

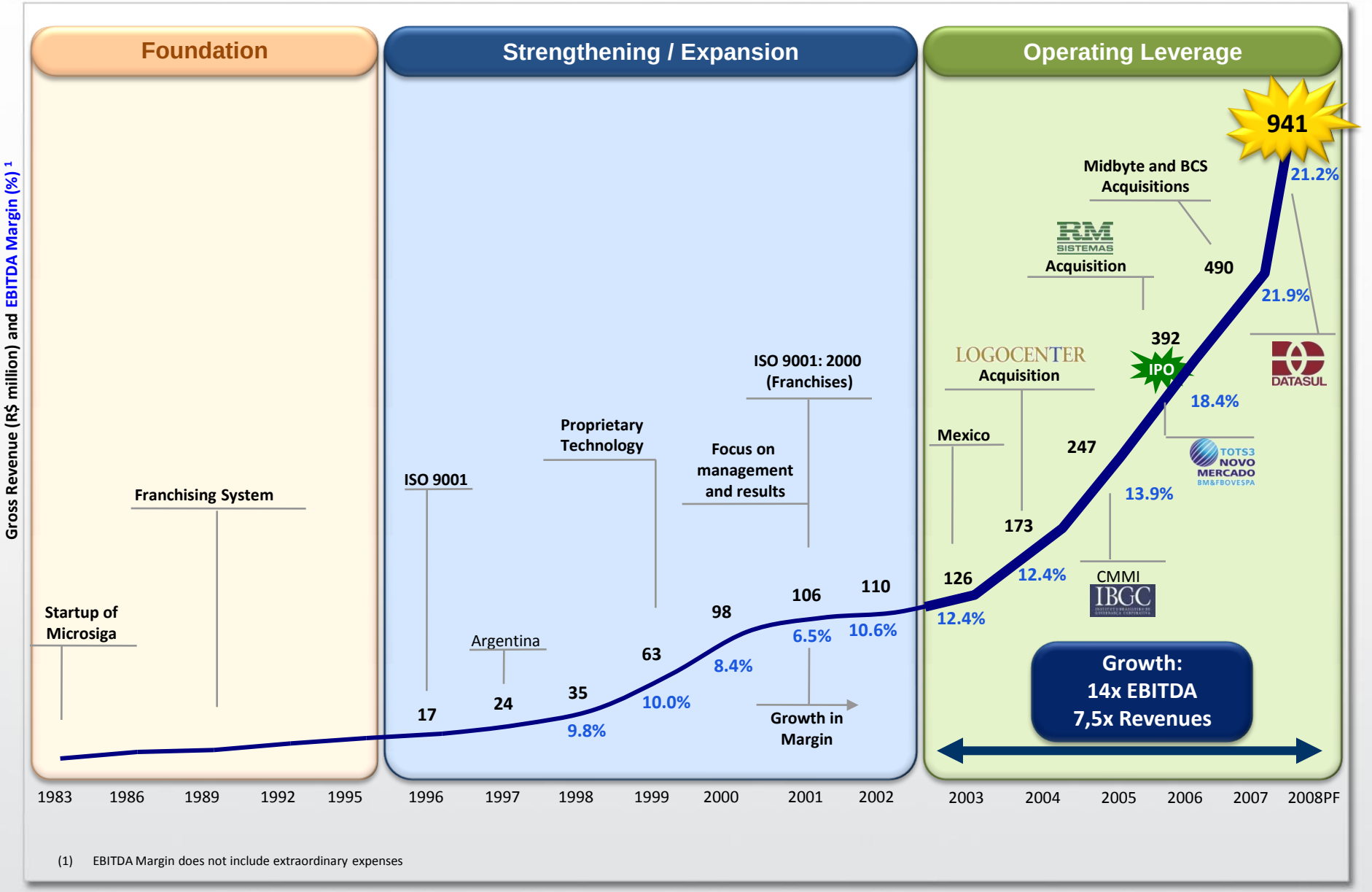
TOTVS

4Q08 Earnings Release

February 19, 2009

Safe Harbor

The following presentation contains summarized information about the activities of TOTVS till date. Such information does not constitute an offer, invitation or solicitation to acquire any securities. This presentation may contain statements that merely express management's expectations and/or forecasts about future events. Such expectations and/or forecasts involve risks and uncertainties and should not serve as the basis for acquiring the Company's shares.



(1) EBITDA Margin does not include extraordinary expenses

Recent Events

2008

1Q08

- Start of **distribution channels** design.
- New Communication inniciative → **TOTVS brand**.
- **BCS acquisition closing:** R$30.0 million payment in April – its figures will be consolidated from 2Q08 on..
- **Integration of BCS and Midbyte (Vitrine) operations.**

2Q08

- **TOTVS up launch,** pioneer model of selling and implementing ERP remotely. TOTVS up enables greater interaction between sales force and customers and allows reduction in the total implementation cost.
- **Progress in the redesign of distribution channels** by creating **TOTVS channels**. Consolidated channels represent more than 85% of TOTVS' expected revenue for 2008

3Q08

- **TOTVS and Datasul union** formed the larger ERP company in the emerging markets.
- **Integration of Datasul operations and management definition.**
- **Debentures** issuing.
- **BNDES** bank line.

4Q08

- **Building Unification with Datasul** (SP and SC), datacenters and integration groups' work finished.

Revenue and EBITDA in the 4Q08

Financial highlights

- **Net Revenue: R$233.4 million i**n the **4Q08,** achieving **new record** in the quarter. **In the year**, its growth reached **27.6%**, or **R$844.9 million**;
- **License Fees: growth of 17.6% in the quarter** and **acumulates R$ 233.7 million in the year**, representing increase of **36.8%** compared to 2007;
- **Maintenance Revenue: grew 24,5%** over 4Q07, reaching record of **R$114.1 million** in the **4Q08.** The year **2008** finished with **R$422.3 million** and growth of **21.7%**;
- **Services Revenue: R$83.2 million** in the **4Q08**, growth of **39.5%** in comparison to the 4Q07. **In 2008, R$284.8 million and growth of 31.8%**;
- **EBITDA:** New record in the quarter. **R$51.545 million in the 4Q08**, growth of **25.8%** in comparison to 4Q07. **2008** totaled **R$178.9 million**, with growth of **24.1%.**

Operational highlights

- **Record in the number of clients in 4Q08**: **603 new clients**, sales to **base clients** rose **7.2% over 3Q08;**
- **Client base** currently presents **+22,900 active clients**.

