



TOTVS

2Q08 Earnings Release

August 07, 2008

Safe Harbor

The following presentation contains summarized information about the activities of TOTVS till date. Such information does not constitute an offer, invitation or solicitation to acquire any securities. This presentation may contain statements that merely express management's expectations and/or forecasts about future events. Such expectations and/or forecasts involve risks and uncertainties and should not serve as the basis for acquiring the Company's shares.

Action	Objective	Results
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1Q07
Hunters x Relationship
Sales team

Growth

2Q07
New product and releases
Family 10 and FIRST

Growth

4Q07
Acquisitions
Midbyte & BCS

Speeding Growth

4Q07
TOTVS
Brand Consolidation

Synergies

4Q07
TOTVS Distribution
Channel Consolidation

Speed / Growth / Margin

1Q/2Q08
Web Sales & Implement.
TOTVS up

Speed / Growth



Record in Revenues and EBITDA

Financial highlights

- ▶ **Net Revenue:** reached **R\$132.789 million** in the **2Q08**, **record for the 14th time in a row**, growth of **22.6%** in relation to the 2Q07;
- ▶ **License fees:** growth of **35.1%** in comparison with the 2Q07, **historic record of R\$37.697 million** in the **2Q08**;
- ▶ **Maintenance Revenue:** grew **20.6%** in relation to the 2Q07, reaching **record of R\$59.660 million**;
- ▶ **Revenue from Services:** **R\$51.976 million** in the **2Q08**, growth of **22.7%** in comparison with the 2Q07, **another conquered record**;
- ▶ **EBITDA:** reached **R\$27.347 million** in the **2Q08**, growth of **10.4%** in comparison with the 2Q07;
- ▶ **EBITDA Margin:** reached **20.6% b.p** in the **2Q08**.

Operational highlights

- ▶ **Average Ticket of ERP:**
 - ▶ **R\$42.640 to new customers** in the **2Q08**, **20.0%** higher than the 2Q07;
 - ▶ **R\$54.621 to base customers** in the **corporate model** in the **2Q08**, **16.4%** higher than the 2Q07;
- ▶ **996 software sales** to base customers, growth of **12.9%** in relation to the 2Q07;
- ▶ **353 software sales** to new customers, over 293 in the 1Q08.

TOTVS' Honors

- ▶ **TOTVS recognition:**
 - ▶ **TOTVS as the 5th best company in Brazil in the Grand Prix of the Best IR Program of "Small & Mid Cap" Companies from the "IR Magazine Brazil Awards".**



TOTVS Day

- ▶ **Discussed Topics:**
 - ▶ **Demonstration of the new sales & implementation model for TOTVS' products through the internet: the TOTVS up;**
 - ▶ **Status of the progress in organizing the distribution network:**
 - ▶ **Estimation: the distribution channels already consolidated represent near 74% of TOTVS' expected revenue for 2008;**
 - ▶ **Setware Informatica acquisition – it was a RM's representation in the Recife/PE region;**
 - ▶ **Presentation of the 'Software ERM 2007' study research from IDC.**

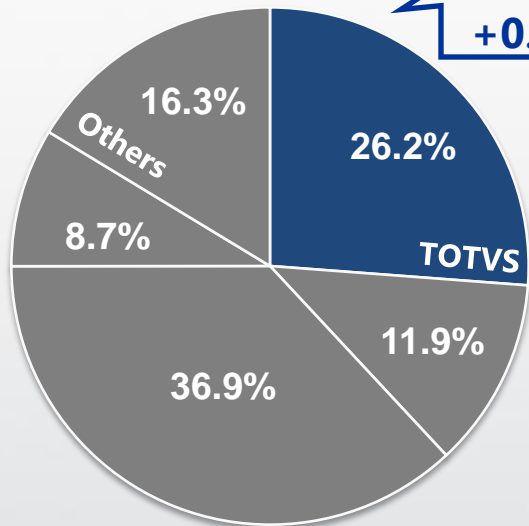
Market Update

- ▶ **Growth in TOTVS' market share – Brazil: 26.2% and Latin America: 12.1%:**
 - ▶ **Again, TOTVS' growth is higher than the market growth, both in Brazil and in the Latin America.**

Highlights in Brazil and in Latin America

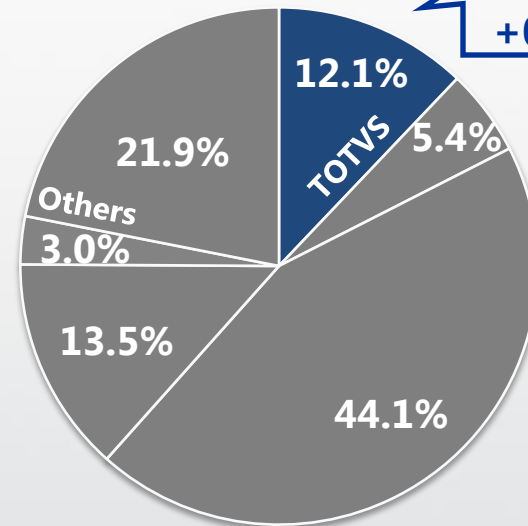
- ▶ IDC study research, published in June 2008, pointed TOTVS' market share growth higher than the market growth –both in Brazil and in Latin America – in the total market of ERP software:
 - ▶ Growth in Brazil: 0.8pp, reaching 26.2% of the Brazilian market;
 - ▶ Growth in LA: 0.9pp, reaching 12.1% of market share in the region.

