

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

**FEDERAL PUBLIC SERVICE  
CVM - BRAZILIAN SECURITIES AND EXCHANGE COMMISSION  
QUARTERLY INFORMATION - ITR  
COMMERCIAL, INDUSTRY & OTHER TYPES OF COMPANY**

September 30, 2007 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 <b>01999-2</b>	2 - COMPANY NAME <b>TOTVS S.A.</b>	3 - CNPJ (Corporate Taxpayer's ID) <b>53.113.791/0001-22</b>
4 - NIRE (Corporate Registry ID) <b>3530015317-1</b>		

**01.02 – HEAD OFFICE**

1 - 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 -	9 - TELEPHONE -	10 - TELEX
11 - AREA CODE 11	12 - FAX 3981-7335	13 - FAX -	14 - FAX -	
15 - E-MAIL ri@totvs.com.br				

**01.03 - INVESTORS RELATIONS OFFICER (Company Mailing Address)**

1- NAME José Rogério Luiz				
2 - 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 3981-7000	9 - TELEPHONE -	10 - TELEPHONE -	11 - TELEX
12 - AREA CODE 11	13 - FAX 3981-7335	14 - FAX -	15 - FAX -	
15 - E-MAIL ri@totvs.com.br				

**01.04 – ITR REFERENCE AND AUDITOR INFORMATION**

CURRENT YEAR		CURRENT QUARTER			PREVIOUS QUARTER		
1 - BEGINNING	2 - END	3 - QUARTER	4 - BEGINNING	5 - END	6 - QUARTER	7 - BEGINNING	8 - END
1/1/2007	12/31/2007	3	1/7/2007	9/30/2007	2	4/1/2007	6/30/2007
09 - INDEPENDENT AUDITOR Ernst & Young Auditores Independentes S.S.					10 - CVM CODE 00471-5		
11. TECHNICIAN IN CHARGE José Antonio de A. Navarrete					12 – TECHNICIAN'S CPF (INDIVIDUAL TAXPAYER'S ID) 120.817.178-08		

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**01.05 - CAPITAL STOCK**

Number of Shares (in units)	1 - CURRENT QUARTER 9/30/2007	2 - PREVIOUS QUARTER 6/30/2007	3 - SAME QUARTER, PREVIOUS YEAR 9/30/2006
<b>Paid-up Capital</b>			
1 - Common	26,688,402	26,688,402	26,688,402
2 - Preferred	0	0	0
3 - Total	26,688,402	26,688,402	26,688,402
<b>Treasury Stock</b>			
4 - Common	0	0	0
5 - Preferred	0	0	0
6 - Total	0	0	0

**01.06 - COMPANY PROFILE**

<b>1 - TYPE OF COMPANY</b> Commercial, Industrial and Others
<b>2 - STATUS</b> Operational
<b>3 - NATURE OF OWNERSHIP</b> Domestic Private
<b>4 - ACTIVITY CODE</b> 1150 - Communications and IT
<b>5 - MAIN ACTIVITY</b> Software Development
<b>6 - CONSOLIDATION TYPE</b> Total
<b>7 - TYPE OF REPORT OF INDEPENDENT AUDITORS</b> 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 - CASH 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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**01.09 – SUBSCRIBED CAPITAL AND CHANGES IN THE CURRENT YEAR**

1 - ITEM	2 - DATE OF CHANGE	3 - CAPITAL STOCK (In thousands of reais)	4 - AMOUNT OF CHANGE (In thousands of reais)	5 - NATURE OF CHANGE	7 - NUMBER OF SHARES ISSUED (In units)	8 - SHARE PRICE WHEN ISSUED (in reais)
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**01.10 – INVESTORS RELATIONS OFFICER**

1 – DATE	2 – SIGNATURE
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**02.01 - BALANCE SHEET - ASSETS (in R\$ thousand)**

1 - CODE	2 - DESCRIPTION	3 - 9/30/2007	4 - 6/30/2007
1	Total Assets	425,009	411,343
1.01	Current Assets	198,533	178,120
1.01.01	Cash and Cash Equivalents	117,905	100,282
1.01.02	Receivables	64,173	62,068
1.01.02.01	Trade accounts receivable	57,331	56,102
1.01.02.01.01	Accounts Receivable	63,489	61,889
1.01.02.01.02	Allowance for Doubtful Accounts	(6,158)	(5,787)
1.01.02.02	Sundry Receivables	6,842	5,966
1.01.02.02.01	Dividends Receivable	0	0
1.01.02.02.02	Recoverable Taxes	6,842	5,966
1.01.03	Inventories	0	0
1.01.04	Other	16,455	15,770
1.01.04.01	Deferred Income and Social Contribution Taxes	11,297	11,622
1.01.04.02	Other Current Assets	5,158	4,148
1.02	Noncurrent Assets	226,476	233,223
1.02.01	Long-term Assets	33,990	33,361
1.02.01.01	Sundry Credits	0	0
1.02.01.02	Credit with Related Parties	6,324	6,227
1.02.01.02.01	Direct and Indirect Associated Companies	0	0
1.02.01.02.02	Subsidiaries	6,324	6,227
1.02.01.02.03	Other Related Parties	0	0
1.02.01.03	Other	27,666	27,134
1.02.01.03.01	Deferred Income and Social Contribution Taxes	21,564	21,292
1.02.01.03.02	Judicial Deposits	5,429	5,119
1.02.01.03.03	Other Assets	673	723
1.02.02	Permanent Assets	192,486	199,862
1.02.02.01	Investments	179,986	187,127
1.02.02.01.01	In Affiliates	0	0
1.02.02.01.02	In Affiliates - Goodwill	0	0
1.02.02.01.03	In Subsidiaries	23,787	22,382
1.02.02.01.04	In Subsidiaries - Goodwill	156,144	164,690
1.02.02.01.05	Other Investments	55	55
1.02.02.02	Equipment	11,393	11,533
1.02.02.03	Intangible Assets	1,107	1,202
1.02.02.04	Deferred Charges	0	0

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**02.02 - BALANCE SHEET - LIABILITIES (in R\$ thousand)**