Selected awards

2008

- **Euromoney "Best-Managed LATAM companies" study elected TOTVS**, among 341 companies, as :
  - **Best Technology company** with 31.1% voting;
  - **Best IT/Software company** with 30.4% voting:

- **TOTVS highlighted as a 'local dynamo' in a BCG report**: rapidly conquered its domestic markets through the application of aggressive strategies and innovative business model

- **Latin America: Best Corporate Governance**
  IR Global Rankings 2008.

- **Latin America: Best IR Website – *Small Caps***
  IR Global Rankings 2008.

- **TOTVS as the 5th best company** in Brazil in the Grand Prix of **the Best IR Program of** "Small & Mid Cap" Companies from the "IR Magazine Brazil Awards".

- **"100+ Innovatives": TOTVS is the most innovative company** in the **IT Services** category, according to study conducted by IT Media and promoted by InformationWeek Brasil magazine.

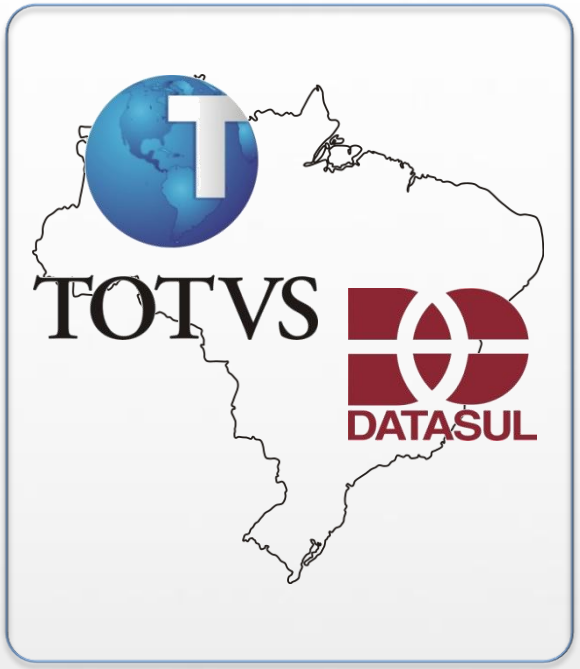
