



NETC4: R\$ 21.28 /share (BM&FBOVESPA)
 NETC: US\$ 12.18 /ADR (Nasdaq)
 XNET: EUR 8.77 /share (Latibex)
 Total Shares: 342,963,601
 Market Capitalization: R\$ 7.3 billion
 Closing Price: April 27, 2010

1Q10 Earnings Release

São Paulo, April 28, 2010 - Net Serviços de Comunicação S.A. (BM&FBOVESPA: NETC3 and NETC4; Nasdaq: NETC; and Latibex: XNET), the largest cable company in Brazil and one of the largest in Latin America with integrated services that include Pay TV (“NET”), Digital Video (“NET Digital”), High Definition Digital Video (“NET Digital HD”), bidirectional broadband internet access (“NET Virtua”) and Voice (“NET Fone via Embratel”), announces today its results for the first quarter of 2010 (“1Q10”).

Except where stated otherwise, the following financial and operating information is presented in accordance with International Financial Reporting Standards (“IFRS”) on a consolidated and unaudited basis, and includes the operating and financial results of ESC 90, whose acquisition was concluded on June 30, 2009.

| Consolidated Financial Results | | | |
|--|---------------|---------------|--------------------|
| (R\$ million, except otherwise indicated) | 1Q10 | 1Q09 | 1Q10 x 1Q09 |
| Net Revenue | 1,261 | 1,082 | 16% |
| EBITDA^(a) | 369 | 284 | 30% |
| EBITDA Margin | 29% | 26% | |
| Net Income | 46 | 120 | -62% |
| Net Debt | 1,210 | 1,162 | 4% |
| Net Debt / EBITDA (last 12 months) | 0,91 x | 1,12 x | |
| Net Debt / EV ^(b) | 0,13 x | 0,17 x | |
| Operating Highlights ('000, except otherwise indicated) | | | |
| Homes Passed | 10,914 | 10,327 | 6% |
| Bidirectional Homes Passed | 8,765 | 7,666 | 14% |
| Pay TV Client base | | | |
| Connected Clients | 3,776 | 3,347 | 13% |
| Penetration over Homes Passed | 35% | 32% | |
| <i>Churn Rate – last 12 months</i> | 15.9% | 15.0% | |
| Broadband Client Base | | | |
| Connected Clients | 2,988 | 2,452 | 22% |
| Penetration over Bidirectional Homes Passed | 34% | 32% | |
| Lines in service | 2,662 | 2,058 | 29% |
| Client ARPU (R\$/household)^(c) | 134.63 | 132.98 | 1% |

- (a) EBITDA does not represent an accounting item or cash flow for the periods presented. Therefore, EBITDA should not be considered an alternative measure of net income (loss), an indicator of operating performance or an alternative to cash flow as a source of liquidity. Since EBITDA is not an accounting item, companies may make adjustments, therefore the definition of EBITDA may not be comparable to that adopted by other companies.
- (b) Enterprise value calculated based on the price of the preferred shares at the end of the respective quarters, multiplied by the total number of shares, plus net debt on the same date.
- (c) Composed of the sum of gross revenues from subscriptions, PPV and other service-related revenues, divided by the average number of households connected.



EXECUTIVE SUMMARY

NET is a pioneer in the launch of HD, and this year one of its main objectives is to expand the number of subscribers with access to high definition (HD), taking advantage of the opportunity presented by the World Cup. As a result of its efforts, NET has become the leading Pay TV operator in the HD segment in Brazil and enjoys the highest recall among operators offering this service, based on the survey conducted in February this year by TNS Research International. With various packages featuring channels that truly spark the interest of consumers, NET continues to expand its leadership.

In partnership with the São Paulo state government, in December 2009, NET launched the low-income internet service "Internet Popular" in 47 of the state's municipalities, including the state capital. Sales of this service have had a positive impact on results, since it not only helps fuel Broadband sales in São Paulo state, but also expands internet access to a larger share of the state's population.

The **Pay TV** subscriber base ended 1Q10 with **3,776,000** clients, up 13% from 3,347,000 at the end of 1Q09. The **Broadband Base** totaled **2,988,000** clients at end 1Q10, up 22% from 2,452,000 in 1Q09. **Lines in service** at end 1Q10 stood at **2,662,000**, up 29% from 2,058,000 lines at end 1Q09.

