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TOTVS S.A.

Quarterly information (ITR) at June 30, 2012 and report on review of quarterly information

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., included in the Quarterly Information Form (ITR) for the quarter ended June 30, 2012, comprising the balance sheet at that date and the statements of income, comprehensive income for the quarter and six-month periods then ended, and the statements of changes in equity and cash flow 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, issued by the Brazilian Accounting Pronouncements Committee (CPC), 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 narrower in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing, and consequently does not enable us to obtain assurances that we would become aware of all significant matters that might have 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.

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

Statement of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2012. This statement is the responsibility of the Company's management, and is required to be presented in accordance with the standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) but is considered supplementary information under IFRS, which does not require the presentation of the statement of value added. This statement has 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.

Financial statements for the prior period audited and/or reviewed by the previous independent auditor

The audit of the financial statements for the year ended December 31, 2011, as well as the limited review of the interim financial statements for the quarter and six-month period ended June 30, 2011, presented for comparison purposes, were carried out by another firm of auditors, whose independent auditor's report and report on limited review dated January 30, 2012 and July 25, 2011, respectively, expressed an unqualified opinion on those statements.

São Paulo, July 24, 2012.

PricewaterhouseCoopers
Auditores Independentes

CRC 2SP000160/O-5

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

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Company information / Capital composition

Number of shares (In thousands)	Current quarter 6/30/2012
Paid-up capital	
Common shares	160,270,272
Preferred shares	0
Total	160,270,272
Treasury shares	
Common shares	0
Preferred shares	0
Total	0

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Parent company financial statements / balance sheet - assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2012	Prior year 12/31/2011
1	Total assets	1,321,595	1,309,475
1.01	Current assets	540,564	494,938
1.01.01	Cash and cash equivalents	255,185	221,898
1.01.02	Financial investments	27,966	28,354
1.01.02.01	Financial investments at fair value	27,966	28,354
1.01.02.01.03	Securities	27,966	28,354
1.01.03	Trade receivables	228,950	213,531
1.01.03.01	Customers	228,950	213,531
1.01.03.01.01	Trade receivables	260,231	234,837
1.01.03.01.02	Provision for impairment of trade receivables	-31,281	-21,306
1.01.06	Taxes recoverable	9,217	23,434
1.01.08	Other current assets	19,246	7,721
1.01.08.03	Other	19,246	7,721
1.01.08.03.02	Other assets	19,246	7,721
1.02	Non-current assets	781,031	814,537
1.02.01	Long-term receivables	105,772	107,146
1.02.01.01	Financial investments at fair value	26,180	28,853
1.02.01.01.03	Securities	26,180	28,853
1.02.01.03	Trade receivables	35,746	29,926
1.02.01.03.01	Customers	28,455	20,451
1.02.01.03.02	Other receivables	7,291	9,475
1.02.01.06	Deferred taxes	30,881	25,786
1.02.01.06.01	Deferred income tax and social contribution	30,881	25,786
1.02.01.08	Receivables from related parties	7,858	18,122
1.02.01.08.02	Receivables from subsidiaries	7,858	18,122
1.02.01.09	Other non-current assets	5,107	4,459
1.02.01.09.03	Judicial deposits	5,107	4,459
1.02.02	Investments	122,620	137,599
1.02.02.01	Equity investments	122,620	137,599
1.02.02.01.02	Interests in subsidiaries	122,620	137,599
1.02.03	Property, plant and equipment	49,911	52,194
1.02.03.01	Property, plant and equipment in service	49,911	52,194
1.02.04	Intangible assets	502,728	517,598
1.02.04.01	Intangible assets	502,728	517,598

(A free translation of the original in Portuguese)

Parent company financial statements / balance sheet - liabilities and equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2012	Prior year 12/31/2011
2	Total liabilities	1,321,595	1,309,475
2.01	Current liabilities	267,187	289,057
2.01.01	Social and labor obligations	79,974	60,792
2.01.01.01	Social obligations	8,074	9,441
2.01.01.02	Labor obligations	71,900	51,351
2.01.02	Trade payables	14,894	13,051
2.01.02.01	Trade payables - local suppliers	14,894	13,051
2.01.03	Tax obligations	7,937	2,712
2.01.03.01	Federal tax obligations	7,937	2,712
2.01.04	Borrowings	90,105	97,597
2.01.04.01	Borrowings	48,165	58,043
2.01.04.01.01	In local currency	48,165	58,043
2.01.04.02	Debentures	41,940	39,385
2.01.04.03	Operating lease financing	0	169
2.01.05	Other liabilities	74,277	114,905
2.01.05.02	Other	74,277	114,905
2.01.05.02.01	Dividends and interest on capital payable	488	40,470
2.01.05.02.04	Obligations for purchases of investments	32,931	31,477
2.01.05.02.05	Commissions payable	39,044	41,117
2.01.05.02.06	Other liabilities	1,814	1,841
2.02	Non-current liabilities	255,864	270,551
2.02.01	Borrowings	219,153	234,002
2.02.01.01	Borrowings	85,166	102,799
2.02.01.01.01	In local currency	85,166	102,799
2.02.01.02	Debentures	133,987	131,203
2.02.02	Other liabilities	29,388	32,013
2.02.02.02	Other	29,388	32,013
2.02.02.02.03	Obligations for purchases of investments	29,388	32,013
2.02.04	Provisions	7,323	4,536
2.02.04.01	Tax, social security, labor and civil provisions	5,315	2,588
2.02.04.01.01	Tax provisions	656	686
2.02.04.01.02	Social security and labor provisions	3,946	1,281
2.02.04.01.04	Civil provisions	713	621
2.02.04.02	Other provisions	2,008	1,948
2.02.04.02.04	Provision for losses on investments	2,008	1,948
2.03	Equity	798,544	749,867
2.03.01	Paid-up capital	449,920	443,702
2.03.02	Capital reserves	80,880	76,275
2.03.02.02	Special goodwill reserve on merger	14,330	14,330
2.03.02.04	Share options	21,275	16,670
2.03.02.07	Goodwill reserve	31,557	31,557
2.03.02.08	Debentures converted into shares	13,718	13,718
2.03.04	Revenue reserves	270,259	232,448
2.03.04.01	Legal reserve	32,190	27,330
2.03.04.05	Profit retention reserve	263,587	230,636
2.03.04.10	Goodwill on purchase of non-controlling interest	-25,518	-25,518
2.03.06	Carrying value adjustments	-2,515	-2,558

(A free translation of the original in Portuguese)

Parent company financial statements / statement of income

(R$ thousand)

1 - Code	2 - Description	Current quarter 4/1/2012 to 6/30/2012	Accumulated - current period 1/1/2012 to 6/30/2012	Same quarter of prior year 4/1/2011 to 6/30/2011	Accumulated - prior year 1/1/2011 to 6/30/2011
3.01	Sales and/or services revenue	300,745	587,881	253,588	504,672
3.01.01	Licensing fees	65,380	131,523	55,224	118,410
3.01.02	Services	73,083	134,201	53,789	103,410
3.01.03	Maintenance	162,282	322,157	144,575	282,852
3.02	Cost of sales and/or services	-90,057	-178,621	-66,959	-130,615
3.02.01	Cost of licensing fees	-14,346	-25,654	-7,562	-18,666
3.02.02	Cost of services	-75,711	-152,967	-59,397	-111,949
3.03	Gross profit	210,688	409,260	186,629	374,057
3.04	Operating income (expenses)	-142,410	-275,739	-134,543	-268,177
3.04.01	Selling expenses	-16,116	-31,808	-14,938	-28,476
3.04.02	General and administrative expenses	-19,622	-36,537	-14,771	-31,432
3.04.05	Other operating expenses	-107,556	-219,783	-106,180	-202,862
3.04.05.01	Research and development	-34,340	-71,200	-34,988	-67,648
3.04.05.02	Advertising expenses	-8,880	-14,138	-8,666	-12,466
3.04.05.03	Commissions	-30,769	-64,329	-33,350	-63,762
3.04.05.04	Management fees	-8,288	-20,389	-8,160	-16,343
3.04.05.05	Depreciation and amortization	-19,596	-38,811	-19,621	-38,160
3.04.05.06	Provision for impairment of trade receivables	-5,170	-10,491	-1,267	-4,315
3.04.05.08	Other operating expenses, net	-513	-425	-128	-168
3.04.06	Equity in the results of subsidiaries	884	12,389	1,346	-5,407
3.05	Profit before finance result and taxes	68,278	133,521	52,086	105,880
3.06	Finance result	-1,321	-1,549	-8,033	-17,081
3.06.01	Finance income	8,519	17,672	6,427	14,973
3.06.02	Finance costs	-9,840	-19,221	-14,460	-32,054
3.07	Profit before taxes on income	66,957	131,972	44,053	88,799
3.08	Income tax and social contribution on net income	-19,670	-34,765	-7,902	-19,658
3.08.01	Current	-20,484	-38,832	-5,940	-15,986
3.08.02	Deferred	814	4,067	-1,962	-3,672
3.09	Profit for the period from continuing operations	47,287	97,207	36,151	69,141
3.11	Profit for the period	47,287	97,207	36,151	69,141
3.99	Earnings per share - (reais / share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common share	0.34000	0.61000	0.23000	0.44000
3.99.02	Diluted earnings per share				
3.99.02.01	Common share	0.33000	0.59000	0.22000	0.42000

Parent company financial statements / statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Current quarter 4/1/2012 to 6/30/2012	Accumulated - current period 1/1/2012 to 6/30/2012	Same quarter of prior year 4/1/2011 to 6/30/2011	Accumulated - prior year 1/1/2011 to 6/30/2011
4.01	Profit for the period	47,287	97,207	36,151	69,141
4.02	Other comprehensive income	174	43	203	412
4.02.01	Exchange variation on investment abroad	263	65	307	624
4.02.02	Deferred income tax	-89	-22	-104	-212
4.03	Comprehensive income for the period	47,461	97,250	36,354	69,553

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Parent company financial statements / statement of cash flows - indirect method

(R$ thousand)

1 - Code	2 - Description	Accumulated - current period 1/1/2012 to 6/30/2012	Accumulated - prior year 1/1/2011 to 6/30/2011
6.01	Net cash provided by operating activities	158,471	147,226
6.01.01	Cash provided by operations	155,555	146,188
6.01.01.01	Profit for the period	97,207	69,141
6.01.01.02	Depreciation and amortization	38,812	38,160
6.01.01.03	Share-based payment	4,605	4,785
6.01.01.04	Gains on sale of permanent assets	7,453	1,128
6.01.01.05	Provision for impairment of trade receivables	10,491	4,315
6.01.01.06	Deferred income tax and social contribution	-4,067	3,672
6.01.01.07	Equity in the results of subsidiaries	-12,389	5,407
6.01.01.08	Interest, monetary and exchange variations, net	10,716	20,806
6.01.01.09	Loss on investments	0	250
6.01.01.10	Provision for (reversal of) contingencies	2,727	-1,476
6.01.02	Changes in assets and liabilities	2,916	1,038
6.01.02.01	Trade receivables	-33,914	-32,319
6.01.02.02	Dividends received	9,510	3,250
6.01.02.03	Other assets	4,876	5,042
6.01.02.04	Judicial deposits	-648	1,817
6.01.02.05	Social and labor obligations	19,182	13,564
6.01.02.06	Trade payables	1,843	651
6.01.02.07	Commissions payable	-2,073	7,019
6.01.02.08	Taxes payable	5,225	1,111
6.01.02.09	Other payables	-1,085	903
6.02	Net cash used in investing activities	-9,234	-71,626
6.02.02	Purchase of investments	-9,874	-28,212
6.02.03	Purchase of intangible assets in cash	0	-666
6.02.04	Obligations for purchases of investments/intangible assets	-4,172	-21,106
6.02.05	Securities	3,061	-3,865
6.02.06	Merger of intangibles assets	-15,014	0
6.02.07	Decrease in investments due to disposal or merger of subsidiary	27,863	0
6.02.08	Purchase of property, plant and equipment	-11,098	-17,777
6.03	Net cash used in financing activities	-115,950	-109,979
6.03.01	Bank borrowings	-32,888	-36,475
6.03.02	Credits from borrowings	0	12,471
6.03.03	Dividends paid	-99,375	-87,068
6.03.04	Operating lease liabilities	-169	-1,251
6.03.05	Payment of capital	6,218	2,344
6.03.06	Receivables from related parties	10,264	0
6.05	Increase (decrease) in cash and cash equivalents	33,287	-34,379
6.05.01	Cash and cash equivalents at the beginning of the period	221,898	177,275
6.05.02	Cash and cash equivalents at the end of the period	255,185	142,896