Channel Integration Process



2007 – Channels divided by brand
77 Direct Channels

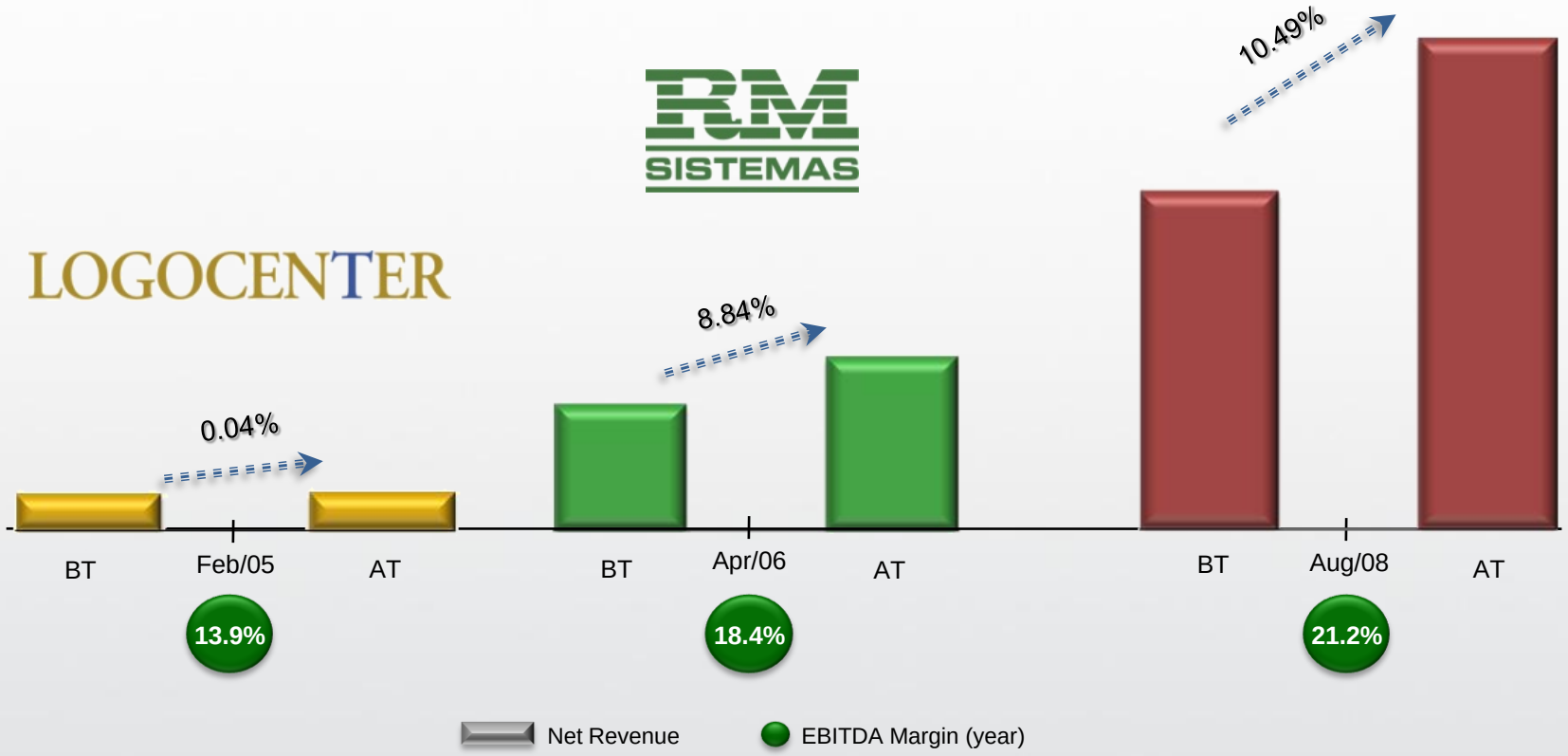


2008 – Multibrand Channels
39 TOTVS Franchises



2009 – New integration
+ 47 Datasul Distribution Franchises

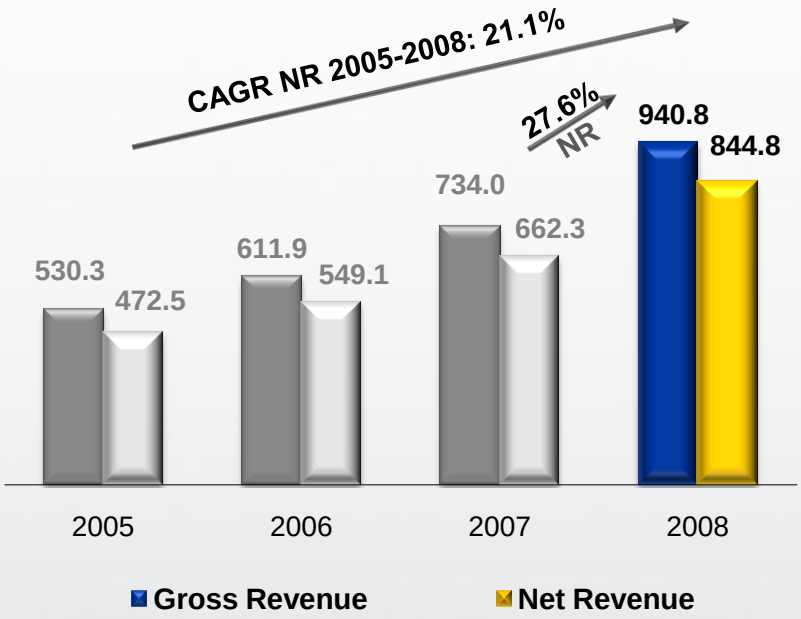
Learning curve in M&A operations



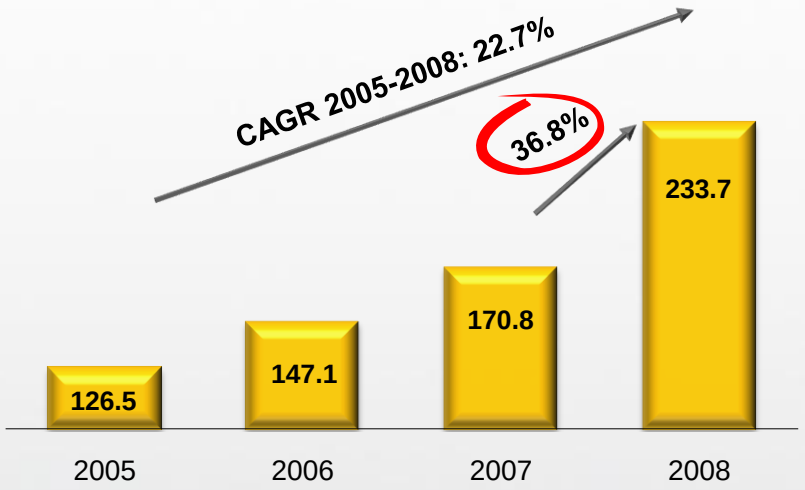
(1) Comparing net revenue from 3 months after the operation (AT – after TOTVS) in relation to 3 months before (BT – before TOTVS).

Speeding up license fee growth…

Gross and Net Revenue (R$ million) [1]



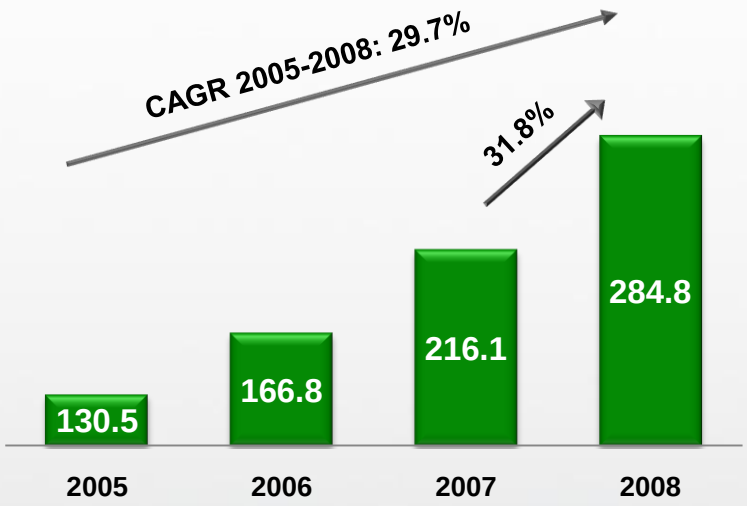
License Revenue (R$ million) [1]



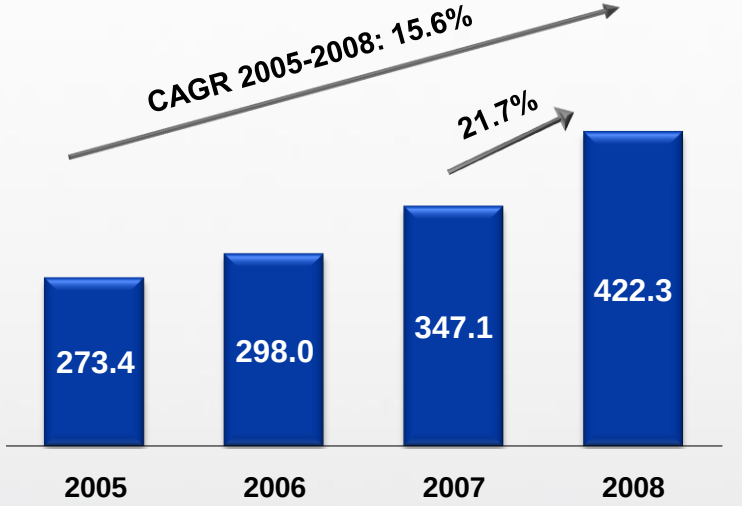
(1) Values are pro forma as they include the numbers of RM Sistemas. acquired in April 2006 and Datasul. consolidated in September 2008 in the period analyzed.

… and consistency in maintenance & service revenues

Services Revenue (R$ million) [1]



Maintenance Revenue (R$ million) [1]



