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TOTVS S.A.

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

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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 September 30, 2012, comprising the balance sheet at that date and the statements of income, comprehensive income for the quarter and nine-month periods then ended, and the statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

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

Scope of review

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

Conclusion on the parent company interim information

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

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 nine-month period ended September 30, 2012. This statement is the responsibility of the Company's management, and is required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and is considered supplementary information under IFRS, which do 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 nine-month period ended September 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 October 20, 2011, respectively, expressed an unmodified opinion on those statements.

Sao Paulo, October 30, 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 9/30/2012
Paid-up capital	
Common shares	161,622,528
Preferred shares	0
Total	161,622,528
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 9/30/2012	Prior year 12/31/2011
1	Total assets	1,333,868	1,309,475
1.01	Current assets	557,126	494,938
1.01.01	Cash and cash equivalents	279,171	221,898
1.01.02	Financial investments	10,706	28,354
1.01.02.01	Financial investments at fair value	10,706	28,354
1.01.02.01.03	Securities	10,706	28,354
1.01.03	Trade receivables	245,244	213,531
1.01.03.01	Customers	245,244	213,531
1.01.03.01.01	Trade receivables	279,771	234,837
1.01.03.01.02	Provision for impairment of trade receivables	(34,527)	(21,306)
1.01.06	Taxes recoverable	8,659	23,434
1.01.08	Other current assets	13,346	7,721
1.01.08.03	Other	13,346	7,721
1.01.08.03.02	Other assets	13,346	7,721
1.02	Non-current assets	776,742	814,537
1.02.01	Long-term receivables	105,433	107,146
1.02.01.01	Financial investments at fair value	14,583	28,853
1.02.01.01.03	Securities	14,583	28,853
1.02.01.03	Trade receivables	40,323	29,926
1.02.01.03.01	Customers	34,176	20,451
1.02.01.03.02	Other receivables	6,147	9,475
1.02.01.06	Deferred taxes	35,289	25,786
1.02.01.06.01	Deferred income tax and social contribution	35,289	25,786
1.02.01.08	Receivables from related parties	8,734	18,122
1.02.01.08.02	Receivables from subsidiaries	8,734	18,122
1.02.01.09	Other non-current assets	6,504	4,459
1.02.01.09.03	Judicial deposits	6,504	4,459
1.02.02	Investments	129,035	137,599
1.02.02.01	Equity investments	129,035	137,599
1.02.02.01.02	Interests in subsidiaries	129,035	137,599
1.02.03	Property, plant and equipment	52,032	52,194
1.02.03.01	Property, plant and equipment in service	52,032	52,194
1.02.04	Intangible assets	490,242	517,598
1.02.04.01	Intangible assets	490,242	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 9/30/2012	Prior year 12/31/2011
2	Total liabilities	1,333,868	1,309,475
2.01	Current liabilities	264,928	289,057
2.01.01	Social and labor obligations	92,104	60,792
2.01.01.01	Social obligations	7,258	9,441
2.01.01.02	Labor obligations	84,846	51,351
2.01.02	Trade payables	16,195	13,051
2.01.02.01	Trade payables - local suppliers	16,195	13,051
2.01.03	Tax obligations	8,460	2,712
2.01.03.01	Federal tax obligations	8,460	2,712
2.01.04	Borrowings	89,122	97,597
2.01.04.01	Borrowings	53,760	58,043
2.01.04.01.01	In local currency	53,760	58,043
2.01.04.02	Debentures	35,362	39,385
2.01.04.03	Operating lease financing	0	169
2.01.05	Other liabilities	59,047	114,905
2.01.05.02	Other	59,047	114,905
2.01.05.02.01	Dividends and interest on capital payable	485	40,470
2.01.05.02.04	Obligations for purchases of investments	14,533	31,477
2.01.05.02.05	Commissions payable	42,720	41,117
2.01.05.02.06	Other liabilities	1,309	1,841
2.02	Non-current liabilities	176,066	270,551
2.02.01	Borrowings	149,588	234,002
2.02.01.01	Borrowings	51,068	102,799
2.02.01.01.01	In local currency	51,068	102,799
2.02.01.02	Debentures	98,520	131,203
2.02.02	Other liabilities	16,956	32,013
2.02.02.02	Other	16,956	32,013
2.02.02.02.03	Obligations for purchases of investments	16,956	32,013
2.02.04	Provision	9,522	4,536
2.02.04.01	Tax, social security, labor and civil provision	6,424	2,588
2.02.04.01.01	Tax provision	673	686
2.02.04.01.02	Social security and labor provision	4,627	1,281
2.02.04.01.04	Civil provision	1,124	621
2.02.04.02	Other provision	3,098	1,948
2.02.04.02.04	Provision for losses on investments	3,098	1,948
2.03	Equity	892,874	749,867
2.03.01	Paid-up capital	480,536	443,702
2.03.02	Capital reserves	101,277	76,275
2.03.02.02	Special goodwill reserve on merger	14,330	14,330
2.03.02.04	Share options	48,726	16,670
2.03.02.07	Goodwill reserve	31,557	31,557
2.03.02.08	Debentures converted into shares	6,664	13,718
2.03.04	Revenue reserves	313,332	232,448
2.03.04.01	Legal reserve	27,330	27,330
2.03.04.05	Profit retention reserve	286,002	230,636
2.03.04.10	Goodwill on purchase of non-controlling interest	0	(25,518)
2.03.06	Carrying value adjustments	(2,271)	(2,558)

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Parent company financial statements/statement of income

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/1/2012 to 6/30/2012	Accumulated - current period 1/1/2012 to 6/30/2012	Same quarter of prior year 6/1/2011 to 9/30/2011	Accumulated - prior year 1/1/2011 to 9/30/2011
3.01	Sales and/or services revenue	309.937	890.520	267.322	771.994
3.01.01	Licensing fees	64.971	195.015	59.714	178.124
3.01.02	Services	79.990	212.667	57.952	161.362
3.01.03	Maintenance	164.976	482.838	149.656	432.508
3.02	Cost of sales and/or services	(90.125)	(265.032)	(73.718)	(204.333)
3.02.01	Cost of licensing fees	(12.832)	(38.486)	(11.105)	(29.771)
3.02.02	Cost of services	(77.293)	(226.546)	(62.613)	(174.562)
3.03	Gross profit	219.812	625.488	193.604	567.661
3.04	Operating income (expenses)	(141.691)	(413.846)	(136.815)	(404.992)
3.04.01	Selling expenses	(18.512)	(49.498)	(14.605)	(43.081)
3.04.02	General and administrative expenses	(16.009)	(51.882)	(18.666)	(50.098)
3.04.05	Other operating expenses	(108.898)	(326.583)	(98.553)	(301.415)
3.04.05.01	Research and development	(35.041)	(104.363)	(35.832)	(103.480)
3.04.05.02	Advertising expenses	(9.323)	(23.421)	(6.789)	(19.255)
3.04.05.03	Commissions	(34.547)	(98.876)	(27.549)	(91.311)
3.04.05.04	Management fees	(7.238)	(27.447)	(7.217)	(23.560)
3.04.05.05	Depreciation and amortization	(18.580)	(57.391)	(18.626)	(56.786)
3.04.05.06	Provision for impairment of trade receivables	(4.407)	(14.898)	(2.668)	(6.983)
3.04.05.08	Other operating expenses, net	238	(187)	128	(40)
3.04.06	Equity in the results of subsidiaries	1.728	14.117	(4.991)	(10.398)
3.05	Profit before finance result and taxes	78.121	211.642	56.789	162.669
3.06	Finance result	(10.133)	(11.682)	(2.689)	(19.770)
3.06.01	Finance income	8.778	26.450	8.850	23.823
3.06.02	Finance costs	(18.911)	(38.132)	(11.539)	(43.593)
3.07	Profit before taxes on income	67.988	199.960	54.100	142.899
3.08	Income tax and social contribution on net income	(24.915)	(59.680)	(14.367)	(34.025)
3.08.01	Current	(29.449)	(68.281)	(9.694)	(25.680)
3.08.02	Deferred	4.534	8.601	(4.673)	(8.345)
3.09	Profit for the period from continuing operations	43.073	140.280	39.733	108.874
3.11	Profit for the period	43.073	140.280	39.733	108.874
3.99	Earnings per share - (reais/share)	0,27	0,88	0.25	0.69
3.99.01	Basic earnings per share	0,27	0,88	0.25	0.69
3.99.01.01	Common share	0.27	0.88	0.25	0.69
3.99.02	Diluted earnings per share	0,26	0,85	0.24	0.66
3.99.02.01	Common share	0.26	0.85	0.24	0.66