(A free translation of the original in Portuguese)

Parent company financial statements / statement of changes in equity - 1/1/2012 to 6/30/2012

(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	443,702	76,275	232,448	0	-2,558	749,867
5.03	Adjusted opening balances	443,702	76,275	232,448	0	-2,558	749,867
5.04	Capital transactions with owners	6,218	4,605	-59,396	0	0	-48,573
5.04.03	Share options recorded	0	4,605	0	0	0	4,605
5.04.06	Dividends	0	0	-59,396	0	0	-59,396
5.04.08	Debentures converted into shares	6,218	0	0	0	0	6,218
5.05	Total comprehensive income	0	0	0	97,207	43	97,250
5.05.01	Profit for the period	0	0	0	97,207	0	97,207
5.05.02	Other comprehensive income	0	0	0	0	43	43
5.05.02.04	Translation adjustments for the period	0	0	0	0	43	43
5.07	Closing balances	449,920	80,880	173,052	97,207	-2,515	798,544

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Parent company financial statements / statement of changes in equity - 1/1/2011 to 6/30/2011

(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	406,489	60,406	155,153	0	-2,186	619,862
5.03	Adjusted opening balances	406,489	60,406	155,153	0	-2,186	619,862
5.04	Capital transactions with owners	2,344	4,785	-54,285	0	0	-47,156
5.04.03	Share options recorded	2,344	4,785	0	0	0	7,129
5.04.06	Dividends	0	0	-54,285	0	0	-54,285
5.05	Total comprehensive income	0	0	0	68,435	-412	68,023
5.05.01	Profit for the period	0	0	0	68,435	0	68,435
5.05.02	Other comprehensive income	0	0	0	0	-412	-412
5.05.02.04	Translation adjustments for the period	0	0	0	0	-412	-412
5.07	Closing balances	408,833	65,191	100,868	68,435	-2,598	640,729

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Parent company financial statements / statement of value added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current period 1/1/2012 to 6/30/2012	Accumulated - prior year 1/1/2011 to 6/30/2011
7.01	Revenue	618,710	533,864
7.01.01	Sale of goods and services	629,337	538,347
7.01.02	Other expenses	-136	-168
7.01.04	Provision for (reversal of) impairment of trade receivables	-10,491	-4,315
7.02	Inputs acquired from third parties	-181,262	-165,104
7.02.01	Cost of sales and services	-25,712	-14,308
7.02.02	Materials, energy, outsourced services and other	-155,550	-150,796
7.03	Gross value added	437,448	368,760
7.04	Retentions	-38,811	-38,161
7.04.01	Depreciation, amortization and depletion	-38,811	-38,161
7.05	Net value added generated	398,637	330,599
7.06	Value added received through transfer	28,513	8,335
7.06.01	Equity in the results of subsidiaries	12,389	-5,408
7.06.02	Finance income	16,124	13,743
7.07	Total value added to distribute	427,150	338,934
7.08	Distribution of value added	427,150	338,934
7.08.01	Personnel	199,044	148,081
7.08.01.01	Direct remuneration	167,764	124,378
7.08.01.02	Benefits	18,775	14,202
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	12,505	9,501
7.08.02	Taxes and contributions	104,857	85,990
7.08.02.01	Federal	88,628	72,973
7.08.02.02	State	31	58
7.08.02.03	Municipal	16,198	12,959
7.08.03	Remuneration of third party capital	26,042	35,722
7.08.03.01	Interest	16,231	27,098
7.08.03.02	Rents	9,811	8,624
7.08.04	Remuneration of own capital	97,207	69,141
7.08.04.03	Profits reinvested	97,207	69,141

(A free translation of the original in Portuguese)

Consolidated financial statements / balance sheet - assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2012	Prior year 12/31/2011
1	Total assets	1,343,964	1,337,848
1.01	Current assets	651,956	621,340
1.01.01	Cash and cash equivalents	313,259	287,079
1.01.02	Financial investments	27,966	28,502
1.01.02.01	Financial investments at fair value	27,966	28,502
1.01.02.01.03	Securities	27,966	28,502
1.01.03	Trade receivables	271,126	263,282
1.01.03.01	Customers	271,126	263,282
1.01.03.01.01	Trade receivables	305,842	295,094
1.01.03.01.02	Provision for impairment of trade receivables	-34,716	-31,812
1.01.06	Taxes recoverable	15,643	30,267
1.01.06.01	Current taxes recoverable	15,643	30,267
1.01.08	Other current assets	23,962	12,210
1.01.08.03	Other	23,962	12,210
1.01.08.03.02	Other assets	23,962	12,210
1.02	Non-current assets	692,008	716,508
1.02.01	Long-term receivables	121,307	116,956
1.02.01.01	Financial investments at fair value	26,180	29,148
1.02.01.01.03	Securities	26,180	29,148
1.02.01.03	Trade receivables	39,302	33,981
1.02.01.03.01	Customers	30,917	23,361
1.02.01.03.02	Other receivables	8,385	10,620
1.02.01.06	Deferred taxes	50,718	49,368
1.02.01.06.01	Deferred income tax and social contribution	50,718	49,368
1.02.01.09	Other non-current assets	5,107	4,459
1.02.01.09.03	Judicial deposits	5,107	4,459
1.02.03	Property, plant and equipment	55,068	58,862
1.02.03.01	Property, plant and equipment in service	55,068	58,862
1.02.04	Intangible assets	515,633	540,690
1.02.04.01	Intangible assets	515,633	540,690

(A free translation of the original in Portuguese)

Consolidated financial statements / balance sheet - liabilities and equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2012	Prior year 12/31/2011
2	Total liabilities	1,343,964	1,337,848
2.01	Current liabilities	287,676	315,531
2.01.01	Social and labor obligations	90,555	72,985
2.01.01.01	Social obligations	9,200	11,120
2.01.01.02	Labor obligations	81,355	61,865
2.01.02	Trade payables	20,755	19,535
2.01.02.01	Trade payables - local suppliers	20,755	19,535
2.01.03	Tax obligations	9,381	6,544
2.01.03.01	Federal tax obligations	9,381	6,544
2.01.04	Borrowings	90,693	98,565
2.01.04.01	Borrowings	48,753	58,999
2.01.04.01.01	In local currency	48,753	58,999
2.01.04.02	Debentures	41,940	39,385
2.01.04.03	Lease financing	0	181
2.01.05	Other liabilities	76,292	117,902
2.01.05.02	Other	76,292	117,902
2.01.05.02.01	Dividends and interest on capital payable	488	40,470
2.01.05.02.04	Obligations for purchases of investments	32,931	31,625
2.01.05.02.05	Commissions payable	40,994	43,197
2.01.05.02.06	Other liabilities	1,879	2,610
2.02	Non-current liabilities	257,744	272,450
2.02.01	Borrowings	220,303	235,172
2.02.01.01	Borrowings	86,316	103,969
2.02.01.01.01	In local currency	86,316	103,969
2.02.01.02	Debentures	133,987	131,203
2.02.02	Other liabilities	32,126	34,690
2.02.02.02	Other	32,126	34,690
2.02.02.02.03	Obligations for purchases of investments	29,388	32,309
2.02.02.02.04	Other liabilities	2,738	2,381
2.02.04	Provisions	5,315	2,588
2.02.04.01	Tax, social security, labor and civil provisions	5,315	2,588
2.02.04.01.01	Tax provisions	656	686
2.02.04.01.02	Social security and labor provisions	3,946	1,281
2.02.04.01.04	Civil provisions	713	621
2.03	Consolidated equity	798,544	749,867
2.03.01	Paid-up capital	449,920	443,702
2.03.02	Capital reserves	55,362	50,757
2.03.02.02	Special reserve of goodwill on merger	14,330	14,330
2.03.02.04	Share options	21,275	16,670
2.03.02.07	Goodwill reserve	31,557	31,557
2.03.02.08	Debentures converted into shares	13,718	13,718
2.03.02.09	Goodwill on purchase of non-controlling interest	-25,518	-25,518
2.03.04	Revenue reserves	295,777	257,966
2.03.04.01	Legal reserve	32,190	27,330
2.03.04.05	Profit retention reserve	263,587	230,636
2.03.06	Carrying value adjustments	-2,515	-2,558

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of income

(R$ thousand)

1 - Code	2 - Description	Current quarter 4/1/2012 to 6/30/2012	Accumulated - current period 1/1/2012 to 6/30/2012	Same quarter of prior year 4/1/2011 to 6/30/2011	Accumulated - prior year 1/1/2011 to 6/30/2011
3.01	Sales and/or services revenue	349,980	701,065	315,196	620,214
3.01.01	Licensing fees	81,053	166,853	73,502	154,335
3.01.02	Services	101,659	202,119	92,252	173,847
3.01.03	Maintenance	167,268	332,093	149,442	292,032
3.02	Cost of sales and/or services	-112,460	-226,103	-100,948	-200,594
3.02.01	Costs of licensing fees	-14,648	-26,134	-8,544	-20,032
3.02.02	Cost of services	-97,812	-199,969	-92,404	-180,562
3.03	Gross profit	237,520	474,962	214,248	419,620
3.04	Operating expenses	-165,872	-332,303	-162,542	-316,369
3.04.01	Selling expenses	-21,359	-42,386	-22,632	-43,022
3.04.02	General and administrative expenses	-21,849	-42,389	-16,991	-36,127
3.04.05	Other operating expenses	-122,664	-247,528	-122,919	-237,220
3.04.05.01	Research and development	-42,568	-87,586	-44,518	-87,169
3.04.05.02	Advertising expenses	-9,664	-15,519	-9,281	-13,362
3.04.05.03	Commissions	-34,882	-70,174	-35,571	-68,134
3.04.05.04	Management remuneration	-8,628	-20,877	-8,763	-18,076
3.04.05.05	Depreciation and amortization	-21,058	-42,182	-21,424	-41,230
3.04.05.06	Provision for impairment of trade receivables	-5,387	-10,776	-3,221	-9,071
3.04.05.07	Other operating expenses	-477	-414	-141	-178
3.05	Profit before finance result and taxes	71,648	142,659	51,706	103,251
3.06	Finance result	-1,244	-143	-6,236	-14,388
3.06.01	Finance income	9,557	20,428	8,727	18,745
3.06.02	Finance costs	-10,801	-20,571	-14,963	-33,133
3.07	Profit before taxes on income	70,404	142,516	45,470	88,863
3.08	Income tax and social contribution on net income	-23,117	-45,309	-9,338	-19,168
3.08.01	Current	-23,558	-46,728	-10,465	-22,522
3.08.02	Deferred	441	1,419	1,127	3,354
3.09	Profit for the period from continuing operations	47,287	97,207	36,132	69,695
3.11	Consolidated profit for the period	47,287	97,207	36,132	69,695
3.11.01	Attributable to the owners of the Parent company	47,287	97,207	36,151	69,141
3.11.02	Attributable to non-controlling interests	0	0	-19	554
3.99	Earnings per share - (reais / share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common share	0.34000	0.61000	0.23000	0.44000
3.99.02	Diluted earnings per share				
3.99.02.01	Common share	0.33000	0.59000	0.22000	0.42000