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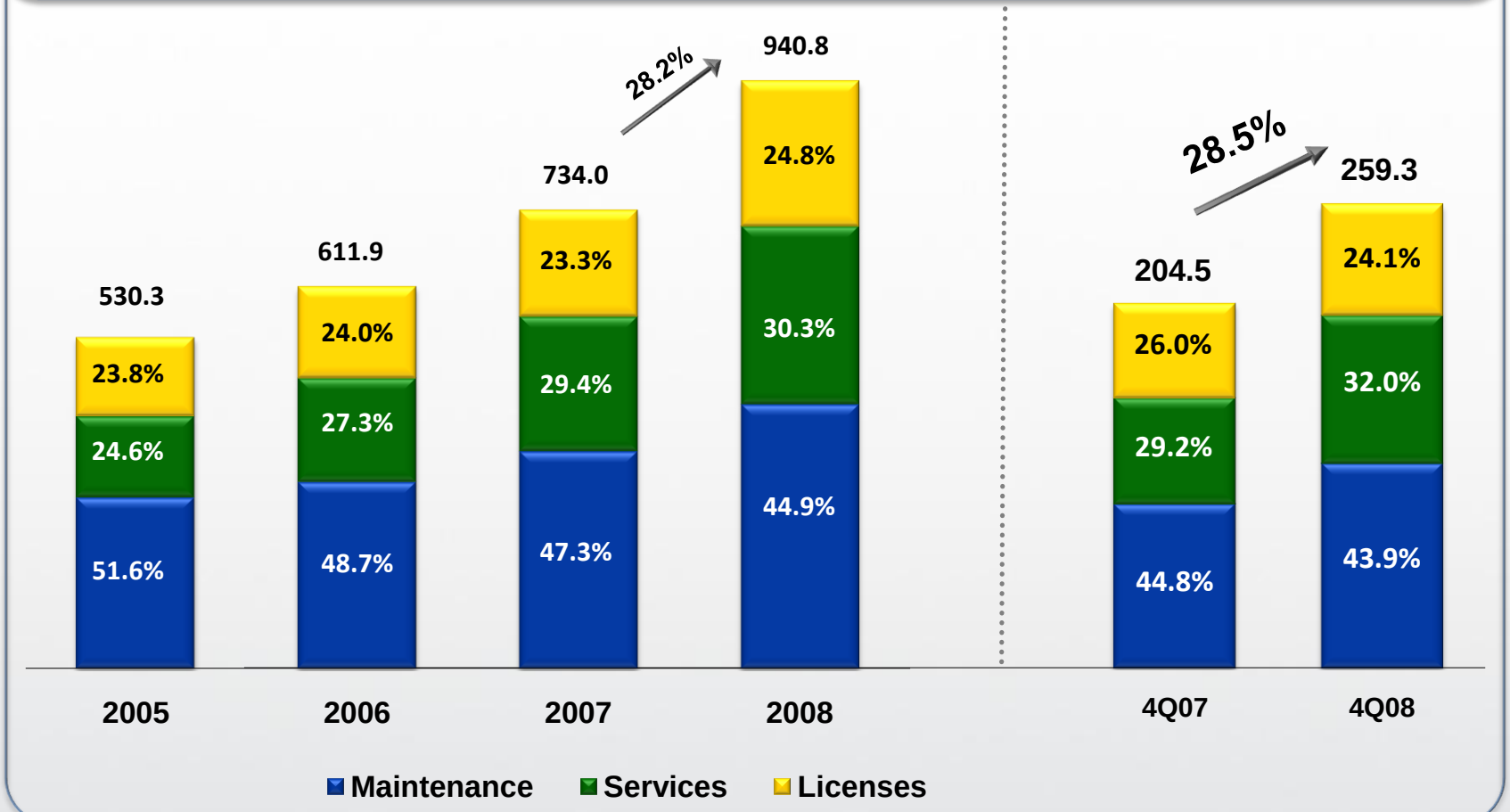
Gross Revenue Growth (R$ million) [1]



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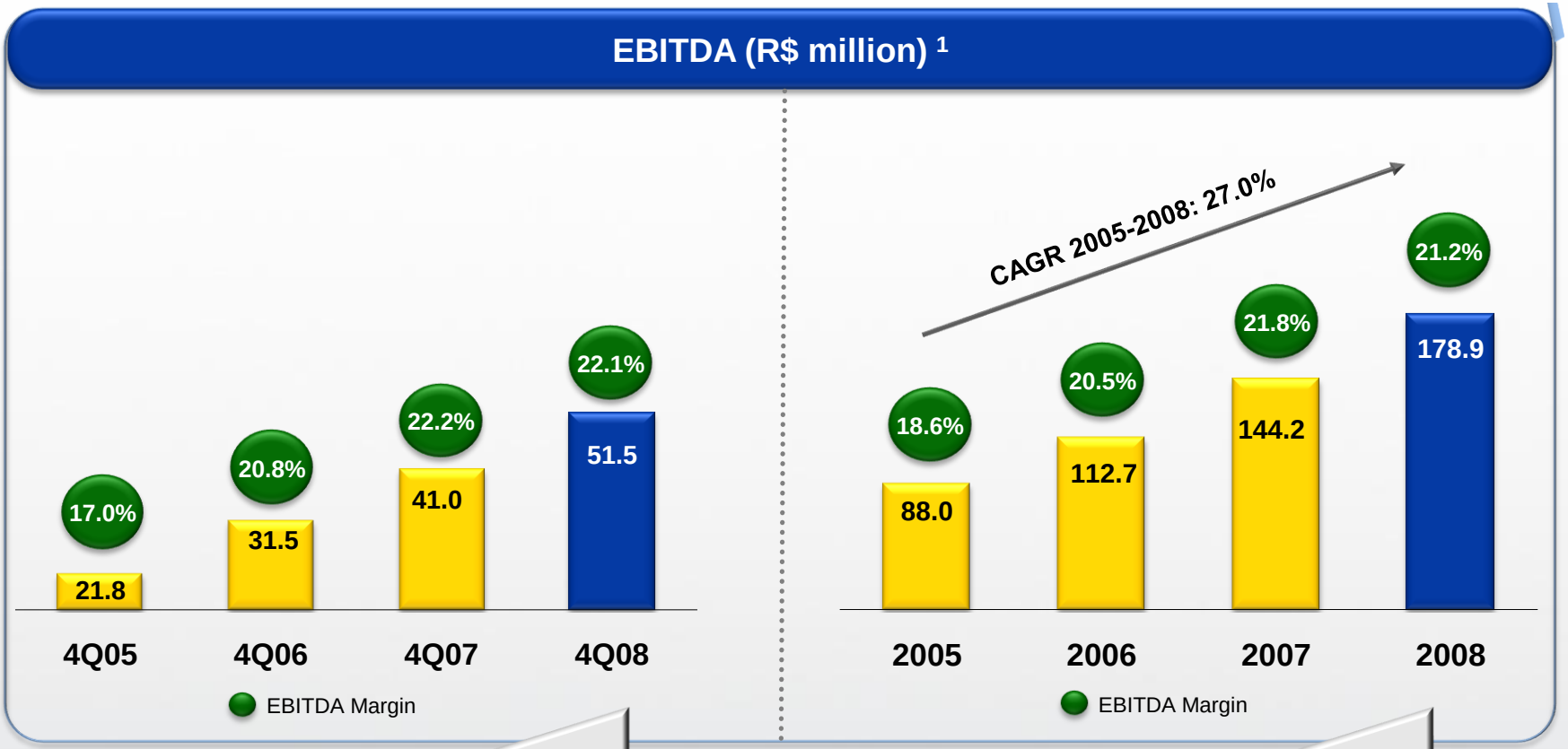
Continuous growth in EBITDA…



EBITDA Mexico: (2.8)

Ex-Mexico 23.5%

EBITDA Mexico: (11.8)

