

1Q20

Earnings Release



São Paulo, May 6, 2020 – TOTVS S.A. (B3: TOTS3), the leading developer of business solutions in Brazil, announces today its results of the **First Quarter of 2020 (1Q20)**. The consolidated financial statements of the Company were prepared in accordance with the accounting practices adopted in Brazil, which are in consonance with the International Financial Reporting Standards (IFRS).

In R\$ thousand	1Q20	1Q19	Δ	4Q19	Δ
Net Revenue	601,418	563,587	6.7%	579,292	3.8%
Adjusted EBITDA	126,863	114,732	10.6%	118,279	7.3%
Adjusted EBITDA Margin	21.1%	20.4%	70 bp	20.4%	70 bp
Adjusted Net Income	62,873	43,821	43.5%	71,311	-11.8%
Adjusted Net Margin	10.5%	7.8%	270 bp	12.3%	-180 bp

HIGHLIGHTS

Recurring Revenue: R\$470.5 million (+13.1% vs. 1Q19 and +5.3% vs. 4Q19)

ARR: R\$2,029.5 million (+14.9% vs. 1Q19 and +5.7% vs. 4Q19)

Adjusted EBITDA: R\$126.9 million (+10.6% vs. 1Q19 and +7.3% vs. 4Q19)

Adjusted EBITDA Margin: 21.1% (+70 bps vs. 1Q19 and +70 bps vs. 4Q19)

Supplier: The deal closing establishes the main pillar of Techfin's strategy

Wealth Systems: The acquisition strengthens Business Performance strategy

Consinco: February and March results Consolidation

CONFERENCE CALL – PORTUGUESE: 05/07/2020, 10.30 a.m. (Brasília)

Webcast: [click here](#). Telephone: +55 11 3181-8565 or +55 11 4210-1803 (password – TOTVS).

Replay: +55 (11) 3193-1012 or +55 (11) 2820-4012 (password – 7935507#) until 05/13/2020 or at ri.totvs.com.br

CONFERENCE CALL - ENGLISH: 05/07/2020, 12.00 p.m. (Brasília)

Webcast: [click here](#) Telephone: US Toll Free +1 844 204-8942 | International

+1 412 717-9627 | Brazil +55 11 4210-1803 or +55 11 3181-8565 (password – TOTVS).

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Recent Events

CONCLUSION OF SUPPLIER ACQUISITION

On April 30, 2020, the acquisition of 88.8% of the Capital of Supplier Participações SA was concluded under the terms of the Share Purchase and Sale Agreement signed on October 28, 2019. Supplier starts its journey at TOTVS using the Fintech model, combining the origination of credit, with the definition and application of the policy, and approval of credit, in a model where the equity risk is essentially limited to its subordinated shares in the FDIC.

TOTVS aims to take Supplier to the Techfin model, advancing in its customers' supply chains, enabling B2B credit in recurring relationships between customers and suppliers and providing a frictionless experience to those involved, through the integration of management systems in Supplier platform and the use of artificial intelligence and big data for the continuous evolution of its credit algorithms.

SHAREHOLDERS MEETING

The Annual and Extraordinary Shareholders Meeting held on April 27, 2020, registered the participation of shareholders representing 67.75% of the Company's capital. All the matters proposed were approved, including the change in the number of directors from 9 to 7 in order to speed up the decision-making process, and the election of the following directors for a new 2-year term:

- i. Eduardo Mazzilli de Vassimon
- ii. Gilberto Mifano
- iii. Guilherme Stocco Filho
- iv. Laércio José de Lucena Cosentino
- v. Maria Letícia de Freitas Costa
- vi. Mauro Gentile Rodrigues da Cunha
- vii. Sylvania de Souza Leão Wanderley

STOCK SPLIT

The matters on the agenda of the meeting held on April 27, 2020, included approval of the stock split of all the common shares issued by the Company in the ratio of one common share for three shares (1:3) of the same type without any change in the capital stock amount. Said split was carried out on May 4, 2020, when the total number of shares in the capital stock of the Company rose from 192,637,727 to 577,913,181, in order to make the price per share and per standard lot more accessible to contribute to the liquidity and tradability of shares. This measure reinforces the trajectory of the Company shares in the Ibovespa index, which went from the 57th position to the 50th in the last revision of the index valid from May 4th, 2020.

2ND ISSUE OF NON-CONVERTIBLE DEBENTURES

The Board of Directors meeting held on April 22, 2020, approved the 2nd Issue of Simple, Non-Convertible Debentures, in compliance with CVM Instruction 476, in the amount of R\$200 million, which will bear interest corresponding to 100.0% of the accumulated variation of the average daily rates of the interbank (DI) plus a spread equivalent to 2.65% per year and maturity on April 22, 2021, and may be redeemed in advance at the Company's sole discretion as from July 22, 2020 upon payment of a premium of 0.10% on the unit par value plus interests and spread calculated *on a pro rata temporis basis* until the redemption date.

The Issue is carried out in light of the scheduled settlement of R\$200.0 million corresponding to the 1st issue of debentures, maturing on September 15, 2020, and in preparation for the payment of R\$455.2 million for the acquisition of 88.8% interest in Supplier.



