

TOTVS IN 3Q08: Merger with Datasul, Record Revenues and EBITDA and 705 new software clients



São Paulo, November 5, 2008 - TOTVS S.A. (BOVESPA: TOTS3), the leader in developing and marketing integrate enterprise management software in Brazil, today announces its results for the third quarter of 2008 (3Q08). The Company's consolidated financial statements are prepared in accordance with Brazilian corporate legislation. **To enable comparison, data in tables and comments is given on pro forma basis as it includes the numbers since January 2005 of RM, Logocenter and those previously announced in Datasul's S. A. quarterly results.**

Highlights of the Period

- Merger with Datasul results in the 9th largest ERP company in the world and the biggest in emerging markets.
- The merger was approved by shareholders on August 19, 2008 and this is the first results disclosure of the merged company.

Consistent Growth:

- Net Revenue** from sales was **R\$218.559 million** in 3Q08, and reached a **new quarterly record, 15th in a row**, growing **29.7%** year-on-year.
- Revenue from **License Fees** was **R\$59.293 million in 3Q08**, a **39.5% increase** over 3Q07.
- Revenue from **Services and Maintenance** registered **all-time records**. Revenue from **services** was **R\$75.167 million, growing by 32.8%**, and revenue from **maintenance** rose **22.2%** over 3Q07 to **R\$108.102 million in 3Q08**.
- 705 new software clients – a new record**. Currently, the Company's base of clients registers more than **22,500 active clients**.
- EBITDA** reached **R\$44.355 million, 20.0%** up year-on-year, and **also reaching a new historical record**.
- Adjusted Net Income** of **R\$34.024 million** in 3Q08, a **25.1% growth** over 3Q07.

IR Contacts

José Rogério Luiz
EVP, CFO and IRD

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

Conference Calls

Thursday, November 6, 2008

> English

10:30 am (US ET)
Webcast: www.totvs.com/ir
Phone: 1 (412) 858-4600
Code: TOTVS
Replay: 1 (412) 317-0088,
(access code: 424672#)
available till 11/13/2008

> Portuguese

12:00 pm (US ET)
Webcast: www.totvs.com/ri
Tel.: 55 (11) 2188-0188
Replay available till
11/13/2008

Consolidated Financial Highlights	3Q08 <i>pro forma</i>	3Q07 <i>pro forma</i>	Change (3Q08/3Q07)	9M08 <i>pro forma</i>	9M07 <i>pro forma</i>	Change (9M08/9M07)
Net Revenue	218,559	168,488	29.7%	611,427	477,393	28.1%
Adjusted EBITDA	44,355	36,962	20.0%	127,392	103,182	23.5%
EBITDA Margin	20.3%	21.9%	-160 bp	20.8%	21.6%	-80 bp
Adjusted Net Income ⁽¹⁾	34,024	27,187	25.1%	96,741	77,748	24.4%

(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.

Recent Events

Corporate reorganization with Datasul is approved ¹

In July 23, 2008 TOTVS and Datasul announced, through a material fact, their intention to merge their operations. This was approved by both companies' extraordinary shareholders meetings on August 19, 2008, when Datasul's shares were incorporated by Makira, TOTVS' wholly-owned subsidiary, which was subsequently incorporated by TOTVS.

Datasul shareholders received a total of R\$480 million by way of dividends and redemption of preferred shares of Makira. In addition, 4,464,000 shares of TOTVS were issued and exchanged at the ratio of 0.15499893 common shares of TOTVS for each common share of Datasul. Datasul's shares ceased trading at the stock Exchange on September 23, and were replaced by TOTVS on the next day.

At the Extraordinary General Meeting dated October 31, 2008, TOTVS shareholders approved the merger of Datasul, by which TOTVS meets the legal requirements that allow tax deduction of goodwill amounting to R\$333.8 million from the incorporation of Datasul's shares, to be amortized in 10 years.

TOTVS optimizes its capital structure ¹

In order to finance the shareholder base merger with Datasul, TOTVS raised R\$200 million with the issue of convertible debentures at a cost of around 10.0% p.a (pegged to both IPC-A and TJLP) for the Company, with the principal to be paid in 8 years and interest over 11 years.