Ex-Mexico 22.9%

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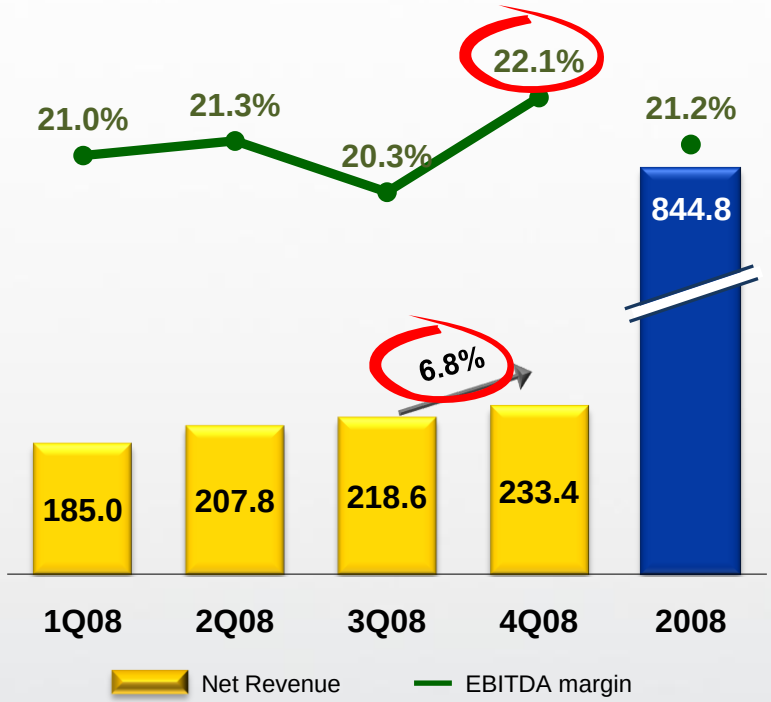
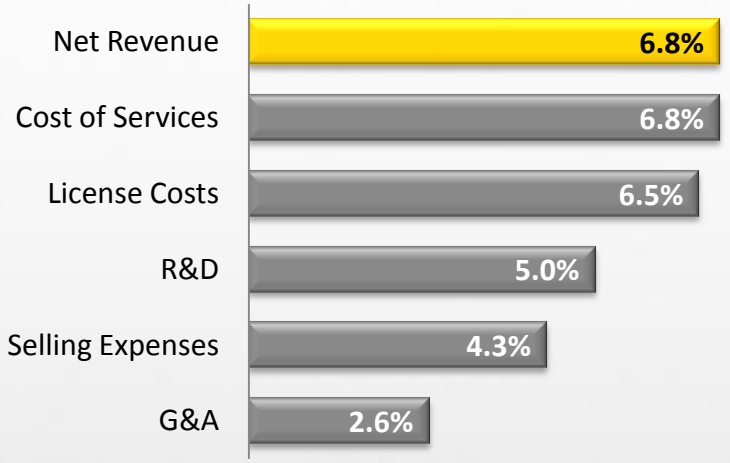
... already indicating sinergies with Datasul

Integration [1]



Growth 4Q08 x 3Q08



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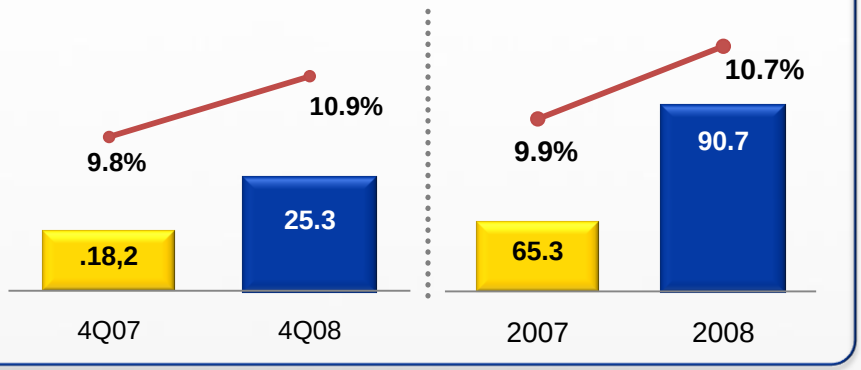
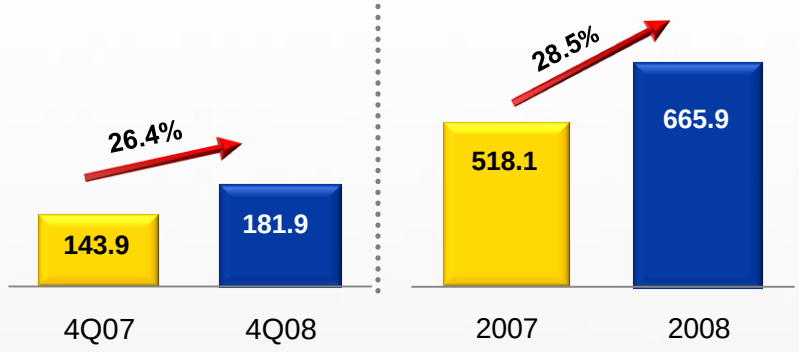
Costs and Expenses Dashboard[1]

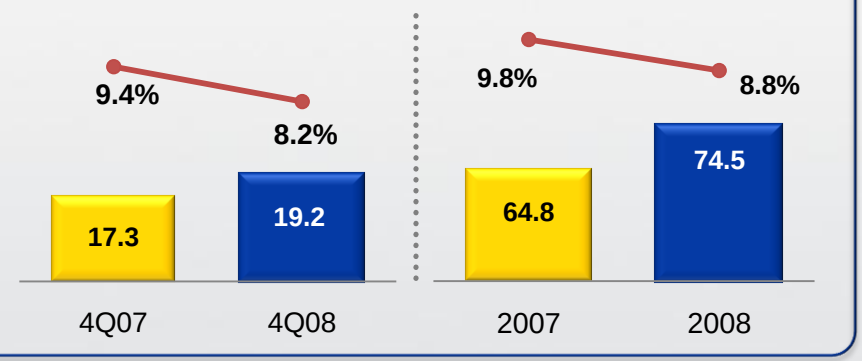
R&D (R$ million) x R&D / NR



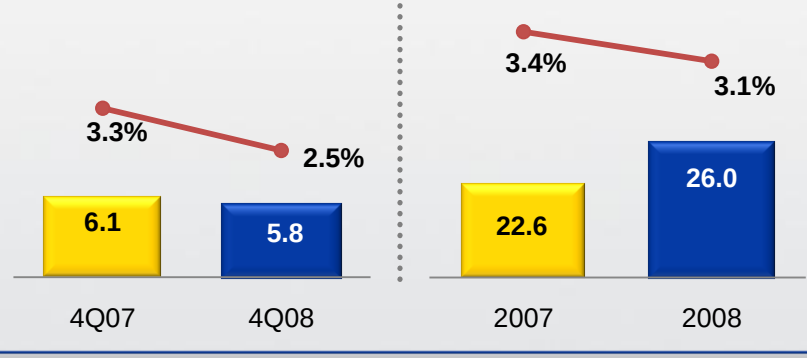
Costs and Expenses[2] (R$ million)



G&A (R$ million) x G&A / NR



Marketing Expenses (R$ million) x Mkt. Exp. / NR



(1) Values are pro forma as they include the numbers of RM Sistemas. acquired in April 2006 and Datasul. consolidated in September 2008 in the period analyzed.