Brazil



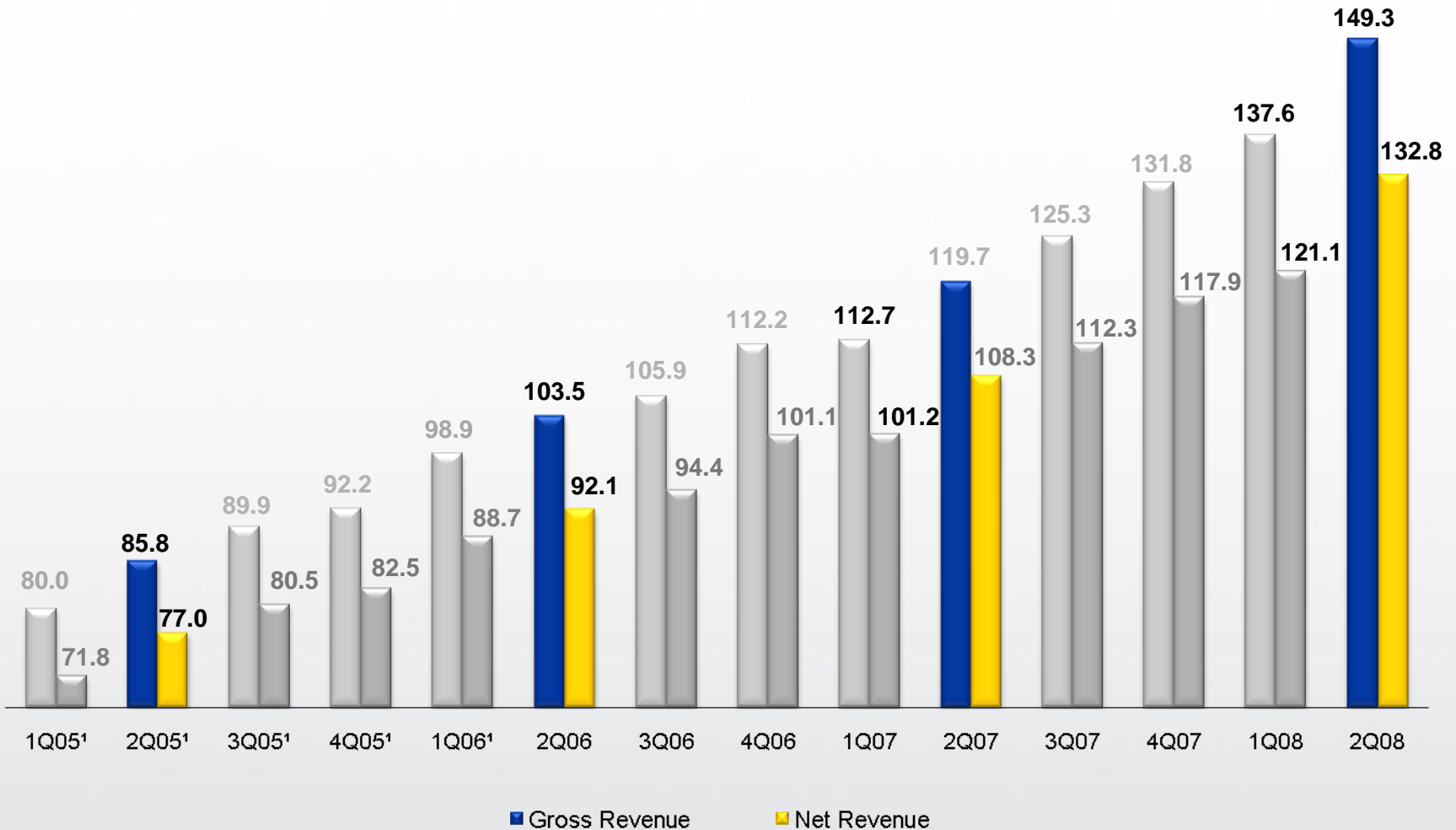
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Latin America



