



## First Quarter 2011 Earnings Release

Megacable Holdings, S.A.B. de C.V.

April 28, 2011

**Guadalajara, Jalisco, Mexico, April 28, 2011** - Megacable Holdings S.A.B. de C.V. ("Megacable" or "the Company") (BMV: MEGA.CPO) announced today its results for the first quarter 2011. Figures were prepared in accordance with Mexican Financial Reporting Standards. All figures are expressed in thousands of pesos, unless otherwise indicated.

## Highlights

Consolidated Financial Results	Non Audited		Variation		
Figures in millions of pesos	1Q11	1Q10	1Q11 vs 1Q10	4Q10	1Q11 vs 4Q10
Service Income	2,044	1,848	11%	1,963	4%
Adjusted EBITDA for Cable Operations	917	800	15%	781	17%
<b>Adjusted EBITDA Margin for Cable Operations</b>	<b>46.7%</b>	<b>46.3%</b>		<b>41.5%</b>	
Consolidated EBITDA	928	814	14%	788	18%
<b>Consolidated EBITDA Margin</b>	<b>45.4%</b>	<b>44.0%</b>		<b>40.2%</b>	
Net Income	550	475	16%	552	0%
Net Debt	172	(317)		419	-59%
<b>Net Debt/Annualized consolidated EBITDA</b>	<b>0.05</b>	<b>(0.10)</b>		<b>0.13</b>	
Interest Coverage	28.49	19.84		20.18	

Operating Results	Non Audited		Variation		
	1Q11	1Q10	1Q11 vs 1Q10	4Q10	1Q11 vs 4Q10
Homes Passed	5,279,825	4,701,928	12%	5,214,041	1%
Network Kilometers	37,190	32,437	15%	36,703	1%
<b>Two-way Network Percentage</b>	<b>96%</b>	<b>92%</b>		<b>96%</b>	
<b>Cable Television Subscribers</b>	<b>1,730,937</b>	<b>1,607,133</b>	8%	<b>1,757,102</b>	-1%
Digital Cable Subscribers	589,664	288,880	104%	539,688	9%
<b>Penetration Rate of Households</b>	<b>32.8%</b>	<b>34.2%</b>		<b>33.7%</b>	
<b>HSD Internet Subscribers</b>	<b>590,526</b>	<b>531,764</b>	11%	<b>594,048</b>	-1%
Penetration Rate of Cable Subscribers	34.1%	33.1%		33.8%	
<b>Telephony Subscribers</b>	<b>442,955</b>	<b>425,361</b>	4%	<b>463,825</b>	-4%
Penetration Rate of Cable Subscribers	25.6%	26.5%		26.4%	
<b>Unique Subscribers</b>	<b>1,777,169</b>	<b>1,650,400</b>	8%	<b>1,804,537</b>	-2%
<b>Revenue Generating Units</b>	<b>2,764,418</b>	<b>2,564,258</b>	8%	<b>2,814,975</b>	-2%
RGU's Per Unique Subscribers	1.56	1.55	0%	1.56	
ARPU per Unique Subscriber	\$ 382.4	\$ 378.4	1%	\$ 363.8	5%

## Executive Summary

Megacable reported record revenue, EBITDA and operating margins in 1Q11, continuing its operational efficiency campaign through a more selective strategy regarding maintenance and incorporation of new subscribers.

In 1Q11, Megacable continued with the consolidation of strategic projects: the illumination of dark fiber optical wires from CFE, which is expected to begin operating in 2Q11. The digitalization, construction of additional kilometers, as well as bringing the network closer to end users continues as planned. Broadband services known as Megared "NITRO" and Megared "TURBO" continued to be consolidated into the Company's market.

Based on the aforementioned, Megacable reinforces its commitment to be the best option as a telecommunications provider.

For the first quarter, Megacable reported record revenues of Ps. 2,044 million, which represented an 11% increase compared to 1Q10. Consolidated EBITDA rose 14% compared to 1Q10, reaching a record of Ps. 928 million with a margin of 45.4%. Furthermore, the adjusted EBITDA for cable operations rose 15% from 1Q10 to 1Q11, reaching a margin over cable revenues of 46.7% in 1Q11, totaling Ps. 917 million.

