

TOTVS IN 2Q08: 14th REVENUES RECORD IN A ROW AND HIGHEST HISTORICAL EBITDA



São Paulo, August 6, 2008 - TOTVS S.A. (BOVESPA: TOTS3), the leader in developing and marketing integrated enterprise management software and related services to small and medium enterprises in Brazil and Latin America, today announces its results for the second quarter of 2008 (2Q08). The Company's consolidated financial statements are prepared in accordance with Brazilian corporate legislation.

Highlights of the Period

GROWTH ACCELERATION

- ① **520 new software clients, new historical quarterly record**, of which 353 new are new ERP clients. The **average sales amount rose by 20.0%** over the same period in 2007.
- ① **Net Revenue** from sales was **R\$132.789 million** in 2Q08 and for the **14th quarter in a row, a new quarterly record**. Growth of net revenue was **22.6%** over the same period in 2007 and is the **highest growth rate** in the **past 9 quarters**.
- ① Revenue from **License Fees** was a **quarterly record**, amounting to **R\$37.697 million, 35.1% up year on year** - the highest growth rate in the past 8 quarters.
- ① Revenue from **Maintenance and Services** was also a record, amounting to **R\$51.976 million** and **R\$ 59.660 million**, respectively, due to the impressive growth of **more than 20.0%** in the quarter.
- ① **Software sales to 996 clients in the base in 2Q08**, a **12.9%** growth over 2Q07, besides the **12.0% increase in average sales amount** of these clients.
- ① **TOTVS marketshare growth in Brazil and Latin America** in 2007, according to IDC. The Company reached **12.1% of the Latin American** and **26.2% of the Brazilian** markets.
- ① **EBITDA** was **R\$27.347 million** in 2Q08, **10.4%** higher than in 2Q07. **EBITDA Margin** in the quarter was **20.6%**.
- ① **Adjusted Net Income** reached **R\$19.528 million** – new record – in 2Q08, a **16.1% growth** over 2Q07.

IR Contacts

José Rogério Luiz
VP, CFO and IRO

Gilsomar Maia / Bruno Brasil
Investor Relations
Tel.: 55 (11) 3981-7105 / 7097
ri@totvs.com

Conference Calls

Thursday, August 7, 2008

> English

12:30 pm (US ET)
Webcast: www.totvs.com/ir
Tel.: 1 (973) 935-8893
Code: 54689941
Replay: 1 (706) 645-9291 and
1 (800) 642-1687, available till
August 13, 2008

> Portuguese

2:00 pm (US ET)
Webcast: www.totvs.com/ri
Tel.: 55 (11) 2188-0188
Replay: available till August 13,
2008

Consolidated Financial Highlights (in R\$ thousands)	2Q08	2Q07	Change (2Q08/2Q07)	1H08	1H07	Change (1H08/1H07)
Net Revenue	132.789	108.328	23%	253.840	209.489	21%
EBITDA	27.347	24.781	10%	53.606	45.692	17%
EBITDA Margin	21%	23%	-230 bp	21%	22%	-70 bp
Adjusted Net Income ⁽¹⁾	19.528	16.821	16.1%	38.782	32.832	18.1%

(1) Adjusted Net Income represents Net Income excluding the effect of amortization expenses related to the acquisitions of companies, net of taxes. Thus, Adjusted Net Income can be understood as Net Income from the Company's normal operations.

EBITDA, as defined by CVM Official Letter 1/2005, is earnings before net financial expenses, income tax and social contribution, and non-operating results.

Recent Events

2nd TOTVS Day

On June 19, TOTVS held TOTVS Day at its head office in São Paulo. During the event, aimed at investors and capital market professionals, TOTVS revealed the recent developments in the consolidation of its distribution channels and its brand, reported the survey results of the *Software ERM 2007* conducted by IDC, and demonstrated of the usage of TOTVS up (new process for presenting, offering, contracting, training and implementing TOTVS products via Internet). The event also brought an IDC representative who presented the institution's vision about the ERP market and the results of "Semiannual ERM Applications Tracker", latest survey conducted about the market.

Unification of TOTVS' distribution channels moves on

On July 1, TOTVS announced the acquisition of Setware Informática Ltda., RM's representative in Pernambuco state, for R\$3.25 million. The acquisition is in line with the Company's strategy of unifying its distribution channels as TOTVS Franchises and this acquisition, together with the Microsiga and Logix operations that already have TOTVS channels in Pernambuco, brings one more region under the unified TOTVS channel.

