

Operator:

Good morning. Welcome, everyone, to TOTVS's second quarter of 2006 results conference call. Today with us we have José Rogério Luiz (Vice-President and IRO), Rodrigo Nasser (IR Manager) and Henrique Mascarenhas (Head of Innovation).

We would like to inform you that this event is recorded and all participants will be in a listen-only mode during the Company's presentation. After TOTVS's remarks, there will be a question and answer session for investors and analysts, when further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

Today's live webcast may be accessed through TOTVS's website at www.totvs.com.br/ir.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of TOTVS management and on information currently available to the Company. They involve risks, uncertainties and assumptions, because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of TOTVS and could cause results to differ materially from those expressed in such forward looking statements.

Now, I'll turn the conference over to Vice-President and IRO, Mr. José Rogério Luiz who will begin the presentation. Mr. José, you may begin your conference.

José Rogério Luiz:

OK, thank you very much. Good morning, I would like to thank all of you for participating in this 2Q06 and 1H06 conference call of TOTVS. It is a pleasure to bring forward the results of another very positive period for TOTVS.

As a first statement and disclaimer here, I would like to tell you that, for comparison purposes, all the figures we will show today include RM and Logocenter's data in the group's results since January 2005, allowing us to better identify organic growth. So we are not talking here about Brazilian GAAP, but we are talking about the comparison with pro forma data included in the company since January 2005.

This quarter was marked by very important achievements for TOTVS: it was our first complete quarter as a publicly-held company and the quarter in which we acquired RM Sistemas, in April. In terms of RM, it has been consistently integrated into our company, and we will discuss this process in further detail during the presentation.

On page two of our presentation, with the headline "Highlights", let us say something about our financial performance, starting with the revenue growth, especially that of license fees, which rose by 26.3% compared to 2Q05. It is very

important to point out that the license fee is the basis for the company's two other revenues: service implementation and maintenance. Therefore, having this growth of 26.3% in the quarter is a very significant number.

In terms of gross revenue and net revenue, they also have a very good growth, around 20%. The adjusted EBITDA increased over 23% in the 1H, compared to 1H05. The EBITDA reached R\$ 35 million in 1H06, and in terms of the 2Q06 compared to 2Q05, the growth of EBITDA was almost 23%. In terms of EBITDA margin, we reached in the semester 19.4%, and in the quarter 19%. In comparison to 2Q05, there is an specific evolution of 0.5 p.p.

I would just like to remind you that X-RM we had, in the year of 2005 16.7% of margin EBITDA; in 1Q06, 17.8%; and now we went up to 19%. All of this has been a consequence of our operational performance, and I would like to point out, in terms of operational performance, that in 2Q06 we have over 307 new software clients; this is more than 120 clients per month in the quarter. Nowadays, we have more than 4.800 active clients.

One of the examples of what also helped, in terms of the growth of our margin, as well as our sales, is that the average value of new user license sales from our base clients – clients that were already our clients and, as they are growing, they return here and buy more software – the average picture in the sales for that increased over 50%.

In terms of other recent events, we had this quarter the acquisition of RM Sistemas – we are going to talk a little bit about the integration process – and the creation of the Innovation and Technology area. So, in this first (6:37) in the highlights, what we have is a very stimulating quarter, bringing us this growth in terms of License fees, and this provides us, again, with a very stimulating process, and a very positive mood within the company.

Moving to page number three. We had, in this quarter, two research institutes that covered our market, and they published 2005 data on the ERP market. According to Frost & Sullivan, the CAGR for the sale of new ERP licenses in Latin America between 2005 and 2010, will be around 10.6%.

And Gartner also shows that there will be growth in the future, and more than this, that the world's highest regional growth is going to come from Latin America, where we have the highest position, and we have the largest Latin American company in the ERP market. So, we have a positive macrocenario, in terms of the industry and the region.

And at the end of this presentation I am going to invite you to a New York City conference call that we are going to have next Wednesday, which is going to help us understand and help everybody to understand a little bit more about our market and see TOTVS' position in this market.

