



## Megacable's Audited Results Year 2007

2007 was a very dynamic year for the Company in terms of acquisitions. During the second half of the year, the Company acquired five concessionary groups and public network operators of cable telecommunications: Sigetel, Ira, Imatel, Acotel and Telecable Centro Occidente,. In the last one, Megacable has a 51% stake. The aforementioned has increased our subscriber base and as of December 31, 2007, Megacable had approximately **360,000** cable subscribers, **48,000** internet subscribers and **12,000** telephony subscribers. Through its subsidiaries, Megacable currently has a network of **7,329** km and increased its network coverage from **13** to **23** states and increased from **76** to **178** concessionary cities in Mexico.


For the full year 2007, the Company had a cable network of approximately **24,286** kilometers and coverage of over **3.6** million homes passed. In addition to the aforementioned, and the organic growth, the results for 2007 increased by **22.5%** to **\$ 4,166** million pesos, compared to 2006. In terms of consolidated service revenues, including Acotel and Telecable Centro Occidente for the period November-December and not the full year.

Considering pro forma total service revenues, which means taking into consideration, Acotel and Telecable Occidente operations consolidated from the first day of January, and not for the period of November and December, revenues would have been **\$ 4,810** million pesos, an increase of **41.5%**, in comparison to 2006. The results mentioned above were mainly driven by an increase of **57%**, **40%** and **308%** in cable, internet and telephony subscribers, respectively, to reach **1,300,000**, **385,000** and **109,000** subscribers by December 2007.

Without considering these acquisitions, the organic subscriber growth would have been **12%**, **23%** and **308%**, a total of approximately **929,000**, **337,017** and **109,000** subscribers, respectively. Revenues would have been **\$ 3,945** million pesos, an increase of **16.0%**, in comparison to 2006.

The cost of services, general and operating expenses increased **17.8%**, which derived an operating income of **\$ 1,558** million pesos during 2007, a **33%** increase compared to 2006. Considering these results, the adjusted EBITDA for cable operations, without considering the results of MCM which increased by **\$2,134** million pesos in 2007, an approximate increase of **33%**, compared to the same period in 2006, and considering the acquisitions during the second half of 2007.





Net consolidated income reached \$ **1,526** million pesos, compared to **Ps. 1,100** million during 2006, which represented a growth of **39%**. Earnings per share reached **Ps. 0.88** pesos during 2007, compared to **Ps. 0.65** in 2006 and given that each CPO has 2 shares, the earnings per CPO reached **Ps. 1.76** from **1.30** pesos over 2006.

Megacable's financial structure remains positive based on its ratio Net Debt/Adjusted EBITDA of **0.88x** during 2007. In December 2007, the net debt was approximately **1,932** million pesos, and cash and cash equivalents reached **US\$ 90** million.

Property, plants and equipment increased **54%**. This was derived from the construction of **1,907** kilometers and the upgrade of **65** km of Megacable's original network, as well as the acquisition of headends and terminal equipment for subscribers (such as set top boxes and voice and data cable modems). This increase also includes the acquisition of property, plants and equipment from Grupo Ira e Imatel, during the second half of 2007 and the asset goodwill increased substantially due to the aforementioned acquisitions.

Commercially, our telephony product, launched at the end of 2006, has experienced good market reception with positive growth expectations for 2008, when it concludes the direct interconnection program with Teléfonos de México. With the adoption of double and triple play packages by our subscribers, the ARPU by average unique subscribers increased **3.3%** without considering acquisitions, considering acquisitions from **\$333** pesos in 2006 to **\$ 344** pesos in 2007. Considering acquisitions, the growth rate is **0.6%** with an ARPU of **\$335** pesos, despite a strategy of greater penetration of our services to lower purchasing on lower levels. Revenue generating units (RGUs) per unique subscriber, or the unique services provided to each individual subscriber, was an average of **1.47** before the acquisitions and **1.34** after the acquisitions.

Capital investments planned in the beginning of 2007 were **84%** compared to what was originally budgeted for a total of **Ps. 581** million. This is due to the priority given to the integration of the acquired network to Megacable's infrastructure. The progress of this integration is in line with our plans, and it has taken place without any major interruption, which we expect will increase Megacable's profitability over the medium term.

For the current year the upgrade projects for Megacable's original network will be retaken and concluded, and the investment in the construction of new kilometers will be completed to extend our coverage in each concession city and to add new homes passed. The cost of advertising and promotions for the standardization of our brands in the new areas and in the acquired cities will increase. The double and triple play packages will be promoted with it and we expect it will improve subscriber retention and reduce monthly churn rates.

\*The data in the present document  
may have slight variations  
for rounded in the numbers.

MEGACABLE HOLDINGS, S. A. B. DE C. V.  
(formerly Megacable Holdings, S. A. de C. V. and Tele Holding, S. A. de C. V.  
prior to that)

CONSOLIDATED FINANCIAL STATEMENTS  
AT DECEMBER 31, 2007 AND 2006  
PRO FORMA AND COMBINED FINANCIAL STATEMENTS AT DECEMBER  
31, 2007 AND 2006 RESPECTIVELY

MEGACABLE HOLDINGS, S. A. B. DE C. V.  
(formerly Megacable Holdings, S. A. de C. V. and Tele Holding, S. A. de C. V. prior to that)

CONSOLIDATED FINANCIAL STATEMENTS  
AT DECEMBER 31, 2007 AND 2006 PRO FORMA AND COMBINED FINANCIAL  
STATEMENTS AT DECEMBER 31, 2007 AND 2006, RESPECTIVELY

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## REPORT OF INDEPENDENT AUDITORS

Guadalajara, Jalisco, April 21, 2008

To the Stockholders of

Megacable Holdings, S. A. B. de C. V (formerly Megacable Holdings, S. A. de C. V. and Tele Holding, S. A. de C. V. prior to that) and Subsidiary

We have examined the consolidated balance sheets of Megacable Holdings, S.A.B. de C.V. (formerly Megacable Holdings, S. A. de C. V. and Tele Holding, S. A. de C. V. prior to that, see Note 1) and Subsidiary at December 31, 2007 and 2006, and the related consolidated statements of income and of changes in stockholders' equity for the years then ended, in addition we have reviewed the statement of changes in financial position for the year ended 2007. These financial statements are the responsibility of Company management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with Mexican Financial Reporting Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the standards of financial information used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In light of the fact that Megacable Holdings, S. A. B. de C. V. (formerly Megacable Holdings, S. A. de C. V. and Tele Holding, S. A. de C. V. prior to that) began operations in 2006, no statement of changes in financial position is shown for that year.

In 2007, Megacable Holdings, S. A. B. de C. V. became the holding company of Mega Cable, S. A. de C. V. (which acquired the shares of Acotel, S. A. de C. V. and MCM Holding, S. A. de C. V.). Therefore, as from October 2007, and as a result of a share restructuring, the Company prepared consolidated financial statements together with its subsidiary.

On October 1, 2007, the new Special Unique Rate Tax Law (IETU Tax Law, due to its name in Spanish) was approved and it will become effective on January 1, 2008. According to the Mexican Financial Reporting Standards and the Interpretacion of the MFRS number 8 "IETU Effects", as of October 1, 2007, the company recognized the effects of the timing differences items generated since the enactment of the new IETU Law. The financial and tax projections prepared by the company indicate that the company will essentially pay the IETU tax in the future, instead of the income tax; therefore the company recognized an amount of Ps378,440 (thousand of pesos), corresponding to deferred liability IETU tax at December 31, 2007. Due to this, the deferred income

tax balance recognized at September 30, 2007 by Ps223,987 (thousand of pesos), was charged to the income in the income tax section.

In our opinion, the aforementioned consolidated financial statements (identified as “base figures”) present fairly, in all material respects, the consolidated financial position of Megacable Holdings, S. A. B. de C. V. (formerly Megacable Holdings, S. A. de C. V. and Tele Holding, S. A. de C. V. prior to that) and Subsidiary at December 31, 2007 and 2006, and the consolidated results of their operations, and the changes in their stockholders’ equity for the years then ended, and the changes in their financial position for the year ended December 31, 2007, in conformity with Mexican Financial Reporting Standards.

As explained in paragraph 4 above and in Note 1, in October 2007, Megacable Holdings, S. A. B. de C. V. became a share holding company. In order to show financial information comparable to that shown in the combined financial statements at December 31, 2006, see following paragraph, Company management decided to prepare pro forma consolidated statements of income and of changes in financial position at December 31, 2007 (figures identified as “pro forma”) for the purpose of presenting said information as if Megacable Holdings, S. A. B. de C. V. had been Mega Cable, S. A. de C. V.’s holding company since January 1, 2007. In our opinion, the information for the period from January 1 to September 30, 2007, corresponding to the pro forma adjustment, was incorporated and quantified correctly in the aforementioned pro forma financial information.

In addition, we have examined the combined balance sheet of Megacable Holdings, S. A. B. de C. V. (formerly Megacable Holdings, S. A. de C. V. and Tele Holding, S. A. de C. V. prior to that) and Subsidiary with Mega Cable, S. A. de C. V. and subsidiaries and MCM Holding, S. A. de C. V. and subsidiaries at December 31, 2006 and the combined statements of income, of changes in stockholders’ equity and of changes in financial position for the year ended December 31, 2006.

As mentioned in Note 1, the Company prepared combined financial statements at December 31, 2006, in order for said combined financial statements to be used in a public offering in Mexico and abroad under rule 144-A, see Note 13.

In our opinion, the aforementioned combined financial statements present fairly, in all material respects, the combined financial position of Megacable Holdings, S. A. B. de C. V. (formerly Megacable Holdings, S. A. de C. V. and Tele Holding, S. A. de C. V. prior to that) and Subsidiary with Megacable, S. A. de C. V. and subsidiaries and MCM Holding, S. A. de C. V. and subsidiaries at December 31, 2006, the combined results of their operations, the changes in their combined stockholders' equity and the changes in financial position for the year then ended in accordance with Mexican Financial Reporting Standards.

