

# First Quarter 2010 Results



**MEGACABLE.**



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**MEGA**

**Guadalajara, Jalisco, Mexico, April 26, 2010** - Megacable Holdings S.A.B. de C.V. ("Megacable" or "the Company") (BMV: MEGA.CPO) announced today its results for the first quarter of 2010. Figures were prepared in accordance with Mexican Financial Reporting Standards. All figures are expressed in thousand of pesos, unless otherwise indicated.

## Highlights

Consolidated Financial Results	Non Audited		Variation
Figures in millions of pesos	1Q10	1Q09	1Q10 vs 1Q09
Service Income	1,848	1,721	7%
Adjusted EBITDA for Cable Operations	800	772	4%
<b>Adjusted EBITDA Margin for Cable Operations</b>	<b>46.3%</b>	<b>47.1%</b>	
Consolidated EBITDA	814	780	4%
<b>Consolidated EBITDA Margin</b>	<b>44.0%</b>	<b>45.3%</b>	
Net Income	475	392	21%
Net Debt	(317)	1,206	-126%
<b>Net Debt/Annualized consolidated EBITDA</b>	<b>(0.10)</b>	<b>0.39</b>	
Interest Coverage	19.84	16.38	

Operating Results			Variation
	1Q10	1Q09	1Q10 vs 1Q09
Homes Passed	4,701,928	4,252,647	11%
Network Kilometers	32,445	29,064	12%
<b>Two- way Network Percentage</b>	<b>92%</b>	<b>90%</b>	
<b>Cable Television Subscribers</b>	<b>1,607,133</b>	<b>1,491,459</b>	8%
Digital Cable Subscribers	288,880	208,391	39%
<b>Penetration Rate of Households</b>	<b>34.2%</b>	<b>35.1%</b>	
<b>HSD Internet Subscribers</b>	<b>531,764</b>	<b>437,081</b>	22%
Penetration Rate of Cable Subscribers	33.1%	29.3%	
<b>Telephony Subscribers</b>	<b>425,361</b>	<b>305,690</b>	39%
Penetration Rate of Cable Subscribers	26.5%	20.5%	
<b>Unique Subscribers</b>	<b>1,650,400</b>	<b>1,537,800</b>	7%
<b>Revenue Generating Units</b>	<b>2,564,258</b>	<b>2,234,230</b>	15%
RGU's Per Unique Subscribers	1.55	1.45	7%
ARPU per Unique Subscriber	\$ 378.4	\$ 374.5	1%

## Executive Summary

Megacable achieved subscriber growth of 8%, 22% and 39% in its video, internet and telephony segments, respectively, for 1Q10 compared to 1Q09. The video segment ended the quarter with 1.6 million subscribers, the internet segment with 532 thousand subscribers and the telephony segment with 425 thousand subscribers. These increases took place despite the important challenges the Company faced in 2010, mainly due to the weaker economic situation in Mexico, an increase in the number of provider options for subscribers and the effect of new taxes on telecommunications services, which went into effect during 1Q10, causing an increase in tariffs beginning January 2010. These tariff increases resulted in higher average churn rates across the three service segments during the first part of the first quarter. Nevertheless, Megacable was able to recover monthly growth rates at the end of the period, once subscribers adapted to the tariff increase and churn rates stabilized.

Revenues for 1Q10 increased 7% to Ps. 1,848 million, compared to 1Q09. Adjusted EBITDA of cable operations increased 4%, with a margin over cable revenues of 46%. Consolidated EBITDA for 1Q10 reached Ps. 814 million, representing a 4% increase compared to 1Q09.

Net income for 1Q10 reached Ps. 475 million, an increase of 21% compared to 1Q09. This increase was driven by an average appreciation of the peso versus the dollar of approximately 11% annually, which substantially improved upon the exchange rate losses of 2009.

On the other hand, Megacable has been able to maintain a healthy financial structure, increasing assets by 16% and increasing shareholders' equity by 27%, while lowering total liabilities by 3%. As a result, debt levels improved from 1Q09 to 1Q10, reaching a ratio of debt-to-assets to 0.45x, interest coverage of 19.84x and net debt over annual consolidated EBITDA of -0.10x.

