NETC4: R$ 33.70/share (Bovespa)
NETC: US$18.24/ADR (Nasdaq)
XNET: EUR$13.01/share (Latibex)
Total Shares: 335,055,477
Market Cap.: R$ 11.3 billion
Closing Price: 07/18/2007

O MUNDO É DOS NETS.

Second Quarter 2007 Earnings Results

São Paulo, July 19, 2007 – Net Serviços de Comunicação S.A. (Bovespa: NETC3 and NETC4; Nasdaq: NETC; and Latibex: XNET), the largest cable company in Latin America with integrated services of Pay TV ("NET"), Digital Video ("NET Digital"), bidirectional broadband internet access ("NET Vírtua") and voice ("NET Fone via Embratel"), announces today its 2007 second quarter of 2007 ("2Q07") results.

The following financial and operating data, except otherwise stated, are unaudited presented in accordance with the Brazilian Corporate Law ("BR GAAP") on a consolidated and pro-forma basis, including the results of Vivax S.A. ("Vivax") in Net's consolidated results for all the periods analyzed. Figures in US GAAP are shown in the footnotes. The differences between the figures in BR and US GAAP can be explained by the appreciation of 9.9% of the Brazilian Real in the first half of the year and of 6.1% in the second quarter and by the different accounting principles involved. In the latter case, the main differences are presented in the section **"Main Accounting Differences between BR GAAP and US GAAP".**

Consolidated Financial Highlights (R$ million)	2Q07	2Q06	Var. 2Q07x2Q06	6M07	6M06	Var. 6M07x6M06
Net Revenue	**698**	**546**	**28%**	**1,351**	**1,060**	**27%**
Adjusted EBITDA[a]	**196**	**157**	**24%**	**383**	**303**	**27%**
Adjusted EBITDA Margin	**28%**	**29%**		**29%**	**29%**	
Adjusted Net Income	**31**	**28**	**11%**	**60**	**42**	**42%**
Net Debt	571.0	552.0	3%			
Net Debt/EBITDA (last 12 months)	0,79x	0,89x				
Net Debt/EV [b]	0,05x	0,09x				

Operating Highlights	2Q07	2Q06	Var.
Homes Passed (thousand)	**8,897**	**8,360**	**6%**
Bidirectional Homes Passed (thousand)	**5,514**	**3,912**	**41%**
Digital Homes Passed (thousand)	**6,206**	**4,104**	**51%**
Pay TV Client base (thousand)			
- Connected Clients	2,304	1,975	17%
- Penetration over Homes Passed	26%	24%	
- Churn rate - last 12 months	14%	14%	
Digital Video Client Base (thousand)			
- Connected Clients	322	76	323%
- Penetration over Homes Passed	5%	2%	
Broadband Client Base (thousand)			
- Connected Clients	1,120	638	75%
- Penetration over Homes Passed	20%	16%	
- Churn rate - last 12 months	15%	16%	
Voice Service Client Base (thousand)			
- Connected Clients	354	49	**618%**
- Penetration over bidirectional homes	6%	1%	
Revenue Generating Units (thousand)	**4,100**	**2,739**	**50%**
Client ARPU (R$/subscriber) [c]	**125.65**	**116.51**	**8%**
Number of employees	**7,058**	**5,874**	**20%**

(a) EBITDA does not represent a financial statement item for the period in question nor does it represent cash flow. It should, therefore, not be considered an alternative measure for net income (loss), as an indicator of operating performance or as an alternative for cash flow as a source of liquidity. In addition, EBITDA definition may not be comparable to that adopted by other companies.
(b) Enterprise value calculated based on the preference share price at the end of the respective quarters, multiplied by the total number of shares, plus net debt as of the last day of the quarter.
(c) Calculated by the sum of Pay TV, Broadband, Voice and PPV subscription gross revenues divided by the average Pay TV plus only Broadband and voice connected clients.

IR Contacts

Marcio Minoru Miyakava
(5511) 2111-2811
minoru@netservicos.com.br

Juliana Bajon
(5511) 2111-2721
juliana.bajon@netservicos.com.br

EXECUTIVE SUMMARY

On May 16, 2007, the National Telecommunications Agency ("ANATEL") approved the acquisition of Vivax's control by Net Serviços pursuant to the terms and conditions in the Share Acquisition and Other Arrangement Agreement of October 2006. Following ANATEL's approval, shareholders' meetings approved this acquisition on June 11, 2007. Since then, Net has thus become Vivax's controlling shareholder, detaining the totality of its shares.

Vivax's acquisition was in line with the Company's growth strategy as the companies have complementary infrastructures with almost no overlapping. This becomes clear with the continued strong growth of both pay TV and broadband services, up by 16.7% and 75.4%, respectively. Voice services, which were only available in some parts of Net's coverage area, reached 353,700 clients at end of the quarter.

Vivax's consolidation required accounting equalizations in order to conform to the standards adopted by Net. Since, these adjustments are not recurring; the Company does not anticipate this kind of adjustment in the coming quarters. The effect of these adjustments on EBITDA totaled R$ 55.3 million.

Net revenue rose by 27.9%, from R$ 545.8 million in the 2Q06 to **R$ 698.3 million** in this quarter, as a result of the increase in pay TV and broadband bases, package sales and revenues related to the voice offer.

Operating costs rose by 30.2%, from R$ 254.8 million in the 2Q06 to **R$ 331.7 million**, remaining virtually stable as a percentage of net revenue, at approximately 47%. The main items that impacted these costs were Programming and Royalties, following the increase in the pay TV base, the greater link consumption, as a result of NET Vírtua's larger base; and the resizing of the call center to handle a larger client base.

Selling, General and Administrative expenses (SG&A) surged by 73.2%, from US$ 125.7 million to **R$ 217.8 million**. Despite the increase of 20.7% in selling expenses and 35.0% in general and administrative expenses, the equalization of Vivax accounting estimates after its acquisition, increased these costs by R$ 43.9 million.

Consolidated EBITDA excluding the non recurring equalization, rose by 24.3%, from R$ 157.4 million to **R$ 195.8 million.** EBITDA margin before adjustments decreased slightly from 28.8% to 28.0%, confirming that the execution of the growth strategy through investments is bringing suitable returns to shareholders.

OPERATING PERFORMANCE

- **Revenue Generating Unit ("RGU")**, defined as the sum of all the services offered by the Company, posted a strong 49.7% growth, which totaled **4,099,600** at the end of the quarter, versus 2,738,500 in the same period a year ago. The strong growth was due to the expansion of all services client base, particularly the broadband base, which has registered a very attractive result.