1 - CODE	2 – DESCRIPTION	3 – 9/30/2007	4 – 6/30/2007
2	Total Liabilities	425,009	411,343
2.01	Current Liabilities	46,100	42,599
2.01.01	Loans and Financings	0	0
2.01.01.01	Accounts Payable	0	0
2.01.02	Debentures	0	0
2.01.03	Suppliers	4,300	4,173
2.01.04	Taxes, Fees and Contributions	1,305	2,032
2.01.05	Dividends Payable	207	211
2.01.06	Provisions	0	0
2.01.07	Debts with Related Parties	0	0
2.01.08	Other	40,288	36,183
2.01.08.01	Payroll and Charges Payable	28,792	23,934
2.01.08.02	Commissions Payable	11,245	11,990
2.01.08.03	Other Accounts Payable	251	259
2.02	Noncurrent Liabilities	2,276	1,949
2.02.01	Long-term Liabilities	2,276	1,949
2.02.01.01	Loans and Financings	0	0
2.02.01.02	Debentures	0	0
2.02.01.03	Provisions	1,909	1,479
2.02.01.03.01	Provisions for Contingencies	1,180	979
2.02.01.03.02	Provision for Losses from Investments	729	500
2.02.01.04	Debts with Related Parties	0	0
2.02.01.05	Advances for Future Capital Increase	0	0
2.02.01.06	Other	367	470
2.02.01.06.01	Taxes Payable	367	470
2.02.02	Deferred Income	0	0
2.04	Shareholders' Equity	376,633	366,795
2.04.01	Paid-up Capital	307,373	307,373
2.04.02	Capital Reserves	31,557	31,557
2.04.03	Revaluation Reserves	0	0
2.04.03.01	Own Assets	0	0
2.04.03.02	Affiliates	0	0
2.04.04	Income Reserves	9,992	9,992
2.04.04.01	Legal	1,683	1,683
2.04.04.02	Statutory	0	0
2.04.04.03	For Contingencies	0	0
2.04.04.04	Unrealized Profit	8,309	8,309
2.04.04.05	Retention of Profit	0	0
2.04.04.06	Special for Non-Distributed Dividends	0	0
2.04.04.07	Other Profit Reserves	0	0
2.04.05	Retained Earnings/Accumulated Losses	27,711	17,873
2.04.06	Advances for Future Capital Increase	0	0

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**03.01 – STATEMENT OF INCOME (in R\$ thousand)**

1 – CODE	2 – DESCRIPTION	3- 7/1/2007 to 9/30/2007	4- 1/1/2007 to 9/30/2007	5- 7/1/2006 to 9/30/2006	6-1/1/2006 to 9/30/2006
3.01	Gross Revenue from Sales and/or Services	106,153	272,890	59,386	173,534
3.01.01	License Fees	25,423	67,034	13,360	41,940
3.01.02	Services	30,599	79,856	20,204	57,565
3.01.03	Maintenance	50,131	126,000	25,822	74,029
3.02	Deductions from Gross Revenues	(10,634)	(26,528)	(6,159)	(17,908)
3.02.01	Cancellation of Services and Sales	(3,233)	(6,754)	(1,499)	(4,404)
3.02.02	Taxes on Services and Sales	(7,401)	(19,774)	(4,660)	(13,504)
3.03	Net Revenue from Sales and/or Services	95,519	246,362	53,227	155,626
3.04	Cost of Goods Sold and/or Services Rendered	(26,857)	(68,487)	(18,271)	(53,587)
3.04.01	Cost of License Fees	(1,494)	(3,376)	(517)	(3,145)
3.04.02	Cost of Services	(25,363)	(65,111)	(17,754)	(50,442)
3.05	Gross Profit	68,662	177,875	34,956	102,039
3.06	Operating Income/Expenses	(57,229)	(148,740)	(32,286)	(110,393)
3.06.01	Selling	(6,854)	(17,329)	(3,355)	(9,140)
3.06.02	General and Administrative	(8,617)	(24,100)	(9,062)	(23,756)
3.06.03	Financial	436	1,538	2,103	4,838
3.06.03.01	Financial Income	2,794	8,025	2,733	8,992
3.06.03.02	Financial Expenses	(2,358)	(6,487)	(630)	(4,154)
3.06.04	Other Operating Income	0	0	0	0
3.06.05	Other Operating Expenses	(43,716)	(120,251)	(31,077)	(100,893)
3.06.05.01	Research and Development	(9,950)	(26,586)	(5,734)	(16,050)
3.06.05.02	Advertising Expenses	(2,938)	(8,134)	(3,492)	(8,228)
3.06.05.03	Commissions	(12,478)	(33,161)	(6,045)	(16,409)
3.06.05.04	Management Compensation	(4,458)	(10,341)	(2,806)	(6,972)
3.06.05.05	Depreciation and Amortization	(12,481)	(37,230)	(11,851)	(25,473)
3.06.05.06	Allowance for Doubtful Accounts	(658)	(2,930)	(388)	(760)
3.06.05.07	Extraordinary Expenses	0	0	(115)	(25,016)

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**03.01 – STATEMENT OF INCOME (in R\$ thousand)**

1 – CODE	2 – DESCRIPTION	3- 7/1/2007 to 9/30/2007	4- 1/1/2007 to 9/30/2007	5- 7/1/2006 to 9/30/2006	6-1/1/2006 to 9/30/2006
3.06.05.08	Other Net Operating Expenses	(753)	(1,869)	(646)	(1,985)
3.06.06	Equity Pickup	1,522	11,402	9,105	18,558
3.07	Operating results	11,433	29,135	2,670	(8,354)
3.08	Non-Operating Income	(60)	319	80	(22)
3.08.01	Income	0	379	80	80
3.08.02	Expenses	(60)	(60)	0	(102)
3.09	Income (loss) Before Tax/Interests	11,373	29,454	2,750	(8,376)
3.10	Provision for Income Tax and Social Contribution	(1,481)	(7,570)	0	0
3.11	Deferred Income Tax	(54)	5,827	2,693	12,165
3.12	Statutory Interests/Contributions	0	0	0	0
3.12.01	Interests	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	Income/Loss for the Period	9,838	27,711	5,443	3,789
	No. SHARES, EX-TREASURY (in Units)	26,688,402	26,688,402	26,688,402	26,688,402
	EARNINGS PER SHARE (In Reais)	0,36862	1,03832	0,20395	0,14197
	LOSS PER SHARE (In Reais)				

## 1. Operations, Mergers and Acquisitions of Companies and Going Public

### a) Operations

The business purpose of Totvs 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) Mergers and Acquisitions of Companies

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	
Long-term assets	11,163
Permanent assets	3,027
Total assets	<u>26,346</u>
Current liabilities	5,595
Noncurrent liabilities	
Long-term liabilities	5,242
Net assets merged by the Company	<u><u>15,509</u></u>

Continuing the process of increasing its share in the national software market, and with the proceedings 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 headquartered in Belo Horizonte, state of Minas Gerais, for the amount of R\$206,000.

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 was calculated, between the minimum and the maximum values, based on an operating performance index, agreed between the parties, calculated over RM’s operating results in 2006.

