

TOTVS S.A.

1st Private Issuance of Debentures

*Trustee's Annual Report
Fiscal Year 2014*

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CHARACTERISTICS OF THE ISSUANCE

DATE OF ISSUANCE:	08/19/2008
DATE OF MATURITY:	08/19/2019
TRUSTEE:	Oliveira Trust DTVM S.A.
CARRYING BANK:	Banco Itaú S.A.
VOLUME(*):	R\$ 200,000,000.00
QUANTITY OF DEBENTURES(*)	200,000
NUMBER OF SERIES:	2
PUBLISHING:	Diário Oficial do Estado de São Paulo and Valor Econômico newspaper – National Edition.
USE OF PROCEEDS:	According to the Investors Relations Officer statement, the proceeds from the issuance were used for payment, by the Company, of the transaction of redemption of redeemable preferred shares issued by Makira do Brasil S.A., aiming at the integration between its activities and those of Datasul S.A.
NATURE OF ISSUANCE:	Private

(*) At the Date of Issuance

CHARACTERISTICS OF THE 1ST SERIES

DATE OF ISSUANCE:	08/19/2008
DATE OF MATURITY:	08/19/2019
VOLUME(*):	R\$ 100,000,000.00
UNIT FACE VALUE (*):	R\$ 1,000.00
UNIT PRICE AS OF 12/31/2014:	R\$ 1,023.99
QUANTITY OF DEBENTURES(*):	100,000
FORM:	Book-entry
GUARANTEE:	Floating
CLASS:	Convertible into common shares issued by the Issuing Company.

(*) At the Date of Issuance

CONVERTIBILITY:

The Units shall be mandatorily converted into common shares issued by the Company, if, since the Date of Issuance of the Units, the 360 consecutive days average weighted price of the common shares of the Company, calculated in trading dates at BVSP and determined at the date of anniversary of the Units in each conversion period provided in the Calculation Date is higher than the average weighted price per volume of shares of the Issuing Company, calculated in trading days at BVSP, in the period between 06/06/2008 and 08/31/2008, accrued of a premium calculated according to the sheet below, and restated according to the formula described in the Deed of Issue. The mandatory conversion of Units into common shares issued by the Company shall take place solely 2 years after the date of issuance and shall respect the following limits (paragraphs 3.18.1 and 3.18.2 of the deed of issue):

Calculation Date	% of units issued	Date
Shall occur after 2 years from the date of issuance (08/19/2010)	15%	In the 3 rd year from the date of issuance
	30%	In the 4 th year from the date of issuance
	45%	In the 5 th year from the date of issuance
	60%	In the 6 th year from the date of issuance

In addition to the hypothesis of mandatory conversion, the Units might be converted into common shares issued by the Company, at the Debenture holders' discretion, given the limits below are followed:

% of units issued	Date
Up to 15%	In the 3 rd year from the date of issuance
Up to 30%	In the 4 th year from the date of issuance
Up to 45%	In the 5 th year from the date of issuance
Up to 60%	In the 6 th year from the date of issuance

There were no conversions during 2014.

INDEXATION:

There is no indexation.

INTEREST:

1 st period	
Beginning	08/19/2008
End	08/19/2019
Yield	IPCA + 3.5% p.y. limited to TJLP plus 1.5% per year (360 days).
Calculation basis	360
U.P. at the Date of Issuance	R\$ 1,000.00
Payment	Annually, on every August 19, being the first payment in August 19, 2009 and the last in August 19, 2016.
Document	Deed of the Private Issue

PREMIUM:

As provided in item 3.15.1 of the Deed of Issue, in the event of non-conversion, the 1st series debentures shall be entitled to the non-conversion premium equivalent to the difference between IPCA plus 8.0% per year (360 days basis) and interests effectively paid, that is, the lowest amount between IPCA plus 3.5% per year (360 days basis) and TJLP plus 1.5% per year (360 days basis), calculated based on the outstanding balance of the debentures in the determination date ("Non-conversion premium of the 1st series debentures"). The Non-Conversion Premium of the 1st Series Debentures shall be adjusted by the IPCA plus 8.0% per year (360 days basis).

The Non-Conversion Premium of the 1st Series on 12/31/2014 was R\$ 478.13.

AMORTIZATION OF FACE VALUE:

The amortization shall be made in two installments in the seventh (08/19/2015) and eighth (08/19/2016) anniversaries, equivalent to 40% and 60% of the principal amount, respectively.

RENEGOTIATION:

Non-Renegotiable.

RATING:

No Rating.