- **Net Pay TV sales** totaled **151,700 in 2Q07**, registering a 20.4% growth compared to the 126,000 sales posted in 2Q06. The Company continues to seek alternatives to increase penetration, implementing actions to diversify sales channels, regularly pursuing new content, and offering several different service packages with a variety of product combinations in order to attend all different client segments and demands.

- **Pay TV churn rate** in the last 12 months posted a slight decline, from 14.2% in the 2Q06 to **13.9%** in 2Q07. However, this churn rate is higher than the rate that Net had previously posted prior to Vivax's acquisition, since its operations have a slightly higher churn rate than Net operations. The Company has been analyzing the reasons for this difference and studying whether the applications of Net's process and products could reduce Vivax's churn rate to lower levels. Of the total number of disconnections, 50% was voluntarily requested by clients, due to address change to areas not covered by the Company.

- In addition to the organic growth, the consolidation of Vivax led the **pay TV client base** to reach **2,304,200** in the quarter, an increase of 16.7% compared to the combined base of 1,974,600 in the same period a year ago.

- The announced investments to accelerate NET Digital penetration are achieving their objective. The **digital package** client base reached **322,100** clients at the end of the quarter, 322.7% up from the 2Q06, and already registers penetration of 14% of the overall Pay TV client base.

- In pay-per-view services, the Brazilian Soccer Championship subscriptions were 51% higher then in 2Q06. PPV sales of films surged by 341%, mainly due to a higher number of digital package clients.

- The number of broadband users in Brazil continues to grow at a very strong pace. Because of its differentiated product, particularly the effective high speeds delivered to the consumer and the product's reliability, the Company has been able to capture a significant share of this market. As a result, **net broadband sales** expanded by 56.1% to **155,400 clients** in the 2Q07, up from 99,500 in the 2Q06.

- **Broadband churn rate** in the last 12 months ended the quarter at **15.3%,** a slight drop versus the 15.5% registered in the 2Q06. Similar to the pay TV churn rate, this level of churn is higher than the rate that Net has been posting, since the broadband business of Vivax operations present a slightly higher churn rate than that of Net operations. Of the total number of disconnections, 70% was voluntarily solicited by clients, with the main reason being a change in address to areas where the service is not offered.

- The **broadband client base** surpassed the mark of 1 million subscribers to reach 1,119,700 at the end of 2Q07, an increase of 75.4% compared to the 638,400 client base at the end of 2Q06.

- **NET Fone Via Embratel client base** reached 353,700 in 2Q07, confirming the product's excellent acceptance due to its quality and competitive price in the residential market, leading the product's penetration in the NET Vírtua client base to reach 32%.

- At the end of 2Q07, call center registered a 83% service index of calls answered within 10 seconds, and 90% of calls answered within 60 seconds. After service was normalized, the Call Center regained the service level recorded prior to the changes in the service model implemented in the 1Q07, when the service model began to be based on service specialization instead of on geographic location.

- Vivax has a business unit that offers infrastructure and digital circuits to telecom operators, providing services in fiber optic. This is a wholesale offer covering all the towns in Vivax's concession area. Currently, the service is available to 16 operators and the Company is studying the expansion of this business model to other cities.

ANALISYS OF CONSOLIDATED FINANCIAL RESULTS

1. Consolidated **gross revenue**[1] closed the quarter at **R$ 903.3 million**, 29.2% up on the R$ 699.2 million registered in the 2Q06, chiefly due the increased number of connected homes. The reasons leading to this result are:

1.1. **Subscription revenue**[2] grew by 27.5% from R$ 648.8 million to **R$ 827.5 million**, mainly as a result of the strong growth in pay TV and broadband client bases.

1.2. **Hook-up revenue**[3] totaled **R$ 9.6 million**, versus R$ 10.7 million in the 2Q06, falling by 9.9%. This decline was due to higher sales of loyalty packages, which can exempt clients from hook-up fees in exchange for a 12-month permanence as a client.

1.3. **PPV revenue**[4] totaled **R$ 23.4 million**, 44.8% up on the R$ 16.1 million recorded in the 2Q06. This is primarily due to growth in the *a la carte* base and in Brazilian Soccer Championship sales.

1.4. **Other revenues**[5] totaled **R$ 42.8 million**, 81.6% up on the R$ 23.6 million recorded in the 2Q06. This increase was fueled chiefly by higher revenues related to the voice offer.

2. Services and other taxes[6]**,** including taxes and cancellations, totaled **R$ 205.0 million**, versus R$ 153.3 million in the 2Q06, mainly due to a higher taxable revenue base. As a percentage of total revenue, this line grew from 21.9% to 22.7% in 2Q07.

3. Net revenue[7] moved up by 27.9%, from R$ 545.8 million to **R$ 698.3 million**, as a result of the increase in the subscriber base and cross sales.

4. Operating costs[8] rose by 30.2%, from R$ 254.8 million to **R$ 331.7 million**, remaining fairly stable as a percentage of net revenue, at approximately 47%. The main items are discussed below:

[1] In US GAAP Gross revenue grew by 39.9%, from US$ US$ 322.5 million in 2Q06 to US$ US$ 451.4 million in 2Q07.
[2] In US GAAP Subscription Revenue grew by 39.3%, from US$ 295.8 million in 2Q06 to US$ 412.1 million in 2Q07.
[3] In US GAAP Hook-up Revenue fell by 49.1%, from US$ 6.1 million in 2Q06 to US$ 3.1 million in 2Q07.
[4] In US GAAP PPV Revenue rose by 59.5%, from US$ 7.4 million in 2Q06 to US$ 11.8 million in 2Q07.
[5] In US GAAP Other Revenues increased by 84.4%, from US$ 13.2 million in 2Q06 to US$ 24.4million in 1Q07.
[6] In US GAAP Services and Other Taxes grew by 42.3%, from US$ 69.9 million in 2Q06 to US$ 99.5 million in 2Q07.
[7] In US GAAP Net Revenue rose by 39.3%, from US$ 252.6 million in 2Q06 to US$ 351.9 million in 2Q07.
[8] In US GAAP Operating costs grew by 44.5%, from US$ 114.2 million in 2Q06 to US$ 164.9 million in 2Q07.

4.1. **Programming and Royalties**[9] costs totaled **US$ 184.8million**, 22.5% higher than the R$ 150.9 million posted in the 2Q06, following the increase in the pay TV client base, since costs are charged on a per client base. Moreover, some programmers adjusted theirs unitary cost by the General Price Index (IGP-M), as envisaged in contracts, offset by lower unitary costs in Vivax's subscriber base, which still has dollar-denominated agreements. The Company plans to convert Vivax's programming agreements to similar terms to Net's current agreement given the importance of gain of scale and the volatility elimination in its main cost line, which bodes well for the medium and long term strategies management and formulation.