Due to the fact that RM achieved its operating performance index goal, the maximum amount of the variable price (R\$41,200), deposited in the unavailable current account of RM’s former shareholders on April 13, 2006, was made available on February 28, 2007, being the variable price settled.

As provided for by contract, former RM shareholders received from that company R\$5,375 in

2006, as part of retained earnings (classified as dividends payable to former shareholders) on March 31, 2006, in addition to the fixed and variable prices.

On April 20, 2007, the Company signed an agreement with former RM shareholders, in which the amount of R\$1,500 was defined to be paid to the former shareholders of RM, supplementing the payment of part of retained earnings up to March 31, 2006, due to adjustments in fiscal years prior to 2006 of RM, identified by the Company, and that rectified RM's retained earnings as of March 31, 2006.

The goodwill determined by the Company in the acquisition of RM totaled R\$202,206 and has been amortized due to the expectation of future investment profitability, which is currently of five years.

The Extraordinary General Meeting held on April 2, 2007 approved the merger of the direct subsidiary RM Sistemas S.A. and of the indirect subsidiary RM Software Ltda., both headquartered in the city of Belo Horizonte, state of Minas Gerais and acquired by the Company in April 2006. The mergers were carried out based on book values recorded in the company's books as of March 31, 2007, in compliance with legal provisions. The main components of merged net assets are summarized as follows:

	RM Sistemas S.A.	RM Software Ltda.
Current assets	39,361	13,638
Noncurrent assets		
Long-term assets	6,230	773
Permanent assets	15,983	67
Total assets	61,574	14,478
Current liabilities	50,293	970
Noncurrent liabilities		
Long-term liabilities	2,630	789
Net assets merged by the Company	8,651	12,719

With the merger of subsidiaries Logocenter and RM, the Company started carrying out its operations using the Logocenter, Microsiga and RM brands.

On July 19, 2007, the Company acquired 46% of the shares of Totvs BMI Consultoria S.A. (Totvs BMI), managerial consulting company with headquarters in São Paulo – SP, by the amount of R\$3,000. With the acquisition, the Company proceeded to detain 100% of the shares of its subsidiary.

The goodwill determined by the Company on the acquisition of Totvs BMI amounted R\$2,933 and is being amortized due to the expectation of future investment profitability of the investment, which is currently of five years.

c) *Initial Public Offering (IPO)*

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

From the total stock offered, 5,570,000 shares 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 U.S. and Brazil), based on the Regulation S prepared by the *U.S. Securities and Exchange Commission* ("SEC").

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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 São Paulo Stock Exchange (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 proceeds of R\$284,800 (R\$266,923 net of commissions and other expenses), which were 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.

## 2. Basis of Preparation and Presentation of the Quarterly Information

The quarterly information were prepared in accordance to the accounting practice 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 the disclosure of usual information contained in the annual financial statements. Consequently, they do not include all the information and explanatory notes required by the standard accounting practices for financial statements presented as a whole.

The earnings of the nine-month period ended on September 30, 2007 are not necessarily indicative of future earnings that may be expected for the year to be ended on December 31, 2007.

The balance sheets and statements of income for the periods of the “Parent Company”, were prepared in accordance to the accounting practices adopted in Brazil, whereas the balance sheets and statements of income of the periods of the “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 on		Net income (loss) for the nine-month period ended on September 30,	
	September 30, 2007	June 30, 2007	2007	2006
According to Parent Company	376,633	366,795	27,711	(3,789)
- Lease payable	(4,796)	(3,898)	<b>(1,622)</b>	(119)
- Leased assets	<b>8,718</b>	7,464	<b>1,853</b>	488
- Depreciation of leased assets	<b>(3,351)</b>	(2,987)	<b>(462)</b>	(509)
- Deferred income and social contribution taxes on the net effects resulting from the lease	<b>(194)</b>	(197)	<b>78</b>	(33)
According to the Consolidated	<b>377,010</b>	367,177	<b>27,558</b>	(3,854)

## 3. Significant Accounting Practices

The accounting practices adopted in the preparation of the quarterly financial information are consistent with those disclosed in the financial statements for the year ended December 31, 2006.

Considering the acquisition of RM and Totvs BMI during the fiscal years of 2006 and 2007, respectively, and the mergers of subsidiaries held during the fiscal years of 2007 and 2006, mentioned in the note 1b) the comparison of Parent Company and Consolidated financial figures was impaired.

#### 4. Cash and Cash Equivalents

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>September 30, 2007</u>	<u>June 30, 2007</u>	<u>September 30, 2007</u>	<u>June 30, 2007</u>
Cash and banks	3,557	4,242	4,087	4,936
Financial investments:				
Interbank Deposit (DI) mutual funds	114,348	96,040	124,684	105,851
	<u>117,905</u>	<u>100,282</u>	<u>128,771</u>	<u>110,787</u>

#### 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 over temporary differences and income and social contribution tax loss carry for wards.

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

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>September 30, 2007</u>	<u>2006</u>	<u>September 30, 2007</u>	<u>2006</u>
Income (Loss) for the nine-month period before taxes	29,454	(8,376)	33,453	(2,665)
Income and social contribution taxes at nominal rate of 34%	(10,014)	2,848	(11,374)	906
Adjustments for calculation of effective rate				
Equity pickup Law 11.196/05 (Incentive to Research & Development)	3,877	6,310	-	-
Effect of presumed income of subsidiaries	5,701	3,438	6,128	3,631
Uncollectible receivables	(101)	(31)	(101)	(31)
Other	(1,206)	400	(1,170)	372
Income/(expense) from income tax and social contribution	<u>(1,743)</u>	<u>12,165</u>	<u>(5,659)</u>	<u>6,607</u>
Effective rate	5,9%	145,2%	16,9%	247,9%

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

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>September 30, 2007</u>	<u>June 30, 2006</u>	<u>September 30, 2007</u>	<u>June 30, 2006</u>
<u>Assets</u>				
Resulting from temporary differences:				
Amortized goodwill	15,274	15,274	15,274	15,274
Provision for commissions	4,386	4,615	4,471	4,615
Advanced revenues or billing	6,030	6,203	6,446	6,535
Allowance for doubtful accounts	1,417	1,409	1,529	1,489
Provision for contingencies and other liabilities	4,726	4,496	4,726	4,496
Income and social contribution tax loss carryforwards	-	-	1,090	979
Other	1,028	917	1,047	958
Total deferred income and social contributions - assets	<u>32,861</u>	<u>32,914</u>	<u>34,583</u>	<u>34,346</u>
Current assets	<u>(11,297)</u>	<u>(11,622)</u>	<u>(11,820)</u>	<u>(11,809)</u>
Noncurrent assets	<u>21,564</u>	<u>21,292</u>	<u>22,763</u>	<u>22,537</u>
<u>Liabilities</u>				
Resulting from temporary differences:				
Leasing	-	-	194	197
Total deferred income and contributions – liabilities	<u>-</u>	<u>-</u>	<u>194</u>	<u>197</u>