PricewaterhouseCoopers

C.P.C. F. Javier Alonso Rodríguez  
Audit Partner

MEGACABLE HOLDINGS, S. A. B. DE C. V.  
CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2007 AND 2006 AND  
COMBINED BALANCE SHEETS AT DECEMBER 31, 2006 (Notes 1 and 2)

Figures stated in thousands of pesos of December 31, 2007 purchasing power

<u>Assets</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
	(Base figures)		
<u>CURRENT ASSETS:</u>			
Cash and temporary investments	\$ 980,693	\$ 1,601,959	\$ -
Accounts receivable from customers and other	165,070	85,341	-
Recoverable value added tax	164,177	105,929	1,480
Notes receivable	-	57,637	-
Affiliated and associated companies (Note 8)	747	31,084	-
Inventories (Note 4)	<u>121,723</u>	<u>50,098</u>	<u>-</u>
Total current assets	1,432,410	1,932,048	1,480
INVESTMENT IN SHARES OF ASSOCIATED COMPANIES (Note 5)	47,087	48,056	3,011,422
PROPERTY, SYSTEMS AND EQUIPMENT – NET (Note 6)	4,178,222	2,709,415	-
GOODWILL, NET (Note 7)	4,277,036	972,041	-
PREOPERATING EXPENSES, NET	10,770	9,387	-
OTHER ASSETS (Note 3)	<u>214,696</u>	<u>41,624</u>	<u>-</u>
Total assets	<u>\$10,160,221</u>	<u>\$ 5,712,571</u>	<u>\$ 3,012,902</u>
<u>Liabilities and stockholders' equity</u>			
<u>CURRENT LIABILITIES:</u>			
One year maturity of long-term liabilities (Note 9)	\$ 59,309	\$ 284,479	\$ 284,479
Suppliers	253,119	226,997	-
Affiliated and associated companies (Note 8)	39,259	39,793	-
Accounts payable and accrued expenses payable (Note 10)	<u>251,589</u>	<u>452,387</u>	<u>149,065</u>
Total current liabilities	<u>603,276</u>	<u>1,003,656</u>	<u>433,544</u>
<u>LONG-TERM LIABILITIES:</u>			
Bank loans (Note 9)	2,852,928	1,991,349	1,991,349
Labor obligations (Note 11)	50,724	43,605	-
Deferred income tax (Note 14)	212,597	93,222	-
Deferred flat tax (Note 14)	378,440	-	-
Deposits received against contributions for future capital stock increase	-	-	1,365,552
Deferred loans, net	<u>-</u>	<u>271,365</u>	<u>-</u>
Total long-term liabilities	<u>3,494,689</u>	<u>2,399,541</u>	<u>3,356,901</u>
Total liabilities	<u>4,097,965</u>	<u>3,403,197</u>	<u>3,790,445</u>
<u>STOCKHOLDERS' EQUITY (Note 13)</u>			
Capital stock	918,350	1,002,913	970
Premium on subscription of shares	4,999	4,999	-
Net premium on the placement of shares	2,104,671	-	-
Cumulative effect of deferred income tax	(48,891)	(48,891)	-
Surplus in the restatement of stockholders' equity	175,385	30,283	-
Retained earnings	2,789,971	1,228,268	(778,513)
Minority interest	<u>117,771</u>	<u>91,802</u>	<u>-</u>
Total stockholders' equity	6,062,256	2,309,374	(777,543)
<u>COMMITMENTS AND CONTINGENCIES (Note 12)</u>			
Total liabilities and stockholders' equity	<u>\$10,160,221</u>	<u>\$ 5,712,571</u>	<u>\$ 3,012,902</u>

The accompanying notes are an integral part of these financial statements, which were authorized for issuance on April 3, 2008 by the undersigned officers.

Lic. Enrique Yamuni  
General Director

Mr. César Lau Y.  
Administration and Finance Director

MEGACABLE HOLDINGS, S. A. B. DE C. V.

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2007 AND  
2006, COMBINED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2006 AND  
PRO FORMA STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2007

(Notes 1 and 2)

Figures stated in thousands of pesos of December 31, 2007 purchasing power

	<u>December 31,</u>			
	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
	(Base figures)	(a)	(Combined)	
Service income	\$ 1,231,249	\$4,166,020	\$ 3,400,271	\$ -
Cost of services	<u>357,136</u>	<u>1,036,683</u>	<u>872,969</u>	<u>-</u>
Gross profit	874,113	3,129,337	2,527,302	-
Operating and general expenses	<u>486,162</u>	<u>1,571,170</u>	<u>1,340,533</u>	<u>-</u>
Operating income	387,951	1,558,167	1,186,769	-
Other income, net	103,489	109,448	8,270	-
Comprehensive financing income, net (Note 16)	(133,621)	(31,125)	18,107	(108,094)
Equity in income of associated companies	448,733	(5,786)	(4,699)	598,186
Non ordinary items (Note 12a.)	<u>-</u>	<u>39,863</u>	<u>61,615</u>	<u>-</u>
Income before income tax and minority interest	<u>806,552</u>	<u>1,670,567</u>	<u>1,270,062</u>	<u>490,092</u>
Income tax (Note 17)	<u>329,922</u>	<u>151,853</u>	<u>147,673</u>	<u>-</u>
Income before minority interest	476,630	1,518,714	1,122,389	
Minority interest	<u>7,551</u>	<u>7,462</u>	<u>(22,001)</u>	<u>-</u>
Net profit for the year	<u>\$ 484,181</u>	<u>\$1,526,176</u>	<u>\$ 1,100,388</u>	<u>\$ 490,092</u>
Net basic income per common share (Note 2q.)		<u>\$ 0.88</u>	<u>\$ 0.65</u>	

(a) Pro forma consolidated statement of income for the year from January 1 to December 31.

The accompanying notes are an integral part of these financial statements, which were authorized for issuance on April 3, 2008 by the undersigned officers.

Lic. Enrique Yamuni  
General Director

Mr. César Lau Y.  
Administration and Finance Director

MEGACABLE HOLDINGS, S. A. B. DE C. V. CONSOLIDATED WITH MEGA CABLE, S. A. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 AND COMBINED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2006

(Notes 1 and 2)

Figures stated in thousands of pesos of December 31, 2007 purchasing power

	<u>Capital stock</u>	<u>Net premium on the placement and subscription of shares</u>	<u>Accumulated effect of deferred income tax</u>	<u>Surplus in the restatement of stockholders' equity</u>	<u>Retained earnings</u>	<u>Total majority interest</u>	<u>Minority interest</u>	<u>Total</u>
Balances at December 31, 2005	\$ 970	\$	\$	\$	\$	\$ 970	\$	\$ 970
Effect of acquisition of minority interest in Mega Cable and MCM Holding by one of the combined entities (Note 13)					(1,268,605)	(1,268,605)		(1,268,605)
Net income for the year	_____	_____	_____	_____	<u>490,092</u>	<u>490,092</u>	_____	<u>490,092</u>
Balances at December 31, 2006	970				(778,513)	(777,543)		(777,543)
Net effects of combining Mega Cable, S. A. de C. V. and subsidiaries and MCM Holding, S. A. de C. V. and subsidiaries	<u>1,001,943</u>	<u>4,999</u>	<u>(48,891)</u>	<u>30,283</u>	<u>2,006,781</u>	<u>2,995,115</u>	<u>91,802</u>	<u>3,086,917</u>
Combined balances at December 31, 2006	1,002,913	4,999	(48,891)	30,283	1,228,268	2,217,572	91,802	2,309,374
Effect of consolidation of Mega Cable, S. A. de C. V. and subsidiaries and MCM Holding, S. A. de C. V. and subsidiaries	(1,001,943)			75,506	1,281,614	355,177		355,177
Capital contribution (Note 13)	917,380	(59,537)				857,843		857,843
Net premium on the placement of shares (Note 13)		2,164,208				2,164,208		2,164,208
Acquisition of minority interest and purchase of own shares, net (Note 3)					(1,386,798)	(1,386,798)		(1,386,798)
Effect of incorporation of acquisitions				69,596	140,711	210,307		210,307
Net income for the year	_____	_____	_____	_____	<u>1,526,176</u>	<u>1,526,176</u>	<u>25,969</u>	<u>1,552,145</u>
Balances at December 31, 2007	<u>\$ 918,350</u>	<u>\$ 2,109,670</u>	<u>(\$48,891)</u>	<u>\$ 175,385</u>	<u>\$ 2,789,971</u>	<u>\$ 5,944,485</u>	<u>\$ 117,771</u>	<u>\$ 6,062,256</u>

The accompanying nine are an integral part of these financial statements, which were authorized for issuance on April 3, 2008 by the undersigned officers.

