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TOTVS S.A.

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

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Company information/capital composition

Number of shares (in units)	Current quarter 6/30/2016
Paid-up capital	
Common shares	165,637,727
Preferred shares	-
Total	165,637,727
Treasury shares	
Common shares	2,342,775
Preferred shares	-
Total	2,342,775

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Company information/dividends

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

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

1 – Code	2 - Description	Current quarter 6/30/2016	Previous year 12/31/2015
1	**Total assets**	**2,248,266**	**2,362,015**
1.01	**Current assets**	**659,246**	**731,220**
1.01.01	Cash and cash equivalents	196,562	314,405
1.01.03	Trade receivables	342,314	345,199
1.01.03.01	Customer receivables	342,314	345,199
1.01.03.01.01	Trade receivables	396,716	401,750
1.01.03.01.02	Provision for doubtful accounts	(54,402)	(56,551)
1.01.06	Taxes recoverable	36,849	27,673
1.01.06.01	Current taxes recoverable	36,849	27,673
1.01.08	Other current assets	83,521	43,943
1.01.08.03	Other	83,521	43,943
1.01.08.03.01	Dividends receivables	29	29
1.01.08.03.02	Marketable securities	32,314	17,488
1.01.08.03.03	Other assets	51,178	26,426
1.02	**Non-current assets**	**1,589,020**	**1,630,795**
1.02.01	Long-term receivables	116,073	130,125
1.02.01.03	Trade receivables	37,523	38,676
1.02.01.03.01	Customer receivables	37,523	38,676
1.02.01.06	Deferred taxes	19,320	16,954
1.02.01.06.01	Deferred income tax and social contribution	19,320	16,954
1.02.01.08	Receivables from related parties	2,364	3,622
1.02.01.08.02	Receivables from subsidiaries	2,364	3,622
1.02.01.09	Other non-current assets	56,866	70,873
1.02.01.09.03	Judicial deposits	31,354	31,688
1.02.01.09.04	Marketable securities	5,889	28,780
1.02.01.09.05	Others assets	19,623	10,405
1.02.02	Investments	979,855	1,001,473
1.02.02.01	Equity investments	979,855	1,001,473
1.02.02.01.02	Interests in subsidiaries	979,855	1,001,473
1.02.03	Property, plant and equipment	90,850	86,235
1.02.03.01	Property, plant and equipment in service	90,850	86,235
1.02.04	Intangible assets	402,242	412,962
1.02.04.01	Intangible assets	402,242	412,962

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

1 – Code	2 - Description	Current Quarter 6/30/2016	Previous year 12/31/2015
2	**Total liabilities and equity**	**2,248,266**	**2,362,015**
2.01	**Current liabilities**	**445,805**	**475,288**
2.01.01	Social and labor obligations	113,795	99,190
2.01.01.01	Social obligations	7,608	7,819
2.01.01.02	Labor obligations	106,187	91,371
2.01.02	Trade payables	35,793	37,311
2.01.02.01	National supplier payables	35,793	37,311
2.01.03	Tax obligations	11,624	11,293
2.01.03.01	Federal tax obligations	11,624	11,293
2.01.03.01.01	Income tax and social contribution	11,624	11,293
2.01.04	Borrowing	201,145	218,116
2.01.04.01	Borrowing	150,512	168,643
2.01.04.01.01	In local currency	150,512	168,643
2.01.04.02	Debentures	50,633	49,473
2.01.05	Other liabilities	83,448	109,378
2.01.05.02	Other	83,448	109,378
2.01.05.02.01	Dividends and interest on capital payable	1,238	32,428
2.01.05.02.04	Obligations for purchases of investments	38,849	24,492
2.01.05.02.05	Commission payable	43,042	52,172
2.01.05.02.06	Other liabilities	319	286
2.02	**Non-current liabilities**	**570,068**	**649,041**
2.02.01	Borrowing	460,130	515,961
2.02.01.01	Borrowing	405,289	466,532
2.02.01.01.01	In local currency	405,289	466,532
2.02.01.02	Debentures	54,841	49,429
2.02.02	Other liabilities	34,087	62,104
2.02.02.01	Payables to related parties	14,197	15,023
2.02.02.01.02	Payables to subsidiaries	14,197	15,023
2.02.02.02	Other	19,890	47,081
2.02.02.02.03	Obligations for purchases of investments	19,683	47,065
2.02.02.02.04	Other liabilities	207	16
2.02.04	Provision	75,851	70,976
2.02.04.01	Tax, social security, labor and civil provision	75,082	70,392
2.02.04.01.01	Tax provision	1,412	1,323
2.02.04.01.02	Social security and labor provision	43,082	40,070
2.02.04.01.04	Civil provision	30,588	28,999
2.02.04.02	Other provision	769	584
2.02.04.02.04	Provision for losses on investments	769	584
2.03	**Equity**	**1,232,393**	**1,237,686**
2.03.01	Paid-up capital	541,374	541,374
2.03.02	Capital reserves	83,499	88,201
2.03.02.02	Special goodwill reserve on mergers	14,330	14,330
2.03.02.04	Share options	25,843	26,512

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

1 – Code	2 - Description	Current Quarter 6/30/2016	Previous year 12/31/2015
2.03.02.05	Treasury shares	(75,045)	(71,012)
2.03.02.07	Goodwill reserves	99,260	99,260
2.03.02.08	Debentures converted into shares	44,629	44,629
2.03.02.09	Goodwill on purchases of non-controlling interests	(25,518)	(25,518)
2.03.04	Revenue reserves	520,203	586,782
2.03.04.01	Legal reserve	71,737	71,737
2.03.04.05	Profit retention reserve	448,466	448,466
2.03.04.08	Additional proposed dividends	-	66,579
2.03.05	Profit/Loss accumulated	87,778	-
2.03.07	Exchange variations on investments abroad	(461)	21,329

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

1 – Code	2 – Description	Current quarter 4/1/2016 to 6/30/2016	Accumulated - current period 1/1/2016 to 6/30/2016	Same quarter of prior year 4/1/2015 to 6/30/2015	Accumulated - prior year 1/1/2015 to 6/30/2015
3.01	**Sales and/or service revenue**	**377,454**	**765,298**	**385,403**	**782,479**
3.01.01	Licensing fees	30,723	69,836	47,322	109,649
3.01.02	Services	105,081	213,551	112,429	220,028
3.01.03	Subscriptions	28,078	53,730	20,621	41,186
3.01.04	Maintenance	213,572	428,181	205,031	411,616
3.02	**Cost of sales and/or services**	**(133,853)**	**(266,485)**	**(128,405)**	**(258,654)**
3.02.01	Cost of software	(17,030)	(31,507)	(16,596)	(32,501)
3.02.02	Cost of services	(98,215)	(198,456)	(91,886)	(185,271)
3.02.03	Cost of support	(18,608)	(36,522)	(19,923)	(40,882)
3.03	**Gross profit**	**243,601**	**498,813**	**256,998**	**523,825**
3.04	**Operating income (expenses)**	**(183,128)**	**(358,981)**	**(179,412)**	**(352,176)**
3.04.01	Selling expenses	(32,159)	(60,280)	(24,171)	(50,400)
3.04.02	General and administrative expenses	(29,678)	(57,308)	(22,798)	(46,650)
3.04.05	Other operating expenses	(119,235)	(237,989)	(126,638)	(252,228)
3.04.05.01	Research and development	(55,413)	(109,442)	(52,643)	(106,508)
3.04.05.02	Advertising expenses	(8,936)	(14,416)	(12,347)	(18,791)
3.04.05.03	Commission	(28,203)	(59,875)	(33,405)	(69,864)
3.04.05.04	Management fees	(3,171)	(6,271)	(4,315)	(8,841)
3.04.05.05	Depreciation and amortization	(17,897)	(36,856)	(17,652)	(35,000)
3.04.05.06	Provision for doubtful accounts	(5,725)	(11,650)	(6,642)	(14,078)
3.04.05.08	Other operating income and expenses, net	110	521	366	854
3.04.06	Equity pick-up	(2,056)	(3,404)	(5,805)	(2,898)
3.05	**Profit before finance results and taxes**	**60,473**	**139,832**	**77,586**	**171,649**
3.06	**Finance results**	**(9,851)**	**(18,950)**	**8,292**	**15,325**
3.06.01	Finance income	12,183	25,889	23,875	46,804
3.06.02	Finance costs	(22,034)	(44,839)	(15,583)	(31,479)
3.07	**Profit before taxes on income**	**50,622**	**120,882**	**85,878**	**186,974**
3.08	**Income tax and social contribution on net income**	(12,703)	(33,104)	(25,141)	(55,180)

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1 – Code	2 – Description	Current quarter 4/1/2016 to 6/30/2016	Accumulated - current period 1/1/2016 to 6/30/2016	Same quarter of prior year 4/1/2015 to 6/30/2015	Accumulated - prior year 1/1/2015 to 6/30/2015
3.08.01	Current	(7,154)	(24,245)	(832)	(26,155)
3.08.02	Deferred	(5,549)	(8,859)	(24,309)	(29,025)
3.09	**Profit for the period from continuing operations**	**37,919**	**87,778**	**60,737**	**131,794**
3.11	**Profit for the period**	**37,919**	**87,778**	**60,737**	**131,794**
3.99	**Earnings per share - (Reais/share)**				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.23	0.54	0.37	0.81
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.23	0.53	0.37	0.80

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

1 – Code	2 - Description	Current quarter 4/1/2016 to 6/30/2016	Accumulated - current period 1/1/2016 to 6/30/2016	Same quarter of prior year 4/1/2015 to 6/30/2015	Accumulated - prior year 1/1/2015 to 6/30/2015
4.01	**Profit for the period**	**37,919**	**87,778**	**60,737**	**131,794**
4.02	Other comprehensive income	**(8,275)**	**(21,790)**	**(1,653)**	**8,198**
4.02.01	Cumulative adjustment for currency exchange	(12,538)	(33,014)	(2,503)	12,421
4.02.02	Deferred income tax and social contribution	4,263	11,224	850	(4,223)
4.03	**Comprehensive income for the period**	**29,644**	**65,988**	**59,084**	**139,992**

