TOTVS S.A.

Interim Financial Statements

September 30, 2019

and Independent auditor´s review report on interim financial information

Contents

Consolidated Operating and Financial Performance 3

Independent auditor's report on the review of interim financial information 5

Statement of financial position as at September 30, 2019 and December 31, 2018 7

Statements of profit or loss 8

Statements of comprehensive income 9

Statements of changes in equity 10

Statements of cash flows 11

Statements of Value Added 12

Notes to the interim financial statements 13

1. The Company and its operations 13
2. Basis of preparation and presentation of the interim financial statements 13
3. Financial instruments and sensitivity analysis of financial assets and liabilities 18
4. Cash and cash equivalents 20
5. Trade accounts receivable, net 20
6. Inventories 21
7. Recoverable Taxes 21
8. Income taxes 22
9. Related-party balances and transactions 23
10. Other assets 25
11. Held for sale 26
12. Investments 28
13. Property, plant and equipment 29
14. Intangible assets 31
15. Payroll and labor liabilities 33
16. Trade accounts payable 33
17. Tax liabilities 34
18. Loans and fiancing 34
19. Debentures 36
20. Liabilities due to investment acquisition 37
21. Provision for contingencies related to legal proceedings 38
22. Contingent liabilities 39
23. Equity 40
24. Dividends and Interest on Equity 41
25. Stock option plan and restricted shares 41
26. Segment information 42
27. Earnings per share 42
28. Gross sales revenue 43
29. Costs and expenses by nature 43
30. Finance income and costs 44
31. Private pension plan – defined contribution 44
32. Insurance coverage 45
33. Subsequent events 45

Consolidated Operating and Financial Performance

Net Revenue – up 7.5% from the same period last year, mainly driven by the 12.2% increase in Recurring Revenue, which stood at 76.1% of Total Net Revenue, reduced by the 5.2% drop in Non-Recurring Revenue.

Recurring Revenue – the positive performance of Recurring Revenue can be noted in year-on-year comparisons. As mentioned in previous quarters, the result was due to higher sales to both new and existing clients, combined with the maintenance of high Client Renewal Rate, which stood at 98.9% in the period, as well as inflation adjustments. Annual Recurring Revenue (ARR) demonstrates this growth, with net addition of R$44.6 million, from R$1.816 billion to R$1.860 billion in the period.

Non-Recurring Revenues – declined 5.2% year-on-year***,*** despite the 18.6% growth in license volume, due to the 16.1% drop in Non-Recurring Services Revenue, caused by: (i) higher share of franchises in sales of this modality; (ii) decrease in services due to higher sales to base clients; and (iii) higher sales of cloud and subscription solutions which have been trending and require a lower volume of services.

Costs – declined 2.2% compared to 3Q18, mainly impacted by: (i) additional efforts to implement e-social during 2018; and (ii) lower costs with Non-Recurring Services, directly related to the drop in Revenue from this modality. This decline led Gross Margin to expand 320 basis points, reaching 68.0% in the quarter.

Research and Development**:** this line corresponded to 16.9% of Net Revenue in 3Q19, as against 18.4% in 3Q18. The 150 basis points decline is mainly explained by: (i) increased management of R&D investment allocations to drive operational efficiency in this line; (ii) additional expenses in 2018 related to demands arising from the new regulations that came into force, such as e-social.

Selling and Marketing Expenses – corresponded to 18.9% of Software Revenue in 3Q19, up 90 basis points when compared to 3Q18. This increase is related to the higher share of franchises in sales, leading to higher commission expenses in the period.

Allowance for Doubtful Accounts – fell 100 basis points in relation to 3Q18 to 1.0% of the period's Revenue. The reduction in provision shows the process of reducing defaults in our client base, as well as the effect of higher recurrence in the composition of Total Net Revenue.

General and Administrative Expenses and Provision for Contingencies – General and Administrative Expenses combined with Provision for Contingencies corresponded to 10.7% of Software Revenue in 3Q19, compared to 9.8% in 3Q18. This increase is explained by the increase in Provision for Contingencies, stemming from the history of losses and progress of lawsuits, given that General and Administrative Expenses fell as a ratio of Revenue in 3Q19.

Other Operating Income (Expenses) – this line registered growth compared to 3Q18 and 2Q19 due to the non-recurring net effect of the sale of CIASHOP to VTEX for R$11.7 million, as disclosed to the market on May 9, 2019.

Adjusted EBITDA – the growth in Recurring Revenue plus the operational efficiency gains achieved by the Company drove the growth in Adjusted EBITDA Margin, despite the impact of higher provision for bonuses for achievement of targets established for the year, which stood at 20.9% in 3Q19, up 410 basis points from 3Q18

Depreciation and Amortization Expenses – the 20.5% decline in Amortization Expenses from 3Q18 is essentially related to the conclusion of amortization of assets derived from past acquisitions.

Financial Result – the evolution of the financial results when compared to the 3Q18 was motivated by the financial revenues from the financial investments of the follow-on proceeds.

Income Tax and Social Contribution – the effective Income Tax and Social Contribution rate decreased in relation to 3Q18, mainly due to: (i) higher interest on equity distributed in 3Q19, given the higher taxable income of the parent company in 2019; (ii) increased use of tax incentives on R&D as a result of higher investments in technological innovation projects covered by relevant law; and (iii) expenses related to the follow-on offering.

Adjusted EBITDA(*) totaled R$120,483 million, up 33.7% from 3Q18, as shown in the table below:

	Consolidated		
	3Q19	**3Q18**	**Change**
Net Income	**87,190**	**37,600**	**131.9%**
Income Tax and Social Contribution	*15,697*	*7,925*	*98.1%*
Financial result	*(6,780)*	*10,571*	*-164.1%*
Depreciation and amortization	*36,073*	*29,524*	*22.2%*
Net profit from discontinued operation	*281*	*(906)*	*-131.0%*
EBITDA	**132,461**	**84,714**	**56.4%**
Adjustments	*(11,978)*	*5,410*	*-321.4%*
Adjusted EBITDA	**120,483**	**90,124**	**33.7%**

The growth in Recurring Revenue plus the operational efficiency gains achieved by the Company drove the growth of 33.7% in Adjusted EBITDA Margin, despite the impact of higher provision for bonuses for achievement of targets established for the year.

(*)EBITDA is a non-accounting measure used by the Company. It consists of net income from the period, plus income tax, financial expenses net of financial income, depreciation and amortization.

A free translation from Portuguese into English of Individual and Consolidated Interim Financial Information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB and consistently with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Independent auditor's report on the review of interim financial information

To the Shareholders, Board of Directors and Officers of
TOTVS S.A.
São Paulo - SP

Introduction

We have reviewed the individual and consolidated interim financial information of TOTVS S.A. (the "Company"), contained in the Quarterly Information Form (ITR), for the quarter ended September 30, 2019, which comprise the statement of financial position as at September 30, 2019 and the statements of profit or loss and of comprehensive income for the three and nine-month periods then ended, and the statements of changes in equity and of cash flows for the nine-month period then ended, including the explanatory information.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with NBC TG 21 and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this financial information in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on review engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial 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 auditing standards 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 individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of Quarterly Information (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Interim statements of value added

The quarterly information referred to above includes the individual and consolidated statements of value added (SVA) for the nine-month periods ended September 30, 2019, prepared under the responsibility of Company management and presented as supplementary information for IAS 34 purposes. These statements have been subject to review procedures performed in conjunction with the review of the quarterly information to conclude whether they are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in NBC TG 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria defined in referred to Standard consistently with the individual and consolidated interim financial information taken as a whole.

São Paulo, November 4, 2019

ERNST & YOUNG
Auditores Independentes S.S.
CRC- 2SP034519/O-6

Luiz Carlos Marques
Accountant CRC-1SP147693/O-5

(A free translation of the original in Portuguese)

TOTVS S.A.

Statement of financial position as at September 30, 2019 and December 31, 2018

(In thousands of reais)

Assets	Parent Company 9/30/2019	Parent Company 12/31/2018	Consolidated 9/30/2019	Consolidated 12/31/2018
Current assets	**1,652,861**	**576,321**	**2,044,020**	**1,020,134**
Cash and cash equivalents (Note 4)	1,317,709	228,571	1,487,702	452,799
Marketable securities (Note 20)	23,404	23,477	26,188	44,909
Trade accounts receivable (Note 5)	338,995	337,186	470,151	504,056
Allowance for doubtful accounts (Note 5)	(85,660)	(88,515)	(109,202)	(118,518)
Inventories (Note 6)	-	-	-	41,531
Recoverable taxes (Note 7)	7,715	23,314	12,161	38,817
Other assets (Note 10)	50,698	52,288	58,006	56,540
Assets held for sale (Note 11)	-	-	99,014	-
Noncurrent assets	**1,758,108**	**1,621,436**	**1,554,149**	**1,371,143**
Marketable securities (Note 20)	-	-	2,455	5,334
Trade accounts receivable (Note 5)	33,911	18,723	36,401	19,890
Receivables from related parties (Note 9)	3	3,956	-	-
Recoverable taxes (Note 7)	-	-	-	236
Financial assets	-	-	74,341	69,171
Deferred income and social contribution taxes (Note 8)	47,454	45,845	106,412	125,124
Judicial deposits (Note 18)	58,812	51,171	73,675	65,965
Other assets (Note 10)	51,542	20,931	51,988	26,340
Investments (Note 12)	835,151	920,317	3,204	3,129
Property, plant and equipment (Note 13)	367,298	177,858	388,057	198,826
Intangible assets (Note 14)	363,937	382,635	817,616	857,128
Total assets	**3,410,969**	**2,197,757**	**3,598,169**	**2,391,277**

Liabilities and equity	Parent Company 9/30/2019	Parent Company 12/31/2018	Consolidated 9/30/2019	Consolidated 12/31/2018
Current liabilities	**614,787**	**549,151**	**768,434**	**709,612**
Payroll and labor liabilities (Note 15)	163,421	125,943	217,227	174,874
Trade accounts payable (Note 16)	41,044	71,343	55,512	113,907
Taxes payable (Note 17)	38,385	32,577	55,511	47,466
Commissions payable	38,699	35,721	44,136	43,166
Dividends payable (Note 24)	32,828	13,737	32,828	13,902
Loans and financing (Note 18)	59,319	155,278	73,243	166,154
Debentures (Note 19)	200,288	77,319	200,288	77,319
Liabilities due to investment acquisition (Note 20)	30,679	30,752	33,464	59,597
Other liabilities	10,124	6,481	10,485	13,227
Liabilities associated with assets held for sale (Note 11)	-	-	45,740	-
Noncurrent liabilities	**329,983**	**361,564**	**362,831**	**393,445**
Loans and financing (Note 18)	188,019	28,914	195,314	35,317
Debentures (Note 19)	-	199,869	-	199,869
Payables to related parties (Note 9)	726	24	-	-
Liabilities due to investment acquisition (Note 20)	-	-	14,824	15,464
Provision for contingencies related to legal proceedings (Note 21)	124,766	117,780	136,247	127,792
Other liabilities	16,472	14,977	16,446	15,003
Equity (Note 23)	**2,466,199**	**1,287,042**	**2,466,904**	**1,288,220**
Capital	1,382,509	1,041,229	1,382,509	1,041,229
Treasury shares	(62,728)	(70,026)	(62,728)	(70,026)
Capital reserves	871,639	169,907	871,639	169,907
Other comprehensive income	25,132	20,704	25,132	20,704
Retained profits reserve	249,647	125,228	249,647	125,228
Non-controlling interests	**-**	**-**	**705**	**1,178**
Total liabilities and equity	**3,410,969**	**2,197,757**	**3,598,169**	**2,391,277**

The accompanying notes are an integral part of these interim financial statements.

(A free translation of the original in Portuguese)

TOTVS S.A.