Lic. Enrique Yamuni  
General Director

Mr. César Lau Y.  
Administration and Finance Director

MEGACABLE HOLDINGS, S. A. B. DE C. V.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 2007,  
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 2006 AND PRO  
FORMA STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 2007

(Notes 1 and 2)

Figures stated in thousands of pesos of December 31, 2007 purchasing power

	<u>2007</u>	<u>2007</u>	<u>2006</u>
	(Base figures)	(a)	(Combined)
<u>Operations:</u>			
Net income for the year	\$ 1,526,176	\$ 1,526,176	\$ 1,100,388
Charges (credits) to income not requiring the use of resources -			
Depreciation and amortization	-	417,167	335,409
Impairment in the value of long-lived assets	-	-	8,794
Flat tax	-	376,819	-
Cancellation of deferred income tax	-	(223,987)	-
Deferred income tax	-		351,395
Amortization of deferred loans	-	(271,365)	(313,793)
Equity in income of subsidiary and associated companies	(242,126)	5,786	4,699
Minority interest	<u>-</u>	<u>(7,462)</u>	<u>22,001</u>
	1,284,050	1,823,134	1,508,893
Changes in working capital, excluding effects of acquisitions:			
Accounts receivable from customers and other	(311)	(44,889)	(8,517)
Recoverable value added tax	1,389	(18,684)	(70,182)
Notes receivable	-	57,971	(49,337)
Inventories	-	(39,739)	410
Affiliated and associated companies	-	29,754	(25,339)
Suppliers	(27,972)	(468)	43,387
Other changes	(129,888)	(166,017)	83,980
Net effect, investment in acquisitions	<u>2,246,678</u>	<u>-</u>	<u>-</u>
Resources provided by operations	3,373,946	1,641,062	1,483,295
<u>Financing:</u>			
Bank loans - obtained	-	5,054,398	2,275,828
Bank loans - paid	(2,289,268)	(2,289,268)	-
Premium on the placement of shares, Net	2,113,169	2,108,414	-
Capital stock increase	917,380	59,537	918
Effects, net of investment in acquisitions	<u>2,912,237</u>	<u>-</u>	<u>-</u>
Resources provided by (used in) financing activities	<u>3,653,518</u>	<u>4,933,081</u>	<u>2,276,746</u>
<u>Investment:</u>			

Net acquisitions of fixed assets	-	(1,503,403)	(661,704)
Acquisitions of companies for the period	-	(3,750,320)	(62,306)
Contributions for future capital stock increase in holding company	(2,238,645)	-	-
Acquisition of minority interest and purchase of own shares	-	(1,656,189)	(3,538,828)
Disinvestment of shares in subsidiary company	370,096	-	-
Effect, net of investment in acquisitions	<u>(4,178,222)</u>	<u>(285,497)</u>	<u>-</u>
Resources used in investment activities	(6,046,771)	(7,195,409)	(4,262,838)
Cash and temporary investments:			
Increase (decrease) for the year	980,693	(621,266)	(502,797)
Cash and temporary investments at beginning of year	<u>-</u>	<u>1,601,959</u>	<u>2,104,756</u>
Cash and temporary investments at end of year	<u>\$ 980,693</u>	<u>\$ 980,693</u>	<u>\$ 1,601,959</u>

(a) Pro-forma consolidated statement of changes in financial position at December 31, 2007.

The accompanying nine are an integral part of these financial statements, which were authorized for issuance on April 3, 2008 by the undersigned officers.

Lic. Enrique Yamuni  
General Director

Mr. César Lau Y.  
Administration and Finance Director

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MEGACABLE HOLDINGS, S. A. B. DE C. V.

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
AT DECEMBER 31, 2007 AND 2006, RESPECTIVELY

Figures stated in thousands of pesos of December 31, 2007 purchasing power

NOTE 1 – NATURE OF THE COMPANY AND ACTIVITIES THEREOF:

At the January 19, 2007 General Stockholders' Meeting, Tele Holding, S. A. de C. V., one of the combined entities, changed its legal name to Megacable Holdings, S.A. de C. V.

At the October 30, 2007 General Stockholders' Meeting, the stockholders of Megacable Holdings, S. A. de C. V. agreed to amend the entity's bylaws to comply with the agreements reached at the stockholders' meeting to carry out the initial public offering. Therefore, as from said date, the entity's legal name is "Sociedad Anónima Bursátil de Capital Variable" or the abbreviation "S. A. B. de C. V."

During 2007, Megacable Holdings, S. A. B. de C. V. (Megacable Holdings) became the holding company, Mega Cable, S. A. de C. V. (Mega Cable). Therefore, as from October 1, 2007 and as a result of a share restructuring, the company prepares consolidated financial statements with those of its subsidiary. In order to show financial information comparable to that shown in the combined financial statements at December 31, 2006, company management decided to prepare consolidated statements of income and pro forma statements of changes in financial position at December 31, 2007, to present said information as if Megacable Holdings, S. A. B. de C. V. had been Mega Cable, S. A. de C. V.'s holding company since January 1, 2007.

In addition to the statements mentioned in the paragraph above, a consolidated statement of income denominated "base figures" is shown for the period ended December 31, 2007, in which Megacable Holdings, S. A. B. de C. V. shows results for nine months as controlling company and three months as holding company of Mega Cable, S. A. de C. V. The purpose of this presentation is its comparability with the statement of income for the year ended December 31, 2006. A statement of changes in financial position is also shown at December 31, 2007, determining the changes as an individual company (Megacable Holdings), and setting out the effects of the consolidated figures.

In 2006, a combined statement was prepared of Megacable Holdings, S. A. de C. V. and Subsidiary with Mega Cable, S. A. de C. V. and subsidiaries and MCM Holding, S. A. de C. V. and subsidiaries, as control over the three entities is held by a common group of stockholders, besides the fact that a number of relevant transactions were conducted among them, as a result of which, in accordance with Financial Reporting Standard (FRS) B-8, for better analysis of the financial position and evaluation of results for the year, attached are said combined statements. These statements were prepared for their use in an initial public offering in Mexico and under rule 144-A in international markets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Presentation bases

i. Consolidated and combined base

The accompanying Group consolidated financial statements are presented in accordance with Mexican Financial Reporting Standards (FRS) issued by the Mexican Financial Reporting Standards Board (CINIF from its initials in Spanish).

As from January 1, 2007, the company adopted the provisions of Financial Reporting Standard B-3 “Statement of Changes”, which modifies the general criteria for presentation and disclosure of said basic financial statement. Based on the above, the Company has considered that the structure of the income statement that best reflects the essence of its operations is per function, as grouping its costs and expenses on a general basis allows for showing the different profit levels.

Adoption in 2007 of this Statement did not represent an important change in the presentation and general structure of the statement of income at December 31, 2006, implied reclassification, for comparability purposes, in the statement of income corresponding to the year ended December 31, 2006, ordinary and non-ordinary transactions, employees’ statutory profit sharing under other income and extraordinary items as non-ordinary, in accordance with the provisions of said FRS.

In addition, for a better analysis of its financial position, the company considered it necessary to present the operating income amount separately in the income statement, as said information is a common disclosure practice of the sector to which the entity pertains.

The accompanying consolidated and combined financial statements and notes thereto were authorized for issuance on April 3, 2008 by Mr. Enrique Yamuni (General Director) and Mr. César Lau Y. (Administration and Finance Director).

The consolidated and combined financial statements include net assets and the results of all companies in which the Group has a majority interest (subsidiaries). All important intercompany balances and transactions have been eliminated in the financial statements.

ii. Use of estimations

Preparation of these financial statements in accordance with financial reporting standards required that management make estimations and assumptions that affect the asset and liability figures reported, as well as disclosure of contingent assets and liabilities at the dates of the financial statements and of the figures reported for income, costs and expenses for the years presented. Actual results could differ from said estimations.

(9)

The information included in these financial statements and the related notes have been prepared in thousands of pesos of December 31, 2007 purchasing power, unless otherwise indicated in a specific note.

The most important entities included in the consolidated financial statements are shown below (all the companies are S.A. de C.V., except for Megacable Holdings, S. A. B. de C. V.):

<u>Companies</u>	<u>Shareholding %</u>		<u>Business purpose</u>
	<u>2007</u>	<u>2006</u>	
MEGACABLE HOLDINGS	100.00	-	Holding and attraction of resources in stock market placement.

<u>Companies</u>	<u>Shareholding %</u>		<u>Business purpose</u>
	<u>2007</u>	<u>2006</u>	
MEGA CABLE	100.00	51.07	Holding and leasing of infrastructure to subsidiaries
Main subsidiaries:			
Megacable Comunicaciones	99.99		Operations in the Sinaloa, Sonora, West, Central Gulf, Chiapas, and Comarca systems, among oth
TV Cable del Golfo	99.99	99.99	Technical personnel services
Servicios Técnicos de Visión por Cable	99.99	99.99	Technical personnel services
Megaventas	99.99	99.99	Sales
Servicios de Administración y Operación	99.00	99.00	Administrative personnel services
Teleasesores	99.00	99.00	Administrative personnel services
Entretenimiento Satelital	95.00	95.00	Operator of the Video Rola channel
Cable de Tuxtla	99.99	99.99	Concession in Tuxtla Gutiérrez
Cable de Villaflores	99.99	99.99	Villaflores concession
Promoción por Cable	99.99	99.99	San Cristóbal de las Casas concession
MCM Holding and subsidiaries	99.99	99.99	Holds the shares of Megacable Comunicaciones de México
Acotel and subsidiaries	99.99	-	Main operations in cities in the State of Mexico, and in the cities of León and Los Cabos.
Tele Cable Centro de Occidente	51.00	-	Main operation in the Morelia and Patzcuaro systems.
Giga Cable	99.99	-	Concession rights in Veracruz, Puebla, Chiapas, Hidalgo, Campeche, Tabasco and Oaxaca.
Sistemas Generales de Telecomunicaciones	99.99	-	Concession rights in Tlalnepantla.
Imatel Entretenimiento por Cable	99.99	-	Concession rights mainly in Veracruz, Morelos, Oaxaca and Guerrero

(10)

Following is a summary of the most significant accounting policies, including the concepts, methods and criteria relative to recognition of the effects of inflation on the financial information:

a. Recognition of the effects of inflation.

The Group's financial statements have been prepared in accordance with FRS B-10, "Recognition of the Effects of Inflation on the Financial Information" and are determined as shown below:

The consolidated statements of income and of changes in stockholders' equity were restated applying factors derived from the National Consumer Price Index (NCPI) from the periods in which the transactions were carried out to the 2007 year-end closing.

The Group's consolidated financial statement for the years ended December 31, 2007 has been restated for comparative purpose to pesos of December 31, 2007 and 2006 purchasing power, applying restatements factors of 1.0375 and 1.0405, respectively.

Restatement of all stockholders' equity accounts is determined applying factors derived from the NCPI as from the dates on which capital is contributed and earnings are generated, and reflects the amounts necessary to maintain the stockholders' investment at the purchase power of the original amounts.