Despite the cash position of approximately R\$1.4 billion at the end of March 2020, the Company intends to maintain its solid financial position and liquidity to evaluate the scale of potential impacts of COVID-19 on its business and ecosystem, and with possibility of early settlement of this Issue earlier as from the 91st day, at its sole discretion. Maintaining this solid position will enable the Company to continue seeking to balance the integrity of its short-term performance and the preservation of its capacity to execute its medium- and long-term strategies, which are still essentially valid.

ACQUISITION OF WEALTH SYSTEMS

On April 8, 2020, the Company signed an agreement for acquire 100% of the capital of Wealth Systems Informática Ltda. for R\$27.0 million, subject to adjustments, of which R\$16.7 million were paid immediately and R\$10.3 million will be paid in February 2021. Wealth Systems was already a TOTVS partner with its CRM (Customer Relationship Management) and SFA (Sales Force Automation) solutions, especially for the agribusiness, manufacturing and distribution chains.

With this move, TOTVS takes yet another step in executing its strategy to develop an ecosystem represented by three dimensions: (i) Management – ERP, HR and vertical solutions; (ii) Techfin – B2B credit, services and payments; and (iii) Business Performance – sales lead and marketing, providing solutions designed to generate opportunities and convert sales of clients in order to add further value to the chains already served by solutions from the Management and Techfin divisions.

COVID-19

As disclosed to the market on March 18, 2020, to mitigate any impacts of the COVID-19 pandemic, the Company has been taking preventive and mitigating measures in line with the guidelines set forth by health authorities regarding the safety of its employees (TOTVERS) and the continuity of its operations.

Prominent among the measures adopted by the Company are: (i) the establishment of a Crisis Committee to monitor and evaluate on a daily basis the spread of COVID-19, possible impacts and the necessary measures to be taken by the Company; (ii) adoption of remote work (home office) practice at all its units; (iii) suspension of international travel and restrictions on domestic travel; and (iv) implementation, together with our health plan operator, of a 24-hour telephone assistance service for TOTVERS.

To maintain the relationship with its ecosystem active, the Company started giving its clients and others access to free online training programs on the products and services provided by TOTVS. This initiative generated more than 30,000 accesses to the TOTVS website through different channels in which the Company is present, with more than 10,000 users registered in the first 24 hours, showing the strong interest in TOTVS' platforms not only by our clients but also the market as whole.

TOTVS DAY 2020

On February 17, 2020, the Company held the TOTVS Day, an event that wasn't organized since 2017 and was attended by more than 250 people among investors, analysis and capital market professionals.

Participants followed, both onsite and via webcast, the presentations and participated in a Q&A session with the Company's Executive Board. Some of the key topics addressed were the competitive landscape, vision of the future, human capital, client journey and distribution platform, core business of Management, Techfin and Business Performance. Videos of the presentations and the materials used are available at the TOTVS Investor Relations website <https://ri.totvs.com/ptb/totvs-day>.



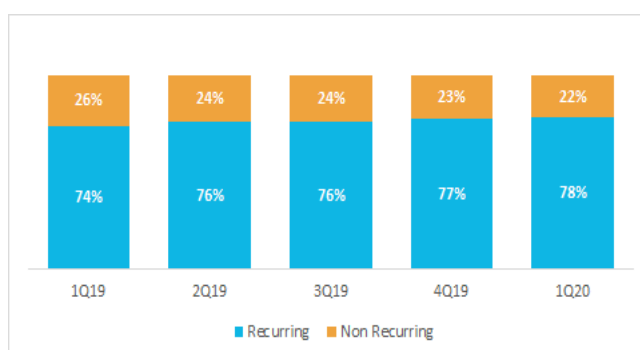
Operating and Financial Performance

In accordance with the International Financial Reporting Standards (IFRS), the financial statements presented herein reflect the adoption of IFRS 16 in 2019 and 2020. Consinco S.A. results for February and March 2020 are also reflected in the financial statements.

In R\$ thousand	1Q20	1Q19	Δ	4Q19	Δ
Net Revenue	601,418	563,587	6.7%	579,292	3.8%
Recurring	470,542	416,140	13.1%	446,717	5.3%
Non Recurring	130,876	147,447	-11.2%	132,575	-1.3%
License	58,280	57,801	0.8%	52,819	10.3%
Services	72,596	89,646	-19.0%	79,756	-9.0%
Costs	(181,422)	(181,547)	-0.1%	(191,460)	-5.2%
<i>Gross Margin</i>	<i>69.8%</i>	<i>67.8%</i>	200 bp	<i>66.9%</i>	290 bp
Total Expenses	(293,537)	(267,246)	9.8%	(278,569)	5.4%
Research and Development	(105,889)	(96,236)	10.0%	(104,985)	0.9%
Commercial and Marketing Expenses	(119,823)	(100,851)	18.8%	(112,418)	6.6%
Allowance for Doubtful Accounts	(5,559)	(8,936)	-37.8%	(4,549)	22.2%
General and Administrative Expenses	(49,919)	(48,238)	3.5%	(45,465)	9.8%
Provision for Contingencies	(12,862)	(15,167)	-15.2%	(15,342)	-16.2%
Other Revenues (Expenses)	515	2,182	-76.4%	4,190	-87.7%
EBITDA	126,459	114,794	10.2%	109,263	15.7%
<i>EBITDA Margin</i>	<i>21.0%</i>	<i>20.4%</i>	60 bp	<i>18.9%</i>	210 bp
Extraordinary Items					
Extraordinary costs with layoffs	-	-	-	10,547	-100.0%
M&A Expenses	404	-	-	2,201	-81.7%
Provision Adjustment - Non Cash	-	-	-	(3,732)	-100.0%
Fixed Assets Write-Off	-	(62)	-	-	-
Adjusted EBITDA	126,863	114,732	10.6%	118,279	7.3%
<i>Adjusted EBITDA Margin</i>	<i>21.1%</i>	<i>20.4%</i>	70 bp	<i>20.4%</i>	70 bp

