

**TOTVS SETS NEW RECORDS:
NET REVENUE REACHES R\$112.3 MILLION, EBITDA R\$ 24.8
MILLION (+ 58.4%) AND EBITDA MARGIN OF 21.9% IN THE 9M07**



São Paulo, November 7, 2007 - TOTVS S.A. (BOVESPA: TOTS3), the leader in developing and marketing enterprise application software and related services to small and medium companies in Brazil and Latin America, today announces its results for the third quarter of 2007 (3Q07). The Company's consolidated financial statements are presented in accordance with Brazilian Corporate Law. To aid comparison, data is presented on a pro forma basis, as it includes the numbers of RM Sistemas S.A. since January 2006.

Highlights of the Period

- EBITDA touched a record R\$24.800 million in the 3Q07, representing a growth of 58.4% in comparison with Adjusted EBITDA for the same period last year. Year-to-date EBITDA in the 9M07 reached R\$70.492 million, which was the total for the whole of 2006.
- EBITDA Margin reached 22.1% in the 3Q07, an increase of 390 basis points in relation to the Adjusted EBITDA Margin of the 3Q06.
- Net Revenue from sales in the 3Q07 touched R\$112.250 million, a growth of 18.9% over the same period in 2006 - a new record.
- Revenue from License Fees reached a new quarterly record of R\$29.464 million, a 12.8% jump over the 3Q06 value.
- 337 new software customers in the 3Q07, with the average sale value being 28.6% higher than in the same period of 2006.
- Revenue from Maintenance Services was a record R\$51.496 million, an 18.0% growth year-on-year.
- Revenue from Services grew 22.5% year-on-year, reaching R\$44.334 million, another record.
- Increase of 39.0% in TOTVS-BMI's 3Q07 revenues in relation to the 3Q06. Record quarter result of R\$2.042 million.
- Adjusted Net Income reached R\$50.242 million in the 9M07, a growth of 21.6% in comparison with the 9M06.

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Conference Calls:

Thursday, November 8, 2007

> Portuguese

3:00 pm (Brasília time)
12:00 pm (US ET)
Telephone: +55 (11) 2101-4848
Replay: +55 (11) 2101-4848
Code: TOTVS
Webcast: www.totvs.com.br/ri

> English

1:30 pm (Brasília time)
10:30 am (US ET)
Tel.: +1 (973) 935-8893
Replay: +1 (973) 341-3080
Code: 9318684
Webcast: www.totvs.com.br/ir

Consolidated Financial Highlights (R\$ thousands)	3Q07	3Q06	Change (3Q07/3Q06)	9M07	9M06 ⁽¹⁾	Change (9M07/9M06)
Net Revenue	112,250	94,370	18.9%	321,739	275,185	16.9%
Adjusted EBITDA ⁽²⁾	24,800	15,660	58.4%	70,492	50,648	39.2%
EBITDA Margin	22.1%	16.6%	390 pb	21.9%	18.4%	240 pb
Adjusted Net Income	17,409	12,956	34.4%	50,242	41,313	21.6%

(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 Company's numbers are reflected from this date on. They are shown pro forma to facilitate comparison of the results between the periods.

CVM Circular 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 acquisitions of Logocenter and RM Sistemas. Thus, Adjusted Net Income can be understood as the net result of the Company's regular operations.



Recent Events

TOTVS and IBM Launch Application for the Linux market

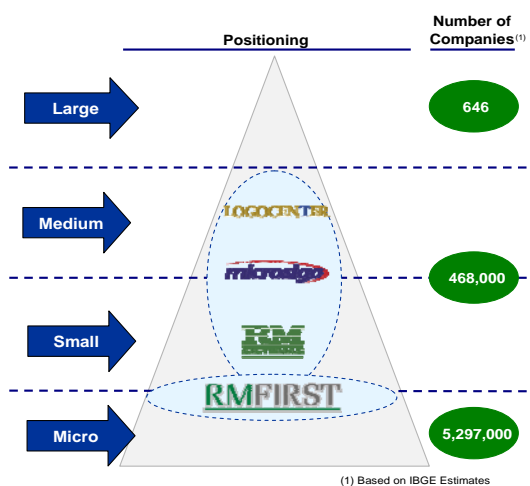
In September, TOTVS and IBM announced the launch of TNI (TOTVS Notes Integration), a solution for sharing data available in the ERPs of Logocenter and Microsiga with the applications of IBM's recently launched Lotus Notes 8.

