

TOTVS S.A.

1st Private Issuance of Debentures

*Trustee's Annual Report
Fiscal Year 2013*

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CHARACTERISTICS OF THE ISSUANCE

DATE OF ISSUANCE:	08/19/2008
DATE OF MATURITY:	08/19/2019
TRUSTEE:	Oliveira Trust DTVM S.A.
CARRYING BANK:	Banco Itaú S.A.
VOLUME(*):	R\$ 200,000,000.00
QUANTITY OF DEBENTURES(*)	200,000
NUMBER OF SERIES:	2
PUBLISHING:	Diário Oficial do Estado de São Paulo and Valor Econômico newspaper – National Edition.
USE OF PROCEEDS:	According to the Investors Relations Officer statement, the proceeds from the issuance were used for payment, by the Company, of the transaction of redemption of redeemable preferred shares issued by Makira do Brasil S.A., aiming at the integration between its activities and those of Datasul S.A.
NATURE OF ISSUANCE:	Private

(*) At the Date of Issuance

CHARACTERISTICS OF THE 1ST SERIES

DATE OF ISSUANCE:	08/19/2008
DATE OF MATURITY:	08/19/2019
VOLUME(*):	R\$ 100,000,000.00
UNIT FACE VALUE (*):	R\$ 1,000.00
UNIT PRICE AS OF 12/31/2013(**):	R\$ 1,023.99
QUANTITY OF DEBENTURES(*):	100,000
FORM:	Book-entry
GUARANTEE:	Floating
CLASS:	Convertible into common shares issued by the Issuing Company.

(*) At the Date of Issuance

(**) Calculated by Oliveira Trust

CONVERTIBILITY:

The Units shall be mandatorily converted into common shares issued by the Company, if, since the Date of Issuance of the Units, the 360 consecutive days average weighted price of the common shares of the Company, calculated in trading dates at BVSP and determined at the date of anniversary of the Units in each conversion period provided in the Calculation Date is higher than the average weighted price per volume of shares of the Issuing Company, calculated in trading days at BVSP, in the period between 06/06/2008 and 08/31/2008, and restated according to the formula described in the Deed of Issue. The mandatory conversion of Units into common shares issued by the Company shall take place solely 2 years after the date of issuance and shall respect the following limits (paragraphs 3.18.1 and 3.18.2 of the deed of issue):

Calculation Date	% of units issued	Date
Shall occur after 2 years from the date of issuance (08/19/2010)	15%	In the 3 rd year from the date of issuance
	30%	In the 4 th year from the date of issuance
	45%	In the 5 th year from the date of issuance
	60%	In the 6 th year from the date of issuance

In addition to the hypothesis of mandatory conversion, the Units may be converted into common shares issued by the Company, at the Debenture holders' discretion, given the limits below are followed:

% of units issued	Date
Up to 15%	In the 3 rd year from the date of issuance
Up to 30%	In the 4 th year from the date of issuance
Up to 45%	In the 5 th year from the date of issuance
Up to 60%	In the 6 th year from the date of issuance

On August 13, 2013 we calculate the weighted average price - 360 days, reaching an amount of R\$38.98758914 and the Strike Price (PAaCo), finding the value of R\$26.280409. Therefore, since the weighted average price of 360 days exceeded the Strike Price on that date, whose condition was maintained until the fourth determination date anniversary, which is August 19, 2013 ("Determination Date"). In this sense, there was the mandatory conversion of up to 60% of Units issued.

As described below, the Issuing Company delivered the ordinary shares arising from the mandatory conversion on August 19, 2013, as provided in paragraphs 3.18.2.3 and 3.18.6 of the deed of issue:

Units to Conversion	Shares	Fractions of shares	Fractions in BRL
15,000	1,141,532	2.745520893	R\$72.13

INDEXATION:

There is no indexation.