In the other states of the country, the 3rd party distribution channels unification progress and, up to the present time, the estimative is that the already consolidated channels into TOTVS franchises account for **74% of the Company's revenue.**

The process of unifying channels to create TOTVS franchises, which started at end of 2007, is strategically important for TOTVS, as this process integrates a series of initiatives taken since last year to reach with more effectiveness the little explored target market.

TOTVS' Investor Relations Program honored once again

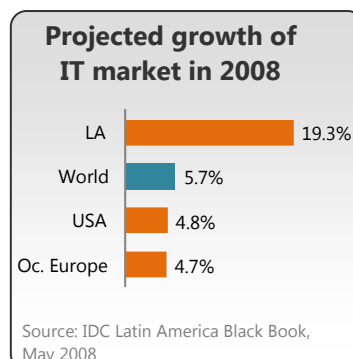
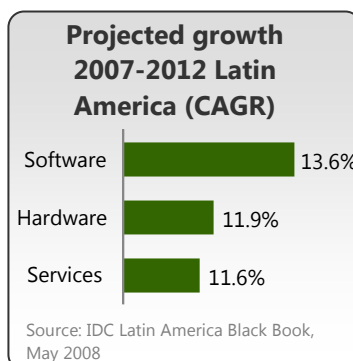
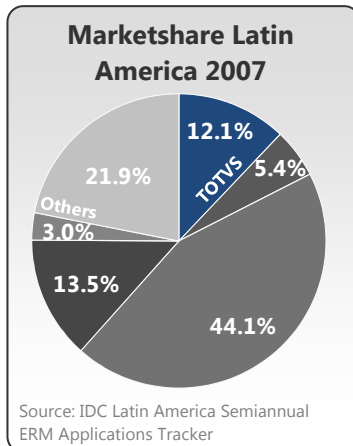
In June, TOTVS' Investor Relations Program was honored once again by the market. The Company was among the **5 best in Brazil in the Grand Prix of the Best IR Program of Small & Mid Cap Companies** at the "IR Magazine Brazil Awards".

The award is one of the most important in the area of investor relations and is sponsored by IR magazine in partnership with Revista RI, PR Newswire and the Brazilian Investor Relations Institute (IBRI).

TOTVS estimates that TOTVS Franchises already account for 74% of the Company's revenue.



Market Update



📌 IDC: TOTVS gains marketshare...

TOTVS gained, once again, marketshare in the ERM (*Enterprise Resource Management*) segment in both Brazil and Latin America, according to the latest market share survey conducted by International Data Corporation (IDC).

Published in June, the IDC Latin America survey entitled "Semiannual ERM Applications Tracker" confirms **TOTVS' higher growth compared to the market growth** in Brazil and Latin America. In 2007, the Company gained 0.9 b.p. of the market for integrated ERP software in Latin America, reaching **12.1%**.

In Brazil, the gap between the leader narrowed once again this year. Considering the market as a whole, TOTVS' share grew 0.8 b.p. and presently holds **26.2%** of the market in Brazil.

📌 ... and software will lead the high growth expected in the coming years

According to IDC, in the next 5 years, Latin America IT market will grow faster than the world market, and software will record the highest growth among all IT segments.

It also highlights the rapidly maturing IT market in Brazil and estimates that IT-related spending should exceed 2% of the country's GDP in a few years. Latin American's market is expected to grow by 19.3% in 2008, against the world market growth of 5.7%.

📌 Brazilian Development Bank facilitates ERP acquisition by Small and Medium Enterprises

To bolster the purchasing power of small and medium enterprises (SMEs), the Brazilian Development Bank (BNDES) created the BNDES Card in 2006 to enable these companies to invest in their long-term business projects.

According to the Bank's data released in May 2007, ERP is one of the four segments with the highest demand for the BNDES Card. According to the Bank, the amount allocated for software acquisition rose from R\$34.2 million in 2006 to R\$64 million in 2007 - an 87.1% growth year on year.

BNDES cards are given to companies with gross annual revenue of up to R\$60.0 million, headquartered in Brazil and with business activities that are compatible with the Bank's Operational and Credit Policies, among other conditions.

