

TOTVS 2008: 1 + 1 > 2

In 4Q08: New Records in Revenue (+26.3%) and EBITDA (+25.8%), with margin of 22.1%



São Paulo, February 18, 2009 - TOTVS S.A. (BOVESPA: TOTS3), the leader in developing and marketing integrated enterprise management software in Brazil, today announces its results for the fourth quarter of 2008 (4Q08). The Company's consolidated financial statements are prepared in accordance with Brazilian corporate legislation (BRGAPP). **To enable comparison, data in tables and comments is unaudited and given on pro forma basis as it includes the numbers since January 2005 of RM, Logocenter and those previously announced in Datasul's quarterly results; and does not include adjustments relating to the adaptation of BRGAAP to the International Financial Reporting Standards (IFRS), which will be incorporated from the 1Q09 earnings release.**

Highlights of the Period → Crisis + Integration = New Records

- All the revenue lines grew by more than 20% in 2008, being 36.8% of highlighted growth in License Fees.
- Synergy:** New quarterly records in all the revenue lines in 4Q08, which also registered the best operating performance in the Datasul history.
- Net Revenue** of R\$233.427 million in 4Q08 and R\$844.854 million in 2008, growth of 26.3% in the quarter and 27.6% in the year. New annual record in both period, quarter and year, along with Gross Revenue.
- Revenue from **License Fees** totaled R\$62.602 million in 4Q08, a new record and 17.6% up over 4Q07.
- Growth of 39.5%** in Revenue from Services and 24.5% in Revenue from Maintenance, in comparison with 4Q07, new records in absolute amounts.
- Software sales: 4Q08 record in the number of clients. 603 new clients, sales to base clients rose 7.2% over 3Q08.** The Company's client base currently presents more than 22,900 active clients.
- Significant decline in the growth of Costs and Expenses** in 4Q08, indicating synergy first results.
- Record EBITDA**, with growth of 25.8% over 4Q07. **Annual EBITDA was R\$178.937 million**, 24.1% higher than in 2007.
- Adjusted Net Income** was R\$129.292 million in 2008, **growth of 20.0%** over 2007.

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Conference Calls

Thursday, February 19, 2009

> English

11:30 am (US ET)
Webcast: www.totvs.com/ir
Phone: 1 (412) 858-4600
Code: TOTVS
Replay: 1 (412) 317-0088
Code 426853#
available till 02/27/09

> Portuguese

1:00 pm (US ET)
Webcast: www.totvs.com/ri
Phone: + 55 (11) 2188-0188
Replay: available till 02/27/09

Consolidated Financial Highlights	4Q08 <i>pro forma</i>	4Q07 <i>pro forma</i>	Change (4Q08/4Q07)	3Q08 <i>pro forma</i>	Change (4Q08/3Q08)	2008 <i>pro forma</i>	2007 <i>pro forma</i>	Change (2008/2007)
Net Revenue	233,427	184,857	26.3%	218,559	6.8%	844,854	662,250	27.6%
Adjusted EBITDA	51,545	40,974	25.8%	44,355	16.2%	178,937	144,156	24.1%
EBITDA Margin	22.1%	22.2%	-10 bp	20.3%	180 bp	21.2%	21.8%	-60 bp
Adjusted Net Income ⁽¹⁾	32,551	29,974	8.6%	34,024	-4.3%	129,292	107,723	20.0%

⁽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



Consolidation of TOTVS channels

In the last quarter of 2007, TOTVS announced its initiative to consolidate its distribution channels (Logocenter, Microsiga and RM) **into TOTVS channels**. The strong motivation among employees and partners enabled this complex transformation to be carried out quickly it is also positively expressed in the results presented today. By the end of 2008 practically all of the Company's indirect sales (by franchises) came from the consolidated TOTVS channels.

Given the low penetration of TOTVS' target segment, the consolidation of channels comes to greater strategic importance as it strengthens the regional presence of the franchises and, consequently, drives sales growth.

According to TOTVS' distribution strategy, indirect sales should represent between 40% and 60% of total license sales. In the fourth quarter of 2008, indirect sales represented approximately 54% of the Company's total license sales.

TOTVS and Datasul Merger

The most important event for TOTVS in 2008 was the announcement of its merger with Datasul. Growth and profitability results in 4Q08 already reveal clear benefits of this operation to clients, employees, shareholders and IT industry in both Brazil and Latin America.