4.2. **Network Expenses**[10] stood at R$ 28.4 million and slightly fell as a percentage of net revenue from 5% to 4%. In addition to gain of scale, investments in the digital and bidirectional network diminished the need for external network maintenance.

4.3. **Customer Relations**[11] costs fell by 10.6%, from R$ 4.1 million to **R$ 3.7 million** considering the local channel and the program guide magazine lower production costs.

4.4. **Payroll and Benefits**[12] came to **R$ 30.3 million**, an increase of 12.2% over the US$ 27.0 million posted in the 2Q06,mainly due to the higher number of employees, essential to attend a higher demand from call center, maintenance and subscriber sign-ins.

4.5. **Other Operating Expenses**[13] rose by 91.3%, from R$ 44.2 million to **R$ 84.6 million** mainly as a result of larger *link* consumption due to NET Vírtua's base growth, resizing of the call center model to handle a larger client base and a higher number of third-party installations.

5. Selling General and Administrative Expenses[14] (SG&A) grew by 73.2%, from US$ 125.7 million to **R$ 217.8 million**, thanks mainly to the factors described below:

5.1. **Selling Expenses**[15] totaled **US$ 65.5 million**, 20.7% up on the R$ 54.2 million recorded in the 2Q06. This growth is explained mainly by higher payroll, commission and telemarketing expenses.

5.2. **General and Administrative Expenses**[16] rose by 35.0%, from R$ 81.8 million to **R$ 110.4 million**, chiefly due to an increase in the number of employees and higher expenses related to consulting, legal and system fees arising from the corporate restructuring and the Vivax's system integration.

5.3. **Other Administrative Expenses/Revenues**[17] were negative by **R$ 41.9 million**, versus a positive R$ 10.3 million in the 2Q06. The main reason for this negative result in the 2Q07 was the non-recurring equalization of Vivax's accounting estimates for fiscal and labor contingencies after its acquisition by Net, in the amount of R$ 43.9 million. In the 2Q06, the result was positive due to an agreement with one of the programmers who granted an incentive and to favorable court rulings that allowed the reversal of labor provisions.

6. Bad Debt Expenses[18] moved up by 7.6%, from R$ 7.8 million to **R$ 8.4 million**. However, as a percentage of net revenue, bad debt expenses fell from 1.4% to 1.2%, which shows that credit remains healthy.

7. Consolidated EBITDA[19] totaled **R$ 140.4 million,** down by 10.8% from the R$ 157.4 million in the 2Q06 as a result of the equalization of accounting estimates carried out at Vivax. The **consolidated EBITDA margin** fell from 28.8% to **20.1%**.

Excluding the equalization effects, EBITDA rose by 24.3%, from R$ 157.4 million to **R$ 195.8 million**. EBITDA margin before adjustments moved from 28.8% to 28.0%, confirming that the execution of the growth strategy through investments is bringing suitable returns to shareholders.

8. Depreciation and Amortization[20] expenses rose by 116.7%, from R$ 66.8 million to **R$ 144.7 million**, chiefly due to the R$ 39 million increase arising from the accounting estimates

[9] In US GAAP Programming and Royalties increased by 35.2%, from US$ 68.5 million in 2Q06 to US$ 92.6 million in 2Q07.
[10] In US GAAP Network Expenses fell by 25.1%, from US$ 20.0 million in 2Q06 to US$ 15.0 million in 2Q07.
[11] In US GAAP Customer Relations fell by 1.6%, from US$ 1.9 million in 2Q06 to US$ 1.8 million in 2Q07.
[12] In US GAAP Payroll and Benefits increased by 74.7%, from US$ 8.6 million in 2Q06 to US$ 14.9 million in 2Q07.
[13] In US GAAP Other Operating Expenses increased by 165.9%, from US$ 15.3 million in 2Q06 to US$ 40.6 million in 2Q07.
[14] In US GAAP SG&A increased by 42.4%, from US$ 60.5 million in 2Q06 to US$ 86.1 million in 2Q07.
[15] In US GAAP Selling Expenses increased by 30.7%, from US$ 25.9 million in 2Q06 to US$ 33.9 million in 2Q07.
[16] In US GAAP General and Administrative Expenses increased by 44.2%, from US$ 37.1 million in 2Q06 to US$ 53.5 million in 2Q07.
[17] In US GAAP Other Administrative Expenses/Revenues decreased by 49.9%, from US$ 2.6 million in 2Q06 to US$ 1.3 million in 2Q07.
[18] In US GAAP Bad Debt Expenses fell by 13.4%, from US$ 2.5 million in 2Q06 to US$ 2.1 million in 2Q07.
[19] In US GAAP EBITDA grew by 30.7%, from US$ 75.5 million in 2Q06 to US$ 98.7 million in 2Q07.
[20] In US GAAP Depreciation and Amortization grew by 37.4%, from US$ 35.9 million in 2Q06 to US$ 49.3 million in 2Q07.

equalization carried out at Vivax. Moreover, changes in the estimated useful life of some assets as a result of Net's recent technological innovations at the beginning of 2007, resulted in aR$ 29 million increase of depreciation expenses.

9. As a consequence of higher depreciation expenses and the equalization of accounting estimates carried out at Vivax, **consolidated EBIT**[21] (earnings before interest and taxes) came to negative **R$ 4.3 million** at the close of the 2Q07.

NET FINANCIAL RESULT

NET FINANCIAL RESULT

(R$ thousands)	2Q07	2Q06	6M07	6M06
Net Financial Result	(61,470)	(27,662)	(85,252)	(73,019)
Monetary Indexation, net	(9)	(588)	(308)	(1,616)
Gain (loss) on exchange rate, net	18,479	1,650	32,169	19,639
Financial expenses	(50,989)	(38,680)	(91,116)	(83,185)
Interest and charges debt	(34,302)	(37,074)	(70,623)	(76,828)
Arrears and fine interest	(16,687)	(1,606)	(20,493)	(6,357)
Other financial expenses	(48,410)	(7,488)	(67,104)	(39,579)
Financial income	19,459	17,444	41,108	31,721
Result from the sale of property and equipment	(612)	(1,411)	2,177	(1,162)
Other (non operating)	(123)	446	456	400

1. Net Financial Result was an expense of **US$ 61.5 million**, versus US$ 27.7 million in the 2Q06. This result is explained by the following factors:

1.1. **Monetary Indexation, net**[22] was virtually null in the 2Q07, versus negative R$ 0.6 million in the 2Q06.

1.2. **Gain (Loss) on Exchange Rate, net**[23] ended the quarter on a positive note at **US$ 18.5 million,** higher than the positive R$ 1.7 million recorded in the 2Q06. This result was affected by the impact of the Brazilian Real appreciation against the US dollar on perpetual bonds, which had not been issued in the 2Q06.