Net Revenue

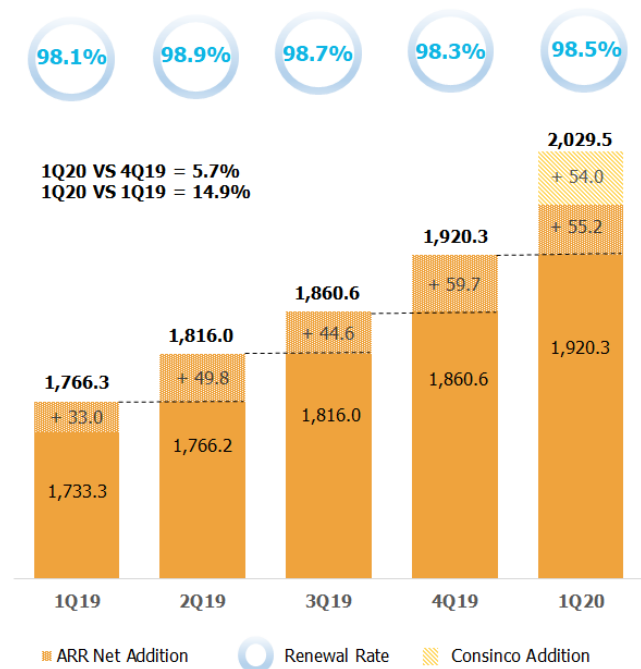
Net Revenue grew 6.7% from the same period last year and 3.8% from 4Q19, reaching over R\$601.4 million, mainly driven by the growth of Recurring Revenue, by 13.1% and 5.3%, respectively, and which this quarter corresponded to 78.2% of the Total Net Revenue. Note that this growth includes the Recurring Revenues in February and March resulting from the acquisition of Consinco S.A., which represented 2.1% of Revenue during the quarter. These growth figures were dampened by declines of 11.2% and 1.3% in Non-Recurring Revenue in relation to 1Q19 and 4Q19, respectively.





Recurring Revenue

Recurring revenue growth compared to 1Q19 and 4Q19 was driven by: (i) the consolidation of February and March results of Consinco, which represented 2.1% of the Recurring Revenue in 1Q20; and (ii) growth in sales to both new and existing clients, that came despite the onset of the COVID-19 crisis in the second half of March, a period when a significant volume of business deals are closed, since inflation adjustments were lower than in the comparison periods. This growth is reflected in both Annual Recurring Revenue (ARR), which registered a net increase of R\$109.2 million, from which Consinco represented R\$ 54.0 million, with a year over year organic growth of 67.3%, passing from R\$1.920 billion to R\$2.029 billion in the period, and the growth of the Client Renewal Rate, which reached 98.5%, remaining at high levels. Note that the record net addition of ARR in 1Q20.



Non-Recurring Revenue

Declined 11.2% year-on-year and 1.3% quarter-on-quarter, mainly due to the decrease in Non-Recurring Services Revenue, by 19.0% and 9.0%, respectively, due to: (i) higher share of franchises in sales in this model, as mentioned in prior periods; (ii) higher sales volume of cloud solutions, a growing trend that requires a lower volume of services; and (iii) seasonal effect on project deliveries in the first quarter, which has fewer business days. The capacity to perform non-recurring services was not impacted in 1Q20 by the onset of the COVID-19 crisis. On the other hand, License sales helped mitigate the decline in services, growing 10.3% from 4Q19 and staying in line with 1Q19. This performance from the prior quarter was mainly driven by the increase in user licenses in the Corporate Model, which totaled R\$18.8 million in the period and surpassed 1Q19 by 28.8%, once the new sales volume was impacted by the diverse restrictions placed on economic activities placed in the context of the onset of the COVID-19 crisis. Note that License revenue is recognized in the month of sale. Typically, the last two weeks of each quarter represent a substantial part of these sales, when the sales teams focus their efforts on closing the deals with clients regarding new projects.

Costs

Costs remained stable compared to 1Q19 and declined 5.2% from 4Q19, mainly driven by the decrease in Non-Recurring Services costs, directly related to the fall in Revenues in this model, coupled with the adjustment of personnel to the volume of services implemented in the previous quarter. The drop in Non-Recurring Services, a revenue line with lower margin, had a positive impact on Gross Margin, which reached 69.8% this quarter, an increase of 200 basis points over the same period last year and 290 basis points compared to 4Q19, reaffirming the Company's strategy of focusing on recurring services, which have higher added value and margin.

Research and Development

Research and Development expenses rose 10% from 1Q19, corresponding to 17.6% of Net Revenue, up 50 basis points, mainly explained by: (i) the consolidation of Consinco's results; (ii) the wage increase on account of the collective bargaining agreement compared to the same period last year; and (iii) investments



in innovation during the period, particularly in Techfin, Telemetry and APIs. Compared to 4Q19, despite the 0.9% increase, the ratio of these expenses to revenue fell 50 basis points, from 18.1% to 17.6% in 1Q20, reflecting the more efficient R&D investments.

