

**FEDERAL PUBLIC SERVICE
BRAZILIAN SECURITIES COMMISSION (CVM)
QUARTERLY FINANCIAL INFORMATION (ITR)
COMMERCIAL, INDUSTRY & OTHER**

September 30, 2006 Brazilian Corporate Law

**REGISTRATION WITH CVM SHOULD NOT BE CONSTRUED AS AN EVALUATION OF THE COMPANY.
COMPANY MANAGEMENT IS RESPONSIBLE FOR THE INFORMATION PROVIDED.**

01.01 - IDENTIFICATION

1 - CVM CODE 01999-2	2 - COMPANY NAME TOTVS S.A.	3 - Brazilian IRS Registry of Legal Entities (CNPJ) 53.113.791/0001-22
4 - NIRE (Corporate Registry ID) 3530015317-1		

01.02 - HEAD OFFICE

1 - FULL ADDRESS AV. BRAZ LEME, 1631		2 - DISTRICT SANTANA		
3 - ZIP CODE 02511-000	4 - CITY SÃO PAULO		5 - STATE SP	
6 - AREA CODE 11	7 - TELEPHONE 3981-7000	8 - TELEPHONE 3981-7000	9 - TELEPHONE 3981-7000	10 - TELEX
11 - AREA CODE 11	12 - FAX 3981-7335	13 - FAX 3981-7335	14 - FAX 3981-7335	
15 - E-MAIL RI@TOTVS.COM.BR				

01.03 - INVESTORS RELATIONS OFFICER (Company Mailing Address)

1- NAME JOSÉ ROGÉRIO LUIZ				
2 - FULL ADDRESS AV. BRAZ LEME, 1631			3 - DISTRICT SANTANA	
4 - ZIP CODE 02511-000	5 - CITY SÃO PAULO		6 - STATE SP	
7 - AREA CODE 11	8 - TELEPHONE 3981-7090	9 - TELEPHONE 3981-7090	10 - TELEPHONE 3981-7090	11 - TELEX
12 - AREA CODE 11	13 - FAX 3981-7335	14 - FAX 3981-7335	15 - FAX 3981-7335	
15 - E-MAIL RI@TOTVS.COM.BR				

01.04 - ITR REFERENCE AND AUDITOR INFORMATION

CURRENT YEAR		CURRENT QUARTER			PRIOR QUARTER		
1 - BEGINNING	2 - END	3 - QUARTER	4 - BEGINNING	5 - END	6 - QUARTER	7 - BEGINNING	8 - END
1/1/2006	12/31/2006	3	7/1/2006	9/30/2006	2	4/1/2006	6/30/2006
09 - AUDITOR NAME ERNST & YOUNG AUDITORES INDEPENDENTES S.S.					10 - CVM CODE 00471-5		
11. NAME OF THE PARTNER IN CHARGE IDÉSIO S. COELHO JR.					12 - PARTNER'S CPF (INDIVIDUAL TAXPAYER'S ID) 041.849.508-41		

A free translation from Portuguese into English of quarterly financial information in accordance with the accounting practices adopted in Brazil

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01.05 – CAPITAL STOCK

Number of Shares (THOUSANDS)	1 – CURRENT QUARTER 9/30/2006	2 – PREVIOUS QUARTER 6/30/2006	3 – SAME QUARTER, IN PRIOR YEAR 9/30/2005
Subscribed Capital			
1 - Common	26,688	26,688	148,476
2 - Preferred	0	0	29,702
3 – Total	26,688	26,688	178,178
Treasury Stock			
4 - Common	0	0	294
5 - Preferred	0	0	0
6 – Total	0	0	294

01.06 – CHARACTERISTIC OF THE COMPANY

1 - TYPE OF COMPANY Commercial, Industrial and Others
2 - STATUS Operational
3 - SHARE CONTROL NATURE P Domestic Private
4 - ACTIVITY CODE 1150 – Communication and IT
5 - MAIN ACTIVITY SOFTWARE DEVELOPMENT
6 - CONSOLIDATION TYPE Total
7 - TYPE OF REPORT OF INDEPENDENT AUDITORS Unqualified

01.07 - COMPANIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

1 - ITEM	2 - CNPJ (Corporate Taxpayer's ID)	3 - COMPANY NAME
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01.08 - DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER

1 - ITEM	2 - EVENT	3 - APPROVAL	4 - TYPE	5 - DATE OF PAYMENT	6 - TYPE OF SHARE	7 - AMOUNT PER SHARE
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FEDERAL PUBLIC SERVICE
 BRAZILIAN SECURITIES COMMISSION (CVM)
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 COMMERCIAL, INDUSTRY & OTHER TYPES

September 30, 2006

Brazilian Corporate Law

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01.09 – SUBSCRIBED CAPITAL AND CHANGES IN THE CURRENT YEAR

1 - ITEM	2 - DATE OF CHANGE	3 - CAPITAL STOCK (THOUSANDS of Reais)	4 - AMOUNT OF CHANGE (THOUSANDS of Reais)	5 - NATURE OF CHANGE	7 - NUMBER OF SHARES ISSUED (THOUSAND)	8 - SHARE PRICE WHEN ISSUED (IN Reais)
04	3/7/2006	22,573	937	Income Reserve	0	0.0000000000
05	3/13/2006	307,373	284,800	Public Share Offering	8,900,000	32,0000000000

01.10 – INVESTORS RELATIONS OFFICER

1 – DATE	2 – SIGNATURE
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02.01 - BALANCE SHEET - ASSETS (Thousand of R\$) – PARENT COMPANY

1 - CODE	2 – DESCRIPTION	3 – 9/30/2006	4 – 6/30/2006
1	Total Assets	400,533	397,098
1.01	Current Assets	142,328	136,102
1.01.01	Cash, Banks and Marketable Securities	76,404	76,908
1.01.01.01	Banks	1,701	5,216
1.01.01.02	Marketable Securities	74,703	71,692
1.01.02	Credits	42,350	42,270
1.01.02.01	Trade Accounts Receivable	41,217	40,916
1.01.02.02	Allowance for Doubtful Accounts	(2,367)	(2,146)
1.01.02.03	Dividends Receivable	3,500	3,500
1.01.02.04	Recoverable Taxes	0	0
1.01.03	Inventories	0	0
1.01.04	Other	23,574	16,924
1.01.04.01	Deferred Income and Social Contribution Taxes	15,408	11,135
1.01.04.03	Other Current Assets	8,166	5,789
1.02	Non-current Assets	13,270	14,581
1.02.01	Sundry Credits	0	0
1.02.02	Credit with Related Parties	3,520	3,354
1.02.02.01	Affiliates	0	0
1.02.02.02	Subsidiaries	3,520	3,354
1.02.02.03	Other Related Parties	0	0
1.02.03	Other	9,750	11,227
1.02.03.01	Deferred Income and Social Contribution Taxes	4,707	6,288
1.02.03.02	Judicial Deposits	5,043	4,939
1.02.03.03	Other Trade Accounts Receivable	0	0
1.03	Permanent Assets	244,935	246,415
1.03.01	Investments	218,095	218,994
1.03.01.01	In Affiliates	0	0
1.03.01.02	In Subsidiaries	37,207	28,071
1.03.01.03	Other Investments	180,888	190,923
1.03.02	Equipment	10,137	9,496
1.03.03	Deferred charges	16,703	17,925

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02.02 - BALANCE SHEET - LIABILITIES (Thousand of R\$)– PARENT COMPANY

