

TOTVS IN 3Q09: RECORD NUMBERS IN ALL REVENUE LINES, EBITDA (R\$66.5 MILLION, +50%), MARGIN (26.3%, +600bp), NET INCOME, AND NEW CLIENTS (827)



São Paulo, October 28, 2009 - TOTVS S.A. (BOVESPA: TOTS3), the leader in developing and marketing integrated enterprise management software and provision of related services in Brazil, today announces its results for the third quarter of 2009. The Company's consolidated financial statements are prepared in accordance with Brazilian corporate legislation (BRGAAP) and include the effects of Law 11638/07 for 2009. **To enable comparison (organic growth's view), data of 2008 presented in tables and comments in this report is pro forma (unaudited), as it includes the numbers since January 2005 for RM and Logocenter, as well as those earlier announced in the quarterly releases of Datasul S.A.**

Highlights of the Period

Record numbers in all revenue lines:

License fee revenue: R\$65.782 million in 3Q09, accelerated growth of 10.9% in relation to 3Q08.

Service revenue: growth of 15.8% from 3Q08 to 3Q09, from R\$75.167 million to R\$87.064 million.

Maintenance fee revenues: R\$123.268 million in the quarter, 14.0% higher than in 3Q08. Active client base of approximately 24.2 thousand.

Net Revenue: R\$252.596 million, a record, 15.6% up on 3Q08.

Clients: record number of new clients. 827 new clients, 45.9% higher than in 2Q09. This quarter, 4,676 clients were served, including new and base clients, an increase of 17.6% in the period and also a record.

Costs and expenses: 6.9% increase, excluding depreciation and amortization expenses, once again lower than revenue growth between 3Q08 and 3Q09.

EBITDA: record R\$66.450 million in 3Q09, representing growth of 49.8% versus 3Q08.

EBITDA Margin: 26.3% in the quarter, increase of 600 basis points over 3Q08, also a record.

Adjusted Net Income: record R\$40.570 million, growth of 19.2% over 3Q08.

IR Contacts

José Rogério Luiz
EVP, CFO and IRO

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

Conference Calls

Thursday, October 29, 2009

> English

10:30 a.m.. (Brasília Time)
Webcast: www.totvs.com/ir
Phone: +1 (412) 858-4600
Code: TOTVS
Replay: +1 (412) 317-0088,
Code 434654#
Replay: available till 11/06/09

> Portuguese

11:30 a.m. (Brasília Time)
Webcast: www.totvs.com/ri
Phone: +55 (11) 2188-0188
Replay: available till 11/06/09

Consolidated Financial Highlights (in R\$ thousands)	3Q09	3Q08 pro forma	Change (3Q09/3Q08)	2Q09	Change (3Q09/2Q09)	9M09	9M08 pro forma	Change (9M09/9M08)
Net Revenue	252,596	218,559	15.6%	240,283	5.1%	721,252	611,427	18.0%
EBITDA	66,450	44,355	49.8%	58,697	13.2%	185,066	127,391	45.3%
EBITDA Margin	26.3%	20.3%	600 bp	24.4%	190 bp	25.7%	20.8%	490 bp
Adjusted Net Income ⁽¹⁾	40,570	34,024	19.2%	35,948	12.9%	114,429	96,741	18.3%

(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. See the section on "Operating Profit and Net Income"

Recent Events

● CADE approves operations with DATASUL

At the 449th Public Hearing on August 5, 2009, CADE, the Brazilian antitrust authority, approved by unanimous votes and without any restrictions, the corporate restructuring between TOTVS and Datasul in August 2008.

● TOTVS strengthens offering for the financial segment

On September 3 and 9, TOTVS acquired the total minority interest in YMF (20%) and Tools (10%), thus holding 100% of the capital of these companies, which are now its wholly-owned subsidiaries.



The Company later acquired TotalBanco (for more information, see “Subsequent Events”), complementing its current portfolio for credit and card management, incorporated new solutions for leasing and credit management for companies and expanded core banking offerings, which enable the back-end integration of investment and credit management.

With this acquisition, TOTVS strengthens its position as Brazil’s largest provider of software for the financial services segment, one of the 11 segments of strategic importance identified by the Company. According to the IDC – International Data Corporation – study ‘Financial Insights’, the financial segment accounted for 16% of the IT investments in Latin America in 2008. According to another IDC study, ‘Latin America Semiannual ERP Tracker 2008’, the financial vertical in 2008 expanded by 34.1% in Latin America, higher than all the other verticals covered by the study, and was among the top 4 in terms of spending.

The operation with TotalBanco reaffirms TOTVS' position as the largest provider of software for the Financial Services segment

● Market segmentation

In order to expand the market penetration in sectors with high potential demand for IT, TOTVS defined 11 segments to offer solutions that include not only the back-office routines (e.g.: financial, accounting, inventory control, HR and others), but also the front-office ones, i.e., specific business/industry. For each segment an intelligence unit was created and is, among other activities, responsible for developing the Company respective strategy segment. The following data give an idea about the representativeness of each segment to TOTVS:

Agribusiness – more than 120 customers are focused on grain production and plant more than 1 million hectares; and 200 clients process 50% of the Brazilian sugar cane production. 4 of the top 5 sugar cane processor of 2008 crop use TOTVS solutions.

Construction and Projects – 50 customers among the 100 largest builders in the country; and 450 Engineering and Design costumers.

Distribution and Logistics – more than 1,600 customers are Wholesalers and Distributors; 20% are Shippers; and 44% of the Ports and Aduana are customers.