Consolidated financial statements / statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Current quarter 4/1/2012 to 6/30/2012	Accumulated - current period 1/1/2012 to 6/30/2012	Same quarter of prior year 4/1/2011 to 6/30/2011	Accumulated - prior year 1/1/2011 to 6/30/2011
4.01	Consolidated profit for the period	47,287	97,207	36,132	69,695
4.02	Other comprehensive income	174	43	203	412
4.03	Consolidated comprehensive income for the period	47,461	97,250	36,335	70,107
4.03.01	Attributable to the owners of the Parent company	47,461	97,250	36,354	69,553
4.03.02	Attributable to non-controlling interests	0	0	-19	554

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of cash flows - indirect method

(R$ thousand)

1 - Code	2 - Description	Accumulated - current period 1/1/2012 to 6/30/2012	Accumulated - prior year 1/1/2011 to 6/30/2011
6.01	Net cash provided by operating activities	167,150	136,109
6.01.01	Cash provided by operations	169,706	141,730
6.01.01.01	Profit for the period	97,207	69,695
6.01.01.02	Depreciation and amortization	42,182	41,230
6.01.01.03	Share-based payment	4,605	4,785
6.01.01.04	Gains on sale of permanent assets	3,299	2,086
6.01.01.05	Provision for impairment of trade receivables	10,776	9,071
6.01.01.06	Deferred income tax and social contribution	-1,418	-3,354
6.01.01.07	Interest, monetary and exchange variations, net	10,328	20,247
6.01.01.08	Provision for (reversal of) contingencies	2,727	-1,476
6.01.01.09	Non-controlling interests	0	-554
6.01.02	Changes in assets and liabilities	-2,556	-5,621
6.01.02.01	Trade receivables	-26,176	-32,399
6.01.02.02	Dividends received	0	800
6.01.02.03	Other assets	5,107	3,143
6.01.02.04	Judicial deposits	-648	1,817
6.01.02.05	Social and labor obligations	17,570	15,701
6.01.02.06	Trade payables	1,220	-1,761
6.01.02.07	Commissions payable	-2,203	6,886
6.01.02.08	Taxes payable	2,837	4
6.01.02.09	Other payables	-263	188
6.02	Net cash used in investing activities	-14,744	-43,597
6.02.03	Obligations for purchases of investments/intangible assets	-4,615	-21,284
6.02.04	Purchase of intangible assets	-1,735	590
6.02.05	Securities	3,504	-3,687
6.02.08	Purchase of property, plant and equipment	-11,898	-19,216
6.03	Net cash used in financing activities	-126,226	-123,308
6.03.01	Bank borrowings	-32,888	-36,475
6.03.02	Dividends paid	-99,375	-87,868
6.03.03	Operating lease liabilities	-181	-1,309
6.03.04	Payment of capital	6,218	2,344
6.05	Increase (decrease) in cash and cash equivalents	26,180	-30,796
6.05.01	Cash and cash equivalents at the beginning of the period	287,079	232,508
6.05.02	Cash and cash equivalents at the end of the period	313,259	201,712

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of changes in equity - 1/1/2012 to 6/30/2012

(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	443,702	76,275	232,448	0	-2,558	749,867	0	749,867
5.03	Adjusted opening balances	443,702	76,275	232,448	0	-2,558	749,867	0	749,867
5.04	Capital transactions with owners	6,218	4,605	-59,396	0	0	-48,573	0	-48,573
5.04.03	Share options recorded	0	4,605	0	0	0	4,605	0	4,605
5.04.06	Dividends	0	0	-59,396	0	0	-59,396	0	-59,396
5.04.08	Debentures converted into shares	6,218	0	0	0	0	6,218	0	6,218
5.05	Total comprehensive income	0	0	0	97,207	43	97,250	0	97,250
5.05.01	Profit for the period	0	0	0	97,207	0	97,207	0	97,207
5.05.02	Other comprehensive income	0	0	0	0	43	43	0	43
5.05.02.04	Translation adjustments for the period	0	0	0	0	43	43	0	43
5.07	Closing balances	449,920	80,880	173,052	97,207	-2,515	798,544	0	798,544

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of changes in equity - 1/1/2011 to 6/30/2011

(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	406,489	60,406	154,485	0	-2,186	619,194	12,382	631,576
5.03	Adjusted opening balances	406,489	60,406	154,485	0	-2,186	619,194	12,382	631,576
5.04	Capital transactions with owners	2,344	4,785	-53,617	0	0	-46,488	-12,446	-58,934
5.04.03	Share options recorded	2,344	4,785	0	0	0	7,129	0	7,129
5.04.06	Dividends	0	0	-54,285	0	0	-54,285	0	-54,285
5.04.08	Decrease due to purchase of non-controlling interest	0	0	668	0	0	668	-12,446	-11,778
5.05	Total comprehensive income	0	0	0	69,141	-412	68,729	554	69,283
5.05.01	Profit for the period	0	0	0	69,141	0	69,141	554	69,695
5.05.02	Other comprehensive income	0	0	0	0	-412	-412	0	-412
5.05.02.04	Translation adjustments for the period	0	0	0	0	-412	-412	0	-412
5.07	Closing balances	408,833	65,191	100,868	69,141	-2,598	641,435	490	641,925

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of value added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current period 1/1/2012 to 6/30/2012	Accumulated - prior year 1/1/2011 to 6/30/2011
7.01	Revenue	738,619	653,003
7.01.01	Sale of goods and services	749,589	662,128
7.01.02	Other expenses	-67	-54
7.01.04	Provision for (reversal of) impairment of trade receivables	-10,903	-9,071
7.02	Inputs acquired from third parties	-230,661	-221,189
7.02.01	Cost of sales and services	-30,849	-17,080
7.02.02	Materials, energy, outsourced services and other	-199,812	-204,109
7.03	Gross value added	507,958	431,814
7.04	Retentions	-42,183	-41,232
7.04.01	Depreciation, amortization and depletion	-42,183	-41,232
7.05	Net value added generated	465,775	390,582
7.06	Value added received through transfer	18,900	17,514
7.06.02	Finance income	18,900	17,514
7.07	Total value added to distribute	484,675	408,096
7.08	Distribution of value added	484,675	408,096
7.08.01	Personnel	232,088	197,804
7.08.01.01	Direct remuneration	195,999	166,340
7.08.01.02	Benefits	21,730	19,185
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	14,359	12,279
7.08.02	Taxes and contributions	127,121	103,643
7.08.02.01	Federal	107,642	87,413
7.08.02.02	State	150	160
7.08.02.03	Municipal	19,329	16,070
7.08.03	Remuneration of third party capital	28,259	37,508
7.08.03.01	Interest	17,460	27,879
7.08.03.02	Rents	10,799	9,583
7.08.03.03	Other	0	46
7.08.04	Remuneration of own capital	97,207	69,141
7.08.04.03	Profits reinvested	97,207	69,695
7.08.04.04	Non-controlling interests in profits reinvested	0	-554

TOTVS S.A., the leader in developing and marketing integrated enterprise management software and provision of related services in Brazil and Latin America, today announces its results for the 2st quarter of 2012.

Net Revenue

Net revenue totaled R$349,980 thousand in 2Q12, up 11.0% over 2Q11, highlighting service and maintenance revenue, which represented respectively 29.0% and 47.8% of total net revenue. Comparing 1H12 versus 1H11, the net revenue grew 13.0%, totaling R$701,065 thousand.

License fee Revenue

In 2Q12, the license fee grew 10.3% over the R$73,502 thousand of the same period in 2011, totaling R$81,053 thousand. When compared to R$85,800 thousand of 1Q12, the decreased 5.5%, mainly due to sales to base customers in the corporate model in 1Q12.

Service Revenue

Service revenue totaled R$101,659 thousand, 10.2% up 2Q11. The growth of this line is directly linked to consulting services, BPO and infrastructure, as well as to the increase of efficiency in the execution of software implementation services. Comparing 1H12 versus 1H11, the service revenue grew 16.3%.

Maintenance Revenue

Revenue from maintenance totaled R$167,268 thousand in 2Q12, up 11.9% over the R$149,442 thousand of 2Q11. Comparing 1H12 versus 1H11, the maintenance revenue grew 13.7%. The growth in maintenance fee revenue is mainly due to licenses sold in previous quarters and the retention of maintenance agreements, which are subjected to annual adjustment based on the average last twelve months inflation index, mostly IGP-M.

Cost of License Fees

In 2Q12, this line grew 44.8%, when compared to 2Q11, totaling R$14,648 thousand. Comparing 1H12 with 1H11, this line showed an increase of 30.5%, mainly as a consequence of the increase of license fees from TOTVS solutions with embedded third-party solutions, and the resale of third-party solutions and additional costs of royalties related to Digital TV platform.

Cost of Service and Sales

Cost of services and sales totaled R$97,812 thousand, an increase of 5.9% over 2Q11, lower than the increase of 10.2% of service revenue in the same period, which is a result of ongoing actions taken in order to increase the efficiency of software implementation services and of the faster growth of other services not directly related to software implementation, which add higher margins, and the and the effect from the Brasil Maior Plan's payroll tax relief. In comparison with 1Q12, cost of services and sales fell by 4.3%, versus the 1.2% growth in service revenue, and the same behavior can be seen in the year to date analysis.

Research and Development

R&D expenses decreased by 4.4% from R$44,518 thousand in 2Q11 to R$42,568 thousand in 2Q12. This growth, slower than the increase in the Company's net revenue caused a dilution of 1.9 p.p. in this line as a percentage of net revenue, from 14.1% in 2Q11 to 12.2% in 2Q12. In 1H12 the R&D expenses accounted for 12.5% of net revenue, versus 14.0% in 1H11.

Advertising Expenses

Advertising expenses totalized R$9,664 thousand in 2Q12, up 4.1% over 2Q11 and accounting for 2.8% of the Company's net revenue, in line with this item's performance in second quarters.

Selling Expenses

Selling expenses amounted to R$21,359 thousand in 2Q12, down 5.6% from 2Q11 and up 1.6% over 1Q12, driven by the more intense support to the TOTVS sales channels and the adjustment made in the sales team. As a percentage of net revenue, these expenses accounted for 7.2% in 2Q11 and 6.1% in 2Q12.

Commissions

Commission expenses increased 2.6% year on year totalizing R$34,882 thousand. This line accounted for 10.0% of net revenue in 2Q12, versus 10.1% in 2Q11. The quarter-on-quarter variations in commission expenses as a percentage of net revenue reflect the sales mix among the distribution channels (own teams and franchises) in each period.

General Administrative Expenses

In 2Q12 the General and Administrative (G&A) grew 28.6% over 2Q11 totalizing R$21,849 thousand, and 6.4% over 1Q12, mainly due to the change in the type of employment of some executive officers, who no longer hold statutory positions, and to the increase of infrastructure and telecommunications expenses on the quarter.

Management fees

Management fees totaled R$8,628 thousand in 2Q12, down 1.5% from R$8,763 thousand in 2Q11, mostly due to the decrease in the number of statutory officers, as mentioned in "General and Administrative Expenses". Between 1H11 and 1H12 this line increased by 14.7%, mainly due to the bonus provision resulting from the proportional achievement of each period's goals.

Allowance for Doubtful Accounts

Allowance for doubtful accounts amounted to R$5,387 thousand in 2Q12, representing 1.5% of the Company's net revenue, a 67.2% growth when compared to the R$3,221 thousand recorded in 2Q11. This allowance is based on an analysis of the Company's receivables portfolio and was mainly impacted by delays in payments of implementation and consulting services provided especially to larger clients.

Other Revenues and Expenses

Other revenues and expenses totaled expenses of R$477 thousand in 2Q12 and R$141 thousand in 2Q11.

EBITDA

EBITDA totaled R$92,706 thousand in 2Q12, the highest amount ever reported by the Company in a quarter, with a 26.8% increase year over year. EBITDA grew by 27.9% between 1H11 and 1H12, mainly due to the actions taken by the Company to increase the efficiency of its operations.