INTEREST:

1 st period	
Beginning	08/19/2008
End	08/19/2019
Yield (*)	IPCA + 3.5% p.y. limited to TJLP plus 1.5% per year (360 days).
Calculation basis	360
U.P. at the Date of Issuance	R\$ 1,000.00
Payment	Annually, on every August 19, being the first payment in August 19, 2009 and the last in August 19, 2016.
Document	Deed of the Private Issue

PREMIUM:

Given the mandatory conversion of the Units on August 19, 2013 pursuant to item 3.18 Indenture, the non-conversion premium will be due to item 3.15.3 the Deed of Issue, solely with respect to the remaining Units and that were not subject to conversion. Thus, the non-conversion premium will be paid in three years from the date of payment of the last installment of principal and interest. In the event of non-conversion, the 1st series debentures shall be entitled to the non-conversion premium equivalent to the difference between IPCA plus 8.0% per year (360 days basis) and interests effectively paid, where interests calculation basis is the lowest amount between IPCA plus 3.5% per year (360 days basis) and TJLP plus 1.5% per year (360 days basis), calculated based on the outstanding balance of the debentures in the determination date.

AMORTIZATION OF FACE VALUE:

The amortization shall be made in two installments in the seventh (08/19/2015) and eighth (08/19/2016) anniversaries, equivalent to 40% and 60% of the principal amount, respectively.

RENEGOTIATION:

Non Renegotiable.

RATING:

No Rating.

PAYMENTS MADE PER DEBENTURE IN 2013:

INTEREST:	
Payment Date	Unit Value (R\$)
08/19/2013	68.38

CHARACTERISTICS OF THE 2nd SERIES

DATE OF ISSUANCE:	08/19/2008
DATE OF MATURITY:	08/19/2019
VOLUME(*):	R\$ 100,000,000.00
UNIT FACE VALUE (*):	R\$ 1,000.00
UNIT PRICE AS OF 12/31/2013 (**):	R\$ 1,023.99
QUANTITY OF DEBENTURES	100,000
TYPE:	Book-entry
GUARANTEE:	Floating
CLASS:	Convertible into shares issued by the Issuing Company.

(*) At the Date of Issuance

(**) Calculated by Oliveira Trust

CONVERTIBILITY:

The Units shall be mandatorily converted into common shares issued by the Company, if, since the Date of Issuance of the Units, the 360 consecutive days average weighted price of the common shares of the Company, calculated in trading dates at BVSP and determined at the date of anniversary of the Units in each conversion period provided in the Calculation Date is higher than the average weighted price per volume of shares of the Issuing Company, calculated in trading days at BVSP, in the period between 06/06/2008 and 08/31/2008, and restated according to the formula described in the Deed of Issue. The mandatory conversion of Units into common shares issued by the Company shall take place solely 2 years after the date of issuance and shall respect the following limits (paragraphs 3.18.1 and 3.18.2 of the deed of issue):

Calculation Date	% of units issued	Date
Shall occur after 2 years from the date of issuance (08/19/2010)	15%	In the 3 rd year from the date of issuance
	30%	In the 4 th year from the date of issuance
	45%	In the 5 th year from the date of issuance
	60%	In the 6 th year from the date of issuance

In addition to the hypothesis of mandatory conversion, the Units may be converted into common shares issued by the Company, at the Debenture holders' discretion, given the limits below are followed:

% of units issued	Date
Up to 15%	In the 3 rd year from the date of issuance
Up to 30%	In the 4 th year from the date of issuance
Up to 45%	In the 5 th year from the date of issuance
Up to 60%	In the 6 th year from the date of issuance

On August 13, 2013 we calculate the weighted average price - 360 days, reaching an amount of R\$38.98758914 and the Strike Price (PAaCo), finding the value of R\$26.280409. Therefore, since the weighted average price of 360 days exceeded the Strike Price on that date, whose condition was maintained until the fourth determination date anniversary, which is August 19, 2013 ("Determination Date"). In this sense, there was the mandatory conversion of up to 60% of Units issued.

As described below, the Issuing Company delivered the ordinary shares arising from the mandatory conversion on August 19, 2013, as provided in paragraphs 3.18.2.3 and 3.18.6 of the deed of issue:

Units to Conversion	Shares	Fractions of shares	Fractions in BRL
15,000	1,141,532	2.745520893	R\$72.13

INDEXATION:

There is no indexation.