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## 6. Investments

The breakdown of investments is presented below:

	Investees' amounts on September 30, 2007		Equity pickup in the nine-month period ended on September 30,		Balance of investments on		Balance of provision for losses on	
	Shareholders' Equity	Results for the period	September 30, 2007	September 30, 2006	September 30, 2007	June 30, 2007	Septembe r 30, 2007	June 30, 2007
Microsiga Rio Software Ltda.	6,640	1,829	<b>1,829</b>	1,641	<b>6,640</b>	5,667	-	-
Microsiga Argentina S.A.	2,133	1,015	<b>1,015</b>	58	<b>2,133</b>	1,725	-	-
Logocenter S.A. (a)	-	-	-	343	-	-	-	-
Microsiga México S.A.	5,549	(952)	<b>(928)</b>	216	<b>5,411</b>	5,625	-	-
Makira do Brasil S.A.	4,076	1,252	<b>1,252</b>	1,258	<b>4,076</b>	3,664	-	-
Microsiga Corporation	2,200	(39)	<b>(39)</b>	136	<b>2,200</b>	2,235	-	-
Microsiga Vitória Software Ltda.	1,894	27	<b>27</b>	613	<b>1,894</b>	1,957	-	-
Microsiga Brasil Central Software Ltda.	621	48	<b>43</b>	(190)	<b>560</b>	588	-	-
Microsiga Nordeste Software Ltda.	(191)	154	<b>154</b>	367	-	-	191	28
Microsiga Brasília Software Ltda.	(538)	30	<b>30</b>	(290)	-	-	538	472
RM Sistemas S.A. (b)	-	7,743	<b>7,743</b>	14,274	-	-	-	-
RM Software Ltda. (b)	-	3,100	<b>31</b>	68	-	-	-	-
RM Outsourcing S.A. (c)	1,298	435	<b>201</b>	-	<b>779</b>	839	-	-
Totvs BMI Consultoria S.A.	94	125	<b>44</b>	64	<b>94</b>	82	-	-
			<b>11,402</b>	18,558	<b>23,787</b>	22,382	729	500
Other investments			-	-	<b>55</b>	55	-	-
			<b>11,402</b>	18,558	<b>23,842</b>	22,437	729	500

(a) Company merged in January 2006.

(b) Company acquired in 2006 and merged on April 2, 2007.

(c) Subsidiary of RM Sistemas S.A. until April, 2007.

## 7. Goodwill in Investments Acquisition

	<u>September 30, 2007</u>	<u>June 30, 2007</u>
Goodwill in RM acquisition	202,206	202,206
Goodwill in Logocenter acquisition	24,443	24,443
Goodwill in Totvs BMI acquisition	<u>2,932</u>	
	229,581	226,649
Accrued amortization	<u>(73,437)</u>	<u>(61,959)</u>
	<u>156,144</u>	<u>164,690</u>

The goodwill arising from the acquisitions of RM, Logocenter and Totvs BMI has been amortized in sixty months, based on expectations of future profitability. The goodwill recorded and the expectations of future profitability are based on appraisal reports by specialized companies, which used the discounted cash flow criterion and five-year projection for profitability.

As disclosed in Note 1b, Logocenter and RM were merged into the Company in January 2006 and in April 2007, respectively.

## 8. Shareholders' Equity

The Company's shareholding structure at September 30, 2007 is summarized at the section "Other Information Deemed as Relevant by the Company".

## 9. Financial Instruments

At September 30 and June 30, 2007, the Company and its subsidiaries had not entered into swap agreements or any other derivative financial instrument. The Company's financial instruments consist of cash and equivalents, trade accounts receivable and payable, which are recorded at cost plus interest or charges incurred, which approximates their market value.

## 10. Contingencies

The Company and its subsidiaries, during the regular course of their operations, are parties in legal proceedings related to tax, social security, labor and civil matters. The Management, based on information of its legal advisors and analysis of pending claims, recorded a provision in amounts deemed as sufficient to cover probable losses expected in the outcome of lawsuits in progress, as follows:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>September 30, 2007</b>	June 30, 2007	<b>September 30, 2007</b>	June 30, 2007
Provision				
Social security	<b>8,917</b>	8,602	<b>8,917</b>	8,602
Tax	<b>4,575</b>	4,378	<b>4,575</b>	4,378
Labor	<b>409</b>	244	<b>409</b>	244
	<b>13,901</b>	13,224	<b>13,901</b>	13,224
Judicial deposits				
Social security	<b>(8,811)</b>	(8,499)	<b>(8,811)</b>	(8,499)
Tax	<b>(3,910)</b>	(3,746)	<b>(3,910)</b>	(3,746)
	<b>(12,721)</b>	(12,245)	<b>(12,721)</b>	(12,245)
	<b>1,180</b>	979	<b>1,180</b>	979

### a) *Proceedings in progress with recorded provision for contingencies*

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

**Social Security:** The Company filed: (i) declaratory action to avoid the collection of the social contribution taxes destined to SESC (Social Service for Trade) and SENAC (National Service for Commercial Training), as well as an ordinary suit requesting the refund of contributions paid to the INSS; (ii) writ of mandamus pleading the unenforceability of the contribution to the INCRA (National Institute of Colonization and Agrarian Reform); and (iii) writ of mandamus pleading the unconstitutionality of the social security collection set forth by Laws No. 9876/96 and 5471/71, levied on the income earned by the cooperatives. The judicial deposits made by the Company until September 30, 2007 amounted to R\$8,811 (R\$8,499 up to June 30, 2007), recorded as write down of the provisions for social security contingencies account.

**Tax:**

The Company (Belo Horizonte branch) is discussing in seven (7) court deposit actions brought against the city governments of São Paulo, Rio de Janeiro, Uberlândia, Vitória, Campo Grande and Goiânia if they are required to pay the ISS (Tax on Services) at rates ranging from 2% to 5%, or if the tax is payable to the city government of Belo Horizonte where the rate is 2%. The Company understands that the ISS is due to the municipality of Belo Horizonte, where service is developed. Thus, the Company has been providing the court deposits under the scope of said lawsuits, taking into account the rates required by the city governments and recording provision for contingencies for these city governments by the 2% rate. The judicial deposits made until September 30, 2007, amounted to R\$5,105 (R\$4,652 on June 30, 2007).