Regarding derivatives operations, the Company maintained four derivative contracts as of 1Q10. One of them is a cross-currency swap contract for Ps. 706 million, which expires during the third quarter of 2010. The three remaining contracts are cross currency swaps for a total of US\$ 80 million, which are held to hedge the exchange rate and interest rate risk, for part of the bank loan negotiated in dollars.

Finally, on March 18, 2010, Megacable together with Televisa and Telefónica announced their joint participation in the auction of a pair of dark fiber wires. The auction will be held by the Federal Electricity Commission (*Comisión Federal de Electricidad*). The three companies will participate as a consortium, and their goal will be to improve the quality of services currently offered by providing an alternative to data transportation services.

## Operating Results

MEGACABLE HOLDINGS S. A. B. DE C. V.					
QUARTERLY OPERATING DATA					
	1Q10	1Q09	4Q09	Variation	
				1Q10 vs 1Q09	1Q10 vs 4Q09
<b>ARPU (1) (Ps.)</b>					
Unique Subscribers	378.4	374.5	369.8	1%	2%
Video	240.7	255.8	242.3	-6%	-1%
Internet	197.0	215.0	194.4	-8%	1%
Telephony	192.8	210.2	193.9	-8%	-1%
<b>Monthly Average Churn Rate</b>					
Video	3.1%	2.5%	2.3%		
Internet	3.4%	3.3%	3.3%		
Telephony	4.2%	4.0%	4.2%		

### 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.

## Video Segment

Megacable's video segment increased its number of subscribers by 8%, from 1Q09 to 1Q10, increasing by over 116 thousand net-adds and ending the period with 1,607,133 subscribers. It is worth mentioning, that the additions obtained from 4Q09 to 1Q10 are 64% higher than those obtained from 4Q08 to 1Q09, totaling 14,292 additions from December 2009 to March 2010, compared with 8,698 additions obtained in 1Q09.

Video ARPU reached Ps. 240.7 in 1Q10, representing a decrease of 6% compared to Ps. 255.8 in 1Q09. This was caused because revenues from the video segment in 1Q09 included advanced payments, most of which tend to take place during the first quarter of each year. However, in 1Q10, advanced payments declined considerably, since most of the Company's subscribers who make their monthly payments in advance realized these payments at the end of 4Q09 in anticipation of the expected increase in tariffs, resulting from the new special tax placed on telecommunications services, as well as the increase in the value-added tax (IVA), both of which went into effect in January 2010.

## Internet Segment

The internet segment obtained approximately 95 thousand new subscribers in 1Q10, compared to 1Q09, reaching an annual increase in subscribers of 22% for a total of 531,764 broadband subscribers for the quarter. Similarly to the video segment, the net additions for internet in 1Q10 exceeded the additions obtained from 4Q08 to 1Q09 by 59%, reaching 15,678 net adds from December 2009 to March 2010.

ARPU for the internet segment declined 8% to Ps. 197.0 in 1Q10 compared to 1Q09, due to the discounts applied to this segment for the adoption of triple-play packages during the year. However, this type of sales strategy, together with the increases in speed in all of our packages, has contributed to increasing sales in this service, thus increasing average revenue per subscriber.

## Telephony Segment

The number of telephony subscribers increased 39% in 1Q10 compared to 1Q09. The number of subscribers at the end of the quarter reached 425,361 with the addition of approximately 120 thousand net adds during the year. The net additions obtained during 1Q10, were achieved mostly during the end of the quarter, when the Company implemented new marketing strategies aimed at recovering the telephony growth rate, once subscribers adapted to the tariff rate increase and the churn rate stabilized.

ARPU decreased from Ps. 210.2 in 1Q09 to Ps. 192.8 in 1Q10, a decline of 8%.

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

RGU's rose 15% growth, increasing by 330 thousand units, from 1Q09 to 1Q10, reaching 2,564,258 units, while unique subscribers increased 7%, reaching 1,650,400 at March 31, 2010. As a result, RGU's per unique subscriber increased from 1.45 RGU's per unique subscriber in 1Q09 to 1.55 RGU's per unique subscriber in 1Q10.