Going to page four. In this chart that a lot of you already know, in terms of our historic growth and the track of our success and growth, we have here that, in Brazilian GAP, we had over R\$ 250 million in gross sales in 2005, and in the 1H06

we had over R\$ 200 million in gross sales. This is around 80% of everything that we did in 2005. In this graph, what you can see is that we are working very hard in order to keep our consistent growth, but also to leverage our operations as we are getting bigger and bigger.

Going to page number five. On page five, we have a chart with our operational performance. What I would like to point out here is that the company's net revenue climbed over 21% in 1H06, in comparison to 1H05, reaching over R\$ 180 million. The EBITDA also grew over 22%, reaching R\$ 35 million, and in terms of margins, we also had a very interesting increase in our margins, reaching, as I said, 19% in 2Q06, and 19.4% in 1H06.

Going to page six, talking a little bit about each of the main aspects of our revenues. The first one is the license fee revenues; we would like to stress that this is a massive and important growth in the sale of license fees, and it is very important because, since the license fee is the basis for service and maintenance revenue, this is going to reflect in our service implementation and maintenance revenues.

This growth in this quarter was given by several factors. Some of the most important are: firstly, the increase in the number of clients. Just in this quarter we had, like we said, 378 new software clients. We also were – and we are going to show to you – more effective in terms of the quality of sales. I mean that we are not only selling to new clients, but even to the clients in our days and to these new clients, we are selling more in the first round. And, also, we had sales growth in some geographies; as an example of this, we have Microsiga México, which reported over 114% for net sales growth in local currency, in the period.

Go in to page seven; we have the service revenue, also going around 20% in the quarter. It was a very positive growth, despite an important fact> in 2Q06, we had something that is very rare: in April, we had three long weekends in a row, starting in holidays on Thursdays, when we had a kind of bridge on Fridays. And, additionally, we had the World Cup matches, so we lost two afternoons in which our people did not go for the implementation.

So, all along we had four working days less in this quarter, compared to the previous quarters. Even with that, we were able to grow 20%; of course this quarter (inaudible) loss of four working days has a reflection in our net sales, as well as in our EBITDA, but still we were able to show this growth that we are showing you.

In terms of maintenance, on page eight, maintenance nowadays represents more than 40% of our revenues and has, in terms of absolute figures, the largest increase in the quarter, although, as we have a big base, this provoked an 18% growth in the quarter, and almost 20% in the semester.

Going to page nine, on the left side of this chart, I would like to tell you about the EBITDA. In the quarter, EBITDA rose almost 19% in comparison to the last quarter, and in the semester EBITDA rose 23.4%, reaching R\$ 35 million. Again, I would like to reinforce that, in terms of Brazilian GAP, in our figures we have

around 15.7% in 2005, 17.8% previous to RM in 1Q06, and in 2Q we are already reaching 19% o margin EBITDA. As for net revenues, we also had a significant growth, as we said, of around 20% in the quarter and in the semester.

Going to page 10. On the upper left side this chart, we have R&D expense and, as you can, we grew that R&D expense in the quarter and in the semester, and we are keeping these around 8% or 9% of net sales. It is important because this aspect of Research and Development means, to us, the future. It means to have the best products to our clients, especially the clients in this small and medium segment. On the bottom left, we have SG&A. SG&A, in terms of absolute figures, had a reduction, as well as percentage. So, we understand that, in terms of general administrative expenses, this is a result of our efforts to adjust costs and synergies to RM and Logocenter, putting everything under the same umbrella.

On the right side of this chart, what you have, in terms of costs and expenses(16:36) – excluding the amortization aspect – you have that we grew less than our net sales; but there are some aspects of our expense that are not reducing; one example is advertisement. We have even increased in advertisement, because we see that investments in marketing and advertisement is the key in order to reach all of that green market that we have. And, again, we understand that, as a custom expense as a whole, we are putting our efforts in reductions, and those costs that we can gain scalability, and we are trying to spend our money in expenses that can help us to increase our sales and margin.

Going to page 11. We have reached, this semester, almost 700 new software clients, just in the quarter 378. This is a significant growth in relation to the 2Q05 and again, this is an important result in this quarter, because even having the process of acquisition of RM Sistemas, that could bring some doubts to the market, this is not happening. We think that we have sent the right message to the market, we have sent the right message to the clients and the results are the results that we are showing now.