The gain on monetary position represents the effect of inflation, measured in terms of the NCPI, on the net monthly monetary assets and liabilities for the year, stated in pesos of purchasing power for the most recent period. When liabilities are higher, earnings are generated, as they are settled with money of a lesser purchasing power. When monetary assets exceed monetary liabilities, a loss is generated, due to the loss of purchasing power. These effects are included in income for the year and recognized in comprehensive financing income.

b. Cash and temporary investments.

Cash and temporary investments include cash and highly liquid investments valued at market value, and highly liquid investments in financial instruments with original maturities at three months or less are considered as temporary investments as from the date of their acquisition.

c. Inventories.

Inventories are stated at average cost and are restated on the basis of factors derived from the NCPI. Values so determined do not exceed their net realization value.

d. Investments in associated companies.

The Group has made investments in companies mainly engaged in telecommunications activities.

The investment in shares of associated companies is valued by the equity method, when the shareholding percentage ranges between 10% and 50%. Under this method, the acquisition cost of the shares is modified by the proportional part of the changes in subsidiary and associated company stockholders' equity subsequent to the date of purchase. The company's equity in income of subsidiaries is shown separately in the statement of income. See Note 5.

e. Property, systems and equipment.

These items are recorded at their acquisition and/or construction cost, and their restatement is recorded separately, applying factors derived from the NCPI to appraisal values of fixed assets acquired up to 1996 and to purchases conducted after that date.

Depreciation is calculated by the straight-line method, based on the estimated useful lives of the assets estimated by Company management, on both acquisition cost and the restatement increments. See Note 6.

The Company builds some of its system networks and facilities, and the internal costs directly related to the construction of said facilities are capitalized.

The value of said assets is subject to annual impairment testing. See Note 2-h.

f. Intangible assets

Intangible assets are recognized in the balance sheet at their fair value on the date of their acquisition, using factors derived from the NCPI, provided they are identifiable, are expected to provide future economic benefits and there is control over said benefits. Intangible assets with specific useful lives are amortized based on the best estimate of their useful lives, determined based on expected future benefits.

Intangible assets acquired in business combinations are valued at their fair value at the purchase date. The main intangible asset recognized in connection with the acquisitions is the portfolio of subscribers, whose fair value, based on the study conducted (fair value), is estimated at approximately 4 years, and thus amortized by the straight-line method. See Note 3.

As mentioned in Note 1, the Federal Government has granted the Group cost-free concessions to install and operate a public telecommunications network for the renewable period of 30 years in a number of Mexican states, such as: Sinaloa, Sonora, Jalisco, Querétaro, Zacatecas, Puebla, Durango, Coahuila, Nayarit, Veracruz, Michoacán, the State of Mexico and Chiapas. As per FRS C-8 "Intangible Assets", these concessions were not recorded for financial reporting purposes.

g. Acquisitions of Businesses and Goodwill

Based on FRS B-7 “Business Acquisitions”, as from January 1, 2005, the Group applies the following accounting pronouncements:

- The purchase method is used as the only valuation rule.
- Acquired assets and assumed liabilities are assigned a purchase price based on their fair value at the date of their acquisition.
- Recognized intangible assets are identified, valued and recorded.

Goodwill represents the excess of the cost of the shares of subsidiaries over the value arising from the purchase of Grupo Acotel, Giga Cable, Imatel Entretenimiento, Tele cable Centro de Occidente and Sistemas Generales de Telecomunicaciones and from the sale of companies in prior years. Said goodwill is shown at its restated value, determined applying factors derived from the NCPI to its original cost, less the corresponding accumulated amortization.

Goodwill is not amortized and its value is subject to annual impairment testing, as per the guidelines of FRS C-15 “Impairment in the value of long-lived assets and their disposal”.

h. Long-lived assets

Long lasting assets, both tangible and intangible (including goodwill), are subject to annual impairment testing of their value in use. At December 31, 2007 and 2006, a study was conducted, revealing that there are no signs of impairment of said assets.

i. Liabilities and provisions

The Company’s liabilities and liability provisions recognized in the balance sheet represent present obligations, likely to require the use of economic resources to settle the obligation. These provisions have been recorded in accordance with management’s best estimate to cover the present obligation; however, actual results could differ from the provisions recorded.

j. Income tax, Deferred Employees’ Statutory Profit Sharing (ESPS) and Deferred Debts.

Up until September 30, 2007, deferred income tax was recorded by the comprehensive method of assets and liabilities, which consists of recording deferred taxes for all temporary differences between the book and tax values of future assets and liabilities. As from October 1, 2007, the company recognized deferred flat tax (IETU), as management’s financial projections indicate that IETU will essentially be paid in the future, rather than income tax, as a result of which, the deferred income tax accrued at September 30, 2007 was cancelled, with the effects described in note 14.

Deferred employees' statutory profit sharing (ESPS) is recorded solely on the basis of those temporary differences between book and tax income for the year applicable for ESPS purposes, which is reasonably presumed to give rise to a future liability or benefit, and is shown in the statement of income under other income and expenses.

The Group acquired a number of companies for cable and internet operations, whose net assets at the date of acquisition consisted mainly of the amortization of prior years' tax losses. The acquisition of said companies does not qualify as business combinations under FRS B-7 "Business Combinations".

Deferred tax debts are amortized against the income tax expense in proportion to the realization of tax benefits that generated the deferred debts. The Group amortized deferred debts in the amount of \$271,365 and \$313,794 in 2007 and 2006, respectively.

k. Seniority premiums.

Seniority premiums, to which employees are entitled upon termination of employment after 15 years of service, as well as obligations under the retirement plans established for employees, to which they do not contribute, are recognized as cost for the years in which such services are rendered, based on actuarial studies conducted using the projected unit credit method. See Note 11.

l. Stockholders' equity.

Capital stock, the legal reserve and retained earnings represent the value of those items in terms of purchasing power at the close of the most recent period, and are determined by applying factors derived from the NCPI.

The net premium on the placement of shares represents the excess difference between the payment for subscribed shares their par value, less expenses derived from the placement, net of taxes, and is restated applying factors derived from the NCPI.

Surplus in restatement of stockholders' equity is comprised of the accumulated gain or loss on initial monetary position and on the gain or loss from holding nonmonetary assets (inventory stock and fixed assets), stated in pesos of the purchasing power at the end of the most recent period.

Comprehensive income represents net income for the year, plus the gain or loss from holding nonmonetary assets, the exchange gain, as well as items required by specific accounting standards to be reflected in stockholders' equity and which do not constitute capital contributions, reductions or distributions. These items are restated on the basis of NCPI factors.

m. Revenue recognition

The Group's income is obtained mainly from cable, internet and digital telephone services.

Following is a summary of the most significant policies for revenue recognition:

Income from cable services is obtained mainly from subscriber rates and pay per view rates, installation fees and other cable-related services, which are generally charged one month in advance and the related income is recorded when the services are rendered. Installation fees are applied to income when they are charged to the customer.

Internet and digital telephone rent is billed in advance on a monthly basis and recognized as income for the period in which the service was provided.

In 2006, Mega Cable signed an interconnection agreement with Bestphone, which allows Mega Cable to offer local telephone services. Under this agreement, Mega Cable pays Bestphone a rate per minute used. In addition, for the long-distance and mobile telephone services offered by Mega Cable on behalf of Bestphone, Mega Cable receives payments on minutes used by its subscribers and pays Bestphone a rate determined per minute.

Customer advance payments are recorded as current liabilities and income is recorded when the services are rendered.

n. Capitalization policy.

The Group capitalizes fixed assets pertaining to the installation of new networks and subscriber growth. Items subject to capitalization are as follows: link-ups (corresponding to all materials for new installations), technical staff's construction and installation labor, fuel and travel expenses incurred. Said capitalization is amortized and applied to income, according to the asset's useful life.

o. Transactions in foreign currencies

Foreign currency transactions are recorded at the rate of exchange in effect on the date those transactions are entered into. Assets and liabilities denominated in foreign currencies are shown in local currency at the rate of exchange in effect on the balance sheet date. Differences arising from fluctuations in exchange rates are applied directly to income and form part of comprehensive financing income. See Note 15.

p. Information per segment

Statement B-5, "Financial Information per segment" requires that the Company review its internal organizational structure and its internal financial information system to identify the different segments. For the years presented, the Group has operated in the following main four business segments: cable, internet, digital telephone and others. In addition, information per segment is analyzed per geographical area and per product. See Note 19.

q. Profit per share

The basic net profit per share is calculated dividing the net profit for the year by the number of shares in circulation.

r. New pronouncements:

In late 2007, the Mexican Financial Reporting Standards Board (CINIF) issued a series of Financial Reporting Standards (FRS) and Interpretations thereof (IFRS) to go into effect as from January 1, 2008, which are not expected to significantly affect the company's financial information.

FRS B-2 "Cash Flow Statement" - Establishes general standards for presentation, structure and preparation of the statement of cash flows and matching the provisions of NIFB10. It replaces Statement B-12, Statement of changes in financial position, and requires the principal items pertaining to collections and payments in future terms to be shown. In very specific cases, net movements are allowed, and the details of the cash balance must be shown.

FRS B-10 "Effects of inflation" - Establishes rules for recognizing the effects of inflation on the basis of the country's inflationary environment; also includes the following changes: i) an option to use the National Consumer Price Index and the value of Investment Units; ii) repeal of the method for valuing assets originating abroad; iii) the result of holding nonmonetary assets and the result of initial monetary position are reclassified to accrued income or held in stockholders' equity, but only those corresponding to underlying items that have not yet been recycled to the statement of income.

FRS B-15 "Foreign currency conversion" - Replaces Statement B-15 and establishes, among other matters, elimination of the "foreign integrated operation" and "foreign entity" classifications, the procedures for converting the financial information pertaining to a foreign operation i) from the recording to the functional currency; ii) from the functional currency to the reporting currency; and allows for any entity to present its financial statements in a reporting currency other than its functional currency.

