

Net Serviços de Comunicação S.A. Income Statement US GAAP - (in US\$ thousands)					
	2Q02	1Q02	2Q01	1H02	1H01
Revenues					
Subscriptions	118,024	122,715	127,827	240,739	268,840
Sign-on and hookup revenue, net	2,397	3,306	4,955	5,704	11,565
Gross sign-on and hookup fee revenue	2,686	2,874	4,117	5,560	9,459
Deferred sign-on and hookup fee revenue, net	(289)	432	838	143	2,106
Corporate Networks	5,171	5,546	6,749	10,718	13,420
Other services	9,289	12,889	8,846	22,178	20,018
PPV	2,699	6,222	3,624	8,922	8,741
Virtua	3,754	3,674	3,193	7,428	6,390
Others	2,836	2,992	2,029	5,828	4,888
Gross Revenues	134,881	144,456	148,377	279,338	313,844
Services and other taxes	(23,192)	(24,326)	(24,159)	(47,518)	(50,008)
Net Revenues	111,689	120,131	124,219	231,821	263,836
Direct Operating Expenses	(65,131)	(65,908)	(65,242)	(131,039)	(137,625)
Programming & Royalties	(39,504)	(41,270)	(36,023)	(80,774)	(76,358)
Network Expenses	(6,551)	(6,469)	(6,040)	(13,020)	(14,100)
Customers Relations	(3,680)	(3,061)	(4,216)	(6,741)	(7,969)
Payroll and Benefits	(9,644)	(9,068)	(9,678)	(18,712)	(22,250)
Other Costs	(5,752)	(6,040)	(9,285)	(11,793)	(16,947)
Selling, General and Administrative Expenses	(19,382)	(22,863)	(31,449)	(42,245)	(64,420)
Selling	(846)	(1,793)	(5,121)	(2,639)	(10,376)
General & administrative	(15,168)	(15,846)	(23,327)	(31,014)	(48,205)
Bad Debt Expenses	(2,864)	(3,078)	(3,109)	(5,941)	(5,772)
Other income/(expense), net	(505)	(2,146)	109	(2,650)	(67)
Depreciation and Amortization	(23,382)	(24,588)	(56,438)	(47,970)	(123,682)
Depreciation	(20,973)	(22,047)	(33,286)	(43,020)	(72,276)
Amortization	(2,409)	(2,541)	(23,152)	(4,951)	(51,406)
Unusual charges	0	0	(3,907)	0	(3,907)
Loss on write-down of equipment, net	850	(63)	15	787	264
Operating Income/(Loss)	4,644	6,708	(32,802)	11,353	(65,534)
Non-operating Expenses					
Monetary indexation, net	(12,946)	(1,810)	(11,025)	(14,756)	(21,732)
Loss on exchange rate, net	(67,346)	1,052	(26,871)	(66,294)	(65,943)
Financial expenses	(42,278)	(31,068)	(22,582)	(73,346)	(57,007)
Debt Financial expenses	(21,610)	(21,360)	(12,797)	(42,970)	(40,395)
Other Financial expenses	(20,668)	(9,708)	(9,785)	(30,376)	(16,612)
Financial income	5,159	1,629	2,675	6,788	6,709
Other (non-operating)	153	54	(791)	207	(865)
Income/(loss) bef. tax, investees, min. ints.	(112,614)	(23,435)	(91,396)	(136,049)	(204,373)
Income tax benefit, net	(3,104)	(429)	88	(3,533)	730
Income/(loss) bef. investees, min. ints.	(115,719)	(23,864)	(91,308)	(139,582)	(203,643)
Cumulative effect of accounting change	0	(367,733)	0	(367,733)	0
Equity in earnings	170	211	82	381	107
Minority interests	5	0	(8)	5	(8)
Net Income/(Loss)	(115,544)	(391,386)	(91,234)	(506,929)	(203,544)
Loss per share	(\$0.41)	(\$1.39)	(\$0.32)	(\$1.80)	(\$0.72)
Number of shares *	281,125,286	281,125,286	281,125,286	281,125,286	281,125,286
EBITDA	27,176	31,359	27,528	58,536	61,791