Selling and Marketing Expenses

Corresponded to 19.9% of Revenue in 1Q20, up 200 basis points from 1Q19. This increase was mainly due to: (i) the increase in sales volume through franchises; (ii) the continuing acceleration of sales, as seen in the level of net ARR addition; and (iii) the investments in the launch of the new "TOTVS Believes in a Brazil that gets things done" campaign in 1Q20. Compared to 4Q19, the 50-basis point increase in the ratio of these expenses is due to the same factors already mentioned when comparing with 1Q19.

Allowance for Doubtful Accounts

Fell 60 basis points from 1Q19, reflecting the lower volume of customer delays earlier this year compared to last year, particularly because the quarter ended on a business day and the higher share of recurrence in the Company's Revenues, which historically has a lower level of delinquency. In relation to 4Q19, the provision growth as a percentage of Net Revenue was 10 basis points, from 0.8% to 0.9% in 1Q20. The Company closely monitors the behavior and active management of defaults in its receivables portfolio and is individually assessing customer claims, given the difficulties in some niche markets as a result of the Covid-19 pandemic. In view of the diversity of segments of TOTVS' customers, in the aggregate there was no significant impact on credit risk.

General & Administrative Expenses and Provision for Contingencies

General and Administrative Expenses, coupled with the Provision for Contingencies, corresponded to 10.5% of Revenue in 1Q20, compared to 11.3% in 1Q19, showing the Company's continuous gains in operational efficiency as these lines were adversely affected by: (i) the effect on the result of R\$3.3 million in social charges on the Company's Long-Term Incentive program; (ii) the higher disbursement as part of the collective bargaining agreement compared to last year; (iii) the consolidation of Consinco's operations; and (iv) expenses of R\$0.4 million with M&A in the period. Compared to the previous quarter, the fact that it still represents 10.5% of Revenue stems mainly from the reduction in the Provision for Contingencies since other lines were affected by the aforementioned items.

Other Operating Income (Expenses)

Down compared to 4Q19, due to the positive impact of R\$3.7 million from the reversal of the earn-out provision related to the acquisition of equity interest in RJ Participações, which took place last quarter and did not repeat this quarter.

Adjusted EBITDA

Continuous Recurring Revenue growth combined with operational efficiency gains registered by the Company resulted in fresh expansion of Adjusted EBITDA Margin, which reached 21.1%, up 70 basis points compared to both 1Q19 and 4Q19. Note that this expansion occurred despite the onset of the COVID-19 crisis in sales at the end of the quarter, as mentioned above. Furthermore, the Company continued to fully provision the proportional Profit Sharing/Bonus and ILP amounts for the quarter for its teams. Lastly, the Company did not cut workdays or wages of its employees, nor did it terminate any employee during the period.



POST-EBITDA RESULTS

Depreciation and Amortization Expenses

In R\$ thousand	1Q20	1Q19	Δ	4Q19	Δ
Depreciation	(23,904)	(22,610)	5.7%	(23,356)	2.3%
Amortization	(14,884)	(14,652)	1.6%	(13,455)	10.6%
Depreciation and Amortization	(38,788)	(37,262)	4.1%	(36,811)	5.4%

Depreciation Expenses increased 5.7% from 1Q19 and 2.3% from 4Q19, mainly driven by the start of depreciation of improvements and renovations carried out at the Company's offices and the assets acquired during 2019. Amortization expenses, on the other hand, increased due to the start of amortization of goodwill of Consinco's PPA in February 2020.

Financial Result

In R\$ thousand	1Q20	1Q19	Δ	4Q19	Δ
Financial Revenues	16,964	10,883	55.9%	18,048	-6.0%
Financial Expenses	(10,762)	(20,649)	-47.9%	(12,124)	-11.2%
Financial Result	6,202	(9,766)	-163.5%	5,924	4.7%

Financial Result came in line with the 4Q19 result, significantly improving in relation to 1Q19, mainly driven by: (i) higher cash and financial investments resulting from the follow-on offering held by the Company in 2Q19; and (ii) the reduction in the Company's debt, which translates into less of interest payments.

Income Tax and Social Contribution

In R\$ thousand	1Q20	1Q19	Δ	4Q19	Δ
EBT	93,873	67,636	38.8%	78,258	20.0%
Taxes at combined rate (34%)	(31,917)	(22,996)	38.8%	(26,608)	20.0%
Law 11,196/05 - R&D Incentive	2,323	2,373	-2.1%	2,842	-18.3%
Interest on Equity	-	-	-	14,911	-100.0%
Effect of subsidiaries with differentiated tax	(1,588)	(2,195)	-27.7%	(4,761)	-66.6%
Other	(85)	(956)	-91.1%	718	-111.8%
Income Tax and Social Contribution	(31,267)	(23,774)	31.5%	(12,897)	142.4%
Current Income Tax and Social Contribution	(8,297)	(19,178)	-56.7%	(3,092)	168.3%
Deferred Income Tax and Social Contribution	(22,969)	(4,596)	399.8%	(9,805)	134.3%
<i>% Current Effective Tax Rate</i>	<i>8.8%</i>	<i>28.4%</i>	<i>-1960 bp</i>	<i>4.0%</i>	<i>480 bp</i>
<i>% Total Effective Tax Rate</i>	<i>33.3%</i>	<i>35.1%</i>	<i>-180 bp</i>	<i>16.5%</i>	<i>1680 bp</i>

The effective rate of Income Tax and Social Contribution improved in comparison with 1Q19, mainly due to the evolution in the result of subsidiaries abroad above that of the previous year. Compared to 4Q19, the increase in the Effective Rate mainly stems from the effect of Interest on Equity disclosed the previous quarter, which did not occur in 1Q20.