FRS D-3 “Employee benefits” - Replaces current Statement D-3. The most significant changes are: the reduction of the maximum five-year period for amortization of unamortized items, inclusion of the effects of salary growth when determining the Defined Benefit Obligation (formerly the Projected Benefit Obligation) and elimination of the accounting treatment of additional liabilities and the respective counter entries, such as intangible assets, and, when applicable, the separate stockholders’ equity component.

FRS D-4 “Tax on profits” - Requires recognition of asset tax as a tax credit, and consequently, as a deferred tax asset. Eliminates the permanent difference term and requires reclassification to accrued income of the initial effect of deferred tax recorded in stockholders’ equity, unless the underlying items have not been realized.

FRS 6 “Timing for coverage” – Establishes that a derivative financial instrument qualifies as such from the date on which it is contracted or from a subsequent date only if it complies with the new requirements established in paragraph 51.1 of Statement C-10.

FRS 7 “Application of the comprehensive profit or loss arising from cash flow coverage for a forecasted purchase of a non-financial asset” – This INIF amends the following paragraphs of Statement C-10.

Paragraph 105, explains that the effect of coverage on the comprehensive profit or loss arising from a forecasted transaction can be capitalized in the cost of the non-financial asset price fixed by the coverage.

Paragraph 106, explains that as concerns all coverage of cash flows, amounts recorded in stockholders' equity as part of the comprehensive profit must be reclassified to income in the same period or periods in which they are affected by the commitment or the forecasted transaction, except in the cases specified in paragraph 105.

Paragraph 110, concerning the effects of cash flow hedging, the respective accrued profit or loss recorded directly in stockholders' equity as part of the comprehensive profit or loss must be recorded as established in paragraph 105, since non-financial assets are involved.

s. Reclassifications:

Some of the figures shown in the 2006 financial statements have been reclassified to conform with the presentation used in 2007.

NOTE 3 – ACQUISITIONS AND INVESTMENTS:

In May 2007, Mega Cable acquired the minority interest in Cable Operadora de la Comarca, S. A. de C. V. (26.39% of the capital stock) and Telecable de la Laguna, S. A. de C. V. (50% of the capital stock) in the amount of \$250,189. With these acquisitions, the Group's stockholders increased to 100% their controlling interest in both entities. The excess of the price over the value of the minority interest of \$155,405 was recorded as a deduction in retained earnings, as per FRS B-7 "Business Acquisitions".

In July and August 2007, Mega Cable acquired 100% of Sistemas Generales de Telecomunicaciones, S. A. de C. V. (SIGETEL), Giga Cable, S. A. de C. V. (Grupo IRA) and Imatel Entretenimiento por Cable, S. A. de C. V. (IMATEL), which hold concessions in different states such as Puebla, Veracruz, Chiapas, Campeche, Tabasco, Oaxaca, Morelos, Guerrero and Tlalnepantla, for \$5,300, \$22,087 and \$29,728 thousands US dollars.

On August 7, 2007, Mega Cable signed a purchase agreement for the acquisition of 100% of the capital stock of Acotel, S.A. de C.V. and subsidiaries, a company engaged in cable operations, in the amount of \$256 million US dollars. On November 15, 2007, the Federal Competition Commission (FCC) approved said acquisition. With this transaction, the Group acquired, among other assets, the concession titles to operate 28 locations in 6 states in Mexico.

On October 2007, Mega Cable acquired, in the amount of \$1,406,000, the minority shareholding interest in MCM Holding with Megacable Holdings. The excess of the price over the value of the minority interest of \$1,231,393 was recorded as a deduction in retained earnings, as per FRS B-7 "Business Acquisitions".

On November 21, 2007, Mega Cable signed an agreement for the purchase of shares for the acquisition of 51% of the capital stock of Tele Cable Centro Occidente, S. A. de C. V. (TCO) in the amount of \$39.2 million US dollars. TCO is engaged in providing cable and internet services in Morelia, Pátzcuaro and other minor neighboring towns.

The above acquisitions were recorded under the purchase method. Distribution of the purchase price of the net assets acquired according to their fair value is as follows:

	Values at date of acquisition					
	Acotel	TCO	IMATEL	IRA	SIGETEL	Total
	November <u>2007</u>	November <u>2007</u>	August <u>2007</u>	July <u>2007</u>	July <u>2007</u>	
Current assets	\$ 20,234	\$ 59,973	\$ 50	\$ 50	\$ 3,195	\$ 83,502
Fixed assets	692,000	76,165				768,165
Intangibles	116,333	71,139	15,477	15,079	5,022	223,050
Less:						
Current liabilities	65,131	31,457			1,573	98,161
Long-term liabilities	177,379	51,306	4,334	4,222	1,406	238,647
Fair value of net assets acquired	568,057	124,514	11,193	10,907	5,238	719,909
Shareholding %	<u>99.99%</u>	<u>51.00%</u>	<u>99.99%</u>	<u>99.99%</u>	<u>99.99%</u>	
Net assets acquired	585,998	63,502	11,192	10,906	5,237	676,835
Amount paid	<u>2,799,289</u>	<u>430,741</u>	<u>330,937</u>	<u>242,543</u>	<u>58,134</u>	<u>3,861,644</u>
Goodwill generated (Note 7)	<u>\$ 2,213,291</u>	<u>\$ 367,239</u>	<u>\$ 319,745</u>	<u>\$ 231,637</u>	<u>\$52,897</u>	<u>\$ 3,184,809</u>

- The fair value of fixed assets was determined through appraisals conducted by independent experts.
- Intangible assets correspond to the portfolio of subscribers acquired. A study was conducted of the fair value of said assets, and their average useful life was estimated at 4 years. At December 31, 2007, the amount of \$188,192 is recorded in other assets. The variation against the table described above corresponds to TCO's 49%, in which the Group has no equity.

#### Pro-forma financial information on business acquisitions

For compliance with rules for disclosure of significant acquisitions, Megacable Holdings presents the following pro forma combined information (unaudited) for the year ended December 31, 2007, recognizing the most relevant acquisitions (Acotel and TCO) as if they had taken place at the beginning of the period. No other acquisitions are considered, as they only hold the concessions for the exploitation of networks.

The pro forma financial information is not a reflection of the results that would have been obtained, and must not be considered as representative of future results.

Year ended December 31, 2007	Megacable Holdings <u>1</u>	Acquisitions <u>2</u>	Adjustments <u>3</u>	Megacable Holdings Pro forma unaudited
Service income	\$ 4,166,020	\$ 644,235	\$	\$ 4,810,255
Operating and general expenses	(1,571,170)	(436,686)	(80,743) (a)	(2,088,599)
Operating income	1,558,167	42,232		1,519,656
Comprehensive financing result	(31,125)	4,387	(113,965) (b)	(140,703)
Tax on income	(151,853)		54,518 (c)	(97,335)
Net majority income	<u>\$ 1,518,716</u>	<u>\$ 89,978</u>	<u>(\$140,190)</u>	<u>1,468,504</u>
Basic profit per share	<u>\$ 0.88</u>			<u>\$ 0.85</u>

- (1) This information is shown in the pro forma consolidated statement of income, and includes Acotel and TCO operations, only for the two-month period ended December 31, 2007.
- (2) Acotel and TCO pro-forma information (unaudited) for the remaining ten-month period of 2007.
- (3) Pro forma adjustments:
- (a) Reflects the adjustment of depreciation and amortization of fixed and intangible assets, arising from the adjustment performed at fair value.
  - (b) Reflects the adjustment in the interest expense, as per the loan agreement, with respect to the acquisition of Acotel.
  - (c) Reflects the effect of income tax on the pro forma adjustments, using a 28% rate.

NOTE 4 – INVENTORIES:

Inventories are as shown below:

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Materials and equipment for operations	\$ 33,134	\$27,129
Advances to suppliers	19,039	17,881
Inventory in transit	<u>69,550</u>	<u>5,088</u>
	<u>\$121,723</u>	<u>\$50,098</u>

NOTE 5 – INVESTMENTS IN SHARES OF ASSOCIATED COMPANIES, NET:

Investments in shares of associated companies, net, are as shown below:

	<u>December 31,</u>		Shareholding
	<u>2007</u>	<u>2006</u>	<u>%</u>
Productora y Comercializadora de Televisión, S.A. de C.V.	\$ 13,675	\$ 13,544	19.38%
Coyotes de Sonora, S. A. de C. V. (1)	<u>25</u>	<u>25</u>	49%
Par value	13,700	13,569	
Restatement	<u>33,387</u>	<u>34,487</u>	
	<u>\$ 47,087</u>	<u>\$ 48,056</u>	

(1) Mexican soccer team that played in the “A” first division.

NOTE 6 – PROPERTY, SYSTEMS AND EQUIPMENT, NET:

Property, systems and equipment are as shown below:

	<u>December 31,</u>		(1)
	<u>2007</u>	<u>2006</u>	
Buildings	\$ 21,730	\$ 12,658	40
Control and signal distribution systems	6,286,259	4,039,449	15
Computer furniture and equipment, and office equipment	280,474	195,885	8, 10 y 18
Transportation equipment	169,434	143,102	13
Leasehold improvements	75,942	72,430	10
Communications equipment	11,267	11,267	5
Other	<u>47,411</u>	<u>39,707</u>	Sundry
	6,892,517	4,514,498	
Accumulated depreciation	<u>(2,917,204)</u>	<u>(1,988,192)</u>	
	3,975,313	2,526,306	
Assets in process	173,411	153,716	
Construction in process of external telephone network	26,409	26,304	
Land	<u>3,089</u>	<u>3,089</u>	
Total	<u>\$ 4,178,222</u>	<u>\$ 2,709,415</u>	

(1) Estimated useful life stated in years.

Depreciation charged to income totaled \$411,548, and \$332,211 in 2007 and 2006, respectively.