1 - CODE	2 – DESCRIPTION	3 – 9/30/2006	4 – 6/30/2006
2	Total Liabilities	400,533	397,098
2.01	Current Liabilities	30,190	31,945
2.01.01	Loans and Financing	0	0
2.01.02	Debentures	0	0
2.01.03	Suppliers	3,681	3,426
2.01.04	Taxes, Fees and Contributions	1,833	3,030
2.01.05	Dividends Payable	83	84
2.01.06	Provisions	0	0
2.01.07	Debts with Related Parties	0	0
2.01.08	Other	24,593	25,405
2.01.08.01	Notes, Fees and Expenses Payable	0	1,666
2.01.08.02	Deferred Revenues	0	0
2.01.08.03	Payroll and Charges Payable	17,586	16,620
2.01.08.04	Other Trade Accounts Payable	1,423	1,229
2.01.08.05	Commissions Payable	5,584	5,890
2.02	Non-current Liabilities	6,155	6,408
2.02.01	Loans and Financings	0	0
2.02.02	Debentures	0	0
2.02.03	Provisions	5,353	5,471
2.02.03.01	Provision for Losses from Investments	926	1,083
2.02.03.02	Provision for Contingencies	4,427	4,388
2.02.04	Debts with Related Parties	0	0
2.02.05	Other	802	937
2.02.05.01	Taxes Payable	802	937
2.03	Deferred Income	0	0
2.05	Shareholders' Equity	364,188	358,745
2.05.01	Capital	307,373	307,373
2.05.02	Capital Reserves	31,557	31,557
2.05.02.01	Capital Reserve	31,557	31,557
2.05.02.02	Treasury Stock	0	0
2.05.03	Revaluation Reserve	0	0
2.05.03.01	Own Assets	0	0
2.05.03.02	Subsidiaries/Affiliates	0	0
2.05.04	Income Reserves	0	0
2.05.04.01	Legal	0	0
2.05.04.02	Statutory	0	0
2.05.04.03	For Contingencies	0	0
2.05.04.04	Unrealized Profit	0	0
2.05.04.05	Retention of Profit	0	0
2.05.04.06	Special for Undistributed Dividends	0	0
2.05.04.07	Other Profit Reserves	0	0
2.05.05	Retained Earnings/Accumulated losses	25,258	19,815

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03.01 – STATEMENT OF INCOME (Thousand of R\$)– PARENT COMPANY

1 - CODE	2 – DESCRIPTION	3- 7/1/2006 to 9/30/2006	4- 1/1/2006 to 9/30/2006	5- 7/1/2005 to 9/30/2005	6- 1/1/2005 to 9/30/2005
3.01	Gross Revenue from Sales and/or Services	59,386	173,534	46,230	130,558
3.01.01	License Fees	13,360	41,940	11,563	32,414
3.01.02	Services	20,204	57,565	16,216	46,226
3.01.03	Maintenance	25,822	74,029	18,451	51,918
3.02	Deductions from Revenues	(6,159)	(17,908)	(5,357)	(13,682)
3.02.01	Cancellation of Services and Sales	(1,499)	(4,404)	(1,580)	(3,298)
3.02.02	Taxes on Services and Sales	(4,660)	(13,504)	(3,777)	(10,384)
3.03	Net Revenue from Sales and/or Services	53,227	155,626	40,873	116,876
3.04	Cost of Goods Sold and/or Services Rendered	(18,271)	(53,587)	(13,752)	(38,708)
3.04.01	Cost of License Fees	(517)	(3,145)	(644)	(1,684)
3.04.02	Cost of Services	(17,754)	(50,442)	(13,108)	(37,024)
3.04.03	Cost of Sales	0	0	0	0
3.05	Gross Profit	34,956	102,039	27,121	78,168
3.06	Operating Income/Expenses	(32,286)	(110,393)	(20,305)	(58,512)
3.06.01	Selling	(3,355)	(9,140)	(1,834)	(5,228)
3.06.02	General and Administrative	(9,062)	(23,756)	(7,109)	(20,144)
3.06.03	Financial	2,103	4,838	653	1,501
3.06.03.01	Financial Income	2,733	8,992	887	1,914
3.06.03.02	Financial Expenses	(630)	(4,154)	(234)	(413)
3.06.04	Other Operating Income	0	0	0	0
3.06.05	Other Operating Expenses	(31,077)	(100,893)	(14,910)	(41,716)
3.06.05.01	Research and Development	(5,734)	(16,050)	(3,462)	(9,926)
3.06.05.02	Advertising Expenses	(3,492)	(8,228)	(1,575)	(4,312)
3.06.05.03	Commissions	(6,045)	(16,409)	(4,832)	(13,348)
3.06.05.04	Depreciation and Amortization	(11,851)	(25,473)	(1,694)	(4,153)
3.06.05.05	Allowance for Doubtful Accounts	(388)	(760)	(329)	(874)
3.06.05.06	Other Expenses	(646)	(1,985)	(1,185)	(3,192)

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03.01 – STATEMENT OF INCOME (Thousand of R\$)

1 - CODE	2 – DESCRIPTION	3- 7/1/2006 to 9/30/2006	4- 1/1/2006 to 9/30/2006	5- 7/1/2005 to 9/30/2005	6- 1/1/2005 to 9/30/2005
3.06.05.07	Management Compensation	(2,806)	(6,972)	(1,833)	(5,911)
3.06.05.08	Extraordinary Expenses	(115)	(25,016)	0	0
3.06.06	Equity Pickup	9,105	18,558	2,895	7,075
3.07	Operating Income	2,670	(8,354)	6,816	19,656
3.08	Non-Operating Income	80	(22)	81	211
3.08.01	Revenues	80	0	81	211
3.08.01.01	Non-Operating Revenue	80	0	81	211
3.08.02	Expenses	0	(22)	0	0
3.08.02.01	Non-Operating Expense	0	(22)	0	0
3.09	Income Before Tax/Holding	2,750	(8,376)	6,897	19,867
3.10	Provision for Income Tax and Social Contribution	0	0	(1,554)	(5,494)
3.11	Deferred Income Tax	2,693	12,165	500	884
3.12	Statutory Profit Sharing/Contributions	0	0	0	0
3.12.01	Profit Sharing	0	0	0	0
3.12.02	Contributions	0	0	0	0
3.13	Reversal of Interest on Own Capital	0	0	0	0
3.15	Net Income/Loss for the Period	5,443	3,789	5,843	15,257
	NUMBER OFSHARES, ExcludingTREASURY (in thousands)	26,688	26,688	177,884	177,884
	EARNINGS PER SHARE	0.20395	0.14197	0.03285	0.08577
	LOSS PER SHARE				

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TOTVS S.A.

53.113.791/0001-22

04.01 – NOTES TO THE QUARTERLY FINANCIAL INFORMATION

*** In thousands of reais, except for the number and unit price of the shares ***

1. Operations, Acquisition and Merger of Company and Changes in Initial Public Offering

a) Operations

The business purpose of Totvs S.A., formerly Microsiga Software S.A., (hereinafter referred to as “Parent Company”, “Totvs”, or “the Company”) is the development and sale of rights of use of information technology systems and the rendering of implementation, consultation, assistance and maintenance services related thereto. The main software products developed by the Company are ERP (Enterprise Resource Planning) applications that have the purpose of electronically integrating the strategic and operating levels of a user company, allowing the creation of information flows which comprehend the operating needs and those related to management information of different areas of the user company. The main areas comprised by the Company’s ERP software products are: management, finance, operations, industrial, human resources and customer service.

