

FINANCIAL STATEMENTS

(non-audited)

Net Serviços de Comunicação S.A.					
Income Statement					
	3Q02	2Q02	3Q01	9M02	9M01
US GAAP - (in US\$ thousands)					
Revenues					
Subscriptions	97,095	118,024	117,552	337,834	386,392
Sign-on and hookup revenue, net	1,686	2,397	3,762	7,390	15,326
Gross sign-on and hookup fee revenue	2,201	2,686	3,084	7,761	12,542
Deferred sign-on and hookup fee revenue, net	(515)	(289)	678	(372)	2,784
Corporate Networks	3,844	5,171	5,389	14,561	18,809
Other services	10,089	9,289	12,051	32,267	32,069
PPV	4,971	2,699	6,141	13,893	14,882
Virtua	2,860	3,754	3,040	10,289	9,429
Others	2,257	2,836	2,870	8,086	7,758
Gross Revenues	112,713	134,881	138,753	392,052	452,596
Services and other taxes	(19,856)	(23,192)	(23,145)	(67,373)	(73,153)
Net Revenues	92,858	111,689	115,607	324,678	379,443
Direct Operating Expenses					
Programming & Royalties	(35,194)	(39,504)	(38,374)	(115,968)	(114,732)
Network Expenses	(5,758)	(6,551)	(6,269)	(18,778)	(20,369)
Customers Relations	(2,144)	(3,680)	(2,998)	(8,885)	(10,968)
Payroll and Benefits	(7,766)	(9,644)	(8,380)	(26,478)	(30,629)
Other Costs	(4,669)	(5,752)	(5,846)	(16,462)	(22,794)
Selling, General and Administrative Expenses	(17,420)	(19,382)	(21,645)	(59,665)	(86,064)
Selling	(474)	(846)	(1,984)	(3,113)	(12,360)
General & administrative	(13,746)	(15,168)	(15,867)	(44,760)	(64,072)
Bad Debt Expenses	(3,003)	(2,864)	(2,803)	(8,944)	(8,575)
Other income/(expense), net	(197)	(505)	(991)	(2,847)	(1,057)
Depreciation and Amortization	(17,277)	(23,382)	(52,253)	(65,248)	(175,935)
Depreciation	(15,677)	(20,973)	(32,139)	(58,697)	(104,416)
Amortization	(1,600)	(2,409)	(20,114)	(6,551)	(71,520)
Unusual charges	(0)	0	(407)	(0)	(4,314)
Loss on write-down of equipment, net	151	850	(78)	938	186
Operating Income/(Loss)	2,780	4,644	(20,642)	14,133	(86,176)
Non-operating Expenses					
Monetary indexation, net	(12,246)	(12,946)	(20,922)	(27,002)	(42,654)
Loss on exchange rate, net	(85,042)	(67,346)	(47,920)	(151,336)	(113,864)
Financial expenses	(29,839)	(42,278)	(36,601)	(103,185)	(93,608)
Debt Financial expenses	(16,500)	(21,610)	(22,915)	(59,470)	(63,309)
Other Financial expenses	(13,339)	(20,668)	(13,686)	(43,715)	(30,299)
Financial income	9,077	5,159	8,805	15,865	15,514
Other (non-operating)	(253)	153	(656)	(46)	(1,521)
Income/(loss) bef. tax, investees, min. ints.	(115,523)	(112,614)	(117,937)	(251,571)	(322,309)
Income tax benefit, net	(432)	(3,104)	(1,025)	(3,966)	(294)
Income/(loss) bef. investees, min. ints.	(115,955)	(115,719)	(118,961)	(255,537)	(322,604)
Cumulative effect of accounting change	0	0	0	(367,733)	0
Equity in earnings	(884)	170	68	(503)	176
Minority interests	0	5	(11)	5	(20)
Net Income/(Loss)	(116,839)	(115,544)	(118,904)	(623,769)	(322,448)
Loss per share	(\$0.06)	(\$0.41)	(\$0.42)	(\$0.31)	(\$1.15)
Number of shares *	2,028,855,530	281,125,286	281,125,286	2,028,855,530	281,125,286
EBITDA	19,907	27,176	32,096	78,443	93,887

Net Serviços de Comunicação S.A.
Consolidated Balance Sheet
US GAAP - (in US\$ thousands)