Below is a brief sequence of the recent events, which emphasize TOTVS' determination and discipline during the merger process:

- On July 23, 2008, TOTVS and Datasul announced their intention to merge both operations and on August 18, 2008 the shareholders approved the operation.
- On the same date, 22 integration groups were created under the coordination of a specific committee, whose mission was to study, evaluate, define and update companies' processes for the merger. Approximately 90 people have been directly involved in the committee. On October 31, the critical phase of the project was concluded with the assessment of technological designs, systems development, and meetings involving the distribution teams, including all the franchises.
- After 45 days, all the managerial positions had been defined and several areas physically integrated. In addition, a rented property in São Paulo was returned and by December 31, 2008. Teams in Joinville (previously from Logocenter and Datasul) have been integrated into a single address, allowing another property to be returned.



Main Awards won by

TOTVS in 2008



**Latin America: Best
Corporate Governance**
IR Global Rankings 2008.



**Best company in
Technology/IT/Software**
Euromoney "Best-Managed LATAM"



THE BOSTON CONSULTING GROUP

TOTVS = 'Local Dynamo'

The BCG 50 Local Dynamos



**5 best IR Programs
"Small & Mid Cap"**

IR Magazine Brasil Awards

**Emerging markets will grow
3x the global average and
the SMB segment, 1.4x the
average, says IDC**

- A Shareholders' Meeting, held at the end of October, approved the merger of Datasul and TOTVS; and
- In December, the management system to be used by TOTVS was defined and the process of integrating the internal systems has started.

Datasul's back office is being merged into TOTVS' Shared Services Center in the first quarter of 2009 and other initiatives will be carried out during the course of the year, especially in R&D and internal systems area.

Market Update

• Institutes publish studies on the market. Software + Brazil + SMB = Resilience and Growth

According to the Gartner Institute study "**Emerging Market Analysis: IT, Brazil, 2009 and Beyond**", published in December, total IT spending in Brazil was US\$87,0 billion, 14.0% higher than in 2007.

Software sales totaled US\$2.0 billion, 17.1% higher than in 2007 and higher than the IT industry's growth. The study estimates the software segment to grow by 13.5% from 2007 to 2012, again above the industry average which is estimated at 8.3%.

A December 2008 IDC Institute publication claims that ERP (Enterprise Resource Planning) is the software segment with the highest growth in recent years and is expected to continue attracting investments since it consists of modules relating to cost and expense control, with functionalities for management of inventories, purchases and financial management, which are used by companies in crisis period.

According to "IDC Predictions 2009", though IT spending in emerging markets will be affected by the crisis, it will still be three times the global average. Similarly, IDC estimates that the SMB segment's growth will be lower than the market average but 1.4 times the general market average. It occurs because acquisitions are generally made only if it is absolutely necessary and also due to lack of IT project backlog in this segment.

In another study entitled "Worldwide SMB 2009 Top 10 Predictions", IDC points out that small and medium companies in Latin America have demonstrated notable resilience to the effects of global economic slowdown, IT double-digit expense growth in 2008 (10.0%).

Operating Performance

Operating Performance		4Q08	4Q07	Change (4Q08/4Q07)	3Q08	Change (4Q08/3Q08)	2008	2007	Change (2008/2007)
# Customers	# New Clients	603	637	-5.3%	705	-14.5%	2,476	2,358	5.0%
	# Base Clients	542	542	0.0%	632	-14.2%	2,202	2,059	6.9%
	# New Clientes in Corporate Model	61	95	-35.8%	73	-16.4%	274	299	-8.4%
	Base Clients	3,321	2,402	38.3%	3,099	7.2%	12,069	8,017	50.5%
Licenses R\$	License Fee / New Client (R\$)	29,311	30,791	-4.8%	26,913	8.9%	28,573	27,629	3.4%
	License Fee / Base Client (R\$)	26,722	28,464	-6.1%	26,012	2.7%	26,703	25,473	4.8%
	License Fee / New Corporate Client (R\$)	52,313	44,068	18.7%	34,716	50.7%	43,603	42,481	2.6%
	License Fee / New Traditional Client (R\$)	13,020	12,431	4.7%	12,092	7.7%	12,227	11,833	3.3%

TOTVS' operating performance was consistent in 2008, ending the year with more than 23,000 clients, including all the business segments (software and expanded business model).

Approximately 22,900 are active software clients, in other words, those who /keep help desk and maintenance service contracts. In 4Q08, TOTVS set a new record in license sales.

Sales to software clients

In 4Q08, TOTVS' business and sales model for the software segment was further evident through two of its main characteristics: size and flexibility.

