TOTVS IN 1Q10: 14.0% Growth in Net Revenue (17th consecutive quarter of double-digit growth) and 622 New Clients (+36.1%, a first-quarter record)

TOTVS

São Paulo, April 28, 2010 - 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 first quarter of 2010 (1Q10). The Company's consolidated financial statements are prepared in accordance with Brazilian corporate legislation. ***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

- **Growth in all revenue lines.**
- **17th consecutive quarter of double-digit** organic growth rate.
- **622 new** software **clients**, **36.1%** over 1Q09.
- **Average ticket** per client **11.2%** higher than 4Q09.
- **Net revenue**: **14.0% growth** over 1Q09, totaling R$260.422 million, a new first-quarter record.
- **License fee**: R$63.672 million in 1Q10, +**8.8%** over 1Q09.
- **Corporate Model Additional**: total of R$13.175 million in 1Q10, **12.8% higher** than 1Q09.
- **Services Revenue: 15.5% growth** (1Q10 vs. 1Q09), totaling R$85.096 million.
- **Maintenance Fee** Revenue: Totaled R$137.388 million in 1Q10, +**16.9% over 1Q09**.
- **EBITDA of R$60.839 million, 3rd highest** in the Company's history, margin of 23.4%.
- **TOTVS consolidates its leadership in Latin America** in ERP-suite according to Gartner.

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Conference Call

Thursday, April 29, 2010

> English
1:00 p.m. (Brasília)
Webcast: www.totvs.com/ir
Ph.: +1 (412) 858-4600
Access code: TOTVS
Replay: +1 (412) 317-0088, access code 440025# available till May 7, 2010

> Portuguese
2:30 p.m. (Brasília)
Webcast: www.totvs.com/ri
Ph: +55 (11) 2188-0188
Access code: TOTVS
Replay: available till May 7, 2010

Consolidated Financial Highlights (in R$ thousands)	1Q10	1Q09	Change (1Q10/1Q09)	4Q09	Change (1Q10/4Q09)	4Q08	Change (1Q09/4Q08)
Net Revenue	260,422	228,373	14.0%	267,427	-2.6%	233,427	-2.2%
EBITDA	**60,839**	**59,919**	**1.5%**	**64,199**	**-5.2%**	**51,545**	**16.2%**
EBITDA Margin	**23.4%**	**26.2%**	**-280 bp**	**24.0%**	**-60 bp**	**22.1%**	**410 bp**
Adjusted Net Income (1)	38,525	37,911	1.6%	45,495	-15.3%	32,552	16.5%

(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

Changes at the Vice-Presidents Level

Aiming at the continuous improvement of the performance and to guarantee the longevity of its business, TOTVS engages in "job rotation" at diverse levels of the organization and promotes fresh talent to senior management positions.

Thus, on January 21, 2010, Mr. Rodrigo de Queiroz Caserta, 35, was elected the Chief Market Strategy Officer. He was previously a Business Officer and led the consultancy area.

On February 2, 2010, Mr. Wilson de Godoy Soares Júnior took over as the Chief Services and Relationship Officer from Mr. Marcelo Rehder Monteiro, who took over as Chief Development Officer from Mr. Wilson de Godoy Soares Júnior.

These changes complete the Company's top management setup, which will now be as follows:

- Chief Executive Officer: Laércio José de Lucena Cosentino
- Chief Financial and Investor Relations Officer: José Rogério Luiz
- Chief Services and Relationship Officer: Wilson de Godoy Soares Júnior
- Chief Market Strategy Officer: Rodrigo de Queiroz Caserta
- Chief Innovation and Technology Officer: Weber George Canova
- Chief Development Officer: Marcelo Rehder Monteiro

Memorandum of Understanding Signed

With the purpose of strengthening and aligning the development process of its software applications, the Company announced on March 25, 2010, its intention to acquire the main development franchise models (FDES) that develop Datasul ERP.

The Memorandum of Understanding may result in the acquisition of 100% or a portion of the assets related to these FDES, amounting to approximately R$43,000,000.00 (forty-three million reais), an implicit pricing of less than 4x EBITDA.

The transaction and the pricing are subject to the results of the legal, accounting, and financial due diligence of the companies involved. Further information will be disclosed by TOTVS as negotiations progress.