PAYMENTS MADE PER DEBENTURE IN 2014:

INTEREST:	
Payment Date	Unit Value (R\$)
08/19/2014	66.69

CHARACTERISTICS OF THE 2nd SERIES

DATE OF ISSUANCE:	08/19/2008
DATE OF MATURITY:	08/19/2019
VOLUME(*):	R\$ 100,000,000.00
UNIT FACE VALUE (*):	R\$ 1,000.00
UNIT PRICE AS OF 12/31/2014:	R\$ 1,023.99
QUANTITY OF DEBENTURES	100,000
TYPE:	Book-entry
GUARANTEE:	Floating
CLASS:	Convertible into shares issued by the Issuing Company.

(*) At the Date of Issuance

CONVERTIBILITY:

The Units shall be mandatorily converted into common shares issued by the Company, if, since the Date of Issuance of the Units, the 360 consecutive days average weighted price of the common shares of the Company, calculated in trading dates at BVSP and determined at the date of anniversary of the Units in each conversion period provided in the Calculation Date is higher than the average weighted price per volume of shares of the Issuing Company, calculated in trading days at BVSP, in the period between 06/06/2008 and 08/31/2008, accrued of a premium calculated according to the sheet below, and restated according to the formula described in the Deed of Issue. The mandatory conversion of Units into common shares issued by the Company shall take place solely 2 years after the date of issuance and shall respect the following limits (paragraphs 3.18.1 and 3.18.2 of the deed of issue):

Calculation Date	% of units issued	Date
Shall occur after 2 years from the date of issuance (08/19/2010)	15%	In the 3 rd year from the date of issuance
	30%	In the 4 th year from the date of issuance
	45%	In the 5 th year from the date of issuance
	60%	In the 6 th year from the date of issuance

In addition to the hypothesis of mandatory conversion, the Units may be converted into common shares issued by the Company, at the Debenture holders' discretion, given the limits below are followed:

% of units issued	Date
Up to 15%	In the 3 rd year from the date of issuance
Up to 30%	In the 4 th year from the date of issuance
Up to 45%	In the 5 th year from the date of issuance
Up to 60%	In the 6 th year from the date of issuance

There were no conversions during 2014.

INDEXATION:

There is no indexation.

INTEREST:

1 st period	
Beginning	08/19/2008
End	08/19/2019
Yield	TJLP + 1.5% p.y.
Calculation basis	360
U.P. at the Date of Issuance	R\$ 1,000.00
Payment	Semiannually, in August 19 th and February 19 th every year, being the first payment in August 19, 2009 and the last in August 19, 2016.
Document	Deed of the private issue

AMORTIZATION OF FACE VALUE:

The amortization shall be made in two installments in the seventh (08/19/2015) and eighth (08/19/2016) anniversaries, equivalent to 40% and 60% of the principal amount, respectively.

RENEGOTIATION:

Non-Renegotiable.

RATING:

No Rating.

PAYMENTS MADE PER DEBENTURE IN 2014:

INTEREST:	
Payment Date	Unit Value (R\$)
02/19/2014	33.08
08/19/2014	32.53

PREMIUM:

As provided on item 3.15.2 of the Deed of Issue, in the event of non-conversion, the 2nd series debentures shall be entitled to a non-conversion premium of 3.5% per year (360-day basis), calculated on the balance due of the debentures in the calculation date ("Non-conversion premium of the 2nd series debentures"). The non-conversion premium of the 2nd series debentures shall bear interest at TJLP plus 5.0% per year (360-day basis).

The Non-Conversion Premium of the 2nd series on 31/12/2014 was R\$ 321.22.

GUARANTEE STATUS:

Amounts as of 12/31/2014* - (R\$ Thousand)	
A) Total Assets	R\$ 2,054,572
B) Collateral Goods	R\$ 0
C) Discounted Invoices, Pledged Securities	R\$ 0
D) Tax and Labor Liabilities	R\$ (10,957)
E) Unrecorded Asset (Free Asset) = A - B - C - D	R\$ 2,065,529
F) Issuance Value	R\$ 81,923

(*) disclosed by the Issuer

The guarantees of this issue were properly constituted and are sufficient and achievable within the legal limits of a floating guarantee, and according to the information obtained from the Issuer.

Considering the lack of Taxable Goods, Discounted Trade Receivables and Pledged Securities, the percentage of the guarantee would be:

Issuance Value = 3.97% (limited to 70%)

Free Assets

It is noteworthy that a floating guarantee can be affected in the existence of tax, labor and social security debts.

ASSET STATUS AS OF 12/31/2014:

Outstanding	40,002 (1 st series) 40,002(2 nd series)
Treasury	0 (1 st series) 0 (2 nd series)
Canceled or Converted	59,998 (1 st series) 59,998 (2 nd series)
Total	100,000 (1st series) 100,000 (2nd series)

LEGAL AND CORPORATE EVENTS:

No changes on the Company's Bylaws occurred in 2014.

