

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

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

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

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

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

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

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

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

### 2.1. Accounting practices transition – *continued…*

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

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

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

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

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

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

### 2.1. Accounting practices transition – *continued…*

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

| | | 09.30.2009 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Parent Company | | | Consolidated | | |
| | Note | BRGAAP | Adjust-ments | CPC | BRGAAP | Adjust-ments | CPC |
| **Current Assets** | | **376,611** | **-** | **376,611** | **471,444** | **-** | **471,444** |
| Cash and cash equivalents | | 193,120 | - | 193,120 | 232,086 | - | 232,086 |
| Credits | | 156,589 | - | 156,589 | 206,814 | - | 206,814 |
| Other | | 26,902 | - | 26,902 | 32,544 | - | 32,544 |
| **Non-current assets** | | **749,923** | **(19,916)** | **730,007** | **688,649** | **(19,916)** | **668,733** |
| Long-Term Asset | | 70,745 | - | 70,745 | 50,045 | - | 50,045 |
| Fixed Assets | (c) | 679,178 | **(19,916)** | 659,262 | 638,064 | **(19,916)** | 618,688 |
| **Total Assets** | | **1,126,534** | **(19,916)** | **1,106,618** | **1,160,093** | **(19,916)** | **1,140,177** |

| | | 09.30.2009 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Parent Company | | | Consolidated | | |
| | Note | BRGAAP | Adjust-ments | CPC | BRGAAP | Adjust-ments | CPC |
| **Current liabilities** | | **135,300** | **-** | **135,300** | **161,729** | **-** | **161,729** |
| Dividends Payable | | 216 | - | 216 | 216 | - | 216 |
| Other liabilities | | 135,084 | - | 135,084 | 161,513 | - | 161,513 |
| **Non-Current liabilities** | (b) | **454,002** | **-** | **454,002** | **455,817** | **-** | **455,817** |
| Long-Term Liability | | 454,002 | - | 454,002 | 455,817 | - | 455,817 |
| Other liabilities | | 454,002 | - | 454,002 | 455,817 | - | 455,817 |
| Non-controlling Interests | (b) | **-** | **-** | **-** | **5,315** | **(5,315)** | **-** |
| **Shareholders' Equity** | (a) | **537,232** | **(19,916)** | **517,316** | **537,232** | **(14,601)** | **522,631** |
| **Total liabilities+Shareholders' Equity** | | **1,126,534** | **(19,916)** | **1,106,618** | **1,160,093** | **(19,916)** | **1,140,177** |

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

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

### 2.1. Accounting practices transition – *continued…*

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

| | | Income from 07/01/2009 to 09/30/2009 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Parent Company | | | Consolidated | | |
| | Note | BRGAAP | Adjustments | CPC | BRGAAP | Adjustments | CPC |
| Gross Sales and/or Service Revenue | | 216,728 | - | 216,728 | 276,114 | - | 276,114 |
| Net Sales and/or Service Revenue | | 199,088 | - | 199,088 | 252,596 | - | 252,596 |
| Cost of Goods Sold and/or Services Rendered | | (53,465) | - | (53,465) | (79,256) | - | (79,256) |
| Gross Profit | | 145,623 | - | 145,623 | 173,340 | - | 173,340 |
| Operating expenses | | (107,805) | - | (107,805) | (131,705) | - | (131,705) |
| Operating Income | | 38,438 | - | 38,438 | 41,635 | - | 41,635 |
| Provision for Income Tax and Social Contribution | | (3,914) | - | (3,914) | (6,837) | - | (6,837) |
| Deferred Income Tax | | (4,302) | - | (4,302) | (3,915) | - | (3,915) |
| Minority Interest | **(b)** | - | - | | (661) | 661 | - |
| **Net Income for the Period** | | **30,222** | **-** | **30,222** | **30,222** | **661** | **30,883** |

| | | Income from 01/01/2009 to 09/30/2009 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Parent Company | | | Consolidated | | |
| | Note | BRGAAP | Adjustments | CPC | BRGAAP | Adjustments | CPC |
| Gross Sales and/or Service Revenue | | 614,205 | - | 614,205 | 788,387 | - | 788,387 |
| Net Sales and/or Service Revenue | | 564,361 | - | 564,361 | 721,253 | - | 721,253 |
| Cost of Goods Sold and/or Services Rendered | | (152,731) | - | (152,731) | (228,918) | - | (228,918) |
| Gross Profit | | 411,630 | - | 411,630 | 492,335 | - | 492,335 |
| Operating expenses | | (313,730) | - | (313,730) | (383,551) | - | (383,551) |
| Operating Income | | 97,900 | - | 97,900 | 108,784 | - | 108,784 |
| Provision Income Tax and Social Contribution | | (6,521) | - | (6,521) | (15,791) | - | (15,791) |
| Deferred Income Tax | | (5,514) | - | (5,514) | (4,735) | - | (4,735) |
| Minority Interest | **(b)** | - | - | - | (2,393) | 2,393 | - |
| **Net Income for the Period** | | **85,865** | **-** | **85,865** | **85,865** | **2,393** | **88,258** |

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

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

### 2.1. Accounting practices transition – *continued…*

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

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

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

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

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

### 2.1. Accounting practices transition – *continued…*

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

The summary of adjustments is as follows:

| | | Parent Company | | | |
|---|---|---|---|---|---|
| | | Shareholders' Equity | | Income for the Period | |
| | Note | 12/31/2009 | 1/1/2009 | 07/01/2009 to 09/30/2009 | 01/01/2009 to 09/30/2009 |
| **According to CPC** | | **525,066** | **470,189** | **30,222** | **85,865** |
| Dividends | (a) | (43,527) | (16,511) | - | - |
| Acquisition of minority interest | (c) | 19,932 | - | - | - |
| **BR GAAP (effective up to 12.31.2009)** | | **501,471** | **453,678** | **30,222** | **85,865** |

| | | Consolidated | | | |
|---|---|---|---|---|---|
| | | Shareholders' Equity | | Income for the Period | |
| | Note | 12/31/2009 | 1/1/2009 | 07/01/2009 to 09/30/2009 | 01/01/2009 to 09/30/2009 |
| **According to CPC** | | **537,062** | **475,730** | **30.883** | **88.528** |
| Dividends | **(a)** | (43,527) | (16,511) | - | - |
| Minority Interest | **(b)** | (6,458) | (5,541) | (661) | (2.393) |
| Acquisition of minority interest | **(c)** | 14,394 | - | - | - |
| **BR GAAP (effective up to 12.31.2009)** | | **501,471** | **453,678** | **30.222** | **85.865** |

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

a) Proposed dividends

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

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

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

### 2.1. Accounting practices transition – *continued…*

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

b) Minority Interest

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

c) Business combination

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

d) Court deposits bound to provisioned lawsuits

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

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

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

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

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

### 2.2. Accounting practices transition – *continued…*

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

| | Note | Shareholders' Equity | | | Income for the Period | | | |
|---|---|---|---|---|---|---|---|---|
| | | 09/30/2010 | 12/31/2009 | 1/1/2009 | 7/1/2010 to 09/30/2010 | 1/1/2010 to 09/30/2010 | 7/1/2009 to 06/30/2009 | 1/1/2009 to 09/30/2009 |
| **Parent Company** | | **608,429** | **525,066** | **470,189** | **32,718** | **96,506** | **30,222** | **85,865** |
| Minority Interest | (a) | 7,045 | 12,034 | 5,541 | 336 | (740) | 661 | 2,393 |
| Amortization of intangibles | (b) | (256) | (38) | - | (76) | (256) | - | - |
| **Consolidated** | | **615,218** | **537,062** | **475,730** | **32,978** | **95,510** | **30,883** | **88,258** |

(a) According to CPC36, the minority interest is part of the shareholders' equity and of the group's esult. The minority interest includes the result of subsidiaries which has become fully controlled by Totvs this accounting period.

(b) Amortization of allocated intangibles recorded in the Consolidated Statement, net of deferred taxes.

