

Operator: Good morning. Welcome to the TOTVS conference call to discuss the 4Q15 results. We have with us Laercio Cosentino, CEO, and Gilsomar Maia, CFO.

All participants will be on listen-only mode during the presentation. After the presentation, we will have a question and answer session for investors and analysts when further instructions will be given. If any participant needs assistance during this call, please press *0 to reach the operator.

The audio is being simultaneously webcast at ri.totvs.com.

Before proceeding, we wish to clarify that any forward-looking statements that may be made during the conference call, related to business outlook, operational and financial projections and targets of TOTVS are based on beliefs and assumptions of the Company's management as well as information currently available. Forward-looking statements are not guarantee of future performance. They involve risks, uncertainties and assumptions as they refer to future events and, hence, depend on circumstances that may or may not occur. Investors must understand that general economic conditions, industry conditions and other operational factors could affect future performance of TOTVS and could lead to results that differ materially from those mentioned in these forward-looking statements.

Now, I will turn the conference over to Mr. Cosentino, who will begin the presentation. Mr. Cosentino, please go ahead.

Laércio Cosentino: Good morning everyone. Thank you for participating in our fourth quarter and full year 2015 earnings conference call.

I would like to start with the main factors that influenced the year shown on **slide 3**.

The transition from licensing to subscription model was the main factor contributing to TOTVS' sales in 2015.

After a long period of study, we launched TOTVS Intera in the last June, at the "Universo TOTVS", our annual event with clients.

TOTVS Intera is our subscription model that includes management solutions per industry sector, from the back office to the productivity and collaboration platform fluig, in addition to the minimum infrastructure needed to use these solutions in the cloud.

From this launch, our franchises also started to sell subscription, speeding up the transition, resulting in a 20%-drop in license revenue and more than 25%-growth in subscription revenues.

As a percentage of total software revenue, subscription surpassed 10%. Considering Bematech, subscription revenue reached 13.5% of total software revenue in 2015.

Besides the reduction in profitability already expected at this early stage of this transition, the economic downturn and Brazil's political instability created additional challenges for the Company in 2015.

The most obvious examples of these challenges were the 3.8%-drop in GDP, the highest since 1990, and inflation that surpassed 10% at the end of the year, with average IPCA and IGPM of 9.0% and 6.5% in the year, respectively.

In addition to all of this, we took another very important step in our segmentation strategy by acquiring Bematech.

Together, TOTVS and Bematech are present in almost 90% of the Brazilian cities and in more than 500 thousand checkouts. We became leaders in the Hospitality sector and the largest business solutions provider for Brazil's Retail sector.

Moving now to the Q4 2015 events on **slide 4**. After antitrust agency approval in October, we carried out the closing of the transaction with Bematech, which involved the payment in cash and share swap to the former Bematech's shareholders.

Thus, we began the integration of the operations involving the back office, products and commercial teams in order to create the offerings and integrating the solutions portfolio for the Retail, Services and Microenterprises sectors.

It is worth mentioning that, in order to preserve the focus on year-end closing of 2015, TOTVS and Bematech's sales teams began operating together in January 2016, following to the integration plan.

In February, BM&FBovespa (Brazilian Stock Exchange) and CVM (Brazilian SEC) granted Bematech's request to delist voluntarily from the stock exchange and to cancel its registration as a publicly held company, which will allow us to evolve a few more in the integration of the administrative areas.

Among the changes in the management, two are related to Bematech. The election of Wolney Betiol as an independent board member and the election of Eros Jantsch as vice-president of microenterprises segment.

Mr. Betiol is the co-founder and was a Bematech's board member. Eros is the current Bematech's CEO, where he has been working for the last 23 years. Both Wolney and Eros can contribute a lot, not only in the matters involving Bematech, but also to help creating business strategies for joint operations with TOTVS.

Another change that is related to the integration front is the election of Ronan Maia as vice-president for the Consumer Segment. Ronan has over 15 years of career in PC Sistemas, a company acquired by TOTVS in 2013, and now as head of Consumer Segment he is going to have an important role in the integration of Bematech's solutions to TOTVS' portfolio for Retail.