FOLLOW UP OF FINANCIAL COVENANTS:

	Limit	12/31/2014
Net Debt/EBITDA	Less or equal to 4,0	-0.16
EBITDA/NR	More or equal to 10%	25%
EBITDA/Debt Service	More or equal to 1,0	11.49

(*) Calculated by Oliveira Trust

MANDATORY INFORMATION IN COMPLIANCE WITH PROVISIONS OF CVM INSTRUCTION 28/83, AS WELL AS BY ANALOGY WITH THE TERMS OF SUBSECTION "B" OF PARAGRAPH 1, ARTICLE 68 OF THE LAW 6,404/76:

Subsection "a" of item XVII of art. 12 of CVM Instruction 28/83 – "Occasional omission or untruth, that it has knowledge, contained in the information disclosed by the company or, yet, default or delay in the mandatory information disclosure by the company".	We do not have knowledge of any omission or untruth in the information disclosed by the Company or occasional default or delay, by the Company, in disclosing information.
Subsection "b" of item XVII of art. 12 of CVM Instruction 28/83 – "Changes in the by-laws during the period".	We do not have knowledge of any changes in the Bylaws of the Company during the fiscal year 2014.
Subsection "c" of item XVII of art. 12 of CVM Instruction 28/83 – "Comments about the financial statements of the company, focusing on economic,	Information disclosed in Comments about the Financial Statements.

financial and capital structure indexes of the company".	
Subsection "d" of item XVII of art. 12 of CVM Instruction 28/83 – "Status of the distribution or placement of debentures in the market".	Information disclosed above, in the table of outstanding debentures.
Subsection "e" of item XVII of art. 12 of CVM Instruction 28/83 – "Redemption, amortization, conversion, renegotiation and interest payment of debentures made in the period, as well as acquisitions and sales of debentures made by the issuing company".	There were no financial rescues, conversions or re-pricing. There were Interests payments as described above in 2014. Remain outstanding 40,002 debentures of the 1 st series and 40,002 debentures of the 2 nd series, as described above in Assets Status.
Subsection "f" of item XVII of art. 12 of CVM Instruction 28/83 – "Set up and applications of the debenture amortization fund, if applicable"	No debenture amortization fund was set up.
Subsection "g" of item XVII of art. 12 of CVM Instruction 28/83 – "Follow up of the allocation of the proceeds from the issuance of debentures, according to data gathered with management of the Issuing company".	Information disclosed above, in Use of Proceeds.
Subsection "h" of item XVII of art. 12 of CVM Instruction 28/83 – List of goods and values entrusted to its management:	No goods or values were entrusted to the Trustee's management.
Subsection "i" of item XVII of art. 12 of CVM Instruction 28/83 – "Compliance with other obligations assumed by the company in the indenture".	Information disclosed in the present report.
Subsection "j" of item XVII of art. 12 of CVM Instruction 28/83 – "Statement regarding sufficiency and enforceability of the guarantees of the debentures".	Information disclosed in the present report., in Guarantee Status
Subsection "l" of item XVII of art. 12 of CVM Instruction 28/83 – "Statement regarding its capability to remain serving as a trustee".	Information disclosed below.
Subsection "k" of item XVII of art. 12 of CVM Instruction 28/83 - "Statement on the existence of other issues of debentures, public or private, made by an affiliate, subsidiary, parent or member of the same group in which the broadcaster has acted as trustee for the period"	The Trustee of this issue does not act on other issues of debentures of companies in the same group, associated or subsidiary of the issuer.

COMMENTS ON THE FINANCIAL STATEMENTS OF TOTVS S.A.

STATUS OF THE COMPANY: Operational

NATURE OF EQUITY CONTROL: Private

FINANCIAL POSITION

General Liquidity decreased from 1.47 in 2013 to 1.38 in 2014. Current Liquidity increased from 2.56 in 2013 to 3.05 in 2014. Asset turnover decreased from 0.87 in 2013 to 0.83 in 2014.

CAPITAL STRUCTURE

The company had a change in the Loans on Shareholders' Equity ratio from 0.38 in 2013 to 0.53 in 2014. The Third Party Resources on Shareholders' Equity ratio changed from 0.73 in 2013 to 0.92 in 2014. The fixed assets ratio related to Shareholders' Equity remained to 0.07 in 2014. The company presented in its Long Term Liabilities an increase of 57.1% from 2013 to 2014 and 3.3% increase in its Current Liabilities from 2013 to 2014.

INCOME STATEMENT

The net profit was positive by R\$ 262,798 thousand in 2014 and R\$ 223,100 thousand in 2013. Net Revenue in 2014 was 9.97% higher than 2013. Gross Margin was 66.2% in 2014, against 66.42% in the previous year, and Net Margin was 14.83% in 2014 against 13.84% in 2013. Operating Expenses increased 9.95% from 2013 to 2014. Net Income was 17.79% higher than 2013. Net Income of the Year on Equity was 23.50% (Profit) in 2014 against 20.85% (Profit) in 2013.