The concept of TNI is the same as that of TOII (TOTVS Office Integration Interface), launched in partnership with Microsoft in the 2Q07: to facilitate speedy extraction of data from the ERP to the Microsoft Office environment. TNI's differential lies in the fact that this application can be run on the Linux platform, considering that Lotus Notes 8 is based on open standards. The objective is to offer a flexible working environment with access to the basic office tools (spreadsheet, text and presentation editors) available in Lotus Notes.

The integration is a world first and fills a specific need of companies using the Linux environment, very common among small and medium companies, including those that form the Company's customer base.

The new solution is available for Protheus 10 and Logix 10. TNI is more advantageous for the SMB market as its tools are based on open standards, which ensures an innovative solution at an accessible price for customers.

Solution for Micro Enterprises Launched



In September, TOTVS launched RM First, a new solution for micro enterprises. The product, which took two years to develop, is targeted at businesses with up to 50 employees and already has 20 customers. Besides the ease of parameterization, the solution can be installed and implemented in 48 hours, and incorporates all the administrative and financial operations of a company including billing, and accounts payable and receivable. As a company grows and its operations become more complex, it can easily migrate to RM Corpore, the solution for small enterprises. With this product, the Company aims to reach out to a market with low penetration - enterprise software for micro enterprises.

The International Business Development section goes operational

In order to quicken the growth of the Company's global presence, which currently includes operations in Mexico, Argentina and Portugal, besides distribution channels and customers in other Latin American countries, work on the new International Business Development section started in September under the leadership of Flavio Balestrin. The International Business Development

section will set up new direct and indirect sales channels in strategic SMB markets and in the main markets outside Brazil where the Company already has a presence.

Mr. Balestrin, 35, has been in the Company since December 2002 and was the Human Resources Officer. He obtained a business management degree from the Fundação Getúlio Vargas with specialization courses in Brazil and abroad. Before joining TOTVS, he worked in Unibanco and Accenture.

Market Update

Gartner: TOTVS is the Sales Leader in Emerging Markets

According to the study titled Gartner Dataquest, if only the sales of licenses and maintenance services in 2006 were considered, TOTVS emerged the leading ERP provider among companies in emerging economies last year, overtaking all other companies from countries like China and India. Moreover, software sales of TOTVS grew 29.7% in Dollar terms in relation to 2005.

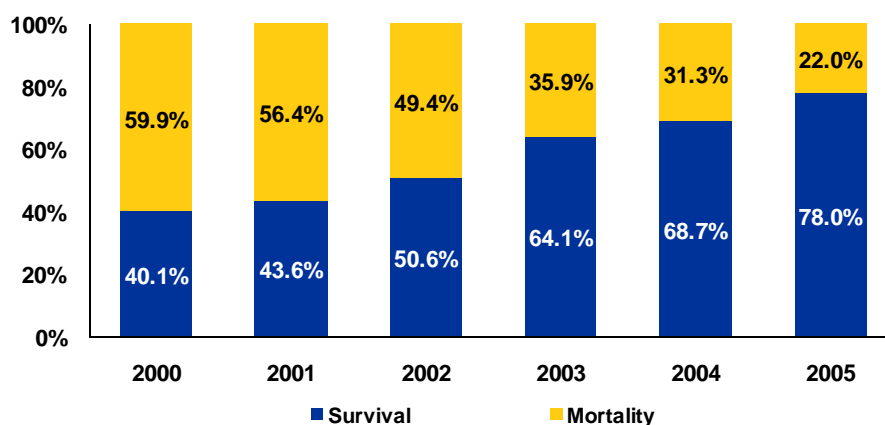
The study also places TOTVS 14th among the world's biggest providers of enterprise systems like ERP, CRM and SCM, and 4th among companies headquartered outside the United States. The Gartner study covers the entire market, including small and large companies. Among these two categories of companies, TOTVS was the Company with the highest growth in 2006 over 2005.

Survival Rate of Micro and Small Companies (MSEs) Grows

In August, Sebrae (the Brazilian Agency for Support to Micro and Small Enterprises) published a study called "Rate of Survival and Mortality of Micro and Small Enterprises", carried out by Vox Populi Institute. According to the study, 78.0% of Micro and Small Enterprises (MSE) that were opened between 2003 and 2005 continued operational during the three year period, while 22.0% closed down. This represents an increase of 37.9 p.p. in the survival rate of companies, over the period ended in 2000 when the rate was 40.1%.