Education – TOTVS solutions serve more than 700 educational institutions in Brazil and support the management of 1.5 million students; and 67% of the major consolidators groups have already opted for TOTVS solutions.

Financial Services – 8 customers among the 10 largest custodians; 7 customers among the 10 largest asset managers, over 120 thousand credit proposals analyzed daily; more than 3.5 million credit cards issued and processed, 22 thousand portfolios, and 4 thousand funds are controlled by solutions TOTVS, which are also responsible for R\$1.5 trillion daily processed assets.

Legal – 7 customers among the 10 largest law firms, with more than 10 thousand lawyers as users of TOTVS solutions.

Manufacturing – more than 1,100 customers are Extractive; more than 1,000 from the Metal and Plastic sectors; about 1,400 are from the Capital Goods sector.

Health - through TOTVS solutions, 12 million lives are under management; 9,700 hospital beds; and medical registers for 35 specialties.

Services – 400 customers are Utilities providers; 470 are from the Travel and Passengers Transportation sector, and about 2,300 are Service Providers.

Retail – over 900 customers are Department Stores; more than 140 are Supermarkets; more than 280 are Building Materials Distributors; more than 370 are Car Dealerships; and more than 100 are Drugstores.

Small Business – in this segment, TOTVS offers solutions for small businesses from various sectors, which provides simple and straightforward control over business processes, low cost and maintenance and quick and efficient implementation (e.g.: Vitrine, First , Personal Med and 4Transport).

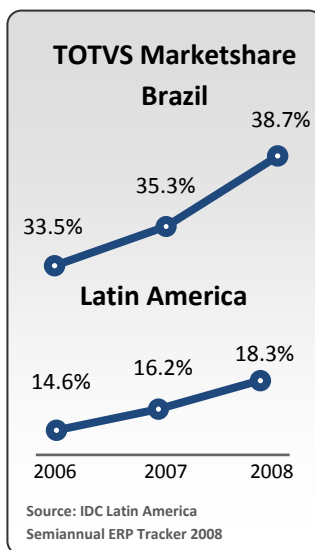
● Consolidation of distribution channels

On October 14, 2009, TOTVS announced the acquisition of Hery Software Ltda., one of the most important Distribution Franchises (FDIS) of Datasul, with operations in Rio de Janeiro, midwest Brazil and both São Paulo and its countryside (for more information see “Subsequent Events”).

This acquisition is in line with TOTVS’ distribution strategy of maintaining its own operations in major areas in Brazil and serving other regions through exclusive franchises, and continues the consolidation of channels that began in the last quarter of 2007, which aimed to consolidate the Logocenter, Microsiga and RM channels into TOTVS franchises in the first wave. This new wave targets the FDIS from Datasul and is expected to be concluded by the end of 2009.

The low penetration and high geographical dispersal of the small and medium business (SMB) in Latin America make the capillarity of distribution system a determining factor in this market. Hence, the distribution system is one of the key components of TOTVS’ business model and the consolidation process enables the channels to be strengthened and tends to positively influence Company’s sales generation.

TOTVS understands that its distribution system structured in Brazil is replicable in other countries, so much so that in 3Q09, 9 new international franchises were set up in the following countries: Angola, Argentina, Bolivia, Colombia, Paraguay, Portugal and Uruguay.



Market Update

● TOTVS gains market share in Brazil and Latin America

In May 2009, the IDC announced the results of its survey entitled “Latin America Semiannual ERP Tracker”. According to which, TOTVS raised its market share in the principal markets it operates.

In Latin America, TOTVS was the only company with growth higher than 30 basis points among all those surveyed. It was the only one among the 5 largest companies to grow its market share between 2007 and 2008, reaching 18.3%, a 210 b.p. growth in the period.

Regarding the Brazilian market, the survey reaffirmed TOTVS’ absolute leadership and – again – only one among the 5 largest companies to increase its market share between 2007 and 2008. Its share came to 38.7% of the ERP market and 64.2% of the SMB sub-segment.

● **Announcement of the 2016 Olympic Games in Brazil should give a boost to the economy and reinforce the fundamentals for the IT Industry**



In October, Rio de Janeiro was elected to host the 2016 Olympic Games. The event, together with the 2014 Soccer World Cup, also hosted by Brazil, should help boost the Brazilian economy as large investments will be made in infrastructure by public and private sectors. Moreover, the injection of funds by sponsors and the positive exposure of the country's image brought by these two events should generate benefits before and after they are held.

According to a study by Barclays Bank, which was commented in an article of *Portal Exame* magazine, these two events should increase Brazil's exports by 30% in the long-term, and the projected costs for the events is around US\$63 billion, which corresponds to 3.8% of the country's GDP. The bank also believes that expenses with infrastructure (transportation, hotels, airports, among others) should increase by 75% over the next 7 years.

TOTVS estimates that these investments, as well as others made in oil and gas, power generation (Madeira and Belo Monte hydroelectric), agribusiness and ports usually drive the demand for ERP, since they circulate in the economy and favor the ecosystem of companies in TOTVS' target market.