Despite the general decline in ARPUs in the operating segments, ARPU per unique subscriber increased 1% from 1Q09 to 1Q10 and 2% from 4Q09 to 1Q10, evidence of the Company's success in increasing the number of services per subscriber.

## Monthly Average Churn Rate

The average monthly churn rate for the three service segments increased, mainly due to the increase in tariffs during 1Q10. The average monthly churn rate for the video, internet and telephony segments increased 58, 13 and 24 basis points, respectively.

## Homes Passed and Network

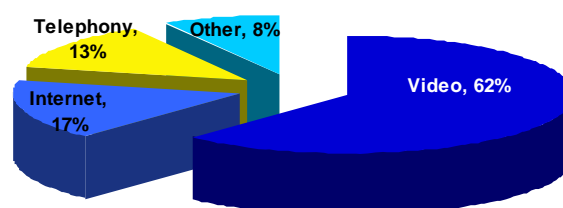
As of March 31, 2010, Megacable's optical fiber and coaxial network expanded to approximately 4.7 million homes passed, with an extension of 32,445 kilometers, the most extensive and modern network in Mexico, with a 92% two-way network.

## Consolidated Results

Income by Segment In millions of Pesos			
	1Q10	1Q09	1Q10 vs 1Q09
Video	1,145	1,141	0%
Internet	309	279	11%
Telephony	241	184	31%
Other	153	117	31%
<b>Total</b>	<b>1,848</b>	<b>1,721</b>	<b>7%</b>

Megacable's consolidated income increased 7% from 1Q09 to 1Q10, reaching Ps. 1,848 million at March 31, 2010. The income growth rate decelerated compared to previous quarters, due to the important decline in advanced payments previously mentioned, as well as the higher average churn rates resulting from the tariff increases.

With respect to the revenue structure, for 1Q10, 62% of total revenues were from the video segment, 17% from the internet segment and 13% from telephony; 8% were derived from other operating segments.



Cost of services increased 10%, driven by a 15% increase in RGU's, as well as the increase in costs in other business units.

Operating and general expenses increased 10%, due to higher labor costs and higher sales commissions that were a result of advertising campaigns aimed at offsetting the increase in churn rates. As a result, operating income reached Ps. 627 million at the end of the quarter.

Net income for 1Q10 reached Ps. 475 million, an increase of 21% compared to 1Q09. This increase was mainly due to the appreciation of the peso versus the dollar, which resulted in a net exchange rate gain of Ps. 6 million at March 31, 2010, compared to a significant loss in 1Q09.

Alternatively, the income tax rate rose from 22% in 1Q09 to 25% in 1Q10; given that in 1Q09 the Company still maintained tax losses carried forward, which were amortized.

## Adjusted EBITDA & Consolidated EBITDA

EBITDA			
	1Q10	1Q09	1Q10 vs 1Q09
<b>In thousands of Pesos</b>			
Consolidated operating Income	\$ 626,861	\$ 608,917	3%
Less operating Income (Loss) of MCM Holding	3,801	(111)	3524%
Operating Income for Cable Operations	623,060	609,028	2%
Plus Consolidated depreciation and amortization	187,011	171,482	9%
Less depreciation and amortization of MCM Holding	10,441	8,308	26%
Plus Non- recurring items			
<b>Adjusted EBITDA for Cable Operations (1)</b>	<b>\$ 799,631</b>	<b>\$ 772,202</b>	<b>4%</b>
<b>Total Income excluding MCM</b>	<b>\$ 1,728,094</b>	<b>\$ 1,639,780</b>	<b>5%</b>
<b>Adjusted EBITDA Margin for Cable Operations</b>	<b>46.3%</b>	<b>47.1%</b>	
<b>Consolidated EBITDA (2)</b>	<b>\$ 813,873</b>	<b>\$ 780,399</b>	<b>4%</b>
<b>Consolidated EBITDA Margin</b>	<b>44.0%</b>	<b>45.3%</b>	

**Notes:**

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

Adjusted EBITDA from cable operations increased 4% from 1Q09 to 1Q10, reaching Ps. 800 million with a margin over cable revenues of 46% for 1Q10. This represented a decline in the margin of 82 basis points compared to 1Q09, due to a decrease in advanced payments, previously mentioned, during 1Q10 compared to 1Q09.