Transactions between the Parent Company and the subsidiaries are conducted under conditions and prices established between the parties.

b) Acquisition and merger of companies

In order to increase its share in the national software market, the Company acquired in February 2005, from Logocenter Participações S.A. (“Logopar”), 100% of the shares of Logocenter S.A. (“Logocenter”), a software development company located in Joinville, in the state of Santa Catarina, for R\$35,000, accounting a R\$24,443 goodwill, which is being amortized in connection with expected future profitability of the investment, currently of five years.

Transaction was settled as follows:

- (i) R\$7,000 settled in the first half of 2005.
- (ii) In order to settle the remaining balance of R\$28,000, Logopar carried out a share swap by means of a capital increase at Totvs, totaling 21,203,212 new registered common shares with no par value, issued by the Company, registered at the issue price of R\$1.32 per share, R\$ 0.10 of which was allocated to capital stock, amounting to R\$2,120, while R\$1.22 was allocated to goodwill reserve, totaling R\$25,880.

The Extraordinary General Meeting held on January 30, 2006, approved the merger with the subsidiary Logocenter S.A., with its main registered office located in the city of Joinville, state of Santa Catarina, acquired by the Company in February 2005. The merger was conducted based on book values as of January 31, 2006, complying with the applicable legal provisions. The main components of merged net assets are listed below:

Current assets	12,156
Noncurrent assets	11,163
Permanent assets	3,027
Total assets	<u>26,346</u>
Current liabilities	5,595
Noncurrent liabilities	5,242
Net assets merged into the Company	<u>15,509</u>

With the change in the Company’s name in December 2005, as well as the merger with subsidiary Logocenter, the Company, currently denominated Totvs S.A., started carrying out its operations using the Microsiga and Logocenter brands.

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TOTVS S.A.

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04.01 – NOTES TO THE QUARTERLY FINANCIAL INFORMATION

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Also due to the merger of the subsidiary Logocenter, during the first quarter of 2006, the remaining unamortized goodwill amounting to R\$16,703 as of September 30, 2006 (R\$ 17,925 as of June 30, 2006) was transferred to deferred charges.

Continuing the process of increasing its share in the national software market, and with the resources deriving from the IPO mentioned in Note 1c), the Company acquired on April 12, 2006, 100% of the shares of RM Sistemas S.A. ("RM"), a software development company located in Belo Horizonte, state of Minas Gerais, for the amount of R\$206,000, recording goodwill in the amount of R\$200,706, which is being amortized in connection with expected future profitability of the investment, currently of five years.

Pursuant to the agreement executed between the parties the settlement of the transaction was defined as follows:

- (i) Fixed price – R\$164,800 paid on April 12, 2006; and
- (ii) Variable price – minimum R\$20,600 and maximum R\$41,200.

The amount corresponding to the variable price will be paid, between the minimum and the maximum values, based on an operating performance ratio, agreed between the parties, to be measured based on RM's operating results in 2006.

On April 13, 2006, also in compliance with the terms of the agreement, the maximum value of the variable price (R\$41,200) was deposited in the current account of RM's former shareholders, and will be available for use on February 28, 2007, upon the fulfilling of the agreed goals.

The Company recorded the liability at the total amount of the maximum price, of R\$41,200, net of the deposit made in the same amount, due to the forecast that RM's operating ratios will be met and the obligations will be settled in the total amount deposited.

The Company is currently awaiting for the analysis of the transaction by the competent authorities, including the CADE - Brazilian Antitrust Agency.

c) *Initial Public Offering (IPO)*

On February 13, 2006, the Board of Directors approved and authorized a primary public offering of 8,900,000 common shares and a secondary public offering of 5,475,000 common shares, all registered, book-entry, with no par value, issued by the Company, to be carried out simultaneously in Brazil and abroad. The offering comprised 14,375,000 common registered book-entry shares.

From the total shares offered, 5,570,000 were distributed in Brazil, pursuant to the procedures established by the Brazilian Securities Commission - CVM Instruction no. 400, as of December 29, 2003 ("CVM Instruction no. 400/03"), 5,450,000 shares were distributed in the United States, compliant to the provisions of Rule 144A of the U.S. Securities Act of 1933 ("*Securities Act*") and 3,355,000 shares were distributed in other countries (except for the US and Brazil), based on the Regulation S issued by the U.S. Securities and Exchange Commission ("SEC").

On March 8, 2006, CVM granted the registry for the primary and secondary offerings, and on March 9, 2006, the trading of Totvs shares at the Bolsa de Valores de São Paulo (Bovespa) was initiated, under the ticker symbol "TOTS3", in the differentiated level of corporate governance named "*Novo Mercado*" (New Market). As a result of the primary offer of 8,900,000 common shares, priced at R\$32,00, the Company raised the amount of R\$284,800 (R\$266,923 net of commissions and other expenses), which was substantially used for the acquisition of RM Sistemas S.A., as disclosed in note 1 b) and or invested in Interbank Deposit (DI) mutual funds, as described in note 4.

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04.01 – NOTES TO THE QUARTERLY FINANCIAL INFORMATION

*** In thousands of reais, except for the number and unit price of the shares ***

2. Basis of Preparation and Presentation of the Financial Statements

The quarterly financial information was prepared in accordance to the accounting practices adopted in Brazil, to the regulations of the Brazilian Securities Commission (CVM) and of the São Paulo Stock Exchange (Bovespa) for companies whose shares are traded at the “Novo Mercado” (New Market), and do not include all disclosures of usual information contained in the annual financial statements. Consequently, they do not include all the information and explanatory notes required by the accounting practices for financial statements presented as a whole.

The results for the nine-month period ended on September 30, 2006 are not necessarily indicative of prospective results that may be expected for the year ending on December 31, 2006.

The balance sheets and statements of income for the periods, identified as “Parent Company”, were prepared in accordance to the accounting practices adopted in Brazil, whereas the balance sheets and statements of income of the periods, identified as “Consolidated”, include the capitalization of assets leased as finance lease. The reconciliation of shareholders’ equity and net income of the Parent Company and the Consolidated is summarized as follows:

	Shareholders’ equity		Net income for the nine-month period ended on September 30	
	September 30, 2006	June 30, 2006	2006	2005
According to Parent Company	364,188	358,745	3,789	15,257
- Lease payable	(2,361)	(2,218)	119	(1,826)
- Leased assets	5,880	5,514	488	2,594
- Depreciation of the leased assets	(2,579)	(2,366)	(509)	(602)
- Deferred income and social contribution taxes on the net effects resulting from the lease	(319)	(316)	(33)	(56)
According to the Consolidated	364,809	359,359	3,854	15,367

The statements of the income of the quarter and nine-month periods ended on September 30, 2005 were reclassified, so as to comply with the presentation of the statements of the income of the quarter and nine-month periods ended on September 30, 2006.

3. Significant Accounting Practices

The accounting practices adopted in the preparation of the quarterly financial statements are consistent with those adopted for in the financial statements for the year ended December 31, 2005.

Considering the merger of Logocenter S.A. and the acquisition of subsidiary RM Sistemas S.A., both held during the current year, the comparability of the Parent Company and Consolidated financial information was impaired.

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4. Marketable Securities

Marketable securities refer to short-term investments in Interbank Deposit (DI) mutual funds with immediate liquidity, bearing interest varying from 90% to 100% of Interbank Deposit Certificate (CDI).

