

TOTVS 2009: STRONG GROWTH (+17.0% REVENUE; 39.3% EBITDA; 23.7% NET PROFIT)

4Q09: RECORD IN ALL REVENUE LINES AND CLIENTS SERVED



São Paulo, February 3, 2010 - TOTVS S.A. (BOVESPA: TOTS3), the leader in developing and marketing integrated enterprise management software and providing related services in Brazil, today announces its results for the fourth quarter of 2009 (4Q09). 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 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

- Annual and quarterly **historical records** in all revenue lines - **growth of 17.0% in net revenue registered in 2009 over 2008.**
- The number of **clients served reached historical annual record of 17,754**, increase of 22.1% over 2008, of which **2,591 are new clients** and 15,163 are base clients, **volume 25.6% higher than 2008.**
- New License fee revenue records, R\$249.433 million in 2009, and R\$ 65,954 million in 4Q09, growth of 6.7 % over 2008.
- Revenue from services grew 16.6%, totaling R\$332.069 million in 2009. In 4Q09, revenue from services grew 8.7% over 4Q08.
- Maintenance fee revenue totaled R\$498.839 million in 2009, **18.1% over 2008.** In the quarter analysis totaled R\$ 135,526 million in 4Q09, **growth of 18,7% over 4Q08.**
- Costs and expenses, excluding depreciation and amortization expenses, increased 11.0% in 2009 and 11.7% in 4Q09. Thus, **lower than the revenue growth in both periods.**
- Record EBITDA** of R\$249,265 in 2009, representing **growth of 39.3% over 2008.** Growth of 24,5% over 4Q08.
- NEW LONG TERM GUIDANCE to EBITDA MARGIN from 27% to 30% between 2013 and 2016.**
- Adjusted Net Income** totaled R\$159,924 million, **new historical record**, representing growth of **23.7% over 2008.**

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Conference Calls

Thursday, Feb. 4, 2010

> **English**
11:00 a.m. (Brasília)
Webcast: www.totvs.com/ir
Ph.: +1 (412) 858-4600 (EUA)
+1(412) 858-4600 (other countries)
Access code: TOTVS
Replay: +1 (412) 317-0088, access
code 436688# available till Feb.
11, 2010

> **Portuguese**
12:00 p.m. (Brasília)
Webcast: www.totvs.com/ri
Tel: +55 (11) 2188-0188
Replay: available till Feb. 11, 2010

| Consolidated Financial Highlights (in R\$ thousands) | 4Q09 | 4Q08 <i>pro forma</i> | Change (4Q09/4Q08) | 3Q09 | Change (4Q09/3Q09) | 2009 | 2008 <i>pro forma</i> | Change (2009/2008) |
|--|---------------|--------------------------|-----------------------|---------------|-----------------------|----------------|--------------------------|-----------------------|
| Net Revenue | 267,427 | 233,427 | 14.6% | 252,596 | 5.9% | 988,679 | 844,854 | 17.0% |
| EBITDA | 64,199 | 51,545 | 24.5% | 66,450 | -3.4% | 249,265 | 178,936 | 39.3% |
| EBITDA Margin | 24.0% | 22.1% | 190 bp | 26.3% | -230 bp | 25.2% | 21.2% | 400 bp |
| Adjusted Net Income ⁽¹⁾ | 45,495 | 32,552 | 39.8% | 40,570 | 12.1% | 159,924 | 129,292 | 23.7% |

(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

● **New EBITDA margin guidance**

In May 2006, TOTVS announced its EBITDA margin guidance between 20% and 25% within 3 to 5 years after its IPO (i.e., between 2009 and 2011). At that time, EBITDA margin was 13.9%. One year after the announcement, thanks to the operational improvements and results, TOTVS has raised its guidance to between 22% and 25% for the same period.

*Long-term guidance
update: EBITDA margin
between 27% and 30%
between 2013 and
2016.*

Throughout 2008 and 2009, TOTVS carried out several initiatives to improve its business structure and operating performance in order to sustain its accelerated organic and inorganic growth. The Management believes that initiatives such as restructuring of the distribution system, continuous investments in technology and creation of a shared services center were crucial for margin growth, which was further evident in 2009.

Considering the consistent margin growth, the maintenance of the Company's fundamentals and market conditions, TOTVS announces to the market that EBITDA margin is expected to be between 27% and 30% from 2013 to 2016.

● **Consolidation of distribution channels – “Full TOTVS” Franchises**

In the past 2 years, TOTVS has made significant efforts to restructure its distribution system in order to align TOTVS' brand consolidation and distribution strategies. The Company believes that a wide network of distribution channels is the key to success, due to the extensive geographical dispersion of its target market.

The first phase of the restructuring process, which began in 2007 and was concluded in 1H08, involved the regional consolidation of Logocenter, Microsiga and RM into TOTVS franchises. With the merger of Datasul in 2H08, the second phase was scheduled for mid-2010, which involved turning TOTVS and Datasul franchises into “Full TOTVS” franchises, i.e., capable of selling and implementing all TOTVS solutions.