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

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

### 2.2. Consolidation

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

| | Interest | | | |
|---|---|---|---|---|
| | September 30, 2010 | | December 31, 2009 | |
| Subsidiary | Direct | Indirect | Direct | Indirect |
| Totvs Rio Software Ltda. ("Totvs Rio") | 100% | - | 100% | - |
| Microsiga Argentina S.A. ("Microsiga Argentina") | 89,72% | - | 100% | - |
| Microsiga México S.A. ("Microsiga México") | 99,99% | - | 98% | - |
| Microsiga Corporation ("Microsiga Corporation") | 100% | - | 100% | - |
| Microsiga Nordeste Software Ltda. ("Microsiga Nordeste") | 100% | - | 100% | - |
| Setware Informática Ltda. ("Setware") | - | 100% | - | 100% |
| Totvs Brasília Software Ltda. ("Totvs Brasília") | 100% | - | 100% | - |
| RO Resultados em Outsourcing S.A. ("RO") | 100% | - | 100% | - |
| Inteligência Organizacional Serviços, Sistemas e Tecnologia em Software Ltda. ("IOSSTS") | 100% | - | 100% | - |
| Eurototvs Ltda. ("Eurototvs") | 100% | - | 100% | - |
| TQTVD Software Ltda. ("TQTVD") **(c)** | 100% | - | 55% | - |
| Look S.A. ("Look") | 100% | - | 100% | - |
| BCS Comércio e Serviços de Informática Ltda. ("BCS Comércio") | 100% | - | 100% | - |
| BCS Engenheiro Associados Ltda. ("BCS Engenharia") | 100% | - | 100% | - |
| BCSFLEX Comércio e Serviços de Informática Ltda. ("BCS Flex") | 100% | - | 100% | - |
| HBA Informática Ltda. ("HBA") | 100% | - | 100% | - |
| Midbyte Informática S.A. ("Midbyte") **(c)** | 100% | - | 70% | - |
| Datasul S.A. de CV ("Datasul México") | 100% | - | 100% | - |
| Datasul Incorporation ("Datasul USA") | 100% | - | 100% | - |
| Datasul Argentina S.A. ("Datasul Argentina") | 100% | - | 100% | - |
| Datasul Serviços em Informática e consultoria S.A. ("Datasul Serviços") | 100% | - | 100% | - |
| Gens Tecnologia da Informação Ltda. ("Gens") | 100% | - | 100% | - |
| YMF Arquitetura Financeira de Negócios S.A. ("YMF") | 100% | - | 100% | - |
| Tools Arquitetura Financeira de Negócios S.A. ("TOOLS") | 100% | - | 100% | - |
| DTSL Sistemas e Serviços de Informática S.A. ("DTSL") | 100% | - | 100% | - |
| Soft Team Consultoria e informática Ltda. ("Soft Team") **(b)** | - | 100% | - | 100% |
| DTS Consulting Partner, AS de CV ("Partner") | - | 100% | - | 100% |
| Hery Software Ltda. ("Hery") | 100% | - | 100% | - |
| Totalbanco Consultoria e Sistemas Ltda. ("Totalbanco") | 70% | 70% | 70% | - |
| M2S Serviços de Suporte Ltda **(a)** | 100% | 100% | - | - |
| SCR Serviços em informática **(a)** | 100% | - | - | - |

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

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

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

### 2.2. Consolidation – *continued…*

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

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

## 3. Main Accounting Practices

a) Revenues and expenses

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

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

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

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

## 3. Main Accounting Practices – *continued…*

a) Revenues and expenses – *continued…*

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

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

b) Translation of foreign currency-denominated balances

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

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

c) Cash and cash equivalents

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

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

## 3. Main Accounting Practices – *continued…*

d) Trade accounts receivable

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

e) Investments

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

f) Property, plant and equipment

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

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

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

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

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

## 3. Main Accounting Practices – *continued…*

g) Leasing

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

h) Intangible assets

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

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

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

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

i) Provision for asset impairment

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

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

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

## 3. Main Accounting Practices – *continued…*

j) Other assets and liabilities

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

k) Taxation

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

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

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

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

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

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

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

l) Share-based payment

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

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

## 3. Main Accounting Practices – *continued…*

m) Other employee benefits

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

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

n) Earnings per share

The Company calculates earnings per thousand shares using the weighted average number of total shares outstanding (excluding the treasury stock) during the period corresponding to the result (according to the CPC41).

o) Adjustment at present value of assets and liabilities:

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

p) Accounting estimates

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

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

## 3. Main Accounting Practices – *continued…*

q) Credit risk

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

The Management believes that the risk related to the accounts receivable from clients is minimized by the fact that the client structure of the Company is highly diversified. No client represents 5% or more of neither revenues nor accounts receivable on September 30, 2010 and December 31, 2009. The Company does not require any guarantee on installment sales.

r) Cash flow statements

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

s) Financial instruments

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

t) Information by Segment

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

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

## 4. Business combinations

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

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

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

**a)** Acquisition of controlling interest

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

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

SRC - On July 28, 2010 the Company acquired 100% of quotes of SRC Serviços em Informática Ltda. SRC holds the assets related to the operation of the companies LOGISTICS SOLUTIONS LTDA., FUTURA SOLUÇÕES EM FINANÇAS LTDA., ACTON DESENVOLVIMENTO E CONSULTORIA DE NEGÓCIOS LTDA., SGP - SOLUÇÃO DE GESTÃO DE PESSOAS LTDA. E AUTUS DESENVOLVIMENTO DE SISTEMAS LTDA. Developing Franchise companies of software related to "Datasul" brand, including the totality of its customer portfolio.

Business combinations carried out from January 1st, 2010 to September 30, 2010 were preliminarily allocated by the Company as goodwill, considering the economic fundamentals, based on studies and appraisals prepared by experts. This preliminary allocation may be revised during 2010, and occasional reclassifications may be made to intangibles accounts (Note13).

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

**b)** Acquisition of minority interest in subsidiaries

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

TQTVD – On June 1$^{s}$ , 2010 the Company acquired for R$14,266, 45% of the capital stock of the subsidiary TQTVD Software Ltda.'s, which operates in the area of development and trading of software products and solutions for digital television. Out of the total price, R$5,999 was paid in cash, and a variable amount up to R$8,267 is expected to be paid subject to the compliance of certain goals established for fiscal years 2011 through 2014, which adjusted to present value on September 30, 2010 amounted to R$6,744, (Note 14). The Company already held 55% of TQTVD's capital stock, and following this acquisition it now holds all the quotas.

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

## 5. Cash and cash equivalents

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **September 30, 2010** | **December 31, 2009** | **September 30, 2010** | **December 31, 2009** |
| Cash equivalents | **28,951** | 27,247 | **49,199** | 40,781 |
| Cash and cash equivalents | | | | |
| Purchase and sale commitments | **44,182** | 49,550 | **81,418** | 52,310 |
| CDB | **56,673** | 85,051 | **40,816** | 112,449 |
| DI Funds | **-** | 12 | **1,143** | 2,181 |
| | **100,855** | 134,613 | **123,377** | 166,940 |
| | **129,806** | 161,860 | **172,576** | 207,721 |

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

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

## 6. Marketable Securities

The balances of securities of R$53,624 for Parent Company and R$ 53,206 for Consolidated, on September 30, 2010 (R$38,656 – Parent Company and R$41,783 – Consolidated on December 31, 2009), refer to secured accounts for the payment of client portfolio acquisitions and business combinations (Note14), as shown below:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **September 30, 2010** | **December 31, 2009** | **September 30, 2010** | **December 31, 2009** |
| YMF Participações | **4,265** | 19,336 | **4,265** | 19,336 |
| Soft Team | **-** | - | **-** | 2,002 |
| Gens | **513** | 1,273 | **513** | 1,273 |
| Tech Prod | **1,234** | 2,535 | **1,816** | 3,660 |
| Tools | **1,432** | 2,672 | **1,432** | 2,672 |
| Datasul MG | **2,366** | 4,103 | **2,366** | 4,103 |
| Datasul Saúde MG | **924** | 803 | **924** | 803 |
| TotalBanco | **2,835** | 2,647 | **2,835** | 2,647 |
| Hery | **5,231** | 4,886 | **5,231** | 4,886 |
| ERP Cedente | **646** | - | **646** | - |
| SRC | **33,767** | | **33,767** | |
| Other | **411** | 401 | **411** | 401 |
| | **53,624** | 38,656 | **54,206** | 41,783 |
| Current assets | **(6,241)** | (21,450) | **(6,435)** | (22,469) |
| Non-current assets | **47,383** | 17,206 | **47,771** | 19,314 |

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

## 7. Trade accounts receivable

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **September 30, 2010** | **December 31, 2009** | **September 30, 2010** | **December 31, 2009** |
| Domestic market | **219,343** | 177,786 | **272,756** | 219,687 |
| Foreign market | **-** | - | **17,747** | 17,308 |
| | **219,343** | 177,786 | **290,503** | 236,995 |
| Current assets | **(205,301)** | (175,544) | **( 276,461)** | (230,995) |
| Non-current assets | **14,042** | 2,242 | **14,042** | 6,000 |

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

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **September 30, 2010** | **December 31, 2009** | **September 30, 2010** | **December 31, 2009** |
| Falling due | **176,719** | 142,225 | **215,228** | 177,749 |
| Overdue Notes – from 1 to 30 days | **10,231** | 7,594 | **13,500** | 11,544 |
| Overdue Notes – from 31 to 60 days | **4,211** | 4,063 | **6,338** | 5,489 |
| Overdue Notes – from 61 to 90 days | **3,106** | 3,034 | **4,547** | 4,005 |
| Overdue Notes – from 91 to 180 days | **7,346** | 5,324 | **10,335** | 11,221 |
| Overdue Notes – from 181 to 360 days | **6,112** | 7,577 | **10,670** | 15,711 |
| Overdue Notes – more than 360 days | **11,618** | 7,969 | **15,843** | 11,276 |
| **Total** | **219,343** | **177,786** | **276,461** | **236,995** |

