

**TOTVS IN 1Q07 → A SEQUENCE OF RECORDS:
NET REVENUE (R\$101.6 MILLION), EBITDA
(R\$20.9 MILLION) AND EBITDA MARGIN (20.7%)**



São Paulo, May 9, 2007 - TOTVS S.A. (BOVESPA: TOTS3), leader in developing and marketing enterprise application software and providing related services for small and medium companies in Brazil and Latin America, announced today its results for the first quarter of 2007. The Company's consolidated financial statements are presented in line with Brazilian Corporate Law. *To facilitate comparison, information is presented on a pro forma basis as it includes the figures of RM Sistemas S.A. since January 2006.*

Following operating improvements and the latest results, TOTVS updated its guidance and expects its EBITDA margin to reach between 22% and 25% (from the previous 20% and 25%) in the period from 2009 and 2011.

Highlights of the Quarter

- EBITDA was R\$20.911 million in 1Q07, a growth of 19.6% in comparison to the Pro Forma Adjusted EBITDA in the same period.
- EBITDA Margin was 20.7% in 1Q07. Growth of 100 basis points in relation to the Adjusted Pro forma EBITDA Margin in 1Q06.
- Net Revenue from sales in 1Q07 touched a record R\$101.161 million, a growth of 14.0% in relation to the same period in 2006.
- Adjusted Net Revenue reached a record-high of R\$15.820 million in 1Q07, a growth of 25.8% in relation to 1Q06. When compared with 4Q06, growth was 8.1%.
- Launch of the Family 10 of the products Corpore RM, Logix and Protheus, with new functionalities, more visual resources, and incorporating the latest in technological innovation.
- Revenue from Licensing Fees too reached a quarterly record of R\$27.710 million.
- 310 new software clients 1Q07 with average sales 23.2% higher when compared to the same period in 2006.

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Conference Calls

Thursday, 05/10/2007

> English

1h30 pm (Brasilia Time)
12h30 pm (US ET)
Tel.: +1 (973) 935-8893
Replay: +1 (973) 341-3080
Code: 8685960
webcast: www.totvs.com.br/ir

> Portuguese

3h00 pm (Brasilia Time)
2h00 pm (US ET)
Phone: +55 (11) 2101-4848
Replay: +55 (11) 2101-4848
Code: TOTVS
webcast: www.totvs.com.br/ri

Consolidated Financial Highlights (R\$ thousand)	Change			Change		
	1Q07	1Q06 ⁽¹⁾	(1Q07/1Q06)	1Q07	4Q06	(1Q07/4Q06)
Net Revenue	101,160	88,733	14.0%	101,160	101,109	0.1%
EBITDA	20,911	17,486	19.6%	20,911	19,974	4.7%
EBITDA Margin	20.7%	19.7%	100 bp	20.7%	19.8%	90 bp
Adjusted Net Income ⁽²⁾	15,820	12,571	25.8%	15,820	14,635	8.1%

(1) Values of the first quarter of 2006 are pro forma as they include numbers of RM Sistemas in the periods mentioned. RM Sistemas was acquired in April 2006 and the numbers shown are from this date on. They are shown pro forma to facilitate comparison of the results presented.

CVM Official Letter n° 1/2005 defines EBITDA as earnings before net financial expenses, income tax and social contribution and non-operating result. Adjusted EBITDA is EBITDA less non-recurring expenses relating to the Company's IPO and acquisition of RM Sistemas S.A.

(2) Adjusted Net Income represents Net Income excluding the effect of Non-recurring Expenses and amortization expenses related to the acquisition of Logocenter and RM Sistemas. Thus, Adjusted Net Income can be regarded as the net result of the Company's normal operations



Recent Events

Merger of RM Sistemas

Merger of RM Sistemas will bring in positive cash benefits of approximately R\$69.0 million for TOTVS, as of 2Q07.

The extraordinary shareholders meeting held on April 2 approved the merger of RM Sistemas S.A and RM Software Ltda, the Company's subsidiaries. As of 2Q07, this merger will bring positive cash benefits for TOTVS of R\$68.7 million, given that the five-year amortization of goodwill from the acquisition of RM Sistemas, totaling R\$202,206 million, is tax-deductible. To start with, the amount amortized for 1 year already booked by March 31, 2007 will be amortized in the same period as the remaining balance.