INTEREST:

1 st period	
Beginning	08/19/2008
End	08/19/2019
Yield (*)	TJLP + 1.5% p.y.
Calculation basis	360
U.P. at the Date of Issuance	R\$ 1,000.00

Payment	Semiannually, in August 19 th and February 19 th every year, being the first payment in August 19, 2009 and the last in August 19, 2016.
Document	Deed of the private issue

PREMIUM:

Given the mandatory conversion of the Units on August 19, 2013 pursuant to item 3.18 Indenture, the non-conversion premium will be due to item 3.15.3 the Deed of Issue, solely with respect to the remaining Units and that were not subject to conversion. Thus, the non-conversion premium will be paid in three years from the date of payment of the last installment of principal and interest. In the event of non-conversion, the 2nd series debentures shall be entitled to a non-conversion premium of 3.5% per year (360-day basis), calculated on the balance due of the debentures in the calculation date. The non-conversion premium of the 2nd series debentures shall bear interest at TJLP plus 5.0% per year (360-day basis).

AMORTIZATION OF FACE VALUE:

The amortization shall be made in two installments in the seventh (08/19/2015) and eighth (08/19/2016) anniversaries, equivalent to 40% and 60% of the principal amount, respectively.

RENEGOTIATION:

Non Renegotiable.

RATING:

No Rating.

PAYMENTS MADE PER DEBENTURE IN 2013:

INTEREST:	
Payment Date	Unit Value (R\$)
02/19/2013	34.71
08/19/2013	32.53

GUARANTEE STATUS:

Amounts as of 12/31/2013* - (R\$ Thousand)	
A) Total Assets	R\$ 1,724,141
B) Collateral Goods	-
C) Discounted Invoices, Pledged Securities	-
D) Tax and Labor Liabilities	R\$ (7.433)
E) Unrecorded Asset (Free Asset) = A - B - C - D	R\$ 1,731,574
F) Issuance Value (**)	R\$ 81,922

(*) disclosed by the Issuer

It is noteworthy that a floating guarantee can be affected in the existence of tax, labor and social security debts.

The guarantees of this issue were properly constituted and is sufficient and achievable within the legal limits characteristic of a floating guarantee, and according to the information obtained from the Issuer.

Issuance Value = 4.73%

Free Assets

ASSET STATUS AS OF 12/31/2013:

Outstanding	40,002 (1 st series)
	40,002 (2 nd series)
Treasury	0 (1 st series)
	0 (2 nd series)
Canceled or Converted	59,998 (1 st series)
	59,998 (2 nd series)
Total	100,000 (1st series)
	100,000 (2nd series)

LEGAL AND CORPORATE EVENTS:

Changes on the Company's Bylaws occurred as the Extraordinary General Meeting held on 01/03/2013.

GUARANTEES:

Guarantee	Constituted	Practicable	Sufficient
Floating	Yes	Yes	Yes

FOLLOW UP OF FINANCIAL INDEXES:

	Limit	12/31/2013
Net Debt/EBITDA	Less or equal to 4,0	-0.22
EBITDA/NR	More or equal to 10%	25%
EBITDA/Debt Service	More or equal to 1,0	19.95

MANDATORY INFORMATION IN COMPLIANCE WITH PROVISIONS OF CVM INSTRUCTION 28/83, AS WELL AS BY ANALOGY WITH THE TERMS OF SUBSECTION "B" OF PARAGRAPH 1, ARTICLE 68 OF THE LAW 6,404/76:

Subsection "a" of item XVII of art. 12 of CVM Instruction 28/83 – "Occasional omission or untruth, that it has knowledge, contained in the information disclosed by the company or, yet, default or delay in the mandatory information disclosure by the company".	We do not have knowledge of any omission or untruth in the information disclosed by the Company or occasional default or delay, by the Company, in disclosing information.
Subsection "b" of item XVII of art. 12 of CVM Instruction 28/83 – "Changes in the by-laws during the period".	We have knowledge of the changes in the Bylaws of the Company during the fiscal year 2013, as mentioned before in the section Legal and Corporate Events
Subsection "c" of item XVII of art. 12 of CVM Instruction 28/83 – "Comments about the financial statements of the company, focusing on economic, financial and capital structure indexes of the company".	Information disclosed in Comments about the Financial Statements.