To fund its R&D projects, the Company obtained a loan of R\$204.5 million from BNDES (Brazilian Development Bank) PROSOFT program. R\$160.0 million has already been disbursed, still remaining R\$ 44.5 million to be disbursed by August 2009. This loan incurs interest of the TJLP (the long-term interest rate, which is currently 6.25% p.a) plus 1.5% p.a., and a grace period of 2 years. The principal will be paid over 4 years and interest on a half-yearly basis. As a result, TOTVS ended the quarter with cash of R\$144.0 million and net debt of R\$216 million.

In 3Q08, TOTVS contracted financing amounting to R\$360 million and ended the quarter with cash of R\$ 144 million.

¹ For more information about the merger and the financing, see the "Material Fact" and the "Notice to the Market" published by the Company, which can also be accessed at www.totvs.com.br.

Top management of TOTVS defined

Due to the Datasul merger, a few changes have been made to the TOTVS management in order to adapt to the structure and retain talent from both the companies.

Miguel Abuhab, founder of Datasul, joined the TOTVS Board of Directors in August, and in September, Paulo Sérgio Caputo, a professional with more than 10 years of experience leading several departments at Datasul, became the Vice President of Market Strategy and Services, previously vacant.

Other key positions at the executive board and managerial levels were assigned by the end of the quarter.

TOTVS and Datasul Integration process

On July 23, 2008, TOTVS and Datasul announced their intention to merge their operations and on August 18, 2008 the shareholders approved the transaction. On the same date, both companies created 22 integration groups, under the coordination of a specific committee, whose mission was to study, evaluate, define and update companies' processes for the unification. Close to 90 people have been directly involved on the committee's delivery.

After 45 days, all the management positions have already been assigned and several areas physically integrated. On October 31, the critical phase of the project was concluded, assessment of technological designs and system development, as well as meetings involving the distribution teams, including all the franchises. In addition, a property that was rented in São Paulo has already been returned and Joinville's teams (previously Logocenter and Datasul's) will be integrated in a single address by December 31, 2008.

A new phase was initiated with the drafting of a plan to unify internal systems. Synergy gains are beginning to pick up pace and should present more significant measurable results in the coming quarters.

Market Update

New awards

The study "100+ Inovadoras" conducted by IT Media and the InformationWeek Brasil magazine, along with Deloitte Consulting, jointly responsible for the methodology and results evaluation has elected TOTVS the best in technology services category for its innovative use of IT in companies' businesses.

Datasul was elected the best software company at the *Ranking Info200*, conducted by the magazine *Info*, and it has also been included in the ranking "As Melhores da Dinheiro 2008" conducted by *IstoÉ Dinheiro* magazine. Honorable mentions were also awarded to solutions focused on ethanol and agricultural segments.

Operating Performance

Operating Performance		3Q08	3Q07	Change (3Q08/3Q07)	9M08	9M07	Change (9M08/9M07)
# Customers	# New Clients	705	641	10.0%	1.873	1.721	8.8%
	# Base Clients	632	573	10.3%	1.660	1.517	9.4%
	# New Clientes in Corporate Model	73	68	7.4%	213	204	4.4%
	# Base Clients	3,099	1,971	57.2%	8,748	5,615	55.8%
Licenses R\$	License Fee / New Client (R\$)	26,913	28,204	-4.6%	28,336	26,459	7.1%
	License Fee / Base Client (R\$)	26,012	26,452	-1.7%	26,697	24,404	9.4%
	License Fee / New Corporate Client (R\$)	34,716	42,973	-19.2%	41,109	41,742	-1.5%
	License Fee / New Traditional Client (R\$)	12,092	11,219	7.8%	11,925	11,578	3.0%

The growth in the client base resulting from the Datasul merger has increased the selling opportunities for new products and verticals, besides leveraging sales to clients in the base.

From this quarter on, TOTVS has consolidated Datasul's results so that the indicators has been reported together. The operations of BCS Sisjuri and Vitrine, which were earlier segregated, have now been consolidated. The amounts and number of clients will be shown on a pro forma basis. The Company will continue to evaluate the new methods for reporting its indicators in order to allow better visibility and forecastability and better reflect its business.