	3Q02	%	2Q02	%	3Q01	%	
Assets							
	Cash & cash equivalents	29,382	4.6%	16,583	1.9%	70,113	5.2%
Accounts receivable	39,312	6.2%	52,168	6.1%	51,180	3.8%	
Advances to suppliers	0	0.0%	0	0.0%	1,827	0.1%	
Advances to employees	452	0.1%	709	0.1%	1,437	0.1%	
Other	1,366	0.2%	1,982	0.2%	5,030	0.4%	
Provision for doubtful accounts	(7,232)	-1.1%	(9,041)	-1.1%	(8,979)	-0.7%	
	Net accounts receivables	33,897	5.3%	45,818	5.4%	50,496	3.7%
Income tax recoverable	2,638	0.4%	1,090	0.1%	6,632	0.5%	
Deferred income tax	0	0.0%	0	0.0%	0	0.0%	
Prepaid expenses and other current assets	4,915	0.8%	6,750	0.8%	12,396	0.9%	
	Total current assets	70,832	11.1%	70,240	8.2%	139,636	10.3%
	Deferred income tax	355	0.1%	781	0.1%	5,082	0.4%
	Due from related companies	1,029	0.2%	1,055	0.1%	524	0.0%
	Investments and advances to investees	2,298	0.4%	3,584	0.4%	2,939	0.2%
Cable network	598,488	93.9%	818,794	95.9%	828,614	61.2%	
Land, buildings, improvem. fix. fit. & instal.	15,780	2.5%	21,518	2.5%	22,772	1.7%	
Vehicles	1,873	0.3%	2,578	0.3%	2,792	0.2%	
Data processing equip. and others	102,694	16.1%	136,854	16.0%	144,782	10.7%	
Cable construction materials	39,537	6.2%	54,301	6.4%	63,413	4.7%	
Accumulated depreciation	(430,047)	-67.5%	(575,386)	-67.4%	(537,426)	-39.7%	
	Net property and equipment	328,326	51.5%	458,659	53.7%	524,947	38.7%
	Goodwill on acquisition of subsidiaries	204,765	32.1%	275,956	32.3%	637,677	47.1%
	Other assets	29,455	4.6%	43,482	5.1%	44,165	3.3%
	Long-term assets	566,228	88.9%	783,518	91.8%	1,215,335	89.7%
	Total assets	637,060	100.0%	853,758	100.0%	1,354,971	100.0%
Liabilities and Stockholders' Equity							
Accounts payable to suppliers and programmers	61,194	9.6%	60,635	7.1%	52,887	3.9%	
Income taxes payable	116	0.0%	78	0.0%	142	0.0%	
Short-term debt	62,579	9.8%	79,914	9.4%	92,954	6.9%	
Current portion of long-term debt	30,068	4.7%	135,946	15.9%	158,128	11.7%	
Other payables and accruals	49,632	7.8%	88,668	10.4%	81,785	6.0%	
	Current Liabilities	203,588	32.0%	365,241	42.8%	385,897	28.5%
Long-term debt	246,815	38.7%	354,683	41.5%	439,151	32.4%	
Due to related companies	787	0.1%	977	0.1%	114,145	8.4%	
Deferred sign-on and hookup fee revenue	18,131	2.8%	24,271	2.8%	26,720	2.0%	
Taxes and other payables and accruals	13,480	2.1%	17,716	2.1%	50,164	3.7%	
	Long-term liabilities	279,212	43.8%	397,647	46.6%	630,181	46.5%
	Minority interests in subsidiaries	104	0.0%	142	0.0%	141	0.0%
	Commitments and contingencies	47,091	7.4%	57,170	6.7%	19,969	1.5%
	Capital Advances	0	0.0%	186,995	21.9%	0	0.0%
Capital stock - preferred and common shares	2,316,527	363.6%	1,923,138	225.3%	1,922,246	141.9%	
Accumulated deficit	(1,969,393)	-309.1%	(1,852,554)	-217.0%	(1,318,598)	-97.3%	
Cumulative translation adjustment	(240,068)	-37.7%	(224,021)	-26.2%	(284,864)	-21.0%	
	Shareholders' equity	107,066	16.8%	(153,437)	-18.0%	318,784	23.5%
	Total Liabilities and Shareholders' Equity	637,060	100.0%	853,758	100.0%	1,354,971	100.0%

Consolidated Statement of Cash Flows	3Q02	2Q02	2002
Cash and cash equivalents, beginning of the period	16.583	13.908	12.474
Loss for the period	(116.839)	(115.544)	(623.769)
Non-cash items			
Deferred sign-on and hook-up fee revenue	1.536	1.522	3.888
Amortization of deferred revenues	(1.021)	(1.233)	(3.516)
Equity in results of investees	884	(170)	503
Gain (loss) on translation	0	0	0
Exchange losses, net	87.418	56.003	144.210
Interest on loans, net	(13.689)	23.217	30.463
Depreciation and amortization	17.278	23.382	65.248
Minority interest in results of consolidated subsidiaries	0	0	0
Deferred income tax	432	3.104	3.966
Cumulative effect of accounting change	0	0	367.733
Loss on sale of assets	(174)	(784)	(958)
Amortization of compensation cost	0	297	594
Cash after non-cash items	(24.175)	(10.205)	(11.638)
Decrease (Increase) in assets and liabilities			
Accounts receivable	78	(5.700)	(7.567)
Income tax recoverable	(254)	3.202	5.526
Prepaid expenses	372	(122)	(891)
other assets	4.783	(2.734)	(1.400)
Accounts payable to suppliers and programmers	45.875	(13.317)	48.401
Income taxes payable	0	(0)	(0)
Sales taxes	(8.308)	6.482	(4.059)
Payroll and related charges	(6.858)	7.451	(878)
Deferred subscription revenue	0	0	0
Other payables and accruals	(41.440)	9.444	(21.581)
Net cash provided by operating activities	(5.753)	4.707	17.550
Cash flow from investing activities			
Acquisition of minority interest in consolidated subsidiaries	0	0	0
Acquisition from investments and advances to related companies	397	(0)	397
Acquisition of property and equipment	(8.040)	(12.156)	(31.208)
Proceeds from the sale of equipment	762	2.628	4.582
Net cash provided by investing activities	(6.880)	(9.528)	(26.228)
Cash flow from financing activities			
Change in overdraft facilities	(692)	(694)	(1.818)
Short term debt issuance	34.724	4.369	45.963
Short term debt repayment	(17.461)	(19.846)	(63.128)
Issuances of long term debt	0	0	0
Repayment of long term debt	(54.451)	(21.352)	(86.473)
Related party loan issuances	(58.942)	59.011	85
Related party loan repayments	(8)	(99)	(137)
Capital contributions	161.175	0	161.175
Advance for future capitalization	0	0	0
Net cash after financing activities	64.345	21.389	55.667
Effect of exchange rate changes on cash	(14.738)	(3.687)	(18.443)
Change in cash and cash equivalentes	12.798	2.675	16.908
Cash and cash equivalents, end of the period	29.382	16.583	29.382