1.3. **Financial expenses**[24] grew by 31.8%, from R$ 38.7 million to **R$ 51.0 million**. This was chiefly due to an increase in the Company's debt and the non-recurring accounting estimates equalization related to interest on contingencies carried out at Vivax.

1.4. **Other Financial Expenses**[25] moved up from R$ 7.5 million to **R$ 48.4 million**, primarily as a consequence of the non-recurring equalization of accounting estimates related to the fine on contingencies carried out at Vivax. In addition, the Company also faced higher losses of R$ 7.5 million in exchange rate hedge operations. Moreover, the Company received a pre-payment related to the sale of Vicom, generating a discount over the amount initially booked

1.5. **Financial Income**[26] grew by 11.6%, from R$ 17.4 million to **R$ 19.5 million**, chiefly as a result of increased financial investment volume.

INCOME TAX AND NET INCOME

[21] In US GAAP EBIT grew by 25.8%, from US$ 39.0 million in 2Q06 to US$ 49.1 million in 2Q07.
[22] In US GAAP Monetary Indexation moved from a negative amount of US$ 0.3 million to US$ 0 in 2Q07.
[23] In US GAAP Gain (Loss) on Exchange Rate grew by 925.4%, from US$ 0.9 million in 2Q06 to US$ 9.5 million in 2Q07.
[24] In US GAAP Financial expenses grew by 20.1%, from US$ 13.6 million in 2Q06 to US$ 16.4 million in 2Q07.
[25] In US GAAP Other Financial Expenses grew by 252.9% from US$ 3.2 million in 2Q06 to US$ 11.1 million in 2Q07.
[26] In US GAAP Financial Receipts grew by 28.3%, from US$ 7.6 million in 2Q06 to US$ 9.8 million in 2Q07.

(R$ thousands)	2Q07	2Q06
Income Tax and Social Contribution	**(112,244)**	**(33,983)**
Current	**(12,557)**	**(6,302)**
Deferred	**(99,687)**	**(27,681)**
Constitution of Tax Loss Carryforward and and Temporary Differences	*(78,444)*	*(6,570)*
Goodwill Amortization	*(21,246)*	*(21,246)*

Income Tax and Social Contributions	**1,909,232**	**1,376,032**
Deferred income tax on fiscal losses and negative base	*332,151*	*338,845*
Income tax on fiscal losses and negative base to be deferred	*920,567*	*847,063*
Tax credits from goodwill incorporated	*656,514*	*190,124*

1. Income tax and social contribution (current and deferred)[27] expenses stood at **R$ 112.2 million,** versus R$ 34.1 million in the 2Q06. This increase in the quarter is due to the tax credit reversal of US$ 71.9 million at Vivax as it is included in the project of merging subsidiaries and, consequently, its tax credits are not expected to be realized. Moreover, the realization of income tax over tax losses and increased profitability of the subsidiaries resulted in an increase of US$ 6.3 million in current income tax.

2. The Company ended the quarter with R$ 178.9 million net loss[28], compared to R$ 27.9 million net income in the 2Q06. This result is mainly due to the non recurring equalization of accounting estimates carried out at Vivax, and higher income tax and social contribution expenses and depreciation and amortization. When excluding the non-recurring equalization effect, the Company would have posted a **net income of R$ 31.0 million**, up by 11.0% on the US$ 27.9 million of 2Q06.

DEBT, CAPITALIZATION AND LIQUIDITY

R$ Thousands	2Q07	2Q06
Short Term Debt	**13,799**	**70,069**
Interests	11,858	42,569
Debentures - Vivax	-	27,500
Finame	1,941	-
Long Term Debt	**1,115,658**	**842,500**
Debentures 5th issuance	-	650,000
Debentures 6th issuance	580,000	-
Perpetual Notes	288,930	-
Finame	26,728	-
Debentures - Vivax	-	192,500
CCB	220,000	-
Total Debt	1,129,456	912,569
Cash and Cash Equivalents	558,669	390,316
Net Debt	**570,787**	**522,253**
US dollar-denominated debt	291,475	-
	25.8%	**0.0%**
Brazilian real-denominated debt	837,981	912,569
	74.2%	**100.0%**

Sum may not mach due to rounding

- The consolidation of Vivax brought an R$ 115.3 million debt into the Company's balance sheet, without changing the financial leverage though, since the two companies had a very similar capital structure. However, due to the different credit risk, Vivax's debt has higher carrying costs; therefore the Company is already analyzing alternatives to reduce this cost.
- During 2Q07, the Company funded the acquisition of equipments in the amount of US$ 28.6 million through the Government Agency for Machinery and Equipment Financing – (Finame). .
- **Consolidated debt**, including both principal and interest, ended the quarter at **R$ 1,129.5 million**, with long-term liabilities accounting for 99% of this total. Short-term liabilities comprise interest in the amount of R$ 11.9 million and an R$ 1.9 million installment of the Finame.
- **Cash, cash equivalents and short-term investments** ended the quarter at R$ 558.7 million, 43.1% up on the R$ 390.3 million recorded in the 2Q06.

[27] In US GAAP Income Tax and Social Contribuition rose from US$1.6 million in 2Q06 to US$ 14.4 million in 2Q07.
[28] In US GAAP Net Income dropped from US$ 29.3 million in 2Q06 to US$ 20.6 million in 2Q07.
[29] In US GAAP Net Debt, which does not include interest payable for the period, increased by 31.2%, from US$ 443.0 million to US$ 581.4 million this quarter.

- **Net Debt**[29] at the end of the quarter was **R$ 570.8 million,** an increase of 9.3% in relation to the R$ 522.3 million recorded in the 2Q06. Net Debt to EBITDA (accumulated in the last 12 months) ratio ended the quarter at 0.79x.

- The Company has sound liquidity. Its cash and cash equivalents were enough to cover 100% of its short-term liabilities or 49% of its total debt. Thus, despite the high investment levels required by digitalization and bidirectionalization projects, the Company believes it will continue to have enough resources to support its accelerated growth.

- Cash disbursements in the 2Q07 towards **Investments (CAPEX)** totaled **US$ 180.0 million**, of which US$ 64.0 million was allocated for bidirecting the network and expanding digital services. The remaining refers to variable investments, being distributed among subscriber sign-in costs (68%), installation of internal network (5%), Vírtua Center (12%), IT (7%) and other investments (8%). Of the total R$ 200 million investment foreseen to digitalization and bidirectionalization projects in 2007, the Company has already spent close to R$ 92 million by the close of 2Q07.