Parent company financial statements/statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/1/2012 to 6/30/2012	Accumulated - current period 1/1/2012 to 9/30/2012	Same quarter of prior year 6/1/2011 to 9/30/2011	Accumulated - prior year 1/1/2011 to 9/30/2011
4.01	Profit for the period	43,073	140,280	39,733	108,874
4.02	Other comprehensive income	244	287	(133)	279
4.02.01	Exchange variation on investment abroad	370	435	(201)	423
4.02.02	Deferred income tax	(126)	(148)	68	(144)
4.03	Comprehensive income for the period	43,317	140,567	39,600	109,153

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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 9/30/2012	Accumulated - prior year 1/1/2011 to 9/30/2011
6.01	Net cash provided by operating activities	227,911	222,927
6.01.01	Cash provided by operations	228,086	226,551
6.01.01.01	Profit for the period	140,280	108,874
6.01.01.02	Depreciation and amortization	57,392	56,786
6.01.01.03	Share-based payment	6,522	13,404
6.01.01.04	Gains on sale of permanent assets	7,529	2,293
6.01.01.05	Provision for impairment of trade receivables	14,898	6,983
6.01.01.06	Deferred income tax and social contribution	(8,601)	8,096
6.01.01.07	Equity in the results of subsidiaries	(14,117)	10,398
6.01.01.08	Interest, monetary and exchange variations, net	20,347	23,071
6.01.01.09	Loss on investments	0	282
6.01.01.10	Provision for (reversal of) contingencies	3,836	(3,636)
6.01.02	Changes in assets and liabilities	(175)	(3,624)
6.01.02.01	Trade receivables	(60,336)	(39,534)
6.01.02.02	Dividends received	9,510	4,097
6.01.02.03	Other assets	12,478	9,160
6.01.02.04	Judicial deposits	(2,045)	1,625
6.01.02.05	Social and labor obligations	31,312	17,448
6.01.02.06	Trade payables	3,144	(834)
6.01.02.07	Commissions payable	1,603	3,580
6.01.02.08	Taxes payable	5,748	1,166
6.01.02.09	Other payables	(1,589)	(332)
6.02	Net cash used in investing activities	(22,726)	(73,087)
6.02.02	Purchase of investments	(13,102)	(31,872)
6.02.03	Purchase of intangible assets in cash	(7,580)	(303)
6.02.04	Obligations for purchases of investments/intangible assets	(32,002)	(23,774)
6.02.05	Securities	31,918	(4,669)
6.02.06	Merger of intangibles assets	0	0
6.02.07	Decrease in investments due to disposal or merger of subsidiary	27,863	12,947
6.02.08	Purchase of property, plant and equipment	(16,544)	(25,416)
6.02.09	Intangible incorporation	(13,279)	0
6.03	Net cash used in financing activities	(147,912)	(160,542)
6.03.01	Bank borrowings	(64,589)	(81,229)
6.03.02	Credits from borrowings	9,388	4,542
6.03.03	Dividends paid	(99,378)	(87,068)
6.03.04	Operating lease liabilities	(169)	(1,600)
6.03.05	Payment of capital	6,836	4,813
6.05	Increase (decrease) in cash and cash equivalents	57,273	(10,702)
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	279,171	166,573

Parent company financial statements/statement of changes in equity - 1/1/2012 to 9/30/2012

(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	36,834	25,002	(59,396)	0	0	2,440
5.04.03	Share options recorded	6,836	6,522	0	0	0	13,358
5.04.06	Dividends	0	0	(59,396)	0	0	(59,396)
5.04.08	Debentures converted into shares	29,998	18,480	0	0	0	48,478
5.05	Total comprehensive income	0	0	0	140,280	0	140,280
5.05.01	Profit for the period	0	0	0	140,280	0	140,280
5.05.02	Other comprehensive income	0	0	0	0	287	287
5.05.02.04	Translation adjustments for the period	0	0	0	0	287	287
5.07	Closing balances	480,536	101,277	173,052	140,280	(2,271)	892,874

Parent company financial statements/statement of changes in equity - 1/1/2011 to 9/30/2011

(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	32,096	129,178	54,285	(2,186)	619,862
5.03	Adjusted opening balances	406,489	32,096	129,178	54,285	(2,186)	619,862
5.04	Capital transactions with owners	34,815	13,331	0	(54,285)	0	(6,139)
5.04.03	Share options recorded	4,813	7,134	0	0	0	11,947
5.04.06	Dividends	0	0	0	(54,285)	0	(54,285)
5.04.09	Debentures converted into shares	30,002	6,270	0	0	0	36,272
5.04.10	Goodwill on purchase of non-controlling interest	0	(73)	0	0	0	(73)
5.05	Total comprehensive income	0	0	0	108,874	279	109,153
5.05.01	Profit for the period	0	0	0	108,874	0	108,874
5.05.02	Other comprehensive income	0	0	0	0	279	279
5.05.02.04	Translation adjustments for the period	0	0	0	0	279	279
5.07	Closing balances	441,304	45,427	129,178	108,874	(1,907)	722,876

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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 9/30/2012	Accumulated - prior year 1/1/2011 to 9/30/2011
7.01	Revenue	954,314	816,790
7.01.01	Sale of goods and services	969,402	823,816
7.01.02	Other expenses	(190)	(42)
7.01.04	Provision for (reversal of) impairment of trade receivables	(14,898)	(6,984)
7.02	Inputs acquired from third parties	(282,526)	(244,501)
7.02.01	Cost of sales and services	(39,853)	(22,610)
7.02.02	Materials, energy, outsourced services and other	(242,673)	(221,891)
7.03	Gross value added	671,788	572,289
7.04	Retentions	(57,391)	(56,787)
7.04.01	Depreciation, amortization and depletion	(57,391)	(56,787)
7.05	Net value added generated	614,397	515,502
7.06	Value added received through transfer	38,238	11,377
7.06.01	Equity in the results of subsidiaries	14,117	(10,399)
7.06.02	Finance income	24,121	21,776
7.07	Total value added to distribute	652,635	526,879
7.08	Distribution of value added	652,635	526,879
7.08.01	Personnel	298,061	231,897
7.08.01.01	Direct remuneration	250,483	194,098
7.08.01.02	Benefits	28,559	22,738
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	19,019	15,061
7.08.02	Taxes and contributions	166,261	136,558
7.08.02.01	Federal	140,883	116,142
7.08.02.02	State	78	71
7.08.02.03	Municipal	25,300	20,345
7.08.03	Remuneration of third party capital	48,033	49,550
7.08.03.01	Interest	33,240	36,255
7.08.03.02	Rents	14,793	13,295
7.08.04	Remuneration of own capital	140,280	108,874
7.08.04.03	Profits reinvested	140,280	108,874

(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	1,357,303	1,337,848
1.01	Current assets	678,236	621,340
1.01.01	Cash and cash equivalents	345,125	287,079
1.01.02	Financial investments	10,706	28,502
1.01.02.01	Financial investments at fair value	10,706	28,502
1.01.02.01.03	Securities	10,706	28,502
1.01.03	Trade receivables	289,648	263,282
1.01.03.01	Customers	289,648	263,282
1.01.03.01.01	Trade receivables	329,018	295,094
1.01.03.01.02	Provision for impairment of trade receivables	(39,370)	(31,812)
1.01.06	Taxes recoverable	14,445	30,267
1.01.06.01	Current taxes recoverable	14,445	30,267
1.01.08	Other current assets	18,312	12,210
1.01.08.03	Other	18,312	12,210
1.01.08.03.02	Other assets	18,312	12,210
1.02	Non-current assets	679,067	716,508
1.02.01	Long-term receivables	119,430	116,956
1.02.01.01	Financial investments at fair value	14,583	29,148
1.02.01.01.03	Securities	14,583	29,148
1.02.01.03	Trade receivables	43,251	33,981
1.02.01.03.01	Customers	36,073	23,361
1.02.01.03.02	Other receivables	7,178	10,620
1.02.01.06	Deferred taxes	55,092	49,368
1.02.01.06.01	Deferred income tax and social contribution	55,092	49,368
1.02.01.09	Other non-current assets	6,504	4,459
1.02.01.09.03	Judicial deposits	6,504	4,459
1.02.03	Property, plant and equipment	57,387	58,862
1.02.03.01	Property, plant and equipment in service	57,387	58,862
1.02.04	Intangible assets	502,250	540,690
1.02.04.01	Intangible assets	502,250	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	1,357,303	1,337,848
2.01	Current liabilities	288,114	315,531
2.01.01	Social and labor obligations	104,816	72,985
2.01.01.01	Social obligations	8,236	11,120
2.01.01.02	Labor obligations	96,580	61,865
2.01.02	Trade payables	22,442	19,535
2.01.02.01	Trade payables - local suppliers	22,442	19,535
2.01.03	Tax obligations	9,369	6,544
2.01.03.01	Federal tax obligations	9,369	6,544
2.01.04	Borrowings	89,692	98,565
2.01.04.01	Borrowings	54,330	58,999
2.01.04.01.01	In local currency	54,330	58,999
2.01.04.02	Debentures	35,362	39,385
2.01.04.03	Lease financing	0	181
2.01.05	Other liabilities	61,795	117,902
2.01.05.02	Other	61,795	117,902
2.01.05.02.01	Dividends and interest on capital payable	485	40,470
2.01.05.02.04	Obligations for purchases of investments	14,533	31,625
2.01.05.02.05	Commissions payable	45,370	43,197
2.01.05.02.06	Other liabilities	1,407	2,610
2.02	Non-current liabilities	176,315	272,450
2.02.01	Borrowings	150,048	235,172
2.02.01.01	Borrowings	51,528	103,969
2.02.01.01.01	In local currency	51,528	103,969
2.02.01.02	Debentures	98,520	131,203
2.02.02	Other liabilities	19,843	34,690
2.02.02.02	Other	19,843	34,690
2.02.02.02.03	Obligations for purchases of investments	16,956	32,309
2.02.02.02.04	Other liabilities	2,887	2,381
2.02.04	Provision	6,424	2,588
2.02.04.01	Tax, social security, labor and civil provision	6,424	2,588
2.02.04.01.01	Tax provision	673	686
2.02.04.01.02	Social security and labor provision	4,627	1,281
2.02.04.01.04	Civil provision	1,124	621
2.03	Consolidated equity	892,874	749,867
2.03.01	Paid-up capital	480,536	443,702
2.03.02	Capital reserves	101,277	50,757
2.03.02.02	Special reserve of goodwill on merger	14,330	14,330
2.03.02.04	Share options	48,726	16,670
2.03.02.07	Goodwill reserve	31,557	31,557
2.03.02.08	Debentures converted into shares	6,664	13,718
2.03.02.09	Goodwill on purchase of non-controlling interest	0	(25,518)
2.03.04	Revenue reserves	313,332	257,966
2.03.04.01	Legal reserve	27,330	27,330
2.03.04.05	Profit retention reserve	286,002	230,636
2.03.06	Carrying value adjustments	(2,271)	(2,558)