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

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| Balance at the beginning of the year | **14,677** | 11,361 | **20,314** | 19,139 |
| Additional provision in 1H | **4,803** | 5,722 | **6,797** | 6,962 |
| Write-offs | **(3,382)** | (2,282) | **(6,851)** | (6,135) |
| Balance on September 30 | **16,098** | 14,801 | **20,260** | 19,966 |
| Additional provision in 2H | | (25) | | 758 |
| Write-offs in 2H09 | | (99) | | (410) |
| **Balance on December 31** | | 14,677 | | 20,314 |

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

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

## 8. Income tax and social contribution

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

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

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **September 30, 2010** | **September 30, 2009** | **September 30, 2010** | **September 30, 2009** |
| Income before taxes | **117,949** | 97,899 | **120,008** | 108,784 |
| Income tax and social contribution at combined nominal rate of 34% | **(40,103)** | (33,286) | **(40,803)** | (36,987) |
| Adjustments for the statement of effective rate | | | | |
| Equity pickup | **322** | 5,924 | **-** | - |
| Law 11,196/05 (Incentive for research and development) | **16,374** | 16,998 | **16,807** | 17,355 |
| Effect of subsidiary's taxable income based on a percentage of gross sales | **-** | - | **(1,980)** | 956 |
| Tax losses and tax loss carryforward | | 1,700 | | 1,700 |
| Managers' stake | **201** | (2,321) | **201** | (2,321) |
| Accounts receivable deemed uncollectible | **(56)** | (138) | **(148)** | (150) |
| Other | **1,819** | (912) | **1,425** | (1,081) |
| Expense of income tax and social contribution | **(21,443)** | (12,035) | **(24,498)** | (20,528) |
| Effective rate | **18.2%** | 12.3% | **20.4%** | 18.9% |

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

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

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

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2010 | December 31, 2009 | September 30, 2010 | December 31, 2009 |
| Deriving from temporary differences: | | | | |
| Amortized goodwill | **679** | 6,064 | **1,237** | 6,482 |
| Provision for commissions | **15,013** | 9,972 | **15,737** | 10,308 |
| Anticipated income or revenues | **(1,366)** | 3,306 | **(3,251)** | 3,584 |
| Allowance for doubtful accounts | **5,473** | 4,423 | **6,248** | 5,082 |
| Provision for contingencies and other liabilities | **4,048** | 3,622 | **4,048** | 3,622 |
| Tax losses and social contribution tax loss carryforward | **-** | - | **7,232** | 1,812 |
| Provision for premium due to non-conversion of debentures | **7,303** | 4,154 | **7,303** | 4,154 |
| Adjustments from Law 11,638/07 and Law 11,941/09 | **1,000** | 1,472 | **1,000** | 1,472 |
| Other | **4,199** | 2,609 | **4,753** | 4,051 |
| Total deferred income and social contribution taxes | **36,349** | 35,622 | **44,307** | 40,567 |
| Current | **(16,847)** | (15,887) | **(16,292)** | (17,944) |
| Non-current | **19,502** | 19,735 | **28,015** | 22,623 |

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

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2010 | December 31, 2009 | September 30, 2010 | December 31, 2009 |
| 2011 | | 4.423 | | 6.894 |
| 2012 | **5,473** | 561 | **11,829** | 600 |
| 2013 | **62** | 4,183 | **591** | 4,222 |
| 2014 | **4,110** | 4,259 | **4,281** | 4,553 |
| 2015 | **476** | 6,309 | **1,774** | 6,354 |
| 2016 forward | **9,381** | - | **9,540** | - |
| | **19,502** | 19,735 | **28,015** | 22,623 |

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

## 9. Recoverable taxes

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2010 | September 31, 2009 | September 30, 2010 | December 31, 2009 |
| Recoverable taxes | | | | |
| Income tax Withheld at Source | **12,239** | 19,292 | **15,084** | 20,832 |
| Social Contribution Withheld at Source | **7,039** | 8,391 | **8,366** | 9,267 |
| PIS and COFINS taxes | **29** | 395 | **195** | 1,485 |
| Other | **349** | 364 | **1,106** | 1,132 |
| | **19,656** | 28,442 | **24,751** | 32,716 |

## 10. Balances and related party transactions

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

a) Balances and transactions with subsidiaries and associated companies

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

| | Parent Company | |
|---|---|---|
| | September 30, 2010 | December 31, 2009 |
| Datasul Serviços | **4,655** | 17,451 |
| Datasul Mexico | **3,749** | 3,749 |
| Totvs Brasilia Software | **427** | 2,147 |
| Totvs Nordeste Software | **279** | - |
| RO Resultados em Outsourcing | **2,405** | 1,545 |
| BCS Comércio | **-** | 1,030 |
| Datasul Argentina | **718** | 618 |
| Hery Software | **1,695** | 357 |
| Gens | **3,653** | - |
| Tools | **1** | |
| Ymf | **4** | |
| Totvs Rio Software | **2,503** | - |
| Other | **(99)** | 346 |
| | **19,990** | 27,243 |

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

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

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

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

The balance of dividends receivable recorded by the Parent Company in the amount of R$861 (R$3,605 on December 31, 2009), reflects the proposal for allocation of profits of its subsidiaries.

b) Transactions or relationships with shareholders

The Company maintains property lease agreements, including the facilities where its headquarters are located, which are owned by one of its shareholders (LC-EH Empreendimentos e Participações S.A.). The rental paid in the period of nine months ended September 30, 2010 was R$4,033 (R$5,362 for the year ended on December 31, 2009, in line with market values. The agreements are effective for 60 months and are adjusted by IGP-M, every 12 months.

Some of the Company's officers hold, directly or indirectly, 19.74% of the Company's shares on September 30, 2010 (19.86% on December 31, 2009), and the indirect interest is held through LC-EH Empreendimentos e Participações S.A.

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

On June 29, 2010, the Company entered into an exclusive Agreement for Software Distribution Partnership with Neogrid Informática Ltda. (Neogrid), a leader in the Brazilian supply chain management solutions market, controlled by Mr. Miguel Abuhab, TOTVS's shareholder and Board of Directors' member. The amount earned by Totvs for the period of nine months ended September 30, 2010 was R$ 3,000, recorded in the balance of transactions with related parties.

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

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

c) Management compensation

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

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **September 30, 2010** | **September 30, 2009** | **September 30, 2010** | **September 30, 2009** |
| Short-term benefits to employees | | | | |
| Salaries and Fees | **10,018** | 10,729 | **13,023** | 12,267 |
| Payroll charges | **2,469** | 2,134 | **2,917** | 2,184 |
| Private pension plan | **378** | 335 | **378** | 335 |
| Variable bonuses | **1,730** | 6,825 | **1,731** | 6,825 |
| | **14,595** | 20,023 | **18,049** | 21,611 |
| Share-based payments | **3,096** | 1,091 | **3,096** | 1,091 |
| | **17,691** | 21,114 | **21,145** | 23,793 |

***Short-term benefits***

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

***Share-based compensation***

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

***Other***

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

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

## 11. Investments

The detail of investments in subsidiaries is shown below:

| | Investees' amounts on September 30, 2010 | | Equity pickup in nine months period ended on | | Balance of Investments on | | Balance of provision for losses on | |
|---|---|---|---|---|---|---|---|---|
| | Shareholders' Equity | Result for the period of nine months | September 30, 2010 | September 30, 2009 | September 30, 2010 | December 31, 2009 | September 30, 2010 | December 31, 2009 |
| Totvs Rio Software | 9,087 | (2,224) | (2,224) | 2,155 | 9,087 | 11,311 | - | |
| Microsiga Argentina | 2,894 | (2,148) | (1,942) | (1,485) | 2,597 | 2,836 | - | |
| Microsiga México | 3,749 | (3,756) | (3,711) | (2,198) | 3,749 | 3,434 | - | |
| Microsiga Corporation | 1,994 | 13 | 13 | (25) | 1,994 | 2,036 | - | |
| Microsiga Nordeste | 10,082 | (530) | (530) | 1,015 | 10,082 | 5,604 | - | |
| Totvs Brasília | 1,809 | (620) | (620) | (6) | 1,809 | - | - | 472 |
| IOSSTS | 2,488 | 1,782 | 1,782 | 705 | 2,488 | 706 | - | |
| Eurototvs | 915 | (1,249) | (1,249) | 262 | 915 | 1,558 | - | |
| RO | 805 | 388 | 388 | (551) | 805 | 417 | - | |
| Midbyte | 2,581 | 1,394 | 1,394 | 885 | 2,581 | 1,407 | - | |
| TQTVD | 15,029 | (5,276) | (3,790) | 147 | 15,029 | 8,456 | - | |
| BCS Comércio | 6,274 | 1,710 | 1,710 | 2,812 | 6,274 | 4,563 | - | |
| BCS Sistemas | 74 | (1) | (1) | (75) | 74 | 74 | - | |
| BCS FLEX | 100 | - | - | (1) | 100 | 100 | - | |
| HBA | 31 | 4 | 4 | 21 | 31 | 26 | - | |
| Look (a) | - | - | - | (129) | - | - | - | |
| Totvs Vitória (a) | - | - | - | 74 | - | - | - | |
| Datasul Serviços | 12,490 | 2,665 | 2,665 | 3,941 | 12,490 | 9,827 | - | |
| Gens | (867) | (2,297) | (2,297) | 100 | - | 1,429 | 867 | |
| YMF | 24,417 | 3,755 | 3,755 | 8,181 | 24,417 | 20,660 | - | |
| Tools | 3,462 | 2,568 | 2,568 | 1,507 | 3,462 | 895 | - | |
| DTSL | 6,554 | (215) | (215) | 1,418 | 6,554 | 6,771 | - | |
| Datasul S.A. de CV | (2,768) | (591) | (591) | (1,796) | - | - | 2,768 | 2,172 |
| Datasul Incorporation | 999 | (21) | (21) | (101) | 999 | 1,047 | - | |
| Datasul Argentina | 2,346 | (157) | (157) | 570 | 2,346 | 2,667 | - | |
| Hery | 2,682 | 583 | 583 | - | 2,682 | - | - | 401 |
| Totalbanco | 3,904 | 3,312 | 2,318 | - | 2,733 | 1,407 | - | |
| SRC | - | 1,116 | 1,116 | - | - | - | - | |
| | | | **948** | **17,425** | **113,298** | **87,231** | **3,635** | **3,045** |