In 3Q09, the Company decided to anticipate this second phase, which was intensified in 4Q09, despite its negative impact on sales while in course as the channel lose focus on their core activity and their internal environment is in disarray. This decision was taken considering the estimated investments in the Brazilian economy (power generation, oil, construction and sporting events to be

held in Brazil) and the evolution of the Public Digital Bookkeeping System (SPED), all of which are excellent opportunities for the IT sector in 2010 and subsequent years.

By the end of 2009, the channels already consolidated into Full TOTVS franchises accounted for approximately 95% of the license sales expected in 2010. With Full TOTVS franchises, it was possible to align the sales and commission policies, thereby applying the commercial conditions, earlier in force only in TOTVS franchises, to all new sales.

● **Conclusion of TotalBanco acquisition**

On December 15, 2009, TOTVS concluded the acquisition of TotalBanco, announced on October 13, 2009 and hence, the subsidiary's results will be consolidated as of December 2009.

This acquisition was approved by the Brazilian antitrust authority (CADE), unanimously and with no restrictions, on January 21, 2010.

Market Update

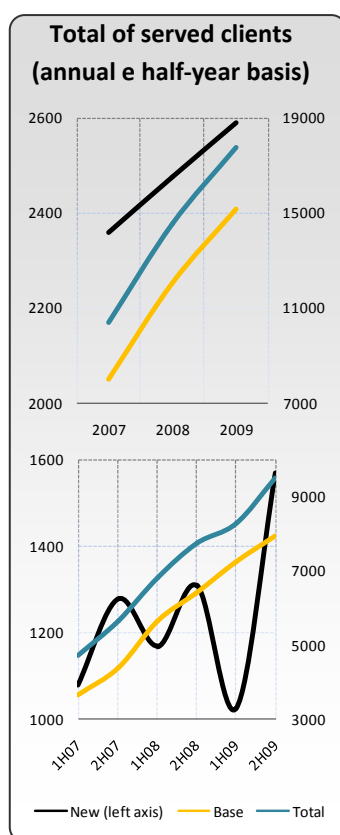
● **TOTVS is the world's 7th largest ERP provider**

According to 'Gartner – ERP Worldwide 2008' report, TOTVS is the world's 7th largest ERP provider. Note that in 2007, the Company was ranked 9th.

Operating Performance

| Operating Performance | | 4Q09 | 4Q08 | Change (4Q09/4Q08) | 3Q09 | Change (4Q09/3Q09) | 2009 | 2008 | Change (2009/2008) |
|-----------------------|---------------------------|--------|--------|-----------------------|--------|-----------------------|--------|--------|-----------------------|
| # Customers | # Total Clients served | 4,823 | 3,924 | 22.9% | 4,676 | 3.1% | 17,754 | 14,545 | 22.1% |
| | New Clients | 740 | 603 | 22.7% | 827 | -10.5% | 2,591 | 2,476 | 4.6% |
| | Base Clientes | 4,083 | 3,321 | 22.9% | 3,849 | 6.1% | 15,163 | 12,069 | 25.6% |
| Licenses R\$ | License Fee / Client | 11,971 | 15,524 | -22.9% | 13,262 | -9.7% | 13,049 | 15,009 | -13.1% |
| | License Fee / New Client | 24,440 | 29,311 | -16.6% | 22,126 | 10.5% | 25,037 | 28,573 | -12.4% |
| | License Fee / Base Client | 9,711 | 13,020 | -25.4% | 11,358 | -14.5% | 11,000 | 12,227 | -10.0% |

By the end of 2009, the number of TOTVS' active clients, i.e., the number of software clients with help desk and maintenance agreements, was approximately **24,800**.



In 2009, the Company sold licenses to 17,754 clients, a 22.1% increase year-on-year. Note that the increase was among new and existing clients, though the period was marked by extensive changes in TOTVS' distribution channels (as mentioned in the Recent Events section), a fact that negatively affects sales volume. However, TOTVS believes that consolidation of distribution channels will drive sales in the medium and long term.

It is also important to mention that the number of new software clients increased by 53% between the first and second half of 2009, proving that the efforts for growth are producing the results. Simultaneously the number of new licenses sales to base clients keeps steady, even in periods of economic breakdown.

The 4Q09 evidences the growth in the number of attended clients in TOTVS client Base (22.9% over 4Q08) and also on the clients who have never purchased any TOTVS software before (+22.7%); thus, the number of clients who purchased software licenses in the quarter was **4,823**, **22.9%** over the number of clients in 4Q08, **reaching new historical record**.

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

The reduction in average purchase amount in both 4Q09 and 2009 essentially reflects the difference in the profile of the companies served in 2009 and 2008, with a larger share of small and medium enterprises (SME) in 2009, since large companies, contrary to SMEs, reduced their investments during the year. Their conservative approach on account of the volatile economic environment contrasted with the scenario created for SMEs to invest in technology by means of the creation of new financing lines by the government, the continuous drop in hardware prices, and demands from programs such as SPED, the implementation of electronic invoices in Latin America and other factors.

Note that even in a year of low economic growth and global recession, TOTVS' churn rate remained below 3%, demonstrating the resilience of its business model.