(A free translation of the original in Portuguese)

Consolidated financial statements/statement of income

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/1/2012 to 9/30/2012	Accumulated - current period 1/1/2012 to 9/30/2012	Same quarter of prior year 6/1/2011 to 9/30/2011	Accumulated - prior year 1/1/2011 to 9/30/2011
3.01	Sales and/or services revenue	359.814	1.052.501	323.880	944.094
3.01.01	Licensing fees	81.375	246.392	76.169	230.504
3.01.02	Services	108.838	308.798	93.400	267.247
3.01.03	Maintenance	169.601	497.311	154.311	446.343
3.02	Cost of sales and/or services	(114.792)	(336.632)	(110.105)	(310.699)
3.02.01	Costs of licensing fees	(13.019)	(39.153)	(11.692)	(31.724)
3.02.02	Cost of services	(100.766)	(296.472)	(98.344)	(278.774)
3.02.03	Cost of sales	(1.007)	(1.007)	(69)	(201)
3.03	Gross profit	245.022	715.869	213.775	633.395
3.04	Operating expenses	(165.475)	(493.663)	(157.206)	(473.575)
3.04.01	Selling expenses	(24.082)	(65.523)	(22.374)	(65.396)
3.04.02	General and administrative expenses	(18.752)	(60.379)	(20.881)	(57.008)
3.04.05	Other operating expenses	(122.641)	(367.761)	(113.951)	(351.171)
3.04.05.01	Research and development	(42.414)	(127.845)	(44.342)	(131.511)
3.04.05.02	Advertising expenses	(10.642)	(26.114)	(7.540)	(20.902)
3.04.05.03	Commissions	(36.453)	(106.627)	(29.729)	(97.863)
3.04.05.04	Management remuneration	(7.390)	(28.061)	(7.846)	(25.922)
3.04.05.05	Depreciation and amortization	(19.869)	(62.051)	(20.581)	(61.811)
3.04.05.06	Provision for impairment of trade receivables	(5.851)	(16.627)	(3.931)	(13.002)
3.04.05.07	Other operating expenses	(22)	(436)	18	(160)
3.05	Profit before finance results and taxes	79.547	222.206	56.569	159.820
3.06	Finance results	(9.212)	(9.355)	(2.752)	(17.140)
3.06.01	Finance income	10.028	30.456	9.848	28.593
3.06.02	Finance costs	(19.240)	(39.811)	(12.600)	(45.733)
3.07	Profit before taxes on income	70.335	212.851	53.817	142.680
3.08	Income tax and social contribution on net income	(27.262)	(72.571)	(14.159)	(33.327)
3.08.01	Current	(31.786)	(78.514)	(12.966)	(35.488)
3.08.02	Deferred	4.524	5.943	(1.193)	2.161
3.09	Profit for the period from continuing operations	43.073	140.280	39.658	109.353
3.11	Consolidated profit for the period	43.073	140.280	39.658	109.353
3.11.01	Attributable to the owners of the parent company	43.073	140.280	39.730	109.205
3.11.02	Attributable to non-controlling interests	-	-	(72)	148
3.99	Earnings per share - (reais/share)	0,27	0,88	0.25	0.69
3.99.01	Basic earnings per share	0,27	0,88	0.25	0.69
3.99.01.01	Common share	0.27	0.88	0.25	0.69
3.99.02	Diluted earnings per share	0,26	0,85	0.24	0.66
3.99.02.01	Common share	0.26	0.85	0.24	0.66

Consolidated financial statements/statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/1/2012 to 9/30/2012	Accumulated - current period 1/1/2012 to 9/30/2012	Same quarter of prior year 6/1/2011 to 9/30/2011	Accumulated - prior year 1/1/2011 to 9/30/2011
4.01	Consolidated profit for the period	43,073	140,280	39,658	109,353
4.02	Other comprehensive income	244	287	(133)	279
4.03	Consolidated comprehensive income for the period	43,317	140,567	39,525	109,632
4.03.01	Attributable to the owners of the parent company	43,317	140,567	39,600	109,153
4.03.02	Attributable to non-controlling interests	0	0	(75)	479

(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 9/30/2012	Accumulated - prior year 1/1/2011 to 9/30/2011
6.01	Net cash provided by operating activities	240,926	211,811
6.01.01	Cash provided by operations	245,969	216,965
6.01.01.01	Profit for the period	140,280	109,353
6.01.01.02	Depreciation and amortization	62,051	61,811
6.01.01.03	Share-based payment	6,522	13,404
6.01.01.04	Gains on sale of permanent assets	3,345	2,717
6.01.01.05	Provision for impairment of trade receivables	16,627	13,002
6.01.01.06	Deferred income tax and social contribution	(5,943)	(2,161)
6.01.01.09	Non-controlling interests	0	(479)
6.01.01.07	Interest, monetary and exchange variations, net	19,251	22,954
6.01.01.08	Provision for (reversal of) contingencies	3,836	(3,636)
6.01.02	Changes in assets and liabilities	(5,043)	(5,154)
6.01.02.01	Trade receivables	(55,705)	(36,327)
6.01.02.02	Dividends received	0	800
6.01.02.03	Other assets	13,162	5,883
6.01.02.04	Judicial deposits	(2,045)	1,625
6.01.02.05	Social and labor obligations	31,831	22,380
6.01.02.06	Trade payables	2,907	(2,575)
6.01.02.07	Commissions payable	2,173	3,372
6.01.02.08	Taxes payable	2,825	(214)
6.01.02.09	Other payables	(191)	(98)
6.02	Net cash used in investing activities	(25,568)	(55,413)
6.02.03	Obligations for purchases of investments/intangible assets	(7,521)	(328)
6.02.04	Purchase of intangible assets	(32,445)	(23,934)
6.02.05	Securities	32,361	(4,504)
6.02.08	Purchase of property, plant and equipment	(17,963)	(26,647)
6.03	Net cash used in financing activities	(157,312)	(166,322)
6.03.01	Bank borrowings	(64,589)	(81,229)
6.03.02	Dividends paid	(99,378)	(88,231)
6.03.03	Operating lease liabilities	(181)	(1,675)
6.03.04	Payment of capital	6,836	4,813
6.05	Increase (decrease) in cash and cash equivalents	58,046	(9,924)
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	345,125	222,584

(A free translation of the original in Portuguese)

Consolidated financial statements/statement of changes in equity - 1/1/2012 to 9/30/2012

(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	-	-2,558	749,867	-	749,867
5.03	Adjusted opening balances	443,702	76,275	232,448	-	-2,558	749,867	-	749,867
5.04	Capital transactions with owners	36,834	25,002	-59,396	-	-	2,440	-	2,440
5.04.03	Share options recorded	6,836	6,522	-	-	-	13,358	-	13,358
5.04.06	Dividends	-	-	-59,396	-	-	-59,396	-	-59,396
5.04.08	Debentures converted into shares	29,998	18,480	-	-	-	48,478	-	48,478
5.05	Total comprehensive income	-	-	-	140,280	-	140,280	-	140,280
5.05.01	Profit for the period	-	-	-	140,280	-	140,280	-	140,280
5.05.02	Other comprehensive income	-	-	-	-	287	287	-	287
5.05.02.04	Translation adjustments for the period	-	-	-	-	287	287	-	287
5.07	Closing balances	480,536	101,277	173,052	140,280	-2,271	892,874	-	892,874