Adjusted Net Income

In R\$ thousand	1Q20	1Q19	Δ	4Q19	Δ
Net Income	62,607	43,862	42.7%	65,361	-4.2%
<i>Net Margin</i>	<i>10.4%</i>	<i>7.8%</i>	<i>260 bp</i>	<i>11.3%</i>	<i>-90 bp</i>
Extraordinary Items					
M&A Expenses	266	-	-	1,453	-81.7%
Extraordinary costs with layoffs	-	-	-	6,961	-100.0%
Provision Adjustment - Non Cash	-	-	-	(2,463)	-100.0%
Fixed Assets Write-Off	-	(41)	-	-	-
Adjusted Net Income	62,873	43,821	43.5%	71,311	-11.8%
<i>Adjusted Net Margin</i>	<i>10.5%</i>	<i>7.8%</i>	<i>270 bp</i>	<i>12.3%</i>	<i>-180 bp</i>

The increase of 43.5% in Adjusted Net Income in 1Q20 vs. 1Q19 is mainly due to EBITDA growth coupled with the positive financial result and the lower effective rate in the period. Compared to 4Q19, despite the growth in Adjusted EBITDA, the higher depreciation and amortization expenses and, especially, the higher Effective Income Tax and Social Contribution rate in the quarter, led to the 11.8% decline in Adjusted Net Income in the quarter compared to the previous quarter.

CASH FLOW AND DEBT

In R\$ thousand	1Q20	1Q19	Δ	4Q19	Δ
Net income before taxes	93,873	67,636	38.8%	78,258	20.0%
Non-cash items	65,579	76,711	-14.5%	69,112	-5.1%
Change in working capital	(49,683)	(78,716)	-36.9%	(18,681)	166.0%
Interest paid	(8,278)	(13,536)	-38.8%	(3,591)	130.5%
Income tax and social contribution paid	(10,805)	(17,217)	-37.2%	(8,653)	24.9%
Assets and Liabilities Change from Discontinued Operation	-	6,617	-100.0%	1,036	-100.0%
Net operating cash flow	90,686	41,495	118.5%	117,481	-22.8%
Subsidiaries	(189,551)	1,359	-14047.8%	18,146	-1144.6%
Fixed assets	(9,071)	(7,240)	25.3%	(13,168)	-31.1%
Intangibles	(4,857)	(4,775)	1.7%	(6,531)	-25.6%
Net cash used in investing activities	(203,479)	(10,656)	1809.5%	(1,553)	13002.3%
Grow (Reduction) Gross Debt	(55,123)	(57,877)	-4.8%	(33,274)	65.7%
Issue of Shares	-	-	-	(94)	-100.0%
Shareholders Payment	(4,874)	(2,103)	131.8%	(32,106)	-84.8%
Net cash used in financing activities	(59,997)	(59,980)	0.0%	(65,474)	-8.4%
Increase (decrease) in cash and cash equivalents	(172,790)	(29,141)	492.9%	50,454	-442.5%
Cash and cash equivalents at the beginning of the period	1,538,156	452,799	239.7%	1,487,702	3.4%
Cash and cash equivalents at the end of the period	1,365,366	423,658	222.3%	1,538,156	-11.2%
Gross Debt	498,841	685,615	-27.2%	466,723	6.9%
Net debt (Cash)	(866,525)	261,957	-430.8%	(1,071,433)	-19.1%
<i>Net debt (Cash) / LTM Adjusted EBITDA</i>	<i>-1.8</i>	<i>0.7</i>	<i>-2.5</i>	<i>-2.3</i>	<i>0.5</i>
Free cash flow	(107,330)	39,772	-369.9%	118,298	-190.7%
Free cash flow Ex M&A	89,670	39,772	125.5%	118,298	-24.2%