Financial Performance

| Breakdown of Gross Revenue from Sales and Services (In R\$ thousands) | 4Q09 | 4Q08 <i>pro forma</i> | Change (4Q09/4Q08) | 3Q09 | Change (4Q09/3Q09) | 2009 | 2008 <i>pro forma</i> | Change (2009/2008) |
|---|----------------|--------------------------|-----------------------|----------------|-----------------------|------------------|--------------------------|-----------------------|
| License Fees | 65,954 | 62,602 | 5.4% | 65,782 | 0.3% | 249,433 | 233,713 | 6.7% |
| Services | 90,475 | 83,200 | 8.7% | 87,064 | 3.9% | 332,069 | 284,822 | 16.6% |
| Maintenance | 135,526 | 114,132 | 18.7% | 123,268 | 9.9% | 498,839 | 422,308 | 18.1% |
| Total Gross Revenue from Sales and Services | 291,955 | 259,934 | 12.3% | 276,114 | 5.7% | 1,080,341 | 940,843 | 14.8% |
| Net Revenue from Sales and Services | 267,427 | 233,427 | 14.6% | 252,596 | 5.9% | 988,679 | 844,854 | 17.0% |

Gross Revenue and Net Revenue

TOTVS ended the year 2009 with net revenue of R\$988.679 million, an increase of 17.0% over 2008. In 4Q09, the Company posted gross revenue of R\$291.955 million and net revenue of R\$267.427 million, a new record.

Since 2003, the Company has been recording year-on-year organic revenue growth (excluding acquisitions) between 15% and 25%. Despite the hostile environment that began in 2009, the Company's business model and fundamentals enabled it to maintain revenue growth during this period and maintain organic net revenue CAGR of more than 20% between 2005 and 2009.

License Fee Revenue

In 2009, license fee revenue totaled R\$ 249.433 million, 6.7% higher compared to R\$233.713 million in 2008. This is an annual sales record for the segment and maintains the organic CAGR of the last five years at 18.5%.

In 4Q09, license fee revenue amounted to R\$65.954 million, 5.4% over R\$62.602 million in 4Q08, another record.

It is important to remember that the distribution channel consolidation unfocused from their normal operation both franchises (indirect sales) and own structures (direct sales), since TOTVS' also took part in the process (e.g. Hery Acquisition) causing a negative impact in sales.

Service Revenue

Service revenue came to R\$332.069 million in 2009, a 16.6% growth over the R\$284.822 million in the previous year. In the fourth quarter, service revenue

amounted to R\$90.475 million, historical record, 8.7% up year-on-year and 3.9% up quarter-on-quarter.

As mentioned in previous quarters, Value Added Services as well as consulting services present higher margin if compared to the software implementation and has been increasing in a more accelerated manner. In 2009 all these services represent 19.3% in the total service revenue, in 2008 it was 15.6%.

The 2009 churn rate remained below 3%, once again proving the resilience of TOTVS' business model.

● Maintenance Fee Revenues

Maintenance fee revenue reached R\$499.839 million in 2009, 18.1% over R\$422.308 million in 2008, while in 4Q09 it came to R\$135.526 million, 18.7% over 4Q08.

This growth resulted from sales of new licenses in previous quarters and the consistent low churn rate, as well as the alignment of commercial policies mentioned in the item "Consolidation of the distribution channels – Full TOTVS Franchises".

● Operating Costs and Expenses

| Main Operating Costs and Expenses (In R\$ Thousands) | 4Q09 | 4Q08 <i>pro forma</i> | Change (4Q09/4Q08) | 3Q09 | Change (4Q09/3Q09) | 2009 | 2008 <i>pro forma</i> | Change (2009/2008) |
|---|------------------|--------------------------|-----------------------|------------------|-----------------------|------------------|--------------------------|-----------------------|
| Cost of License Fees | (6,312) | (7,386) | -14.5% | (5,423) | 16.4% | (22,909) | (27,053) | -15.3% |
| Cost of Services | (84,358) | (73,447) | 14.9% | (73,833) | 14.3% | (296,678) | (267,616) | 10.9% |
| Research and Development | (30,502) | (25,384) | 20.2% | (32,330) | -5.7% | (118,446) | (90,711) | 30.6% |
| Advertising Expenses | (10,291) | (5,819) | 76.9% | (8,071) | 27.5% | (30,715) | (26,040) | 18.0% |
| Selling Expenses | (17,308) | (13,626) | 27.0% | (14,671) | 18.0% | (57,393) | (53,488) | 7.3% |
| Commissions | (30,507) | (21,493) | 41.9% | (23,778) | 28.3% | (102,970) | (82,921) | 24.2% |
| General and Administrative Expenses | (19,300) | (19,181) | 0.6% | (17,464) | 10.5% | (76,268) | (74,482) | 2.4% |
| Management Fees | (7,957) | (9,551) | -16.7% | (8,796) | -9.5% | (31,750) | (27,942) | 13.6% |
| Provisions for Doubtful Accounts | (759) | (6,256) | -87.9% | (2,440) | -68.9% | (7,720) | (14,956) | -48.4% |
| Other Revenue (Expenses) | 4,066 | 261 | 1457.9% | 660 | 516.1% | 5,435 | (710) | -865.5% |
| Subtotal | (203,228) | (181,882) | 11.7% | (186,146) | 9.2% | (739,414) | (665,918) | 11.0% |
| Depreciation and Amortization | (17,985) | (32,758) | -45.1% | (17,848) | 0.8% | (69,918) | (94,755) | -26.2% |
| Non-recurring Expenses | 0,000 | (514) | -100.0% | 0,000 | - | 0,000 | (7,514) | -100.0% |
| Total | (221,213) | (215,154) | 2.8% | (203,994) | 8.4% | (809,332) | (768,187) | 5.4% |