Consolidated financial statements/statement of changes in equity - 1/1/2011 to 9/30/2011

(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	32,096	128,510	54,285	(2,186)	619,194	12,382	631,576
5.03	Adjusted opening balances	406,489	32,096	128,510	54,285	(2,186)	619,194	12,382	631,576
5.04	Capital transactions with owners	34,815	13,331	668	(54,285)	0	(5,471)	(12,861)	(18,332)
5.04.03	Share options recorded	4,813	7,134	0	0	0	11,947	0	11,947
5.04.06	Dividends	0	0	0	(54,285)	0	(54,285)	0	(54,285)
5.04.07	Debentures converted into shares	30,002	6,270	0	0	0	36,272	0	36,272
5.04.08	Goodwill on purchase of non-controlling interest	0	(73)	0	0	0	(73)	0	(73)
5.04.09	Decrease due to purchase of non-controlling interest	0	0	668	0	0	668	(12,861)	(12,193)
5.05	Total comprehensive income	0	0	0	108,874	279	109,153	479	109,632
5.05.01	Profit for the period	0	0	0	108,874	0	108,874	479	109,353
5.05.02.04	Translation adjustments for the period	0	0	0	0	279	279	0	279
5.07	Closing balances	441,304	45,427	129,178	108,874	(1,907)	722,876	0	722,876

(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	1,126,446	995,390
7.01.01	Sale of goods and services	1,143,307	1,008,404
7.01.02	Other expenses	-397	29
7.01.04	Provision for (reversal of) impairment of trade receivables	-16,464	-13,043
7.02	Inputs acquired from third parties	-356,675	-328,259
7.02.01	Cost of sales and services	-46,528	-26,234
7.02.02	Materials, energy, outsourced services and other	-310,147	-302,025
7.03	Gross value added	769,771	667,131
7.04	Retentions	-62,052	-61,811
7.04.01	Depreciation, amortization and depletion	-62,052	-61,811
7.05	Net value added generated	707,719	605,320
7.06	Value added received through transfer	28,147	26,543
7.06.02	Finance income	28,147	26,543
7.07	Total value added to distribute	735,866	631,863
7.08	Distribution of value added	735,866	631,863
7.08.01	Personnel	348,577	307,005
7.08.01.01	Direct remuneration	293,687	257,422
7.08.01.02	Benefits	33,105	30,313
7.08.01.03	FGTS	21,785	19,270
7.08.02	Taxes and contributions	195,965	163,175
7.08.02.01	Federal	166,038	137,798
7.08.02.02	State	281	229
7.08.02.03	Municipal	29,646	25,148
7.08.03	Remuneration of third party capital	51,044	52,809
7.08.03.01	Interest	34,734	37,980
7.08.03.02	Rents	16,310	14,781
7.08.03.03	Other	-	48
7.08.04	Remuneration of own capital	140,280	108,874
7.08.04.03	Profits reinvested	140,280	109,353
7.08.04.04	Non-controlling interests in profits reinvested	-	-479

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 3st quarter of 2012.

Comments on the performance

- ### Net Revenue

  Net revenue totaled R$359,814 thousand in 3Q12, up 11.1% over 3Q11, highlighting service and maintenance revenue, which represented respectively 30.2% and 47.1% of total net revenue. Comparing 9M12 versus 9M11, the net revenue grew 11.5%, totaling R$1,052,501 thousand.

- ### Net License Fee Revenue

  In 3Q12, the license fee grew 6.8% over the R$76,169 thousand of the same period in 2011, totaling R$81,375 thousand. In the 9M12 vs. 9M11 comparison, the increase was of 6.9%, amounting R$246,392 thousand. This upturn was concentrated on sales to new clients.

- ### Net Service Revenue

  Net service revenue came to R$108,838 million, a 16.5% increase over the R$93,400 million recorded in 3Q11. In 9M12, the line grew by 15.5%, amounting R$308,798 thousand. The growth in this revenue line is chiefly associated with the higher number of software implementation and consulting hours delivered.

- ### Net Maintenance Fee Revenue

  Net maintenance fee revenue totaled R$169,901 million in 3Q12, a growth of 9.9% over R$154,311 of 3Q11. In 9M12, the line grew 11.4%, amounting R$497,311 thousand. 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 adjustments based on predefined inflation rates, mostly the IGP-M.

- ### Operating Costs and Expenses

  The analysis of the Company's operating costs and expenses is divided into four large expense groups: (i) cost of license fees and services and research and development expenses; (ii) expenses related to advertising, sales, commissions and allowance for doubtful accounts; (iii) general and administrative expenses and management fees and (iv) depreciation and amortization.

- ### Cost of License Fees, Services and Sales and Research and Development Expenses

  This group of costs and expenses, as a whole, grew in a slower pace than the net revenue, decreasing from 47.7% of total net revenue in 3Q11 to 43.7% in 3Q12. In 9M12, the group also grew less than net revenue, decreasing from 46.8% to 44.1%. The gain registered is due to the greater efficiency of TOTVS solution implementation teams, the higher share of services not directly associated with software implementation, with a higher gross margin, and the payroll tax relief from the Brasil Maior Plan.

- ### Advertising, Selling and Commission Expenses and Allowance for Doubtful Accounts

  Between 3Q11 and 3Q12, this group's expenses grew from 19.6% to 21.4% of total net revenue. This growth it´s a result: (i) of the increase in advertising expenses, in line with the Company's plans, following the review of the communications plan mentioned in 3Q11; (ii) of the increase of selling expenses, chiefly due to the reclassification of provisions for civil and labor contingencies, previously classified as general and administrative expenses; and (iii) of the increase of allowances for doubtful accounts, chiefly associated with delayed payments for implementation and consulting services provided to larger clients, even though small and medium-sized client default has also increased in the year.

- ## General and Administrative Expenses and Management Fees

  Between 3Q11 and 3Q12, this group of expenses decreased, falling from 8.9% to 7.3% of the total net revenue for each respective period. This decrease in general and administrative expenses in the period is mainly due to the reclassification of provisions described in item "Advertising, Selling and Commission Expenses and Allowance for Doubtful Accounts".

- ## Depreciation and Amortization

  Depreciation and amortization accounted R$19,869 thousand in 3Q12, of which R$16,250 thousand refers to amortization of intangible assets and R$3,619 thousand to depreciation of fixed assets.

- ## Net Income

  The Company reported net income of R$43,073 thousand in 3Q12, an increase of 8.6% on the R$39,658 thousand reported in 3Q11. The difference between the 40.6% EBIT upturn and the net income increase is due to: (i) higher expenses, as a result of the mark-to-market of convertible debentures; and (ii) the increase in the effective rate of Income and Social Contribution taxes.

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 October 30, 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 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, 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 September 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
Provision 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 interest percentages held by the Company on its balance sheet are summarized below:

			Interest %	
Corporate Name	Name Used	Type	09.30.2012	12.31.2011
Totvs Rio Software Ltda.	Totvs Rio	Direct	100	100
Totvs Argentina S.A.	Totvs Argentina	Direct	100	100
Totvs México S.A.	Totvs México	Direct	100	99,99
Totvs Corporation	Totvs Corporation	Direct	100	100
Totvs Nordeste Software Ltda.	Totvs Nordeste	Direct	100	100
Setware Informática Ltda. (a)	Setware	indirect	-	100
Totvs Brasília Software Ltda.	Totvs Brasília	Direct	100	100
Inteligência Organizacional Serviços, Sistemas e Tecnologia em Software Ltda. (a)	IOSSTS	Direct	-	100
Eurototvs Lda.	Eurototvs	Direct	100	100
TQTVD Software Ltda.	TQTVD	Direct	100	100
BCS Comércio e Serviços de Informática Ltda. (a)	BCS Comércio	Direct	-	100
Midbyte Informática Ltda. (a)	Midbyte	Direct	-	100
Datasul S.A. de CV.	Datasul México	Direct	100	100
Datasul Incorporation	Datasul USA	Direct	100	100
Datasul Argentina S.A.	Datasul Argentina	Direct	100	100
Totvs Serviços em Informática e Consultoria Ltda. (a)	Totvs Serviços	Direct	-	100
Gens Tecnologia da Informação Ltda.	Gens	Direct	100	100
Gens Tecnologia e Informatica Ltda. (a)	Gens FDES	Direct	-	100
YMF Arquitetura Financeira de Negócios Ltda.	YMF	Direct	100	100
Tools Arquitetura Financeira de Negócios Ltda.	Tools	Direct	100	100
DTS Consulting Partner, AS de CV	Partner	indirect	100	100
Hery Participações Ltda.	Hery	Direct	100	100
TotalBanco Consultoria e Sistemas Ltda.	TotalBanco Consultoria	Direct	100	100
TotalBanco Participações S.A. (a)	TotalBanco Participações	Direct	-	100
M2S Serviços de Suporte Ltda. (a)	M2S	indirect	-	100
Mafipa Serviços de Informatica Ltda. (a)	Mafipa	Direct	-	100

(a) Incorporated subsidiaries

The results of acquired/merged subsidiaries during the period ended September 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 September 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 Social Security Contribution on Payroll (INSS), to a rate of 2.5% of gross services revenue from April 2012, and 2.0% since August 2012 which was previously levied at 20% of the payroll of the Company. As a result of the changes introduced by the law, the Company believes that the INSS has become a tax on sales and, consequently, for purposes of disclosure of financial information for the nine months ended September 30, 2012, sales revenue were presented net of taxes, as described in Note 28. The adjustment made considers the values calculated from the effective date of the law, i.e., April 1, 2012.