On May 22, 2001, the Company issued the writ of mandamus pleading the unenforceability of COFINS and PIS on the installments which, stated as income, have been transferred to another legal entity, requesting that the undue amounts were paid back. The amounts involved in the lawsuit were judicially deposited by the Company and amount to R\$79 on September 30, 2007 (R\$79, on June 30, 2007).

*b) Other proceedings in progress*

The Company additionally takes part in other lawsuits, for which no provision was recognized, since the responsible external attorneys and the Company's management deems the risk of loss as possible or remote. The breakdown of main proceedings, whose risk of loss is deemed as possible, in progress is presented as follows:

On September 21, 2000, a court claim for taxes against the Company was filed by the INSS in the amount of R\$3,738 (R\$5,945 – restated until September 30, 2007) referring to the tax delinquency notices to collect the social security contribution, SAT, contribution to third parties and respective formal penalties under the claim of non-compliance with the ancillary liabilities. The Company offered a real estate property in the city of Joinville, state of Santa Catarina, as well as the respective improvements and permanent assets as a guarantee at that time, whose residual book value on September 30, 2007 is R\$1,113.

On May 4, 2007, the INSS files a court claim for taxes against the Company in the amount of R\$1,604 (R\$1,686 – restated until September 30, 2007) referring to the social contributions destined to third parties (SESC and SENAC) levied on the compensation paid to employees who rendered services from March 1999 until July 2000. This amount was judicially deposited on May 25, 2007, and registered in non-current assets.

As a result of inspection procedures by the Brazilian Internal Revenue Service, the Company was assessed:

- (i) in 2000, in the amount of R\$856 (R\$1,891 – restated until September 30, 2007) related to federal taxes. The Company opposed to this assessment, which is currently under analysis, awaiting administrative first instance decision; and
- (ii) in 2006, as a result of the tax proceeding, a tax deficiency notice was filed by the Brazilian Federal Revenue Service in the amount of R\$6,045 (R\$7,191 – restated until September 30, 2007), referring to discussions on commission and rental expenses and their respective effects on the calculation of Income and Social Contribution Taxes on Net Income for the fiscal year 2001. The Company challenged this notice, which is pending analysis of the Federal Revenue Office.

The Company had 8 assessments from the city government of São Paulo levying the ISS related to the period between 1996 and 2000, in the amount of R\$804 (R\$3,323 – restated until September 30, 2007). Such assessments result from the understanding of the São Paulo city government that the services rendered by the Joinville branch would be developed within the limits of the city of São Paulo. The Company's management and its legal advisors understand that all services are developed by the branch in the city of Joinville and deem that the tax was duly paid to that city. The Company's administrative appeals were judged groundless. The Company will defend itself in court.

*c) Legislation in force*

Pursuant to legislation in force in Brazil, the federal, state and local taxes, as well as social charges, are subject to examination by respective authorities for periods varying from 5 to 30 years. Legislations of other countries where Company's subsidiaries operate have different limitation periods.

## **11. Extraordinary Expenses**

Pursuant to the Circular Letter/CVM/SNC/SEP no. 01/2006, the Company recorded as extraordinary expenses (as an item of operating expenses) the amounts related to the IPO process. The breakdown on such amounts regarding these extraordinary expenses, recorded in the nine-month period ended on September 30, 2006, is the following:

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Lawyers, auditors and consultants	<b>4,999</b>
Banks' commission	<b>18,265</b>
Communication	<b>833</b>
Fees and contributions	<b>166</b>
Other	<b>753</b>
IPO process	<b>25,016</b>

## 12. Supplementary Information

	Parent Company		Consolidated	
	Nine-month periods ended on		Nine-month periods ended on	
	September 30,		September 30,	
	2007	2006	2007	2006
Cash flows provided by operating activities				
Net income (loss) for the period	27,711	3,789	27,558	3,854
Adjustment for reconciliation of net income with net amounts from operating activities:				
Depreciation and amortization	37,230	25,473	38,639	26,974
Book value of disposed assets	620	273	1,064	573
Allowance for doubtful accounts	2,930	760	4,238	1,067
Deferred income and social contribution taxes	(11,265)	(14,004)	(6,891)	(16,575)
Equity pickup	(11,402)	(18,558)	-	-
Exchange variation	1,630	804	-	-
Provision for losses in investments	276	84	-	-
Provision for contingencies	4,580	3,884	1,376	2,240
Minority interest	-	-	(29)	448
Variation in operating assets and liabilities:				
Trade accounts receivable	(20,632)	(11,305)	(10,831)	(23,082)
Dividends received	28,113	-	-	-
Other assets	(3,101)	(4,724)	(383)	(6,927)
Judicial deposits	(8,301)	(3,891)	(3,358)	(4,695)
Suppliers	1,936	1,734	1,184	2,795
Securities payable	6	(350)	6	(350)
Taxes payable	(786)	(569)	(4,153)	2,068
Payroll and charges payable	16,033	5,971	12,097	11,911
Commissions payable	5,024	1,400	550	3,482
Other accounts payable	(1,016)	812	(374)	1,019
Net cash flow provided by (used in) operating activities	69,586	(8,417)	60,693	4,802
Cash flows from investment activities				
Addition of investments	(2,717)	(8,131)	-	(180)
Goodwill in the acquisition of investments	(4,433)	(200,706)	(4,433)	(200,706)
Reduction in investment due to merger of subsidiary	8,982	15,509	-	-
Reduction in other investments	(4)	-	200	-
Acquisition of property and equipment	(5,363)	(5,780)	(5,681)	(7,846)
Funds used in investment activities	(3,535)	(199,108)	(9,914)	(208,732)
Cash flows from financing activities				
Bank loans	-	-	321	129
Increase in lease obligations	-	-	1,622	(119)
Capital paid up	-	284,800	-	284,800
Acquisition of own shares	(348)	(6,443)	-	-
Dividends paid	(22,435)	(6,017)	(22,501)	(7,569)
Funds provided by (used in) financing activities	(22,783)	272,340	(20,558)	277,241
Increase in cash and banks	43,268	64,815	30,221	73,311
Cash and cash equivalents at the beginning of the period	74,637	11,589	98,550	22,105
Cash and cash equivalents at the end of the period	117,905	76,404	128,771	95,416
Payment of interest	166	159	204	168
Payment of income and social contribution taxes	-	76	4,020	5,650

The Company is presenting, as supplementary information, the statements of cash flows (parent company and consolidated), prepared according to the NPC-20 of Ibracon – Independent Auditors Institute. The changes to operating, investment and financing activities arising from the acquisition of RM, held in the first half of 2006, in addition to the mergers of subsidiaries performed in the course of fiscal years 2007 and 2006, mentioned in the note 1b), were included, line by line in these statements.