Net Revenue climbed from R\$ 1,082.2 million in 1Q09 to **R\$ 1,260.6 million** in 1Q10, representing a 16% increase, basically due to the expansion in the subscriber base for all services offered.

Operating Costs rose from R\$ 515.8 million in 1Q09 to **R\$ 601.4 million** in 1Q10, representing a 17% increase. As a percentage of net revenue, operating costs were stable at 47.7%. The increase reflects the higher costs with programming, broadband usage and call center operations fueled by the expansion in the customer and product base. On the other hand, the Indefeasible Right of Use (IRU) agreement to use Embratel's transmission capacity reduced operational costs by R\$ 41.4 million.

Selling, General and Administrative Expenses were **R\$ 275.1 million** in 1Q10, up 4% from R\$ 265.3 million in 1Q09. As a percentage of net revenue, these expenses fell from 24.5% to 21.8%. Selling Expenses in 1Q10 increased 17% from 1Q09, mainly reflecting the launch of the marketing campaign "Eu quero é mais", and remained stable at 9.8% as a percentage of net revenue. G&A Expenses increased 7% from 1Q09, due to higher expenses with systems monitoring services in the field and with base and billing management. As a percentage of net revenue, these expenses declined from 12.4% in 1Q09 to 11.4% in 1Q10.

EBITDA (earnings before interest, tax, depreciation and amortization) was **R\$ 369.2 million** in 1Q10, expanding by 30% from R\$ 284.2 million in 1Q09. Meanwhile, EBITDA margin stood at 29% in the quarter, in line with the Company's expansion strategy.

In 1Q10, **Capex** was **R\$ 161.0 million**, 24% lower than in 1Q09. The lower investment reflects the lower expenses with home installations. Of the total invested, the variable portion represented 72% and was mainly allocated to home installations, purchases of digital and high-definition decoders and infrastructure adjustments.

OPERATING PERFORMANCE

- NET ended 1Q10 with **10,451,000 Revenue Generating Units ("RGUs")**, a 19% increase from the 8,778,000 RGUs in 1Q09. The increase in RGUs, which are composed of the sum of Pay TV, Broadband, Voice and Digital Video services, reflects how NET has been increasing the consumption of its products in each household.
- The **Pay TV** subscriber base ended 1Q10 with **3,776,000** clients, up 13% from 3,347,000 in 1Q09. **Net additions** totaled **86,000** in the quarter. The **Digital Video** base reached **1,025,000 clients**, up 11% from 1Q09, representing 27% penetration in the overall Pay TV base.
- The **Broadband Base** ended the quarter with **2,988,000** subscribers, up 22% from 2,452,000 subscribers at end 1Q09. Broadband **net additions** totaled **106,000** in the quarter. Broadband in the Pay TV base reached 79%, but represented only 34% of households in bidirectional areas. In addition, for the fifth consecutive time, Net Virtua won the award for Brazil's most reliable broadband sponsored by the magazine *Info Exame* in its April 2010 edition.
- The number of **Fixed Lines in Service** totaled **2,662,000** in 1Q10, with net additions in the quarter of **105,000 lines**.
- The churn rate (disconnection rate) for the Pay TV subscriber base increased from 15.0% in 1Q09 to **15.9%** in 1Q10. Although the current churn rate is one of the lowest compared to other regions, the Company is working to identify possible causes in order to reverse the upward trend observed in recent quarters.



- Consolidated average revenue per user (ARPU) stood at R\$ 134.63 in 1Q10, up 1% from R\$ 132.98 in 1Q09, chiefly due to the expansion in the **NET Digital HD** subscriber base.
- Indicators for the quality of the services rendered by NET and for the quality of its customer service have been improving, with high levels of service quality and customer satisfaction. An indicator considered very important, which is resolution of clients' problems on the first visit, reached 92% in March. Reflecting the optimization of processes and preventive measures such as investments in the network, the number of calls to the call center fell by 36% in 1Q10.