Operating Performance

Operating Performance		3Q09	3Q08	Change (3Q09/3Q08)	2Q09	Change (3Q09/2Q09)	9M09	9M08	Change (9M09/9M08)
# Customers	# Total Clients served	4,676	3,804	22.9%	3,976	17.6%	12,931	10,621	21.7%
	New Clients	827	705	17.3%	567	45.9%	1,851	1,873	-1.2%
	Base Clientes	3,849	3,099	24.2%	3,409	12.9%	11,080	8,748	26.7%
Licenses R\$	License Fee / Client	13,262	14,839	-10.6%	13,980	-5.1%	13,451	14,819	-9.2%
	License Fee / New Client	22,126	26,913	-17.8%	29,159	-24.1%	25,276	28,336	-10.8%
	License Fee / Base Client	11,358	12,092	-6.1%	11,455	-0.8%	11,475	11,925	-3.8%

The number of active clients at the end of 3Q09 was **approximately 24.2 thousand**. This number was obtained by counting the number of software clients with help desk and maintenance services contracts still in force.

In 3Q09, TOTVS sold software licenses to **4,676 clients** (including new and base clients), **a record** for the Company, **up 22.9%** over the number of clients in 3Q08. This quarter, both **the base clients (+24.2%) and new clients (+17.3%) increased** in

Record number of clients served in 3Q09. Growth of sales to new clients (+17.3%) and to base clients (+24.2%).

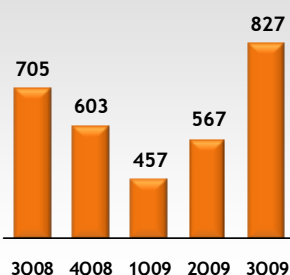
relation to 3Q08 and 2Q09, in which there was a 45.9% growth in the number of new clients.

The Company believes that the expansion in the number of clients served this quarter was positively impacted, among other factors, by (i) the marketing campaign kicked off in 2Q09; (ii) the progress in SPED implementation; and (iii) the improvement in economic activity and confidence levels.

TOTVS believes that the increase in the number of clients served was negatively influenced by the consolidation of channels over the course of the quarter. The Company also believes that this consolidation will help drive sales in the medium and long term.

The 10.6% reduction in average sales per client in 3Q09 compared to 3Q08 reflects the higher concentration of TOTVS' sales in the SMB segment. In the same period, providers of solutions to the High End or Large Enterprises (HE/LE) have been affected with the instability scenario at these companies.

Number of new clients



The continuous reduction in hardware prices, the new demands for complying with tax legislation in Latin American countries (SPED in Brazil, electronic invoice in Mexico and Argentina) and the volatile economic scenario, which force HE/LE companies to be more conservative, combined with certain characteristics of TOTVS (versatility of products, technological flexibility, solid and extensive distribution system, and knowledge about the culture of the companies in the region) allowed this notable acceleration in the number of new software clients and reduction in the average sale per client.

Historically, TOTVS' software clients acquire licenses in large numbers after their initial acquisition. This is evident from the growing volume of sales to base clients (existing clients), which grew 24.2% over 3Q08. Sales of software licenses to base clients in 9M09 grew 26.7%, with 11,080 clients served and average sales declining by 9.2% on average.

Financial Performance

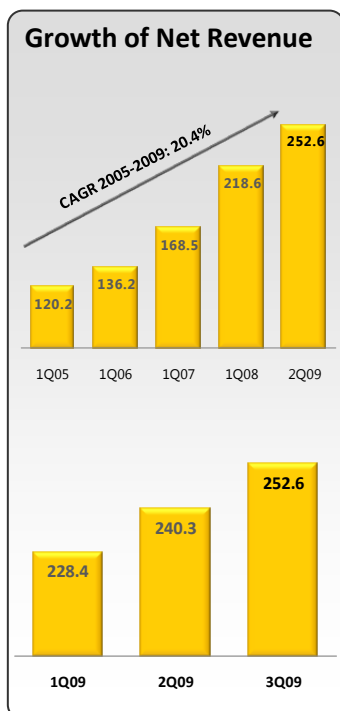
Breakdown of Gross Revenue from Sales and Services (In R\$ thousands)	3Q09	3Q08 <i>pro forma</i>	Change (3Q09/3Q08)	2Q09	Change (3Q09/2Q09)	9M09	9M08 <i>pro forma</i>	Change (9M09/9M08)
License Fees	65,782	59,293	10.9%	59,161	11.2%	183,479	171,111	7.2%
Services	87,064	75,167	15.8%	80,823	7.7%	241,594	201,622	19.8%
Maintenance	123,268	108,102	14.0%	122,481	0.6%	363,313	308,176	17.9%
Total Gross Revenue from Sales and Service:	276,114	242,562	13.8%	262,465	5.2%	788,386	680,909	15.8%
Net Revenue from Sales and Services	252,596	218,559	15.6%	240,283	5.1%	721,252	611,427	18.0%

Gross Revenue and Net Revenue

New records were achieved in 3Q09. The three revenue lines posted double digit growth, outperforming previous records and resulting in gross revenue from services and sales reaching R\$276.114 million in the quarter, another record. Net revenue from services and sales, which were positively affected by the reduction in the churn rate, totaled R\$252.596 million, also a record, with an increase of 15.6%.

In the first nine months of 2009, gross revenue totaled R\$788.386 million, while net revenue totaled R\$721.252 million. Compared with 9M08, growth was 15.8% and 18.0%, respectively. The key growth drivers are related to external factors such as the economic recovery and SPED, as well as to internal factors such as internal processes improvement, distribution channels reorganization and the new marketing campaign.

Revenue growth throughout the year remained consistent. In the past two quarters, gross and net revenue grew by over 5% over the respective previous quarter. On a long-term basis, the organic CAGR of the Company's net revenue in the past five years remained higher than 20% (see chart).