In the right side of this chart we have to corporate model, that is that model linked to metrics of the revenues of our clients that we also got 75 new clients, almost 35% more than in the previous period.

Moving to page 12, in terms of some indicators that we have, n the left side we are telling here that the average ticket for new clients, the license fees for new clients, rose up to almost 22%. What do I mean by that? Our clients came here one year ago and bought in the first round R\$ 23 thousand in software and now it is almost R\$ 30 thousand in software in the first round.

And then, when you go down left, you see that in terms of the clients that buy through this traditional way are also buying more in this first wave. And, in the right and up of the chart, you see that our base clients, I mean, clients that have already used our products, are returning here and they are buying more products. And they are buying 50% more than they are used to buy, than this new clients from the base used to buy in the second round.

So, we always have a statement, a point, in terms that we are in the sweet spot in the pyramid. What do I mean by that? We are selling to clients in the medium

small segment, clients that are in a process of growth and while they grow they return here and they buy more software. And this is a reinforcement, or an affirmation, of this asset that we consider in our (inaudible 20:43) always.

And then, when you go the right side and down of this chart, we see that, in the corporate model, the new clients of the corporate model, the total amount of sales in the corporate model is around R\$ 2.2 million, so we are able to sell in a very good amount. But we are selling to more clients and the average ticket went down this quarter by 30%. And again, this is very positive. Why? As, in the corporate model segment, we are linked to the growth of the clients, selling to smaller clients provides us a very good perspective in terms of recurring revenues, because these clients should be those clients that are going to grow more than other clients.

Moving to page 13 now, in terms of our process, I do understand that all of you know this chart; what we have new here is that, in terms of distribution channels, channels; nowadays we have more than 14,800 clients and one important geography that we have today, for instance, is Mexico. As I told you in the 1H06, Mexico grew in terms of local currency, Pesos, over 114%; in terms of reais 70%; gross sales almost 90% in terms of net revenues in reais.

So we have a very consistent growth, we are starting to have a company in Mexico with a certain way. I mean, just in the 1H06 we sold R\$ 7 million in Mexico.

Moving to page 14, one of the things that I would like to inform at this point in time is that the RM integration process is going OK according to our plans. And, in terms of structures migration, we have already Marketing, New Businesses and all the things related to alliance under one single structure. We have all the numbers consolidated and assets from the back office already working under one single entity.

In terms of technology process, RM is already integrated under the TOTVS road map of technology and we also went for the creation of the Innovation Area. And what we got and the way that we did is that we have at RM a lot of talents and one of the senior talents that we have is Mr. Henrique Mascarenhas, that we invited and he accepted and nowadays he is our Chief Innovation Officer and he is going to have the opportunity to talk to you in a few minutes about the role of his new position.

Well, the third aspect of the RM integration, we have the commercial area and what we have there is business as usual, what do I mean by that? We are keeping separated, as we said, channel of distribution, the sales team, so this explains part of the success that we are already having in the process of RM and this explains some of the god results that we had in the 2Q.

Moving to page 15, this aspect of RM being part of our group, put even a better picture in terms of the diversification of our client base. As you may remember, on this page 15, the left side is the end of the year 2005, we have a certain distribution in terms of concentration and then nowadays, the ten largest clients that we have represent just 4% of our revenues. The 100 Large clientes just 19%

and more than 14,500 representing over 80% of our revenues. So, this provides to us a lot of stability.

Inviting now to go to page 16, we have a very simple draw of our structure here, of TOTVS. And what I would like to point out here is that we split the area that we have, that was the area of Research and Development, creating the Innovation Area and to have this Innovation Area we invited, as I said, Mr. Henrique Mascarenhas.

I would like to invite you to go to page 17 and to introduce you to Mr. Henrique Mascarenhas. Henrique has been within the industry for the last 17 years; he has a degree in computer science as well as in business management and one of the activities that Mr. Mascarenhas does is that he is the chairman of the Brazil-India Chamber of Commerce IT Committee.

As we have had the pleasure of knowing Henrique for more than one year now and in the last month working together and it is very clear the kind of support and the kind of innovation he can bring to our team and into the group.

So, Henrique, it is your turn.