Statements of profit or loss

Nine-month periods ended September 30, 2019 and 2018

(In thousands of reais, except for earnings per share)

	Parent Company				Consolidated			
	7/1/2019 to 9/30/2019	1/1/2019 to 9/30/2019	7/1/2018 to 9/30/2018	1/1/2018 to 9/30/2018	7/1/2019 to 9/30/2019	1/1/2019 to 9/30/2019	7/1/2018 to 9/30/2018	1/1/2018 to 9/30/2018
Software revenue (Note 28)	412,150	1,216,972	387,052	1,171,295	575,243	1,702,832	535,162	1,572,426
Cost of software	(137,410)	(404,454)	(133,511)	(410,969)	(184,208)	(552,395)	(188,316)	(543,280)
Gross profit	**274,740**	**812,518**	**253,541**	**760,326**	**391,035**	**1,150,437**	**346,846**	**1,029,146**
Operating income (expenses)								
Research and development	(67,230)	(201,317)	(69,219)	(206,287)	(97,229)	(292,839)	(98,374)	(280,556)
Selling and marketing expenses	(81,221)	(243,739)	(74,966)	(225,888)	(108,754)	(311,579)	(96,153)	(286,224)
General and administrative expenses	(47,524)	(148,043)	(45,964)	(145,604)	(61,600)	(178,984)	(52,488)	(164,958)
Depreciation and amortization (Note 13 and 14)	(28,809)	(88,171)	(22,493)	(72,006)	(36,073)	(110,222)	(29,524)	(93,804)
Provision for expected credit losses (Note 5)	(4,754)	(16,719)	(7,051)	(18,857)	(6,039)	(23,885)	(10,851)	(30,233)
Other net operating income (expenses)	14,695	18,163	(3,294)	(1,847)	14,767	20,072	(3,106)	2,997
Income before financial effects and equity pick-up	**59,897**	**132,692**	**30,554**	**89,837**	**96,107**	**253,000**	**56,350**	**176,368**
Finance income	22,512	41,783	6,048	19,275	25,654	51,264	9,650	28,410
Finance costs	(16,243)	(50,010)	(17,007)	(53,123)	(18,874)	(58,365)	(20,221)	(60,717)
Equity pickup	28,083	79,387	17,208	53,435	-	(130)	(254)	(383)
Income before income and social contribution taxes	**94,249**	**203,852**	**36,803**	**109,424**	**102,887**	**245,769**	**45,525**	**143,678**
Current income and social contribution taxes	(5,503)	(17,457)	3,336	(422)	(17,967)	(51,536)	(4,280)	(24,841)
Deferred income and social contribution taxes	(1,765)	1,798	(3,236)	(6,486)	2,270	(5,678)	(3,645)	(15,237)
Total income and social contribution taxes	(7,268)	(15,659)	100	(6,908)	(15,697)	(57,214)	(7,925)	(40,078)
Net income from continuing operations	**86,981**	**188,193**	**36,903**	**102,516**	**87,190**	**188,555**	**37,600**	**103,600**
Net income (loss) from discontinued operations	**281**	**(31,813)**	**(906)**	**(1,242)**	**281**	**(31,813)**	**(906)**	**(1,242)**
Net income for the period	**87,262**	**156,380**	**35,997**	**101,274**	**87,471**	**156,742**	**36,694**	**102,358**
Net income attributable to controlling interest	**87,262**	**156,380**	**35,997**	**101,274**	**87,262**	**156,380**	**35,997**	**101,274**
Net income attributable to non-controlling interest	**-**	**-**	**-**	**-**	**209**	**362**	**697**	**1,084**
Basic earnings per thousand shares (in Reais)	0.4564	1.0605	0.2258	0.6273	0.4564	1.0605	0.2258	0.6273
Diluted earnings per thousand shares (in Reais)	0.4520	1.0514	0.2239	0.6223	0.4520	1.0514	0.2239	0.6223

The accompanying notes are an integral part of these interim financial statements.

TOTVS S.A.

Statements of comprehensive income

Nine-month periods ended September 30, 2019 and 2018

(In thousands of Reais)

	Company			
	7/1/2019 to 9/30/2019	**1/1/2019 to 9/30/2019**	**7/1/2018 to 9/30/2018**	**1/1/2018 to 9/30/2018**
Profit for the period	**87,262**	**156,380**	**35,997**	**101,274**
Continuing operations	4,124	2,767	(2,014)	6,596
Discontinued operations	1,555	1,661	4,645	1,718
Cumulative translation adjustment	**5,679**	**4,428**	**2,631**	**8,314**
Comprehensive income for the period	**92,941**	**160,808**	**38,628**	**109,588**

	Consolidated			
	7/1/2019 to 9/30/2019	**1/1/2019 to 9/30/2019**	**7/1/2018 to 9/30/2018**	**1/1/2018 to 9/30/2018**
Profit for the period	**87,471**	**156,742**	**36,694**	**102,358**
Continuing operations	4,124	2,767	(2,014)	6,596
Discontinued operations	1,555	1,661	4,645	1,718
Cumulative translation adjustment	**5,679**	**4,428**	**2,631**	**8,314**
Comprehensive income for the period	**93,150**	**161,170**	**39,325**	**110,672**
Net income for the year attributable to controlling interests	92,941	160,808	38,628	109,588
Attributable to non-controlling interests	209	362	697	1,084

The accompanying notes are an integral part of these interim financial statements.

TOTVS S.A.

(A free translation of the original in Portuguese)

Statements of changes in equity

Periods ended September 30, 2019 and December 31, 2018

(In thousands of reais)

	Capital	Premium on purchase from non-controlling interests	Reserves			Treasury share	Other Comprehensive income	Retained earnings	Proposed additional dividend	Equity	Non-controlling interests	Consolidated equity
			Capital	Legal	Retained profits							
Balance at December 31, 2017	**989,841**	**(25,518)**	**190,597**	**84,019**	**86,780**	**(71,495)**	**1,728**	**-**	**5,442**	**1,261,394**	**183**	**1,261,577**
Capital transactions with shareholders												
Capital increase	51,388	-	-	-	(51,388)	-	-	-	-	-	373	373
Share-based compensation plan	-	-	6,297	-	-	-	-	-	-	6,297	-	6,297
Prior-year dividends	-	-	-	-	-	-	-	-	(5,442)	(5,442)	(294)	(5,736)
Dividends	-	-	-	-	-	-	-	(17,978)	-	(17,978)	(164)	(18,142)
Interest on equity – distributed	-	-	-	-	-	-	-	(27,785)	-	(27,785)	-	(27,785)
Treasury shares	-	-	(1,469)	-	-	1,469	-	-	-	-	-	-
Opening balance CPC 47 / CPC 48	-	-	-	-	-	-	-	(7,968)	-	(7,968)	(15)	(7,983)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**18,976**	**59,548**	**-**	**78,524**	**1,095**	**79,619**
Net income for the year	-	-	-	-	-	-	-	59,548	-	59,548	1,095	60,643
Cumulative adjustment for currency exchange	-	-	-	-	-	-	18,976	-	-	18,976	-	18,976
Reserves set up	**-**	**-**	**-**	**2,977**	**2,840**	**-**	**-**	**(5,817)**	**-**	**-**	**-**	**-**
Balance at December 31, 2018	**1,041,229**	**(25,518)**	**195,425**	**86,996**	**38,232**	**(70,026)**	**20,704**	**-**	**-**	**1,287,042**	**1,178**	**1,288,220**
Capital transactions with shareholders												
Capital increase	341,280	-	696,278	-	-	-	-	-	-	1,037,558	-	1,037,558
Share-based compensation plan	-	-	5,454	-	-	3,726	-	-	-	9,180	-	9,180
Prior-year dividends	-	-	-	-	-	-	-	-	-	-	(494)	(494)
Sale of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(354)	(354)
Interest on equity – distributed	-	-	-	-	-	-	-	(36,224)	-	(36,224)	-	(36,224)
Treasury shares	-	-	-	-	-	3,572	-	-	-	3,572	-	3,572
Opening balance CPC 06 (R2)	-	-	-	-	-	-	-	4,263	-	4,263	13	4,276
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**4,428**	**156,380**	**-**	**160,808**	**362**	**161,170**
Net income for the year	-	-	-	-	-	-	-	156,380	-	156,380	362	156,742
Cumulative adjustment for currency exchange	-	-	-	-	-	-	4,428	-	-	4,428	-	4,428
Reserves set up	-	-	-	-	-	-	-	-	-	-	-	-
Balance at September 30, 2019	**1,382,509**	**(25,518)**	**897,157**	**86,996**	**38,232**	**(62,728)**	**25,132**	**124,419**	**-**	**2,466,199**	**705**	**2,466,904**

The accompanying notes are an integral part of these interim financial statements.

TOTVS S.A.
Statements of cash flows
Nine-month periods ended September 30, 2019 and 2018
(In thousands of Reais)

	Parent Company		Consolidated	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
Cash flow from operating activities				
Income before income and social contribution taxes	203,852	109,424	245,769	143,678
Adjustments for:				
Depreciation and amortization (Notes 13 and 14)	88,171	72,006	110,222	93,804
Share-based payments (Note 25)	9,180	4,795	9,180	4,795
		(931)	(13,318)	(763)
Losses (gains) on disposal of fixed assets	(12,630)			
Allowance for doubtful accounts (Note 5)	16,719	18,857	23,885	30,233
Equity pick-up (Note 12)	(79,387)	(53,435)	130	383
Provision for contingencies (Note 21)	36,997	34,954	41,554	33,973
Provision for (reversal of) other obligations and other	(94)	343	(94)	(4,590)
Interest monetary variations and foreign exchange differences, net	39,924	46,157	41,517	46,962
Changes in operating assets and liabilities:				
Trade accounts receivable	(36,571)	5,611	(72,231)	(56,490)
Recoverable taxes	15,794	21,275	20,361	23,521
Judicial deposits	(5,826)	7	(5,595)	348
Other assets	(16,610)	(14,741)	(17,191)	(5,626)
Labor and social security liabilities	37,478	30,370	49,179	45,539
Trade accounts payable	(18,143)	(224)	(14,725)	3,955
Commissions payable	2,978	(2,046)	3,570	(113)
Taxes payable	(3,209)	12,256	(6,421)	10,598
Other accounts payable	(36,553)	(33,584)	(38,464)	(21,836)
Change in assets and liabilities from discontinued operations	-	-	(1,036)	11,826
Cash flow from operations	**242,070**	**251,094**	**376,292**	**360,197**
Interest paid	(112,210)	(33,497)	(113,250)	(34,633)
Income and social contribution taxes paid	(8,440)	(2,629)	(35,224)	(22,013)
Net cash from operating activities	**121,420**	**214,968**	**227,818**	**303,551**
Cash flow from investing activities				
Capital increase in subsidiaries (Note 12)	70,778	(29,827)	-	-
Dividends received	66,034	15,481	-	-
Purchases of intangible assets (Note 14)	(20,844)	(19,445)	(20,859)	(19,633)
Payment of liabilities due to investment acquisition	-	-	(5,433)	(12,754)
Purchases of property, plant and equipment (Note 12)	(17,670)	(34,546)	(19,008)	(35,443)
Value received on the sale of investments	7,531	-	7,531	-
Value of sales of fixed assets	2,186	2,236	2,441	2,585
Net cash used in investing activities	**108,015**	**(66,101)**	**(35,328)**	**(65,245)**
Cash flow from financing activities				
Payment of principal on loans and financing	(127,825)	(127,032)	(135,963)	(135,526)
Payment of finance lease	(41,218)	(19,431)	(45,056)	(19,480)
Capital increase	1,037,652	-	1,037,652	-
Receivables from related companies	4,655	(5,571)	-	-
Dividends and interest on equity paid	(17,133)	(20,468)	(17,792)	(20,863)
Treasury share	3,572	-	3,572	-
Net cash used in financing activities	**859,703**	**(172,502)**	**842,413**	**(175,869)**
Increase (decrease) in cash and cash equivalents	1,089,138	(23,635)	1,034,903	62,437
Cash and cash equivalents at beginning of year	228,571	305,920	452,799	387,169
Cash and cash equivalents at end of period	1,317,709	282,285	1,487,702	449,606

The accompanying notes are an integral part of these interim financial statements.