* In June, 2002 there was a reverse split in the shares at 10:1 ratio

Net Serviços de Comunicação S.A.							
Consolidated Balance Sheet		2Q02		1Q02		2Q01	
US GAAP - (in US\$ thousands)			%		%		%
Assets							
	Cash & cash equivalents	16,583	1.9%	13,908	1.3%	107,430	6.6%
Accounts receivable		52,168	6.1%	58,752	5.6%	57,312	3.5%
Advances to suppliers		0	0.0%	0	0.0%	2,728	0.2%
Advances to employees		709	0.1%	470	0.0%	1,117	0.1%
Other		1,982	0.2%	3,987	0.4%	5,397	0.3%
Provision for doubtful accounts		(9,041)	-1.1%	(12,106)	-1.2%	(10,273)	-0.6%
	Net accounts receivables	45,818	5.4%	51,103	4.9%	56,281	3.4%
Income tax recoverable		1,090	0.1%	6,888	0.7%	8,238	0.5%
Deferred income tax		0	0.0%	0	0.0%	0	0.0%
Prepaid expenses and other current assets		6,750	0.8%	6,917	0.7%	15,453	0.9%
	Total current assets	70,240	8.2%	78,815	7.5%	187,402	11.4%
	Deferred income tax	781	0.1%	4,974	0.5%	6,642	0.4%
	Due from related companies	1,055	0.1%	555	0.1%	1,319	0.1%
	Investments and advances to investees	3,584	0.4%	3,521	0.3%	3,914	0.2%
Cable network		818,794	95.9%	1,005,070	96.0%	951,001	58.0%
Land, buildings, improvem. fix. fit. & instal.		21,518	2.5%	26,365	2.5%	25,312	1.5%
Vehicles		2,578	0.3%	3,145	0.3%	3,099	0.2%
Data processing equip. and others		136,854	16.0%	166,449	15.9%	160,569	9.8%
Cable construction materials		54,301	6.4%	67,773	6.5%	80,305	4.9%
Accumulated depreciation		(575,386)	-67.4%	(691,836)	-66.1%	(585,521)	-35.7%
	Net property and equipment	458,658	53.7%	576,966	55.1%	634,765	38.7%
	Goodwill on acquisition of subsidiaries	275,956	32.3%	335,114	32.0%	756,488	46.1%
	Other assets	43,482	5.1%	46,883	4.5%	48,677	3.0%
	Long-term assets	783,518	91.8%	968,013	92.5%	1,451,806	88.6%
	Total assets	853,758	100.0%	1,046,828	100.0%	1,639,208	100.0%
Liabilities and Stockholders' Equity							
Accounts payable to suppliers and programmers		60,635	7.1%	99,547	9.5%	70,498	4.3%
Income taxes payable		78	0.0%	471	0.0%	83	0.0%
Short-term debt		79,914	9.4%	90,232	8.6%	103,837	6.3%
Current portion of long-term debt		135,946	15.9%	164,497	15.7%	71,543	4.4%
Other payables and accruals		88,668	10.4%	82,994	7.9%	80,422	4.9%
	Current Liabilities	365,241	42.8%	437,741	41.8%	326,383	19.9%
Long-term debt		354,683	41.5%	410,309	39.2%	573,464	35.0%
Due to related companies		977	0.1%	8,678	0.8%	135,013	8.2%
Deferred sign-on and hookup fee revenue		24,271	2.8%	29,399	2.8%	31,708	1.9%
Taxes and other payables and accruals		17,716	2.1%	23,522	2.2%	53,142	3.2%
	Long-term liabilities	397,647	46.6%	471,908	45.1%	793,327	48.4%
	Minority interests in subsidiaries	142	0.0%	157	0.0%	150	0.0%
	Commitments and contingencies	57,170	6.7%	66,931	6.4%	22,656	1.4%
	Capital Advances	186,995	21.9%	134,588	12.9%	0	0.0%
Capital stock - preferred and common shares		1,923,138	225.3%	1,922,841	183.7%	1,921,948	117.2%
Accumulated deficit		(1,852,554)	-217.0%	(1,737,010)	-165.9%	(1,199,693)	-73.2%
Cumulative translation adjustment		(224,021)	-26.2%	(250,329)	-23.9%	(225,563)	-13.8%
	Shareholders' equity	(153,437)	-18.0%	(64,498)	-6.2%	496,693	30.3%
	Total Liabilities and Shareholders' Equity	853,758	100.0%	1,046,828	100.0%	1,639,208	100.0%