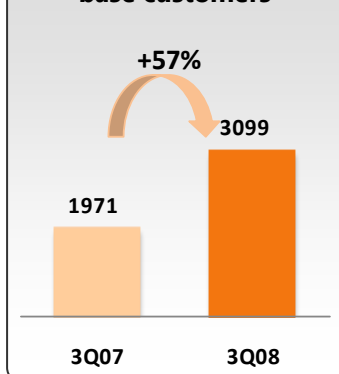
TOTVS closed 3Q08 with a robust operational performance, reaching, approximately, **22,500 active clients**, which represents the number of help desk software clients and maintenance services contracts. **Datasul** brings to TOTVS **3,600 active clients** and fresh cross-selling opportunities among the client bases.

The strategy implemented by TOTVS since the beginning of 2007 to increase the number of new clients and increase sales to existing clients has already produced solid results. TOTVS and Datasul merger allows this strategy to be expanded.

New software clients

Sales to new clients grew once again, with the Company acquiring **705 new clients** in 3Q08, **10.0% up** in comparison to 641 in 3Q07 and reaching a quarterly record once again. There was a slight decline in the average sales amount due to products for small businesses such as *Datasul Start* and *Vitrine*. Average sales amount to new clients was R\$26.913 in 3Q08, 4.6% lower than in 3Q07.

Number of Sales to base customers



📍 Clients in the software base

Sales to the **client base** recorded growth in 3Q08, with **3,099 clients** acquiring new licenses in 3Q08. The **client base grew 57.2%** year on year, helped by the exploration of the client base under the traditional base and also by the increase in the number of clients under the rentals model, which generates recurring license revenues. **Average sales amount rose 7.8%.**

This growth was mainly reached by the result of the Company's recent initiatives such as the setting up of a sales team specifically for this category, as well as the channels, increasing client servicing capacity.

Financial Performance

Breakdown of Gross Revenue from Sales and Services (In R\$ thousands)	3Q08 <i>pro forma</i>	3Q07 <i>pro forma</i>	Change (3Q08/3Q07)	9M08 <i>pro forma</i>	9M07 <i>pro forma</i>	Change (9M08/9M07)
License Fees	59,293	42,515	39.5%	171,111	117,615	45.5%
Services	75,167	56,620	32.8%	201,622	156,470	28.9%
Maintenance	108,102	88,438	22.2%	308,175	255,417	20.7%
Total Gross Revenue from Sales and Services	242,562	187,573	29.3%	680,909	529,502	28.6%
Net Revenue from Sales and Services	218,559	168,488	29.7%	611,427	477,393	28.1%

In the 3Q08, TOTVS posted record revenue, for the 15th quarter in a row.

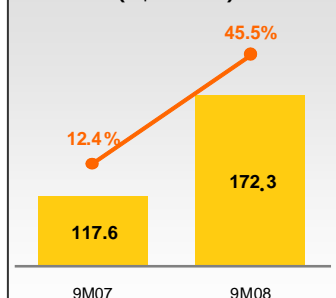
📍 Gross Revenue and Net Revenue

Gross revenue from services and sales in 3Q08 was a record R\$242.562 million, a record of 29.3% up over 3Q07 and was, once again, across all revenue lines, notably license revenues (up 39.5%).

Net revenue from services and sales in 3Q08 totaled R\$218.559 million, 29.7% up over 2Q07, and again a new quarterly record.

In 9M08, TOTVS' gross and net revenues grew by more than 28%.

License Fee Revenue and growth^(*) (R\$ million)



^(*) Quarter compared to the same quarter of previous year

📍 License Fee Revenue

License fee revenue in the quarter was R\$59.293 million, 39.5% up over the R\$42.515 million in 3Q07, driven by the growth in sales to new and existing clients.

Year-to-date license revenues totaled R\$171.111 million, a 45.5% growth year on year, largely due to a more effective focus on the client base and the continuous increase in the number of new clients brought on by the restructuring of the internal sales team in 1H07 and unification of TOTVS Franchises' distribution channels (1H08).

Revenue from Services

Revenue from services in 3Q08 reached a greater growth in comparison to 2Q08, even more than in earlier quarters due to the higher volume of implementation services resulting from the sales of licenses in previous quarters. Revenue from services was R\$75.167 million, 32.8% up over the R\$56.620 million in 3Q07.

With the merger of TOTVS and Datasul, the share of revenue from services in the Company's mix has declined, representing 30.8% of total revenues in 3Q08.