Financial Ratios	2Q07	2Q06
EBITDA / Interest Expenses	3.87	4.07
Current Ratio	1.74	1.57
Net Debt / EBITDA	0.79	0.89
Net Debt/ Enterprise Value	0.05	0.09
EBITDA / Active Subscribers	$312	$295
Net Revenues/Active Subscribers	$1,106	$1,035

- The Company continues showing a positive trend in its financial indicators, reflecting not only its good liquidity condition, but also its higher operational efficiency.

CAPITAL MARKET

- By the end of 2Q07, the Company's shares traded on Bovespa (NETC4) and the ADRs, traded on Nasdaq, closed at US$ 32.00 and US$ 16.54, appreciating by 82.5% and 102.0% respectively. In the quarter, the daily average financial volume grew by 1.7% in preferred shares, from US$ 42.7 million to US$ 43.4 million. Volume growth in ADRs was even stronger, surging from US$ 1.3 million in 2Q06 to US$ 5.2 million in 2Q07 – a growth of almost 4 times.

- With the completion of Vivax's acquisition, the number of Company's outstanding shares moved to 335 million, of which 112 million are common (ON shares) and 223 million are preferred (PN shares). As a result, Net's market capitalization reached R$ 10.7 billion by the end of the 2Q07.

MAIN ACCOUNTING DIFFERENCES BETWEEN BR GAAP AND US GAAP

In US GAAP, all the Revenues were positively influenced by the fall in the US Dollar rate in relation to Brazilian Real. On the other hand, all the costs and expenses were higher for the same reason. Average exchange rate in the 2Q07 was **US$ 1.9831** against **US$ 2.1842** in 2Q06, a 9.2% appreciation of the domestic currency. In addition, while converting the results and the balance sheet from Brazilian GAAP, or BR GAAP, to US GAAP, American accounting regulations are reflected according to FASB (Financial Accounting Standards Board) and SEC's complementary rules, which resulted in the differences shown below:

MAIN DIFFERENCES BETWEEN BR GAAP AND US GAAP	2Q07
EBITDA em BR GAAP (R$ million)	**140.4**
Adjustments that affected EBITDA in US GAAP (R$ million)	
Hook-up fee	1.3
Subscribers sign-in costs	(1.4)
Programming costs	1.1
G&A	54.2
EBITDA in US GAAP (R$ million)	**195.7**
Difference in EBITDA (US GAAP - LS GAAP)	**55.3**
EBITDA in US GAAP (US$ million)	**95.7**
Net Income in BR GAAP (R$ million)	**(178.9)**
Adjustments that affected Net income in US GAAP (R$ million)	
EBITDA	55.3
Depreciation and Amortization	46.4
Interest and exchange variation over debt expenses	0.4
Income tax and social contribuition	84.5
Other	33.8
Net Income in US GAAP (R$ million)	**41.6**
Difference in Net Income (US GAAP - BZ GAAP)	**220.5**
Net income in US GAAP (US$ million)	**20.3**

Sum may not mach due to rounding

- In US GAAP, Hook-up Revenue is deferred according to SFAS 51 "*Financial Reporting by Cable Television Companies*", by the amount that excee ds client sign-in costs. If the difference is positive, this amount shall be booked and amortized according to the average period the subscriber remained as a client. As a result of loyalty packages, which can exempt clients from hook-up fee, the difference was negative in the 2Q07 and the Company did not book any amount. However, due to the deferrals made in previous periods, an amount of US$ 1.3 million was recognized as the deferred hook-up revenue in this quarter, being the reason for higher revenue in US GAAP in comparison to BR GAAP in the quarter.

- In US GAAP, Client Sign-in Costs are also deferred based on SFAS 51, including sign-in materials, workforce and third-party installation services. In BR GAAP, in addition to the items considered in US GAAP, field telecommunications items and vehicle expenses are also deferred. Therefore, in US GAAP this item was US$ 1.4 million higher than the BR GAAP.

- Previous program contracts renegotiations from December 2003 generated discounts conditioned to the settlement of these contracts. In BR GAAP, these discounts were already booked on the date the agreement was settled. In US GAAP, these discounts were deferred and have been booked according to the updated term of each agreement. Due to the booking of these discounts, Programming Costs in US GAAP were US$ 1.1 million lower than in BR GAAP in the 2Q07.

- Under BR GAAP, provisions for the alignment of accounting estimates in Vivax were recognized. Under US GAAP, the recognition of the non-recurring alignment of Vivax's accounting estimates was eliminated. According to SFAS 141 "*Business Combinations*", acquired assets (tangible, intangible and financial) and assumed obligations are assessed according to their fair value, the difference between these amounts and those effectively paid being booked as Goodwill. These amounts will be the object of an annual test to verify if the value of this goodwill is recoverable through future results. As a result, General and Administrative Expenses in US GAAP were US$ 54.2 million lower than under BR GAAP in the 2Q07.

- Pursuant to the above-mentioned differences in accounting procedures, EBITDA in US GAAP was US$ 55.3 million more than EBITDA under BR GAAP, totaling US$ 195.7 million (US$ 95.7 million) in the 2Q07.

- Under BR GAAP, accounting estimates in Vivax were subject to alignment, while under US GAAP accounting procedures followed those of SFAS 141. In addition, the goodwill from the acquisition of companies in US GAAP is not amortized and, in accordance with SFAS 142 "*Goodwill and Other Intangible Assets*", is subject to an annual test to verify if the value of this goodwill is recoverable through future results. Under BR GAAP, goodwill is amortized monthly in accordance with the straight-line method. As a result, Depreciation and Amortization Expenses in US GAAP were US$ 46.4 million lower in the 2Q07.

- Under BR GAAP, accounting estimates in Vivax were subject to alignment, whereas while under US GAAP accounting procedures followed those of SFAS 141. Consequently expenses from interest payments were lower by US$ 33.8 million.

- Under BR GAAP, accounting practices in Vivax were subject to alignment, whereas while under US GAAP accounting procedures followed those of SFAS 141. In addition, under US GAAP, the effective income tax rate on the best income estimate for the current fiscal period is used in order to calculate the amount of income tax and social contribution due. Under BR GAAP, current and deferred taxes are calculated in accordance the prevailing tax regulations. As a result, this expense was US$ 84.5 million lower in US GAAP.

- Considering all these differences in accounting estimates, Net Income in US GAAP came to US$ 41.6 million (US$ 20.3 million) in the 2Q07, higher than the US$ 178.9 million loss recognized under BR GAAP.