Market Update

TOTVS is the ERP provider with the highest growth and the 7th worldwide

According to "Gartner - ERP Worldwide 2009" research, released in April, 2010, TOTVS consolidated its position as the 7th worldwide largest ERP provider, closing the gap to 6th company, and the 1st company from emerging countries, with the largest growth in 2009 (+8.6%) among the 12 companies better ranked on the ranking.

In this research, Gartner considered only the license and maintenance revenue in 2009. Even so, TOTVS consolidated its position as the leading ERP suite provider in Latin America, with 31.2% of the ERP market share, considering all the companies.

Still on Latin America, the research confirmed the TOTVS leadership in Brazil, with 49.1% of the ERP market share, and its 3rd position in Argentina and Mexico. Latin America was highlighted as the only part of the world where a local player has the leadership of the ERP market.

Additionally, the research indicated that TOTVS holds the 4th position of the Portugal ERP Market.

TOTVS Best Management among Latin American companies in the Technology/Software sector

For the third time in the past four years, TOTVS was recognized as "Best Managed Company in Latin America" in the "Most Convincing and Coherent Business Strategy" category in Latin America's IT/Software industry. This ranking is prepared by the EUROMONEY magazine, which shows the market's recognition of companies in different sectors and countries in Latin America.

TOTVS is recognized for its Corporate Governance

TOTVS received the "Best Corporate Governance in Brazil 2010" honor at the "World Finance Corporate Governance Awards 2010", which included 30 other companies from 30 countries. According to the March-April 2010 edition of the English magazine, "the companies selected were those that, despite the setbacks in the market and the global crisis, sustained their excellence in corporate governance practices, always offering the best to their investors."

Investor Relations Awards

For the third consecutive year, TOTVS was among the 5 companies with the best corporate governance practices in Latin America, according to a survey prepared by IRGR – IR Global Rankings. In addition to being recognized for its corporate governance practices, TOTVS was chosen as the company with the best financial reporting among the global IT companies.

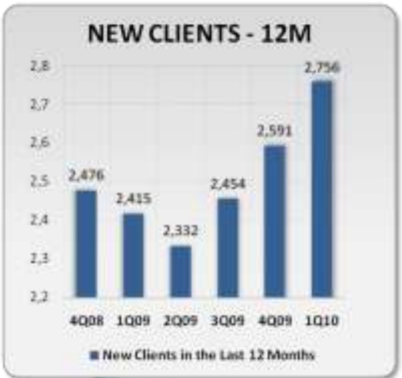
In its 12th edition, the annual IRGR survey, conducted by MZ Consult with support from KPMG, NYSE Euronext, The Bank of New York Mellon, Arnold & Porter, Barbosa, among others, is the most comprehensive rating program for IR websites, corporate governance practices and financial reporting procedures.

Operating Performance

Operating Performance (Licence Fee)	1Q10	1Q09	Change (1Q10/1Q09)	4Q09	Change (1Q10/4Q09)	4Q08	Change (1Q09/4Q08)
Total # clients served	**4,585**	**4,279**	**7.2%**	**4,823**	**-4.9%**	**3,924**	**9.0%**
# New Clients	622	457	36.1%	740	-15.9%	603	-24.2%
# Base Clients	3,963	3,822	3.7%	4,083	-2.9%	3,321	15.1%
License Fee (R$) / Clients	**13,316**	**13,165**	**1.1%**	**11,971**	**11.2%**	**15,524**	**-15.2%**
License Fee (R$) / New Clients	26,486	26,160	1.2%	24,440	8.4%	29,311	-10.8%
License Fee (R$) / Base Clients	11,249	11,611	-3.1%	9,711	15.8%	13,020	-10.8%
Aditional License Fee from Corporate Model (in R$ thousands)	**13,175**	**11,679**	**12.8%**	-	-	-	-

The Company ended 1Q10 with approximately 25,200 active software clients and license sales to **4,585 companies** (highest number of clients served in a first quarter and the third highest in the Company's history), +**7.2% over 1Q09**. The increase in the total number of clients served was positively influenced by sales to new clients, which reached its **historical record (in a first quarter), totaling 622 clients, 36.1% higher** than 1Q09.