Revenue from license sales was a new quarterly record and resulted not only from the volume of sales to new clients but also by the increased sales to existing clients, and consequently an increase in the average sales ticket.

The column comparing 4Q08 and 3Q08 demonstrates the business model. The decline in the number of new clients was offset by the growth in average price as well as in sales to existing clients, with a higher ticket. In other words, sales to clients in the base and a higher volume of sales per client were the growth drivers.

TOTVS management is satisfied with the results, which reflect the restructuring of its internal sales areas and the franchises, which has been started in 2007, but informs that is working to improve their efficiency, especially after Datasul merger, in order to increase the number of new clients.

To emphasize, in the case of existing clients, both the number of clients and the average ticket grew in comparison with 4Q07 and 3Q08, partly due to Brazilian government's new rules relating to electronic tax bookkeeping (SPED), being implemented by large clients and which will gradually be made compulsory for smaller clients in the coming quarters, driving software sales even during economic slowdown.

Financial Performance

Breakdown of Gross Revenue from Sales and Services (In R\$ thousands)	4Q08 <i>pro forma</i>	4Q07 <i>pro forma</i>	Change (4Q08/4Q07)	2008 <i>pro forma</i>	2007 <i>pro forma</i>	Change (2008/2007)
License Fees	62,602	53,233	17.6%	233,713	170,848	36.8%
Services	83,200	59,641	39.5%	284,822	216,111	31.8%
Maintenance	114,132	91,638	24.5%	422,307	347,055	21.7%
Total Gross Revenue from Sales and Services	259,934	204,512	27.1%	940,843	734,014	28.2%
Net Revenue from Sales and Services	233,427	184,857	26.3%	844,854	662,250	27.6%

Gross Revenue and Net Revenue

Datasul recorded its best ever operating results and helps to break records in all the revenue lines.

Gross revenue from services and sales in 4Q08 was 27.1% higher than in 4Q07, amounting to R\$259.934 million in the quarter – a new record. Datasul brand presented a quarter of records in all the revenue lines. In the year, the three revenue lines - license, service and maintenance fees - grew more than 20%.

Net revenue from sales and services in 4Q08 was R\$233.427 million, a new quarterly record, and 26.3% up over 4Q07.

Gross revenue from sales and services in 2008 was 28.2% and 27.6% up, respectively, year on year. From 2005 to 2008, pro forma CAGR of gross and/or net revenue is higher than 20%.

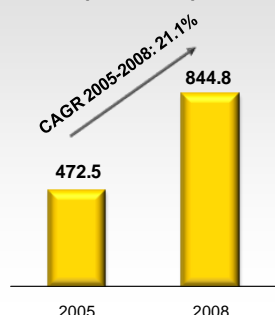
License Fee Revenue

License fee revenue in the quarter was R\$62.602 million, 17.6% higher than the R\$53.233 million in 4Q07, resulting from the sales to new clients and increased sales to existing clients.

As mentioned in the 'Recent Events' and 'Sales to Software Clients' sections, the Company believes that the consolidation of the distribution channels into TOTVS Franchises positively affected sales as well as the restructuring of the internal sales force in 2007. Moreover, regulatory measures such as digital tax bookkeeping (SPED), increased sales to clients in the base.

Revenue from license fees came to R\$233.713 million in 2008, 36.8% higher than the R\$170.848 million in 2007 being the one which presented a highest growth in revenues.

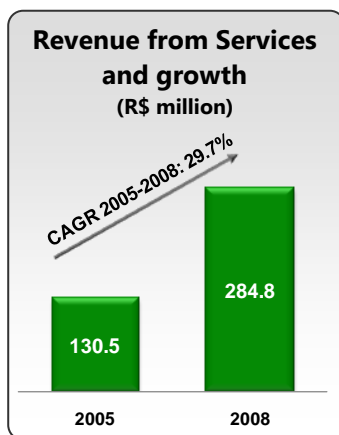
Net Revenues and growth (R\$ million)



Revenue from Services

In 2008, Revenue from Services was R\$284.822 million, up 31.8% over the R\$216.111 million in 2007. Revenue in 4Q08 was R\$82.000 million, 39.5% higher than the R\$59.641 million in 4Q07. The greatest portion of this revenue comes from ERP implementation and hence is influenced by license sales in previous quarters.

In 2008, the expanded business model, represented by consulting, BPO (HR outsourcing) and infrastructure services, generated revenue of R\$45.1 million. Management consulting services leads the growth with 63.9%.



