

A free translation from Portuguese into English of quarterly financial information prepared in Brazilian currency in accordance with the specific instructions issued by Brazilian Securities and Exchange Commission (CVM)

**FEDERAL PUBLIC SERVICE  
CVM - BRAZILIAN SECURITIES AND EXCHANGE COMMISSION  
QUARTERLY FINANCIAL INFORMATION - ITR  
COMMERCIAL, INDUSTRY & OTHER TYPES OF COMPANY**

September 30, 2008 Brazilian Corporate Law

**REGISTRATION WITH CVM SHOULD NOT BE CONSTRUED AS AN EVALUATION OF THE COMPANY.  
COMPANY MANAGEMENT IS RESPONSIBLE FOR THE INFORMATION PROVIDED.**

**01.01 - IDENTIFICATION**

1 - CVM CODE <b>01999-2</b>	2 - COMPANY NAME <b>TOTVS S.A.</b>	3 - CNPJ (Corporate Taxpayer's ID) <b>53.113.791/0001-22</b>
4 - NIRE (Corporate Registry ID) <b>3530015317-1</b>		

**01.02 – HEAD OFFICE**

1 - ADDRESS Av. Braz Leme, 1631		2 - DISTRICT Santana		
3 - ZIP CODE 02511-000	4 - CITY São Paulo		5 - STATE SP	
6 - AREA CODE 11	7 - TELEPHONE 3981-7000	8 - TELEPHONE -	9 - TELEPHONE -	10 - TELEX
11 - AREA CODE 11	12 - FAX 3981-7335	13 - FAX -	14 - FAX -	
15 - E-MAIL <a href="mailto:ri@totvs.com.br">ri@totvs.com.br</a>				

**01.03 - INVESTORS RELATIONS OFFICER (Company Mailing Address)**

1- NAME José Rogério Luiz				
2 - ADDRESS Av. Braz Leme, 1631			3 - DISTRICT Santana	
4 - ZIP CODE 02511-000	5 - CITY São Paulo		6 - STATE SP	
7 - AREA CODE 11	8 - TELEPHONE 3981-7000	9 - TELEPHONE -	10 - TELEPHONE -	11 - TELEX
12 - AREA CODE 11	13 - FAX 3981-7335	14 - FAX -	15 - FAX -	
15 - E-MAIL <a href="mailto:ri@totvs.com.br">ri@totvs.com.br</a>				

**01.04 – ITR REFERENCE AND AUDITOR INFORMATION**

CURRENT YEAR		CURRENT QUARTER			PREVIOUS QUARTER		
1 - BEGINNING	2 - END	3 - QUARTER	4 - BEGINNING	5 - END	6 - QUARTER	7 - BEGINNING	8 - END
1/1/2008	12/31/2008	3	07/01/2008	09/30/2008	2	04/01/2008	06/30/2008
09 - INDEPENDENT AUDITOR Ernst & Young Auditores Independentes S.S.					10 - CVM CODE 00471-5		
11. TECHNICIAN IN CHARGE José Antonio de A. Navarrete					12 – TECHNICIAN'S CPF (INDIVIDUAL TAXPAYER'S ID) 120.817.178-08		

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**01.05 - CAPITAL STOCK**

Number of Shares (in units)	1 - CURRENT QUARTER 09/30/2008	2 - PREVIOUS QUARTER 06/30/2008	3 - SAME QUARTER, PREVIOUS YEAR 09/30/2008
<b>Paid-up Capital</b>			
1 - Common	31,152,402	26,688,402	26,688,402
2 - Preferred	0	0	0
3 - Total	31,152,402	26,688,402	26,688,402
<b>Treasury Stock</b>			
4 - Common	0	0	0
5 - Preferred	0	0	0
6 - Total	0	0	0

**01.06 - COMPANY PROFILE**

1 - TYPE OF COMPANY Commercial, Industrial and Others
2 - STATUS Operational
3 - NATURE OF OWNERSHIP Domestic Private
4 - ACTIVITY CODE 1150 - Communications and IT
5 - MAIN ACTIVITY Software Development
6 - CONSOLIDATION TYPE Total
7 - TYPE OF REPORT OF INDEPENDENT AUDITORS Unqualified

**01.07 - COMPANIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS**

1 - ITEM	2 - CNPJ (Corporate Taxpayer's ID)	3 - COMPANY NAME
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**01.08 - CASH DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER**

1 - ITEM	2 - EVENT	3 - APPROVAL	4 - TYPE	5 - DATE OF PAYMENT	6 - TYPE OF SHARE	7 - AMOUNT PER SHARE
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**01.09 – SUBSCRIBED CAPITAL AND CHANGES IN THE CURRENT YEAR**

1 - ITEM	2 - DATE OF CHANGE	3 - CAPITAL STOCK (In thousands of reais)	4 - AMOUNT OF CHANGE (In thousands of reais)	5 - NATURE OF CHANGE	7 - NUMBER OF SHARES ISSUED (In units)	8 - SHARE PRICE WHEN ISSUED (in reais)
01	08/19/2008	376,493	69,120	Incorporation of Companies	4,464,000	0,0000000

**01.10 – INVESTORS RELATIONS OFFICER**

1 – DATE 09/30/2008	2 – SIGNATURE
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**02.01 - BALANCE SHEET - ASSETS (in thousands of Reais)**

1 - CODE	2 - DESCRIPTION	3 - 09/30/2008	4 - 06/30/2008
1	Total Assets	923,595	444,960
1,01	Current Assets	158,034	186,358
1.01.01	Cash and Banks	68,816	90,922
1.01.01.01	Cash and Cash Equivalents	68,816	82,311
1.01.01.02	Marketable Securities	0	8,611
1.01.02	Receivables	68,603	75,633
1.01.02.01	Trade Accounts Receivable	65,616	66,692
1.01.02.01.01	Accounts Receivable	72,214	74,175
1.01.02.01.02	Allowance for Doubtful Accounts	(6,598)	(7,483)
1.01.02.02	Sundry Receivables	2,987	8,941
1.01.02.02.01	Dividends Receivable	7	4,716
1.01.02.02.02	Recoverable Taxes	2,980	4,255
1.01.03	Inventories	0	0
1.01.04	Other	20,615	19,803
1.01.04.01	Deferred Income and Social Contribution Taxes	13,177	12,888
1.01.04.02	Other Current Assets	7,438	6,915
1.02	Noncurrent Assets	765,561	258,602
1.02.01	Long-term Assets	45,528	40,749
1.02.01.01	Sundry Credits	7,069	4,141
1.02.01.01.01	Accounts Receivable	7,069	4,141
1.02.01.02	Credit with Related Parties	4,736	6,027
1.02.01.02.01	Direct and Indirect Affiliates Companies	0	0
1.02.01.02.02	Subsidiaries	4,736	6,027
1.02.01.02.03	Other Related Parties	0	0
1.02.01.03	Other	33,723	30,581
1.02.01.03.01	Deferred Income and Social Contribution Taxes	26,406	23,526
1.02.01.03.02	Judicial Deposits	6,619	6,284
1.02.01.03.03	Other Assets	698	771
1.02.02	Permanent Assets	720,033	217,853
1.02.02.01	Investments	213,677	27,474
1.02.02.01.01	In Affiliates	0	0
1.02.02.01.02	In Affiliates - Goodwill	0	0
1.02.02.01.03	In Subsidiaries	213,673	27,470
1.02.02.01.04	In Subsidiaries - Goodwill	0	0
1.02.02.01.05	Other Investments	4	4
1.02.02.02	Equipment	13,429	13,019
1.02.02.02.01	Cost	31,555	30,117
1.02.02.02.02	(-) Depreciation	(18,126)	(17,098)
1.02.02.03	Intangible	492,927	177,360
1.02.02.03.01	Cost	623,823	289,215
1.02.02.03.02	(-) Amortization	(130,896)	(111,855)
1.02.02.04	Deferred Charges	0	0

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**02.02 - BALANCE SHEET - LIABILITIES (in thousands of Reais)**

1 – CODE	2 – DESCRIPTION	3 – 09/30/2008	4 – 06/30/2008
2	Total Liabilities	923,595	444,960
2.01	Current Liabilities	75,824	54,398
2.01.01	Loans and Financing	266	0
2.01.01.01	Notes Payable	0	0
2.01.02	Debentures	1,661	0
2.01.03	Suppliers	10,054	4,354
2.01.04	Taxes, Charges and Contributions	12,319	1,739
2.01.05	Dividends Payable	248	253
2.01.06	Provisions	0	0
2.01.07	Debts with Related Parties	0	0
2.01.08	Other	51,276	48,052
2.01.08.01	Salaries and Charges Payable	32,410	29,203
2.01.08.02	Commissions Payable	11,548	11,549
2.01.08.03	Investment Acquisition Liabilities	7,044	7,044
2.01.08.04	Other Accounts Payable	274	256
2.02	Noncurrent Liabilities	370,927	11,874
2.02.01	Long-term Liabilities	370,927	11,874
2.02.01.01	Loans and Financing	160,000	0
2.02.01.02	Debentures	200,000	0
2.02.01.03	Provisions	1,763	2,704
2.02.01.03.01	Provisions for Contingencies	1,155	1,470
2.02.01.03.02	Provision for Losses from Investments	608	1,234
2.02.01.04	Debts with Related Parties	0	0
2.02.01.05	Advances for Future Capital Increase	0	0
2.02.01.06	Other	9,164	9,170
2.02.01.06.01	Taxes Payable	0	6
2.02.01.06.02	Investment Acquisition Liabilities	9,164	9,164
2.02.01.06.03	Other Liabilities	0	0
2.02.02	Deferred Income	0	0
2.04	Shareholders' Equity	476,844	378,688
2.04.01	Paid-up Capital	376,493	307,373
2.04.02	Capital Reserves	45,886	31,557
2.04.03	Revaluation Reserves	0	0
2.04.03.01	Own Assets	0	0
2.04.03.02	Affiliates	0	0
2.04.04	Income Reserves	17,734	17,734
2.04.04.01	Legal	3,549	3,549
2.04.04.02	Statutory	0	0
2.04.04.03	For Contingencies	0	0
2.04.04.04	Unrealized Profit	0	0
2.04.04.05	Retention of Profit	14,185	14,185
2.04.04.06	Special for Non-Distributed Dividends	0	0
2.04.04.07	Other Profit Reserves	0	0
2.04.05	Retained Earnings/Accumulated Losses	36,731	22,024
2.04.06	Advances for Future Capital Increase	0	0

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**03.01 – STATEMENT OF INCOME (in thousands of Reais)**

1 – CODE	2 – DESCRIPTION	3- 07/01/2008 to 09/30/2008	4- 1/1/2008 to 09/30/2008	5- 07/01/2007 to 09/30/2007	6-01/01/2007 to 09/30/2008
3.01	Gross Revenue from Sales and/or Services	128,157	370,641	106,153	272,890
3.01.01	License Fees	29,250	93,216	25,423	67,034
3.01.02	Services	37,391	101,606	30,599	79,856
3.01.03	Maintenance	61,516	175,819	50,131	126,000
3.02	Gross Revenue Deductions	(13,830)	(40,053)	(10,634)	(26,528)
3.02.01	Cancellation of Services and Sales	(4,707)	(13,764)	(3,233)	(6,754)
3.02.02	Taxes on Services and Sales	(9,123)	(26,289)	(7,401)	(19,774)
3.03	Net Revenue from Sales and/or Services	114,327	330,588	95,519	246,362
3.04	Cost of Goods and/or Services Sold	(32,026)	(91,275)	(26,857)	(68,487)
3.04.01	Cost of License Fees	(1,513)	(2,875)	(1,494)	(3,376)
3.04.02	Cost of Services	(30,513)	(88,400)	(25,363)	(65,111)
3.05	Gross Income	82,301	239,313	68,662	177,875
3.06	Operating Revenues/Expenses	(67,386)	(197,539)	(57,229)	(148,740)
3.06.01	Selling	(6,455)	(18,723)	(6,854)	(17,329)
3.06.02	General and Administrative	(9,828)	(29,624)	(8,617)	(24,100)
3.06.03	Financial	2,465	5,636	436	1,538
3.06.03.01	Financial Revenues	3,150	8,345	2,794	8,025
3.06.03.02	Financial Expenses	(685)	(2,709)	(2,358)	(6,487)
3.06.04	Other Operating Revenues	0	0	0	0
3.06.05	Other Operating Expenses	(61,136)	(161,480)	(43,716)	(120,251)
3.06.05.01	Research and Development	(12,852)	(36,663)	(9,950)	(26,586)
3.06.05.02	Advertising Expenses	(4,429)	(10,427)	(2,938)	(8,134)
3.06.05.03	Commissions	(16,879)	(48,381)	(12,478)	(33,161)
3.06.05.04	Management Fees	(4,387)	(12,109)	(4,458)	(10,341)
3.06.05.05	Depreciation and Amortization	(20,078)	(47,490)	(12,481)	(37,230)
3.06.05.06	Allowance for Doubtful Accounts	(1,650)	(4,177)	(658)	(2,930)
3.06.05.07	Extraordinary Expenses	0	0	0	0