New Customer Service and Relationship structure for Logocenter and Microsiga.

In 1Q07, the new Customer Service and Relationship structure has startup at Logocenter and Microsiga. The area was divided into 2 main teams, one exclusively for new customers for the group's software and the other was for the base customers. For this, it was established that a new customer would become a base customer 18 months after signing the first contract for sale of user license.

This significant change that was structured in the second half of 2006 with startup in February 2007, is in tune with the company's strategy of increasing base sales, maintaining the strong growth of new customers, strengthening the expanded business model through cross sales with TOTVS BMI, TOTVS Infra and TOTVS BPO.

Launch of the Family 10 products of Logocenter, Microsiga and RM Sistemas

On April 25, new software versions of Logocenter, Microsiga and RM Sistemas were launched. The new versions hit the market with technological innovations, and new functionalities and visual aids.

Investments made in the product and technology over the last 2 years included development of the TOTVS Tec platform, the TOTVS middleware that is now also integrated with the last version of Logocenter (Logix 10) software. TOTVS Tec is prepared for SOA (Service Oriented Architecture) and to provide software as a service (SaaS - Software As A Service).

The new product family from TOTVS brings technological innovations and integration among the platforms acquired in 2006.

TOTVS' technology is one of the components of its strategy which, together with the differentiated business models offered to its customers, its corporate model, rent, ASP and Constantia make TOTVS the best solution for the SMB segment in Latin America.

Investments in technology also included the componentization project which allows complementing the solutions of the group brands and other systems in the market with specific modules. All the initiatives in this area comply with basic premises like independence of platform, operating systems, databases and interfaces.

Corpore RM 10 retains the Microsoft development platform which, besides being a way of diversifying the technologies used by the company and following the best market practices for evolution of the TOTVS technology, is well-known among the customers of the brand. Today, RM Sistemas is the largest developer of applications using .Net technology in Latin America and Corpore RM is 100% compatible with this Microsoft technology.

To complement the product strategy, TOTVS strengthens the activities of its Expanded Business Model, through the creation of an exclusive department, which

combines infrastructure (TOTVS Infra), BPO (TOTVS BPO) and management consulting (TOTVS BMI).

New Chief Technology Officer

On April 25, Weber George Canova took over as TOTVS Chief Technology Officer. As the Company's Technology Officer, he was the chief architect of the TOTVS Tec project.

The main challenge is to make the group's technological platform address the best practices and tools available in the market.

The Company, a pioneer in the area of innovation, has created a center comprising leaders who will deal with the subject of innovation in the following areas: IT, models, processes, customer service and relationship, human relations and businesses.

New Officers

During 1Q07, three new Officers joined TOTVS, elected at the extraordinary shareholders meeting on April 2, 2007.

Mr. Luciano Dequech is the Corporate Legal Officer. He has previously worked at the law firm Pinheiro Neto Advogados and was Legal Officer at Braskem S.A.

Mr. Alexandre Mafra is the Processes, Risks and Planning Officer of TOTVS. Earlier, during his 12 years at Ambev, he held various positions in the company before becoming the Planning and Performance Management Officer.

The Finance and Shared Management Officer, Mr. Alexandre Alves da Silva, has 15 years of business consulting experience in companies like IBM and Accenture. Before joining TOTVS, he was responsible for Shared Services at Casas Pernambucanas. He currently heads the Study Group on Shared Services (GESC), a group of Brazilian and foreign companies operating Shared Services Centers in Brazil.

The three new officers come in a renovation process in the Company with the objective of consolidating the TOTVS strategy of being the strategic support for technology, coordination and shared services of the group's brands.

Agreement with the former shareholders of RM Sistemas

An agreement was signed between TOTVS and the previous shareholders of RM Sistemas on April 20, 2007, by which TOTVS paid them R\$1.5 million as a portion of accumulated income of RM Sistemas till March 31, 2006. This payment is the result of the adjustments of previous fiscal years identified by TOTVS, and closes this last pending issue.

With this payment, goodwill generated with the acquisition of RM Sistemas rose R\$1.5 million, reaching a total of R\$202,206 million against a cash payment of R\$1.5 million, which has does not affect the company's results.