TOTVS S.A.
Statements of Value Added
Nine-month periods ended September 30, 2019 and 2018
(In thousands of Reais)

	Parent Company		Consolidated	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
1 – REVENUES	**1,375,656**	**1,298,749**	**1,914,699**	**1,737,440**
1.1 Sales of goods. products and services	1,373,261	1,319,583	1,917,132	1,765,250
1.2 Other revenue	19,114	(1,977)	21,452	2,423
1.3 Allowance for doubtful accounts – recording	(16,719)	(18,857)	(23,885)	(30,233)
2 - RAW MATERIALS ACQUIRED FROM THIRD PARTIES (includes ICMS and IPI taxes)	**(484,276)**	**(418,503)**	**(596,790)**	**(521,512)**
2.1 Cost of goods and services sold	(66,779)	(58,854)	(73,906)	(65,365)
2.2 Materials energy outsourced services and other	(385,684)	(358,407)	(491,071)	(454,905)
2.3 Loss / Recovery of assets	(31,813)	(1,242)	(31,813)	(1,242)
3 - GROSS VALUE ADDED (1-2)	**891,380**	**880,246**	**1,317,909**	**1,215,928**
4 - DEPRECIATION AND AMORTIZATION	(88,171)	(72,006)	(110,222)	(93,804)
5 - NET VALUE ADDED PRODUCED BY THE ENTITY (3-4)	**803,209**	**808,240**	**1,207,687**	**1,122,124**
6 - VALUE ADDED RECEIVED IN TRANSFER	**121,170**	**72,710**	**51,134**	**28,027**
6.1 Equity pick-up	79,387	53,435	(130)	(383)
6.2 Finance income	41,783	19,275	51,264	28,410
7 - TOTAL VALUE ADDED TO DISTRIBUTE (5+6)	**924,379**	**880,950**	**1,258,821**	**1,150,151**
8 - VALUE ADDED DISTRIBUTION	**924,379**	**880,950**	**1,258,821**	**1,150,151**
8.1 Personnel	519,617	518,345	732,744	684,964
8.1.1 Direct compensation	422,989	418,314	601,826	560,514
8.1.2 Benefits	61,472	61,877	81,972	76,849
8.1.3 FGTS (Unemployment Compensation Fund)	35,156	38,154	48,946	47,601
8.2 Taxes and contributions	197,384	181,651	309,349	269,983
8.2.1 Federal	159,912	146,467	255,652	222,534
8.2.2 State	32	(20)	951	794
8.2.3 Local	37,440	35,204	52,746	46,655
8.3 Interest and rent	50,998	79,680	59,986	92,846
8.3.1 Interest	50,010	53,123	58,365	60,717
8.3.2 Rents	988	26,557	1,621	32,129
8.4 Equity remuneration	156,380	101,274	156,742	102,358
8.4.1 Interest on equity	36,224	14,709	36,224	14,709
8.4.3 Retained profits / loss for the year	120,156	86,565	120,156	86,565
8.4.4 Non-controlling interests in retained profits	-	-	362	1,084

The accompanying notes are an integral part of these interim financial statements.

TOTVS S.A.
Notes to the interim financial statements
(In thousands of Reais, unless otherwise stated)

1. The Company and its operations

a) General Information

TOTVS S,A, ("TOTVS", or "Parent Company") is a publicly held corporation headquartered at Av. Braz Leme, 1000, in the city and state of São Paulo, whose shares are traded on the Novo Mercado of B3 S.A. – Brasil, Bolsa, Balcão.

b) Operations

The Company's business purpose is to provide business solutions for companies of all sizes, through the development and sale of management software, productivity and collaboration platform, as well as the provision of implementation, consulting, assistance, maintenance services, e-commerce and mobility. The solutions developed by the Company and its subsidiaries are segmented according to the diverse sectors of the economy, resulting in greater importance of the solutions in our clients' business.

Through its subsidiaries, the Company also has hardware manufacturing and sale activities, combining specialized solutions for system management, point of sale (POS), commercial automation and tax solutions. With the objective of maintaining its strategic focus on the software business, the Company decided to hold these subsidiaries for sale and classified their assets and liabilities as available for sale in this interim financial information.

2. Basis of preparation and presentation of the interim financial statements

2.1. Statement of compliance

The individual and consolidated interim financial information was prepared and is presented in accordance with the accounting practices adopted in Brazil, which comprise the rules issued by the Brazilian Securities and Exchange Commission (CVM), and Brazil´s Financial Accounting Standards Board (CPC) pronouncements, guidance and interpretations, which are in conformity with the standards and procedures of the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). All significant information in the individual and consolidated interim financial information, and solely such information, is disclosed and corresponds to that used by Company management.

2.2. Basis of presentation

All amounts presented in these interim financial statements are expressed in thousands of reais, unless otherwise indicated.

TOTVS's individual and consolidated Interim Financial Information was approved at the Board of Directors' Meeting held on November 04, 2019, after a recommendation by the Audit Committee at a meeting held on October 29, 2019.

Significant accounting policies in preparing this interim financial information have been consistently applied to the years presented. This interim financial information does not include all of the information required for annual or complete financial statements, and therefore should be read together with the Company's complete financial statements for the year ended December 31, 2018.

2.3. Basis of preparation

The individual and consolidated Interim financial information was prepared using the historical cost as the base value, except for the valuation of certain assets and liabilities, such as business combinations and financial instruments, which were measured at their fair value.

(a) Consolidated interim financial information

The consolidated interim financial information was prepared in accordance with CPC 21 - R1 and IAS 34, which is applicable to the preparation of interim financial information, and in a manner consistent with accounting practices adopted in Brazil, including the standards issued by the CVM applicable to ITRs (Quarterly Information).

(b) Individual interim financial information

The individual interim financial information was prepared in accordance with CPC 21(R1) and IAS 34, applicable to the preparation of interim financial information, and in a manner consistent with the standards issued by the CVM applicable to ITRs, and is disclosed in conjunction with the consolidated financial information.

(c) Changes in accounting policies and disclosures

The following are the new standards and amendments issued by the IASB and CPC effective as of January 1, 2019 and their impact on the Company:

IFRS16/CPC 06(R2) – Leases - IFRS 16, this new standard introduces the principles for recognizing, measuring, reporting and disclosing lease operations and requires lessees to record all leases in accordance with a single statement of financial position template, similar to the accounting of financial leases pursuant to CPC 06 (R1). Certain short-term or low value agreements may be outside the scope of this new standard. At the starting date of a lease, the lessee recognizes a liability to make payments (a lease liability) and an asset representing its right to use the leased asset during the lease term (a right-of-use asset). Lessees must recognize separately interest expenses on the lease liability and depreciation of the right-of-use asset. The criteria for recognizing and measuring leases in financial statements of lessors are substantially maintained.

The Company adopted IFRS16/CPC 06(R2) using the retrospective method with cumulative effect of initially applying this pronouncement as an adjustment to the opening balance.

The effects on the statement of financial position accounts for the year ended December 31, 2018 and the opening balance, as of January 1, 2019 are shown below:

STATEMENT OF FINANCIAL POSITION	Financial Statements disclosed at 12/31/2018	Effects of first adoption of IFRS 16/CPC 06 (R2)	Financial Statements at 01/01/2019
Current assets	1,020,134	-	1,020,134
Other noncurrent assets	1,047,193	-	1,047,193
Deferred income and social contribution taxes	125,124	(2,203)	122,921
Property, plant and equipment	198,826	236,820	435,646
Total assets	**2,391,277**	**234,617**	**2,625,894**
Current lease	13,227	40,013	53,240
Other current liabilities	696,385	(6,480)	689,905
Noncurrent lease	28,962	196,458	225,420
Other noncurrent liabilities	364,483	350	364,833
Equity (i)	1,288,220	4,276	1,292,496
Total liabilities and equity	**2,391,277**	**234,617**	**2,625,894**

(i) The amount of R$ 4,276, net of deferred taxes of R$2,203, refers to the write-off of the deferral of the rental grace period granted at the beginning of the rental period of the real estate contracts.

For purposes of comparability, we present below the reconciliation of impacts on the consolidated statement of profit or loss for the nine-month period ended September 30, 2019 disregarding the effects of the new standards:

STATEMENTS OF PROFIT OR LOSS	Financial Statements disclosed at 9/30/2019	Effects of adoption of IFRS of IFRS 16/CPC 06 (R2)	Financial Statements at 9/30/2019 without effects of IFRS 16/CPC 06(R2)
Software revenue	**1,702,832**	**-**	**1,702,832**
Cost of software (i)	(552,395)	(12,141)	(564,536)
Gross profit	**1,150,437**	**(12,141)**	**1,138,296**
Research and development (i)	(292,839)	(12,093)	(304,932)
Selling and marketing expenses (i)	(311,579)	(3,965)	(315,544)
General and administrative expenses (i)	(178,984)	(4,772)	(183,756)
Depreciation and amortization	(110,222)	28,099	(82,123)
Provision for expected credit losses	(23,885)	-	(23,885)
Other net operating income (expenses)	20,072	-	20,072
Income before financial effects and equity pick-up	**253,000**	**(4,872)**	**248,128**
Finance income (cots) and equity-pick-up	(7,231)	8,844	1,613
Income and social contribution taxes	(57,214)	(1,350)	(58,564)
Net income from continuing operations	**188,555**	**2,622**	**191,177**
Net loss from discontinued operations	(31,813)	315	(31,498)
Net income for the period	**156,742**	**2,937**	**159,679**

(i) Represents the amounts referring to the payment of the monthly rent of real estate by line of the statement of profit or loss.

IFRIC 23 / ICPC 22 – Uncertainty over income tax treatment; this interpretation clarifies how to apply the recognition and measurement requirements of CPC 32 whenever there is uncertainty over the treatment of income tax. In these circumstances, the entity must recognize and measure its current or deferred tax assets or liabilities, applying the requirements of CPC 32 / IAS 12 based on taxable income (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates, determined based on this interpretation. This interpretation came into effect on January 1, 2019 and, even considering that the Company operates in a complex tax environment, management concluded that tax authorities are likely to accept it and, therefore, did not foresee any impact of its adoption on the financial statements.

There are no other standards, amendments and interpretations for standards issued and not yet adopted that, in Management's opinion, may have a significant impact on the P&L or equity disclosed by the Company.

2.4. Consolidation basis

The consolidated interim financial information includes the operations of the Company and the following subsidiaries and associate companies. The percentages of the interests held by the Company on the statement of financial position date are summarized below:

Direct interest:

Corporate Name	Head office	Name used	Note	% Interest 9/30/2019	% Interest 12/31/2018
TOTVS Serviços Ltda.	BRA	TOTVS Serviços	(i)	-	100.00
Soluções em Software e Serviços TTS Ltda.	BRA	TOTVS Nordeste		100.00	100.00
TOTVS Brasília Software Ltda.	BRA	TOTVS Brasília		100.00	100.00
TOTVS Hospitality Ltda. (previously TQTVD Software Ltda)	BRA	TOTVS Hospitality		74.20	74.20
VT Comércio Digital S.A. (previously TOTVS Ventures)	BRA	VT Digital	(ii)	50.00	100.00
TOTVS Argentina S.A.	ARG	TOTVS Argentina		100.00	100.00
Datasul Argentina S.A.	ARG	Datasul Argentina		100.00	100.00
TOTVS México S.A.	MEX	TOTVS Mexico		100.00	100.00
Datasul S.A. de CV	MEX	Datasul Mexico		100.00	100.00
TOTVS Corporation	BVI	TOTVS Corporation		100.00	100.00
TOTVS Incorporation	USA	TOTVS Inc.		100.00	100.00
Neolog Consultoria e Sistemas S.A.	BRA	Neolog		60.00	60.00
Ciashop - Soluções para Comércio Eletrônico S.A.	BRA	Ciashop	(iii)	-	70.47
TOTVS Large Enterprise Tecnologia S.A. (Bematech S.A.)	BRA	TOTVS Large		100.00	100.00
TFS Soluções em software Ltda.	BRA	TFS		100.00	100.00
Tecnologia em Software Bemacash Ltda.	BRA	Bemacash	(iv)	100.00	-

(i) On July 31, 2019, subsidiary TOTVS Serviços was merged into subsidiary TOTVS Large Enterprise Company with net assets of R$46,906. The net assets were valued by experts who issued a valuation report on June 30, 2019. Any changes in the net assets after the reporting date until the effective merger date were absorbed by TOTVS Large.

(ii) On July 31,2019, The Company announced a conclusion of the contractual conditions between TOTVS and Companhia Brasileira de Tecnologia para E-commerce (VTEX) for the creation of VT Comércio Digital SA., a company in which TOTVS and VTEX hold each 50% interest in its capital for the purposes of joint operation.