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**03.01 – STATEMENT OF INCOME (in thousands of Reais)**

1 – CODE	2 – DESCRIPTION	3- 07/01/2008 to 09/30/2008	4- 1/1/2008 to 09/30/2008	5- 07/01/2007 to 09/30/2007	6-01/01/2007 to 09/30/2008
3.06.05.08	Other Net Operating Expenses	(861)	(2,233)	(753)	(1,869)
3.06.06	Equity Pickup	7,568	6,652	1,522	11,402
3.07	Operating results	14,915	41,774	11,433	29,135
3.08	Non-Operating (Expense) Income	62	(181)	(60)	319
3.08.01	Income	62	0	0	0
3.08.02	Expenses	0	(181)	(60)	(60)
3.09	Income Before Tax/Interests	14,977	41,593	11,373	29,454
3.10	Provision for Income Tax and Social Contribution	(3,439)	(11,825)	(1,481)	(7,570)
3.11	Deferred Income Tax	3,169	6,963	(54)	5,827
3.12	Statutory Interests/Contributions	0	0	0	0
3.12.01	Interests	0	0	0	0
3.12.02	Contributions	0	0	0	0
3.13	Reversal of Interest on Own Capital	0	0	0	0
3.15	Income for the Period	14,707	36,731	9,838	27,711
	No. SHARES, EX-TREASURY (in Units)	31,152,402	31,152,402	26,688,402	26,688,402
	EARNINGS PER SHARE (In Reais)	0,47210	1,17907	0,36862	1,03832
	LOSS PER SHARE (In Reais)				

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04.01 – NOTES TO THE FINANCIAL STATEMENTS

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\*\*\* (In thousands of Reais) \*\*\*

## 1. Operations, business combinations and Company's merger

### a) Operations

The business purpose of Totvs S.A., (hereinafter referred to as "Parent Company", "Totvs", or "the Company") is the development and sale of rights of use of information technology systems and the rendering of implementation, consultation, assistance and maintenance services related thereto. The main software products developed by the Company are ERP (Enterprise Resource Planning) applications that have the purpose of electronically integrating the strategic and operating levels of a user company, allowing the creation of information flows which comprehend the operating needs and those related to management information of different areas of the user company. The main areas comprised by the Company's ERP software products are: management, finance, operations, industrial, human resources and customer service.

Transactions between the Parent Company and the subsidiaries are conducted under conditions and prices established between the parties.

### b) Business combination and company merger

On July 22, 2008, the boards of directors of Totvs and Datasul S.A. ("Datasul") approved the proposal of corporate restructuring of both Companies in order to integrate their activities.

On August 19, 2008, at the Extraordinary General Meeting, the shareholders of both Companies approved the corporate restructuring, established as follows:

- (i) Merger of Datasul's shares by Makira do Brasil S.A. ("Makira"), at market value, in the amount of R\$563,450, resulting in common shares and redeemable preferred shares issued by Makira, on behalf of Datasul's shareholders on the date of the respective resolution.
- (ii) In the same act of incorporating Datasul's shares, they resolved the redemption of Makira's redeemable preferred shares, in the amount of R\$417,455, issued on behalf of Datasul's former shareholders on the date of the respective resolution, to be paid within 35 days from the date of publication of the Shareholders General Meeting's minutes.



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04.01 – NOTES TO THE FINANCIAL STATEMENTS

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\*\*\* (In thousands of Reais) \*\*\*

## 1. Operations, business combinations and Company's merger -- Continued

### b) Business combination and company incorporation -- Continued

- (iii) In the same act, in a different and posterior resolution, the incorporation of Makira by Totvs, with absorption of Makira's net assets, assessed at book value, considering the effects of the Incorporation of Datasul's Shares, and the dissolution of Makira. As a result, 4,460,000 nonpar common shares were issued by Totvs on behalf of Datasul's former Shareholders, currently Makira's shareholders.
- (iv) Datasul's former shareholders received an amount totaling R\$480,000 in cash, corresponding to the sum of (a) R\$417,455 for the redemption of Makira's redeemable preferred shares and (b) R\$62,545 for the payment of Datasul's dividends.

As a result of the merger of Makira, the shareholders' equity of the Company was increased by R\$83,450 which corresponds to the book value of Makira's net assets. Out of the equity increase amount verified by the Company, (a) R\$14,330 were allocated to the capital reserve and (b) R\$69,120 were allocated to the Company's capital increase, upon the issue of 4,464,000 registered common shares to Datasul's former shareholders.

## 2. Basis of preparation and presentation of the quarterly financial information

The accounting practices adopted in the preparation of the quarterly financial information are consistent with those disclosed in the financial statements for the year ended December 31, 2007. The Company's Board of Directors authorized the conclusion of Quarterly Information on November 3, 2008.

The preparation process of the quarterly financial information involves the use of accounting estimates. These estimates were based on objective and subjective factors, which result from the management's analysis to determine the proper amount of assets and liabilities to be recorded in the financial statements. Significant items subject to these estimates and premises include the selection of the useful lives of equipment, future profitability expected from intangible assets and its recoverability in the operations, analysis of the credit risk to record provisions for doubtful accounts, as well as the analysis of other risks to record other provisions, including for contingencies and evaluation of financial instruments and other assets and liabilities on the balance sheet date.

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## 2. Basis of preparation and presentation of the quarterly financial information -- Continued

The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the quarterly financial information due to inaccuracies inherent to the estimate process. The Company reviews its estimates and premises at least on a quarterly basis.

The assets and liabilities are classified as current when its realization or settlement is probable within twelve months. Otherwise, they are recorded as non-current. Monetary assets and liabilities denominated in foreign currencies were translated into Reais at the exchange rate verified on the closing date of the balance sheet. The differences arising from this translation were recognized at the income statement. For foreign subsidiaries, their assets and liabilities were translated into Reais at the exchange rate on the closing date of the balance sheet and the results were translated at the monthly average rate.

### 2.1 Reconciliation of shareholders' equity and net income of the Parent Company and the Consolidated

The balance sheets and income statements of periods identified as "Consolidated" include capitalization of leased financial assets, as required by Law 11638/07. In the balance sheets and income statements identified as "Parent Company", this lease is recognized as operating lease.

The reconciliation of shareholders' equity and net income of the Parent Company and the Consolidated is summarized as follows:

	Shareholders' equity on		Net income for the nine-month period ended on	
	September 30, 2008	June 30, 2008	September 30, 2008	September 30, 2007
According to Parent Company	476,844	378,688	36,731	27,711
- Lease payable	(4,655)	(4,904)	408	(1,622)
- Leased assets	9,992	9,752	713	1,853
- Depreciation of leased assets	(4,225)	(3,916)	(676)	(462)
- Deferred income and social contribution taxes on the net effects resulting from the lease	(378)	(317)	(151)	78
Total effects	734	615	294	(153)
According to the Consolidated	477,578	379,303	37,025	27,558

In view of the business combination related to Datasul, BCS Holding e Participações Ltda. ("BCS" or "BCS Holding") and Midbyte Informática S.A. ("Midbyte") performed during the fiscal year of 2008 and the merger of subsidiaries RM Sistemas S.A. ("RM") and RM Software Ltda. held during the fiscal year of 2007, Note 7, the comparison of Parent Company and Consolidated financial figures was impaired.

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04.01 – NOTES TO THE FINANCIAL STATEMENTS

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\*\*\* (In thousands of Reais) \*\*\*

## 2. Basis of preparation and presentation of the quarterly financial information -- Continued

### 2.2 Amendments to the Brazilian Corporation Law – Law No. 11638/07

Law No. 11638 enacted on December 28, 2007 amends, revokes and introduces new provisions in Law No. 6404, of December 15, 1976 and in Law No. 6385, of December 7, 1976. The main purpose of such amendments and insertions is to revise the Brazilian Corporation Law to allow convergence of accounting practices adopted in Brazil with the international accounting practices set by the International Accounting Standards Board – IASB.

The requirements of this new Law apply to financial statements for fiscal years beginning as from January 1, 2008. These requirements do not characterize changes in circumstances or estimates, therefore, the adoption of the new practices introduced by Law No. 11638/07 shall be, as a general rule, on a retrospective basis, i.e. applying these new accounting practices as if they were in use during all the periods presented, observing the standard on “Accounting Practices, Changes in Accounting Estimates and Correction of Errors”, approved by the Brazilian Securities and Exchange Commission (CVM), through Resolution No. 506.

CVM Ruling No. 469 was issued on May 2, 2008, which partially regulated Law No. 11638/07, establishing the minimum requirements to be observed in presenting quarterly financial information (ITR) in 2008. Under certain conditions, this Ruling allowed the provisions of said Law not to be initially fully adopted. Company management did not choose the full adoption, as such applied Law No. 11638/07 within the minimum extent required by CVM Ruling No. 469, in presenting its quarterly financial information (ITR) in 2008.

Among the main changes in accounting standards introduced by said Law, we highlight below those which, according to a preliminary analysis made by the Management, may come to significantly affect the financial statements of the Company and its subsidiaries:

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## 2. Basis of preparation and presentation of the quarterly financial information -- Continued

### 2.2 Amendments to the Brazilian Corporation Law – Law No. 11638/07--Continued

- In business combinations between independent parties with effective control transfer, the assets and liabilities of the company to be merged, or resulting from merge or spin-off, shall be stated at market value. In the nine-month period ended September 30, 2008, the Company performed business combination related to 100% ownership interest in Datasul, 70% ownership interest in Midbyte Informática S.A. ("Midbyte") and 100% ownership interest in BCS Holding e Participações Ltda. ("BCS"), with goodwill amounted to R\$333,805, R\$7,976 and R\$42,307, respectively (Note 8). The computed goodwill has a temporary nature since Company management is performing a detailed analysis to identify and measure the market value of the assets and liabilities resulting from these operations.
- Compulsory recording in property, plant and equipment account of rights related to tangible assets destined to maintenance of Company activities, including those resulting from operations transferring to the Company the rewards, risks and control related to the assets, such as for instance financial leasing. The Company adopts the accounting practice of recognizing financial leasing in its consolidated financial statements (Note 2.1), as such, if these leases were recognized in the financial statements of the Parent Company of September 30, 2008, shareholders' equity and net income for the nine-month period then ended would be increased by R\$734 and R\$294, respectively, after tax effects (Note 2.1).
- Compensation of employees and directors, even when made in the form of financial instruments, such as shares and stock options. The Company disclosed (Note 15) the terms of the Stock Options Plan and the possible accounting effects existing at quarterly financial information date.
- Introduction of adjustment to present value of noncurrent and material current assets and liabilities operations. The Company has not identified any operation generating significant effect on the financial statements related to adjustment to present value.
- Inclusion of the Statement of Value Added in the financial statements. Company management will present said statement in the annual December 31, 2008 financial statements.