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**06.01 – CONSOLIDATED BALANCE SHEET - ASSETS (in R\$ thousand)**

1 - CODE	2 - DESCRIPTION	3 – 9/30/2007	4 – 6/30/2007
1	Total Assets	439,758	423,240
1.01	Current Assets	234,905	211,030
1.01.01	Cash and Cash Equivalents	128,771	110,787
1.01.02	Receivables	88,080	83,135
1.01.02.01	Trade accounts receivable	80,192	76,441
1.01.02.01.01	Accounts Receivable	87,310	83,182
1.01.02.01.02	Allowance for Doubtful Accounts	(7,118)	(6,741)
1.01.02.02	Sundry Receivables	7,888	6,694
1.01.02.02.01	Recoverable Taxes	7,888	6,694
1.01.03	Inventories	0	0
1.01.04	Other	18,054	17,108
1.01.04.01	Deferred Income and Social Contribution Taxes	11,820	11,809
1.01.04.02	Other Current Assets	6,234	5,299
1.02	Noncurrent Assets	204,853	212,210
1.02.01	Long-term Assets	28,960	28,476
1.02.01.01	Sundry Credits	0	0
1.02.01.02	Credit with Related Parties	0	0
1.02.01.02.01	Direct and Indirect Associated Companies	0	0
1.02.01.02.02	Subsidiaries	0	0
1.02.01.02.03	Other Related Parties	0	0
1.02.01.03	Other	28,960	28,476
1.02.01.03.01	Judicial Deposits	5,429	5,119
1.02.01.03.02	Other Assets	768	820
1.02.01.03.03	Deferred Income and Social Contribution Taxes	22,763	22,537
1.02.02	Permanent Assets	175,893	183,734
1.02.02.01	Investments	156,199	164,745
1.02.02.01.01	In Affiliates	0	0
1.02.02.01.02	In Affiliates - Goodwill	0	0
1.02.02.01.03	In Subsidiaries	0	0
1.02.02.01.04	In Subsidiaries - Goodwill	156,144	164,690
1.02.02.01.05	Other Investments	55	55
1.02.02.02	Equipment	18,587	17,787
1.02.02.03	Intangible Assets	1,107	1,202
1.02.02.04	Deferred Charges	0	0

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**06.02 – CONSOLIDATED BALANCE SHEET - LIABILITIES (in R\$ thousand)**

1 - CODE	2 – DESCRIPTION	3 – 9/30/2007	4 – 6/30/2007
2	Total Liabilities	439,758	423,240
2.01	Current Liabilities	58,099	51,978
2.01.01	Loans and Financings	3,272	2,688
2.01.01.01	Loans and Financings	664	391
2.01.01.02	Leases Payable	2,608	2,297
2.01.01.03	Accounts Payable	0	0
2.01.02	Debentures	0	0
2.01.03	Suppliers	5,313	5,000
2.01.04	Taxes, Fees and Contributions	3,816	4,418
2.01.05	Dividends Payable	207	211
2.01.06	Provisions	0	0
2.01.07	Debts with Related Parties	0	0
2.01.08	Other	45,491	39,661
2.01.08.01	Payroll and Charges Payable	32,772	27,117
2.01.08.02	Commissions Payable	11,443	11,540
2.01.08.03	Other Liabilities	1,276	1,004
2.02	Noncurrent Liabilities	3,929	3,247
2.02.01	Long-term Liabilities	3,929	3,247
2.02.01.01	Loans and Financings	2,188	1,601
2.02.01.01.01	Leases Payable	2,188	1,601
2.02.01.02	Debentures	0	0
2.02.01.03	Provisions	1,180	979
2.02.01.03.01	Provisions for Contingencies	1,180	979
2.02.01.03.02	Provision for Losses from Investments	0	0
2.02.01.04	Debts with Related Parties	0	0
2.02.01.05	Advances for Future Capital Increase	0	0
2.02.01.06	Other	561	667
2.02.01.06.01	Deferred Income Tax and Social Contribution	194	197
2.02.01.06.02	Taxes Payable	367	470
2.02.02	Deferred Income	0	0
2.03	Minority Interest	720	838
2.04	Shareholders' Equity	377,010	367,177
2.04.01	Paid-up Capital	307,373	307,373
2.04.02	Capital Reserves	31,557	31,557
2.02.03	Revaluation Reserves	0	0
2.04.03.01	Own Assets	0	0
2.04.03.02	Affiliates	0	0
2.04.04	Income Reserves	10,522	10,522
2.04.04.01	Legal	1,683	1,683
2.04.04.02	Statutory	0	0
2.04.04.03	For Contingencies	0	0
2.04.04.04	Unrealized Profit	8,839	8,839
2.04.04.05	Retention of Profit	0	0
2.04.04.06	Special for Non-Distributed Dividends	0	0
2.04.04.07	Other Profit Reserves	0	0
2.04.05	Retained Earnings/Accumulated Losses	27,558	17,725
2.04.06	Advances for Future Capital Increase	0	0

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**07.01 – CONSOLIDATED STATEMENT OF INCOME (in R\$ thousand)**

1 - CODE	2 – DESCRIPTION	3- 7/1/2007 to 9/30/2007	4- 1/1/2007 to 9/30/2007	5- 7/1/2006 to 9/30/2006	6- 1/1/2006 to 9/30/2006
3.01	Gross Revenue from Sales and/or Services	125,294	357,743	105,942	279,355
3.01.01	License Fees	29,464	85,082	26,123	70,581
3.01.02	Services	44,334	124,425	36,192	96,296
3.01.03	Maintenance	51,496	148,236	43,627	112,478
3.02	Deductions from Gross Revenues	(13,044)	(36,004)	(11,572)	(30,474)
3.02.01	Cancellation of Services and Sales	(3,721)	(8,804)	(3,354)	(8,670)
3.02.02	Taxes on Services and Sales	(9,323)	(27,200)	(8,218)	(21,804)
3.03	Net Revenue from Sales and/or Services	112,250	321,739	94,370	248,881
3.04	Cost of Goods Sold and/or Services Rendered	(36,575)	(99,952)	(29,808)	(81,572)
3.04.01	Cost of License Fees	(1,768)	(3,785)	(649)	(3,575)
3.04.02	Cost of Services	(34,737)	(96,097)	(29,159)	(77,997)
3.04.03	Cost of Products Resold	(70)	(70)	0	0
3.05	Gross Profit	75,675	221,787	64,562	167,309
3.06	Operating Income/Expenses	(63,617)	(188,366)	(59,136)	(169,845)
3.06.01	Selling	(8,414)	(23,958)	(7,182)	(17,804)
3.06.02	General and Administrative	(9,940)	(29,734)	(12,158)	(32,899)
3.06.03	Financial	229	1,568	2,319	5,155
3.06.03.01	Financial Income	3,066	9,480	3,204	10,164
3.06.03.02	Financial Expenses	(2,837)	(7,912)	(885)	(5,009)
3.06.04	Other Operating Income	0	0	0	0
3.06.05	Other Operating Expenses	(45,492)	(136,242)	(42,115)	(124,297)
3.06.05.01	Research and Development	(9,951)	(28,795)	(7,844)	(21,135)
3.06.05.02	Advertising Expenses	(3,133)	(9,087)	(4,007)	(9,791)
3.06.05.03	Commissions	(13,602)	(42,386)	(12,383)	(29,446)
3.06.05.04	Management Compensation	(4,717)	(12,365)	(4,634)	(10,320)
3.06.05.05	Depreciation and Amortization	(12,971)	(38,639)	(12,438)	(26,974)
3.06.05.06	Allowance for Doubtful Accounts	(879)	(4,238)	(302)	(1,067)