(iii) On May 9, 2019, the Company entered into an agreement to sell the 70.47% interest in Ciashop's capital stock to VTEX S.A. for the amount of R$21,175. The conclusion of this transaction took place

on July 31, 2019, after the approval of the Brazilian competition authorities (CADE - Administrative Council for Economic Defense), which announced its approval decision on June 14, 2019. The net gain from the sale of Ciashop was recorded under "Other operating income and expenses" in the statement of profit or loss.

(iv) Company created to segregate the operation inoperative so far.

Indirect Interest:

Corporate Name	Head office	Name used	Investor	Note	%Equity interest 6/30/2019	%Equity interest 12/31/2018
DTS Consulting Partner, S.A. de CV	MEX	Partner	TOTVS México		100.00	100.00
Webstrategie Software Ltda.	BRA	Webstrategie	TOTVS Nordeste	(v)	-	100.00
TOTVS Reservas Ltda. (previously Kerina Software Ltda)	BRA	TOTVS Reservas	TOTVS Hospitality		100.00	100.00
Bematech Hardware Ltda.	BRA	Bematech Hardware	TOTVS Large	(vi)	100.00	100.00
Bematech Ásia Co. Ltda.	TWN	Bematech Ásia	TOTVS Large		100.00	100.00
Bematech Argentina S.A.	ARG	Bematech Argentina	TOTVS Large and Bematech Inter. Corp.		100.00	100.00
Bematech Internacional Corp.	EUA	BIC	TOTVS Large	(vi)	100.00	100.00
Logic Controls, Inc	EUA	Logic Controls	BIC	(vi)	100.00	100.00
FICE - Bematech Foshan Shunde Ltda.	CHN	FICE	Logic Controls, Inc	(vi)	100.00	100.00
CMNet Participações S.A.	BRA	CMNet Participações	TOTVS Large		100.00	100.00
CM Soluciones – Argentina	ARG	CMNet Argentina	CMNet Participações		100.00	100.00
CMDIR - Soluções Informática, Lda - Portugal	PRT	CMNet Portugal	CMNet Participações		100.00	100.00
CM Soluciones – Chile	CHL	CMNet Chile	CMNet Participações		100.00	100.00
CMNet España	ESP	CMNet Espanha	CMDIR - Soluções		100.00	100.00
RJ Participações S.A.	BRA	RJ Participações	TOTVS Large		100.00	100.00
R.J. Consultores en Sistemas de Información S.C.	MEX	RJ México	RJ Participações		100.00	100.00
R.J. Consultores e Informática Ltda.	BRA	RJ Consultores	RJ Participações		100.00	100.00
TOTVS Hospitality Ltda.	BRA	TOTVS Hospitality	TOTVS Large		25.80	25.80
National Computer Corporation (associate)	RUS	JV Russia	TOTVS México		19.00	19.00

(v) Company shutdown on July 18, 2019.

(vi) Companies held for sale according to TOTVS strategy mentioned in Note 11.

Joint operations are accounted for in the financial statements to represent the Company's contractual rights and obligations. Accordingly, assets, liabilities, revenues and expenses related to their interests in joint operation are accounted for individually in the financial statements.

Investments in associates are accounted for under the equity method and are initially recognized at cost.

All intercompany balances and transactions were eliminated in consolidation.

2.5. Significant accounting judgments, estimates and assumptions

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

For the nine-month period ended September 30, 2019, there were no changes in estimates and assumptions entailing a significant risk of causing relevant adjustments, except for the evaluation of assets of the hardware operations that were classified as held for sale as described in Note 11.

3. Financial instruments and sensitivity analysis of financial assets and liabilities

The Company and its subsidiaries evaluated their financial assets and liabilities based on market values using the information available and the appropriate valuation methodologies.

3.1. Sensitivity analysis of financial assets and liabilities

The Company's financial instruments are represented by cash and cash equivalents, accounts receivable, accounts payable, debentures, loans and financing, which are recorded at cost plus income or charges incurred or at fair value when applicable, as at September 30, 2019 and December 31, 2018.

The main risks related to the Company's operations are linked to the variation of:

(i) Brazilian Interbank Deposit Rate (CDI) for financial investments and debentures issued in 2017;
(ii) Long-Term Interest Rate (TJLP) for financing from the Brazilian Development Bank (BNDES); and
(iii) Extended Consumer Price Index (IPCA), for debentures issued in previous years.

a) Financial assets

In order to verify the sensitivity of the index in the financial investments to which Company was exposed as of September 30, 2019, three different scenarios were defined. Based on projections disclosed by financial institutions, the average rate for CDI is 5.40% for 2019, which was defined as a probable scenario (scenario I). Based thereon, variations of 25% (scenario II) and 50% (scenario III) were calculated.

For each of these scenarios the "gross finance income" was estimated, with taxes on investment returns not included. The reference date for the portfolio was September 30, 2019, with a one-year projection to check the sensitivity of CDI to each scenario.

Operation	Balances at 9/30/2019	Risk	Probable Scenario (I)	Scenario (II)	Scenario (III)
Consolidated financial investments	R$ 1,471,774	Reduction CDI (a)	5.40%	4.05%	2.70%
Estimated finance income			**R$79,476**	**R$59,607**	**R$39,738**

(a) Interbank Deposit Certificates

b) Financial liabilities

To check the sensitivity of the indexes to which the Company is exposed when estimating the debts as of September 30, 2019, three different scenarios were created. Based on the TJLP and IPCA rates in force as of September 30, 2019, the most probable scenario (scenario I) was determined for 2019 and, from this, variations of 25% (scenario II) and 50% (scenario III) were calculated.

The gross finance cost was calculated for each scenario, not taking into account the tax and the maturity flow for each agreement scheduled for 2019. The reference date used for the financing and debentures was September 30, 2019, projecting the rates for one year and checking their sensitivity in each scenario.

Operation	Balances at 9/30/2019	Risk	Probable Scenario I	Scenario II	Scenario III
		Increase			
Financing – Consolidated BNDES	R$18,917	TJLP (a)	5.57%	6.96%	8.36%
Estimated finance costs			**R$1,054**	**R$1,317**	**R$1,581**
		Increase			
Debentures	R$200,288	CDI	5.40%	6.75%	8.10%
Estimated finance costs			**R$10,816**	**R$13,519**	**R$16,223**

(a) Long-term Interest Rate

3.2. Financial assets

TOTVS´ investments in startups are made within a medium-term strategy, with output planned for when the expected financial returns are achieved, and are recognized as financial instruments. The fair value for these investments as at September 30, 2019 was R$74,341 (R$69,171 as at December 31, 2018).

3.3. Changes in the liabilities of financing activities

Liabilities arising from financing activities are liabilities for which cash flows were or will be classified in the statement of cash flows as cash flows from financing activities. The following is a breakdown of liabilities arising from financing activities for the nine-month period ended September 30, 2019:

		Consolidated					
		Cash flow from financing activities		**Non-cash items**			
	12/31/2018	**Principal**	**Interest paid**	**New leases**	**Interest incurred**	**Other (i)**	**9/30/2019**
Loans and financing	159,282	(135,963)	(5,038)	-	5,052	-	23,333
Lease	42,189	(45,056)	(12,010)	248,952	11,149	-	245,224
Debentures	277,188	-	(96,202)	-	19,302	-	200,288
Dividends payable and other	13,902	(17,792)	-	-	-	36,718	32,828
Total	**492,561**	**(198,811)**	**(113,250)**	**248,952**	**35,503**	**36,718**	**501,673**

(i) The changes in the "Other" column included dividends payable and Interest on Equity (IOE) at the end of the year and offset taxes credits on the distribution of IOE. The Company classifies interest paid as operating cash flows.

4. Cash and cash equivalents

Cash and cash equivalents are maintained for meeting short-term cash requirements and for strategic investment or other purposes, and are redeemable within 90 days from the date of the respective transaction.

	Parent Company		Consolidated	
	9/30/2019	**12/31/2018**	**9/30/2019**	**12/31/2018**
Cash	1,306	10,571	15,928	44,925
Cash equivalents	**1,316,403**	**218,000**	**1,471,774**	**407,874**
Investment fund	1,127,930	-	1,267,107	-
CDB	146,710	125,058	160,157	181,980
Repurchase agreements	41,763	92,942	44,510	225,894
	1,317,709	**228,571**	**1,487,702**	**452,799**

The Company financial investments policies are based on low risk approach in top-tier institutions.

This quarter, the Company began to concentrate its investments in an investment fund for TOTVS and its subsidiaries. The fund is composed of investment fund quotas whose portfolio is comprised of fixed-income assets and immediate liquidity. The eligible assets in the portfolio composition structure are mainly government debt securities, which present low credit risk and volatility. The Company investments are remunerated substantially, by reference to the CDI variation, which monthly averaged 97.34% of the CDI for the period ended September 30, 2019 (99.22% as of December 31, 2018).

5. Trade accounts receivable, net

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

	Parent Company		Consolidated	
	9/30/2019	**12/31/2018**	**9/30/2019**	**12/31/2018**
Domestic market	371,572	355,384	500,449	508,394
Foreign market	1,334	525	6,103	15,552
Gross trade accounts receivable	**372,906**	**355,909**	**506,552**	**523,946**
(-) Provision for expected credit losses	(85,660)	(88,515)	(109,202)	(118,518)
Net trade accounts receivable	**287,246**	**267,394**	**397,350**	**405,428**
Current assets	253,335	248,671	360,949	385,538
Noncurrent assets (a)	33,911	18,723	36,401	19,890

(a) Long-term accounts receivable refer basically to the sale of software license, software implementation and customization services, and are presented net of adjustment to present value.

Below are the receivables in connection with the net amount of provision of expected credit losses accounts by aging list as of September 30,2019 and December 31, 2018:

	Parent Company		Consolidated	
	9/30/2019	**12/31/2018**	**9/30/2019**	**12/31/2018**
Falling due	222,420	189,294	300,386	310,953
Unbilled	44,384	57,464	61,478	73,627
Overdue				
1 to 30 days	8,873	9,636	17,353	15,566
31 to 60 days	4,701	5,561	7,954	9,729
61 to 90 days	4,630	4,549	7,102	6,852
91 to 180 days	10,754	9,578	16,266	14,378
181 to 360 days	18,026	14,943	25,482	21,327
More than 360 days	59,118	64,884	70,531	71,514
Gross trade accounts receivable	**372,906**	**355,909**	**506,552**	**523,946**
(-) Provision for expected credit losses	(85,660)	(88,515)	(109,202)	(118,518)
Net accounts receivable	**287,246**	**267,394**	**397,350**	**405,428**

Changes in the provision of expected credit losses accounts are as follows:

	9/30/2019	
	Parent Company	**Consolidated**
Opening balance	(88,515)	(118,518)
Balance from discontinued operation	-	10,927
Additional provision in the period	(16,719)	(23,885)
Amounts written off due to	19,574	22,274
Balance at end of period	**(85,660)**	**(109,202)**

Management believes that the risk related to trade accounts receivable in general is minimized by the fact that the Company's customer portfolio is diluted. At December 31, 2018, an exception was the distributor of Bematech Hardware which cumulatively accounted for 5.5% of net accounts receivable in the consolidated statements. As at September 30, 2019 the assets of the hardware operation were classified as held for sale. In general, the Company does not require any guarantee on installment sales.

6. Inventories

Following is the inventory breakdown, which is formed exclusively by subsidiary Bematech Hardware and is classified as available for sale in the financial statements for the period ended September 30, 2019:

	Consolidated	
	9/30/2019	**12/31/2018**
Finished products	-	11,155
Raw material	-	19,157
Products for resale and other	-	8,539
Parts for technical assistance	-	962
Advances to suppliers	-	2,872
(-) Provision for loss	-	(1,154)
	-	**41,531**

7. Recoverable Taxes

The amounts of recoverable taxes are as follows:

	Parent Company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Value-Added Tax on Sales and Services (ICMS) (a)	-	-	-	6,284
Income tax to offset (b)	2,488	10,805	5,837	18,172
Social contribution tax to offset (b)	5,227	12,490	5,612	13,764
Withholding PIS and COFINS taxes	-	18	9	212
Other	-	1	703	621
	7,715	**23,314**	**12,161**	**39,053**
Current	7,715	23,314	12,161	38,817
Noncurrent	-	-	-	236

(a) The accumulated ICMS tax credits of Bematech Hardware were classified as held for sale on the consolidated statement of financial position for the period ended September 30, 2019 (see more details in Note 11).