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

1 - Code	2 - Description	Accumulated current quarter 6/30/2016	Accumulated same quarter of previous year 6/30/2015
6.01	**Net cash provided by operating activities**	**117,594**	**179,559**
6.01.01	Cash provided by operations	221,127	251,438
6.01.01.01	Profit before taxes for the period	120,882	186,974
6.01.01.02	Depreciation and amortization	36,856	35,000
6.01.01.03	Share-based payments	(669)	2,193
6.01.01.04	Losses on sales of assets	882	(67)
6.01.01.05	Provision for doubtful accounts	11,650	14,078
6.01.01.06	Equity pick-up	3,404	2,898
6.01.01.07	Provision for (reversal of) contingencies	4,690	(2,678)
6.01.01.08	Interest, monetary and exchange variations, net	43,432	13,040
6.01.02	Changes in assets and liabilities	(74,863)	(36,336)
6.01.02.01	Trade receivables	(7,612)	(28,249)
6.01.02.03	Other assets	(45,195)	2,487
6.01.02.04	Judicial deposits	334	(3,054)
6.01.02.05	Social and labor obligations	14,605	8,074
6.01.02.06	Taxes recoverable	(9,176)	(13,242)
6.01.02.07	Trade payables	(1,518)	9,650
6.01.02.08	Commission payable	(9,130)	(1,294)
6.01.02.09	Taxes payable	(17,395)	(10,062)
6.01.02.10	Other payables	224	(646)
6.01.03	Other	(28,670)	(35,543)
6.01.03.01	Interest paid	(22,151)	(15,404)
6.01.03.02	Income tax and social contribution paid	(6,519)	(20,139)
6.02	**Net cash used in investing activities**	**(51.209)**	**(71,955)**
6.02.01	Increase in capital of subsidiaries	(23,005)	(12,478)
6.02.02	Purchases of intangible assets	(19,552)	(44,754)
6.02.03	Acquisitions of subsidiaries, net of cash obtained	-	(217)
6.02.04	Dividends received	8,392	480
6.02.06	Value of fixed assets sold	696	311
6.02.08	Purchases of property, plant and equipment	(17,740)	(15,297)
6.03	**Net cash used in financing activities**	**(184,228)**	**(121,470)**
6.03.01	Payment of principal on loans and financing	(82,858)	-
6.03.03	Credit from related companies	432	(52)
6.03.04	Dividends paid	(97,769)	(143,700)
6.03.06	Treasury shares, net	(4,033)	22,282
6.05	**Increase (decrease) in cash and cash equivalents**	**(117,843)**	**(13,866)**
6.05.01	Cash and cash equivalents at the beginning of the period	314,405	659,236
6.05.02	Cash and cash equivalents at the end of the period	196,562	645,370

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Parent company financial statements/statement of changes in equity - 1/1/2016 to 6/30/2016
(R$ thousand)

1 - Code	2 – Description	Paid-up share capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity
5.01	**Opening balances**	**541,374**	**88,201**	**586,782**	**-**	**21,329**	**1,237,686**
5.03	**Adjusted opening balances**	**541,374**	**88,201**	**586,782**	**-**	**21,329**	**1,237,686**
5.04	**Capital transactions with owners**	**-**	**(4,702)**	**(66,579)**	**-**	**-**	**(71,281)**
5.04.03	Share options recorded	-	(669)	-	-	-	(669)
5.04.04	Purchases of treasury shares	-	(4,033)	-	-	-	(4,033)
5.04.06	Dividends	-	-	(66,579)	-	-	(66,579)
5.05	**Total comprehensive income**	**-**	**-**	**-**	**87,778**	**(21,790)**	**65,988**
5.05.01	Profit for the period	-	-	-	87,778	-	87,778
5.05.02	Other comprehensive income	-	-	-	-	(21,790)	(21,790)
5.05.02.04	Adjustment for currency exchange	-	-	-	-	(21,790)	(21,790)
5.07	**Closing balances**	**541,374**	**83,499**	**520,203**	**87,778**	**(461)**	**1,232,393**

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Parent company financial statements/statement of changes in equity - 1/1/2015 to 6/30/2015
(R$ thousand)

1 - Code	2 – Description	Paid-up share capital	Capital reserve, share options and treasury shares	Revenue reserve	Retained earnings	Other comprehensive income	Equity
5.01	**Opening balances**	**526,592**	**40,281**	**549,472**	**-**	**29**	**1,116,374**
5.03	**Adjusted opening balances**	**526,592**	**40,281**	**549,472**	**-**	**29**	**1,116,374**
5.04	**Capital transactions with owners**	**-**	**24,475**	**(97,704)**	**-**	**-**	**(73,229)**
5.04.03	Share options recorded	-	2,193	-	-	-	2,193
5.04.05	Disposals of treasury shares	-	22,282	-	-	-	22,282
5.04.06	Dividends	-	-	(97,704)	-	-	(97,704)
5.05	**Total comprehensive income**	**-**	**-**	**-**	**131,794**	**8,198**	**139,992**
5.05.01	Profit for the period	-	-	-	131,794	-	131,794
5.05.02	Other comprehensive income	-	-	-	-	8,198	8,198
5.05.02.04	Exchange variations on investments abroad	-	-	-	-	8,198	8,198
5.07	**Closing balances**	**526,592**	**64,756**	**451,768**	**131,794**	**8,227**	**1,183,137**

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

1 – Code	2 - Description	Accumulated current quarter 6/30/2016	Accumulated same quarter of previous year 6/30/2015
7.01	**Revenue**	**850,369**	**840,594**
7.01.01	Sale of goods and services	861,497	853,819
7.01.02	Other expenses	522	853
7.01.04	Provision for (reversal of) doubtful accounts	(11,650)	(14,078)
7.02	**Inputs acquired from third parties**	**(256,491)**	**(255,235)**
7.02.01	Cost of sales and services	(31,508)	(32,500)
7.02.02	Materials, energy, outsourced services and other	(224,983)	(222,735)
7.03	**Gross value added**	**593,878**	**585,359**
7.04	**Retentions**	**(36,856)**	**(35,000)**
7.04.01	Depreciation, amortization and depletion	(36,856)	(35,000)
7.05	**Net value added generated**	**557,022**	**550,359**
7.06	**Value added received through transfers**	**22,485**	**43,906**
7.06.01	Equity in the results of subsidiaries	(3,404)	(2,898)
7.06.02	Finance income	25,889	46,804
7.07	**Total value added to distribute**	**579,507**	**594,265**
7.08	**Distribution of value added**	**579,507**	**594,265**
7.08.01	Personnel	290,186	277,986
7.08.01.01	Direct remuneration	235,064	224,848
7.08.01.02	Benefits	34,367	33,400
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	20,755	19,738
7.08.02	Taxes and contributions	144,596	141,481
7.08.02.01	Federal	123,667	121,282
7.08.02.02	State	(9)	3
7.08.02.03	Municipal	20,938	20,196
7.08.03	Remuneration of third party capital	56,947	43,004
7.08.03.01	Interest	44,839	31,479
7.08.03.02	Rent	12,108	11,525
7.08.04	Remuneration of own capital	87,778	131,794
7.08.04.03	Profits reinvested	87,778	131,794

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

1 - Code	2 – Description	Current Quarter 6/30/2016	Previous year 12/31/2015
1	**Total assets**	**2,517,081**	**2,662,075**
1.01	**Current assets**	**1,068,901**	**1,157,673**
1.01.01	Cash and cash equivalents	295,288	426,415
1.01.03	Trade receivables	487,178	489,142
1.01.03.01	Customer receivables	487,178	489,142
1.01.03.01.01	Trade receivables	560,219	565,002
1.01.03.01.02	Provision for doubtful accounts	(73,041)	(75,860)
1.01.04	Stock	43,771	44,407
1.01.06	Taxes recoverable	84,879	81,284
1.01.06.01	Current taxes recoverable	84,879	81,284
1.01.08	Other current assets	157,785	116,425
1.01.08.03	Other	157,785	116,425
1.01.08.03.01	Marketable securities	92,451	75,213
1.01.08.03.02	Other assets	65,334	41,212
1.02	**Non-current assets**	**1,448,180**	**1,504,402**
1.02.01	Long-term receivables	272,866	291,792
1.02.01.03	Trade receivables	37,523	40,953
1.02.01.03.01	Customer receivables	37,523	40,953
1.02.01.06	Deferred taxes	72,797	63,507
1.02.01.06.01	Deferred income tax and social contribution	72,797	63,507
1.02.01.09	Other non-current assets	162,546	187,332
1.02.01.09.03	Judicial deposits	43,228	43,407
1.02.01.09.04	Financial assets at fair value	55,943	68,044
1.02.01.09.05	Taxes recoverable	19,756	17,881
1.02.01.09.06	Marketable securities	16,964	39,534
1.02.01.09.07	Other assets	26,655	18,466
1.02.03	Property, plant and equipment	114,899	113,598
1.02.03.01	Property, plant and equipment in service	114,899	113,598
1.02.04	Intangible assets	1,060,415	1,099,012
1.02.04.01	Intangible assets	409,194	439,969
1.02.04.02	Goodwill	651,221	659,043

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

1 – Code	2 - Description	Current Quarter 6/30/2016	Previous year 12/31/2015
2	**Total liabilities and equity**	**2,517,081**	**2,662,075**
2.01	**Current liabilities**	**617,380**	**658,683**
2.01.01	Social and labor obligations	150,977	133,152
2.01.01.01	Social obligations	11,938	12,955
2.01.01.02	Labor obligations	139,039	120,197
2.01.02	Trade payables	66,073	86,932
2.01.02.01	National supplier payables	62,099	82,545
2.01.02.02	International suppliers	3,974	4,387
2.01.03	Tax obligations	19,206	18,923
2.01.03.01	Federal tax obligations	19,206	18,923
2.01.03.01.01	Income tax and social contribution	19,206	18,923
2.01.04	Borrowing	225,878	239,429
2.01.04.01	Borrowing	165,498	177,514
2.01.04.01.01	In local currency	165,498	177,514
2.01.04.02	Debentures	60,380	61,915
2.01.05	Other liabilities	155,246	180,247
2.01.05.02	Other	155,246	180,247
2.01.05.02.01	Dividends and interest on capital payable	1,725	32,885
2.01.05.02.04	Obligations for purchases of investments	98,987	82,220
2.01.05.02.05	Commission payable	47,262	56,579
2.01.05.02.06	Other liabilities	7,272	8,563
2.02	**Non-current liabilities**	**667,494**	**765,660**
2.02.01	Borrowing	520,642	583,166
2.02.01.01	Borrowing	438,343	500,795
2.02.01.01.01	In local currency	438,343	500,795
2.02.01.02	Debentures	82,299	82,371
2.02.02	Other liabilities	52,478	91,987
2.02.02.02	Other	52,478	91,987
2.02.02.02.03	Obligations for purchases of investments	52,224	88,272
2.02.02.02.04	Other liabilities	254	3,715
2.02.04	Provision	94,374	90,507
2.02.04.01	Tax, social security, labor and civil provision	94,374	90,507
2.02.04.01.01	Tax provision	13,190	12,965
2.02.04.01.02	Social security and labor provision	47,911	45,466
2.02.04.01.04	Civil provision	33,273	32,076
2.03	**Equity**	**1,232,207**	**1,237,732**
2.03.01	Paid-up capital	541,374	541,374