Approximately 200 thousand revenue generating units (RGU's) were incorporated this quarter, which is an 8% increase compared to 1Q10. Megacable finished the period with the incorporation of 153 thousand additional unique subscribers, an increase of 9% compared to 1Q11. As of March 31, 2011, there were 1,730,937 Video subscribers, 590,526 Internet subscribers and 442,955 Telephony subscribers, which represented growth of 8%, 11% and 4%, respectively.

Regarding the Company's financial structure, Megacable continues to possess a solid balance sheet; in general, main financial ratios improved in 1Q11, most notably total liabilities, which declined 23%, from Ps. 2,955 million to Ps. 2,272 million. Regarding assets, the cash and temporary investments line decreased approximately Ps. 1,171 million due to the August 2010 loan payment, paid 30% in cash, the purchase of Grupo Omnicable in 2Q10, the Company's CAPEX program, as well as investments in GTAC (*Grupo de Telecomunicaciones de Alta Capacidad*) for the license and set-up of dark fiber from the CFE (Federal Electricity Commission). The generation of free cash flow followed the tendency of previous quarters, and at the end of 1Q11, minimum net leverage and current liabilities were much lower than in 1Q10.

Property, systems and equipment, net, increased 29%, or Ps. 1,754 million, due to the purchase of set-top boxes for the digitalization project, the purchase of Grupo Omnicable, improvements to the existing network and the construction of new network kilometers, as well as the purchase of other equipment.

# Operating Results

MEGACABLE HOLDINGS S. A. B. DE C. V.					
QUARTELY OPERATING DATA					
	1Q11	1Q10	4Q10	Variation	
				1Q11 vs 1Q10	1Q11 vs 4Q10
<b>ARPU (1) (Ps.)</b>					
Unique Subscribers	382.4	378.4	363.8	1%	5%
Video	241.0	240.7	232.7	0%	4%
Internet	214.0	197.0	194.0	9%	10%
Telephony	211.5	192.8	196.5	10%	8%
Other Income (2)	22.8	31.4	22.8	-27%	0%
<b>Monthly Average</b>					
<b>Churn Rate</b>					
Video	3.4%	3.1%	3.1%		
Internet	4.1%	3.4%	3.9%		
Telephony	5.0%	4.2%	4.3%		

## Notes:

- (1) ARPU, or average revenue per unit for each segment, is the result of calculating total revenue per each segment for the period, divided by the average number of subscribers.
- (2) Other income includes revenues generated from MCM, Videorola, MMDS and the channels produced by Megacable, which are included in the unique subscriber's ARPU calculation.

As previously stated, because some subscribers continuously discontinued their services, thus generating lower ARPU levels as well as higher operating and retention costs, this resulted in weak or negative margins. Thus, Megacable adopted a more selective strategy towards subscribers, restricting reconnection promotions and sales during 1Q11. As a result, churn rates were higher, and the acquisition of new subscribers declined compared to 1Q10.

As expected, these strategies drove revenue and EBITDA to record highs, thus increasing margins. Megacable believes its strategies are prudent and necessary for the Company's continued success. Furthermore, during March, Megacable reported lower churn rates than in January and February 2011, therefore indicating that the worst effects of customer turnover have already taken place.

## Video Segment

The Video segment finished the first quarter with 1,730,937 subscribers, reflecting an increase of more than 124 thousand net additions, growth of 8% with respect to 1Q10. The Company added more than 301 thousand digital subscribers, a 104% increase from 1Q10 to 1Q11.

Video segment ARPU experienced a recovery compared to prior quarters, reaching an increase of 4% compared to 4Q10, and remained flat compared to 1Q10.

## Internet Segment

The broadband Internet segment reported subscriber growth of 11% from 1Q10 to 1Q11, increasing its base by more than 59 thousand net additions during the period, finishing 1Q11 with 590,526 subscribers.

During 1Q11, Internet segment ARPU rose 9% compared to 1Q10, and increased 10% compared to 4Q10.

## Telephony Segment

The Telephony segment ended 1Q11 with 442,955 subscribers, adding over 18 thousand new subscribers to this service compared to 1Q10, reflecting an increase of 4%. ARPU per subscriber grew 9% compared to 4Q10 and 11% compared to 1Q10.

### Unique Subscribers and Revenue Generating Units (RGU's):

Unique subscribers and RGU's increased 8% from 1Q10 to 1Q11, ending with 1,777,169 unique subscribers and 2,764,418 RGU's. As a result, Megacable's RGU's per unique subscriber remained stable at 1.56.