License Fee Revenue

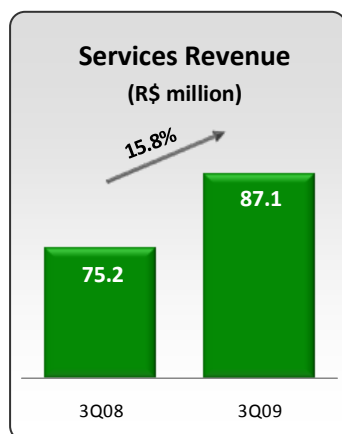
License fee revenue reached R\$65.782 million, a new record, an upturn of 10.9% over the R\$59.293 million in 3Q08. This growth is even clearer on a quarter-on-quarter comparison, with license fee revenue increasing by 11.2%. In 9M09, license fee revenue is R\$183.479 million, 7.2% higher than in 9M08.

The factors mentioned in "Operating Performance" section (economic recovery, SPED and the new marketing campaign) positively impacted the Company's sales. The marketing campaign will continue till the end of the year and should support the sales team, which will also be benefited from the channel consolidation process.

● Service Revenue

In 3Q09, revenue from services totaled R\$87.064 million, a new record, 15.8% higher than the R\$75.167million in 3Q08. In the first nine months of the year, service revenue totaled R\$241.594 million, 19.8% higher on 9M08.

Value-added and Consulting services together represented 18.9% of the total revenue from services in 3Q09 over the 14.9% in 3Q08. These services return higher margins than implementation services and grew by 46.4% in 3Q09 over the same period last year.



● Maintenance Fee Revenues

In 3Q09, maintenance fee revenue came to R\$123.268 million, a new record, 14.0% higher than on 3Q08. In 9M09, these revenues grew by 17.9% over 9M08, reaching R\$363.313 million.

This growth in maintenance fee revenue was driven by the sales of new licenses in the previous quarters and the consistently low churn rate, despite the negative impact of the deflation calculated by the IGP-M index in recent months. Note that a large portion of the Company's costs is related to personnel, with inflation being one of the main adjustment components.

The monthly payment of the maintenance fee grants the client the right to receive new software versions, upgrades, and help desk services.

We should also underline that, historically, even during economic slowdowns, the churn rate on these contracts have remained stable (low). This stability is related to, among other reasons: (i) functionalities added to new software versions; (ii) adaptation of the software to new legal requirements; (iii) importance of the software for the client's operational stability; and (iv) low average monthly ticket.

● Operating Costs and Expenses

Main Operating Costs and Expenses (In R\$ Thousands)	3Q09	3Q08 <i>pro forma</i>	Change (3Q09/3Q08)	2Q09	Change (3Q09/2Q09)	9M09	9M08 <i>pro forma</i>	Change (9M09/9M08)
Cost of License Fees	(5,423)	(6,937)	-21.8%	(5,638)	-3.8%	(16,597)	(19,667)	-15.6%
Cost of Services	(73,833)	(68,754)	7.4%	(71,186)	3.7%	(212,320)	(194,169)	9.3%
Research and Development	(32,330)	(24,166)	33.8%	(28,887)	11.9%	(87,944)	(65,327)	34.6%
Advertising Expenses	(8,071)	(8,823)	-8.5%	(9,110)	-11.4%	(20,424)	(20,221)	1.0%
Selling Expenses	(14,671)	(13,067)	12.3%	(12,784)	14.8%	(40,085)	(39,862)	0.6%
Commissions	(23,778)	(22,123)	7.5%	(25,207)	-5.7%	(72,463)	(61,428)	18.0%
General and Administrative Expenses	(17,464)	(18,687)	-6.5%	(18,771)	-7.0%	(56,968)	(55,301)	3.0%
Management Fees	(8,796)	(6,806)	29.2%	(6,972)	26.2%	(23,793)	(18,391)	29.4%
Provisions for Doubtful Accounts	(2,440)	(4,037)	-39.6%	(2,635)	-7.4%	(6,961)	(8,700)	-20.0%
Other Revenue (Expenses)	660	(805)	-182.0%	(396)	-266.8%	1,369	(971)	-241.0%
Subtotal	(186,146)	(174,204)	6.9%	(181,586)	2.5%	(536,186)	(484,036)	10.8%
Depreciation and Amortization	(17,848)	(25,285)	-29.4%	(16,950)	5.3%	(51,933)	(61,997)	-16.2%
Non-recurring Expenses	-	(7,000)	-100.0%	-	-	-	(7,000)	-100.0%
Total	(203,994)	(206,489)	-1.2%	(198,536)	2.7%	(588,119)	(553,033)	6.3%
Net Revenue from Sales and Services	252,596	218,559	15.6%	240,283	5.1%	721,252	611,427	18.0%

In 3Q09, costs and expenses grew 55.8% less than net revenue growth.

Operating costs and expenses, excluding depreciation, amortization and extraordinary expenses, totaled R\$186.146 million in 3Q09, increasing by 6.9% in relation to 3Q08. In the same period, net revenue grew by 15.6%. In 9M09, operating costs and expenses totaled R\$536.186 million and grew by 10.8%, also below the 18.0% growth of total net revenue in the same period.

TOTVS' operating costs and expenses are under control during yet another quarter, their growth being significantly below revenue growth. This control has been possible due to: (i) the capture of synergies from the acquisitions made by the Company; and (ii) the dilution of costs resulting from the growth in the number of clients.

We now present the comments referring to each item of operating costs and expenses, with special highlights being the growth of service costs lower than the growth of service revenue, the reduction in advertising expenses and the control over general and administrative expenses, which, for the 11th consecutive quarter, declined as a percentage of net revenue.