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## 2. Basis of preparation and presentation of the quarterly financial information -- Continued

### 2.2 Amendments to the Brazilian Corporation Law – Law No. 11638/07--Continued

In the Management's opinion, the other changes introduced by the Law No. 11638/07 should not generate significant impact in the financial statements for the year-ending December 31, 2008 or may not be applicable, as follows:

- Analysis of recoverability of fixed and intangible assets as established by CPC Pronouncement 01, approved by CVM Resolution No. 527. The Company will perform the analysis based on the requirements of the referred to pronouncement in preparing its December 31, 2008 financial statements.
- Investments in financial instruments, including derivatives, shall be recorded: (i) at market or equivalent value, when for trading or available for sale; and (ii) at cost of acquisition or issue value, restated according to legal or contractual provisions, adjusted to probable realization value when this is lower. The Company already complies with these provisions.
- Change in the criteria and basis for investment in subsidiaries and affiliated companies treated under the equity method. The investments held by the Company are in subsidiaries that continue to be treated under the equity method.

The Company already discloses the cash flow statements, thus the requirement introduced by Law No. 11638/07 does not generate any changes in the disclosures adopted by the Company.

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## 2. Basis of preparation and presentation of the quarterly financial information -- Continued

### 2.3 Consolidated companies

The accounting information comprising the quarterly financial information includes the Company's operation and of its subsidiaries, as follows:

Subsidiaries	Interest			
	2008		2007	
	Direct	Indirect	Direct	Indirect
Totvs Rio Software Ltda.	100.0%	-	100.0%	-
Microsiga Argentina S.A.	100.0%	-	100.0%	-
Microsiga México S.A.	98.0%	-	97.5%	-
Makira do Brasil S.A. (a)	-	-	100.0%	-
Microsiga Corporation	100.0%	-	100.0%	-
Totvs Vitória Software Ltda.	100.0%	-	100.0%	-
Totvs Brasil Central Software Ltda. (b)	-	-	90.0%	-
Totvs Mato Grosso Software Ltda.	-	-	-	90.0%
Totvs Mato Grosso do Sul Software Ltda.	-	-	-	90.0%
Microsiga Nordeste Software Ltda.	100.0%	-	100.0%	-
Setware Informática Ltda	-	100.0%	-	-
Totvs Brasília Software Ltda.	100.0%	-	100.0%	-
RO Resultados em Outsourcing S.A.	60.0%	-	60.0%	-
Totvs BMI Consultoria S.A.	100.0%	-	55.0%	-
Inteligência Organizacional Serviços, Sistemas e Tecnologia em Software Ltda. (b)	100.0%	-	-	-
Eurototvs Lda.	100.0%	-	100.0%	-
TQTV D Software Ltda. ("TQTV D") (c)	70.0%	-	70.0%	-
Look S.A.	51.0%	-	51.0%	-
BCS Holding Participações Ltda. (c)	100.0%	-	-	-
BCS Comércio e Serviços de Informática Ltda.	-	100.0%	-	-
BCS Engenheiro Associados Ltda.	-	100.0%	-	-
BCSFLEX Comércio e Serviços de Informática Ltda.	-	100.0%	-	-
HBA Informática Ltda.	-	100.0%	-	-
Midbyte Informática S.A. (c)	70.0%	-	-	-
Datasul S.A. (c)	100.0%	-	-	-
Datasul S.A. de CV	-	100.0%	-	-
Datasul Incorporation	-	96.4%	-	-
Datasul Argentina S.A.	-	100.0%	-	-
Datasul Serviços em Informática e consultoria S.A.	-	100.0%	-	-
Gens Tecnologia da Informação Ltda.	-	100.0%	-	-
YMF Arquitetura Financeira de Negócios S.A.	-	80.0%	-	-
Tools Arquitetura Financeira de Negócios S.A.	-	90.0%	-	-
DTSL Sistemas e Serviços de Informática S.A.	-	100.0%	-	-
Soft Team Consultoria e informática Ltda.	-	100.0%	-	-

(a) Company incorporated in 2008 (note 1).

(b) Ownership interest sold in 2008.

(c) Business combination in 2008.

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## 2. Basis of preparation and presentation of the quarterly financial information -- Continued

### 2.3 Consolidated companies -- Continued

All balances and transactions between the companies were removed in the consolidation. The accounting practices used by the subsidiaries are consistent to those adopted by the Company, and also consistent when compared to previous year.

### 2.4 Statements of cash flow

The statements of cash flows (parent company and consolidated), prepared according to the NPC-20 of Ibracon – Independent Auditors Institute, are presented in Note 10. The changes to operating, investment and financing activities arising from acquisitions and incorporations of subsidiaries performed in the course of quarters ended on September 30, 2008 and 2007, mentioned in the note 14, were included, line by line in these statements.

## 3. Main accounting practices

### a) Revenues and expenses

The Company and its subsidiaries accrued, mainly, the software license revenue, comprising the licensing fees, revenue from services, including consulting fees, revenue from supporting and maintenance services for the product's technological upgrade and revenue from telephone services.

The revenues related to the use license are recognized upon execution of the agreement and the software is delivered to the client. Revenues from use license resulting from subscription are recognized on a monthly basis by client, for a term set forth in the agreement.

The revenues from services are billed separately and recognized as the services are rendered. Revenues from the maintenance service for technological upgrade and help desk service are billed and recognized on a monthly basis, during the effectiveness of the agreement with clients.

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### 3. Main accounting practices -- Continued

#### a) Revenues and expenses -- Continued

The cost related to the revenue from licensing fees includes costs of acquisition of data base, to distribute the product, costs of media in which the product is delivered, and price of licenses paid to third parties, in case of resold software. The cost related to the revenue from maintenance and services consists mainly in the salary of consulting and supporting personnel and costs related to those areas.

Expenses with research and development incurred by the development (software programming and manufacturing) area, linked to new software versions and upgrade of existing software, are registered as expenses for the year in which they incurred and are stated separately from selling costs, in operating expenses.

#### b) Cash and cash equivalents

The cash and cash equivalents are represented by the balances in bank accounts and financial investments. Financial investments have immediate liquidity and are stated by the investment amount, plus contracted yields and recognized proportionally up to the balance sheet date, diminished from provision for market, when this provision is lower than cost.

#### c) Allowance for doubtful accounts

Allowance for doubtful account is calculated based on expected losses and its amount is considered sufficient to cover possible losses in the realization of accounts receivables from clients.

#### d) Investments

The Company's investments in subsidiaries are evaluated by the equity accounting method.



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### 3. Main accounting practices -- Continued

#### e) Equipment

Equipment are stated at acquisition cost, deducted the accumulated depreciation. Depreciation is calculated by the straight-line method based on the estimated economic-useful life of the assets. Equipment from financial lease are capitalized for consolidation purposes and depreciated by the straight-line method in the term of the estimated economic-useful life of the assets. The depreciation of these assets is included in the item of expenses from depreciation in the consolidated financial statements. In the parent company's financial statements, the lease agreements are not capitalized.

#### f) Intangible assets

It is chiefly state at goodwill linked to company acquisitions, disbursements to purchase rights to explore areas and development of new products and copyrights of products developed by third parties. These assets are amortized by the straight-line method, due to the expected profitability and future increasing revenues.

#### g) Other current and non-current assets

Other current and non-current assets are stated at cost value, plus yields and exchange variations verified, when applicable, and diminished from the provision to reflect the realization amount, when necessary.

#### h) Taxes

Taxes incurring on sales are accounted according to the accrual method. Income taxes and contributions were calculated according to the legislation in force and provisioned by the obligation method, which requires that taxes and contributions on income incurring on temporary differences are deferred.

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### 3. Main accounting practices -- Continued

i) Provisions for legal obligations related to legal proceedings

Probable losses expected at the end of tax, labor or civil liabilities proceedings are registered as provision. Taxes and contributions related to court disputes are maintained on a long-term basis until these lawsuits become final and unappealable, or that the prescriptive period is concluded, when taxes are paid or allocated to the year's results, depending on the judgments rendered regarding the lawsuits. The provision recorded considers the expected probable loss amount, established by the Company management which takes into consideration the opinion of the Company's lawyers.

j) Earnings per share

The calculation was carried out by using the number of outstanding shares at the end of the year.

k) Credit risk

Financial instruments which may subject the Company and its subsidiaries to credit risk are mainly represented by the financial investments and accounts receivable from clients. The Company has financial investments policies which restrict the investments in low risk securities and investments in first-grade financial institution.

The Management believes that the risk related to the accounts receivable from clients is minimized by the fact that the client structure of the Company is highly diversified. No client represents 10% or more of neither revenue on September 30, 2008 and 2007, nor accounts receivable on September 30 and June 30, 2008. The Company does not require any guarantee on installment sales.

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#### 4. Cash and cash equivalents

	Parent Company		Consolidated	
	September 30, 2008	June 30, 2008	September 30, 2008	June 30, 2008
Cash and banks	11,676	14,991	15,687	16,558
Financial investments:				
Interbank Deposit (DI) mutual funds	44,839	54,891	112,007	58,725
Multi-market funds	-	3,370	-	3,370
Fixed-income	1,468	4,479	1,468	4,479
Operations with repurchase agreement	10,833	4,580	14,809	13,084
	<b>68,816</b>	<b>82,311</b>	<b>143,971</b>	<b>96,216</b>

Financial investments are represented by Interbank Deposits (DI) mutual funds, fixed income, multi-market funds and operations with repurchase agreement (debentures backed operations with repurchase agreement with the issuer), and are redeemable at maturity of less than 90 days from the balance sheet date.

Those investments were signed with first-grade financial institutions and bear interest based on the Interbank Certificate of Deposit Rate (CDI).

#### 5. Marketable securities

Marketable securities balances amount to R\$8,611 in the Parent Company and R\$10,168 in the Consolidated figures as of June 30, 2008, and referred to Operations with Repurchase Agreement, and were redeemed in the quarter ended on September 30, 2008.

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## 6. Income and social contribution taxes

Income and Social Contribution Taxes, current and deferred, were recorded pursuant to the current rates in force. Deferred income tax and social contribution are calculated over temporary differences and income and social contribution tax loss carry forwards.

Expense from income and social contribution taxes reconciliation:

	Parent Company		Consolidated	
	September 30,		September 30,	
	2008	2007	2008	2007
Income for the nine-month period before taxes	41,593	29,454	47,378	33,453
Income and social contribution taxes at nominal rate of 34%	(14,142)	(10,014)	(16,109)	(11,374)
Adjustments for calculation of effective rate				
Equity pickup	2,262	3,877	-	-
Law 11,196/05 (Incentive to Research & Development)	7,822	5,701	9,033	6,128
Effect of differentiated taxation of subsidiaries	-	-	(1,508)	858
Uncollectible receivables	(139)	(101)	(40)	(101)
Management fee	(73)	-	(63)	-
Other	(592)	(1,206)	(1,222)	(1,170)
Expense from income tax and social contribution	(4,862)	(1,743)	(9,909)	(5,659)
Effective rate	11.7%	5.9%	20.9%	16.9%

Deferred income and social contribution taxes are as follows:

	Parent Company		Consolidated	
	September 30, 2008	June 30, 2008	September 30, 2008	June 30, 2008
<u>Assets</u>				
Resulting from temporary differences:				
Amortized goodwill	18,759	16,226	18,814	16,226
Provision for commissions	5,000	4,958	7,789	5,023
Advanced revenues or billing	7,491	7,403	7,571	7,700
Allowance for doubtful accounts	2,177	1,936	2,870	2,073
Provision for contingencies and other liabilities	5,470	5,365	8,612	5,365
Income and social contribution tax loss carryforwards	-	-	1,078	1,294
Provision for use license and other costs	-	-	1,906	-
Other	686	526	715	526
Total deferred income tax and social contributions – assets	39,583	36,414	49,355	38,207
Current assets	(13,177)	(12,888)	(18,138)	(13,249)
Noncurrent assets	26,406	23,526	31,217	24,958
<u>Liabilities</u>				
Resulting from temporary differences:				
Leasing	-	-	378	317
Total deferred taxes and contributions – liabilities	-	-	378	317