After the acquisition by TOTVS in April 2006, management of RM has come under the responsibility of Paulo Magalhães, RM Brand General Officer.

The agreement with the former shareholders of RM Sistemas effectively concludes the acquisition announced in 2006.

Market Update

Latin American ERP market will grow faster than world's average

Latin American ERP market will grow 30% faster than world's average between 2006 to 2011.

The last version of Gartner's Dataquest research estimated that the Latin American ERP market should grow 30% faster than world's average between 2006 and 2011.

According to the research, Latin American ERP market totaled US\$687.459 million and forecasts an 8.8% growth for 2007 (in US\$ dollars) to reach US\$748.269, what also represents a higher growth compared to worldwide estimated upturn of 6.7%.

Operating Performance

Operating Performance	1Q07	1Q06 (1)	Change (1Q07/1Q06)	1Q07	4Q06	Change (1Q07/4Q06)
# New Clients	310	317	-2.2%	310	377	-17.8%
# Base Clients	1,236	1,239	-0.2%	1,236	986	25.4%
# New Clientes in Corporate Model	62	58	6.9%	62	72	-13.9%
License Fee / New Client (R\$)	31,394	25,485	23.2%	31,394	28,935	8.5%
License Fee / Base Client (R\$)	13,801	12,013	14.9%	13,801	14,462	-4.6%
License Fee / New Corporate Client (R\$)	34,218	31,179	9.7%	34,218	45,323	-24.5%
License Fee / New Traditional Client (R\$)	30,687	24,210	26.8%	30,687	25,066	22.4%
Corporate Model Recurring Revenue (R\$ Thousand)	5,382	2,881	86.8%	5,382	-	N/A

(1) Values are *pro forma* as they refer to numbers of RM Sistemas, acquired in April 2006, during the period analyzed.

Recurring Revenue from the Corporate Model grew 86.8% in 1Q07 against 1Q06.

Number of active customers of the Company, which refers to the number of customers with help desk and maintenance services contracts, was over 15,400 active customers at the end of 1Q07.

TOTVS registered an increase in the average sale amount for new customers, recording R\$31,394, a growth of 23.2% in comparison with 1Q06. It added 310 new software customers in 1Q07.

In 1Q07, the Company recorded 62 new customers in the corporate model, which is an increase of 6.9% in comparison with the same period a year ago. Recurring revenue generated by this model 1Q07 was 86.8% higher than in the same quarter a year ago, reaching R\$5,382.

Sales to the Company's base customers remained stable in 1Q07 in comparison with the same period of 2006, with the average sale value increasing 14.9%. Sales in the base grew 25.4% in comparison with 4Q06, and average value fell 4.6% in the same period due to the size of the customers acquired in the period.

Financial Performance

Breakdown of Gross Revenue from Sales and Services	1Q07	1Q06 (1)	Change (1Q07/1Q06)	1Q07	4Q06	Change (1Q07/4Q06)
License Fees	27,710	25,238	9.8%	27,710	27,272	1.6%
Services	37,732	31,863	18.4%	37,732	39,882	-5.4%
Maintenance	47,259	41,754	13.2%	47,259	45,021	5.0%
Total Gross Revenue from Sales and Services	112,701	98,855	14.0%	112,701	112,174	0.5%

(1) Values are *pro forma* as they refer to numbers of RM Sistemas, acquired in April 2006, during the period analyzed.

Gross and Net Revenues

Gross revenue from sales and services reached R\$112.701 million in 1Q07, a growth of 14.0% in relation to the same period in 2006. The growth is mainly due to the 18.4% increase in revenue from services and the growth in maintenance services, which was 13.2% in the same period. Net revenue from sales and services also grew 14.0% during the period.

In comparison with 4Q06, the Company's gross revenue rose and reached R\$112.701 million in that period, as well as Net revenue, which stood at R\$101.161 million in 1Q07.

Revenue from License Fees

With a record value of R\$27.710 million versus R\$25.238 million recorded in the same period of the previous year, the Company's license fee revenue grew by 9.8% in the 1Q07, 1.6% up on the 4Q06, despite the changes carried out in the Group's commercial structure in February and March. In addition, recurring revenue of the corporate model grew by 86.8%. In the 1Q07, this figure totaled R\$5.382 million, against R\$2.881 million in the same period of 2006. The 1Q07 highlights were: the increase in the new client license fee sale average value and current client license fee sale average value. Compared to the 1Q06, these values totaled 23.2% and 14.9%, respectively.