Henrique Mascarenhas:

Good morning everyone. It is my pleasure to talk to you. It was with great enthusiasm that I accepted TOTVS invitation to this new position in Innovation and Technology. It is an initiative that enhances the innovative solution, delivering for our customers. Actually, the innovation always existed in the group; what we are doing is creating a formal structure with dedicated resources to focus on innovation for our customers. We are creating a research lab, where we will allocate dedicated resources to search for new technologies and solutions.

We will be aiming on solutions that complement our existing line of products, always focusing on improving productivity and for reducing costs for our customers. There will be two types of innovative projects: disruptive and evolutionary.

I would like to invite you to the next slide, where we show our main evolutionary project, which is called TOTVS Tec. TOTVS Tec is the new brand for the TOTVS development technology, that will be delivering enhancements. The idea of this slide is not to scary, there is a lot of technical terms and intricate figures, but just to show you that TOTVS Tec is the middleware and as a middleware it resides between the ERP, or applications, and the operating systems, such as Windows, Linux and others.

And it makes it possible for us to deliver the application multi-platform, including all the operating systems and all the databases that the customers have chosen. This is important because we are delivering independence and choice for our customers.

We will be enhancing TOTVS Tec in aspects such as the interface for the developer, the data access, improving performance, this will deliver a huge

productivity enhancement for thousands of developers that already use these tools.

TOTVS Tec, thus, supports any operating system and any platform and, in addition to that, it supports other programming languages other than its native ADVPL language; we are supporting by the end of this year the 4GO language, which is a new one and other languages we are supporting throughout the next years.

On the next slide, these are some of the initiatives that we will be working on. Some of them are evolutionary, others are disruptive. Some of them are focused on reducing costs, the great T are the reducing cost in projects and others are focused on improving productivity, the P's, the projects that are marker with the P mean that. And the disruptive innovation is market with an I, I for innovation, that we will be working on projects that propose brand new was to operate and use the application on a very innovative manner. Things like voice recognition, RFID, Voice over IP and biometrics are subjects for our studies.

I am not going to enter in detail about any of these projects, but I would like to tell you to feel free to contact me anytime and we can go into details; the level I am able to talk to you about some of these projects.

I would like to thank you very much and feel free to ask any questions or doubts. I will bring it back to Rogerio.

Jose Rogerio Luiz:

Henrique, thank you very much. So, what I would like to that is, first of all, to tell you that, again, we are having a very interesting and important quarter, that even with this major aspect of having the inclusion of RM under our umbrella, even being our complete 1Q, being a public trade company, we were able not to lose the focus and to be near the clients and, at the same time, keep the motivation of our team.

In terms of BR GAAP, just to provide an idea, in relation to the last year, we are growing over 66% in terms of sales and EBITDA more than 92%. So, I think hat we have a strong compromise with our team, with our clients and with our investors to be community.

Slide page 20, I would like to wrap up; I would like to invite all of you to the ERP Trends and Landscape conference call that we will organize jointly with the Gartner Institute – as you may know, one of the largest research institutions, one of the most renewed technology market in the world. This is going to occur next Wednesday, the 16th of August at 9:00 am NY Time. This is going to be through our webcast, we are going to have the corporate presentation and Chad Eschinger, who is the responsible, is going to be in NY and is going to have this one hour presentation with the Q&A again.

I saw this presentation, it is a very positive, in one hand a very educative for those who want to know more about the ERP market in Brazil, Latin America, worldwide,

including trends and for those who already have the opportunity to discuss with very senior people, with a lot of knowledge in this segment.

So, having said this, we are going to be open now for questions.

Ricardo Araujo, Itau:

Hello, Rogerio and everybody. I have a couple of questions, but I will start with one related to the financials; you mentioned in the press release and also in the presentation that the service revenues declined as a consequence of the four full, kind of less working days when you compare with the 2Q05. Do you believe that, once you get in the 3Q, you can compensate the fact the you have not had the opportunity to install those applications, even in the case of TOTVS BMI? So, do you think that in the 3Q we can have a kind of rebound in service revenues and I think that this is possible as you have a kind of spare capacity in the usage of your implementation people? So if you could comment on that, please.