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 May 2012					
BCS	2,359	4,372	112	-	4,260
Gens (FDES)	-	-	-	-	-
Midebyte	1,800	3,150	184	-	2,965
Totvs Serviços	6,023	14,904	1,425	-	13,479
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. 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 September 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	
	09.30.2012	12.31.2011	**09.30.2012**	12.31.2011
Financial assets instruments				
Securities	**-**	-	**25.289**	57.650
Accounts receivable, net	**325.721**	286.643	**-**	-
Other assets	**-**	-	**25.490**	22.830
Total	**325.721**	286.643	**50.779**	80.480
Financial liabilities instruments				
Loans and financing	**-**	-	**105.858**	162.968
Leasing	**-**	-	**-**	181
Debentures and premiums from non-conversion	**-**	-	**127.218**	157.111
Fair value of convertible debentures	**-**	-	**6.664**	13.477
Accounts payable and suppliers	**-**	-	**99.301**	126.666
Other liabilities	**-**	-	**4.294**	4.991
Total	**-**	-	**343.335**	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	-	-	127,218
Fair value of future translations	-	6,664	-

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 September 30, 2012, three different scenarios were created. Based on forecasts by financial institutions, we arrived at a three-month forecast for 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 September 30, 2012, with a one-year projection period to check the CDI's sensitivity to each scenario.

Operation	Balances at 09.30.2012	Risk	Probable Scenario (I)	Scenario II	Scenario III
Financial investments	**R$ 323.238**	**CDI**	8,20%	6,15 %	4,10%
Estimated financial income			**R$ 26,508**	**R$ 19,881**	**R$ 13,254**

b) Financial liabilities

In order to check the sensitivity of the Company´s financial liabilities index the Company is exposed to as at September 30, 2012, three different scenarios were created. Based on long-term interest rates and the IPCA in force by September 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 September 30, 2012, projecting the rates for one year and determining their sensitivity under each scenario.

Operation	Balances at 09.30.2012	Risk	Probable Scenario (I)	Scenario II	Scenario III
Financing - BNDES	**R$ 105.858**	TJLP	5.50%	6,875%	8,25%
Estimated financial expenses			**R$ 7,410**	**R$ 8,866**	**R$ 10,321**
Debentures	**R$ 161.898**	IPCA	5.50%	6.875%	8,25%
		TJLP	5.50%	6,875%	8,25%
Estimated financial expenses			**R$ 14,266**	**R$ 15,516**	**R$ 16,553**

5. Cash and cash equivalents

	Company		Consolidated	
	09.30.2012	12.31.2011	**09.30.2012**	12.31.2011
Cash and cash equivalents	**20,157**	15,802	**21,887**	33,169
Cash equivalents				
Purchase and sale commitments	**203,088**	132,125	**248,347**	166,429
CDB	**55,926**	73,971	**74,397**	87,034
DI Funds	**-**	-	**494**	447
	259,014	206,096	**323,238**	253,910
	279,171	221,898	**345,125**	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, CDIs 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 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	
	09.30.2012	12.31.2011	**09.30.2012**	12.31.2011
YMF Participações	**-**	2,383	**-**	2,383
Gens	**444**	578	**444**	578
Tech Prod	**442**	889	**442**	1,332
Tools	**1,683**	1,548	**1,683**	1,548
Datasul MG	**1,967**	1,802	**1,967**	1,802
Datasul Saude MG	**641**	641	**641**	641
TotalBanco	**2,033**	1,900	**2,033**	1,900
Hery	**3,743**	3,505	**3,743**	3,505
ERP Cedente	**257**	476	**257**	476
SRC	**4,253**	32,390	**4,253**	32,390
Mafipa	**1,315**	2,614	**1,315**	2,614
Gens FDES	**8,219**	7,677	**8,219**	7,677
Tech Serv	**292**	804	**292**	804
	25,289	57,207	**25,289**	57,650
Current assets	**10,706**	28,354	**10,706**	28,502
Non-current assets	**14,583**	28,853	**14,583**	29,148

7. Trade accounts receivable

	Company		Consolidated	
	09.30.2012	12.31.2011	**09.30.2012**	12.31.2011
Domestic market	**313,947**	255,288	**355,771**	305,004
Foreign market	**-**	-	**9,320**	13,451
	313,947	255,288	**365,091**	318,455
Current assets	**279,771**	234,837	**329,018**	295,094
Non-current assets	**34,176**	20,451	**36,073**	23,361

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

	Company		Consolidated	
	09.30.2012	12.31.2011	**09.30.2012**	12.31.2011
Falling due	**250,110**	206,382	**291,191**	243,826
Overdue				
1 to 30 days	**12,939**	11,104	**14,003**	13,545
31 to 60 days	**5,786**	3,610	**6,750**	5,330
61 to 90 days	**3,695**	2,623	**4,470**	2,109
91 to 180 days	**6,639**	7,140	**7,774**	9,921
181 to 360 days	**251**	2,607	**1,482**	9,350
more than 360 days	**-**	516	**51**	2,562
	279,420	233,982	**325,721**	286,643

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

	Company		Consolidated	
	09.30.2012	12.31.2011	**09.30.2012**	12.31.2011
Balance at the beginning of the year	**21,306**	16,221	**31,812**	20,900
Additional provision in the period	**14,898**	8,727	**16,627**	16,145
Written off from the provision:	**(1,677)**	(3,642)	**(9,069)**	(5,233)
Balance as at December 31	**34,527**	21,306	**39,370**	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 260 active clients in its portfolio, and as at September 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 forward.

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:

	Controladora				Consolidado			
	3º T 2012	**30.09.2012**	3º T 2011	30.09.2011	**3º T 2012**	**30.09.2012**	3º T 2011	30.09.2011
Income before taxes	**67,988**	**199,960**	54,100	142,899	**70,335**	**212,851**	53,817	142,680
Income tax and social contributions at combined nominal rate of 34%	**(23,116)**	**(67,986)**	(18,394)	(48,586)	**(23,913)**	**(72,369)**	(18,298)	(48,511)
Adjustments for the statement of effective rate								
Equity pick-up	**588**	**4,800**	(1,697)	(3,536)	**-**	**-**		-
Law 11196/05 (incentive for research and development) (a)	**4,637**	**13,503**	7,620	21,972	**4,861**	**13,937**	8,177	22,905
Effect of taxation of subsidiaries based on deemed profit	**-**	**-**	-	-	**(1,245)**	**(2,962)**	(2,164)	(3,928)
Management stake	**(448)**	**(2,160)**	26	131	**(449)**	**(2,161)**	57	89
Tax loss carried forwards and IRCS	**-**	**-**	-	-	**1,397**	**-**	-	-
Accounts receivable deemed uncollectible	**(10)**	**(40)**	-	(205)	**(10)**	**(56)**	-	(205)
Stock options	**(651)**	**(2,217)**	(799)	(2,426)	**(651)**	**(2,217)**	(799)	(2,426)
Workers' Food Program (PAT)	**529**	**1,227**	940	462	**417**	**1,227**	162	462
Other	**(6,443)**	**(6,806)**	(2,062)	(1,836)	**(7,666)**	**(7,970)**	(1,294)	(1,713)
Income tax and social contribution expenses	**(24,914)**	**(59,679)**	(14,366)	(34,024)	**(27,259)**	**(72,571)**	(14,159)	(33,327)
Effective rate	**36,6%**	**29,8%**	**26,6%**	**23,8%**	**38,8%**	**34,1%**	**26,3%**	**23,4%**

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

	Controladora				Consolidado			
	3º T 2012	**30.09.2012**	3º T 2011	30.09.2011	**3º T 2012**	**30.09.2012**	3º T 2011	30.09.2011
Current income and social contribution tax	**(29,449)**	**(68,281)**	(9,694)	(25,680)	**(31,784)**	**(78,514)**	(12,966)	(35,488)
Deferred income and social contribution tax	**4,534**	**8,601**	(4,673)	(8,345)	**4,525**	**5,943**	(1,193)	2,161
	(24,915)	**(59,680)**	(14,367)	(34,025)	**(27,259)**	**(72,571)**	(14,159)	(33,327)