The Brazilian operation's EBITDA margin increased 350 bps year over year and 210 bps quarter over quarter.

Depreciation and Amortization

Depreciation and amortization accounted R$21,058 thousand in 2Q12, of which R$17,657 thousand refers to amortization of intangible assets and R$3,401 thousand to depreciation of fixed assets.

Net Income

The Company reported net income of R$47,287 thousand in 2Q12, up 30.9% on R$36,132 thousand in 2Q11, due to the combination between: (i) The 38.6% increase in EBIT; (ii) the decline in financial expenses due to the lower net debt; and (iii) the increase in the effective Income Tax and Social Contribution rate.

The increase in of Income tax and social contribution effective rate was mainly related to the reduction "Lei do Bem" benefit on R&D, due to the reduced importance of R&D expenses in relation to net revenue and EBIT and due to the greater restriction of R&D expenses eligible to the aforementioned benefit.

1. Operations

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

The Company is engaged in developing and selling the right to use information technology systems and the provision of implementation, consulting, assistance and maintenance services related thereto. The main software products developed by the Company are Enterprise Resource Planning (ERP) applications for the purpose of electronically integrating the strategic and operating levels of user companies, allowing the creation of information flows which meet the operating needs and those needs related to the management of information from different areas of the user company. The main areas covered by the Company's ERP software products are: management, finance, operations, industrial, human resources and client services.

All amounts presented in these Interim Financial Statements are expressed in thousands of Reais, except where otherwise indicated. Due to rounding, the figures presented in this document may not precisely correspond to actual figures.

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

The individual and consolidated interim financial statements of Totvs were approved by the Board of Directors' Meeting held on July 24, 2012.

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

(a) Consolidated financial information

The financial statements were prepared in accordance with CPC 21 (IAS 34) applicable to the preparation of interim financial information, and are presented in accordance with the accounting practices adopted in Brazil, in a manner consistent with the standards issued by the Securities and Exchange Commission (CVM) applicable to Quarterly Information (ITR).

(b) Individual financial information

The Company's individual financial information was prepared, in all material respects, in accordance with CPC 21, applicable to the preparation of interim financial information, presented in a manner consistent with the standards issued by the Securities and Exchange Commission applicable to Quarterly Information (ITR), and is disclosed in conjunction with the consolidated financial statements.

In the individual financial statements, subsidiaries are accounted for under the equity method of accounting. The same adjustments are made both in the individual and the consolidated financial statements to reach the same results and equity attributable to the Company's shareholders. In the case of Totvs S.A., the accounting practices adopted in Brazil applied to the individual financial statements only differ from the IFRS applicable to separate financial statements relating to investments in subsidiaries which, under the Brazilian practices are valued according to the equity method of accounting, whereas under IFRS they would be measured at cost or in accordance the IAS 39 – Financial Instruments (fair value).

As set forth in CVM Official Letter SNC/SEP 003/2011, 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, 2011.

Accordingly, as there were no changes in the accounting practices adopted by the Company and since the annual financial statements for the year ended December 31, 2011, the following items of notes were not fully presented in the interim financial statements for the Period ended June 30, 2012 in order to avoid unnecessary duplication or redundancy:

Description	Notes included in the complete financial statements for the year ended December 31, 2011
Accounting Policies	Note 2
Business Combinations	Note 3
Income Tax and Social Contributions	Note 7
Related Party Balances and Transactions	Note 9
Intangible Assets	Note 12
Debentures	Note 16
Provisions for Legal Obligations Related to Lawsuits	Note 18
Equity	Note 19
Dividends	Note 20
Insurance Coverage	Note 21
Financial Instruments and Sensitivity Analysis of Financial Assets and Liabilities	Note 22
Stock Option Plan	Note 23
Private Pension Plan – Defined Contribution	Note 25

2.1. Consolidated interim financial information

The consolidated interim financial information includes the Company's operations and the following subsidiaries, for which the percentages interest held by the Company on its balance sheet are summarized below:

			Interest %	
Corporate Name	Name Used	Type	06.30.2012	12.31.2011
Totvs Rio Software Ltda.	Totvs Rio	Direta	100,00	100,00
Totvs Argentina S.A.	Totvs Argentina	Direta	100,00	100,00
Totvs México S.A.	Totvs México	Direta	100,00	99,99
Totvs Corporation	Totvs Corporation	Direta	100,00	100,00
Totvs Nordeste Software Ltda.	Totvs Nordeste	Direta	100,00	100,00
Setware Informática Ltda. (a)	Setware	Indireta	-	100,00
Totvs Brasília Software Ltda.	Totvs Brasília	Direta	100,00	100,00
Inteligência Organizacional Serviços, Sistemas e Tecnologia em Software Ltda. (a)	IOSSTS	Direta	-	100,00
Eurototvs Lda.	Eurototvs	Direta	100,00	100,00
TQTVD Software Ltda.	TQTVD	Direta	100,00	100,00
BCS Comércio e Serviços de Informática Ltda. (a)	BCS Comércio	Direta	-	100,00
Midbyte Informática Ltda. (a)	Midbyte	Direta	-	100,00
Datasul S.A. de CV.	Datasul México	Direta	100,00	100,00
Datasul Incorporation	Datasul USA	Direta	100,00	100,00
Datasul Argentina S.A.	Datasul Argentina	Direta	100,00	100,00
Totvs Serviços em Informática e Consultoria Ltda. (a)	Totvs Serviços	Direta	-	100,00
Gens Tecnologia da Informação Ltda.	Gens	Direta	100,00	100,00
Gens Tecnologia e Informatica Ltda. (a)	Gens FDES	Direta	-	100,00
YMF Arquitetura Financeira de Negócios Ltda.	YMF	Direta	100,00	100,00
Tools Arquitetura Financeira de Negócios Ltda.	Tools	Direta	100,00	100,00
DTS Consulting Partner, AS de CV	Partner	Indireta	100,00	100,00
Hery Participações Ltda.	Hery	Direta	100,00	100,00
TotalBanco Consultoria e Sistemas Ltda.	TotalBanco Consultoria	Direta	100,00	100,00
TotalBanco Participações S.A. (a)	TotalBanco Participações	Direta	-	100,00
M2S Serviços de Suporte Ltda. (a)	M2S	Indireta	-	100,00
Mafipa Serviços de Informatica Ltda. (a)	Mafipa	Direta	-	100,00

(a) Incorporated subsidiaries

The results of acquired/merged subsidiaries during the period ended June 30, 2012 and 2011 are included in the statements of income as at the date of their acquisition/merger. Therefore, for comparison purposes of the consolidated and parent company results between 2012 and 2011, the dates of acquisition and incorporation of each subsidiary's results must be considered.

The fiscal years of the subsidiaries included in the consolidation are consistent with those of the parent company, and the same accounting practices and policies were consistently applied to the consolidated companies, in conformity with those applied in the previous year. All intercompany balances and transactions were eliminated in the consolidation. Transactions between the Parent Company and its subsidiaries were conducted in accordance with the conditions and prices established between the parties.

2.2. 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 considered to be relevant. Accounting estimates will rarely be equal to actual results.

No changes in estimates and assumptions entailing a significant risk of causing a relevant adjustment in the book values of assets and liabilities for the following fiscal year were recognized for the period ended June 30, 2012, in addition to those detailed in Note 22 to the latest annual financial statements.

The Company and its subsidiaries evaluated their financial assets and liabilities in relation to their market values using the information available and the appropriate evaluation methodologies. However, the interpretation of market data and the selection of evaluation methods require extensive judgment and estimates to calculate the most appropriate realizable value. Consequently, the estimates presented do not necessarily show the amounts that may be realized in the market. The use of different market assumptions and/or methods may have a material effect on the estimated realizable values.

Law No. 12.546 of December 14, 2011, among other changes, reduced the tax burden on the payroll of companies in the Information Technology sector, among other segments, by changing the calculation base of the INSS (Social Security Contribution on Payroll), to a rate of 2.5% of gross services revenue from April 2012, which was previously levied at 20% of the payroll of the Company. The Company's management believes that in essence only the calculation basis of the tax has changed, and not its nature and function. Therefore its accounting classification has not been altered, and this levy is still recorded as part of the cost of services and/or operating expenses. However, considering that this is an issue recently enacted and there is still no consensus within the industry, we will evaluate the appropriateness of the accounting classification in the income statement until the end of the current year.

3. Merged Companies

The Company incorporated at their book values the net assets of the subsidiaries shown in the table below:

	Current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Net Worth incorporated by the Company
On March 2012					
IOSSTS	7,524	7,606	447	-	7,159
Mafipa	-	-	-	-	-
Setware	1,629	1,665	98	26	1,541
M2S	-	-	-	-	-
On June 17, 2012					
BCS	3,090	4,413	43	-	4,370
Gens (FDES)	-	-	-	-	-
Midebyte	3,002	3,025	32	-	2,993
Totvs Serviços	5,982	16,318	260	-	16,059
Totalbanco Participações	-	7,861	-	-	7,861

In accordance with the merger protocol approved in the annual shareholders' meeting held on March 21 and May 17, 2012 the net worth of subsidiaries was evaluated by a specialized firm, which issued its reports to assess the equity of the companies as at February 29, 2012. Equity variations between the effective date of incorporation (February 29, 2012) and the reporting date were absorbed by TOTVS. IOSSTS and Mafipa are direct subsidiaries and were merged into TOTVS S.A. Setware and M2s are indirect subsidiaries and were merged into TOTVS Nordeste.

4. Financial Instruments

The Company's financial instruments represent cash and cash equivalents, marketable securities, accounts receivable, accounts payable, debentures, loans and financing, and are recorded at cost plus income or charges incurred, which as at June 30, 2012 and December 31, 2011 remained close to their market values.
The table below shows the book and fair values of the Company's financial instruments and the classification by type of financial instrument, presented in the Interim Financial Information:

	Loans and receivables		Held to maturity	
	06.30.2012	12.31.2011	**06.30.2012**	12.31.2011
Financial Assets Instruments				
Securities	**-**	-	**54,146**	57,650
Accounts receivable, net	**302,043**	286,643	**-**	-
Other assets	**-**	-	**32,347**	22,830
Total	**302,043**	286,643	**86,493**	80,480
Financial liabilities Instruments				
Loans and financing	**-**	-	**135,069**	162,968
Leasing	**-**	-	**-**	181
Debentures and premiums from non-conversion	**-**	-	**161,898**	157,111
Fair value of convertible debentures	**-**	-	**14,029**	13,477
Accounts payable and suppliers	**-**	-	**124,068**	126,666
Other liabilities	**-**	-	**4,617**	4,991
Total	**-**	-	**439,681**	465,394

- Cash and cash equivalents, trade accounts receivable, trade accounts payable and other short-term liabilities are close to their respective book values.

- The book values of the convertible debenture and non-convertible debenture portions were adjusted to their fair values, according to Note 16.

4.1. Measurement of financial assets and liabilities at fair value

The table below shows an analysis of the financial instruments recognized at their fair value after their initial recognition. These financial instruments are grouped at three levels based on how their fair value is determined:

a) Level 1: the measurement of fair value derives from prices (not restated) in active markets based on identical assets and liabilities
b) Level 2: the measurement of fair value derives from other priced inputs included in Level 1 through an asset or liability either directly or indirectly, as prices or derived from prices, and
c) Level 3: the measurement of fair value derives from evaluation techniques that include assets or liabilities not traded in an active market.

Financial liabilities	**Level 1**	**Level 2**	**Level 3**
Debentures	-	-	161,898
Fair value of future translations	-	14,029	-

4.2. Sensitivity analysis of financial assets and liabilities

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

a) Financial Assets

In order to check the sensitivity of the Company´s investments index for the financial investments was exposed to as at June 30, 2012, three different scenarios were created. Based on forecasts by financial institutions, we arrived at a 9-month forecast for Interbank Deposit Certificates (CDI), with an average rate of 8.50% for the fiscal year of 2012, which was the most likely scenario. From this rate, we assessed the sensitivity to variations from 25% to 50%.