(a) Divested shareholding in 2009

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

## 12. Property, plant and equipment

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

| | Parent Company | | | | | |
|---|---|---|---|---|---|---|
| | Computers and software | Vehicles | Furniture and fixtures | Facilities, Machinery and Equipment | Other | Total property, plant and equipment |
| **Cost or valuation** | | | | | | |
| Balances on January 1, 2009 | 25,798 | 3,212 | 4,202 | 2,860 | 5,639 | 41,711 |
| Additions | 6,645 | 2,351 | 639 | 420 | 839 | 10,894 |
| Write-off | (1,327) | (1,023) | (569) | - | (2,254) | (5,173) |
| Transfer | 8,455 | 946 | 1,138 | 778 | 2,332 | 13,649 |
| Balance on December 31, 2009 | 39,571 | 5,486 | 5,410 | 4,058 | 6,556 | 61,081 |
| Additions | 6,252 | 1,768 | 1,322 | 294 | 843 | 10,479 |
| Write-off | (469) | (711) | (55) | (47) | (11) | (1,293) |
| Transfer | 1 | (1) | (1) | - | - | (1) |
| Balance on September 30, 2010 | 45,355 | 6,542 | 6,676 | 4,305 | 7,388 | 70,266 |
| **Depreciation** | | | | | | |
| Balance on January 1, 2009 | (10,759) | (372) | (1,292) | (1,224) | (1,721) | (15,368) |
| Depreciation in the year | (5,408) | (929) | (467) | (452) | (1,093) | (8,349) |
| Write-off | 1,273 | 307 | 279 | - | 774 | 2,633 |
| Transfer | (9,134) | (1,276) | (1,143) | (802) | (1,294) | (13,649) |
| Balance on December 31, 2009 | (24,028) | (2,270) | (2,623) | (2,478) | (3,334) | (34,733) |
| Depreciation in the period | (4,389) | (780) | (386) | (153) | (1,180) | (6,888) |
| Write-off | 390 | 243 | 60 | 22 | - | 715 |
| Transfer | - | - | 1 | - | - | 1 |
| Balance on September 30, 2010 | (28,027) | (2,807) | (2,948) | (2,609) | (4,514) | (40,905) |
| **Residual value** | | | | | | |
| Balance on September 30, 2010 | 17,328 | 3,735 | 3,728 | 1,696 | 2,874 | 29,361 |
| Balance on December 31, 2009 | 15,543 | 3,216 | 2,787 | 1,580 | 3,222 | 26,348 |
| Balance on January 1, 2009 | 15,039 | 2,840 | 2,910 | 1,636 | 3,918 | 26,343 |
| Average annual depreciation rate | 20% | 20% | 10% | 10% | 4% a 10% | |

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

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

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Computers and software | Vehicles | Furniture and fixtures | Facilities, Machinery and Equipment | Other | Total property, plant and equipment |
| **Cost or valuation** | | | | | | |
| Balances on January 1, 2009 | 38,185 | 5,355 | 5,471 | 3,539 | 7,061 | 59,611 |
| Additions | 8,810 | 2,635 | 1,024 | 668 | 1,038 | 14,175 |
| Write-off | (1,869) | (1,095) | (894) | (32) | (2,635) | (6,525) |
| Transfer | 1,058 | (632) | 1,412 | 1,006 | 2,038 | 4,882 |
| Balance on December 31, 2009 | 46,184 | 6,263 | 7,013 | 5,181 | 7,502 | 72,143 |
| Additions | 7,747 | 1,914 | 1,465 | 400 | 962 | 12,488 |
| Write-off | (738) | (906) | (168) | (50) | (66) | (1,928) |
| Transfer | 14 | (1) | - | (13) | - | - |
| Balance on September 30, 2010 | 53,207 | 7,270 | 8,310 | 5,518 | 8,398 | 82,703 |
| **Depreciation** | | | | | | |
| Balance on January 1, 2009 | (19,873) | (1,171) | (2,875) | (1,726) | (2,103) | (27,748) |
| Depreciation in the year | (6,536) | (1,045) | (635) | (493) | (1,166) | (9,875) |
| Write-off | 1,551 | 356 | 535 | 16 | 791 | 3,249 |
| Transfer | (1,811) | (682) | (207) | (999) | (1,183) | (4,882) |
| Balance on December 31, 2009 | (26,669) | (2,542) | (3,182) | (3,202) | (3,661) | (39,256) |
| Depreciation in the period | (5,420) | (887) | (518) | (263) | (1,228) | (8,316) |
| Write-off | 413 | 347 | 114 | 217 | 57 | 1,148 |
| Transfer | 182 | - | - | (182) | - | - |
| Balance on September 30, 2010 | (31,494) | (3,082) | (3,586) | (3,430) | (4,832) | (46,424) |
| **Residual value** | | | | | | |
| Balance on September 30, 2010 | 21,713 | 4,188 | 4,724 | 2,088 | 3,566 | 36,279 |
| Balance on December 31, 2009 | 19,515 | 3,721 | 3,831 | 1,979 | 3,841 | 32,887 |
| Balance on January 1, 2009 | 18,312 | 4,184 | 2,596 | 1,813 | 4,958 | 31,863 |
| Average annual depreciation rate | 20% | 20% | 10% | 10% | 4% a 10% | |

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

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

## 13. Intangible Assets

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

| | Parent Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Software** | **Trademarks & patents** | **Franchising** | **Client portfolio** | **Other** | **Goodwill** | **Total Intangible assets** |
| **Cost/valuation** | | | | | | | |
| Balances on January 1, 2009 | 151,087 | 62,264 | 83,223 | 157,654 | 11,114 | 277,955 | 743,297 |
| Additions | 6,857 | (265) | (1) | 26,226 | (596) | 3,310 | 35,531 |
| Write-offs | (29) | (12) | - | - | (17) | - | (58) |
| Transfers | - | - | - | 1,299 | (1,299) | - | - |
| Balances on December 31, 2009 | 157,915 | 61,987 | 83,222 | 185,179 | 9,202 | 281,265 | 778,770 |
| Additions | (437) | - | - | (554) | 1,200 | 45,346 | 45,555 |
| Write-offs | - | - | - | 1 | - | (1) | - |
| Transfers | - | - | - | (1,299) | 1,299 | - | - |
| Balance on September 30, 2010 | 157,478 | 61,987 | 83,222 | 183,327 | 11,701 | 326,610 | 824,325 |
| **Amortization** | | | | | | | |
| Balance on January 1, 2009 | (6,744) | (1,767) | (7,772) | (6,166) | (4,654) | (134,272) | (161,375) |
| Amortization in the year | (15,006) | (4,543) | (18,599) | (17,094) | (1,644) | - | (56,886) |
| Write-offs | (75) | (13) | (54) | (1,013) | 1,652 | 58 | 555 |
| Transfers | - | - | - | - | - | - | - |
| Balance on December 31, 2009 | (21,825) | (6,323) | (26,425) | (24,273) | (4,646) | (134,214) | (217,706) |
| Amortization in the period | (11,736) | (3,069) | (13,991) | (14,727) | (1,159) | - | (44,682) |
| Write-offs | - | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - | - |
| Balance on September 30, 2010 | (33,561) | (9,392) | (40,416) | (39,000) | (5,805) | (134,214) | (262,388) |
| **Residual value** | | | | | | | |
| Balance on September 30, 2010 | **123,917** | **52,595** | **42,806** | **144,327** | **5,896** | **192,396** | **561,937** |
| Balance on December 31, 2009 | **136,090** | **55,664** | **56,797** | **160,906** | **4,556** | **147,051** | **561,064** |
| Balance on January 1, 2009 | **144,343** | **60,497** | **75,451** | **151,488** | **6,460** | **143,683** | **581,922** |
| Average annual amortization rate | 10% a 16,7% | 8% | 20% a 50% | 10% a 12,5% | 20% a 50% | **(*)** | |