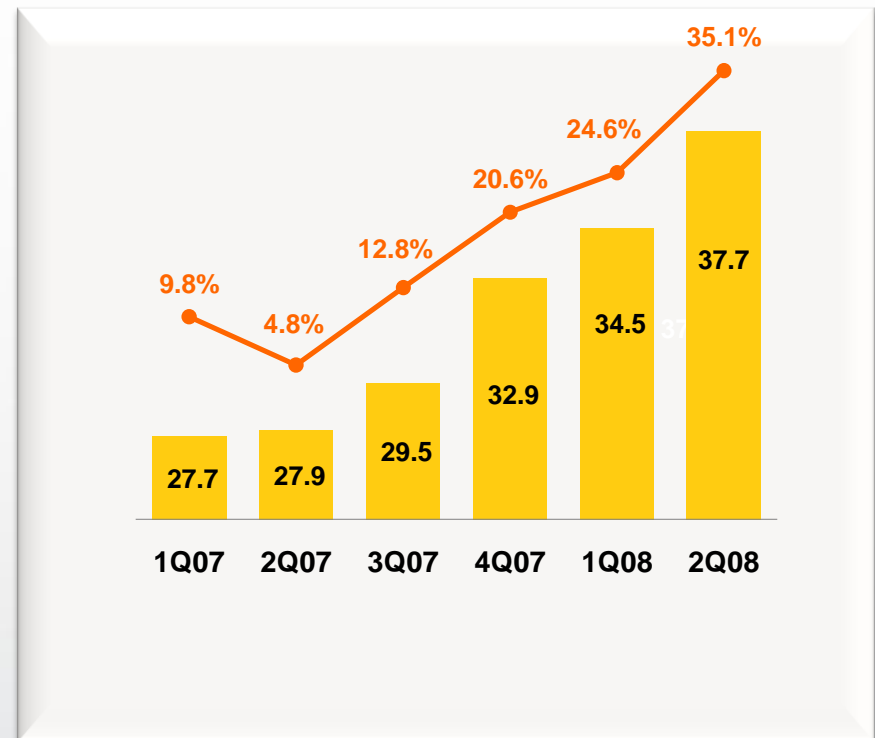
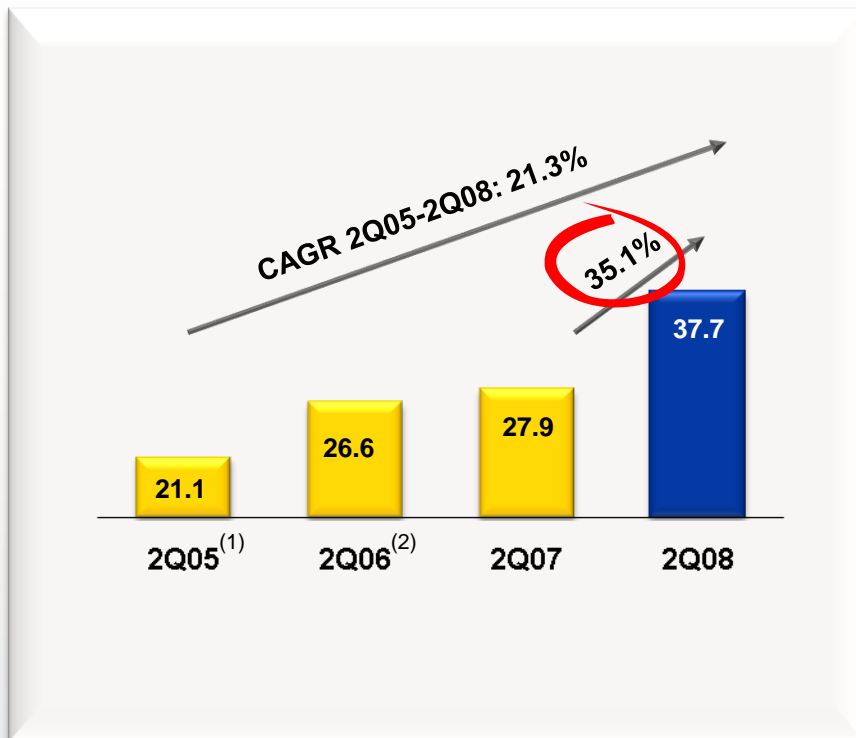
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+0.9pp

Record in Revenue (R\$ million)



