

## ALESTRA, S. de R.L. de C.V.

### Highlights of the Quarter

During 4Q08, we continued to expand our value-added services. As a result, they represented 65% of total revenues of the quarter, as opposed of 56% in 4Q07. Since value-added services are more profitable, EBITDA for the year was U.S. \$ 121 million, 2% higher than in 2007, in spite of the peso depreciation that took place in 4Q08, which affected revenues.

### Operations

During 4Q08 our value-added service revenues in pesos increased 9% on sequential basis, and 15% when compared to 4Q07. However, when measured in dollars, they decreased 13% and 14% sequentially and over the same quarter in 2007. This was mainly the result of the depreciation of the peso vis-à-vis the U.S. dollar that took place in 4Q08. Growth was most noticeable in local-area and internet-related services, like Virtual Private Networks (VPN), managed services and Voice over Internet Protocol (VoIP). As explained above, we are focusing on expanding our value-added service offerings, as a means to improve profitability and cash flows.

Regarding long distance services, our network handled a total volume of 614 million of minutes of use (MMOU) during 4Q08, a 7% decrease over the 662 MMOU reported during the previous quarter and 22% below when compared to the same year-ago quarter. This decrease in MMOU resulted from lower international incoming traffic and lower domestic traffic.

### Revenues

The following table presents relevant information concerning our revenues for the periods under analysis.

	4Q08	3Q08	4Q07	4Q08 vs. (%)		YTD '08	YTD '07	Ch. %
				3Q08	4Q07			
<b>Total Revenues</b>								
Ps. Millions	1,228	1,176	1,232	4	(0)	4,673	5,056	(8)
U.S.\$ Millions	97	115	113	(16)	(14)	425	453	(6)
<b>Domestic Revenues</b>								
Ps. Millions	1,048	1,000	1,016	5	3	4,013	3,901	3
U.S.\$ Millions	82	97	93	(15)	(12)	365	349	5
<b>Foreign Revenues</b>								
Ps. Millions	180	176	216	2	(17)	660	1,155	(43)
U.S.\$ Millions	14	17	20	(18)	(30)	60	103	(42)
Foreign / Total (%)	14.4	14.8	17.7			14.1	22.7	

Our 4Q08 total revenues in pesos grew 4% when compared to 3Q08, and were flat vis-à-vis the same year-ago quarter. The depreciation of the peso over the quarter made our revenues to decrease when measured in dollars. Accordingly, they were 16% and 14% lower than 3Q08 and 4Q07, respectively. On a cumulative basis, peso revenues in 2008 were 8% lower than in 2007 due to the decline in traditional long-distance services, which was partially offset with a 12% increase of value-added services. In dollar terms, revenues decreased by 6% in 2008.

## Operating Income, Margins and EBITDA

The following table sets forth our operating income, margins and EBITDA for the periods under comparison.

### Alestra-Operating Income, Margins and EBITDA

	4Q08	3Q08	4Q07	4Q08 vs. (%)		YTD '08	YTD '07	Ch. %
				3Q08	4Q07			
<b>Operating income</b>								
Ps. Millions	177	132	145	34	22	575	454	27
U.S.\$ Millions	14	13	13	8	8	52	41	27
Margin (%)	14.4	11.3	11.5			12.2	9.1	
<b>EBITDA</b>								
Ps. Millions	375	325	350	16	7	1,332	1,324	1
U.S.\$ Millions	29	32	32	(7)	(8)	121	119	2
Margin (%)	30.3	27.5	28.4			28.4	26.2	

During 4Q08, operating income increased 34% in pesos vis-à-vis the previous quarter, but only 8% in dollar terms. The main reason for the increase in pesos was a better service mix. When compared to the same year-ago quarter, operating income grew 22% in pesos, mainly as a result of lower depreciation charges. In dollars, 4Q08 operating income grew 8% vis-à-vis 4Q07.

4Q08 EBITDA increased 16% and 7% in pesos when compared to 3Q08 and 4Q07, respectively, but decreased 7% and 8% in dollars. On a cumulative basis, 2008 EBITDA grew by 1% in pesos and 2% in dollars, when compared to 2007.

## Capital Expenditures and Net Debt

4Q08 capital expenditures amounted to U.S. \$25 million, for a total cumulative investment of U.S. \$71 million in 2008. Most of the resources were used to expand our offering of value-added services.

At the end of 4Q08, our net debt decreased 5% from U.S. \$231 million reported at the end of the previous quarter to U.S. \$220 million. Our total debt amounted to U.S. \$248 million which mainly consist of a U.S. \$15 million bank facility, U.S. \$213 million related to the 2010 senior notes and other leasing facilities.

Our financial information is summarized below:

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## Selected Balance Sheet Information & Financial Ratios

	4Q08	3Q08	4Q07	YTD '08	YTD '07
Assets	477	581	657	477	657
Liabilities	315	338	385	315	385
Stockholders' Equity	162	243	272	162	272
Net Debt	220	231	232	220	232
Net Debt/EBITDA* (Times)	1.87	1.83	1.81	1.82	1.96
Interest Coverage (Times)	4.4	5.1	5.4	5.0	4.7

\* Quarterly EBITDA Times four

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