Note that the number of clients served is accompanied by **an 11.2% growth in the average value of licenses sold to clients** in 1Q10 compared to 4Q09, a growth of 1.1% in relation to 1Q09.



These results were achieved despite the seasonality of the first quarter, which historically is the quarter with lowest sales volume and result, lower than the fourth quarter of the previous year. This seasonality is due to fewer working days in the quarter, the high number of employees in both the company and at the clients on vacation in January (absence in 2010 was higher than in previous years) and the Carnival holidays in February. The impacts of this seasonality are most reflected in the licenses sold to new clients and in software implementation and consultancy services between the fourth quarter and the first quarter of the following year.

By means of the licensing **corporate model**, the Company **has been able to mitigate these seasonality effects**. In such model, software clients have an unlimited number of users with access to software and pay TOTVS in the first quarter of each year an additional user license fee based on their growth in previous year, calculated according to a metric previously established with TOTVS. In general, clients that choose the corporate model make intensive use of software and record higher growth, since they can postpone the payment of additional fees to the following year, fact that explains 12.8% increase over 1Q09 in additional fees for the corporate model, despite de decline in Brazil´s GDP in the year.

This year, the negative seasonality in January and February was sharper, not only due to the factors described earlier but also due to the operational start-up of the "Full TOTVS" franchises. However, **after Carnival holiday, Company's operating level recovered strongly**, being March 2010 the second best month results in the Company's history in number of new clients and "average ticket" (average value of licenses sold per client). March accounted for 47.6% of software sales in 1Q10 and EBITDA margin was in line with that in 1Q09 (over 26%).

Financial Performance

Breakdown of Gross Revenue from Sales and Services (In R$ thousands)	1Q10	1Q09	Change (1Q10/1Q09)	4Q09	Change (1Q10/4Q09)	4Q08	Change (1Q09/4Q08)
License fee	63,672	58,536	8.8%	65,954	-3.5%	62,602	-6.5%
Services	85,096	73,707	15.5%	90,475	-5.9%	83,200	-11.4%
Maintenance	137,388	117,564	16.9%	135,526	1.4%	114,132	3.0%
Total Gross Revenue from Sales and Services	**286,156**	**249,807**	**14.6%**	**291,955**	**-2.0%**	**259,934**	**-3.9%**
Net Revenue from Sales and Services	**260,422**	**228,373**	**14.0%**	**267,427**	**-2.6%**	**233,427**	**-2.2%**

Gross Revenue and Net Revenue

Gross revenue was R$286.156 million and net revenue was R$260.422 million in 1Q10, both representing record for first-quarter numbers. **The growth of 14.6% in gross revenue and 14.0% in net revenue** was accompanied by growth in all revenue lines, despite the negative seasonality effects of the first quarter, as mentioned in "Operating Performance".

License Fee Revenue

*March represented **47.6%** of the quarter total license revenues to **new clients** demonstrating the trend of recovery at the end of the quarter.*

In 1Q10, license fee revenue totaled R$63.672 million, **8.8% higher** than the R$58.536 million in 1Q09, mainly due to the **36.1% increase** in the number of **new clients compared to 1Q09**, combined with additional revenue from the corporate model, which was +12.8% over 1Q09.

In relation to 4Q09, license fee revenue decreased by 3.5%, due to the seasonality effects described in "Operating Performance". However, this decrease is 2 p.p.

lower than the 6.5% decline occurred from 4Q08 to 1Q09, when license fee revenue in 1Q09 included additional revenue from the corporate model, which was +30.4% over 1Q08.

Service Revenue

In 1Q10, revenue from services totaled R$85.096 million, **15.5% over** the R$73.707 million **in 1Q09**. In relation to 4Q09, service revenue decreased by 5.9%, significantly lower than the 11.4% decrease between 4Q08 and 1Q109. Once again, this decrease reflects the negative seasonality effects in the first quarter (summer vacations) described in “Operating Performance”.

Value Added and Consultancy services jointly accounted for 27.8% of total service revenue versus 25.7% in 1Q09.

Maintenance Fee Revenues

***Consistent Growth** in the maintenance fees despite the low inflation indexes*

Maintenance fee revenue ended 1Q10 at R$137.388 million, **16.9% higher** than R$117.564 million in **1Q09**, and 1.4% over 4Q09.