Regarding the increase in subscribers, during 1Q11, the Company's selected reconnection strategies and sales promotions contributed to a decline in "Net Adds" compared to 4Q10. For 1Q11, "Net Adds" was -26 thousand in Video, -3 thousand in Internet and -2 thousand in Telephony.

However, ARPU for 1Q11 improved versus 4Q10 and 1Q10 figures. ARPU per unique subscriber in 1Q11 reached Ps. 382.4, an increase of 1% compared to 1Q10, and an increase of 5% compared to 4Q10

## Monthly Average Churn Rate

As mentioned above, the average monthly churn rate for the Video, Internet and Telephony services from 4Q10 to 1Q11 increased from 3.1% to 3.4%, from 3.9% to 4.1% and from 4.3% to 5.0%, respectively.

## Homes Passed and Network

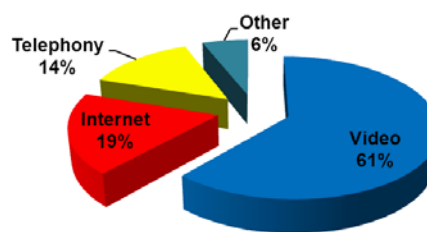
As of March 31, 2011, the Company's cable network reached 37,190 kilometers, passing 5,279,825 homes, which represented a 15% increase in network kilometers and a 12% increase in number of homes passed compared with 1Q10. To date, the network had a 96% bidirectional rate.

## Consolidated Results

Income by Segment					
In Millions of Pesos					
	1Q11	1Q10	1Q11 vs 1Q10	4Q10	1Q11 vs 4Q10
Video	1,254	1,145	10%	1,223	3%
Internet	379	309	23%	345	10%
Telephony	288	241	19%	272	4%
Other	122	153	-20%	123	-1%
<b>Total</b>	<b>2,044</b>	<b>1,848</b>	<b>11%</b>	<b>1,963</b>	<b>4%</b>

Total service income increased 11% from 1Q10 to 1Q11, reaching Ps. 2,044 million. Video revenues increased 10% from 1Q10 to 1Q11, while Internet and Telephony revenues increased 23% and 19%, respectively, while Others decreased 20% due to a decrease in MCM revenues explained by the Company's strategy to focus on high margin businesses, placing less emphasis on low margin businesses. MCM margin increased from 11% to 13%. From 1Q11 to 4Q10, Video, Internet, Telephony and Others revenues increased 4%, 3%, 10% and 4%, respectively.

The Video segment represented 61% of Megacable's total revenues, the highest of all segments, followed by Internet with 19% and Telephony with 14%, finally, the Others segment represented 6% of the total.



Cost of services improved 5%, from 4Q10 to 1Q11, and increased 2% from 1Q10 to 1Q11, which was lower than the 8% increase in RGU's. This reaffirms the Company's commitment to obtaining administrative and operating cost efficiencies.

Operating income increased 7% from Ps. 626 million to Ps. 670 million from 1Q10 to 1Q11, mainly the result of a decrease in average unit costs, while operating expenses decreased 6% compared to 4Q10. For 1Q11, net profit reached Ps. 550 million, a 16% increase compared to the Ps. 475 million reported in 1Q10.

As a result of the above, adjusted EBITDA for the Cable operations rose 15% from 1Q10 to 1Q11 to reach Ps. 917 million, reflecting a 46.7% margin over Cable revenues.

Megacable's Consolidated EBITDA increased 14% from 1Q10 to 1Q11, with an EBITDA margin of 45.4%, reaching Ps. 928 million.

## EBITDA

<u>In thousands of Pesos</u>	1Q11	1Q10
Consolidated operating Income	\$ 670,268	\$ 626,861
Less operating Income (Loss) of MCM Holding	\$ 264	3,801
Operating Income for Cable Operations	670,003	623,060
Plus Consolidated depreciation and amortization	257,937	187,011
Less depreciation and amortization of MCM Holding	10,948	10,441
Plus Non- recurring items	-	-
<b>Adjusted EBITDA for Cable Operations (1)</b>	<b>\$ 916,992</b>	<b>\$ 799,631</b>
<b>Total Income excluding MCM</b>	<b>\$ 1,962,994</b>	<b>\$ 1,728,094</b>
<b>Adjusted EBITDA Margin for Cable Operations</b>	<b>46.7%</b>	<b>46.3%</b>
<b>Consolidated EBITDA (2)</b>	<b>\$ 928,204</b>	<b>\$ 813,873</b>
<b>Consolidated EBITDA Margin</b>	<b>45.4%</b>	<b>44.0%</b>