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

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

## 13. Intangible Assets – *continued…*

| | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Software** | **Trademarks & patents** | **Franchising** | **Client portfolio** | **Other** | **Goodwill** | **Total Intangible assets** |
| **Cost/valuation** | | | | | | | |
| Balances on January 1, 2009 | 160,427 | 63,727 | 83,223 | 169,159 | 18,606 | 278,799 | 773,941 |
| Additions | 8,784 | 3 | - | 27,064 | 8,709 | 5,178 | 49,738 |
| Write-offs | (1,233) | (859) | - | 1,723 | (1,322) | - | (1,691) |
| Transfers | 1,251 | 784 | (2) | (2,480) | (259) | (56) | (762) |
| Balances on December 31, 2009 | 169,229 | 63,655 | 83,221 | 195,466 | 25,734 | 283,921 | 821,226 |
| Additions | (342) | - | - | (553) | 1,205 | 50,646 | 50,956 |
| Write-offs | (4) | (3) | - | (3,503) | (24) | - | (3,534) |
| Transfers | 1 | - | - | (1) | (1) | (1) | (2) |
| Balance on September 30, 2010 | 168,884 | 63,652 | 83,221 | 191,409 | 26,914 | 334,566 | 868,646 |
| **Amortization** | | | | | | | |
| Balance on January 1, 2009 | (7,094) | (1,814) | (7,772) | (7,619) | (4,984) | (134,355) | (163,638) |
| Amortization in the year | (16,165) | (4,652) | (18,653) | (18,098) | (2,530) | - | (60,098) |
| Write-offs | 631 | (3) | (54) | (46) | 328 | - | 856 |
| Transfers | (764) | (11) | 54 | 103 | 1,324 | 56 | 762 |
| Balance on December 31, 2009 | (23,392) | (6,480) | (26,425) | (25,660) | (5,862) | (134,299) | (222,118) |
| Amortization in the period | (12,694) | (3,151) | (13,989) | (15,406) | (3,521) | (530) | (49,291) |
| Write-offs | 1 | - | - | 612 | (1) | - | 612 |
| Transfers | 1 | 1 | - | - | - | - | 2 |
| Balance on September 30, 2010 | (36,084) | (9,630) | (40,414) | (40,454) | (9,384) | (134,829) | (270,795) |
| **Residual value** | | | | | | | |
| Balance on September 30, 2010 | **132,800** | **54,022** | **42,807** | **150,955** | **17,530** | **199,737** | **597,851** |
| Balance on December 31, 2009 | **145,837** | **57,175** | **56,796** | **169,806** | **19,872** | **149,622** | **599,108** |
| Balance on January 1, 2009 | **153,333** | **61,913** | **75,451** | **161,540** | **13,622** | **144,444** | **610,303** |
| Average annual amortization rate | 10% a 16,7% | 8% | 20% a 50% | 10% a 12,5% | 20% a 50% | **(*)** | |

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

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

## 13. Intangible assets – *continued…*

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

| | 2009 | Additions | Disposal | 2010 |
|---|---|---|---|---|
| RM (a) | 90,992 | - | - | 90,992 |
| Logocenter (a) | 5,703 | - | - | 5,703 |
| Totvs BMI (a) | 2,053 | - | - | 2,053 |
| Midbyte | 1,765 | - | - | 1,765 |
| IOSSTS (a) | 2,643 | - | - | 2,643 |
| BCS (a) | 10,610 | 1,211 | - | 11,821 |
| Datasul (a) | 30,084 | - | - | 30,084 |
| Setware | 961 | - | - | 961 |
| RO | - | 211 | - | 211 |
| Hery | 3,174 | 923 | - | 4,097 |
| TotalBanco | 1,637 | - | - | 1,637 |
| M2I (b) / (c) | - | 531 | (531) | - |
| M2S (c) | - | 4,770 | - | 4,770 |
| SRC | - | 43,000 | - | 43,000 |
| | 149,622 | 50,646 | (531) | 199,737 |

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

***Goodwill and intangible assets identified in the business combination***

The intangible assets additions during the period of nine months of 2010, in the amount of R$50,646 (R$64,079 in 2009), R$47,770 refer to goodwill of business combinations and measured by their fair value (Note 4). As of January 1, 2009 goodwill will no longer amortized. To measure other intangible assets indentified in business combinations and measured at their fair value, we used the methodologies of future cash flow discounted at present value and replacement cost, among others. To estimate the value by the discounted cash flow methodologies, we used the rate of 11.9% (12.56% to 17.52% p.a. in 2009) (in real terms), varying according to the intangible asset analyzed. The amortization of intangible assets is based on their estimated useful lives. Intangible assets identified, values recognized and the assets' useful life are substantiated by a technical study conducted by an independent specialized company.

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

## 13. Intangible assets – *continued…*

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

### *a) Rights of area exploration*

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

### *b) New product development*

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

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

### *Provision for asset impairment*

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

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

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

## 13. Intangible assets – *continued…*

***Provision for asset impairment -- continued***

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

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

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

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

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

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

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

The Company's recoverability test of intangible assets did not result in the need for recognizing losses and in the period of nine months ended September 30, 2010, there isn´t indications that the estimated market value exceeds its net book value on the valuation date.

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

## 14. Investment Acquisition Liabilities

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

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2010 | December 31, 2009 | September 30, 2010 | December 31, 2009 |
| BCS | | 7,654 | | 7,654 |
| YMF (a) | 4,265 | 19,336 | 4,265 | 19,336 |
| Tools (a) | 1,432 | 2,672 | 1,432 | 2,672 |
| Gens (a) | 513 | 1,273 | 513 | 1,273 |
| Techprod (a) | 1,234 | 2,535 | 1,234 | 2,535 |
| Midbyte | 698 | 1,242 | 698 | 1,242 |
| Soft Team (a) | - | - | - | 2,000 |
| Techserv (a) | - | - | 582 | 1,126 |
| TotalBanco | 2,835 | 2,637 | 2,835 | 2,637 |
| Hery | 5,690 | 8,421 | 5,690 | 8,421 |
| Datasul MG | 2,366 | 2,940 | 2,366 | 2,940 |
| Datasul Saude MG | 924 | 1,126 | 924 | 1,126 |
| ERP Cedente | 646 | 798 | 646 | 798 |
| Logmann | 774 | - | 774 | - |
| TQTVD | 6,917 | - | 6,917 | - |
| SRC | 33,767 | | 33,767 | |
| Other (a) | 410 | 1,103 | 410 | 1,103 |
| Total liabilities per investment acquisition | 62,471 | 51,737 | 63,053 | 54,863 |
| Current liabilities | (10,863) | (33,159) | (11,057) | (34,577) |
| Non-current liabilities | 51,608 | 18,578 | 51,996 | 20,286 |

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

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

| Year | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2010 | December 31, 2009 | September 30, 2010 | December 31, 2009 |
| 2011 | **1,759** | 5,995 | **1,759** | 6,564 |
| 2012 | **31,819** | 7,956 | **31,948** | 8,870 |
| 2013 | **15,043** | 2,567 | **15,302** | 2,792 |
| 2014 | **2,987** | 2,060 | **2,987** | 2,060 |
| Non-current liabilities | **5 1,608** | 18,578 | **51,996** | 20,286 |

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

## 15. Loans and Financing

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2010 | December 31, 2009 | September 30, 2010 | December 31, 2009 |
| BNDES | **206,275** | 209,775 | **206,275** | 209,775 |
| Software development – FINEP | **5,577** | 6,306 | **6,252** | 6,306 |
| Secured accounts and other | **128** | - | **1,604** | 1,795 |
| | **211,980** | 216,081 | **214,131** | 217,876 |
| Current liabilities | **(55,191)** | (7,118) | **(56,667)** | (7,838) |
| Non-current liabilities | **156,789** | 208,963 | **157,464** | 210,038 |

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

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

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

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

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

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2010 | December 31, 2009 | September 30, 2010 | December 31, 2009 |
| 2011 | | 45,954 | | 47,029 |
| 2012 | **53,378** | 41,931 | **53,378** | 41,931 |
| 2013 | **52,263** | 41,078 | **52,938** | 41,078 |
| 2014 | **51,148** | 40,000 | **51,148** | 40,000 |
| 2015 | **-** | 40,000 | **-** | 40,000 |
| | **156,789** | 208,963 | **157,464** | 210,038 |

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

## 16. Debentures

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

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

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

| Issue | Debentures | Annual financial charges | Unit price | Parent Company and Consolidated | |
|---|---|---|---|---|---|
| | | | | September 30, 2010 | December 31, 2009 |
| 1st Series | 100,000 | IPCA* + 3.5% limited to TJLP + 1.5% | 1 | **85,305** | 102,609 |
| 2nd Series | 100,000 | TJLP + 1.5% | 1 | **85,304** | 102,609 |
| | | Total | | **170,609** | 205,218 |
| | | Premium due to non-conversion | | **8,393** | 12,219 |
| | | Fair value - Derivatives | | **13,086** | |
| | | Total | | **192,088** | 217,437 |
| | | Current liabilities | | **(606)** | (5,218) |
| | | Non-current liabilities | | **191,482** | 212,219 |

** Extended National Consumer Price Index*

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

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

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

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

## 16. Debentures – *continued…*

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

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

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

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

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

| | **September 30, 2010** | **December 31, 2009** |
|---|---|---|
| August 2011 | **7,614** | - |
| August 2012 | **4,181** | - |
| August 2013 | **1,294** | - |
| August 2015 | **68,000** | 80,000 |
| August 2016 | **102,000** | 120,000 |
| After February 2017 | **8,393** | 12,219 |
| | **191,482** | 212,219 |

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

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

## 16. Debentures – *continued…*

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

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

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

On August 19, 2010 the average price over the last 360 days of the company's shares outperformed the weighted average price of the "base period" corrected according to the contractual clauses, hence the parameters have been achieved which obligated by debenture holders, the conversion 15% of the Units. Based on this conversion the Board of Directors approved, within the authorized capital of the Company's TOTVS, the issuance of 306,870 common shares, nominative, without par value, at an issue price of R$ 97.747683 per share, consequently increase the share capital of TOTVS of R$ 29,996 by writing off the principal balance of that value (Units) of debentures. (note 18a).