With Datasul, the capacity to generate recurring revenue is enlarged, by maintenance contracts that hit R\$308.2 million in the 2008 year-to-date

Maintenance Fee Revenues

Maintenance fee revenues grew 22.2% in 3Q08 over 3Q07 to R\$108.102 million, with growth being higher than in previous quarters. Year-to-date revenues were, R\$308.175 million, 20.7% up on the same period last year.

Datasul has brought an increase in the share of these recurring revenues, which represented 44.6% of total revenues in the quarter and over 45% in the year.

Operating Costs and Expenses

Main Operating Costs and Expenses (In R\$ Thousands)	3Q08 <i>pro forma</i>	3Q07 <i>pro forma</i>	Change (3Q08/3Q07)	9M08 <i>pro forma</i>	9M07 <i>pro forma</i>	Change (9M08/9M07)
Cost of License Fees	(6,937)	(3,579)	93.8%	(19,667)	(8,678)	126.6%
Cost of Services	(68,754)	(53,315)	29.0%	(194,169)	(146,581)	32.5%
Research and Development	(24,166)	(17,033)	41.9%	(65,327)	(47,127)	38.6%
Advertising Expenses	(8,823)	(6,354)	38.9%	(20,221)	(16,511)	22.5%
Selling Expenses	(13,067)	(11,425)	14.4%	(39,862)	(33,552)	18.8%
Commissions	(22,123)	(16,146)	37.0%	(61,428)	(52,192)	17.7%
General and Administrative Expenses	(18,687)	(16,387)	14.0%	(55,301)	(47,424)	16.6%
Management Fees	(6,806)	(6,222)	9.4%	(18,391)	(16,431)	11.9%
Provisions for Doubtful Accounts	(4,037)	(864)	367.2%	(8,699)	(4,867)	78.7%
Other Revenue (Expenses)	(805)	(201)	300.5%	(971)	(848)	14.5%
Subtotal	(174,204)	(131,526)	32.4%	(484,036)	(374,211)	29.3%
Depreciation and Amortization	(25,285)	(16,283)	55.3%	(61,997)	(47,060)	31.7%
Non-recurring Expenses	(7,000)	-	-	(7,000)	-	-
Total	(206,489)	(147,809)	39.7%	(553,032)	(421,271)	31.3%

Operating costs and expenses, excluding depreciation and amortization, as well as extraordinary expenses (reflecting a part of the extraordinary expenses relating to the merger with Datasul), totaled R\$174.204 million in 3Q08, 32.4% higher if compared to 3Q07, partially due to: (i) higher third-party software costs at Datasul; (ii) investments in R&D, especially at Datasul; (iii) one-off marketing expenses; (iv) an increase in commissions as a result of compliance with goals, especially at Datasul; and (v) a significant increase in provisions for doubtful accounts in TOTVS+Datasul' Mexican operation. The highlighted topics are explained.

Operating costs and expenses in 9M08 totaled R\$553.032 million, a 31.3% increase over the R\$421.271 million in 9M07. Excluding the extraordinary expenses, operating costs and expenses in 9M08 were 29.3% higher than in 9M07.

Licensing Costs

Licensing costs were R\$6.937 million in 3Q08, a 93.8% increase over the same period in 2007. In year-to-date terms, these costs totaled R\$19.667 million, a 126.6% increase year on year.

The main impact in the quarter was on Datasul, which uses third-party software.

The growth is partly due to new license sales resulting a natural royalty payment increase. It is TOTVS strategy to address this subject to technology providers, aiming to establish a new relationship save.

Cost of Services and Sales

Cost of services and sales rose by 29.0% in 3Q08 to R\$68.754 million, compared to R\$53.315 million in 3Q07. In 9M08, these costs totaled R\$194.169 million, up 32.5% year on year.

Cost of services, essentially represented by personnel costs, grew slower than revenue from services, despite (i) higher wage increase in 1Q08 than last year, and (ii) increase in staff strength due to the growing business.

Research and Development

Research and development (R&D) expenses reached to R\$24.166 million in 3Q08, representing 11.1% of net revenue. The 41.9% increase in 3Q08 over 3Q07 is due to health and financial verticals development as well as customization of clients' products.

TOTVS usually allocates 8% to 9% of net revenues to research and development (R&D). Datasul allocates 11% to 14% to R&D, being FDES (development franchises) the main providers. TOTVS, as part of its long-term policy, will gradually raise R&D spending to about 10% of net revenues on the upcoming quarters.