Operating Performance

Operating Performance		2Q08	2Q07	Change (2Q08/2Q07)	1H08	1H07	Change (1H08/1H07)	
Software (except Vitrine)	Clients #	New Clients	353	336	5.1%	646	646	0.0%
		New Traditional Client	287	262	9.5%	506	510	-0.8%
		New Corporate Client	66	74	-10.8%	140	136	2.9%
		Base Clients	996	882	12.9%	2.477	2.118	16.9%
	Licenses R\$	License Fee / New Client	42.640	35.545	20.0%	38.233	33.553	13.9%
	License Fee / New Traditional Client	39.885	32.334	23.4%	36.515	31.534	15.8%	
	License Fee / New Corporate Client	54.621	46.914	16.4%	44.442	41.126	8.1%	
	License Fee / Base Client	16.358	14.607	12.0%	14.707	14.137	4.0%	
	Corporate Model Recurring Revenue (R\$ 000)	875	422	107.3%	9.829	-	N/D	
Vitrine	Clients #	New Clients	160	N/D	N/D	302	N/D	N/D
		Base Clients	132	N/D	N/D	211	N/D	N/D
	Licenses R\$	License Fee / New Client	1.822	N/D	N/D	1.661	N/D	N/D
		License Fee / Base Client	740	N/D	N/D	718	N/D	N/D
BCS Sisjuri	Clients #	New Clients	7	N/D	N/D	N/D	N/D	N/D
		Base Clients *	358	N/D	N/D	N/D	N/D	N/D
	Licenses R\$	License Fee / New Client	1.911	N/D	N/D	N/D	N/D	N/D
		License Fee / Base Client	1.391	N/D	N/D	N/D	N/D	N/D
* Monthly Renewal of Contracts								

TOTVS' best quarter in terms of operational performance. Acceleration of sales to new (+520) and base clients.

In line with the methodology adopted in the previous quarter and to help understand the Company' operations, in 2Q08 we will comment on the software packages Vitrine and BCS Sisjuri separately since their markets' characteristics are different from those of other markets for TOTVS software.

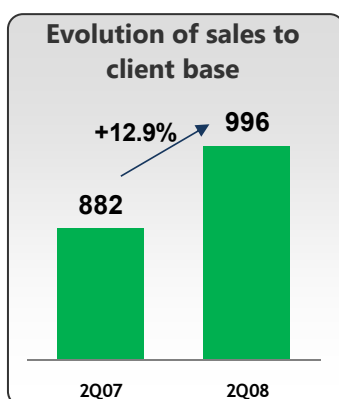
The quarter ended with about **18,300 active clients**, boosted by the number of software clients with help desk and maintenance service contracts. Among the active clients, more than **1,570** have acquired **Vitrine** and **124** have acquired **BCS Sisjuri**.

Software ERP (except Vitrine and BCS Sisjuri)

TOTVS ended 2Q08 with approximately **16,600 active software clients**, excluding clients of Vitrine and BCS Sisjuri.

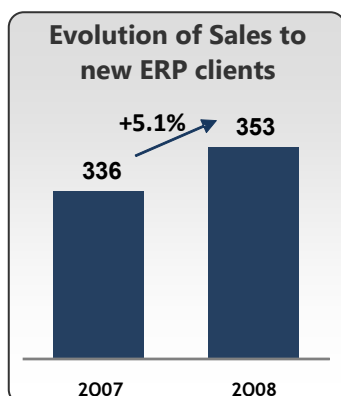
The Company's sales grew this quarter in comparison with the previous quarter as well as the second quarter of last year. Even with the ongoing unification of its distribution channels, in 2Q08, TOTVS recorded its **best ever operational performance**. The number of new clients rose **5.1%** over 2Q07; **average sales amount grew 20.0%** in the same period. The number of new clients in the first half of 2008 was the same as last year but **average sales amount was 13.9% higher**.

Sales to the Company's **client base** also increased in 2Q08. Of the existing software clients, 996 acquired new licenses in 2Q08. In comparison with 2Q07, **the number of base clients served rose 12.9%** and **average sales amount rose 12.0%**. TOTVS served **16.9%**



more clients in 1H07 than in 1H07, with average sales amount being **4.0%** higher.

As mentioned in the section "Recent Events", the Company continues its strategy of consolidating the channels and believes that this strategy, together with the consolidation of the TOTVS brand and the structured sales growth through the **TOTVS up** model, will drive sales to new clients.



Vitrine and BCS Sisjuri

Vitrine performed better in 2Q08 in comparison with the previous quarter, growing by 47.5%. License sales totaled R\$0.389 million in 2Q08, against R\$0.264 million in 1Q08. Vitrine was sold to **160 new clients** in 2Q08, and 132 base clients acquired new licenses.