ANALYSIS OF CONSOLIDATED FINANCIAL RESULTS

- 1 **Gross Revenue** stood at **R\$ 1,661.3 million** in the quarter, up 17% from R\$ 1,417.2 million in 1Q09, basically driven by the higher subscription revenue generated by the expansion in the subscriber base.
 - 1.1 **Subscription revenue** was **R\$ 1,440.6 million** in 1Q10, for growth of 16% from R\$ 1,239.5 million in 1Q09, reflecting the larger subscriber base and the annual price increase applied to subscriber contracts pegged to the IGP-M inflation index. Subscription revenue corresponded to 87% of gross revenue in the quarter.
 - 1.2 **Hook-up revenue** declined by 70% to **R\$ 8.8 million**, from R\$ 29.0 million in 1Q09. Since January 2010, the sales model for certain Pay TV packages was modified, with the elimination of the hook-up fee. As a percentage of gross revenue, subscription revenue was 0.5% in 1Q10, compared with 2% in 1Q09.
 - 1.3 **Other Revenue** in the quarter was **R\$ 211.9 million**, up 43% from R\$ 148.7 million in 1Q09. The main drivers of this increase were the growth in voice services and the expansion in the pay-per-view ("PPV") base between periods. Other Revenue as a percentage of gross revenue in the period was 13%, compared with 10% in 1Q09.
- 2 **Cancelations and Sales Tax** totaled **R\$ 400.8 million** in 1Q10, up 20% from R\$ 334.9 million in 1Q09, reflecting the revenue growth, which was concentrated in broadband revenue, which is subject to a higher rate of ICMS tax than Pay TV revenue. As a percentage of gross revenue, **Cancelations and Sales Taxes** corresponded to 24.1% in both 1Q10 and 1Q09.
- 3 **Net Revenue** was **R\$ 1,260.6 million** in 1Q10, up 16% from R\$ 1,082.2 million in 1Q09. The increase was driven by growth in the subscriber base for all services.
- 4 **Operating Costs** were **R\$ 601.4 million** in 1Q10, up 17% from R\$ 515.8 million in 1Q09. As a percentage of net revenue, these costs remained stable at 47.7% between the two periods. The items below explain the most important variations:
 - 4.1 **Programming costs** totaled **R\$ 296.4 million**, increasing 21% from R\$ 245.2 million in 1Q09. The increase is basically due to the contractual increases for certain content providers and the expansion in the Pay TV subscriber base. As a percentage of net revenue, **Programming** costs increased from 22.7% in 1Q09 to 23.5% in 1Q10.
 - 4.2 Costs with **Network and Subscriber Maintenance** totaled **R\$ 49.9 million**, representing 11% more than the R\$ 44.8 million in 1Q09. This increase in costs basically reflects the higher expenses with network maintenance to improve service quality, 19% increase in the number of RGUs, which require a higher number of field services, and the higher number of bidirectional households. As a percentage of net revenue, these costs decreased from 4.1% in 1Q09 to 4.0% in 1Q10.
 - 4.3 Costs with **Customer Loyalty Marketing** increased 8%, from R\$ 3.5 million in 1Q09 to **R\$ 3.8 million** in 1Q10, mainly due to the higher expenses with marketing research. As a percentage of net revenue, these costs remained unchanged between the two periods, at 0.3%.
 - 4.4 Costs with **Personnel and Benefits** were **R\$ 92.5 million** in 1Q10, up 49% from R\$ 62.3 million in 1Q09. In addition to the adjustments in the workforce to meet the demands of the larger client base, workers that previously provided services on an outsourcing basis were hired with a view to improving quality and reducing costs. As a percentage of net revenue, these costs increased from 5.8% in 1Q09 to 7.3% in 1Q10.
 - 4.5 Costs with **Internet Access, Call Center and Other** were R\$ 158.8 million in 1Q10, down 1% from R\$ 160.0 million in 1Q09. This reduction was due to the IRU agreement, which reduced internet access costs by R\$ 41.4 million in 1Q10. Total costs with **Internet Access** reflect the 22% expansion in the broadband subscriber base and the continuous increase in link consumption and broadband use. Costs with the **Call Center** grew due to the contracting of additional service points to continue



improving service quality and meet the requirements of the larger client base. As a percentage of net revenue, **Internet Access, Call Center and Other** declined from 14.8% in 1Q09 to 12.6% in 1Q10.