Survival rate for Micro and Small Enterprises is an important indication for TOTVS.

Growth in the Survival Rate of MSEs



Economic stability has had a positive impact on small enterprises. Access to credit, the result of falling interest rates, has increased the working capital of small enterprises, thereby enabling them to overcome the barrier of the first years.

Economic aspects contributed to the improved survival rate of companies, but were not the sole factor. Micro entrepreneurs have increasingly been seeking information and training to manage their business. One of the main causes for the mortality of companies was the lack of planning and strategy. The Sebrae study reported that in 2005, 55% of the entrepreneurs sought advisory services to manage their businesses better.

The Brazilian Law of Micro and Small Enterprises (*Lei Geral das Micro e Pequenas Empresas*) has raised expectations among entrepreneurs. According to the study, 68% of the businesses in operation and 71% of those closed down believe that the main support measure is differential tax treatment. 63% of the companies in operation and 58% of those closed down believe that the second most important support measure is preferential credit, in terms of interest rates. With these support measures, entrepreneurs have the opportunity to better allocate resources, thus facilitating business growth.

Operating Performance

Operating Performance	3Q07	3Q06 (1)	Change (3Q07/3Q06)	9M07	9M06 (1)	Change (9M07/9M06)
# New Clients	337	370	-8.9%	983	1,065	-7.7%
# Base Clients	967	1,120	-13.7%	3,085	3,434	-10.2%
# New Clientes in Corporate Model	68	63	7.9%	204	196	4.1%
License Fee / New Client (R\$)	37,013	28,781	28.6%	34,739	27,707	25.4%
License Fee / Base Client (R\$)	14,158	12,371	14.4%	14,143	12,791	10.6%
License Fee / New Corporate Client (R\$)	42,973	28,990	48.2%	41,742	29,586	41.1%
License Fee / New Traditional Client (R\$)	35,506	28,738	23.6%	32,905	27,283	20.6%

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

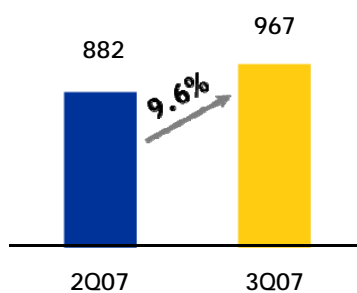
Number of active customers of the Company, which refers to the number of customers with help desk and maintenance services contracts, ended the 3Q07 with over 15,700 active clients.

In the 3Q07, the Company recorded a 28.6% increase in average sales to new customers, in comparison with the 3Q06, reaching R\$37.013 thousand. In the period ended September 2007, TOTVS acquired 337 new software customers, maintaining its high customer acquisition level, which was higher than in the two previous quarters.

Despite the 9.6% growth in comparison with the 2Q07, sales to existing customers fell 13.7% in the 3Q07 year-on-year, and 10.2% in comparison with the 9M06. Part of this growth may be attributed to the changes made in the sales setup which, since the beginning of the year, has a team exclusively focused on sales to existing customers of TOTVS in order to generate more business within the potential of a base of 15,700 customers.

In the 3Q07, the Company acquired 68 new customers in the corporate model and the average sale value for these customers was R\$42,973, a 48.2% growth year-on-year.

Growth of Sales in the Customer Base



Financial Performance

Breakdown of Gross Revenue from Sales and Services (In R\$ Thousand)	3Q07	3Q06	Change (3Q07/3Q06)	9M07	9M06 ⁽¹⁾	Change (9M07/9M06)
License Fees	29,464	26,123	12.8%	85,082	77,983	9.1%
Services	44,334	36,192	22.5%	124,425	101,988	22.0%
Maintenance	51,496	43,627	18.0%	148,236	128,341	15.5%
Total Gross Revenue from Sales and Services	125,294	105,942	18.3%	357,743	308,312	16.0%
Net Revenue from Sales and Services	112,250	94,370	18.9%	321,739	275,185	16.9%

(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 services and sales reached R\$125.294 million in the 3Q07, representing an 18.3% growth year-on-year. This growth is mainly due to the 22.5% increase in revenue from services and the growth in maintenance services, which was 18.0% according to the comparison. In the 3Q07, net revenue from services and sales grew 18.9% to reach R\$112.250 million. In the 9M07, revenue growth was 16.9%, totaling R\$321.739 million, being helped by fewer cancellations, which were 6.0% lower than in the same period of 2006. The Company believes that the reorganization of the sales team in the 1Q07 has had a positive impact on this result.