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## 7. Investments

The breakdown of investments is presented below:

	Investees' amounts on September 30, 2008		Equity pickup in nine- month period ended on		Balance of investments on		Balance of provision for losses on	
	Shareholders' equity	Results for the period	September 30, 2008	September 30, 2007	September 30, 2008	June 30, 2008	September 30, 2008	June 30, 2008
Totvs Rio Software Ltda.	9,248	2,063	<b>2,063</b>	1,829	<b>9,248</b>	8,271	-	-
Microsigla Argentina S.A.	2,281	523	<b>523</b>	1,015	<b>2,281</b>	2,042	-	-
Microsigla México S.A.	1,900	(8,013)	<b>(7,888)</b>	(928)	<b>1,828</b>	4,375	-	-
Makira do Brasil S.A. (a)	-	936	<b>936</b>	1,252	-	875	-	-
Totvs Corporation	2,395	65	<b>65</b>	(39)	<b>2,395</b>	1,973	-	-
Totvs Vitória Software Ltda.	1,676	(183)	<b>(183)</b>	27	<b>1,676</b>	1,906	-	-
Totvs Brasil Central Software Ltda.	-	182	<b>164</b>	43	-	-	-	-
Totvs Nordeste Software Ltda.	5,173	126	<b>126</b>	154	<b>5,173</b>	-	-	114
Totvs Brasília Software Ltda.	(434)	103	<b>103</b>	30	-	-	<b>435</b>	512
RM Sistemas S.A. (b)	-	-	-	7,743	-	-	-	-
RM Software Ltda. (b)	-	-	-	31	-	-	-	-
Inteligência Organizacional Serviços, Sistemas e Tecnologia em Software Ltda. ("IOSSTS")	(173)	(204)	<b>(204)</b>	-	-	-	<b>173</b>	608
Eurototvs Lda.	395	(13)	<b>(13)</b>	-	<b>395</b>	339	-	-
Midbyte Informática S.A. (c)	1,007	762	<b>534</b>	-	<b>705</b>	525	-	-
TQTVD Software Ltda. ("TQTVD") (c)	4,672	4	<b>3</b>	-	<b>3,425</b>	2,441	-	-
BCS Holding Participações Ltda. (c)	3,697	1,562	<b>1,562</b>	-	<b>3,697</b>	2,998	-	-
Look S.A.	239	(2)	<b>(1)</b>	-	<b>122</b>	112	-	-
RO Resultados em Outsourcing S.A.	1,570	(8)	<b>(5)</b>	201	<b>942</b>	772	-	-
Datasul S.A. (c)	180,671	8,641	<b>8,641</b>	-	<b>180,671</b>	-	-	-
TotvsConsulting Ltda. (former Totvs BMI Consultoria Ltda.)	1,115	226	<b>226</b>	44	<b>1,115</b>	841	-	-
			<b>6,652</b>	11,402	<b>213,673</b>	27,470	<b>608</b>	1,234
Other investments			-	-	<b>4</b>	4	-	-
			<b>6,652</b>	11,402	<b>213,677</b>	27,474	<b>608</b>	1,234

- (a) Company incorporated in 2008 (Note 1).  
(b) Company incorporated in April 2007.  
(c) Business combination in 2008 (Note 8).

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**8. Intangible assets**

	Amortization term	Parent Company				Consolidated			
		September 30, 2008			June 30, 2008	September 30, 2008			June 30, 2008
		Cost	Accumulated amortization	Net	Net	Cost	Accumulated amortization	Net	Net
<b>Goodwill from the acquisitions of:</b>									
RM (a)	60 months	202,206	(101,104)	101,102	111,212	202,206	(101,104)	101,102	111,212
Logocenter S.A. (a)	60 months	24,443	(17,517)	6,926	8,148	24,443	(17,517)	6,926	8,148
Totvs BMI	60 months	2,933	(734)	2,199	2,346	2,933	(734)	2,199	2,346
Midbyte	96 months	7,976	(748)	7,228	7,477	7,976	(748)	7,228	7,477
BCS	96 months	42,307	(2,644)	39,663	40,985	42,307	(2,644)	39,663	40,985
IOSSTS	60 months	3,374	(562)	2,812	2,981	3,374	(562)	2,812	2,981
Datasul	120 months	333,805	(5,563)	328,242	-	333,805	(5,563)	328,242	-
Setware	60 months	-	-	-	-	3,250	(162)	3,088	-
Datasul – Mabjos (b)	60 months	-	-	-	-	25,899	(21,583)	4,316	-
Datasul – Saúde Tecnologia da Informação Ltda. (c)	120 months	-	-	-	-	6,338	(888)	5,450	-
YMF Participações Ltda. (c)	104 months	-	-	-	-	53,455	(3,008)	50,447	-
Próxima Software e Serviços S.A. (c)	60 months	-	-	-	-	7,429	(1,193)	6,236	-
Tools Participações Ltda. (c)	60 months	-	-	-	-	18,057	(1,307)	16,750	-
Techprod Informática Ltda. (c)	60 months	-	-	-	-	10,615	(263)	10,352	-
Tech Serv Informática Ltda. (c)	60 months	-	-	-	-	4,493	(250)	4,243	-
Degus Tecnologia em Software S.A. (c)	60 months	-	-	-	-	1,612	(245)	1,367	-
Datasul Serviços em Informática e Consultoria S.A.	60 months	-	-	-	-	1,755	(340)	1,415	-
Gens Tecnologia da Informação Ltda	60 months	-	-	-	-	12,734	(283)	12,451	-
Soft Team Consultoria e informática Ltda.	60 months	-	-	-	-	4,076	(641)	3,435	-
Intellectual Values S.A.	60 months	-	-	-	-	1,594	-	1,594	-
		<b>617,044</b>	<b>(128,872)</b>	<b>488,172</b>	173,149	<b>768,351</b>	<b>(159,035)</b>	<b>609,316</b>	173,149
<b>Other intangibles:</b>									
Right to explore areas and third-party products copyright		3,815	(1,844)	1,971	2,130	16,766	(2,210)	14,556	2,130
Product development		-	-	-	-	4,747	-	4,747	3,444
Brands and patents		460	-	460	460	544	-	544	509
Software		2,504	(180)	2,324	1,621	2,504	(180)	2,324	1,621
		<b>6,779</b>	<b>(2,024)</b>	<b>4,755</b>	4,211	<b>24,561</b>	<b>(2,390)</b>	<b>22,171</b>	7,704
		<b>623,823</b>	<b>(130,896)</b>	<b>492,927</b>	177,360	<b>792,912</b>	<b>(161,425)</b>	<b>631,487</b>	180,853

(a) Goodwill related to companies incorporated by the Company in previous years.

(b) Goodwill ascertained by Mabjos Participações Ltda. (“Mabjos”) in the acquisition of International Funds’ interest in Datasul S.A., in July 2004. Subsequently, on August 4, 2004, Datasul incorporated Mabjos.

(c) Goodwill related to companies incorporated by subsidiary Datasul, or its subsidiaries, on a date before the corporate restructuring mentioned in Note 1.

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## 8. Intangible assets – Continued

### Business combination

In addition to the business combination mentioned in Note 1, during the nine-month period ended on September 30, 2008, the Company has carried out the following combinations:

BCS – On April 11, 2008, the Company acquired all quotas of BCS Holding Participações Ltda. BCS Holding e Participações Ltda. is the full parent company of BCS Comércio e Serviços de Informática Ltda., BCS Engenheiros Associados Ltda., BCSFLEX Comércio e Serviços de Informática Ltda. and HBA Informática Ltda., which operate in the development of software for the management of law firms and legal departments, as well as in providing advisory services in technology solutions, from the analysis and development of projects to the implementation and management of the operation, all headquartered in the city of São Paulo. The transaction amount of R\$30,000 was paid on demand in April 2008, with two variable annual installments (“Variable Annual Installments”), between floor of R\$3,000 and cap of R\$9,000 each, to be paid upon attaining of operating performance target agreed by the parties, computed based on “BCS” results for 2008 and 2009. The Company recorded the variable annual installments payable, namely R\$6,419 in current liabilities and R\$7,789 in non-current liabilities (Note 9), considering BCS projected operating performance, supported by a valuation report.

Midbyte – On January 2, 2008, the Company acquired 28,000 common shares, corresponding to 70% of the capital stock of Midbyte Informática S.A. (“Midbyte”), company rendering information technology consulting services headquartered in the City of São Paulo, State of São Paulo. The purchase value may reach up to R\$8,000, being R\$6,000 paid in cash in January 2008, R\$625 recorded as current liabilities and R\$1,375 recorded as non-current liability (Note 9), to be paid upon accomplishment of the operating performance targets agreed between the parties, determined based on the results of Midbyte’s operations for the years of 2008, 2009 and 2010. The Company recorded the acquisition at total amount agreed (R\$8,000) according to the expectation that the operational performance target of Midbyte will be achieved and the commitment will be honored by the total value.

Setware – On July 1, 2008, the Company, through its subsidiary Totvs Nordeste Software Ltda., acquired all the quotas of Setware Informática Ltda. (“Setware”). The transaction amount may reach R\$3,450, of which R\$3,250 was paid in July 2008 and R\$200 will be paid upon attaining of operating performance target agreed by the parties, computed based on “Setware” results for 2008 and 2009.

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## 8. Intangible assets – Continued

### Goodwill

Datasul – Goodwill value is represented by the difference between the market value of Datasul's shares that were incorporated, in the amount of R\$563,450, increased by expenses with third parties, directly related to the transaction and Datasul's shareholders' equity book value on July 31, 2008, adjusted by the value of dividends proposed by Datasul, also related to the operation, in the amount R\$62,545.

Market value of Datasul's incorporated shares was established based on the average daily pricing weighted in the 90 days prior to June 30, 2008.

Other goodwill assessed by the Company and/or its subsidiaries was calculated by the difference between the acquisition cost, which included, when applicable, third party costs, directly related to the transaction and the equity book value of acquired subsidiaries.

Goodwill stated above is being amortized according to expected future profitability of investments, based on an independent appraisal report issued by a specialized company, which used the discounted cash flow criterion.

### Other intangible assets

At the Parent Company, rights to explore areas are related to the acquisition of customer portfolios in the regions of São Paulo Grande ABC and state of Minas Gerais, previously served by franchisees. These rights are being amortized between sixty and ninety-six months, according to the expectation of future profitability, grounded on independent appraisal reports issued by a specialized company that used the discounted cash flow criterion.

Copyrights of products developed by third parties as well as client portfolios are also included in the consolidated, for the following products: CRM, Meya, Soft Team, DTS Consulting Partner México and ERP Bonagura, which are being amortized on a straight-line basis, for a 60-month term.

Product development represents expenses incurred with the development of the software "Ginga TQTV D" that will allow the implementation of interactive applications for digital TV. Such software is being developed by the subsidiary TQTV D Software Ltda.