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

Taking into account the clauses of the deed of debenture issue was assessed, using the fair value of conversion option defined in that deed was the amount awarded in September 30, 2010 based on the best estimate resulting from the model used for this economic evaluation (which considers the future price of shares compared to prices established for the conversion ("strike price") and other variables set forth in the debentures using the Monte Carlo method for pricing options) on the date of closing statements. Were taken into account the CPC's 38, 39 and 40 for recognition of the amounts involved in that September 30, 2010, which corresponded to the liability of R$ 13,086, which is the counterpart financial results. Because the assumptions used for these calculations may vary over time to estimate the amounts that were recorded may vary compared to actual values in the future.

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

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

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

| Provision for Contingences | Parent Company and Consolidated | |
|---|---|---|
| | September 30, 2010 | December 31, 2009 |
| Provision | | |
| Tax | **7,175** | 6,419 |
| Civil | **2,195** | 1,645 |
| Labor | **2,535** | 2,589 |
| | **11,905** | 10,653 |

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

| Judicial deposits | Parent Company and Consolidated | |
|---|---|---|
| | September 30, 2010 | December 31, 2009 |
| Social Security | **1,881** | 3,028 |
| Tax | **12,952** | 10,532 |
| Other | **368** | 653 |
| | **15,201** | 14,213 |

The changes in the provisions in the nine months period ended September 30, 2010 and December 31, 2009, is as follows:

| | Parent Company and Consolidated | | | | |
|---|---|---|---|---|---|
| | Social Security | Tax | Labor | Civil | Total |
| Balances on January 31, 2009 | 27,526 | 6,872 | 620 | 821 | 35,839 |
| + Additional provision | 5,565 | 186 | 2,589 | 824 | 9,164 |
| + Monetary restatement | 2,926 | 1,576 | 26 | - | 4,528 |
| - Debts paid in installments | (27,982) | (920) | - | - | (28,902) |
| - Reversal of provision not used | (8,035) | (1,295) | (646) | - | (9,976) |
| Balances on December 31, 2009 | - | 6,419 | 2,589 | 1,645 | 10,653 |
| (+) Complement of provision | - | 73 | - | 278 | 351 |
| + Monetary restatement | - | 683 | 287 | 272 | 1.242 |
| - Reversal of used provisions | - | - | (341) | - | (341) |
| **Balances on September 30, 2010** | - | 7.175 | 2.535 | 2.195 | 11.905 |

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

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

### a) Ongoing proceedings with recorded provision for contingencies

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

**Tax**

The Company's Belo Horizonte branch is discussing in four court deposit actions brought against the city governments of São Paulo, Rio de Janeiro, Uberlândia and Vitória, if they are required to pay the ISSQN (Tax on Any Sort of Services) at rates ranging from 2% to 5%, or if the tax is payable to the city government of Belo Horizonte where the rate is 2%. The Company understands that the ISS is due to the municipality of Belo Horizonte, where service is developed. Thus, the Company has been providing court deposits under the scope of said lawsuits, taking into account the rates required by the city governments and recording provision for contingencies for these city governments by the 3% rate. On September 30, 2010, the provision accrued for this lawsuit totaled **R$6,998** (R$6,318 on December 31, 2009) and the judicial deposits made until September 30, 2010 amounted to **R$11,663** (R$10,530 on December 31, 2009).

**Civil**

The Company is defendant in indemnification suits by clients terminating their contracts, cumulated with compensation for damages, as well as suit for damages filed by business agents, related to contract termination cumulated with indemnification charges and requests. On September 30, 2010, the provision recorded for these demands amounts to **R$2.195** (R$1,644 on December 31, 2009).

**Labor**

The Company has recorded provision related to lawsuits filed by former employees of companies and service companies. They claim the reduction of commissions on sales and services, overtime and wage parity. The amount accrued is **R$2.536** on September 30, 2010 (R$2,589 on December 31, 2009).

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

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

### b) Other ongoing proceedings

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

| | Parent Company and Consolidated | |
|---|---|---|
| Type | September 30, 2010 | December 31, 2009 |
| Social security | **15,688** | 9,971 |
| Tax | **13,583** | 12,539 |
| Civil | **18,802** | 17,550 |
| Labor | **2,727** | 502 |
| | **50,800** | 40,562 |

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

**Social Security**

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

The Company filed a motion to stay the tax enforcement action and that cannot be liable for the payment of NFLD 35.058.091-0, originally drawn up against Datasul S.A., whose initial value was R$3,862 (R$8,174 restated until September 30, 2010 and R$7,880 on December 31, 2009). Such Notice of Infraction was drawn up by the Social Security National Institute due to an alleged irregularity in our service outsourcing. The discussion of the merit for this stay of enforcement action is currently pending, with no trial court decision.

On September 28, 2010 tax assessment notices were issued by the authorities of the Brazilian Treasury Department in the amount of R$ 5,297 aimed at: a supposed characterization of autonomous or companies as secured employees; and (ii) joint responsibility for services provided by companies that provide temporary labor. The tax assessment notices were issued as replacement for the Tax Delinquency Notice 35.136.711-0 of August 10, 2000, deemed groundless by decision of Fourth Chamber of Judgment of the Social Security Appeals Board.

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

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

**b) Other ongoing proceedings** – *continued…*

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

**Tax**

As a result of inspection procedures by the Brazilian Internal Revenue Service, the Company was assessed in 2008 in the amount of R$3,628 (R$4,334 – restated until September 30, 2010 and R$ 4,086 on December 31, 2009), referring to discussion for not having added to its taxable income part of its profits that had possibly arisen from one of its subsidiaries abroad and on unduly amortization, in the calculation of taxable income, of the goodwill from the merger of ABR1 into the Company in the calendar years 2003 to 2006. The Company challenged this notice, which is pending decision of the Internal Revenue Service.

The Municipality of São Paulo filed eight Notices of Infraction against our Company regarding the municipal tax on services for the period from 1996 to 2000, in the amount of R$804 (R$5,723 – updated up to September 30, 2010 and R$4,923 on December 31, 2009). The filings that are still in the administrative scope result from the Municipality of São Paulo's understanding that services rendered by our Joinville branch were occurring within the limits of the São Paulo municipality. Our Management and the Company's legal counsels understand that all services are rendered by our branch (in the city of Joinville) and that taxes were duly paid in that city.

As a result of the inspection procedures by the Brazilian Internal Revenue Service, in 2007 the Company proceeded with the Infraction Notice drawn up against Datasul S.A., amounting to R$1,357 (R$1,765, restated up to September 30, 2010, R$ 1,658 on December, 31, 2009), regarding some inquiries on the Datasul's failure to pay withholding income tax on amounts paid by third parties to beneficiaries of the incentive cards established in a previously adopted Marketing Plan. The Company filed a challenge for this intended collection and we are currently awaiting a decision by the Brazilian Internal Revenue Service.

In addition, the Company is party in tax assessments issued by the Federal Revenue Service, in the total amount of R$1,761, restated up to September 30, 2010 (R$1,316 on December 31, 2009).

**Civil**

The Company is the Defendant party in ordinary actions filed by clients and third parties for contract termination, with additional damages suits, amounting to **R$18,802** – restated up to in September 30, 2010 and R$17,550 on December 31, 2009.

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

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

**b) Other ongoing proceedings – *continued…***

**Labor**

The Company is party in lawsuits filed by former employees and outsourced companies which plead for overtime payment, employment relationship, 13rd month pay and other, amounting to **R$2,726** restated up to September 30, 2010 (R$502 on December 31, 2009).