8.2. Deferred income tax and social contributions

	Company		Consolidated	
	09.30.2012	12.31.2011	**09.30.2012**	12.31.2011
ASSETS				
Deriving from temporary differences:				
Goodwill on business combinations	**167,998**	155,134	**170,433**	157,598
Provision for commission	**15,344**	14,584	**16,286**	15,379
Anticipated income or revenue	**5,963**	2,045	**5,300**	4,777
Allowance for doubtful accounts	**11,739**	7,244	**12,457**	8,435
Provision for contingencies and other liabilities	**2,184**	880	**2,184**	880
Tax losses and social contribution tax losses carried forward	**-**	-	**17,251**	18,030
Provision for premium due to non-conversion of debentures	**8,561**	9,658	**8,561**	9,658
Present value adjustments	**2,295**	1,865	**2,295**	1,865
Other	**6,624**	3,599	**7,508**	3,843
Total deferred income and social contribution tax assets	**220,708**	195,009	**242,275**	220,465
LIABILITIES				
Deriving from temporary differences:				
Intangible assets allocation	**184,818**	167,999	**186,309**	169,445
Other	**601**	1,224	**874**	1,652
Total deferred income and social contribution tax liabilities	**185,419**	169,223	**187,183**	171,097
Net deferred income and social contribution tax	**35,289**	25,786	**55,092**	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	
	09.30.2012	12.31.2011	**09.30.2012**	12.31.2011
2012	**11,660**	27,472	**12,604**	50,464
2013	**57,751**	14,349	**58,989**	14,577
2014	**20,144**	15,229	**37,636**	15,457
2015	**20,144**	108,950	**20,385**	110,681
2016	**22,328**	29,009	**22,569**	29,286
2017 onwards	**88,681**	-	**90,092**	-
	220,708	195,009	**242,275**	220,465

b) In non-current liabilities:

	Company		Consolidated	
	09.30.2012	12.31.2011	**09.30.2012**	12.31.2011
2012	**5,637**	15,653	**5,970**	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	**99,206**	-	**99,673**	-
	185,419	169,223	**187,183**	171,097

During the period ended September 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		
	09.30.2012	**12.31.2011**	**Variation**	**09.30.2012**	**12.31.2011**	**Variation**
Income tax/social contributions – assets	35,289	25,786	9,503	55,092	49,368	5,724
Income tax/social contributions on subsidiaries' incorporation			(1,051)			-
Exchange variation from investments abroad			148			148
Other			1			71
Total			**8,601**			**5,943**

9. Recoverable taxes

	Company		Consolidated	
	09.30.2012	12.31.2011	**09.30.2012**	12.31.2011
Recoverable taxes				
Withholding income tax	**7,589**	20,538	**9,477**	24,578
Withholding social contribution	**1,500**	3,039	**2,786**	4,749
Withholding PIS and COFINS	**-**	48	**216**	335
Other	**(430)**	(191)	**1,966**	605
	8,659	23,434	**14,445**	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 September 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 follows:

	Company	
	09.30.2012	**12.31.2011**
Totvs Brasília	**4,833**	3,741
Totvs Nordeste	**2,271**	3,935
BCS Comércio	**-**	36
Hery	**-**	8
Gens	**538**	3,660
Totvs Rio	**(265)**	6,766
Tools	**30**	-
Totvs Incorporation	**1,327**	(24)
	8,734	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$5,243 for the period ended September 30, 2012 (R$4,635 for the period ended September 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 September 30, 2012 (17.92% as at December 31, 2011), and the indirect interest was 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 BNDES, a Totvs shareholder.

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			
	3º T 2012	**30.09.2012**	3º T 2011	30.09.2011	**3º T 2012**	**30.09.2012**	3º T 2011	30.09.2011
Short-term benefits to employees (a)								
Salaries, fees and variable bonus and payroll charges	**5.035**	**20.586**	4.721	15.987	**5.305**	**21.200**	5.350	18.349
Private pension plan	**105**	**338**	147	439	**105**	**338**	147	439
	5.140	**20.924**	4.868	16.426	**5.410**	**21.538**	5.497	18.788
Share-based payments (b)	**1.918**	**6.523**	2.349	7.134	**1.918**	**6.523**	2.349	7.134
	7.058	**27.447**	7.217	23.560	**7.328**	**28.061**	7.846	25.922

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 September 30, 2012					Equity pick-up for periods ended:		Balance of investments as at:	
	Assets	Liabilities	Equity	Gross revenue	Income for the period	**09.30.2012**	12.31.2011	09.30.2012	**12.31.2011**
Totvs Rio	25,798	1,981	23,817	34,990	6,254	**6,254**	(9,131)	**23,817**	17,563
Totvs Argentina	8,147	3,079	5,068	9,439	(2,491)	**(2,491)**	(2,398)	**5,068**	4,063
Totvs México	4,523	6,600	(2,077)	6,409	(3,840)	**(3,840)**	(7,583)	**-**	-
Totvs Corporation	2,399	-	2,399	-	3	**3**	3	**2,399**	2,212
Totvs Nordeste	12,316	3,805	8,511	6,524	(417)	**(417)**	(666)	**8,511**	8,929
Totvs Brasília	5,335	6,288	(953)	8,348	(1,552)	**(1,552)**	(862)	**-**	599
IOSSTS	-	-	-	6,470	4,159	**4,159**	2,174	**-**	6,358
Eurototvs	249	2	247	37	(1,250)	**(1,250)**	(1,882)	**247**	-
RO							4,108		-
Midbyte	-	-	-	2,309	1,066	**1,066**	1,694	**-**	5,564
TQTVD	20,140	1,217	18,923	9,660	(2,603)	**(2,603)**	(4,990)	**18,923**	17,786
BCS Comércio	-	-	-	1,833	996	**996**	(42)	**-**	5,752
BCS Sistemas							(42)		-
HBA							(28)		-
Totvs Serviços	-	-	-	5,516	(1,245)	**(1,245)**	(2,226)	**-**	13,907
Gens	3,257	654	2,603	3,410	1,723	**1,723**	1,739	**2,603**	880
YMF	46,139	4,237	41,902	41,466	7,992	**7,992**	5,893	**41,902**	33,909
Tools	12,349	2,726	9,623	14,662	2,881	**2,881**	1,977	**9,623**	6,741
DTSL							93	**-**	-
Datasul México	2,802	1,686	1,116	-	53	**53**	(102)	**1,116**	900
Datasul USA	1,300	1,368	(68)	-	(1,197)	**(1,197)**	(6)	**-**	1,079
Datasul Argentina	1,264	10	1,253	42	35	**35**	(159)	**1,253**	1,334
Hery	4,407	1,268	3,138	9,876	283	**283**	74	**3,138**	2,856
Total Banco	12,866	2,432	10,434	16,775	3,267	**3,267**	1,925	**10,434**	7,167
Gens FDES	-	-	-	-	-	**-**	39	**-**	-
						14,117	(10,398)	**129,035**	137,599

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

	Company	
	09.30.2012	12.31.2011
Totvs Inc.	**68**	**-**
Totvs México	**2.077**	1.846
Eurototvs	**-**	102
Totvs Brasilia	**953**	-
	3.098	**1.948**

The changes in the investment accounts for the period ended September 30, 2012 were as follows:

	31.12.2011	Additions	Equity pick-up	Exchange	Dividends	Incorporation	Reclassification	31.03.2012
Totvs Rio	17,563	-	6,254	-	-			23,817
Totvs Nordeste	8,929	-	(418)	-	-			8,511
Totvs Argentina	4,063	3,054	(2,489)	440	-			5,068
Totvs Corporation	2,212	-	2	184	-			2,399
Datasul USA	1,079	-	(1,197)	51	-		67	-
Eurototvs	-						247	247
IOSSTS	6,358	-	4,159	-	(3,358)	(7,159)		-
Midbyte	5,564	-	1,066	-	(3,664)	(2,965)	(1)	-
BCS Comércio	5,752	-	996	-	(2,488)	(4,260)		-
Datasul Argentina	1,334	-	35	(116)	-			1,253
YMF	33,909	-	7,992	-	-		1	41,902
Tools	6,741	-	2,881	-	-		1	9,623
TQTVD	17,786	3,740	(2,603)	-	-			18,923
TotalBanco	7,167	-	3,267	-	-			10,434
Totvs Brasília	599	-	(1,552)	-	-		953	-
Hery	2,856	-	283	-	-			3,139
Totvs Serviços	13,907	817	(1,245)	-	-	(13,479)		-
Datasul México	900	-	53	163	-			1,116
Gens	880	-	1,723	-	-			2,603
Total Investments	137,599	7,611	19,207	722	(9,510)	(27,863)	1,268	129,035
Totvs Inc.	-	-	-	-	-	-	(68)	(68)
Totvs México	(1,846)	3,925	(3,840)	(316)	-	-	-	(2,077)
Totvs Brasília	-	-	-	-	-	-	(953)	**(953)**
Eurototvs	(102)	1,566	(1,250)	33	-		(247)	-
Provision for losses	(1,948)	5,491	(5,090)	(283)	-	-	(1,268)	(3,098)
Investments	**135,651**	13,102	14,117	439	(9,510)	(27,863)	-	125,937