(2) Excluding depreciation, amortization expenses and non-recurring expenses.

Financials Dashboard[1]

R$ million	4Q07	4Q08	Δ Q/Q	2007	2008	Δ 2007/2008
Net Revenue	184.857	233.427	26.3%	662.250	844.854	27.6%
Gross Profit	118.965	152.594	28.3%	441.099	550.186	24.7%
EBITDA	40.974	51.545	25.8%	144.156	178.937	24.1%
EBITDA Margin	*22.2%*	*22.1%*	*-10 b.p.*	*21.8%*	*21.2%*	*-60 b.p.*
Net Income Adjusted[2]	*29.974*	*32.551*	8.6%	107.723	129.292	20.0%

(1) Values are pro forma as they include the numbers of RM Sistemas. acquired in April 2006 and Datasul. consolidated in September 2008 in the period analyzed.

(2) Net income adjusted refers to net income excluding the effects of goodwill. amortization. net of tax. hence. it can be understood as net income from the Company's regular operations.

Cash and Debt on 31st December

Cash by the end of the period: R$147.4 million

Debt by the end of the period: R$376.6 million

Prosoft

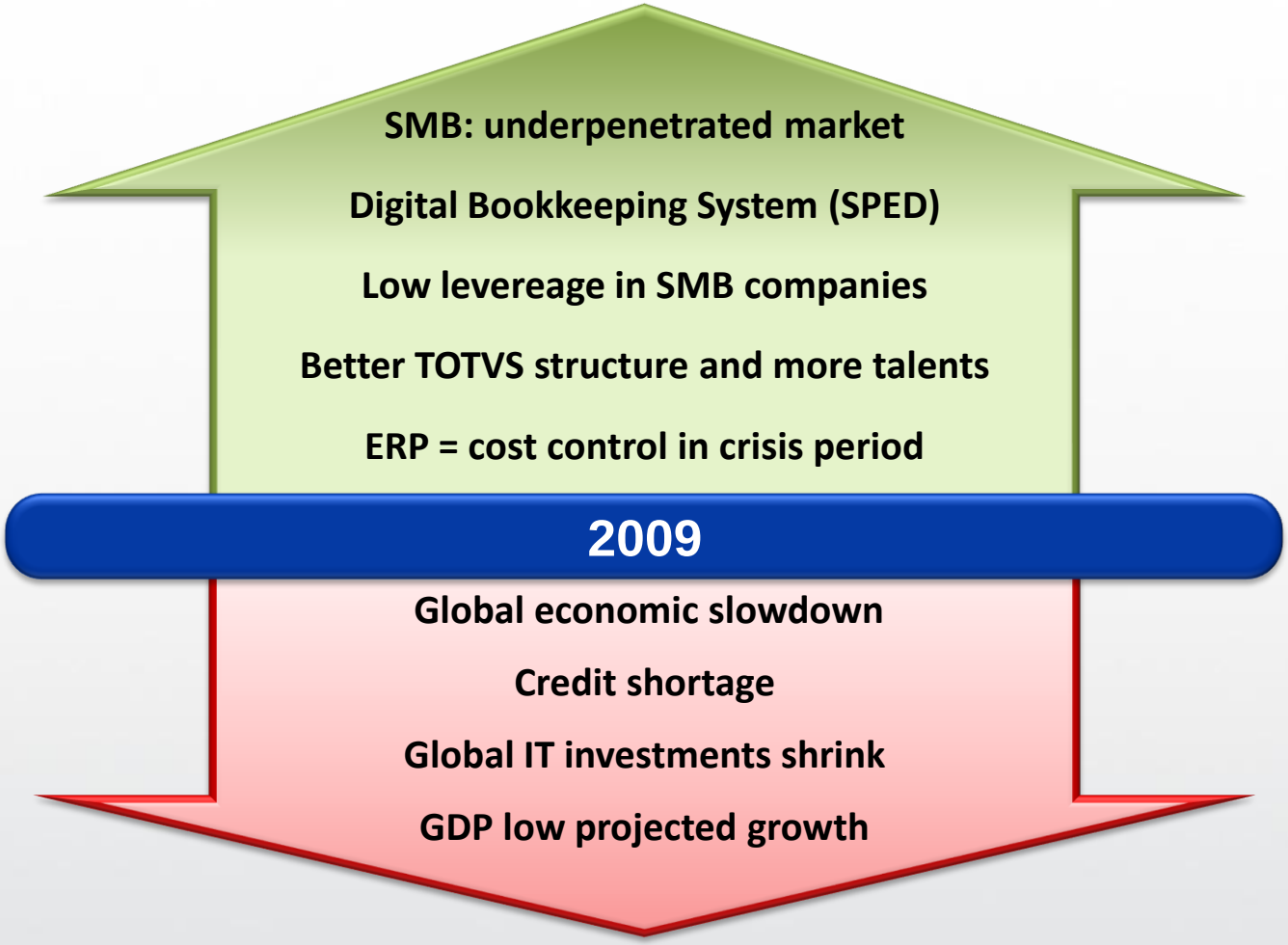
- Source: BNDES
- Amount: R$ 160 million
- Current estimated cost: 8.5 ~ 9% p.a.
- Period: 2 + 4 years

Debentures

- Source: debentures holders (BNDES and others)
- Amount: R$ 200 million
- Current estimated cost: 10% p.a.
- Period: 8 + 3 years

