



TOTVS S.A.

Publicly-Held Company

Corporate Taxpayer's Identification (CNPJ) No. 53.113.791/0001-22

Company Registry (NIRE) No. 35.300.153.171

NOTICE TO MARKET

TOTVS S.A. (BM&FBOVESPA: TOTS3) ("TOTVS" or "Company") hereby, informs its shareholders and the market in general that the Company executed on the night of August 1st 2016 the Share and Quota Purchase Agreement ("Agreement") by which it sold 100% of the quotas of **TOTVS RESULTADOS EM OUTSOURCING LTDA ("TOTVS RO")** to **Propay S.A. ("Propay")** for R\$5,266,334.29 (five million, two hundred and sixty-six thousand, three hundred and thirty-four reais and twenty-nine centavos) ("**Transaction**"). The Agreement also establishes the payment of an additional variable amount of up to R\$5,266,334.29 (five million, two hundred and sixty-six thousand, three hundred and thirty-four reais and twenty-nine centavos) adjusted by Selic Rate, which shall be paid in 36 months according to the metrics defined in the Agreement for TOTVS RO's client base until July 31, 2017.

Focused on providing Human Resources BPO (Business Process Outsourcing) services, TOTVS RO is a company controlled by TOTVS and serves more than 80 client groups including large enterprises like Volvo, Burger King, Accor and Nielsen, which generate more than 90 thousand payslips each month. TOTVS RO has more than 160 employees and had revenues of approximately R\$21 million in 2015.

Propay has provided Human Resources services in the Brazilian market for more than 15 years, with personnel administration BPO and benefits management consulting services. Propay will become TOTVS partner to provide its services through TOTVS business solutions and distribution network. Based in São Paulo, Propay serves large and medium companies like Group Libra, Decathlon, VALEO and Mercedes-Benz Bank. The company has 370 employees, processes 70 thousand payslips per month and manages benefits of 110 thousand lives.

With this transaction, TOTVS reinforces its specialization strategy, bringing a partner focused on the Human Resources BPO industry to propel its solutions and increase their value to its clients by adding Propay's know-how in its offerings to this market. The combination of TOTVS distribution network and Propay's expertise will allow the Company to better explore opportunities in the BPO Brazilian market.

São Paulo, August 2, 2016

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Investor Relations

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