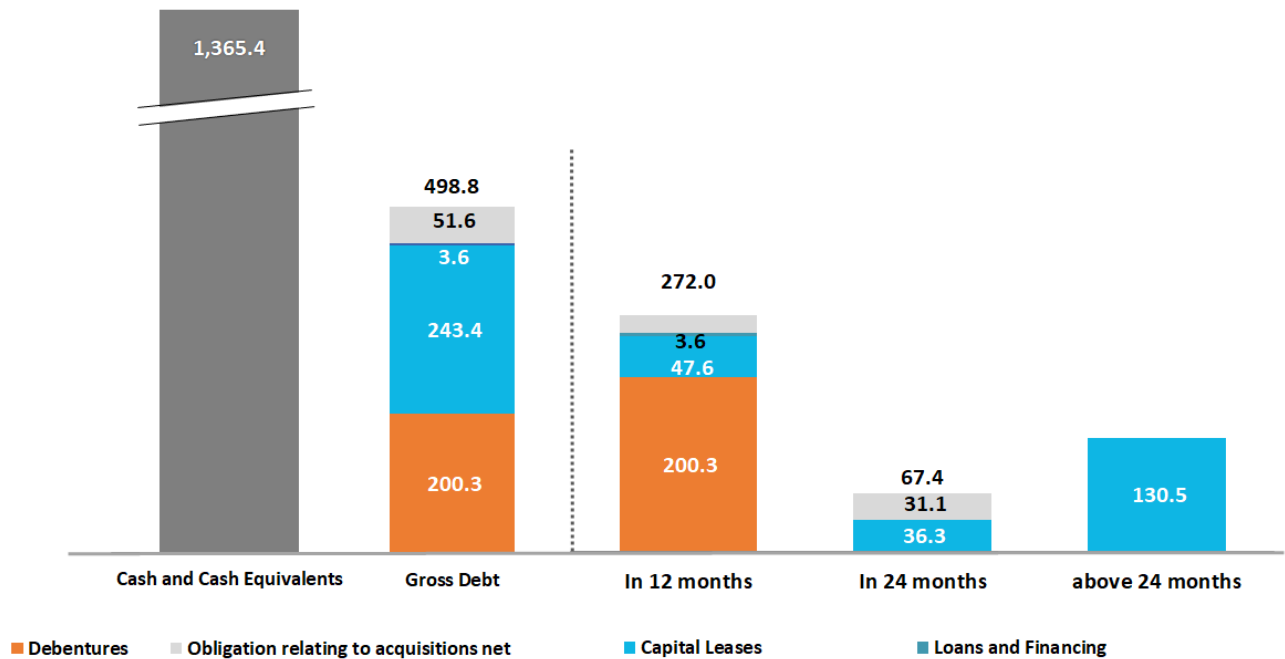
The year-on-year drop in free cash flow was mainly due to higher investments, related to the payment of R\$197.0 million for the acquisition of Consinco, excluding which free cash flow stood at R\$89.7 million, up 125.5% from the same period last year.

Compared to last quarter, and already excluding the payment for the acquisition of Consinco, despite the 20.0% upswing in EBT, free cash flow in 1Q20 was down 24.2% from the previous quarter, due to lower net cash generation from operational activities, especially in the Working Capital line, mainly affected by



the increase in the balances of Other Assets, tax payments, which fall due early in the year, and Accounts Receivable, due to the commercial terms negotiated with clients.

GROSS DEBT AMORTIZATION SCHEDULE



Gross Debt totaled R\$484.9 million in 1Q20, as against R\$685.6 million in the same period last year. Cash and Cash Equivalents at the end of 1Q20 totaled R\$1,365.4 million, corresponding to 2.8 times of Gross Debt, which demonstrates the Company's solid financial position.





OWNERSHIP STRUCTURE

TOTVS ended 1Q20 with Capital Stock of R\$1.382 billion, consisting of 192,637,727 common shares and free float of 83.6%. Free float is calculated as the total shares of the Company, excluding shares owned by Management and related persons, and treasury stock.

Shareholders Equity	1Q20	4Q19	3Q19	2Q19	1Q19
Free Float	83.6%	83.9%	83.9%	83.8%	81.2%
Management	16.4%	16.1%	16.1%	16.2%	18.8%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%
Local Investors (% Free Float)	38.9%	35.3%	34.1%	31.9%	24.9%
Foreign Investor (% Free Float)	61.1%	64.7%	65.9%	68.1%	75.1%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

ABOUT TOTVS

Totvs, which provides business solutions for companies of all sizes in the form of management software, productivity and collaboration platforms and consulting services, is the absolute leader in Brazil's small and mid-sized businesses (SMB) market. With about 50% market share in Brazil, it is the only technology company to figure in the Interbrand ranking of the most valuable brands in Brazil. TOTVS is present in 41 countries, with net revenue of more than R\$2 billion. In Brazil, it has 15 branch offices, 52 franchises and 10 development centers. For further information, visit www.totvs.com.br.

This report contains forward-looking statements, which are based not just on historical facts but reflect the desires and expectations of TOTVS management. Words such as "anticipate", "wish", "expect", "foresee", "intend", "plan", "predict", "project", "desire" and similar terms identify statements that necessarily involve known and unknown risks. Known risks include uncertainties that are not limited to the impact of price and product competitiveness, the acceptance of products by the market, the transitions of the Company's products and those of its competitors, regulatory approval, currency fluctuations, supply and production difficulties and changes in product sales, among other risks. This report also contains certain pro forma statements prepared by the Company exclusively for informational and reference purposes and are therefore unaudited. This report is updated to the present date and TOTVS is under no obligation to update it further to include new information and/or future events.