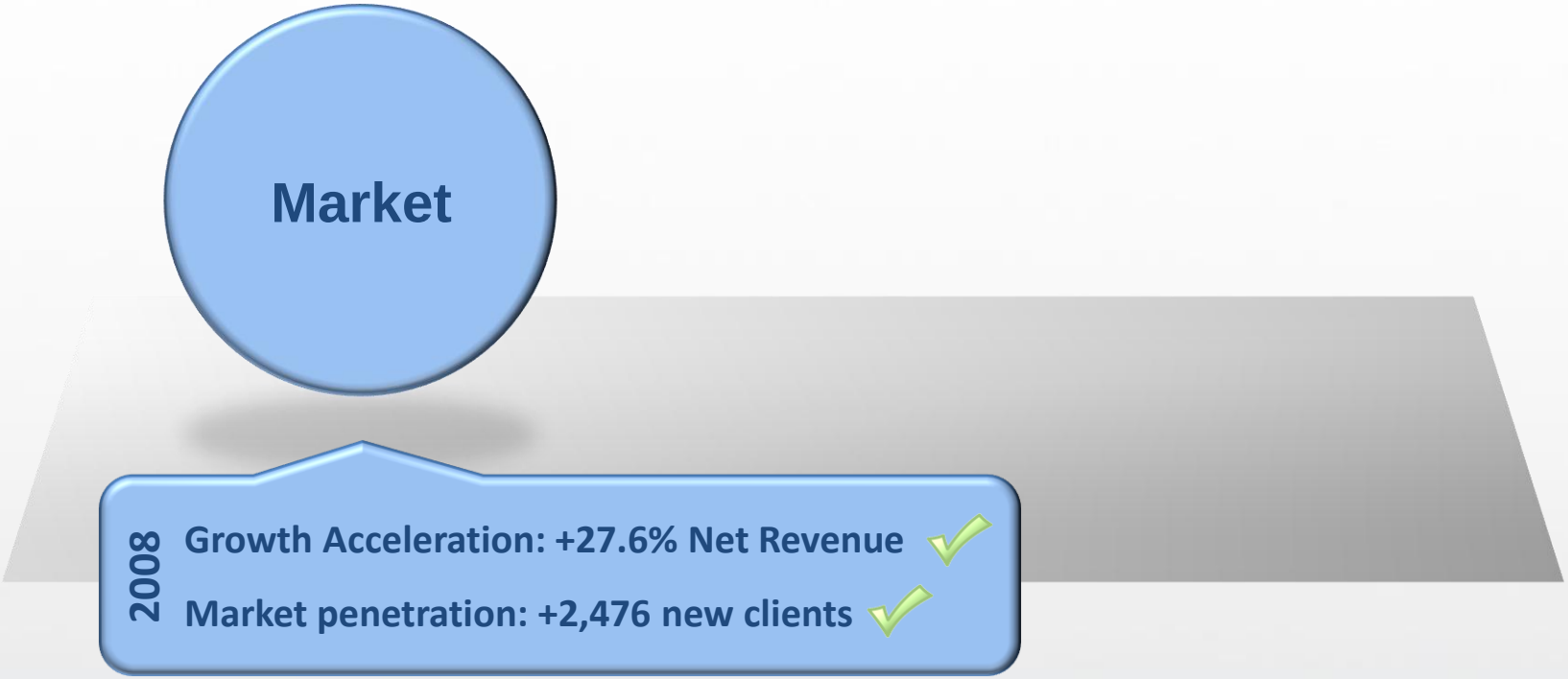
Net debt by the end of the period: R$229.2 million

Current scenario and its impacts



Appropriate execution can be the difference

The challenge is…



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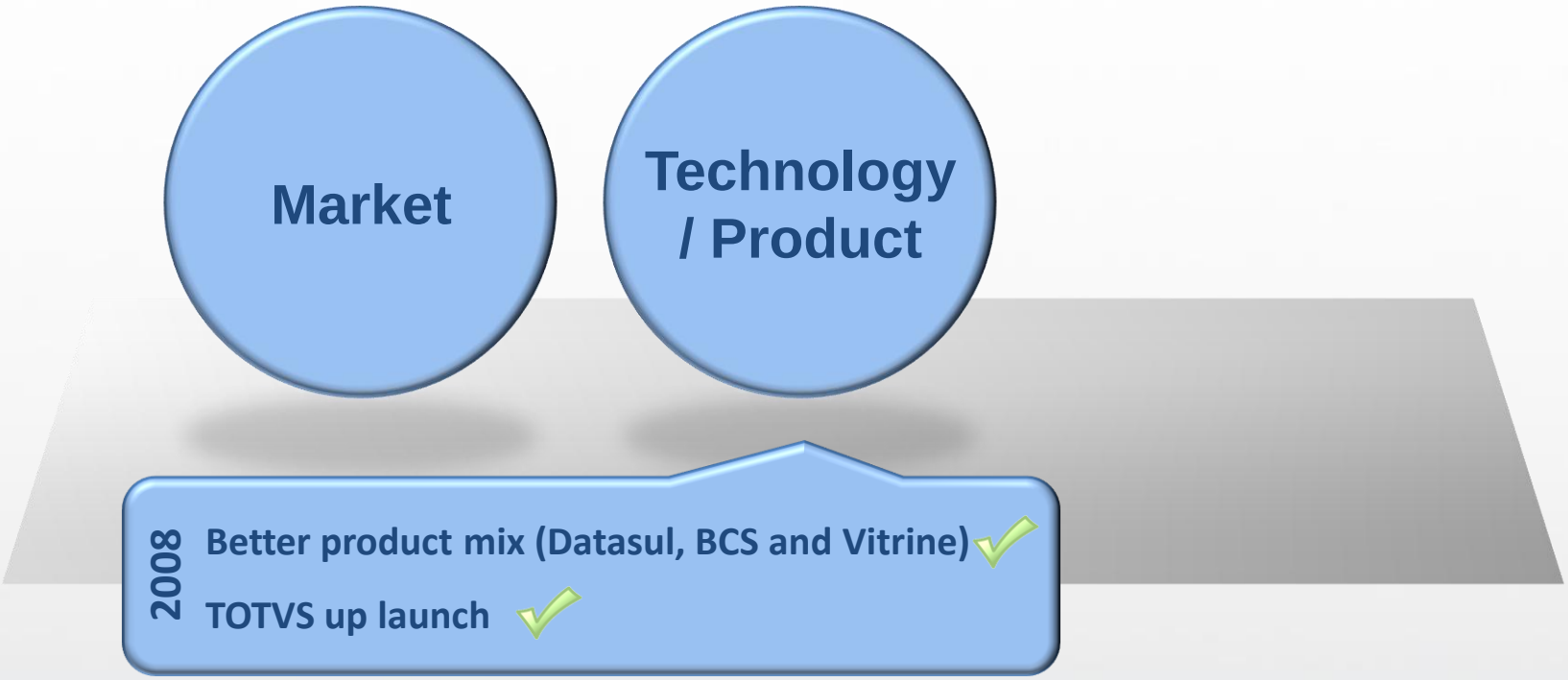