(b) Refers to withholding income and social contribution tax credits in the current year and income and social contribution tax credits to offset from previous years, as well as payments of estimated taxes in the current year.

8. Income taxes

Current and deferred income and social contribution taxes were recorded pursuant to the current rates in force. Deferred income and social contribution taxes are calculated on income and social contribution tax losses carryforwards, respectively, as well as temporary differences.

8.1. Reconciliation of income and social contribution tax expenses

The reconciliation of expenses calculated by applying the Income and Social Contribution Tax rates is as follows:

	Parent Company		Consolidated	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
Income before taxes	**203,852**	**109,424**	**245,769**	**143,678**
Income and social contribution taxes at combined nominal rate of 34%	(69,310)	(37,204)	(83,561)	(48,851)
Adjustments for the statement of effective rate				
Equity pick-up	29,866	21,682	(44)	45
Law No. 11196/05 (Incentive for research and development)	5,382	5,554	9,578	7,365
Interest on equity	11,708	5,001	12,317	5,001
Share issue costs	9,840	-	9,840	-
Effect of subsidiaries subject to special rates	-	-	(7,173)	(1,817)
Management stake	(2,693)	(837)	(2,693)	(856)
Workers' Meal Program (PAT)	314	-	884	387
Other	(766)	(1,104)	3,638	(1,352)
Income and social contribution tax expense	**(15,659)**	**(6,908)**	**(57,214)**	**(40,078)**
Current income and social contribution taxes	(17,457)	(422)	(51,536)	(24,841)
Deferred income and social contribution taxes	1,798	(6,486)	(5,678)	(15,237)
Effective rate	**7.7%**	**6.3%**	**23.3%**	**27.9%**

8.2. Breakdown of deferred income and social contribution taxes

	Parent Company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Income and social contribution tax losses carryforwards	-	-	63,843	71,620
Deriving from temporary differences:				
Difference between tax base and book value from goodwill	14,460	21,308	33,815	43,531
Tax benefit from goodwill amortization	(90,835)	(86,828)	(143,394)	(132,612)
Intangible asset allocation	(11,527)	(13,491)	(18,136)	(20,835)
Allocation of intangible assets – after Law No. 12973	16,208	13,334	16,208	13,334
Provision for commissions	14,124	12,426	15,650	14,099
Anticipated income or revenues	5,080	5,253	5,015	9,705
Allowance for expected credit losses	29,124	30,095	34,840	36,285
Provision for contingencies and other obligations	42,420	40,045	46,322	43,447
Provision for trade accounts payable	7,113	7,902	10,104	10,396
Provision for impairment	1,792	-	16,592	14,760
Provision for share-based payments	7,533	5,550	7,534	5,720
Present value adjustment	3,036	2,766	5,125	4,803
Other	8,926	7,485	12,894	10,871
Net deferred income and social contribution taxes	**47,454**	**45,845**	**106,412**	**125,124**

The net deferred income and social contribution taxes of the Company and its subsidiaries are presented under noncurrent assets.

Below is the description of deferred income and social contribution taxes:

	Parent Company	Consolidated
At December 31, 2018	**45,845**	**125,124**
Expense in statement of profit or loss	1,798	(5,678)
IRPJ and CSLL from discontinued operations	1,792	(10,666)
Opening balance of IFRS16/CPC06 (R2)	(1,980)	(2,203)
Other	(1)	(165)
At September 30, 2019	**47,454**	**106,412**

9. Related-party balances and transactions

Related-party transactions are carried out under market conditions and prices established by the parties, and balances between the Parent Company and its subsidiaries are eliminated for purposes of consolidation.

9.1. Credits and liabilities with subsidiaries and associate companies

As of September 30,2019 and December 31, 2018, significant asset and liability balances are as follows:

	Parent Company			
	9/30/2019		12/31/2018	
	Asset	Liability	Asset	Liability
Ciashop (i)	-	-	2,484	-
TOTVS Serviços (ii)	-	-	1,472	-
TOTVS Brasilia	-	720	-	-
Other	3	6	-	24
Total	**3**	**726**	**3,956**	**24**

(i) With the sale of Ciashop, the loan assumed by third parties no longer refers to a related party of the group, therefore it was reclassified to "Other assets".

(ii) On July 31, 2019, subsidiary TOTVS Serviços was merged into subsidiary TOTVS Large as mentioned in note 2.4.

Other accounts payable and receivable among subsidiaries refer to short-term current account operations, without remuneration.

There were no significant transactions that have gone through Profit or Loss between the group companies.

9.2. Transactions or relationships with shareholders and key management personnel

The Company maintains property lease agreements with companies, in which some of the shareholders are key management members and also hold TOTVS shares, directly or indirectly.

The amount paid for the rental and condominium fees with related party, including the new headquarters, recognized at the nine-month period ended September 30, 2019 was R$20,646 (R$18,120 as at September 30, 2018). All rental agreements with related parties are subject to adjustment at the IGP-M inflation rate, every 12 months.

Some of the Company's shareholders and key management personnel directly or indirectly hold 15.04% of the Company's shares as of September 30, 2019 (17.6% as of December 31, 2018). The indirect interest is held through LC-EH Empreendimentos e Participações S.A.

The Company still incurred expenses and revenues of low value over the quarter with related parties where the total amount of expenditures was R$409 and receipts in the amount of R$166.

9.3. Management fees

Expenses related to fees of managing and statutory officers of the Company are summarized below:

	Parent Company	
	9/30/2019	9/30/2018
Short-term benefits to managing officers		
Salaries, fees and payroll charges	8,832	10,750
Direct and indirect benefits	635	189
Variable bonus (i)	7,921	2,461
Share-based payments	6,208	3,303
	23,596	**16,703**

(i) This includes the estimated provision for the 2019 discretionary bonus that will be realized upon achievement of individual performance targets.

Management are also entitled to vehicles that are replaced every 3 years. The depreciation expenses of vehicles granted to management for the period ended September 30, 2019 was R$509 (R$423 as of September 30, 2018).

10. Other assets

The breakdown of other assets at September 30, 2019 and December 31, 2018 is follows:

	Parent Company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Prepaid expenses	38,284	38,515	39,868	41,863
Franchises loan	24,606	17,668	24,606	21,689
Advances to employees	19,407	7,444	23,420	8,431
Advances to suppliers	291	1,331	992	1,535
Dividends receivable	-	2,174	-	-
Receivables for investments sold (I)	16,762	2,531	16,762	3,234
Other assets	2,890	3,556	4,346	6,128
	102,240	**73,219**	**109,994**	**82,880**
Current assets	50,698	52,288	58,006	56,540
Noncurrent assets	51,542	20,931	51,988	26,340

(i) Includes the amount receivable for the sale of Ciashop as mentioned in note 2.4.

11. Held for sale

11.1 Hardware business

Based on TOTVS business strategy, focused on Software business, the Company decided to hold for sale its hardware operations. The Company target is to wrap up the selling negotiations with the possible buyers in short term.

As of May 08, 2019, the Company announced a binding Memorandum of Understanding for the sale, of its hardware operations in Brazil to ELGIN S.A., conducted through its subsidiary Bematech Hardware Ltda for the amount of R$25,000. This amount will be subject to adjustments based on the determination of the assets and liabilities between the date of the Memorandum and the date of the closing of the transaction. As of September 30, 2019, the Company awaited steps for approval by the Brazilian antitrust authorities and expects to conclude final negotiations in the short term.

On July 2, 2019, a contract was entered into for the sale of Bematech International Corporation's (BIC) interest to Reason Capital Group LLC. for the amount of US$5 million, subject to certain contractual adjustments. As of September 30, 2019, the negotiations were in progress and the Company expects to conclude in the short term.

Through this scenario, hardware operations assets were classified and measured such fair market value as held for sale in the interim financial statements as of September 30,2019, according IFRS 5 / CPC 31.

Following are the losses for the nine-month period ended September 30, 2019 and 2018:

	Consolidated	
	9/30/2019	**9/30/2018**
Net revenue	**130,099**	**154,913**
(-) Costs	(89,345)	(105,851)
Gross profit	**40,754**	**49,062**
Research and development	(8,627)	(10,493)
Selling and marketing expenses	(25,161)	(28,176)
General and administrative expenses	(8,062)	(10,800)
Depreciation and amortization	(2,508)	(4,561)
Provision for expected credit losses	(269)	(5,626)
Government subsidy	2,144	5,764
Other operating income (expenses)	343	(381)
Loss before financial effects and equity pick-up	**(1,386)**	**(5,211)**
Finance income (cots)	(185)	1,306
Income and social contribution taxes	1,966	2,663
Net income (loss) for the period	**395**	**(1,242)**
Provision for loss on investment, net of taxes (i)	(32,208)	-
Net Loss from discontinued operations	**(31,813)**	**(1,242)**

(i) This amount includes the provision for loss on investment amounting to R$43,528 at TOTVS Large and provision for write-off of trademark amounting to R$5,272 at TOTVS S.A., net of taxes.

	Consolidated	
Comprehensive loss from discontinued operations	**9/30/2019**	**9/30/2018**
Net loss for the period	(31,813)	(1,242)
Cumulative translation adjustments	1,661	1,718
Comprehensive income from the period	**(30,152)**	**476**

The main classes of assets and liabilities from held-for-sale hardware operations as of September 30, 2019 were as under:

	Consolidated
Assets	**9/30/2019**
Accounts receivable, net	41,005
Inventories	53,549
Recoverable taxes	4,280
Property, plant and equipment and intangible assets	21,068
Deferred income tax and social contribution	26,492
Other assets	1,420
Provision for losses on available-for-sale assets	(48,800)
Assets classified as held-for-sale	**99,014**
Liabilities	
Payroll and related charges	(4,528)
Trade accounts payable	(32,321)
Tax liabilities	(1,077)
Leases	(5,587)
Commissions	(529)
Other liabilities	(1,698)
Obligations directly associated with assets classified as held-for-sale	**(45,740)**
Net assets directly associated with the group of assets held for sale	**53,274**

Net cash flows incurred by Bematech Hardware are as follows:

	Consolidated	
	9/30/2019	**9/30/2018**
Operating activities	2,460	24,135
Investment activities	(1,611)	(7,524)
Financing activities	(388)	-
Net cash generated from (used in) discontinued operations	**461**	**16,611**

Impairment loss upon sale

As mentioned above, consolidated assets and liabilities from the hardware operations were classified as available-for-sale operations as of September 30, 2019 and, as such, an impairment loss was recognized in the total amount of R$43,528 (R$28,728 net of taxes) at parent company TOTVS Large and R$5,272 (R$3,480 net of taxes) related to the write-off of the brand at TOTVS S.A. so that the book value of the held-for-sale assets was reduced to the fair sales value. The amount was recognized in the statement of profit or loss under loss for the period from discontinued operation.

12. Investments

The breakdown of investments in subsidiaries and associate companies is shown below:

	Summarized financial statements of associate companies and subsidiaries as at September 30, 2019					Equity pick-up (parent Company) for periods ended:		Balance of investments as of:	
	Assets	Liabilities	Net Equity	Gross profit	Profit or loss	9/30/2019	9/30/2018	9/30/2019	12/31/2018
TOTVS Large (a)	488,070	63,179	424,891	80,964	(12,493)	8,754	2,899	491,223	493,626
TOTVS Brasília	137,812	17,388	120,424	107,365	31,937	31,937	17,999	120,424	143,487
TOTVS Nordeste	76,420	4,546	71,874	21,429	6,686	6,686	5,178	71,874	75,188
TOTVS Serviços	-	-	-	117,406	27,310	27,310	20,525	-	49,055
TOTVS Inc.	79,819	4,456	75,363	225	(15,286)	(15,286)	(11,939)	75,363	72,030
Neolog (a)	3,545	1,783	1,762	9,041	936	(809)	(771)	17,391	18,920
TOTVS Hospitality	41,545	10,996	30,549	43,186	6,056	4,493	751	22,665	17,876
VT Digital	311	18	293	-	73	73	99	293	5,132
Ciashop	-	-	-	5,790	(42)	(29)	(87)	-	5,323
TOTVS Mexico	11,768	6,498	5,270	19,571	(6,291)	(6,291)	(4,986)	5,270	4,571
TOTVS Argentina	11,053	5,537	5,516	24,231	1,908	1,908	3,959	5,515	5,027
Datasul Argentina	-	-	-	-	-	-	(58)	-	-
TFS	45,370	20,300	25,070	92,103	20,641	20,641	19,866	25,068	30,017
NCC	-	-	-	-	-	-	-	65	65
						79,387	**53,435**	**835,151**	**920,317**

(a) Goodwill from acquired companies is recorded under Investments in the parent company. The difference between the results from acquired companies and equity pick-up refers to the amortization of intangible assets allocated in determining the fair value of assets of the respective acquired companies.