NOTE 7 – GOODWILL:

Goodwill corresponds to the excess of cost over the fair value of assets acquired, net of their accumulated amortization, as shown below:

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Nominal value	\$ 767,934	\$767,934
Restatement	<u>830,051</u>	<u>830,051</u>
	1,597,985	1,597,985
Accumulated amortization	<u>(625,944)</u>	<u>(625,944)</u>
Subtotal	972,041	972,041
Goodwill for the year (Note 3)	3,184,809	-
Restatement for the year	<u>120,186</u>	<u>          </u>
Total	<u>\$4,277,036</u>	<u>\$972,041</u>

NOTE 8 – AFFILIATED AND ASSOCIATED COMPANIES:

a. The main balances with related parties were as shown below:

Accounts receivable:

<u>Entidad</u>	<u>Type of relationship</u>	<u>Item</u>	<u>December 31,</u>	
			<u>2007</u>	<u>2006</u>
Coyotes de Sonora, S.A. de C.V.	Associated	Administrative Services	\$ 747	\$ 1,440
Megaturismo, S.A. de C.V. (1)	Indirect	Loan	<u>          </u>	<u>29,644</u>
			<u>\$ 747</u>	<u>\$ 31,084</u>

Accounts payable:

Productora y Comercializadora de Televisión, S. A. de C. V.	Associated company	Programming costs	\$ 39,259	\$ 39,317
Other	Indirect	Sundry	<u>          </u>	<u>476</u>
			<u>\$ 39,259</u>	<u>\$ 39,793</u>

(1) Promissory notes in US dollars, maturing in 2007, at an annual interest rate of 10% on outstanding balances.

b. The most significant transactions with related parties were as follows:

			<u>December 31,</u>	
<u>Entity</u>	<u>Type</u>	<u>Item</u>	<u>2007</u>	<u>2006</u>
Productora y Comercializadora de Televisión, S. A. de C. V.	Associated	Programming costs	\$ 265,942	\$ 201,481
Corpazón, S. A. de C. V.	Indirect	Leasehold	908	906
Autos y Tractores de Culiacán, S. A. de C. V.	Indirect	Purchase of assets	17,395	11,434
Megaturismo, S. A. de C. V.	Indirect	Interest earned (loan)	<u>678</u>	<u>6,934</u>

NOTE 9 – BANK LOAN:

On August 20, 2007, Mega Cable and a number of subsidiaries of Mega Cable, as guarantors, signed an unsecured loan agreement with BBVA Bancomer, S. A., Institución de Banca Múltiple and JPMorgan Chase Bank, N. A. as creditors, BBVA as managing agent and Mexican managing agent and BBVA Securities Inc. and JPMorgan as documentation co-agents and syndication coagents.

		<u>December 31,</u>	
		<u>2007</u>	<u>2006</u>
J.P.Morgan Chase Bank. Syndicated bank loan		\$1,417,559	\$ 959,084
of USD \$230 million (USD \$85 million in 2006),			
maturing in August 2020, subject to the LIBOR, plus an applicable margin at 0.7%, subject to adjustments based on the performance of the consolidated leverage rate.			
Megacable Comunicaciones, S. A. de C. V. is guarantor for this loan (1). On August 23, 2007, the 2006 loan was settled.			
Continued on following page		<u>\$1,417,559</u>	<u>\$ 959,084</u>

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Continued from previous page	\$1,417,559	\$ 959,084
BBVA Bancomer. Unsecured bank loan in the amount of \$2,543 million pesos, maturing in August 2010, at the Interbank Interest Compensation Rate (TIIE from Spanish), plus 0.7%, subject to adjustments, based on the performance of the consolidated leverage rate. Megacable Comunicaciones, S. A. de C. V., is guarantor for this loan (1).	1,435,369	
Banco Nacional de México. Syndicated loan of \$1,269 million pesos, payable in eight semiannual payments as from September 2007, with the last payment due in March 2011. The applicable interest rate is the TIIE, plus a margin determined by the bank. The 2006 loan was settled on August 23, 2007.		1,316,744
SG Private Banking (Suisse). Revolving loan comprised of two lines of credit of \$2.5 million dollars at the LIBOR. Settled on March 14, 2008.	11,311	
PNC Bank Nacional. Revolving current account loan, with no guarantees, with a line of credit. Settled on March 14, 2008.	34,329	
PNC Bank Nacional. Bank loan, at the LIBOR, plus 2.5 points. Settled in January 2008.	<u>13,669</u>	<u>          </u>
	2,912,237	2,275,828
Less- Short-term maturities	<u>59,309</u>	<u>284,479</u>
Total long term	<u>\$2,852,928</u>	<u>\$1,991,349</u>

(1) These loans establish different obligations to do and not to do and agreements applicable to Mega Cable and its subsidiaries, of which it is the sole owner, including obligations with respect to restrictions on: (a) the amount of indebtedness; (b) certain dividend payments or capital stock distributions of Mega Cable or its subsidiaries, or the purchase, redemption or other acquisition of the capital stock of any of its subsidiaries; (c) certain investments; (d) operations with affiliates, (e) taxes; (f) asset purchases and sales; (g) restricting agreements (h) dividends and other payment restrictions that affect the subsidiaries, (i) consolidations and mergers; (j) hedge agreements and (k) change in accounting, and requirements for Mega Cable to comply with certain financial ratios, including a consolidated leverage ratio of no more than 3.00 to 1.00 and a consolidated interest hedging ratio of no more than 3.50 to 1.00.

The obligations to do and not to do set forth in this agreement allow for dividends in cash to be paid to Megacable Holdings as follows: a) in a total amount not exceeding the percentage of net consolidated income of Mega Cable and the guarantors, subject to a reduction in the event of distributions or dividends or other payments, with respect to equity in the capital stock, b) in additional amounts at any time equal to net cash resources arising from the issuance and sale of Mega Cable shares (but not from its subsidiaries) or as Mega Cable capital stock contributions (but not of its subsidiaries), among others.

**NOTE 10 – SUNDRY CREDITORS AND ACCUMULATED EXPENSES PAYABLE:**

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Sundry creditors	\$ 154,608	\$ 205,332
Account payable for the acquisition of Grupo Forner	-	142,105
Provision for copyrights (Note 12-a)	-	58,768
Interest payable	22,149	-
Other liabilities	<u>74,832</u>	<u>46,182</u>
Total	<u>\$251,589</u>	<u>\$452,387</u>

**NOTE 11 – LABOR OBLIGATIONS:**

The company has established two retirement plans for its employees, to which they do not contribute. Benefits under plans are based mainly on the number of years of service and compensation at retirement. The obligations and costs pertaining to said plans, as well as those related to seniority premiums, to which employees are entitled upon termination of employment after 15 years of service, are recognized based on actuarial studies conducted by independent experts.

The company has established other plans to cover employee compensation in the event of dismissal, which are based on actuarial studies conducted by independent experts.

Liabilities corresponding to labor obligations at retirement, seniority premiums and severance due to dismissal are as shown below:

<u>Description</u>	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Current net liability	\$ 42,014	\$ 30,079
Less: Net projected liability	<u>51,847</u>	<u>43,605</u>
Additional liability	<u>(\$ 9,833)</u>	<u>(\$ 13,526)</u>
Projected benefit obligations	\$ 56,771	\$ 39,194
Less: Net transition obligation	(12,706)	(9,952)
Variations in assumptions	<u>6,659</u>	<u>14,363</u>
Projected net liability	<u>\$ 50,724</u>	<u>\$ 43,605</u>
Net cost for the period		
Labor cost	\$ 7,207	\$ 9,801
Financial cost	2,084	1,535
Transitory obligation	1,950	2,269
Variations in assumptions and experience adjustments	<u>(288)</u>	<u>(208)</u>
Total net cost for the year	<u>\$ 10,953</u>	<u>\$ 13,397</u>

Rates used in calculating obligations arising from plan benefits and yields:

Discount rate	3.5%	5%
Salary increase rate	3%	3%

NOTE 12 – COMMITMENTS AND CONTINGENCIES:

- a. In the event of an official review, the tax authorities could identify discrepancies in the criteria applied by the Group in determining taxes. The tax authorities have reported no inconsistencies in the taxes determined and paid by the Group, except for the following:

On April 23, 2004, the Federal Tax Court confirmed the sentence and dismissed the appeal for legal protection filed by the Group against the tax debt assessed by the tax authorities arising from the assessment of consolidated taxable income for the 1996 tax year. The Group agreed to pay in 2006 the tax liability established by the Ministry of Finance in the amount of \$45 million. The Company had reserved \$112.8 million at December 31, 2004 and therefore, the surplus in the reserve in the amount of \$67.8 million was credited to income for 2006.

On June 15, 2005, the First Chamber of the Superior Court of Justice dismissed the request for legal protection against the sentence, where the Court sentenced MEGA CABLE to pay Sociedad de Autores y Compositores de la Música (the Association) copyrights equivalent to 1% of total payments monthly rent payments arising from certain centers where the Company offers cable television services. In light of the above, the Company has set up a reserve in the amount of \$66.8 million. On November 7, 2007, the Company signed an agreement for payment to said Association of \$14.0 million, and all related litigation against the operators of public telecommunications networks and their affiliated and associated companies was concluded, mutually considering as paid each and every of the compensation claims presented to the fourth district judge in Mexico City on November 8, 2007. At December 31, 2007, the \$38.8 reserve surplus was credited to income.

- b. The Group had obligations guaranteed by Mega Cable and some of these subsidiaries with financial institutions for Megacable Holdings' syndicated loan. Said loan includes clauses that restrict the Group from conducting certain activities such as the sale of fixed assets or the merger with third parties. In addition, the loan agreement required compliance with certain financial ratios. See Note 9.
  