UPCOMING EVENTS

1. Conference Call – 2nd Quarter 2007 Earnings Results

Date: July 19, 2007

In Portuguese

10:00 AM (US EST) Dial in: (+55 11) 2101-4848
Replay: until 07/26/2007: (+55 11) 2101-4848
Conference ID: Net Serviços

Live webcast at: http://www.ri.netservicos.com.br

In English:

11:00 AM (US EST) Dial in: (+1 973) 935-8893
Replay until 07/26/2007: (+1 973) 341-3080
Conference ID: 8967919

Live webcast at: http://www.ir.netservicos.com.br

2. Public Meetings

São Paulo - APIMEC

Venue: Grand Hyatt São Paulo
Av. Nações Unidas, 13,301
Date: July 24, 2007
Time: 5:00 PM (Brazilian Time)

Rio de Janeiro - APIMEC

Venue: Hotel Sofitel Rio de Janeiro
Av. Atlântica, 4240
Date: July 25, 2007
Time: 8:30 AM (Brazilian Time)

Belo Horizonte - APIMEC

Venue: Luminis
Rua Tomé Souza 273
Date: August 3, 2007
Time: 12:30 PM (Brazilian Time)

Brasília - APIMEC

Venue: Naoum Plaza Hotel
SHS Qd. 05 Bl H
Date: August 7, 2007
Time: 12:30 PM (Brazilian Time)

Porto Alegre - APIMEC

Venue: Sheraton Porto Alegre
R. Olavo Barreto Viana 18, Moinho de Vento
Date: August 9, 2007
Time: 12:30 PM (Brazilian Time)

3. Expected Dates for Upcoming Results

Third quarter 2007 --→ October 18, 2007

FINANCIAL STATEMENTS IN BR GAAP – Pro Forma (Unaudited)

Net Serviços de Comunicação S.A. Income Statemet Brazilian Corporate Law - (R$ thousands)	2Q07	2Q06	6M07	6M06
Revenues				
Subscriptions	**827,517**	**648,784**	**1,604,668**	**1,254,596**
Sign-on and hookup-up fees	**9,605**	**10,661**	**19,275**	**18,759**
Other Revenues	**66,182**	**39,713**	**124,426**	**73,882**
PPV	23,364	16,132	47,254	30,484
Others	42,817	23,582	77,172	43,397
Gross Revenues	**903,304**	**699,158**	**1,748,369**	**1,347,236**
Services and other taxes	(205,003)	(153,339)	(397,785)	(286,888)
Net Revenues	**698,302**	**545,819**	**1,350,585**	**1,060,349**
Direct Operating Expenses	**(331,726)**	**(254,842)**	**(628,452)**	**(498,619)**
Programming & Royalties	(184,820)	(150,886)	(358,893)	(295,067)
Network Expenses	(28,384)	(28,635)	(56,614)	(57,908)
Customers Relations	(3,656)	(4,090)	(7,289)	(8,264)
Payroll and Benefits	(30,304)	(27,021)	(56,587)	(51,135)
Other Costs	(84,561)	(44,211)	(149,069)	(86,247)
Selling, General and Adminstrative Expenses	**(217,746)**	**(125,741)**	**(374,910)**	**(242,201)**
Selling	(65,483)	(54,237)	(122,222)	(100,398)
General & adminstrative	(110,409)	(81,800)	(210,791)	(157,311)
Other income/ (expense), net	(41,854)	10,296	(41,897)	15,508
Bad Debt Expenses	**(8,387)**	**(7,792)**	**(19,521)**	**(16,729)**
EBITDA	140,442	157,444	327,701	302,798
EBITDA margin	20%	29%	24%	29%
Non-recurring adjustment	55,323	-	55,323	-
Adjusted EBITDA	**195,765**	**157,444**	**383,024**	**302,798**
Adjusted EBITDA Margin	**28%**	**29%**	**28%**	**29%**
Depreciation and Amortization	**(144,747)**	**(66,786)**	**(251,006)**	**(132,795)**
Depreciation	(78,925)	(48,472)	(162,520)	(95,992)
Amortization	(65,822)	(18,314)	(88,486)	(36,804)
Operating Income/(Loss) - EBIT	**(4,305)**	**90,658**	**76,695**	**170,003**
EBIT Margin	**-1%**	**17%**	**6%**	**16%**
Monetary indexation, net	**(9)**	**(588)**	**(308)**	**(1,616)**
Loss on exchange rate, net	**18,479**	**1,650**	**32,169**	**19,639**
Financial Expenses	**(99,399)**	**(46,168)**	**(158,220)**	**(122,764)**
interest, charges, arrears and fine	(34,302)	(37,074)	(70,623)	(76,828)
interest financial expenses others (suppliers and taxes)	(16,687)	(1,606)	(20,493)	(6,357)
other financial expenses	(48,410)	(7,488)	(67,104)	(39,579)
Financial Income	**19,459**	**17,444**	**41,108**	**31,721**
Income (Loss) on sale of fixed assets	**(612)**	**(1,411)**	**2,177**	**(1,162)**
Other (non-operating)	**(123)**	**446**	**456**	**400**
Income/(loss) bef. Investees, min.ints.	**(66,510)**	**62,031**	**(5,925)**	**96,222**
Current income tax	(12,557)	(6,302)	(21,164)	(18,323)
Deferred income tax	(99,690)	(27,816)	(122,860)	(35,637)
Income/(loss) bef. investees, mmin. Ints	**(178,756)**	**27,914**	**(149,949)**	**42,262**
Equity in earnings	(1)	(0)	0	(0)
Minority interests	(166)	(20)	(194)	(34)
Net Income (loss)	(178,923)	27,889	(150,143)	42,228
Non-recurring adjustment	209,883	-	209,883	-
Adjusted Net Income	**30,960**	**27,889**	**59,740**	**42,228**