Changes in the investment accounts for the nine-month period ended September 30, 2019 were as follows:

				Equity pick-up						
	12/31/2018	Addition /(reduction)	Dividends	Equity pick-up	amortization of PPA	Assets held for sales	Foreign exchange/ Inflation (ii)	Write-offs / Merges	Opening balance of CPC 06 (R2) (i)	9/30/2019
TOTVS Large	493,626	(29,506)	-	15,839	(7,085)	(28,332)	413	46,165	103	491,223
TOTVS Brasília	143,487	(47,000)	(8,000)	31,937	-	-	-	-	-	120,424
TOTVS Nordeste	75,188	(10,000)	-	6,686	-	-	-	-	-	71,874
TOTVS Serviços	49,055	-	(30,200)	27,310	-	-	-	(46,165)	-	-
TOTVS Inc.	72,030	13,394	-	(15,286)	-	-	5,225	-	-	75,363
Neolog	18,920	-	(741)	561	(1,370)	-	-	-	21	17,391
TOTVS Hospitality	17,876	-	-	4,493	-	-	-	-	296	22,665
VT Digital	5,132	(4,446)	(151)	73	-	-	-	(315)	-	293
Ciashop	5,323	-	-	(29)	-	-	-	(5,294)	-	-
TOTVS Mexico	4,571	6,780	-	(6,291)	-	-	210	-	-	5,270
TOTVS Argentina	5,027	-	-	1,908	-	-	(1,420)	-	-	5,515
TFS	30,017	-	(25,590)	20,641	-	-	-	-	-	25,068
NCC	65	-	-	-	-	-	-	-	-	65
Sum of investments	**920,317**	**(70,778)**	**(64,682)**	**87,842**	**(8,455)**	**(28,332)**	**4,428**	**(5,609)**	**420**	**835,151**

(i) Impacts on equity of the subsidiaries as at January 01, 2019 referring to first-time adoption of IFRS 16/CPC 06 (R2) (Note 2.3).

(ii) Includes the inflation adjustments of Argentine subsidiaries.

13. Property, plant and equipment

The Company's property, plant and equipment is broken down as follows:

	Parent Company							
	Computers and electronics equip,	Vehicles	Furniture and Fixtures	Facilities machinery and equipment	Right of use	Leasehold improve ments (i)	Others	Total Property, plants and equipment
Cost								
Balance as of December 31, 2018	**184,096**	**10,201**	**22,877**	**26,403**	**-**	**86,099**	**11,133**	**340,809**
Opening balance of IFRS 16/CPC 06 (R2)	-	-	-	-	217,111	-	-	217,111
Additions	7,245	3,396	3,431	343	16,466	3,090	165	34,136
Transfers	(2,496)	188	1	(4)	-	4,893	(2,582)	-
Write-offs	(3,853)	(3,533)	(882)	(16)	-	(3,633)	(31)	(11,948)
Balance as of September 30, 2019	**184,992**	**10,252**	**25,427**	**26,726**	**233,577**	**90,449**	**8,685**	**580,108**
Depreciation								
Balance as of December 31, 2018	**(106,265)**	**(3,966)**	**(11,783)**	**(11,841)**	**-**	**(24,728)**	**(4,368)**	**(162,951)**
Depreciation in the period	(19,784)	(2,500)	(2,310)	(2,355)	(23,835)	(7,782)	(1,667)	(60,233)
Transfers	-	-	(60)	-	-	60	-	-
Write-offs	3,316	2,585	829	11	-	3,619	14	10,374
Balance as of September 30, 2019	**(122,733)**	**(3,881)**	**(13,324)**	**(14,185)**	**(23,835)**	**(28,831)**	**(6,021)**	**(212,810)**
Residual value								
Balance as of September 30,2019	**62,259**	**6,371**	**12,103**	**12,541**	**209,742**	**61,618**	**2,664**	**367,298**
Balance as of December 31, 2018	**77,831**	**6,235**	**11,094**	**14,562**	**-**	**61,371**	**6,765**	**177,858**
Average annual depreciation rate	**20% to 25%**	**33%**	**10% to 25%**	**6.7% to 25%**	**10% to 33%**	**10% to 33%**	**20%**	

	Consolidated							
	Computers and electronics equip,	**Vehicles**	**Furniture and Fixtures**	**Facilities machinery and equipment**	**Right of use**	**Leasehold improve ments (i)**	**Others**	**Total Property, plant and equipment**
Cost								
Balance as of December 31, 2018	**204,541**	**12,756**	**28,861**	**34,377**	-	**101,000**	**11,927**	**393,462**
Opening balance of IFRS 16/CPC 06 (R2)	-	-	-	-	236,820	-	-	236,820
Additions	7,868	3,949	3,550	346	22,016	3,090	205	41,024
Assets held for sale	(3,162)	(763)	(1,427)	(5,519)	(5,645)	(4,479)	(173)	(21,168)
Transfers	(2,107)	188	380	(507)	-	4,564	(2,476)	42
Write-offs	(6,587)	(4,832)	(1,779)	(525)	(4,172)	(3,686)	(51)	(21,632)
Exchange variation (ii)	(156)	43	(2)	(8)	(284)	3	(2)	(406)
Balance as of September 30, 2019	**200,397**	**11,341**	**29,583**	**28,164**	**248,735**	**100,492**	**9,430**	**628,142**
Depreciation								
Balance as of December 31, 2018	**(120,437)**	**(5,342)**	**(14,995)**	**(16,704)**	-	**(33,117)**	**(4,041)**	**(194,636)**
Depreciation in the period	(21,172)	(3,336)	(2,592)	(2,460)	(28,037)	(8,973)	(1,405)	(67,975)
Assets held for sale	1,985	107	396	3,147	-	440	52	6,127
Transfers	(452)	-	(94)	460	-	60	(16)	(42)
Write-offs	5,848	4,184	1,365	428	854	3,460	34	16,173
Exchange variation (ii)	140	7	10	6	111	(7)	1	268
Balance as of September 30, 2019	**(134,088)**	**(4,380)**	**(15,910)**	**(15,123)**	**(27,072)**	**(38,137)**	**(5,375)**	**(240,085)**
Residual value								
Balance as of September 30, 2019	**66,309**	**6,961**	**13,673**	**13,041**	**221,663**	**62,355**	**4,055**	**388,057**
Balance as of December 31, 2018	**84,104**	**7,414**	**13,866**	**17,673**	**-**	**67,883**	**7,886**	**198,826**
Average annual depreciation rate	**20% to 25%**	**20% to 33%**	**10% to 25%**	**6.7% to 25%**	**10% a 33%**	**10% a 33%**	**20%**	

(i) Line "Additions" includes the annual restatement of rental applied to the right of use according to the index established in the agreement. The Company applied exceptions to the standard for short-term and low value contracts, recorded in rental expense in the amount of R$988 and R$1,621 in the Parent Company and Consolidated, respectively as of September 30, 2019.

(ii) Includes the inflation adjustments of Argentine subsidiaries.

14. Intangible assets

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

	Parent Company					
	Software	Trademarks & patents	Customer portfolio	Other (ii)	Goodwill	Total Intangible assets
Cost						
Balance as of December 31, 2018	**339,590**	**63,149**	**212,980**	**18,750**	**280,308**	**914,777**
Additions	13,164	-	1,348	-	-	14,512
Write-offs	(6,989)	(2,151)	(166)	(123)	-	(9,429)
Balance as of September 30, 2019	**345,765**	**60,998**	**214,162**	**18,627**	**280,308**	**919,860**
Amortization						
Balance as of December 31, 2018	**(258,748)**	**(43,825)**	**(210,819)**	**(18,750)**	**-**	**(532,142)**
Amortization in the period	(24,119)	(3,150)	(669)	-	-	(27,938)
Provision for assets held for sale	-	(5,272)	-	-	-	(5,272)
Write-offs	6,989	2,151	166	123	-	9,429
Balance as of September 30, 2019	**(275,878)**	**(50,096)**	**(211,322)**	**(18,627)**	**-**	**(555,923)**
Residual value						
Balance as of September 30, 2019	**69,887**	**10,902**	**2,840**	**-**	**280,308**	**363,937**
Balance as of December 31, 2018	**80,842**	**19,324**	**2,161**	-	**280,308**	**382,635**
Average annual amortization rates	**10% to 20%**	**6.7% to 8%**	**10% to 12.5%**			

	Consolidated						
	Software	Trademarks & patents	Customer portfolio	R&D	Others (ii)	Goodwill	Total Intangible assets
Cost							
Balance as of December 31, 2018	**384,898**	**100,832**	**360,730**	**28,107**	**49,848**	**668,804**	**1,593,219**
Additions	13,179	-	1,348	-	-	-	14,527
Assets held for sale	(5,482)	(6,494)	-	(13,496)	-	-	(25,472)
Write-offs	(7,139)	(2,157)	(166)	(721)	(123)	(4,465)	(14,771)
Exchange variation (i)	(27)	-	-	-	-	-	(27)
Balance as of September 30, 2019	**385,429**	**92,181**	**361,912**	**13,890**	**49,725**	**664,339**	**1,567,476**
Amortization							
Balance as of December 31, 2018	**(295,876)**	**(62,990)**	**(261,159)**	**(22,826)**	**(49,629)**	**(43,611)**	**(736,091)**
Amortization in the period	(27,359)	(3,905)	(8,754)	(2,168)	(61)	-	(42,247)
Assets held for sale	2,338	4,730	-	16,349	-	-	23,417
Provision for assets held for sale	-	(5,272)	-	-	-	-	(5,272)
Write-offs	7,139	2,157	166	721	123	-	10,306
Exchange variation (i)	27	-	-	-	-	-	27
Balance as of September 30, 2019	**(313,731)**	**(65,280)**	**(269,747)**	**(7,924)**	**(49,567)**	**(43,611)**	**(749,860)**
Residual value							
Balance as of September 30,2019	**71,698**	**26,901**	**92,165**	**5,966**	**158**	**620,728**	**817,616**
Balance as of December 31, 2018	**89,022**	**37,842**	**99,571**	**5,281**	**219**	**625,193**	**857,128**
Average annual amortization rates	**10% to 20%**	**6.7% to 8%**	**10% to 12.5%**	**20%**	**10% to 50%**		

(i) Includes the inflation adjustments of Argentine subsidiaries.
(ii) Includes primarily non-compete rights arising from the purchase price allocation from business combinations.

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

14.1. Changes in goodwill

The breakdown of goodwill as of September 30, 2019 and December 31, 2018 is as follows:

	Consolidated		
	12/31/2018	**Held for sale**	**9/30/2019**
Bematech Software	218,695	-	218,695
RM	90,992	-	90,992
W&D	64,070	-	64,070
Virtual Age	46,497	-	46,497
RMS	35,740	-	35,740
SRC	33,688	-	33,688
Datasul	30,084	-	30,084
Gens FDES	16,340	-	16,340
Seventeen	15,463	-	15,463
TOTVS Agroindústria	13,128	-	13,128
Neolog	12,565	-	12,565
BCS	11,821	-	11,821
TotalBanco	6,008	-	6,008
Logo Center	5,703	-	5,703
Ciashop (i)	4,465	(4,465)	-
Others	19,934	-	19,934
	625,193	**(4,465)**	**620,728**

(i) Write-off of goodwill for the sale of Ciashop concluded on July 31, 2019.