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	10,399	2,527	566	1,758	1,294	16,544
Write-offs	(10,186)	(1,081)	14	-	15	(11,238)
Transfers	(1)	-	-	-	-	(1)
Balance as at September 30, 2012	63,052	8,049	8,521	12,240	15,010	106,872
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	(6,274)	(863)	(575)	(790)	(724)	(9,226)
Write-offs	3,145	635	(16)	-	(6)	3,758
Transfers	-	-	-	-	1	1
Balance as at September 30, 2012	(37,810)	(3,531)	(3,956)	(3,395)	(6,148)	(54,840)
Residual value						
Balance as at September 30, 2012	25,242	4,518	4,565	8,845	8,862	52,032
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	10,905	2,698	764	1,824	1,772	17,963
Write-offs	(14,208)	(1,258)	(179)	(103)	(30)	(15,778)
Transfers	34	12	49	(1)	57	151
Balance as at September 30, 2012	69,711	8,783	10,233	12,638	16,356	117,721
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	(7,293)	(944)	(736)	(822)	(788)	(10,583)
Write-offs	6,001	789	92	40	1	6,923
Transfers	(231)	13	89	(13)	(9)	(151)
Balance as at September 30, 2012	(41,754)	(3,829)	(4,809)	(3,532)	(6,410)	(60,334)
Residual value						
Balance as at September 30, 2012	27,957	4,954	5,424	9,106	9,946	57,387
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 September 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 follows:

							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	**29,546**	**1,624**	**-**	**2,474**	**3,000**	**-**	**36,644**
Incorporation	**9,644**	**1,162**	**-**	**2,473**			**13,279**
Write-offs	**(15,193)**	**(1,624)**	**-**	**(2,473)**	**(1,890)**	**-**	**(21,180)**
Transfers	**2**	**-**	**-**	**(1)**	**-**	**-**	**1**
Balance as at September 30, 2012	**183,650**	**63,149**	**83,222**	**203,516**	**15,125**	**339,435**	**888,097**
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	**(13,985)**	**(3,115)**	**(12,316)**	**(16,721)**	**(2,029)**	**-**	**(48,166)**
Write-offs	**(8,953)**	**56**	**-**	**(927)**	**1,891**	**-**	**(7,933)**
Transfers	**(1)**	**-**	**-**	**-**	**-**	**-**	**(1)**
Balance as at September 30, 2012	**(76,423)**	**(17,567)**	**(76,045)**	**(84,592)**	**(9,014)**	**(134,214)**	**(397,855)**
Residual value							
Balance as at September 30, 2012	**107,227**	**45,582**	**7,177**	**118,924**	**6,111**	**205,221**	**490,242**
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	Trade-marks & 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	29,947	1,162	-	2,473	3,000	3	36,585
Write-offs	(15,182)	(1,683)	-	(2,366)	(1,890)	82	(21,039)
Transfers	(311)	70	-	368	1	(85)	43
Balance as at September 30, 2012	185,395	63,160	83,222	211,228	30,350	341,021	914,376
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	(14,415)	(3,205)	(12,316)	(17,417)	(4,115)	-	(51,468)
Write-offs	(4,975)	521	-	-	1,939	-	(2,515)
Transfers	277	(5)	-	(269)	(49)	-	(46)
Balance as at September 30, 2012	(77,999)	(17,567)	(76,045)	(87,474)	(18,212)	(134,829)	(412,126)
Residual value							
Balance as at September 30, 2012	107,396	45,593	7,177	123,754	12,138	206,192	502,250
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% a 16,7%	8%	20% a 50%	10% a 12,5%	20% a 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 September 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 follows:

	Company		Consolidated	
	09.30.2012	12.31.2011	**09.30.2012**	12.31.2011
Labor liabilities				
Salaries payable	**10,125**	8,687	**11,779**	10,578
Pension plan payable	**560**	618	**600**	651
Vacations payable	**33,990**	34,790	**38,786**	40,948
Profit sharing and bonus	**15,620**	1,299	**15,670**	1,317
13rd monthly salary	**18,274**	-	**21,005**	-
Other	**6,277**	5,957	**8,740**	8,371
	84,846	51,351	**96,580**	61,865
Payroll liabilities				
FGTS payable	**1,822**	**2,409**	**2,106**	**2,881**
INSS payable	**5,436**	7,032	**6,130**	8,239
	7,258	9,441	**8,236**	11,120
Total	**92,104**	60,792	**104,816**	72,985

15. Loans and financing

Loans and financing are as follows:

	Company		Consolidated	
	09.30.2012	12.31.2011	**09.30.2012**	12.31.2011
BNDES (a)	**103,641**	157,956	**103,641**	157,956
FINEP (b)	**1,187**	2,886	**1,187**	2,886
Secured accounts and others	**-**	-	**1,030**	2,126
Finance lease	**-**	169	**-**	181
Leasing	**104,828**	161,011	**105,858**	163,149
Current liabilities	**53,760**	58,212	**54,330**	59,180
Non-current liabilities	**51,068**	102,799	**51,528**	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 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 TJLP plus 5% interest p.a. and is secured by bank letters of guarantee.

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

	Company		Consolidated	
	09.30.2012	12.31.2011	**09.30.2012**	12.31.2011
2013	**-**	51,678	**460**	52,848
2014	**51,068**	51,121	**51,068**	51,121
Non-current liabilities	**51,068**	102,799	**51,528**	103,969

Changes in loans and financing as at September 30, 2012 and December 31, 2011 were as follows:

	Company		Consolidated	
	09.30.2012	12.31.2011	**09.30.2012**	12.31.2011
Balances at the beginning of the period	**161,011**	217,463	**163,149**	220,296
Interest rates	7,364	10,889	7,364	11,946
Amortization	(63,547)	(67,341)	(64,655)	(69,093)
Balances at the end of the period	**104,828**	161,011	**105,858**	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 September 30, 2012 and December 31, 2011, the balances were broken down as follows:

Issue	Debentures	Annual financial charges	Unit price	Company and Consolidated	
				09.30.2012	12.31.2011
Series 1	1000	IPCA* + 3.5% limited to TJLP + 1.5%	1.00	**54,351**	71,091
Series 2	1000	TJLP + 1.5%	1.00	**54,351**	71,091
		Subtotal		**108,702**	142,182
		Premium due to non-conversion		**18,516**	14,929
		Fair value of future conversions (a)		**6,664**	13,477
		Total		**133,882**	170,588
		Current liabilities		**35,362**	39,385
		Non-current liabilities		**98,520**	131,203

** Extended National Consumer Price Index*

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

	09.30.2012	12.31.2011
August 2013	**-**	36,273
August 2015	**32,002**	32,000
August 2016	**48,002**	48,001
After February 2017	**18,516**	14,929
	98,520	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	**10,745**	16,554
Amortization	**(40,638)**	(42,970)
Balance	**127,218**	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	**11,667**	5,324
Reversals	**(18,480)**	(6,270)
Balance	**6,664**	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 September 30, 2012 the Company had a liability of R$6,664 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.

(b) Third conversion of debentures

On August 19, 2012 the weighted average price of the last 360 days of the Company's shares outperformed the weighted average price of the "base period", restated according to the contractual terms, and hence the parameters have been achieved which required debenture holders to convert 45% of the Units. Based on this conversion the Board has approved, within the limit of the authorized capital of Totvs, the issuance of 1,267,849 registered common shares, nominative, without par value, at an issue price by R $ 23.66052 per share, consequently increasing the capital of Totvs by R $ 29,998 by amortizing the principal balance of this amount (the Units) of the debentures. (see Note 16a).