Maintenance Fee Revenues

In 4Q08, maintenance fee revenues posted the highest quarterly growth in 2008, up 24.5% over 4Q07, and amounting to R\$114.132 million. Revenues in 2008 grew 21.7% to R\$422.307 million, compared to R\$347.055 million in 2007.

This growth is the result of new license sales in previous quarters and the low churn rate on maintenance agreements. Note that maintenance contracts entitle clients to update software versions and upgrades. Thus, even in times of economic slowdown, cancellation of such contracts has been low as observed in the past two quarters.

Maintenance agreements mean recurring revenue for the Company. In 2008, this revenue line represented 44.9% of the total gross revenue for TOTVS.

Operating Costs and Expenses

Main Operating Costs and Expenses (In R\$ Thousands)	4Q08 <i>pro forma</i>	4Q07 <i>pro forma</i>	Change (4Q08/4Q07)	Change (4Q08/3Q08)	2008 <i>pro forma</i>	2007 <i>pro forma</i>	Change (2008/2007)
Cost of License Fees	(7,386)	(6,316)	16.9%	6.5%	(27,053)	(14,994)	80.4%
Cost of Services	(73,447)	(59,576)	23.3%	6.8%	(267,616)	(206,157)	29.8%
Research and Development	(25,384)	(18,177)	39.6%	5.0%	(90,711)	(65,304)	38.9%
Advertising Expenses	(5,819)	(6,120)	-4.9%	-34.0%	(26,040)	(22,631)	15.1%
Selling Expenses	(13,626)	(12,056)	13.0%	4.3%	(53,488)	(45,608)	17.3%
Commissions	(21,493)	(16,363)	31.4%	-2.8%	(82,921)	(68,555)	21.0%
General and Administrative Expenses	(19,181)	(17,348)	10.6%	2.6%	(74,482)	(64,772)	15.0%
Management Fees	(9,551)	(5,412)	76.5%	40.3%	(27,942)	(21,843)	27.9%
Provisions for Doubtful Accounts	(6,256)	(2,446)	155.8%	55.0%	(14,955)	(7,313)	104.5%
Other Revenue (Expenses)	261	(69)	-478.0%	-132.4%	(710)	(917)	-22.6%
Subtotal	(181,882)	(143,883)	26.4%	4.4%	(665,918)	(518,094)	28.5%
Depreciation and Amortization	(32,758)	(16,252)	101.6%	29.6%	(94,755)	(63,312)	49.7%
Non-recurring Expenses	(514)	-	-	-92.7%	(7,514)	-	-
Total	(215,154)	(160,135)	34.4%	4.2%	(768,186)	(581,406)	32.1%
Net Revenue from Sales and Services	233,427	184,857	26.3%	6.8%	844,854	662,250	27.6%

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\$181.882 million in 4Q08, 26.4% up year-on-year. In 2008, the increase was 28.5%, which was 90 basis points higher than net revenue growth.

Note that, as announced to the market in 3Q08, Management identified several cost and expense items that increased faster than sales growth, many of which pertained to Datasul. Management informed that would work on those issues. TOTVS extremely pleased to present the above comparison between 4Q08 and 3Q08 results (column –Variation 4Q08/3Q08):

- The sum of operating costs and expenses (+4.4%) increased at a lower pace than revenue growth (6.8%).
- All the indicators recorded lower increase than sales growth or were slightly lower if compared to previous quarter. The exception was management fees, which were higher due to termination payments resulting from the merger of Datasul operations.

The Company believes that the process of capturing synergies will progress further in 2009.

The following items explain the variations in the period and the reasons why a few operating costs and expenses rose faster than net revenue.

Licensing Costs

Licensing costs totaled R\$7.386 million in 4Q08, 16.9% up year-on-year, 70 basis points lower than the growth in license fee revenue during the period.

Licensing costs in the year came to R\$27.053 million, 80.4% higher than the R\$14.994 million in 2007. License fee revenue in the same period grew 36.8%. The

higher increase in costs compared to revenue is mainly due to Datasul, which uses third-party software, resulting in payment of royalties on licenses sold.

TOTVS is already working together with the technology providers and the results are partially reflected in 4Q08.

In 4Q08, R&D expenses decreased its relevance if compared to the period's net revenues.

Cost of Services and Sales

Cost of services and sales rose by 23.3% to R\$73.447 million in 4Q08, against R\$59.576 million in 4Q07, 39.5% lower in the sales of services.

Cost of services essentially consists of personnel costs and came to R\$267.616 million in 2008, a 29.8% increase over 2007, while revenue from services grew by 31.8%.