Revenue from Services

Revenue from services grew 18.4% in 1Q07, despite the summer vacations season and reached R\$37.732 million. As in previous quarters this increase is higher than from other revenue items and is mainly due to the growth in revenue from user license fees in previous quarters. In comparison with 4Q06, revenue from services fell 5.4%.

Part of the Company's revenue from services is from management consulting services provided by TOTVS-BMI whose gross income in 1Q07 was R\$1.887 million - a growth of 36.7% in relation to R\$1.380 million registered in the same period a year ago. Total revenue from services in the expanded business model was 14.0% of the total revenue from services.

Revenue from Maintenance Services

Revenue from maintenance services increased 13.2% in 1Q07 in comparison with 1Q06, reaching R\$47.259 million against R\$41.754 million registered in the same

The continuous growth in sales of user licenses has been driving the growth in service revenue, adding value to sales.

period a year ago. When compared with 4Q06, the increase was 5.0%. The Company's customer base crossed the 15,400 mark in 1Q07, a growth of 5.1% in relation to the base *pro forma* in 1Q06. In 1Q07, the Company signed contracts with 310 new customers.

Operating Costs and Expenses

Main Operating Costs and Expenses R\$ Thousands)	(In	4Q06	4Q05 (1)	Change (4Q06/4Q05)	1Q07	4Q06	Change (1Q07/4Q06)
Cost of License Fees		(1.170)	(1.651)	-29,2%	(1.170)	(1.812)	-35,5%
Cost of Services		(28.828)	(26.707)	7,9%	(28.828)	(29.484)	-2,2%
Research and Development		(9.198)	(7.264)	26,6%	(9.198)	(7.780)	18,2%
Advertising Expenses		(2.399)	(2.903)	-17,4%	(2.399)	(2.890)	-17,0%
Selling Expenses		(7.888)	(5.805)	35,9%	(7.888)	(7.430)	6,2%
Commissions		(15.303)	(11.024)	38,8%	(15.303)	(12.956)	18,1%
General and Administrative Expenses		(9.710)	(11.803)	-17,7%	(9.710)	(12.464)	-22,1%
Management Fees		(3.809)	(2.807)	35,7%	(3.809)	(4.799)	-20,6%
Depreciation and Amortization		(12.778)	(2.249)	468,1%	(12.778)	(12.537)	1,9%
Provisions for Doubtful Accounts		(1.655)	(360)	359,8%	(1.655)	(887)	86,6%
Non-recurring Expenses		-	(24.774)	N/A	0	-	N/A
Other Revenue (Expenses)		(290)	(923)	-68,6%	(290)	(634)	-54,2%
Total		(93.027)	(98.270)	-5,3%	(93.027)	(93.672)	-0,7%

Values are *pro forma* as they refer to numbers of RM Sistemas, acquired in April 2006, during the period analyzed.

Reducing costs by 5.5% in a quarter in which revenue growth was 14%, demonstrates the TOTVS ability to leverage its operating capacity.

In 1Q07 operating costs and expenses declined 5.3% in relation to the same quarter in 2006, totaling R\$93.027 million, including expenses with amortization of goodwill from the acquisition of RM Sistemas. Excluding amortization, the decline would be 15.5%.

In this quarter, non-recurring expenses relating to the IPO were R\$24.774 million without including amortization expenses of RM Sistemas and Logocenter, which were R\$10.035 million and R\$1.222 million respectively, total costs and expenses in the period were R\$81.771 million, an increase of 13.1% in relation to 2006. This increase was also affected by a collective labor agreement for Microsigla brand rose payroll by 4.5%. In the same period, the Company's net revenue grew 14.0%, demonstrating its ability to leverage its operating capacity.

The Company continues its efforts at obtaining synergy from the integration of Logocenter and, especially, from RM Sistemas as was evidenced under the item General and Administrative Expenses.