APPENDIX I

Income Statement

In R\$ thousand	1Q20	1Q19	Δ	4Q19	Δ
Net Revenue	601,418	563,587	6.7%	579,292	3.8%
Recurring	470,542	416,140	13.1%	446,717	5.3%
Non Recurring	130,876	147,447	-11.2%	132,575	-1.3%
License Fees	58,280	57,801	0.8%	52,819	10.3%
Services	72,596	89,646	-19.0%	79,756	-9.0%
Operating Costs	(181,422)	(181,547)	-0.1%	(191,460)	-5.2%
Gross Income	419,996	382,040	9.9%	387,832	8.3%
Operating Expenses	(332,325)	(304,508)	9.1%	(315,380)	5.4%
Research and Development	(105,889)	(96,236)	10.0%	(104,985)	0.9%
Selling and Marketing	(119,823)	(100,851)	18.8%	(112,418)	6.6%
Allowance for Doubtful Accounts	(5,559)	(8,936)	-37.8%	(4,549)	22.2%
General and Administrative	(49,919)	(48,238)	3.5%	(45,465)	9.8%
Provision for Contingencies	(12,862)	(15,167)	-15.2%	(15,342)	-16.2%
Depreciation and Amortization	(38,788)	(37,262)	4.1%	(36,811)	5.4%
Other Revenues (Expenses)	515	2,182	-76.4%	4,190	-87.7%
EBIT	87,671	77,532	13.1%	72,452	21.0%
Financial Result	6,202	(9,766)	-163.5%	5,924	4.7%
Financial Revenue	16,964	10,883	55.9%	18,048	-6.0%
Financial Expense	(10,762)	(20,649)	-47.9%	(12,124)	-11.2%
Equity Pickup	-	(130)	-100.0%	(118)	-100.0%
Earnings Before Taxes (EBT)	93,873	67,636	38.8%	78,258	20.0%
Income Tax and Social Contribution	(31,266)	(23,774)	31.5%	(12,897)	142.4%
Current	(8,297)	(19,178)	-56.7%	(3,092)	168.3%
Deferred	(22,969)	(4,596)	399.8%	(9,805)	134.3%
Net Income from Continuing Operation	62,607	43,862	42.7%	65,361	-4.2%
Net Margin Continued Operation	10%	8%	260 bp	11%	-90 bp
Net Income (Loss) from Discontinued Operation	(1,099)	(31,744)	-96.5%	(11,455)	-90.4%
Net Income	61,508	12,118	407.6%	53,906	14.1%
<i>Net Margin</i>	10.2%	2.2%	800 bp	9.3%	90 bp
Income Tax and Social Contribution	31,266	23,774	31.5%	12,897	142.4%
Financial Result	(6,202)	9,766	-163.5%	(5,924)	4.7%
Depreciation and Amortization	38,788	37,262	4.1%	36,811	5.4%
EBITDA	125,360	82,920	51.2%	97,690	28.3%
<i>EBITDA Margin</i>	20.8%	14.7%	610 bp	16.9%	390 bp
Extraordinary Items					
Extraordinary costs with layoffs	-	-	-	10,547	-100.0%
M&A Expenses	404	-	-	2,201	-81.7%
Provision Adjustment - Non Cash	-	-	-	(3,732)	-100.0%
Fixed Assets Write-Off	-	(62)	-100.0%	-	-
Net Income (Loss) from Discontinued Operation	1,099	31,744	-96.5%	11,455	-90.4%
Equity Pickup	-	130	-100.0%	118	-100.0%
Adjusted EBITDA	126,863	114,732	10.6%	118,279	7.3%
<i>Adjusted EBITDA Margin</i>	21.1%	20.4%	70 bp	20.4%	70 bp



APPENDIX II

Cash Flow

In R\$ thousand	1Q20	1Q19	Δ	4Q19	Δ
Net income before taxes	93,873	67,636	38.8%	78,258	20.0%
<i>Adjustments:</i>	<i>65,579</i>	<i>76,711</i>	<i>-14.5%</i>	<i>69,112</i>	<i>-5.1%</i>
Depreciation and amortization	38,788	37,262	4.1%	36,811	5.4%
Share-based payment	2,306	1,256	83.6%	4,324	-46.7%
Losses (Gains) on sales of assets	(64)	(62)	3.2%	(1,599)	-96.0%
Allowance for doubtful accounts	5,559	8,936	-37.8%	4,549	22.2%
Equity pickup	-	130	-100.0%	118	-100.0%
Provision (Reversal) for contingencies	12,805	15,174	-15.6%	15,125	-15.3%
Provision (Reversal) for other obligations	-	-	-	(3,638)	-100.0%
Interest, monetary and exchange variations, net	6,185	14,015	-55.9%	13,422	-53.9%
<i>Changes in operating assets and liabilities:</i>	<i>(49,683)</i>	<i>(72,099)</i>	<i>-31.1%</i>	<i>(17,645)</i>	<i>181.6%</i>
Trade accounts receivable	(20,155)	(48,505)	-58.4%	10,179	-298.0%
Other assets	(24,733)	(11,954)	106.9%	13,247	-286.7%
Judicial deposits	13,932	(3,442)	-504.8%	6,474	115.2%
Social and labor obligations	(9,338)	(468)	1895.3%	(24,699)	-62.2%
Taxes recoverable	(7,621)	(1,309)	482.2%	(17,502)	-56.5%
Suppliers	929	(6,019)	-115.4%	8,310	-88.8%
Commissions payable	6,614	5,542	19.3%	1,899	248.3%
Taxes payable	606	(2,918)	-120.8%	5,253	-88.5%
Other accounts payable	(9,917)	(9,643)	2.8%	(21,842)	-54.6%
Assets and Liabilities Change from Discontinued Operation	-	6,617	-100.0%	1,036	-100.0%
Operating cash flow	109,769	72,248	51.9%	129,725	-15.4%
Interest paid	(8,278)	(13,536)	-38.8%	(3,591)	130.5%
Income tax and social contribution paid	(10,805)	(17,217)	-37.2%	(8,653)	24.9%
Net operating cash flow	90,686	41,495	118.5%	117,481	-22.8%
Addition of investments on subsidiaries	-	-	-	-	-
Acquisition of Equity Interest	(187,430)	-	-	-	-
Purchases of intangible assets	(4,857)	(4,775)	1.7%	(6,531)	-25.6%
Sale (Acquisition) of investments	5,000	1,359	267.9%	18,146	-72.4%
Value from fixed assets sale	323	701	-53.9%	817	-60.5%
Payment of obligations for acquisition of investments	(7,121)	-	-	-	-
Acquisition of fixed assets	(9,394)	(7,941)	18.3%	(13,985)	-32.8%
Net cash used in investing activities	(203,479)	(10,656)	1809.5%	(1,553)	13002.3%
Payment of principal on loans and financing	(2,811)	(45,275)	-93.8%	(16,926)	-83.4%
Payment of leasing installments	(14,098)	(14,711)	-4.2%	(16,561)	-14.9%
Capital Contribution	-	-	-	(94)	-100.0%
Dividends paid	(4,874)	(2,103)	131.8%	(32,106)	-84.8%
Net Treasury Shares	(38,214)	2,109	-1911.9%	213	-18040.8%
Net cash used in financing activities	(59,997)	(59,980)	0.0%	(65,474)	-8.4%
Increase (decrease) in cash and cash equivalents	(172,790)	(29,141)	492.9%	50,454	-442.5%
Cash and cash equivalents at the beginning of the period	1,538,156	452,799	239.7%	1,487,702	3.4%
Cash and cash equivalents at the end of the period	1,365,366	423,658	222.3%	1,538,156	-11.2%