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

1 - Code	2 – Description	Current Quarter 6/30/2016	Previous year 12/31/2015
2.03.02	Capital reserves	83,499	88,201
2.03.02.02	Special goodwill reserve on mergers	14,330	14,330
2.03.02.04	Share options	25,843	26,512
2.03.02.05	Treasury shares	(75,045)	(71,012)
2.03.02.07	Goodwill reserve	99,260	99,260
2.03.02.08	Debentures converted into shares	44,629	44,629
2.03.02.09	Goodwill on purchases of non-controlling interests	(25,518)	(25,518)
2.03.04	Profit reserve	520,203	586,782
2.03.04.01	Legal reserve	71,737	71,737
2.03.04.05	Profit retention reserve	448,466	448,466
2.03.04.08	Additional proposed dividends	-	66,579
2.03.05	Profit/Loss accumulated	87,778	-
2.03.07	Exchange variations on investments abroad	(461)	21,329
2.03.09	Participation of non-controlling shareholders	(186)	46

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

1 – Code	2 – Description	Current quarter 4/1/2016 to 6/30/2016	Accumulated - current period 1/1/2016 to 6/30/2016	Same quarter of prior year 4/1/2015 to 6/30/2015	Accumulated - prior year 1/1/2015 to 6/30/2015
3.01	**Sales and/or service revenue**	**544,913**	**1,096,333**	**451,352**	**910,323**
3.01.01	Licensing fees	39,600	91,144	56,137	127,556
3.01.02	Services	141,156	281,519	138,130	270,538
3.01.03	Subscriptions	54,289	106,396	32,114	62,725
3.01.04	Maintenance	250,214	501,849	224,971	449,504
3.01.05	Hardware	59,654	115,425	-	-
3.02	**Cost of sales and/or services**	**(219,810)**	**(435,369)**	**(156,791)**	**(310,010)**
3.02.01	Cost of software	(20,709)	(38,220)	(17,389)	(34,514)
3.02.02	Cost of services	(126,607)	(254,433)	(119,185)	(226,821)
3.02.03	Cost of support	(32,813)	(64,475)	(20,217)	(48,675)
3.02.04	Cost of hardware	(39,681)	(78,241)	-	-
3.03	**Gross profit**	**325,103**	**660,964**	**294,561**	**600,313**
3.04	**Operating income (expenses)**	**(259,182)**	**(512,441)**	**(215,808)**	**(428,179)**
3.04.01	Selling expenses	(52,439)	(100,134)	(33,752)	(69,057)
3.04.02	General and administrative expenses	(44,552)	(88,516)	(28,155)	(57,438)
3.04.05	Other operating expenses	(162,191)	(323,791)	(153,901)	(301,609)
3.04.05.01	Research and development	(77,592)	(152,389)	(61,687)	(126,034)
3.04.05.02	Advertising expenses	(12,026)	(20,303)	(14,693)	(23,074)
3.04.05.03	Commission	(33,319)	(71,041)	(37,382)	(77,698)
3.04.05.04	Management fees	(4,050)	(8,235)	(5,291)	(11,012)
3.04.05.05	Depreciation and amortization	(30,122)	(61,270)	(28,287)	(49,772)
3.04.05.06	Provision for doubtful accounts	(7,300)	(14,953)	(7,646)	(15,744)
3.04.05.07	Government subsidy	2,509	4,218	-	-
3.04.05.08	Other net revenue	(291)	182	1,085	1,725
3.04.06	Equity pick-up	-	-	-	(75)
3.05	**Profit before finance results and taxes**	**65,921**	**148,523**	**78,753**	**172,134**
3.06	**Finance results**	**(12,732)**	**(23,258)**	**9,241**	**23,898**
3.06.01	Finance income	18,093	38,297	26,997	59,730
3.06.02	Finance costs	(30,825)	(61,555)	(17,756)	(35,832)

(A free translation of the original in Portuguese)

1 – Code	2 – Description	Current quarter 4/1/2016 to 6/30/2016	Accumulated - current period 1/1/2016 to 6/30/2016	Same quarter of prior year 4/1/2015 to 6/30/2015	Accumulated - prior year 1/1/2015 to 6/30/2015
3.07	**Profit before taxes on income**	**53,189**	**125,265**	**87,994**	**196,032**
3.08	**Income tax and social contribution on net income**	**(15,478)**	**(37,791)**	**(27,555)**	**(64,693)**
3.08.01	Current	(12,760)	(35,879)	(4,470)	(37,315)
3.08.02	Deferred	(2,718)	(1,912)	(23,085)	(27,378)
3.09	**Profit for the period from continuing operations**	**37,711**	**87,474**	**60,439**	**131,339**
3.11	**Profit for the period**	**37,711**	**87,474**	**60,439**	**131,339**
3.11.01	Attributable to parent company's partners	37,919	87,778	60,737	131,794
3.11.02	Attributable to non-controlling partners	(208)	(304)	(298)	(455)
3.99	**Earnings per share - (Reais/share)**				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.23	0.54	0.37	0.81
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.23	0.53	0.37	0.80

(A free translation of the original in Portuguese)

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

1 – Code	2 – Description	Current quarter 4/1/2016 to 6/30/2016	Accumulated - current period 1/1/2016 to 6/30/2016	Same quarter of prior year 4/1/2015 to 6/30/2015	Accumulated - prior year 1/1/2015 to 6/30/2015
4.01	**Profit for the period**	**37,711**	**87,474**	**60,439**	**131,339**
4.02	**Other comprehensive income**	**(8,275)**	**(21,790)**	**(1,653)**	**8,198**
4.02.01	Cumulative adjustment for currency exchange	(12,538)	(33,014)	(2,503)	12,421
4.02.02	Deferred income tax and social contribution	4,263	11,224	850	(4,223)
4.03	**Comprehensive income for the period**	**29,436**	**65,684**	**58,786**	**139,537**
4.03.01	Attributable to the parent company's partners	29,644	65,988	59,084	139,992
4.03.02	Attributable to non-controlling partners	(208)	(304)	(298)	(455)

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

1 – Code	2 - Description	Accumulated current quarter 6/30/2016	Accumulated same quarter of previous year 6/30/2015
6.01	**Net cash provided by operating activities**	**106,842**	**176,231**
6.01.01	**Cash provided by operations**	**246,508**	**272,249**
6.01.01.01	Profit before taxes for the period	125,265	196,032
6.01.01.02	Depreciation and amortization	62,979	49,772
6.01.01.03	Share-based payments	(669)	2,193
6.01.01.04	Losses on sales of assets	1,312	(6,261)
6.01.01.05	Provision for doubtful accounts	14,953	15,744
6.01.01.06	Equity pick-up	-	75
6.01.01.07	Provision for (reversal of) contingencies	3,867	(2,523)
6.01.01.08	Interest, monetary and exchange variations, net	38,801	17,217
6.01.02	Changes in assets and liabilities	(99,900)	(50,525)
6.01.02.01	Trade receivables	(9,559)	(38,233)
6.01.02.02	Stock	(1,587)	-
6.01.02.03	Other assets	(43,513)	228
6.01.02.04	Judicial deposits	179	(2,918)
6.01.02.05	Social and labor obligations	17,825	12,038
6.01.02.06	Taxes recoverable	(5,470)	(14,964)
6.01.02.07	Trade payables	(20,859)	9,076
6.01.02.08	Commission payable	(9,317)	(395)
6.01.02.10	Taxes payable	(22,949)	(10,784)
6.01.02.11	Other payables	(4,650)	(4,573)
6.01.03	Other	(39,766)	(45,493)
6.01.03.01	Interest paid	(27,119)	(15,404)
6.01.03.02	Income tax and social contribution paid	(12,647)	(30,089)
6.02	**Net cash used in investing activities**	**(50,403)**	**(56,320)**
6.02.01	Acquisitions of subsidiaries, net of cash obtained in the acquisitions	-	(217)
6.02.03	Purchases of intangible assets	(30,859)	(44,742)
6.02.06	Value of fixed assets sold	869	401
6.02.08	Purchases of property, plant and equipment	(20,413)	(17,850)
6.02.09	Investment at fair value	-	6,088
6.03	**Net cash used in financing activities**	**(187,566)**	**(121,262)**
6.03.01	Payment of principal on loans and financing	(84,723)	(225)
6.03.02	Payment of principal on debentures	(7,976)	-
6.03.03	Dividends paid	(97,769)	(143,319)
6.03.07	Bank borrowing	6,935	-
6.03.08	Treasury shares	(4,033)	22,282
6.05	**Increase (decrease) in cash and cash equivalents**	**(131,127)**	**(1,351)**
6.05.01	Cash and cash equivalents at the beginning of the period	426,415	697,901
6.05.02	Cash and cash equivalents at the end of the period	295,288	696,550

Consolidated financial statements/statement of changes in equity - 1/1/2016 to 6/30/2016
(R$ thousand)

1 - Code	2 - Description	Paid-up share capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	**Opening balances**	**541,374**	**88,201**	**586,782**	**-**	**21,329**	**1,237,686**	**46**	**1,237,732**
5.03	**Adjusted opening balances**	**541,374**	**88,201**	**586,782**	**-**	**21,329**	**1,237,686**	**46**	**1,237,732**
5.04	**Capital transactions with owners**	**-**	**(4,702)**	**(66,579)**	**-**	**-**	**(71,281)**	**72**	**(71,209)**
5.04.01	Increase capital	-	-	-	-	-	-	72	72
5.04.03	Stock options plan	-	(669)	-	-	-	(669)	-	(669)
5.04.04	Purchases of treasury shares	-	(4,033)	-	-	-	(4,033)	-	(4,033)
5.04.06	Dividends	-	-	(66,579)	-	-	(66,579)	-	(66,579)
5.05	**Total comprehensive income**	**-**	**-**	**-**	**87,778**	**(21,790)**	**65,998**	**(304)**	**(65,684)**
5.05.01	Profit for the period	-	-	-	87,778	-	87,778	(304)	87,474
5.05.02	Other comprehensive income	-	-	-	-	(21,790)	(21,790)	-	(21,790)
5.05.02.04	Adjustment for currency exchange	-	-	-	-	(21,790)	(21,790)	-	(21,790)
5.07	**Closing balances**	**541,374**	**83,499**	**520,203**	**87,778**	**(461)**	**1,232,393**	**(186)**	**1,232,207**