BCS Sisjuri was sold to 7 new clients in 2Q08 and the software has now 124 active clients who have regular maintenance agreements. This software complements the solutions already offered by TOTVS by adding a legal vertical and by opening possibilities for cross-selling and offering other services under the Company's Expanded Business Model.

Financial Performance

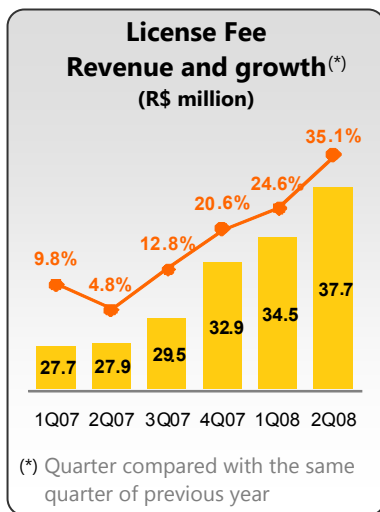
Breakdown of Gross Revenue from Sales and Services (In R\$ thousands)	2Q08	2Q07	Change (2Q08/2Q07)	1H08	1H07	Change (1H08/1H07)
License Fees	37.697	27.908	35%	72.219	55.618	30%
Services	51.976	42.359	23%	97.914	80.091	22%
Maintenance	59.660	49.481	21%	116.759	96.740	21%
Total Gross Revenue from Sales and Service	149.333	119.748	25%	286.892	232.449	23%
Net Revenue from Sales and Services	132.789	108.328	23%	253.840	209.489	21%

Gross Revenue and Net Revenue

Gross revenue from services and sales was R\$149.333 million in the quarter, a new quarterly record, which represents 24.7% growth over 2Q07. This strong growth is across all revenue lines and proves, as evidenced by the 35.1% growth in license revenues over 2Q07, that the Company continues to grow in a qualitative manner, since the new service and maintenance revenues from the licenses sold in this quarter tend to be generated in the upcoming quarters.

Net revenue from services and sales in 2Q08 totaled R\$132.789 million, a 22.6% growth over 2Q07. The Company posted record revenues for the 14th consecutive quarter, despite the increased cancellation of services and sales, resulted from TOTVS operation in Mexico (see Mexico section).

Even with the ongoing channel consolidation process, TOTVS' gross revenue from services and sales in the first half of 2008 was R\$286.892



Once again, all the revenue lines rose by more than 20%.

million, 23.4% up year on year. Net revenue grew 21.2% in the same period, totaling R\$253.840 million.

License Fee Revenue

License fee revenue in the quarter was R\$37.697 million, which was 35.1% higher than the R\$27.908 million in 2Q07. The increase is due to the growth in sales to both new and base clients. In both cases, the growth was due to the number of clients served and the increase in the average purchase amount of these clients.

Total license fee revenue in the first half of 2008 was R\$72.219 million, which is a 29.8% growth year on year. The optimized approach to the Company's base of clients and the expansion on the recurring revenues proceeding from corporate model contracts on 1Q08 was archived by the internal sales team restructuring (1H07) and by the unification on TOTVS distribution channels into TOTVS franchises (1Q08).

License fee revenue represented 25.2% of the total gross revenue in 1H08 and shows the growth trajectory of TOTVS in recent quarters.

Revenue from Services

Revenue from services in 2Q08 was R\$51.976 million, a 22.7% growth over the R\$42.359 million in 2Q07.

The growth in this revenue line in comparison to previous quarters is mainly due to the license sales of previous quarters.

Service revenues under the Expanded Business Model totaled R\$7.415 million in 2Q08, which is 14.2% of the total service revenue in the quarter.

Maintenance Fee Revenues

Revenue from maintenance fees rose by 20.6% in 2Q08 if compared to 2Q07, totaling R\$59.660 million. The increase is in line with the results of the previous quarter. In the first half of 2007, total maintenance revenue fees were R\$116.759 million, representing 20.7% of the year-on-year growth. Maintenance fee revenue comes from licenses sold by the Company to new and base clients, and includes the ones under the corporate model.