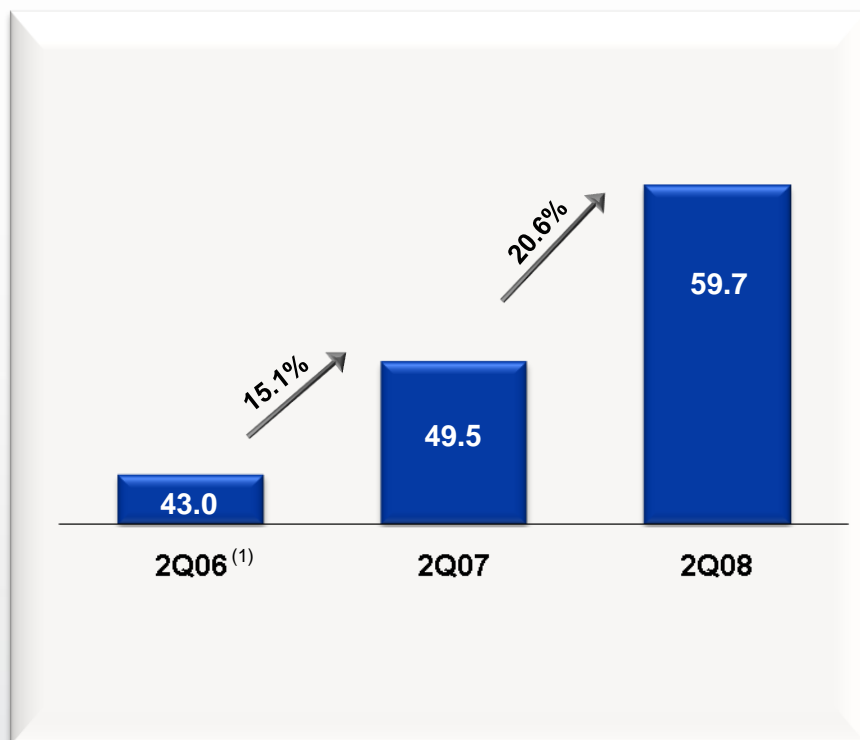
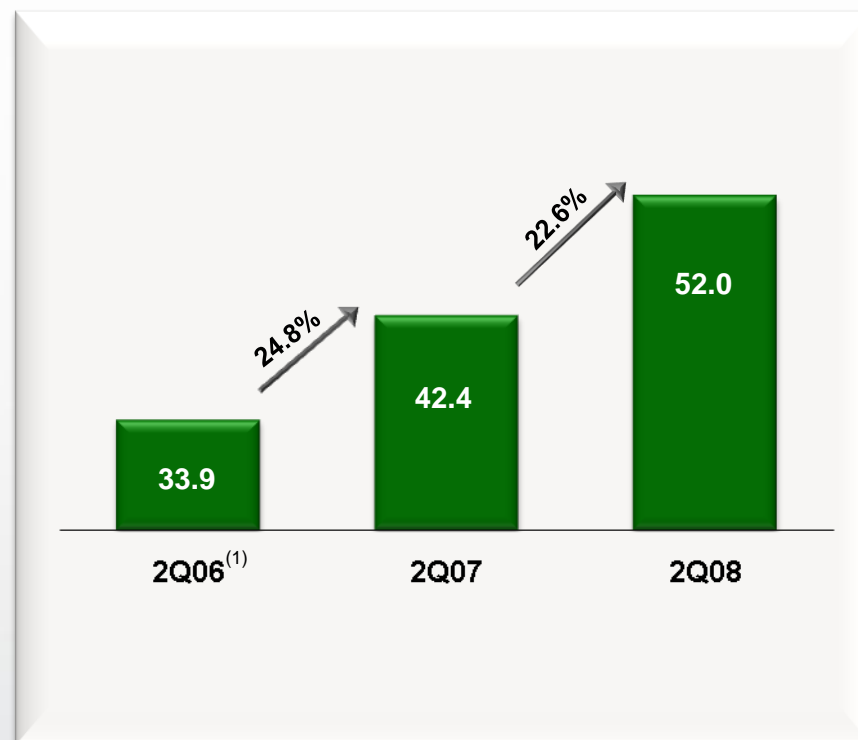
(1) Values are pro forma as they include numbers of RM Sistemas, acquired in April 2006, in the period analyzed (since January 2005).

Speeding up license fee growth...

License Fee Revenue and Growth⁽³⁾ (R\$ million)