- 5 **Selling, General and Administrative (SG&A) Expenses** stood at **R\$ 275.1 million** in the quarter, 4% higher than the R\$ 265.3 million in the 1Q09. This variation is explained below:
 - 5.1 **Selling Expenses** were **R\$ 124.1 million** in the quarter, a 17% increase from R\$ 105.7 million in 1Q09. The marketing campaign “Eu quero é mais” was launched in 1Q10, increasing expenses with advertising and marketing. Selling expenses as a percentage of net revenue remained stable at 9.8% between the periods.
 - 5.2 **G&A Expenses** increased 7% to **R\$ 143.5 million** in 1Q10, from R\$ 134.2 million in 1Q09. The increase is explained by the higher expenses with field monitoring systems and base and billing management. As a percentage of net revenue, these expenses declined from 12.4% in 1Q09 to 11.4% in 1Q10, demonstrating better control of this expense line.
 - 5.3 **Other Administrative Expenses** were **R\$ 7.5 million** in 1Q10, down 71% from R\$ 25.4 million in 1Q09, as a result of the lower provisions for civil contingencies and inventory losses. As a percentage of net revenue, this line corresponds to only 0.6%.
- 6 The **Provision for Bad Debt** was **R\$ 14.9 million**, down 12% from R\$ 16.9 million in 1Q09, demonstrating the continued good quality of our portfolio and that collections initiatives remain adequate. As a percentage of gross revenue, this line corresponded to 0.9% in 1Q10, versus 1.2% in 1Q09.
- 7 **EBITDA** (earnings before interest, tax, depreciation and amortization) was **R\$ 369.2 million** in 1Q10, with EBITDA margin of 29%, for growth of 30% on the EBITDA of R\$ 284.2 million in 1Q09, when EBITDA margin stood at 26%.
- 8 Expenses with **Depreciation and Amortization** grew 55% to R\$ 216.0 million, from R\$ 139.4 million in 1Q09. Depreciation expenses rose 24%, mainly due to the higher number of residential installations and digital decoders. Expenses with amortization were affected by the amortization of assets generated by the IRU agreement.
- 9 **EBIT** (earnings before interest and tax) was **R\$ 153.2 million**, up 6% from R\$ 144.8 million in 1Q09.

NET FINANCIAL RESULT

| (R\$ '000) | 1Q10 | 4Q09 | 1Q09 |
|-----------------------------------|-----------------|-----------------|-----------------|
| Net Financial Result | (76,636) | (41,100) | (32,342) |
| Monetary Indexation, net | (208) | (4,032) | (643) |
| Gain (loss) on exchange rate, net | (28,777) | (1,202) | 5,989 |
| Financial expenses | (86,162) | (62,912) | (61,772) |
| Financial income | 38,510 | 27,046 | 24,084 |

- 1 The Net Financial Result was an expense of **R\$ 76.6 million** in 1Q10, versus an expense of R\$ 32.3 million in 1Q09. The composition of NET’s Financial Result is presented below:
 - 1.1 **Net Monetary Indexation** stood at **R\$ 0.2 million**, versus R\$ 0.6 million in 1Q09, due to the lower monetary restatement on provisions for contingencies in the quarter.
 - 1.2 **Net Exchange Variation** registered a loss of **R\$ 28.8 million** in 1Q10, compared with a gain of R\$ 6.0 million in 1Q09, due to the depreciation in the Brazilian real against the U.S. dollar in the quarter, which generated exchange losses on dollar denominated loans, Banco Inbursa, the Perpetual Bonds and the Global Notes 2020.
 - 1.3 **Financial Expenses** were **R\$ 86.2 million** in 1Q10, up 40% on the R\$ 61,8 million in 1Q09, due to interest on the loan for the Global Notes 2020, which did not occur in 1Q09..
 - 1.4 **Financial Revenue** was **R\$ 38.5 million**, up 60% from R\$ 24.1 million in 1Q09 due to higher cash flow.



INCOME TAX AND NET INCOME

| (R\$ '000) | 1Q10 | 4Q09 | 1Q09 |
|---|-----------------|----------------|--------------|
| Income Tax and Social Contribution | (30,643) | 176,744 | 7,676 |
| Current | (10,875) | (5,826) | (26,321) |
| Deferred | (19,767) | 182,570 | 33,997 |
| Constitution of Tax Loss Carryforward and and Temporary Differences | (19,234) | 184,163 | 35,590 |
| Goodwill Amortization | (533) | (1,593) | (1,593) |

1 **Income Tax and Social Contribution Tax (current and deferred)** was an expense of **R\$ 30.6 million** in 1Q10, versus a gain of R\$ 7.7 million in 1Q09. This variation is explained below:

1.1 Expenses with **Income Tax and Current Social Contribution Tax** declined from R\$ 26.3 million in 1Q09 to **R\$ 10.9 million** in 1Q10, mainly due to the merger of subsidiaries during the second half of 2009, which improved the organizational structure and optimized the use of tax credits.

