

TOTVS S.A.
Public-Held Company
Corporate Taxpayer's ID (CNPJ/MF): 53.113.791/0001-22
Company Registry (NIRE): 35.300.153.171

MATERIAL FACT

TOTVS S.A. (BM&FBOVESPA: TOTS3) ("TOTVS" or "Company"), the Brazilian market leader in the development and marketing of integrated business management software and related services, Pursuant to article 157, § 4, of Law 6,404/76 and CVM Instruction 358/2002, hereby informs its shareholders and the market in general that the Company executed on this date the Share and Quota Purchase Agreement ("Agreement") by which it will pay R\$50.105 million to acquire 100% of the shares of **VIRTUAL AGE SOLUÇÕES EM TENCOLOGIA LTDA. ("Virtual Age")**. The Agreement also establishes the payment of a variable amount that can reach up to R\$25.000 million, which shall be paid in accordance to metrics defined in the Agreement until the last day of December, 2016.

Focused on the development of software solutions in the cloud for the Fashion and Apparel Value Chain, Virtual Age has more than 27 years of experience serving technology to Retail, Wholesale, Franchising and Manufacturing companies in this sector, having a portfolio with more than 500 clients, including the major manufacturers of shirts, trousers, denim jeans and suits in Brazil. Virtual Age sells its solutions in SaaS ("Software as a Service") model, having 81% of its revenue as recurring revenue. In 2014, its expected net revenue is about R\$29 million.

With this transaction, TOTVS reinforces its specialization strategy as well as its positioning in the Retail and Apparel Fashion industry, with Virtual Age's business expertise. With this union, Virtual Age will broaden its product portfolio, preserving its differentiated client service model, while leveraging its investments in innovation.

According to Article 256 of Law 6404 of 1976, this acquisition will be subject to shareholders' ratification at an Extraordinary Shareholders' Meeting, which shall be called in due time. Should the acquisition be ratified, any dissenting shareholders at the Extraordinary Shareholders' Meeting ratifying the acquisition of Virtual Age may exercise its appraisal right regarding the shares which are uninterruptedly owned since May 21, 2014, until 30 (thirty) days after the publication of the minute related to the Extraordinary Shareholders' Meeting ratifying the acquisition.

Dissenting shareholders will receive from the Company, if exercising their appraisal right, the amount of R\$ 6.55 (six reais and fifty-five centavos) per share issued by the Company, corresponding to the book value per share as of December 31, 2013. This appraisal rights amount may change if the Extraordinary Shareholders Meeting to ratify the acquisition of Virtual Age occur after the approval of the financial results by a forthcoming General Shareholders Meeting. In this case, the calculation of appraisal rights value per share will be based on the financial statements approved on the aforementioned Meeting.

The procedures for the exercise of the appraisal right will be announced in due course along with the call notice of the Extraordinary Meeting for approval of this transaction.

São Paulo, May 21, 2014

GILSONAR MAIA SEBASTIÃO
Investor Relations Officer

INVESTOR RELATIONS

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