(A free translation of the original in Portuguese)

Consolidated financial statements/statement of changes in equity - 1/1/2015 to 6/30/2015
(R$ thousand)

1 - Code	2 - Description	Paid-up share capital	Capital reserve, share options and treasury shares	Revenue reserve	Retained earnings	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	**Opening balances**	**526,592**	**40,281**	**549,472**	**-**	**29**	**1,116,374**	**1,688**	**1,118,062**
5.03	**Adjusted opening balances**	**526,592**	**40,281**	**549,472**	**-**	**29**	**1,116,374**	**1,688**	**1,118,062**
5.04	**Capital transactions with owners**	**-**	**24,475**	**(97,704)**	**-**	**-**	**(73,229)**	**(1,040)**	**(74,269)**
5.04.03	Share options recorded	-	2,193	-	-	-	2,193	-	2,193
5.04.05	Disposals of treasury shares	-	22,282	-	-	-	22,282	-	22,282
5.04.06	Dividends	-	-	(97,704)	-	-	(97,704)	(320)	(98,024)
5.04.08	Acquisitions of subsidiaries	-	-	-	-	-	-	303	303
5.04.09	Acquisitions of non-controlling interests	-	-	-	-	-	-	(1,023)	(1,023)
5.05	**Total comprehensive income**	**-**	**-**	**-**	**131,794**	**8,198**	**139,992**	**(455)**	**139,537**
5.05.01	Profit for the period	-	-	-	131,794	-	131,794	(455)	131,339
5.05.02	Other comprehensive income	-	-	-	-	8,198	8,198	-	8,198
5.05.02.04	Exchange variations on investments abroad	-	-	-	-	8,198	8,198	-	8,198
5.07	**Closing balances**	**526,592**	**64,756**	**451,768**	**131,794**	**8,227**	**1,183,137**	**193**	**1,183,330**

Consolidated financial statements/statement of value added

1 - Code	2 – Description	Accumulated current quarter 6/30/2016	Accumulated same quarter of previous year 6/30/2015
7.01	**Revenue**	**1,226,076**	**977,205**
7.01.01	Sales of goods and services	1,236,540	991,224
7.01.02	Other expenses	4,489	1,725
7.01.04	Provision for (reversal of) doubtful accounts	(14,953)	(15,744)
7.02	**Inputs acquired from third parties**	**(418,174)**	**(294,752)**
7.02.01	Cost of sales and services	(124,415)	(34,586)
7.02.02	Materials, energy, outsourced services and other	(293,759)	(260,166)
7.03	**Gross value added**	**807,902**	**682,453**
7.04	**Retentions**	**(62,979)**	**(49,772)**
7.04.01	Depreciation, amortization and depletion	(62,979)	(49,772)
7.05	**Net value added generated**	**744,923**	632,681
7.06	**Value added received through transfers**	**38,297**	**59,655**
7.06.01	Equity pick-up	-	(75)
7.06.02	Finance income	38,297	59,730
7.07	**Total value added to distribute**	**783,220**	**692,336**
7.08	**Distribution of value added**	**783,220**	**692,336**
7.08.01	Personnel	409,849	345,233
7.08.01.01	Direct remuneration	333,008	281,549
7.08.01.02	Benefits	49,055	40,364
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	27,786	23,320
7.08.02	Taxes and contributions	204,830	164,683
7.08.02.01	Federal	167,124	141,601
7.08.02.02	State	10,867	3
7.08.02.03	Municipal	26,839	23,079
7.08.03	Remuneration of third-party capital	81,067	51,081
7.08.03.01	Interest	61,555	35,832
7.08.03.02	Rental	19,832	15,249
7.08.03.03	Other	(320)	-
7.08.04	Remuneration of own capital	87,474	131,339
7.08.04.03	Profits reinvested	87,778	131,794
7.08.04.04	Non-controlling interest in retained earnings	(304)	(455)

(A free translation of the original in Portuguese)

Comments on performance

Due to the corporate reorganization between TOTVS and Bematech in 2015, in addition to the comments described below, the figures for 2Q16 are impacted by the consolidation of Bematech' s results.

Net revenue totaled R$544,913 thousand in 2Q16, 20.7% growth over the previous year. This growth is mainly due to: (i) the Company's initiatives to capture the software market's growth, including the segmentation of business solutions by industry and the fluig platform; (ii) the growth of recurring revenue from subscription; and (iii) the hardware revenue added as a result of the corporate reorganization between TOTVS and Bematech.

License revenue decreased 29.5 % year on year, mainly reflecting the reduction in the number of sales and in the licensing average ticket. The reduction in license sales was mainly due to: (i) the downturn in economic activity in Brazil, which resulted in a longer period of conversion of the sales pipeline, especially among large clients; and (ii) the migration of part of the new clients sales pipeline to the subscription model, especially among smaller clients. The decrease in the average ticket was mainly due to the lower share of sales to large clients in the quarter.

Service revenues grew 2.2% in 2Q16, and it was negatively affected by lower software implementation services for the period, as a result of lower sales observed in recent quarters.

Subscription revenue increased 69.1% year on year and totaled R$54,289 thousand. This growth is due to the higher share of new sales to small and medium clients, especially under the TOTVS Intera commercial model.

Maintenance revenue totaled R$250,214 thousand in 2Q16, a 11.2% growth over 2Q15, mainly as a result of the license sales in previous periods and the retention of maintenance contracts, annually adjusted based on inflation rates pre-defined, which in most cases is the IGP-M.

Hardware revenue totaled R$59,654 thousand in 2Q16 and combined the sale of equipment and technical assistance services provided by the subsidiary Bematech.

The cost of software increased 19.1% in 2Q16, when compared to the same quarter of 2015. The growth of the cost of software was mainly due to the higher share of complementary solutions provided by partners in the quarter.

The cost of support grew 62.3% year on year, mainly due the investments being made in the customer service and assistance processes, involving adjustments to customer service routines, teams and systems of the Company.

The cost of services increased 6.2% in 2Q16 when compared to the 2Q15. This growth, higher than the growth on net services revenue in the period, is mainly due to: (i) the lower allocation of implementation services professionals, chiefly due to the lower pace of software sales, specially licenses; and (ii) the collective wage adjustments made over the last 12 months, on average higher than those of the previous periods, due to the increase in inflation not fully passed on in software implementation projects sold.

The cost of hardware, which includes the cost of the equipment and technical assistance services provided by subsidiary Bematech, totaled R$39,681 thousand. It is worth mentioning that the hardware cost also includes the depreciation expense of R$857 thousand.

Research and development expenses grew 25.8% on 2Q16, versus 2Q15. This growth results mainly from the collective wage adjustments made throughout the year.

Advertising and marketing expenses decreased 18.2% in the quarter, when comparing year on year, and totaled R$12,026 thousand. The decrease is chiefly due to the revision of the general marketing plan of the Company, as well as the beginning of the marketing activities integration of TOTVS and Bematech.

Selling expenses totaled R$52,439 thousand in 2Q16, a 55.4% growth over 2Q15, and the commissions expenses decreased 10.9% when comparing to 2Q15, totaling R$33,319 thousand. When taken together, the sum of these expenses reduced its representativeness across the total net revenue. These expenses are directly related to the sales mix through own units and franchises as well, as the net revenue mix due to the different levels of commissioning between revenue lines.

General and administrative expenses increased 58.2% in 2Q16 to R$44,552 thousand. This growth is mainly due to the wage adjustments of the period, in addition to the consolidation of Bematech results already mentioned.

Management fees declined 23.5% year on year, mainly due (i) to the optimization of the administrative structure of the Company; and (ii) the provision for bonus for achievement of financial and individual targets of executives in the period.

Depreciation and amortization expenses in 2Q16 increased 6.5% year on year, mainly due to the purchase price allocation of the corporate reorganization with Bematech in 4Q15.

Allowance for doubtful accounts in 2Q16 corresponded to 1.3%, compared to 1.7% on 2Q15. This allowance reflects the level of defaults observed in the business during the period. Considering the current level of defaults in the market, the Company will continue its credit analysis policy and its efforts to recover the debts already provisioned.

The financial result (financial revenues net of financial expenses) amounted a net loss of R$12,732 thousand in 2Q16, compared to a positive result of R$9,241 thousand in 2Q15. This variation is largely due to the increase in net debt, explained by the reduction in financial income due to the payment of R$473.585 million in cash for the corporate restructuring with Bematech in 4Q15.

Income tax and social contribution expenses decreased 43.8% in 2Q16, when compared to 2Q15. This reduction was mainly due to the decrease of net income before income tax and social contribution.

Net income decreased 37.6% in 2Q16, largely due to: (i) the reduction of 16.3% of the earnings before financial effects and equity income; (ii) the negative financial results for the quarter; and (iii) the reduction of 43.8% in income tax and social contribution.

(A free translation of the original in Portuguese)

EBITDA (*) for the quarter totaled R$96,900 thousand, 9.5% lower than 2Q15. EBITDA margin (% of EBITDA over total net revenues) ended the quarter at 17.8%, compared to 23.7% in 2Q15, due to the events already described in previous reviews of each item.

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

(A free translation of the original in Portuguese)

Notes to the financial statements

1. Operations

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

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

TOTVS' parent company and consolidated financial statements were approved at the Board of Directors' Meeting held on August 1, 2016.