● Cost of License Fees

Cost of license fees represents the cost with third-party solutions, especially relating to Datasul products. This line declined once again, with quarterly cost of license fee totaling R\$5.423 million, a 21.8% decline compared to the R\$6.937 million in 3Q08. In 9M09, this cost declined by 15.6% in relation to 9M08, down to R\$16.597 million from R\$19.667 million.

TOTVS reiterates its objective of reducing this cost line as a percentage of revenue.

Cost of Services plus R&D expenses increase less than the Net Revenue growth.

● Cost of Services and Sales

Cost of services and sales in 3Q09 came to R\$73.833 million, 7.4% higher than in 3Q08, but lower than half the 15.8% growth in service revenue during the period. This gain will continue throughout 2009, with cost of services and sales increasing by 9.3% in 9M09, while revenue from services expanded by 19.8% against 9M08.

The higher efficiency of the software implementation team and the greater share of Value Added and Consulting services continue to be the factors that positively impacted the gains in service margins.

● Research and Development

Research and development (R&D) expenses came to R\$32.330 million in 3Q09, 33.8% higher than the R\$24.166 million in 3Q08. R&D expenses in 9M09 totaled R\$87.944 million, 34.6% higher than the R\$65.327 million in 9M08.

The increase in R&D expenses was mainly due to: (i) the hiring of professionals from the FDES (Datasul Development Franchises) at the end of 2008; and (ii) the investments in the project that seeks to enable the use of TOTVS' technological platform also for the maintenance of Datasul products, which is expected to be concluded by the end of 2010.

As mentioned in earlier quarters, the Company has analyzed the cost of services and sales and R&D expenses together, since according to Datasul's accounting methods, expenses with FDES affected both lines. Consequently, the total variation of services and sales costs and R&D expenses was 14.3% between 3Q09 (R\$73.833 million + R\$32.330 million = R\$106.163 million) and 3Q08 (R\$68.754 million + R\$24.166 million = R\$92.920 million) or 15.7% in 9M09 (R\$212.320 million + R\$87.944 million = R\$300.264 million) in comparison with 9M08 (R\$194.169 million + R\$65.327 million = R\$259.497 million), and therefore, in both cases below the variation in revenue.

Advertising expenses accounted for 2.8% of net revenue in 9M09, against 3.3% in 9M08.

In 3Q09, the percentage of revenue equivalent to R&D was 12.8%. TOTVS continues its efforts to bring this back to 11.0% of net revenue.

● Advertising Expenses

Advertising expenses in the quarter reduced by 8.5% to R\$8.071 million from R\$8.823 million in 3Q08, and in line with the marketing plan for 2009, which expected a higher investment volume in advertising for 2Q09.

Even with a more extensive advertising campaign, advertising expenses amounted to R\$20.424 million in the first nine months of 2009, 1.0% higher if compared to the same period in 2008. However, advertising expenses represented 2.8% of the Company's net revenue, against 3.3% in 9M08, reinforcing the importance of the brand in the software industry, especially in terms of reaching out to the large SMB segment.

● Selling Expenses

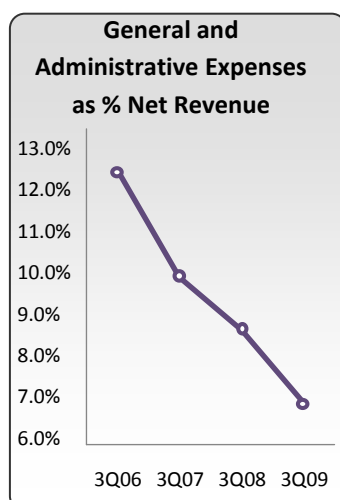
Selling expenses totaled R\$14.671 million in 3Q09, increasing to 12.3% over the R\$13.067 million in 3Q08. In the first nine months of 2009, selling expenses reached R\$40.085 million, increasing by 0.6% compared to the same period of 2008.

The increase in selling expenses below the growth of revenue reflects some synergy gains obtained from the process of consolidation of distribution channels, which began in 2008.

● Commissions

In 3Q09, commission expenses totaled R\$23.778 million, representing a 7.5% increase over 3Q08. Commission expenses totaled R\$72.463 million in 9M09, representing an increase of 18.0% over 9M08.

The main reason for this increase is the variation in the sales mix between the Company's distribution channels (own and franchisees). However, this effect tends to be less volatile in the medium term, as reflected by the alignment between the increase in commission expenses and the growth of net revenue in the first nine months of the year.



● General and Administrative Expenses

General and administrative (G&A) expenses totaled R\$17.464 million in 3Q09, the lowest in the past 5 quarters, 6.5% lower than in 3Q08. In 9M09, G&A expenses came to R\$56.968 million, 3.0% higher than in 9M08.

For the 11th consecutive quarter, G&A expenses recorded lower increase than revenue growth. In 3Q09 and 9M09, these expenses represented 6.9% and 7.9% of net revenue, respectively, once again showing the gains in scale and synergies that can be obtained in TOTVS' operations.

Continuing this process to improve efficiency, the Company concluded in October an analysis of the internal processes and reimplementation project of its own ERP.

● **Management Fees**

Management fees totaled R\$8.796 million in 3Q09, 29.2% over R\$6.806 million in 3Q08. In 9M09, these expenses totaled R\$23.793 million, growth of 29.4% when compared to R\$18.391 million in 9M08.