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COMMERCIAL, INDUSTRY & OTHER TYPES OF COMPANY**

September 30, 2007

Brazilian Corporate Law

**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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**07.01 – CONSOLIDATED STATEMENT OF INCOME (in R\$ thousand)**

1 - CODE	2 – DESCRIPTION	3- 4/1/2007 to 6/30/2007	4- 1/1/2007 to 6/30/2007	5- 4/1/2006 to 6/30/2006	6- 1/1/2006 to 6/30/2006
3.06.05.07	Extraordinary Expenses	0	0	(115)	(25,016)
3.06.05.08	Other Net Operating Expenses	(239)	(732)	(392)	(548)
3.06.06	Equity Pickup	0	0	0	0
3.07	Operating results	12,058	33,421	5,426	(2,536)
3.08	Non-Operating Income	(43)	32	(9)	(129)
3.08.01	Income	0	75	0	0
3.08.02	Expenses	(43)	(43)	(9)	(129)
3.09	Income (loss) before Tax/Interests	12,015	33,453	5,417	(2,665)
3.10	Provision for Income Tax and Social Contribution	(2,385)	(12,549)	(3,367)	(6,730)
3.11	Deferred Income Tax	265	6,890	3,413	13,337
3.12	Statutory Interests/Contributions	0	0	0	0
3.12.01	Interests	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 Interests	(62)	(236)	(13)	(88)
3.15	Net Income/Loss for the Period	9,833	27,558	5,450	3,854
	No. SHARES, EX-TREASURY (in Units)	26,688,402	26,688,402	26,688,402	26,688,402
	EARNINGS PER SHARE (Reais)	0,00000	0,00000	0,00000	0,00000
	LOSS PER SHARE (Reais)				

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**08.01 – COMMENTS ON THE CONSOLIDATED PERFORMANCE IN THE QUARTER**

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## PERFORMANCE REPORT

TOTVS S.A., the leader in the development and marketing of enterprise application software and in providing related services for small and medium-sized companies in Brazil and Latin America, announces its results for the second quarter of 2007. The following figures are presented in thousands of reais, except when otherwise indicated.

### **Gross/Net Sales and Service Revenue**

Gross service and sales revenue reached R\$125.294 million in 3Q07, representing an increase of 18.3% when compared to the same period of 2006. This growth is mainly explained by the 22.5% increase in service revenue, and also by the growth of the maintenance sector which was 18.0% year-on-year.

### **License Fee Revenue**

With a record historical value of R\$29,464 against R\$26,123 recorded in the same period of the previous year, the Company presented a growth in license fee revenue of 12.8% in 3Q07. This increase is primarily due to the Company's efforts in improving the sale of license for use. In 3Q07, TOTVS entered into contracts with 337 new customers.

### **Service Revenue**

Service revenue grew 22.5% in 3Q07 reaching R\$44,334 when compared to 3Q06, when this revenue reached R\$36,192. This increase is higher than in other revenue lines and arises mainly from the increase in revenue from license for use in the previous quarters, the increase in the customer base, and, subsequently, the greater demand for the implementation of new modules.

A portion of the Company's service revenue arises from management consulting services rendered by TOTVS-BMI, which posted a gross revenue of R\$2,042 in 3Q07, representing a growth of 39.0% when compared to R\$1,469 year-on-year.

### **Maintenance Revenue**

Maintenance revenue increased 18.0% in 3Q07 when compared to 3Q06, reaching R\$51,496 against R\$43,627. These increases result mainly from the growth in license for use in the previous quarters, by addition of new customers to be company's base, as well as from the sale of new licenses to customers that were already part of the Company's base.

### **Operating Costs and Expenses (excluding net financial result)**

Operating costs and expenses posted an increase of 10.0% in 3Q07 year-on-year, amounting to R\$100,421.

Excluding goodwill amortization expenses arising from the acquisitions of RM Sistemas, Logocenter and TOTVS-BMI, corresponding to R\$10,110 and R\$1,222 and R\$147, respectively, in 3Q07, the total cost and expenses in the period amounted to R\$88,942, a growth of 11.3% year-on-year, excluding extraordinary expenses in the period. In the same period, the Company's net revenue increased 18.9%, showing the Company's capacity to leverage its operating results.

TOTVS is still in the phase of gaining synergies from the integration with RM Sistemas, as shown, for instance, in the reduction in the item General and Administrative.

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**08.01 – COMMENTS ON THE CONSOLIDATED PERFORMANCE IN THE QUARTER**

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**📌 Cost of License Fees**

Cost of license fees reached R\$1,768 in 3Q07, an increase of 172.4% year-on-year. This increase is due mainly to the sale of databank, which in 3Q07 more than doubled as compared to 3Q06, particularly in the RM Sistemas brand.

**📌 Sales Cost**

Sales cost totaled R\$70 in 3Q07. This item was created to include costs deriving from hardware resale in our Argentinean subsidiary.

**📌 Cost of Service**

The cost of services rendered reached R\$34,737 in 3Q07, an increase of 19.1% when compared to 3Q06. This increase is directly related to the hiring of new employees to work in software implementation and related services.

**📌 Research and Development**

Research and development expenses reached R\$9,951 in 3Q07, representing 8.9% of net revenue, an increase of 26.9% when compared to the same period of 2006, when these expenses reached R\$7,844 and represented 8.3% of net revenue. This growth arises mainly from the addition of 126 new employees, resulting from the merger of other departments of the company into the R&D area, and new hiring.