Operating Costs and Expenses

Main Operating Costs and Expenses (In R\$ Thousands)	2Q08	2Q07	Change (2Q08/2Q07)	1H08	1H07	Change (1H08/1H07)
Cost of License Fees	(1.018)	(847)	20%	(1.604)	(2.017)	-20%
Cost of Services and Sales	(43.642)	(32.532)	34%	(83.157)	(61.360)	36%
Research and Development	(12.730)	(9.646)	32%	(23.856)	(18.844)	27%
Advertising Expenses	(4.406)	(3.555)	24%	(6.258)	(5.954)	05%
Selling Expenses	(9.083)	(7.656)	19%	(16.881)	(15.544)	09%
Commissions	(15.847)	(13.481)	18%	(32.909)	(28.784)	14%
General and Administrative Expenses	(12.452)	(10.084)	23%	(23.698)	(19.794)	20%
Management Fees	(3.640)	(3.839)	-05%	(8.136)	(7.648)	06%
Depreciation and Amortization	(14.981)	(12.890)	16%	(28.395)	(25.668)	11%
Provisions for Doubtful Accounts	(2.585)	(1.704)	52%	(3.614)	(3.359)	08%
Other Revenue (Expenses)	(39)	(203)	-81%	(121)	(493)	-75%
Total	(120.423)	(96.437)	25%	(228.629)	(189.465)	21%

Operating costs and expenses in 2Q08 were 24.9% higher than in 2Q07, totaling R\$120.423 million. These were substantially affected by the increase in the cost of services and sales due to the advance of implementation services in Mexico (see Mexico section) as well as the 1Q08 collective bargaining agreement in São Paulo, which resulted in a 6.3% wage increase. Localization of products for the international market has also resulted in a non-recurring increase in operating costs and expenses this quarter. The balance in 1H08 was R\$228.629 million, compared to R\$189.465 million in 1H07.

Licensing Costs

Licensing costs were R\$1.018 million in 2Q08, a 20.2% increase over the same period in 2007. In 1H08, these costs totaled R\$1.604 million, a 20.5% decline year on year.

This decrease is even more significant if the license costs are compared to the growth in licensee fee revenues, which was 29.8% in 1H08. It is due to the replacement of third-party solutions sold earlier together with TOTVS' software, by those developed with proprietary technology.

Cost of Services and Sales

Cost of services and sales was R\$43.642 million in 2Q08, a 34.2% increase over the R\$32.532 million in 2Q07. Besides the collective bargaining agreement in 1Q08 in São Paulo which was higher than in the previous year, the Company absorbed 195 employees from BCS in its technical, systems and infrastructure areas.

Research and Development

Research and development (R&D) expenses amounted to R\$12.730 million in 2Q08, representing 9.6% of net revenue, within the Company's long-term guidance. Investments in R&D temporarily

The BCS acquisition brought in 229 new employees to TOTVS, of whom 195 work in the technical, systems and infrastructure areas.

accelerated due to products offering expansion projects and localization of those items to the international markets.

Advertising Expenses

Advertising expenses were R\$4.406 million in 2Q08, a 23.9% increase over the R\$3.555 million recorded in 2Q07. The increase is due to the implementation of the Company's new communication plan and efforts to strengthen TOTVS brand through an extensive advertising campaign in several communication media, including television, radio, magazines and newspapers during the quarter.

Advertising expenses in 1H08 were R\$6.258 million, increase of 5.1% over the R\$5.954 million in 1H07.

Selling Expenses

In the second quarter of 2008, selling expenses increased 18.6% in comparison with the same period in 2007 - from R\$7.656 million to R\$9.083 million. In 1H08, they totaled R\$16.881 million, 8.6% higher than the 1H07 total of R\$15.544 million. The slower increase in selling expenses compared to revenue growth partly demonstrates the opportunities arising from the unification of the Company's distribution channels.

Commission

Commission expenses totaled R\$15.847 million in 2Q08, 17.6% higher than the R\$13.481 million in 2Q07. Year-to-date commission expenses were R\$32,909 million, which is 14.3% higher than in 1H07. However, their share of the Company's net revenue declined from 13.7% in 1H07 to 13.0% in 1H08, reflecting the change in the sales mix between the Company's channels and franchises.

General and Administrative Expenses

General and administrative expenses totaled R\$12.452 million in 2Q08, a 23.5% increase over 2Q07. As a percentage of net revenue, they now represent 9.4% in 2Q08. They ended 1H08 at R\$23.698 million, against R\$19.794 million in 1H07.

The Shared Services Center (CSC) will continue to be expanded in 2008, and will provide services to other TOTVS units (e.g. Midbyte and BCS Sisjuri), in order to continue obtaining economies of scale and improving cost control.

Management Fees

Management fees totaled R\$3.640 million in 2Q08, a 5.2% decrease over 2Q07. In 1H08, management fees totaled R\$8.136 million, a 6.4% increase year on year.