In the full year, operating costs and expenses, excluding depreciation, amortization and extraordinary expenses, rose by 11.0%, from R\$665.918 million in 2008 to R\$739.418 million in 2009, 17% lower than the net revenue growth in the same period, while in 4Q09, this line totaled R\$203.228 million, 11.7% over 4Q08 but still lower than the period's net revenue growth.

The comments on each item of operating costs and expenses are provided below. Note that there were several non-recurring cost increases (e.g.: sales and commission expenses) in 4Q09 due to the restructuring of the distribution system.

In 2009, as well as in all quarters, the growth of operating costs and expenses was lower than the net revenue's growth.

● Cost of License Fees

Cost of license fees declined from R\$27.053 million in 2008 to R\$22.908 million in 2009, 15.3% down, and from R\$7.386 million in 4Q08 to R\$6.312 million in 4Q09, 14.6% down.

Cost of license fees, which is the cost of third-party solutions sold by TOTVS, especially Datasul products, has been declining consistently, not only due to better terms negotiated with suppliers in 2009 but also because sales growth of proprietary solutions overtook that of third-party ones. TOTVS reiterates its objective of reducing this cost line as a percentage of revenue.

● Cost of Services and Sales

Cost of services and sales totaled R\$296.678 million in 2009, climbing 10.9% over the previous year, but still lower than the 16.6% upturn in revenue from services in the same period.

This lower increase in costs compared to the growth in revenues from services in 2009 reflects the higher efficiency of the software implementation team and the greater share of Value Added and Consulting services, whose margins are higher than those of software implementation services.

Cost of services and sales in 4Q09 was R\$84.359 million, 14.9% over 4Q08 and 8.7% higher than the growth in revenue from services in the period. This non-recurring increase in costs reflects mainly the effects of distribution channel consolidation occurred in 4Q09. During this process, implementation teams suffered a temporary productivity reduction that is, historically, quickly reverted.

● Research and Development

As mentioned during 2009, the Company analyzed the evolution of cost of services and sales and R&D expenses together, since according to Datasul's accounting methods, expenses with FDES (Datasul Development Franchises) affected both lines.

Thus, the total increase in the cost of services and sales as well as R&D expenses was 15.9% between 2008 (R\$267.616 million + R\$90.711 million = R\$358.327 million) and 2009 (R\$296.679 million + R\$118.446 million = R\$415.125 million), lower than the 17% growth in net revenue.

The increase was 16.2% between 4Q08 (R\$73.447 million + R\$25.384 million = R\$98.831 million) and 4Q09 (R\$84.359 million + R\$30.502 million = R\$114.861 million), higher than the net revenue growth in the period due to the factors already mentioned in the item “Cost of Services and Sales”.

R&D expenses represented 12.0% and 11.4% of net revenue in 2009 and 4Q09, respectively, reflecting the Company’s efforts to bring the number back to 11.0% of net revenue.

● Advertising Expenses

Advertising expenses totaled R\$30.715 million in 2009 and R\$26.040 million in 2008, representing 3.1% of net revenue in both years, despite the more extensive advertising campaign in 2009.



The Management reiterates the importance of strengthening TOTVS brand due to low penetration and the wide geographical distribution in the SME market.

● Selling Expenses

Selling expenses rose 7.3%, from R\$53.488 million in 2008 to R\$57.393 million in 2009. This significant lower increase compared to net revenue growth reflects possible synergy gains from the consolidation in previous quarters of the Company’s internal structures and the distribution channels.

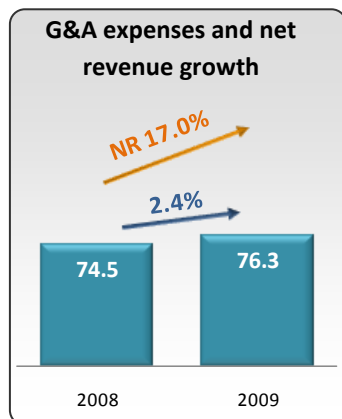
In 4Q09, the intensification of the channel consolidation process, as mentioned in ‘Recent Events’, and the incorporation of teams that during transition moments have their productivity temporarily diminished, affected selling expenses that registered an extraordinary 27.0% increase over 4Q08. Due to the non-recurring nature of this increase, Management is working towards a scenario wherein the increase in such expenses is lower than sales growth.

● Commissions

In 2009, commissions amounted to R\$102.970 million, or 10.4% of net revenue, against R\$82.921 million, or 9.8% of net revenue in 2008, while in 4Q09, these expenses amounted to R\$30.507 million, or 11.4% of net revenue, versus R\$21.493 million, or 9.2% of net revenue in 4Q08.