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

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

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

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

2.1. Basis of preparation

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

(A free translation of the original in Portuguese)

(a) Consolidated financial information

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

(b) Parent company financial information

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

(c) Changes in accounting policies and disclosure requirements

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

2.2. Consolidated interim financial information

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

Direct Investments:

	Head		Interest %	
Corporate Name	**office**	**Denomination**	**6/30/2016**	**12/31/2015**
TOTVS Serviços Ltda.	BRA	TOTVS Serviços	100.00	100.00
TOTVS Nordeste Software Ltda.	BRA	TOTVS Nordeste	100.00	100.00
TOTVS Brasília Software Ltda.	BRA	TOTVS Brasília	100.00	100.00
TQTVD Software Ltda.	BRA	TQTVD	100.00	100.00
TOTVS Ventures Participações Ltda.	BRA	TOTVS Ventures	100.00	100.00
TOTVS Argentina S.A.	ARG	TOTVS Argentina	100.00	100.00
Datasul Argentina S.A.	ARG	Datasul Argentina	100.00	100.00
TOTVS México S.A.	MEX	TOTVS México	100.00	100.00
Datasul S.A. de CV.	MEX	Datasul México	100.00	100.00
TOTVS Corporation	BVI	TOTVS Corporation	100.00	100.00
TOTVS Incorporation	USA	TOTVS Inc.	100.00	100.00
Virtual Age Soluções em Tecnologia Ltda.	BRA	Virtual Age	100.00	100.00
Neolog Consultoria e Sistemas S.A.	BRA	Neolog	60.00	60.00
Ciashop Soluções para Comércio Eletrônico S.A.	BRA	Ciashop	70.00	70.00
TOTVS Resultados em Outsourcing Ltda.	BRA	RO	100.00	100.00
Bematech S.A.	BRA	Bematech	100.00	100.00

(A free translation of the original in Portuguese)

Indirect Investments:

Corporate Name	Head office	Denomination	Investor	Interest % 6/30/2016	Interest % 12/31/2015
DTS Consulting Partner. SA de CV	MEX	Partner	TOTVS México	100.00	100.00
W&D Participações S.A.	BRA	W&D	TOTVS Brasília	100.00	100.00
PC Informática S.A.	BRA	PC Informática	W&D	100.00	100.00
RMS Software S.A.	BRA	RMS	TOTVS Nordeste	100.00	100.00
Webstrategie Software Ltda.	BRA	Webstrategie	RMS	100.00	100.00
Kerina Software Ltda.	BRA	Kerina	TQTVD	100.00	100.00
Bematech Ásia Co.Ltd.	TWN	Bematech Ásia	Bematech S.A.	100.00	100.00
Bematech Argentina S.A.	ARG	Bematech Argentina	Bematech S.A.	100.00	100.00
CMNet Soluções em Informática e Agência de Viagens e Turismo S.A.	BRA	CMNet Soluções	Bematech S.A.	100.00	100.00
Misterchef Sistemas de Automação Ltda.	BRA	Misterchef	Bematech S.A.	100.00	100.00
Bematech Internacional Corp.	EUA	BIC	Bematech S.A.	100.00	100.00
Logic Controls, Inc	EUA	Logic Controls	Bematech Inter. Corp.	100.00	100.00
FICE - Bematech Foshan Shunde Ltd.	CHN	FICE	Logic Controls, Inc	100.00	100.00
CMNet Participações S.A.	BRA	CMNet Partipações	Bematech S.A.	100.00	100.00
CM Soluciones - Argentina	ARG	CMNet Argentina	CMNet Participações	100.00	100.00
CMDIR - Soluções Informática, Lda - Portugal	PRT	CMNet Portugal	CMNet Participações	100.00	100.00
CM Soluciones - Chile	CHL	CMNet Chile	CMNet Participações	100.00	100.00
CMNet España	ESP	CMNet Espanha	CMDIR - Soluções	100.00	100.00
RJ Participações S.A.	BRA	RJ Participações	Bematech S.A.	100.00	100.00
R.J. Consultores en Sistemas de Información S.C.	MEX	RJ México	RJ Participações	100.00	100.00
R.J. Consultores e Informática Ltda.	BRA	RJ Consultores	RJ Participações	100.00	100.00

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

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

2.3. Critical accounting estimates and assumptions

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

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

3. Financial instruments

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

3.1. Sensitivity analysis of financial assets and liabilities

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

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

a) Financial assets

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

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

Operation	Balances at 6/30/2016	Risk	Most probable scenario (I)	Scenario (II)	Scenario (III)
		Reduction			
Financial investments	R$ 226,044	CDI	14.13%	10.60%	7.07%
Estimated financial income			**R$ 31,940**	**R$ 23,961**	**R$ 15,981**

b) Financial liabilities

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

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

Operation	Balances at 6/30/2016	Risk	Most probable scenario I	Scenario II	Scenario III
		Increase			
BNDES - Financing	R$ 534,778	TJLP	7.50%	9.38%	11.25%
	R$ 808	UMBND(a)	-20.50%	-15.38%	10.25%
Estimated financial expenses			**R$ 39,943**	**R$ 46,842**	**R$ 56,277**
		Increase			
Debentures	R$ 105,474	TJLP	7.50%	9.38%	11.25%
		IPCA	9.32%	11.65%	13.98%
	R$ 37,205	CDI	14.13%	17.66%	21.10%
Estimated financial expenses			**R$ 23,382**	**R$ 26,222**	**R$ 29,053**

(a) UMBND – BNDES monetary unit.

3.2. Financial assets at fair value

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

As these startups are privately held companies and have no prices quoted in an active market, their fair value is based on discounted cash flow using a rate based on the interest rate and the market risk premium specific to each investment. At June 30, 2016 the total of investments in startups was R$55,943.

4. Cash and cash equivalents

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

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Cash	24,632	57,930	69,244	105,808
Cash equivalents	**171,930**	**256,475**	**226,044**	**320,607**
Purchase and sale commitments	125,896	183,897	170,239	147,714
CDB	46,034	72,578	55,805	172,893
	196,562	**314,405**	**295,288**	**426,415**

The Company has financial investment policies which establish that investments should focus on low-risk securities and top-tier financial institutions, and are significantly remunerated based on the CDI rate, which averaged 1.09% a month during the six-month period ended on June 30, 2016.

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5. Trade accounts receivable

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

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
National market	433,328	439,241	577,266	579,125
Foreign market	911	1,185	20,476	26,830
Gross trade accounts receivable	434,239	440,426	597,742	605,955
(-) Allowances for doubtful accounts	(54,402)	(56,551)	(73,041)	(75,860)
Net trade accounts receivable	**379,837**	**383,875**	**524,701**	**530,095**
Current assets	342,314	345,199	487,178	489,142
Non-current assets	37,523	38,676	37,523	40,953

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

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Falling due	327,293	348,071	453,524	475,821
Overdue				
1 to 30 days	20,585	19,949	29,341	30,226
31 to 60 days	10,932	5,492	14,633	8,076
61 to 90 days	8,396	5,347	10,608	6,899
91 to 180 days	14,498	7,069	18,688	10,346
181 to 360 days	14,359	16,413	18,310	20,836
More than 360 days	38,176	38,085	52,638	53,751
Gross accounts receivable	**434,239**	**440,426**	**597,742**	**605,955**
(-) allowances for doubtful accounts	(54,402)	(56,551)	(73,041)	(75,860)
Net accounts receivable	**379,837**	**383,875**	**524,701**	**530,095**

Changes in the allowances for doubtful accounts are as follows:

	06/30/2016	
	Company	Consolidated
Balance at the beginning of the year	56,551	75,860
Additional provision during the period	11,650	14,953
Written off from the provision	(13,799)	(17,772)
Balance as at June 30	**54,402**	**73,041**

Management believes that the risk related to trade accounts receivable is minimized by the fact that the Company's customer portfolio is highly diluted, except for accounts receivable from distributors of Bematech, which represents 4.6% of consolidated trade accounts receivable at the June 30, 2016. The Company does not require any guarantee on installment sales.

6. Stock

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

	Consolidated	
	06/30/2016	12/31/2015
Finished products	9,997	15,305
Work in progress	596	-
Raw materials	24,587	22,924
Products for resale and others	8,076	6,190
Parts for technical assistance	1,791	2,536
(-) Provision for adjustment to realizable value	(1,276)	(2,548)
	43,771	**44,407**

7. Taxes recoverable

The following are the amounts of taxes recoverable:

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
State value added tax - ICMS (a)	-	-	47,108	47,972
Tax on manufactured products -IPI	-	-	872	3,413
Withholding income tax	27,016	21,273	37,912	33,157
Withholding social contribution tax	9,832	6,399	12,351	8,057
Withholding PIS and COFINS taxes	-	-	6,222	3,612
Other	1	1	170	2,954
	36,849	**27,673**	**104,635**	**99,165**
Current	36,849	27,673	84,879	81,284
Non-current	-	-	19,756	17,881

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

8. Income tax and social contribution

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

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8.1. Reconciliation of income tax and social contribution expenses

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

	Company		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Income before taxes	**120,882**	**186,974**	**125,265**	**196,032**
Income tax and social contribution at a combined nominal rate of 34%	(41,100)	(63,571)	(42,590)	(66,651)
Adjustments for the statement of effective rate				
Equity pick-up	2,114	1,501	-	(26)
Law Nº 11,196/05 (incentive for R&D)	6,080	7,876	6,524	8,187
Government subsidy	-	-	1,434	-
Effect of subsidiaries with different tax rates	-	-	(2,509)	(5,335)
Management shares	(234)	(210)	(234)	(221)
Accounts receivable deemed uncollectible	(18)	(101)	(118)	(185)
Workers' Food Program	436	470	609	624
Other	(382)	(1,145)	(907)	(1,086)
Income tax and social contribution expenses	**(33,104)**	**(55,180)**	**(37,791)**	**(64,693)**
Current income tax and social contribution	(24,245)	(26,155)	(35,879)	(37,315)
Deferred income tax and social contribution	(8,859)	(29,025)	(1,912)	(27,378)
	(33,104)	**(55,180)**	**(37,791)**	**(64,693)**
Effective rate	**27.4%**	**29.5%**	**30.2%**	**33.0%**

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8.2. Breakdown of deferred income tax and social contribution

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Deriving from temporary differences				
Difference between fiscal base and book value of goodwill	107,983	117,789	121,605	139,130
Amortization of fiscal benefit	(67,465)	(63,136)	(93,566)	(89,744)
Intangible asset allocation	(87,926)	(97,784)	(91,844)	(114,762)
Provision for commission	14,975	18,144	15,955	19,133
Anticipated income or revenue	(5,615)	(5,542)	(6,321)	(4,599)
Allowance for doubtful accounts	18,497	19,227	21,205	20,317
Provision for contingencies and other liabilities	25,528	23,933	32,127	30,764
Provision for losses on inventories and guarantees	-	-	2,009	2,541
Tax losses and social contribution losses carried forward	-	-	57,974	53,794
Present value adjustments	1,575	1,802	2,656	2,592
Other	11,768	2,521	10,997	4,341
Net deferred income tax and social contribution	**19,320**	**16,954**	**72,797**	**63,507**

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

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

	Company	Consolidated
As at January 1 , 2016	**16,954**	**63,507**
Expenses in the income statement	(8,859)	(1,912)
Tax relating to other comprehensive income	11,225	11,225
Other	-	(23)
As at June 30 , 2016	**19,320**	**72,797**

9. Related parties

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

9.1. Balances with related parties

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

	Company	
Assets	**06/30/2016**	**12/31/2015**
TOTVS Brasília	901	1,921
TOTVS RO	-	32
Ciashop	1,463	1,550
PC Sistemas	-	119
	2,364	**3,622**
Liabilities		
TOTVS Serviços	(8,051)	(5,435)
TQTVD	(765)	(2,278)
TOTVS Nordeste	(502)	(2,808)
TOTVS Ventures	(4,502)	(4,502)
TOTVS RO	(350)	-
PC Sistemas	(27)	-
	(14,197)	**(15,023)**

The amounts relate to accounts payable and receivable among subsidiaries, without remuneration and/or stated maturity. There was no purchases and sales or provisions of services among the subsidiaries or between the subsidiaries and the parent company in the period. The receivables are related to loan transactions.