For each of these scenarios the "gross financial revenue" was estimated, with taxes on investment returns not included. The reference date for the portfolio was June 30, 2012, with a one-year projection period to check the CDI's sensitivity to each scenario.

Operation	Balances at 06.30.2012	Risk	Probable Scenario (I)	Scenario II	Scenario III
Financial investments	**R$ 266,578**	**CDI**	8,50%	6,375 %	4,25%
Estimated financial income			**R$ 22,659**	**R$ 16,994**	**R$ 11,330**

b) Financial Liabilities

In order to check the sensitivity of the Company´s financial Liabilities index the Company is exposed to as at June 30, 2012, three different scenarios were created. Based on long-term interest rates and the IPCA in force by June 30, 2012, the most likely scenario was determined for the fiscal year 2012 and, from this, variations from 25% to 50% were estimated for the IPCA index.

For each scenario, the gross financial expense was calculated, not taking into account the tax assessment and the maturity for each agreement scheduled for 2012. The reference date used for the financing and debentures was June 30, 2012, projecting the rates for one year and determining their sensitivity under each scenario.

Operation	Balances at 06.30.2012	Risk	Probable Scenario (I)	Scenario II	Scenario III
Financing - BNDES	**R$ 135,069**	TJLP	5.50%	6,875%	8,25%
Estimated financial expenses			**R$ 9,455**	**R$ 11,312**	**R$ 13,169**
Debentures	**R$161,898**	IPCA	5.00%	6.25%	7.50%
		TJLP	5.50%	6,875%	8,25%
Estimated financial expenses			**R$ 14,387**	**R$ 15,761**	**R$ 17,092**

5. Cash and cash equivalents

	Company		Consolidated	
	06.30.2012	12.31.2011	**06.30.2012**	12.31.2011
Cash and cash equivalents	**35,382**	15,802	**46,681**	33,169
Cash equivalents				
Purchase and sale commitments	**196,126**	132,125	**222,087**	166,429
CDB	**23,677**	73,971	**44,003**	87,034
DI Funds	**-**	-	**488**	447
	219,803	206,096	**266,578**	253,910
	255,185	221,898	**313,259**	287,079

Cash equivalents are maintained for the purpose of meeting short-term cash requirements, and not for investment or any other purpose. For the Company, cash equivalents are financial investments that can be immediately converted into a known amount of cash, and that are, therefore, subject to an insignificant risk of change in value. The Company's cash equivalents include financial investments in DI funds, Interbank Deposit Certificates and repurchase agreements, and are redeemable within a period of up to 90 days from the date of the respective transaction.

The Company has financial investment policies which establish that investment should focus on low risk securities, and are significantly remunerated with reference to Interbank Deposit Certificate (CDI) rate variations.

6. Marketable Securities

The balances of securities refer to secured accounts for the payment of intangible asset acquisitions and business combinations (Note 17), composed of Bank Deposit Certificate (CDB) operations with a repurchase commitment from the bank, as shown below:

	Company		Consolidated	
	06.30.2012	12.31.2011	**06.30.2012**	12.31.2011
YMF Participações	**-**	2,383	**-**	2,383
Gens	**436**	578	**436**	578
Tech Prod	**434**	889	**434**	1,332
Tools	**1,651**	1,548	**1,651**	1,548
Datasul MG	**1,917**	1,802	**1,917**	1,802
Datasul Saude MG	**641**	641	**641**	641
TotalBanco	**1,995**	1,900	**1,995**	1,900
Hery	**3,672**	3,505	**3,672**	3,505
ERP Cedente	**252**	476	**252**	476
SRC	**32,936**	32,390	**32,936**	32,390
Mafipa	**1,864**	2,614	**1,864**	2,614
Gens FDES	**8,063**	7,677	**8,063**	7,677
Tech Serv	**285**	804	**285**	804
	54,146	57,207	**54,146**	57,650
Current assets	**27,966**	28,354	**27,966**	28,502
Non-current assets	**26,180**	28,853	**26,180**	29,148

7. Trade accounts receivable

	Company		Consolidated	
	06.30.2012	12.31.2011	**06.30.2012**	12.31.2011
Domestic market	**288,686**	255,288	**327,870**	305,004
Foreign market	**-**	-	**8,889**	13,451
	288,686	255,288	**336,759**	318,455
Current assets	**260,231**	234,837	**305,842**	295,094
Non-current assets	**28,455**	20,451	**30,917**	23,361

As at June 30, 2012 and December 31, 2011 the aging list of receivables net of the allowance for doubtful accounts was as follows:

	Company		Consolidated	
	06.30.2012	12.31.2011	**06.30.2012**	12.31.2011
Falling due	**227,020**	206,382	**266,388**	243,826
Overdue				
1 to 30 days	**12,594**	11,104	**14,073**	13,545
31 to 60 days	**5,882**	3,610	**6,715**	5,330
61 to 90 days	**4,080**	2,623	**4,573**	2,109
91 to 180 days	**4,192**	7,140	**4,684**	9,921
181 to 360 days	**3,637**	2,607	**5,101**	9,350
more than 360 days	**-**	516	**509**	2,562
	257,405	233,982	**302,043**	286,643

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

	Company		Consolidated	
	06.30.2012	12.31.2011	**06.30.2012**	12.31.2011
Balance at the beginning of the year	**21,306**	16,221	**31,812**	20,900
Additional provision in the period	**10,491**	8,727	**10,776**	16,145
Written off from the provision:	**(516)**	(3,642)	**(7,872)**	(5,233)
Balance as at December 31	**31,281**	21,306	**34,716**	31,812

Management believes that the risk related to accounts receivable from clients is minimal, due to the fact that the client base of the Company is highly diversified. The Company has more than 26,000 active clients in its portfolio, and as at June 30, 2012 and December 31, 2011 no client accounted for 5% or more of revenue or accounts receivable. The Company does not require any guarantees on installment sales.

8. Taxes on Income

Income and social contribution taxes, current and deferred, were recorded in line with the current rates in force. Deferred income tax and social contribution expenses are calculated on temporary differences and income, and social contribution tax losses can be carried forwards.

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	
	06.30.2012	06.30.2011	**06.30.2012**	06.30.2011
Income before taxes	**131,972**	88,799	**142,519**	88,863
Income tax and social contributions at combined nominal rate of 34%	**(44,870)**	(30,192)	**(48,456)**	(30,213)
Adjustments for the statement of effective rate				
Equity pick-up	**4,212**	(1,839)	**-**	-
Law 11196/05 (incentive for research and development) (a)	**8,866**	14,352	**9,076**	14,728
Effect of taxation of subsidiaries based on deemed profit	**-**	-	**(1,717)**	(1,764)
Management stake	**(1,712)**	105	**(1,712)**	32
Tax loss carried forwards and IRCS	**-**	-	**(1,397)**	-
Accounts receivable deemed uncollectible	**(30)**	(205)	**(46)**	(205)
Stock Options	**(1,566)**	(1,627)	**(1,566)**	(1,627)
Workers' Food Program ("PAT")	**698**	287	**810**	300
Other	**(363)**	(539)	**(304)**	(419)
Income tax and social contribution expenses	**(34,765)**	(19,658)	**(45,312)**	(19,168)
Effective rate	**26.3%**	22.1%	**31.8**	21.6%

The income and social contribution tax expenses recorded in the consolidated income statement for the Period ended June 30, 2012 and December 31, 2011 are broken down as follow:

	Company		Consolidated	
	06.30.2012	06.30.2011	**06.30.2012**	06.30.2011
Current income and social contribution tax	**(38,832)**	(15,986)	**(46,730)**	(22,522)
Deferred income and social contribution tax	**4,067**	(3,672)	**1,418**	3,354
	(34,765)	(19,658)	**(45,312)**	(19,168)

8.2. Deferred Income Tax and Social Contributions

	Company		Consolidated	
	06.30.2012	12.31.2011	**06.30.2012**	12.31.2011
ASSETS				
Deriving from temporary differences:				
Goodwill on business combinations	**167,998**	155,134	**170,434**	157,598
Provision for commission	**13,931**	14,584	**14,656**	15,379
Anticipated income or revenue	**3,405**	2,045	**3,398**	4,777
Allowance for doubtful accounts	**10,635**	7,244	**10,990**	8,435
Provision for contingencies and other liabilities	**1,807**	880	**1,807**	880
Tax losses and social contribution tax losses carried forward	**-**	-	**17,309**	18,030
Provision for premium due to non-conversion of debentures	**10,705**	9,658	**10,705**	9,658
Present value adjustments	**1,913**	1,865	**1,913**	1,865
Other	**4,828**	3,599	**5,646**	3,843
Total deferred income and social contribution tax assets	**215,222**	195,009	**236,858**	220,465
LIABILITIES				
Deriving from temporary differences:				
Intangible assets allocation	**183,848**	167,999	**185,291**	169,445
Other	**493**	1,224	**849**	1,652
Total deferred income and social contribution tax liabilities	**184,341**	169,223	**186,140**	171,097
Net deferred income and social contribution tax	**30,881**	25,786	**50,718**	49,368

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

8.3. Estimated tax credit recovery

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

a) In non-current assets:

	Company		Consolidated	
	06.30.2012	12.31.2011	**06.30.2012**	12.31.2011
2012	**42,963**	27,472	**44,747**	50,464
2013	**38,317**	14,349	**38,906**	14,577
2014	**20,144**	15,229	**37,694**	15,457
2015	**20,144**	108,950	**20,385**	110,681
2016	**21,951**	29,009	**22,192**	29,286
2017 onwards	**71,703**	**-**	**72,934**	**-**
	215,222	195,009	**236,858**	220,465

b) In non-current liabilities:

	Company		Consolidated	
	06.30.2012	12.31.2011	**06.30.2012**	12.31.2011
2012	**20,637**	15,653	**21,234**	15,826
2013	**20,144**	15,653	**20,385**	15,826
2014	**20,144**	118,845	**20,385**	120,161
2015	**20,144**	19,072	**20,385**	19,284
2016	**20,144**	-	**20,385**	-
2017 onwards	**83,128**	-	**83,366**	-
	184,341	169,223	**186,140**	171,097

During the period ended June 30, 2012, no material event had occurred to indicate any limitations on the full recoverability of deferred taxes recognized.

Changes in deferred income and social contribution tax:

	Company			Consolidated		
	12.31.2011	**Variation**	**06.30.2012**	**12.31.2011**	**Variation**	**06.30.2012**
Income tax/social contributions – assets	**30,881**	25,786	5,095	**50,718**	49,368	1,350
Income tax/social contributions on Subsidiaries' incorporation			(1,051)			-
Exchange variation from investments abroad			22			22
Other			1			46
Total			4,067			1,418

9. Recoverable taxes

	Company		Consolidated	
	06.30.2012	12.31.2011	**06.30.2012**	12.31.2011
Recoverable taxes				
Withholding income tax	**7,972**	20,538	**10,342**	24,578
Withholding social contribution	**1,492**	3,039	**2,884**	4,749
Withholding PIS and COFINS	**20**	48	**271**	335
Other	**(267)**	(191)	**2,146**	605
	9,217	23,434	**15,643**	30,267

10. Related parties

Transactions between the Company and subsidiaries are carried out in accordance with the conditions and prices established by the parties, and are eliminated for consolidation purposes.

10.1. Balances and transactions with subsidiaries and associated companies

As at June 30, 2012 and December 31, 2011, the balances of transactions with related parties classified as receivables from related parties in non-current assets were as follow:

	Company	
	06.30.2012	**12.31.2011**
Totvs Brasília	**3,583**	3,741
Totvs Nordeste	**2,302**	3,935
BCS Comércio	**-**	36
Hery	**-**	8
Gens	**929**	3,660
Totvs Rio	**250**	6,766
TotalBanco	**100**	-
Totvs Incorporation	**694**	(24)
	7,858	18,122

These amounts refer to accounts payable and receivable between subsidiaries, without remuneration and/or forecast maturity.