Management believes that presenting the numbers on annual basis reduces the impact of oscillations in the sales mix between Company’s distribution channels

(own and franchises), and better reflects the unification of commercial policies occurred in 4Q09 already mentioned in 'Maintenance Fee Revenue'.



G&A expenses were practically the same as in 2008, even increasing less than the inflation in 2009

● General and Administrative Expenses

General and administrative (G&A) expenses totaled R\$76.268 million in 2009, a 2.4% increase when compared to R\$74.482 million in 2008. The proportion of these expenses fell from 8.8% in 2008 to 7.7% in 2009, reflecting the gains in scale with the optimized structure.

Projects as the reimplementation of its own ERP (with approximately 2.500 users which has started in February and was concluded in October) as well as internal processes revision (ongoing) are examples of gain in scale which can continue to be captured in TOTVS businesses.

● Management Fees

Management fees amounted to R\$31.750 million in 2009, 13.6% over R\$27.942 million in 2008, but lower than the net revenue growth in the period.

● Allowance for Doubtful Accounts

Allowance for doubtful accounts totaled R\$7.720 million in 2009, 48.4% lower than the R\$14.956 million in 2008, mainly due to the additional provision recorded for the Mexican operation in 2008.

● Other Revenues and Expenses

Other net revenues came to R\$5.435 million in 2009 against expense of R\$ 0.710 million in 2008. Such amount reflects mainly the result of the structure sales due to the process of consolidation channels. This amount partially opposes to the additional expenses incurred by the Company in this process, already assigned in the cost and expenses lines mentioned in the previous items.

● Depreciation and Amortization

Depreciation and amortization expenses totaled R\$69.918 million in 2009, versus R\$94.755 million in 2008, a reduction of 26.2%, mainly due to the reduction in goodwill amortization expenses after the adoption of the International Financial Reporting Standards (IFRS) in 2009. Goodwill amortized in 4Q09 totaled R\$16.764 million.

● Extraordinary Expenses

The extraordinary expenses of R\$7.514 million in 2008 basically refers to attorneys' fees and services provided by an investment Bank to Datasul concerning to the corporate restructuring that culminated in Datasul's merger with TOTVS.

● EBITDA

| EBITDA Statement (In thousand R\$) | 4Q09 | 4Q08 <i>pro forma</i> | Change (4Q09/4Q08) | 3Q09 | Change (4Q09/3Q09) | 2009 | 2008 <i>pro forma</i> | Change (2009/2008) |
|---------------------------------------|---------------|--------------------------|-----------------------|---------------|-----------------------|----------------|--------------------------|-----------------------|
| Operating Income (EBIT) | 46,214 | 18,273 | 152.9% | 48,602 | -4.9% | 179,347 | 76,667 | 133.9% |
| Depreciation and Amortization | 17,985 | 32,758 | -45.1% | 17,848 | 0.8% | 69,918 | 94,755 | -26.2% |
| Extraordinary Expenses | - | 514 | -100.0% | - | - | - | 7,514 | -100.0% |
| EBITDA | 64,199 | 51,545 | 24.5% | 66,450 | -3.4% | 249,265 | 178,936 | 39.3% |

EBITDA in 2009 was R\$249.265 million, 39.3% over R\$178.936 million in 2008, and in 4Q09 was R\$64.199 million, 24.5% up year-on-year.

The company's EBITDA margin reached 25.2% in 2009, 400 basis points above the 2008 margin, resulting from the 17.0% growth in net revenue combined with the 11.0% increase in costs and expenses.

● Net Profit and Adjusted Net Income

2009 ended with Net profit of R\$ 120,296, growth of 68,3% over R\$ 71.488 million in 2008. Note that the net income is driven by the amortization of acquisition goodwill, which reduced 25,0% due to the adoption of the International Financial Reporting Standards (IFRS).

| Net Income Reconciliation (In thousand R\$) | 4Q09 | 4Q08 <i>pro forma</i> | Change (4Q09/4Q08) | 3Q09 | Change (4Q09/3Q09) | 2009 | 2008 <i>pro forma</i> | Change (2009/2008) |
|--|---------------|--------------------------|-----------------------|---------------|-----------------------|----------------|--------------------------|-----------------------|
| Net Income | 34,431 | 15,455 | 122.8% | 30,222 | 13.9% | 120,296 | 71,488 | 68.3% |
| Goodwill Amortization from acquisitions | 16,764 | 25,390 | -34.0% | 15,679 | 6.9% | 60,043 | 80,068 | -25.0% |
| Non-recurring Expenses | - | 514 | -100.0% | - | - | - | 7,514 | -100.0% |
| Income tax and social contribution effect | (5,700) | (8,807) | -35.3% | (5,331) | 6.9% | (20,415) | (29,778) | -31.4% |
| Adjusted Net Income | 45,495 | 32,552 | 39.8% | 40,570 | 12.1% | 159,924 | 129,292 | 23.7% |

Thus, the company uses the Adjusted net income, which is net profit excluding the effects of acquisition goodwill amortization, as reference to the dividends distribution, excluding legal reserve fund, mentioned in the item "Dividends".