NET Serviços de Comunicação S.A. Consolidated Balance Sheet Brazilian Corporate Law - (R$ thousands)	2Q07	%	2Q06	%
Assets				
Cash & cash equivalents	558,669	11.3%	390,315	8.4%
Account receivable from subscriber - net	126,542	2.6%	94,774	2.0%
Other receivables	18,880	0.4%	14,604	0.3%
Income tax recoverable	22,465	0.5%	26,360	0.6%
Deferred income tax	81,851	1.7%	114,445	2.5%
Prepaid expenses	28,450	0.6%	22,782	0.5%
Inventories	86,145	1.7%	41,845	0.9%
Total Current Assets	**923,002**	**18.6%**	**705,125**	**15.2%**
Investments	1,851,141	37.4%	1,986,016	42.9%
Net Property & Diferred	1,619,411	32.7%	1,310,931	28.3%
Other Assets	556,048	11.2%	622,918	13.5%
Judicial Deposits	154,249	3.1%	131,980	2.9%
Diferred taxes recoverable	390,209	7.9%	454,923	9.8%
Other receivables	11,590	0.2%	36,015	0.8%
Total Long-term Assets	**4,026,600**	**81.4%**	**3,919,865**	**84.8%**
Total Assets	**4,949,602**	**100.0%**	**4,624,990**	**100.0%**
Liabilities and Stockholders' Equity				
Accounts payable to supliers and programmers	244,175	4.9%	190,854	4.1%
Provision for payables	16,460	0.3%	15,461	0.3%
Income tax payable	12,506	0.3%	12,052	0.3%
Short-term debt	8,523	0.2%	0	0.0%
Debentres	5,275	0.1%	70,069	1.5%
Payroll accruals	9,091	0.2%	6,876	0.1%
Other payable accounts	234,872	4.7%	154,313	3.3%
Tax accruals	64,461	1.3%	46,607	1.0%
Payroll provision	62,720	1.3%	48,004	1.0%
Other debts	107,691	2.2%	59,701	1.3%
Total Curret Liabilities	**530,902**	**10.7%**	**449,623**	**9.7%**
Long-term debt	535,655	10.8%	0	0.0%
Debentures	580,000	11.7%	842,500	18.2%
Associated companies	0	0.0%	11	0.0%
Taxes and contributions payable	4,717	0.1%	5,139	0.1%
Provision for contingencies	669,712	13.5%	618,711	13.4%
Future periods results	35,907	0.7%	15,461	0.3%
Total Long Term Liabilities	**1,825,991**	**36.9%**	**1,481,822**	**32.0%**
Total Liabilities	**2,356,893**	**47.6%**	**1,931,445**	**41.8%**
Minority Interest	**401**	**0.0%**	**356**	**0.0%**
Capital Stock	5,466,968	110.5%	5,396,564	116.7%
Goodwill reserves	285,520	5.8%	355,924	7.7%
Accumulated Losses	(3,160,180)	-63.8%	(3,059,300)	-66.1%
Shareholders' Equity	**2,592,308**	**52.4%**	**2,693,188**	**58.2%**
Liabilities and Stockholders´ Equity	**4,949,602**	**100.0%**	**4,624,990**	**100.0%**

NET Serviços de Comunicação S.A. Consolidated Statement of Cash Flow Brazilian Corporate Law - (R$ thousands)	2Q07	2Q06
Cash and cash equivalents, beginning of the period	**558,511**	**378,141**
Results of the period	**(178,923)**	**27,889**
Non-cash items	**352,674**	**109,384**
Equity in results of investees	-	-
Exchange losses, monetary indexation and interest expenses, net	235	5,812
Depreciation and Amortization	144,747	66,786
Diferred income taxes	99,689	26,259
Estimated liability for tax, labor and civil claims and assesssments	67,782	(23,335)
Interest on loans, net	26,531	26,324
Gain (loss) on Hedge	12,469	4,960
Minority interest in results of consolidated Sub.	168	22
Result on sale of assets, net	1,053	2,556
Decrease (Increase) in assets	**3,977**	**87,115**
Trade accounts receivable	(10,561)	(7,717)
Recoverable income taxes	(2,935)	(7,186)
Prepaid expenses	(81)	(3,015)
Inventories and others assets	(11,446)	(1,897)
Other Assets	29,000	106,930
Increase (decrease) in liabilities	**85,030**	**15,900**
Accounts payables to Supliers and programmers	369	7,696
Income taxes payable	12,366	8,019
Payroll and related charges	21,613	9,543
Sales taxes, accrued expenses and other liabilities	50,682	(9,358)
Increase (decrease) in workine capital	**89,007**	**103,015**
Cash flow from investing activities	**(229,930)**	**(137,516)**
Acquisition of investments and advances to related companies, net of re	(50,013)	-
Acquisition of property and equipment	(179,953)	(137,669)
Proceeds from the sale of equipment	36	153
Cash flow from financing activities	**(32,670)**	**(90,598)**
Issuances	28,653	-
Repayments	(61,323)	(90,598)
Capital increase	-	-
Change in cash and cash equivalents	**158**	**12,174**
Cash and cash equivalents, end of the period	**558,669**	**390,315**

FINANCIAL STATEMENTS IN US GAAP – Pro Forma (Unaudited)

Net Serviços de Comunicação S.A. Income Statement US GAAP - (US$ thousands)	2Q07	2Q06	6M07	6M06
Revenues				
Subscriptions	**412,132**	**295,808**	**783,140**	**571,220**
Sign-on and hookup revenue, net	**3,125**	**6,140**	**6,231**	**11,319**
Gross sign-on and hookup fee revenue	2,429	2,458	4,823	3,799
Deferred sign-on and hookup fee revenue,net	696	3,682	1,407	7,520
Other Revenues	**36,139**	**20,597**	**62,386**	**38,520**
PPV	11,760	7,373	23,060	13,920
Others	24,379	13,224	39,326	24,600
Gross Revenues	**451,396**	**322,545**	**851,757**	**621,059**
Services and other taxes	(99,511)	(69,923)	(190,780)	(130,718)
Net Revenues	**351,886**	**252,622**	**660,977**	**490,341**
Direct Operating Expenses	**(164,914)**	**(114,161)**	**(306,225)**	**(227,467)**
Programming & Royalties	(92,576)	(68,479)	(174,646)	(133,639)
Network Expenses	(14,977)	(20,001)	(28,547)	(41,044)
Customers Relations	(1,833)	(1,863)	(3,547)	(3,757)
Payroll and Benefits	(14,947)	(8,556)	(27,361)	(16,757)
Others	(40,581)	(15,261)	(72,124)	(32,269)
Selling, General and Administrative Expenses	**(86,133)**	**(60,485)**	**(160,840)**	**(116,727)**
Selling	(33,905)	(25,949)	(61,166)	(47,467)
General & administrative	(53,516)	(37,105)	(101,054)	(71,547)
Other income/(expense), net	1,287	2,569	1,381	2,287
Bad Debt Expenses	**(2,128)**	**(2,458)**	**(7,024)**	**(6,046)**
EBITDA	**98,710**	**75,517**	**186,888**	**140,101**
EBITDA Margin	**28%**	**30%**	**28%**	**29%**
Depreciation and Amortization	**(49,296)**	**(35,866)**	**(96,640)**	**(58,914)**
Depreciation	(47,085)	(34,571)	(92,824)	(55,978)
Amortization	(2,211)	(1,294)	(3,816)	(2,935)
Loss on write-down of equipment, net	**(306)**	**(629)**	**(1,083)**	**(513)**
Operating Income/(Loss) - EBIT	**49,108**	**39,023**	**89,165**	**80,674**
EBIT Margin	**14%**	**15%**	**13%**	**16%**
Monetary indexation, net	**30**	**(260)**	**(81)**	**(722)**
Loss on exchange rate, net	**9,472**	**924**	**16,199**	**7,492**
Financial expenses	**(27,517)**	**(16,795)**	**(55,537)**	**(48,772)**
interest,charges, arrears and fine	(16,696)	(12,903)	(33,764)	(28,314)
interest financial expenses others (supliers and taxes)	318	(736)	(9,003)	(2,883)
other financial expenses	(11,139)	(3,156)	(12,769)	(17,575)
Financial income	**9,770**	**7,613**	**19,974**	**14,034**
Other (non-operating)	**(5,994)**	**66**	**(3,262)**	**315**
Income/(loss) bef. tax, investees, min. ints.	**34,869**	**30,572**	**66,457**	**53,022**
Current income tax	1,494	(2,800)	(2,427)	(8,149)
Deferred income tax	(15,896)	1,219	(22,326)	2,718
Income/(loss) bef. Investees, min.ints.	**20,466**	**28,991**	**41,705**	**47,591**
Equity in earnings	205	345	589	478
Minority Interest	(38)	-	(54)	-
Net Income (Loss)	**20,634**	**29,336**	**42,239**	**48,069**