**c) Legislation in force**

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

## 18. Shareholders' Equity

**a) Capital Stock**

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

| | September 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| **Shareholders** | **Shares** | **%** | **Shares** | **%** |
| LC-EH Empreendimentos e Participações S.A. | 5,352,198 | 17,01% | 5,352,198 | 17.18 |
| BNDES Participações S.A. | 1,657,527 | 5,27% | 2,032,214 | 6.52 |
| Genesys Asset Managers, LLP | 1,576,704 | 5,01% | 1,590,504 | 5.11 |
| Dynamo Administração de Recursos Ltda. | 788,825 | 2,51% | 1,574,564 | 5.05 |
| Other | 22,084,018 | 70,20% | 20,602,543 | 66.14 |
| | 31,459,272 | 100% | 31,152,402 | 100.00 |

The authorized capital on September 30, 2010, is R$540,000. The Company may, within the authorized capital limit and as authorized by the Board of Directors, increase the capital stock regardless of amending the Bylaws. The Board of Directors is in charge of setting the issuance conditions, including price and payment deadlines. Within the authorized capital limit, the Board of Directors may resolve on the issuance of subscription rights. Additionally, within the authorized capital limit and pursuant to the plans approved by the General Meeting, the Board of Directors may grant stock options to the Company's executives and employees, and to executives and employees of other companies that are directly or indirectly controlled by the Company, with no preemptive right to shareholders.

As mentioned in note 16, in regards of the conversion of debentures into shares of Totvs on August 19, 2010 the Board of Directors approved the issuance 306,870 non-par registered common shares , for the price of R $ 97,747683 per share, consequently increasing the Capital Shares in the amount of R $ 29,996.

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

## 18. Shareholders' Equity – *continued…*

### b) Capital reserves

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

| | **September 30, 2010** | December 31, 2009 |
|---|---|---|
| Goodwill reserve | **31,557** | 31,557 |
| Goodwill reserve for merger | **14,330** | 14,330 |
| Stock option plan | **13,509** | 2,964 |
| | **59,396** | 48,851 |

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

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

### c) Legal reserve

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

## 19. Insurance coverage

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

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

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

| **Ramo** | **Seguradora** | **Vigência** | | **Limite Máximo de Responsabilidade** | **Valor Total Segurado** |
|---|---|---|---|---|---|
| | | De | Até | | |
| Compreensivo Empresarial | Sul América | 13/6/2010 | 13/6/2011 | 30.000 | 85.000 |
| Responsabilidade Civil Geral | Sul América | 13/6/2010 | 13/6/2011 | 4.000 | 18.000 |
| Veículos (42 veículos) | Liberty Seguros | 7/1/2010 | 7/1/2011 | 1.150 | |

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

## 20. Financial Instruments

CVM Resolution 550, as of October 17, 2008, established that publicly-held companies must disclose, at specific note, qualitative and quantitative information on all its derivative financial instruments, regardless of them being acknowledged or not as assets or liabilities in its balance sheet.

During the third quarter of 2010, as footnote 17, the company acknowledged the impact of fair value of stock issued to debenture holders, according to the mandatory conversion of the debentures (15%) in company stock, and projected the impact of the fair value of future Conversion (2011, 2012 and 2013). So the award for non-conversion of 60% debentures (% maximum conversion) was reversed, leaving only the accrued premium of non-conversion of the debentures not converted into shares (40%).

The Company's financial instruments are represented by cash equivalents, accounts receivable, accounts payable, debentures, loans and financing, and are recorded at cost value plus income or incurred charges, which on December 31, 2009 and on September 30, 2010 are close to market value.

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

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

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

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

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

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

06.01 – NOTES TO THE FINANCIAL STATEMENTS

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

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

## 20. Financial Instruments – *continued…*

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

| Operation | Risk | Likely Scenario (I) | Scenario II | Scenario III |
|---|---|---|---|---|
| Financial investments | CDI | 11.75% | 8.81% | 5.88% |
| Position on 9.30.2010 | | 14,497 | 10,870 | 7,255 |
| R$ 123.377* | | | | |

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

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

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

| Operation | Risk | Likely Scenario (I) | Scenario II | Scenario III |
|---|---|---|---|---|
| Financing operations -BNDES | | 15,899 | 19,078 | 22,258 |
| Rate subject to variation | TJLP | 6.00% | 7.50% | 9.00% |
| R$ 211.980* | | | | |
| Debentures | | 23,463 | 24,945 | 26,395 |
| Rate/index subject to variation | IPCA | 5.00% | 6.25% | 7.50% |
| R$ 179.002* | TJLP | 6.00% | 7.50% | 9.00% |

**Balances on September 30, 2010*

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

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

## 21. *Private Pension Plans – Defined Contribution*

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

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

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

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

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

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

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

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

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

## 22. Stock Option Plan

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

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

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

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

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

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

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

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

## 22. Stock Option Plan – *continued…*

Fair value of each option granted is estimated on the grant date based on Black-Scholes options valuation model, in the amounts of R$18.22, R$12.81 and R$45.98 for the 1st, 2nd and 3rd grants, respectively. Fair value was calculated considering: expectation of dividend of 2.4%, 3.3% and 1.97%, expected volatility of approximately 37.94%, 38.54% and 37.37%, risk free interest rate of 11.75%, 11.25% and 10.75% p.a. and maturity of 4 years, respectively for the 1st, 2nd and 3rd grants. The effect of granting options on September 30, 2010 is R$3,096 (R$2,020 on December 31, 2009), recorded as expense in the granting of stock options.

Calculation basis:

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

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

## 23. Financial revenues and expenses

The financial revenues and expenses incurred in the period ended September 30, 2010 and 2009 were as follows:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **September 30, 2010** | **September 30, 2009** | **September 30, 2010** | **September 30, 2009** |
| Financial revenues | | | | |
| Financial investments | **9,599** | 10,132 | **11,880** | 13,470 |
| Exchange gains | **749** | 1,558 | **981** | 2,299 |
| Other financial revenues | **4,236** | 2,730 | **5,376** | 4,242 |
| | **14,584** | 14,420 | **18,237** | 20,011 |
| Financial expenses | | | | |
| Interest on equity | **-** | (2) | **-** | (2) |
| Interest paid or incurred | **(24,559)** | (26,102) | **(24,710)** | (27,273) |
| Exchange losses | **(245)** | (843) | **(1,194)** | (877) |
| Banking expenses | **(4,255)** | (2,006) | **(4,476)** | (2,581) |
| Non-conversion Premium | **(9,260)** | (9785) | **(9,260)** | (9,785) |
| Other Financial Expenses | **(11,576)** | (2,321) | **(12,754)** | (3,839) |
| | **(49,894)** | (41,060) | **(52,394)** | (44,357) |
| Net financial | **(35,310)** | (26,640) | **(34,157)** | (24,346) |

## 24. Statement of Comprehensive Income

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **September 30, 2010** | **September 30, 2009** | **September 30, 2010** | **September 30, 2009** |
| Net Income for the period | **96,506** | 85,865 | **95,510** | 85,865 |
| Exchange Variation on investments abroad | **37** | 3,485 | **37** | 3,485 |
| Comprehensive Income | **96,543** | 89,350 | **95,547** | 89,350 |

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

## 25. Earnings per share

According to CVM Instruction 636 of August 6, 2010, earnings per thousand shares for the periods ended September 30, 2010 and 2009 were as follows:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **September 30, 2010** | **September 30, 2009** | **September 30, 2010** | **September 30, 2009** |
| Net Income | **96,506** | 85,865 | **95,510** | 85,865 |
| Number of shares (weighted average period) | **31,163,643** | 31,152,402 | **31,163,643** | 31,152,402 |
| Earnings per thousand shares | **3.10** | 2.76 | **3.06** | 2.76 |

## 26. Subsequent Events

On October 1, 2010 the company terminated the franchise agreement with the SCHEAT TRADE AND COMPUTER CONSULTING LTD. “SCHEAT” related of marketing of products in the region of Sorocaba.
In the same date, Totvs and SCHEAT signed an agreement in the amount of R$ 3 million to preserve and confidentiality of the strategic information and knowledge of the business belong to TOTVS and under knowledge of SCHEAT´s partners.

**12.01 – COMMENTS ON THE CONSOLIDATED PERFORMANCE IN THE QUARTER**

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

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

## Gross Revenue and Net Revenue

Gross revenue from services and sales totaled R$328.848 million in 3Q10 for another quarterly record. Net revenue grew 20.0% over 3Q09 and reached R$303.201 million – the 19th consecutive quarter of double-digit growth. Year-to-date net revenue came to R$833.751 million, 15.6% higher than in 9M09.

## License Fee Revenue

License fee revenue totaled R$95.030 million in 3Q10, a 44.5% increase over the R$65.782 million in 3Q09, driven by the significant growth in sales to new clients (+854) and by the increase in the average size of these clients, which positively impacted the quarter's average ticket. License fee revenue in 9M10 grew 24.8% over the same period of 2009.

## Service Revenue

Service revenue in the quarter totaled R$93.693 million, 7.6% higher than the R$87.064 million in 3Q09. This line was adversely affected by the sale of the portfolio of clients in Paraná, as mentioned in the "Recent Events" section, which generated approximately R$2.5 million in service revenue per quarter. In 9M10, service revenue totaled R$269.377 million, 11.5% higher than 9M09.

It is worth noting that the ASP and Corporate models have strengthened TOTVS' presence as a provider of SaaS (Software as a Service), and it is today one of the few profitable (net income) SaaS providers in the world.