The adjusted net Income in 2009 totaled R\$ 159.924 million, 23.7% over 2008, representing earnings per share of R\$ 5.13.

The increase of Adjusted Net Income is lower than EBITDA due to the increase of financial expenses in 2009 related to debentures and PROSOFT, both resources collected in August 2008. Thus such financial duties have been accounted for 5 months in 2008 and for 12 months in 2009.

Net Debt

The Company ended 2009 with cash of R\$207.721 million and total debt of R\$427.212 million, consisting of PROSOFT loan from Brazilian Development Bank (BNDES) and the debentures issued in 3Q08, resulting in net debt of R\$219.491 million, equivalent to 0.9x 2009 EBITDA.

Considering the short-term receivables of R\$230.995 million, net debt would be a negative R\$11.504 million.

TOTVS ended 2009 with cash of R\$207.7 million and net debt lower than EBITDA.

Subsequent Events

TOTVS acquires the remaining 30% of Midbyte

Midbyte, a company that develops and markets software for the retail segment, became TOTVS' wholly-owned subsidiary on January 5, 2010, when TOTVS exercised its option to acquire the remaining 30% by R\$12.0 thousand

In November 2007, TOTVS acquired 70% on Midbyte for R\$ 6.0 million. The total acquisition could have reached R\$8.0 million if all targets have been reached, and they have been on both 2008 and 2009. The variable payment subject to the 2009 targets will be paid in 2H10. The one for 2010 targets has not been changed and will be paid in 2011 if the targets are reached.

Araquen Pagotto, founder, who is in the retailer software market for 20 years remains in the Board of Officers.

Acquisition of M2I and M2S, RM product representatives in the northeast

On January 5, TOTVS announced the acquisition of M2I and M2S, the RM brand's distribution channels, headquartered in Salvador, Bahia, which focus on the sale, implementation and support for RM products in Bahia. The acquisition of both companies totaled R\$5.3 million.

Capital Markets

● Payment of interest on equity for 2009

The Board of Directors' Meeting held on December 10, 2009, approved the payment of interest on equity amounting to R\$22.500 million, equivalent to R\$ 0.722255 per share, to shareholders of the Company as on December 10, 2009, which was paid on January 20, 2009. TOTVS shares began trading 'ex-interest on equity' as of December 11, 2009.

The payment relates to the year 2009 and will be imputed to the minimum mandatory dividend, pursuant to Article 37 of the Bylaws of TOTVS

Distribution of Dividends

On February 2, 2010, Board of Directors approved the dividend 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 amortization of goodwill arising from the acquisitions, as shown below:

| Dividends proposal (In thousand R\$) | |
|---|-----------------|
| Net revenue (Parent-Company) | 120,296 |
| (-) 5% Legal reserve | (6,015) |
| (=) Net income after legal reserve | 114,281 |
| (+) Amortization of goodwill (aquisitions) ⁽¹⁾ | 39,628 |
| (=) Distribution base | 153,909 |
| (x) Distribution rate | 45.0% |
| (=) Dividends proposed | 69,259 |
| (-) Interest on Equity (already paid) | (22,500) |
| (+) Whithholding income tax of interest on equity | 2,838 |
| (=) Dividends payable | 49,597 |
| Payout ratio ⁽²⁾ | 57.6% |
| Dividend per share (DPS) ⁽²⁾ | 2.223231 |

(1) Net of taxes

(2) Also considers the Interest on Capital

Ownership Breakdown

| Shareholder (In % of the free float) | 4Q09 | 3Q09 | 2Q09 | 1Q09 | 4Q08 |
|---|---------------|---------------|---------------|---------------|---------------|
| Non-Institutional Investor | 4.6% | 4.8% | 7.2% | 7.1% | 7.1% |
| Institutional Investor | 95.4% | 95.2% | 92.8% | 92.9% | 92.9% |
| TOTAL | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

| Shareholder (In % of the free float) | 4Q09 | 3Q09 | 2Q09 | 1Q09 | 4Q08 |
|---|---------------|---------------|---------------|---------------|---------------|
| National Investor | 26.2% | 27.6% | 27.8% | 25.1% | 24.4% |
| International Investor | 73.8% | 72.4% | 72.2% | 74.9% | 75.6% |
| TOTAL | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Free float on December 31, 2009 was 68.1%, i.e., 21,207,536 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 companies controlled by them, and by BNDES Participações S/A (6.5%).

In 4Q09, TOTVS' shares (Bovespa: TOTS3) appreciated 35.6% (while IBovespa index rose 11.5%), from R\$87.00 on September 30, 2009 to R\$118.00 on December 31, 2009. In the same period, the average daily trading volume on the stock exchange was 64,505 shares, or R\$6.7 million in financial volume.