Revenue from License Fees

With the record amount of R\$29.464 million in the 3Q07 against R\$26.123 million in the same period last year, the Company witnessed a record 12.8% growth in license fee revenues. Even with the changes made in the sales setup in the 1Q07, growth between the 9M06 and the 9M07 was 9.1%. The highlights of the 3Q07 were the 14.4% increase in the average license value for existing customers and 28.6% for new customers. Average license value for new customers of the corporate model rose 48.2% in the 3Q07 year-on-year. In the 3Q07, TOTVS signed contracts with 337 new customers.

The Company added 68 new corporate clients and average sales ticket rose by 48.2% in 3Q07, in comparison with the same period last year.

Revenue from Services

Revenue from services in the 3Q07 was R\$44.334 million, a 22.5% growth year-on-year 3Q06, when it was R\$36.192 million. The growth, which is higher than that seen in other revenue lines, is mainly due to the growth in license fee revenue in earlier quarters, expansion of the customer base with higher demand for implementation of new modules, and migration to the new version of the Family 10 launched in the 1Q07. In the 9M07, revenue from services grew 22.0% over the 9M06.

Part of the Company's service revenue comes from management consulting services provided by TOTVS-BMI whose gross revenue in the 3Q07 was R\$ 2.042 million, a 39.0% growth over the R\$ 1.469 million recorded in the same period a year ago. Total revenue from services under the Expanded Business Model represented 12.8% of the total service revenue in the quarter.

U Maintenance Fee Revenue

Maintenance fee revenue grew 18.0% in the 3Q07 year-on-year, reaching R\$51.496 million against R\$43.627 million in the earlier period. In the 9 month comparison growth was 15.5%. This was mainly due to the growth in license fee revenues in previous quarters through acquisition of new customers and sale of new licenses to existing customers.

U Operating Costs and Expenses

Main Operating Costs and Expenses (In R\$ Thousands)	3Q07	3Q06	Change (3Q07/3Q06)	9M07	9M06 ⁽¹⁾	Change (9M07/9M06)
Cost of License Fees	(1,768)	(649)	172.4%	(3,785)	(3,914)	-3.3%
Cost of Services	(34,737)	(29,159)	19.1%	(96,097)	(83,707)	14.8%
Cost of Sales	(70)	-	N/A	(70)	-	N/A
Research and Development	(9,951)	(7,844)	26.9%	(28,795)	(23,200)	24.1%
Advertising Expenses	(3,133)	(4,007)	-21.8%	(9,087)	(10,717)	-15.2%
Selling Expenses	(8,414)	(7,182)	17.2%	(23,958)	(19,643)	22.0%
Commissions	(13,602)	(12,383)	9.8%	(42,386)	(34,428)	23.1%
General and Administrative Expenses	(9,940)	(12,158)	-18.2%	(29,734)	(35,371)	-15.9%
Management Fees	(4,717)	(4,634)	1.8%	(12,365)	(11,271)	9.7%
Depreciation and Amortization	(12,971)	(12,438)	4.3%	(38,639)	(27,106)	42.5%
Provisions for Doubtful Accounts	(879)	(302)	191.1%	(4,238)	(1,238)	242.3%
Non-recurring Expenses	-	(115)	N/A	0	(25,016)	N/A
Other Revenue (Expenses)	(239)	(392)	-39.0%	(732)	(1,048)	-30.2%
Total	(100,421)	(91,263)	10.0%	(289,886)	(276,659)	4.8%

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

Operating costs and expenses rose 10.0% in the 3Q07 over the same quarter in 2006, totaling R\$100.421 million.

TOTVS has been gaining operational scale, which is underlined by the fact that revenue has been growing more than costs.

Total costs and expenses this quarter, after excluding goodwill amortization expenses relating to the acquisition of RM Sistemas, Logocenter and TOTVS-BMI in the amounts of R\$10.110 million, R\$1.222 million and R\$0.147 million respectively, was R\$88.942 million, an increase of 11.3% in relation to the 3Q06, without including the extraordinary expenses in the period. In the 3Q07, the Company's net revenue grew 18.9%, proving its ability to leverage its operating capacity.

TOTVS continues its process of gaining synergy from the integration of RM Sistemas as is evident from the item 'General and Administrative Expenses'.