The Management continues its efforts to streamline TOTVS operations, with better management of costs and expenses, especially those that grow at a higher percentage than revenue. The objective is to continue improving EBITDA margin which, without the non-recurring expenses and not on *pro forma* basis, was 17.8% at the end of 1Q06 and reached 20.7% at the end of 1Q07.

Licensing Costs

Licensing costs reached R\$1.170 million in 1Q07, a 29.1% decline over the same period in 2006. One of the factors behind this decline is the switching of Logocenter's products from the middleware of 4JS to the Company's proprietary product, TOTVS-Tec. With this, the royalties paid to 4JS' technology will gradually decline.

Cost of Services

Cost of the services provided was R\$28.828 million in 1Q07, an increase of 7.9% in relation to 1Q06. This increase is directly related to the recruitment of professionals for software implementation and related services, for the group's consulting service division TOTVS-BMI, which hired 48 consultants in the period and for a collective labor agreement of Microsigla brand that rose payroll by 4.5%. Revenue from services (18.4%) grew at more than double the pace at which cost of services rose 7.9%.

Research and Development

Research and Development expenses were R\$9.198 million in 1Q07, representing 9.1% of net revenue, an increase of 26.6% in relation to 2006 when they were R\$7.264 million and represented 8.2% of net revenue. The growth is due to the entry of new professionals and the efforts towards the simultaneous launch of the Family 10 TOTVS products: Protheus 10 of Microsigla, Logix 10 of Logocenter and Corpore 10 of RM Sistemas. These products are in response to the new requirements and trends in the software market and are packed with numerous enhancements, visual resources and additional integrated functionalities. Investments in technology also included the componentization project, which allows complementing the solutions of the group's brands and others in the market with specific modules.

Advertising Expenses

Advertising Expenses totaled R\$2.399 million in 1Q07, a 17.4% decrease when compared to the amount of R\$2.903 million in 1Q06. This decrease is in accordance with the strategic marketing plan and the synergies obtained from RM Sistemas.

Selling Expenses

Selling expenses increased 35.9%, from R\$5.805 million in 1Q06 to R\$7.888 million in 1Q07. This increase was mainly due to the recruitment of new professionals, especially by Microsigla.

Commissions

Commissions totaled R\$15.303 million in 1Q07, an increase of 38.8% over the R\$11.024 million in 1Q06. This is due to three main factors: (i) increase in group sales, (ii) the distribution of sales mix between internal and external channels, which reverted to a close to 50% share of the sales. This, due to certain circumstances, did not happen in the previous period. (iii) non-recurring expenses in this quarter, as explained in the table below:

Commission Adjustment Calculation			
(In R\$ Thousand)	1Q06	1Q07	% Change
Commission	11.024	15.303	38,8%
- Accounting Reclassification - RM Sistemas	-	940	-
- Provision Adjustment - Logocenter	-	540	-
= Total non-recurring variation	-	1.480	-
- Sales mix variation	-	937	-
Adjusted Commission ¹	11.024	12.886	16,9%

The new family of TOTVS products adds cutting edge technology and integration of the systems acquired in 2006, making the products more competitive in tune with the latest market trends and requirements.

Effects of item (iii) are non-recurring. Thus, commission payments totaled R\$12.886 million, an increase of 16.9%.

General and Administrative Expenses

General and administrative expenses were R\$9.710 million in 1Q07, a decline of 17.7% in relation to 1Q06. This decline is due to the group's cost control efforts and the synergies from the operations of Logocenter and RM Sistemas.

Management Fees

Management Fees totaled R\$3.809 million in 1Q07, an increase of 35.7% compared to the R\$2.807 million registered in 1Q06. The increase is, apart from the entry of new executive officers in TOTVS, due to the total fees paid to the executive officers of RM Sistemas who received a part of their remuneration as dividend in 1Q06.