5. Income and Social Contribution Taxes

Income and Social Contribution Taxes, current and deferred, were recorded pursuant to the current rates in force. Deferred income tax and social contribution are calculated on temporary differences and income and social contribution tax loss carryforwards.

a) Income/expense from income tax and social contribution reconciliation:

	Parent Company		Consolidated	
	September 30		September 30	
	2006	2005	2006	2005
Income (Loss) for the nine-month period before taxes	(8,376)	19,867	(2,665)	22,849
Income and social contribution taxes at nominal rate of 34%	2,848	(6,755)	906	(7,769)
Adjustments for calculation of effective rate				
Equity pickup	6,310	2,406	-	-
Law 11.196/05 (Incentive to Research & Development)	3,438	-	3,631	-
Effect of subsidiary's presumed income	-	-	1,729	-
Allowance for doubtful accounts receivable	(31)	(163)	(31)	(287)
Other	(400)	(98)	372	587
Income/(expense) from income tax and social contribution	12,165	(4,610)	6,607	(7,469)
Effective rate	145.2%	23.2%	247.9%	32.7%

b) Deferred income and social contribution taxes are as follows:

	Parent Company		Consolidated	
	September 30, 2006	June 30, 2006	September 30, 2006	June 30, 2006
<u>Assets</u>				
Resulting from temporary differences:				
Amortized goodwill	9,456	5,617	9,456	5,617
Provision for commissions	1,971	2,054	5,342	4,673
Advanced revenues or billing	3,251	2,293	3,896	2,293
Allowance for doubtful accounts	805	730	1,280	1,129
Provision for losses on investments	226	226	226	226
Provision for contingencies and other liabilities	2,871	3,085	3,698	3,652
Income and social contribution tax loss carryforwards	805	2,606	1,120	3,973
Notes and fees payable	352	566	352	566
Other	378	246	415	247
Total deferred taxes and contributions – assets	20,115	17,423	25,785	22,376
Current	(15,408)	(11,135)	(18,845)	(13,789)
Non-current	4,707	6,288	6,940	8,587
<u>Liabilities</u>				
Resulting from temporary differences:				
Lease	-	-	319	316
Total deferred taxes and contributions – liabilities	-	-	319	316

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6. Investments

The breakdown of investments is presented below:

	Investees' amounts on September 30, 2006		Equity pickup in the nine-month period ended on		Balance of investments on		Balance of provision for losses on	
	Shareholders' Equity	Results for the period	September 30, 2006	September 30, 2005	September 30, 2006	June 30, 2006	September 30, 2006	June 30, 2006
Microsiga Rio Software Ltda.	3,071	1,641	1,641	1,384	3,071	2,188		-
Microsiga Argentina S.A.	1,446	58	58	73	1,446	1,629		-
Logocenter S.A. (a)	-	343	343	4,479	-	-		-
Microsiga México S.A.	5,770	227	216	(23)	5,482	5,244		-
Makira do Brasil S.A.	2,422	1,258	1,258	1,330	2,422	2,003		-
Microsiga Corporation	2,582	136	136	(37)	2,582	2,465		-
Microsiga Vitória Software Ltda.	1,259	613	613	548	1,259	1,232		-
Microsiga Brasil Central Software Ltda.	715	(211)	(190)	89	644	820		-
Microsiga Nordeste Software Ltda.	(271)	367	367	(504)	-	-	271	547
Microsiga Brasflia Software Ltda.	(655)	(290)	(290)	(264)	-	-	655	536
RM Sistemas S.A.	20,170	14,274	14,274	-	20,170	12,363		-
RM Software Ltda.	6,363	6,847	68	-	64	53		-
Totvs BMI Consultoria S.A.	121	117	64	-	67	74		-
			18,558	7,075	37,207	28,071	926	1,083
Goodwill to amortize			-	-	180,634	190,669	-	-
Other investments			-	-	254	254	-	-
			18,558	7,075	218,095	218,994	926	1,083

a) As disclosed in note 1b) for the quarter ended March 31, 2006, goodwill to be amortized resulting from the acquisition of Logocenter, which balance at September 30, 2006 amounted to R\$16,703 (R\$17,925 at June 30, 2006) was transferred to deferred charges, as a consequence of the merger of such subsidiary.

7. Shareholders' Equity

a) Subscription of preferred shares and conversion of such shares into common

On February 18, 2005, BNDES Participações S.A. ("BNDESPAR") subscribed and paid up 29,702,315 new registered preferred shares with no par value, redeemable, issued by the Company, at the issue price of R\$1.35 per share, of which R\$0.10 was allocated to capital stock, amounting to R\$2,970, while R\$1.2467 was allocated to reserve, totaling R\$37,030.

The Extraordinary General Meeting held on January 30, 2006, resolved on the conversion of 29,702,315 preferred shares into 29,702,315 common shares, all registered book-entry with no par value, considering the provisions of the Shareholders' Agreement.

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b) Repurchase and cancellation of shares issued by the Company

In February 2005, 42,424,242 registered common shares with no par value, issued by the Company, and previously held by Advent Investment Software Ltd., were repurchased at the price of R\$31,352.

The Extraordinary General Meeting held on June 6, 2005, decided for the cancellation of the referred shares.

c) Increase in authorized capital, cancellation of treasury shares, conversion of preferred shares into common shares and grouping of common shares.

On December 31, 2005, subscribed capital stock was R\$21,636, fully paid-in and divided into 178,178,255 shares, 148,475,940 of which were authorized issued common shares and 29,702,315 were redeemable preferred shares. In addition, 294,228 shares were held in treasury on December 31, 2005.

The Company's Shareholding Structure at December 31, 2005, excluding treasury stock, is summarized as follows:

	Number of shares, with no par value		
	Common	Preferred	Total
LC-EH Participações e Empreendimentos S.A	119,052,790	-	119,052,790
BNDES Participações S.A.	-	29,702,314	29,702,314
Logocenter Participações S.A	21,203,212	-	21,203,212
Other (*)	7,925,710	1	7,925,711
	148,181,712	29,702,315	177,884,027

(*) Included employees and other individuals, most of whom related to the Company.

The Extraordinary General Meeting held on January 30, 2006, approved: (i) the increase in the Company's authorized capital from R\$250,000 to R\$540,000, and also that capital may be increased through issue of common shares, irrespective of by-laws amendment. Said increase is made effective through a resolution of the Board of Directors, which is also responsible for establishing the conditions and means for the increase, including price and term for capital subscription and payment; (ii) the cancellation of 294,228 commons shares issued by the Company and held in treasury, without any change in the amount of capital stock; (iii) the conversion of its 29,702,315 preferred shares into 29,702,315 common shares, all registered book-entry with no par value; (iv) grouping split of all common shares of Company's capital at the ratio of ten common shares per each common share. Due to the reverse stock split, the number of shares representative of capital was changed from 177,884,027 to 17,788,402 common registered book-entry shares with no par value.

On February 6, 2006, LC-EH Empreendimentos e Participações S.A. transferred 2,818,640 shares issued by Totvs (already considering the abovementioned grouping) to three Company officers.

The Company's shareholding structure after the aforementioned events is set out below (in number of common shares):

LC-EH Participações e Empreendimentos S.A.	9,085,655
BNDES Participações S.A.	2,970,232
Logocenter Participações S.A.	2,120,322
Other (*)	3,612,193
	<u>17,788,402</u>

(*) Includes employees and other individuals , most of whom related to the Company.

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Pro forma earnings per share at the nine-month period ended at September 30, 2005, assuming the aforementioned grouping, amounted to R\$8.58 (eight reais and fifty-eight centavos) .

d) *Shareholding structure after IPO*

At September 30, 2006, the Company's shareholding structure after the IPO mentioned in note 1c) is summarized at the section "Other Information Deemed as Relevant by the Company".