Closing the management changes, we had the election of Gilsomar Maia as CFO and my reappointment to the position of executive president.

To conclude my comments on the main events of this quarter, and before we get into the numbers, it is important to mention that this quarter's results have been affected by extraordinary items, which will be detailed throughout this conference, including:

- (i) Expenses related to the transaction with Bematech;
- (ii) Restructuring costs regarding headcount reductions; and
- (iii) The incremental provision for contingencies.

Now, I turn to Maia, who will continue the presentation commenting on the Q4 2015 results from **slide 5**.

Gilsomar Maia: Thank you, Laércio. Good morning everyone.

The consolidated results for the year 2015 presented in the audited financial statements include the months of November and December of Bematech. In order to preserve comparability, we have presented the consolidated pro forma results (unaudited) combining the full results of TOTVS and Bematech for both quarters and years of 2015 and 2014.

We also present the results of TOTVS and Bematech separately, as this the first quarter of unified reporting and both companies began commercial operation together from January 2016.

Now, I'll start to commenting by on TOTVS results separately, without Bematech, from **slide 6**.

- **TOTVS (without Bematech):**

4Q15 total revenue fell 0.5% and in the year grew by 3% year on year and was positively impacted by the growth of recurring revenues, which already accounted for 62% of the year's revenues and 65% of the quarter's revenue; and negatively impacted by the transition from the licensing model to a subscription model and the deterioration of the economic scenario.

The growth of service revenue in 2015 mainly originated from services not related to software implementation, which represented 39% of 2015 service revenues, up from 33% in 2014, with consulting services growing by a remarkable 25%.

The reduction in non-recurring revenues reflects the fall in economic activity, reflected in the slower pace of conversion of the sales pipeline, especially larger accounts of software licensing, and the consequent lower allocation of our own implementation services team.

On **slide 7**, the software revenue chart (top left corner) shows this scenario described, with license revenue falling 31% in the quarter and 20% in the year, while subscription revenue increased 22% in the quarter and 26% in the year.

Given the context, we believe that the model transition has been successful, since the economic situation impacts negatively not only the licenses of sales, but also subscription, which can be evidenced also by greater reduction in the number of new clients for the licensing model (the chart on top right corner).

Now, talking about contribution margins at the bottom of the slide.

The quarterly service contribution margin (the chart on the left side) was 0.4% negative. In absolute amounts, the gap in services result between 4Q14 and 4Q15 was close to the gap observed in the year, i.e. approximately R\$9 million.

In summary, the negative results of service in this quarter is explained by three main reasons: (i) lower allocation of own implementation services team, (ii) the higher wage increases in 2015, not fully passed on to the pricing of projects, and (iii) the consequent additional costs with headcount reduction.

Similarly to services, the reduction in 4Q15 contribution margin of software in absolute values approaches the reduction calculated in 2015, about R\$15 million, and can be explained by three main reasons (i) reduction of software license sales; (ii) adjustments of recurring revenue by the IGP-M, below readjustment of costs closer to IPC-A; and (iii) the consequent additional costs in headcount reduction

To speak about TOTVS selling and administrative expenses, I ask everyone to go to **slide 8**.

The summed of selling and commissions expenses increased 4.5% in 2015, with a performance relatively stable as a percentage of total net revenues.

The growth of 12.5% in the 4Q15 is concentrated in selling expenses, mainly by mix of sales between franchises and own units and the mix of sales between licensing and subscription, plus additional costs for headcount reduction to adjust the sales force structure.

Marketing and advertising expenses increased 30 basis points year on year, mainly due to the reduction in advertising and marketing expenses in 2014 because of Soccer World Cup in Brazil.

The allowance for doubtful accounts expense represented 1.8% of net revenue in 2015, compared to 1.6% in 2014. The increase in this provision is mainly due to the increase in delinquency observed in the market throughout the year.