Jose Rogerio Luiz:

Ricardo, thanks for your question. The first thing, about the reduction, it was a growth lower than we could have. The second thing is that we do understand that everything that has to be implemented is going to be implemented throughout the time. So, if these four days are going to be accounted in this quarter, not necessarily, because it depends on the project that we are talking about.

As our projects go around 3-9 months, we understand that these revenues should be distributed in a conservative way the next three quarters.

Ricardo Araujo:

Yes, but my point is: the service revenues divided by license revenues has been axed in the 2Q, so, in the following quarters, 3Q, 4Q and potentially 1Q07, your ratio is expected to increase, because actually you have sold the software as license revenues have increased according to expectations. But, my point is, service revenues are expected to recap in the following two or three quarters and more in a ratio service divided by license higher than in the 2Q, because you have sold the software, you just have not installed it, but it is sold, right?

Jose Rogerio Luiz:

You are right. My only point is that, if I keep selling, as we hope, license in the speed that we have been selling we are always having to hire new people to work for the implementation. What do I mean by that? We do not have here people for implementation doing nothing. We are always working to be close to 100% efficiency. And we are working hard in order to... What can see in a quarter services is growing faster than license, but keeping in continuing business in terms of licenses, there is the trend, and I should tell you the trend.

The trend is to have a very close number of growth between implementation and licenses. Have I addressed your point?

Ricardo Araujo:

Yes, you have. And I have another question, related to the license fee specifically, it does not need to be specific for the 2Q, but in your recent history how do you see your different sets of products performing? I mean, ERP, CRN, HR, Business Intelligence and Verticals. Do you have an idea of a breakdown of 100% license revenues that you have, how much is for each one of those segments? It can be a both part figure.

Jose Rogerio Luiz:

Look, as everything is under the same license, what I can tell you is that, in relation to Verticals, we have also ERP, but ERP in the very deep sense, including CRN, representing at least 70% of our revenues.

Ricardo Araujo:

Specifically for Verticals?

Jose Rogerio Luiz:

This 70% all for Verticals. The Verticals are going to represent something like 30% of our revenues. Before the ERP, something like 70% of our revenues.

Ricardo Araujo:

OK, and just continuing with one question, in terms of the specific Verticals that are currently representing like 30% of your revenues, I see that you have been commenting that you see a lot of potential in the Vertical segment. What are the Verticals that you are committing energy and effort the most at this point, if you could mention like three of them? And what, specifically, are you doing for those? Specifically looking for acquisitions, or trying to develop some of them internally, if you could address this point please.

Jose Rogerio Luiz:

Education, health, agribusiness and HR. The major points. When we talk about agribusiness it is a word, you can have everything in agribusiness, from soil bean, sugarcane to poultry, this kind of things. We are working hard not only to identify, but to see targets in the agribusiness sector.

In terms of HR, with the inclusion of RM, we are getting to see almost a new world in terms of HR, because RM was already developing some engines, we were developing some engines at RM that can be enhanced by the incorporation of other companies in this segment.

So, addressing your point, I should tell that business is four major areas, agribusiness is something that we are really paying attention and, again, HR, we seem to have a new moment in terms of HR.

Ricardo Araujo:

OK, thank you very much and I forgot to congratulate you on the results. Thank you.

Andrew Campbell, Credit Suisse:

Hi, Rogerio, it seems that one of the strong points in the quarter was your ability to leverage up your existing clients relationships and give more life into your existing base. I was wondering if you feel that you are getting into a point where perhaps that opportunity is getting saturated or how far long do you think you are in terms of that penetration process and just what do you think the outlook should be in terms of that kind of growth going forward,

Jose Rogerio Luiz:

Andrew, the first thing is in terms of... Are you telling that the base of our growth was in terms of the new clients and not in terms of our base? So, I have a different view in terms of this specific point, I do think that the base of our growth was going for the new clients, although our base of clients had a growth importance and this is very clear. The larger the number of clients that I put in my base, the larger are the chances of having companies growing and returning here to buy more and more software.

And you see, sometimes I told you in terms of returning here, much more than having our team going there and selling more. So, having said that, I think that we have a tremendous potential within our client base. We are far away from having explored this base. But, at the same time, and you have been accompanying us and you know us, as we have a very large Greenfield in terms of several companies without ERP, we have a huge focus of our sales team going for these new opportunities, then selling to our base clients.