In addition to licenses sold in previous quarters and the churn rate, growth in maintenance fee revenue is also impacted by the adjustment to maintenance agreements on the respective anniversary dates based on inflation indexes (e.g.: IGP-M), which in the last quarter of 2009 recorded negative results (deflation).

Operating Costs and Expenses

Main Operating Costs and Expenses (In R$ Thousands)	1Q10	1Q09	Change (1Q10/1Q09)	4Q09	Change (1Q10/4Q09)	4Q08	Change (1Q09/4Q08)
Licensing costs	(4,945)	(5,536)	-10.7%	(6,311)	-21.6%	(7,386)	-25.0%
Cost of services	(89,432)	(67,301)	32.9%	(84,359)	6.0%	(73,447)	-8.4%
Research and development	(33,474)	(26,727)	25.2%	(30,502)	9.7%	(25,384)	5.3%
Advertising expenses	(5,765)	(3,243)	77.8%	(10,291)	-44.0%	(5,819)	-44.3%
Selling exepenses	(17,636)	(12,630)	39.6%	(17,308)	1.9%	(13,626)	-7.3%
Commisions expenses	(23,195)	(23,478)	-1.2%	(30,507)	-24.0%	(21,493)	9.2%
General and administrative expenses	(18,272)	(20,733)	-11.9%	(19,300)	-5.3%	(19,181)	8.1%
Management fees	(4,982)	(8,025)	-37.9%	(7,957)	-37.4%	(9,551)	-16.0%
Provision for doubtful accounts	(2,197)	(1,886)	16.5%	(759)	189.5%	(6,256)	-69.9%
Other expenses (revenues)	315	1,105	-71.5%	4,066	-92.3%	261	323.7%
Subtotal	**(199,583)**	**(168,454)**	**18.5%**	**(203,228)**	**-1.8%**	**(181,882)**	**-7.4%**
Depreciation and amortization	(19,283)	(17,135)	12.5%	(17,985)	7.2%	(32,758)	-47.7%
Non-recurring expenses	-	-	-	-	-	(514)	-100.0%
Total	**(218,866)**	**(185,589)**	**17.9%**	**(221,213)**	**-1.1%**	**(215,154)**	**-13.7%**
Net revenue	**260,422**	**228,373**	**14.0%**	**267,427**	**-2.6%**	**233,427**	**-2.2%**

In 1Q10, operating costs and expenses, excluding depreciation, amortization and extraordinary expenses, rose by 18.5% over 1Q09, for a 14% increase in net revenue in relation to 1Q09. In relation to 4Q09, this line reduced by 1.8%, while net revenue fell by 2.6%.

In the following topics, each item of operating costs and expenses will be approached, focusing on the variations between 4Q09 and 1Q10, which happened due to: (i) the structures absorbed during the consolidation of the distribution channels ; (ii) the labor agreeement of 6.0% granted at the beginning of the quarter to the teams in São Paulo, which concentrates the Company's largest workforce; and (iii) the increased investments in the TQTVD (Digital TV) project.

Cost of License Fees

The 10.7% reduction in the cost of license fees in 1Q10 over 1Q09 was mainly due to the reduction in costs with third-party solutions sold by TOTVS, the better conditions obtained from suppliers in 2009, and the Research and Development efforts to reduce the use of third-party software.

Cost of Services and Sales

Cost of services and sales increased by 32.9% in 1Q10 over 1Q09, mainly due to the expansion of the software implementation teams in 2009 by hiring and absorbing the teams from Datasul distribution franchises acquired by TOTVS last year.

*Despite the labor agreement of **6.0%** for the team in São Paulo, and the **R$2.3 MM** from **TQTVD** expenses, the total operating costs ended **R$3.6MM lower** than **4Q09***

The 6.0% increase in the cost of services and sales in 1Q10 over 4Q09 is mainly related to the 6.0% labor agreement granted in 1Q10 to the teams in São Paulo, as previously mentioned in “Operating Performance", as well as to the employees hired during the period.

In both comparisons, the increase in cost of services and sales surpasses the increase in service revenue, reflecting the lower productivity of the team responsible for the implementation of the franchises absorbed which, with the evolution of the integration process should match the productivity of the former internal teams. The company has focused its efforts on correcting this deficiency.