Adjusted EBITDA

In 1Q06, the Company's EBITDA was adjusted in order to provide correct and organic comparison to the previous year. In this EBITDA calculation, the Company added non-recurring and extraordinary expenses from its IPO and RM Sistemas figures, acquired in April, 2006. As of 1Q07, since no extraordinary expenses were incurred, there will no longer be necessary to have such adjustments and Adjusted EBITDA calculation is as follows:

EBITDA (In R\$ Thousands)	1Q07 Book Value	Adjusted 1Q06 Pro Forma	1Q06 Book Value
Operating Income (EBIT)	8.133	(9.537)	(15.754)
Depreciation and Amortization	(12.778)	(2.249)	(2.117)
Non-Recurring Expenses		(24.774)	
EBITDA	20.911	17.486	(13.637)

Depreciation and Amortization

Depreciation and Amortization expenses totaled R\$12.778 million in 1Q07, an increase of 468.2% when compared to 1Q06. This increase is due to the goodwill amortization of R\$10.035 million in 1Q07 for acquiring RM Sistemas in April 2006.

Provision for Doubtful Accounts

Provision for Doubtful Accounts totaled R\$1.655 million in 1Q07 against R\$0.360 million in 1Q06. This provision is based on the composition of the Company's receivables portfolio.

Other Revenues and Expenses

In 1Q07, the Company booked a net expense of R\$0.290 million under the item 'other revenues/expenses', against R\$0.923 million in 1Q06.

Operating Income and Net Income

The Company posted an operating income of R\$8.133 million and net income of R\$8.383 million or R\$0.31 per share, influenced by amortization of goodwill in the acquisition of RM, against an operating loss of R\$9.537 million and net loss of R\$4.586 million or R\$0.17 per share in the same period in 2006, impacted by the non-recurring expenses relating to the Company's IPO.

The best operating performance obtained through: gains of scale, optimization of costs and higher growth are gradually turning into ever growing positive results.

Adjusted Net Income

Adjusted Net Income represents Net Income excluding the effect of non-recurring Expenses and amortization expenses related to the acquisition of Logocenter and RM Sistemas. Therefore, it may be regarded as Net Income from the Company's normal activities and hence the Company's dividend calculation base. While calculating it, the effects of amortization expenses and Income Tax are considered, as per the table below:

<i>Pro Forma Adjusted Net Income Reconciliation</i> (In R\$ Thousand)	1Q07	1Q06	1Q07	4Q06
Consolidated Net Income - Corporate Law	8,382	(9,868)	8,382	7,205
RM Sistemas ¹ Consolidated Net Income	-	5,282	-	-
Pro Forma Net Income	8,382	(4,586)	8,382	7,205
Logocenter and RM Sistemas Goodwill Amortization	11,269	1,222	11,269	11,257
Non-recurring Expenses	-	24,773	-	-
Income Tax and Social Contribution Effect	(3,831)	(8,838)	(3,831)	(3,827)
Pro Forma Adjusted Net Income	15,820	12,571	15,820	14,635

¹ Considering consolidated income before acquisition of the companies.

Capital Market

Shareholder (As % of free float)	1Q07	4Q06	3Q06	Shareholder (As % of free float)	1Q07	4Q06	3Q06
Non-Institutional Investor	3.8%	4.9%	3.9%	Domestic Investor	20.7%	23.8%	23.3%
Institutional Investor	96.2%	95.1%	96.1%	Foreign Investor	79.3%	76.2%	76.7%
TOTAL	100.0%	100.0%	100.0%	TOTAL	100.0%	100.0%	100.0%

Ownership Breakdown

The Company's free float as on March 31, 2007 was 16,635,151 shares, which is 62.33% of the total of 26,688,402 shares. The remaining portion corresponds to the share of LC-EH Participações (30.05%) and BNDESPar (7.61%). Members of the Company's Board of Directors held 1.10% on that date.

Currently, 96.1% of the Company's free float is held by institutional investors, 110 base points more than on December 31, 2006.

Upcoming Events

Conference Calls - 1Q07 Results May 10, 2007	
Portuguese	English
Time: 3:00 PM (Brasília time) 2:00 PM (US ET)	1:30 PM (Brasília time) 12:30 PM (US ET)
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Code: TOTVS	Code: 8685960
Webcast: www.totvs.com.br/ri	Webcast: www.totvs.com.br/ir

Glossary

License Fees / User License

License fees include the license to use the Company's software, sale of third party software and royalties.

Maintenance

Maintenance refers to the provision of upgrades and new versions of the Company's software containing adjustments related to technological, legal or functional developments.