1.2 **Deferred Income Tax and Social Contribution Tax** went from positive R\$ 34.0 million in 1Q09 to negative **R\$ 19.8 million** in 1Q10. With the adoption of International Financial Reporting Standards (IFRS), NET began to recognize income and social contribution taxes using the accrual method based on the estimated average annual effective rate applicable on income before tax, in accordance with CPC21.

2 The Company ended 1Q10 with **Net Income** of **R\$ 45.9 million**, compared with R\$ 120.1 million in 1Q09.

LIQUIDITY, CAPITALIZATION AND DEBT

| (R\$ '000) | 1Q10 | 4Q09 | 1Q09 |
|---------------------------------|------------------|------------------|------------------|
| Short Term Debt | 116,241 | 85,475 | 99,333 |
| Interests | 52,473 | 24,198 | 54,847 |
| Finame | 63,768 | 61,278 | 44,486 |
| Long Term Debt | 2,129,988 | 2,113,329 | 1,700,920 |
| Finame | 143,411 | 154,999 | 145,807 |
| CCB | 170,000 | 170,000 | 170,000 |
| Debentures 6th issuance | 578,176 | 578,046 | 577,865 |
| Inbursa | 353,188 | 345,164 | 459,968 |
| Global Notes 2020 | 618,063 | 603,940 | - |
| Perpetual Notes | 267,150 | 261,180 | 347,280 |
| Total Debt | 2,246,229 | 2,198,805 | 1,800,253 |
| Cash and Cash Equivalents | 1,036,269 | 1,015,605 | 638,461 |
| Net Debt | 1,209,960 | 1,183,200 | 1,161,792 |
| % of Total Debt Short Term | 5% | 4% | 6% |
| % of Total Debt Long Term | 95% | 96% | 94% |
| US dollar-denominated debt | 1,273,293 | 1,235,680 | 833,109 |
| % of Total Debt | 56.7% | 56.2% | 46.3% |
| Brazilian real-denominated debt | 972,936 | 963,124 | 967,144 |
| % of Total Debt | 43.3% | 43.8% | 53.7% |

- **Gross debt**, which includes principal and interest, ended 1Q10 at **R\$ 2,246.2 million**, for an increase of 25% on a year earlier. In November 2009, the Company issued US\$ 350 million in Global Notes 2020, which increased gross debt. Foreign currency debt increased from 46.3% of total debt in 1Q09 to 56.7% in 1Q10. Short-term debt accounted for 5% of total debt in the quarter.
- **Cash and Equivalents** totaled **R\$ 1,036.3 million** at the end of 1Q10, up 62% from R\$ 638.5 million in 1Q09, mainly due to the Global Notes 2020 issue.
- **Net Debt** in 1Q10 amounted to **R\$ 1,210.0 million**, a 4% increase from R\$ 1,161.8 million in 1Q09. The Net Debt to EBITDA ratio stood at 0.91x in 1Q10, versus 1.12x in 1Q09.
- The table below shows the evolution in the Company's main financial indicators:



| Financial Ratios | 1Q10 | 4Q09 | 1Q09 |
|--------------------------------|---------|---------|---------|
| EBITDA / Interest Expenses | 5.50 | 5.90 | 5.01 |
| Current Ratio | 1.57 | 1.43 | 1.22 |
| Net Debt / EBITDA | 0.91 | 0.95 | 1.12 |
| Total Debt / EBITDA | 1.69 | 1.77 | 1.74 |
| Net Debt/ FV | 0.13 | 0.13 | 0.17 |
| EBITDA / Household | \$318 | \$310 | \$292 |
| <i>Net Revenues/ Household</i> | \$1,149 | \$1,150 | \$1,110 |

CAPEX

The majority of NET's investments (Capex) continue to be allocated to acquiring subscribers, installation personnel and the equipment and infrastructure adjustments required to support subscriber growth.

In 1Q10, Capex amounted to R\$ 161.0 million, down 24% from R\$ 214.2 million in 1Q09, mainly due to the lower number of new hook-ups in 1Q10. Of the total invested, the variable portion represented 72% and was allocated to the purchase of equipment and to residential installations, both of which are related to subscriber acquisition efforts.