Advertising Expenses

Advertising expenses totaled R\$8.823 million in 3Q08, a 38.9% increase over the 3Q07 total of R\$6.354 million.

Planeta Datasul, which occurred during this quarter, was a special event to commemorate 30 years of the brand. It represented more than 50% increase in the period's advertising expenses..

Year-to-date advertising expenses totaled R\$20.221 million, which was 22.5% higher than in 9M07. As a percentage of revenue, advertising expenses fell slightly

Non recurring client relationship programs, like Planeta Datasul, which celebrated the brand's 30th anniversary involved higher marketing expenses.

from 3.5% in 9M07 to 3.3% in 9M08, being in accordance to TOTVS traditional levels as well as to the estimated investment range.

Note that the marketing areas have been integrated since the end of the quarter and, hence, are already obtaining synergies.

Selling Expenses

Selling expenses soared 14.4% between 3Q07 and 3Q08, from R\$11.425 million to R\$13.067 million. In 9M08, selling expenses totaled R\$39.862 million, 18.8% higher than the R\$33.552 million in 9M07. The slower increase in expenses compared to sales depicts the arising opportunities from the unification of the Company's own distribution channels and commencement of the concept *TOTVS up*.

Commission

Year-to-date commissions totaled R\$61.428 million, 17.7% higher than in 9M07, but were outgrown by revenue. As a percentage of net revenue, commissions fell from 10.9% in 9M07 to 10.0% in 9M08.

In 3Q08, commissions totaled R\$22.123 million in 3Q08, 37.0% up over the R\$16.146 million in 3Q07. The highest growth was from Datasul due to the achievement of specific sales targets. The merger process includes commission policy evaluation in order to come to a fair and balanced model.

General and Administrative Expenses

General and administrative expenses totaled R\$18.687 million in 3Q08, a 14.0% increase over 3Q07, and representing 8.6% of net revenue in 3Q08, as against 9.7% in 3Q07.

These expenses totaled R\$55.301 million in 9M08, 16.6% higher if compared to the same period last year, slightly higher than half of the revenue growth recorded in the same period.

TOTVS' initiatives of recent quarters will further be strengthened due to Datasul merger.

Management Fees

Management fees totaled \$6.806 million in 3Q08, a 9.4% increase over 3Q07. In 9M08, management fees totaled R\$18.391million, 11.9% higher than in 9M07.

Provision for Doubtful Accounts

This provision totaled R\$4.037 million in the 3Q08, an 367.2% increase when compared to the R\$0.864 million in 3Q07. This provision is established based on an analysis of the receivables portfolio, was largely impacted by the operation in

Mexico (which now includes Datasul's operations) and thus not resulting in any deterioration in domestic receivables.

Of the R\$4.037 million provisioned, 56.7% or R\$ 2.286 million refer to the Mexico operation. See "TOTVS Operation in Mexico" for more details.

Depreciation and Amortization

Depreciation and amortization expenses totaled R\$25.285 million in 3Q08, a 55.3% increase over 3Q07, mainly due to the additional amortization of goodwill from BCS and Midbyte acquisitions, as well as the merger of Datasul.

The goodwill booked by the Company on the Datasul merger totaled R\$333.8 million as of August 2008, which will be amortized in 120 months.

Extraordinary Expenses

This quarter, TOTVS carried out a corporate reorganization process with Datasul that resulted in the merger of the shareholder bases of both companies. This operation resulted in expenses amounting to R\$7.000 million, which are essentially related to lawyers' fees and payments for services provided by investment banking to Datasul.

Other Expenses

Other Expenses amounted to R\$0.805 million in the 3Q08, as against R\$0.201 million in 3Q07.

EBITDA

EBITDA reached a new historical record in 3Q08 and totaled R\$44.355 million, a 20.0% increase over the 3Q07 total of R\$36.962 million. EBITDA margin in 3Q08 was 20.3%.