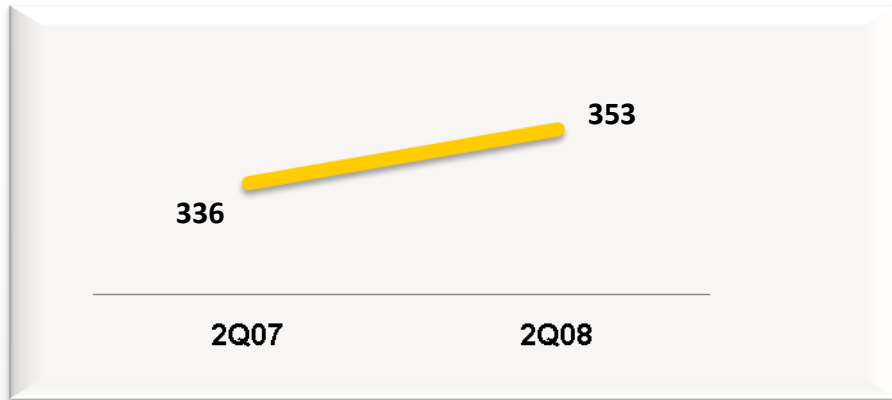
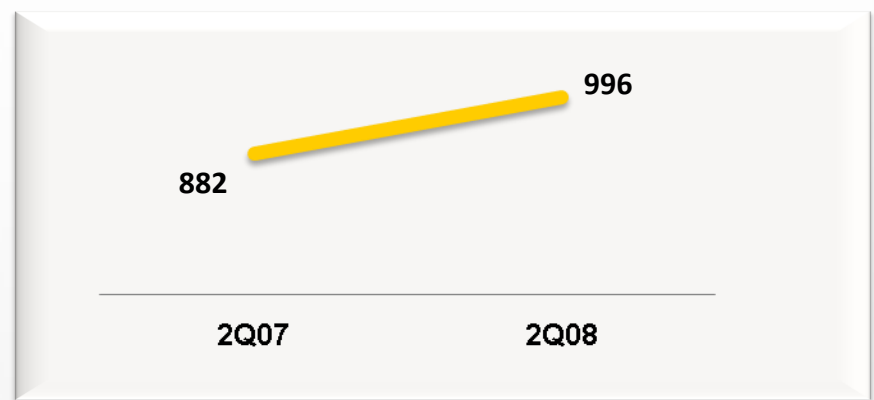
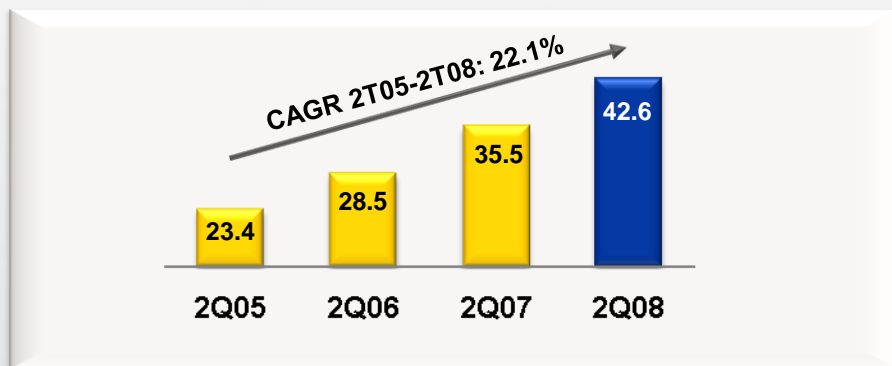
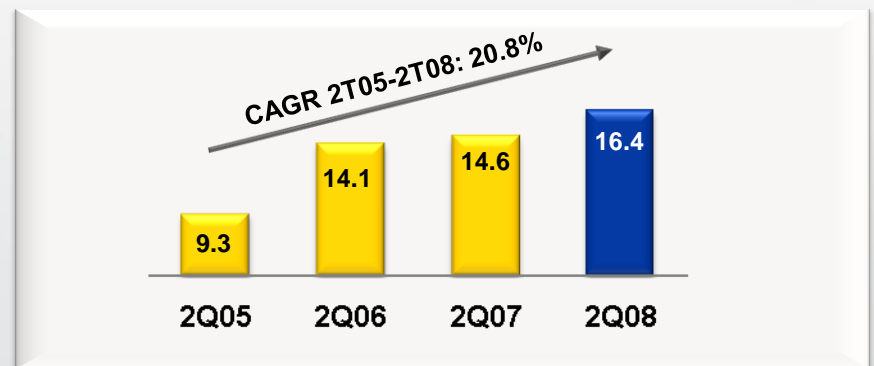
(1) Values are pro forma as they include the numbers of Logocenter, acquired in February 2005, in the period analyzed.
 (2) Values are pro forma as they include the numbers of RM Sistemas, acquired in April 2006.
 (3) Quarter versus same quarter in the previous year.

...and consistency in maintenance & service revenues

Maintenance Revenue (R\$ million)

Services Revenue (R\$ million)


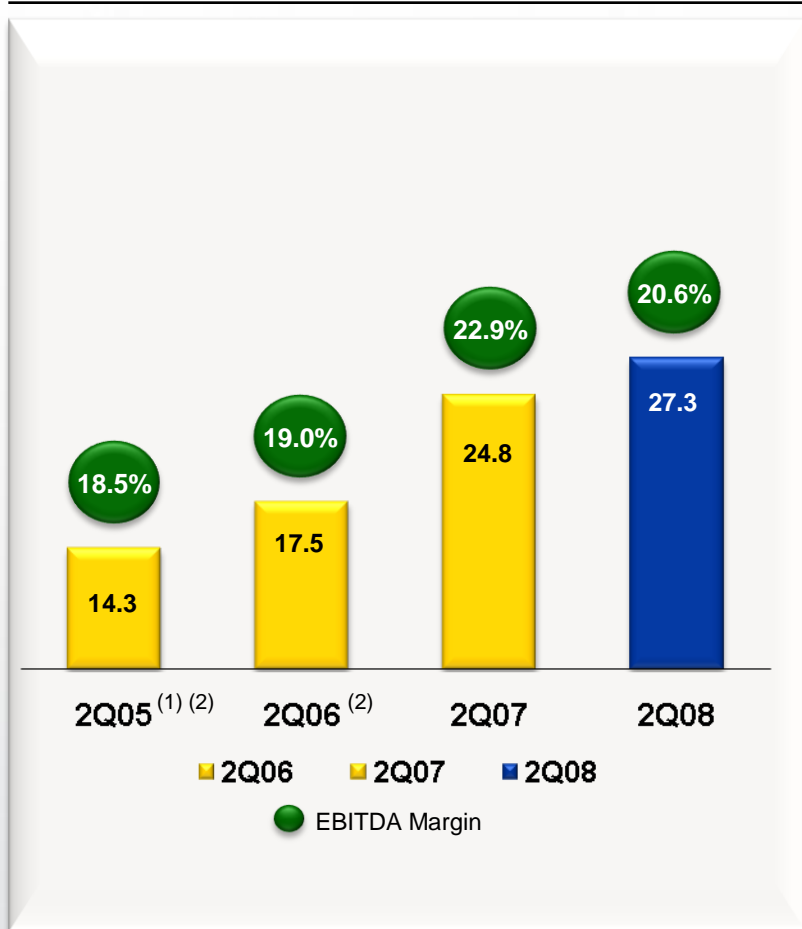
(1) Values are pro forma as they include the numbers of RM Sistemas, acquired in April 2006.