14.2. Impairment test of assets

The Company annually tests goodwill for impairment using the “value in use” methodology, through the discounted cash flow model of the cash generating units, representing the tangible and intangible assets used in the development and sale of different solutions to its clients. The Company constantly monitors its operations based on the projections adopted for the fiscal year ended December 31, 2018.

As described in Note 11, assets from the hardware operation were classified and measured at their recoverable amount and consequently resulted in the classification of the respective assets as available-for-sale in the interim financial statements of March 31, 2019. Therefore, in accordance with IFRS5/CPC 31, the Company analyzed the recoverable amount of its assets and, consequently, recorded based on fair market value of the investment in the total amount of R$43,528 at the parent company TOTVS Large and R$5,272 related to the write-off of the brand in TOTVS S.A. (Note 11).

15. Payroll and labor liabilities

Balances of salaries and charges payable are broken down as follows:

	Parent Company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Labor liabilities:				
Salaries payable	24,153	19,332	32,652	27,600
Vacation payable	58,603	58,568	79,524	81,704
13th monthly salary payable	29,197	192	39,197	332
Profit sharing and bonus	32,896	23,109	40,691	30,492
Withholding Income Tax (IRRF)payable	7,370	12,303	9,664	16,552
Actuarial liability due to health care plan and retirement benefits (i)	1,433	1,287	1,433	1,287
Other	1,770	1,483	2,884	2,650
	155,422	**116,274**	**206,045**	**160,617**
Payroll liabilities				
FGTS (Unemployment Compensation Fund) payable	3,054	4,581	4,111	6,203
INSS (Social Security Tax) payable	4,945	5,088	7,071	8,054
	7,999	**9,669**	**11,182**	**14,257**
Total	**163,421**	**125,943**	**217,227**	**174,874**

(i) Refers to the actuarial provision for the health care plan of the participants who contributed or still contribute with fixed installments to the plan costing and who will be entitled to remain in the plan after retirement.

16. Trade accounts payable

Trade accounts payable for the periods ended September 30, 2019 and December 31, 2018 are broken down as follows:

	Parent Company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Domestic Suppliers	13,608	32,110	17,759	52,325
Foreign supplliers	2,689	13,568	2,689	19,378
Provision for trade accounts payable	24,747	25,665	34,190	38,203
Other liabilities	-	-	874	4,001
Total	**41,044**	**71,343**	**55,512**	**113,907**

17. Tax liabilities

Salaries and charges payable balances are broken down as follows:

	Parent Company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Tax liabilities				
Federal Social Security Tax on Gross Revenue (CPRB)	13,676	12,041	16,867	14,583
ISS payable	5,328	5,376	7,492	7,268
PIS and COFINS payable	15,047	12,487	18,261	15,589
IRPJ and CSLL payable	-	-	6,023	4,632
Withholding IR and CSLL	707	880	2,666	3,677
Other taxes	3,627	1,793	4,202	1,717
Total	**38,385**	**32,577**	**55,511**	**47,466**

18. Loans and fiancing

Loans are initially recognized at fair value, net of transaction costs incurred, and are shown at amortized cost. Any difference between the borrowed amounts (net of transaction costs) and the total amount payable is recognized in the statement of profit or loss during the period when the loans are due, using the effective interest rate method.

The loan and financing transactions are as follows:

	Annual financial charges	Parent Company		Consolidated	
		9/30/2019	12/31/2018	9/30/2019	12/31/2018
BNDES PROSOFT	TJLP + 1.5% to 1.52% p.y.	12,959	129,194	17,576	137,940
BNDES PSI	3.5% to 4.0% p.y.	1,219	12,197	4,400	18,224
Leases (a)	15.12% to 17.24%	233,088	42,087	245,224	42,189
BNDES – Social	TJLP	72	714	72	714
BNDES Inovação	TJLP + 0.52% p.y.	-	-	1,269	2,404
Secured accounts and other		-	-	16	-
		247,338	**184,192**	**268,557**	**201,471**
Current liabilities		59,319	155,278	73,243	166,154
Noncurrent liabilities		188,019	28,914	195,314	35,317

The Company and its subsidiary TOTVS Large have loan and financing agreements with covenants usually applicable to these types of operations, related to the meeting of economic, financial, cash generation and other metrics. These covenants have been met and do not restrict the Company's capacity to normally conduct its operations.

Amounts recorded in noncurrent liabilities as at September 30, 2019 and December 31, 2018 have the following maturity schedule:

	Parent Company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
2019	-	13,173	-	19,583
2020	9,862	15,741	11,996	15,734
2021	29,200	-	32,069	-
2022	29,389	-	30,950	-
2023 onwards	119,568	-	120,299	-
Noncurrent liabilities	**188,019**	**28,914**	**195,314**	**35,317**

Below is the breakdown of loans and financing as of September 30, 2019:

	9/30/2019	
	Parent Company	Consolidated
Opening balance	184,192	201,471
Lease – IFRS 16/CPC 06 (R2)	217,111	236,470
Additions to high of use leases	16,466	22,016
Interest incurred	14,619	16,201
Liabilities related to assets held for sale	-	(5,295)
Right of use leases writen off	-	(4,239)
Interest amortization	(16,007)	(17,048)
Principal amortization	(169,043)	(181,019)
Closing balance	**247,338**	**268,557**

a) Leases

Lease obligations are guaranteed by fiduciary sale of leased assets. The table below shows gross liabilities of finance leases as at September 30, 2019 and December 31, 2018:

	Parent Company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Gross liabilities of finance lease – minimum lease payments				
Less than one year	56,594	13,173	61,819	13,227
More than one year and less than five years	155,196	36,203	162,747	36,262
More than five years	63,340	-	63,339	-
	275,130	**49,376**	**287,905**	**49,489**
Future financing charges in finance leases	(42,042)	(7,289)	(42,681)	(7,300)
Present value of liabilities of finance lease	**233,088**	**42,087**	**245,224**	**42,189**
Current liabilities	45,069	13,173	49,910	13,228
Noncurrent liabilities	188,019	28,914	195,314	28,961

19. Debentures

As of September 30, 2019 and December 31, 2018 the balances were broken down as follows:

					Parent Company and Consolidated	
Issue	**Debentures**	**Annual financial charges**	**Unit price**		**9/30/2019**	**12/31/2018**
Single series	200,000	105.95% of CDI	1.00	(a)(i)	200,288	203,431
		Premium due to non-conversion		(c)	-	73,757
		Total			**200,288**	**277,188**
		Current liabilities			200,288	77,319
		Noncurrent liabilities			-	199,869

(i) The amount of debentures issue is presented net of transactions costs of R$175 as at September 30, 2019 (R$306 as of December 31, 2018).

Debentures are initially recognized at fair value, net of transaction costs incurred, and are shown at amortized cost. Any difference between the borrowed amounts (net of transaction costs) and the total amount payable is recognized in the statement of profit or loss during the period when the loans are due, using the effective interest rate method.

Maturity of noncurrent amounts is as follows:

	Parent Company and Consolidated	
	9/30/2019	**12/31/2018**
Between 12 and 24 months	-	199,869
	-	**199,869**

The changes occurred in the period considered were as follows:

	Parent Company and Consolidated	
Debentures and premiums from non-conversions	**9/30/2019**	**12/31/2018**
Balance at beginning of year	277,188	269,138
Interest incurred	19,302	21,734
Amortization of interest	(13,124)	(13,684)
Premium due to non-conversion payment	(83,078)	-
Balance at end of period	**200,288**	**277,188**

a) Issue of Debentures

As of September 6, 2017, the Board of Directors approved an operation to raise R$200,000 through the issue of 200,000 simple, unsecured, nonconvertible debentures of the Company at the face value of R$1, in a single series, which were subject to public distribution with restricted efforts.

For all legal purposes the issue of debentures was September 15, 2017. The debentures will fall due on September 15, 2020, except in the events of early maturity.

The Debentures will bear interest corresponding to 105.95% of the accumulated variation of the daily average DI (interbank) rates. Interest will be paid semiannually.

b) ***Premium due to non-conversion of debentures issued in 2008***

In case of non-conversion of Company debentures issued in 2008, debenture holders will be entitled to a non-conversion premium, which for the 1st series debentures will be equivalent to the difference between IPCA plus 8.0% p.a., and the interest effectively paid, and for the 2nd series debentures, interest of 3.5% p.a..

Premium for non-conversion of 1st series debentures will be restated by IPCA plus 8.0% p.a., while the 2nd series debentures will be restated at TJLP plus 5.0% p.a.. The premium for non-conversion was paid in cash on August 19, 2019, since none of the debenture holders chose to receive common shares.

20. Liabilities due to investment acquisition

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

	Parent Company		Consolidated	
	9/30/2019	**12/31/2018**	**9/30/2019**	**12/31/2018**
RMS	-	-	2,647	13,920
Virtual Age	15,234	15,293	15,234	15,293
RJ Participações	-	-	12,369	17,542
Neolog	7,187	7,187	7,187	7,187
Bematech Sistemas	-	-	-	7,256
Seventeen	3,003	2,873	3,003	2,873
Datasul MG	4,637	4,429	4,637	4,429
Ciashop	-	366	-	366
W&D Participações	-	-	138	256
Other	618	604	3,073	5,939
Total	**30,679**	**30,752**	**48,288**	**75,061**
Current liabilities	30,679	30,752	33,464	59,597
Noncurrent liabilities	-	-	14,824	15,464

As of September 30, 2019 and December 31, 2018, the liabilities for the acquisition of investments had guarantees in the form of marketable securities, which consisted of CDB operations in the amounts mentioned below:

	Parent Company		Consolidated	
	9/30/2019	**12/31/2018**	**9/30/2019**	**12/31/2018**
Investment guarantees in current assets	23,404	23,477	26,188	44,909
Investment guarantees in noncurrent assets	-	-	2,455	5,334
Total	**23,404**	**23,477**	**28,643**	**50,243**

21. Provision for contingencies related to legal proceedings

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

	Parent Company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Tax	2,698	2,337	3,791	2,946
Labor	88,027	88,394	93,880	94,832
Civil	34,041	27,049	38,576	30,014
	124,766	**117,780**	**136,247**	**127,792**

Changes in provisions for the nine-month period ended September 30, 2019 are as follows:

	Parent Company			
	Tax	Labor	Civil	Total
Balances at December 31, 2018	**2,337**	**88,394**	**27,049**	**117,780**
(+) Additional provision	337	38,520	14,393	53,250
(+) Monetary restatement	148	5,098	2,569	7,815
(-) Reversal of provision not used	(28)	(13,675)	(2,550)	(16,253)
(-) Write-off due to payment	(96)	(30,310)	(7,420)	(37,826)
Balances at September 30, 2019	**2,698**	**88,027**	**34,041**	**124,766**

	Consolidated			
	Tax	Labor	Civil	Total
Balances at December 31, 2018	**2,946**	**94,832**	**30,014**	**127,792**
(+) Additional provision	772	42,366	16,330	59,468
(+) Monetary restatement	197	5,466	2,892	8,555
(-) Reversal of provision not used	(28)	(14,710)	(3,176)	(17,914)
(-) Write-off due to payment	(96)	(33,819)	(7,477)	(41,392)
(-) Liabilities related assets held for sale	-	(255)	(7)	(262)
Balances at September 30, 2019	**3,791**	**93,880**	**38,576**	**136,247**

As of September 30, 2019, the labor claims whose restated amount are deemed individually significant were:

(i) Lawsuit filed in 2000, whereby a former sales executive claims the payment of severance pay, including differences in commissions. This suit was filed against a company merged into TOTVS and is in the enforcement phase. The lawsuit amount as of September 30, 2019 is R$5,584 (R$4,403 as of December 31, 2018).

(ii) Lawsuit filed in 2003 by a former sales executive of a company, whose controlling interest was held by Datasul prior to its merger into TOTVS. TOTVS claims that a part of the suit is illegitimate and the suit is in the enforcement phase. The restated amount as of September 30, 2019 is R$5,371 (R$4,224 as of December 31, 2018).

(iii) Lawsuit filed in 2015, whereby a former employee claims the payment of labor pay including salary differences. On July 10, 2019 there was an unfavorable decision that resulted in the payment for conviction of R$5,309 (R$3,348 as of December 31, 2018).