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9.2. Transactions or relationships with shareholders and key management personnel

a) Shareholders

The Company has property lease agreements with companies, some of which are owned by shareholders of TOTVS. Rental paid was R$4,448 for the period ended June 30, 2016 (R$ 4,502 for the period ended June 30, 2015), which is in line with market rates. The rental agreements are effective for 60 months, and are adjusted by the General Price Index – Market rate every 12 months.

In addition to these lease agreements, the Company signed an agreement with VIP VII – Empreendimentos e Participações Ltda., a company formed by some shareholders and also direct and indirect members of TOTVS' Board of Directors, that is, a related party of the group, to build and lease the new head office, with the purpose of integrating the company's facilities in the city of São Paulo, for at least ten years from the date of delivery, which is expected in March 2017. The estimated amount for the payment of rents in the first ten years is R$206,266, agreed under usual market conditions. Further information about this contract is available in the press release issued on October 16, 2013.

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

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

b) Key management personnel

Itaú Unibanco is a related party to the Company through one of the independent members on its Board of Directors. Amounts and transactions involving the companies of the Itaú Unibanco Group on June 30, 2016 corresponded to R$21,524 (R$29,156 on December 31, 2015) of financial investments, R$821 (R$817 on June 30, 2015) related to contracts of guarantee, stock management, insurance policies and other matters, and R$3,974 (R$4,225 on June 30, 2015) related to contracts for the transfer of the rights to use systems and technical support provided by TOTVS. All contracts are in accordance with usual market conditions.

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

9.3. Management fees

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

(A free translation of the original in Portuguese)

	Company		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Short-term benefits to employees				
Salaries, fees and payroll charges	6,240	6,553	7,938	8,603
Private pension plan	228	198	240	205
Variable bonuses	690	616	944	730
	7,158	7,367	9,122	9,538
Share-based payments	(887)	1,474	(887)	1,474
	6,271	**8,841**	**8,235**	**11,012**

10. Investments

The breakdown of investments in subsidiaries is shown below:

	Summarized financial statements of affiliate companies, subsidiaries and associates as at June 30, 2016					Equity pick-up (parent company) for periods ended:		Balance of investments as at:	
	Assets	Liabilities	Equity	Gross revenue	P&L for the period	06/30/2016	06/30/2015	06/30/2016	12/31/2015
TOTVS Serviços	15,131	(7,965)	23,096	9,735	2,467	2,467	4,258	23,096	20,629
TOTVS Nordeste	101,635	32,012	69,623	3,513	(995)	(995)	125	69,623	72,618
TOTVS Brasília	158,822	35,460	123,362	3,597	4,445	4,445	3,171	123,362	117,538
TOTVS Argentina	11,649	3,896	7,753	13,133	(22)	(22)	9	7,753	10,994
TOTVS México	12,683	3,413	9,270	8,051	(4,835)	(4,835)	(4,757)	9,270	953
TQTVD	17,595	786	16,809	4,577	(59)	(59)	461	16,809	16,868
TOTVS Inc.	65,440	321	65,119	216	(4,736)	(4,736)	(4,107)	65,119	80,370
Datasul Argentina	226	-	226	-	(6)	(6)	1	226	325
TOTVS Agroindústria (a)	-	-	-	-	-	-	(607)	-	-
P2RX (a)	-	-	-	-	-	-	77	-	-
TOTVS RO	2,968	1,917	1,051	10,953	1,498	1,498	(156)	1,051	1,745
TOTVS Ventures	6,394	(4,501)	10,895	-	(235)	(235)	5,272	10,895	11,130
Ciashop (c)	1,665	2,764	(1,099)	3,653	(504)	(1,300)	(1,154)	9,172	10,117
Virtual Age (c)	20,431	4,241	16,190	24,211	3,658	929	(5,582)	78,405	77,476
Neolog (b) (c)	2,185	1,825	360	3,426	(380)	(1,257)	91	23,062	24,319
Bematech (b) (c)	630,442	184,729	445,713	231,143	5,618	702	-	542,012	556,391
						(3,404)	**(2,898)**	**979,855**	**1,001,473**

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

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

	12/31/2015	Additions	Dividends	Equity Pick-up	Exchange variation	Reclassification	06/30/2016
TOTVS Serviços	20,629	-	-	2,467	-	-	23,096
TOTVS Nordeste	72,618	-	(2,000)	(995)	-	-	69,623
TOTVS Brasília	117,538	5,579	(4,200)	4,445	-	-	123,362
TOTVS Argentina	10,994	1,565	-	(22)	(4,784)	-	7,753
TOTVS México	953	11,553	-	(4,835)	1,599	-	9,270
TQTVD	16,868	-	-	(59)	-	-	16,809
TOTVS Inc.	80,370	4,307	-	(4,736)	(14,822)	-	65,119
Datasul Argentina	325	-	-	(6)	(93)	-	226
TOTVS RO	1,745	-	(2,192)	1,498	-	-	1,051
TOTVS Ventures	11,130	-	-	(235)	-	-	10,895
Ciashop	10,117	170	-	(1,300)	-	185	9,172
Virtual Age	77,476	-	-	929	-	-	78,405
Neolog	24,319	-	-	(1,257)	-	-	23,062
Bematech	556,391	-	-	702	(15,081)	-	542,012
Sum of Investiments	**1,001,473**	**23,174**	**(8,392)**	**(3,404)**	**(33,181)**	**185**	**979,855**
Ciashop	(584)	-	-	-	-	(185)	(769)
Sum of provision for losses	**(584)**	**-**	**-**	**-**	**-**	**(185)**	**(769)**
Net investments	**1,000,889**	**23,174**	**(8,392)**	**(3,404)**	**(33,181)**	**-**	**979,086**

(A free translation of the original in Portuguese)

11. Property, plant and equipment

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

	Company					
	Computers and software	**Vehicles**	**Furniture and fixtures**	**Facilities, machinery and equipment**	**Other**	**Total property, plant and equipment**
Cost or valuation						
Balance as at December 31, 2014	88,762	6,048	12,547	15,489	29,027	151,873
Additions	25,905	3,325	553	300	11,960	42,043
Merger	85	-	-	24	-	109
Write-offs	(1,907)	(2,415)	(133)	(13)	(1,837)	(6,305)
Balances as at December 31, 2015	**112,845**	**6,958**	**12,967**	**15,800**	**39,150**	**187,720**
Additions	5,734	2,705	100	569	8,632	17,740
Write-offs (*)	(22,484)	(2,168)	(1,411)	(795)	(45)	(26,903)
Balance as at June 30, 2016	**96,095**	**7,495**	**11,656**	**15,574**	**47,737**	**178,557**
Depreciation						
Balance as at December 31, 2014	(57,893)	(2,166)	(6,146)	(6,197)	(12,747)	(85,149)
Depreciation during the period	(13,092)	(1,363)	(1,089)	(1,398)	(4,309)	(21,251)
Write-offs	1,808	1,424	119	2	1,562	4,915
Balance as at December 31, 2015	**(69,177)**	**(2,105)**	**(7,116)**	**(7,593)**	**(15,494)**	**(101,485)**
Depreciation during the period	(7,364)	(707)	(501)	(717)	(2,156)	(11,445)
Write-offs (*)	22,037	1,045	1,304	800	37	25,223
Balance as at June 30, 2016	**(54,504)**	**(1,767)**	**(6,313)**	**(7,510)**	**(17,613)**	**(87,707)**
Net book value						
Balance as at June 30, 2016	**41,591**	**5,728**	**5,343**	**8,064**	**30,124**	**90,850**
Balance as at December 31, 2015	**43,668**	**4,853**	**5,851**	**8,207**	**23,656**	**86,235**
Average annual depreciation rate	20%	20%	10%	10% to 20%	5% to 47%	

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	Consolidated					
	Computers and software	**Vehicles**	**Furniture and fixtures**	**Facilities, machinery and equipment**	**Other**	**Total property, plant and equipment**
Cost or valuation						
Balance as at December 31, 2014	100,421	7,998	15,752	18,032	33,521	175,724
Additions	27,525	4,363	1,225	1,024	13,387	47,524
Acquisitions of subsidiaries	5,123	128	1,709	6,143	1,691	14,794
Write-offs	(2,716)	(2,608)	(243)	(638)	(2,552)	(8,757)
Exchange rate variations	826	156	200	92	284	1,558
Balance as at December 31, 2015	**131,179**	**10,037**	**18,643**	**24,653**	**46,331**	**230,843**
Additions	6,220	3,271	323	1,383	9,216	20,413
Write-offs (*)	(22,600)	(3,078)	(1,537)	(1,005)	(366)	(28,586)
Exchange rate variations	(1,075)	(144)	(309)	(304)	(414)	(2,246)
Balance as at June 30, 2016	**113,724**	**10,086**	**17,120**	**24,727**	**54,767**	**220,424**
Depreciation						
Balance as at December 31, 2014	(64,833)	(2,969)	(7,441)	(7,219)	(14,141)	(96,603)
Depreciation during the year	(15,446)	(1,862)	(1,546)	(2,180)	(5,390)	(26,424)
Write-offs	2,441	1,536	214	46	2,212	6,449
Exchange variations	(402)	(70)	(100)	(38)	(57)	(667)
Balance as at December 31, 2015	**(78,240)**	**(3,365)**	**(8,873)**	**(9,391)**	**(17,376)**	**(117,245)**
Depreciation during the period	(9,097)	(946)	(902)	(2,191)	(2,921)	(16,057)
Write-offs (*)	22,270	1,623	1,387	916	169	26,365
Exchange rate variations	684	57	180	316	175	1,412
Balance as at June 30, 2016	**(64,383)**	**(2,631)**	**(8,208)**	**(10,350)**	**(19,953)**	**(105,525)**
Net book value						
Balance as at June 30, 2016	**49,341**	**7,455**	**8,912**	**14,377**	**34,814**	**114,899**
Balance as at December 31, 2015	**52,939**	**6,672**	**9,770**	**15,262**	**28,955**	**113,598**
Average annual depreciation rate	20%	20%	10%	10% to 20%	5% to 47%	