And lastly, the general and administrative expenses including management fees and other expenses increased 45% in 2015, and is concentrated in general and administrative expenses which were affected by the incremental provision for legal contingencies of R\$59.0 million recorded in 4Q15.

This estimate change in the provision for legal contingencies is the result of continuous monitoring and control of risks of TOTVS, which throughout 2015 included:

- (i) the replacement of main legal advisors that conduct the civil and labor suits, to achieve greater uniformity in the conduct and more efficient tracking and resolution processes;
- (ii) the revision of estimates for expected losses associated with the lawsuits; and
- (iii) the revision of historical outcome of lawsuits and new proceedings in which the Company is a defendant.

It's important to note that this provision does not affect the cash flow immediately, and even with such provisions, TOTVS will continue to take all necessary measures to defend its rights in such proceedings.

In addition, this group of expenses was negatively impacted in 4Q15 by R\$5.9 million of expenses related to M&A transaction with Bematech, and R\$2.5 million by the provision for impairment of Ciashop, both classified in other operating expenses.

In the year, excluding the incremental provision for contingencies and other unusual effects, this group of expenses represented 7.5% of net revenues, versus 7.9 % in 2014.

Moving now to TOTVS' EBITDA and Net Income on **slide 9**.

After eliminating the extraordinary effects mentioned on previous slides, adjusted EBITDA for the quarter totaled R\$74 million, with year with adjusted EBITDA of R\$399 million and adjusted EBITDA margin of 21.8%.

Talking about net income on **slide 10**. In addition to the non-recurring items mentioned in the previous slide, net income was also impacted by a R\$6.0 million adjustment (net of tax effects) to adequate the provision for the non-conversion premium of debentures.

Eliminating all these impacts, adjusted net income for the quarter totaled R\$46 million, with an adjusted net margin of 10.2%. For the year, adjusted net income totaled R\$251 million, with an adjusted net margin of 13.7%.

In summary, the decline in EBITDA and adjusted net income in the year and in the quarter is basically associated with: (i) the short-term effects of transition to subscription; (ii) lower allocation of own teams of software implementation; and (iii) the reduction of recurring costs resulting from headcount reduction not reflected in 4Q15 results and consequently not included among the quarter's adjustments. Except for the subscription, which tends to contribute to margin expansion in the medium term, the restructuring undertaken in the 4Q15 should take effect in the coming periods.

Now, I will talk about Bematech's results on **slide 12**.

- **Bematech:**

Bematech's total revenue was positively impacted by recurring revenues, which grew 9%, and negatively impacted mainly by the reduction of 1.5% in hardware revenue in 2015.

This reduction in hardware revenue resulted mainly from:

- (i) the decrease in the economic activity level, reflected in the sales pace and in the lower number of new establishments opened; and
- (ii) the changes in tax legislation, especially in São Paulo state, where the fiscal printers were replaced by the S@T fiscal equipment, which has a lower unit price.

Changes in tax legislation tend to collaborate with the growth of recurring revenue from tax software solutions, reducing the share of non-recurring hardware revenue in the composition of total revenue.

As shown on **slide 13**, (on the top left) subscription revenue increased 13% in the year and exceeded maintenance revenue. Together, recurring subscription and maintenance revenues totaled 94% of total software revenue in 2015.

(On the top right) The software contribution margin in the year was 50.5%, versus 58% in 2014. This impact is concentrated in research and development expenses, held mainly by non-capitalization of the new investments in R&D in 4Q15, and the inorganic effect of *Unum*.

In services (on the bottom left), the contribution margin increased 440 basis points in 2015, mainly due to the restructuring made by Bematech in the services teams related to the hotels segment.

(on the bottom right) In hardware, the contribution margin decreased by 24% in 2015 and by 34% in 4Q15. This reduction was mainly due to the exchange rate, not fully passed through to prices during the year.

Hardware margin was also impacted by the reduction in grant income, established by the Paraná State Government from September 2015.

Turning now to the selling and administrative expenses on the **slide 14**.