Research and Development

Research and development (R&D) expenses were R\$25.384 million in 4Q08, 39.6% higher than the R\$18.177 million in 4Q07, and expenses totaled R\$90.711 million in 2008, 38.9% higher than in 2007. The increase is due to the hiring of developers and the implementation of the development franchises model (FDES) for Datasul products.

R&D expenses represented 10.9% TOTVS' net revenue in 4Q08, lower than the 11.1% in 3Q08.

TOTVS and FDES are aligned in their objective of business growth, which will raise R&D expenses to reach of the Company's net revenue.

Advertising Expenses

Advertising expenses totaled R\$5.819 million in 4Q08, down by 4.9% in comparison to 4Q07 total of R\$6.120 million, mainly due to the integration of marketing departments of TOTVS and Datasul, and the implementation of a new marketing policy.

Total advertising expenses in 2008 were R\$26.040 million, up 15.1% on 2007. As a percentage of net revenue, advertising expenses fell from 3.4% in 2007 to 3.1% in 2008, while they should range between 3.0% and 4.0% as per Company policy.

Selling Expenses

Selling expenses rose 13.0%, from R\$12.056 million in 4Q07 to R\$13.626 million in 4Q08. In 2008, selling expenses came to R\$53.488 million, 17.3% higher than the R\$45.608 million in 2007. The slower increase in selling expenses compared to sales growth shows the opportunities arising from the unification of the Company's distribution channels.

Commission

Total commission paid in 2008 was R\$82.921 million, which is 21.0% higher than the R\$68.555 million in 2007. Commission expenses grew slower than revenues in 2008, as a result of which their proportion of the Company's net revenue fell from 10.4% in 2007 to 9.8% in 2008.

In 4Q08, commission paid was R\$21.493 million, a 31.4% increase over R\$16.363 million in 4Q07, but lower than in 3Q08, mainly due to the commission payout model in Datasul.

As mentioned earlier, the TOTVS – Datasul merger policy includes appraisal of the commission policy in order to come to a fair and balanced model, meaning that this issue has already been addressed and its first results are available in 4Q08, especially when compared with 3Q08.

General and Administrative Expenses

General and administrative (G&A) expenses once again rose slower than revenue growth, demonstrating the scalability of TOTVS' business model. They totaled R\$19.181 million in 4Q08, 10.6% up over 4Q07.

In 2008, G&A expenses came to R\$74.482 million, 15.0% up over the previous year, but significantly lower than revenue growth during the period. In 2008, G&A expenses represented 8.8% of net revenue, compared to 9.8% in 2007.

The integration-related work will continue in 2009.

Management Fees

Management fees totaled R\$9.551 million in 4Q08, a 76.5% increase over 4Q07, and \$27.942 million in 2007, 27.9% up on 2007. The non-recurring increase in 4Q08 is partly due to the increase in termination payments relating to the merger of operations with Datasul.

Provision for Doubtful Accounts

Provision for doubtful accounts totaled R\$6.256 million in 4Q08, as against R\$2.446 million in 4Q07, an increase of 155.8%. This provision, based on an analysis of the Company's receivables portfolio, was once again abnormally affected by the Mexican operations, which now include Datasul's products, and hence does not signify any deterioration in the Company's domestic receivables portfolio.

Other Revenues and Expenses

The Company recorded other net revenues of R\$0.261 million in 4Q08, as against an expense of R\$0.069 million in 4Q07.

Depreciation and Amortization

Depreciation and amortization expenses totaled R\$32.758 million in 4Q08, a 101.6% increase over 4Q07, mainly due to the inclusion of amortization of goodwill from the acquisitions of BCS and Midbyte and also from the merger of Datasul. Amortized goodwill was R\$25.390 million in 4Q08.

Extraordinary Expenses

Extraordinary expenses amounting to R\$ 0.514 million in 4Q08 essentially pertain to the remaining fees paid to lawyers and consultants regarding to Datasul merger, bringing the total of such expenses to R\$7.5 million.

EBITDA

EBITDA was a new record, totaling R\$51.545 million in 4Q08, a 25.8% growth over the 4Q07 EBITDA of R\$40.974 million. In the same period, EBITDA margin was 22.1%.