- c. In accordance with the terms and conditions of the concession, Megacable is required to comply with certain obligations. Noncompliance, on the part of the Company, with certain obligations could give rise to sanctions. In addition, the Company's concessions are subject to cancellation due to a number of causes, such as interruption of the service, failure to comply with the obligations or conditions stipulated in the concession titles, the cession or transfer of rights conferred by the concessions, or failure to pay the agreed-upon compensation to the federal government. In any of these assumptions, the concession can be revoked, without the government being obligated to pay Megacable any compensation. If the Ministry of Communications and Transport (SCT from Spanish) were to revoke any of the Company's concession titles, the latter would be unable to operate within the area covered by the revoked concession or to obtain new concessions to operate in that or any other area during a five-year period. Revoking of any of Megacable's concession titles would have a significant adverse effect on its activities, financial position or results of operations.

## NOTE 13 – STOCKHOLDERS’ EQUITY:

At the October 1, 2007 Extraordinary General Stockholders’ Meeting, Megacable Holdings’ stockholders agreed to increase the variable capital stock by \$857,843, through an exchange of shares with individuals (Mega Cable stockholders).

At the October 12, 2007 Extraordinary Stockholders’ Meeting, Megacable Holdings’ stockholders decided to conduct a restructuring of the shares representing the capital stock, through a split, and to modify the structure of the series, in order for the amount of capital stock paid by the company to be represented by 1,591,417 ordinary nominative shares, with no par value.

At the October 30, 2007 Ordinary and Extraordinary Stockholders’ Meeting, the stockholders agreed to:

- a. Conduct a public offering of Ordinary Participation Certificates (OPC’s) in Mexico, the United States of America and other foreign markets, of up to 197,955,903 certificates, which can be mixed, primary or secondary, of said OPC’s, under Rule 144A and the Regulation of the Securities Law of 1933 of the United States of America and the legislation applicable in other countries.
- b. Convert and/or reclassify the overall series “B” shares, representing the variable capital stock in circulation at that date, to series “A” ordinary nominative shares, with no par value, representing the variable capital stock. Approval of said conversion or reclassification in no way changes the shareholding percentages of the company’s stockholders. As a result, all the shares in which the company’s capital stock is divided are a part of a single series of shares.
- c. Amend the Company’s bylaws for compliance with the agreements reached at the stockholders’ meeting regarding the public offering of the OPC’s and to ensure compliance with the requirements set forth in the Mexican Stock Market Law. Therefore, as from these date, the company is, as shown in its name, a Variable Capital Stock Company, to be abbreviated in the suffix “S. A. B. de C. V.”.
- d. Increase the company’s variable capital stock by \$59,537, through issuance of up to 129,938 series “A” ordinary, nominative shares, with no par value, representing the variable portion of capital stock. Said increase is subject to condition of obtaining authorization thereof from the National Banking and Securities Commission and registration of the OPC’s at the National Securities Registry, as well as certain other aspects related to said offering.
- e. Request registration of the OPC’s and the series “A” shares at the National Securities Registration of the National Banking and Securities Commission and registration of the OPC’s in the listing of securities authorized for trading in the Mexican Stock Market.

After the above movements, the company's capital stock at December 31, 2007 was comprised as follows:

At December 31, 2007, the shares representing the company's capital stock issued and in circulation total 94,733 pertaining to the fixed portion and 1,721,260,940 pertaining to the variable portion, all represented by series "A" and entirely paid in.

At December 31, 2007, the company's capital stock is comprised as follows:

	<u>2007</u>
Capital stock	\$908,531
Restatement	<u>9,819</u>
Total capital stock	<u>\$918,350</u>

At November 12, 2007, Megacable Holdings concluded the global offering, placing 395,911,806 shares in the primary portion. The amount obtained from this issue, taking into account the primary portion and the overweighting was \$2,211,512 and issuance expenses totaled \$47,304, net of the tax effect thereof.

The combined stockholders' equity at December 31, 2006 is as shown below:

<u>Shares</u>	<u>Description</u>	<u>Amount</u>
1,362,084	Series "A" represents the fixed portion of the capital stock, without withdrawal rights	\$ 8,921
183,638,812	Series "B" represents the variable portion of the capital stock with withdrawal rights	<u>1,226,407</u>
<u>185,000,896</u>	Restatement increment	<u>727,542</u>
		1,962,870
	Effect of acquisition of minority interest in Mega Cable and MCM (1)	<u>(959,957)</u>
	Capital stock in pesos of December 31, 2006 purchasing power	<u>\$1,002,913</u>

(\*) Ordinary nominative shares, entirely subscribed and paid in.

(1) In 2006, Tele Holding, one of the combined entities, acquired the minority interest in Mega Cable and MCM Holding in the amount of \$3,538,828 with a loan from a financial institution. The excess of the price over the value of the minority interest of \$1,268,605 was recorded as a deduction in retained earnings, as per FRS B-7 “Business Combinations”. This transaction did not give rise to an increase in the capital stock of the combined entities with respect to the prior year.

- a. Net income for the year is subject to the legal provision requiring that at least 5% of the profit be set aside to increase the legal reserve until it reaches an amount equivalent to 20% of the capital stock.
- b. Dividends paid are free of income tax if paid out from the After Tax Earnings Account (CUFIN). Any excess over the CUFIN is taxable at a rate fluctuating between 4.62% and 7.69%, if paid out from the reinvested CUFIN (CUFINRE). Dividends in excess of the CUFIN are subject to tax equivalent to 38.91%. The tax is payable by the Company and may be credited against its income tax in the same year or the following two years. Dividends paid out from previously taxed earnings are subject to no tax withholding or additional tax.
- c. In the event of a capital reduction, the excess of stockholders’ equity over capital contributions is accorded the same tax treatment as dividends, in accordance with the procedures established in the Income Tax Law.

NOTE 14 – INCOME TAX, UNAMORTIZED TAX LOSSES, ASSET TAX AND FLAT TAX:

a. Income tax:

Book and tax results differ mainly due to temporary and permanent differences, the latter basically arising from recognition of the effects of inflation on different bases and to nondeductible expenses.

As a result of the entering into effect of the provisions of the new Flat Tax Law (IETU Law), based on financial and tax projections that indicate that the company will essentially be paying IETU rather than income tax in the future, the Company decided to cancel the deferred income tax recorded up until September 30, 2007. The corresponding provisions are analyzed as follows:

The effect of deferred taxes on the main temporary differences is as follows:

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Property, systems and equipment, net	\$2,079,705	\$1,940,020
Unamortized losses tax carryforwards	(2,358,851)	(4,348,625)
Intangible assets	188,192	-
Provisions for labor obligations	(50,724)	(43,605)
Provisions and other	<u>(97,505)</u>	<u>(209,210)</u>
	(239,183)	(2,661,420)
Income tax rate	<u>28%</u>	<u>28%</u>
Deferred income tax	(66,971)	(745,198)
Cancellation of deferred income tax reserve for tax losses and other	(223,987)	- Valuation
	<u>503,555</u>	<u>838,420</u>
Deferred income tax, net	212,597	93,222
Asset tax recoverable	51,127	49,247
Valuation reserve	<u>(51,127)</u>	<u>(49,247)</u>
Deferred income tax payable	<u>\$ 212,597</u>	<u>\$ 93,222</u>

At December 31, 2007 and 2006, it was decided not to reconcile the legal and effective income tax rate of the Group, in light of the fact that the most relevant subsidiaries did not incur an income tax liability, as they have unamortized tax losses (see following paragraph), and other of the subsidiaries incurred asset tax liabilities, as a result of which, it was not practical to disclose it.

At December 31, 2007, some of the Group companies have accumulated tax losses that to be amortized against future taxable income as shown below:

<u>Year in which loss was generated</u>	<u>Restated amount</u>	<u>Year of expiration</u>
1998	\$ 1,797	2008
1999	238	2009
2000	6,615	2010
2001	16,723	2011
2002	402	2012
2003	7,938	2013
2004	3,355	2014
2005	2,051	2015
2006	2,311,284	2016
2007	<u>8,448</u>	2017
	<u>\$2,358,851</u>	

b. Asset tax (AT) -

Asset tax is calculated at the rate of 1.25% on the net value of certain assets and liabilities, and is payable only when it exceeds income tax payable.

At December 31, 2007, some of the subsidiaries paid the following asset tax recoverable in future periods:

<u>Year in which loss was generated</u>	<u>Restated amount</u>	<u>Year in which period for its recovery expires</u>
1998	\$ 1,051	2008
1999	124	2009
2000	240	2010
2001	261	2011
2002	12,553	2012
2004	6,515	2014
2005	5,241	2015
2006	18,049	2016
2007	<u>7,093</u>	2017
	<u>\$ 51,127</u>	(32)

The AT Law was repealed as from January 1, 2008, with the new Flat Tax Law entering into effect in replacement thereof (see point c. below).

Employees' Statutory Profit Sharing (ESPS) is calculated, applying the procedures established in the Income Tax Law. As a result, in calculating this item, neither the effects of inflation nor unamortized tax losses carryforwards are considered for tax purposes.

c. FLAT TAX (IETU from its initials in Spanish):

The new Flat Tax Law (IETU from its initials in Sp.) was published on October 1, 2007, with the tax going into effective on January 1, 2008. Individuals and entities with a permanent establishments in Mexico are subject to this tax. IETU for the period is calculated applying the 16.5% (17% and 17.5% for 2009 and 2010, respectively) to a profit determined based on cash flows. Said profit is determined by decreasing authorized deductions from total income obtained from taxed activities. IETU tax liabilities are decreased from the above result, as established in the current legislation.

As from October 1, 2007, in compliance with Financial Reporting Standards, company management recognized a deferred tax corresponding to the temporary differences arising in determining the IETU tax base and that will be materialized in the following periods. Consequently, the company reserved the total deferred income tax amount, as the temporary differences generated will not be materialized, as per management's financial and tax projections, because according to said projections, the tax to be paid by the Group will be the IETU. Therefore, at December 31, 2007, the company has recognized deferred IETU in the amount of \$378,440.