The changes in shareholders' equity (Parent Company), for the nine-month period ended at September 30, 2006 are summarized as follows:

	Capital stock	Capital reserve	Profit reserve	Treasury stock	Total
Balances at December 31, 2005	21,636	31,557	22,572	(166)	75,599
Capital increase with reserves	937	-	(937)	-	-
Capital paid-up	284,800	-	-	-	284,800
Cancellation of treasury shares with reserves	-	-	(166)	166	-
Net income for the period	-	-	3,789	-	3,789
Balances at September 30, 2006	307,373	31,557	25,258	-	364,188

8. **Financial Instruments**

At September 30, 2006 and June 30, 2006, the Company and its subsidiaries had not entered into swap agreements or any other derivative financial instruments. The Company's financial instruments consist of cash and banks, marketable securities, trade accounts receivable and payable, which are recorded at cost plus interest or charges incurred, which approximates their fair value.

9. **Contingencies**

The Company and subsidiaries, in its normal course of business, are parties in several legal proceedings related to tax, social security, labor and civil matters. Provision for contingencies was set up by management, supported by its legal counsel and analysis of pending judicial proceedings, in an amount considered sufficient to cover probable losses, as shown below:

	Parent Company		Consolidated	
	September 30, 2006	June 30, 2006	September 30, 2006	June 30, 2006
Social security	3,512	3,508	3,512	3,508
Tax	653	618	3,084	2,888
Labor	262	262	262	262
	4,427	4,388	6,858	6,658

a) *Ongoing proceedings with recorded provision for contingencies*

The breakdown of main proceedings, to which provision for contingencies was recorded, is as follows:

The Company filed legal proceedings to avoid the collection of: (i) social security contribution introduced by Law No. 9,876, levied on invoices issued by the cooperatives which rendered services to the Company; and (ii) social contribution tax levy to Sesc and Senac, also claiming reimbursement of amounts paid in prior periods. The amounts involved in these legal proceedings, of R\$2,976 and

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R\$536, respectively, totaling R\$3,512 (R\$3,508 at June 30, 2006), were deposited in court by the Company, and were recorded as provision for social security contingencies.

The subsidiary RM Sistemas S.A. is judicially discussing the ISS (tax on services) rate for the municipalities of São Paulo, Rio de Janeiro and Uberlândia. In such municipalities, ISS rate is 5%, while in Belo Horizonte the rate is 2%. The subsidiary understands that the ISS is due by the head office in Belo Horizonte, where the billing is carried out, including invoicing of the services rendered in the municipalities abovementioned. Thus, the amounts for the municipalities of São Paulo, Rio de Janeiro and Uberlândia are being deposited in court by RM Sistemas S.A., taking the 5% rate into consideration (R\$4,574 at September 30, 2006). The Company also recorded a provision for these municipalities taking the 2% rate into consideration (R\$2,431 at September 30, 2006).

b) Others ongoing proceedings

The Company is additionally discussing others ongoing proceedings. Considering that both Management and Company lawyers assessed believe that an unfavorable outcome on these cases is remote or possible, no related provision for contingency has been recorded. Main ongoing proceedings are presented as follows:

In the year 2000, the Company was noticed by the Social Security authorities (INSS), the most significant reasons being related to: (i) an alleged equality level of legal entities, hired for the rendering of services to the Company, to regular employees, in the amount of R\$2,945 (R\$5,950 – restated until September 30, 2006). The Company has contested this interpretation and made a court deposit, pursuant to the stipulated in the legislation, in the amount of R\$1,152. In case of success, such amount shall be duly recovered by the Company. In October, 2005 such notices were annulled, according to the decision made by the Fourth Court of Appeals for Social Security Matters. The proceeding may not be considered closed yet, since appeals may be filed by INSS; and (ii) the collection of social security contributions destined to the Workers' Accident Insurance – SAT and penalties for noncompliance with accessory obligations in the amount of R\$5,127 (R\$6,632 – restated until September 30, 2006).

As a result of tax audit procedures by the Brazilian Federal Revenue Services (SRF), the Company was assessed:

- (i) in 2000, in the amount of R\$833 (R\$2,639 – restated until September 30, 2006) related to federal taxes. The Company is contesting such penalty, which is currently outstanding and awaiting the decision from the first administrative level.
- (ii) in 2003, in the amount of R\$340 (R\$924 – restated until September 30, 2006) referring to the 1998's Federal Tax Debt and Credit Return (DCTF). The Company contested and is awaiting a decision.
- (iii) in 2005, in the amount of R\$2,911 (R\$3,895 – restated until September 30, 2006) related to federal taxes. The Company is contesting said collection, which is currently in analysis and awaiting the decision from the first administrative level.
- (iv) in 2006, in the amount of R\$6,045 (R\$7,675 – restated until September 30, 2006), referring to the questioning on commission and rental expenses and their respective impact in the calculation of Income and Social Contribution Taxes on Net Income in the fiscal period of 2001. The Company is contesting such collection, which is currently in analysis and awaiting the decision from the first administrative level.

The Company received ISS delinquency notices from the São Paulo municipal authorities referring to the period between 1996 and 2000, in the amount of R\$758 (R\$1,245 – restated until September 30, 2006). Such notices result from the understanding of the São Paulo municipal authorities that the services developed by the Company's branch in the city of Joinville, state of Santa Catarina, would be

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rendered within the limits of the municipality of São Paulo. Company's management and its legal advisors believe that all the services were developed in Joinville's branch and, as such, consider that the tax has been duly paid to that municipality.

c) *Legislation in force*

Under the current legislation in force in Brazil, the federal, state and municipal tax obligations, as well as social charges, are subject to review by relevant authorities for periods varying from 5 to 30 years. Legislations of other countries where Company's subsidiaries operate stipulate differentiated statutes of limitations.

10. Extraordinary Expenses

In accordance with the Circular Letter/CVM/SNC/SEP no. 01/2006, the Company recorded as extraordinary expenses (under operating expenses) the expenses related to the IPO process. The breakdown on such recorded amounts is the following:

Lawyers, auditors and consultants	4,999
Bank commissions	18,265
Communication	833
Fees and contributions	166
Other	753
	<u>25,016</u>

At June 30, 2006, the Company had R\$1,666 recorded as "Notes, fees and expenses payable" related to expenses incurred in the IPO process, included in the amount presented above. Such liability was settled within the third quarter of 2006.

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11. Supplementary Information

