

# TOTVS S.A.

*1<sup>st</sup> Private Issuance of Debentures*

*1<sup>st</sup> and 2<sup>nd</sup> Series*

*Trustee's Annual Report*

*Fiscal Year 2017*

Base date 12/31/2017

*This is a free translation of the original in Portuguese*

## **PARTICIPANTS:**

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**ISSUER:** TOTVS S/A

**COORDINATOR:** Banco Itaú S.A.

**CARRYING BANK:** Banco Itaú S.A.

**SETTING BANK:** Banco Itaú S.A.

## **CHARACTERISTICS OF THE ISSUANCE:**

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**DATE OF ISSUANCE:** 08/19/2008

**DATE OF MATURITY:** 08/19/2019

**VOLUME:** R\$ 200,000,000.00

**QUANTITY OF DEBENTURES:** 0

**NUMBER OF SERIES:** 2

**GUARANTEE:** Floating

**PUBLISHING:** Diário Oficial do Estado de São Paulo and Valor Econômico newspaper – National Edition

**USE OF PROCEEDS:** According to Issuer's management, 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.

## **CHARACTERISTICS OF THE SERIES:**

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	<b><u>1<sup>ST</sup> SERIES</u></b>	<b><u>2<sup>ND</sup> SERIES</u></b>
<b>ASSET CODE:</b>	N/A	N/A
<b>ISIN CODE:</b>	N/A	N/A
<b>DATE OF ISSUANCE:</b>	08/19/2008	08/19/2008
<b>DATE OF MATURITY:</b>	08/19/2019	08/19/2019
<b>VOLUME:</b>	R\$ 100,000,000.00	R\$ 100,000,000.00
<b>UNIT FACE VALUE:</b>	R\$ 1,000.00	R\$ 1,000.00
<b>UNIT PRICE AS OF 12/31/2017:</b>	R\$ 0.00	R\$ 0.00
<b>QUANTITY OF DEBENTURES:</b>	100,000	100,000
<b>CVM REGISTRATION</b>	Private	Private
<b>NEGOTIATION:</b>	Private	Private
<b>MONETARY CORRECTION:</b>	N/A	N/A
<b>CURRENT REMUNERATION:</b>	IPCA + 3.5% p.y. limited to TJLP + 1.5% p.y. (360 days).	TJLP + 1.5% p.y. (360 days)

<b>CURRENT INTEREST PAYMENT:</b>	Annually, in every August 19, being the first payment on August 19, 2009 and the last on August 19, 2016.	Semiannually, in August 19 <sup>th</sup> and February 19 <sup>th</sup> every year, being the first payment on August 19, 2009 and the last on August 19, 2016.
<b>AMORTIZATION:</b>	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.	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.
<b>RATING:</b>	N/A	N/A

**PAYMENTS MADE PER DEBENTURE IN 2016 (UNIT VALUES):**

<b>1<sup>ST</sup> SERIES</b>
No payments occurred in the period
<b>2<sup>ND</sup> SERIES</b>
No payments occurred in the period

**ASSET STATUS AS OF 12/31/2017:**

Series	Issued	Outstanding	Treasury	Converted	Canceled
1 <sup>st</sup>	100,000	40,002	0	59,998	0
2 <sup>nd</sup>	100,000	40,002	0	59,998	0

**GUARANTEES:**

Guarantee	Constituted	Achievable	Sufficient
Floating	Yes	Yes	Yes

**GUARANTEE STATUS**

Total Assets	R\$ 2,339,789.00
Collateral Goods	R\$ 0.00
Discounted Invoices, Pledged Securities	R\$ 0.00
Tax and Labor Liabilities	R\$ 61,575.00
Unrecorded Asset (Free Asset) = A - B - C - D	R\$ 2,278,214.00
Issuance Value	R\$ 65,613,624.48

The guarantees of this issue were duly constituted and are sufficient and feasible within the legal limits of the floating guarantee, and according to the information obtained from the ISSUER.

Considering the inexistence of Collateral Goods, Discounted Invoices and Tax and Labor Liabilities, the guarantee percentage would be:

**Issue Value / Free Asset: 2.88% (maximum limit 70%)**

Without a better understanding, we inform that the Issuance Value was calculated considering the amount of the Non-Conversion Premium due for the 1st and 2nd series which, as informed by the ISSUER, will be paid in a single installment on June 19, 2019, taking into consideration that the ISSUER has already made the full payment of the Unit Price plus the remuneration interest of the Debentures.

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

**NON-CONVERSION PREMIUM OF THE 1<sup>st</sup> SERIES DEBENTURES:**

As provided in item 3.15.1 of the Deed of Issue, in the event of non-conversion, the 1<sup>st</sup> 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, that is, the lowest amount between IPCA plus 3.5% per year (360 days basis) and TJLP plus 1.5% per year (360 days basis), according to the item 3.12.1(a), calculated based on the outstanding balance of the debentures in the determination date ("Non-conversion premium of the 1<sup>st</sup> series debentures"). The Non-Conversion Premium of the 1<sup>st</sup> Series Debentures shall be adjusted by the IPCA plus 8.0% per year (360 days basis).