**📌 Advertising Expenses**

Advertising expenses reached R\$3,133 in 3Q07, representing a reduction of 21.8% when compared to 3Q06, when expenses reached R\$4,007. In 3Q06 there was a greater marketing effort by the Company, as to make it clear to the market the positioning of the Logocenter, Microsigla and RM Sistemas brands, in view of the recent acquisition of the latter, which took place in April 2006. The greater level of investments that were necessary in the past was the main factor of the marked reduction observed in the period, as well as synergies obtained from RM Sistemas.

**📌 Selling Expenses**

Selling expenses increased 17.2%, from R\$7,182 in 3Q06 to R\$8,414 in 3Q07, and still presented a reduction in its contribution to the Company's net revenue from 7.6% to 7.5%, respectively. This increase results, mainly, from the expansion in the Company's sales force.

**📌 Commission Expenses**

Commission expenses amounted to R\$13,602 in 3Q07, a growth of 9.8% when compared to R\$12,383 in 3Q06, thus reducing substantially its participation in the Company's net revenues from 13.1% in 3Q06 to 12.1% in 3Q07. The variation in the 3Q06/3Q07 comparison results, mainly, from the variation in the sales mix between the Company's direct and indirect channels.

**📌 General and Administrative Expenses**

General and administrative expenses amounted to R\$9,940 in 3Q07, representing a drop of 18.2% when compared to 3Q06. This reduction was driven by the efforts made by TOTVS to adjust the costs and synergies relative to the operations with RM Sistemas.

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**08.01 – COMMENTS ON THE CONSOLIDATED PERFORMANCE IN THE QUARTER**

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**Management Fees**

Expenses with management fees amounted to R\$4,717 in 3Q07, stable when compared to 3Q06, which was R\$4,634.

**Depreciation and Amortization**

Expenses with depreciation and amortization amounted to R\$12,971 in 3Q07, representing an increase of 4.3% when compared to 3Q06. In 3Q07, amortization of goodwill paid in the acquisitions of Logocenter, RM Sistemas and TOTVS-BMI were R\$1,222 , R\$10,110 and R\$147 , respectively.

**Allowance for doubtful accounts**

Allowance for doubtful accounts amounted to R\$879 in 3Q07 vis-à-vis R\$302 in 3Q06. These provisions are based on the Company's receivables portfolio.

**Other Revenues and Expenses**

The Company recorded net expense in line with other revenues/expenses of R\$239 in 3Q07, compared to a net expense of R\$392 in 3Q06.

**Operating Income (\*) and Net Income**

The Company posted an operating income of R\$11,829 and net income of R\$9,833 , or R\$0.37 per share, in the quarter. These were impacted by the amortization of goodwill from the acquisition of RM, compared to an operating income of R\$3,107 and net income of R\$5,450 , or R\$0.20 per share, for the same period of 2006. The growth of 280.7% from 3Q06 operating income to 3Q07 resulted, mainly, from the positive effects of administrative synergies (G&A and Advertising) among the Group's brands and also with the end of IPO expenses recorded.

(\*) Operating income: it is calculated by the Company and consists of the Operating Result, without financial expenses and revenues.

Non-financial information related to market leadership, number of collaborators, 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, 2007.

Shareholder	9.30.06		9.30.07	
	Common		Common	
	Number of shares	%	Number of shares	%
LC EH Participações e Empreendimentos S/A	8,021,037	30.05%	5,352,197	20.05%
BNDES Participações S/A*	2,032,214	7.61%	2,032,214	7.61%
Fidelity Investments	1,241,100	4.65%	1,516,900	5.68%
Others	15,394,051	57.68%	17,787,091	66.65%
<b>Total</b>	<b>26,668,402</b>	<b>100.00%</b>	<b>26,688,402</b>	<b>100.00%</b>

(\*) Publicly-held company

**Ownership Structure - LC EH Participações e Empreendimentos S/A**

Shareholder	Common		Preferred		Total	
	Number of shares	%	Number of shares	%	Number of shares	%
Laércio José de Lucena Cosentino	273,058	60.18%	0	0.00%	273,058	50.00%
Ernesto Mário Haberkorn	180,706	39.82%	92,351	100.00%	273,057	50.00%
<b>Total</b>	<b>453,764</b>	<b>100.00%</b>	<b>92,351</b>	<b>100.00%</b>	<b>546,115</b>	<b>100.00%</b>

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 2007.

Shareholder	9.30.06		9.30.07	
	Common		Common	
	Number of shares	%	Number of shares	%
Controlling Shareholder*	8,021,037	30.05%	5,352,197	20.05%
Officers	380,651	1.43%	144,978	0.54%
Board of Directors	6,225	0.02%	630,245	2.36%
Related Parties	2,079	0.01%	1,016	0.00%
Outstanding Shares	18,278,410	68.49%	20,559,916	77.04%
<b>Total</b>	<b>26,668,402</b>	<b>100.00%</b>	<b>26,688,402</b>	<b>100.00%</b>

(\*)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.

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17.01 – SPECIAL REVIEW REPORT – UNQUALIFIED OPINION

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## INDEPENDENT AUDITORS' SPECIAL REVIEW REPORT

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 quarter and nine-month period ended September 30, 2007, including the balance sheets, the statements of operations, report on the Company's performance and the other Company's relevant information, prepared in accordance with the accounting practices adopted in Brazil.
2. Our review was conducted in accordance with specific standards determined by the Brazilian Institute of Auditors – 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 the Quarterly Financial Information, together with specific regulations established by the Brazilian Securities and Exchange Commission (CVM).
4. Our special review was carried out to enable us to issue a report of the Quarterly Financial Information referred to in the first paragraph. The statements of cash flows of Totvs S.A. and of Totvs S.A. and subsidiaries related to the nine-month period ended September 30, 2007, presented to provide supplementary information on the Company and its subsidiaries, is not required as part of the Quarterly Financial Information, prepared in accordance with the accounting practices adopted in Brazil. The statements of cash flow were submitted to the same special review procedures described in the second paragraph and, based on our special review, we are not aware of any material modification that should be made to this supplementary statements, for them to be fairly disclosed, in all material aspects, with regard to the Quarterly Financial Information for the nine-month period ended September 30, 2007, taken as a whole.

São Paulo, October 24, 2007

ERNST & YOUNG

(A free translation of the original in Portuguese)

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17.01 – SPECIAL REVIEW REPORT – UNQUALIFIED OPINION

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Auditores Independentes S.S.  
CRC 2SP015199/O-6

José Antonio de A. Navarrete  
Accountant CRC1SP198698/O-4

Silvio Takahashi  
Accountant CRC1SP185268/O-6

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