The Company is presenting, as supplementary information, the Statements of Cash Flows:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Periods ended on September 30</u>		<u>Periods ended on September 30</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Cash flows provided by operating activities				
Net income for the period	3,789	15,257	3,854	15,367
Adjustment for reconciliation of net income with net amounts from operating activities:				
Depreciation and amortization	25,473	4,153	26,974	5,418
Book value of assets disposed of	273	128	573	317
Allowance for doubtful accounts	760	874	1,067	1,256
Deferred income and social contribution taxes	(14,004)	(884)	(16,575)	(3,850)
Equity pickup	(18,558)	(7,075)	-	-
Exchange variation	804	858	-	-
Provision for losses in investments	84	143	-	-
Provision for contingencies	3,884	147	2,240	5,150
Variation in operating assets and liabilities:				
Trade accounts receivable	(11,305)	(4,346)	(23,082)	(14,655)
Other assets	(4,724)	396	(6,927)	(1,269)
Judicial deposits	(3,891)	-	(4,695)	(4,670)
Trade accounts payable	1,734	702	2,795	1,432
Notes, fees and expenses payable	(350)	(560)	(350)	(560)
Taxes payable	(569)	(377)	2,068	3,172
Payroll and charges payable	5,971	3,358	11,911	6,511
Commissions payable	1,400	308	3,482	993
Other accounts payable	812	(274)	1,019	(151)
Minority interest	-	-	448	152
Net cash flow provided by (used in) operating activities	(8,417)	12,808	4,802	14,613
Cash flows from investment activities				
Net redemption of (net investment in) marketable securities	(63,825)	(9,514)	(70,731)	(13,691)
Goodwill upon acquisition of investments	(200,706)	(24,443)	(200,706)	(24,443)
Addition of investments	(7,878)	(13,918)	-	-
Addition of other investments	(253)	-	(180)	(253)
Reduction in investment due to merger of subsidiary	15,509	-	-	-
Acquisition of property and equipment	(5,780)	(1,998)	(7,846)	(8,404)
Funds used in investment activities	(262,933)	(49,873)	(279,463)	(46,791)
Cash flows from financing activities				
Bank loans	-	1,918	129	2,010
Increase in lease obligations	-	-	(119)	1,826
Capital paid up	284,800	68,000	284,800	68,000
Acquisition of own shares	-	(31,352)	-	(31,352)
Credit with related companies	(6,443)	5,423	-	-
Dividends paid	(6,017)	(3,976)	(7,569)	(3,894)
Funds provided by (used in) financing activities	272,340	40,013	277,241	36,590
Increase (decrease) in cash and banks	990	2,948	2,580	4,412
Cash and banks at the beginning of the period	711	990	1,952	1,553
Cash and banks at the end of the period	1,701	3,938	4,532	5,965
Interest paid	159	205	168	302
Income and social contribution taxes paid	76	2,756	5,650	3,602

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05.01 – COMMENTS ON THE COMPANY'S PERFORMANCE IN THE QUARTER

See Comments on the Consolidated Performance.

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06.01 – CONSOLIDATED BALANCE SHEET - ASSETS (Thousand of R\$)

1 - CODE	2 – DESCRIPTION	3 – 9/30/2006	4 – 6/30/2006
1	Total Assets	427,971	422,662
1.01	Current Assets	194,874	177,979
1.01.01	Cash, banks and Marketable securities	95,416	89,386
1.01.01.01	Banks	4,532	7,442
1.01.01.02	Marketable Securities	90,884	81,944
1.01.02	Credits	68,999	65,659
1.01.02.01	Trade Accounts Receivable	72,909	69,393
1.01.02.02	Allowance for Doubtful Accounts	(3,910)	(3,734)
1.01.02.03	Dividends Receivable	0	0
1.01.03	Inventories	0	0
1.01.04	Other	30,459	22,934
1.01.04.01	Deferred Income and Social Contribution Taxes	18,845	13,789
1.01.04.02	Other Current Assets	2,933	9,145
1.01.04.03	Recoverable Taxes	8,681	0
1.02	Non-current Assets	17,070	18,292
1.02.01	Sundry Credits	0	0
1.02.02	Credit with Related Parties	0	0
1.02.02.01	Affiliates	0	0
1.02.02.02	Subsidiaries	0	0
1.02.02.03	Other Related Parties	0	0
1.02.03	Other	17,070	18,292
1.02.03.01	Deferred Income and Social Contribution Taxes	6,940	8,587
1.02.03.02	Judicial Deposits	9,617	9,202
1.02.03.03	Other Trade Accounts Receivable	513	503
1.03	Permanent Assets	216,027	226,391
1.03.01	Investments	181,068	191,103
1.03.01.01	In Affiliates	180,634	190,669
1.03.01.02	In Subsidiaries	0	0
1.03.01.03	Other Investments	434	434
1.03.02	Equipment	18,256	17,363
1.03.03	Deferred Charges	16,703	17,925

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06.02 – CONSOLIDATED BALANCE SHEET - LIABILITIES (Thousand of R\$)

1 - CODE	2 – DESCRIPTION	3 – 9/30/2006	4 – 6/30/2006
2	Total Liabilities	427,971	422,662
2.01	Current Liabilities	52,783	53,133
2.01.01	Loans and Financing	347	0
2.01.02	Debentures	0	0
2.01.03	Suppliers	5,923	7,319
2.01.04	Taxes, Fees and Contributions	7,577	7,652
2.01.05	Dividends Payable	83	87
2.01.06	Provisions	0	0
2.01.07	Debts with Related Parties	0	0
2.01.08	Other	38,853	38,075
2.01.08.01	Notes, Fees and Expenses Payable	0	1,671
2.01.08.02	Deferred Revenues	0	0
2.01.08.03	Payroll and Charges Payable	26,992	25,314
2.01.08.04	Other Trade Accounts Payable	1,877	1,604
2.01.08.05	Lease Payable	1,584	1,512
2.01.08.06	Commissions Payable	8,400	7,974
2.02	Non-current Liabilities	9,616	9,464
2.02.01	Loans and Financings	0	0
2.02.02	Debentures	0	0
2.02.03	Provisions	6,858	6,658
2.02.03.01	Provision for Losses from Investments	0	0
2.02.03.02	Provision for Contingencies	6,858	6,658
2.02.04	Debts with Related Parties	0	0
2.02.05	Other	2,758	2,806
2.02.05.01	Taxes Payable	1,662	1,784
2.02.05.02	Lease Payable	777	706
2.02.05.03	Deferred Income and Social Contribution Taxes	319	316
2.02.05.04	Other Trade Accounts Payable	0	0
2.03	Deferred Income	0	0
2.04	Minority Interest	763	706
2.05	Shareholders' Equity	364,809	359,359
2.05.01	Capital	307,373	307,373
2.05.02	Capital Reserves	31,557	31,557
2.05.02.01	Capital Reserve	31,557	31,557
2.05.02.02	Treasury Stock	0	0
2.05.03	Revaluation Reserve	0	0
2.05.03.01	Own Assets	0	0
2.05.03.02	Subsidiaries/Affiliates	0	0
2.05.04	Profit Reserves	0	0
2.05.04.01	Legal	0	0
2.05.04.02	Statutory	0	0
2.05.04.03	For Contingencies	0	0
2.05.04.04	Unrealized Profit	0	0
2.05.04.05	Retention of profit	0	0
2.05.04.06	Special for Undistributed Dividends	0	0
2.05.04.07	Other Profit Reserves	0	0
2.05.05	Retained Earnings/Accumulated losses	25,879	20,429

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07.01 – CONSOLIDATED STATEMENT OF INCOME (Thousand of R\$)

1 - CODE	2 – DESCRIPTION	3- 7/1/2006 to 9/30/2006	4- 1/1/2006 to 9/30/2006	5- 7/1/2005 to 9/30/2005	6- 1/1/2005 to 9/30/2005
3.01	Gross Revenue from Sales and/or Services	105,942	279,355	66,308	183,078
3.01.01	License Fees	26,123	70,581	17,808	48,180
3.01.02	Services	36,192	96,296	25,723	69,930
3.01.03	Maintenance	43,627	112,478	22,777	64,968
3.02	Deductions from Revenues	(11,572)	(30,474)	(7,682)	(20,698)
3.02.01	Cancellation of Services and Sales	(3,354)	(8,670)	(2,276)	(6,088)
3.02.02	Taxes on Services and Sales	(8,218)	(21,804)	(5,406)	(14,610)
3.03	Net Revenue from Sales and/or Services	94,370	248,881	58,626	162,380
3.04	Cost of Goods Sold and/or Services Rendered	(29,808)	(81,572)	(19,519)	(54,180)
3.04.01	Cost of License Fees	(649)	(3,575)	(1,154)	(3,673)
3.04.02	Cost of Services	(29,159)	(77,997)	(18,365)	(50,507)
3.04.03	Cost of Sales	0	0	0	0
3.05	Gross Profit	64,562	167,309	39,107	108,200
3.06	Operating Income/Expenses	(59,136)	(169,845)	(31,298)	(85,534)
3.06.01	Selling	(7,182)	(17,804)	(3,562)	(9,076)
3.06.02	General and Administrative	(12,158)	(32,899)	(11,142)	(30,025)
3.06.03	Financial	2,319	5,155	(78)	907
3.06.03.01	Financial Income	3,204	10,164	1,211	2,729
3.06.03.02	Financial Expenses	(885)	(5,009)	(1,289)	(1,822)
3.06.04	Other Operating Income	0	0	0	0
3.06.05	Other Operating Expenses	(42,115)	(124,297)	(16,516)	(47,340)
3.06.05.01	Research and Development	(7,844)	(21,135)	(4,836)	(13,547)
3.06.05.02	Advertising Expenses	(4,007)	(9,791)	(2,059)	(5,687)
3.06.05.03	Commissions	(12,383)	(29,446)	(5,355)	(14,143)
3.06.05.04	Depreciation and Amortization	(12,438)	(26,974)	(2,203)	(5,418)
3.06.05.05	Allowance for Doubtful Accounts	(302)	(1,067)	(452)	(1,256)
3.06.05.06	Other Expenses	(392)	(548)	224	(1,376)