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## 9. Investment acquisition liabilities

These refer to investment acquisition liabilities carried out by the Company and subsidiary Datasul, traded with payment in installments, registered in current and non-current liabilities, as follows:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>September 30, 2008</u>	<u>June 30, 2008</u>	<u>September 30, 2008</u>	<u>June 30, 2008</u>
<u>Investments</u>				
BCS Holding Participações Ltda. (Note 8)	14,208	14,208	14,208	14,208
Midbyte Informática S.A. (Note 8)	2,000	2,000	2,000	2,000
YMF Participações Ltda.	-	-	11,904	-
Datasul Saúde Tecnologia da Informação Ltda.	-	-	690	-
Próxima Software e Serviços S.A.	-	-	932	-
Degus Tecnologia em Software S.A.	-	-	642	-
Datasul Processamento de Dados S.A.	-	-	129	-
Soft Team Sistemas de Computação e Informática Ltda.	-	-	2,227	-
Produto Serious	-	-	111	-
Produto Meya	-	-	671	-
Gens Tecnologia da Informação Ltda.	-	-	9,328	-
Tools Participações Ltda.	-	-	5,026	-
Techprod Informática Ltda.	-	-	2,234	-
Techserv Informática Ltda.	-	-	1,064	-
Total liabilities per investment acquisition	16,208	16,208	51,166	16,208
Current liabilities	(7,044)	(7,044)	(24,891)	(7,044)
Non-current liabilities	9,164	9,164	26,275	9,164

Installments registered in non-current liabilities mature as shown below:

<u>Year:</u>	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>September 30, 2008</u>	<u>June 30, 2008</u>	<u>September 30, 2008</u>	<u>June 30, 2008</u>
2009	-	-	4,025	-
2010	9,164	9,164	14,134	9,164
2011	-	-	2,799	-
2012	-	-	3,592	-
2013	-	-	1,725	-
Non-current liabilities	9,164	9,164	26,275	9,164

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## 10. Loans and financing

	Parent Company	Consolidated	
	September 30, 2008	September 30, 2008	June 30, 2008
BNDES	160,266	160,266	-
Software development – FINEP	-	2,513	-
Overdraft-secured accounts and other	-	723	555
	<u>160,266</u>	<u>163,502</u>	<u>555</u>
Current liabilities	(266)	(1,348)	(555)
Non-current liabilities	<u>160,000</u>	<u>162,154</u>	-

*BNDES* - On August 19, 2008, the Board of Directors approved the loan borrowing with the National Bank for Economic and Social Development (BNDES), in the amount of R\$204,500, in the scope of the Program for the Development of the National Software and Related Services Industry – PROSOFT.

In September 2008, the Company was provided with the amount of R\$160,000, which is secured by the letter of bank guarantee. The remaining amount will be provided in September 2009, as contract projection.

Loans have the purpose of financing software innovation researches, brand repositioning and restructuring of sale channels, being paid based on Long-Term Interest Rate (“TJLP”), increased by 1.5% interest p.a., maturing every six months.

*Software development – FINEP* - Said loan – contracted by subsidiary Datasul – is paid based on the Long-Term Interest Rate, increased by 5% interest p.a. and is secured by letters of bank guarantee.

Amounts registered in non-current liabilities on September 30, 2008, present the following maturity schedule:

	Parent Company	Consolidated
2009	-	155
2010	-	615
2011	40,000	40,615
2012	40,000	40,615
2013	40,000	40,154
2014	40,000	40,000
	<u>160,000</u>	<u>162,154</u>

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## 11. Debentures

On August 19, 2008, shareholders approved the issue of up 100,000 Units, represented by Brazilian Depositary Receipts, comprised by 2 debentures, one of which is 1<sup>st</sup> series convertible and the other 2<sup>nd</sup> series convertible. The breakdown as follows:

Issue	Debentures	Annual financial charges	Unit price	Parent Company and Consolidated September 30, 2008
1 <sup>st</sup> Series	100,000	IPCA* + 3.5% limited TJLP + 1.5%	1	100,830
2 <sup>nd</sup> Series	100,000	TJLP + 1.5%	1	100,831
		<b>Total</b>		<b>201,661</b>
		Current liabilities		<b>(1,661)</b>
		Non-current liabilities		<b>200,000</b>

\* Extended Consumer Price Index

1<sup>st</sup> Series debentures will be paid based on IPCA increased of 3.5% interest p.a., limited at TJLP increased by 1.5% p.a., annually payable on August 19. 2<sup>nd</sup> Series debentures will be paid based on the TJLP increased by 1.5% p.a., half-yearly payable on February 19 and August 19.

The Company will pay pro rata temporis the compensation owed up to the actual payment day, under the circumstances: (i) possible debenture conversion; (ii) scheduled amortizations; (iii) early maturity; and (iv) final maturity or settlement of debentures.

Should there not be a conversion, debentures will be entitled of a non-conversion premium, for 1<sup>st</sup> series debentures equivalent to the difference between IPCA increased by 8.0% p.a. and the compensation abovementioned, and for 2<sup>nd</sup> series debentures equivalent to interest of 3.5% p.a.. Non-conversion premium of 1<sup>st</sup> series debentures will be restated by IPCA increased by 8.0% p.a., and 2<sup>nd</sup> series debentures will be restated by TJLP increased by 5.0% p.a.. On September 30, 2008, non-conversion premium, pro rata temporis calculated, amounted to R\$1,163.

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## 11. Debentures – Continued

Units will have mandatory conversion into Company's common shares should, as from its issue date, the weighted average price of 360 days of Company's shares, calculated at the São Paulo Stock Exchange (BVSP) trading sessions and assessed at the Units' reference date, in each period, be higher than the weighted average price per volume of the Company's share, also calculated at the BVSP trading sessions within the period from June 6 and August 31, 2008 ("reference period"), increased by the premium of 50% of the weighted value of shares mentioned in the period, during the debenture's three first reference dates, dropping to 46%, 42% and 40% in the subsequent years. For assessment purposes of the weighted value of shares at the reference period, historical values will be restated based on indices set forth at the issuance of debentures.

Should the appreciation meet the conditions abovementioned, debenture holders will be obliged to convert, in 2011, up to 15% of debentures issued, up to 30% in 2012, up to 45% in 2013, and up to 60% in 2014. However, the mandatory conversion may only take place 2 years after its issue.

Conversion price, should that happen, will also be the average price weighted by the volume of Company's shares, calculated in the BVSP's trading sessions at the base period, increased by the 50% premium of the weighted value of shares in said period, for the possible conversions to be carried out in 2011, dropping to 46%, 42% and 40% in the subsequent years. For assessment purposes of the weighted value of shares at the reference period, historical values will be restated based on indices set forth at the issuance of debentures.

Voluntary conversion of debentures, at the debenture holders' discretion, may be executed taking in consideration the percentage limits per year and conversion price abovementioned. Despite the maximum conversion percentage mentioned, debenture holders may convert 100% of the securities should: i) a third party acquire more than 20% of the Company's shares or ii) the number of independent members of the Company's Board of Directors be lower than 50%.

The conversion price will take place simultaneously and will be adjusted proportionally whenever there is a capital increase.

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## 11. Debentures – Continued

The main amount, long-term, matures as shown below:

	<u>R\$</u>
August 2014	80,000
August 2015	120,000
	<u>200,000</u>

The debentures have early maturity, should they not comply with certain financial and non-financial conditions, in addition to other covenants. On September 30, 2008, the Company was performing with all established conditions.

## 12. Provision for legal obligations related to legal proceedings

The Company and its subsidiaries, during the regular course of their operations, are parties in several legal proceedings related to tax, social security, labor and civil matters. A provision was set up by management, supported by its legal counsel and analysis of pending judicial proceedings, in an amount considered sufficient to cover probable losses, as shown below:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>September 30, 2008</u>	<u>June 30, 2008</u>	<u>September 30, 2008</u>	<u>June 30, 2008</u>
Provision				
Social security	10,387	9,992	19,018	9,992
Tax	5,311	5,061	6,763	5,061
Civil	-	-	2,554	-
Labor	391	725	2,650	725
	<u>16,089</u>	<u>15,778</u>	<u>30,985</u>	<u>15,778</u>
Judicial deposits				
Social security	(10,262)	(9,865)	(10,262)	(9,865)
Tax	(4,672)	(4,443)	(4,672)	(4,443)
	<u>(14,934)</u>	<u>(14,308)</u>	<u>(14,934)</u>	<u>(14,308)</u>
	<u>1,155</u>	<u>1,470</u>	<u>16,051</u>	<u>1,470</u>

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## 12. Provision for legal obligations related to legal proceedings - Continued

### a) Ongoing proceedings with recorded provision for contingencies

The breakdown of main proceedings, to which provision for contingencies was recorded, is as follows:

#### Social Security:

The Company filed: (i) declaratory action to avoid the collection of the social contribution taxes destined to SESC (Social Service for Trade) and SENAC (National Service for Commercial Training), as well as an ordinary suit requesting the refund of contributions paid to the INSS; (ii) writ of mandamus pleading the unenforceability of the contribution to the INCRA (National Institute of Colonization and Agrarian Reform); and (iii) writ of mandamus pleading the unconstitutionality of the social security collection set forth by Laws No. 9876/96 and 5471/71, levied on the income earned by the cooperatives rendering services to the company. The judicial deposits made by the Company until September 30, 2008 amounted to R\$10,252 (R\$9,865 on June 30, 2008), recorded as reduction of the provisions for social security contingencies.

In November 2006, subsidiary Datasul received notice of infraction and tax delinquency notes by the Brazilian Social Security Institute – INSS in the amount of R\$7,746, corresponding to the conditions adopted by the Company to distribute performance premiums in the period between May, 1999 and December, 2005. Based on the opinion of its legal counsels, the Company accrued the amount of R\$4,375 (amount restated to R\$5,224 on September 30, 2008), an amount considered sufficient to cover eventual losses. The lawsuit awaits state administrative decision of the Social Security Taxpayers Council. In addition, on September 30, 2008, the subsidiary recorded provision for legal liabilities related to the law interpretation on third party services contributions in the amount of R\$3,407.

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## 12. Provision for legal obligations related to legal proceedings - Continued

### a) Ongoing proceedings with recorded provision for contingencies— Continued

#### Tax:

The Company (Belo Horizonte branch) is discussing in four court deposit actions brought against the city governments of São Paulo, Rio de Janeiro, Uberlândia and Vitória, if they are required to pay the ISS (Tax on Services) at rates ranging from 2% to 5%, or if the tax is payable to the city government of Belo Horizonte where the rate is 2%. The Company understands that the ISS is due to the municipality of Belo Horizonte, where service is developed. Thus, the Company has been providing court deposits under the scope of said lawsuits, taking into account the rates required by the city governments and recording provision for contingencies for these city governments by the 2% rate. On September 30, 2008, the provision acknowledged for this lawsuit totaled R\$4,672 (R\$4,192 on June 30, 2008) and the judicial deposits made until that date, amounted to R\$5,726 (R\$5,397 on June 30, 2008).

Corporate income tax - Plano Real – Subsidiary Datasul received notice assessment by the Internal Revenue Service which had the purpose of charging the amounts registered as executable tax debts, related to the improper exclusion of Plano Real effects in the Income Tax of 1997 and the improper compensation of payment credits of the Withholding Income Tax of 1997. Motion to stay execution funds and Appeals were denied. Special appeal was filed, and is under the analysis of the Superior Court of Justice. The provision balance related to this lawsuit on September 30, 2008, was R\$648.

*Pis/Cofins - Basis Increase* – in 2005, the Federal Supreme Court considered unconstitutional the calculation basis extension set forth by Law 9,718/98. On September 30, 2008, subsidiary Datasul had provision for non-collected amounts related to PIS and Cofins, amounting to R\$322.

*Other tax contingencies* – The Company and its subsidiaries have other provisions for legal liabilities related to the Law interpretation on the taxable event and tax calculation basis, amounting to R\$1,240.

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## 12. Provision for legal obligations related to legal proceedings - Continued

### a) Ongoing proceedings with recorded provision for contingencies— Continued

#### Civil:

Subsidiary Datasul is defendant in indemnification suits by clients terminating their contracts, cumulated with compensation for damages, as well as suit for damages filed by business agents, related to contract termination cumulated with indemnification charges and requests. On September 30, 2008, the provision recorded for these demands amounted to R\$2,554.

#### Labor:

Subsidiary Datasul and its subsidiaries discuss lawsuits filed by former employees of companies and service companies. They claim the reduction of commissions on sales and services. A favorable decision was granted at lower court with subsequent reversal by the Regional Labor Court of the State of São Paulo sentencing the Company. The lawsuit is at the Superior Labor Court and awaits decision of the Review Appeal plead. In addition, the subsidiary has recorded provision related to the law interpretation on third party services. The amount accrued by the subsidiary is R\$2,259 on September 30, 2008.

