

TOTVS S.A.
Publicly-held Company
CNPJ nº 53.113.791/0001-22

MATERIAL FACT

TOTVS S.A. (BM&FBOVESPA: TOTS3) (“**TOTVS**”) hereby announces that, on the date hereof, the management teams of TOTVS, TOTVS SOLUÇÕES EM AGROINDÚSTRIA S.A. (“**PRX**”) and P2RX SOLUÇÕES EM SOFTWARE S.A. (“**P2RX**”, jointly with PRX, the “**Merged Companies**” and, jointly with TOTVS the “**Companies**”), entered into a protocol and justification (“**Protocol and Justification**”) which purpose is the mergers of the Merged Companies by TOTVS (“**Mergers**”).

1. COMPANIES INVOLVED IN THE MERGERS AND THEIR ACTIVITIES

1.1. TOTVS.

(a) *Identification.* TOTVS S.A., publicly-held company, with head office in the city of São Paulo, State of São Paulo, at Av. Braz Leme, 1.631, 2nd floor, Zip Code (CEP) 02511-000, enrolled with the CNPJ/MF under No. 53.113.791/0001-22.

(b) *Activities.* TOTVS is dedicated, and will continue after the Mergers, to the development and implementation of management and productivity platforms specialized in various operating segments of the company, maintaining its registration as a publicly-held company.

1.2. PRX.

(a) *Identification.* TOTVS SOLUÇÕES EM AGROINDÚSTRIA S.A., closely-held company with head office in the city of Assis, State of São Paulo, at Rua Prudente de Moraes, 654, suite 6, Zip Code (CEP) 19806-160, enrolled with the CNPJ/MF under No. 09.106.380/0001-18.

(b) *Activities.* PRX is dedicated to the commercial exploitation of computer software; and to the render of services related to the implementation, technical assistance, support and training in the areas of information technology and agro-industrial procedures, and which shares are, on this date, fully owned by TOTVS, and that will be cancelled due to the Mergers.

1.3. P2RX.

(a) *Identification.* P2RX SOLUÇÕES EM SOFTWARE S.A., closely-held company with head office in the city of Assis, State of São Paulo, at Rua Prudente de Moraes, 654, suite 10, Zip Code (CEP) 19806-160, enrolled with the CNPJ/MF under No. 13.091.957/0001-32.

(b) *Activities.* P2RX is dedicated to the development and licensing of custom made computer software; toll manufacturing of computer software; and to the consulting on

information technology, and which shares are, on this date, fully owned by TOTVS, and that will be cancelled due to the Mergers.

2. DESCRIPTION AND PURPOSES OF THE MERGERS

2.1. Description. Merger of the Merged Companies by TOTVS, by the book value of the Merged Companies, with the subsequent cancellation of the Merged Companies and the succession by TOTVS, of all of their assets, rights and obligations.

2.2. Purpose. The Mergers have as their purpose to consolidate the activities of the Merged Companies within TOTVS, resulting in the growth of the Companies through the merger of their efforts in the creation of synergies arising, among others, from the complementarities of the segments of products and sales channels.

3. MAIN BENEFITS, COSTS AND RISKS OF THE MERGERS

3.1. Main Benefits. It is the intention, with the Mergers, the combination of the activities and administration, resulting in benefits to Companies' operations and businesses, from an administrative, economic and financial standpoint, including: (i) cost effective and simplification of the corporate structure and, thus, consolidation and decrease of combined operational costs and expenses; and (ii) improved management of the operations, assets and cash flows of the Companies, due to the merger of the corporate resources and assets related to the operations of the Companies.

3.2. Mergers Costs. The Companies' managements estimate that the costs for the Mergers will be in the range of approximately R\$ 15,800.00, including expenses with publications, auditors, appraisers, lawyers and other professionals hired to advise the transaction.

3.3. Mergers Risks. It is the intention, with the Mergers, the combination of the activities of the Companies and to use the synergies with this integration. The integration process can result in operational, commercial, financial, contractual and technological difficulties, which can unable the use of expected synergies, or result in unforeseen losses or expenses. The management of the Companies may, therefore, not be able to successfully implement the desired integration, or to obtain expected returns on investments relating to these Mergers, which may affect them adversely.