Combined, selling and commissions expenses represented 11.2% of the net revenue in 2015, versus 9.8% in 2014. This growth was mainly due the restructuring of the sales teams by Bematech in the period.

Advertising and Marketing Expenditures accounted for 2.2% of net revenue in 2015 , 20 basis points up when compared to the previous year.

Expenses on allowance for doubtful accounts decreased 48% in the year, from 2.5% in 2014 to 1.3% in 2015. This change reflects the improvement of the receivables portfolio and the efforts to recover credits already accrued in previous periods.

Finally, general and administrative expenses plus management fees and to other expenses that were negatively impacted in 2015 by the expenses related to the transaction with TOTVS in the amount of R\$5.0 million recorded in 3Q15, and the provision for slow moving and obsolete inventory in the amount of R\$2.0 million in 4Q15.

In the year, disregarding these extraordinary events, this group of expenses represented 11.8% of Bematech's 2015 net revenue, versus 13.1% in 2014.

Turning to EBITDA and EBITDA margin of Bematech on **slide 15**.

Excluding all the extraordinary effects already mentioned, Bematech's adjusted EBITDA totaled R\$ 10.9 million in the quarter, and adjusted EBITDA margin was 9.3%. In the year, Bematech's adjusted EBITDA totaled R\$ 58.2 million and adjusted EBITDA margin was 21.8%.

Now on **slide 16**. Eliminating those same extraordinary effects already mentioned on EBITDA (net of tax effects), Bematech's adjusted net income totaled R\$3.3 million in the quarter, with adjusted net margin of 2.8%. For the year, adjusted net income totaled R\$ 31.8 million, with an adjusted net margin of 7.3%.

In summary, the decline in EBITDA and adjusted net income of Bematech in the year and the quarter is primarily associated with: (i) the effects of currency exchange rate; (ii) the reduction in grant income; and (iii) the non-capitalization of the new investments in R&D in 4Q15. It is important to mention that TOTVS' strategy is to gradually adequate the hardware sale price in order to rebalance revenues and costs of this operation.

Now talking about the consolidated pro forma figures of TOTVS and Bematech from **slide 18**.

- **TOTVS + Bematech (Pro-forma):**

With Bematech, TOTVS' net pro forma revenue totaled R\$2,262 million. Of this total, retail amounted for R\$535 million, which makes TOTVS the largest business solutions provider for the retail segment in Brazil. This becoming the largest segment of TOTVS, together with the manufacturing sector. In addition, without Bematech, TOTVS grew 25% in the retail segment in 2015.

Bematech's dominance in solutions for hotels and for passenger transportation reinforced our position in the Services Segment, which represented 16% of total net pro forma revenues in 2015.

These data shows that the segmentation strategy increased TOTVS' sectorial diversification and created a greater revenue balance among segments.

Moving on to **slide 19**, in the pro forma revenue breakdown, software accounted for 62%, services 26% and hardware 12% in 2015.

The pro forma recurring revenue amounted to R\$1.3 billion and represented 56% of the pro-forma net sales in 2015, versus 53% in 2014.

The growth in the pro forma recurring revenues resulted mainly from the 21% growth in the subscription revenue and 6% growth in maintenance revenue, which together accounted for 82.4% of the 2015 pro forma software revenue.

Moving now to TOTVS pro-forma EBITDA and pro-forma EBITDA margin on **slide 20**.

Excluding the extraordinary effects already mentioned in the comments about TOTVS and Bematech, the adjusted pro forma EBITDA totaled R\$85.0 million in the quarter and EBITDA margin of 14.9%. In the year, adjusted pro forma EBITDA totaled R\$466.913 million, and EBITDA margin of 20.2%.

Similarly, on **slide 21**, after the extraordinary effects, adjusted pro forma net income of 4Q15 totaled R\$49.5 million, with net margin of 8.7%. In the year, adjusted pro forma net income amounted to R\$283.1 million and margin of 13.7%.

It is important to note that, besides other effects already mentioned, EBITDA margin and net margin of TOTVS and Bematech were affected in 2015 by the mismatch between the IGP-M and IPC-A inflation rates.