10.2. Transactions or relationships with shareholders

The Company maintains property lease agreements, including the facilities where its head offices are located, which are owned by one of its shareholders (LC-EH Empreendimentos e Participações S.A.). The rental paid was R$3,483 for the period ended June 30, 2012 (R$2,953 for the period ended June 30, 2011), which is in line with market rates. The rental agreements are effective for 60 months and are adjusted by the IGP-M (General Price Index – Market) rate every 12 months.

Some Company officers directly or indirectly hold a total of 17.94% of the Company's shares as at June 30, 2012 (17.92% as at December 31, 2011), and the indirect interest is held through LC-EH Empreendimentos e Participações S.A.

The Company maintains loans and financing operations (Note 15) and debentures (Note 16), transactions which are carried out with the National Bank for Economic and Social Development (BNDES), a TOTVS shareholders.

10.3. Management compensation

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

	Company		Consolidated	
	06.30.2012	06.31.2011	**06.30.2012**	06.31.2011
Short-term benefits to employees (a)				
Salaries, fees and variable bonus and payroll charges	**15,551**	11,266	**15,895**	12,999
Private pension plan	**233**	292	**233**	292
	15,784	11,558	**16,128**	13,291
Share-based payments (b)	**4,605**	4,785	**4,605**	4,785
	20,389	16,343	**20,733**	18,076

a) **Short-term benefits:** Short-term benefits include fixed compensation (salaries and fees, vacation pay, 13th monthly salary and private pension plans), payroll charges (social security contributions - INSS, FGTS and others) and variable compensation, such as profit sharing and bonuses, as well as private pension plans (see Note 25).

b) **Share-based compensation:** Management (chief executive officer, executive officers and vice chief executive officers) participate in the Stock Option Plan, as approved by the Extraordinary General Meeting (see Note 23).

The Company does not have any additional post-employment liabilities, nor does it provide other long-term benefits, such as paid leave based on years of service and other benefits for years of service at the Company. It also does not provide other benefits in the event of departure of its senior management beyond those established by the Brazilian labor laws.

11. Investments

The breakdown of investments in subsidiaries is shown below:

	Subsidiaries and associated companies					Company			
	Summarized financial statements at June 30, 2012					Equity pick-up for periods ended:		Balance of investments as of:	
	Assets	Liabilities	Equity	Gross revenue	Income for the period	**06.30.2012**	12.31.2011	06.30.2012	**12.31.2011**
Totvs Rio	25,841	3,028	22,813	23,962	5,249	**5,249**	(7,073)	**22,814**	17,563
Totvs Argentina	7,474	2,751	4,723	5,611	(1,293)	**(1,293)**	(232)	**4,723**	4,063
Totvs México	4,291	5,896	(1,605)	4,222	(2,365)	**(2,365)**	(5,255)	**-**	-
Totvs Corporation	2,387	-	2,387	-	2	**2**	2	**2,387**	2,212
Totvs Nordeste	12,195	3,449	8,745	3,839	(183)	**(183)**	(567)	**8,745**	8,929
Totvs Brasília	4,296	4,699	(403)	5,516	(1,002)	**(1,002)**	(782)	**-**	599
IOSSTS	-	-	-	6,470	4,159	**4,159**	1,127	**-**	6,358
Eurototvs	442	3	439	37	(930)	**(930)**	(1,199)	**439**	-
RO							2,881		-
Midbyte	-	-	-	2,309	1,066	**1,066**	897	**-**	5,564
TQTVD	19,664	1,828	17,836	6,930	(2,791)	**(2,791)**	(2,804)	**17,836**	17,786
BCS Comércio	-	-	-	1,833	996	**996**	559	**-**	5,752
BCS Sistemas							(42)		-
HBA							(28)		-
Totvs Serviços	-	-	-	5,516	(1,245)	**(1,245)**	(1,028)	**-**	13,907
Gens	3,213	1,055	2,157	2,215	1,278	**1,278**	1,093	**2,157**	880
YMF	43,522	3,893	39,630	27,878	5,720	**5,720**	4,074	**39,630**	33,909
Tools	10,647	2,223	8,424	8,970	1,683	**1,683**	1,441	**8,424**	6,741
DTSL							129		-
Datasul México	2,676	1,643	1,033	-	19	**19**	50	**1,033**	900
Datasul USA	1,371	735	636	-	(489)	**(489)**	(5)	**636**	1,079
Datasul Argentina	1,290	11	1,279	27	20	**20**	(177)	**1,279**	1,334
Hery	4,244	1,094	3,149	6,848	294	**294**	(146)	**3,149**	2,856
Total banco	11,320	1,951	9,368	11,224	2,201	**2,201**	1,639	**9,368**	7,167
Gens FDES	-	-	-	-	-	**-**	39	**-**	-
						12,389	(5,407)	**122,620**	137,599

Provisions for losses were made for the following investments and recorded in non-current liabilities:

	Company	
	06.30.2012	12.31.2011
Totvs México	**1,605**	1,846
Eurototvs	**-**	102
Totvs Brasilia	**403**	-
	2,008	1,948

The changes in the investment accounts for the Period ended June 30,2012 were as follow:

	31.12.2011	Additions	Equity pick-up	Exchange	Dividends	Incorporation	Reclassification	31.03.2012
Totvs Rio	17,563	-	5,250	-	-	-	-	**22,813**
Totvs Nordeste	8,929	-	(184)	-	-	-	-	**8,745**
Totvs Argentina	4,063	1,946	(1,293)	7	-	-	-	**4,723**
Totvs Corporation	2,212	-	2	173	-	-	-	**2,387**
Datasul USA	1,079	-	(488)	45	-	-	-	**636**
Eurototvs	-	-	-	-	-	-	440	**440**
IOSSTS	6,358	-	4,159	-	(3,358)	(7,159)	-	**-**
Midbyte	5,564	-	1,065	-	(3,664)	(2,965)	-	**-**
BCS Comércio	5,752	-	996	-	(2,488)	(4,260)	-	**-**
Datasul Argentina	1,334	-	20	(75)	-	-	-	**1,279**
YMF	33,909	-	5,720	-	-	-	-	**39,629**
Tools	6,741	-	1,683	-	-	-	-	**8,424**
TQTVD	17,786	2,840	(2,791)	-	-	-	-	**17,835**
TotalBanco	7,167	-	2,201	-	-	-	-	**9,368**
Totvs Brasília	599	-	(1,002)	-	-	-	403	**-**
Hery	2,856	-	294	-	-	-	-	**3,150**
Totvs Serviços	13,907	817	(1,245)	-	-	(13,479)	-	**-**
Datasul México	900	-	19	114	-	-	-	**1,033**
Gens	880	-	1,278	-	-	-	-	**2,158**
Total Investments	137,599	5,603	15,684	264	(9,510)	(27,863)	843	122,620
Totvs México	(1,846)	2,826	(2,365)	(220)	-	-	-	**(1,605)**
Totvs Brasília	-	-	-	-	-	-	(403)	**(403)**
Eurototvs	(102)	1,445	(930)	27	-	-	(440)	**-**
Provisions for losses	(1,948)	4,271	(3,295)	(193)	-	-	(843)	(2,008)
Investments	**135,651**	**9,874**	**12,389**	**71**	**(9,510)**	**(27,863)**	**-**	**120,612**

12. Property, plant and equipment

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

	Company					
	Computers and software	**Vehicles**	**Furniture and fixtures**	**Facilities, machinery and equipment**	**Other**	**Total property, plant and equipment**
Cost or valuation						
Balance as at December 31, 2010	47,297	7,122	6,832	4,340	6,950	72,541
Additions	19,584	1,271	1,562	6,849	6,753	36,019
Write-offs	(4,041)	(1,791)	(453)	(707)	(1)	(6,993)
Transfers	-	1	-	-	(1)	-
Balances as at December 31, 2011	**62,840**	**6,603**	**7,941**	**10,482**	**13,701**	**101,567**
Additions	**6,466**	**1,480**	**429**	**1,502**	**1,221**	**11,098**
Write-offs	**(10,158)**	**(698)**	**14**	**-**	**15**	**(10,827)**
Transfers	**(1)**	**-**	**-**	**-**	**(1)**	**(2)**
Balance as at June 30, 2012	**59,147**	**7,385**	**8,384**	**11,984**	**14,936**	**101,836**
Depreciation						
Balance as at December 31, 2010	(29,549)	(3,013)	(3,090)	(2,681)	(4,416)	(42,749)
Depreciation in the period	(8,516)	(1,200)	(632)	(565)	(1,003)	(11,916)
Write-offs	3,384	911	357	641	(1)	5,292
Transfers	-	(1)	-	-	1	-
Balance as at December 31, 2011	**(34,681)**	**(3,303)**	**(3,365)**	**(2,605)**	**(5,419)**	**(49,373)**
Depreciation in the period	**(4,006)**	**(564)**	**(386)**	**(520)**	**(501)**	**(5,977)**
Write-offs	**3,126**	**319**	**(16)**	**-**	**(6)**	**3,423**
Transfers	**-**	**-**	**-**	**-**	**2**	**2**
Balance as at June 30, 2012	**(35,561)**	**(3,548)**	**(3,767)**	**(3,125)**	**(5,924)**	**(51,925)**
Residual value						
Balance as at June 30, 2012	**23,586**	**3,837**	**4,617**	**8,859**	**9,012**	**49,911**
Balance as at December 31, 2011	**28,159**	**3,300**	**4,576**	**7,877**	**8,282**	**52,194**
Average annual depreciation rate	20%	20%	10%	10%	4%a10%	

	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, 2010	55,376	7,845	8,504	5,594	7,983	85,302
Additions	21,892	1,362	1,529	6,029	6,577	37,389
Write-offs	(4,289)	(1,876)	(434)	(706)	(1)	(7,306)
Transfers	1	-	-	1	(2)	-
Balance as at December 31, 2011	**72,980**	**7,331**	**9,599**	**10,918**	**14,557**	**115,385**
Additions	**6,667**	**1,543**	**620**	**1,560**	**1,508**	**11,898**
Write-offs	**(14,181)**	**(824)**	**(179)**	**(103)**	**(2)**	**(15,289)**
Transfers	**58**	**9**	**40**	**(1)**	**22**	**128**
Balance as at June 30, 2012	**65,524**	**8,059**	**10,080**	**12,374**	**16,085**	**112,122**
Depreciation						
Balance as at December 31, 2010	(33,393)	(3,321)	(3,769)	(3,535)	(4,749)	(48,767)
Depreciation in the year	(10,926)	(1,370)	(831)	133	(1,133)	(14,127)
Write-offs	4,007	1,027	416	653	268	6,371
Transfers	81	(23)	(70)	12	-	-
Balance as at December 31, 2011	**(40,231)**	**(3,687)**	**(4,254)**	**(2,737)**	**(5,614)**	**(56,523)**
Depreciation in the period	**(4,770)**	**(616)**	**(498)**	**(541)**	**(539)**	**(6,964)**
Write-offs	**5,983**	**445**	**92**	**40**	**1**	**6,561**
Transfers	**(207)**	**19**	**86**	**(15)**	**(11)**	**(128)**
Balance as at June 30, 2012	**(39,225)**	**(3,839)**	**(4,574)**	**(3,253)**	**(6,163)**	**(57,054)**
Residual value						
Balance as at June 30, 2012	**26,299**	**4,220**	**5,506**	**9,121**	**9,922**	**55,068**
Balance as at December 31, 2011	32,749	3,644	5,345	8,181	8,943	58,862
Average annual depreciation rate	20%	20%	10%	10%	4%a10%	

The total book value of property, plant and equipment under finance lease agreements as at December 31, 2011 was R$169. During the Period ended June 30, 2012 and 2011, no items under finance lease agreements were added to property, plant and equipment.