Megacable's Consolidated EBITDA reached Ps. 814 million in 1Q10 for an increase of 4% when compared to 1Q09 and a margin of 44% over services income.



## Liquidity, Debt and Capital Structure

### Liquidity

The Company's cash and temporary investments increased 49% from 1Q09 to 1Q10, greatly contributing to the 60% increase in Megacable's current assets. However, liquidity ratios were affected mainly due to the fact that the Company's current liabilities increased significantly due to short-term debt maturity of its bank loans.

<b>Liquidity Ratio</b>	<b>as of March 31,</b>		
	<b>2010</b>	<b>2010*</b>	<b>2009</b>
Assets Ratio	1.09	4.54	3.53

\*Considering the bank loan maturity at long term

### Debt

Total liabilities decreased 3% from 1Q09 to 1Q10, mainly due to the change in valuation of dollar-denominated bank debt, which decreased due to the appreciation of the peso/dollar exchange rate.

As a result of this decrease and the increase in assets and shareholders' equity, the Company's debt profile improved compared to 1Q09. In addition, Megacable's high cash generation contributed to a Net Debt to Annual Consolidated EBITDA rate of -0.10x and interest coverage of 19.84x.

<b>Debt Ratios</b>	<b>as of March 31,</b>	
	<b>2010</b>	<b>2009</b>
Debt Ratio	0.31	0.37
Debt to Equity Ratio	0.45	0.59
Net Debt/ Annualized EBITDA	(0.10)	0.39
<b>Interest Coverage</b>		
EBITDA/ Interests Expenses	19.84	16.38

Megacable's net debt decreased 127% when comparing 1Q10 with 1Q09 due to the increase in the Company's cash and short-term investments, as well as to credit payments to providers, together with a lower peso/dollar exchange rate. Therefore, cash and temporary investments are higher than the Company's debt by approximately Ps. 316 million.



In thousands of Pesos	1Q10	1Q09
<b>Short Term Debt</b>	<b>2,955,162</b>	<b>21,201</b>
One year maturity of long term bank loans	2,955,162	21,201
<b>Long Term Debt</b>	<b>187</b>	<b>3,381,231</b>
Bank Loans	-	3,182,260
Accounts Payable	187	198,971
<b>Total Debt</b>	<b>2,955,349</b>	<b>3,402,432</b>
Cash and Short Term Investments	3,271,852	2,196,415
<b>Net Debt</b>	<b>(316,502)</b>	<b>1,206,017</b>

During 1Q10, the Company undertook an interest rate hedging position, or SWAP, that references the 28 day TIIE rate, maturing on August 23, 2010 for an amount of Ps. 706 million.

Furthermore, during the third quarter of 2009, the Company closed 3 “cross-currency swap” derivative contracts for a total of US\$ 80 million. These cross currency swaps hedge exchange rate and interest rates risks related to part of Megacable’s bank loan for US\$120 million, which generates interest at a rate of LIBOR plus 0.7%. These contracts permit the fixing of US\$ 80 million at a weighted average exchange rate of Ps. 12.8765 / US\$ 1, as well as establishing an weighted average interest rate of TIIE 28 days + 0.67% for this amount.

Debt and Cash & Short Term Investments		
As of March 31, 2010		
	In U.S. DLLS.	In Pesos
Debt	\$120	\$1,456
Cash and Short Term Investments	41	2,757
<b>*In Millions</b>		

## Shareholders’ Equity

Shareholders’ Equity increased 27% from 1Q09 to 1Q10, primarily due to a 43% increase in retained earnings, totaling Ps. 10.3 million as of March 31, 2010.

## CAPEX

During 1Q10, Megacable invested Ps. 177, mainly for the purchase of subscriber equipment, the growth and modernization of the cable network and the purchase of office equipment.

## 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 24 states in Mexico and over 200 municipalities. As of March 31, 2010, the Company had 9,320 employees.