Strong growth in average ticket to new customers and seasonal behavior of base customers

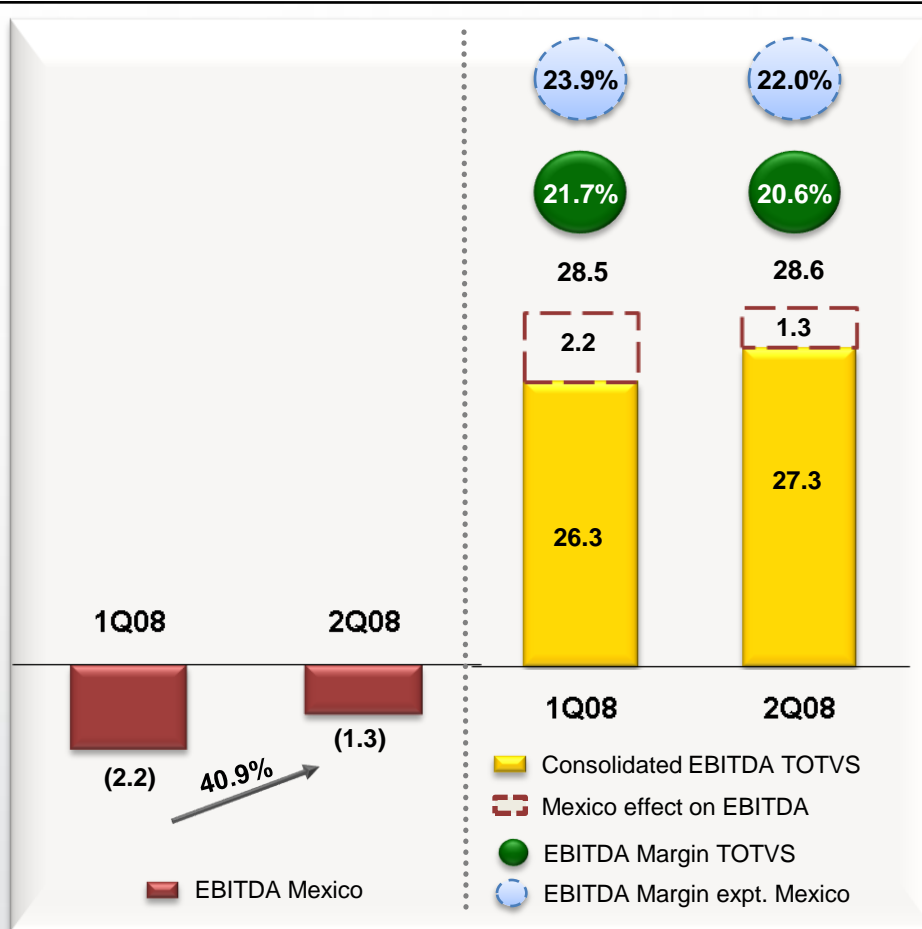
New Customers

Base Customers

Average Ticket of New Customers - Software (R\$ thousand)

Average Ticket of Base Customers - Software (R\$ thousand)


Continuous growth in EBITDA

EBITDA (R\$ million)