EBITDA Statement (In thousand R\$)	3Q08 <i>pro forma</i>	3Q07 <i>pro forma</i>	Change (3Q08/3Q07)	9M08 <i>pro forma</i>	9M07 <i>pro forma</i>	Change (9M08/9M07)
Operating Profit (EBIT)	12,070	20,679	-41.6%	58,395	56,122	4.1%
Depreciation and Amortization	25,285	16,283	55.3%	61,997	47,060	31.7%
Extraordinary Expenses	7,000	-	-	7,000	-	-
EBITDA	44,355	36,962	20.0%	127,392	103,182	23.5%

TOTVS Operation in Mexico

Even after the merger with Datasul, the international market is responsible for less than 4.0% of total revenues. However, it represents one of the main expansion routes for the Company.

The reorganization of the operation in Mexico, which began in January this year, was expanded in 3Q08, and one of the collateral effects was the booking of R\$2.286 million as provision for doubtful accounts, even though there is a possibility of a partial reversal of this provision in the future upon receipt of payments.

The Management reiterates its 2Q08 expectation that the Mexico operation will return to profitability starting from 1Q09.

In 3Q08, the contribution of the Mexican subsidiary, including Datasul brand, represented a loss of R\$5.0 million to TOTVS EBITDA, which signifies that excluding results from operation in Mexico, TOTVS EBITDA would be R\$49.439 million, with a margin of 22.9%.

Operating Profit and Net Income

The Company posted an operating profit of R\$12.070 million this quarter, a 41.6% drop from 3Q07, mainly caused by the extraordinary expenses related to TOTVS – Datasul merger, as well as the increase in amortization of goodwill from investments.

Net income was R\$14.407 million, representing earnings per share of R\$0.46, which is 32.2% lower than in 3Q07.

Adjusted net income refers to net income less amortization caused by the acquisitions, as well as its effect on income tax and social contribution, as shown below, and it is also the calculation basis for the dividends' payout:

Net Income Reconciliation (In thousand R\$)	3Q08 <i>pro forma</i>	3Q07 <i>pro forma</i>	Change (3Q08/3Q07)	9M08 <i>pro forma</i>	9M07 <i>pro forma</i>	Change (9M08/9M07)
Net Income	14,407	18,198	-20.8%	56,033	51,470	8.9%
Goodwill Amortization from aquisitions	22,722	13,620	66.8%	54,678	39,817	37.3%
Non-recurring Expenses	7,000	-	-	7,000	-	-
Income tax and social contribution effect	(10,106)	(4,631)	118.2%	(20,971)	(13,538)	54.9%
Adjusted Net Income	34,024	27,187	25.1%	96,741	77,748	24.4%

Capital Markets

📍 New share issue¹

On August 19, shareholders representing more than 73% of the capital approved at an extraordinary general meeting, the issue of 4,464,000 TOTVS common shares, which were transferred to Datasul's former shareholders.

The issue was carried out on September 24, one day after trading ended on Datasul's shares, and replaced each Datasul share by 0.15499893 TOTVS share. Thus, TOTVS total number of shares on that date was 31,152,402.

📍 1st Private Debenture Issue¹

On this quarter, the Company carried out a private issue of convertible debentures, with floating guarantee, in two series of 100,000 debentures each, nominal unit value of R\$ 1,000,00. The debentures were offered in the form of units, each composed of 2 non-detachable debentures, being 1 debenture of the 1st series remunerated based on the IPCA inflation index plus 3.5% p.a, but limited to the long-term interest rate (TJLP) plus 1.5% p.a., and 1 debenture of the 2nd series remunerated at TJLP plus 1.5% p.a.

The total amount raised was R\$200 million, maturing in 2019. The issue was approved at the shareholders' meeting on August 19, 2008, in which more than 72% of the shareholders, based on the amendment to the Management's Proposal approved by the Board of Directors on the same date.

¹ For further details on the transaction and the financing, please access the "Material Fact" and the "Notice to the Market" published by the Company available at www.totvs.com.

T Ownership Breakdown

Shareholder (In % of the free float)	3T08	2Q08	1Q08	4Q07	3Q07
Non-Institutional Investor	6.7%	5.0%	5.0%	2.5%	3.0%
Institutional Investor	93.3%	95.0%	95.0%	97.5%	97.0%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

Shareholder (In % of the free float)	3T08	2Q08	1Q08	4Q07	3Q07
National Investor	25.0%	18.7%	19.8%	17.4%	18.7%
International Investor	75.0%	81.3%	80.2%	82.6%	81.3%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

On September 30, 2008, free float was 69.6%, that is, 21,692,728 shares (from a total of 31,152,402 shares). The remaining shares are held by the Company's administrators (23.8%), including related persons and subsidiaries, plus the interest held by BNDES Participações S/A (6.5%).