Upcoming Events

4Q09 Results Conference Calls February 04, 2010

English

8:00 p.m. (US ET)
 Telephone: 1 (412) 858-4600 (USA)
 1(412) 858-4600 (other countries)
 Access Code: TOTVS
 Replay: +1 (412) 317-0088, access code
 436688# till 02/11/2010
 Webcast: www.totvs.com/ir

Portuguese

9:00 p.m. (US ET)
 Telephone: 55(11) 2188-0188
 No access code required
 Replay: (11) 2188-0188 till 02/11/2010
 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 7th 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 24,800 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 | | |
|--|------------------|------------------|-----------------------------------|
| | Dec. 31, 2009 | Sep. 30, 2009 | Dec. 31, 2008 <i>pro forma</i> |
| ASSETS | | | |
| <u>Current assets</u> | | | |
| Cash and cash equivalents | 207,721 | 187,395 | 120,677 |
| Marketable securities | 22,469 | 20,190 | 14,301 |
| Accounts receivable | 230,995 | 203,403 | 173,146 |
| Provision for doubtful accounts | (20,314) | (19,924) | (19,139) |
| Income tax and social contribution deferred | 17,944 | 19,606 | 18,127 |
| Recoverable taxes | 32,716 | 23,335 | 18,664 |
| Other current assets | 11,646 | 12,938 | 7,662 |
| Current assets | 503,177 | 446,943 | 333,438 |
| <u>Non-current assets</u> | | | |
| Long-term assets | | | |
| Income tax and social contribution deferred | 22,623 | 31,109 | 35,512 |
| Marketable securities | 19,314 | 24,501 | 12,428 |
| Judicial deposit | 7,443 | 7,304 | 8,385 |
| Other receivables | 10,147 | 11,632 | 7,739 |
| Permanent Assets | | | |
| Investments | 10 | 2 | 21 |
| Equipment | 32,887 | 33,403 | 31,863 |
| Intangible | 613,502 | 605,199 | 614,936 |
| Non-current assets | 705,926 | 713,150 | 710,884 |
| Total assets | 1,209,103 | 1,160,093 | 1,044,1,8 |
| LIABILITIES | | | |
| <u>Current liabilities</u> | | | |
| Accounts payable | 23,984 | 22,287 | 27,704 |
| Loans and financing | 7,838 | 3,177 | 5,242 |
| Debentures | 5,218 | 1,289 | 5,635 |
| Current obligation under capital leases | 4,027 | 4,542 | 5,036 |
| Taxes payable | 7,198 | 5,289 | 7,937 |
| Salaries and social charges payable | 59,199 | 60,431 | 42,329 |
| Commissions payable | 32,765 | 26,409 | 19,341 |
| Dividends payable | 69,474 | 216 | 33,724 |
| Obligation from acquisitions | 34,577 | 34,018 | 16,419 |
| Other payable | 3,329 | 4,071 | 4,541 |
| Total Current liabilities | 247,609 | 161,729 | 167,908 |
| <u>Non-current liabilities</u> | | | |
| Loans and financing | 210,038 | 209,325 | 163,270 |
| Debentures | 212,219 | 209,785 | 202,777 |
| Current obligation under capital leases | 2,138 | 2,940 | 4,444 |
| Income Tax and Social Contribution deferred | - | - | - |
| Contingencies | 3,883 | 16,869 | 15,384 |
| Obligation relating to acquisitions | 20,286 | 12,554 | 26,626 |
| Other payable | 5,001 | 4,344 | 1,902 |
| Total non-current liabilities | 453,565 | 455,817 | 414,403 |
| <u>Minority interests</u> | 6,458 | 5,315 | 5,541 |
| <u>Shareholders' Equity</u> | | | |
| Capital | 376,493 | 376,493 | 376,493 |
| Capital reserve | 48,851 | 47,922 | 45,886 |
| Income reserve | 78,104 | 115,770 | 34,091 |
| Cumulative translation adjustment | (1,977) | (2,953) | - |
| Total shareholders equity | 501,471 | 537,232 | 456,470 |
| Total liabilities and shareholders equity | 1,209,103 | 1,160,093 | 1,044,1,8 |