4. EXCHANGE RATIO OF THE SHARES AND DETERMINATION CRITERIA

4.1. Exchange Ratio. Considering that the Merged Companies are fully owned by TOTVS, no shares will be issued in exchange for the shares of the Merged Companies, which will be cancelled in view of the Mergers, pursuant to article 226, §1, of Law No. 6,404/76.

4.2. Criteria. Not applicable, in accordance with item 4.1.

5. SUBMISSION OF THE MERGERS TO THE BRAZILIAN AND FOREIGN AUTHORITIES

5.1. The Merged Companies are fully owned by TOTVS and, therefore, the Mergers are a corporate reorganization within the same economic group, not being subject to an economic concentration resulting from the consolidation of the Companies' activities in a sole company and, thus, there is no need to submit the proposed transaction to the analysis of the competition authorities, pursuant to the applicable jurisprudence of the Brazilian Administrative Council for Economic Defense – CADE.

6. RIGHT OF WITHDRAWAL AND REFUND AMOUNT

6.1. Considering that TOTVS is the sole shareholder of the Merged Companies, there will be no dissident shareholder or right of withdrawal in view of the Mergers, pursuant to article 137 of Law No. 6,404/76.

7. EXCHANGE RATIO BASED ON ARTICLE 264 OF THE CORPORATION LAW

7.1. Not applicable, in accordance with item 4.1.

7.2. In addition, based on CVM's Resolution¹, the appraisal provided in article 264 of Law No. 6,404/76 shall be dismissed, since it would only result in costs to TOTVS, with no practical use, based on (i) non-existence of minority shareholders in the Merged Companies on the date of the Mergers, which could exercise their right of withdrawal, in accordance with item 6.1; and (ii) absence of an increase of TOTVS' corporate capital, and the absence of an exchange of shares.

8. OTHER RELEVANT INFORMATION

8.1. The consummation of the Mergers shall be subject to the following acts:

- (a) extraordinary general meeting of PRX to, in this order, (i) approve the Protocol and Justification; (ii) approve the merger of PRX by TOTVS; and (iii) authorize the performance, by its management, of the acts necessary to the merger;
- (b) extraordinary general meeting of P2RX to, in this order, (i) approve the Protocol and Justification; (ii) approve the merger of P2RX by TOTVS; and (iii) authorize the performance, by its management, of the acts necessary to the merger; and
- (c) extraordinary general meeting of TOTVS to, in this order, (i) approve the Protocol and Justification; (ii) ratify the appointment of the Specialized Firm; (iii) approve the Appraisal Reports; (iv) approve the Mergers, with the

¹ CVM's Resolution *OFÍCIO/CVM/SEP/GEA-2/* No. 370/2015, dated of November 12, 2015, in which CVM agreed with the enquiry made by TOTVS regarding the waiver of the requirement for mergers of companies, provided in article 264 of Law No. 6,404/76, since the Superintendence of Relations with Companies, in view of the current circumstances of the transaction, in accordance with CVM's Decision 559/2008, item I, resolved that CVM's requirement related to the compliance of the referred article 264 of Law No. 6,404/76 would not be justifiable for the purposes of the Mergers.

consequent cancellation of the Merged Companies; and (v) approve the performance, by its management, of all acts necessary to the Mergers.

8.2. The management of TOTVS shall be responsible to perform all necessary acts to implement the Mergers, including the cancelation of the Merged Companies' registrations before the federal, state and municipal agencies, as well as the maintenance of the accounting books of Merged Companies during the legal term.

8.3. The Protocol and Justification and the appraisal reports will be available to the shareholders of TOTVS at its respective head office as of this date, on the website of Relations with Investors of TOTVS (<http://ri.totvs.com.br>), as well as on the websites of CVM and BM&FBOVESPA – *Bolsa de Valores, Mercadorias e Futuros*.

8.4. For further information, please contact the Investor Relations Officer of TOTVS.

São Paulo, November 19, 2015.

GILSOMAR MAIA SEBASTIÃO
Chief Investor Relations Officer