EBITDA Statement (In thousand R\$)	4Q08 <i>pro forma</i>	4Q07 <i>pro forma</i>	Change (4Q08/4Q07)	2008 <i>pro forma</i>	2007 <i>pro forma</i>	Change (2008/2007)
Operating Profit (EBIT)	18,273	24,722	-26.1%	76,668	80,844	-5.2%
Depreciation and Amortization	32,758	16,252	101.6%	94,755	63,312	49.7%
Extraordinary Expenses	514	-	-	7,514	-	-
EBITDA	51,545	40,974	25.8%	178,937	144,156	24.1%

TOTVS Operation in Mexico

The restructuring of TOTVS' Mexican operations is progressing towards break-even in 1Q09. In 4Q08, the EBITDA generated by mexican operation contributed negatively with R\$2.8 million.

In 2008, the contribution to TOTVS' EBITDA was negative in R\$ 11.8 million, that is, excluding the Mexican operations, EBITDA margin would be 22.8%.

Operating Profit and Net Income

The Company posted an operating profit of R\$18.273 million in 4Q08, which was 26.1% lower than in 4Q07, mainly affected by the amortization of goodwill from the acquisitions and Datasul merger as well as the non-recurring expenses from Datasul's incorporation process. Adjusted net income in 2008 was R\$129.292 million, representing earnings per share of R\$4.15.

Adjusted net income refers to net income excluding extraordinary expenses, amortizations related to the acquisitions and the Datasul merger, as well as their respective effects on tax income and social contribution, as shown below.

Net Income Reconciliation (In thousand R\$)	4Q08 <i>pro forma</i>	4Q07 <i>pro forma</i>	Change (4Q08/4Q07)	2008 <i>pro forma</i>	2007 <i>pro forma</i>	Change (2008/2007)
Net Income	15,455	20,590	-24.9%	71,488	72,060	-0.8%
Goodwill Amortization from acquisitions	25,390	14,218	78.6%	80,068	54,035	48.2%
Non-recurring Expenses	514	-	-	7,514	-	-
Income tax and social contribution effect	(8,807)	(4,834)	82.2%	(29,778)	(18,372)	62.1%
Adjusted Net Income	32,551	29,974	8.6%	129,292	107,723	20.0%

Distribution of Dividends

On February 17, 2009, the Board of Directors approved the dividend payment proposal to be submitted to the Annual Shareholders' Meeting.

As in previous years, the dividend calculation was based on the year's net income after excluding the extraordinary expenses relating to the merger with Datasul and amortization of goodwill arising from the acquisitions. The following table provides the details:

Dividends proposal (In thousand R\$)	
Net revenue (Parent-Company)	48,212
(-) 5% Legal reserve	(2,411)
(=) Net income after legal reserve	45,802
(+) Extraordinary expenses	554
(+) Amortization of goodwill (aquisitions)	49,141
(=) Distribution base	95,496
(x) Distribution rate	35.0%
(=) Dividends proposed	33,424
(-) Interest on Equity (already paid)	(19,500)
(+) Whithholding income tax of interest on equity	2,587
(=) Dividends payable	16,511

Capital Markets

• Payment of interest on equity for the year 2008

The Board of Directors' Meeting held on December 18, 2008, approved the payment of interest on equity amounting to R\$ 19,499,970.94, equivalent to R\$ 0.625954 per share, which was paid on January 15, 2009.

The interest was paid to shareholders on the Company's records on December 18, 2008, and from December 19, 2008, TOTVS shares were traded "ex-interest on equity".

The payment is related to 2008 and will be imputed to the minimum mandatory dividend, pursuant to Article 37 of the Bylaws of TOTVS.

• TOTVS is included in Bovespa's Small Cap Index

TOTVS has been included in the theoretical portfolio of the Small Cap Index (SMLL) for the period from January through April 2009,

Created by Bovespa in the second half of 2008, the Small Cap Index, together with the Mid Large Cap index, will enable a segmented analysis of the shares traded on the stock exchange and increase the possibilities of developing new financial products such as Exchange Traded Funds (ETF), consequently allowing higher liquidity to the shares which are part of those indexes.

In the theoretical portfolio defined for the period, TOTVS' share is about 2%. In the Bovespa, TOTVS is also included in the Special Corporate Governance Stock Index (IGC) and the Special Tag Along Stock Index (ITAG).

Índice
Small Cap **SMLL**

Ownership Breakdown

Shareholder (In % of the free float)	4Q08	3Q08	2Q08	1Q08	4Q07
Non-Institutional Investor	7.1%	6.7%	5.0%	5.0%	2.5%
Institutional Investor	92.9%	93.3%	95.0%	95.0%	97.5%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

Shareholder (In % of the free float)	4Q08	3Q08	2Q08	1Q08	4Q07
National Investor	24.4%	25.0%	18.7%	19.8%	17.4%
International Investor	75.6%	75.0%	81.3%	80.2%	82.6%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

Free float on December 31, 2008 was 68.1%, i.e., 21,204,192 (out of a total of 31,152,402 shares). The remaining shares are held by the Company's administrators (25.4%), including related persons and subsidiaries, and by BNDES Participações S/A (6.5%).