Depreciation and Amortization

Depreciation and amortization totaled R\$14.981 million in 2Q08, representing a 16.2% increase over 2Q07. The increase is due mainly to the additional amortization of goodwill from BCS, Midbyte, IOSSTS and TOTVS Consulting acquisitions.

The goodwill evaluated by the Company on the acquisition of BCS, which was booked this quarter, was R\$42.307 million and will be amortized in 96 months, starting from April, 2008.

Provision for Doubtful Accounts

Provision for doubtful accounts totaled R\$2.585 million in 2Q08, against R\$ 1.704 million in 2Q07 – a 51.7% increase, and from R\$3.359 million in 1H07 to R\$3.614 million in 2H08 – a 7.6% increase. This provision is established after analyzing the company's receivables portfolio.

Other Expenses

Other expenses amounted to R\$0.039 million in 2Q08, against R\$0.203 million in 2Q07.

Operating Profit and Net Income

The Company posted an operating profit of R\$12.366 million in 2Q08, 4.0% increase on 2Q07, driven by strong sales performance. However, operating profit this quarter was negatively impacted by greater marketing and R&D spending. The higher volume of amortization of goodwill from the acquisitions in the second half of 2007 and beginning of 2008 has also affected negatively the 2Q08 operating profit.

The net income of R\$10.803 million in 2Q08 represents Earnings Per Share of R\$0.40, a 15.6% growth over 2Q07.

EBITDA

The Company's EBITDA in 2Q08 was R\$27.347 million, 10.4% up on the R\$24.781 million in 2Q07. In the same period, EBITDA reached 20.6% in 2Q08.

In contrast to the lower margin, TOTVS' sales grew in an accelerated pace, supported by commercial initiatives and the new marketing campaign.

In the quarter, if the negative contribution was not consolidated, the Company's EBITDA margin would be 21.7%.

TOTVS operation in Mexico

International market represents 4.0% of TOTVS revenues and Mexico is the main market, the one with more years of presence and has the highest potential growth.

Since the beginning of 2008, TOTVS' Mexican operation – which counts with 150 employees and 350 clients – is facing a reorganization in order to create the foundations for the next expansion level. This reorganization includes localization of products and people training in order to serve the demand of this lower-penetrated-market compared to Brazil.

Such reorganization occasioned a result's temporarily drop in the subsidiary, which negatively contributed with R\$2.2 million in 1Q08 and R\$1.3 million in 2Q08 to the consolidated Company's EBITDA.

TOTVS expectation is to retake the profitability of the subsidiary from 1Q09 on, considering a clear reduction trend on the negative contribution to the consolidated result.

In the quarter, if negative contribution from the Mexican operation was not consolidated, the Company's EBITDA margin would be 21.7%.

Adjusted Net Income

Adjusted net income represents net income excluding the effect of amortization expenses relating to company acquisitions, as well as their respective income tax and social contribution effects, as shown in the following table:

Net Income Reconciliation (In thousand R\$)	2Q08	2Q07	Change (2Q08/2Q07)	1H08	1H07	Change (1H08/1H07)
Net Income	10.803	9.342	15.6%	22.199	17.725	25.2%
Goodwill Amortization from acquisitions	13.220	11.332	16.7%	25.126	22.890	9.8%
Income tax and social contribution effect	(4.495)	(3.853)	16.7%	(8.543)	(7.783)	9.8%
Adjusted Net Income	19.528	16.821	16.1%	38.782	32.832	18.1%

Subsequent Events

The management of TOTVS S.A. and DATASUL S.A. (Totvs and Datasul, jointly the "Companies") notified the market that the Board of Directors of both Companies decided on July 23, 2008 to submit to their respective shareholders, at extraordinary shareholders' meetings to be held on August 19, 2008, a proposal to restructure the two groups into a single group.

This second quarter press release, along with press releases, dated July 23, 2008 and July 24, 2008, referred to herein, contain information relating to a proposed merger transaction of Datasul S.A. and Totvs S.A.. Such press releases do not constitute an offer of securities in the United States or a solicitation of an offer to buy securities in the United States. The information included in such press releases, as well as any other materials related to the proposed merger transaction, shall not be furnished or sent to U.S. residents or into the United States.