## Maintenance Fee Revenues

Maintenance fee revenues came to R$140.125 million in 3Q10, 13.7% higher than in the same period of 2009. 9M10 maintenance fee revenues reached R$415.010, 14.2% over the R$363.313 in 9M09. These revenues are impacted by sales of new licenses in previous quarters and by the adjustment to maintenance agreements on the respective anniversary dates based on predefined inflation indexes.

## Operating costs and expenses

Operating costs and expenses (excluding depreciation and amortization) increased by 15.5% in 3Q10 over 3Q09, compared to the 20.0% net revenue growth in the period. In

comparison with 2Q10, these expenses increased by 3.7%, against 12.2% growth in net revenue.

### Cost of License Fees

Cost of License Fees totaled R$5.561 million in 3Q10, 2.5% up on 3Q09, mainly due to the growth in sales of third-party complementary software (e.g. database and operating systems). As a percentage of license fees, this line came to 5.9%, as against 8.2% in 3Q09, and represented 7.6% of gross license fee revenues in 9M10, compared to 9.0% in 9M09.

### Cost of Services and Sales

The 17.1% increase in the cost of services and sales in 3Q10 over 3Q09 continues to reflect the absorption of the service teams during the consolidation of channels, concentrated in the last four months of 2009.

Compared to 2Q10, cost of services and sales declined by 0.7%, compared to a 3.4% growth in the gross revenue from services during the period, thanks to the improved productivity of service teams, especially those relating to Value-Added services.

### Research and Development

Research and development (R&D) expenses reached 13.0% of net revenue in 3Q10. In 9M10, R&D expenses represented 13.1%, compared to 12.2% in 9M09. The increase in R&D spending was mainly due to the continued investments in the project for the development of interactive applications for the Brazilian Digital TV System (approximately R$6.9 million in 9M10), additional investments for integrating the vertical and back-office solutions for consolidating the offerings by segments, development of new versions for new and/or existing solutions, and investments to bring on par the software technological platforms that were added to TOTVS' portfolio of offerings.

The Company continues its efforts to optimize its R&D investments. The main initiatives in course to reach this goal are: (i) conclusion of the project to equalize TOTVS' software platforms, especially the software originated from Datasul; (ii) integration of the structures and capture of synergies from the operations originating from FDES; and (iii) improvement of the internal development processes by unifying the methodologies and development environments (PHOENIX Project).

### Advertising Expenses

Advertising expenses in 3Q10 were 13.8% over 2Q10 and 23.6% over 3Q09, reflecting the investments in the new advertising campaign launched in the second quarter, as well as the strategy of investing in marketing initiatives, especially in the second half of the year, which helped accelerate software license sales.

Advertising expenses remained stable in the nine-month comparison, representing 2.9% of net revenue in 9M10 as against 2.8% in 9M09.

## Selling Expenses

The incorporation of the sales teams during the consolidation process of the distribution channels impacts the annual comparison of selling expenses, yet these represented 5.8% of net revenue in 3Q09 and 5.9% in 3Q10.

The dilution of the costs relating to the sales structure is demonstrating results, given that selling expenses declined from 6.8% of net revenue in 1Q10 to 6.1% in 2Q10 and 5.9% this quarter.

## Commissions

Commissions essentially reflect the sales mix among the Company's distribution channels (own and franchises). In 3Q10, commissions represented 11.3% of net revenue, 1.2 percentage points higher than the 10.2% in 2Q10, showing the higher contribution by franchises to the Company’s total sales in comparison with the previous periods.

## General and Administrative Expenses

General and Administrative expenses increased by 5.8% in 3Q10 over 3Q09, corresponding to 6.1% of net revenue. In 9M10, these expenses represented 6.6% of net revenue, as against 7.9% in 9M09, showing the continued gains in scale from the support structure for the processes related to the Company’s core business. The Company is moving forward with its continuous improvement process.

## Management Fees

Management fees declined 3.3% from 3Q09 and increased 11.2% over 2Q10. The variations arise from: (i) the level of achievement of the Company’s monthly targets, which affect the executives’ variable compensation; and (ii) the provisioning of the annual bonus for the proportional achievement of the Company’s annual financial targets, as well as the financial and non-financial targets for the executives.

## Provision for Doubtful Accounts

The provision for doubtful accounts remained within the historical levels, corresponding to 0.7% of the net revenue in 3Q10 and 0.8% in 9M10, compared to 1.0% in 3Q09 and 1.0% in 9M09. This provision is based on an analysis of the Company’s receivables portfolio.

## Other Revenues and Expenses

Other Revenues and Expenses in 3Q10 totaled R$7.347 million, significantly impacted by the sale of the portfolio of clients in Paraná (see "Recent Events" section). The sale is part of the rebalancing of the distribution system and the sale proceeds partially compensate the additional expenses incurred in this process since 4Q09, already allocated to costs and expenses, as commented in the previous items.

## Depreciation and Amortization

Depreciation and Amortization expenses totaled R$19.124 million, of which R$16.109 million are related to amortization of the intangible assets resulting from acquisitions.

## EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)

EBITDA totaled R$88.186 million in 3Q10, a 32.7% growth over 3Q09. EBITDA margin came to 29.1%, 280 basis points over 3Q09. EBITDA in 9M10 totaled R$211.772 million, 14.4% more than in 9M09, with margin coming to 25.4%.

The EBITDA growth in the quarter is the result of: (i) the increase in the number of new clients and growth in the average ticket; (ii) improved productivity of the service teams; and (iii) continued dilution of the Company's fixed costs and expenses.

**12.01 – COMMENTS ON THE CONSOLIDATED PERFORMANCE IN THE QUARTER**

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

## Net Income

The Company ended 3Q10 with net income of R$32.978 million, a 6.8% growth over 3Q09.

In 3Q10, net income was negatively impacted by R$6.485 million due to additional financial expenses calculated from the evaluation of the convertible debentures at fair value. This assessment took into consideration: (i) the discount between market price and conversion price (R$97,747683 per share) of 306,870 shares issued on August 20, 2010, for the conversion of 15% of the debentures (see section “Recent Events” ), (ii) the reversal of the bonus for non-conversion of 15% of the debentures converted in 2Q10, and (iii) an accrual for a potential discount based on the difference between both conversion price and the market price projections, considering the issuance of new shares for a possible conversion of the remaining 45% of the debentures that may still be converted. Such additional expenses are not counted in the calculation of Income Tax and Social Contribution for being considered as an adoption effect of International Accounting Standards (IFRS), resulting in taxable income increase and, consequently, the quarter effective tax rate.

## 20.01 – OTHER INFORMATION DEEMED AS RELEVANT BY THE COMPANY

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

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

| Ownership Structure - TOTVS S/A | September 30, 2010 | | September 30, 2009 | |
|---|---|---|---|---|
| Shareholder | Common Stocks | | Common Stocks | |
| | N. of Shares | % | N. of Shares | % |
| LC EH Participações e Empreendimentos S/A | 5.352.198 | 17,01% | 5.352.198 | 17,18% |
| BNDES Participações S/A | 1.657.527 | 5,27% | 2.032.214 | 6,52% |
| Dynamo Administração de Recursos Ltda. (****) | 788.825 | 2,51% | 2.072.224 | 6,65% |
| Genesis Asset Managers, LLP (*) | 1.576.704 | 5,01% | 1.590.504 | 5,11% |
| Miguel Abuhab | 1.189.279 | 3,78% | 1.189.279 | 3,82% |
| Laércio José de Lucena Cosentino | 691.036 | 2,20% | 691.036 | 2,22% |
| Ernesto Mário Haberkorn | 587.362 | 1,87% | 587.362 | 1,89% |
| Yafo Fundo de Investimento em Ações (**) | 527.000 | 1,68% | 475.500 | 1,53% |
| HG Senta Pua Fia (***) | 8.700 | 0,03% | 8.700 | 0,03% |
| Outros | 19.080.641 | 60,65% | 17.153.385 | 55,06% |
| **Total** | **31.459.272** | **100,00%** | **31.152.402** | **100,00%** |

(*) Investidor Estrangeiro

(**) Miguel Abuhab holds all the shares of the Yafo Fundo de Investimento em Ações

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

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

**Ownership Structure - LC EH Participações e Empreendimentos S/A**

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

**Ownership Structure - Yafo Fundo de Investimento em Ações**

| Shareholder | Quotas | |
|---|---|---|
| | N. of Quotas | % |
| Miguel Abuhab | 225.571 | 100,00% |
| **Total** | **225.571** | **100,00%** |

## 20.01 – OTHER INFORMATION DEEMED AS RELEVANT BY THE COMPANY

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

**Ownership Structure - HG Senta Pua Fia**

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

(*) Parties related to Officers and/or the Board of Directors, LC EH Participações has been included as related parties since its a company controlled by the chairman of the Board of Directors.

In accordance with Article 54 of its Bylaws, the Company is bound to arbitrage at the Market Arbitration Panel.

## 21.01 – Review report of independent auditors

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

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

# Review report of independent auditors

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

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

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

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

## 21.01 – Review report of independent auditors

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

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

São Paulo, October 21, 2010

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

Luiz Carlos Marques
Accountant CRC 1SP147693/O-5