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

Highlights of the Quarter

We continued to deliver good results during 1Q09. We reported similar EBITDA level (measured in pesos) on a sequential basis, but 20% higher than 1Q08, while our value-added services contributed more to the revenue pie than the previous quarter. On the other hand, the 6% devaluation of the peso that took place in 1Q09 affected dollar figures, which declined vis-à-vis 4Q08.

Operations

We continued to execute our business strategy focused on developing value-added services, such as Virtual Private Networks (VPN) and Voice over Internet Protocol (VoIP). These services are aimed primarily to the enterprise segment of the telecommunications market in Mexico, which shows the fastest growth rates and the healthiest margins. We continued to successfully penetrate this market. During 1Q09, revenues from such services were 3% higher than previous quarter, and 19% above 1Q08. These percentage increases are measured in pesos, as we serve the Mexican market, mainly. In dollar terms, however, revenues decreased by 7% and 10%, respectively.

Traditional long distance services have declined for several years. This trend continued during 1Q09: our network handled 17% less minutes of use than the previous quarter, a reduction influenced by the larger than usual traffic around Christmas, and 29% less the same year-ago quarter. These declining rates are also the result of more competition in the market place and our decision not to carry unprofitable traffic.

Revenues

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

				1Q09 vs. (%)	
	1Q09	**4Q08**	**1Q08**	**4Q08**	**1Q08**
Total Revenues					
Ps. Millions	1,173	1,228	1,137	(4)	3
U.S.$ Millions	82	97	105	(15)	(22)
Domestic Revenues					
Ps. Millions	1,051	1,048	1,007	-	4
U.S.$ Millions	73	82	93	(11)	(22)
Foreign Revenues					
Ps. Millions	122	180	129	(32)	(5)
U.S.$ Millions	9	14	12	(36)	(25)
Foreign / Total (%)	11.0	14.4	11.4		

During 1Q09, our total revenues in pesos decreased 4% when compared to 4Q08, but increased 3% vis-à-vis the same year-ago quarter. The reduction in traditional long distance services was partially offset with higher value-added services, which are more profitable. As explained above, the peso depreciation in the quarter made revenue figures in dollars look less favorable.

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

				1Q09 vs. (%)	
	1Q09	**4Q08**	**1Q08**	**4Q08**	**1Q08**
Operating income					
Ps. Millions	165	177	134	(7)	23
U.S.$ Millions	11	14	12	(21)	(8)
Margin (%)	13.4	14.4	11.4		
EBITDA					
Ps. Millions	377	375	315	-	20
U.S.$ Millions	26	29	29	(11)	(10)
Margin (%)	32.0	30.3	27.8		

1Q09 operating income declined 7% on sequential basis, which is mainly attributable to higher asset depreciation. In terms of dollars, the drop was 21%, affected by the exchange rate of the quarter, which was higher than in 4Q08.

When compared to the same year-ago quarter, our 1Q09 operating income was 23% higher, evidencing the benefit of offering more value-added services. In spite of this fact, 1Q09 operating income was 8% lower in dollars than in 1Q08.

Our 1Q09 EBITDA in pesos was similar to 4Q08, but increased 20% when compared to 1Q08, but decreased 11% and 10% in dollar terms, respectively.

Capital Expenditures and Net Debt

During 1Q09, our capital expenditures amounted to U.S. $9 million. Most of the resources were used to expand our offering value-added services and last mile access to customers.

At the end of 1Q09, our net debt amounted to U.S. $219 million, which compares to U.S. $220 million reported at the end of 4Q08 and U.S. $231 million reported in 1Q08.

Our financial information is summarized below:

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Selected Balance Sheet Information & Financial Ratios (U.S. $ Millions)

	1Q09	4Q08	1Q08
Assets	453	476	611
Liabilities	308	314	361
Stockholders' Equity	145	162	250
Net Debt	219	220	231
Net Debt/EBITDA* (Times)	1.9	1.8	1.9
Interest Coverage (Times)	5.3	4.4	5.1

* Last Twelve Months

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