The inflation in recurring revenues is measured largely by the IGP-M and cost inflation has remained close to the IPCA. Average IGP-M in 2015 was 6.5%, while the average IPC-A was 9.0%.

The sharpest recovery of IGP-M in the last quarter, presented on **slide 22**, has not produced significant effects in the year 2015, as the adjusted fees in the period affected a few months of the year. Furthermore, these adjustments are also going to affect the full year 2016.

Now speaking about the cash flow on **slide 23**.

The Company ended the year with R\$426 million of gross cash and R\$452 million of net debt, which represents approximately 1x the adjusted pro forma EBITDA of 2015.

The pro forma reduction of R\$ 389 million of gross cash in 2015 is mainly due:

- (i) the payment of R\$474 million regarding the transaction with Bematech;
- (ii) the payment of R\$204 million in dividends and pro-forma interest on equity;
- (iii) the inflow of R\$181 million related to the last tranche of the credit lines hired in 2013 from BNDES.

On **slide 25** , we have the schedule of the total gross debt amortization totaling R\$878 million in 4Q15, to be amortized by 2020, of which R\$246 million will be amortized in 2016.

To complete the earnings presentation, on **slide 26** we present the proposal for dividends to be submitted for approval at the Annual General Shareholders' Meeting on April 26, 2016.

The proposal provides the distribution of R\$66.6 million in dividends for the year 2015. These dividends plus the interest on equity already paid represents a total of R\$0.78 dividend per share. Despite this amount be lower than in recent years, due to the decrease in net profit in 2015, it represents a payout ratio of 65.0%, which is slightly above our historical average.

Now I turn the presentation back to Laércio for his final comments on **slide 27**.

Laércio Cosentino: Thanks Maia.

Over the past 10 years, the Brazil's economic scenario has allowed companies to focus solely on their business, giving priority to investments and dedicating to growth.

The negative agenda came on the scene in 2015, including:

GDP growth of -3.8%, the real inflation level not translated into IGP-M index, tax burden increase due to the end of payroll tax relief, a rising labor cost, an undefined political scene, a more active justice, and a deteriorated business environment reflecting in 2016.

Howsoever, the market mood changed and imposed the hard task of adjusting structures, prices and business volume.

In 2015, the positive agenda of previous years had to be changed, so that it was possible to live the present without giving up great business opportunity still present in Brazil.

With this spirit, TOTVS:

- (i) made necessary adjustments in its structure to maintain the balance between revenues and costs;
- (ii) reassessed the legal contingencies as a result of continuous monitoring and risk control, without losing the focus to pursue its rights;
- (iii) took an important step with integration of BEMATECH to consolidate itself as the largest business solution provider for the Retail Segment;

(iv) entered the subscription world with the “INTERA COMMERCIAL MODEL”, keeping the annual EBITDA margin above 20%; and

(v) kept investments in technology, systems and clients selectively, particularly in the last quarter, in order to enter in 2016 with full force

As for technology, *fluig* expanded its market share as a Productivity and Collaboration Platform and the industry specialization contributes to strengthen the participation of TOTVS in the sectors it operates.

The Cloud Platform will help TOTVS to consolidate itself as the largest subscription player in Brazil, and Bematech will contribute to TOTVS entering Internet of Things area, with solutions connecting people, things and businesses.

In 2015, software license shrunk, but the subscription won, growing more than 25%, and making TOTVS stronger in the medium to long term.

Anyway, the great legacy of 2015 were the decisions, resolutions and acquisitions, which prepare the company for the new challenges of the biennium 16/17.

TOTVS moves forward in its consolidation project in the Brazilian market, expanding its leadership segment by segment, converting its customers to subscription in cloud, and adopting the productivity and collaboration platform, *fluig*, and mobility to its customers.

Brazil is bigger than everything we're going through and TOTVS works for this!

I thank you all for your participation and we are now available for the Q&A session.