CAPITAL MARKETS

NET shares continued to enjoy solid liquidity on both the BM&FBovespa and the Nasdaq. Average daily trading volume on the BM&FBovespa was R\$ 30.9 million in 1Q10, increasing by 121% from R\$ 14 million in 1Q09. Meanwhile, average daily trading volume on the Nasdaq was US\$ 13 million in 1Q10 compared to US\$ 3 million in 1Q09.



UPCOMING EVENTS

1. Conference Call – 1Q10 Earnings Results

Date: April 28, 2010

IFRS (in Portuguese):

10:00 a.m. (Brasília time)

Phone: (11) 4688-6361

Code: NET

Replay until May 4, 2010: (11) 4688-6312

Code: 46611

Live webcast at <http://ri.netservicos.com.br>

IFRS (in English):

11:30 a.m. (Brasília time)

Phone: +1 (412) 858-4600

Code: NET

Replay until May 6, 2010: +1 (412) 317-0088

Replay code: 439671#

Live webcast at <http://ir.netservicos.com.br>

2. Public Meetings

São Paulo- APIMEC

Venue: Caesar Park Business Faria Lima

Rua Olimpíadas, 205 - Vila Olimpia – sala 2

Date: May 6, 2010

Time: 08:30 a.m. (Brasilia time)

Rio de Janeiro- APIMEC

Venue: JW Marriott Hotel

Av. Atlântica, 2600 - Sala Wayana

Date: May 7, 2010

Time: 09:00 a.m. (Brasilia time)

3. Scheduled Dates for Upcoming Results

2Q10 → July 20, 2010

3Q10 → October 27, 2010

The forward-looking statements contained in this document relating to the business prospects, projections of operating and financial results and the growth prospects of NET are merely estimates, and as such are based exclusively on Management's expectations on the future of the business. These forward-looking statements depend materially on changes in market conditions, the performance of the Brazilian economy, the industry and international markets, and therefore are subject to change without prior notice.



FINANCIAL STATEMENTS IN IFRS (unaudited)

Net Serviços de Comunicação S.A.

Income Statement

IFRS - (R\$ thousands)

| | 1Q10 | 4Q09 | 1Q09 |
|--|------------------|------------------|------------------|
| Revenues | | | |
| Subscription revenue | 1,440,573 | 1,408,809 | 1,239,484 |
| Hook-up revenue | 8,805 | 34,083 | 28,981 |
| Other Revenues | 211,941 | 177,541 | 148,691 |
| Gross Revenues | 1,661,318 | 1,620,433 | 1,417,155 |
| Sales deductions | (400,761) | (385,740) | (334,942) |
| Net Revenue | 1,260,558 | 1,234,693 | 1,082,213 |
| Operating costs | (601,383) | (611,870) | (515,776) |
| Programming | (296,438) | (276,722) | (245,232) |
| Network Maintenance and Subscriber costs | (49,860) | (62,309) | (44,800) |
| Loyaty Marketing Costs | (3,757) | (4,346) | (3,495) |
| Payroll and Benefits | (92,533) | (92,084) | (62,292) |
| Internet Access, Call Center and Others | (158,794) | (176,408) | (159,957) |
| Selling, General and Adminstrative Expenses | (275,133) | (266,143) | (265,319) |
| Selling Expenses | (124,120) | (116,048) | (105,697) |
| General and Adminstrative Expenses | (143,529) | (138,733) | (134,237) |
| Other Administrative Expenses | (7,485) | (11,364) | (25,385) |
| Bad Debt Expenses | (14,879) | (8,793) | (16,938) |
| EBITDA | 369,163 | 347,888 | 284,180 |
| EBITDA margin | 29% | 28% | 26% |
| Depreciation and Amortization | (215,995) | (177,693) | (139,408) |
| Depreciation | (146,811) | (141,299) | (118,191) |
| Amortization | (69,184) | (36,394) | (21,217) |
| EBIT | 153,167 | 170,195 | 144,772 |
| EBIT margin | 12% | 14% | 13% |
| Net Monetary Indexation | (208) | (4,032) | (643) |
| Net Foreign Exchange Variation | (28,777) | (1,202) | 5,989 |
| Financial Expenses | (86,162) | (62,912) | (61,772) |
| interest, charges, arrears and fine | (52,677) | (48,560) | (48,463) |
| interest financial expenses others (suppliers and taxes) | (14,402) | (10,393) | (8,209) |
| other financial expenses | (19,082) | (3,959) | (5,100) |
| Financial Income | 38,510 | 27,046 | 24,084 |
| Income/(loss) bef. Investees, min.ints. | 76,529 | 129,094 | 112,430 |
| Current income Tax and Social Contribution tax | (10,875) | (5,826) | (26,321) |
| Deferred Income Tax and Social Contribution tax | (19,767) | 182,570 | 33,997 |
| Net Income (loss) | 45,887 | 305,840 | 120,106 |