Traditional Model

Under the traditional model, a permanent and non-exclusive software license is granted upon payment of a specified amount, which can be effected in installments. The license fee is based on a per-user price and customers pay for the number of users accessing the software. This number refers to the maximum number of people that can access the system simultaneously.

Corporate Model

Under the corporate model, customers acquire unlimited usage rights without restrictions on the number of simultaneous users in exchange for payment (in cash or installments) and annual payments based on a growth metric pertaining to their particular area of business. The purpose of this model is to increase customer loyalty and recurring revenue. This model does not apply to modules and products developed with partner companies (such as import/export, asset maintenance and occupational health and safety). Should customers wish to acquire these products under the corporate model; payments will be subject to an increment.

This report contains forward-looking statements that are based on the beliefs and expectations of TOTVS management. The words "anticipate", "believe", "wish", "expect", "foresee", "intend", "plan", "predict", "project", and similar are intended to identify statements that, necessarily, involve known and unknown risks. Known risks include uncertainties that are not limited to the impact of price and product competitiveness, acceptance of products by the market, the market performance of the Company's products and those of its competitors, regulatory approval, currency fluctuations, supply and production difficulties and changes in product sales, among others. This report also contains certain pro forma statements, prepared by the Company exclusively for informational and reference purposes and are therefore unaudited. This report is updated to the present date and TOTVS is under no obligation to update it further to include new information and/or future occurrences.

Financial Statements

BALANCE SHEET (In R\$ Thousands)	Parent Company		Consolidated	
	3/31/07	3/31/06	3/31/07	3/31/06 Pro Forma
Current assets				
Cash and banks	63,840	278,211	95,135	290,456
Accounts receivable	41,970	30,389	78,931	68,069
Provision for Doubtful Accounts	(3,449)	(3,884)	(5,939)	(5,275)
Income Tax and Social Contribution on Net Income	9,941	7,370	14,503	9,842
Dividends receivable	26,474	5,051	-	-
Recoverable taxes	5,812	-	8,007	4,700
Other current assets	3,033	3,825	4,805	2,406
Total current assets	147,621	333,053	195,442	370,288
Non-current assets				
Long-term assets				
Related parties	6,406	4,455	-	-
Income Tax and Social Contribution on Net Income	16,184	8,159	18,602	10,413
Judicial deposit	1,431	4,931	3,392	8,882
Other receivables	183	-	999	507
Permanent Assets				
Investments	28,714	33,170	55	19,581
Goodwill from aquisitions	176,023	-	176,023	-
Equipment	9,827	8,998	17,947	17,399
Intangible	850	945	1,291	-
Total non-current assets	239,618	42,168	218,309	36,980
Total assets	387,239	392,766	413,751	427,070

BALANCE SHEET (In R\$ Thousands)	Parent Company		Consolidated	
	3/31/07	3/31/06	3/31/07	3/31/06 Pro Forma
Current liabilities				
Accounts payable	1,921	2,986	5,567	7,026
Notes payable	1,500	4,423	1,500	4,423
Loans and financing	-	-	353	-
Current obligation under capital leases	-	-	1,999	1,629
Taxes payable	1,670	3,243	7,483	6,822
Salaries and social charges payable	14,163	14,289	22,327	21,438
Commissions payable	7,854	6,615	11,625	8,351
Dividends payable	215	1,649	281	6,977
Other payable	53	999	683	1,555
Total Current liabilities	27,376	28,305	51,818	58,221
Non-current liabilities				
Current obligation under capital leases	-	-	1,411	1,017
Provision for losses on equity investments	832	1,003	-	-
Income Tax and Social Contribution on Net Income	-	-	216	295
Controlled Company Payable - Logocenter	-	6,000	-	-
Tax payable	552	1,176	552	2,250
Contingencies	1,064	543	1,080	6,792
Total Long Term liabilities	2,448	8,722	3,259	11,167
Minority interests	-	-	839	698
Shareholders' Equity				
Capital	307,373	21,636	307,373	308,084
Capital reserve	31,557	31,557	31,557	31,613
Income reserve	18,485	22,572	18,905	17,287
Shares held in treasury	-	(166)	-	-
Total shareholders equity	357,415	75,599	357,835	356,984
Total liabilities and shareholders equity	387,239	112,626	413,751	427,070