Stock Information		
Ticker		MEGA.CPO
2 Series "A" Shares =		1 CPO
Total Outstanding Series "A" Shares (millions)		1,721
Outstanding CPOs (thousands)		207,494
CPOs in Treasury (thousands)		137
Mkt. Cap (In Ps. Millions)	\$	27,662
Closing Price (Ps) *	\$	32.14
As of March 31, 2010		

Source: Infosel



## Quarterly Income Statement

**MEGACABLE HOLDINGS, S. A. B. DE C.V.**  
**For the three-month period ended March 31, 2010 & 2009**

In thousands of Pesos	Non Audited		Variation
	1Q10	1Q09	1Q10 vs 1Q09
<b>Services Income</b>	<b>\$ 1,848,490</b>	<b>\$ 1,721,159</b>	<b>7%</b>
Cost of Services	608,893	553,042	10%
<b>Gross Profit</b>	<b>\$ 1,239,597</b>	<b>\$ 1,168,116</b>	<b>6%</b>
Operating and General Expenses (1)	612,736	559,200	10%
<b>Operating Profit</b>	<b>626,861</b>	<b>608,917</b>	<b>3%</b>
Other income (expenses), net	11,093	5,214	113%
Comprehensive Financing Income, Net	-6,016	99,966	(106%)
Equity in income of associated companies	-6,877	0	0%
<b>Income Before Income Tax and Minority Interest</b>	<b>\$ 650,847</b>	<b>\$ 514,164</b>	<b>27%</b>
Income Tax	165,970	111,418	49%
<b>Income Before Minority Interest</b>	<b>\$ 484,876</b>	<b>\$ 402,746</b>	<b>20%</b>
Minority Income	9,871	10,954	(10%)
<b>Net Profit</b>	<b>\$ 475,005</b>	<b>\$ 391,792</b>	<b>21%</b>

**NOTE:**

(1) Depreciation and amortization for the periods ended March 31, 2010 and 2009 were Ps. 187,011 thousand and Ps. 171,482, respectively.

## Balance Sheet

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

	As of March 31,	
	2010	2009
<b><u>ASSETS</u></b>		
CURRENT ASSETS:		
Cash and short term investments	3,271,852	2,196,415
Accounts receivable from customers and other, net	385,422	245,907
Recoverable taxes	175,777	91,069
Inventories	409,378	118,940
<b>Total Current Assets</b>	<b>4,242,430</b>	<b>2,652,330</b>
Investment in shares of associated companies	65,753	21,988
Property, systems and equipment, net	6,013,478	5,448,509
Goodwill, net	4,277,036	4,277,036
Preoperating expenses, net	26,037	20,978
Other assets	288,308	459,833
<b>Total Assets</b>	<b>14,913,042</b>	<b>12,880,675</b>
<b><u>LIABILITIES AND STOCKHOLDER'S EQUITY</u></b>		
CURRENT LIABILITIES		
One-year maturity of long term liabilities	2,955,162	21,201
Suppliers	469,448	375,791
Affiliated and Associated Companies	46,570	86,130
Accounts payable and accrued expenses payable	415,781	268,149
<b>Total Current Liabilities</b>	<b>3,886,961</b>	<b>751,271</b>
LONG TERM LIABILITIES		
Bank loans	-	3,182,260
Labor obligations	80,869	76,278
Accounts Payable	187	198,971
Deferred Income Tax	654,281	567,250
Deferred Goodwill, net	-	-
<b>Total Long Term Liabilities</b>	<b>735,337</b>	<b>4,024,758</b>
<b>Total Liabilities</b>	<b>4,622,298</b>	<b>4,776,030</b>
<b><u>STOCKHOLDERS' EQUITY</u></b>		
Capital Stock	920,032	914,800
Premium on subscription of shares	4,999	4,999
Net Premium on the placement of shares	2,121,349	2,094,830
Retained Earnings	7,105,504	4,967,158
Minority Interest	138,860	122,858
<b>Total Stockholders' Equity</b>	<b>10,290,743</b>	<b>8,104,645</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>14,913,042</b>	<b>12,880,675</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> or contact:

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