The Company's shares depreciated 14.1% in the third quarter of 2008 (meanwhile IBovespa declined 23.8%), from R\$52.02 on June 30, 2008 to R\$44.74 on September 30, 2008. In the same period, average daily trading volume was 98,402 shares, reaching a total of R\$5.02 million in financial volume.

Upcoming Events

3Q08 Conference Calls November 06th 2008

English

10h30 (US ET)

Phone: 1 (412) 858-4600

Code: TOTVS

Replay: 1 (412) 317-0088, access code 424672# till 11/13/2008

Webcast: www.totvs.com/ir

Portuguese

12h00 (US ET)

Phone: (11) 2188-0188

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

Webcast: www.totvs.com/ri

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 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.

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.

Financial Statements

BALANCE SHEET (In R\$ Thousands)	Consolidated		
	Sep. 30, 2008	Dec. 31, 2007	Sep. 30, 2007
		<i>pro forma</i>	<i>pro forma</i>
ASSETS			
<u>Current assets</u>			
Cash and cash equivalents	143,971	275,959	278,115
Accounts receivable	151,843	134,508	126,261
Provision for doubtful accounts	(14,680)	(10,447)	(8,970)
Income tax and social contribution deferred	18,138	15,254	15,782
Recoverable taxes	11,679	12,578	11,106
Other current assets	11,128	7,971	8,552
Current assets	322,079	435,823	430,846
<u>Non-current assets</u>			
Long-term assets			
Income tax and social contribution deferred	31,217	25,622	25,792
Judicial deposit	7,659	8,430	7,930
Other receivables	21,586	2,823	1,714
Permanent Assets			
Investments	25	55	55
Equipment	29,372	22,210	21,905
Intangible	631,487	254,717	254,388
	721,346	313,857	311,784
Total assets	1.043,425	749,680	742,630
LIABILITIES			
<u>Current liabilities</u>			
Accounts payable	29,453	20,416	20,338
Notes payable	-	-	6
Loans and financing	1,348	607	1,624
Debentures			
Current obligation under capital leases	3,022	3,007	2,608
Taxes payable	19,028	10,376	7,251
Salaries and social charges payable	46,685	30,894	37,179
Commissions payable	19,765	16,478	18,200
Dividends payable	271	43,737	207
Obligation relating to acquisitions	24,530	6,715	16,418
Other payable	3,687	2,809	2,631
Total Current liabilities	149,450	135,039	106,462
<u>Non-current liabilities</u>			
Loans and financing	162,154	938	29
Debentures			
Current obligation under capital leases	1,633	2,056	2,188
Income Tax and Social Contribution deferred	378	227	194
Tax payable	-	250	367
Contingencies	16,051	15,078	15,669
Obligation relating to acquisitions	26,275	18,355	16,507
Other payable	5,362	326	193
Total non-current liabilities	411,853	37,230	35,147
<u>Minority interests</u>	4,544	2,396	1,945
<u>Shareholders' Equity</u>			
Capital	376,493	478,674	478,674
Capital reserve	45,886	31,557	31,557
Income reserve	55,199	64,784	88,845
Total shareholders equity	477,578	575,015	599,076
Total liabilities and shareholders equity	1.043,425	749,680	742,630