This issue was due to the increase in the number of statutory executive officers after the Datasul merger and to the provision for stock option plan expenses, which were made pursuant to the International Financial Reporting Standards (IFRS) in 2009.

● **Provision for Doubtful Accounts**

Expenses with provisions for doubtful accounts in 3Q09 came to R\$2.440 million, 39.6% lower than in 3Q08, when it totaled R\$4.037 million. Till September this provision amounted to R\$6.961 million, a reduction of 20.0% in relation to the R\$8.700 million in 9M08. This reduction was mainly due to the additional provision for the Mexican operation in 3Q08.

● **Other Revenues and Expenses**

Other net revenues came to R\$0.660 million in 3Q09, against R\$0.805 million in 3Q08.

● **Depreciation and Amortization**

Depreciation and amortization expenses totaled R\$17.848 million in 3Q09, 29.4% lower than in 3Q08. This decrease was mainly due to the reduction in goodwill amortization expenses after the adoption of the International Financial Reporting Standards (IFRS) at the beginning of the year. Goodwill amortized in 3Q09 totaled R\$15.679 million.

● Extraordinary Expenses

The extraordinary expenses of R\$7.000 million in 3Q08 basically represent attorneys' fees and services provided by an investment Bank to Datasul, regarding the corporate restructuring process which resulted in the merger of Datasul with TOTVS.

● EBITDA

EBITDA reached R\$66.450 million in 3Q09, the highest ever. This amount is 49.8% higher than the R\$44.355 million in 3Q08. In 9M09, EBITDA totaled R\$185.066 million, 45.3% higher than in 9M08.

EBITDA Statement (In thousand R\$)	3Q09	3Q08 <i>pro forma</i>	Change (3Q09/3Q08)	2Q09	Change (3Q09/2Q09)	9M09	9M08 <i>pro forma</i>	Change (9M09/9M08)
Operating Income (EBIT)	48,602	12,070	302.7%	41,747	16.4%	133,133	58,394	128.0%
Depreciation and Amortization	17,848	25,285	-29.4%	16,950	5.3%	51,933	61,997	-16.2%
Extraordinary Expenses	-	7,000	-100.0%	-	-	-	7,000	-
EBITDA	66,450	44,355	49.8%	58,697	13.2%	185,066	127,391	45.3%

EBITDA grows 50% to a record R\$66.5 million and margin of 26.3%

EBITDA margin in 3Q09 was 26.3%, notably higher than the EBITDA margin of 20.3% in 3Q08. This increase was positively impacted by revenue growth, once again higher than the increase in the Company's costs and expenses.

EBITDA margin in 9M09 was 25.7%, which is again above the long-term margin guidance updated by the Company in 2007, which indicates margins from 22.0% to 25.0% between 2009 and 2011. The management understands that this stability reflects the consolidation of a new margin level for the Company and informs that it may disclose a new guidance till the disclosure of the 2009 results.

● Operating Profit and Net Income

In 3Q09, TOTVS posted operating profit of R\$48.602 million, a 302.7% growth over 3Q08. The reasons for this growth are explained in the “EBITDA” section, and also by the reduction in depreciation and amortization as well as extraordinary expenses in 3Q08.

Net Income Reconciliation (In thousand R\$)	3Q09	3Q08 <i>pro forma</i>	Change (3Q09/3Q08)	2Q09	Change (3Q09/2Q09)	9M09	9M08 <i>pro forma</i>	Change (9M09/9M08)
Net Income	30,222	14,407	109.8%	26,610	13.6%	85,865	56,033	53.2%
Goodwill Amortization from acquisitions	15,679	22,722	-31.0%	14,148	10.8%	43,279	54,678	-20.8%
Non-recurring Expenses	-	7,000	-100.0%	-	-	-	7,000	-100.0%
Income tax and social contribution effect	(5,331)	(10,106)	-47.2%	(4,810)	10.8%	(14,715)	(20,970)	-29.8%
Adjusted Net Income	40,570	34,024	19.2%	35,948	12.9%	114,429	96,741	18.3%

TOTVS adjusted net income totaled R\$40.570 million in 3Q09, 19.2% higher than 3Q08.

Net Debt

The Company ended 3Q09 with cash of R\$232.086 million and total debt of R\$423.576 million, consisting of the PROSOFT loan from the Brazilian Development Bank (BNDES) and the debentures issued in 3Q08, resulting in net debt of R\$191.490 million.

Subsequent Events

● Acquisition of TotalBanco

On October 13, 2009, TOTVS announced the acquisition of 70% of TotalBanco's capital for R\$10.780 million, subject to the fulfillment of certain conditions. The acquisition has a multiple of 5.5x projected EBITDA for 2009. TOTVS may exercise the right to purchase the remaining 30% at any time after January 2011, for a sum of up to R\$12.2 million, since TotalBanco complies with the operating targets established for fiscal years 2009 and 2010.

With TotalBanco, TOTVS now offers more comprehensive applications that cover the main operations at banks and financial institutions (assets, liabilities, compliance, credit and treasury), investment funds (administration, custody and portfolio management), development agencies, credit cooperatives, etc., and also provides solutions to card management companies and leasing companies.

TotalBanco's net revenue and EBITDA projected for 2009 are R\$17.8 million and R\$ 2.8 million, respectively. TotalBanco has more than 150 employees and 21 years of experience in providing specialized applications and consulting services to the financial sector. TOTVS will consolidate TotalBanco into its results as soon as the operation is concluded and will inform the market at the proper time.