**NON-CONVERSION PREMIUM OF THE 2<sup>nd</sup> SERIES DEBENTURES:**

As provided on item 3.15.2 of the Deed of Issue, in the event of non-conversion, the 2<sup>nd</sup> 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 ("Non-conversion premium of the 2<sup>nd</sup> series debentures"). The non-conversion premium of the 2<sup>nd</sup> series debentures shall bear interest at TJLP plus 5.0% per year (360-day basis).

**LEGAL AND CORPORATE EVENTS:**

There were statutory changes during the 2017 financial year according to the meeting (s) held on 04/20/2017.

**COMMENTS ON ECONOMIC, FINANCIAL AND CAPITAL STRUCTURE OF THE ISSUER:**

During the fiscal year 2017, the following financial covenants were verified:

Covenant	Limit	On 12/31/2017
Net Debt/EBITDA	Less or equal to 4,0	1.090
EBITDA/NR	More or equal to 0,10	0,130
EBITDA/Debt Service	More or equal to 1,0	4.840

**MANDATORY INFORMATION IN COMPLIANCE WITH PROVISIONS OF CVM INSTRUCTION 583/16, AS WELL AS BY ANALOGY WITH THE TERMS OF SUBSECTION "B" OF PARAGRAPH 1, ARTICLE 68 OF THE LAW 6,404/76:**

Subsection I of art. 1 of Annex 15 of CVM Instruction 583/16 – "compliance by the issuer with its obligations to provide periodic information, indicating inconsistencies or omissions of which it has knowledge".	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 II of art. 1 of Annex 15 of CVM Instruction 583/16 – "statutory changes occurred in the fiscal year with material effects for holders of securities".	There were no changes in the Company's Bylaws during the fiscal year 2017 as disclosed on item "Legal and Corporate Events" above.
Subsection III of art. 1 of Annex 15 of CVM Instruction 583/16 – "comments on economic, financial and capital structure indicators of the issuer related to contractual clauses designed to protect the interests of securities holders and which establish conditions that should not be disregarded by the issuer".	Information provided in the item comments on economic, financial and capital structure indicators of the issuer.
Subsection IV of art. 1 of Annex 15 of CVM Instruction 583/16 – number of securities issued, quantity of securities in circulation and canceled balance in the period.	Information disclosed above, in the table of Asset Status.
Subsection V of art. 1 of Annex 15 of CVM Instruction 583/16 – redemption, amortization, conversion, renegotiation and interest payment of debentures made in the period .	During fiscal year 2016 there were no partial redemption or debentures held in treasury, according to "Asset Status" item. There were Interests payments and amortizations, according to "Payments made per Debenture" item.
Subsection VI of art. 1 of Annex 15 of CVM Instruction 583/16 – set up and applications of the debenture amortization fund, if applicable.	No debenture amortization fund was set up.

Subsection VII of art. 1 of Annex 15 of CVM Instruction 583/16 – allocation of the proceeds from the issuance of debentures, according to data gathered with the Issuing company.	Information disclosed in “Use of Proceeds” item.
Subsection VIII of art. 1 of Annex 15 of CVM Instruction 583/16 – list of goods and values entrusted to its management.	No goods or values were entrusted to the Trustee’s management.
Subsection IX of art. 1 of Annex 15 of CVM Instruction 583/16 – compliance with other obligations assumed by the company in the indenture, in the term of securitization of credit rights or in an equivalent instrument.	Possible non-compliance are disclosed in the present report.
Subsection X of art. 1 of Annex 15 of CVM Instruction 583/16 – maintenance of sufficiency and enforceability of the guarantees	Information disclosed in the present report in item “Guarantee Status” .
Subsection XI of art. 1 of Annex 15 of CVM Instruction 583/16 – existence of other public or private securities issued by the issuer by an affiliated, controlled, parent company or member of the same group as the issuer in which it has acted in the same fiscal year as a fiduciary agent, as well as the following data on such issues: a) name of the bidding company; b) value of the issue; c) quantity of securities issued; d) species and guarantees involved; e) maturity and interest rate; And f) default in 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.
Subsection XII of art. 1 of Annex 15 of CVM Instruction 583/16 – statement on the non-existence of a conflict of interest situation that prevents the fiduciary agent from continuing to perform the function	Information disclosed below.

#### **TRUSTEE’S STATEMENT:**

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Oliveira Trust states that is fully capable to remain serving as Trustee to this TOTVS S.A.’s issuance of debentures, and that there is no conflict of interest that prevents it from continuing to act as the Fuduciary Agent of this Debenture issue.

This report was prepared in order to comply with Article 68, §first, paragraph “b” of the Law 6404/76 and Article 12 of Annex 15 of CVM Instruction No. 583/16, based on information provided by the Issuer. Although we endeavor to provide accurate and updated information, there is no guarantee of its accuracy as of the date they are received. The information in this report does not represent investment advice, credit analysis or the economic or financial situation of the Issuer, or guarantee, expressed or implied, about the timely payment of obligations relating to securities issued.

For more information and to access to the documents of the issue we suggest accessing Oliveira Trust’s website [www.oliveiratrust.com.br](http://www.oliveiratrust.com.br), especially in Event Information.

We note that the values expressed in this report are from our interpretation about the Indenture and its Amendments, if any, not implying legal or financial commitment.

**OLIVEIRA TRUST DTVM S.A.**