INCOME STATEMENT (Pro forma , in R\$ Thousands)	Consolidated (pro forma)			
	3Q08	3Q07	9M08	9M07
Gross revenue				
License fees	59,293	42,515	171,111	117.615
Services	75,167	56,620	201,622	156.470
Maintenance	108,102	88,438	308,175	255.417
	242,562	187,573	680,909	529.502
Deductions from revenue				
Cancellation of services and sales	(7,344)	(5,990)	(22,609)	(14.356)
Taxes	(16,659)	(13,095)	(46,873)	(37.754)
Net sales revenue	218,559	168,488	611,427	477.393
Licensing Costs	(6,937)	(3,579)	(19,667)	(8.678)
Cost of Services	(68,754)	(53,315)	(194,169)	(146.581)
Gross Income	142,868	111,594	397,592	322.134
Operating Expenses				
Research and Development	(24,166)	(17,033)	(65,327)	(47.127)
Advertising expenses	(8,823)	(6,354)	(20,221)	(16.511)
Selling expenses	(13,067)	(11,425)	(39,862)	(33.552)
Commissions expenses	(22,123)	(16,146)	(61,428)	(52.192)
General and Administrative Expenses	(18,687)	(16,387)	(55,301)	(47.424)
Management Fees	(6,806)	(6,222)	(18,391)	(16.431)
Depreciation and Amortization	(25,285)	(16,283)	(61,997)	(47.060)
Provision for Doubtful Accounts	(4,037)	(864)	(8,699)	(4.867)
Non-recurring expenses	(7,000)	-	(7,000)	-
Other expenses	(805)	(201)	(971)	(848)
	(130,798)	(90,915)	(339,197)	(266.012)
Operating profit, before financial effects	12,070	20,679	58,395	56,122
Financial revenues	8,507	7,960	21,430	24.010
Financial expenses	(2,165)	(4,093)	(6,097)	(11.108)
Non-operating income	136	(216)	(104)	(201)
Income before taxes	18,548	24,330	73,625	68.823
Income and social contribution taxes				-
Current	(7,136)	(5,532)	(25,363)	(23.202)
Deferred	3,596	(216)	8,864	6.958
	(3,540)	(5,748)	(16,499)	(16,244)
Minority interest	(600)	(384)	(1,093)	(1.109)
Net income	14,407	18,198	56,033	51.470
EBITDA	44,355	36,962	127,392	103.182

CASH FLOWS (In R\$ Thousands)	Consolidated (<i>pro forma</i>)			
	3Q08	3Q07	9M08	9M07
<u>Cash flows from operating activities</u>				
EBIT	12,070	20,679	58,395	56,122
Depreciation and Amortization	25,285	16,283	61,997	47,060
Non-recurring expenses	7,000	-	7,000	-
EBITDA	44,355	36,962	127,392	103,182
<u>Cash Items after EBITDA</u>				
Cash Items after EBITDA	(1,298)	(1,912)	(10,541)	(10,832)
Financial Result	5,838	3,620	14,822	12,370
Income Tax and Social Contribution on Net Income	(7,136)	(5,532)	(25,363)	(23,202)
<u>Non-Cash Items after EBITDA</u>				
Non-Cash Items after EBITDA	4,153	1,837	10,711	7,647
Allowance for doubtful accounts	4,037	864	8,699	4,867
Provision for contingencies	116	973	2,012	2,780
<u>Changes in Working Capital</u>				
Changes in Working Capital	21,630	241	4,971	(2,589)
Accounts receivable, net of commissions	(1,564)	(5,131)	(22,655)	(12,429)
Suppliers payable	7,746	3,232	9,037	6,050
Salaries and charges payable	4,534	6,140	15,791	12,952
Taxes payable	11,588	(1,745)	11,339	(894)
Judicial deposit	1,672	(1,167)	(256)	(4,032)
Other assets and liabilities	(2,346)	(1,088)	(8,285)	(4,236)
Net Cash from operating activities	68,840	37,128	132,533	97,408
<u>Cash flows from investment activities</u>				
Permanent investment	(3,250)	(8,748)	(71,185)	(53,873)
Investment divestiture	-	-	300	400
Acquisition of equipment	(5,183)	(2,605)	(13,197)	(7,114)
Intangible	(1,303)	-	(5,197)	-
Sales of Permanent Assets	-	118	78	923
Cash flows from investment activities	(9,736)	(11,235)	(89,201)	(59,664)
<u>Cash flows from financing activities</u>				
Bank loans	160,394	188	161,955	832
Debentures	201,331	-	201,331	-
Increase of lease obligations	(249)	898	(408)	1,622
Redemption of Datasul's shareholders	(417,455)	-	(417,455)	-
Buy back of Datasul shares	-	-	(2,920)	-
Non-recurring expenses paid	(11,904)	-	(11,904)	-
Dividends paid	(62,545)	(4)	(105,919)	(28,362)
Cash flows from financing activities	(130,428)	1,082	(175,320)	(25,908)
<u>Increase of cash and cash equivalents</u>				
Increase of cash and cash equivalents	(71,324)	26,975	(131,988)	11,836
Cash and cash equivalents at the beginning of the year	215,295	251,140	275,959	266,279
Cash and banks at the end of the year	143,971	278,115	143,971	278,115