Research and Development

Between 1Q09 and 4Q09, R&D expenses increased below net revenue growth, decreasing from 11.7% to 11.4% of net revenue in 4Q09.

In relation to 4Q09, R&D expenses in 1Q10 increased by 9.7% (approximately R$3.0 million), from 11.4% to 12.9% of net revenue. From this increase, approximately

R$2.3 million were spent on the SBTVD (Brazilian Digital TV System) interactivity project, the TQTVD. Investments in this project totaled R$ 12.6 million since its beginning till November 2009, and were booked under expenses as of December 2009. The balance increase in R&D expenses was mainly due to the labor agreement of 6.0% granted to the teams in São Paulo for the whole 1Q10.

Even with these additional expenses in the TQTVD project, the Company reaffirms its efforts to bring the R&D expenses back to 11.0% of net revenue. This will be achieved by reviewing processes, improving internal efficiency and integration of the technology used in Datasul product.

Advertising Expenses

Advertising expenses in 1Q09 represented 1.4% of net revenue, the Company's lowest level ever, since the 2009 advertising campaign was launched in April. This explains the 77.8% increase in this item for 1Q10, when advertising expenses reached 2.2% of net revenue, still lower than the 3.1% of net revenue recorded in 2009 and 2008.

The Management plans to maintain investments in advertising to increase TOTVS' brand recognition, given the geographical dispersion and low penetration of Company's target market. However, the Company believes it will be able to maintain these costs (on annual basis) below previous years' levels as in. New advertising campaigns are scheduled for 2Q10.

Selling Expenses

The 1.9% increase in selling expenses between 4Q09 and 1Q10 was mainly caused by the labor agreement of 6.0% granted to São Paulo team.

Similar to the cost of services and sales, selling expenses increased by 39.6% in 1Q10 over 1Q09, mainly due to the expansion of the sales teams in 2009 through the hiring and absorption of the teams from Datasul distribution franchises acquired by TOTVS last year.

As mentioned in previous quarters, the teams absorbed during the consolidation of channels saw their productivity decline significantly during the integration process. However, given 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

Commissions decreased from 10.3% in 1Q09 to 8.9% of the net revenue in 1Q10, reflecting the fluctuation in the sales mix among the Company's distribution channels (own and franchises) and the effects of the unification of sales policies in 4Q09 after the consolidation of the distribution channels.

General and Administrative Expenses

The 11.9% reduction in general and administrative expenses in 1Q10 against 1Q09 reflects the continuous efforts towards administrative integration, which leads to gains of scale with the optimization of the support structures for the Company's core business. The administrative integration efforts will continue in 2010.

Management Fees

The 37.9% decline in management fees was mainly due to: (i) the reduction in monthly variable compensation of management, since the Company's monthly financial targets were not achieved; and (ii) the reduction in the provisioned annual bonus, since the Company's proportional annual financial targets and the executives' financial and non-financial targets were not achieved.

Provision for Doubtful Accounts

Expenses with provision for doubtful accounts totaled R$2.197 million in 1Q10, corresponding to 0.8% of the Company's net revenue, in line with the average share in 2009. This provision is based on an analysis of the Company's receivables portfolio.

Other Revenues and Expenses

Other net revenues came to R$0.315 million in 1Q010, against R$1.105 million in 1Q09.

Depreciation and Amortization

Depreciation and amortization expenses totaled R$19.283 million in 1Q10, a 12.5% increase over the R$17.135 million recorded in 1Q09. This increase is represented by the growth in fixed assets and in the amortization of intangible assets originated from the acquisitions. Goodwill amortization in 1Q10 totaled R$16.172 million.