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

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12. Intangible assets

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

	Company					
	Software	**Trademarks & patents**	**Client portfolio**	**Other**	**Goodwill**	**Total intangible assets**
Cost/valuation						
Balance as at December 31, 2014	196,069	63,149	208,969	16,337	368,025	852,549
Additions	41,039	-	-	-	-	41,039
Merger	188	-	-	-	-	188
Reclassification	-	-	-	-	(134,214)	(134,214)
Balance as at December 31, 2015	**237,296**	**63,149**	**208,969**	**16,337**	**233,811**	**759,562**
Additions	14,592	-	-	-	-	14,592
Write-offs	109	-	-	-	-	109
Balance as at June 30,2016	**251,997**	**63,149**	**208,969**	**16,337**	**233,811**	**774,263**
Amortization						
Balance as at December 31, 2014	(120,328)	(27,020)	(136,113)	(13,496)	(134,214)	(431,171)
Amortization in the year	(22,154)	(4,201)	(21,634)	(1,654)	-	(49,643)
Reclassification	-	-	-	-	134,214	134,214
Balance as at December 31, 2015	**(142,482)**	**(31,221)**	**(157,747)**	**(15,150)**	**-**	**(346,600)**
Amortization during the period	(12,036)	(2,100)	(10,751)	(524)	-	(25,411)
Write-offs	(9)	-	-	(1)	-	(10)
Balance as at June 30,2016	**(154,527)**	**(33,321)**	**(168,498)**	**(15,675)**	**-**	**(372,021)**
Net book value						
Balance as at June 30,2016	**97,470**	**29,828**	**40,471**	**662**	**233,811**	**402,242**
Balance as at December 31, 2015	**94,814**	**31,928**	**51,222**	**1,187**	**233,811**	**412,962**
Average annual amortization rates	10% to 20%	6.7% to 8%	10% to 12.5%	10% to 50%		

	Consolidated					
	Software	Trademarks & patents	Client portfolio	Other	Goodwill	Total intangible assets
Cost/valuation						
Balance as at December 31, 2014	216,687	74,570	236,071	45,004	551,369	1,123,701
Additions	43,048	148	-	3	414,216	457,415
Allocation of intangible assets	30,949	20,597	113,275	3,449	(168,270)	-
Acquisitions of subsidiaries	53,446	5,031	11,561	-	-	70,038
Write-offs	(1,759)	(3)	-	721	(3,973)	(5,014)
Reclassification	-	-	-	-	(134,299)	(134,299)
Exchange rate variations	388	71	(12)	444	-	891
Balance as at December 31, 2015	**342,759**	**100,414**	**360,895**	**49,621**	**659,043**	**1,512,732**
Additions	16,844	66	-	-	-	16,910
Write-offs	(30)	-	-	-	-	(30)
Exchange rate variations	(325)	(1,133)	(68)	(89)	(7,822)	(9,437)
Balance as at June 30,2016	**359,248**	**99,347**	**360,827**	**49,532**	**651,221**	**1,520,175**
Amortization						
Balance as at December 31, 2014	(127,731)	(31,456)	(144,245)	(33,884)	(134,299)	(471,615)
Amortization during the year	(35,112)	(7,356)	(27,500)	(7,268)	-	(77,236)
Write-offs	1,090	3	-	(238)	-	855
Reclassification	-	-	-	-	134,299	134,299
Exchange rate variations	(19)	(18)	12	2	-	(23)
Balance as at December 31, 2015	**(161,772)**	**(38,827)**	**(171,733)**	**(41,388)**	**-**	**(413,720)**
Amortization during the period	(22,519)	(4,074)	(17,987)	(2,342)	-	(46,922)
Write-offs	70	-	-	-	-	70
Exchange rate variations	291	364	68	89	-	812
Balance as at June 30,2016	**(183,930)**	**(42,537)**	**(189,652)**	**(43,641)**	**-**	**(459,760)**
Net book value						
Balance as at June 30,2016	**175,318**	**56,810**	**171,175**	**5,891**	**651,221**	**1,060,415**
Balance as at December 31, 2015	**180,987**	**61,587**	**189,162**	**8,233**	**659,043**	**1,099,012**
Average annual amortization rate	10% to 20%	6.7% to 8%	10% to 12.5%	10% to 50%		

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

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

12.1. Changes in goodwill

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

Goodwill	12/31/2015	Exchange rate variations	06/30/2016
RM	90,992	-	90,992
Logo Center	5,703	-	5,703
TOTVS BMI	2,053	-	2,053
Midbyte	1,765	-	1,765
IOSSTS	2,643	-	2,643
BCS	11,821	-	11,821
Datasul	30,084	-	30,084
Setware	961	-	961
Hery	2,927	-	2,927
TotalBanco	6,008	-	6,008
M2S	12	-	12
SRC	33,688	-	33,688
Mafipa	1,195	-	1,195
Gens FDES	16,340	-	16,340
W&D	64,070	-	64,070
TOTVS Agroindústria	13,128	-	13,128
RMS	35,740	-	35,740
Seventeen	15,463	-	15,463
Ciashop	4,465	-	4,465
Virtual Age	46,497	-	46,497
Neolog	12,565	-	12,565
Bematech (*)	260,923	(7,822)	253,101
	659,043	**(7,822)**	**651,221**

(*) Exchange variation of goodwill in international subsidiary.

12.2. Asset impairment tests

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

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13. Payroll and labor obligations

Salaries and charges payable balances are broken down as follows:

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Labor liabilities				
Salaries payable	22,868	17,666	26,399	20,281
Pension plan payables	561	721	595	763
Vacation payables	53,295	51,071	71,961	69,686
Profit-sharing and bonuses	3,303	8,677	5,823	11,193
13th month salary	17,751	-	23,929	-
Other	8,409	13,236	10,332	18,274
	106,187	**91,371**	**139,039**	**120,197**
Payroll liabilities				
FGTS payable	3,295	3,965	4,236	5,294
INSS payable	4,313	3,854	7,702	7,661
	7,608	**7,819**	**11,938**	**12,955**
Total	**113,795**	**99,190**	**150,977**	**133,152**

14. Loans and financing

Loans and financing are as follows:

		Company		Consolidated	
	Annual financial charges	06/30/2016	12/31/2015	06/30/2016	12/31/2015
BNDES PROSOFT	TJLP + 1.5 to 1.52%p.a.	504,223	575,877	526,013	594,285
BNDES PSI	3.5% to 4.0% p.a.	48,792	56,116	64,155	69,194
BNDES – Social	TJLP	2,786	3,182	2,786	3,182
BNDES Inovação	TJLP + 0.52% p.a.	-	-	5,979	5,053
BNDES EXIM Banco do Brasil	5.5% to 8% p.a.	-	-	1,989	2,457
BNDES Internacionalização	UMBND + 1.82% p.a.	-	-	808	2,380
FINAME	7%p.a.	-	-	1,216	697
Overdrafts and other		-	-	895	1,061
		555,801	**635,175**	**603,841**	**678,309**
Current liabilities		150,512	168,643	165,498	177,514
Non-current liabilities		405,289	466,532	438,343	500,795

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

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
2017	143,043	164,658	148,015	175,713
2018	143,043	164,658	153,994	173,642
2019	119,203	137,216	130,154	146,200
2020	-	-	6,180	5,240
Non-current liabilities	**405,289**	**466,532**	**438,343**	**500,795**

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

	06/30/2016	
	Company	Consolidated
Balance at the beginning of the period	635,175	678,309
Additions	-	6,935
Interest rates	24,597	26,209
Repayments	(103,971)	(107,612)
Balance at the end of the period	**555,801**	**603,841**

15. Debentures

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

				Company		Consolidated	
Issue	Debentures	Annual financial charges	Unit price	06/30/2016	12/31/2015	06/30/2016	12/31/2015
1st series	40,000	IPCA + 3.5% limited to TJLP + 1.5%	0.60	25,851	24,737	25,851	24,737
2st series	40,000	TJLP + 1.5%	0.60	24,781	24,737	24,781	24,737
Sole series	450	CDI + 2.25%	100.00	-	-	37,205	45,384
		Subtotal		50,632	49,474	87,837	94,858
		Premium due to non-conversion		54,842	49,428	54,842	49,428
		Total		**105,474**	**98,902**	**142,679**	**144,286**
		Current liabilities		50,633	49,473	60,380	61,915
		Non-current liabilities		54,841	49,429	82,299	82,371

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

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
August 2017	27,421	24,714	32,913	35,688
August 2018	27,420	24,715	38,403	35,689
August 2019	-	-	10,983	10,994
	54,841	**49,429**	**82,299**	**82,371**

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

	Company	Consolidated
Debentures and premiums on non-conversion	**06/30/2016**	**06/30/2016**
Balance at the beginning of the year	98,902	144,286
Interest rates	7,609	10,597
Repayments	(1,037)	(9,788)
Debenture repurchase	-	(2,416)
Balance at the end of the period	**105,474**	**142,679**

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

16. Obligations relating to acquisitions

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

	Company		Consolidated	
	06/30/2016	**12/31/2015**	**06/30/2016**	**12/31/2015**
Datasul MG	3,016	2,884	3,016	2,884
Datasul Saúde MG	628	641	628	641
TotalBanco	103	99	103	99
Hery	564	545	564	545
SRC	210	196	210	196
Mafipa	1,254	1,174	1,254	1,174
Gens EDES	-	5,914	-	5,914
W&D Participações	-	-	33,487	31,365
Ciashop	920	1,186	920	1,186
RMS	-	-	31,651	29,639
TOTVS Agroindústria	5,065	4,742	5,065	4,742
Virtual Age	25,553	33,247	25,553	33,247
Seventeen	7,910	8,070	7,910	8,070
Neolog	13,309	12,859	13,309	12,859
RJ Participações	-	-	20,936	21,527
GSR7	-	-	-	1,724
Bematech Sistemas	-	-	6,605	14,680
	58,532	**71,557**	**151,211**	**170,492**
Current liabilities	38,849	24,492	98,987	82,220
Non-current liabilities	19,683	47,065	52,224	88,272