U Licensing Costs

Licensing costs were R\$1.768 million in the 3Q07, a 172.4% increase over the same period in 2006. This increase is chiefly due to the sale of databases which, in the 3Q07, more than doubled in relation to the 3Q06, especially of the brand RM Sistemas.

Selling Costs

Selling costs were R\$0.070 million in the 3Q07. This item was created to include the hardware selling costs at our subsidiary in Argentina.

Cost of Services

Cost of services was R\$34.737 million in the 3Q07, a 19.1% increase over the 3Q06. The increase in this expense is directly related to the hiring of staff for software implementation and related services.

Research and Development

Research and Development expenses reached R\$9.951 million in the 3Q07, representing 8.9% of net revenue - a 26.9% increase over the same period in 2006 when they were R\$7.844 million, representing 8.3% of net revenue. The increase is mainly due to the increase in the staff strength by 126.

Advertising Expenses

Advertising Expenses were R\$3.133 million in the 3Q07, a decline of 21.8% from the R\$4.007 million spent in the 3Q06. The Company launched intensive marketing initiatives in the 3Q06 to enlighten the public about the niches of the brands Logocenter, Microsiga and RM Sistemas, consequent to the acquisition of RM Sistemas in April 2006. The higher level of investments required in the past and the synergies obtained from RM Sistemas were the principal factors behind the significant decline in these expenses during the period.

In the 9M07, these expenses fell 15.2% to reach R\$9.087 million, against R\$10.717 million in the same period a year ago.

Selling Expenses

Selling expenses increased 17.2%, from R\$7.182 million in the 3Q06 to R\$8.414 million in the 3Q07. However, a comparison of these periods shows that selling expenses as a percentage of the Company's net revenue fell from 7.6% to 7.5%. This improvement is, inter alia, due to the expansion of the Company's sales force and hiring of project specialists with technical profile albeit oriented towards business generation, which were earlier allocated to the item 'cost of services'.

The variation was 22.0% between the 9M06 and the 9M07, mainly as a result of new recruitments.

Commissions

Commission expenses totaled R\$13.602 million in the 3Q07, a 9.8% increase over the R\$12.383 million in the 3Q06, falling as a percentage of the Company's net

The Company launched a new product - RM First in 3Q07. Research and Development expenses posted no significant change in this quarter.

revenue, from 13.1% in the 3Q06 to 12.1% in the 3Q07. This variation between the 3Q06 and the 3Q07 is essentially due to the change in the sales mix among the Company's channels and to the consolidation of the commission provisioning procedures among TOTVS's brands, especially at RM Sistemas.

In the 9M07, this expense totaled R\$42.386 million, 23.1% more than in the 9M06.

General and Administrative Expenses

General and administrative expenses totaled R\$9.940 million in the 3Q07, an 18.2% decline from the 3Q06 number, the result of efforts to rationalize costs and implement synergies related to operations with RM Sistemas.

Management Fees

Management fees totaled R\$4.717 million in the 3Q07, remaining stable in comparison with the 3Q06, which recorded R\$4.634 million. In the 9M07, the increase was 9.7% in relation to the same period last year, due to the entry of new directors in TOTVS and the total management fees for RM Sistemas directors, who received a part of their remuneration in the 1Q06 in the form of dividends.

Depreciation and Amortization

Depreciation and amortization expenses totaled R\$12.971 million in the 3Q07, representing an increase of 4.3% year-on-year. In the 3Q07, amortization of goodwill paid during the acquisition of Logocenter, RM Sistemas and TOTVS-BMI was R\$1.222 million, R\$10.110 million and R\$0.147 million, respectively.

Provision for Doubtful Accounts

Provision for Doubtful Accounts totaled R\$0.879 million in the 3Q07, against R\$0.302 million in the 3Q06. This provision is established based on the composition of the Company's receivables portfolio.

Other Revenues and Expenses

The Company recorded a net expense of R\$0.239 million in the item 'other revenues/expenses' in the 3Q07, against a net expense of R\$0.392 million in the 3Q06.

Operating Profit and Net Income

The Company posted an operating profit of R\$11.829 million and net income of R\$9.833 million, or R\$0.37 per share, this quarter, impacted by the amortization of goodwill from the acquisition of RM Sistemas. Operating profit in the 3Q06

was R\$3.107 million and net income was R\$5.450 million, or R\$0.20 per share. The remarkable 280.7% growth in the operating profit between the 3Q06 and the 3Q07 was mainly the reflection of the administrative synergies among the Company brands (notably in the items 'Selling and Administrative Expenses' and 'Advertising Expenses') and the termination of booking of the IPO-related expenses.