INCOME STATEMENTS (In thousands of R\$, except earnings per share)	Consolidated			
	1Q07	1Q06 <i>Pro Forma</i>	1Q07	4Q06
Gross revenue:				
License fees	27,710	25,238	27,710	27,272
Services	37,732	31,863	37,732	39,882
Maintenance	47,259	41,754	47,259	45,021
	112,701	98,855	112,701	112,174
Deductions from revenue:				
Cancellation of services and sales	(2,836)	(2,551)	(2,836)	(2,480)
Taxes	(8,704)	(7,571)	(8,704)	(8,585)
Net sales revenue	101,161	88,733	101,161	101,109
Licensing Costs	(1,170)	(1,651)	(1,170)	(1,812)
Cost of Services	(28,828)	(26,707)	(28,828)	(29,484)
GROSS INCOME	71,163	60,375	71,163	69,814
OPERATING EXPENSES	(63,030)	(69,912)	(63,030)	(62,376)
Research and Development	(9,198)	(7,264)	(9,198)	(7,780)
Advertising expenses	(2,399)	(2,903)	(2,399)	(2,890)
Selling Expenses	(7,888)	(5,805)	(7,888)	(7,430)
Commissions	(15,303)	(11,024)	(15,303)	(12,956)
General and Administrative Expenses	(9,710)	(11,803)	(9,710)	(12,464)
Management Fees	(3,809)	(2,807)	(3,809)	(4,799)
Depreciation and Amortization	(12,778)	(2,249)	(12,778)	(12,537)
Provision for Doubtful Accounts	(1,655)	(360)	(1,655)	(887)
Non-recurring expenses	-	(24,774)	-	-
Other expenses	(290)	(923)	(290)	(634)
Operating profit, before financial effects equity pickup	8,133	(9,537)	8,133	7,438
Financial revenues	3,376	2,364	3,376	3,050
Financial expenses	(2,363)	(3,177)	(2,363)	(1,734)
Non-operating income	235	(135)	235	(73)
Income (loss) before taxes	9,381	(10,485)	9,381	8,680
Current income and social contribution taxes	(6,313)	(1,710)	(6,313)	(1,418)
Deferred income and social contribution taxes	5,358	7,722	5,358	
Income and social contribution taxes	(955)	6,012	(955)	(1,418)
Minority interest	(43)	(113)	(43)	(57)
Net income (loss)	8,383	(4,586)	8,383	7,205
EBITDA	20,911	17,486	20,911	19,974

CASH FLOWS - Pro forma (In R\$ Thousands)	1Q07	Consolidated 1Q06 Pro forma
<u>Cash flows from operating activities</u>		
EBIT	8,134	(9,537)
Depreciation and Amortization	12,778	2,249
Non-recurring expenses	-	24,774
EBITDA	20,911	17,486
<i>Cash Items after EBITDA</i>		
Financial Result	(5,287)	(2,373)
Income Tax and Social Contribution on Net Income	1,027	(663)
	(6,313)	(1,710)
<i>Non-Cash Items after EBITDA</i>		
Allowance for doubtful accounts	2,238	579
Provision for contingencies	1,655	361
	583	218
<i>Changes in Working Capital</i>		
Accounts receivable	1,580	(334)
Accounts payable	(316)	(3,998)
Salaries and charges payable	1,444	1,537
Taxes payable	1,652	1,686
Judicial deposit	1,341	(2,500)
Other assets and liabilities	(628)	(333)
Other assets and liabilities	(1,913)	3,274
Net Cash from operating activities	19,442	15,358
<u>Cash flows from investment activities</u>		
Investment divestiture	400	-
Acquisition of equipment	(1,506)	(3,150)
Permanent Asset Sale	429	375
Cash flows from investment activities	(677)	(2,775)
<u>Cash flows from financing activities</u>		
Bank loans	10	(218)
Increase (decrease) of lease obligations	236	166
Payment of capital	-	284,800
Non Current Expenses Payable	-	(20,700)
Dividends paid	(22,427)	(12,489)
Cash flows from financing activities	(22,181)	251,559
<u>Increase (decrease) of cash and banks</u>	(3,416)	264,142
Cash and banks at the beginning of the year	98,550	26,407
Cash and banks at the end of the year	95,134	290,549