Capital Markets

Shareholder (In % of the free float)	2Q08	1Q08	4Q07	3Q07	2Q07
Non-Institutional Investor	5.0%	5.0%	2.5%	3.0%	2.4%
Institutional Investor	95.0%	95.0%	97.5%	97.0%	97.6%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

Shareholder (In % of the free float)	2Q08	1Q08	4Q07	3Q07	2Q07
National Investor	18.7%	19.8%	17.4%	18.7%	18.6%
International Investor	81.3%	80.2%	82.6%	81.3%	81.4%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

Ownership Breakdown

On June 30, 2008, the Company's free float was 69.3%, or 18,501,898 shares, out of a total of 26,688,402 shares. The non-free float percentage corresponds to the shareholding interest held by the Company's administrators (23.1%), including related persons and subsidiaries, plus the interest held by BNDES Participações S/A (7.6%).

The Company's shares depreciated 3.4% in 2Q08, from R\$53.83 on March 31, 2008 to R\$52.02 on June 30, 2008. In the same period, average daily trading volume was 34,018 shares, totaling R\$1.91 million in financial volume.

Upcoming Events

2Q08 Results Conference Calls - August 7, 2008

English

2:30 pm (US ET)

Telephone: (1 973) 935-8893

Replay: +1 (706) 645-9291, till
08/13/2008

Code: 54689941

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2:00 pm (US ET)

Telephone: 55(11) 2188-0188

Replay: (11) 2188-0188, till 08/13/2008

Code: (no code)

Webcast: www.totvs.com/ri

GLOSSARY

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.

EBITDA

CVM Circular 1/2005 defines EBITDA as earnings before net financial expenses, income tax and social contribution, and non-operating result.

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 delivery of new versions and upgrade of the Company's software, containing adjustments related to technological, functional or legal 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 users that can access the system simultaneously.

About TOTVS

TOTVS is the leader in the Brazilian and Latin America software developments. The Company also leads the small and medium Companies segment (SMB) in Brazil and Latin America. TOTVS was the first Latin American IT Company to go public and it is listed at BOVESPA. Together, its software commercialization operations and related services Logocenter, Microsiga, RM Sistemas and TOTVS Consulting have around 18,000 clients.

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)	Consolidated	
	Jun. 30, 2008	Jun. 30, 2007
ASSETS		
<u>Current assets</u>		
Cash and cash equivalents	106.384	110.787
Accounts receivable	100.102	83.182
Provision for doubtful accounts	(10.206)	(6.741)
Income tax and social contribution deferred	13.249	11.809
Recoverable taxes	5.979	6.694
Other current assets	9.091	5.299
Current assets	<u>224.599</u>	<u>211.030</u>
<u>Non-current assets</u>		
Long-term assets		
Income tax and social contribution deferred	24.958	22.537
Judicial deposit	6.284	5.119
Other receivables	4.938	820
Permanent Assets		
Investments	4	55
Equipment	22.780	17.787
Intangible	180.853	165.892
	<u>239.817</u>	<u>212.210</u>
Total assets	<u><u>464.416</u></u>	<u><u>423.240</u></u>
LIABILITIES		
<u>Current liabilities</u>		
Accounts payable	5.801	5.000
Loans and financing	555	391
Current obligation under capital leases	3.184	2.297
Taxes payable	4.508	4.418
Salaries and social charges payable	35.820	27.117
Commissions payable	11.709	11.540
Dividends payable	402	211
Obligation relating to acquisitions	6.625	-
Other payable	2.027	1.004
Total Current liabilities	<u>70.631</u>	<u>51.978</u>
<u>Non-current liabilities</u>		
Current obligation under capital leases	1.720	1.601
Income Tax and Social Contribution deferred	317	197
Tax payable	6	470
Contingencies	1.470	979
	7.375	-
Other payable	1.789	-
Total non-current liabilities	<u>12.677</u>	<u>3.247</u>
<u>Minority interests</u>	1.805	838
<u>Shareholders' Equity</u>		
Capital	307.373	307.373
Capital reserve	31.557	31.557
Income reserve	40.373	28.247
Total shareholders equity	<u>379.303</u>	<u>367.177</u>
Total liabilities and shareholders equity	<u><u>464.416</u></u>	<u><u>423.240</u></u>