<i>US \$ thousand</i>	Pay-TV				Broadband				Corporate Networks				Total			
	3Q02	2Q02	9M02	9M01	3Q02	2Q02	9M02	9M01	3Q02	2Q02	9M02	9M01	3Q02	2Q02	9M02	9M01
Gross Revenues	106,009	125,956	367,201	424,358	2,860	3,754	10,289	9,429	3,844	5,171	14,561	18,809	112,713	134,881	392,051	452,597
subscriptions	97,095	118,024	337,834	386,392	2,767	3,497	9,862	7,104	-	-	-	-	99,862	121,521	347,696	393,496
hookup fee	1,686	2,397	7,389	15,326	94	60	220	1,060	-	-	-	-	1,780	2,457	7,608	16,386
others	7,228	5,535	21,978	22,640	-	197	207	1,266	3,844	5,171	14,561	18,809	11,072	10,903	36,747	42,715
Services and other taxes	(18,915)	(21,963)	(63,754)	(69,840)	(530)	(702)	(2,085)	(1,585)	(411)	(527)	(1,535)	(1,728)	(19,856)	(23,192)	(67,373)	(73,153)
Net Revenue	87,095	103,993	303,447	354,518	2,331	3,052	8,204	7,844	3,433	4,644	13,026	17,081	92,858	111,689	324,678	379,443
Direct Operating	(51,631)	(60,302)	(172,574)	(184,854)	(1,666)	(2,103)	(6,206)	(8,156)	(2,234)	(2,726)	(7,791)	(6,482)	(55,531)	(65,131)	(186,571)	(199,492)
Selling	(72)	(389)	(1,511)	(9,847)	(132)	(167)	(810)	(1,960)	(269)	(289)	(792)	(553)	(474)	(846)	(3,113)	(12,360)
General and Administrative	(13,127)	(14,952)	(45,097)	(57,581)	(288)	(363)	(1,014)	(2,430)	(529)	(357)	(1,495)	(5,118)	(13,943)	(15,673)	(47,607)	(65,129)
Bad Debt	(2,985)	(2,848)	(8,898)	(8,532)	(18)	(16)	(47)	(43)	-	-	-	-	(3,003)	(2,864)	(8,944)	(8,575)
EBITDA	19,280	25,502	75,367	93,704	227	403	127	(4,745)	400	1,271	2,949	4,928	19,907	27,176	78,443	93,887
% of Net Revenues																
Net Revenue	0.0%	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%
Direct Operating	-59.3%	-58.0%	-56.9%	-52.1%	-71.5%	-68.9%	-75.6%	-104.0%	-65.1%	-58.7%	-59.8%	-37.9%	-59.8%	-58.3%	-57.5%	-52.6%
Selling	-0.1%	-0.4%	-0.5%	-2.8%	-5.7%	-5.5%	-9.9%	-25.0%	-7.8%	-6.2%	-6.1%	-3.2%	-0.5%	-0.8%	-1.0%	-3.3%
General and Administrative	-15.1%	-14.4%	-14.9%	-16.2%	-12.3%	-11.9%	-12.4%	-31.0%	-15.4%	-7.7%	-11.5%	-30.0%	-15.0%	-14.0%	-14.7%	-17.2%
Bad Debt	-3.4%	-2.7%	-2.9%	-2.4%	-0.8%	-0.5%	-0.6%	-0.5%	0.0%	0.0%	0.0%	0.0%	-3.2%	-2.6%	-2.8%	-2.3%
EBITDA Margin	22.1%	24.5%	24.8%	26.4%	9.7%	13.2%	1.5%	-60.5%	11.7%	27.4%	22.6%	28.8%	21.4%	24.3%	24.2%	24.7%