I do feel that we are much more reactive in terms of our base clients than active in terms of exploring more. Therefore, I think that we are far away from any kind of limitation in terms of our base.

Andrew Campbell:

OK, that is great, thank, Rogerio.

Tony tang, Lusight Research:

Hi, good morning, my question I regarding your production committee. Why do you set up three committees instead of just one? And then to administrate all the brands. That is my first question.

Jose Rogerio Luiz:

Well, if I understood your question, you are asking us why we have three products instead of just one, right?

Tony Tang:

Yeah, just one, because you are under one name, so would not be the (inaudible) more efficient?

Jose Rogerio Luiz:

No, let me tell you. In fact, when we are talking about our three major trademarks, Logocenter, Microsiga and RM, they are in fact targeting different aspects of the market, different niches of the market. If you think in terms of a pyramid, RM Sistemas is going to be in the base of this pyramid, in terms of medium and small companies, not in terms of micro companies. And then, you have in a second step, in a different complexity, the Microsiga brand and then you have the Logocenter in a different way.

So, the products are linked to ERP, but they have different concepts to support clients with different sizes and mix. Again, I do not have the ambition, with this 30 second answer, to answer all your doubts in terms of this specific aspect, but we are going to be more than happy to provide to a presentation specifically about the strategy of each product and why it is important to have three different products, with three different sales teams and three different types of developers, because we are targeting companies with different necessities, different sizes, although all of them within the small and medium business.

If you allow me I would like to, after all, ask Rodrigo Nasser, our IR Manager, to provide you with all the support that you need in terms of information.

Tony Tang:

OK, thank you. My next question would be: I have noticed your cash balance has dropped substantially in the quarter, right? So, what can you explain about what happened and why, how? What biggest that your cash expense dropped in the quarter.

Jose Rogerio Luiz:

Sorry, you said in terms of our cash position right?

Tony Tang:

Yes, that is right.

Jose Rogerio Luiz:

In fact, we grew our cash position in the 2Q, right?

Tony Tang:

No, your cash balance, dropped substantially, actually.

Jose Rogerio Luiz:

No, look, what we did in the 2Q, after the IPO, we bought RM Sistemas and this was basically with cash.

Tony Tang:

OK, so that was because of the acquisition?

Jose Rogerio Luiz:

Yes, we paid over R\$ 160 million cash in the beginning of the 2Q.

Tony Tang:

Even if you deduct that R\$ 160 million out, your cash balance would drop to R\$ 30 million, something like that.

Jose Rogerio Luiz:

But then we paid additional R\$ 42 million at the deposit, because the final price of RM Sistemas we expect to be R\$ 206 million and this is linked to some specific targets that we have in terms of operational targets of RM Sistemas, that they should reach by the end of this year.

So, only note, from the total cash that we had on March 31st, we have spent R\$ 206 million in the first days of April.

Tony Tang:

OK, one more question here is: after that Brazil, I have seen Mexico as your second largest market here. SO you your future growth mainly coming from that market? And also could you comment about what is the competition in Mexico, the local competitors?

Jose Rogerio Luiz:

OK, let me tell you. We see that Brazil and Mexico represent over 70% of the Latin American market of IT and ERP. I should tell you that we see Brazil as a very under-penetrated market, as well as Mexico. So, the major opportunities that we are going to have is going to be Brazil and Mexico, although we have opportunities also in Argentina and Chile, but the penetration rate is very low, specially in medium and small companies in Brazil and Mexico. So, we see our major growth from these two countries.

In terms of competition; in Brazil, of course, we fell the competition of all international players, still, we are by far the largest company, specially in the medium and small companies, depending on the research area but between 40%-50% of market share. In terms o Mexico, we face the competition of Business

One, as well as the products of Microsoft. Local companies: we feed very few local companies, but even Business One and Microsoft products do not have the flexibility and the kind of product that we can provide to the small/medium companies. And even in terms of prices implementation and the full package.

Therefore, at this point in time, with the administration of the group that we have in Mexico, has been our capacity to deliver to this market. So, we have been investing in training people, in better structuring our channel distribution there; and we respect the competition, but we see that there is a lot of room for growth in that country.