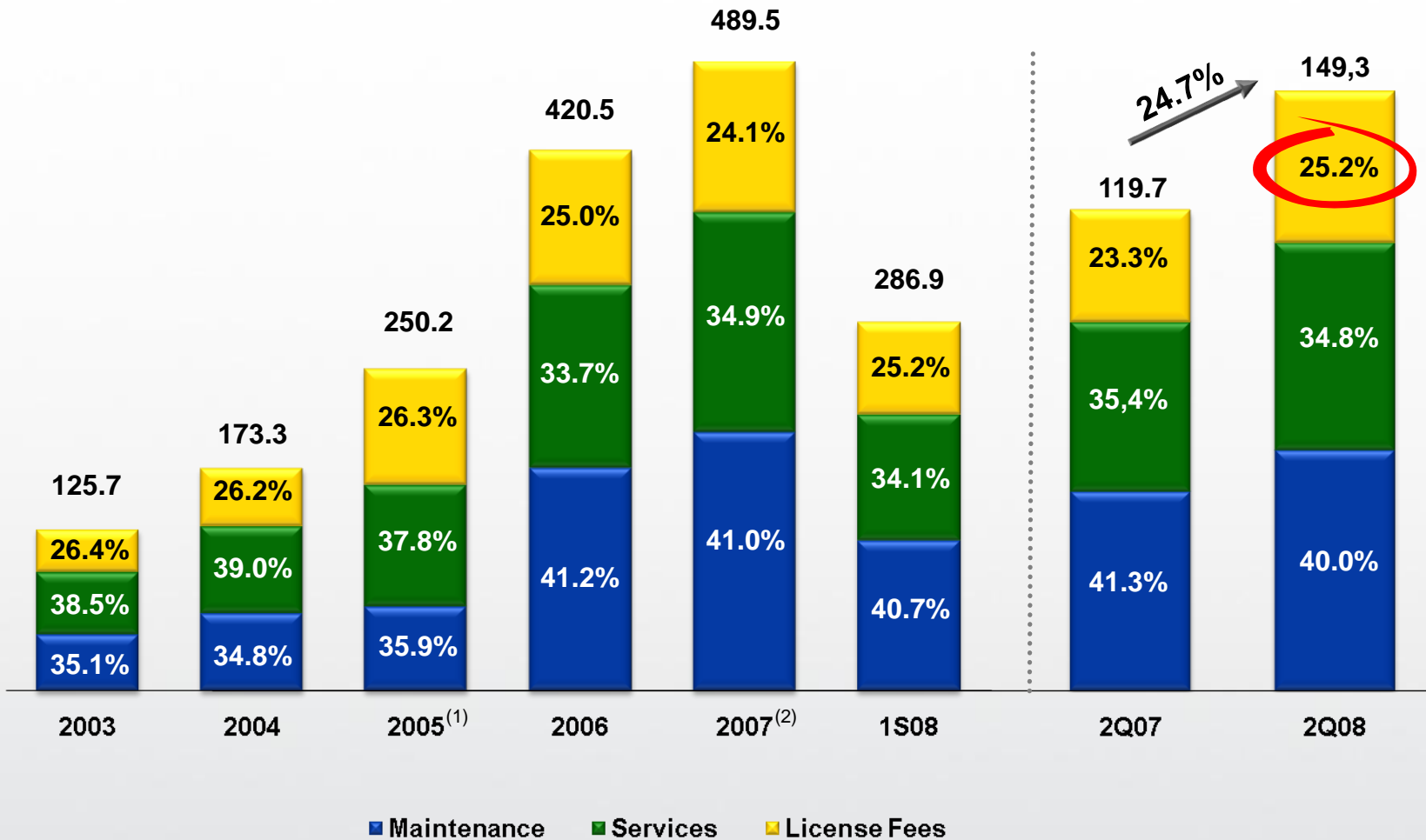


Scenario without Mexico's EBITDA (R\$ million)



(1) Values are pro forma as they include the numbers of Logocenter, acquired in February 2005, in the period analyzed.
 (2) Values are pro forma as they include the numbers of RM Sistemas, acquired in April 2006.