| NET Serviços de Comunicação S.A. Consolidated Statement of Cash Flow IFRS (R\$ thousand) - non-audited | 1Q10 | 4Q09 | 1Q09 |
|--|------------------|------------------|------------------|
| Cash and cash equivalents, beginning of the period | 1,015,605 | 595,864 | 736,880 |
| Results of the period | 45,887 | 305,840 | 120,106 |
| Non-cash items | 321,709 | (5,684) | 168,040 |
| Exchange losses, monetary indexation and interest expenses, net | 18,557 | (626) | 946 |
| Depreciation and Amortization | 215,995 | 177,693 | 138,076 |
| Diferred income taxes | 19,767 | (182,570) | (33,998) |
| Estimated liability for tax, labor and civil claims and assessments | 11,878 | (44,936) | 11,825 |
| Interest on loans, net | 52,304 | 48,517 | 47,555 |
| Gain (loss) on Hedge | 3,499 | (2,522) | (4,814) |
| Result on sale of assets, net | (291) | (1,240) | 8,450 |
| Decrease (Increase) in assets | 9,390 | 8,752 | 34,052 |
| Trade accounts receivable | (27,863) | (31,892) | (6,498) |
| Recoverable income taxes | 6,548 | 30,191 | 54,818 |
| Prepaid expenses | 2,573 | (3,783) | (2,278) |
| Inventories and others assets | 1,787 | (4,247) | 4,018 |
| Other Assets | 26,345 | 18,483 | (16,008) |
| Increase (decrease) in liabilities | (162,998) | (30,240) | (206,474) |
| Accounts payables to suppliers and programmers | (49,788) | 11,215 | (72,318) |
| Income taxes payable | (17,457) | (62,608) | (60,234) |
| Payroll and related charges | (81,553) | 3,218 | (51,199) |
| Sales taxes, accrued expenses and other liabilities | 32,295 | 36,415 | (29,334) |
| Deferred income | (46,495) | (18,480) | 6,611 |
| Increase (decrease) in workine capital | (153,608) | (21,488) | (172,422) |
| Cash flow from investing activities | (160,014) | (385,000) | (213,900) |
| Acquisitions of investments | - | (212) | - |
| Acquisition of property and equipment | (160,961) | (386,013) | (214,202) |
| Proceeds from the sale of equipment | 947 | 1,225 | 302 |
| Cash flow from financing activities | (33,310) | 526,074 | (243) |
| Issuances | 4,514 | 603,139 | 20,623 |
| Repayments | (37,824) | (77,065) | (20,866) |
| Change in cash and cash equivalents | 20,664 | 419,741 | (98,419) |
| Cash and cash equivalents, end of the period | 1,036,269 | 1,015,605 | 638,461 |



NET Serviços de Comunicação S.A.
Consolidated Balance Sheet
IFRS (R\$ thousand) - non-audited