EBITDA

EBITDA Statement (In thousand R$)	1Q10	1Q09	Change (1Q10/1Q09)	4Q09	Change (1Q10/4Q09)	4Q08	Change (1Q09/4Q08)
Operating profit (EBIT)	**41,556**	**42,784**	**-2.9%**	**46,214**	**-10.1%**	**18,273**	**134.1%**
Depreciation and amortization	19,283	17,135	12.5%	17,985	7.2%	32,758	-47.7%
Non-recurring expenses	-	-	-	-	-	514	-100.0%
EBITDA	**60,839**	**59,919**	**1.5%**	**64,199**	**-5.2%**	**51,545**	**16.2%**
EBITDA	**23.4%**	**26.2%**	**-280 pb**	**24.0%**	**-60 pb**	**22.1%**	**410 pb**

EBITDA in 1Q10 was 1.5% higher than in 1Q09, with a decline of 280 basis points in EBITDA margin due to the 18.5% increase in operating costs versus the 14.0% increase in net revenue in the same period. The increase in operating costs is related to the absorption of Datasul franchises in 2009 and the labor agreement of 6.0% granted at the beginning of 1Q10 to São Paulo teams which, combined with the negative seasonality of the first quarter, led to the decline in EBITDA margin.

Measures to adjust the operating costs and accelerate sales growth are ongoing and the Company believes that the results of these initiatives will be successful.

Net Income and Adjusted Net Income

Net Income Reconciliation (In thousand R$)	1Q10	1Q09	Change (1Q10/1Q09)	4Q09	Change (1Q10/4Q09)	4Q08	Change (1Q09/4Q08)
Net Income	**27,851**	**29,033**	-4.1%	**34,431**	-19.1%	**15,455**	87.9%
Goodwill amortization from acquisitions	16,172	13,452	20.2%	16,764	-3.5%	25,390	-47.0%
Non-recurring expenses	-	-	-	-	-	514	-100.0%
Income tax and social contribution effect	(5,498)	(4,574)	20.2%	(5,700)	-3.5%	(8,807)	-48.1%
Ajusted Net Income	**38,525**	**37,911**	1.6%	**45,495**	-15.3%	**32,552**	16.5%

Net income in 1Q10 decreased by 4.1% in relation to 1Q09, and was negatively affected by the 20.2% increase in the volume of goodwill amortization relating to acquisitions (allocated to the respective intangible assets) in the period. After reversing the amortization, we obtain adjusted net income (excluding the impact of goodwill from acquisitions) +1.6% over 1Q09, in line with the EBITDA's growth in the period.

Net Debt

On March 31, 2010, the Company held cash of R$188.453 million and total debt of R$425.327 million, consisting of the PROSOFT loan from Brazilian Development Bank (BNDES) and the debentures issued in 3Q08, resulting in net debt of R$236.874 million, equivalent to 0.9x EBITDA of the last 12 months.

Considering the short-term receivables of R$236.701 million, net debt would be R$0.173million.

Subsequent Events

Payment of dividends

On April 14, 2010, as approved by the Annual Shareholders' Meeting of March 24, 2010, the Company paid dividends for the fiscal year ended December 31, 2009, in the amount of R$49,597,739.22 (forty-nine million, five hundred ninety-seven thousand, seven hundred thirty-nine reais and twenty-two centavos), corresponding to R$1.5921 (one real, fifty-nine centavos) per share.

Capital Markets

Payment of interest on equity for 2009

On January 20, the Company paid interest on equity of R$22.5 million, corresponding to R$0.722255 per share, related to fiscal year 2009 and imputed to the mandatory minimum dividend.

Shareholder (In % of the free float)	1Q10	4Q09	3Q09	2Q09	1Q09
Non-Institutional Investor	4.5%	4.6%	4.8%	7.2%	7.1%
Institutional Investor	95.5%	95.4%	95.2%	92.8%	92.9%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
National Investor	25.0%	26.2%	27.6%	27.8%	25.1%
International Investor	75.0%	73.8%	72.4%	72.2%	74.9%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Ownership Breakdown

Free float on March 31, 2010 was 68.5%, i.e., 21,334,279 shares 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 (6.1%).

In 1Q10, TOTVS' shares (Bovespa: TOTS3) depreciated 6.3% while Bovespa index rose 0.5%. Comparing with the closing price in March 31, 2009, the shares expressively raised 173%. The share price fell from R$118.00 on December 30, 2009 to R$111.99 on March 31, 2010. In the period, average daily trading volume on the stock exchange was 66,705 shares, or R$7.6 million in financial volume.