Net Serviços de Comunicação S.A. Consolidated Balance Sheet US GAAP - (US$ thousands)	2Q07	%	2Q06	%
Assets				
Cash & cash equivalents	287,591	10.7%	48,546	2.3%
Short term investments	0	0.0%	129,555	6.2%
Accounts receivable	130,289	4.8%	93,871	4.5%
Other	11,874	0.4%	8,166	0.4%
Restricted Cash	0	0.0%	0	0.0%
Income tax recoverable	11,449	0.4%	11,910	0.6%
Deferred income tax	27,865	1.0%	35,502	1.7%
Prepaid expenses	14,289	0.5%	10,105	0.5%
Total current assets	**483,358**	**17.9%**	**337,656**	**16.1%**
Investments and advances to investees	3,670	0.1%	83,915	4.0%
Goodwill on acquisition of subsidiaries	764,176	28.3%	827,184	39.4%
Net property and equipment	1,147,879	42.6%	620,930	29.6%
Other assets	298,413	11.1%	227,531	10.8%
Judicial Deposits	79,938	3.0%	60,972	2.9%
Deferred and recoverable taxes	212,943	7.9%	148,682	7.1%
Other receivable	5,531	0.2%	17,878	0.9%
Total Long-term assets	**2,214,138**	**82.1%**	**1,759,560**	**83.9%**
Total assets	**2,697,496**	**100.0%**	**2,097,216**	**100.0%**
Liabilities and Stockholders' Equity				
Accounts payable to supliers and programmers	126,303	4.7%	88,262	4.2%
Provision for payables	8,544	0.3%	7,143	0.3%
Income taxes payable	9,574	0.4%	7,707	0.4%
Short-term debt	14,387	0.5%	14,092	0.7%
Current portion of long-term debt	1,008	0.0%	9,507	0.5%
Interest payable	4,196	0.2%	15,529	0.7%
Deferred Revenue	64,652	2.4%	50,004	2.4%
Payroll and contributions payable	9,951	0.4%	7,560	0.4%
Other payables and accruals	104,565	3.9%	58,831	2.8%
Tax accruals	30,049	1.1%	19,165	0.9%
Payroll provision	27,277	1.0%	17,767	0.8%
Other debts	47,478	1.8%	23,150	1.1%
Total Current Liabilities	**343,420**	**12.7%**	**259,886**	**12.4%**
Long-term debt	264,924	9.8%	75,435	3.6%
Debentures	301,111	11.2%	343,999	16.4%
Deferred sign-on, hookup fee and programming benefit	26,429	1.0%	11,669	0.6%
Taxes and payables and accruals	2,179	0.1%	16,736	0.8%
Total Long-term liabilities	**594,642**	**22.0%**	**447,839**	**21.4%**
Provision for contigencies	**355,836**	**13.2%**	**289,989**	**13.8%**
Capital stock - preffered and common shares	3,319,301	123.1%	3,273,935	156.1%
Additional paid-in-capital	73,539	2.7%	108,492	5.2%
Accumulated deficit	(1,895,492)	-70.3%	(2,089,807)	-99.6%
Accumulated other comprehensive loss, net	(93,751)	-3.5%	(193,118)	-9.2%
Shareholders' equity	**1,403,597**	**52.0%**	**1,099,502**	**52.4%**
Total Liabilities and Shareholders'Equity	**2,697,496**	**100.0%**	**2,097,216**	**100.0%**

Net Serviços de Comunicação S.A. Consolidated Statement of Cash Flows US GAAP - (US$ thousands)	2Q07	2Q06
Cash and cash equivalents, beginning of the period	**270,030**	**45,536**
Results of the period	**20,635**	**31,768**
	-	-
Non-cash items	**159,476**	**24,679**
Equity in results of investees	(206)	2,382
Exchange losses, monetary indexation and interest expense, net	34,405	7,215
Depreciation and amortization	70,767	26,076
Deferred income taxes	(5,826)	858
Estimated liability for tax, labor and civil claims and assessments	38,000	(10,292)
Deferred sign-on and hook-up fee revenue	-	68
Amortization of deferred revenues	(1,148)	(4,564)
Purchase of short investments	19,732	-
Write off and disposal of assets, net	(189)	845
Non-cash compensation expense	3,940	2,091
Decrease (Increase) in assets	**10,557**	**(13,321)**
Trade accounts receivable	(11,366)	(6,992)
Recoverable icome taxes	14,006	(4,540)
Prepaid expenses and other assets	7,917	(3,944)
Restricted cash	-	46,630
Short-term investments	-	(44,474)
Increase (decrease) in liabilities	**23,474**	**16,477**
Accounts payable to suppliers and programmers	805	6,835
Income taxes payable	3,244	1,943
Payroll and related charges	8,978	8,370
Sales taxes, accrued expenses and other liabilities	10,447	(671)
Increase (decrease) in working capital	**34,031**	**3,156**
Cash flow from investing activities	**(179,138)**	**(67,281)**
Advances to related companies	(83,468)	-
Withdrawals of short-term investments	(848)	(1,129)
Acquistion of property and equipment	(98,143)	(62,924)
Proceeds from the sale of equipment	3,321	(3,228)
Cash flow from financing activities	**(14,541)**	**10,576**
Issuances	739	(37,276)
Repayments	(29,049)	(104,314)
Capital increase	13,769	152,167
Effect of exchange rate changes on cash	**(5,269)**	**(117)**
	-	-
Change in cash and cash equivalents	**15,194**	**2,780**
Cash and cash equivalents, end of the period	**285,224**	**48,316**