| | 1Q10 | % | 4Q09 | % | 1Q09 | % |
|---|------------------|---------------|------------------|---------------|------------------|---------------|
| Assets | | | | | | |
| Cash & cash equivalents | 1,036,269 | 12.5% | 1,015,605 | 12.2% | 638,461 | 10.0% |
| Account receivable from subscriber - net | 291,815 | 3.5% | 263,952 | 3.2% | 172,603 | 2.7% |
| Other receivables | 6,760 | 0.1% | 37,268 | 0.4% | 44,636 | 0.7% |
| Income tax recoverable | 29,006 | 0.4% | 3,624 | 0.0% | 8,721 | 0.1% |
| Prepaid expenses | 30,669 | 0.4% | 33,215 | 0.4% | 26,686 | 0.4% |
| Inventories | 56,976 | 0.7% | 58,763 | 0.7% | 57,739 | 0.9% |
| Prepaid rights of use | 174,463 | 2.1% | 175,088 | 2.1% | 0 | 0.0% |
| Total Current Assets | 1,625,958 | 19.6% | 1,587,515 | 19.0% | 948,845 | 14.8% |
| Assets | 2,777,530 | 33.5% | 2,767,037 | 33.2% | 2,323,203 | 36.3% |
| Prepaid rights of use | 616,464 | 7.4% | 659,842 | 7.9% | 0 | 0.0% |
| Intangible | 2,502,583 | 30.2% | 2,523,168 | 30.3% | 2,438,592 | 38.1% |
| Other Assets | 757,984 | 9.2% | 796,229 | 9.6% | 694,505 | 10.8% |
| Judicial Deposits | 76,956 | 19.6% | 74,609 | 0.9% | 119,126 | 1.9% |
| Diferred taxes recoverable | 676,786 | 8.2% | 714,992 | 8.6% | 567,909 | 8.9% |
| Other receivables | 4,242 | 0.1% | 6,628 | 0.1% | 7,470 | 0.1% |
| Total Long-term Assets | 6,654,561 | 80.4% | 6,746,276 | 81.0% | 5,456,299 | 85.2% |
| Total Assets | 8,280,519 | 100.0% | 8,333,791 | 100.0% | 6,405,145 | 100.0% |
| Liabilities and Stockholders' Equity | | | | | | |
| Accounts payable to suppliers and programmers | 402,528 | 4.9% | 452,317 | 5.4% | 410,752 | 6.4% |
| Provision for payables | 19,690 | 0.2% | 32,382 | 0.4% | 12,400 | 0.2% |
| Income tax payable | 848 | 0.0% | 2,586 | 0.0% | 6,805 | 0.1% |
| Short-term debt | 97,779 | 1.2% | 81,125 | 1.0% | 75,407 | 1.2% |
| Debentures | 18,462 | 0.2% | 4,350 | 0.1% | 23,926 | 0.4% |
| Payroll accruals | 17,820 | 0.2% | 18,648 | 0.2% | 14,712 | 0.2% |
| Other payable accounts | 482,641 | 5.8% | 520,534 | 6.2% | 232,130 | 3.6% |
| Tax accruals | 56,344 | 0.7% | 70,270 | 0.8% | 79,136 | 1.2% |
| Payroll provision | 91,693 | 1.1% | 163,030 | 2.0% | 88,787 | 1.4% |
| Other debts | 129,990 | 1.6% | 79,006 | 0.9% | 64,206 | 1.0% |
| Deferred income | 204,614 | 2.5% | 208,228 | 2.5% | 0 | 0.0% |
| Total Current Liabilities | 1,039,768 | 123.5% | 1,111,941 | 13.3% | 776,132 | 12.1% |
| Long-term debt | 1,551,812 | 18.7% | 1,535,283 | 18.4% | 1,123,055 | 17.5% |
| Debentures | 578,176 | 7.0% | 578,046 | 6.9% | 577,865 | 9.0% |
| Payroll and Benefits | 10,883 | 0.1% | 20,272 | 0.2% | 22,918 | 0.4% |
| Taxes and contributions payable | 185,974 | 2.2% | 188,698 | 2.3% | 186,977 | 2.9% |
| Provision for contingencies | 619,183 | 7.5% | 605,363 | 7.3% | 719,233 | 11.2% |
| Future periods results | 105,588 | 1.3% | 122,437 | 1.5% | 100,523 | 1.6% |
| Others Debts | 1,924 | 0.0% | 4,395 | 0.1% | 6,770 | 0.1% |
| Deferred Avenue | 633,810 | 7.7% | 659,842 | 7.9% | 0 | 0.0% |
| Total Long Term Liabilities | 3,687,349 | 44.5% | 3,714,335 | 44.6% | 2,737,341 | 42.7% |
| Total Liabilities | 4,727,117 | 57.1% | 4,826,276 | 57.9% | 3,513,473 | 54.9% |
| Capital Stock | 5,599,320 | 67.6% | 5,599,320 | 67.2% | 5,599,320 | 87.4% |
| Goodwill reserves | 153,168 | 1.8% | 153,168 | 1.8% | 153,168 | 2.4% |
| Accumulated Losses | (2,199,086) | -26.6% | (2,244,973) | -26.9% | (2,860,816) | -44.7% |
| Shareholders' Equity | 3,553,402 | 42.9% | 3,507,515 | 42.1% | 2,891,672 | 45.1% |
| Liabilities and Stockholders' Equity | 8,280,519 | 100.0% | 8,333,791 | 100.0% | 6,405,145 | 100.0% |