| INCOME STATEMENT (Pro forma, in R\$ Thousands) | Consolidated | | | |
|---|------------------|-------------------|------------------|-------------------|
| | 4Q09 | 4Q08 pro forma | 2009 | 2008 pro forma |
| Gross revenue | | | | |
| License fees | 65,954 | 62,602 | 249,433 | 233,713 |
| Services | 90,475 | 83,200 | 332,069 | 284,822 |
| Maintenance | 135,526 | 114,132 | 498,839 | 422,308 |
| | 291,955 | 259,934 | 1,080,341 | 940,843 |
| Deductions from revenue | | | | |
| Cancellation of services and sales | (6,117) | (9,301) | (22,263) | (31,910) |
| Taxes | (18,411) | (17,206) | (69,399) | (64,079) |
| Net sales revenue | 267,427 | 233,427 | 988,679 | 844,854 |
| Licensing Costs | (6,312) | (7,386) | (22,909) | (27,053) |
| Cost of Services | (84,358) | (73,447) | (296,678) | (267,616) |
| Gross Income | 176,757 | 152,594 | 669,092 | 550,185 |
| Operating Expenses | | | | |
| Research and Development | (30,502) | (25,384) | (118,446) | (90,711) |
| Advertising expenses | (10,291) | (5,819) | (30,715) | (26,040) |
| Selling expenses | (17,308) | (13,626) | (57,393) | (53,488) |
| Commissions expenses | (30,507) | (21,493) | (102,970) | (82,921) |
| General and Administrative Expenses | (19,300) | (19,181) | (76,268) | (74,482) |
| Management Fees | (7,957) | (9,551) | (31,750) | (27,942) |
| Depreciation and Amortization | (17,985) | (32,758) | (69,918) | (94,755) |
| Provision for Doubtful Accounts | (759) | (6,256) | (7,720) | (14,956) |
| Non-recurring expenses | - | (514) | - | (7,514) |
| Other expenses | 4,066 | 261 | 5,435 | (710) |
| | (130,543) | (134,321) | (489,745) | (473,518) |
| Operating profit, before financial effects | 46,214 | 18,273 | 179,347 | 76,667 |
| Financial revenues | (755) | 12,874 | 19,257 | 34,305 |
| Financial expenses | (6,123) | (18,833) | (50,481) | (24,930) |
| Non-operating income | - | (115) | - | (219) |
| Income before taxes | 39,336 | 12,199 | 148,123 | 85,823 |
| Income and social contribution taxes | | | | |
| Current | 4,046 | (281) | (11,748) | (25,645) |
| Deferred | (8,744) | 4,387 | (13,479) | 13,251 |
| | (4,698) | 4,106 | (25,227) | (12,393) |
| Minority interest | (207) | (850) | (2,600) | (1,943) |
| Net income | 34,431 | 15,455 | 120,296 | 71,486 |
| EBITDA | 64,199 | 51,545 | 249,265 | 178,936 |

| CASH FLOWS (In R\$ Thousands) | Consolidated | | | |
|--|-----------------|--------------------------|-----------------|--------------------------|
| | 4Q09 | 4Q08 <i>pro forma</i> | 2009 | 2008 <i>pro forma</i> |
| <u>Cash flows from operating activities</u> | | | | |
| EBIT | 46,214 | 18,273 | 179,346 | 76,667 |
| Depreciation and Amortization | 17,985 | 32,758 | 69,918 | 94,755 |
| Non-recurring expenses | - | 514 | - | 7,514 |
| EBITDA | 64,199 | 51,545 | 249,264 | 178,936 |
| <i>Cash Items after EBITDA</i> | | | | |
| Cash Items after EBITDA | 8,818 | 4,835 | (584) | (5,706) |
| Financial Result | 4,772 | 5,116 | 11,164 | 19,938 |
| Income Tax and Social Contribution on Net Income | 4,046 | (281) | (11,748) | (25,644) |
| <i>Non-Cash Items after EBITDA</i> | | | | |
| Non-Cash Items after EBITDA | (11,299) | 6,923 | 1,135 | 17,634 |
| Allowance for doubtful accounts | 758 | 6,256 | 7,720 | 14,955 |
| Provision for contingencies | (12,986) | 667 | (8,605) | 2,679 |
| Share-based payment | 929 | - | 2,020 | - |
| <i>Changes in Working Capital</i> | | | | |
| Changes in Working Capital | (13,084) | (31,113) | (72,409) | (59,234) |
| Marketable securities | 2,909 | 6,363 | (15,054) | (26,729) |
| Accounts receivable, net of commissions | (21,951) | (23,524) | (53,084) | (46,179) |
| Suppliers | 1,697 | (1,749) | (3,727) | 7,288 |
| Salaries and charges payable | (1,232) | (4,356) | 16,870 | 11,435 |
| Taxes payable | (7,472) | (20,663) | (14,791) | (9,324) |
| Other assets and liabilities | 12,965 | 12,816 | (2,623) | 4,275 |
| Net Cash from operating activities | 48,634 | 32,190 | 177,406 | 131,630 |
| <u>Cash flows from investment activities</u> | | | | |
| Redemption of Datasul's shareholders | - | - | - | (417,455) |
| Acquisition of equipment | (3,698) | (9,859) | (14,178) | (23,056) |
| Intangible | (23,438) | (16,815) | (58,179) | (93,197) |
| Sales of Permanent Assets | 1,559 | - | 5,655 | 378 |
| Cash flows from investment activities | (25,577) | (26,674) | (66,702) | (533,330) |
| <u>Cash flows from financing activities</u> | | | | |
| Bank loans | 1 | - | 15,919 | 161,955 |
| Debentures | - | - | - | 201,331 |
| Increase of lease obligations | 44 | 4,825 | (3,315) | 4,417 |
| Buy back of Datasul shares | - | - | - | (2,920) |
| Non-recurring expenses paid | - | (514) | - | (12,418) |
| Dividends paid | (2,774) | (29) | (36,264) | (105,948) |
| Cash flows from financing activities | (2,729) | 4,282 | (23,660) | 246,417 |
| <u>Increase of cash and cash equivalents</u> | 20,328 | 9,798 | 87,044 | (155,283) |
| Cash and cash equivalents at the beginning of the year | 187,394 | 110,879 | 120,677 | 275,959 |
| Cash and banks at the end of the year | 207,722 | 120,677 | 207,721 | 120,676 |