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CVM – BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (CVM)
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COMMERCIAL, INDUSTRY & OTHER TYPES OF COMPANY**

September 30, 2006

Brazilian Corporate Law

01.01 – IDENTIFICATION

1 - CVM CODE 01999-2	2 - COMPANY NAME TOTVS S.A.	3 - Brazilian IRS Registry of Legal Entities (CNPJ) 53.113.791/0001-22
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07.01 – CONSOLIDATED STATEMENT OF INCOME (Thousand of R\$)

1 - CODE	2 – DESCRIPTION	3- 7/1/2006 to 9/30/2006	4- 1/1/2006 to 9/30/2006	5- 7/1/2005 to 9/30/2005	6- 1/1/2005 to 9/30/2005
3.06.05.07	Management Compensation	(4,634)	(10,320)	(1,835)	(5,913)
3.06.05.08	Extraordinary Expenses	(115)	(25,016)	0	0
3.06.06	Equity Pickup	0	0	0	0
3.07	Operating Income	5,426	(2,536)	7,809	22,666
3.08	Non-Operating Income	(9)	(129)	54	183
3.08.01	Revenues	0	0	54	183
3.08.01.01	Non-Operating Revenue	0	0	54	183
3.08.02	Expenses	(9)	(129)	0	0
3.08.02.01	Non-Operating Expense	(9)	(129)	0	0
3.09	Income Before Tax/Holding	5,417	(2,665)	7,863	22,849
3.10	Provision for Income Tax and Social Contribution	(3,367)	(6,730)	(3,294)	(9,223)
3.11	Deferred Income Tax	3,413	13,337	1,329	1,754
3.12	Statutory Profit Sharing/Contributions	0	0	0	0
3.12.01	Profit Sharing	0	0	0	0
3.12.02	Contributions	0	0	0	0
3.13	Reversal of Interest on Own Capital	0	0	0	0
3.14	Minority Interest	(13)	(88)	(23)	(13)
3.15	Net Income/Loss for the Period	5,450	3,854	5,875	15,367
	NUMBER OF SHARES, EX-TREASURY (in thousands)	26,688	26,688	177,884	177,884
	EARNINGS PER SHARE	0.20421	0.14441	0.03303	0.08639
	LOSS PER SHARE				

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08.01 – COMMENTS ON THE CONSOLIDATED PERFORMANCE IN THE QUARTER

PERFORMANCE REPORT

TOTVS S.A., leader in the development and marketing of enterprise application software and the provision of related services for small and medium enterprises in Brazil and Latin America, reports its results for the third quarter of 2006.

In 3Q06, TOTVS recorded EBITDA⁽¹⁾ of R\$15.660 million, a 55.2% increase when compared to the R\$10.090 million EBITDA⁽¹⁾ recorded in the same period of 2005. Year-to-date, the company recorded EBITDA⁽¹⁾ of R\$44.299 million compared to R\$27.177 million in 2005, a 63.0% expansion.

EBITDA Margin⁽²⁾ presented strong growth year-to-date. The company posts EBITDA Margin⁽²⁾ of 17.8%, compared to 16.7% in the same period of the previous year, a 1.1 p.p. difference.

In April 2006, the company announced the acquisition of 100% of shares issued by RM Sistemas S.A. by paying R\$164.800 million to RM's former controllers. A deposit was also made by TOTVS, at the amount of R\$41.200 million that will be released at the end of February 2007, subject to the achievement of pre-established goals.

The company recorded this quarter a 59.8% growth in gross revenues when compared to the same period of 2005, R\$105.942 million compared to R\$66.308 million, respectively. In the nine-month period of 2006, gross revenues summed up to R\$279.355 million, up by 52.6% from the R\$183.078 million in the 9M05.

Net income in 3Q06 reached R\$5.450 million, or R\$0.20 per share, and R\$3.854 million, or R\$0.14 per share, in the nine-month period of 2006, compared to a net income of R\$15.367 million, or R\$0.09 per share, in the same period of 2005. The low income in the nine-month period of 2006 is mainly due to the extraordinary expenses amounting to R\$25.016 million resulting from the company's IPO process and detailed in a note to the quarterly financial information disclosed in the quarter, as well as to the goodwill amortization paid, related to the acquired companies.

PERFORMANCE

With the political elections as the framework for the quarter, TOTVS achieved a positive performance, with improvements in many of its operating ratios.

Third-quarter license fee revenues totaled R\$26.123 million, 46.7% more than the R\$17.808 million posted in the same period in 2005. When comparing 9M06 to 9M05, we had a 46.5% growth, R\$70.581 million compared to R\$48.180 million. The expansion of license fee revenue is mainly explained by:

- Acquisition of new clients; The company obtained 370 software clients in 3Q06;
- Acquisition of RM Sistemas S.A., as previously mentioned.

Service revenue increased 40.7% in 3Q06 over 3Q05 to R\$36.192 million, vs. R\$25.723 million in the same period of 2005. In the 9M06, the company presented a growth of 37.7% compared to the same period of 2005.

TOTVS-BMI reported service revenue of R\$1.469 million in 3Q06, without no comparison basis to 3Q05, since on such date the company was not operating. In 9M06, TOTVS-BMI presented R\$4.229 million accumulated revenues.

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08.01 – COMMENTS ON THE CONSOLIDATED PERFORMANCE IN THE QUARTER

Maintenance revenue grew 91.5% in 3Q06 vs. 3Q05, due to the expansion of the company's client base and mainly due to the acquisition of RM Sistemas S.A. as previously mentioned. In the 9M06, gross revenue increased 73.1% compared to the same period of 2005, while the company's client base increased from approximately 8,000 to more than 15,000 clientes.

Licensing costs stood at R\$0.649 million for the quarter, 43.8% less than in the 3Q05. Such decrease results from negotiations related to the payment of royalties in 1H06 referring to the use of 4JS in the Logocenter brand. In the 9M06, costs fell by 2.7% compared to the same period of 2005.

Cost of services increased by 54.4% year-on-year, such expansion resulting from the acquisition of RM Sistemas S.A. and from the hiring of new professionals.

Research and development expenses increased 56.0% in 9M06 compared to 9M05. Said increment is a consequence of the RM Sistemas S.A. acquisition and of the expansion in the number of employees in the area, of approximately 50 new employees.