Operator: Ladies and gentlemen we will now begin the question-and-answer session. If you have a question please press the star key followed by the one key on your touchtone phone now. If at any time you would like to remove yourself from the questioning queue please press star two.

Our first question comes from Michel Morin with Morgan Stanley.

Michel Morin: Thank you, good morning everyone. Two questions: the first is on your transition towards a subscription-based revenue model. I was wondering if you can give us some little bit of color in terms of these new subscribers that you are attracting, what their profile is? Are they are comparable to the customers that you are still selling new licenses to or are there any differences there?

And I am wondering if you can discuss with us whether you are seeing any churn on the subscription part of the business. I think it is obvious that you are seeing some churn in maintenance and your existing clients and you are seeing an impact on licenses; but are seeing any impact also on our existing subscriber base or subscription-based revenue?

And do you have a sense as to when we should expect license revenues to fall to zero from new clients in particular? That would be the first question and if you could give some color on that migration.

And then secondly on nonrecurring items, there were some restructuring costs, and typically when facing a different macro environment it would be typical to anticipate that we might see more restructuring costs in the future, so I just wanted to gauge how nonrecurring those types of costs really are, thank you.

Gilsomar Maia: Good morning Michel. Trying to start from the later question, regarding the restructuring costs... look, the exercise we did in 4Q was I would say a more stressed one, considering the context of the market. So in our expectations we should be able to avoid incremental restructuring in the short term.

Of course we do not like to do this kind of thing because the main element, the main asset in our business is our people, and so every time we have to reduce our workforce it is a hard decision; but of course sometimes we have to take this decision in order to preserve the health of the business. And in this direction, eventually if we see more to be done we will - but in the same way, really, having sure we are doing what has to be done.

The second question was related to expectations of licenses to, like, branch zero. Actually it is hard to say and more specifically you mentioned new clients. So, clearly the flow of new clients is migrating to subscription - and then I can connect to your first question: when we analyze the profile of new clients that are subscribing software instead of licensing the software, mostly clients subscribing software are medium and small companies, and when I say most of those clients, I mean in terms of revenues.

In number of clients we have a relevant number of new clients subscribing software from the micro enterprise layer. In numbers I would say that like, in growth numbers, about 1/4 to 30% of the total number of new clients can be classified as micro enterprises approximately. So the remaining are more typical clients of Totvs in the SME or SMB space, and that is consequently affecting licenses to new clients.

We do not have this expectation in our hands now; but it is clear that every day we are closer to that event - but again, we do not discard the possibility to sell licenses to new clients because in the end of the day we respect our clients' demand; but if you ask me today if we prefer to sell licenses or subscriptions, I would say we prefer to sell subscriptions.

And the last question regarding churn; churn in subscription if we do the same exercise trying to split the churn into two parts, like, one regarding micro enterprises and the SME companies, by nature micro enterprises have a higher churn - and that is pretty clear in the subscription, because these guys they really easily switch from one solution to another, since those solutions provided to micro enterprises are pure cloud solutions, simpler solutions, more standardized; and these companies have a higher mortality rate

and a lower level of financial discipline to keep using a management solution, a financial solution and pay every month.

In terms of the churn rate to the other part, the SME companies more specifically, we do not see a big difference between churn of SME companies subscribing software comparing to SME companies acquiring licenses. So it seems the behavior of our clients are pretty similar between subscribers and license acquirers.

Michel Morin: excellent, thank you very much for all the color.

Gilsomar Maia: you are welcome.

Operator: our next question comes from Andres Coello with Scotiabank.

Andres Coello: Yes thanks for taking my question. It is more on the operational side regarding the acquisition of Bematech, how it is for the company, for Totvs, to actually reach the Bematech users, the Bematech clients?

Do you have direct access to the clients or are you going to do this through distributors, in terms of cross-selling Totvs solutions to Bematech subscribers?

Gilsomar Maia: hi Andres, thank you for your question. Your question is a very interesting question. Actually when we talk about Bematech's existing clients we could separate into two groups: one group is that low-end market of micro enterprises, being attended by the resellers and distributors of hardware; and the other group are companies in the SME high-end space, clients of software, mainly, and some high-end companies or suppliers of hardware.