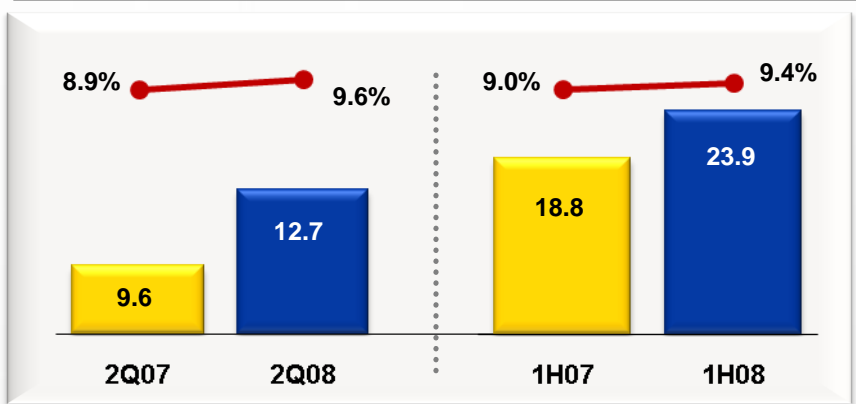
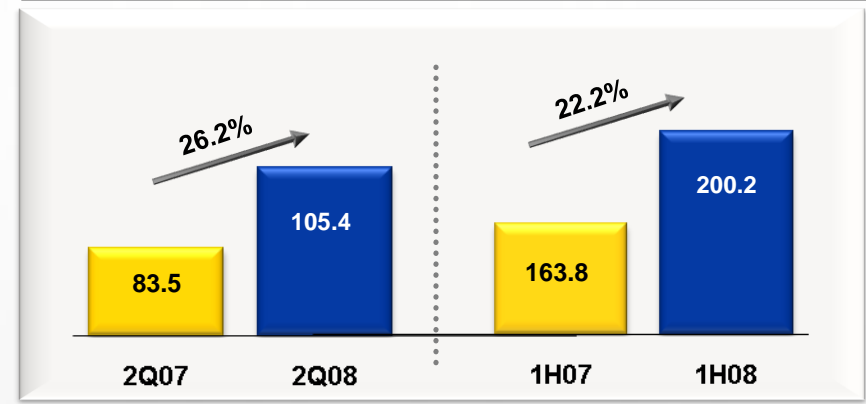
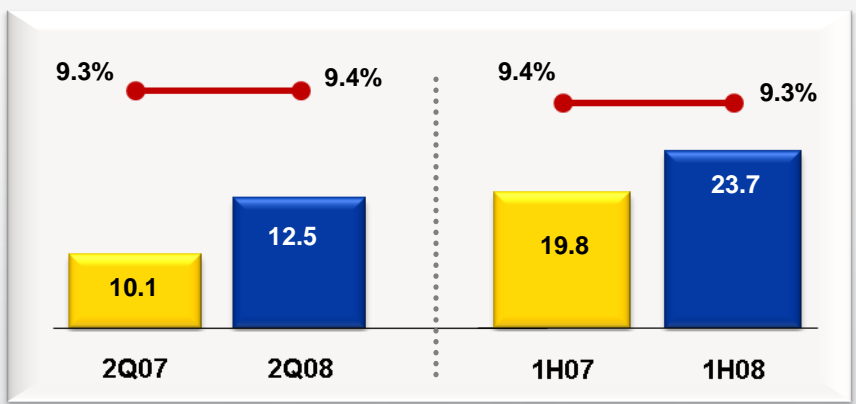
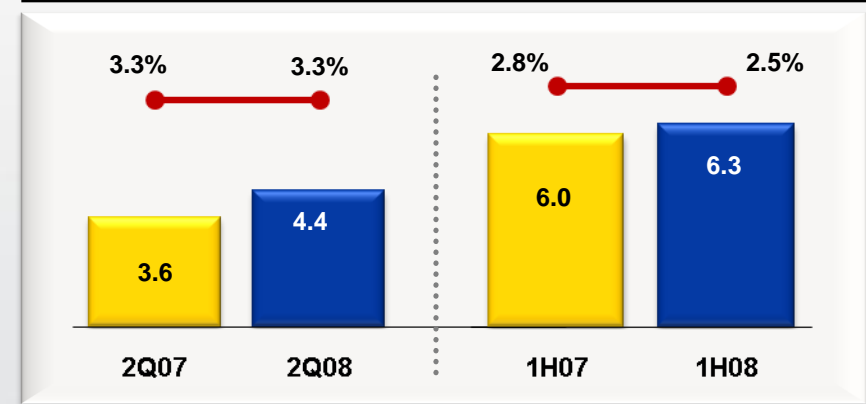
Revenue Growth (R\$ million)



(1) Values are pro forma for Logocenter in January 2005, as it was acquired in February 2005.

(2) Values are pro forma as they include the numbers of RM Sistemas, acquired in April 2006, in the period analyzed.

Costs and Expenses Dashboard

R&D (R\$ million) x R&D / Net Revenue

Costs and Expenses¹ (R\$ million)

G&A (R\$ million) x G&A / Net Revenue

Marketing Expenses (R\$ million) x Mkt. Exp. / NR


(1) Excluding depreciation and amortization expenses.

Financials Dashboard

R\$ million	2Q07	2Q08	Δ Q/Q	1H07	1H08	Δ H/H
Net Revenue	108.328	132.789	22.6%	209.489	253.840	21.2%
Gross Profit	74.949	88.129	17.6%	146.112	169.079	15.7%
EBITDA	24.781	27.347	10.4%	45.692	53.606	17.3%
<i>EBITDA Margin</i>	<i>22.9%</i>	<i>20.6%</i>	<i>-230 b.p.</i>	<i>21.8%</i>	<i>21.1%</i>	<i>-70 b.p.</i>
Net Income Adjusted ¹	16.821	19.528	16.1%	32.832	38.782	18.1%
<i>Net Income Margin Adjusted</i>	<i>15.5%</i>	<i>14.7%</i>	<i>-80 b.p.</i>	<i>15.7%</i>	<i>15.3%</i>	<i>-40 b.p.</i>

(1) Net income adjusted refers to net income excluding the effects of goodwill, amortization, net of tax. hence, it can be understood as net income from the Company's regular operations.

Action	Objective	Result
1Q07 Hunters x Relationship Sales team	Growth	<ul style="list-style-type: none"> •New trend in sales •Record in sales to base customers: +12,9% over the 2T07
2Q07 New product and releases Family 10 and FIRST	Growth	<ul style="list-style-type: none"> •Growth in license fees (in R\$) •2Q07 -> 2Q08: +35.1%
4Q07 Acquisitions Midbyte & BCS	Speeding Growth	<ul style="list-style-type: none"> •Expanded portfolio •Growth in Revenue
4Q07 TOTVS Brand Consolidation	Synergies	<ul style="list-style-type: none"> •IR Magazine Brazil Awards •Growth in market share
4Q07 TOTVS Distribution Channel Consolidation	Speed / Growth / Margin	<ul style="list-style-type: none"> •TOTVS Franchises representing 74% of the revenue
1Q/2Q08 Web Sales & Implement. TOTVS up	Speed / Growth	<ul style="list-style-type: none"> •Boost Revenue •Reduced sales & delivery cycle



TOTVS

QUESTIONS ?

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