In the 9M07, operating profit reached R\$31.853 million and net income was R\$27.558 million, or R\$1.03 per share, versus an operating loss of R\$1.474 million and net income of R\$9.136 million in the 9M06, impacted by the extraordinary expenses related to the Company's IPO.

EBITDA reached a high of R\$ 24.800 million in the 3Q07, a 58.4% growth versus 3Q06. EBITDA Margin has also posted a significant evolution in the same period moving from 16.6% to 22.1%, showing the Company's capacity to leverage and to capture synergies

Adjusted EBITDA

In the 9M06, the Company's EBITDA was adjusted to enable correct and organic comparison with the previous year and with the future periods. While calculating EBITDA, the Company added extraordinary and non-recurring expenses relating to its IPO and the numbers of RM Sistemas, acquired in April 2006. There will be no adjustment in the 9M07 as there were no extraordinary expenses. Adjusted EBITDA was calculated according to the following table:

EBITDA Statement (In R\$ thousand)	9M07	9M06 Pro Forma Adjusted	9M06
Operating Profit (EBIT)	31,853	(1,474)	(7,691)
Depreciation and Amortization	(38,639)	(27,106)	(26,974)
Extraordinary Expenses	-	(25,016)	(25,016)
EBITDA	70,492	50,648	44,299

Adjusted Net Income

Adjusted Net Income represents Net Income excluding the effect of extraordinary expenses and amortization expenses related to the acquisitions of Logocenter and RM Sistemas. It can, therefore, be understood as Net Income from the Company's normal operations and thus, the basis for distribution of dividends. While calculating it, the effects of amortization expenses and income tax are considered, as per the table below:

Pro Forma Net Income Reconciliation (In R\$ thousands)	3Q07	3Q06	9M07	9M06 ⁽¹⁾
Consolidated Net Income - Corporate Law	9,833	5,450	27,558	3,854
Consolidated Net Income - RM Sistemas ¹	-	-	-	5,282
Pro Forma Net Income	9,833	5,450	27,558	9,136
Logocenter and RM Sistemas Goodwill Amortization	11,479	11,257	34,369	23,737
Extraordinary expenses	-	115	-	25,016
Income tax and social contribution effect	(3,903)	(3,866)	(11,685)	(16,576)
Pro Forma Adjusted Net Income	17,409	12,956	50,242	41,313

¹ Considering consolidated income before the acquisition of the companies.

Capital Market

Shareholder (In % of the free float)	3Q07	2Q07	1Q07	Shareholder (In % of the free float)	3Q07	2Q07	1Q07
Non-Institutional Investor	3.0%	2.4%	3.8%	National Investor	18.7%	18.6%	20.7%
Institutional Investor	97.0%	97.6%	96.2%	International Investor	81.3%	81.4%	79.3%
TOTAL	100.0%	100.0%	100.0%	TOTAL	100.0%	100.0%	100.0%

Ownership Breakdown

On September 30, 2007, the Company's free float comprised 18,089,208 shares out of a total 26,688,402 shares, that is, 67.8%. The portion that is not part of the free float corresponds to the interest held by LC-EH Participações and its controllers (24.6%) and BNDESPar (7.6%). Members of the Company's Board of Directors held 0.54% of the interest.

Currently, 97.0% of the Company's free float is held by institutional investors, which is 60 basis points lower than on June 30, 2007.

Upcoming Events

3Q07 Results Conference Calls November 8, 2007	
Portuguese	English
Time: 3:00 pm (Brasília time) 12:00 pm (US ET)	1:30 pm (Brasília time) 10:30 am (US ET)
Telephone: +55 (11) 2101-4848	Telephone: +1(973) 935-8893
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Code: TOTVS	Code: 9318684
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 enhancements.