### b) Others ongoing proceedings

The Company and its subsidiaries are additionally part in other lawsuits, for which no provision was recorded, since the responsible external attorneys and the Company's management deems the risk of loss as possible, as follows:

Type	Parent Company		Consolidated	
	September 30, 2008	June 30, 2008	September 30, 2008	June 30, 2008
Social security	10,431	10,312	25,121	10,312
Tax	3,874	3,720	5,980	3,720
Civil	7,994	6,700	10,099	6,700
Labor	558	-	558	-
	<b>22,857</b>	<b>20,732</b>	<b>41,758</b>	<b>20,732</b>



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## 12. Provision for legal obligations related to legal proceedings - Continued

### b) Others ongoing proceedings--Continued

The breakdown of main proceedings in progress is presented as follows:

On September 21, 2000, a court claim for taxes against the Company was filed by the INSS in the amount of R\$3,738 (R\$8,654 – restated until September 30, 2008), referring to the tax delinquency notices to collect the social security contribution, SAT, contribution to third parties and respective formal penalties under the claim of non-compliance with the ancillary liabilities. The Company offered a real estate located at Rua XV de Novembro, 3950, in the city of Joinville, state of Santa Catarina, as well as the respective improvements and permanent assets as a guarantee at that time, whose residual book value on September 30, 2008 is R\$1,064.

On May 4, 2007, the INSS filed a court claim for taxes against the Company in the amount of R\$1,604 (R\$1,857 – restated until September 30, 2008) referring to the social contributions destined to third parties (SESC and SENAC) levied on the compensation paid to employees who rendered services from March 1999 until July 2000. This amount of R\$1,626 was judicially deposited on May 25, 2007, and registered in non-current assets.

As a result of inspection procedures by the Brazilian Internal Revenue Service, the Company was assessed in 2006 in the amount of R\$6,045 (R\$7,912 – restated until September 30, 2008), referring to discussions on commission and rental expenses and their respective effects on the calculation of income and social contribution taxes on net income for the fiscal year 2001. The Company challenged this notice, which is pending analysis of the Federal Revenue Office.

The Company had 8 assessments from the city government of São Paulo levying the ISS related to the period between 1996 and 2000, in the amount of R\$804 (R\$3,810 – restated until September 30, 2008). Such assessments result from the understanding of the São Paulo city government that the services rendered by the Joinville branch would be developed within the limits of the city of São Paulo. The Company's management and its legal advisors understand that all services were developed by the branch in the city of Joinville and deem that the tax was duly paid to that city.

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## 12. Provision for legal obligations related to legal proceedings - Continued

### b) Others ongoing proceedings--Continued

The Company is discussing suits for damages filed by its clients when terminating the contract, cumulated with compensation for damages. Lawsuits await decision at the lower court. The balance on September 30, 2008 was R\$7,994 and R\$10,099, Parent Company and Consolidated, respectively (R\$7,994 and R\$10,507 – restated up to September 30, 2008).

### Legislation in force

Under the current legislation in force in Brazil, the federal, state and municipal tax obligations, as well as social charges, are subject to review by relevant authorities for periods varying from 5 to 30 years. Legislations of other countries where Company's subsidiaries operate stipulate differentiated statutes of limitations.

## 13. Capital stock

As mentioned in Note 1, on August 19, 2008, the Extraordinary General Meeting resolved on the merger of Makira. As a result, the Company's capital stock was increased by R\$69,120, upon the issue of 4,464,000 nominative common shares.

On September 30, 2008, the Company's capital stock was comprised of 31,152,402 (26,688,402 on June 30, 2008) nominative non-par common shares.

The Company's shareholding structure at September 30, 2008 is summarized at the section "Other Information Deemed as Relevant by the Company".

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## 14. Statements of cash flows

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>Nine-month periods ended on September 30</b>		<b>Nine-month periods ended on September 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Cash flows provided by operating activities				
Net income for the period	<b>36,731</b>	27,711	<b>37,025</b>	27,558
Adjustment for reconciliation of net income with net amounts from operating activities:				
Depreciation and amortization	<b>47,490</b>	37,230	<b>52,188</b>	38,639
Book value of disposed assets	<b>76</b>	620	<b>923</b>	1,064
Allowance for doubtful accounts	<b>4,177</b>	2,930	<b>7,683</b>	4,238
Deferred income and social contribution taxes	<b>(6,963)</b>	(11,265)	<b>(15,381)</b>	(6,891)
Equity pickup	<b>(6,652)</b>	(11,402)	-	-
Exchange variation	<b>(20)</b>	1,630	-	-
Losses on investments	<b>46</b>	276	-	-
Provision for contingencies	<b>1,695</b>	4,580	<b>16,591</b>	1,376
Minority interest	-	-	<b>3,748</b>	(29)
Variations in operating assets and liabilities:				
Trade accounts receivable	<b>(16,587)</b>	(20,632)	<b>(70,359)</b>	(10,831)
Dividends received	<b>4,579</b>	28,113	-	-
Other Assets	<b>2,047</b>	(3,101)	<b>(22,151)</b>	(383)
Judicial deposits	<b>(2,656)</b>	(8,301)	<b>(3,696)</b>	(3,358)
Suppliers	<b>5,495</b>	1,942	<b>23,623</b>	1,190
Taxes payable	<b>10,669</b>	(786)	<b>15,092</b>	(4,153)
Salaries and charges payable	<b>8,140</b>	16,033	<b>18,582</b>	12,097
Commissions payable	<b>1,043</b>	5,024	<b>9,130</b>	550
Other accounts payable	<b>28</b>	(1,016)	<b>7,837</b>	(374)
Net cash flow provided by operating activities	<b>89,338</b>	69,586	<b>80,835</b>	60,693
Cash flows from investments activities				
Addition to investments	<b>(188,596)</b>	(2,717)	<b>(21)</b>	-
Goodwill increase in acquisition of subsidiaries	<b>(368,427)</b>	(4,433)	<b>(457,040)</b>	(4,433)
Addition to intangible	<b>(2,491)</b>	(446)	<b>(19,128)</b>	(446)
Reduction in investment due to merger of subsidiary	<b>1,491</b>	8,982	<b>51</b>	200
Acquisition of equipment	<b>(5,244)</b>	(4,921)	<b>(16,226)</b>	(5,235)
Funds used in investment activities	<b>(563,267)</b>	(3,535)	<b>(492,364)</b>	(9,914)
Cash flows from financing activities				
Bank loans	<b>160,266</b>	-	<b>162,933</b>	321
Issue of debentures	<b>201,661</b>	-	<b>201,661</b>	-
Capital payment	<b>83,449</b>	-	<b>83,449</b>	-
Leasing liabilities	-	-	<b>(408)</b>	1,622
Credit with related companies	<b>1,533</b>	(348)	-	-
Dividends paid	<b>(29,538)</b>	(22,435)	<b>(29,538)</b>	(22,501)
Funds used in financing activities	<b>417,371</b>	(22,783)	<b>418,097</b>	(20,558)
Increase (decrease) in cash and cash equivalents	<b>(56,558)</b>	43,268	<b>6,568</b>	30,221
Cash and cash equivalents at the beginning of the period	<b>125,374</b>	74,637	<b>137,403</b>	98,550
Cash and cash equivalents at the end of the period	<b>68,816</b>	117,905	<b>143,971</b>	128,771

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## 15. Stock option plan

On November 26, 2007, the Extraordinary General Meeting approved the Stock Option Plan. The total number of shares allocated to this plan should not exceed 3.3% of the Company's capital stock in a period of 3 years, as of the date of approval of the plan by the Company's General Meeting.

On January 30, 2008, the Board of Directors approved the election of the participants in the plan and the number of shares each one of them may acquire through the exercise of their respective options, totaling 270,057 shares, at the strike price of R\$46.16, corresponding to the arithmetic average of the unit value of the shares in the 5 previous trading days.

The exercise of the options granted has as vesting condition the exercise of the options only at the end of the 36-month period as of the granting date, and no later than 60 months as of the granting date. Options granted by this plan are individual and cannot be transferred, whether or not the vesting period expires.

If the Company had recognized the expense of granting options in the nine-month period ended September 30, 2008, using the method of market value, as required by CVM Circular Letter 001/2007, the effect on net income and shareholders' equity would be as follows:

	<b>Parent Company</b>	
	<b>Shareholders' equity on September 30, 2008</b>	<b>Net Income for the period ended September 30, 2008</b>
Accounting balance	476,844	36,731
Expense of granting options	-	(1,256)
Pro forma balance	476,844	35,475

Market value of each option granted is estimated on the grant date based on Black-Scholes options valuation model, considering: expectation of dividend of 2.1%, expected volatility of approximately 41.2%, risk free interest rate of 11.75% p.a. and maturity of 3 years.

On August 19, 2008, the Extraordinary General Meeting approved, due to the business combination, the financial settlement of Datasul's Stock Option Plan.

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### 16. Financial instruments

CVM Resolution 550, as of October 17, 2008, established that publicly-held companies must disclose, at specific note, qualitative and quantitative information on all its derivative financial instruments, regardless of them being acknowledged or not as assets or liabilities in its balance sheet. On September 30 and on June 30, 2008, the Company and its subsidiaries did not have any type of derivative financial instrument.

The Company's financial instruments consist of cash and equivalents, trade accounts receivable and payable, debentures, loans and financings, which are recorded at cost plus interest or charges incurred, which approximates their market value on September 30, 2008.

### 17. Subsequent event

The Extraordinary General Meeting held on October 31, 2008, approved the merger of net funds at book value of wholly-owned subsidiaries Datasul S.A., BCS Holding e Participações Ltda. and Totvs BMI Consultoria Ltda.

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As described in section '08.01 – Comments on the consolidated performance in the quarter.'

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**06.01 – CONSOLIDATED BALANCE SHEET - ASSETS (in thousands of Reais)**

1 – CODE	2 – DESCRIPTION	3 – 09/30/2008	4 – 06/30/2008
1	Total Assets	1,043,425	464,416
1.01	Current Assets	322,079	224,599
1.01.01	Cash and Banks	143,971	106,384
1.01.01.01	Cash and Cash Equivalents	143,971	96,216
1.01.01.02	Marketable Securities	0	10,168
1.01.02	Receivables	148,842	95,875
1.01.02.01	Trade accounts receivable	137,163	89,896
1.01.02.01.01	Accounts Receivable	151,843	100,102
1.01.02.01.02	Allowance for Doubtful Accounts	(14,680)	(10,206)
1.01.02.02	Sundry Receivables	11,679	5,979
1.01.02.02.01	Recoverable Taxes	11,679	5,979
1.01.03	Inventories	135	13
1.01.04	Other	29,131	22,327
1.01.04.01	Deferred Income and Social Contribution Taxes	18,138	13,249
1.01.04.02	Other Current Assets	10,993	9,078
1.02	Noncurrent Assets	721,346	239,817
1.02.01	Long-term Assets	60,462	36,180
1.02.01.01	Sundry Credits	7,069	4,141
1.02.01.01.01	Trade accounts receivable	7,069	4,141
1.02.01.02	Credit with Related Parties	0	0
1.02.01.02.01	Direct and Indirect Affiliates Companies	0	0
1.02.01.02.02	Subsidiaries	0	0
1.02.01.02.03	Other Related Parties	0	0
1.02.01.03	Other	53,393	32,039
1.02.01.03.01	Judicial Deposits	7,659	6,284
1.02.01.03.02	Other Assets	14,517	797
1.02.01.03.03	Deferred Income and Social Contribution Taxes	31,127	24,958
1.02.02	Permanent Assets	660,884	203,637
1.02.02.01	Investments	25	4
1.02.02.01.01	In Affiliates	0	0
1.02.02.01.02	In Affiliates – Goodwill	0	0
1.02.02.01.03	In Subsidiaries	0	0
1.02.02.01.04	In Subsidiaries - Goodwill	0	0
1.02.02.01.05	Other Investments	25	4
1.02.02.02	Equipment	29,372	22,780
1.02.02.02.01	Cost	53,714	45,112
1.02.02.02.02	(-) Depreciation	(24,342)	(22,332)
1.02.02.03	Intangible	631,487	180,853
1.02.02.03.01	Cost	792,912	292,708
1.02.02.03.02	(-) Amortization	(161,425)	(111,855)
1.02.02.04	Deferred Charges	0	0