● Acquisition of Hery

On October 14, 2009, the Company acquired one of Datasul's most important Distribution Franchises (FDIS) for up to R\$12,000,000 million.

This channel operates in Rio de Janeiro, midwest Brazil, São Paulo and the interior of São Paulo state and presents estimated annual revenue of R\$17.0 million (for further information, see "Recent Events").

Capital Markets

● Ownership Breakdown

Shareholder (In % of the free float)	3Q09	2Q09	1Q09	4Q08	3Q08
Non-Institutional Investor	4.8%	7.2%	7.1%	7.1%	6.7%
Institutional Investor	95.2%	92.8%	92.9%	92.9%	93.3%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

Shareholder (In % of the free float)	3Q09	2Q09	1Q09	4Q08	3Q08
National Investor	27.6%	27.8%	25.1%	24.4%	25.0%
International Investor	72.4%	72.2%	74.9%	75.6%	75.0%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

Free float on September 30, 2009 was 68.2%, i.e., 21,259,174 shares out of a total of 31,152,402 shares. The remaining shares are held by the Company's administrators (25.2%), including related persons and subsidiaries, and by BNDES Participações S/A (6.5%).

In 3Q09, TOTVS' shares (Bovespa: TOTS3) appreciated 30.1% (while the IBovespa index rose 19.5%), rising from R\$66.85 on June 30, 2009 to R\$87.00 on September 30, 2009. In the same period, average daily trading volume on the stock exchange was 62,767 shares, or financial volume of R\$4.9 million.

Upcoming Events

3Q09 Results Conference Calls October 29, 2009

English

8:30 p.m.(US ET)

Telephone: 1 (412) 858-4600

Access Code: TOTVS

Replay: +1 (412) 317-0088, access code
432329# till 11/06/2009

Webcast: www.totvs.com/ir

Portuguese

9:30 p.m.(US ET)

Telephone: 55(11) 2188-0188

No access code required

Replay: (11) 2188-0188
till 11/06/2009

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.

● Adjusted Net Income

Adjusted net income refers to net income excluding amortizations resulting from the acquisitions and the Datasul merger, as well as their respective effects on tax income and social contribution.

● SPED (Public Digital Bookkeeping System)

It broadly consists of modernizing the current system of meeting the ancillary obligations, transmitted by taxpayers to the tax authorities using digital certification for signing electronic documents, thus ensuring their legal validity only in their electronic format. It consists of three large subprojects - Digital Accounting Bookkeeping, Digital Tax Bookkeeping and Electronic Invoice and encompasses the federal, state and municipal governments. For further information, visit <http://www1.receita.fazenda.gov.br/>

About TOTVS

TOTVS is Latin America's largest developer of application software, the world's 8th biggest ERP developer and the leader in emerging markets. It is the absolute leader in Brazil, and the leader in the small and medium enterprises (SME) segment in Latin America. TOTVS was the first IT company in Latin America to go public, with its shares listed on the Novo Mercado segment of the São Paulo Stock Exchange (BOVESPA). Its ERP operations, represented by the products Datasul, Logix, Microsiga Protheus and RM, serve approximately 24,200 customers and are complemented by a broad portfolio of vertical solutions, as well as value-added services such as consulting, infrastructure and BPO services. For further information, visit www.totvs.com

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		
	Sep. 30, 2009	Sep. 30, 2008 <i>pro forma</i>	Dec. 31, 2008 <i>pro forma</i>
ASSETS			
<u>Current assets</u>			
Cash and cash equivalents	232,086	143,971	147,406
Accounts receivable	203,403	151,843	173,146
Provision for doubtful accounts	(19,924)	(14,680)	(19,139)
Income tax and social contribution deferred	19,606	18,138	18,127
Recoverable taxes	23,335	11,679	18,664
Other current assets	12,938	11,128	7,662
Current assets	471,444	322,079	345,866
<u>Non-current assets</u>			
Long-term assets			
Income tax and social contribution deferred	31,109	31,217	35,512
Judicial deposit	7,304	7,659	8,385
Other receivables	11,632	21,586	7,739
Permanent Assets			
Investments	2	25	21
Equipment	33,403	29,372	31,863
Intangible	605,199	631,487	614,936
Non-current assets	688,649	721,346	698,456
Total assets	1.160,093	1.043,425	1.044,322
LIABILITIES			
<u>Current liabilities</u>			
Accounts payable	22,287	29,453	27,704
Loans and financing	3,177	1,348	5,242
Debentures	1,289	1,661	5,635
Current obligation under capital leases	4,542	3,022	5,036
Taxes payable	5,289	19,028	7,937
Salaries and social charges payable	60,431	46,685	42,329
Commissions payable	26,409	19,765	19,341
Dividends payable	216	271	33,724
Obligation from acquisitions	34,018	24,530	16,419
Other payable	4,071	3,687	4,541
Total Current liabilities	161,729	149,450	167,908
<u>Non-current liabilities</u>			
Loans and financing	209,325	162,154	163,270
Debentures	209,785	200,000	202,777
Current obligation under capital leases	2,940	1,633	4,444
Income Tax and Social Contribution deferred	-	378	-
Contingencies	16,869	16,051	15,384
Obligation relating to acquisitions	12,554	26,275	26,626
Other payable	4,344	5,362	1,902
Total non-current liabilities	455,817	411,853	414,403
<u>Minority interests</u>	5,315	4,544	5,541
<u>Shareholders' Equity</u>			
Capital	376,493	376,493	376,493
Capital reserve	47,922	45,886	45,886
Income reserve	115,770	55,199	34,091
Cumulative translation adjustment	(2,953)	-	-
Total shareholders equity	537,232	477,578	456,470
Total liabilities and shareholders equity	1.160,093	1.043,425	1.044,322