**Notes:**

- (1) Adjusted EBITDA is calculated by adding to net income the following: depreciation and amortization, net comprehensive financing income, other net income, non ordinary expenses (income), total tax, provisions for labor obligations, equity in income of associated companies and minority interest, less MCM EBITDA.
- (2) Adjusted Consolidated EBITDA is calculated by adding to the net income the following: depreciation and amortization, net comprehensive financing income, other net income, non ordinary expenses (income), total tax, provisions for labor obligations, equity in income of associated companies and minority interest.

## Liquidity, Debt and Capital Structure

### Liquidity

The Company's liquidity ratios improved derived from the acquisition of new long-term debt for a lesser amount compared to the long-term debt held until 1Q11. Megacable's total current assets decreased 17% from 1Q10 to 1Q11, mainly due to several investments made with the Company's cash during 2010; among these were expenses derived from the licensing and investment in the set-up of dark fiber optical wires from the CFE through GTAC, the purchase of Grupo Omnicable and a cash payment of Ps. 900 million to partially repay the bank loan previously mentioned.

	as of March 31,	
<b>Liquidity Ratio</b>	<b>2011</b>	<b>2010</b>
Assets Ratio	2.81	1.09

### Property, Systems and Equipment, Net

This line item registered an increase of 29%, mainly due the purchase of Grupo Omnicable, organic growth via the increase in Megacable's network kilometers, as well as the purchase of terminal equipment for digitalization, Internet and Telephony, and the purchase of transportation, computer and office equipment, among others.

### Debt

As of March 31, 2011, Megacable held bank liabilities of Ps. 2,100 million, which generates a 28-day TIIE plus 0.90% interest rate.

As a result, debt and interest coverage ratios improved in general, reaching a Net Debt / Annualized EBITDA ratio of 0.05x and an Interest Coverage ratio of 28.49x.

	as of March 31,	
<b>Debt Ratios</b>	<b>2011</b>	<b>2010</b>
Debt Ratio	0.26	0.31
Debt to Equity Ratio	0.36	0.45
Net Debt/ Annualized EBITDA	0.05	(0.10)
<b>Interest Coverage</b>		
EBITDA/ Interests Expenses	28.49	19.84

Net debt reached Ps. 172 million as of March 31, 2011.



In thousands of Pesos	1Q11	1Q10
<b>Short Term Debt</b>	<b>6,023</b>	<b>2,955,162</b>
One year maturity of long term bank loans	6,023	2,955,162
<b>Long Term Debt</b>	<b>2,266,375</b>	<b>187</b>
Bank Loans	2,100,000	-
Accounts Payable	166,375	187
<b>Total Debt</b>	<b>2,272,398</b>	<b>2,955,349</b>
Cash and Short Term Investments	2,100,736	3,271,852
<b>Net Debt</b>	<b>171,662</b>	<b>- 316,502</b>

## Shareholders' Equity

Shareholders' equity rose 18% from 1Q10 to 1Q11 as a result of the Company's 25% increase in accumulated earnings.

## CAPEX

During 1Q11, Megacable invested Ps. 462 million. This investment was mainly allocated towards the purchase of subscriber terminal equipment, growth and modernization of the Company's cable network, as well as the purchase of real estate.

## About the Company

Megacable is the largest cable operator in Mexico in terms of number of subscribers, and is the main provider of high speed data Internet services, and digital Telephony over cable network according to the National Chamber of Cable Telecommunications (CANITEC). The Company operates in 25 states in Mexico and over 200 municipalities. As of March 31, 2011, the Company had 10,552 employees.