The Company's shares depreciated by 17.8% in 4Q08, while the IBovespa index dropped 24.2%, from R\$45.00 on September 30, 2008 to R\$36.99 on December 31, 2008. In the same period, average daily trading volume was 66,884 shares or R\$ 2.5 million in financial volume.

Upcoming Events

4Q08 Results Conference Calls February 19th, 2009

English

Time: 11:30 am (US ET)

Phone: 1 (412) 858-4600

Code: TOTVS

Replay: 1 (412) 317-0088, access code 426853# till 02/27/2009

Webcast: www.totvs.com/ir

Portuguese

Time: 1:00 pm (US ET)

Phone : +55 (11) 2188-0188

Replay: +55 (11) 2188-0188, till 02/27/2009

Webcast: www.totvs.com/ri

Financial Statements

BALANCE SHEET (In R\$ Thousands)	Consolidado		
	31/12/2008 <i>pro forma</i>	30/9/2008	31/12/2007 <i>pro forma</i>
ASSETS			
<u>Current assets</u>			
Cash and cash equivalents	147,406	143,971	275,959
Accounts receivable	173,146	151,843	134,508
Provision for doubtful accounts	(19,139)	(14,680)	(10,447)
Income tax and social contribution deferred	18,127	18,138	15,254
Recoverable taxes	18,664	11,679	12,578
Other current assets	7,662	11,128	7,971
Current assets	345,866	322,079	435,823
<u>Non-current assets</u>			
<u>Long-term assets</u>			
Income tax and social contribution deferred	35,512	31,217	25,622
Judicial deposit	8,385	7,659	8,430
Other receivables	7,739	21,586	2,823
<u>Permanent Assets</u>			
Investments	21	25	55
Equipment	31,863	29,372	22,210
Intangible	614,936	631,487	254,717
Non-current assets	698,456	721,346	313,857
Total assets	1.044,322	1.043,425	749,680
LIABILITIES			
<u>Current liabilities</u>			
Accounts payable	27,704	29,453	20,416
Loans and financing	5,242	1,348	607
Debentures	5,635	-	-
Current obligation under capital leases	5,036	3,022	3,007
Taxes payable	7,937	19,028	10,376
Salaries and social charges payable	42,329	46,685	30,894
Commissions payable	19,341	19,765	16,478
Dividends payable	33,724	271	43,737
Obligation relating to acquisitions	16,419	24,530	6,715
Other payable	4,541	3,687	2,809
Total Current liabilities	167,908	149,450	135,039
<u>Non-current liabilities</u>			
Loans and financing	163,270	162,154	938
Debentures	202,777	-	-
Current obligation under capital leases	4,444	1,633	2,056
Income Tax and Social Contribution deferred	-	378	227
Tax payable	-	-	250
Contingencies	15,384	16,051	15,078
Obligation relating to acquisitions	26,626	26,275	18,355
Other payable	1,902	5,362	326
Total non-current liabilities	414,403	411,853	37,230
<u>Minority interests</u>	5,541	4,544	2,396
<u>Shareholders' Equity</u>			
Capital	376,493	376,493	478,674
Capital reserve	45,886	45,886	31,557
Income reserve	34,091	55,199	64,784
Total shareholders equity	456,470	477,578	575,015
Total liabilities and shareholders equity	1.044,322	1.043,425	749,680