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**06.02 – CONSOLIDATED BALANCE SHEET - LIABILITIES (in thousands of Reais)**

1 - CODE	2 – DESCRIPTION	3 – 09/30/2008	4 – 06/30/2008
2	Total Liabilities	1,043,425	464,416
2.01	Current Liabilities	149,450	70,631
2.01.01	Loans and Financing	4,370	3,739
2.01.01.01	Loans and Financing	1,348	555
2.01.01.02	Leases Payable	3,022	3,184
2.01.01.03	Accounts Payable	0	0
2.01.02	Debentures	1,661	0
2.01.03	Suppliers	29,092	5,801
2.01.04	Taxes, Charges and Contributions	19,028	4,508
2.01.05	Dividends Payable	271	402
2.01.06	Provisions	0	0
2.01.07	Debts with Related Parties	0	0
2.01.08	Other	95,028	56,181
2.01.08.01	Salaries and Charges Payable	46,685	35,820
2.01.08.02	Commissions Payable	19,765	11,709
2.01.08.03	Investment Acquisition Liabilities	24,891	7,044
2.01.08.04	Other Liabilities	3,687	1,608
2.02	Noncurrent Liabilities	411,853	12,677
2.02.01	Long-term Liabilities	411,853	12,677
2.02.01.01	Loans and Financing	163,787	1,720
2.02.01.01.01	Loans and Financing	162,154	0
2.02.01.01.02	Leases Payable	1,633	1,720
2.02.01.02	Debentures	200,000	0
2.02.01.03	Provisions	16,051	1,470
2.02.01.03.01	Provisions for Contingencies	16,051	1,470
2.02.01.03.02	Provision for Losses from Investments	0	0
2.02.01.04	Debts with Related Parties	0	0
2.02.01.05	Advances for Future Capital Increase	0	0
2.02.01.06	Other	32,015	9,487
2.02.01.06.01	Deferred Income Tax and Social Contribution	378	317
2.02.01.06.02	Taxes Payable	0	6
2.02.01.06.03	Investment Acquisition Liabilities	26,275	9,164
2.02.01.06.04	Other Liabilities	5,362	0
2.02.02	Deferred Income	0	0
2.03	Minority Interest	4,544	1,805
2.04	Shareholders' Equity	477,578	379,303
2.04.01	Paid-up Capital	376,493	307,373
2.04.02	Capital Reserves	45,886	31,557
2.02.03	Revaluation Reserves	0	0
2.04.03.01	Own Assets	0	0
2.04.03.02	Affiliates	0	0
2.04.04	Income Reserves	18,174	18,174
2.04.04.01	Legal	3,549	3,549
2.04.04.02	Statutory	0	0
2.04.04.03	For Contingencies	0	0
2.04.04.04	Unrealized Profit	0	0
2.04.04.05	Retention of Profit	14,625	14,625
2.04.04.06	Special for Non-Distributed Dividends	0	0
2.04.04.07	Other Profit Reserves	0	0
2.04.05	Retained Earnings/Accumulated Losses	37,025	22,199
2.04.06	Advances for Future Capital Increase	0	0



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**07.01 – CONSOLIDATED STATEMENT OF INCOME (in thousands of Reais)**

1 - CODE	2 – DESCRIPTION	3- 07/01/2008 to 09/30/2008	4- 01/01/2008 to 09/30/2008	5- 07/01/2007 to 09/30/2007	6- 01/01/2007 to 09/30/2007
3.01	Gross Revenue from Sales and/or Services	214,558	501,450	125,294	357,743
3.01.01	License Fees	52,062	124,281	29,464	85,082
3.01.02	Services	69,188	167,102	44,334	124,425
3.01.03	Maintenance	93,308	210,067	51,496	148,236
3.02	Gross Revenues Deductions	(21,539)	(54,591)	(13,044)	(36,004)
3.02.01	Cancellation of Services and Sales	(6,499)	(18,154)	(3,721)	(8,804)
3.02.02	Taxes on Services and Sales	(15,040)	(36,437)	(9,323)	(27,200)
3.03	Net Revenue from Sales and/or Services	193,019	446,859	112,250	321,739
3.04	Cost of Goods and/or Services Sold	(66,555)	(151,316)	(36,575)	(99,952)
3.04.01	Cost of License Fees	(5,234)	(6,838)	(1,768)	(3,785)
3.04.02	Cost of Services	(61,321)	(144,478)	(34,807)	(96,167)
3.05	Gross Income	126,464	295,543	75,675	221,787
3.06	Operating Revenues/Expenses	(107,237)	(247,997)	(63,617)	(188,366)
3.06.01	Selling	(12,001)	(28,882)	(8,414)	(23,958)
3.06.02	General and Administrative	(16,118)	(39,816)	(9,940)	(29,734)
3.06.03	Financial	5,398	8,506	229	1,568
3.06.03.01	Financial Revenues	7,221	13,024	3,066	9,480
3.06.03.02	Financial Expenses	(1,823)	(4,518)	(2,837)	(7,912)
3.06.04	Other Operating Revenues	0	0	0	0
3.06.05	Other Operating Expenses	(84,516)	(187,805)	(45,492)	(136,424)
3.06.05.01	Research and Development	(20,283)	(44,139)	(9,951)	(28,795)
3.06.05.02	Advertising Expenses	(7,888)	(14,146)	(3,133)	(9,087)
3.06.05.03	Commissions	(20,919)	(53,828)	(13,602)	(42,386)
3.06.05.04	Management Fees	(6,239)	(14,375)	(4,717)	(12,365)
3.06.05.05	Depreciation and Amortization	(23,793)	(52,188)	(12,971)	(38,639)
3.06.05.06	Allowance for Doubtful Accounts	(4,069)	(7,683)	(879)	(4,238)

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3.06.05.07	Extraordinary Expenses	(324)	(324)	0	0
3.06.05.08	Other Net Operating Expenses	(1,001)	(1,122)	(239)	(732)
3.06.06	Equity Pickup	0	0	0	0
3.07	Operating results	19,227	47,546	12,058	33,421
3.08	Non-Operating Income	129	(168)	(43)	32
3.08.01	Income	129	0	0	32
3.08.02	Expenses	0	(168)	(43)	0
3.09	Income (loss) before Tax/Interests	19,356	47,378	12,015	33,453
3.10	Provision for Income Tax and Social Contribution	(5,321)	(15,381)	(2,385)	(12,549)
3.11	Deferred Income Tax	1,266	5,472	265	6,890
3.12	Statutory Interests/Contributions	0	0	0	0
3.12.01	Interests	0	0	0	0
3.12.02	Contributions	0	0	0	0
3.13	Reversal of Interest on Own Capital	0	0	0	0
3.14	Minority Interests	(475)	(444)	(62)	(236)
3.15	Net Income/Loss for the Period	14,826	37,025	9,833	27,558
	No. SHARES, EX-TREASURY (in Units)	31,152,402	31,152,402	26,688,402	26,688,402
	EARNINGS PER SHARE (Reais)	0,47592	1,18851	0,36844	1,03258
	LOSS PER SHARE (Reais)				

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**08.01 – COMMENTS ON THE CONSOLIDATED PERFORMANCE IN THE QUARTER**

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TOTVS S.A., the leader in the development and marketing of enterprise application software and in providing related services for small and medium-sized companies in Brazil and Latin America, announces its results for the third quarter of 2008. The following figures are presented in thousands of reais, except when otherwise indicated.

### **Gross/Net Revenue from Sales and Services**

In this quarter and in 9M08, revenue lines as a whole recorded a significant growth due to the consolidation of the August and September 2008 results of Datasul – a company initially controlled by, and, subsequently, merged into TOTVS – into the Company's results.

Gross revenue from services and sales reached R\$214,558 million in the quarter, which represents a 71.2% increase versus 3Q07. For yet another quarter, the Company achieved an exponential growth across all revenue lines, especially in the license fee revenue, which increased by 76.7% year on year.

Net revenue from services and sales totaled R\$193,019 million in 3Q08, representing a 72.0% growth over 3Q07. In 9M08, TOTVS has recorded a growth of more than 38% in net revenue and an increase of over 40% in gross revenue year on year.

### **License Fee Revenue**

License fee revenue was R\$52,062 million in the quarter, which, when compared to the R\$29,464 million recorded in 3Q07, shows an increase of 76.7% in the period. This increase has been positively influenced by the expansion in sales to both new and existing clients. In 9M08, license fee revenue amounted to R\$124,281 million and posted a 46.1% increase over 3Q07.

### **Revenue from Services**

Service revenue reached R\$69,188 million in 3Q08, a 56.1% growth compared to 3Q07, when it stood at R\$44,334 million. This growth was due to the higher volume of implementation services resulting from the sales of licenses sales in previous quarters.

With the merger of TOTVS and Datasul, the share of revenue from services in the Company's mix has declined, representing 32.2% in 3Q08.

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08.01 – COMMENTS ON THE CONSOLIDATED PERFORMANCE IN THE QUARTER

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### **Maintenance Fee Revenue**

Maintenance fee revenue recorded an 81.2% growth in 3Q08 versus 3Q07, reaching R\$93.308 million. In 9M08, the line totaled R\$210.067 million, a 41.7% growth year on year.

Datasul has increased the share of these recurring revenues in TOTVS total revenue. In 3Q08, maintenance fee revenue accounted for 43.5% of gross total revenue.

### **Operating Costs and Expenses (does not include net financial result)**

Operating costs and expenses, excluding depreciation and amortization, as well as extraordinary expenses (reflecting a part of the extraordinary expenses relating to the merger with Datasul), totaled R\$155,073 million in 3Q08, 77.3% higher if compared to 3Q07, partially due to: (i) higher third-party software costs at Datasul; (ii) investments in R&D, especially at Datasul; (iii) one-off marketing expenses; (iv) an increase in commissions as a result of compliance with goals, especially at Datasul; and (v) a significant increase in provisions for doubtful accounts in TOTVS' Mexican operation.

Operating costs and expenses in 9M08 totaled R\$355,307 million, a 41.4% increase over the R\$251,247 million in 9M07.

### **Licensing Costs**

Licensing costs were R\$5,234 million in 3Q08, a 196.0% increase over the same period in 2007. In year-to-date terms, these costs totaled R\$6.838 million, an 80.7% increase year on year.

The main impact in the quarter was on Datasul, which uses third-party software. New license sales resulted in a natural royalty payment increase. It is TOTVS strategy to address this subject to technology providers, aiming to establish a new relationship base.

### **Cost of Services and Sales**

Cost of services and sales rose by 76.2% in 3Q08 to R\$61,321 million, compared to R\$34,807 million in 3Q07. In 9M08, these costs totaled R\$144,478 million, up 50.2% year on year, due to (i) a higher wage increase in 1Q08 than last year, and (ii) an increase in staff strength due to the growing business.

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08.01 – COMMENTS ON THE CONSOLIDATED PERFORMANCE IN THE QUARTER

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## Research and Development

Research and development (R&D) expenses reached R\$20,283 million in 3Q08, representing 10.5% of net revenue. The 103.8% increase in 3Q08 over 3Q07 is due to health and financial verticals development aiming at customizing products for clients.

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

## Advertising Expenses

Advertising expenses totaled R\$7,888 million in 3Q08, a 151.8% increase over the 3Q07 total of R\$3,133 million. Planeta Datasul, which occurred during this quarter, was a special event to celebrate 30 years of the brand. It represented more than 50% increase in the period's advertising expenses. Year-to-date advertising expenses totaled R\$14,146 million, which was 55.7% higher than in 9M07.