13. Intangible Assets

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

							Company
	Software	**Trademarks & patents**	**Franchising**	**Client portfolio**	**Other**	**Goodwill**	**Total intangible assets**
Cost/valuation							
Balance as at Dec 31, 2010	157,399	61,987	83,222	192,639	14,701	322,896	832,844
Additions	2,252	-	-	8,405	-	16,538	27,195
Write-offs	-	-	-	-	(686)	(1)	(687)
Transfers	-	-	-	(1)	-	2	1
Balance as at Dec 31, 2011	**159,651**	**61,987**	**83,222**	**201,043**	**14,015**	**339,435**	**859,353**
Additions	**-**	**-**	**-**	**-**	**3.000**	**-**	**3.000**
Incorporation	**11.379**	**1.162**	**-**	**2.473**	**-**	**-**	**15.014**
Write-offs	**9.774**	**-**	**-**	**-**	**-**	**-**	**9.774**
Transfers	**2**	**-**	**-**	**-**	**-**	**(1)**	**1**
Balance as at June 30, 2012	**180.806**	**63.149**	**83.222**	**203.516**	**17.015**	**339.434**	**887.142**
Amortization							
Balance as at Dec 31, 2010	(37,445)	(10,416)	(45,077)	(44,450)	(6,419)	(134,214)	(278,021)
Amortization in the year	(16,039)	(4,093)	(18,652)	(22,494)	(2,455)	-	(63,733)
Write-offs	-	-	-	-	-	-	-
Transfers	-	1	-	-	(2)	-	(1)
Balance as at Dec 31, 2011	**(53,484)**	**(14,508)**	**(63,729)**	**(66,944)**	**(8,876)**	**(134,214)**	**(341,755)**
Amortization in the period	**(9,097)**	**(2,064)**	**(9,326)**	**(11,120)**	**(1,228)**	**-**	**(32,835)**
Write-offs	**(8,953)**	**56**	**-**	**(927)**	**1**	**-**	**(9,823)**
Transfers	**-**	**(1)**	**(1)**	**-**	**1**	**-**	**(1)**
Balance as at June 30, 2012	**(71,534)**	**(16,517)**	**(73,056)**	**(78,991)**	**(10,102)**	**(134,214)**	**(384,414)**
Residual value							
Balance as at June 30, 2012	**109,272**	**46,632**	**10,166**	**124,525**	**6,913**	**205,220**	**502,728**
Balance as at Dec 31, 2011	106,167	47,479	19,493	134,099	5,139	205,221	517,598
Average annual amortization rates	10% a 16.7%	8%	20% to 50%	10% to 12.5%	20% to 50%	(*)	

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

	Consolidated						
	Software	Trademarks & patents	Franchising	Client portfolio	Other	Goodwill	Total intangible assets
Cost/valuation							
Balance as at Dec 31, 2010	168,805	63,651	83,221	205,469	29,907	331,058	882,111
Additions	261	(3)	-	6,331	358	9,964	16,911
Write-offs	1,875	(37)	-	(1,046)	(1,024)	(3)	(235)
Transfers	-	-	1	(1)	(2)	2	-
Balance as at Dec 31, 2011	**170,941**	**63,611**	**83,222**	**210,753**	**29,239**	**341,021**	**898,787**
Additions	**2.179**	**(462)**	**-**	**16**	**3.000**	**(1)**	**4.732**
Write-offs	**9.785**	**(58)**	**-**	**107**	**-**	**-**	**9.834**
Transfers	**(321)**	**69**	**-**	**333**	**-**	**1**	**82**
Balance as at June 30, 2012	**182.584**	**63.160**	**83.222**	**211.209**	**32.239**	**341.021**	**913.435**
Amortization							
Balance as at Dec 31, 2010	(40,292)	(10,681)	(45,077)	(46,685)	(10,673)	(134,830)	(288,238)
Amortization in the year	(16,940)	(4,201)	(18,652)	(23,251)	(5,313)	-	(68,357)
Write-off	(1,654)	4	-	148	-	-	(1,502)
Transfer	-	-	-	-	(1)	1	-
Balance as at Dec 31, 2011	**(58,886)**	**(14,878)**	**(63,729)**	**(69,788)**	**(15,987)**	**(134,829)**	**(358,097)**
Amortization in the period	**(9,508)**	**(2,155)**	**(9,326)**	**(11,611)**	**(2,618)**	**-**	**(35,218)**
Write-offs	**(4,975)**	**521**	**-**	**-**	**49**	**-**	**(4,405)**
Transfers	**240**	**(5)**	**(1)**	**(268)**	**(48)**	**-**	**(82)**
Balance as at June 30, 2012	**(73,129)**	**(16,517)**	**(73,056)**	**(81,667)**	**(18,604)**	**(134,829)**	**(397,802)**
Residual value							
Balance as at June 30, 2012	**109,455**	**46,643**	**10,166**	**129,542**	**13,635**	**206,192**	**515,633**
Balance as at Dec 31, 2011	112,055	48,733	19,493	140,965	13,252	206,192	540,690
Average annual amortization rate	10% to 16.7%	8%	20% to 50%	10% to 12.5%	20% to 50%	(*)	

(*) Amortized up to December 31, 2008 at an average rate of 20% p.a. From January 1, 2009, goodwill was no longer amortized.

The amortization of intangible assets is based on their estimated useful lives. The identified intangible assets, the recognized values and the assets' useful life are substantiated by a technical study conducted by an independent specialized company..

13.1. Changes in goodwill

The composition of the goodwill is detailed in the financial statements as at December 31, 2011 (Note 12). There were no transactions during the three month period ended June 30, 2012.

13.2. Other Intangible Assets

The group of "**Other Intangibles**" is basically composed of the right to explore geographical areas in Brazil and the development of new products with the characteristics described in Note 12.1 to the financial statements as at December 31, 2011.

13.3. Asset impairment tests

The Company tests the recoverable book value of goodwill on the basis of its value in use through discounted cash flow models of cash generating units representing the groups of tangible and intangible assets utilized in the development and sale of different solutions to its clients. The process and the assumptions used to determine the value in use are described in Note 12.2 to the financial statements as at December 31, 2011.

14. Payroll and labor obligations

Salaries and charges payable balances are broken down as follow:

	Company		Consolidated	
	06.30.2012	12.31.2011	**06.30.2012**	12.31.2011
Labor liabilities				
Salaries payable	**9,768**	8,687	**11,138**	10,578
Pension plan payable	**524**	618	**551**	651
Vacations payable	**32,476**	34,790	**36,892**	40,948
Profit sharing and bonus	**12,478**	1,299	**12,498**	1,317
13rd monthly salary	**12,193**		**13,880**	
Other	**4,461**	5,957	**6,396**	8,371
	71,900	51,351	**81,355**	61,865
Payroll liabilities				
FGTS (Government Severance Indemnity Fund for Employees) payable	**2,122**	2,409	**2,418**	2,881
INSS (Brazilian Social Security) payable	**5,952**	7,032	**6,782**	8,239
	8,074	9,441	**9,200**	11,120
Total	**79,974**	60,792	**90,555**	72,985

15. Loans and Financing

Loans and financing are as follow:

	Company		Consolidated	
	06.30.2012	12.31.2011	**06.30.2012**	12.31.2011
BNDES (a)	**131,578**	157,956	**131,578**	157,956
FINEP (b)	**1,753**	2,886	**1,753**	2,886
Secured accounts and others	**-**	-	**1,738**	2,126
Secured accounts and others	**-**	169	**-**	181
Leasing	**133,331**	161,011	**135,069**	163,149
Current liabilities	**48,165**	58,212	**48,753**	59,180
Non-current liabilities	**85,166**	102,799	**86,316**	103,969

a) BNDES – National Bank for Economic and Social Development

The purpose of BNDES is to finance software innovation research, brand repositioning and the restructuring of sales channels. It bears a Long-Term Interest Rate (TJLP) plus 1.5% interest p.a., maturing every six months. To guarantee this agreement the Company signed a bank guarantee amounting to R$ 204 million with Santander Bank.

b) FINEP – Research and Project Financing: Software development

Bears Long-Term Interest Rate plus 5% interest p.a. and is secured by bank letters of guarantee.

Amounts recognized in non-current liabilities at June 30, 2012 and December 31, 2011 mature as follow:

	Company		Consolidated	
	06.30.2012	12.31.2011	**06.30.2012**	12.31.2011
2013	**42,583**	51,678	**43,733**	52,848
2014	**42,583**	51,121	**42,583**	51,121
Non-current liabilities	**85,166**	102,799	**86,316**	103,969

Changes in loans and financing as at June 30, 2012 and December 31, 2011 are as follow:

	Company		Consolidated	
	06.30.2012	12.31.2011	**06.30.2012**	12.31.2011
Balances at the beginning of the period	**161,011**	217,463	**162,968**	220,296
Interest rates	**3,825**	10,889	**3,825**	11,946
Amortization	**(31,505)**	(67,341)	**(31,724)**	(69,093)
Balances at the end of the period	**133,331**	161,011	**135,069**	163,149

16. Debentures

The operation, issue characteristics, interest paid, conditions and the history of conversion of debentures into shares and the payment of non-conversion premiums are detailed in Note 16 to the financial statements for the year ended December 31, 2011.

As at June 30, 2012 and December 31, 2011, the balances were broken down as follow:

Issue	Debentures	Annual financial charges	Unit price	Company and Consolidated	
				06.30.2012	12.31.2011
Series 1	100,000	IPCA* + 3.5% limited to TJLP + 1.5%	1.00	**72,222**	71,091
Series 2	100,000	TJLP + 1.5%	1.00	**72,222**	71,091
		Subtotal		**144,444**	142,182
		Premium due to non-conversion		**17,454**	14,929
		Fair value of future conversions (a)		**14,029**	13,477
		Total		**175,927**	170,588
		Current liabilities		**41,940**	39,385
		Non-current liabilities		**133,987**	131,203

** Extended National Consumer Price Index*

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

	06.30.2012	12.31.2011
August 2013	**36,530**	36,273
August 2015	**32,001**	32,000
August 2016	**48,001**	48,001
After February 2017	**17,455**	14,929
	133,987	131,203

	Debentures and premiums from non-conversions	
	Company and Consolidated	
	06,30,2012	12,31,2011
Balance at the beginning of the year	**157,111**	183,527
Interest rates	**7,498**	16,554
Amortization	**(2,711)**	(42,970)
Balance	**161,898**	157,111

	Fair value of future translations	
	Company and Consolidated	
	06,30,2012	12,31,2011
Balance at the beginning of the year	**13,477**	14,423
Restatement at Market value	**552**	5,324
Reversals		(6,270)
Balance	**14,029**	13,477

(a) *Fair value of future conversions*

Taking into account the clauses of the deed of debenture issue, an assessment was carried out using the fair value of the conversion options defined in that deed, namely the amount awarded as at December 31, 2010 based on the best estimate resulting from the model used for this economic evaluation (which considers the future prices of shares compared to the "strike price" established for the conversion and other variables set forth in the debentures using the Monte Carlo method for pricing options) as at the date of closing of the interim financial statements. CPC 38 (IAS 39) and 39 (IAS 32), as well as the amounts involved, were taken into account when evaluating the transaction. As at June 30, 2012 the Company had a liability of R$14,029 corresponding to tranches not yet exercised (R$13,477 at December 31, 2011), in a counter-entry to the financial results.

As the assumptions used in these calculations may vary over time, the estimated amounts recorded may vary in the future compared to the actual amounts.

The Company has loan, financing and debenture agreements with restrictive covenants, such as are usually applicable to these types of transactions. These relate to the achievement of economic-financial ratios, cash generation and other requirements. These restrictive covenants have been met and do not restrict the Company's capacity to conduct operations normally.