INCOME STATEMENT (In R\$ Thousands)	Consolidated			
	2Q08	2Q07	1S08	1S07
Gross revenue				
License fees	37.697	27.908	72.219	55,618
Services	51.976	42.359	97.914	80,091
Maintenance	59.660	49.481	116.759	96,740
	149.333	119.748	286.892	232,449
Deductions from revenue				
Cancellation of services and sales	(5.317)	(2.247)	(11.655)	(5,083)
Taxes	(11.227)	(9.173)	(21.397)	(17,877)
Net sales revenue	132.789	108.328	253.840	209,489
Licensing Costs	(1.018)	(847)	(1.604)	(2,017)
Cost of Services	(43.642)	(32.532)	(83.157)	(61,360)
Gross Income	88.129	74.949	169.079	146,112
Operating Expenses				
Research and Development	(12.730)	(9.646)	(23.856)	(18,844)
Advertising expenses	(4.406)	(3.555)	(6.258)	(5,954)
Selling expenses	(9.083)	(7.656)	(16.881)	(15,544)
Commissions expenses	(15.847)	(13.481)	(32.909)	(28,784)
General and Administrative Expenses	(12.452)	(10.084)	(23.698)	(19,794)
Management Fees	(3.640)	(3.839)	(8.136)	(7,648)
Depreciation and Amortization	(14.981)	(12.890)	(28.395)	(25,668)
Provision for Doubtful Accounts	(2.585)	(1.704)	(3.614)	(3,359)
Other expenses	(39)	(203)	(121)	(493)
	(75.763)	(63.058)	(143.868)	(126,088)
Operating profit, before financial effects	12.366	11.891	25.211	20,024
Financial revenues	2.724	3.038	5.803	6,414
Financial expenses	(1.645)	(2.712)	(2.695)	(5,075)
Non-operating income	(325)	(160)	(297)	75
Income before taxes	13.120	12.057	28.022	21,438
Income and social contribution taxes				-
Current	(5.860)	(3.851)	(10.060)	(10,164)
Deferred	3.603	1.267	4.206	6,625
	(2.257)	(2.584)	(5.854)	(3,539)
Minority interest	(60)	(131)	31	(174)
Net income	10.803	9.342	22.199	17,725
EBITDA	27.347	24.781	53.606	45,692

CASH FLOWS (In R\$ Thousands)	Consolidated			
	2Q08	2Q07	1H08	1H07
<u>Cash flows from operating activities</u>				
EBIT	12.366	11.890	25.211	20.024
Depreciation and Amortization	14.981	12.890	28.395	25.668
EBITDA	27.347	24.780	53.606	45.692
<i>Cash Items after EBITDA</i>	<i>(5.134)</i>	<i>(3.564)</i>	<i>(6.960)</i>	<i>(8.851)</i>
Financial Result	726	286	3.100	1.313
Income Tax and Social Contribution on Net Income	(5.860)	(3.851)	(10.060)	(10.164)
<i>Non-Cash Items after EBITDA</i>	<i>3.243</i>	2.296	4.998	4.534
Allowance for doubtful accounts	2.585	1.704	3.614	3.359
Provision for contingencies	658	592	1.384	1.175
<i>Changes in Working Capital</i>	<i>(1.995)</i>	<i>(5.263)</i>	<i>(6.282)</i>	<i>(3.683)</i>
Accounts receivable, net of commissions	(11.314)	(5.238)	(15.021)	(5.554)
Suppliers payable	1.040	(567)	332	877
Salaries and charges payable	5.754	4.790	7.717	6.442
Taxes payable	1.726	(1.834)	2.076	(493)
Judicial deposit	(912)	(2.420)	(1.695)	(3.048)
Other assets and liabilities	1.711	6	309	(1.907)
Net Cash from operating activities	23.461	18.249	45.362	37.692
<u>Cash flows from investment activities</u>				
Investment acquisition	-	(1.500)	(6.523)	(1.500)
Investment divestiture	300	-	300	400
Acquisition of equipment	(4.528)	(1.778)	(7.620)	(3.284)
Intangible (product development)	(32.001)	-	(32.917)	-
Sales of Permanent Assets	(1)	225	78	654
Cash flows from investment activities	(36.230)	(3.053)	(46.682)	(3.730)
<u>Cash flows from financing activities</u>				
Bank loans	468	38	(14)	48
Increase of lease obligations	(251)	488	(159)	724
Dividends paid	3	(70)	(29.526)	(22.497)
Cash flows from financing activities	220	456	(29.699)	(21.725)
<u>Increase of cash and cash equivalents</u>	(12.549)	15.652	(31.019)	12.237
Cash and cash equivalents at the beginning of the year	118.933	95.134	137.403	98.550
Cash and banks at the end of the year	106.384	110.787	106.384	110.787