Upcoming Events

Results Conference Call1Q10 April 29, 2010 (Thursday)	
English	**Portuguese**
Time: 12:00 p.m. (US ET) 01:00 p.m. (Brasilia time)	Time: 01:30 p.m. (US ET) 02:30 p.m. (Brasilia time)
Connection number: +1 (412) 858-4600	Connection number: +55 (11) 2188-0188
Access Code: TOTVS	Access Code: TOTVS
Webcast: www.totvs.com/ir	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 25,200 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

CONSOLIDATED BALANCE SHEET (In thousand R$)	1Q10	1Q09	4Q09	4Q08
ASSETS				
Current assets				
Cash and cash equivalents	188,453	125,505	207,721	120,677
Marketable securities	14,352	21,025	22,469	14,301
Accounts receivable	236,701	178,925	230,995	173,146
Allowance for doubtful accounts	(21,233)	(18,811)	(20,314)	(19,139)
Income tax and social contribution deferred	17,343	17,551	17,944	18,127
Recoverable taxes	33,443	19,774	32,716	18,664
Other current assets	12,779	7,400	11,646	7,662
	481,838	**351,368**	**503,177**	**333,438**
Non-current assets				
Long-term assets				
Marketable securities	19,052	11,612	19,314	12,428
Income tax and social contribution deferred	23,493	36,800	22,623	35,512
Judicial deposits	10,064	8,314	7,443	8,385
Other receivables	17,359	8,896	10,147	7,739
Permanent assets				
Investiments	8	21	10	21
Equipment	33,774	29,791	32,887	31,863
Intangible	589,062	597,508	613,502	614,936
	692,812	**692,942**	**705,926**	**710,884**
TOTAL ASSETS	**1,174,650**	**1,044,310**	**1,209,103**	**1,044,322**
LIABILITIES				
Current liabilities				
Suppliers	20,131	22,074	23,984	27,704
Loans and financing	4,450	2,295	7,838	5,242
Debentures	3,350	9,508	5,218	5,635
Current obligation under capital leases	3,888	4,535	4,027	5,036
Taxes payable	5,493	4,901	7,198	7,937
Salaries and social charges payable	55,042	41,615	59,199	42,329
Commissions payable	34,443	21,364	32,765	19,341
Dividends payable	49,842	16,843	69,474	33,724
Obligation relating to acquisitions	16,630	15,882	34,577	16,419
Other payable	3,020	5,618	3,329	4,541
	196,289	**144,635**	**247,609**	**167,908**
Non-current liabilities				
Loans and financing	209,566	163,021	210,038	163,270
Debentures	215,906	205,154	212,219	202,777
Current obligation under capital leases	1,318	3,584	2,138	4,444
Income tax and social contribution deferred	-	-	-	-
Provision for contingencies	3,966	16,838	3,883	15,384
Obligation relating to acquisitions	19,989	17,482	20,286	26,626
Other liabilities	4,804	4,462	5,001	1,902
	455,549	**410,541**	**453,565**	**414,403**
Minority interests	**-**	**6,376**	**6,458**	**5,541**
Shareholders' equity				
Capital	376,493	376,493	376,493	376,493
Capital reserve	49,743	47,298	48,851	45,886
Income reserve	98,042	58,855	78,104	34,091
Ajuste de avaliação patrimonial	(1,466)	112	(1,977)	-
	522,812	**482,758**	**501,471**	**456,470**
TOTAL LIABILITIES AND EQUITY	**1,174,650**	**1,044,310**	**1,209,103**	**1,044,322**