Installments registered in non-current liabilities mature as follows:

	Company		Consolidated	
Year	**06/30/2016**	**12/31/2015**	**06/30/2016**	**12/31/2015**
2017	13,567	41,258	19,097	55,184
2018 on ward	6,116	5,807	33,127	33,088
Non-current	**19,683**	**47,065**	**52,224**	**88,272**

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

	Company		Consolidated	
	06/30/2016	**12/31/2015**	**06/30/2016**	**12/31/2015**
Current securities	32,314	17,488	92,451	75,213
Non-current securities	5,889	28,780	16,964	39,534
Total	**38,203**	**46,268**	**109,415**	**114,747**

17. Provision for obligations relating to legal proceedings

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

	Company		Consolidated	
Provision for contingencies	**06/30/2016**	**12/31/2015**	**06/30/2016**	**12/31/2015**
Tax	1,412	1,323	13,190	12,965
Labor	43,082	40,070	47,911	45,466
Civil	30,588	28,999	33,273	32,076
	75,082	**70,392**	**94,374**	**90,507**

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

				Company
	Tax	**Labor**	**Civil**	**Total**
Balance as at December 31, 2015	**1,323**	**40,070**	**28,999**	**70,392**
(+) Additional provision	-	4,213	1,180	5,393
(+) Monetary restatement	89	2,501	2,804	5,394
(-) Reversal of provision	-	(1,547)	(766)	(2,313)
(-) Payment	-	(2,155)	(1,629)	(3,784)
Balance as at June 30, 2016	**1,412**	**43,082**	**30,588**	**75,082**

	Consolidated			
	Tax	**Labor**	**Civil**	**Total**
Balance as at December 31, 2015	**12,965**	**45,466**	**32,076**	**90,507**
(+) Additional provision	-	4,494	1,213	5,707
(+) Monetary restatement	473	2,845	3,195	6,513
(-) Reversal of provision	(105)	(2,430)	(1,394)	(3,929)
(-) Payment	(143)	(2,464)	(1,817)	(4,424)
Balance as at June 30, 2016	**13,190**	**47,911**	**33,273**	**94,374**

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

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

	Company		Consolidated	
	06/30/2016	**12/31/2015**	**06/30/2016**	**12/31/2015**
Judicial deposits				
Tax	5,674	5,557	14,130	13,723
Labor	21,765	17,119	23,524	19,282
Civil	3,915	9,012	5,574	10,402
	31,354	**31,688**	**43,228**	**43,407**

18. Contingent liabilities

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

	Company		Consolidated	
Type	**06/30/2016**	**12/31/2015**	**06/30/2016**	**12/31/2015**
Tax	93,599	79,204	137,270	97,861
Labor	79,808	69,022	93,320	76,717
Civil	266,010	237,312	278,674	248,788
	439,417	**385,538**	**509,264**	**423,366**

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

The change in tax contingencies is due to the reclassification of the risk of loss from remote to possible related to a tax assessment notice issued by the tax authorities requiring income tax and social contribution on the deemed ICMS credits arising from a government subsidy granted by the state of Paraná for the years 2009-2012

to the subsidiary Bematech. The referred change in the opinion of our legal counsel was due to the existence of judicial uncertainty, and the updated amount on June 30, 2016 was R$27,085.

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

19. Equity

a) Capital

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

	06/30/2016		12/31/2015	
Shareholder	**Shares**	**%**	**Shares**	%
LC EH Participações e Empreendimentos S/A	26,760,990	16.16%	26,760,990	16.16%
Fundação Petrobras de Seguridade Social - Petros	16,042,359	9.69%	16,042,359	9.69%
Genesis Asset Managers LLP	8,436,429	5.09%	8,436,429	5.09%
BNDES Participações S/A	7,444,986	4.49%	7,444,986	4.49%
Laércio José de Lucena Cosentino	1,910,618	1.15%	1,910,618	1.15%
Ernesto Mário Haberkorn	41,410	0.03%	38,810	0.02%
CSHG Senta Pua Fia	43,500	0.03%	43,500	0.03%
Other	102,614,660	61.95%	102,760,760	62.04%
Total shares outstanding	**163,294,952**	**98.59%**	**163,438,452**	**98.67%**
Treasury shares	2,342,775	1.41%	2,199,275	1.33%
Total shares	**165,637,727**	**100.00%**	**165,637,727**	**100.00%**

b) Capital reserves

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

	06/30/2016	12/31/2015
Goodwill reserve	99,260	99,260
Goodwill reserve for mergers	14,330	14,330
Premium on purchases from non-controlling interests	(25,518)	(25,518)
Debentures converted into shares	44,629	44,629
Stock option plans	25,843	26,512
	158,544	**159,213**

c) Treasury shares

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

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

	Number of shares (units)	Value (in thousand)	Average price per share (in reais)
Balance on December 31, 2015	**2,199,275**	**R$71,012**	**R$32.29**
Acquired	143,500	R$4,033	R$28.10
Used	-	-	-
Balance on June 30, 2016	**2,342,775**	**R$75,045**	**R$32.03**

20. Dividends and interest on equity

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

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

21. Insurance coverage

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

22. Share-based payment

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

On December 15, 2015, a new plan about shared-based payment was approved, and in the six months ended June 30, 2016, there were no grants. In this new plan, beneficiaries are entitled to restricted shares, which are divided into two programs:

(i) Restricted regular shares: the participants (employees and executive officers) should acquire the Company's shares with the use of 50% or 100% of the net amount received as a bonus, with reference

to the result for the prior year. Participants, who choose to apply 50% or 100% of the bonus to shares, will receive respectively, a corresponding 100% and 150% in number of restricted shares.

(ii) Shareholders program: the participants of this program will be elected by the Board of Directors based on performance evaluation and having invested 100% of the net amount received as a bonus to acquire restricted shares. In this program, the participants will receive, in addition to restricted regular shares, one matching in number of restricted shares that corresponding to 2/3 of the net amount received as a bonus, multiplied by certain percentage of individual goals in the previous fiscal year.

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

	Company and consolidated			
	06/30/2016		12/31/2015	
	Number (units)	Average cost (R$)	Number (units)	Average cost (R$)
Stock option balance at the beginning of the year	**1,048,340**	**33.36**	**1,732,518**	**32.14**
Breakdown:				
Acquisition of subsidiary	-	-	13,895	41.94
Exercised	-	-	(788,804)	29.80
Granted	-	-	296,805	31.09
Canceled	(100,178)	29.38	(206,074)	32.81
Expired	(18,920)	38.87	-	-
Stock option balance at the end of the year/period	**929,242**	**33.81**	**1,048,340**	**33.36**

The amount recorded for stock options in the six-month period ended June 30, 2016 was a credit of R$669 (R$2,193 as at June 30, 2015) due to the effect of cancellation of options for the loss of rights through non-fulfillment of conditions established at the date of the grant.

As at June 30, 2016, there were 466,216 exercisable options, since the 36-month terms of grants had already elapsed.

(A free translation of the original in Portuguese)

23. Finance income and expenses

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

	Company		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Finance income				
Short-term investment yield	17,281	38,876	25,290	43,662
Foreign exchange gains	1,048	797	3,861	1,255
Discounts obtained	2,368	2,811	2,694	3,061
Adjustments to present value	3,228	3,066	3,228	3,066
Interest received	1,263	708	2,452	933
Other financial income	701	546	772	7,753
	25,889	**46,804**	**38,297**	**59,730**
Finance expenses				
Interest rate paid or incurred	(35,627)	(27,796)	(44,779)	(30,274)
Foreign exchange losses	(5,890)	(496)	(9,128)	(866)
Bank commission and expenses	(2,294)	(2,161)	(3,558)	(2,361)
Discounts granted	(268)	(369)	(1,409)	(575)
Other finance expenses	(760)	(657)	(2,681)	(1,756)
	(44,839)	**(31,479)**	**(61,555)**	**(35,832)**
Net finance income (expenses)	**(18,950)**	**15,325**	**(23,258)**	**23,898**

24. Private pension plan – defined contribution

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

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

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

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

25. Earnings per share

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

	Company and consolidated	
	06/30/2016	06/30/2015
Basic earnings per share		
Numerator		
Net income for the period assigned to the Company's shareholders	87,778	131,794
Denominator (in thousands of shares)		
Weighted average number of common shares outstanding	163,295	162,305
Basic earnings per share	**0.54**	**0.81**

	Company and consolidated	
	06/30/2016	06/30/2015
Diluted earnings per share		
Numerator		
Net income for the period assigned to the Company's shareholders	87,778	131,794
Denominator (in thousands of shares)		
Weighted average number of common shares outstanding		
Dilutive effect	163,295	162,305
• Stock options	935	1,721
Weighted average number of common shares adjusted according to dilutive effect	164,230	164,026
Diluted earnings per share	**0.53**	**0.80**

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

26. Expenses by nature

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

	Company		Consolidated	
Nature	**06/30/2016**	**06/30/2015**	**06/30/2016**	**06/30/2015**
Salaries, benefits and payroll charges	290,186	277,986	409,849	345,233
Services and other inputs	196,616	185,371	347,133	217,054
Commissiom	59,875	69,864	71,041	77,698
Depreciation and amortization	36,856	35,000	62,979	49,772
Rental	12,108	11,525	19,832	15,249
Allowance for doubtful accounts	11,650	14,078	14,953	15,744
Other	14,771	14,108	22,023	17,364
Total	**622,062**	**607,932**	**947,810**	**738,114**

27. Gross sales revenue

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

	Company		Consolidated	
	06/30/2016	**06/30/2015**	**06/30/2016**	**06/30/2015**
Gross revenue	**879,413**	**863,643**	**1,260,008**	**1,002,886**
License fees	86,560	123,882	109,721	143,682
Services	249,283	245,528	326,102	301,222
Subscription	60,052	44,432	119,503	67,294
Maintenance	483,518	449,801	565,739	490,688
Hardware	-	-	138,943	-
Deductions	**(114,115)**	**(81,164)**	**(163,675)**	**(92,563)**
Cancelations of sales	(17,915)	(9,824)	(23,469)	(11,663)
Sales tax	(96,200)	(71,340)	(140,206)	(80,900)
Net revenue	**765,298**	**782,479**	**1,096,333**	**910,323**

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(A free translation of the original in Portuguese)

Report on review of quarterly information

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

Introduction

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

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

Scope of review

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

Conclusion on the parent company interim information

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

(A free translation of the original in Portuguese)

Conclusion on the consolidated interim information

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

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2016. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

São Paulo August 1, 2016.

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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