Further information regarding other significant ongoing lawsuits is in Note 20 to the financial statements as of December 31, 2018.

Judicial deposits linked or not to the provision for contingencies, are stated below and are recorded under noncurrent assets:

	Parent Company		Consolidated	
Judicial deposits	**9/30/2019**	**12/31/2018**	**9/30/2019**	**12/31/2018**
Tax	13,337	8,320	22,986	17,755
Labor	31,691	30,241	36,080	34,794
Civil	13,784	12,610	14,609	13,416
	58,812	**51,171**	**73,675**	**65,965**

22. Contingent liabilities

The Company and its subsidiaries are parties to other lawsuits which, based on the opinion of Company management and its legal advisors, are classified as possible losses and for which no provision has been recognized, as follows:

	Parent Company		Consolidated	
Nature	**9/30/2019**	**12/31/2018**	**9/30/2019**	**12/31/2018**
Tax	126,301	118,507	165,549	154,953
Labor	93,203	151,820	108,054	160,326
Civil	271,678	295,108	287,442	315,507
	491,182	**565,435**	**561,045**	**630,786**

The following are two new lawsuits classified as risk of possible loss and individually significant as of September 30, 2019:

(i) In January 2019, the Company received a tax deficiency notice for ISS tax underpayment in 2014, under the allegation of an error in the assignment of tax rates for the services it provides, in the amount of R$16,366, whose likelihood of loss is assessed as possible. The Company submitted its defense, which is pending judgment in the lower administrative courts. The amount as of September 30, 2019 is R$18,199.

(ii) In 2015, the Company received a tax enforcement notice to pay ISS tax in the period between 1996 and 2001. The Company appealed claiming the statute of limitations on the collection and the records are awaiting the expert's report. The amount involved as of September 30, 2019 is R$10,621 (R$9,608 as of December 31, 2018).

The breakdown of the other significant ongoing lawsuits until September 30, 2019 is in Note 20.2 to the financial statements for the year ended December 31, 2018.

23. Equity

a) Capital

As at September 30, 2019 the Company's capital was composed of 192,637,727 registered common shares issued and fully paid, with no par value (165,637,727 as of December 31,2018), as follows:

	9/30/2019		12/31/2018	
Shareholders	**Shares**	**%**	**Shares**	%
LC-EH Empreendimentos e Participações S,A,	26,760,990	13.89%	26,760,990	16.16%
Constellation	10,253,927	5.32%	1,960,000	1.18%
Itaú Unibanco S.A.	9,713,045	5.04%	461,622	0.28%
Laércio José de Lucena Cosentino	2,053,890	1.07%	2,186,091	1.32%
CSHG Senta Pua Fia	45,400	0.02%	45,400	0.03%
Others	141,852,216	73.64%	132,037,533	79.71%
Outstanding shares	**190,679,468**	**98.98%**	**163,451,636**	**98.68%**
Treasury shares	1,958,259	1.02%	2,186,091	1.32%
Total in units	**192,637,727**	**100.00%**	**165,637,727**	**100.00%**

On May 16, 2019, the Extraordinary General Meeting approved an increase in the authorized Capital limit for R$2,500,000.

On May 22, 2019, the Board of Directors approved the pricing of the primary public offering with restricted efforts which price per share was R$39.50 and the total amount of R$1,066,500. It was determined that the price per share of R$39.50 would be earmarked as follows: (i) R$12.64 earmarked for capital , in the total amount of R$341,280; and (ii) the balance, of R$26.86 per share, earmarked for capital reserve, in the total amount of R$725,220. As a result of the capital increase, 27,000,000 new subscription common shares, with no par value, were issued, and the capital stock increased from R$1,041,229, represented by 165,637,727 common shares, to R$1,382,509, represented by 192,637,727 common shares, all registered, book-entry common shares with no par value.

b) Capital reserves

The balance of capital reserves at September 30, 2019 and December 31, 2018 was broken down as follows:

	9/30/2019	12/31/2018
Goodwill reserve	795,538	99,260
Goodwill reserve for merger	14,330	14,330
Premium on acquisition of non-controlling interest	(25,518)	(25,518)
Debentures converted into shares (fair value)	44,629	44,629
Stock option plan	42,660	37,206
	871,639	**169,907**

The increase in goodwill reserve of R$696,278 refers to the amount of capital contribution allocated to the capital reserve of R$725,220, net of borrowing costs that amounted to R$28,942.

c) Treasury shares

As at September 30,2019, the "Treasury Shares" account were as follows:

	Number of shares (units)	Value (in thousand)	Average price per share (in reais)
Balance at December 31, 2018	2,186,091	R$70,026	R$32.03
Used	(227,832)	(R$7,298)	R$32.03
Balance at September 30, 2019	**1,958,259**	**R$62,728**	**R$32.03**

24. Dividends and Interest on Equity

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

On August 05, 2019, the Board of Directors approved the distribution and payment of interest on equity amounting to R$36,224, related to the first semester of 2019, which was paid as from October 10, 2019.

The balance of dividends and interest on equity payable in the statement of financial position was of R$32,828 as of September 30, 2019 (R$13,902 as at December 31, 2018).

25. Stock option plan and restricted shares

The main events associated with the stock option plan are described in Note 23 to the Financial Statements for the year ended December 31, 2018.

There are two new share-based payment plan grants for the nine-month period ended September 30, 2019, which the premises are follows:

Fair value premises					
Plans	**Date**	**Market value**	**Dividends**	**Term Maturity**	**Fair Value**
Regular	04/26/19	40.19	1.4%	3 year	38.48
Partners	04/26/19	40.19	1.4%	3 year	38.48

Changes in options and restricted shares in the year are shown below:

	September 30,2019			
	Stock options		Restricted shares	Total
	Average Price (in reais)	Amount (units)		
Balance of options at beginning of year	**34.11**	**212,225**	**1,081,639**	**1,293,864**
Transactions:				
Granted	-	-	904,030	904,030
Exercised	31.98	(108,827)	(170,752)	(279,579)
Cancelled	-	(3,738)	(136,554)	(140,292)
Expired	33.58	(43,139)	-	(43,139)
Balance of shares at end of period	**35.60**	**56,521**	**1,678,363**	**1,734,884**

The amount recorded under stock options granting expenses for the nine-month period ended September 30, 2019 was R$9,810 (R$4,795 as of September 30, 2018) and comprises the share-based compensation amount that will be paid in cash and does not include the restricted shares balance as of September 30, 2019.

As of September 30,2019, there were 56,521 exercisable options, since the 36-month terms of grants had already elapsed.

26. Segment information

The presentation of information by operating segment is consistent with the internal report provided to the main operational decision-makers, and the Company's Management evaluates the business into two business units until December 31, 2018: software and hardware.

As of September 30, 2019, the Company classified the assets of the hardware business unit as held for sale and, consequently, started to evaluate the business in a single cash generating unit that is Software. As a result, the result of the hardware operation was presented as a discontinued operation. See Note 11.

Information on the results of each reportable segment is in the table below:

	Information by geographical location – net revenue	
	9/30/2019	**9/30/2018**
Brazil	1,659,830	1,531,370
International market	43,002	41,056
Total	**1,702,832**	**1,572,426**

Information on assets and liabilities by segment is not divided by business unit and is not regularly presented to the management.

27. Earnings per share

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

	9/30/2019	**9/30/2018**
Net income for the period attributable to the Company's shareholders		
Continuing operations	188,193	102,516
Denominator (in thousands of shares)		
Weighted average number of common shares outstanding	177,451	163,427
Basic earnings per share – in reais	**1.0605**	**0.6273**

	9/30/2019	9/30/2018
Net income for the period attributable to the Company's shareholders		
Continuing operations	188,193	102,516
Denominator (in thousands of shares)		
Weighted average number of common shares outstanding	177,451	163,427
Weighted average number of stock options	1,550	1,315
Weighted average number of common shares adjusted according to dilution effect	179,001	164,742
Diluted earnings per share – in reais	**1.0514**	**0.6223**

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

28. Gross sales revenue

The gross revenue and the deductions used for the calculation of net revenue in the statement of profit and loss as at September 30, 2019 and 2018 were as follows:

	Parent Company		Consolidated	
Gross revenue	**9/30/2019**	**9/30/2018**	**9/30/2019**	**9/30/2018**
Software	**1,386,613**	**1,331,500**	**1,935,741**	**1,784,117**
License fees	141,807	119,537	183,843	160,002
Recurring software	1,068,490	989,948	1,454,540	1,303,132
Non recurring services	176,316	222,015	297,358	320,983
Deductions	**(169,641)**	**(160,205)**	**(232,909)**	**(211,691)**
Sales canceled	(12,591)	(13,998)	(19,213)	(22,182)
Sales tax	(157,050)	(146,207)	(213,696)	(189,509)
Net revenues	**1,216,972**	**1,171,295**	**1,702,832**	**1,572,426**

29. Costs and expenses by nature

The Company presents below the information on operating expenses by nature for the periods ended September 30, 2019 and 2018.

	Parent Company		Consolidated	
Nature	**9/30/2019**	**9/30/2018**	**9/30/2019**	**9/30/2018**
Salaries, benefits and payroll charges	519,617	518,345	732,744	684,964
Outsourced services and other inputs	294,702	274,217	392,161	370,248
Commissions	120,764	108,090	131,262	117,291
Depreciation and amortization (i)	88,171	72,006	110,222	93,804
Provision for contingencies	36,997	34,954	41,554	33,973
Rents (i)	988	26,557	1,621	32,129
Allowance for expected credit loss	16,719	18,857	23,885	30,233
Other	6,322	28,432	16,383	33,416
Total	**1,084,280**	**1,081,458**	**1,449,832**	**1,396,058**

(i) Depreciation and amortization and rent expenses are impacted by IFRS 16 /CPC 06 (R2). See Note 2.3 (c).

30. Finance income and costs

The finance income and costs incurred for the periods ended September 30, 2019 and 2018 were as follows:

	Parent Company		Consolidated	
	9/30/2019	**9/30/2018**	**9/30/2019**	**9/30/2018**
Finance income				
Short-term investment yield	35,939	13,422	42,937	19,048
Interest received	3,774	4,302	4,375	4,934
Inflation adjustment gains	2,760	1,968	4,684	4,679
Adjustment to present value	664	1,305	748	1,424
Exchange gains	588	(675)	786	(298)
Other finance income	(1,942)	(1,047)	(2,266)	(1,377)
	41,783	**19,275**	**51,264**	**28,410**
Finance costs				
Interest incurred	(36,750)	(38,395)	(38,960)	(40,845)
Inflation adjustment losses	(8,057)	(7,847)	(11,100)	(9,973)
Bank expenses	(3,871)	(3,291)	(5,126)	(4,311)
Adjustment to present value of liabilities	(441)	(635)	(574)	(1,293)
Exchange losses	(797)	(2,453)	(979)	(752)
Other finance costs (i)	(94)	(502)	(1,626)	(3,543)
	(50,010)	**(53,123)**	**(58,365)**	**(60,717)**
Net finance income (costs)	**(8,227)**	**(33,848)**	**(7,101)**	**(32,307)**

(i) Includes inflation adjustments of Argentine subsidiaries.

31. Private pension plan – defined contribution

The Company offers the TOTVS Private Pension Plan, managed by Bradesco Seguros, which receives contributions from the employees and the Company, as described in the Program Membership Agreement. The three types of contribution are:

- Basic Contribution – corresponds to 2% of the employee's salary; in case of executive officers, the contribution ranges from 2% to 5%.

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

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

32. Insurance coverage

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

33. Subsequent events

On October 24, 2019, the Company disclosed a material fact informing that it had concluded the sale of the hardware operations developed in the Brazilian territory through Bematech Hardware Ltda, to Elgin S.A. for R$ 25,000, subject to post-closing adjustments related to Company's working capital. The assets and liabilities of this subsidiary are presented as available for sale in the interim financial information, as mentioned in note 11.

On October 28, 2019, the Company, through its subsidiary TOTVS Brasília, announced an acquisition of shares representative of 88.8% of the capital stock of Supplier Participações SA, a company focused on B2B credit between customers and suppliers for R$455,200, subject to adjustments. The closing of the transaction is conditioned to the approval of the CADE and the implementation of the Fintech platform model.

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