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 follows:

	Company		Consolidated	
	09.30.2012	12.31.2011	**09.30.2012**	12.31.2011
YMF (a)	**-**	2,450	**-**	2,450
Tools (a)	**1,683**	1,577	**1,683**	1,577
Gens (a)	**444**	847	**444**	847
Techprod (a)	**442**	905	**442**	905
Techserv (a)	**291**	-	**291**	443
Datasul MG	**1,967**	1,876	**1,967**	1,876
Datasul Saude MG	**641**	641	**641**	641
ERP Cedente	**257**	481	**257**	481
TotalBanco	**2,033**	1,977	**2,033**	1,977
Hery	**3,743**	3,612	**3,743**	3,612
TQTVD	**4,707**	4,836	**4,707**	4,836
SRC	**4,253**	33,214	**4,253**	33,214
Mafipa	**1,315**	2,668	**1,315**	2,668
Exitos	**900**	-	**900**	-
Gens - Porto Alegre (a)	**8,813**	8,406	**8,813**	8,407
	31,489	63,490	**31,489**	63,934
Current liabilities	**14,533**	31,477	**14,533**	31,625
Non-current liabilities	**16,956**	32,013	**16,956**	32,309

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

Installments registered in non-current liabilities mature as follows:

	Company		Consolidated	
Year	**09.30.2012**	12.31.2011	**09.30.2012**	12.31.2011
2013	**1,354**	18,070	**1,354**	18,365
2014	**6,564**	5,578	**6,564**	5,578
2015	**4,002**	3,835	**4,002**	3,835
2016	**5,036**	4,530	**5,036**	4,531
Non-current liabilities	**16,956**	32,013	**16,956**	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**	
	09.30.2012	12.31.2011
Tax	**673**	686
Civil	**1,124**	621
Labor	**4,627**	1,281
	6,424	2,588

Changes in provisions in the period ended September 30, 2012 and December 31, 2011 are as follows:

	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)
Balance as at December 31, 2011	**686**	**1,281**	**621**	**2,588**
(+) Additional provision	**25**	**3,201**	**482**	**3,708**
(+) Monetary restatement	**(38)**	**145**	**21**	**128**
(-) Reversal of provision not used	**-**	**-**	**-**	**-**
Balance as at September 30, 2012	**673**	**4,627**	**1,124**	**6,424**

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 third 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$ 3,149, and the remainder of the increase amounting to R$ 52 refers to new cases.

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

	Company and Consolidated	
Judicial deposits	**09.30.2012**	12.31.2011
Social security	**2,556**	3,470
Tax	**1,711**	792
Other (Civil + labor)	**2,237**	197
	6,504	4,459

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 follows:

	Company and Consolidated	
Type	**09.30.2012**	12.31.2011
Social security	**15,337**	17,218
Tax	**25,119**	21,146
Civil	**46,041**	37,000
Labor	**5,865**	8,997
	92,362	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 September 30, 2012 were recognized.

20. Equity

a) Capital

As at September 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 follows:

	09.30.2012		12.31.2011	
Shareholders	**Shares**	**%**	**Shares**	**%**
LC-EH Empreendimentos e Participações S.A.	**26,760,990**	***16.56%***	26,760,990	*16.78%*
Fundação Petrobras de Seguridade Social - Petros	**16,042,359**	***9.93%***	14,520,987	*9.11%*
BNDES Participações S.A.	**6,319,048**	***3.91%***	9,657,847	*6.06%*
Laércio José de Lucena Cosentino	**1,766,265**	***1.09%***	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	**110,673,556**	***68.48%***	106,886,477	*67.03%*
	161,622,528	***100.00%***	159,466,791	*100.00%*

The authorized capital as at September 30, 2012, was R$5400. 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 September 30, 2012 and December 31, 2011 are broken down as follows:

	09.30.2012	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))	**32,198**	13,718
Stock option plan (Note 23)	**23,192**	16,670
	101,277	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 September 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 September 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 (*)			
	09.30.2012		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	**(874,603)**	**2.46**	(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	**3,147,072**	**10.65**	4,091,480	8.86

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

The accumulated effect for the period ended September 30, 2012 was R$4,065 (R$4,785 at September 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 September 30, 2012, there were 209.214 exercisable options, since the 36-month term from the first and second grant dates have already elapsed.

24. Financial income and expenses

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

	Controladora				Consolidado			
	3º T 2012	**30.09.2012**	3º T 2011	30.09.2011	**3º T 2012**	**30.09.2012**	3º T 2011	30.09.2011
Financial income								
Short-term investments yield	**5,749**	**18,213**	6,318	16,635	**6,657**	**20,941**	7,523	19,773
Exchange gains	**148**	**(35)**	129	(219)	**226**	**376**	419	213
Other financial income	**2,881**	**8,272**	2,403	7,407	**3,145**	**9,139**	1,906	8,607
	8,778	**26,450**	8,850	23,823	**10,028**	**30.456**	9,848	28,593
Financial expenses								
Interest rate paid or incurred	**(4,442)**	**(17,328)**	(8,758)	(25,012)	**(4,084)**	**(17,328)**	(8,957)	(25,376)
Exchange losses	**(15)**	**(28)**	(4)	(501)	**(80)**	**(360)**	(292)	(918)
Bank commission and expenses	**(1,120)**	**(2,559)**	(906)	(4,633)	**(1,183)**	**(2,761)**	(1,021)	(5,008)
Premiums from non-conversions	**(509)**	**(3,587)**	(114)	(3,296)	**(509)**	**(3,587)**	(114)	(3,296)
Debentures - Adjust determined by market price	**(11,115)**	**(11,667)**	745	(5,379)	**(11,115)**	**(11,667)**	745	(5,379)
Other financial expenses	**(1,710)**	**(2,963)**	(2,502)	(4,772)	**(2,269)**	**(4,108)**	(2,961)	(5,756)
	(18,911)	**(38,132)**	(11,539)	(43,593)	**(19,240)**	**(39,811)**	(12,600)	(45,733)
Net financial income (expenses)	**(10,133)**	**(11,682)**	(2,689)	(19,770)	**(9,212)**	**(9,355)**	(2,752)	(17,140)

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	
	09.30.2012	09.30.2011	**09.30.2012**	09.30.2011
Basic earnings per share				
Numerator				
Net income for the period assigned to the Company's shareholders	**140,280**	108,874	**140,280**	109,353
Denominator (in Thousand shares)				
Weighted average number of common shares	**160,150**	156,865	**160,150**	156,865
Basic earnings per share	**0.88**	0.69	**0.88**	0.70

	Company		Consolidated	
	09.30.2012	09.30.2011	**09.30.2012**	09.30.2011
Diluted earnings per share				
Numerator				
Net income for the period assigned to the Company's shareholders	**140,280**	108,874	**140,280**	109,353
Denominator (in thousand shares)				
Weighted average number of common shares	**160,150**	156,865	**160,150**	156,865
Dilution effect				
• Stock options	**3,513**	4,122	**3,513**	4,122
• Debentures	**2,252**	4,386	**2,252**	4,386
Weighted average number of common shares adjusted according to dilution effect	**165,915**	165,200	**165,915**	165,200
Diluted earnings per share	**0.85**	R$0.66	**0.85**	R$0.66

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 September 30, 2012 and 2011:

	Controladora				Consolidado			
	3º T 2012	**30.09.2012**	3º T 2011	30.09.2011	**3º T 2012**	**30.09.2012**	3º T 2011	30.09.2011
Inputs	**101.265**	**282.526**	78.776	244.501	**126.014**	**356.675**	106.449	328.259
Personnel	**99.017**	**298.061**	83.816	231.897	**116.489**	**348.577**	109.199	307.003
Depreciation and Amortization	**18.580**	**57.391**	18.626	56.787	**19.869**	**62.052**	20.579	61.811
Rental	**4.982**	**14.793**	4.671	13.295	**5.511**	**16.310**	5.198	14.781
Allowance for doubtful accounts	**4.407**	**14.898**	2.669	6.984	**5.561**	**16.464**	3.972	13.043
Other	**(2.004)**	**25.326**	16.531	45.463	**(1.682)**	**30.217**	21.471	59.377
Total	**226.247**	**692.995**	**205.089**	**598.927**	**271.762**	**830.295**	**266.868**	**784.274**

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:

	Controladora				Consolidado			
	3º T 2012	**30.09.2012**	3º T 2011	30.09.2011	**3º T 2012**	**30.09.2012**	3º T 2011	30.09.2011
Gross revenue	**345.552**	**980.554**	293.308	837.537	**399.687**	**1.157.537**	356.972	1.027.253
License fees	**74.484**	**215.819**	65.922	194.012	**91.897**	**270.627**	83.524	249.534
Services	**90.107**	**238.907**	65.869	180.420	**121.821**	**345.341**	106.661	299.374
Maintenance	**180.960**	**525.827**	161.517	463.105	**185.968**	**541.568**	166.787	478.345
Deductions	**(35.615)**	**(90.034)**	(25.986)	(65.543)	**(39.873)**	**(105.036)**	(33.092)	(83.159)
Cancellations of sales	**(5.487)**	**(11.152)**	(7.179)	(13.060)	**(5.969)**	**(14.230)**	(10.031)	(18.188)
Sales tax	**(30.128)**	**(78.882)**	(18.807)	(52.483)	**(33.904)**	**(90.806)**	(23.061)	(64.971)
PIS/COFINS/ISS	**(23.127)**	**(64.583)**	(18.807)	(52.483)	**(25.988)**	**(74.512)**	(23.061)	(64.971)
INSS	**(7.001)**	**(14.299)**	-	-	**(7.916)**	**(16.294)**	-	-
Net revenue	**309.937**	**890.520**	267.322	771.994	**359.814**	**1.052.501**	323.880	944.094