Stock Information	
Ticker	MEGA.CPO
2 Series "A" Shares =	1 CPO
Total Outstanding Series "A" Shares (millions)	1,721
Outstanding CPOs (thousands)	299,180
CPOs in Treasury (thousands)	320
Mkt. Cap (In Ps. Millions)	\$ 23,539
Closing Price (Ps) *	\$ 27.36
As of March 31, 2011	
Source: Infotel	

# Quarterly Income Statement

MEGACABLE HOLDINGS, S. A. B. DE C.V.  
For the three-month period ended March 31, 2011 & 2010

In thousands of Pesos	Non Audited	Audited	Variation	Audited	Variation
	1Q11	1Q10	1Q11 vs 1Q10	4Q10	1Q11 vs 4Q10
<b>Services Income</b>	\$ 2,043,642	\$ 1,848,490	11%	\$ 1,962,896	4%
Cost of Services	619,915	608,893	2%	\$ 650,561	(5%)
<b>Gross Profit</b>	\$ 1,423,727	\$ 1,239,597	15%	\$ 1,312,335	8%
Operating and General Expenses	495,522	425,725	16%	\$ 527,642	(6%)
<b>EBITDA</b>	<b>928,204</b>	<b>813,873</b>	<b>14%</b>	<b>\$ 784,693</b>	<b>18%</b>
Depreciation and amortization	257,937	187,011	38%	\$ 289,585	(11%)
<b>Operating Profit</b>	<b>670,268</b>	<b>626,861</b>	<b>7%</b>	<b>\$ 495,109</b>	<b>35%</b>
Other income (expenses), net	15,241	11,093	37%	\$ 18,002	(15%)
Comprehensive Financing Income, Net	-983	-6,016	(84%)	-\$ 3,621	(73%)
Equity in income of associated companies	1,108	-6,877	(116%)	\$ 27,002	(96%)
Non Ordinary Items					
<b>Income Before Income Tax and Minority Interest</b>	<b>\$ 685,384</b>	<b>\$ 650,847</b>	<b>5%</b>	<b>\$ 489,729</b>	<b>40%</b>
Income Tax	110,518	165,970	(33%)	-\$ 45,076	(345%)
<b>Income Before Minority Interest</b>	<b>\$ 574,866</b>	<b>\$ 484,876</b>	<b>19%</b>	<b>\$ 534,805</b>	<b>7%</b>
Minority Income	24,560	9,871	149%	-\$ 17,167	(243%)
<b>Net Profit</b>	<b>\$ 550,306</b>	<b>\$ 475,005</b>	<b>16%</b>	<b>\$ 551,972</b>	<b>(0%)</b>

# Balance Sheet

**MEGACABLE HOLDINGS, S. A. B DE C. V. Y SUBSIDIARIAS**  
**Balance Sheet (Non Audited)**  
**In Thousands of Pesos**

	As of March 31,	
	2011	2010
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and short term investments	2,100,736	3,271,852
Accounts receivable from customers and other, net	451,291	385,422
Recoverable taxes	443,853	175,777
Inventories	526,541	409,378
Financial Instruments	-	-
<b>Total Current Assets</b>	<b>3,522,421</b>	<b>4,242,430</b>
Investment in shares of associated companies	107,417	65,753
Property, systems and equipment, net	7,768,145	6,013,478
Goodwill, net	4,277,036	4,277,036
Preoperating expenses, net	-	26,037
Other assets	463,069	288,308
Affiliated and Associated Companies	384,530	-
<b>Total Assets</b>	<b>16,522,617</b>	<b>14,913,042</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
One-year maturity of long term liabilities	6,023	2,955,162
Suppliers	675,042	469,448
Affiliated and Associated Companies	19,973	46,570
Accounts payable and accrued expenses payable	553,087	415,781
<b>Total Current Liabilities</b>	<b>1,254,126</b>	<b>3,886,961</b>
<b>LONG TERM LIABILITIES</b>		
Bank loans	2,100,000	-
Labor obligations	109,393	80,869
Accounts payable	166,375	187
Deferred taxes	727,110	654,281
<b>Total Long Term Liabilities</b>	<b>3,102,878</b>	<b>735,337</b>
<b>Total Liabilities</b>	<b>4,357,003</b>	<b>4,622,298</b>
<b>STOCKHOLDERS' EQUITY</b>		
Capital Stock	920,130	920,032
Premium on subscription of shares	4,999	4,999
Net Premium on the placement of shares	2,121,349	2,121,349
Retained Earnings	8,872,030	7,105,504
Minority Interest	247,105	138,860
<b>Total Stockholders' Equity</b>	<b>12,165,614</b>	<b>10,290,743</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>16,522,617</b>	<b>14,913,042</b>

## Disclaimer

This press release contains forward-looking statements regarding the Company's results and future prospects which are subject to risk and uncertainty. Therefore, these results and statements may differ due to various factors. Moreover, figures in this report may vary due to rounding.

**For more information please visit:**

<http://inversionistas.megacable.com.mx>

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