APPENDIX III

Balance Sheet

In R\$ thousand	1Q20	1Q19	Δ	4Q19	Δ
ASSETS					
Current assets	1,859,977	1,026,741	81.2%	2,004,275	-7.2%
Cash and cash equivalents	1,365,366	423,658	222.3%	1,538,156	-11.2%
Accounts receivable	460,210	484,546	-5.0%	453,118	1.6%
Allowance for doubtful accounts	(89,424)	(117,040)	-23.6%	(102,123)	-12.4%
Recoverable taxes	39,277	33,674	16.6%	29,662	32.4%
Escrow accounts	10,204	44,711	-77.2%	25,278	-59.6%
Othe Assets	74,344	69,280	7.3%	60,184	23.5%
Assets For Sale	-	87,912	-100.0%	-	-
Non-current assets					
Long-term assets	1,746,119	1,559,104	12.0%	1,531,652	14.0%
Accounts receivable	27,578	21,672	27.3%	31,627	-12.8%
Deferred income tax and social contribution	78,803	110,182	-28.5%	100,380	-21.5%
Judicial deposits	51,484	70,399	-26.9%	65,059	-20.9%
Credit with Related Parties	-	-	-	-	-
Recoverable taxes	-	207	-100.0%	-	-
Escrow accounts	1,630	4,368	-62.7%	1,987	-18.0%
Financial assets	92,805	69,562	33.4%	71,955	29.0%
Other receivables	65,203	22,907	184.6%	57,395	13.6%
Investments	3,239	3,054	6.1%	3,120	3.8%
Property, plant and equipment	393,959	416,837	-5.5%	389,432	1.2%
Intangible assets	1,031,418	839,916	22.8%	810,697	27.2%
TOTAL ASSETS	3,606,096	2,585,845	39.5%	3,535,927	2.0%
LIABILITIES					
Current liabilities	699,633	706,705	-1.0%	705,552	-0.8%
Salaries and social charges payable	190,583	168,334	13.2%	193,472	-1.5%
Taxes payable	53,701	44,757	20.0%	55,203	-2.7%
Loans and financing	3,649	110,559	-96.7%	6,363	-42.7%
Current obligation under capital leases	47,588	68,150	-30.2%	49,260	-3.4%
Debentures	200,257	76,238	162.7%	202,973	-1.3%
Suppliers	66,238	70,560	-6.1%	63,821	3.8%
Commissions payable	52,649	47,429	11.0%	46,035	14.4%
Obligation relating to acquisitions	30,717	59,398	-48.3%	32,554	-5.6%
Dividends and Interest on Equity payable	39,705	12,293	223.0%	44,579	-10.9%
Other liabilities	14,546	6,778	114.6%	11,292	28.8%
Liabilities for sale	-	42,209	-100.0%	-	-
Non-current liabilities	379,409	572,130	-33.7%	351,966	7.8%
Loans and financing	-	3,694	-100.0%	-	-
Current obligation under capital leases	195,765	202,150	-3.2%	192,080	1.9%
Debentures	-	199,913	-100.0%	-	-
Provision for contingencies	129,455	133,786	-3.2%	131,521	-1.6%
Obligation relating to acquisitions	32,699	14,592	124.1%	10,758	204.0%
Other liabilities	21,490	17,995	19.4%	17,607	22.1%
Shareholders' equity	2,527,054	1,307,010	93.3%	2,478,409	2.0%
Capital	1,382,509	1,041,229	32.8%	1,382,509	0.0%
Treasury stock	(94,508)	(64,866)	45.7%	(62,531)	51.1%
Capital reserve	873,243	168,153	419.3%	875,979	-0.3%
Income reserve	295,897	141,573	109.0%	234,389	26.2%
Other comprehensive income	45,096	20,187	123.4%	22,051	104.5%
Additional Dividends Proposal	24,817	-	-	24,817	0.0%
Minority interests	-	734	-100.0%	1,195	-100.0%
TOTAL LIABILITIES AND EQUITY	3,606,096	2,585,845	39.5%	3,535,927	2.0%