INCOME STATEMENT (Pro forma, in R\$ Thousands)	Consolidated			
	3Q09	3Q08 <i>pro forma</i>	9M09	9M08 <i>pro forma</i>
Gross revenue				
License fees	65,782	59,293	183,479	171,111
Services	87,064	75,167	241,594	201,622
Maintenance	123,268	108,102	363,313	308,176
	276,114	242,562	788,386	680,909
Deductions from revenue				
Cancellation of services and sales	(5,578)	(7,344)	(16,146)	(22,609)
Taxes	(17,940)	(16,659)	(50,988)	(46,873)
Net sales revenue	252,596	218,559	721,252	611,427
Licensing Costs	(5,423)	(6,937)	(16,597)	(19,667)
Cost of Services	(73,833)	(68,754)	(212,320)	(194,169)
Gross Income	173,340	142,868	492,335	397,591
Operating Expenses				
Research and Development	(32,330)	(24,166)	(87,944)	(65,327)
Advertising expenses	(8,071)	(8,823)	(20,424)	(20,221)
Selling expenses	(14,671)	(13,067)	(40,085)	(39,862)
Commissions expenses	(23,778)	(22,123)	(72,463)	(61,428)
General and Administrative Expenses	(17,464)	(18,687)	(56,968)	(55,301)
Management Fees	(8,796)	(6,806)	(23,793)	(18,391)
Depreciation and Amortization	(17,848)	(25,285)	(51,933)	(61,997)
Provision for Doubtful Accounts	(2,440)	(4,037)	(6,961)	(8,700)
Non-recurring expenses	-	(7,000)	-	(7,000)
Other expenses	660	(805)	1,37	(971)
	(124,738)	(130,798)	(359,202)	(339,197)
Operating profit, before financial effects	48,602	12,070	133,133	58,394
Financial revenues	6,335	8,507	20,012	21,431
Financial expenses	(13,302)	(2,165)	(44,358)	(6,097)
Non-operating income	-	136	-	-
Income before taxes	41,635	18,548	108,787	73,624
Income and social contribution taxes				
Current	(6,837)	(7,136)	(15,794)	(25,364)
Deferred	(3,915)	3,596	(4,735)	8,865
	(10,752)	(3,540)	(20,529)	(16,499)
Minority interest	(661)	(600)	(2,393)	(1,093)
Net income	30,222	14,407	85,865	56,031
EBITDA	66,450	44,355	185,066	127,391

CASH FLOWS (In R\$ Thousands)	Consolidated			
	3Q09	3Q08 <i>pro forma</i>	9M09	9M08 <i>pro forma</i>
<u>Cash flows from operating activities</u>				
EBIT	48,602	12,070	133,133	58,394
Depreciation and Amortization	17,848	25,285	51,933	61,997
Non-recurring expenses	-	7,000	-	7,000
EBITDA	66,450	44,355	185,066	127,391
<i>Cash Items after EBITDA</i>	(2,299)	(1,299)	(9,402)	(10,542)
Financial Result	4,538	5,838	6,392	14,822
Income Tax and Social Contribution on Net Income	(6,837)	(7,137)	(15,794)	(25,364)
<i>Non-Cash Items after EBITDA</i>	2,970	4,153	12,434	10,712
Allowance for doubtful accounts	2,440	4,037	6,961	8,700
Provision for contingencies	129	116	4,382	2,012
Share-based payment	401	-	1,091	-
<i>Changes in Working Capital</i>	(11,927)	21,630	(41,362)	4,971
Accounts receivable, net of commissions	(11,499)	(1,564)	(31,133)	(22,656)
Suppliers	(2,154)	7,746	(5,424)	9,037
Salaries and charges payable	7,935	4,534	18,102	15,791
Taxes payable	(1,449)	11,588	(7,319)	11,339
Judicial deposit	(262)	1,672	(1,815)	(256)
Other assets and liabilities	(4,498)	(2,346)	(13,773)	(8,284)
Net Cash from operating activities	55,194	68,839	146,736	132,532
<u>Cash flows from investment activities</u>				
Permanent investment	21,498	(3,250)	5,968	(71,185)
Redemption of Datasul's shareholders	-	(417,455)	-	(417,455)
Investment divestiture	-	-	-	-
Acquisition of equipment	(5,302)	(5,183)	(10,480)	(13,197)
Intangible	(28,555)	(1,303)	(40,709)	(5,197)
Sales of Permanent Assets	84	1	4,096	379
Cash flows from investment activities	(12,275)	(427,190)	(41,125)	(506,655)
<u>Cash flows from financing activities</u>				
Bank loans	(22,858)	160,394	15,918	161,955
Debentures	-	201,331	-	201,331
Increase of lease obligations	(965)	(249)	(3,359)	(408)
Buy back of Datasul shares	-	-	-	(2,920)
Non-recurring expenses paid	-	(11,904)	-	(11,904)
Dividends paid	(1)	(62,545)	(33,490)	(105,919)
Cash flows from financing activities	(23,824)	287,027	(20,931)	242,135
<u>Increase of cash and cash equivalents</u>				
	19,095	(71,324)	84,680	(131,988)
Cash and cash equivalents at the beginning of the year	212,991	215,295	147,406	275,959
Cash and banks at the end of the year	232,086	143,971	232,086	143,971