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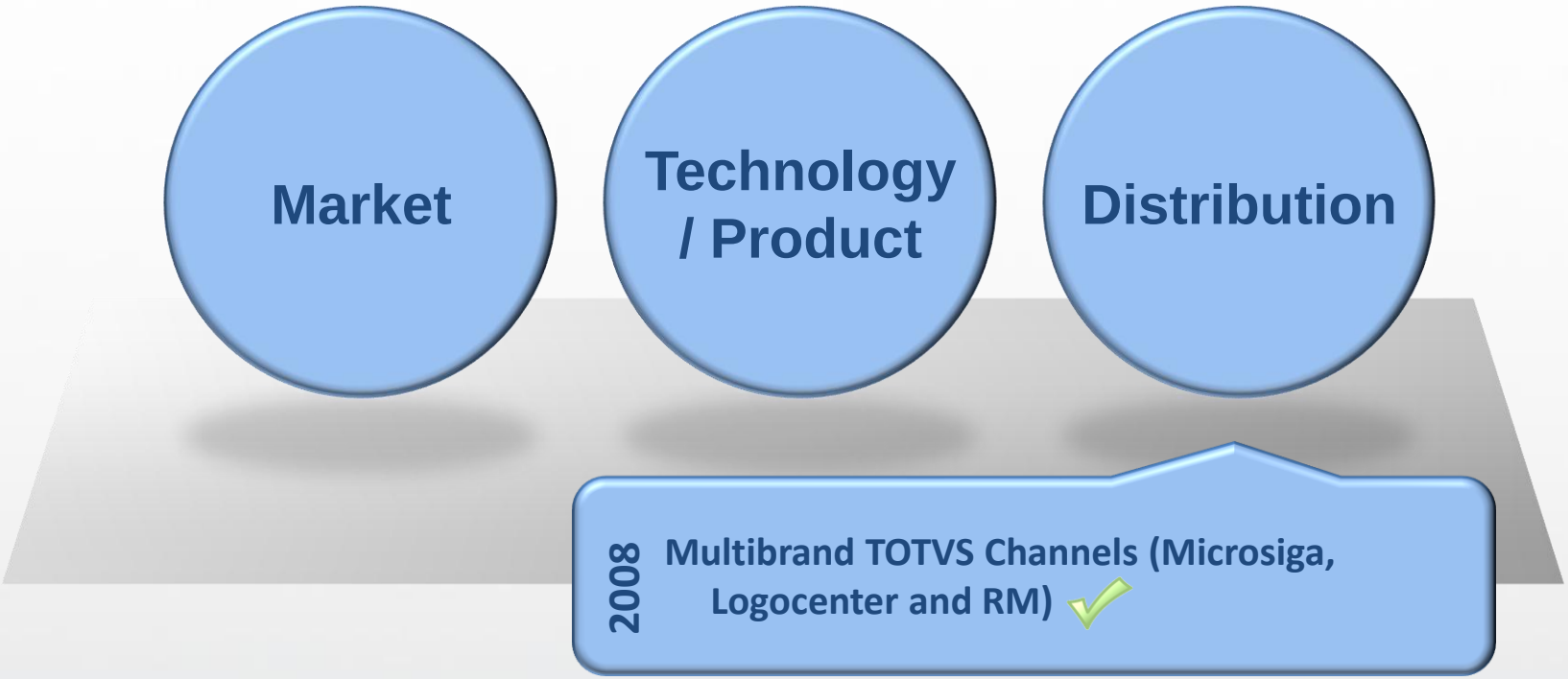

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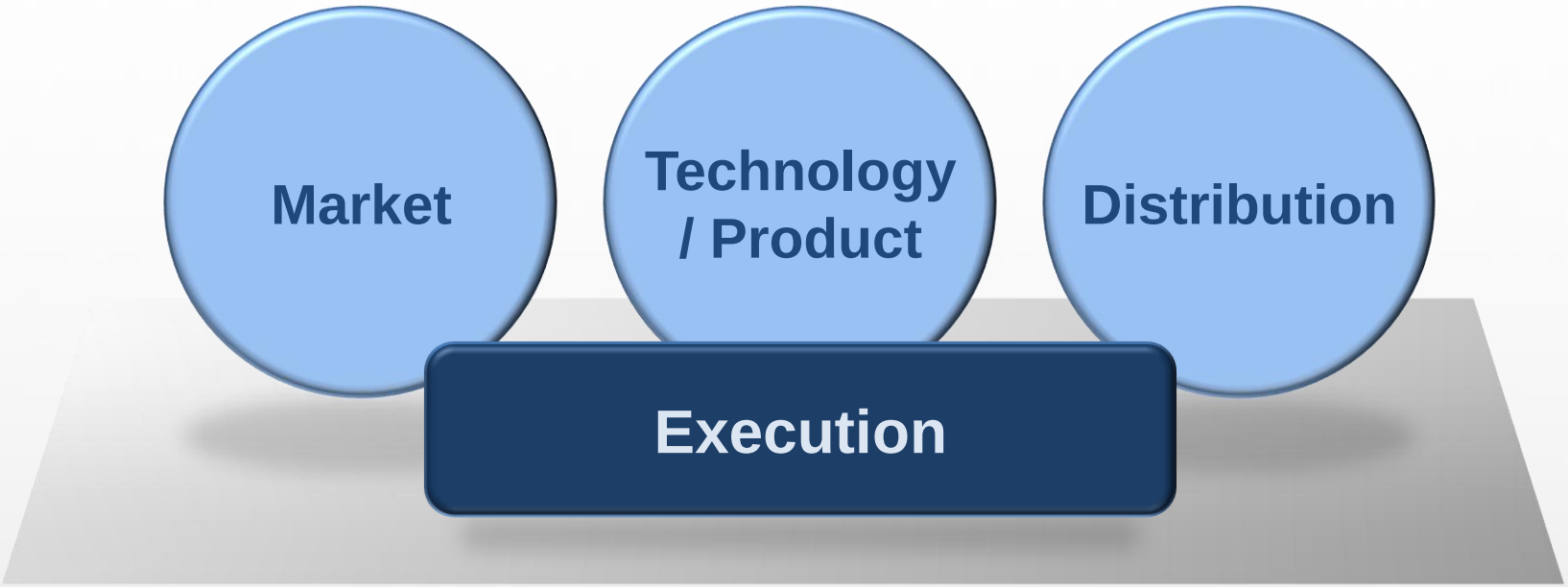

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Índice de Ações com Tag Along Diferenciado ITAG

Índice Small Cap SMLL

QUESTIONS ?

ir@totvs.com

www.totvs.com/ir