Tony Tang:

So, when do you see all the investment in Mexico will be materialized? In the next two quarters, or next year, or is it going to be in two years time?

Jose Rogerio Luiz:

I should tell you that I think that we are in the early stage of the Mexican operation. If you ask us, we do understand that, throughout all the time, we can have a company in Mexico with a very interesting size there, we can have, years from now, Mexico representing ... I can tell you that it is going to be in one or two years from now, but we do understand that Mexico can represent something between 10% and 15% of our revenues, some years from now.

Tony Tang:

OK. Alright, thank you very much.

Stephen Graham, UBS:

Hi. Actually I had one more question on Mexico, also. I think you showed just over 300 clients there; can you tell us more about these clients? Are they Logocenter or Microsiga clients, what sectors are they in, where are they, geographically? That sort of thing.

Jose Rogerio Luiz:

OK. We are spread out in the countries. Number one: they are, mainly, Microsiga and RM's. If I could tell you, in terms of growth, what we see is that the largest amount of growth in absolute figures are in the Microsiga trademark; in number of percentage they are in the RM trademark.

Stephen Graham:

So, was RM already there before the acquisition?

Jose Rogerio Luiz:

Sorry?

Stephen Graham:

Was RM already in Mexico before TOTVS acquires RM?

Jose Rogerio Luiz:

You mean, in terms of Mexico?

Stephen Graham:

Right.

Jose Rogerio Luiz:

No. In terms of Mexico, we only have the Microsigla trademark. RM started to have a process there, but, in fact, it is not going forward. Sorry. Sorry, Stephen. I did not get your point. Specifically in terms of Mexico, we have just the Microsigla trademark.

Stephen Graham:

Right, OK. So, are the clients traditional manufacturers, the original core? Is that the typical client in Mexico?

Jose Rogerio Luiz:

Yes. In fact, the average ticket in Mexico is something like 20% to 25% bigger than the one we have here in Brazil. But, again, this is much more related to our capacity there to deliver the products, than the necessity of the market. Every time we are having the typical client SMB is looking for us in Mexico. So, the average ticket is higher than here, because the necessity they have, at this point in time, is higher than here. But the average size, in terms of the client in Mexico, is exactly the same average size we have here. Have I addressed your point?

Stephen Graham:

Yes, that is great. Thanks a lot.

Francisco Sersale, T. Rowe Price:

Hi, good morning. My question is regarding the general administrative expenses that came down in 2Q06. The question is: are these costs coming down because of synergies from Logocenter or RM? And if you expect future synergies as you continue integrating RM?

Jose Rogerio Luiz:

Thanks for your question. In fact, what we have is the not just an unique thing. We have a set of things that are helping us. The first is that in mid-2005 we started using TOTVS BMI as they are providing services to third parties. Of course we

hired them in order to help us reshape some of our internal processes. So this is number one. Number two, of course, we are getting a certain maturity, in terms of the consolidation with Logocenter, so this is being synergy. And, of course, in this quarter we already got a certain amount of synergy from the transaction with RM.

What can happen in the future? We have a mission to keep SG&A as low as we can. The first Monday is to get the increasing lower than the net sales, and the other lines of expenses. Of course that, when I tell you this, it is because we do expect to get additional synergies from our transactions.

Francisco Sersale:

Thank you.

Operator:

Thank you. I would now like to turn the floor back over to Mr. José Rogério Luis for closing remarks.

José Rogério Luis:

Well, first of all I would like to thank all of you for the opportunity of supporting us in the reading about this 2Q results. I would also like to congratulate TOTVS' team which, even in a moment of pulling together the transaction with RM Sistemas, being a public company everybody kept the focus on the clients, and we are trying to provide our shareholders the expected return.

So, I would like to, again, thank you very, very much, and to be very open to any kind of questions, and to receive your visit here. And, again, to invite to presentation on the next Wednesday, about the ERP, and I think that it is going to be mandatory. We expect to go for a non deal road show presentation, during the end of August and, especially September, and we are going to be more than happy to listen you, all investors and the analysts, and to support you with all the information that you need about our company. Thank you very much.

Operator:

Thank you. This thus concludes today's TOTVS 2Q06 results conference call. You may now disconnect your lines. Have a wonderful day.