CONSOLIDATED INCOME STATEMENT (In thousand R$)	1Q10	1Q09	4Q09	4Q08
Gross revenue				
License fee	63,672	58,536	65,954	62,602
Services	85,096	73,707	90,475	83,200
Maintenance	137,388	117,564	135,526	114,132
	286,156	**249,807**	**291,955**	**259,934**
Deductions from revenue				
Cancellation of services and sales	(7,394)	(5,517)	(6,117)	(9,301)
Taxes	(18,340)	(15,917)	(18,411)	(17,206)
Net revenue	**260,422**	**228,373**	**267,427**	**233,427**
Licensing costs	(4,945)	(5,536)	(6,311)	(7,386)
Cost of services	(89,432)	(67,301)	(84,359)	(73,447)
Gross income	**166,045**	**155,536**	**176,757**	**152,594**
Operating expenses				
Research and development	(33,474)	(26,727)	(30,502)	(25,384)
Advertising expenses	(5,765)	(3,243)	(10,291)	(5,819)
Selling exepenses	(17,636)	(12,630)	(17,308)	(13,626)
Commisions expenses	(23,195)	(23,478)	(30,507)	(21,493)
General and administrative expenses	(18,272)	(20,733)	(19,300)	(19,181)
Management fees	(4,982)	(8,025)	(7,957)	(9,551)
Depreciation and amortization	(19,283)	(17,135)	(17,985)	(32,758)
Provision for doubtful accounts	(2,197)	(1,886)	(759)	(6,256)
Other expenses (revenues)	315	1,105	4,066	261
	(124,489)	**(112,752)**	**(130,543)**	**(134,321)**
Operating profit (EBIT)	**41,556**	**42,784**	**46,214**	**18,273**
Financial result				
Financial revenues	5,571	6,940	(755)	12,874
Financial expenses	(14,590)	(15,070)	(6,123)	(18,833)
	(9,019)	**(8,130)**	**(6,878)**	**(5,959)**
Non-operating income	**-**	**-**	**-**	**(115)**
Income before taxes	**32,537**	**34,654**	**39,336**	**12,199**
Income and social contribution taxes				
Current	(5,545)	(3,894)	4,046	(281)
Deferred	859	(976)	(8,744)	4,387
	(4,686)	**(4,870)**	**(4,698)**	**4,106**
Minority interest	**-**	**(751)**	**(207)**	**(850)**
Net income	**27,851**	**29,033**	**34,431**	**15,455**
EBITDA	**60,839**	**59,919**	**64,199**	**51,545**

CONSOLIDATED CASH FLOW (In thousand R$)	1Q10	1Q09	4Q09	4Q08
Net Cash from operating activities				
EBIT	**41,556**	**42,784**	**46,214**	**18,273**
Depreciation and Amortization	19,283	17,135	17,985	32,758
Non-recurring expenses	-	-	-	514
EBITDA	**60,839**	**59,919**	**64,199**	**51,545**
Cash Items after EBITDA	*(5,207)*	*(3,155)*	*8,818*	*4,835*
Financial Result	338	739	4,772	5,116
Income Tax and Social Contr. - Current	(5,545)	(3,894)	4,046	(281)
Non-Cash Items after EBITDA	*726*	*5,557*	*(11,299)*	*6,923*
Allowance for doubtful accounts	2,197	1,886	758	6,256
Provision for contingencies	(2,363)	3,206	(12,986)	667
Share-based payment	892	465	929	-
Changes in Working Capital	*(33,291)*	*(21,858)*	*(13,084)*	*(31,113)*
Accounts receivable, net of commissions	(6,000)	(5,980)	(21,951)	(23,524)
Suppliers	(3,853)	(5,630)	1,697	(1,749)
Salaries and charges payable	(4,157)	(714)	(1,232)	(4,356)
Taxes payable	(11,991)	(4,146)	(7,472)	(20,663)
Other assets and liabilities	(7,290)	(5,388)	15,874	19,179
	23,067	**40,463**	**48,634**	**32,190**
Cash flows from investment activities	-	-	-	-
Acquisition of equipment	(3,773)	(2,213)	(3,698)	(9,859)
Intangible	(6,618)	(9,420)	(23,438)	(16,815)
Sales of Permanent Assets	45	53	1,559	-
	(10,346)	**(11,580)**	**(25,577)**	**(26,674)**
Cash flows from financing activities	-	-	-	-
Bank loans and Debentures	(11,398)	(5,813)	1	-
Increase of lease obligations	(959)	(1,361)	44	4,825
Non-rcurring expenses paid	-	-	-	(514)
Dividends paid	(19,632)	(16,881)	(2,774)	(29)
	(31,989)	**(24,055)**	**(2,729)**	**4,282**
Increase of cash and cash equivalents	**(19,268)**	**4,828**	**20,328**	**9,798**
Cash and equivalents at the beginning	207,721	120,677	187,393	110,879
Cash and banks at the end of the year	**188,453**	**125,505**	**207,721**	**120,677**