INCOME STATEMENT (Pro forma, in R\$ Thousands)	Consolidated			
	4Q08 <i>pro forma</i>	4Q07 <i>pro forma</i>	2008 <i>pro forma</i>	2007 <i>pro forma</i>
Gross revenue				
License fees	62,602	53,233	233,713	170.848
Services	83,200	59,641	284,822	216.111
Maintenance	114,132	91,638	422,307	347.055
	259,934	204,512	940,843	734.014
Deductions from revenue				
Cancellation of services and sales	(9,301)	(5,541)	(31,910)	(19.897)
Taxes	(17,206)	(14,114)	(64,079)	(51.868)
Net sales revenue	233,427	184,857	844,854	662.250
Licensing Costs	(7,386)	(6,316)	(27,053)	(14.994)
Cost of Services	(73,447)	(59,576)	(267,616)	(206.157)
Gross Income	152,594	118,965	550,186	441.099
Operating Expenses				
Research and Development	(25,384)	(18,177)	(90,711)	(65.304)
Advertising expenses	(5,819)	(6,120)	(26,040)	(22.631)
Selling expenses	(13,626)	(12,056)	(53,488)	(45.608)
Commissions expenses	(21,493)	(16,363)	(82,921)	(68.555)
General and Administrative Expenses	(19,181)	(17,348)	(74,482)	(64.772)
Management Fees	(9,551)	(5,412)	(27,942)	(21.843)
Depreciation and Amortization	(32,758)	(16,252)	(94,755)	(63.312)
Provision for Doubtful Accounts	(6,256)	(2,446)	(14,955)	(7.313)
Non-recurring expenses	(514)	-	(7,514)	-
Other expenses	261	(69)	(710)	(917)
	(134,321)	(94,243)	(473,518)	(360.255)
Operating profit, before financial effects	18,273	24,722	76,668	80,844
Financial revenues	12,874	6,251	34,304	30.261
Financial expenses	(18,833)	(3,031)	(24,930)	(14.139)
Non-operating income	(115)	(4)	(219)	(205)
Income before taxes	12,199	27,938	85,824	96.761
Income and social contribution taxes				-
Current	(281)	(6,138)	(25,644)	(29.340)
Deferred	4,387	(682)	13,251	6.276
	4,106	(6,820)	(12,393)	(23.064)
Minority interest	(850)	(528)	(1,943)	(1.637)
Net income	15,455	20,590	71,488	72.060
EBITDA	51,545	40,974	178,937	144.156

CASH FLOWS (In R\$ Thousands)	Consolidated			
	4Q08 <i>pro forma</i>	4Q07 <i>pro forma</i>	2008 <i>pro forma</i>	2007 <i>pro forma</i>
<u>Cash flows from operating activities</u>				
EBIT	18,273	24,722	76,668	80,844
Depreciation and Amortization	32,758	16,252	94,755	63,312
Non-recurring expenses	514	-	7,514	-
EBITDA	51,545	40,974	178,937	144,156
<u>Cash Items after EBITDA</u>				
Cash Items after EBITDA	4,835	(2,918)	(5,706)	(13,750)
Financial Result	5,116	3,220	19,938	15,590
Income Tax and Social Contribution on Net Income	(281)	(6,138)	(25,644)	(29,340)
	-	-	-	-
<u>Non-Cash Items after EBITDA</u>				
Non-Cash Items after EBITDA	6,923	2,307	17,634	9,954
Allowance for doubtful accounts	6,256	2,446	14,955	7,313
Provision for contingencies	667	(139)	2,679	2,641
<u>Changes in Working Capital</u>				
Changes in Working Capital	(37,476)	(16,173)	(32,505)	(18,762)
Accounts receivable, net of commissions	(23,524)	(10,938)	(46,179)	(23,367)
Suppliers payable	(1,749)	72	7,288	6,122
Salaries and charges payable	(4,356)	(8,628)	11,435	4,324
Taxes payable	(20,663)	4,652	(9,324)	3,758
Judicial deposit	(726)	(952)	(982)	(4,984)
Other assets and liabilities	13,542	(379)	5,257	(4,615)
Net Cash from operating activities	25,827	24,190	158,360	121,598
<u>Cash flows from investment activities</u>				
Permanent investment	(7,074)	(18,798)	(78,259)	(72,671)
Redemption of Datasul's shareholders	-	(108)	(417,455)	(108)
Investment divestiture	-	-	300	400
Acquisition of equipment	(9,859)	(6,652)	(23,056)	(13,766)
Intangible	(9,741)	(1,278)	(14,938)	(1,278)
Sales of Permanent Assets	-	223	78	1,146
Cash flows from investment activities	(26,674)	(26,613)	(533,330)	(86,277)
<u>Cash flows from financing activities</u>				
Bank loans	-	-	161,955	832
Debentures	-	267	201,331	267
Increase of lease obligations	4,825	-	4,417	1,622
Buy back of Datasul shares	-	-	(2,920)	-
Non-recurring expenses paid	(514)	-	(12,418)	-
Dividends paid	(29)	-	(105,948)	(28,362)
Cash flows from financing activities	4,282	267	246,417	(25,641)
<u>Increase of cash and cash equivalents</u>	3,435	(2,156)	(128,553)	9,680
Cash and cash equivalents at the beginning of the year	143,971	278,115	275,959	266,279
Cash and banks at the end of the year	147,406	275,959	147,406	275,959