In the 9M06, advertising expenses went up by 72.2% compared to 9M05, also linked to the acquisition of RM Sistemas S.A. as well as to the greater exposure of the group's brands to the market.

Selling expenses increased by 96.2% in the 9M06, compared to the same period of 2005. The change is explained by the acquisition of RM Sistemas S.A., the stronger sales at Mexico branch, the restructuring of Logocenter brand sales team and by the start-up of activities of new Microsiga brand branches in the period.

Commissions expenses grew 108.2% y-o-y, basically deriving from the acquisition of RM Sistemas S.A. and also from the company's increased sales.

General and administrative expenses grew 9.6% in 9M06 vs. 9M05. In view of the significant acquisition, such slight increase attests the success achieved by the company in generating synergies among its operations.

Management Compensation registered an increase of 74.5% in 9M06 compared to the same period of 2005. Such increase results from the higher number of officers due to the acquisition of RM Sistemas S.A. and the start-up of the TOTVS-BMI operation.

In the 9M06 depreciation and amortization expenses moved up 397.9% compared to the same period of 2005, mainly caused by goodwill amortization paid in the acquisition of RM Sistemas S.A. in April 2006, as well as by goodwill amortization paid by the acquisition of Logocenter in February 2005.

Allowance for doubtful accounts decreased 15.0% in the 9M06 compared to the same period of 2005. These provisions are based on the Company's receivables portfolio.

Pursuant to Circular Letter/CVM/SNC/SEP no. 01/2006, all the expenses related to the IPO process held in March, 2006, were recorded as extraordinary expenses, in the total amount of R\$25.016 million in the 9M06.

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08.01 – COMMENTS ON THE CONSOLIDATED PERFORMANCE IN THE QUARTER

The company booked a negative result under other income/expenses of R\$0.548 million in the 9M06, versus a negative result of R\$1.376 million in the same period of 2005, a 60.2% reduction.

STOCK MARKET

The closing price of the Company's shares on September 30, 2006 was R\$41.00, which represents a market cap of R\$1,094.224 million. The average daily trading volume of shares since the company's going public in March 2006 was 130.226 thousand shares, a financial volume of R\$4.691 million.

FINAL COMMENTS

This quarter, TOTVS continued to present a sustained growth in its operations, and the company strengthened its commitment to the development of the software market in Latin America, especially in Brazil, with consistent investments in research and development and especially with the synergy provided by the acquisition of the company RM Sistemas S.A.

(1) EBITDA is a non-GAAP measure calculated by the Company observing the guidelines set for CVM Official Letter 01/2006, and consists of earnings before minority interest, income taxes, net financial income (expenses), depreciation, amortization and non-operating result. For the three and nine-month periods ended September 30, 2006, EBITDA also considers the exclusion of extraordinary expenses relating to the IPO process, recorded as mentioned in Note 10.

(2) EBITDA Margin is the percentage ratio between EBITDA and net revenues.

Non-financial information related to number of collaborators, market leadership, number of new clients, in addition to several percentages deriving from these information were not reviewed by our independent auditors.

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16.01 – OTHER INFORMATION DEEMED AS RELEVANT BY THE COMPANY

In compliance with the Rules of Corporate Governance Differentiated Practices, we present below the ownership structure disclosing any shareholder or investor holding more than 5% of the voting capital, directly or indirectly, to the level of individual, at September 30, 2006.

Totvs S/A - Ownership Structure

Shareholder	Common	
	Number of Shares	%
LC EH Participações e Empreendimentos S/A	8,021,037	30.05%
BNDES Participações S/A*	2,032,215	7.61%
Logocenter Participações S/A	1,234,815	4.63%
Other	15,400,335	57.70%
Total	26,688,402	100.00%

(*) Publicly-held Company

LC EH Participações e Empreendimentos S/A - Ownership Structure

Shareholder	Common		Preferred		Total	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Laércio José de Lucena Cosentino	773,836	60.18%	0	0.00%	773,836	50.00%
Ernesto Mário Haberkorn	512,097	39.82%	261,719	100.00%	773,816	50.00%
Total	1,285,933	100.00%	261,719	100.00%	1,547,652	100.00%

Logocenter Participações S/A - Ownership Structure

Shareholder	Common	
	Number of Shares	%
Leão Roberto Machado de Carvalho	489,879	22.86%
Orlando Humberto Watzko	466,904	21.79%
Vili Schiochet	460,325	21.48%
Sheila Costa da Silveira Schmidt	382,743	17.86%
Other	343,288	16.02%
Total	2,143,139	100.00%

In compliance with Rules of Corporate Governance Differentiated Practices, we present below the number and characteristics of the securities issued by the Company which are held, directly or indirectly, by the Controlling Shareholder, Officers and the number of outstanding shares, on September 30, 2006.

Totvs S/A – Ownership Structure

Shareholder	Common	
	Number of Shares	%
Controlling Shareholder*	8,021,037	30.05%
Officers	378,922	1.42%
Board of Directors	6,225	0.02%
Related Persons	2,079	0.01%
Stock at market	18,280,139	68.49%
Total	26,688,402	100.00%

(*) LC EH Participações e Empreendimentos S/A

In accordance with article 54 of its Bylaws, the Company is bound to arbitrage at the Market Arbitration Panel.

A free translation from Portuguese into English of Special Review Report of Independent Auditors on quarterly financial information prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil

SPECIAL REVIEW REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of
Totvs S.A.

1. We have performed a special review of the accompanying Quarterly Financial Information of Totvs S.A. and Totvs S.A. and subsidiaries for the three and nine-month periods ended September 30, 2006, including the balance sheets, statements of operations, report on the Company's performance and other Company's relevant information, prepared in accordance with the accounting practices adopted in Brazil.
2. Our review was conducted in accordance with specific procedures determined by the Institute of Independent Auditors of Brazil (IBRACON) and the Federal Board of Accountancy (CFC), and included principally: (a) inquiries of and discussions with the management responsible for the Company's accounting, financial and operational areas about the main criteria adopted for preparation of the quarterly information; and (b) review of information and subsequent events which have or could have significant effects on the Company's operations and financial position.
3. Based on our special review, we are not aware of any material modification that should be made to the Quarterly Financial Information referred to above for it to comply with the accounting practices adopted in Brazil applicable to the preparation of Quarterly Financial Information, together with specific regulations established by the Brazilian Securities and Exchange Commission (CVM).

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17.01 – SPECIAL REVIEW REPORT – UNQUALIFIED OPINION

4. Our review was carried out to enable us to issue a report on the special review of the Quarterly Financial Information referred to in the first paragraph, taken as a whole. The statements of cash flows of Totvs S.A. and Totvs S.A. and subsidiaries for the nine-month period ended September 30, 2006, prepared in accordance with the accounting practices adopted in Brazil, which are presented to provide supplementary information about the Company and its subsidiaries are not required as part of the Quarterly Financial Information. These statements were submitted to the review procedures described in the second paragraph and, based on our review, we are not aware of any material modification that should be made to these supplementary statements for them to be fairly disclosed, in all material respects, with regard to the Quarterly Financial Information for the nine-month period ended September 30, 2006, taken as a whole.

São Paulo, October 20, 2006

Ernst & Young
Auditores Independentes S.S.
CRC-2SP015199/O-6

José A. de A. Navarrete
Accountant CRC-1SP198698/O-4

Idésio S. Coelho Jr.
Accountant CRC-1SP163904/O-0

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BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (CVM)
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01.01 – IDENTIFICATION

1 - CVM CODE 01999-2	2 - COMPANY NAME TOTVS S.A.	3 - CNPJ (Corporate Taxpayer's ID) 53.113.791/0001-22
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