We recommend the full reading of the Financial Statements, Management's Report and Independent Auditors' Report for a better analysis of the economic and financial position of the company.

TRUSTEE'S STATEMENT

Oliveira Trust states that is fully capable to remain serving as Trustee to this TOTVS S.A.'s issuance of debentures.

This is a free English translation of the original report.

Assets		2014	2013
1	Total assets	2,143,866	1,848,780
1.01	Current assets	1,156,160	941,748
1.01.01	Cash and cash equivalents	697,901	533,063
1.01.02	Financial Investments	35,169	13,277
1.01.03	Accounts receivable	389,496	365,220
1.01.03.02	Other accounts receivable	0	0
1.01.04	Inventory	0	0
1.01.05	Biological assets	0	0
1.01.06	Recoverable taxes	6,336	7,634
1.01.07	Prepaid expenses	0	0
1.02	Non-current assets	987,706	907,032
1.02.01	Long-term assets	256,499	204,451
1.02.01.02	Financial Investments at amortized costs	70,680	61,322
1.02.01.03	Accounts receivable	58,940	43,474
1.02.01.04	Inventory	0	0
1.02.01.05	Biological assets	0	0
1.02.01.06	Deferred taxes	57,525	48,707
1.02.01.07	Prepaid expenses	0	0
1.02.01.08	Receivables from related parties	0	0
1.02.01.09	Other non-current assets	69,354	50,948
1.02.02	Investments	0	0
1.02.03	Fixed assets	79,121	70,674
1.02.04	Intangible assets	652,086	631,907

Liabilities		2014	2013
2	Total liabilities	2,143,866	1,848,780
2.01	Current liabilities	379,611	367,653
2.01.01	Salaries and social charges payable	111,397	99,552
2.01.02	Suppliers	35,479	33,149
2.01.03	Taxes payable	13,739	13,836
2.01.04	Loans and financing	59,148	58,248
2.01.04.01	Loans and financing	25,314	56,443
2.01.04.02	Debentures	33,834	1,805
2.01.04.03	Obligations under capital leases	0	0
2.01.05	Other liabilities	159,848	162,868
2.01.05.01	Liabilities with related parties	0	0
2.01.05.02	Other obligations	159,848	162,868
2.01.06	Provisions	0	0
2.02	Non-current liabilities	646,193	411,289
2.02.01	Loans and financing	536,196	352,400
2.02.01.01	Loans and financing	457,176	250,000
2.02.01.02	Debentures	79,020	102,400
2.02.01.03	Obligations under capital leases	0	0
2.02.02	Other obligations	96,541	51,229
2.02.02.01	Liabilities with related parties	0	0
2.02.02.02.03	Obligation relating to acquisitions	88,983	45,830
2.02.02.02.04	Other liabilities	7,558	5,399
2.02.03	Deferred taxes	0	0
2.02.04	Provisions	13,456	7,660
2.02.06	Profits or revenues to be booked	0	0
2.03	Shareholders' Equity	1,118,062	1,069,838
2.03.09	Minority interests	1,688	2,217

Income Statement		2014	2013
3.01	Net revenues	1,772,447	1,611,794
3.01.01	License fees	360,780	347,808
3.01.02	Services	524,363	480,655
3.01.03	Maintenance fees	887,304	783,331
3.02	Costs of goods/services sold	-599,159	-541,296
3.02.01	Licensing costs	-83,123	-72,612
3.02.02	Cost of services	-516,036	-466,727
3.02.03	Selling costs	0	-1,957
3.03	Gross profit	1,173,288	1,070,498
3.04	Operating expenses	-826,212	-751,474
3.04.01	Selling expenses	-131,741	-107,432
3.04.02	General and administrative expenses	-114,376	-95,809
3.04.05	Other operating expenses	-579,512	-547,737
3.04.05.05	Depreciation and amortization	-88,928	-82,558
3.04.06	Equity pickup	-583	-496
3.05	Earnings before interests and taxes	347,076	319,024
3.06	Financial results	13.182	-2.657
3.06.01	Financial revenues	71.008	40.459
3.06.02	Financial expenses	-57.826	-43.116
3.07	Earnings before taxes	360,258	316,367
3.08	Taxes and social contribution	-97,460	-93,267
3.08.01	Current	-96,957	-90,227
3.08.02	Deferred	-503	-2,990
3.09	Net income from operations	262,798	223,100
3.11	Net income	262,798	223,100
3.11.01	Parent Company	262,960	222,512
3.11.02	Minority interests	-162	588