Traditional Model

Under the traditional model, a permanent and non-exclusive software license is granted upon payment of a specified amount, which can be made in installments. The license fee is based on a per-user price and customers pay for the number of users using 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		
	9/30/2007	9/30/2006	Change (3Q07/3Q06)	9/30/2007	9/30/2006	Change (9M07/9M06)
Current assets						
Cash and banks	117,905	76,404	54.3%	128,771	95,416	35.0%
Accounts receivable	63,489	41,217	54.0%	87,310	72,909	19.8%
Provision for doubtful accounts	(6,158)	(2,367)	160.2%	(7,118)	(3,910)	82.0%
Inventories	-	-	-	-	-	-
Income tax and social contribution on net income	11,297	15,408	-26.7%	11,820	18,845	-37.3%
Dividends receivable	-	3,500	-100.0%	-	-	-
Recoverable taxes	6,842	6,512	5.1%	7,888	8,681	-9.1%
Other current assets	5,158	1,654	211.9%	6,234	2,933	112.5%
Current assets	198,533	142,328	39.5%	234,905	194,874	20.5%
Non-current assets						
Long-term assets						
Related parties	6,324	3,520	79.7%	-	-	-
Income tax and social contribution on net income	21,564	4,707	358.1%	22,763	6,940	228.0%
Judicial deposit	5,429	5,043	7.7%	5,429	9,617	-43.5%
Other receivables	673	-	100.0%	768	513	49.7%
Permanent Assets						
Investments						
In subsidiaries	23,787	37,207	-36.1%	-	-	-
Other investments	55	254	-78.3%	55	433	-87.3%
Goodwill from acquisitions	156,144	197,337	-20.9%	156,144	197,338	-20.9%
Equipment	11,393	9,098	25.2%	18,587	16,749	11.0%
Intangible	1,107	1,039	6.5%	1,107	1,507	-26.5%
Total non-current assets	226,476	258,205	-12.3%	204,853	233,097	-12.1%
Total assets	425,009	400,533	6.1%	439,758	427,971	2.8%

BALANCE SHEET (In R\$ Thousands)	Parent Company			Consolidated		
	6/30/2007	6/30/2006	Change (3Q07/3Q06)	6/30/2007	6/30/2006	Change (9M07/9M06)
Current liabilities						
Accounts payable	4,294	3,681	16.7%	5,307	5,923	-10.4%
Notes payable	6	-	100.0%	6	-	100.0%
Loans and financing	-	-	-	664	347	91.4%
Current obligation under capital leases	-	-	-	2,608	1,584	64.6%
Taxes payable	1,305	1,833	-28.8%	3,816	7,577	-49.6%
Salaries and social charges payable	28,792	17,586	63.7%	32,772	26,992	21.4%
Commissions payable	11,245	5,584	101.4%	11,443	8,400	36.2%
Dividends payable	207	83	149.4%	207	83	149.4%
Other payable	251	1,423	-82.4%	1,276	1,877	-32.0%
Total Current liabilities	46,100	30,190	52.7%	58,099	52,783	10.1%
Non-current liabilities						
Payable to subsidiary	-	-	-	-	-	-
Current obligation under capital leases	-	-	-	2,188	777	181.6%
Provision for investment losses	729	926	-21.3%	-	-	-
Income Tax and Social Contribution on Net Income	-	-	-	194	319	-39.2%
Tax payable	367	802	-54.2%	367	1,662	-77.9%
Contingencies	1,180	4,427	-73.3%	1,180	6,858	-82.8%
Total Long Term liabilities	2,276	6,155	-63.0%	3,929	9,616	-59.1%
Minority interests	-	-	-	720	763	-5.6%
Shareholders' Equity						
Capital	307,373	307,373	0.0%	307,373	307,373	0.0%
Capital reserve	31,557	31,557	0.0%	31,557	31,557	0.0%
Income reserve	37,703	25,258	49.3%	38,080	25,879	47.1%
Shares held in treasury	-	-	-	-	-	-
Total shareholders equity	376,633	364,188	3.4%	377,010	364,809	3.3%
Total liabilities and shareholders equity	425,009	400,533	6.1%	439,758	427,971	2.8%