Subsection "d" of item XVII of art. 12 of CVM Instruction 28/83 – "Status of the distribution or placement of debentures in the market".	Information disclosed above, in the table of outstanding debentures.
Subsection "e" of item XVII of art. 12 of CVM Instruction 28/83 – "Redemption, amortization, conversion, renegotiation and interest payment of debentures made in the period, as well as acquisitions and sales of debentures made by the issuing company".	There were conversions during the fiscal year 2013, as disclosed above. Interest payments and amortizations are described above. There was a mandatory conversion of the units on August 19, 2013 into common shares of the Issuer, as provided in the Indenture and as described above in convertibility by debenture. In this sense, remain in circulation 40,002 debentures of the 1 st series and 40,002 of the 2nd series, as described above.
Subsection "f" of item XVII of art. 12 of CVM Instruction 28/83 – "Set up and applications of the debenture amortization fund, if applicable"	No debenture amortization fund was set up.
Subsection "g" of item XVII of art. 12 of CVM Instruction 28/83 – "Follow up of the allocation of the proceeds from the issuance of debentures, according to data gathered with management of the Issuing company".	Information disclosed above, in the item use of proceeds.
Subsection "h" of item XVII of art. 12 of CVM Instruction 28/83 – List of goods and values entrusted to its management:	No goods or values were entrusted to the Trustee's management.
Subsection "i" of item XVII of art. 12 of CVM Instruction 28/83 – "Compliance with other obligations assumed by the company in the indenture".	Information disclosed in the present report.
Subsection "j" of item XVII of art. 12 of CVM Instruction 28/83 – "Statement regarding sufficiency and enforceability of the guarantees of the debentures".	The guarantee of the present issuance is floating, and it is sufficient and enforceable, as shown above.
Subsection "l" of item XVII of art. 12 of CVM Instruction 28/83 – "Statement regarding its capability to remain serving as a trustee".	Information disclosed below.
Subsection "k" of item XVII of art. 12 of CVM Instruction 28/83 - "Statement on the existence of other issues of debentures, public or private, made by an affiliate, subsidiary, parent or member of the same group in which the broadcaster has acted as trustee for the period"	The Trustee of this issue does not act on other issues of debentures of companies in the same group, associated or subsidiary of the issuer.

COMMENTS ON THE FINANCIAL STATEMENTS OF TOTVS S.A.

STATUS OF THE COMPANY: Operational

NATURE OF EQUITY CONTROL: Private

FINANCIAL POSITION

General Liquidity decreased from 1.72 in 2012 to 1.47 in 2013. Current Liquidity increased from 2.23 in 2012 to 2.56 in 2013. Asset turnover decreased from 1.00 in 2012 to 0.87 in 2013.

CAPITAL STRUCTURE

The company experienced a change in the Loans on Shareholders' Equity ratio from 0.27 in 2012 to 0.38 in 2013. The Third Party Resources on Shareholders' Equity ratio changed from 0.56 in 2012 to 0.73 in 2013. The fixed asset ratio related to Shareholders' Equity changed from 0.06 in 2012 to 0.07 in 2013. The company experienced an increase of 137.1% in its Long Term Liabilities from 2012 to 2013 and a 10.1% increase in its Current Liabilities from 2012 to 2013.

INCOME STATEMENT

The Result for the year 2013 was positive by R\$ 223,100 thousand, whilst it was positive by R\$ 207,148 thousand in 2012. Net Revenue in 2013 was 13.99% higher than 2012. Gross Margin was 66.42% in 2013, against 67.69% in the previous year, and Net Margin was 13.84% in 2013 against 14.65% in 2012. Operating Expenses increased 13.8% from 2012 to 2013. Net Income was 7.7% higher than 2012. Net Income of the Year on Equity was 20.85% (Profit) in 2013 against 22.69% (Profit) in 2012.

We recommend full reading of the Financial Statements, Management's Report and Independent Auditors' Report for a better analysis of the economic and financial position of the company.

TRUSTEE'S REPRESENTATION

Oliveira Trust represents that it is fully capable to remain serving as Trustee to this issuance of debentures of TOTVS S.A.

This is a free English translation of the original report.