

Closing price:
NETC4: R\$19.50/share (BM&FBOVESPA)
Total number of shares: 342,963,601
Market Value: R\$6.7 billion

2013 Earnings Release

São Paulo, February 11, 2014 – Net Serviços de Comunicação S.A. (BM&FBOVESPA: NETC3 and NETC4; and Latibex: XNET), the largest cable communication and entertainment operator in Brazil, offering integrated services that include Pay TV (“NET”), Digital Video (“NET Digital”), High Definition Digital Video (“NET Digital HD”), bidirectional broadband internet access (“NET Virtua”), Voice, in association with Embratel (“NET Fone via Embratel”), mobile phone, in association with Claro (“cellular phones”) and Video on Demand services (“NOW”), announces today its results for the fourth quarter (“4Q13”) and for the fiscal year ended 2013.

In **2013**, the Company obtained again excellent results, maintaining our accelerated growth strategy and focus on the quality of services provided. We ended the year with a **Pay TV** subscriber base of **6,060 thousand** clients, **12.6%** growth compared to 2012. The **Broadband** base closed the year with **6,436 thousand** clients, **17.1% higher than** 2012. The number of **telephone lines in service** at the end of **2013** was **5,691 thousand** lines, **17.3%** greater than 2012.

In November 2013, Empresa Brasileira de Telecomunicações S.A. (“Embratel”) acquired in the auction for the unified offer to purchase shares (the “Offer”), 13,675,932 shares issued by the Company, corresponding to 83.62% of total shares outstanding. It is considered as outstanding shares other than those held directly or indirectly by the controlling shareholder.

As a result of the Offer, Embratel Participações S.A. (“Embrapar”) and its controlled Embratel together will, directly, or through their subsidiaries, hold 329,793,729 of NET’s shares, corresponding to 96.16% of its total share capital, including 103,256,971 common shares, corresponding to 90.21% of its voting share capital; and 226,536,758 preferred shares, corresponding to 99.14% of its non-voting shares. Also as a result of the Offer the Company is no longer part of differentiated level 2 corporate governance practices relating to the BM&FBovespa.

In January 2014, the Net Serviços American Depositary Receipts Program was canceled; and the Company has been definitively delisted from NASDAQ. However, up to the present date the Company remains registered under the Exchange Act, maintaining full compliance with its obligations until suspension and cancellation of registration for all classes of securities.

FINANCIAL STATEMENTS

Net Serviços de Comunicação S.A. Consolidated Income Statements (R\$ thousands)	4Q13	4Q12	12M13	12M12
Net revenues	2,626,398	2,144,264	9,708,757	7,939,196
Operating costs	(1,059,566)	(1,023,447)	(4,643,463)	(3,879,791)
Selling, general and administrative expenses	(607,126)	(477,637)	(2,185,994)	(1,828,142)
EBITDA (a)	959,706	643,180	2,879,300	2,231,263
EBITDA margin	36.5%	30.0%	29.7%	28.1%
Depreciation and amortization	(584,977)	(355,493)	(1,825,499)	(1,298,080)
Finance results	(155,297)	(40,267)	(514,710)	(301,600)
Income before tax	219,432	247,420	539,091	631,583
Income Tax and Social Contribution	(245,200)	(105,901)	(362,523)	(237,881)
Net income (loss)	(25,768)	141,519	176,568	393,702

(a) EBITDA does not represent an accounting item or cash flow for the periods in question, and should not be considered an isolated indicator of operating performance. Furthermore, companies may perform specific interpretations; therefore, the definition of EBITDA may not be comparable with the calculation of EBITDA by other companies. The EBITDA disclosed by Net was calculated in accordance with CVM Ruling 527/12.

Net Serviços de Comunicação S.A, Consolidated Balance Sheet on December 31 (R\$ thousands)					
	2013	2012		2013	2012
Assets			Liabilities		
Total current assets	1,791,521	1,157,326	Total current liabilities	3,998,354	2,619,751
Total non-current assets	11,034,971	8,601,854	Total non-current liabilities	3,095,006	2,557,888
			Equity	5,733,132	4,581,541
Total Assets	12,826,482	9,759,180	Total Liabilities and Net Equity	12,826,492	9,759,180

Net Revenue grew by **22.5%** from R\$2,144.3 million in 4Q12 to **R\$2,626.4 million** in **4Q13**. In the last 12 months the increase was **22.3%**, totaling **R\$9,708.8 million** in **2013** against R\$7,939.2 million in 2012. The expansion of the subscriber base was the main reason for this growth.

Operating Costs totaled **R\$1,059.6 million** in **4Q13**, an increase of **3.5%** up on the 4Q12 figure of R\$1,023.4 million, and closed the year at **R\$4,643.5 million**, an increase of **19.7%** compared to R\$3,879.8 million in 2012, mainly due to business growth, but reduced by the substantial positive impact from a closing agreement in a legal dispute related to copyright, formalized in 4Q13.

Selling, General and Administrative Expenses (SG&A) stood at **R\$607.1 million** in **4Q13**, **27.1%** up on the R\$477.6 million in 4Q12. The Company closed the year at **R\$2,186.0 million**, **19.6%** higher than the 2012, which stood at R\$1,828.1 million, also driven by business growth.

EBITDA (earnings before interest, income taxes including social contribution on net income, depreciation and amortization) stood at **R\$959.7 million** in **4Q13**, with an **EBITDA Margin of 36.5%**, which represents growth of **49.2%** when compared to 4Q12, at R\$643.2 million. The accumulated increase between 2012 and **2013** was **29.0%**, from R\$2,231.3 to **R\$2,879.3 million** in **2012**, recording an **EBITDA Margin of 29.7%** against 28.1% in 2012.

The **Finance results** in **4Q13** posted a net expense of **R\$155.3 million** compared to R\$40.3 million in 2012. In the year to date, the value of the net expenses was **R\$514.7 million** against R\$301.6 million in 2012. The increase in net financial expenses in **2013** substantially resulted from the increased debt due to the growth in investments, the devaluation of the real against the U.S. dollar and the positive effects of the reversal of provisions related to tax on interest on foreign currency debt in 2012.

The **income tax and social contribution expenses** totaled **R\$245.2 million** in **4Q13**, compared to R\$105.9 million in 4Q12. In the year to date (**2013**) such expenses totaled **R\$362.5 million**, compared to R\$237.9 million in the previous year. The growth in this expense was substantially due to the review of the carrying amount of deferred tax credit in the light corporate restructuring studies.

The Company posted **losses** of **R\$25.8 million** in the **4Q13** compared to net income of R\$141.5 million in the same period of 2012. In the year to date (**2013**), **net income** was **R\$176.6 million**, compared to R\$393.7 million in 2012, a decline of **55.1%**.

Company's total **Capex** stood at **R\$3,564.9 million** in **2013**, which was mainly allocated to home installation, expansion of network capacity and technological improvements, reinforcing our commitment to the country and the quality and coverage of our services.