INCOME STATEMENT (In R\$ Thousands)	Consolidado					
	3Q07	3Q06	Change (3Q07/3Q06)	9M07	9M06 (1)	Change (9M07/9M06)
Gross revenue:						
License fees	29,464	26,123	12.8%	85,082	77,983	9.1%
Services	44,334	36,192	22.5%	124,425	101,988	22.0%
Maintenance	51,496	43,627	18.0%	148,236	128,341	15.5%
	125,294	105,942	18.3%	357,743	308,312	16.0%
Deductions from revenue:						
Cancellation of services and sales	(3,721)	(3,354)	10.9%	(8,804)	(9,368)	-6.0%
Taxes	(9,323)	(8,218)	13.4%	(27,200)	(23,759)	14.5%
Net sales revenue	112,250	94,370	18.9%	321,739	275,185	16.9%
Licensing Costs	(1,768)	(649)	172.4%	(3,785)	(3,914)	-3.3%
Cost of Services	(34,737)	(29,159)	19.1%	(96,097)	(83,707)	14.8%
Cost of Services	(70)			(70)		
Gross Income	75,675	64,562	17.2%	221,787	187,564	18.2%
Operating Expenses						
Research and Development	(9,951)	(7,844)	26.9%	(28,795)	(23,200)	24.1%
Advertising expenses	(3,133)	(4,007)	-21.8%	(9,087)	(10,717)	-15.2%
Selling Expenses	(8,414)	(7,182)	17.2%	(23,958)	(19,643)	22.0%
Commissions	(13,602)	(12,383)	9.8%	(42,386)	(34,428)	23.1%
General and Administrative Expenses	(9,940)	(12,158)	-18.2%	(29,734)	(35,371)	-15.9%
Management Fees	(4,717)	(4,634)	1.8%	(12,365)	(11,271)	9.7%
Depreciation and Amortization	(12,971)	(12,438)	4.3%	(38,639)	(27,106)	42.5%
Provision for Doubtful Accounts	(879)	(302)	191.1%	(4,238)	(1,238)	242.3%
Non-recurring expenses	-	(115)	N/D	-	(25,016)	N/D
Other expenses	(239)	(392)	-39.0%	(732)	(1,048)	-30.2%
	(63,846)	(61,455)	3.9%	(189,934)	(189,038)	0.5%
Operating profit, before financial effects equity pickup	11,829	3,107	280.7%	31,853	(1,474)	N/D
Financial revenues	3,066	3,204	-4.3%	9,480	10,423	-9.0%
Financial expenses	(2,837)	(885)	220.6%	(7,912)	(5,092)	55.4%
Non-operating income	(43)	(9)	377.8%	32	(126)	-125.4%
Income (loss) before taxes	12,015	5,417	121.8%	33,453	3,731	796.6%
Current income and social contribution taxes	(2,385)	(3,367)	-29.2%	(12,549)	(8,005)	56.8%
Deferred income and social contribution taxes	265	3,413	-92.2%	6,890	13,542	-49.1%
Income and social contribution taxes	(2,120)	46	N/D	(5,659)	5,537	N/D
Minority interest	(62)	(13)	376.9%	(236)	(132)	78.8%
Net income (loss)	9,833	5,450	80.4%	27,558	9,136	201.6%
EBITDA	24,800	15,660	58.4%	70,492	50,648	39.2%

Pro forma Cash Flows (In R\$ Thousands)	Consolidated	
	3Q07	3Q06
<u>Cash flows from operating activities</u>		
EBIT	11,829	3,107
Depreciation and Amortization	12,971	12,438
Non-recurring expenses	-	115
EBITDA	24,800	15,660
<u>Cash Items after EBITDA</u>		
Financial Result	113	2,370
Income Tax and Social Contribution on Net Income	(2,385)	(3,367)
<u>Non-Cash Items after EBITDA</u>		
Allowance for doubtful accounts (PDD)	879	302
Provision for contingencies	677	200
<u>Changes in Working Capital</u>		
Accounts receivable, net of commissions	(4,727)	(3,215)
Suppliers payable	313	(1,746)
Salaries and charges payable	5,655	1,678
Taxes payable	(1,899)	(2,165)
Judicial deposit	(786)	(415)
Other assets and liabilities	(611)	(238)
Net Cash from operating activities	22,029	9,062
<u>Cash flows from investment activities</u>		
Investment acquisition	(2,933)	0
Investment divestiture	-	-
Acquisition of equipment	(2,397)	(2,092)
Permanent Asset Sale	118	10
Cash flows from investment activities	(5,212)	(2,082)
<u>Cash flows from financing activities</u>		
Bank loans	273	347
Increase (decrease) of lease obligations	898	143
Payment of capital	-	-
Non Current Expenses Payable	-	(1,436)
Dividends paid	(4)	(4)
Cash flows from financing activities	1,167	(950)
<u>Increase (decrease) of cash and banks</u>		
Cash and banks at the beginning of the year	110,787	89,385
Cash and banks at the end of the year	128,771	95,415