So consequently Bematech, having those two main groups of clients, Bematech has different ways to distribute their solutions to those publics. The first one I already mentioned, resellers and distributors, that is not part of our classical distribution system and that was one of the "assets" of Bematech that called our attention, because we've seen a really interesting opportunity to leverage that distribution network in the low-end market, since our distribution is in a much earlier stage than Bematech's, and so if we do a good job we can better use that distribution network in the low-end market and then become a more relevant player. That is a completely fragmented market in Brazil.

And the second one is more regarding SME and high-end market, more driven by software solutions, more similar to our software business here - and that part of the market we are working together since January. Commercially and solutions driven, so we are sharing our sales pipeline and so teams are working together in order to present the better choice for our clients. So, what we have is a best choice for our clients or our potential clients. I do know if I addressed properly your question?

Andres Coello: Yes, thank you, so do and you feel confident that through your own distribution capabilities in the SME high-end market and through distributors you will be able to reach Bematech users with your software products, right? I mean, you are confident that you can actually reach the entire subscriber base either directly or indirectly?

Gilsomar Maia: yes we are. Again, there are different strategies on those two segments or layers in the market; so in the distributors and resellers we have to work internally, more internally, determined to better bundle Totvs' and Bematech's solutions in order to deploy a more right-to-sell solution and then the guys, the distributors, can do the rest. If we give them a good solution, an attractive product, I am sure they will enjoy it.

The other group is more similar to what we classically have here and it is more a matter of working together to have a single sales approach, and working together to have a convergence in our development roadmaps.

Andres Coello: okay, thank you, very clear.

Gilsomar Maia: you are welcome.

Operator: ladies and gentlemen, as a reminder, if you would like to pose a question please press star one.

Once again, if you would like to pose a question please press star one.

Our next question comes from Diego Aragão with Morgan Stanley.

Diego Aragão: Hi, thanks for taking my question. Actually just a follow-up question regarding Bematech: can you provide us a sense of what kind of synergies are you expecting to extract on the cost structure?

And also, maybe a follow-up regarding what are your expectations for the top line thank you.

Gilsomar Maia: okay Diego. In terms of synergies, synergies of top line is always more complicated to talk about - and just to make a comment here: when we announced we did not disclose publicly synergies in financial terms; but in terms of top line, of course, that is the more relevant portion of synergies we expect.

But considering that Bematech was a public-held company here Bematech had all the cost burden related to listed company, and it is clear to optimize the structure, the administrative and corporate governance structure of Bematech. So we can extract some clear synergies in that front.

Not going deeper in that subject, but some obvious examples are: we do not need to have two boards of directors; we do not need to have two different external auditors; we can have a single management system; we can have a better negotiation with infrastructure providers, telecom providers - companies that are our suppliers of benefits to our employees for example we can better negotiate conditions, commercial conditions of those things. In the administrative front it is the most obvious one.

In terms of software business, also we have some opportunities to put Bematech under our umbrella contracts we have with some major providers with technology used by both Totvs and Bematech, and in terms of distribution connecting to Andres' question we can try to better leverage the distribution network of both companies distributing solutions from both portfolios.

In terms of top line, in fact my answer already comprises the top line synergies; but again it is hard for me to share figures exactly with you guys ok?

Diego Aragão: okay thanks Maia.

Gilsomar Maia: you are welcome.

Operator: As a reminder if you would like to pose a question please press star one.

This concludes today's question-and-answer session. I would like to invite Mr. Laércio Consentino to proceed with his closing statements. Please go ahead sir.

Laércio Consentino: I want to thank you for your participation and say that we remain focused on executing Totvs' strategy and I tell again that Brazil is bigger than everything that we are going throughout and Totvs works for this. I wish you all a great day, thanks for everything.

Operator: That does conclude Totvs' audio conference for today. Thank you very much for your participation and have a good day.