17. Obligations related to acquisitions

These refer to installments payable in relation to investments carried out by the Company and its subsidiaries, negotiated with payment in installments, recorded in current and non-current liabilities, as follow:

	Company		Consolidated	
	06.30.2012	12.31.2011	**06.30.2012**	12.31.2011
YMF (a)	**-**	2,450	**-**	2,450
Tools (a)	**1,651**	1,577	**1,651**	1,577
Gens (a)	**436**	847	**436**	847
Techprod (a)	**434**	905	**434**	905
Techserv (a)	**286**	-	**286**	443
Datasul MG	**1,917**	1,876	**1,917**	1,876
Datasul Saude MG	**641**	641	**641**	641
ERP Cedente	**252**	481	**252**	481
TotalBanco	**1,995**	1,977	**1,995**	1,977
Hery	**3,672**	3,612	**3,672**	3,612
Tqtvd	**4,581**	4,836	**4,581**	4,836
SRC	**32,936**	33,214	**32,936**	33,214
Mafipa	**1,864**	2,668	**1,864**	2,668
Exitos	**3,000**	-	**3,000**	-
Gens - Porto Alegre (a)	**8,654**	8,406	**8,654**	8,407
	62,319	63,490	**62,319**	63,934
Current liabilities	**32,931**	31,477	**32,931**	31,625
Non-current liabilities	**29,388**	32,013	**29,388**	32,309

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

Installments registered in non-current liabilities mature as follow:

	Company		Consolidated	
Year	**06.30.2012**	12.31.2011	**06.30.2012**	12.31.2011
2013	**13,916**	18,070	**13,916**	18,365
2014	**6,395**	5,578	**6,395**	5,578
2015	**4,198**	3,835	**4,198**	3,835
2016	**4,879**	4,530	**4,879**	4,531
Non-current liabilities	**29,388**	32,013	**29,388**	32,309

(*) the amounts recognized in non-current liabilities are adjusted to their present value at the rate of 10,68% p.a. in 2012 (11% in 2011)

18. Provision for obligations related to legal proceedings

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

Provision for contingencies	**Company and Consolidated**	
	06.30.2012	12.31.2011
Tax	**656**	686
Civil	**713**	621
Labor	**3,946**	1,281
	5,315	2,588

Changes in provisions in the Period ended June 30, 2012 and December 31, 2011 are as follow:

	Tax	**Labor**	**Civil**	**Total**
Balance as at December 31, 2010	**545**	**3,603**	**1,728**	**5,876**
(+) Additional provision	18	124	551	693
(+) Monetary restatement	123	512	130	765
(-) Reversal of provision not used	-	(2,958)	(1,788)	(4,746)
Balancs as at December 31, 2011	**686**	**1.281**	**621**	**2.588**
(+) Additional provision	**25**	**2.620**	**71**	**2.716**
(+) Monetary restatement	**(55)**	**45**	**21**	**11**
(-) Reversal of provision not used	**-**	**-**	**-**	**-**
Balance as at June 30, 2012	**656**	**3.946**	**713**	**5.315**

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

	Company and Consolidated	
Judicial deposits	**06.30.2012**	12.31.2011
Social security	**2,515**	3,470
Tax	**869**	792
Other (Civil + labor)	**1,723**	197
	5,107	4,459

The breakdown of the main ongoing lawsuits through December 31, 2011 is as detailed in Note 18 to the financial statements for 2011. In the second quarter of 2012 updates regarding the likelihood of loss in the labor lawsuits, from possible to probable, resulted in an increase in the relevant provision of R$ 2,568, the remainder of the increase amounting to R$ 52 refers to new cases.

19. Contingent Liabilities

The Company and its subsidiaries are parties to other lawsuits for which no provision was recorded, since both Management and the Company's external legal advisors deem the risk of loss to be only possible, as follow:

	Company and Consolidated	
Type	**06.30.2012**	12.31.2011
Social security	**15,090**	17,218
Tax	**20,553**	21,146
Civil	**42,957**	37,000
Labor	**9,709**	8,997
	88,309	84,361

A breakdown of the main ongoing lawsuits through December 31, 2011 is given in Note 18 to the financial statements for 2011. No significant differences in ongoing lawsuits assessed as possible by the Company for the Period ended June 30, 2012 were recognized.

20. Equity

a) Capital

As at June 30, 2012, the Company's capital comprised 159,778,198 non-par common shares, issued and fully paid (159,466,791 shares as at December 31, 2011), as follow:

	06.30.2012		12.31.2011	
Shareholders	**Shares**	**%**	**Shares**	**%**
LC-EH Empreendimentos e Participações S.A.	**26,760,990**	***16.70%***	26,760,990	*16.78%*
Fundação Petrobras de Seguridade Social - Petros	**16,042,359**	***10.01%***	14,520,987	*9.11%*
BNDES Participações S.A.	**5,068,357**	***3.16%***	9,657,847	*6.06%*
Laércio José de Lucena Cosentino	**1,766,265**	***1.10%***	1,580,180	*0.99%*
Ernesto Mário Haberkorn	**16,810**	***0.01%***	16,810	*0.01%*
CSHG Senta Pua Fia	**43,500**	***0.03%***	43,500	*0.03%*
Other	**110,571,991**	***68.99%***	106,886,477	*67.03%*
	160,270,272	***100.00%***	159,466,791	*100.00%*

The authorized capital as at June 30, 2012, was R$540,000. The Company may, within the authorized capital limit and as authorized by the Board of Directors, increase the capital without amending the Bylaws.

b) Capital reserves

The balances of capital reserves at June 30, 2012 and December 31, 2011 are broken down as follow:

	06.30.2012	12.31.2011
Goodwill reserve (a)	**31,557**	31,557
Goodwill reserve for merger	**14,330**	14,330
Debentures converted into shares (fair value) (Note 16 (d) / (e))	**13,718**	13,718
Stock option plan (Note 23)	**21,275**	16,670
	80,880	76,275

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

c) Legal reserve

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

21. Dividends

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

The amount of dividends and interest payable on equity, amounting to R$488 as at June 30, 2012 (R$40,470 as at December 31, 2011) includes the distribution stated in Note 20 to the financial statements as at December 31, 2011, as well as the residual balance from previous years.

22. Insurance coverage

The insurance policy takes into account the geographical locations and the individual values of the assets used, and the fact that the Company and its subsidiaries are service providers and therefore depend less on tangible assets than an industrial company.

23. Stock option plan

The main events associated with the stock option plan through December 31, 2011 are described in Note 23 to the financial statements for the year ended December 31, 2011. In the Period ended June 30, 2012 there were two new stock options plans, estimated at their fair values as at the grant date based on the Black-Scholes model for option pricing, which considered the variables and results shown below:

Plan	Premises of fair value			Term to maturity	Pricing options
	Expectancy:		Interest rate risk-free		
	Dividends	Volatility			
02.13.12	**1.92%**	**32.82%**	**10.00%**	**3 anos**	**10,83**
06.01.12	**1.92%**	**32.82%**	**10.00%**	**3 anos**	**12,00**

The breakdown of options in the period is as follows:

	Company and Consolidated (*)			
	06.30.2012		12.31.2011	
	Number	**Average price (R$)**	Number	Average price (R$)
Stock option balance at the beginning of the year	**4,091,480**	**8.86**	5,190,780	8.35
Breakdown:				
Exercised	**(790,196)**	**2.47**	(779,380)	3.17
Granted	**90,000**	**11.35**	500,000	9.46
Cancelled	**(159,805)**	**10.03**	(819,920)	11.47
Stock option balance at the end of the year/period	**3,231,479**	**10.43**	4,091,480	8.86

(*) Value after share split of March 21, 2011.

The accumulated effect for the period ended June 30, 2012 was R$4,065 (R$4,785 at June 30, 2011) and was recorded as stock option granting expenses.

The accumulated balance of the line item “stock option plan” in equity is R$21.275 (R$16,670 as at December 31, 2011). As at June 30, 2012, there were 209.214 exercisable options, since the 36-month term from the 1st and 2nd grant dates have already elapsed.

24. Financial income and expenses

The financial income and expenses incurred in the periods ended June 30, 2012 and 2011 were as follow:

	Company		Consolidated	
	06.30.2012	06.30.2011	**06.30.2012**	06.30.2011
Financial income				
Short-term investments yield	**12,464**	10,317	**14,284**	12,250
Exchange gains	**(183)**	(348)	**150**	(206)
Other financial income	**5,391**	5,004	**5,994**	6,701
	17,672	14,973	**20,428**	18,745
Financial expenses				
Interest rate paid or incurred	**(12,886)**	(16,254)	**(13,244)**	(16,419)
Exchange losses	**(13)**	(497)	**(280)**	(626)
Bank commission and expenses	**(1,439)**	(3,727)	**(1,578)**	(3,987)
Premiums from non-conversions	**(3,078)**	(9,306)	**(3,078)**	(9,306)
Other financial expenses	**(1,805)**	(2,270)	**(2,391)**	(2,795)
	(19,221)	(32,054)	**(20,571)**	(33,133)
Net financial income (expenses)	**(1,549)**	(17,081)	**(143)**	(14,388)

25. Private pension plan – Defined contribution

The Company offers private pension plans managed by Itaú Vida e Previdência and HSBC. The characteristics of each plan are described in Note 25 to the financial statements for the year ended December 31, 2011.

26. Earnings per share

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

	Company		Consolidated	
	06.30.2012	06.30.2011	**06.30.2012**	06.30.2011
Basic earnings per share				
Numerator				
Net income for the period assigned to the Company's shareholders	**97,207**	69,141	**97,207**	69,695
Denominator (in Thousand shares)				
Weighted average number of common shares	**159,791**	157,313	**159,791**	157,313
Basic earnings per share	**0.61**	0.44	**0.61**	0.44

	Company		Consolidated	
	06.30.2012	06.30.2011	**06.30.2012**	06.30.2011
Diluted earnings per share				
Numerator				
Net income for the period assigned to the Company's shareholders	**97,207**	69,141	**97,207**	69,695
Denominator				
(in thousand shares)				
Weighted average number of common shares	**159,791**	157,313	**159,791**	157,313
Dilution effect				
• Stock options	**3,675**	3,473	**3,675**	3,473
• Debentures	**2,442**	4,817	**2,442**	4,817
Weighted average number of common shares adjusted according to dilution effect	**165,908**	164,632	**165,908**	164,632
Diluted earnings per share	**0.59**	R$0.42	**0.59**	R$0.42

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

27. Expenses by Nature

The Company presents below the information on the nature of expenses for the Period ended June 30, 2012 and 2011:

	Company		Consolidated	
	06.30.2012	12.31.2011	**06.30.2012**	12.31.2011
Inputs	**181,261**	165,725	**230,661**	221,810
Personnel	**199,044**	148,081	**232,088**	197,804
Depreciation and Amortization	**38,811**	38,161	**42,183**	41,232
Rental	**9,811**	8,624	**10,799**	9,583
Allowance for doubtful accounts	**10,491**	4,315	**10,903**	9,071
Other	**27,330**	28,932	**31,899**	37,906
Total	**466,748**	393,838	**558,533**	517,406

28. Gross sales revenue

In compliance with Brazilian Corporation Law (Art. 187 of Law No. 6404/76), the Company presents below the information about Gross Revenue and the deductions for the calculation of net revenue presented in the Income Statement:

	Company		Consolidated	
	06.30.2012	06.30.2011	**06.30.2012**	06.30.2011
Gross revenue	**635,002**	544,229	**757,850**	670,281
License fees	**141,335**	128,090	**178,730**	166,010
Services	**148,800**	114,551	**223,520**	192,713
Maintenance	**344,867**	301,588	**355,600**	311,558
Deductions	**(47,121)**	(39,557)	**(56,785)**	(50,067)
Sales tax	**(5,665)**	(5,881)	**(8,261)**	(8,157)
Cancellations of sales	**(41,456)**	(33,676)	**(48,524)**	(41,910)
Net revenue	**587,881**	504,672	**701,065**	620,214