The main temporary differences on which deferred IETU at December 31, 2007 was recognized are analyzed as follows:

<u>Item</u>	<u>Amount</u>
Advances to suppliers	\$ 11,563
Provisions for labor obligations	(42,099)
Provisions and other	<u>(125,322)</u>
	(155,858)
Applicable IETU rate	<u>17.5%</u>
IETU determined	(27,275)
Less tax debts arising from fixed assets	<u>405,715</u>
Deferred IETU liability	<u>\$ 378,440</u>

NOTE 15 - FOREIGN CURRENCY POSITION:

- a. At December 31, the Group's foreign currency position is summarized as follows (thousands of US dollars):

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Assets	\$ 39,307	\$ 52,300
Liabilities	<u>(142,582)</u>	<u>(99,519)</u>
Net liability position	<u>(\$103,275)</u>	<u>(\$47,219)</u>

- b. The exchange rate used for valuation of monetary assets and liabilities denominated in USdollars was \$10.90 and \$10.88 at December 31, 2007 and 2006, respectively.

- c. During the period, the following importations were made in U.S. dollars (thousands):

	<u>December 31,</u>	
<u>Item</u>	<u>2007</u>	<u>2006</u>
Purchase of materials	\$46,692	\$ 35,859
Programming and other expenses	<u>21,768</u>	<u>16,789</u>

- d. At the date of issuance of these financial statements, the exchange rate was \$10.48 to the USdollar.

NOTE 16 - COMPREHENSIVE FINANCING RESULT, NET:

The comprehensive financing result is as shown below:

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Exchange gain	\$ 276,913	\$ 342,378
Interest income	101,855	151,555
Gain on monetary position	65,604	26,743
Exchange loss	(244,386)	(373,964)
Interest expense	<u>(231,111)</u>	<u>(128,605)</u>
Total	(\$ 31,125)	\$ 18,107

NOTE 17 – TAX ON PROFITS:

Taxes on profits are as follows:

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Deferred IETU	\$ 378,440	\$ -
Asset tax	66,344	33,259
Income tax	52,243	87,851
Amortization of deferred tax debts	(271,365)	(313,794)
Net effect of deferred income tax	(73,809)	351,395
Asset tax benefit	<u>-</u>	<u>(11,038)</u>
Total	<u>\$ 151,853</u>	<u>\$147,673</u>

NOTE 18 – RISK CONCENTRATION:

Financial instruments potentially subject to credit risk concentration consist mainly of temporary investments. The Group has deposited most of its cash in renowned financial institutions in Mexico and the U.S. and considers that the risk of loss is remote. The risk of accounts receivable for the Company is mitigated by the fact that its customer base is dispersed and there is no significant main customer.

NOTE 19 – FINANCIAL INFORMATION PER SEGMENT:

The Group's segments to be reported are strategic business units that offer different services and products, and are based on the Group's internal reporting method. The Group's segments to be reported are as follows:

I. Analysis of financial information per segment:

	<u>December 31, 2007</u>					
	<u>Cable</u>	<u>Internet</u>	<u>Digital phone service</u>	<u>Other</u>	<u>Eliminations</u>	<u>Consolidated total</u>
Income from services provided to external customers	<u>\$2,841,764</u>	<u>\$929,295</u>	<u>\$173,521</u>	<u>\$ 221,440</u>	<u>\$ -</u>	<u>\$4,166,020</u>
Operating income	<u>\$ 864,049</u>	<u>\$650,839</u>	<u>\$110,795</u>	<u>(\$ 67,516)</u>	<u>\$ -</u>	<u>\$1,558,167</u>

	December 31, 2006					
	<u>Cable</u>	<u>Internet</u>	<u>Digital phone service</u>	<u>Other</u>	<u>Eliminations</u>	<u>Combined total</u>
Income from services provided to external customers	<u>\$2,279,161</u>	<u>\$870,851</u>	<u>\$ 27,758</u>	<u>\$222,501</u>	<u>\$ -</u>	<u>\$ 3,400,271</u>
Operating income	<u>\$ 668,762</u>	<u>\$599,519</u>	<u>\$ 4,328</u>	<u>(\$ 60,852)</u>	<u>(\$ 24,988)</u>	<u>\$ 1,186,769</u>

Analysis of other information per segment:

	December 31, 2007					
	<u>Cable (*)</u>	<u>Internet</u>	<u>Digital phone service</u>	<u>Other</u>	<u>Eliminations</u>	<u>Consolidated total</u>
Total assets per segment	<u>\$3,067,421</u>	<u>\$492,399</u>	<u>\$539,022</u>	<u>\$ 79,380</u>	<u>\$ -</u>	<u>\$4,178,222</u>
Acquisitions for the year of property, systems and equipment	<u>1,301,700</u>	<u>77,037</u>	<u>84,500</u>	<u>40,167</u>	<u>-</u>	<u>1,503,404</u>
Depreciation and amortization	<u>\$ 326,459</u>	<u>\$ 36,421</u>	<u>\$48,778</u>	<u>\$ 5,809</u>	<u>\$ -</u>	<u>\$ 417,167</u>

	December 31, 2006					
	<u>Cable (*)</u>	<u>Internet</u>	<u>Digital phone service</u>	<u>Other</u>	<u>Eliminations</u>	<u>Combined total</u>
Total assets per segment	<u>\$1,604,637</u>	<u>\$494,559</u>	<u>\$84,856</u>	<u>\$525,363</u>	<u>\$ -</u>	<u>\$2,709,415</u>
Acquisitions for the year of property systems and equipment	<u>476,560</u>	<u>96,955</u>	<u>58,802</u>	<u>48,404</u>	<u>-</u>	<u>680,721</u>
Depreciation and amortization	<u>\$ 226,150</u>	<u>\$ 30,798</u>	<u>\$ 2,529</u>	<u>\$ 57,617</u>	<u>\$ 18,315</u>	<u>\$ 335,409</u>

(\*) Some of the fixed assets included in the cable segment are also used in other segment, such as internet and telephone service. However, the cost of said assets is assigned only to this segment.

II. Additional analysis per geographic location:

a. Analysis per geographic location and product:

<u>State</u>	<u>Total service income</u>	
	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Jalisco	\$ 1,094,368	\$ 869,578
Sinaloa	564,441	474,983
Puebla	527,409	417,710
Sonora	490,320	441,468
Veracruz	440,457	380,991
Durango y Coahuila	344,742	285,586
México, D.F.	152,334	144,148
Nayarit	146,819	114,960
Chiapas	136,653	110,093
Querétaro	84,786	54,537
Michoacán	71,372	60,072
Chihuahua	29,851	28,434
Oaxaca	23,608	-
Estado de México	22,840	-
Zacatecas	18,387	11,494
Extranjero	5,349	6,217
Morelos	5,720	-
Hidalgo	2,381	-
Tabasco	1,888	-
Guerrero	1,547	-
Campeche	748	-
Consolidated total	<u>\$ 4,166,020</u>	<u>\$ 3,400,271</u>

<u>State</u>	<u>Total assets</u> <u>December 31,</u>		<u>Acquisitions of systems</u> <u>and equipment</u> <u>December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Sinaloa	\$ 354,183	\$ 313,268	\$ 128,537	\$ 61,505
Sonora	238,402	227,016	51,026	41,286
Nayarit	90,524	83,529	27,593	14,365
Jalisco	1,287,845	688,552	815,554	262,807
Michoacán	204,359	36,935	42,168	4,579
Querétaro	124,828	100,793	58,654	90,857
Zacatecas	30,153	27,632	14,044	25,859
Veracruz	233,735	204,135	78,553	41,932
Chihuahua	48,268	51,678	2,297	9,836
Puebla	286,708	240,342	118,958	64,942
Durango y Coahuila	237,082	210,023	112,781	35,669
Chiapas	112,426	113,695	23,324	6,892
México, D.F.	664,434	411,816	9,453	20,192
Guanajuato	141,729	-	35	-
Guerrero	16,018	-	317	-
Oaxaca	64,303	-	8,554	-
Morelos	21,071	-	716	-
Baja California	20,028	-	-	-
Other minor locations	<u>2,126</u>	<u>-</u>	<u>10,839</u>	<u>-</u>
Combined total	<u>\$ 4,178,222</u>	<u>\$ 2,709,414</u>	<u>\$ 1,503,403</u>	<u>\$ 680,721</u>

b. Analysis of income per service provided to external clients per product:

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
<u>Cable Segment</u>		
Basic Video	\$ 2,322,299	\$ 1,744,252
Basic Mini Video	165,642	272,750
Lifeline Video	93,228	37,978
Premier Video	139,416	127,792
Advertising sales	63,842	71,538
Other services	<u>57,337</u>	<u>24,851</u>
Total cable segment	<u>\$ 2,841,764</u>	<u>\$ 2,279,161</u>
<u>Internet Segment</u>		
High speed residential internet	782,113	\$ 715,479
High speed commercial internet	<u>147,182</u>	<u>155,372</u>
Total Internet segment	<u>\$ 929,295</u>	<u>\$ 870,851</u>

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
<u>Digital telephone service segment</u>		
Residential telephone service	\$ 164,871	\$ 25,335
Commercial telephone service	<u>8,650</u>	<u>2,423</u>
Total digital telephone segment	<u>\$ 173,521</u>	<u>\$ 27,758</u>
Other segments and elimination	<u>\$ 221,440</u>	<u>\$ 222,501</u>
Consolidated total	<u>\$ 4,166,020</u>	<u>\$ 3,400,271</u>

NOTE 20 – SUBSEQUENT EVENTS:

In January 2008, Grupo Acotel's cable and internet operation was transferred to Megacable Comunicaciones, both subsidiaries of Mega Cable. Grup Acotel's employees were transferred to other Mega Cable subsidiaries, as a result of which, Grupo Acotel will be engaged only in leasing fixed assets and concessions.

In January 2008, Mega Cable acquired the concession and fixed assets of Villa Nicolás Romero in the amount of \$5.3 million USD.

In March 2008, Mega Cable acquired the concessions and fixed assets of San Luis de la Paz and Comonfor in the amount of \$2.2 million USD.

Lic. Enrique Yamuni  
General Director

Mr. César Lau Y.  
Administration and Finance Director