Consolidated Statement of Cash Flows	2Q02	1Q02
Cash and cash equivalents, beginning of the period	13,908	12,474
Loss for the period	(115,544)	(391,386)
Non-cash items		
Deferred sign-on and hook-up fee revenue	1,522	830
Amortization of deferred revenues	(1,233)	(1,262)
Equity in results of investees	(170)	(211)
Gain (loss) on translation	0	0
Exchange losses, net	56,003	789
Interest on loans, net	23,217	20,935
Depreciation and amortization	23,382	24,588
Minority interest in results of consolidated subsidiaries	0	0
Deferred income tax	3,104	429
Cumulative effect of accounting change	0	367,733
Loss on sale of assets	(784)	0
Amortization of compensation cost	297	297
Cash after non-cash items	(10,205)	22,742
Decrease (Increase) in assets and liabilities		
Accounts receivable	(5,700)	(1,945)
Income tax recoverable	3,202	2,578
Prepaid expenses	(122)	(1,141)
other assets	(2,734)	(3,449)
Accounts payable to suppliers and programmers	(13,317)	15,843
Income taxes payable	(0)	0
Sales taxes	6,482	(2,233)
Payroll and related charges	7,451	(1,471)
Deferred subscription revenue	0	0
Other payables and accruals	9,444	10,415
Net cash provided by operating activities	4,707	18,597
Cash flow from investing activities		
Acquisition of minority interest in consolidated subsidiaries	0	0
Acquisition from investments and advances to related companies	(0)	0
Acquisition of property and equipment	(12,156)	(11,012)
Proceeds from the sale of equipment	2,628	1,192
Net cash provided by investing activities	(9,528)	(9,820)
Cash flow from financing activities		
Change in overdraft facilities	(694)	(432)
Short term debt issuance	4,369	6,870
Short term debt repayment	(19,846)	(25,821)
Issuances of long term debt	0	0
Repayment of long term debt	(21,352)	(10,670)
Related party loan issuances	59,011	16
Related party loan repayments	(99)	(30)
Capital contributions	0	0
Advance for future capitalization	0	0
Net cash after financing activities	21,389	(30,067)
Effect of exchange rate changes on cash	(3,687)	(18)
Change in cash and cash equivalentes	2,675	1,434
Cash and cash equivalents, end of the period	16,583	13,908

Segmented Financial Information

US \$ thousand	Pay-TV				Broadband				Corporate Networks				Total			
	2Q02	1Q02	6M02	6M01	2Q02	1Q02	6M02	6M01	1Q02	1Q02	6M02	6M01	2Q02	1Q02	6M02	6M01
Gross Revenues	125,956	135,236	261,192	294,036	3,754	3,674	7,428	6,390	5,171	5,546	10,718	13,420	134,881	144,456	279,338	313,846
subscriptions	118,024	122,715	240,739	268,840	3,497	3,598	7,095	4,501	-	-	-	-	121,521	126,314	247,834	273,341
hookup fee	2,397	3,306	5,703	11,565	60	66	126	850	-	-	-	-	2,457	3,371	5,829	12,414
others	5,535	9,215	14,750	13,631	197	10	207	1,039	5,171	5,546	10,718	13,420	10,903	14,771	25,675	28,090
Services and other taxes	(21,963)	(22,876)	(44,839)	(47,716)	(702)	(853)	(1,555)	(1,060)	(527)	(597)	(1,124)	(1,232)	(23,192)	(24,326)	(47,518)	(50,008)
Net Revenue	103,993	112,360	216,353	246,320	3,052	2,821	5,873	5,329	4,644	4,950	9,594	12,189	111,689	120,131	231,820	263,838
Direct Operating	(60,302)	(60,642)	(120,944)	(127,442)	(2,103)	(2,436)	(4,539)	(5,426)	(2,726)	(2,830)	(5,557)	(4,757)	(65,131)	(65,908)	(131,039)	(137,624)
Selling	(389)	(1,049)	(1,439)	(8,334)	(167)	(511)	(678)	(1,598)	(289)	(233)	(522)	(444)	(846)	(1,793)	(2,639)	(10,376)
General and Administrative	(14,952)	(17,019)	(31,972)	(42,648)	(363)	(364)	(727)	(2,176)	(357)	(609)	(966)	(3,446)	(15,673)	(17,992)	(33,665)	(48,270)
Bad Debt	(2,848)	(3,065)	(5,912)	(5,742)	(16)	(13)	(29)	(30)	-	-	-	-	(2,864)	(3,078)	(5,941)	(5,772)
EBITDA	25,502	30,585	56,086	62,153	403	(503)	(100)	(3,900)	1,271	1,277	2,549	3,542	27,176	31,359	58,535	61,795
% of Net Revenues																
Net Revenue	0.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Direct Operating	-58.0%	-54.0%	-55.9%	-51.7%	-68.9%	-86.4%	-77.3%	-101.8%	-58.7%	-57.2%	-57.9%	-39.0%	-58.3%	-54.9%	-56.5%	-52.2%
Selling	-0.4%	-0.9%	-0.7%	-3.4%	-5.5%	-18.1%	-11.5%	-30.0%	-6.2%	-4.7%	-5.4%	-3.6%	-0.8%	-1.5%	-1.1%	-3.9%
General and Administrative	-14.4%	-15.1%	-14.8%	-17.3%	-11.9%	-12.9%	-12.4%	-40.8%	-7.7%	-12.3%	-10.1%	-28.3%	-14.0%	-15.0%	-14.5%	-18.3%
Bad Debt	-2.7%	-2.7%	-2.7%	-2.3%	-0.5%	-0.5%	-0.5%	-0.6%	0.0%	0.0%	0.0%	0.0%	-2.6%	-2.6%	-2.6%	-2.2%
EBITDA Margin	24.5%	27.2%	25.9%	25.2%	13.2%	-17.8%	-1.7%	-73.2%	27.4%	25.8%	26.6%	29.1%	24.3%	26.1%	25.3%	23.4%