## Selling Expenses

Selling expenses rose by 42.6% between 3Q07 and 3Q08, from R\$8.414 million to R\$12,001 million. In 9M08, selling expenses totaled R\$28,882 million, 20.6% higher than the R\$23,958 million in 9M07. The slower increase in expenses compared to sales depicts the arising opportunities from the unification of the Company's own distribution channels and commencement of the TOTVS up concept.

## Commissions

Year-to-date commissions totaled R\$53,828 million, 27.0% higher than in 9M07, but were outgrown by revenue.

In 3Q08, commissions totaled R\$20,919 million in 3Q08, 53.8% up over the R\$13,602 million in 3Q07. The highest growth was from Datasul due to the achievement of specific sales targets. The merger process includes commission policy evaluation in order to come to a fair and balanced model.

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### **General and Administrative Expenses**

General and administrative expenses totaled R\$16,118 million in 3Q08, a 62.2% increase year on year. These expenses totaled R\$39,816 million in 9M08, 33.9% higher if compared to the same period last year. TOTVS' efforts of recent quarters will be strengthened further with the Datasul merger.

### **Management Fees**

Management fees totaled \$6,239 million in 3Q08, a 32.3% increase over 3Q07. In 9M08, management fees totaled R\$14,375 million, 16.3% higher than in 9M07.

### **Provision for Doubtful Accounts**

This provision totaled R\$4,069 million in the 3Q08, a 362.9% increase when compared to the R\$879 million in 3Q07. This provision is established based on an analysis of the receivables portfolio, which was largely impacted by the operation in Mexico (which now includes Datasul's Mexican subsidiary operations), not affecting, therefore, the Brazilian receivable portfolio.

### **Depreciation and Amortization**

Depreciation and amortization expenses totaled R\$23,793 million in 3Q08, an 83.4% increase year on year, mainly due to the additional amortization of goodwill from BCS and Midbyte acquisitions, as well as the merger of Datasul.

### **Extraordinary Expenses**

This quarter, TOTVS carried out a corporate reorganization process with Datasul that resulted in the merger of operations and shareholder bases of both companies. Partial expenses resulting from the operation amounted to R\$0,324 million.

### **Other Revenues and Expenses**

The Company recorded other net expenses of R\$1,001 million in 3Q08, compared to R\$0,239 million in 3Q07.

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### **Operating Profit (\*) and Net Income**

The Company posted an operating profit of R\$19,227 million this quarter, a 59.5% increase versus 3Q07. TOTVS' net income was R\$14,826 million, representing earnings per share of R\$0,48, a 29.2% increase year on year.

(\*) Operating profit: the operating profit calculated by the Company consists of the Operating Result minus financial expenses and revenues.

The non-financial information related to market leadership, number of employees, number of new clients, as well and the percentage variations deriving from this information have not been reviewed by our independent auditors.

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**10.01 – CHARACTERISTICS OF PUBLIC OR PRIVATE DEBENTURE ISSUE**

1 - ITEM	01
2 – ORDER NO.	1
3 – CVM REGISTRATION NO.	
4 – CVM REGISTRATION DATE	
5 – SERIES ISSUED	1
6 – TYPE OF ISSUE	CONVERTIBLE
7 – NATURE OF ISSUE	PRIVATE
8 – DATE OF ISSUE	08/19/2008
9 – MATURITY DATE	08/19/2019
10 – DEBENTURE TYPE	FLOATING
11 – REMUNERATION	IPCA+3.5%p.a. limited TJLP+ ,5 p.a.
12 – PREMIUM/DISCOUNT	
13 – NOMINAL VALUE (Reais)	1.007,87
14 – ISSUE AMOUNT ('000 Reais)	100,787
15 – NO. OF DEBENTURES ISSUED (UNIT)	100,000
16 – DEBENTURES OUTSTANDING (UNIT)	100,000
17 - DEBENTURES IN TREASURY (UNIT)	0
18 – DEBENTURES REDEEMED (UNIT)	0
19 – DEBENTURES CONVERTED (UNIT)	0
20 – DEBENTURES PENDING PLACEMENT (UNIT)	0
21 – DATE OF LAST ROLLOVER	
22 – DATE OF NEXT EVENT	



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**10.01 – CHARACTERISTICS OF PUBLIC OR PRIVATE DEBENTURE ISSUE**

1 - ITEM	02
2 – ORDER NO.	1
3 – CVM REGISTRATION NO.	
4 – CVM REGISTRATION DATE	
5 – SERIES ISSUED	2
6 – TYPE OF ISSUE	CONVERTIBLE
7 – NATURE OF ISSUE	PRIVATE
8 – DATE OF ISSUE	08/19/2008
9 – MATURITY DATE	08/19/2019
10 – DEBENTURE TYPE	FLOATING
11 – REMUNERATION	TJLP + 1,5 p.a.
12 – PREMIUM/DISCOUNT	
13 – NOMINAL VALUE (Reais)	1.008,75
14 – ISSUE AMOUNT ('000 Reais)	100,875
15 – NO. OF DEBENTURES ISSUED (UNIT)	100,000
16 – DEBENTURES OUTSTANDING (UNIT)	100,000
17 - DEBENTURES IN TREASURY (UNIT)	0
18 – DEBENTURES REDEEMED (UNIT)	0
19 – DEBENTURES CONVERTED (UNIT)	0
20 – DEBENTURES PENDING PLACEMENT (UNIT)	0
21 – DATE OF LAST ROLLOVER	
22 – DATE OF NEXT EVENT	

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**16.01 – OTHER INFORMATION DEEMED AS RELEVANT BY THE COMPANY**

In compliance with the Rules of Corporate Governance Differentiated Practices, we present below the ownership structure disclosing any shareholder or investor holding more than 5% of the voting capital, directly or indirectly, to the level of individual, at September 30, 2008.

Ownership Structure - Totvs S/A	9.30.07		9.30.08	
	Common		Common	
	Number of shares	%	Number of shares	%
LC EH Participações e Empreendimentos S/A	5,352,197	20.05%	5,352,198	17.18%
BNDES Participações S/A	2,032,214	7.61%	2,032,214	6.52%
Fidelity Management & Research Company (*)	1,516,900	5.68%	1,983,657	6.37%
Miguel Abuhab	-	-	1,189,279	3.82%
Laércio José de Lucena Cosentino	627,421	2.35%	627,421	2.01%
Ernesto Mário Haberkorn	587,362	2.20%	587,362	1.89%
Yafo Fundo de Investimento em Ações (**)	-	-	475,500	1.53%
HG Senta Pua Fia (***)	-	-	8,700	0.03%
Others	16,572,308	62.10%	18,896,071	60.66%
<b>Total</b>	<b>26,688,402</b>	<b>100.00%</b>	<b>31,152,402</b>	<b>100.00%</b>

(\*) Foreign Investor

(\*\*) Miguel Abuhab has the Yafo Fundo de Investimento em Ações' total partner's share

(\*\*\*) Ernesto Mário Haberkorn and Laércio de Lucena Cosentino have the HG Senta Pua Fia total partner's share

**Ownership Structure - LC EH Participações e Empreendimentos S/A**

Shareholder	Common		Preferred		Total	
	Number of shares	%	Number of shares	%	Number of shares	%
Laércio José de Lucena Cosentino	273,058	60.18%	0,000	0.00%	273,058	50.00%
Ernesto Mário Haberkorn	180,706	39.82%	92,351	100.00%	273,057	50.00%
<b>Total</b>	<b>453,764</b>	<b>100.00%</b>	<b>92,351</b>	<b>100.00%</b>	<b>546,115</b>	<b>100.00%</b>

**Structure - Yafo Fundo de Investimento em Ações**

Shareholder	Quotas	
	Number of shares	%
Miguel Abuhab	225,571	100.0%
<b>Total</b>	<b>225,571</b>	<b>100.0%</b>

**Ownership Structure - HG Senta Pua Fia**

Shareholder	Quotas	
	Number of shares	%
LC EH Participações e Empreendimentos S/A	2,996,352	67.00%
Laércio José de Lucena Cosentino	858,656	19.20%
Ernesto Mário Haberkorn	612,687	13.70%
Marcelo Eduardo Sant'Anna Cosentino	4,472	0.10%
<b>Total</b>	<b>4,472,168</b>	<b>100.00%</b>

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**16.01 – OTHER INFORMATION DEEMED AS RELEVANT BY THE COMPANY**

In compliance with Rules of Corporate Governance Differentiated Practices, we present below the number and characteristics of the securities issued by the Company which are held, directly or indirectly, by the Controlling Shareholder, Officers and the number of outstanding shares, on September 30, 2008.

Ownership Structure - Totvs S/A Shareholder	9.30.07		9.30.08	
	Common		Common	
	Number of shares	%	Number of shares	%
Controlling Shareholder	5,352,197	20.05%	0	0.00%
Officers	145,632	0.55%	216,923	0.70%
Board of Directors	630,245	2.36%	1,849,639	5.94%
Related Parties(*)	1,016	0.00%	5,360,898	17.21%
Outstanding Shares	20,559,312	77.03%	23,724,942	76.16%
<b>Total</b>	<b>26,688,402</b>	<b>100.00%</b>	<b>31,152,402</b>	<b>100.00%</b>

(\*) Parties related to officers and/or Board of Directors. LC EH Participações e Empreendimentos S/A has been included as related parties since it is a company controlled by the chairman of the Board of Directors and is not longer considered a controlling shareholder of the Company.

In accordance with article 54 of its Bylaws, the Company is bound to arbitrage at the Market Arbitration Panel.

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17.01 – SPECIAL REVIEW REPORT – UNQUALIFIED OPINION		

A free translation from Portuguese into English of Special Review Report of Independent Auditors on Quarterly Financial Information prepared in Brazilian currency in accordance with the specific instructions issued by Brazilian Securities and Exchange Commission (CVM)

## Special review report of independent auditors

To  
The Board of Directors and Shareholders of  
**Totvs S.A.**  
São Paulo – SP

1. We have performed a special review of the Quarterly Financial Information - ITR of Totvs S.A. (parent company and consolidated) for the quarter ended September 30, 2008, comprising their balance sheet and the respective statements of income and cash flows, the performance report and accompanying notes. These financial statements are the responsibility of the Company's management.
2. We conducted our review in accordance with the specific rules established by IBRACON – Brazilian Institute of Independent Auditors, in conjunction with the CFC – Federal Accounting Council, consisting mainly of: (a) inquiry and discussion with the managers in charge of the Company's accounting, financial and operating areas in relation to the main criteria adopted in the preparation of the Quarterly Financial Information; and (b) review of information and subsequent events which have or may have relevant effects on the financial position and operations of the Company.
3. Based on our special review, we are not aware of any material modifications that should be made to the Quarterly Financial Information referred to above for them to be in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM), specifically applicable to the preparation of the Quarterly Financial Information, including CVM Ruling No. 469/08.

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4. As mentioned in Note 2.2, on December 28, 2007, Law No. 11,638/07 was enacted, and became effective as from January 1, 2008. This Law has modified, revoked and introduced new rules to Law No. 6,404/76 (Corporation Law), which resulted in some changes in the accounting practices adopted in Brazil. Although this Law is already effective, some changes required depend on regulations to be issued by regulatory bodies in order to be adopted by the companies. Therefore, during this transition period, CVM issued Ruling No. 469/08, allowing the partial adoption of the provisions established in Law No. 11,638/07 for the preparation of the Quarterly Financial Information. Thus, the accounting information included in the Quarterly Financial Information for the quarter ended September 30, 2008, were prepared in accordance with specific instructions issued by CVM, and do not include all changes in the accounting practices introduced by Law No. 11,638/07. As described in Note 2.2, the application of supplementary CVM rules in connection with adoption of Law No. 11638/07 did not generate significant impact on the Company's financial information for the quarter ended September 30, 2008 or any other prior periods presented.

São Paulo, November 3, 2008.

ERNST & YOUNG  
Auditores Independentes S.S.  
CRC 2SP015199/O-6

José Antonio de A. Navarrete  
Accountant CRC 1SP198698/O-4

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